

## Tax strategy

The Board of Directors of Iberdrola, S.A. (“**Iberdrola**”) has explicitly acknowledged its responsibility for tax policy and strategy in all of the companies that it controls. The Iberdrola Board has approved a *Corporate Tax Policy* which forms part of the *Corporate Governance System* and sets out that Board’s commitment to responsible tax practices throughout the Iberdrola Group. The *Corporate Tax Policy* was initially approved by the Iberdrola Board in 2010 and was last amended in July 2020. This updated version of the *Corporate Tax Policy* was adopted by the Board of Directors of Scottish Power Limited (“**ScottishPower**”) in October 2020.

In essence, the tax strategy of Iberdrola is that of ensuring compliance with applicable tax laws and regulations and thereby avoiding tax risks. The company sees payment of taxes by its subsidiaries as their principal contribution to sustaining public expenditure in the countries in which they do business and, therefore, one of their contributions to society.

Ensuring application of good tax practices is integral to the governance framework of the whole Iberdrola Group and there are established systems of monitoring and control, ultimately with mandated semi-annual reports to the Iberdrola Audit and Risk Supervision Committee and to the Iberdrola Board. The ScottishPower Board, through the ScottishPower Audit and Compliance Committee, monitors compliance of all relevant UK members or affiliates of the ScottishPower Group with the *Corporate Tax Policy* and reports annually on that compliance, and on taxes paid and collected, to the Iberdrola Audit and Risk Supervision Committee.

The ScottishPower Board’s objective is to keep tax risk as low as possible, given the size and complexity of the ScottishPower Group, and for the companies to be viewed as low risk in relation to tax behaviours. To this end, the tax function is staffed by suitably qualified and experienced people and tax advisers are engaged to provide, where necessary, additional resources and specific expertise. External advisers are not used to devise plans or structures with the objective of avoiding payment of taxes.

Key risks are identified and mitigated through a process of review and extensive internal controls. The ScottishPower Control and Administration Director, in their capacity as the Senior Accounting Officer, takes responsibility for tax accounting arrangements, and the operation of controls within the taxes area is monitored by Internal Audit and also by a Controls Team that is independent of the tax function. When a significant transaction is contemplated, the tax aspects are considered as part of the overall commercial appraisal and, to proceed with the transaction, appropriate operational management approval is required. Decisions on whether or not to pursue opportunities, or to make operational changes, are taken for entirely commercial reasons and companies do not enter into artificial arrangements to avoid taxes. In common with other businesses, UK companies in the Iberdrola Group take advantage of available reliefs, many of which are designed to encourage activities and practices that government believes are beneficial to the national economy.

In full compliance with the Iberdrola *Corporate Tax Policy*, all UK companies in the Iberdrola Group are responsible tax payers that seek to be open, honest and transparent in dealings with tax authorities and to comply with both the letter and spirit of tax laws set by government. The Iberdrola Group, and its constituent companies, aim to remit taxes due and comply with all tax obligations on a timely basis and to have relationships with tax authorities based on mutual trust and cooperation. The Iberdrola Group may hold a different view from the tax authority on a particular matter. It aims, however, to resolve any such differences in a constructive manner, consistent with its stated approach to dealings with tax authorities.

SPW Investments Limited and its subsidiaries, ScottishPower Overseas Holdings Limited, Iberdrola Engineering and Construction UK Limited (in liquidation) and Iberdrola Engineering and Construction Networks Limited (in liquidation) regard publication of the above information as complying with their duties to publish tax strategies under paragraph 19(2) and paragraph 22(2), Schedule 19 of the Finance Act 2016 for the financial year ended 31 December 2020. More detailed information is contained in the *Corporate Tax Policy* and the wider *Corporate Governance System* published by Iberdrola and by ScottishPower.

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