

# REGULATIONS OF THE COMPLIANCE DIVISION OF SCOTTISH POWER LIMITED

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## TITLE I. NATURE, OBJECT AND AMENDMENT

### Article 1. Nature and object

1. The Board of Directors of Scottish Power Limited (the “*Company*”) approves these regulations (the “*Regulations*”) of the compliance Division (“*Compliance Division*”).
2. The Compliance Division is a collective, permanent independent internal area linked to the Audit and Compliance Committee of the *Company* (the “*Committee*”), with powers including regulatory compliance and the prevention and correction of illegal or fraudulent conduct.

### Article 2. Amendment

The amendment of these *Regulations* must be approved by resolution adopted by the Board of Directors of the *Company*, following a report from the *Committee*.

## TITLE II. THE DIRECTOR OF COMPLIANCE

### Article 3. The Director of Compliance

1. The head of the *Compliance Division* shall be its director (the “*Compliance Director*”), who shall have the powers necessary to carry out his/her duties.
2. The Board of Directors of the *Company* shall appoint and remove the *Compliance Director* following a report from the *Committee*.
3. The *Compliance Director* must have the appropriate knowledge, skill and experience for the duties he/she is called upon to perform.
4. The *Compliance Director* shall manage the operation of the *Compliance Division* and its budget and shall be responsible for carrying out the corresponding measures and action plans and ensuring that the *Compliance Division* complies with its duties.
5. The *Compliance Director* shall establish the structure of the *Compliance Division*, based on the principles of independence and effectiveness in management with the *Committee* being responsible for ensuring that the *Compliance Division* has the necessary human and material resources to comply with its duties.
6. The *Compliance Director* shall direct the Office of the *Compliance Division*, which shall be made up of representatives of the corporate or business areas which have responsibilities for managing compliance with legislative and regulatory requirements and the application of principles of ethical and responsible behaviour, who shall be freely appointed by the *Compliance Director*.

## TITLE III. DUTIES

### Article 4. Duties of *Compliance Division* and the *Compliance Director*

1. The *Compliance Division* shall have the following main duties:
  - a) Promote the dissemination of, awareness of, and compliance with the Scottish Power *Code of Ethics* that includes the Code of Conduct and Disciplinary Rules of the *Company* (the “*SP Code of Ethics*”) and all the applicable compliance and fraud prevention rules, standards and procedures;
  - b) Ensure the operation and effectiveness of the compliance system across the *Company* and its subsidiaries;
  - c) Foster a preventive culture based on the principle of “*zero tolerance*” in respect of the commission of wrongful acts, matters of fraud and the application of principles of ethical and responsible behaviour by all professionals of the *Company* and its subsidiaries, irrespective of their level and the country where they work;
  - d) Review the effectiveness of all relevant policies and internal procedures of the *Company* and its subsidiaries designed to prevent inappropriate behaviours and to identify necessary amendments to such policies and procedures;
  - e) Manage the *Compliance Division Mailbox* and the WhistleBlowing Helpline of the *Company* and its subsidiaries and carry out or coordinate, as applicable, the relevant investigations and processing of complaints/reports;
  - f) Promote the preparation and implementation of the appropriate training and communication programs in relation to the compliance system;
  - g) Establish the tools necessary to ensure that a record is kept of the actions carried out within the compliance system;
  - h) Evaluate, at least once a year, the compliance with and effectiveness of the compliance system within the *Company* and its subsidiaries; and
  - i) Safeguard compliance with relevant business separation regulations applicable to the *Company* and for its subsidiaries.
2. For these purposes, the *Compliance Division* shall be responsible for drafting, approving, continuously updating and ensuring the application of the processes, procedures and any similar form of regulations considered necessary or appropriate for crime prevention and anti-fraud measures in the *Company* and its subsidiaries.
3. Furthermore, the *Compliance Director* shall prepare and submit on an annual basis the *Compliance Director Report on Business Separation* to the *Committee* for its opinion and; subsequently, the *Committee* shall submit it for its information to the Board of Directors of the *Company* and the *Compliance Director* of Iberdrola, S.A as appropriate.



4. The provisions of this article shall in any case be deemed to be without prejudice to the powers vested in the compliance divisions of the head of business companies of the group of which the *Company* is the controlling entity, within the meaning established by law (the “**Group**”), and which are owned through the *Company*.
5. The *Compliance Division* shall also have such other powers, whether on a specific or permanent basis, that are assigned to it by the Board of Directors of the *Company*, or that are attributed to it in any other corporate governance regulation(s) of the *Company*.

**Article 5. Relations with the Compliance Unit of IBERDROLA, S.A. and with the *Compliance Divisions* of Companies of the Group Owned through the *Company***

1. The *Compliance Division* where appropriate shall coordinate relevant compliance activities, cooperate with, and inform the Compliance Unit of IBERDROLA, S.A. (the “*Iberdrola Compliance Unit*”), on compliance issues in accordance with the “*General Protocol for Coordination, Cooperation and provision of Information*” established by the *Iberdrola Compliance Unit for the coordination, cooperation, and provision of relevant information*.
2. In order to ensure the effectiveness of the *Group’s* compliance system and without prejudice to the responsibilities of the management decision-making bodies of the *Group’s* head of business companies owned through the *Company*, the *Compliance Division* shall coordinate its activities with the compliance divisions of such companies, for which purpose it shall establish the relevant coordination, collaboration and information protocol.

**TITLE IV. RESOURCES, BUDGET, ANNUAL ACTIVITY PLAN, DUTIES AND POWERS**

**Article 6. Human and material resources**

1. The *Compliance Division* shall have access to the material and human resources necessary to perform its duties.
2. The *Committee* shall ensure that the *Compliance Division* will have the necessary material and human resources to guarantee its independence and effectiveness.

**Article 7. Budget**

1. Prior to the commencement of each financial year, the *Compliance Division*, at the proposal of the *Compliance Director*, shall submit to the *Committee* a draft budget for carrying out its activities during the upcoming financial year.
2. Once validated by the *Committee*, the draft budget shall be sent to the Board of Directors of the *Company* for final approval.

**Article 8. Annual activities plan**

Prior to the commencement of each financial year the *Compliance Division*, at the proposal of the *Compliance Director*, shall submit to the *Committee*, for approval, an annual activities plan for the upcoming year, in accordance with the *Company’s* corporate governance rules.

**Article 9. Powers and advice**

1. The *Compliance Division*, through the *Compliance Director* and provided that applicable law so allows, shall have access to the information, documents, work tools and offices of the directors and professionals of the *Company* and its subsidiaries, including the minutes of the management, supervisory, and control bodies, necessary for the proper performance of its duties. In this regard, all professionals and directors of such companies must provide the cooperation requested by the *Compliance Division* for the proper performance of its duties.
2. The *Compliance Division* may also seek, at the *Company’s* expense and through the instruction of the Secretary of the Board of Directors of the *Company*, cooperation or advice from outside professionals, who shall submit their reports directly to the *Compliance Division*.
3. To the extent possible and provided it does not affect the effectiveness of its work, the *Compliance Division* seeks to act transparently, informing the affected directors and professionals of the purpose and scope of its actions whenever practicable and appropriate.

**Article 10. Duties of members of the *Compliance Division***

1. Members of the *Compliance Division* must act with independence of judgment and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence.
2. Members of the *Compliance Division* shall not disclose any information, data, reports, or background information to which they may have access while in office, nor use any of the foregoing for their own benefit or that of third parties, without prejudice to the applicable duties of transparency and information. The duty of confidentiality of the members of the *Compliance Division* shall survive even after they no longer hold such position.

**TITLE V. MAILBOX**

**Article 11. Creation of the *Compliance Division* Mailbox and any other channels of communication**

1. The *Company* shall implement an ethics mailbox to promote compliance with the law and the rules of conduct of the *SP Code of Ethics* (the “***Compliance Division* Mailbox**”). The *Compliance Division* Mailbox is a transparent channel for professionals of the *Company* and its subsidiaries to report any conduct that may involve the commission of any irregularity or of any illegal act or act in violation of the rules of conduct of the *SP Code of Ethics*. Communications addressed to the *Compliance Division* Mailbox may be sent to [compliancedivision@scottishpower.com](mailto:compliancedivision@scottishpower.com).
2. The *Company* shall also facilitate a channel of communications so that suppliers, the third parties they hire to provide services or supplies to the *Company*, their respective employees, and third parties that have participated in service or supply bidding in order to become suppliers of the *Company* may report conduct that may involve a breach by a *Group* professional of the Corporate Governance System or an illegal act

or an act in violation of the provisions of the *Suppliers' Code of Ethics* -forming part of the *Procurement Policy*- within the framework of their commercial relationship with the *Company*. These communications may be channeled through the Whistleblowing Helpline or *Compliance Division Mailbox*.

#### **Article 12. Management of the *Compliance Division Mailbox***

1. The *Compliance Division Mailbox* and any other channel of communication with suppliers and third parties shall be managed by the *Compliance Division*.
2. In exercising such duty, the *Compliance Division* must respect the rules and informing principles established for such purposes in the *SP Code of Ethics* and the *Supplier's Code of Ethics*.
3. The principles, rules of conduct, and guarantees established in this title shall apply to all files regarding violations that are processed by the *Compliance Division*, regardless of their manner of commencement.

#### **Article 13. Acceptance of complaints for processing**

1. Once a notice has been sent to the *Compliance Division Mailbox* or to the Whistleblowing Helpline, the *Compliance Division* shall decide whether or not to process it.
2. If the matter affects a professional assigned to another company of the *Group*, regard shall be had to the provision of the *Coordination, Collaboration and Information Protocol*.
3. The *Compliance Division* shall not process any communication in which the requirements in connection with the protection of personal data are not complied with, or in which it is obvious that the subject matter of the communication does not constitute a conduct that may involve the commission of an irregularity or any illegal act or act in violation of the rules of conduct of the *SP Code of Ethics* and the *Supplier's Code of Ethics*, and which may have significant weight in determining whether to maintain the contractual relationship between the company in question and the professional alleged to have committed the violation.
4. In order to decide whether a communication should be accepted for processing, the *Compliance Division* may, if it deems it appropriate, request the person making the communication to clarify or supplement it, providing such documents and/or data as may be required to prove the existence of irregular conduct.

#### **Article 14. Processing of the investigative file**

1. Once a communication has been accepted for processing, the *Compliance Division* shall carry out the investigation and process the file and may also entrust this work to external advisors if necessary. If the claim is directed towards a member of the *Compliance Division*, such member may not participate in the processing thereof.
2. The *Compliance Division* shall verify the truth and accuracy of the information contained in the communication and in particular, the reported conduct, with respect to the rights of the affected parties. For such purposes, it shall establish a hearing procedure for all affected parties and witnesses to be heard and shall conduct such other proceedings as it deems necessary. All professionals are required to cooperate faithfully in the investigation. The participation of witnesses and affected parties shall be strictly confidential.
3. The hearing procedure (which shall take place within three months of receipt of the communication) shall if possible include, at a minimum, a private interview with the person allegedly responsible for the reported conduct during which, with respect for the guarantee of presumption of innocence, such person shall be informed of the facts covered by the investigative file, shall be invited to provide their complete version of the facts, shall be allowed to provide the relevant proof, and shall be asked appropriate questions depending upon the circumstances of the case and the facts reported. In addition, any other duty imposed by personal data protection legislation shall be complied with.
4. In all investigations, the rights to privacy defence of rights and presumption of innocence of the persons investigated shall be guaranteed.
5. At any time during the proceeding, the *Compliance Division* may seek the advice and cooperation of the Corporate Resources/Human Resources Division, the Head of Legal and General Secretary and the Procurement Division, and whoever may have participated in the procurement by the relevant *Group* company for the purposes of determining the consequences and manner of action with respect to any complaint.

#### **Article 15. Resolution of the investigative file**

1. Upon conclusion of the investigation, the *Compliance Division* shall issue the reasoned decision it deems appropriate.
2. In the event that the decision issued concludes that a professional has committed an irregular act or act in violation of legal provisions or of the applicable rules of conduct laid down in the *SP Code of Ethics* specifically directed towards professionals of the *Company* and of its subsidiaries, the *Compliance Division* shall notify the Corporate Resources/Human Resources to implement the appropriate disciplinary measures, the adoption and content of which shall be reported to the *Compliance Division*.
3. If the resolution concludes that a supplier has committed an irregular act or act in violation of legal provisions or of the rules of conduct laid down in the *Suppliers' Code of Ethics*, the *Compliance Division* shall notify the Procurement Division or whoever may have participated in the procurement by the relevant company of the *Group* for the exercise of the appropriate contractual rights, notice of which shall be provided to the *Compliance Division*.
4. If the findings from the investigative file reveal the possible adoption of legal action the *Compliance Division* shall notify the actions to the Head of Legal and General Secretary in order to commence the relevant administrative or court action in each case, of which the *Iberdrola Compliance Division* must be informed.



**Article 16. Protection of Personal Data**

1. In certain instances, the sending of personal information through the *Compliance Division Mailbox* or through the Whistleblowing Helpline may, depending on the subject matter of the report and the applicable legislation, require express and unambiguous consent to be obtained for the processing of the personal data from the person making the communication, as well as from the party reported. For such purpose, the required mechanisms shall be furnished to obtain any necessary consent prior to the commencement of actions, upon the terms required by personal data protection legislation.
2. As a general rule, the reported party shall be informed of the existence of a report on commencement of the investigation procedure. However, in cases in which there is a significant risk that such notification may jeopardise the ability to effectively investigate the allegation or to gather the required evidence, such notification to the reported party may be delayed for as long as the risk exists. In any event, such period shall never exceed three months as from receipt of the claim.
3. Persons making a communication through the *Compliance Division Mailbox* or the Whistleblowing Helpline must warrant that the personal data provided are true, correct, complete, and current.
4. Data processed within the framework of investigations shall be deleted as soon as any such investigation has finished, unless the measures adopted give rise to administrative or court proceedings. In addition, the *Company* shall keep such data duly blocked during those periods in which any liability may arise from the reports filed or the steps taken by the *Company*.
5. Users of the *Compliance Division Mailbox* or the Whistleblowing Helpline may exercise the rights recognized to them by the applicable personal data protection legislation, in accordance with the provisions thereof.

