



SCOTTISHPOWER

Modern Slavery Statement 2017

Prevent verb

keep (something) from happening

Modern slavery is the recruitment, movement, harbouring or receiving of children, women or men through the use of force, coercion, abuse of vulnerability, deception or other means for the purpose of exploitation

MAY 2018



SCOTTISHPOWER

Scottish Power Limited is the UK parent company of the ScottishPower group ("ScottishPower"). Pursuant to s.54 of the Modern Slavery Act 2015, this statement constitutes ScottishPower's slavery and human trafficking statement for the financial year ending on 31 December 2017 ("Modern Slavery Statement").

APPROVAL OF THIS MODERN SLAVERY STATEMENT

The Board of ScottishPower have been briefed on the Modern Slavery Act 2015 and in respect of how ScottishPower has responded to the legislation since it was enacted. We consider that the measures being taken including the Modern Slavery Prevention Plan ('the Plan'), coupled with our overall approach to ethics and employee and supplier engagement, are reducing the risk of Modern Slavery taking place across ScottishPower and our supply chain.



Keith Anderson
CEO of Scottish Power Limited

ABOUT SCOTTISHPOWER

ScottishPower is part of the Iberdrola Group, a global energy company which for the past five years has been selected as one of the World's Most Ethical Companies by Ethisphere.

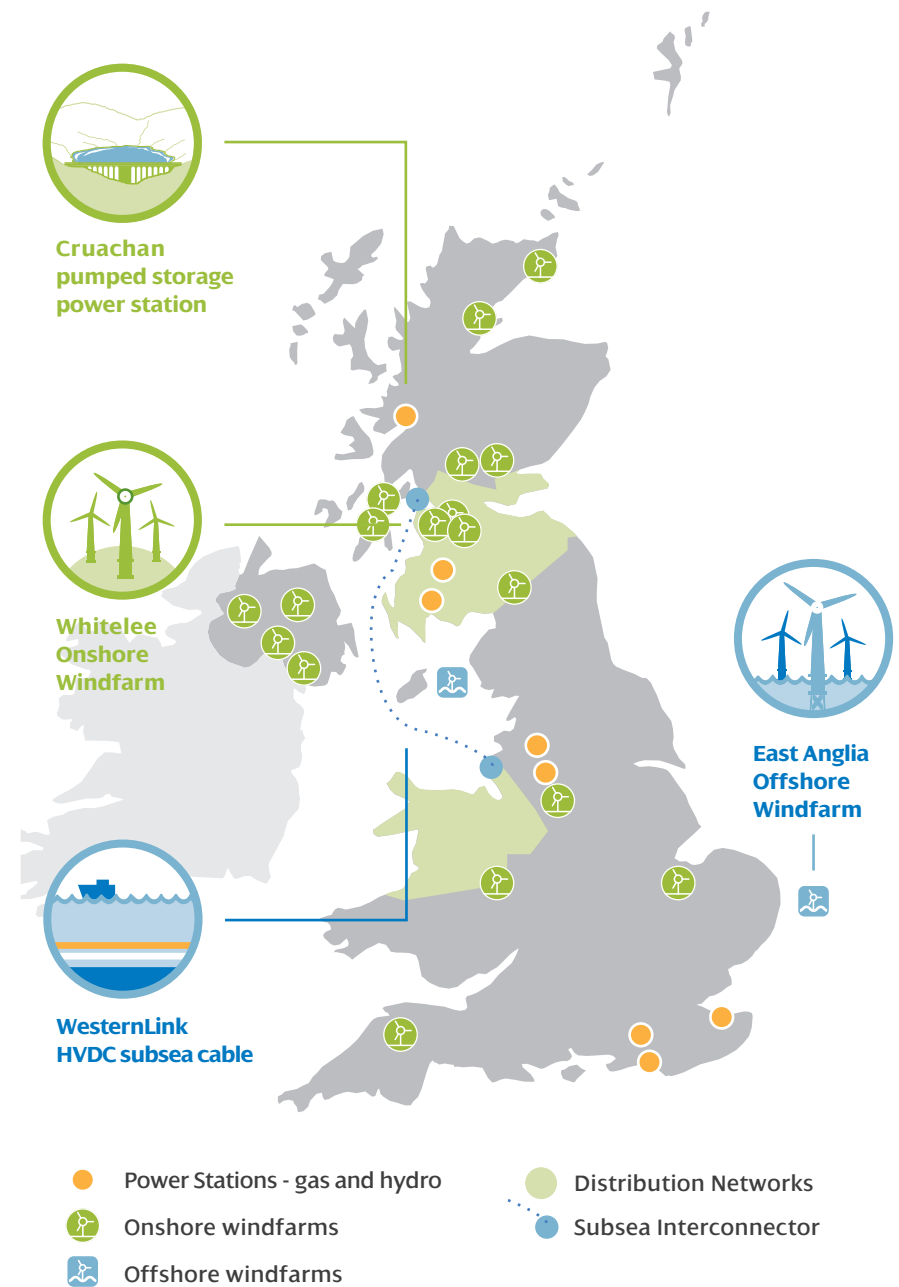
The main companies in the ScottishPower group are:

- Scottish Power Generation Holdings Ltd (SPGHL),
- Scottish Power Energy Networks Holdings Ltd (SPENHL), and
- ScottishPower Renewable Energy Ltd (SPREL).

The ScottishPower group includes the following business lines:

- Our **networks** business provides power through a network of cables and power lines that we own and maintain;
- Our **generation** business delivers energy from across our hydro, gas and biomass generation portfolio;
- Our **renewables** business 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; and
- Our **retail** business supplies gas and electricity to over 5 million households and businesses across the UK.

Further information on the ScottishPower group can be found on our website: www.scottishpower.com



MEASURES TO IDENTIFY AND ADDRESS MODERN SLAVERY RISKS

The Modern Slavery Act 2015 prohibits slavery, servitude, forced or compulsory labour and human trafficking - “**Modern Slavery**”. ScottishPower is committed to combatting all forms of Modern Slavery that could in any way be connected to our business and supply chain.

This **Modern Slavery Statement** sets out the steps taken by ScottishPower to work towards these goals and, in particular, records developments in the latest financial year. Our objectives are recorded in a Modern Slavery Prevention Plan prepared by our Modern Slavery Working Group.

There are six key areas in which additional steps have been taken in 2017.

- Policy and Procedures
- Risk Assessment
- Due Diligence
- Communication
- Training
- Benchmarking

These steps are set out in more detail in this document.



Code of Ethics

Article 25, 1

The Group hereby expresses its commitment to and solidarity with the human and workers' rights recognised in national and international law and to the principles upon which are based 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 and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labour Organisation, as well as such documents or texts that replace or supplement the ones mentioned above.

Code of Ethics

Article 25, 2

In particular, the Group affirms its total rejection of child and forced or compulsory labour and undertakes to respect freedom of association and collective bargaining, as well as the rights of ethnic minorities and indigenous peoples in the places in which it does business.



POLICIES AND PROCEDURES

We have continued to reinforce our culture of rejection of Modern Slavery, both internally and externally, including with our supplier base.

ScottishPower adopted a Policy on Respect of Human Rights on 15 April 2015 which was updated on 21 February 2017. This policy formalised ScottishPower's commitment to the human and labour rights recognised in domestic and international legislation and to the principles underpinning the United Nations Global Compact, the Guiding Principles on Business and Human Rights.

These principles are also contained in ScottishPower's Code of Ethics which was last amended on 19 December 2017. The Code of Ethics sets out 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.

Examples are shown opposite.

In addition to internal policies designed to uphold business ethics and human rights, the ScottishPower Suppliers' **Code of Ethics** sets out the principles that our suppliers should adhere to regarding ethics; labour practices; the protection of human and worker's rights; and the elimination of forced labour and child labour. These principles and values are expressly accepted by ScottishPower's suppliers through contractual commitments.

ScottishPower has various routes available to allow our employees or any third parties to report any concerns. These include:

- 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 whistleblowing service operated by Expolink where anonymous reports can be made
Freephone 0800 374 199
wrs.expolink.co.uk/scottishpower

These routes provide an independent, confidential whistleblowing process for suppliers and their employees to report directly to ScottishPower any conduct believed to be a breach of the Suppliers' Code of Ethics or any other wrongful, criminal or illegal conduct.

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

In April 2017, following ScottishPower Board approval of last year's statement, ScottishPower's Head of Legal and General Secretary sent a communication to all employees promoting these routes and encouraging our employees to be aware of and report any 'red flags', as described in the Communication section of this document.



DUE DILIGENCE

We have worked with consultants to enhance our procurement processes so that risks are better identified at the outset and on a rolling basis

ScottishPower's commitment to the eradication of Modern Slavery is evident in our supply chain due diligence through both our procurement process and the terms of our supplier contracts.

ScottishPower's procurement team assesses significant suppliers and prospective suppliers to ScottishPower against a wide range of compliance criteria and international standards. This procurement process involves registration with Achilles (a supply chain risk management business) and passing an initial qualification and registration process in order to become a ScottishPower pre-qualified supplier.

Whilst Modern Slavery diligence is a part of our current procurement processes, in 2017, we engaged an external consultant to evaluate and enhance our procedures so that Modern Slavery risk areas could be identified, considered and addressed more quickly.

The review is ongoing and an update will be provided next year.

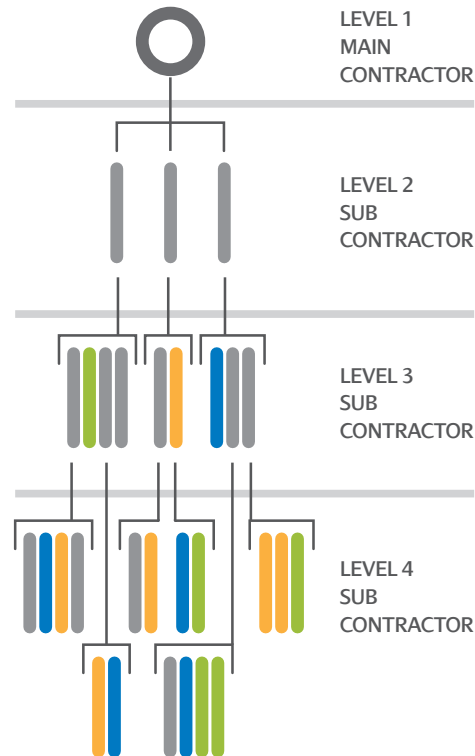
CHALLENGES OF COMPLEX SUPPLY CHAINS

A supply chain can source components from various industries and countries that may have the reputation or potential for risk, such as

skill set ■
unskilled or untrained workers placed in potentially dangerous situations

health & safety ■
differing standards being deployed to the detriment of workers

resource supply ■
heightened likelihood of forced or child labour, risk of modern slavery



A supply chain for any component - like a wind turbine or a smart meter, for example - can be very complex and very difficult to monitor or audit.

This diagram shows a typical supply chain - not specific to any supplier or industry.



RISK ASSESSMENT

Following an initial risk assessment ScottishPower engaged with higher risk suppliers and conducted additional diligence.

In the 2016 financial year, ScottishPower conducted an initial Modern Slavery risk assessment to identify perceived industry/sector and/or geographic areas of Modern Slavery risk within the group. The risk assessment involved representatives of all business lines and our corporate services were also involved. ScottishPower had suppliers in Bangladesh, China, India, Russia and the UAE, amongst other countries with a moderate to higher risk rating for Modern Slavery owing to their location and the fact they were involved in supply chains for garments, outsourcing services and electronic goods and components.

In 2017, the findings of that risk assessment have been used by our procurement and business teams who have engaged with identified tier 1 higher risk suppliers and sectors to assess Human Rights in more detail as part of the procurement process and to learn about their supply chains. No instances of Modern Slavery were identified.

Our processes to analyse our supplier base and engage with identified risk areas and suppliers continues to develop. In particular, we are adjusting our procurement processes to allow us to monitor ScottishPower and our suppliers' compliance with the law and ethical business standards.



COMMUNICATION

In 2017, ScottishPower communicated its rejection of Modern Slavery, both internally and externally.

The ScottishPower Compliance team, in conjunction with ScottishPower Procurement, sent a letter to over 5,000 suppliers reminding them of our commitment to human rights and our rejection of practices such as forced or compulsory labour.

Additionally, Modern Slavery was a focus area at our Supplier Awards event held for around 200 key suppliers. Our zero tolerance message was made clear through videos, handouts and a speech from our CEO, Keith Anderson who underlined ScottishPower's commitment and encouraged our supplier base to work together to be the benchmark of the industry.

Internally we have explained ScottishPower's commitment in relation to Human Rights, Modern Slavery, and invited our employees to read our Modern Slavery Statement and to be aware of and report the following 'red flags':

- Suppliers who refuse to sign up to our codes, policies, or contracts;
- Suppliers who resist site inspections, due diligence inquiries, or us meeting their employees;
- Contractors who appear to be ill-treated or scared;
- The presence of migrant workers working for sub-contractors particularly if:
 - they appear to be under the age of 18; or
 - there is an indication that the workers have had passports taken from them, or the workers have to repay accommodation or other costs before being paid.



“ The specialist training from the Ethical Training Initiative was extremely valuable in making us more ethically aware of the challenges of complex supply chains and the key modern slavery principals that could affect our future supply chain decisions.

In conjunction with our internal business teams and our parent company, Iberdrola, we will look to enhance our procedures to assess Human Rights in our procurement process, focussing on any identified key risk areas.”



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Charles Langan
 UK Procurement Director



TRAINING

Specialist face-to-face Modern Slavery training complemented the roll out of United Nations Human Rights training

ScottishPower’s senior purchasing and business managers, and over 90% of our wider procurement team, received specialist training from the Ethical Trading Initiative on ethical procurement and responsible purchasing.



The training was well received throughout the team, with around 95% finding the training delivery and content to be very good to outstanding and 100% stating the course had improved their ethical awareness.

The team developed key action points to be considered for a future plan.

At a global level in 2017, our parent company Iberdrola rolled out a two-hour United Nations Global Compact human rights training course for all group employees.

Online training on ScottishPower’s Code of Ethics is periodically provided to employees in order to ensure that our key principles and values, including respect of human and labour rights, are understood.



BENCHMARKING

We have completed the objectives in our Modern Slavery Prevention Plan, which has considered the extent of our training, due diligence and supplier engagement, and also industry best practice.

ScottishPower continues to consider its next steps and develop its Modern Slavery Prevention Plan against best practice. In 2017, key objectives and performance indicators were:

- the completion levels of relevant training courses,
- the breadth of our engagement and communication internally and with suppliers, and
- the effectiveness of relevant procurement processes.

In 2018, ScottishPower will endeavour to uphold best practice in combatting Modern Slavery in our business and supply chains. We will continue to raise awareness of our ethical business policies and procedures, both internally and externally. We will also continue to analyse our supplier base and engage with identified risk areas - in particular, we hope to identify those areas where a Human Rights specific audit should be considered.

We also aim to take a collaborative approach to combatting Modern Slavery in 2018 and beyond. We are working with the wider Iberdrola Group to enhance Modern Slavery diligence and reporting beyond our operations in the United Kingdom. We are also actively engaging with our peers to establish how we can work together towards our mutual goal of the eradication of Modern Slavery in the UK energy sector.