



2025 Annual Activity Report

SP Electricity North West Audit &
Compliance Committee

January 2026

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This is the annual report of the SP Electricity North West Audit & Compliance Committee (the “**Committee**”) prepared in accordance with Article 5 of the Committee’s regulations (its “**Terms of Reference**”) approved by the Board of Directors of Electricity North West Limited (the “**Company**”).

This report was produced by the Committee on 28th January 2026 and approved by the Company’s Board of Directors (the “**Board**”) on the same date.

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1. Introduction

The Board established the Committee on 23rd March 2025 (the “**Establishment Date**”) as a permanent internal body with a non-executive, informative and consultative role as defined in its Terms of Reference. This followed the clearance by the Competition and Markets Authority on 20th March 2025 of Iberdrola, S.A.’s (“**Iberdrola**”) acquisition (through its subsidiary Scottish Power Energy Networks Holdings Limited) of an 88% shareholding in Electricity North West Holdings Limited (formerly North West Electricity Networks (Jersey) Limited).

The Committee was established with Terms of Reference aligned with the internal model of the group of companies headed by Iberdrola, which Terms of Reference are updated from time to time and were most recently amended on 23rd September 2025. The Terms of Reference are published at enwl.co.uk/about-us/corporate-governance/governance-and-sustainability-system/.

Prior to the establishment of the Committee similar functions were discharged by the Company’s Audit and Risk Committee. The Audit and Risk Committee met twice in 2025 (on 29th January and 26th February) before being dissolved upon the establishment of the Committee. The activity of the Audit and Risk Committee is outside the scope of this report.

Under its Terms of Reference, the Committee has powers and responsibilities to gather information, carry out assessments and present proposals to the Board within the scope of its activities, thereby providing assurance that the Board supervises the relevant activities of the Company. In particular, the Committee is responsible for assessing the ongoing effectiveness of the Company’s risk management and internal control model, which provides assurance that the Company’s management makes its decisions within the framework of the relevant guidelines and standards of the Company.

The defined functions and activities of the Committee take into account the fact that the Company is part of the Iberdrola group of companies. Within the context of the wider governance structure of the Iberdrola and ScottishPower groups, the Committee operates as an autonomous body of the Board of Directors of the Company, whilst adhering to an established framework for reporting to the Scottish Power Limited Audit & Compliance Committee (the “**General Framework**”) in accordance with the Terms of Reference.

2. Composition, Meetings, and Attendance

From the Establishment Date until the end of 2025, the Committee consisted of the following members:

Member	Position	
Harold Hutchinson	External, Non-Executive Member (Chair)	(External Non-Executive Director of Electricity North West Limited)
Alistair Buchanan	External, Non-Executive Member	(External Non-Executive Director and Chair of Electricity North West Limited)
Charles Langan	Internal, Non-Executive Member	(Internal, Non-Executive Director of Electricity North West Limited)

Alistair Buchanan resigned as a Director of the Company with effect from 13th January 2026, and accordingly ceased to be a member of the Committee on that date.

The Terms of Reference require that the Committee on the whole, and its Chair in particular, has the relevant experience in accounting, or financial and non-financial risk management, that at least one of them has experience in information technology, and that the Committee members have relevant expertise in financial, internal control, and the energy or utilities sector. The CVs of the Committee members are published at enwl.co.uk/about-us/corporate-governance/board-members/.

In 2025, the Committee met on six occasions and, pursuant to Article 13(5) of its Terms of Reference, also passed one set of resolutions in writing outwith those meetings. In each case, the members of the Committee were provided with the information required to properly consider the topics raised.

The meetings of the Committee were convened in 2025 as follows:

<i>Date</i>	<i>Location</i>
<i>9th April 2025</i>	Manchester in person
<i>21st May 2025</i>	Manchester in person
<i>16th June 2025</i>	By videoconference
<i>4th July 2025</i>	By videoconference
<i>23rd September 2025</i>	London in person
<i>2nd December 2025</i>	Manchester in person

The attendance of Committee members during 2025 was as follows:

<i>Member</i>	<i>Meetings attended</i>
<i>Harold Hutchinson</i>	Full attendance
<i>Alistair Buchanan</i>	Full attendance
<i>Charles Langan</i>	Full attendance

3. Committee Highlights

Key statistics for 2025 were:

	<i>Occurance</i>
<i>Number of meetings</i>	6
<i>Number of written resolutions made outwith meetings</i>	1
<i>Formal Reports of the Committee submitted to the Board</i>	7
<i>Other formal updates, papers and proposals submitted to the Board</i>	6
<i>Total number of documents reviewed, including internal reports, papers and proposals presented to the Committee</i>	58

4. Main Activities

In 2025, the Committee carried out a number of activities in the discharge of its defined function and scope of purview with respect to the Company and the SP Electricity North West business.

The key functions of the Committee are listed below under the relevant headings, as they are defined under the Terms of Reference, together with principal examples of the activities that the Committee undertook to discharge those functions.

A. Internal Audit¹

-  *Overseeing the independence and efficiency of the Internal Audit department*
-  *Approving the guidelines and annual action plans proposed by the Head of Internal Audit.*
-  *Proposing the Internal Audit department's budget for approval by the Board.*
-  *Receiving regular information on the activities carried out by Internal Audit.*
-  *Evaluating the performance of the Head of Internal Audit*
-  *Ensuring that the managers of SP Electricity North West take into account the conclusions and recommendations in the reports of Internal Audit.*

At the Committee's meetings on 21st May, 23rd September and 2nd December 2025, the Head of Risk and Internal Audit presented an update to the Committee on Internal Audit's activities against the 2025/26 programme, including the status of work ongoing to align the department's processes and output with those of the wider Iberdrola group.

On 2nd December 2025, the Committee approved the 2026 Internal Audit Annual Plan and the proposed 2026 Internal Audit Budget (including the resources required to deliver the Annual Plan) for approval by the Board.

B. Internal Monitoring and Risk Management Systems²

-  *Reviewing SP Electricity North West's internal control system, internal financial information process and internal risk monitoring and management systems.*
-  *Ensuring that the main risks of SP Electricity North West are identified, managed and adequately reported, including different types of financial and non-financial risks.*
-  *Ensuring the establishment of measures necessary to mitigate the impact of any risks identified and introducing information and internal monitoring systems which monitor and manage such risks, including contingent liabilities or off-balance sheet risks.*
-  *Analysing the relevant weaknesses of any internal control system that may have been detected in the course of the audit of SP Electricity North West.*

¹ Articles 3.4(a) Terms of Reference

² Article 3.4(b), Terms of Reference

-  *Obtaining information on whether the most significant risks are managed, controlled and maintained within the established tolerance figures.*
-  *Promoting a strategy in which risk is a key factor to be taken into account in all decisions and at all levels within SP Electricity North West.*
-  *Providing to the Board at least every three months a report on the internal control and risk management systems of ScottishPower.*
-  *Informing the Board of the main litigation matters relating to ScottishPower in order to identify the direct or indirect risks and contingent liabilities arising from existing claims and procedures.*
-  *Overseeing data protection and cybersecurity activities which are reportable to the Board.*

On 4th July and 23rd September 2025, the Head of Risk and Internal Audit presented to the Committee reports on Risk Management and Control Systems which were approved by the Committee and presented to the Board.

The Committee received cybersecurity updates from the Digital & Technology Director on 23rd September 2025 and 2nd December 2025, which in the latter case included an overview of the cybersecurity plan for 2026. The papers containing these updates were reviewed and presented to the Board.

On 2nd December 2025, the Company Secretary provided a report to the Committee on Legal Claims and Regulatory Investigations, detailing the status of major legal claims and regulatory investigations and potential legal risks affecting SP Electricity North West.

On 2nd December 2025, the Company's Head of Information Security and the Head of Business Continuity and Data Protection provided the Committee an update on data protection matters affecting SP Electricity North West.

C. Risk³

-  *Overseeing the effectiveness of the Risk department.*
-  *Approving the guidelines and annual action plans proposed by the Head of Risk.*
-  *Proposing the Risk department's budget for approval by the Board.*
-  *Evaluating the performance of the Risk Department and Head of Internal Audit.*

In addition to the Risk-related matters described above, the Head of Risk and Internal Audit presented an overview of the Iberdrola Group's updated risk assessment methodology to the Committee on 2nd December 2026.

On 2nd December 2025, the Committee approved the 2026 Risk Annual Plan and the proposed 2026 Risk Annual Budget (including the resources required to deliver the Annual Plan) for approval by the Board.

³ Article 3.4(c), Terms of Reference

D. Audited Accounts⁴

-  *Proposing to the Board the appointment and the terms of engagement of the Company's auditors, in accordance with applicable regulations.*
-  *Reviewing audit reports before they are issued, with a view to avoiding qualifications, where possible, in their preparation and assessing the results of each audit, supervising the Company's management's response to the recommendations made.*
-  *Opining on the independence of the Company's auditors, on an annual basis and prior to the issuance of the auditors' report.*
-  *Reporting on any non-audit services provided to SP Electricity North West by the auditors.*
-  *Receiving information regularly from SP Electricity North West's auditors on any relevant legislation and/or relevant audit practices in force from time to time.*
-  *Serving as a communication channel between the Board and the auditor.*

On 23rd September 2025, the Head of Risk and Internal Audit presented the Proposal on the Terms of Engagement for 31 December 2025 External Auditor to the Committee. The Committee reviewed the proposed terms of engagement and approved the submission of the Proposal to the Board. The Board, following receipt of the Proposal, approved the appointment of KPMG LLP on the same day.

On 2nd December 2025, the Committee considered and approved certain non-audit services to be carried out by the external auditor. The Committee reported its conclusions to the Board.

As part of the supervision of the auditing of the financial statements by the Committee, representatives from the external auditor for the period ended 31st March 2025 (PricewaterhouseCoopers LLP) appeared before the Committee on 9th April, 21st May and 16th June 2025.

Representatives from the external auditor for the period ended 31st December 2025 (KPMG LLP) appeared before the Committee on 16th June and 2nd December 2025. The first appearance on 16th June coincided with an appearance of the outgoing auditor (PwC). At their appearance on 2nd December 2025, the representatives from KPMG LLP set out their audit plan and strategy for the financial year ended 31st December 2025.

E. Financial Information⁵

-  *Overseeing the preparation, presentation, clarity and accuracy of the financial information of SP Electricity North West.*
-  *Evaluating 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.*
-  *Reporting to the Board on the annual and interim financial statements.*

⁴ Article 3.4(d), Terms of Reference

⁵ Article 3.4(e), Terms of Reference

-  *Gathering information on any adjustments to financial statements identified by the external auditor or resulting from the reviews carried out by Risk and Internal Audit, and the management team's position on such adjustments.*
-  *Overseeing compliance with the legal requirements and the correct application of the national and international accounting and financial information principles and practices.*
-  *Informing the Board of the principles under which intragroup transactions have been carried out between any SP Electricity North West group company and any group affiliate.*

A key activity of the Committee is the periodic submission to the Board of its reports on the approval of the year end and interim financial information of SP Electricity North West.

At its meeting on 16th June 2025, the Committee received a final draft version of the Company's annual accounts for the year ended 31st March 2025 together with updates from PwC and management on audit work completed. Following this meeting, the accounts were circulated to and approved by the Board on the same day.

The Committee reviewed the interim financial statements of the Company and North West Electricity Networks plc ("**NWEN plc**") for the period ended 30th September 2025. On 24th November 2025 the Committee approved, by written resolution, a report to the Board on the interim accounts of the Company and a report to the board of NWEN plc on the interim accounts of that company.

During 2025, the Company's Chief Financial Officer presented quarterly updates to the Committee on financial performance at its meetings on 4th July and 23rd September, together with a year-end financial performance review update at its meeting on 2nd December.

On 2nd December 2025 the Committee reviewed the 2025 list of intercompany contracts for the SP Electricity North West Group, as presented by the Chief Financial Officer, together with the standards and principles upon which those transactions were based. The Committee, via its Chair, informed the Board of the same on 2nd December 2025.

F. Non-financial Information and Sustainable Development⁶

-  *Reviewing the non-financial information of the Company and reporting the same*
-  *Supervising the sustainable development activities of the Company and whether its environmental and social practices conform to the Iberdrola Group's global strategy and reporting the same to the Board.*

On 2nd December 2025, the ScottishPower Head of ESG Reporting and Performance (Acting) and the Company's Stakeholder Engagement and Corporate Social Responsibility (CSR) Manager advised the Committee on the annual preparation and presentation process to be completed for the 2025 Non-Financial Information of SP Electricity North West and the wider ScottishPower Group.

⁶ Article 3.4(f), Terms of Reference

On 2nd December 2025, the Committee received an update from the Company's Environment & Sustainability Manager on the Company's Sustainable Development activities. This update was subsequently submitted to the Board.

G. Compliance Unit⁷

-  *Reviewing and validating Compliance Unit's annual budget prior to its submission for Board approval.*
-  *Approving the annual activity plan for the Compliance Unit and endeavouring to ensure that it has the necessary human and material resources available to it to perform its duties, and to ensure its independence and effectiveness.*
-  *Receiving information from the Compliance Unit on matters relating to regulatory compliance and the prevention and correction of improper or illegal conduct.*
-  *Receiving information from the Compliance Unit on matters relating to the effectiveness of the Company's Compliance System.*
-  *Having 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.*
-  *Opining on the Compliance Unit's compliance with its annual activities plan.*
-  *Reviewing 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.*

On 21st May 2025, the Company's Chief Financial Officer presented to the Committee a draft Modern Slavery Statement covering the period from 1st April 2024 to 31st March 2025. The Committee noted the proposed statement and endorsed the recommendation that the boards of the Company and North West Electricity Networks (UK) Limited approve the statement at their next meetings later that day.

On 23rd September and 2nd December 2025, the Head of Risk and Internal Audit presented reports to the Committee on the Compliance Unit's activities and relevant updates on compliance developments.

On 2nd December 2025, the Head of Risk and Internal Audit presented the Compliance Unit's proposed 2026 Annual Budget. The Committee validated and resolved to submit the 2026 Budget to the Board.

H. Irregular and Improper Financial Conduct⁸

-  *Reviewing complaints or reports submitted through relevant reporting channels that might have a material impact on the financial statements of internal controls of the Company, and proposing appropriate actions to mitigate or reduce the risk of future occurrences of the same.*

⁷ Article 3.4(g), Terms of Reference

⁸ Article 3.4(h), Terms of Reference

At its meetings on 23rd September and 2nd December 2025, the Head of Risk and Internal Audit reported to the Committee the number and category of claims reported to the Compliance Unit since the prior meeting.

I. Related Party Transactions⁹

-  *Reporting on Related Party Transactions prior to approval by the Company's sole shareholder or Board as appropriate.*
-  *Ensuring Related Party Transactions are fair and reasonable to the Company.*
-  *Verifying the fairness and transparency of a Related Party Transaction where the approval of it had been given without a prior report of the Committee.*
-  *Preparing a report on the Company's Related Party Transactions, for the previous financial year, within six months of the end of that financial year.*
-  *Informing the sole shareholder of the Company of Related Party Transactions affecting a specific class of director.*

No reports on Related Party Transactions were received by the Committee in the period from the Establishment Date to 31st December 2025. The Committee expects to approve a Report on Related Party Transactions within the first six months of 2026.

J. Special Purpose Entities and Tax Haven Companies¹⁰

-  *Informing the Board prior to adoption of any decision on the creation or acquisition of holdings in special purpose entities ("**SPEs**") or in entities domiciled in countries or territories which are considered tax havens ("**THEs**"), and of any other transactions or operations of a similar nature which, due to their complexity, could undermine the transparency of the Iberdrola group.*
-  *Producing for the Board a report on the monitoring of SPEs and THEs.*

On 4th July 2025, the Committee Secretary presented the monitoring report for the Committee on the SP Electricity North West Group Structure and Special Purpose Vehicles (SPVs). Following review, the Committee approved and submitted its report to the Board on the same.

K. Business Separation of Activities Compliance¹¹

-  *Considering on an annual basis the regulated activities business separation report (in addition to any other update) from the Compliance Unit focusing on the effectiveness of the practices,*

⁹ Article 3.4(i), Terms of Reference

¹⁰ Article 3.4(j), Terms of Reference

¹¹ Article 3.4(k), Terms of Reference

procedures, and systems adopted in accordance with applicable regulatory requirements of the Company on the separation of regulated activities.¹²

- 👉 Informing the Board in advance of any changes to the business separation regulatory requirements applicable to the Company.*

On 2nd December 2025, the Committee considered and noted the proposed *SP Electricity North West Policy on Business Separation* which was approved by the Board later that day.

The Committee did not receive a regulated activities business separation report during the period from the Establishment Date to 31st December 2025. The Committee expects to receive a report during 2026.

L. Tax Policy Compliance¹³

- 👉 Reporting to the Board the level of compliance with the ScottishPower Corporate Tax Policy and tax criteria used during the relevant financial year.*
- 👉 Endorsing any specific tax strategy of the Company and the ScottishPower Group.*

The *ScottishPower Corporate Tax Policy* was adopted by the Company on 22nd September 2025. The Committee is submitting a report to the Board on the level of compliance with that policy on the date of this Activity Report.

On 23rd September 2025, the Chief Financial Officer presented the proposed adoption by the SP Electricity North West group of the ScottishPower Tax Strategy 2025. The Committee endorsed the proposal, which was subsequently approved by the Board.

¹² The Distribution 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.

¹³ Article 3.4(l), Terms of Reference

5. Appearances

In accordance with its Terms of Reference, the Committee may request the attendance of directors, managers and other employees of the group to its meetings.¹⁴ In 2025, the following officers or representatives of the Company appeared before the Committee:

Title	Attendance
Committee Secretary	Full attendance
Head of Risk and Internal Audit	21 st May, 4 th July, 23 rd September and 2 nd December 2025
Chief Financial Officer	Full attendance
Head of Financial Control	9 th April, 21 st May, 16 th June 2025 and 2 nd December 2025
Digital & Technology Director	23 rd September and 2 nd December 2025
Company Secretary	2 nd December 2025
Head of Information Security	2 nd December 2025
Head of Business Continuity and Data Protection	2 nd December 2025
ScottishPower Head of ESG Reporting and Performance (Acting)	2 nd December 2025
Stakeholder Engagement and CSR Manager	2 nd December 2025
Environment & Sustainability Manager	2 nd December 2025

¹⁴ Article 15, Terms of Reference

Representatives of the external auditor for the financial year ended 31 March 2025 (PricewaterhouseCoopers LLP) appeared before the Committee on 9th April, 21st May and 16th June 2025.

Representatives of the incoming external auditor for the financial year ended 31st December 2025 (KPMG LLP) appeared before the Committee on 16th June and 2nd December 2025.

6. Training¹⁵

The Committee maintains its own training programme approved by it on 23rd September 2025 in accordance with its Terms of Reference. During 2025, the Committee received briefings and training on a number of areas, including the following topics:

Date	Training Topic
2 ^{1st} May 2025	<ul style="list-style-type: none"> • Modern Slavery
2 ^{1st} May, 23 rd September & 2 nd December 2025	<ul style="list-style-type: none"> • Risk Management
23 rd September & 2 nd December 2025	<ul style="list-style-type: none"> • Cyber Security
2 nd December 2025	<ul style="list-style-type: none"> • Data Protection • Sustainable Development

¹⁵ Article 10, Terms of Reference

7. Conclusions

The Committee provided assurance to the Board throughout 2025 with the following being among its key activities:

- 🔥 **Risk and Internal Audit:** Continuous monitoring of Risk and Internal Audit activities, approval of the 2026 Risk and Internal Audit Annual Activity Plan and proposal of the 2026 Annual Budget for approval by the Board.
- 🔥 **Internal Monitoring and Risk Management Systems:** Reviewing risk reporting, and providing assurance that the risks identified through the key risk reporting process are the major risks faced by the business.
- 🔥 **Audited Accounts:** Proposal to the Board of the appointment and terms of engagement of the external auditor, and monitoring of the independence of the same.
- 🔥 **Financial Information:** Monitoring of the March 2025 year-end financial information and interim financial statements for approval by the Board, including changes in accounting policies and practices to align with ScottishPower Group.
- 🔥 **Compliance Unit:** Continuous monitoring of Compliance activities and proposal of the 2026 Compliance Annual Budget for approval by the Board.
- 🔥 **Irregular and Improper Financial Conduct:** Monitoring claims which might have a material financial impact on the Company.
- 🔥 **Special Purpose Entities and Tax Haven Companies:** Monitoring of any SPEs or THEs within the SP Electricity North West group that would reduce the tax transparency of the group.
- 🔥 **Training:** Receiving briefings and training on a number of areas relevant to the Committee.

The Committee is of the opinion that the requirements of its Terms of Reference have been adequately complied with and delivered during the period covered by this report (being the Establishment Date until 31st December 2025). The Committee has prepared this report on that basis.