

## GOVERNANCE AND SUSTAINABILITY SYSTEM

### INTRODUCTION TO CHAPTER TWO - PURPOSE

1. The Governance and the Sustainability System constitutes the internal regulatory framework for the Company. It is autonomously established by the Company as its own set of rules defining its purpose and values against which its business strategies and goals are to be set.
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. 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* are developed from the basic concepts of defining its corporate purpose and interests, its 'social dividend', and the underlying constitutional requirements of the Company. In this case, these purpose and values align the Company and its Group's activities with the United Nations' Sustainable Development Goals (**SDGs**), with Environmental, Social and Governance (**ESG**) requirements, and with objectives regarding financial and 'social' dividends to stakeholders, communities in which the Company operates and society in general.
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 Iberdrola 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.

The other corporate policies contained in Chapter two on Purpose are the *General Sustainable Development Policy* and the *Stakeholder Relations Policy*. These constitute the general framework, guidelines, instructions and general criteria against which all the other specialised (environmental, social, risk or corporate governance) 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 Relations 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 ethics, 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 21 September 2021

The Board of Directors