

CLIMATE ACTION POLICY

6 May 2025

The Board of Directors of Scottish Power Limited (the “**Company**”) has the power to design, assess and continuously revise the Company’s Governance and Sustainability System, and specifically to approve and update policies, which contain the guidelines governing the conduct of the Company and the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “**SP Group**”).

In exercising these powers, within the framework of legal regulations, the *Articles of Association* and the *Purpose and Values of the Iberdrola Group*, and aware of its commitment to the environment generally and to the fight against climate change, the Board of Directors hereby approves this *Climate Action Policy* (the “**Policy**”), which respects, further develops and adapts the *Ethical and Basic Principles of Governance and Sustainability of the Iberdrola Group* with respect to the SP Group.

Climate change is one of the most significant challenges currently facing humanity. Anthropogenic emissions of greenhouse gases, mainly from the use of fossil fuels and the use of land, have accelerated global warming in recent decades, the consequences of which are already visible. At the global level, efforts are aimed at keeping the global temperature increase for the remainder of the century below 2°C compared to pre-industrial levels and to continue efforts to further limit the temperature increase to as close to 1.5°C as possible.

The Company has included environmental performance and the fight against climate change as a cornerstone of its Governance and Sustainability System, which is inspired by the highest standards in climate governance. In this respect, the Company is aware of the potential contribution of its business activities to climate objectives, as well as of the need to have appropriate capacities and mechanisms in place in the area of adaptation to climate change.

Therefore, the Company undertakes to continue: (i) assuming a leadership role in the fight against climate change, directly and through the establishment of partnerships with other players; (ii) promoting a social culture aimed at raising awareness among all its Stakeholders of the magnitude of this challenge and the benefits associated with successfully responding to it, considering the impact of this phenomenon on the activities of the Group’s companies; and (iii) contributing to a carbon-neutral and sustainable future, minimising the environmental impact of all their activities and promoting the adoption of all actions available thereto for this purpose, an effort that must be compatible with the achievement of the corporate interest.

The Company will also continue analysing and identifying specific actions in the fight against climate change that allow for detecting and exploiting the opportunities that might arise from a more electrified economy and also increase the ability to adapt, strengthen resiliency and reduce vulnerability to climate change in accordance with the goal established in the Paris Agreement.

1. Scope of Application

This *Policy* applies to all companies of the SP Group and, to the extent applicable, the foundations linked to the SP Group, within the limits established by law. Without prejudice to the foregoing, it includes basic principles that, in the area of natural capital, and particularly climate action, complement those contained in the *Ethical and Basic Principles of Governance and Sustainability of the Iberdrola Group*.

For companies that do not form part of the SP Group but in which the Company holds an interest, as well as for joint ventures, temporary joint ventures (*uniones temporales de empresa*) and other entities in which it assumes management, the Company shall also promote the alignment of its regulations with the basic principles regarding natural capital, and particularly climate action, contained in this *Policy*.

2. Purpose

The purpose of this *Policy* is to establish a framework for articulating the Group-level strategy and business model in a manner consistent with its commitment to the fight against climate change.

3. Main Principles of Conduct

To implement its commitment to climate action, the Company shall be guided by the following main principles of conduct, which shall be gradually applied in all its activities and businesses:

- a) Contribute to the Iberdrola Group's mitigation targets whose aspiration is to achieve CO₂eq emissions neutrality for scopes 1 and 2 by 2030 and net zero emissions for all scopes before 2040, and subsequent updates deriving from climate change science, in accordance with the Iberdrola Group's *Climate Action Plan*.
- b) Integrate climate change into internal strategic planning and decision-making processes, as well as into the analysis, management and reporting of long-term risks, taking into account the requirements of Climate-related financial disclosures for companies, large private companies and limited liability partnerships (LLPs).
- c) Identify, quantify and assess the climate change-related impacts, dependencies, risks and opportunities of the Company's activities and its value chain, progressively and continuously throughout the life cycle of the facilities, considering the perspectives of its stakeholders.
- d) Promote innovation in more efficient and less greenhouse gas-intensive technologies and gradually introduce them in the facilities of the Group's companies.
- e) Involve all Stakeholders in the Company's contribution to the regular update of the Iberdrola Group's *Climate Action Plan* through cooperative communication based on the sustainable creation of value for all of them, in accordance with the provisions of the *Stakeholder Engagement Policy*.
- f) Include the implementation of the Iberdrola Group's *Climate Action Plan* among the

parameters that may be considered in the Company's remuneration systems;

- g) Contribute to raising social awareness about the phenomenon of climate change, its consequences and solutions, as well as the need to act quickly, through actions focused on generating knowledge and mobilising and promoting climate action, given that it is a threat to people and communities, all in line with the commitment made by all of the Group's companies to respect the right of the communities in which they do business to a clean, healthy and sustainable environment, as set out in the *Ethical and Basic Principles of Governance and Sustainability of the Iberdrola Group*.
- h) Promote internal awareness and training for their professionals and subcontracted personnel regarding climate change.
- i) Promote the supply chain's awareness of climate change and value and incentivise the adoption of practices consistent with those of the Company in this area, and particularly with regard to reducing their carbon footprint.
- j) Publicly support and lead the main global milestones and multilateral processes on climate change, adopting positions consistent with the Company's objectives and with the natural capital policies of its Governance and Sustainability System.
- k) Encourage regulatory developments and private sector participation in issues related to the energy transition and its connections to the environment, competitiveness and industrial development at the global level.
- l) Integrate climate action within the SP Group-level environmental management system, along with the circular economy and biodiversity, in order to evaluate, analyse, manage and reduce risks regarding natural capital, as well as to improve the management of resources and optimise investments and costs, incorporating all relevant climate variables.
- m) Foster a culture that promotes the efficient and responsible use of energy and encourages behaviours supporting such responsible use, engaging the Stakeholders of the Company for this purpose. In particular, employees of ScottishPower will be encouraged to contribute in their daily work to the achievement of the targets set in the fight against climate change.
- n) Promote research and the development of methodologies for the evaluation and design of adaptation measures, and implement appropriate measures to mitigate the impacts of climate change on the production of energy from renewable sources, integrating climate science into the setting of objectives and internal procedures.
- o) Continue to develop due diligence processes for climate-related incident, risk and opportunity management systems following the Iberdrola Group's *Climate Action Plan*.
- p) Continue identifying actions and opportunities to address the impacts and risks related to climate change in their direct activities and promote the identification thereof in the value chain, in collaboration with their stakeholders, through the implementation of the corresponding due diligence system and taking into account that current value chains are configured globally and that not all their links have sufficient traceability mechanisms.

4. Priority Lines of Action

The Company shall promote the following priority lines of action to develop the main principles of conduct set out in this *Policy*:

- a) Contribute to the maintenance and updating of the Iberdrola Group's *Climate Action Plan* that specifies the goal to achieve net zero emissions by 2040; the interim targets for scopes 1, 2 and 3 of the greenhouse gas inventory; the strategy and investment policy designed to reach them; and the frameworks and methodologies based on available science used to evaluate and report on the implementation of the plan.
- b) Contribute to the electrification of the economy and maintain the global leadership of the SP Group's companies in renewable energy and in the investment and operation of smart grids that allow for a high level of renewable energy integration, by supporting regulatory legal initiatives aimed at:
 - increased electrification of consumer uses of the economy, such as electric mobility and heat pumps, as efficient systems for domestic heating and cooling;
 - promoting the "polluter pays" principle, advocating for the implementation of mechanisms for the establishment of emissions prices that generate a strong and sustainable price signal, capable of generating the resources required to equitably finance sustainable energy projects, both in industrialised countries and in emerging and developing economies, and supporting a tax system that includes this principle in the transport, construction and electricity production industries;
 - eliminating subsidies to high-emission technologies and industries, to the extent possible;
 - promoting the replacement of energy generation systems based on the use of fossil fuels with higher carbon content and favouring the improvement of efficiency in generation, in transmission and in the final use of energy, all within the framework of an increasing electrification of the energy model; and
 - continue developing the real and global energy transition, based on electrification through renewable sources and smart grids, with a resulting reduction in the use of fossil fuels in the energy sector in particular, and in the economy as a whole.
- c) Integrate climate science and adaptation and resilience standards, as well as include technical improvements, in the design, construction and management of energy generation, storage and distribution networks and infrastructure in order to reduce or avoid the potential impacts of climate change on their functionality and allow the SP Group's companies to adapt to changes in energy demand caused by climate change.
- d) Analyse the risks arising from climate change as regards the energy transition, as well as physical risks.
- e) Regularly review the Company's greenhouse gas emissions inventory and establish control

and monitoring mechanisms, including the verification of emissions by an independent third party.

- f) Develop communication campaigns and materials, workshops and educational resources aimed at specific groups, or partner in projects with third parties, in both the public and private sectors, to promote communication and internal training of professionals on climate action.
- g) Formalise agreements and work with multilateral bodies and social organisations particularly involved in the fight against climate change and the related economic and industrial agenda.
- h) Support public policies and strategies that deal in a coordinated and consistent manner with the social problems relating to climate change.
- i) Contribute to leading the main international indices on the fight against climate change.
- j) Transparently report on the results and/or activities of the SP Group's companies regarding the fight against climate change.

5. Implementation and Monitoring

For the implementation and monitoring of the provisions of this *Policy*, the Board of Directors is assisted by the Climate Change and Sustainable Development Team of the CEO Office, (or such division as assumes the powers thereof at any time), which shall establish a procedure for regular monitoring and reporting to the governance bodies and which shall act in coordination with the Climate Change and Alliances division of Iberdrola S.A. (or such division as assumes the powers thereof at any time).

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This *Policy* was approved by the Board of Directors of Scottish Power Limited on 6 May 2025 and adopted by the Board of Directors of Scottish Power Retail Holdings Limited on 25 June 2025.