

Scottish Power Energy Networks Holdings Limited
Audit & Compliance Committee

3 February 2021

2020 ANNUAL ACTIVITY
REPORT



2020 ANNUAL ACTIVITY REPORT

Report for the year 2020 presented at the Scottish Power Energy Networks Holdings Limited Audit & Compliance Committee ("the Committee") meeting of 3 February 2021 for noting by the Committee and thereafter submitted to the Board of Directors of Scottish Power Energy Networks Holdings Limited on 3 February 2021 for approval, pursuant to article 5 of the Terms of Reference of the Committee.

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I. INTRODUCTION

In accordance with the provisions of the Articles of Association of Scottish Power Energy Networks Holdings Limited (“the Company”), the board of Directors established the Committee on 31 January 2018. The Committee is a permanent internal body and has an informative and consultative role. The Committee does not have an executive function. It has powers to gather information, carry out assessments and present proposals to the Board of Directors within the scope of its activities.

The Committee provides an additional assurance that the Board of Directors supervises the significant risks of the Business with the utmost transparency, self-discipline and rigour. In assessing the effectiveness of the Internal Control System, where relevant to the Company, the Committee contributes to the attainment of the strategic objectives of the Company. While an effective Internal Control System does not, in and of itself, guarantee the achievement of such goals, it does provide an assurance that the Management of the Company makes its decisions within the framework of the guidelines and standards issued by the Board of Directors.

The Committee’s Terms of Reference set out the authority and responsibilities of the Committee together with its method of operation. The Terms of Reference have been prepared taking into account the fact that the ultimate parent company of the Company is a listed company, is the parent company of the Iberdrola Group and also has an Audit and Risk Supervision Committee within its governance structure.

The Committee exercises its functions with full autonomy, notwithstanding the establishment of a framework for collaborating with and reporting on the development of its functions with the Iberdrola Audit and Risk Supervision Committee and the Internal Audit function as defined in the Regulations of the Audit and Risk Supervision Committee of Iberdrola S.A.

II. INTRODUCTION

The Committee consists of the following members:

Member	Title	Position
Alison McGregor*	Independent, Non-Executive Member (Chairperson)	Independent Non-Executive Director – Scottish Power Energy Networks Holdings Limited
Professor Dame Lesley Anne Glover**	Independent Non-Executive Member	Independent Non-Executive Director – Scottish Power Energy Networks Holdings Limited
Mónica Grau Domene***	Non-Independent, Non-Executive Member	Administration and Control Director of Iberdrola’s Networks Business

Throughout 2020, Andrew Black, Solicitor, SP Energy Networks, acted as Secretary to the Committee.

*Alison McGregor was appointed as Chairperson of the Committee in May 2020, prior to which Wendy Barnes held the role of Chairperson.

**Professor Dame Lesley Anne Glover was appointed as a Member of the Committee in May 2020 following the resignation of Wendy Barnes.

***Mónica Grau Domene was appointed as a Member of the Committee in November 2020 following the resignation of Marc Rossi. Marc Rossi was appointed to the Committee in July 2020, following the resignation of José Izaguirre Nazar. Mr Rossi resigned as a Member of the Committee in November 2020.

In 2020, the Committee met on 5 occasions and pursuant to the Committee’s procedures under Article 12 of the Company’s Articles of Association, the Committee, also adopted 5 written resolutions. After a call of each of the meetings, or any procedure to adopt written resolutions, the members of the Committee were provided with all information required to properly prepare for the topics submitted for their consideration.

The meetings of the Committee in 2020 are set out below:

Date	Place where the meeting was held
29 January 2020	Glasgow
26 March 2020	Audio-conference
10 July 2020	Audio-conference
23 September 2020	MS Teams
26 November 2020	MS Teams

The level of attendance of each of the members of the Committee at the meetings held during 2020 is set forth below:

Member	Meetings attended
Alison McGregor	Attended all meetings
Professor Dame Lesley Anne Glover*	Attended three meetings
Mónica Grau Domene**	Attended one meeting
Wendy Barnes***	Attended two meetings
José Izaguirre Nazar****	Attended three meetings
Marc Rossi*****	Attended one meeting

*Appointed May 2020

**Appointed November 2020

***Resigned May 2020

****Resigned July 2020

*****Appointed July 2020, resigned November 2020

III. AUDIT AND COMPLIANCE COMMITTEE MEETINGS 2020

a) COMMITTEE HIGHLIGHTS

	2020
Number of meetings	5
Number of written resolutions	5
Reports, Proposals and Updates to the Company's Board of Directors	24
Presentations from Senior Management	38
Presentations from the External Auditor	2

i) Reports, Proposals and Updates to the Scottish Power Energy Networks Holdings Limited Board of Directors

Title	Date
1. Proposed Calendar of Sessions and Agendas 2020	29 January 2020
2. 2019 Committee Annual Activity Report	
3. SPEN ACC Report – 2019 Year End Financial Information	
4. SPEN ACC Report – Compliance with Corporate Tax Policy	
5. 2020 Internal Audit Budget	
6. SPEN ACC Risk Report – Enterprise Risk Management	
7. 2020 Compliance Division Budget	
8. SPENH Business Compliance Officer Appointment	
9. SPEN ACC Report on SPEN's Q1 2020 Financial Information	26 March 2020
10. SPEN ACC Risk Report – Enterprise Risk Management	
11. SPEN ACC Report on SPEN's H1 2020 Financial Information	10 July 2020
12. SPEN ACC Report on the Terms of Engagement – 2020/21 Regulatory Audit	
13. SPEN ACC Report – External Auditor Independence (2019/20 Regulatory Accounts)	
14. SPEN ACC Risk Report – Enterprise Risk Management	
15. SPEN ACC Report on SPEN's 2019/20 Regulatory Submissions	
16. SPEN ACC Report – Special Purpose Vehicles or entities domiciled in tax havens	
17. SPEN ACC Risk Report – Enterprise Risk Management	23 September 2020
18. SPEN ACC Report on SPEN's 2020 Q3 Financial Information	
19. 2020 Internal Audit Plan	26 November 2020
20. SPEN ACC Report – Audit Related Assurance Services	
21. SPEN ACC Risk Report – Enterprise Risk Management	
22. Data Protection Officer Update	
23. Updated Committee Terms of Reference	
24. Commencement of the 2020 Corporate Governance Audit	

ii) Senior Management Presentations

Date	Senior Manager	Presentation
30 January 2020	Finance Director	2019 Year End Financial Performance Review
	UK Group Tax Director	Report on Compliance with Corporate Tax Policy
	Head of Internal Audit	Internal Audit Report on Year End Financial Information & Certification Process 2019 Internal Audit Annual Activity Report Internal Audit Activities Update
	Chief Compliance Officer	Compliance Update
	Network Planning & Regulation Director	SPEN Risk Report
26 March 2020	Finance Director	Q1 2020 Financial Performance Review
	Head of Internal Audit	Internal Audit Report on Q1 2020 Financial Information Internal Audit Activities Update
	Business Compliance Officer and Chief Compliance Officer	2020 Compliance Report and Activity Plan Update
	Network Planning & Regulation Director	SPEN Risk Report
10 July 2020	Finance Director	2020 to date Financial Performance Review
	Head of Internal Audit	Internal Audit Report on H1 2020 Financial Information 2020 Internal Audit Activities Update
	Business Compliance Officer and Chief Compliance Officer	2020 Compliance Report and Activity Plan Update

	Network Planning & Regulation Director	<p>SPEN Risk Report</p> <p>Draft Certification of Availability of Resources</p> <p>Draft Certificate of Compliance</p> <p>Draft Intervention Plan</p> <p>Draft Certification of Unbundling</p> <p>Draft Ultimate Controller Undertaking</p> <p>Draft Business Separation Report</p> <p>Network Planning and Regulation Report on SPEN's 2019/20 Regulatory Submissions</p>
23 September 2020	Finance Director	2020 Q3 Financial Performance Review
	UK Group Tax Director	2020 Tax Strategy
	Head of Internal Audit	<p>Internal Audit Report on 2020 Q3 Financial Information</p> <p>2020 Internal Audit Activities Update</p>
	Business Compliance Officer	Compliance Division Report
	Network Planning & Regulation Director	SPEN Risk Report
	Director of Process & Technology	Telecommunications Update
26 November 2020	Finance Director	<p>October 2020 Financial Performance Review</p> <p>Derogation from Preparing Regulatory Accounts</p>
	Head of Internal Audit	2020 Internal Audit Activities Update
	Head of Licence and Revenue	Business Separation Compliance Officer Update
	Chief Compliance Officer and	2020 Compliance Update
	Legal Director	Legal Claims and Regulatory Investigations Report
	Network Planning & Regulation Director	SPEN Risk Report

External Auditor Presentations

Subject	Date
External Audit Update	29 January 2020
External Audit Update on Regulatory Accounts	10 July 2020

b) MEETING AGENDAS

In 2020, the Committee held five meetings. The following tables show the business transacted at each of these meetings:

Session 1 – 29 January 2020

Legal Update

- Proposed Calendar of Sessions & Agendas 2020
- 2019 Committee Annual Activity Report

Financial Information Review

- External Audit Update
- 2019 Year End Financial Performance Review
- Internal Audit Report on Year End Financial Information and Certification Process
- SPEN ACC Report – 2019 Year End Financial Information
- Report on Compliance with Corporate Tax Policy
- SPEN ACC Report – Compliance with Corporate Tax Policy

Internal Audit Update

- 2020 Internal Audit Budget
- 2019 Internal Audit Annual Activity Report
- Internal Audit Activities Update

Risk Update

- SPEN Risk Report
- SPEN ACC Risk Report – Enterprise Risk Management

Compliance Division Update

- Business Separation Compliance Officer Update
- 2020 Compliance Division Budget
- SPEN Compliance Update
- SPENH Business Compliance Officer Appointment

Session 2 – 26 March 2020

Financial Information Review

- Q1 2020 Financial Performance Review
- Internal Audit Report on Q1 2020 Financial Information
- SPEN ACC Report on SPEN's Q1 2020 Financial Information

Internal Audit Update

- Internal Audit Activities Update

Risk Update

- SPEN Risk Report
- SPEN ACC Risk Report – Enterprise Risk Management

Compliance Division Update

- Compliance Report and Activity Plan Update

Session 3 – 10 July 2020

Financial Information Review

- External Audit Update on Regulatory Accounts
- 2020 to date Financial Performance Review
- Internal Audit Report on H1 2020 Financial Information & Certification
- SPEN ACC Report on SPEN's H1 2020 Financial Information

Internal Audit Update

- 2020 Internal Audit Activities Update
- SPEN ACC Report on the Terms of Engagement - 2020/21 Regulatory Audit
- SPEN ACC Report – External Auditor Independence (2019/20 Regulatory Accounts)

Risk Update

- SPEN Risk Report
- SPEN ACC Risk Report – Enterprise Risk Management

2020 Regulatory Submissions

- Draft Certification of Availability of Resources
- Draft Certificate of Compliance
- Draft Intervention Plan
- Draft Certification of Unbundling
- Draft Ultimate Controller Undertaking
- Draft Business Separation Report
- Network Planning and Regulation Report on SPEN's 2019/20 Regulatory Submissions
- SPEN ACC Report on SPEN's 2019/20 Regulatory Submissions

Compliance Division Update

- 2020 Compliance Report and Activity Plan Update

Special Purpose Entities and Tax Haven Companies

- SPEN ACC Report - Special Purpose Vehicles or entities domiciled in tax havens
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Session 4 – 23 September 2020

Risk Update

- SPEN Risk Report
- SPEN ACC Risk Report – Enterprise Risk Management
- Telecommunications Risk

Financial Information Review

- 2020 Q3 Financial Performance Review
- Internal Audit Report on 2020 Q3 Financial Information
- SPEN ACC Report on SPEN's 2020 Q3 Financial Information
- 2020 Tax Strategy

Internal Audit Update

- 2020 Internal Audit Activities Update

Compliance Division Update

- Compliance Division Report
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Session 5 – 26 November 2020

Financial Information Review

- October 2020 Financial Performance Review
- Derogation from Preparing Regulatory Accounts

Internal Audit Update

- 2020 Internal Audit Activities Update
- 2021 Internal Audit Plan
- SPEN ACC Report – Audit Related Assurance Services

Risk Update

- SPEN Risk Report
- SPEN ACC Risk Report – Enterprise Risk Management

Compliance Division Update

- Business Separation Compliance Officer Update
- 2020 Compliance Update

Data Protection Officer Update

Legal Claims and Regulatory Investigations

Legal Update

- Updated Terms of Reference
 - Commencement of the 2020 Corporate Governance Audit
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Article 12 of the Company's Articles of Association makes provision for the use of an electronic voting system for the purpose of adopting a directors' written resolution process. The Committee passed 5 written resolutions during 2020 as follows:

- 28 January 2020: the proposed objectives for the Company's Chief Executive Officer in respect of the calendar year 1 January 2020 to 31 December 2020;
- 17 April 2020: Committee's Updated Report on Q1 2020 Financial Information;
- 5 May 2020: Report on the proposed appointment of Frank Mitchell to the Board of Directors of SP Power Systems Limited;
- 15 June 2020: General Risk Control and Management Policy; Corporate Risk Policies; Risk Policy for the Company and the Company Group; the Risk Limit Guidelines; and the Business Specific Risk Limit Guidelines; and
- 17 November 2020: Report on the proposed appointment of Liam O'Sullivan to the Board of Directors of SP Manweb plc.

IV. MAIN ACTIVITIES

In 2020, the Committee carried out a number of planned activities in order to effectively discharge the duties entrusted to it by the Board of Directors of the Company.

a) Internal Audit

The Terms of Reference* indicate that the role of the Committee is *“To oversee the independence and efficiency of the Internal Audit Department... To approve the guidelines and annual action plans established by the head of the Internal Audit Department... To propose the budget of the Internal Audit Department for its approval by the Board of Directors.... To oversee the head of the Internal Audit Department... To receive regular information on the activities carried out by the Internal Audit Department... To ensure that the managers of the Company take into account the conclusions and recommendations in the reports of the Internal Audit Department.”*

The Head of Internal Audit presented a report to the Committee at its meeting on 29 January 2020, summarising the main activities and achievements of the Internal Audit department in 2019.

On 29 January 2020, the Committee proposed the 2020 Internal Audit Annual Budget for approval by the Company's Board.

At every meeting in 2020 the Head of Internal Audit presented a report to the Committee to update on Internal Audit activities.

On 26 November 2020, the Committee approved the 2021 Internal Audit Annual Plan. The 2021 Internal Audit Annual Plan was derived in accordance with the guidelines and general plans established by the head of the Iberdrola Internal Audit Department but focused on the Company's risks.

b) Internal Monitoring and Risk Management Systems

The Terms of Reference* indicate that the role of the Committee is *“To be aware of and keep under review the Company's internal financial information process and internal risk monitoring and management systems... To ensure... that the main risks of the Company and those of any of the Company's subsidiaries are identified, managed and adequately reported... The Committee shall ensure the establishment of measures necessary to mitigate the impact of any risks identified and introduce information and internal monitoring systems which monitor and manage such risks, including contingent liabilities or off balance-sheet risks... Maintain appropriate relationships with the Company Risk Division... To make, at least every six months, a report of the risks of the Company for the Board of Directors.”*

The Network Planning & Regulation Director presented papers to the Committee on 29 January 2020, 26 March 2020, 10 July 2020, 23 September 2020 and 26 November 2020 providing an update on the performance against defined key limits and indicators, and the main risks facing the Company. Each of these reports were presented by the Chair of the Committee to the Company's Board.

On 15 June 2020, the Committee passed a directors' written resolution which noted the General Risk Control and Management Policy, Corporate Risk Policies, Risk Policy for the Company and the Company Group, Risk Limit Guidelines and Business Specific Risk Limit Guidelines.

c) Audited Accounts

The Terms of Reference* indicate that the role of the Committee is “*To propose to the Board of Directors the appointment, and the terms of engagement of the Company’s auditors, in accordance with the policy as established by the parent company of the Iberdrola Group... To ensure the independence of the Company’s auditors... Issue, and provide to the Board of Directors, on an annual basis and prior to the issuance of the Company’s auditors’ report, a report setting forth an opinion on the independence of the auditors... Analyse together with the auditors, any significant weakness detected in the internal control system... To serve as a communication channel between the Board of Directors and the auditors*”.

On 29 January 2020, as part of the supervision of the auditing of the financial statements by the Committee, representatives from the external auditor appeared before the Committee to present the External Audit Update on the December 2019 Statutory and 2019/20 Regulatory Accounts. Further, representatives from the external auditor appeared before the Committee on 10 July 2020 to present the External Audit Update on Regulatory Accounts.

On 10 July 2020, the Head of Internal Audit presented a report to the Committee on the independence of the appointed external auditor (KPMG). The Committee noted that: (i) the external auditor has confirmed their independence in the letter sent to the Scottish Power Audit and Compliance Committee dated 1 July 2020; (ii) the external auditor has confirmed that as part of their internal procedures and rules, they have in place adequate processes to consider any threats to their independence and relevant safeguards and mitigations; and (iii) all audit related assurance services were pre-approved by the Scottish Power Audit & Compliance Committee and the value of these services are not material.

On 10 July 2020 the Head of Internal Audit presented a report to the Committee on the appointment and conditions of the engagement of the external auditor (KPMG) for the 2020/21 regulatory audit.

On 26 November 2020 the Committee considered and approved the audit related assurance services to be provided by the external auditor (KPMG) for the financial year to December 2020 and the Company’s regulatory year to March 2021.

d) Economic and Financial Information

The Terms of Reference* indicate that the role of the Committee is “*To oversee the process for the preparation of and the integrity of the financial economic information of the Company (including half year information), advising on any proposals for changes to the accounting practices and policies with the general accounting practices and policies of the parent company of the Iberdrola Group. The Committee will elaborate a report for the Board of Directors on the annual, interim semi-annual and quarterly financial statements... To oversee compliance with the legal requirements and the correct application of the national and international accounting and financial information principles and practices...To inform the Board of Directors of the principles on which transactions carried out between the Company and any of the other companies forming part of the Iberdrola Group, and any of the Company’s subsidiaries, must respect in order to protect the interests of the Company.*”

One of the most significant activities of the Committee is the periodic submission to the Board of Directors of its reports on the approval of the year end and interim economic and financial information of the Company. Through the support of the Head of Internal Audit, the Committee approved the reports for the Company’s Board of Directors, specifically:-

- Results to 31 December 2019 on 29 January 2020;
- Results to 31 March 2020 on 14 April 2020 by written resolution;
- Results to 30 June 2020 on 10 July 2020; and

- Results to 30 September 2020 on 23 September 2020.

The reports of the Committee provide an opinion to the Board of Directors on the following: changes in accounting policies and practices from those adopted in the 2019 consolidated annual accounts of the Iberdrola Group; comments and observations about the significant issues of the period; and potential risks and sources of uncertainty in the accounting policies and practices adopted with potentially significant impact in the 2020 consolidated annual accounts.

At the Committee meeting held on 29 January 2020, the Head of Internal Audit provided assurance on the processes relating to the preparation of the financial information for the 2019 year end ensuring that all the required reviews, guarantees and certification were scheduled to be completed in accordance with agreed timetable.

At each meeting of the Committee during 2020, the Finance Director presented an update about the financial performance of the Company. In addition, the external auditors (KPMG) also presented an update on the December 2019 Statutory and 2019/20 Regulatory Accounts.

e) Compliance, Good Governance and Prevention and Correction of Fraudulent and Illegal Behaviours

The Terms of Reference indicate that the role of the Committee is to “receive information from the Compliance Division in connection with any matter relating to regulatory compliance and the prevention and correction of illegal or fraudulent conduct. Review, through the Compliance Division, the internal policies and procedures of the Company to verify the effectiveness thereof to prevent inappropriate conduct and identify any policies or procedures that are more effective at promoting the highest ethical standards...report to the Board of the Directors on the amendments of the Compliance Division Regulations. Review and ratify the annual operating budget of the Compliance Division, for submission to the Board of Directors, and ensure that the Compliance Division has the necessary human and material resources to perform its duties, also ensuring its independence and effectiveness. Approve the annual activity plan for the Compliance Division. Report the proposals of the appointments for the Energy Networks Compliance Director. Review the status of compliance with laws, regulations and internal procedures and the scope and status of systems designed to promote Company compliance with laws, regulations and internal procedures.”*

On 29 January 2020 ScottishPower’s Chief Compliance Officer presented an update to the Committee on the Compliance Division activities. At that meeting, ScottishPower’s Chief Compliance Officer presented the Compliance Division 2020 Annual Budget. The Committee proposed the budget for approval by the Board. The annual budget includes the required level of resources to deliver the annual plan, as determined by the Chief Compliance Officer and the Business Compliance Officer.

On 29 January 2020, ScottishPower’s Chief Compliance Officer proposed the appointment of June Dickson as the Company’s Business Compliance Officer. The Committee approved the proposal and proposed the appointment of June Dickson as the Company’s Business Compliance Officer for approval by the Board.

On 26 March 2020 and 10 July 2020, the Business Compliance Officer and ScottishPower’s Chief Compliance Officer presented an update to the Committee on the Compliance Division activities.

On 23 September the Business Compliance Officer presented an update to the Committee on the Compliance Division activities.

On 26 November ScottishPower's Chief Compliance Officer presented an update to the Committee on the Compliance Division activities.

On 29 January 2020, the UK Group Tax Director presented a report on the Degree of Compliance with the Corporate Tax Policy which was approved by the Committee.

On 26 November 2020, the UK Group Tax Director presented the 2020 Tax Strategy.

On 26 November 2020, the Data Protection Officer presented her report regarding data protection compliance which was also presented to the Board.

f) Irregular and Improper Financial Conduct

The Terms of Reference indicates that the role of the Committee is "To establish and supervise, in coordination with the mechanisms established by the parent company of the Iberdrola Group, the channels which permit employees of the Company to communicate, confidentially and, if it is deemed appropriate, anonymously, any potentially significant irregularities, especially those which are financial or accounting in nature which they may have witnessed at the Company...To undertake the necessary investigations regarding claims by third parties against the Company or regarding irregular or anomalous conduct."*

On 26 November 2020, the Legal Director presented a report of the Company's 2020 Legal Claims and Regulatory Investigations. The aim of this report is to provide the Committee with an update on the status of major legal claims and regulatory investigations and potential legal risks affecting the Company.

g) Special Purpose Vehicles and Tax Haven Companies

The Terms of Reference indicates that the role of the Committee is "To inform the Board of Directors, prior to adoption of any decision on the creation or acquisition of holdings in special purpose vehicles or in entities domiciled in countries or territories which are considered tax havens...To produce, for the Board of Directors, a report on the monitoring of special purpose vehicles or in entities domiciled in countries or territories which are considered tax havens...To inform the Board of Directors of any other transactions or operations of a similar nature which, due to their complexity, could undermine the transparency of the Iberdrola Group"*

On 10 July 2020, the Committee Secretary provided a report for the Committee in relation to special purpose vehicles or entities domiciled in tax havens within the Company's group of companies ("**SPENH Group**"). The report confirmed that there are no special purpose vehicles or in entities domiciled in countries or territories which are considered tax havens within the SPENH Group.

h) Business Separation of Activities Compliance

The Terms of Reference indicate that the role of the Committee is "To give its opinion and note on an annual basis the Compliance Officer Report on Business Separation, submitted to the Committee by the Compliance Officer to provide an update on compliance with the separation of activities focusing on the effectiveness of the practices, procedures, and systems adopted in accordance with applicable regulatory requirements of the Company and its subsidiaries. To overview any regulated activities business separation report of the Company and its subsidiaries. To inform to the Board of Directors in advance of any changes to the business separation regulatory requirements applicable to the Company and its subsidiaries"*

The Distribution and Transmission licence conditions include a number of requirements relating to separation between electricity network businesses and competitive energy activities. They also require the appointment of a Compliance Officer with specific tasks and duties including the preparation and submission of an Annual Report to the Licensee.

On 29 January 2020 the Company Business Separation Compliance Officer provided the Business Separation Compliance Officer Update to the Committee.

On 10 July 2020 the Company's Business Separation Compliance Officer provided a draft Business Separation Report to the Committee describing the measures taken by SP Transmission plc, SP Distribution plc and SP Manweb plc to meet their respective business separation requirements. The Committee noted the terms of the draft report.

On 26 November 2020, the Company's Head of Licence and Revenue provided the Business Separation Compliance Officer Update to the Committee.

*updated Terms of Reference for the Committee were approved by the Company's Board on 26 November 2020, following the conclusion of the final meeting of the Committee. References in this section of the Committee's report are therefore to the Terms of Reference which applied until 26 November 2020 and under which all meetings of the Committee were conducted.

V. 2021 Outlook

At its meeting on 3 February 2021 the Committee will consider a proposed Calendar of Sessions for 2021. This will ensure that the Committee fulfils its duties and responsibilities as defined in Article 3 of the Terms of Reference. Subject to approval by the Committee, the proposed activities to be covered in the sessions of 2021 are set out in the table below:

Audit Committee Function	Proposed Activities
Internal Audit	<ul style="list-style-type: none"> ➤ Presentations by the Head of Internal Audit: <ul style="list-style-type: none"> ○ 2020 Internal Audit Annual Activity Report ○ 2021 Internal Audit Budget ○ Monitoring of 2021 Internal Audit Activities ○ 2022 Internal Audit Plan
Internal Monitoring and Risk Management Systems	<ul style="list-style-type: none"> ➤ Presentations by Network Planning & Regulation Director: <ul style="list-style-type: none"> ○ Risk Monitoring and Management Update ○ Key Risk Review
External Audit	<ul style="list-style-type: none"> ➤ Presentations by the External Auditor: <ul style="list-style-type: none"> ○ External Audit Updates on Regulatory Accounts ➤ Presentation by the Head of Internal Audit: <ul style="list-style-type: none"> ○ Terms of Engagement for 2021/22 Regulatory audit ○ Independence Report for 2021/22 Regulatory audit ○ Audit Related Assurance Services
Economic and Financial Information	<ul style="list-style-type: none"> ➤ Presentations by the Company's Finance Director: <ul style="list-style-type: none"> ○ Quarterly Business Performance ○ Closing Forecast 2021 ➤ Presentations by the Head of Internal Audit: <ul style="list-style-type: none"> ○ Quarterly Financial Reviews
Compliance and Good Governance	<ul style="list-style-type: none"> ➤ Presentations by the Business Compliance Officer: <ul style="list-style-type: none"> ○ Monitoring of 2021 Compliance Division Activities ○ 2022 Annual Activity Plan and Budget ➤ Presentation by the Secretary of the Committee <ul style="list-style-type: none"> ○ Scottish Power Energy Networks ACC Annual Report of Activities. ➤ Presentation by the UK Tax Director <ul style="list-style-type: none"> ○ Compliance with Corporate Tax Policy
Irregular and Improper Financial Conduct	<ul style="list-style-type: none"> ➤ Presentations by the Company's Legal Director <ul style="list-style-type: none"> ○ Legal Claims and Regulatory Investigations

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| Special Purpose Vehicles and Tax Haven Companies | ➤ Presentations by the Company's Legal Director <ul style="list-style-type: none">○ Liquidations and Special Purpose Entities Report |
| Business Separation of Activities Compliance | ➤ Presentations by the Compliance Officer <ul style="list-style-type: none">○ Compliance Officer Report – Business Separation |
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Other potential areas which may require committee attention (depending on activities in 2021) are:

- Creation of Special Purpose Vehicles (SPV) or companies domiciled in Tax Havens; and
- Consultancy Engagements with the external auditor.

VI. Conclusions

The Committee provided assurance to the Board throughout 2020 with the following being among its key activities:

- **Internal Audit:** Continuous monitoring of Internal Audit activities, approval of the 2021 Internal Audit Annual Action Plan.
- **Internal Monitoring and Risk Management Systems:** Reviewing risk reporting, noting that risk limits and indicators did not report major risk issues and that the risks identified through the key risk reporting process are the major risks faced by the business.
- **Audited Accounts:** Proposal of the terms of engagement and monitoring the independence of the external auditor in respect of the Company's regulatory accounts.
- **Economic and Financial Information:** Monitoring of financial and economic information, including changes in accounting policies and practices.
- **Compliance, Good Governance and Prevention and Correction of Fraudulent and Illegal Behaviours:** Continuous monitoring of Compliance Division activities (including Business Separation).
- **Irregular and Improper Financial Conduct:** Monitoring claims against the Company.
- **Special Purpose Vehicles and Tax Haven Companies:** Ensuring that no Special Purpose Entities (Tax Havens) have been created.