

# **Terms of Reference of the Scottish Power Energy Networks Holdings Limited Audit and Compliance Committee**

**Approved by the Scottish Power Energy Networks Holdings Limited Board on**

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## **CHAPTER I.- NATURE, PURPOSE AND APPROVAL OF THE TERMS OF REFERENCE**

### **Article 1.- Nature and Purpose**

1. In accordance with the provisions of the Articles of Association of Scottish Power Energy Networks Holdings Limited (the “**Company**”), the board of directors of the Company (the “**Board of Directors**”, a director thereof being a “**Director**”) has established the Energy Networks Audit and Compliance Committee (the “**Committee**”), a permanent internal body, having an advisory and consultative role, without executive functions, with powers of information, assessment and presentation of proposals to the Board of Directors within its scope of action, which shall be governed by the Memorandum and Articles of Association of the Company and these Terms of Reference of the Committee (the “**Terms of Reference**”).
2. These Terms of Reference are based on the independence of the Committee and aim to develop its functions by establishing the principles of action and the internal operational regime of the Committee within the regulated business within the ScottishPower Group (being, for the purposes of these Terms of Reference, the group whose controlling entity, within the meaning established by law, is Scottish Power Limited) (“**SP Energy Networks Business**”), provided that this does not undermine the separation of activities and the protection of commercially sensitive information in accordance with the legal provisions regarding the separation of regulated activities.
3. Taking into consideration the fact that the indirect sole shareholder of the Company is the sub-holding company Scottish Power Limited, which in turn is indirectly wholly owned by Iberdrola, S.A. (“**Iberdrola**”), the listed holding company and controlling entity of the Iberdrola group, to which the Company belongs (the “**Iberdrola Group**”), these Terms of Reference also aim to establish, as the Company is a head of business company of the Iberdrola Group and the ScottishPower Group, the framework of relationships and information exchange that is to exist between the Committee, the unit or department responsible for internal audit and compliance within the Company, the corresponding committees and divisions or units of Iberdrola, i.e. the Iberdrola Audit and Risk Supervision Committee (the “**Iberdrola Audit and Risk Supervision Committee**”) and the corresponding committees and divisions or units of Scottish Power Limited and, as the case may be, of the subsidiaries of the Company, with the purpose of, without compromising its independence, enabling the proper exercise of its functions in accordance with the applicable law and provisions of the Company’s Governance and Sustainability System, and safekeeping in all cases of compliance with the regulations applicable to each company.

### **Article 2.- Approval, Amendment and Priority**

1. These Terms of Reference or any amendment of the same must be approved by way of a resolution of the Board of Directors of the Company, including upon the proposal of the chair of the Board of Directors or the Chair of the Committee.
2. These Terms of Reference further develop and supplement the provisions of the Articles of Association of the Company and the terms of reference of the Board of Directors applicable to the Committee. In the event of any conflict, the provisions of the terms of reference of the Board of Directors shall prevail over these Terms of Reference, and in any case the Articles of Association of the Company shall prevail over the provisions of both.

## **CHAPTER II.- FUNCTIONS OF THE COMMITTEE**

### **Article 3.- Functions**

1. The Committee, as well as (in their relationships with the Committee) the unit or department responsible for the Company's internal audit (the "**Internal Audit Department**"), the unit or department responsible for the Company's compliance (the "**Compliance Unit**") and, when applicable, the unit or department responsible for risk management of the Company (the "**Risk Department**", and any reference to any director or head of the same shall be construed accordingly), shall exercise their functions with full autonomy, but without prejudice to the provisions of Article 4 below and the establishment of an adequate framework for collaborating with and exchanging information regarding the development of their functions with the Scottish Power Limited Audit and Compliance Committee (the "**SPL Committee**"), with the Scottish Power Limited Internal Audit Department and with the Scottish Power Limited Compliance Unit, provided that this does not undermine the separation of activities and the protection of commercially sensitive information in accordance with the legal provisions regarding the separation of regulated activities.
2. To further elaborate and develop the Committee's responsibilities under these Terms of Reference with regard to the Internal Audit Department, the head of the Internal Audit Department shall establish an appropriate framework of cooperation, coordination and information relationships with the internal audit departments that may exist in the direct or indirect subsidiaries of the Company, always according to the *Basic Internal Audit Regulations of the Iberdrola Group*, respecting the corporate autonomy of all the companies within the ScottishPower Group.

The Company's Business Compliance Officer and, when applicable, the director of the Risk Department shall establish an appropriate framework of cooperation, coordination and information with the compliance and risk units, divisions and departments that may be established in the subsidiaries of the Company, respecting the corporate autonomy of all the companies within the ScottishPower Group.

3. The coordination of the relationship between the Committee and the SPL Committee shall be managed by the chairs of both committees and shall have the purpose of enabling the SPL Committee to be aware of any issues with a potential relevant influence at the level of the ScottishPower Group as covered by the Committee. Likewise, the Committee's (indirect) relationship with the Iberdrola's Audit and Risk Supervision Committee shall be performed according to the provisions of the *General Framework of Relations of Coordination and Information Among the Audit Committees of Iberdrola, S.A. and its Group* ("**General Framework**").
4. The Committee shall have the following functions to the extent applicable to the SP Energy Networks Business:
  - a) **Internal Audit:**
    - (i) To oversee the independence and efficiency of the Internal Audit Department, ensuring that such department has sufficient resources and that its members have suitable qualifications necessary to carry out its functions optimally, and ensuring that the *Basic Internal Auditing Regulations of the Iberdrola Group* as adopted by the Company (which ensures the required coordination and exchange of information for the proper compliance with the respective functions

in accordance with the regulations applicable at any given time) are also complied with.

- (ii) To approve the guidelines and the annual plans established by the head of the Internal Audit Department, in accordance with the guidelines and general plans established by Iberdrola, as long as it does not undermine the separation of activities or the commercially sensitive information, in accordance with the regulation on separation of regulated activities, ensuring that the Internal Audit Department performs its functions proactively and in such a way that its activity is focused on the Company's relevant risks and its subsidiaries.
- (iii) To the extent not disposed of or dealt with by the SPL Committee, to propose the budget of the Internal Audit Department, for its approval by the Board of Directors.
- (iv) To the extent not disposed of or dealt with by the SPL Committee, to propose to the Board of Directors the appointment or removal of the head of the Internal Audit Department. For the preparation of this proposal the Chair of the Committee shall liaise with the relevant person in the Internal Audit Department of Scottish Power Limited, reporting on this to the Committee.
- (v) To oversee the performance of the Internal Audit Department, including as directed by the Chair of the Committee and also as requested by the chair of the Board of Directors. The Internal Audit Department will prepare the information required for the meetings of the Committee, with its head attending as deemed appropriate, in accordance with the provisions of Article 14 of these Terms of Reference. The Internal Audit Department is, furthermore, required to inform the Committee of any material unforeseen incidents which may occur in the annual work plan, presenting any such incidents at the end of each year in an annual activity report. Such annual activity report will also be presented to the head of the Scottish Power Limited Internal Audit Department.
- (vi) To receive regular information on, and supervise, the activities carried out by the Internal Audit Department, and the head of the Internal Audit Department shall keep the Committee updated and shall liaise as appropriate with the Internal Audit Department of Scottish Power Limited to ensure that all relevant guidelines and general plans are followed by the Company, to the extent that it does not undermine the separation of activities or the protection of commercially sensitive information, in accordance with the regulations on separation of regulated activities.
- (vii) To the extent not disposed of or dealt with by the SPL Committee, to evaluate the performance of the Internal Audit Department and its head's performance.

The evaluation shall be constructive and shall include an assessment of the degree of compliance with the annual plan and any criteria established for the purpose of setting the variable components of the remuneration of the head of the Internal Audit Department.

The conclusions of the evaluation carried out by the Committee shall be submitted to the Board of Directors to be taken into consideration when determining the remuneration. The head of the Internal Audit Department shall also be informed of such conclusions.

- (viii) To ensure that the managers of the relevant departments of the Company take into account the conclusions and recommendations in the reports of the Internal Audit Department. The head of the Internal Audit Department shall be the usual point of contact between the Committee and the rest of the Company except for risk or compliance matters or matters concerning compliance with statutory duties, good governance requirements and the prevention or correction of illegal or fraudulent conduct. The Committee may gather information and request the collaboration of any manager of the Company or of any of the Company's subsidiaries. Any such gathering of information and/or requests for collaboration shall also be notified to the chair of the Board of Directors and to the Chief Executive Officer, if there is one, but in any case without prejudice to the provisions of Article 14 below.

b) **Internal Monitoring and Risk Management Systems:**

- (i) To be aware of and keep under review the Company's internal control system, internal risk monitoring and management systems and those of any of the Company's subsidiaries, ensuring that these are adequately adapted to the processes and general systems established within the Iberdrola Group.
- (ii) To ensure, in accordance with the general monitoring and risk management policy established by Iberdrola, that the main risks of the Company and those of any of the Company's subsidiaries are identified, managed and adequately reported, identifying, on this basis, at least the different types of financial and non-financial risks (including operational, technological, cybersecurity, data protection, legal, social, environmental, political, and reputational, risks, or risks relating to corruption) which the Company and its subsidiaries may face, including amongst financial risks: contingent liabilities and other off balance-sheet risks; the setting and reviewing of risks map and the level of risk that the Company deems acceptable; the measures necessary to mitigate the impact of any risks, should any of them materialise; and the information and internal monitoring systems which will be used to monitor and manage the aforementioned risks, including the contingent liabilities or off balance-sheet risks.
- (iii) To analyse, along with the auditors, the relevant weaknesses of the internal control system that may have been detected in the course of the audit of the Company, all without infringing the independence of any party. To this end, where appropriate, the Committee may submit recommendations or proposals to the Board of Directors and corresponding deadlines for their monitoring.
- (iv) To oversee the performance of and maintain appropriate relationships with the Compliance Unit and, when applicable, Risk Department. The Risk Department, when applicable, and the Compliance Unit shall be the normal bodies for communication with the Committee and any other part of the Company on specific matters of risk and compliance respectively, as the Committee is responsible for preparing the information required on these issues at Committee meetings, with the director of the Risk Department and the Company's Business Compliance Officer (on behalf of the Compliance Unit) attending them if the Committee so deems appropriate, but in any case without prejudice to the provisions of Article 14 below.

- (v) To promote, always within its responsibilities, a strategy in which risk is a key factor to be taken into account in all decisions and at all levels within the Company.
- (vi) To provide, at least every six months, a report regarding the internal control and risk management systems of the Company and its subsidiaries for the Board of Directors, which the Chair of the Committee will make available to the chair of the SPL Committee, in accordance with the General Framework in order to allow the SPL Committee to fulfill its duties relating to the internal control of the Iberdrola Group as well as its risk management systems.
- (vii) To inform the Board of Directors of the main litigation matters relating to the Company and its subsidiaries, in order to identify the direct or indirect risks and contingent liabilities arising from existing claims and procedures.
- (viii) To oversee the data protection and cybersecurity activities to be reported to the Committee, which are in turn reported to the Board of Directors.

c) **Risk Department:**

- (i) To directly oversee and review the activities of the Risk Department, which is functionally subordinate to the Committee, and ensure its effectiveness, that it has sufficient resources, and that its members have suitable professional qualifications to most efficiently carry out its duties.
- (ii) To approve the annual plan of the Risk Department, propose its budget for the approval of the Board of Directors, and receive regular reports on the activities carried out thereby.
- (iii) To evaluate the performance of the Risk Department as well as the performance of its Director. Such evaluation in which the Committee should participate shall be constructive and include an evaluation of the level of compliance with the annual plan and any criteria established for the purpose of setting the variable components of the remuneration of the Risk Director. The conclusions reached against such evaluation by the Committee shall be remitted to the Board of Directors to be taken into account in respect of determining said components of such remuneration and the Risk Director shall be informed of the same.

d) **Audited Accounts:**

- (i) To propose to the Board of Directors the appointment, and terms of engagement, of the Company's auditors, in accordance with the policy as established by Iberdrola, acting for these purposes in the interest of the Company, and as adopted by the Company. The Chair of the Committee shall make such proposal available to the chair of the SPL Committee in accordance with the General Framework.

For the avoidance of doubt, the Company's auditors referred to in these Terms of Reference are the auditors which have been formally appointed in accordance with the relevant applicable law.

- (ii) To review the contents of the auditors' reports before they are issued, in order to avoid qualifications in their preparation and assess the results of each audit,



overseeing the reply of the management of the Company to their recommendations.

- (iii) To 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 (including whether or not their independence is compromised). This report shall take into account any additional services referred to in Article 3.4(d)(iv) below, considered individually and as a whole, and also taking into account the applicable requirements as to the independence of the auditors concerning the statutory audit. The Chair of the Committee shall make this report available to the chair of the SPL Committee in accordance with the General Framework.
  - (iv) To receive information about any kind of additional services other than the audit-services that the auditors may provide to the Company or to its subsidiaries. The Committee shall prepare a report for the Board of Directors and shall make it available for the chair of the SPL Committee for the purposes thereof.
  - (v) To establish appropriate relationships with the auditors and to receive information on those issues related to the audit process which may put their independence, at risk for examination by the Committee, and regarding any other matters relating to the auditing of accounts, as well as to ensure that there are no grounds that would prohibit the auditors from acting.
  - (vi) In any event the Committee shall receive from the Company's auditors, on an annual basis, a written confirmation of their independence in respect of the Company or entities directly or indirectly related thereto, as well as itemised and detailed information regarding additional services of any kind provided to the Company and such entities by the said auditors or by persons or entities related thereto, pursuant to the legislation governing the audit of financial statements.
  - (vii) To receive information regularly from the auditors on any issues which may be provided for in applicable legislation and/or the relevant audit practices in force from time to time, and establishing in such cases information channels between the Internal Audit Department and the Scottish Power Limited Internal Audit Department, and the Committee shall report to the Board of Directors accordingly.
  - (viii) To serve as a communication channel between the Board of Directors and the auditors, relaying to the Board of Directors regular information updates on the audit process and results received from the auditors.
- e) **Financial Information:**
- (i) To oversee the preparation and presentation process and the clarity and accuracy of the financial information (including half year information) related to the Company and its subsidiaries, and the Committee shall receive for that purpose relevant information from the Company's subsidiaries (as required). The Committee shall ensure that the interim financial information such as may be submitted to the Board of Directors maintains the same accounting standards as the annual financial reports.
  - (ii) To evaluate any proposal regarding any changes within the general accounting practices, policies and procedures of the Iberdrola Group as they relate to the

Company and the ScottishPower Group and submit proposals or recommendations to the Board of Directors, aiming to safeguard the integrity of its application. Such monitoring function of the Committee shall be carried out on an ongoing basis and subject to any specific request or direction of the Board of Directors.

- (iii) To prepare a report for the Board of Directors on the annual and interim financial statements. The Chair of the Committee will make these reports available to the chair of the SPL Committee in accordance with the General Framework in order to allow the SPL Committee to supervise the process of preparation and submission and ensuring the integrity of the financial information related to the Iberdrola Group in Great Britain.

The financial information for the consolidation shall be reported by the Committee prior to approval of the Board of Directors according to the provisions of the *Iberdrola Group Financial Information Preparation Policy*, as adopted by the Company.

- (iv) To gather information on significant adjustments to financial statements identified by the auditor or resulting from the reviews carried out by the Internal Audit Department and the management team's position on such adjustments.
- (v) To oversee compliance with the legal requirements and the correct application of the national, generally accepted accounting principles, and those international financial reporting standards which may be applicable in relation to the Annual Report and Accounts and the Director's Report of the Company.
- (vi) To inform the Board of Directors of the principles on which any transactions have been carried out between the Company and any of the other companies forming part of the Iberdrola Group, and any of the Company's subsidiaries.

f) **Non-Financial Information and Sustainable Development:**

- (i) To review the non-financial information of the Company and its subsidiaries based on available sources of information insofar as such non-financial information is required, and remit such information to the Board of Directors, where required.
- (ii) To supervise the Company's actions relating to the sustainable development activities of the Company and, particularly, whether its environmental and social practices conform to the global strategy and policies of the Iberdrola Group, and of the Company, and report on the same to the Board of Directors.

g) **Compliance Unit:**

- (i) On its own initiative or upon a proposal of the Compliance Unit, to propose to the Board of Directors the appointment of the members of the Compliance Unit, having regard to profiles that may be appropriate for the performance of the duties of the same and to the Company's activities.
- (ii) To review and validate the annual budget of the Compliance Unit, prior to its submission to the Board of Directors for final approval.
- (iii) To approve the annual activity plan for the Compliance Unit, and endeavour to ensure that the Compliance Unit has the necessary human and material

resources available to it to perform its duties, while also ensuring its independence and effectiveness.

- (iv) To receive information from the Compliance Unit in connection with any significant matters relating to regulatory compliance and the prevention and correction of improper or illegal conduct or acts which are contrary to the Governance and Sustainability System or to the applicable law.
  - (v) To receive information from the Compliance Unit concerning any significant matters relating to the effectiveness of the Company's Compliance System (as defined in the Terms of Reference of the Board of Directors of the Company). The Committee shall issue its opinion on the annual report of the Compliance Unit regarding the effectiveness of the Company's Compliance System (and its subsidiaries) and submit it to the Board of Directors.
  - (vi) To have the Compliance Unit review the internal policies and procedures of the Company to prevent improper conduct and identify any policies or procedures that might be more effective at promoting the highest ethical standards.
  - (vii) To report to the Board of Directors on any proposed amendments to the Regulations of the Compliance Unit.
  - (viii) To, each year, issue an opinion on the Compliance Unit's compliance with its annual activities plan and its performance and submitting it to the Board of Directors.
  - (ix) To review the status of the Company's compliance with laws, regulations and internal procedures and the scope and status of systems designed to promote the Company's compliance with laws, regulations and internal procedures, through review of reports from management, legal counsel and third parties as determined by the Committee.
- h) **Irregular and Improper Financial Conduct:**
- (i) To have direct access, in accordance with the provisions of the Regulations of the Compliance Unit, to complaints or reports submitted through the Internal Reporting Channels, as defined and developed in the Regulations of the Compliance Unit of the Company, that might have a material impact on the financial statements or internal controls thereof, and, if it so deems necessary, to propose appropriate actions to mitigate or reduce the risk of future occurrences thereof. To this end, the Compliance Unit shall inform the Committee of the existence of the aforementioned complaints or reports, and provide it with any documentation requested in connection to the processing of the same, as appropriate.
- i) **Related Party Transactions**
- (i) To report on Related Party Transactions (as defined in the Terms of Reference of the Board of Directors of Scottish Power Energy Networks Holdings Limited) such as there may be, prior to their approval by the Company's sole shareholder or Board of Directors as appropriate, and subject to any applicable provisions in the Company's Articles of Association or the Terms of Reference of the Board of Directors.

- (ii) To reasonably ensure that Related Party Transactions are fair and reasonable to the Company.
  - (iii) To verify, in accordance with any internal regular reporting or control procedure as may be established by the Board of Directors from time to time, where the approval of a Related Party Transaction is given without the basis of a prior report from the Committee, the fairness and transparency of that operation and, to the extent applicable, compliance with the applicable legal or regulatory criteria for disposal of such matter by delegation of the Board of Directors and without a prior report of the Committee.
  - (iv) To prepare, within the first six months following the relevant financial year-end of the Company, a report on the Related Party Transactions of the Company with respect to which the Committee has issued a report in respect of that financial year.
  - (v) To inform the sole shareholder of the Company of Related Party Transactions affecting a specific class of director.
- (j) **Special Purpose Vehicles and Tax Haven Companies:**
- (i) To inform the Board of Directors, prior to adoption of any decision on the creation or acquisition of holdings in special purpose vehicles as subsidiaries (direct or indirect) of the Company or in entities domiciled in countries or territories which are considered tax havens (including in the European Union's blacklist of non-cooperative jurisdictions for tax purposes), and of other transactions similar in nature that, because of their complexity, could undermine the transparency of the activity of the ScottishPower Group in Great Britain, and produce for the Board of Directors a report on any such proposals. The Chair of the Committee shall make this report available to the chair of the SPL Committee in accordance with the General Framework.
  - (ii) To produce annually, for the Board of Directors, a report on the monitoring of special purpose vehicles as subsidiaries (direct or indirect) of the Company or in entities domiciled in countries or territories which are considered tax havens and, when applicable, about their operational status. The Chair of the Committee shall make this available to the chair of the SPL Committee in accordance with the General Framework.
- (k) **Business Separation of Activities Compliance:**
- (i) To consider, on an annual basis, the Business Separation Compliance Officer Report on Business Separation, submitted to the Committee 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.
  - (ii) To overview any regulated activities business separation report of the Company and its subsidiaries.

- (iii) To inform the Board of Directors in advance of any changes to the business separation regulatory requirements applicable to the Company and its subsidiaries.
- (l) **Tax Policy Compliance:**
  - (i) To produce, for the Board of Directors, reporting on the level of compliance with the *Iberdrola Corporate Tax Policy* (as adopted by the Company) and the tax criteria used throughout the relevant financial year and after the submission of tax returns. The Chair of the Committee shall make this available to the chair of the SPL Committee in accordance with the General Framework.
  - (ii) To endorse, for the acknowledgement and assurance of the Board of Directors, any specific tax strategy of the Company and the ScottishPower Group, which may require to be set from time to time in the UK.
- 5. The Committee shall similarly assume any other functions which, as the case may be, the Articles of Association of the Company or the Board of Directors attribute to it within the SP Energy Networks Business.

#### **Article 4.- Scope of Functions: Information to the Board of Directors**

1. The functions indicated in the above Article shall extend to the Company and any and all of the Company's subsidiaries within the SP Energy Networks Business.
2. At the first meeting of the Board of Directors subsequent to any meeting(s) of the Committee the Chair shall inform the Board of Directors of the resolutions and significant events which occurred at the meeting(s) of the Committee.

#### **Article 5.- Annual Report**

The Committee shall, within six months of the end of the year, submit to the Board of Directors for its approval an annual report of its activities, which shall include an evaluation of the adequacy of the Committee's Terms of Reference and an evaluation of the Committee's performance during the previous year. This annual report shall subsequently be made available to the chair of the SPL Committee for the purposes of its compliance activities in accordance with the General Framework, all of it fully respecting the principle of separation of activities and the protection of commercially sensitive information, according to the regulations on separation of regulated activities.

### **CHAPTER III.- FORMATION, APPOINTMENT AND CESSATION OF MEMBERS**

#### **Article 6.- Composition**

1. The Committee shall be formed of at least three (3) Directors, from among which at least two (2) of them shall be external Directors (as defined in the Company's Articles of Association), provided that the external Directors shall not be outnumbered by the other Directors.
2. The Committee shall have a chair (the "**Chair**") and a secretary, with the secretary responsible for the record keeping, preservation and safekeeping of the minute books of the Committee and of the corporate documentation produced in relation to its functioning.

3. In the event of absence of the Chair at a meeting of the Committee, the role of the Chair shall be taken up by the member with the greatest seniority by length of service in office at the meeting for the purposes of that meeting only, and in the case of equal seniority by length of service in office, by mutual agreement of the members present as to which of the persons with equal seniority should take up the role.

In the event of absence of the secretary at a meeting of the Committee, the members of the Committee present shall nominate one of them to carry out his/her duties.

4. The Chair of the Committee must be appointed from among the external Directors forming part thereof.

#### **Article 7.- Appointment**

1. The members of the Committee, as well as the Chair, shall be appointed by the Board of Directors.
2. The Board of Directors shall endeavour to ensure that the members of the Committee as a whole, and in particular its Chair, have the necessary experience and knowledge of accounts, audit or (financial, or non-financial) risk management, which is adequate for the functions they are asked to provide, that at least one of them has experience in information technology and that, the members of the Committee have relevant expertise in financial and internal control matters, as well as in relation to the energy (or utilities) sector, all to the extent relevant. It shall not be necessary for them to be experts in these areas as such.

#### **Article 8.- Duration**

1. The Directors sitting on the Committee shall exercise this office while their appointment as Directors of the Company continues in force, unless the Board of Directors agrees otherwise.
2. The Directors which make up the Committee, and which are re-elected as Directors of the Company in accordance with the Articles of Association, shall continue to carry out their positions on the Committee without the need for a new election, unless the Board of Directors agree otherwise.

#### **Article 9.- Cessation**

The members of the Committee shall cease in their positions:

- (a) if/when they cease to be Directors of the Company; or
- (b) by resolution of the Board of Directors.

#### **Article 10.- Training Programme**

1. The Committee shall have a periodic training scheme to ensure that its members are kept up to date with developments in accounting standards, the specific regulatory framework for the Company's businesses, internal and external audit, risk management and supervision, internal control and technological advances, and compliance all as relevant to the Company.
2. New members of the Committee shall be given a member's welcome pack or induction prior to their attendance of their first meeting.

#### **CHAPTER IV.- MEETINGS OF THE COMMITTEE**

### **Article 11.- Sessions**

1. The Committee shall meet as many times as is considered necessary in the opinion of the Chair to comply with their obligations, and at least four (4) times a year, or when half of its members so request it. The meeting schedule shall be fixed by the Committee before the beginning of each calendar year and shall include the tentative agendas and any attendance by non-Committee members that may be deemed necessary, subject, in each case, to any amendment of the same made by Committee resolution or at the direction of the Chair ad hoc. In the case of a meeting taking place by telephonic or other electronic means, such meeting shall be called to take place at the registered address of the Company, and the meeting shall be deemed to take place where the largest group of those participating in the conference is assembled, or, with the agreement of the majority of the participants, deemed to be where one of them physically then is.
2. The chair of the Board of Directors and, where appropriate, the Chief Executive Officer, may request informative meetings with the Committee, on an exceptional basis.

### **Article 12.- Meeting Calls**

1. The secretary of the Committee at the request of the Chair, may give notice of the calling of a meeting of the Committee by the use of any telematic or digital means and, particularly, through a secure Directors' website, indicating the place, date and time of the meeting, as well as the agenda to be followed.
2. The calling of a meeting must be made in time to be received by the members of the Committee not later than the third day prior to the date of the meeting, unless there is a need for an urgent meeting.
3. In relation to the information made available to the Directors prior to or during the meeting, any digital tools that are necessary for the fulfilment of their duties shall be made available to the Directors, where appropriate
4. It shall not be necessary to call meetings of the Committee in advance when all the members of the Committee are present and unanimously accept holding the meeting and debating the points on the agenda.

### **Article 13.- Quorum, Attendance and Adoption of Resolutions**

1. The Committee shall be quorate when a majority of its members are present or duly represented.
2. Any member of the Committee may delegate his/her representation and vote to another member of the Committee in writing (including by electronic means), which may include specific instructions as to how to cast his/her vote, addressed to the secretary of the Committee.
3. Meetings of the Committee shall be presided over by the Chair, who will be assisted by the secretary of the Committee.
4. A meeting of the Committee may be held in several places provided that the members are connected to each other by a system that permits for discussion to take place among those participating in the proceedings, as well as for the casting of votes, all in real time, adopting, where appropriate, any procedure that ensures that those participating in the proceedings can be identified, that the confidentiality of the proceedings is preserved and that an account of the proceedings (and any decisions adopted therein) is duly taken and preserved.

5. If none of the members of the Committee make any opposition, votes may be made in writing and without a Committee meeting, as permitted by the Articles of Association of the Company.
6. Resolutions shall be adopted by a majority of votes of the members of the Committee present or duly represented at the meeting. In the event of a tie, the Chair will have a casting vote.
7. The secretary of the Committee shall:
  - a) draw up the minutes of each meeting, which shall be approved at the end of the same meeting or at the start of the immediately subsequent meeting; and
  - b) make, maintain and circulate to the members of the Committee records of resolutions passed in writing.

#### **Article 14.- Attendance at Meetings of the Committee**

1. At the request of the Chair, addressed for such purposes to the chair of the Board of Directors, any Director may be requested to attend a meeting of the Committee. The Chair may also request, through the secretary of the Committee, the attendance of any manager or employee of the Company as well as of any member of the management decision-making bodies of the companies in which the Company has an interest provided that there is no legal impediment thereto.
2. The Committee may request the presence at its meetings of both the Company's auditor as well as the auditor of any entity in which the Company has an interest, provided that there is no legal impediment thereto. Under no circumstances shall the Company's auditor attend the decision-making part of the meetings of the Committee.
3. The attendance of managers, employees or other Directors (executive or not) to the meetings of the Committee shall be only as required, and with the previous invitation of the Committee's Chair, through the secretary of the Committee, and each such attendance shall be limited to those items on the agenda for which the attendee has been called and the attendee shall not attend the decision-making part of the meetings of the Committee.

#### **CHAPTER V.- POWERS OF THE COMMITTEE, PARTICIPATION, RIGHTS TO RECEIVE INFORMATION AND DUTIES**

##### **Article 15.- Specialist Services**

1. The Committee shall have free access, through the secretary of the Board of Directors, to any type of information or documentation held by the Company relating to matters within the Committee's competence and which it considers necessary for the fulfilment of its functions, without prejudice to the limitations arising from the legal provisions regarding the separation of regulated activities in Great Britain.
2. Likewise, the Committee may, at the Company's expense, seek the collaboration or advice of external professionals, who shall submit their reports directly to the Chair of the Committee, who may attend the meetings of the Committee, as well as the meetings of the Board of Directors when required, and who may speak at the meetings but may not vote. In that case, the Committee shall take any such action to ensure that any conflict of interest which may arise does not undermine the independence of the external advice received.
3. Employment of such specialists shall be made in accordance with any relevant provision of the Articles of Association, the Governance and Sustainability System of the Company and any other applicable rule or regulation.



#### **Article 16.- Participation and Rights to Receive Information**

1. The Chair of the Committee may take any action to ensure that each member may participate in the deliberations of the Committee free from any internal or third-party pressure (perceived or otherwise), and to encourage constructive, critical, diverse and free dialogue between members, in order to support the activities of the Committee.
2. The Chair of the Committee, by way of the secretary of the Committee as required, shall provide all required information and documentation to the other members of the Committee sufficiently in advance of each meeting so that they can properly analyse such information in advance and prepare for the meeting.

#### **Article 17.- Duties of Committee Members**

1. Without prejudice to their duties as Directors under UK law (as applicable), Committee members must act with independence with respect to the rest of the Iberdrola Group and perform their work with the utmost diligence and professional competence. In particular, the members shall sufficiently analyse and evaluate all required information and documentation in advance of each meeting of the Committee.
2. The members of the Committee shall comply with the provisions of these Terms of Reference and applicable law in the exercise of their powers. The members of the Committee shall, in reviewing and investigating business conclusions reached by the executive Directors and members of senior management of the Company, take into account all factors and circumstances made available to them such as they shall deem relevant. Without prejudice to the foregoing, the members of the Committee shall endeavour to act together to deliver a consistent position of the Committee as a whole in its final representations to the Board of Directors.
3. Committee members are subject to all the fiduciary duties of a director including under the Companies Act 2006.

### **CHAPTER VI.- COMPLIANCE AND INTERPRETATION**

#### **Article 18.- Compliance**

1. The members of the Committee, as well as the other Directors affected, have the obligation to be aware of and comply with these Terms of Reference, for which purpose the secretary of the Board of Directors shall provide all of them with a copy.
2. Additionally, the Committee shall have the obligation to oversee compliance with these Terms of Reference, adopting any measures necessary for such purpose.

#### **Article 19.- Interpretation**

1. These Terms of Reference shall be interpreted in accordance with the law, the Articles of Association and the Governance and Sustainability System.
2. Any doubts or discrepancies as regards the interpretation of these Terms of Reference shall be resolved by an absolute majority of the votes of the members of the Committee, and in the absence of such majority, by the Chair, to be assisted by any persons the Board of Directors may appoint for this purpose. The interpretation and resolution of any doubts or discrepancies which may arise must be reported to the Board of Directors.

3. In the absence of any specific regulations, the provisions of the Articles of Association of the Company relating to the operation of the Board of Directors, provided they are not incompatible with its nature and function, shall be applicable to the Committee.
4. In these Terms of Reference the term "Group" shall mean a group as defined in section 1261 of the Companies Act 2006.