

GOVERNANCE AND SUSTAINABILITY SYSTEM

INTRODUCTION TO CHAPTER TWO - PURPOSE

1. The Governance and the Sustainability System constitutes the Company's own internal regulatory system. It is autonomously established by the Company as its own set of rules defining the company's corporate identity as a going concern, its purpose and values, and its business strategies and objectives.
2. The Company's Governance and Sustainability System (and specifically and ultimately its *Articles of Association*) is the primary source of the internal rules of the Company and Companies of its group. These rules are based on and should be interpreted against the *Purpose and Values of the Iberdrola Group* which constitute the corporate philosophy of the Company, as set out in the *Terms of Reference of the Scottish Power Limited Board of Directors*.
3. The Company's commitment to the *Purpose and values of the Iberdrola Group* is its statement that it adheres, under its Governance and Sustainability System, to a purpose and values with various consequential and meaningful implications.

It is implicit, amongst other things, that whilst the Company's ultimate purpose is that of a commercial enterprise, the specific set of purpose and values that have been adopted by the Company is based on defined assumptions which is not based on short-term financial rewards, which is based on clearly set objectives, and which clearly identifies the Company's stakeholders and the communities in which the Company operates. The purpose and values, as founding principles, form the basis of the Company's entire set of internal rules which govern its organisation, i.e. the Governance and Sustainability System, including its set-up, implementation, application and interpretation.

4. The Company is committed, in line with the Iberdrola Group's stated purpose "*to continue working together each day to build a healthier, more accessible and more electric energy model*", alongside its values of '*Sustainable Energy*', '*Integrating Force*' and '*Driving Force*'.
5. The *Purpose and values of the Iberdrola group* guide the Company and the other companies of the Group towards comprehensive (economic, social, environmental and governance), responsible and sustainable corporate action that contributes to the achievement of the Sustainable Development Goals (SDGs) approved by the United Nations (UN), meet environmental, social and governance (ESG) requirements, and seeks to obtain profits and the satisfaction of equally comprehensive 'dividends' for their Stakeholders and for the communities in which they do business.
6. Without prejudice to the detailed policies in the remainder of the Company's Governance and Sustainability System, the *Code of Ethics* together with the policies included in this second chapter on Purpose are considered the immediate policy conclusions to be drawn from the *Purpose and values of the Iberdrola Group*.

The *Code of Ethics* governs the conduct of all members of the Company's Group and parties related or connected thereto, and it is based on the aforesaid *Purpose and values of the Iberdrola Group*, corporate ethics, and generally accepted ethical principles and standards, while at the same time fostering a culture based on ethics and on the commitment to sustainable developments.

The other corporate policies contained in chapter two on Purpose are the *General Sustainable Development Policy* and the *Stakeholder Engagement Policy*. These constitute the general framework, guidelines, instructions and general criteria against which all the other specialised (environmental, social, corporate governance, regulatory compliance and risk) policies are held. The *General Sustainable Development Policy* develops the Iberdrola Group's strategy regarding sustainable development around the aforementioned ESG criteria and objectives; It is the Iberdrola Group's statement as to how its business activities will be carried out in fulfilment of its stated purpose and to attain sustainable business value. The *Stakeholder Engagement Policy* establishes the general guidelines for engagement, subject to the provisions of the *Purpose and values of the Iberdrola Group*,

with the Company's specific and general stakeholders.

7. The *Purpose and Values of the Iberdrola Group*, the *Code of Ethics*, the *General Sustainable Development Policy* and the *Stakeholder Engagement Policy* as they are each identified and adopted into the Company's Governance and Sustainability constitute the Company's statement as to its identity and its comprehensive commitment to the public interest, generally accepted ethical principles, action towards sustainable development and to creating value for its stakeholders and the community – **to deliver a better future, quicker for everyone.**

In Glasgow, on 19 September 2023

The Board of Directors