



Modern Slavery Statement 2018



Scottish Power Limited is the UK parent company of the ScottishPower group ('ScottishPower'). This statement constitutes ScottishPower's slavery and human trafficking statement ('Modern Slavery Statement') for the financial year ending 31 December 2018, pursuant to s54 of the Modern Slavery Act 2015 and applies to companies within the ScottishPower group (Note 1).

The Board of ScottishPower has been briefed on the Modern Slavery Act 2015, and in respect of how ScottishPower has responded to the legislation since it was enacted.

We are fundamentally opposed to Modern Slavery in all areas of our business. We consider that the measures highlighted in this Statement, coupled with our overall approach to ethics and employee and supplier engagement, are helping to reduce the risk of Modern Slavery taking place across ScottishPower and our supply chain.

This Statement was approved by the Scottish Power Limited Board of Directors on 14th May 2019.



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Keith Anderson
CEO of Scottish Power Limited

ABOUT SCOTTISHPOWER

ScottishPower is part of the Iberdrola group ('Iberdrola'), one of the world's largest integrated utility companies and a world leader in wind energy. Iberdrola aims to be a leader in sustainable energy and ethical conduct and is rated as one of the World's Most Ethical Companies by Ethisphere.

The main ScottishPower companies (see Note 1) are:

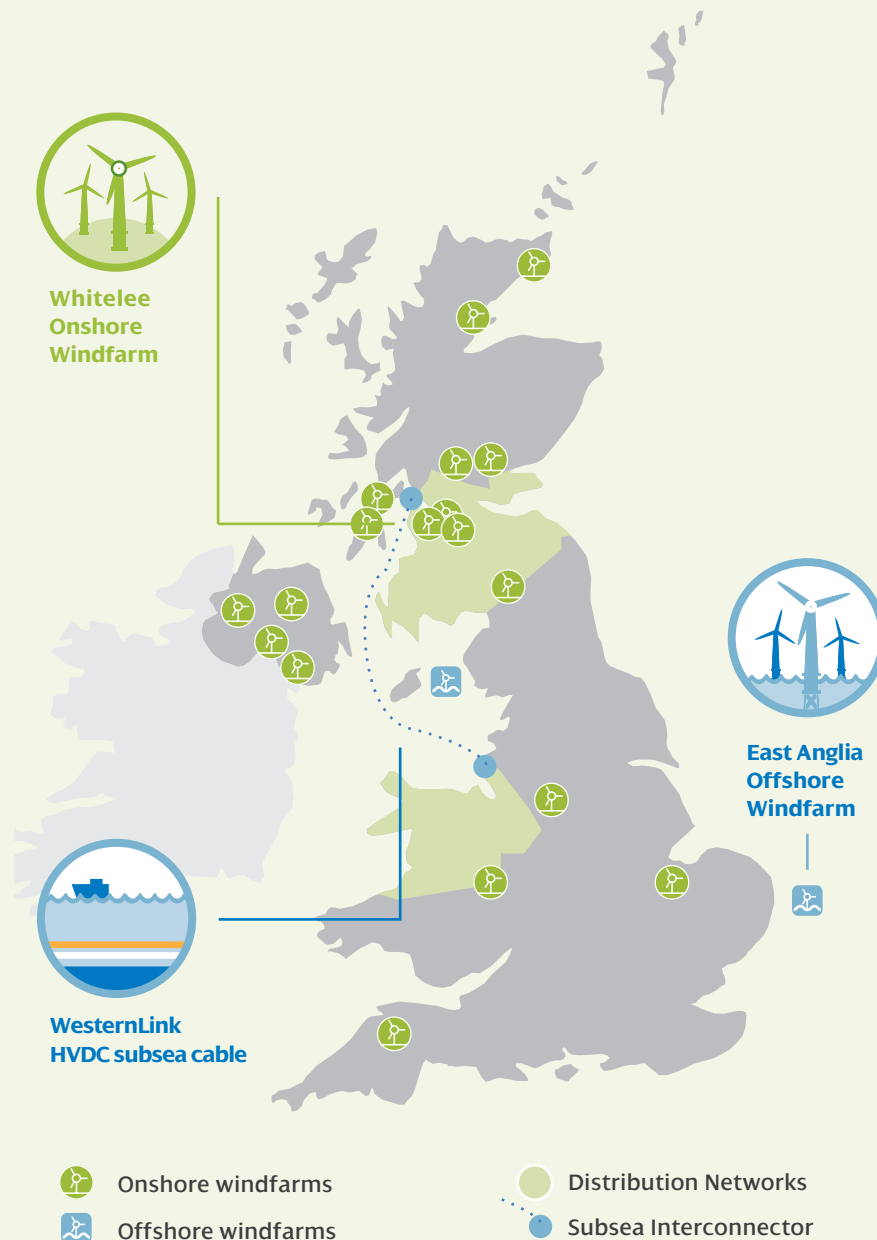
- Scottish Power Retail Holdings Ltd (see Note 2), comprising our retail business, which supplies electricity and gas to around 5 million households and businesses across the UK;
- Scottish Power Energy Networks Holdings Ltd, which provides power to communities through a network of cables and power lines that we own and maintain; and
- ScottishPower Renewable Energy Ltd, which develops and operates onshore wind and marine energy projects in the UK and offshore wind farms throughout Europe, managing the development, construction and operation of those projects.

ScottishPower is proud to be the first integrated energy company in the UK to commit to generate 100% green electricity. Our focus is on wind energy, smart grids and driving the change to a cleaner, electric future and we're investing over £4m every working day to deliver a better future, quicker, for everyone.

OUR SUPPLY CHAIN

As with many large organisations, ScottishPower uses a complex supply chain to deliver our supply needs, across a variety of industries and countries. Our supply chain supports: the generation, distribution, transmission and supply of electricity and the supply of gas; domestic energy services such as boiler care, electric vehicle chargers and energy efficiency measures; and the general resourcing and administration requirements of a large organisation.

Due to the diverse nature of these activities, we use a range of directly employed professionals and third party suppliers to deliver specialist expertise. At the end of 2018 we employed 5,866 employees and had contracted directly with 4,169 third party suppliers. Depending on the nature of the contract, our contractors may use specialist suppliers to fulfil elements of their contracts with ScottishPower and therefore broaden our supply chain.



MEASURES TO IDENTIFY AND ADDRESS MODERN SLAVERY RISKS

Modern Slavery is an umbrella term that covers various forms of slavery and human trafficking. Slavery involves depriving a person of their freedom and exploiting them for personal or commercial advantage. This can occur through the person being unable to escape their situation, living in fear of them or loved ones being punished if they don't comply, or even working in conditions which do not meet legal standards. Human trafficking includes recruiting, transporting or transferring people for the purpose of exploitation.

The Modern Slavery Act 2015 prohibits slavery, servitude, forced or compulsory labour and human trafficking ('Modern Slavery'). Similarly, in Scotland, the Human Trafficking and Exploitation (Scotland) Act 2015 creates a framework for the prosecution of offences of human trafficking and slavery, servitude, forced or compulsory labour in Scotland and for support for victims of those offences.

ScottishPower is wholly opposed to any form of Modern Slavery and is committed to combatting any such activity that is in any way connected to our supply chain. This Modern Slavery Statement sets out the steps taken by ScottishPower towards meeting this commitment in the last financial year. The Statement considers ScottishPower's actions in five key areas:

- Policy and Procedures
- Risk Assessment
- Due Diligence
- Communication and Training
- Continuous Improvement

ScottishPower has established a Modern Slavery Steering Group, comprised of senior management from across the business to co-ordinate the delivery of ScottishPower's ongoing efforts to prevent, detect and react to Modern Slavery across the ScottishPower group. The group met three times in 2018.

A key focus area in 2018 has been our contribution to the Iberdrola global Human Rights Risk Assessment, a global programme aimed at identifying the key impacts on human rights from our operations, and developing appropriate actions.



Article 25. Commitment to human and workers' rights

1. The Group hereby expresses its commitment to and involvement with the human and workers' rights recognised in national and international law and to the principles upon which the UN Global Compact, the United Nations Norms on the Responsibilities of Transnational Companies and Other Business Enterprises in connection with human rights, the OECD Guidelines for Multinational Corporations, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labour organisation are based, as well as any documents or texts that may replace or supplement the ones mentioned above.
2. In particular, the Group affirms its total rejection of child and forced or compulsory labour and undertakes to respect the freedom of association and collective bargaining, as well as the rights of ethnic minorities and indigenous peoples at the places where it does business.

Extract from the Code of Ethics, December 2018

In addition, the Supplier Code of Ethics places high standards on all ScottishPower group suppliers, requiring them to adhere to the same principles of business ethics and human rights including ethics, labour practices, the protection of human and workers' rights, and the elimination of forced and child labour. ScottishPower suppliers are required to adhere to these principles in their contracts with ScottishPower.

Further information is available on the ScottishPower website: www.scottishpower.com

POLICIES AND PROCEDURES



As part of Iberdrola, ScottishPower is publicly committed to the United Nations (UN) Sustainable Development Goals (SDGs) as approved by the UN in September 2015. Several of the SDGs are relevant to Modern Slavery including Goals 8 and 10 (Towards decent and sustainable work to eliminate inequalities) and Goal 16 (Peace, Justice and Strong Institutions). Working in conjunction with our colleagues across Iberdrola, we are committed to playing our part towards meeting them and to aiding our suppliers in contributing to these aims.

The SDGs are reflected throughout the business strategy for the Iberdrola group. In addition, in October 2018, the Board of Directors of Iberdrola approved a revision of the Corporate Governance System with the purpose of formalising our commitment to the SDGs, highlighting the group's contribution to their fulfilment through the social dividend generated by its business activity.

Beyond the SDGs, ScottishPower retains its Policy on Respect for Human Rights, which was last updated in October 2018 and adopted by the ScottishPower Board of Directors in December 2018. This policy reinforces ScottishPower's commitment to the human and labour rights recognised in domestic and international law and to recognised international best practice regarding human rights, including the United Nations Global Compact and the SDGs. The policy promotes ScottishPower's commitment to demand from all group employees and suppliers strict respect for human and labour rights and to expressly reject child labour and forced or compulsory labour across all our activities.

The Policy on Respect for Human Rights also links directly to ScottishPower's Code of Ethics and Supplier Code of Ethics.

The Code of Ethics was last amended in December 2018. This Code confirms ScottishPower's commitment to the principles of business ethics and transparency in all areas of activity and establishes a set of principles and guidelines for conduct designed to ensure ethical and responsible behaviour. Specifically, Article 25 of the Code of Ethics reaffirms the commitments made in the Policy on Respect for Human Rights and, by virtue of Article 2, requires all employees across the group to recognise these principles and to adhere to them in all of their activities on behalf of ScottishPower. A further review and update of the Code of Ethics will take place during 2019.

SPEAKING UP

ScottishPower actively encourages any employee or third party that has any concerns about its ethical working practices to report those concerns, using one of the following routes:

- Directly to ScottishPower's Chief Compliance Officer by phone or in writing
- Using the Ethics Mailbox managed by the Compliance Division – compliance@scottishpower.com
- Using the external 'Speaking Up' service operated by Expolink, where anonymous reports can be made

Freephone 0800 374 199

Online at wrs.expolink.co.uk/scottishpower

Each of these routes provide an independent, confidential speaking out process for ScottishPower employees, suppliers and their employees to report directly to ScottishPower any conduct believed to be in breach of the Supplier Code of Ethics or of any other wrongful, criminal or illegal conduct.

RISK ASSESSMENT

In 2018, the Iberdrola group, of which ScottishPower is a part, launched a group-wide global Human Rights risk assessment exercise. This exercise aimed to ensure that human rights principles are embedded in Iberdrola's business operations, and to boost its work on prevention of potential human rights abuses through integration in business procedures. The detection and prevention of Modern Slavery across the organisation is a key component of the scope of this review.

The exercise is comprised of 4 main stages:

1. Risk identification and mapping
2. Business interviews and engagement
3. Assessment
4. Report and Recommendations

In Stage 1, an initial risk map was developed to identify the main areas of risk across Iberdrola, by business and by country, and to identify potential gaps. Stage 2 utilised a Spanish-based specialist human rights consultancy, Business & Human Rights, to engage with senior staff across each of the businesses within the group.

In the UK, ScottishPower carried out a substantial mapping exercise across each of our businesses to identify potential impacts on human rights impacts arising from the company operations, including those that were relevant to Modern Slavery. From this analysis more than 35 senior staff were identified and interviewed on a comprehensive range of questions in relation to human rights.

The review is now at the assessment stage, where the outputs of the risk mapping activity and interviews are being consolidated, reviewed and ranked. It is anticipated that the final report and recommendations will be available during 2019. These recommendations will in turn inform the proposed update of Iberdrola's Policy in Respect of Human Rights, and an action plan to address risk areas will be put in place and implemented. In the meantime the preliminary findings of the UK interviews will inform our continued analysis of our risk areas and supply base and how we will adapt our monitoring processes to improve ScottishPower's and our suppliers' compliance with the law and ethical business standards.

DUE DILIGENCE

At ScottishPower we recognise that we have a valuable opportunity to identify potential instances of Modern Slavery in our supply chain at an early stage, through our procurement process and supplier contracts.

In relation to procurement, there are 3 key steps in the process:

- I. The engagement and selection of suppliers
- II. The contracting process (tendering)
- III. The ongoing management of suppliers

ScottishPower's procurement process operates under the Iberdrola group Procurement Policy, which has clear and direct links to the Policy on Respect for Human Rights and the Supplier Code of Ethics. ScottishPower's procurement process is ISO 9001 accredited and managed to the highest standards, to assist ScottishPower in meeting its sustainability and ethical goals. We use the Utilities Vendor Database, operated by Achilles, in our centralised procurement process, in order to register, verify, audit (where applicable) and track potential suppliers. This Database includes key mandatory questions in its pre-qualification questionnaire on the detection and prevention of slavery, human trafficking and child labour and how an organisation's CSR policies are reflected through its own supply chain. This information is then available to ScottishPower's procurement consultants as part of the due diligence carried out on registered suppliers.

In 2018 we implemented additional processes for the review of new suppliers through our vendor management (SAP) system, which automatically refers potentially high risk suppliers for review prior to them being confirmed in the system. A Third Party screening tool ('the tool') provided by Thomson Reuters, is used to screen against media activity, regulatory and law enforcement updates and a variety of financial and risk information, to provide up to date intelligence on organisations and relevant individuals. This allows a more consistent view of new suppliers, enabling ScottishPower to identify any human rights issues or 'red flags' and advise the business on any issues and controls they should consider in taking the supplier forward. The tool is also reviewed daily, to identify any potential new issues with existing suppliers which require review or action.

Once suppliers have been pre-qualified to proceed to each tender, as a key part of the contracting process they are asked to agree to terms requiring them to operate ethically and in compliance with the Supplier Code of Ethics and with relevant legislation, including in respect of Modern Slavery, as well as their ethical obligations in relation

to the recruitment, management and compensation of employees. Suppliers are also required to ensure that any sub-contractors are also obliged to meet these obligations. All suppliers are also provided with links to the Supplier Code of Ethics.

Once the contract is signed, responsibility for the implementation and ongoing management of the supplier reverts to the relevant business manager. The scale and type of monitoring will vary depending on the nature of the supplier's work for ScottishPower. Suppliers are required to manage their own sub-contractors and we will ask for evidence of how these third parties are being managed, either as part of ongoing monitoring and reporting, or on an ad-hoc basis if specific concerns are identified.

We have not made any further substantial changes in how we manage Modern Slavery risk through our supply chain in 2018, largely due to the commencement of the Human Rights risk assessment exercise in the period. Following the conclusions of this risk assessment exercise and the implementation of any associated actions, we intend to look again at ScottishPower's procurement process to ensure that it remains consistent, reliable and auditable in its approach to identifying and reacting to potential issues of Modern Slavery.

RISK AREAS

Particular areas of perceived modern slavery risks within our business and supply chain primarily relate to overseas supplies from higher risk countries and third party contracted labour for use in onshore and offshore construction projects.

In 2018 we identified one incident where a supplier for another organisation was involved in a potential 'forced labour' allegation. As they were also a former ScottishPower supplier, we proactively contacted that former supplier to clarify the circumstances; confirm whether any action was needed in relation to the work previously done for ScottishPower; and to remind the third party of their obligations as regards Modern Slavery.

While the circumstances in the particular case did not relate to work done for ScottishPower and assurances regarding the alleged incident and preventative measures in place were received and scrutinised, we will use the details of this incident to help inform our assessment of Modern Slavery risk going forward.

We have already identified opportunities for strengthening our approach further in 2019. In particular, the ongoing management of suppliers is an area where further enhancements could be made to assist in the identification and eradication of Modern Slavery risk, and we intend to bring this into scope in 2019.

COMMUNICATION AND TRAINING

As part of our commitment to strengthening human rights and eradicating Modern Slavery across our business and industry we believe it is important to share knowledge and best practice. This is particularly the case in areas of greater potential risk, such as in the development of the renewables sector, where the increased growth and particular resource requirements could facilitate opportunities for Modern Slavery if not appropriately managed.

Accordingly, in conjunction with Scottish Renewables, we organised a seminar in May 2018 at our Glasgow headquarters for our own employees and the wider renewables industry, to raise awareness of the challenges faced by the sector in tackling Modern Slavery. Expert speakers from international law firm Pinsent Masons LLP and the Ethical Trading Initiative set out both the legal requirements and gave a perspective on international supply chain risk. The session was well received by its attendees.

ScottishPower is also pleased to be a member of the Institute of Business Ethics, an organisation which works to promote high standards of business behaviour based on ethical values and in 2018 was actively involved in the establishment of a Utilities-sector specific group, hosted by the Institute. Going forward, we believe that this membership will provide further opportunities for collaboration with colleagues across industry on steps to eradicate Modern Slavery across the utilities sector.



We did not undertake any further specific Modern Slavery training in 2018, largely due to the commencement of the group-wide Human Rights review in the period.



CONTINUOUS IMPROVEMENT AND MEASURING EFFECTIVENESS



While we believe that we have established a solid baseline in combatting Modern Slavery with the policies and practices already in place across ScottishPower, there is more that we can and will do to develop our Modern Slavery prevention plan and deliver best practice in educating our employees and suppliers on the issue of Modern Slavery.

In our 2017 Modern Slavery Statement we said that in 2018 we would:

- I. Endeavour to uphold our approach to preventing Modern Slavery in our business and supply chains;
- II. Continue to raise awareness of our ethical business policies and procedures, both internally and externally;
- III. Continue to analyse our supplier base and engage with identified risk areas; and
- IV. Aim to take a collaborative approach to combatting Modern Slavery.

In 2018 much of this activity has been taken forward under the banner of the group-wide Human Rights review, which is ongoing. This review is important, as it highlights that not only is ScottishPower committed to tackling Modern Slavery, but that it is part of a group that ranks the fair and ethical treatment of workers as a key priority in its business goals.

The Human Rights review presents a key example of collaborative working across the group and will help to identify opportunities for improvement in different geographical areas and harmonisation of relevant best practice across the group Companies. It has also provided a strong platform upon which to continue to communicate our ethical business policies and procedures, alongside our ongoing sustainability work. It will also provide an indicative measure of our current effectiveness in tackling Modern Slavery, allowing us to better focus on the right indicators to monitor our approach.



ScottishPower's Modern Slavery prevention plan for the next year will therefore be heavily influenced by the output from this review. Without prejudice to the outcomes of the Human Rights review, in 2019 we will:

- I. Develop an enhanced Modern Slavery Action Plan, taking into account the outcome of the Human Rights review and ScottishPower's own compliance risk assessment, to be carried out later this year;
- II. Review and enhance our existing employee training programme, with the goal of providing more targeted, in-depth Modern Slavery training;
- III. Further explore options for enhancing the management of suppliers both as part of and post the procurement process from a Modern Slavery perspective, such as through the development of a labour practice audit model;
- IV. Review options for utilising external best practice, in order to further inform our action plan and contribute to our goal of the eradication of Modern Slavery across our sector; and
- V. Develop indicators to better enable us to monitor the effectiveness of our approach to ensuring that Modern Slavery is not tolerated in any of ScottishPower's business activities or our supply chain.

ScottishPower

May 2019

NOTES

Note 1 – Several companies within the ScottishPower group are obliged to report under s.54 of the Modern Slavery Act 2015. In line with Home Office guidance of 12 March 2019, this statement covers entities that meet the reporting criteria, namely: Scottish Power UK plc, Scottish Power Retail Holdings Limited, ScottishPower Renewable Energy Limited, Scottish Power Energy Networks Holdings Limited, ScottishPower Energy Management Limited, ScottishPower Energy Retail Limited, Scottish Power Renewables (UK) Limited, ScottishPower Renewables (WODS) Limited, SP Distribution plc, SP Transmission plc, SP Manweb plc and SP Power Systems Limited. Those entities have signed an adopting statement which is held at ScottishPower's offices and is available on request.

Note 2 – During 2018 Scottish Power Generation Holdings Limited disposed of its operational Generation portfolio and the ScottishPower Generation Limited company, making it the first large UK energy company to commit to 100% renewable generation. Scottish Power Generation Holdings Limited has subsequently changed its company name to Scottish Power Retail Holdings Limited.