

Modern Slavery Statement 2019

June 2020



SUSTAINABLE, ETHICAL WORKING

Application

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 2019, pursuant to s54 of the Modern Slavery Act 2015 and applies to companies within the ScottishPower group.

Approval

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 12th May 2020.



Keith Anderson,
Chief Executive Officer, ScottishPower

Our approach

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 business. 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:

- Organisational structure, business and supply chains
- Policies and Procedures
- Due Diligence
- Risk Management
- Communication and Training
- Measuring effectiveness

Organisational Structure, Business and Supply Chains

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 are:

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

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

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 £7m every working day to deliver a better future, quicker, for everyone.

Specialist External support

Scottish Power became members of the Slave Free Alliance in July 2019. [Slave-Free Alliance](#) is a limited company that is part of the Hope for Justice Charity, working in collaboration with businesses to enhance and support their wider framework around ethical trade, sustainability, compliance, corporate social responsibility and human rights. The core objective of Slave-Free Alliance is to support businesses to work towards a slave-free organisation and supply chain.

A key focus area in 2019 has been working with the Slave Free Alliance to perform a detailed review of the Modern Slavery programme, to assess and evaluate the potential exposure to the risk of modern slavery, understand the corporate response to mitigate the risk and the identification of actions to ensure continuous improvement in this area of business. Such an assessment enables areas of good practice to be identified and recommendations presented to proportionately mitigate actual and potential risks.

The Slave Free Alliance review recognised that Scottish Power has invested time and effort into identifying and addressing modern slavery within their business and supply chain and identified some steps which would help to further progress that journey. More details are provided in the relevant sections, below.

ScottishPower is also pleased to continue our membership of the [Institute of Business Ethics](#), an organisation which works to promote high standards of business behaviour based on ethical values and which provides high level guidance on Modern Slavery alongside other issues relevant to business ethics.

Going forward, we believe that both memberships will provide further opportunities for collaboration with colleagues across industry on steps to eradicate Modern Slavery across the utilities sector, and the expertise to further strengthen our programme.



Our Workforce and 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.

Our businesses operate across the UK, and we have a skilled workforce throughout, many of whom have specialist talents and abilities, valued in our commercial and technical environment. We have a variety of supportive employment policies, and are fully compliant with minimum wage legislation.

At the end of 2019 we employed 5,640 employees and had contracted directly with 3,591 third party suppliers, registered in approximately 30 countries. 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.



5,640
employees



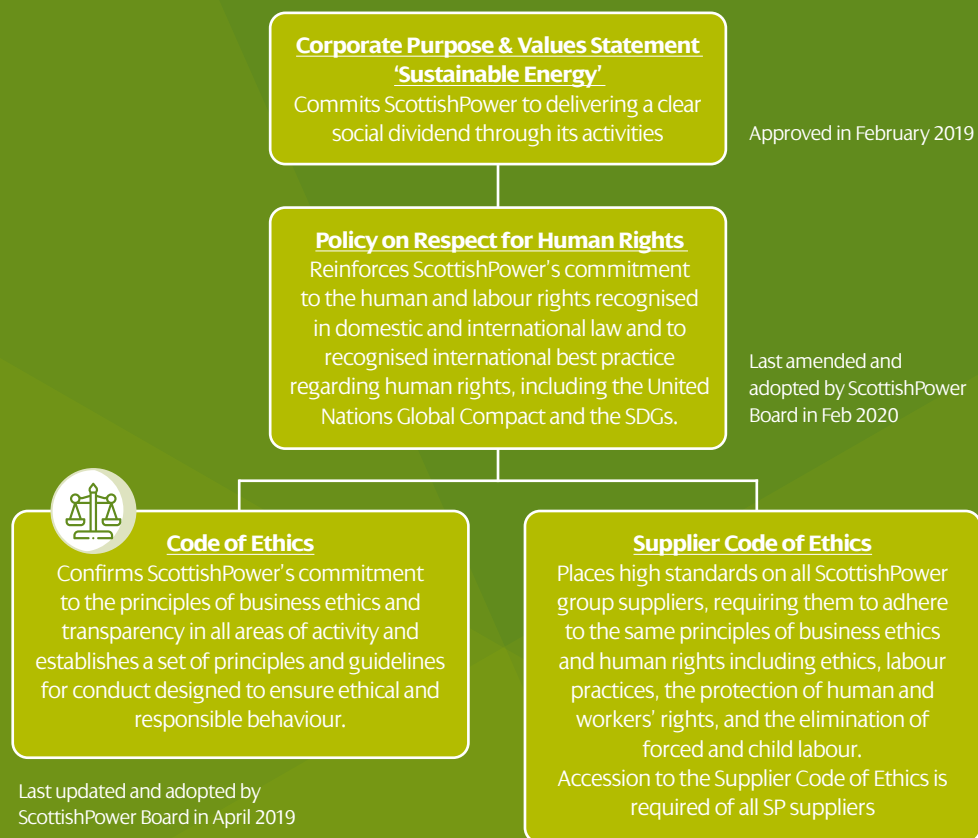
3,591
third party suppliers



Policies and Procedures

As part of Iberdrola, ScottishPower is publicly committed to the United Nations (UN) Sustainable Development Goals (SDGs). Several of the SDGs are relevant to Modern Slavery including Goals 8 and 10 (Decent work and economic growth; Reduce 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. Within ScottishPower, there is a clear hierarchy of Policy designed to ensure that ethical, sustainable values and fair labour practices are at the heart of our business operations, as illustrated below.



Article B.4 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 and suppliers 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 2020.

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



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 – compliancedivision@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.

Modern Slavery Steering Group

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 quarterly in 2019



Due diligence

Employee recruitment

We check eligibility to work in the UK and conduct pre-employment background checking for all individuals recruited by ScottishPower (this includes address and employment verification, basic disclosure check, credit check, civil litigation check and media search). For a small number of roles additional checks of educational/professional qualifications, international criminal/credit check and directorship search may be conducted as needed.

Procurement of goods and services from Third Parties

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. At end 2019, we employed 3,591 suppliers, registered in approximately 30 countries.

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.



There are 3 key steps in the procurement process:

Stage 1 - The engagement and selection of suppliers

In 2019 we used the Utilities Vendor Database, operated by Achilles, in our centralised procurement process, in order to register, verify, audit (where applicable) and track potential suppliers. Sustainability, including Human Rights and ethical behaviour is one of 5 key requirements that third parties must meet in order to qualify as a supplier with ScottishPower.

Checks integrated within our vendor management (SAP) system are applied to all new suppliers, and potentially higher risk suppliers are automatically flagged for further review before they are accepted as a supplier. 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.

Stage 2 - The contracting process (tendering)

Once suppliers have been pre-qualified to proceed to each tender, as a key part of the contracting process they are required 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.

Stage 3 - The ongoing management of suppliers

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 to our due diligence process in 2019, due to: i) the detailed review undertaken by Slave Free Alliance during Q4 and ii) changes to our procurement supplier selection and tendering platforms, which are being rolled out over the course of 2020. As part of the action plan to address the recommended improvement areas, we will review how ScottishPower's procurement process remains consistent, reliable and auditable in its approach to preventing and identifying potential issues of Modern Slavery.

Risk Management

In 2018, the Iberdrola group, of which ScottishPower is a part, launched a group-wide global Human Rights risk assessment 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 was a key component of the scope of this review.

In the UK, ScottishPower carried out a substantial mapping exercise across each of our businesses to identify potential impacts on human rights 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 conclusions of this review were finalised in mid-2019. The review concluded that Iberdrola has robust due diligence systems for managing human rights issues. Specifically for ScottishPower, the risk of Modern Slavery within our supply chain was recognised, and recommendations have been made to improve the identification of risk in the management of suppliers and on staff training. These recommendations are now being taken forward in an action plan, in conjunction with the Slave Free Alliance recommendations.

In 2019 we identified one incident where a supplier for another organisation in the Offshore industry was found to have mistakenly breached UK Minimum wage legislation. As they were a ScottishPower supplier, we proactively contacted them to clarify the circumstances; confirm whether any action was needed in relation to the ScottishPower contract; 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, we will use the details of this incident to help inform our assessment of Modern Slavery risk going forward.

Modern Slavery risks specific to ScottishPower are captured and tracked as part of a wider Compliance risk map. This risk and its associated controls were reviewed again in 2019 and key areas of potential risk within our business operations and supply chain were identified. 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 construction projects. Offshore windfarm construction is a particular risk area where some work is carried out by overseas vessels and crews.

We have already identified opportunities for strengthening our approach further in 2020. In particular, reviewing the approach to supply chain risk assessment, and the ongoing management of suppliers are areas 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 2020.

Communication & 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.

In July 2019, we issued a Company-wide communication aimed at making employees aware of ScottishPower's approach to Modern Slavery and the Modern Slavery Statement. This also included information on how employees could help to identify Modern Slavery in their business or social environments and who to contact if they have any concerns. This was issued to all employees with a ScottishPower email address.

We did not undertake any specific Modern Slavery training in 2019, largely due to the pending recommendations of the group-wide Human Rights review and the Slave Free Alliance detailed review and gap analysis in the period. Actions in respect of these recommendations will be progressed in 2020, including a training needs analysis to identify priority areas. Further, three new Business Compliance Officers have been appointed across the three main business areas to assist with the delivery of training needs analysis and delivery of targeted training.

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 2018 Modern Slavery Statement we said that we would	What we did in 2019
<p>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.</p>	<p>The conclusions of the Human Rights review were finalised in mid-2019 and these have now been discussed with relevant areas across ScottishPower. Enhancements to our existing controls have been identified from these conclusions and are being incorporated into our 2020 deliverables.</p> <p>In 2019, ScottishPower became a member of the Slave Free Alliance and undertook the Slave Free Alliance gap analysis activity. This was a very useful exercise which highlighted the strengths in ScottishPower's current activity and made a number of further recommendations. The output of this analysis was finalised in end 2019 and reviewed with the Modern Slavery Steering Group in January 2020. This activity has been used to inform our Modern Slavery Action plan, which is being rolled out across 2020.</p>
<p>Review and enhance our existing employee training programme, with the goal of providing more targeted, in-depth Modern Slavery training.</p>	<p>One of the key focus areas for the Slave Free Alliance gap analysis activity was training and we have taken some inspiration from that activity to help in developing our 2020 training plan.</p> <p>Additionally, during 2019 we recruited three new full-time Business Compliance Officers (BCOs). The new BCOs will take on responsibility for identifying additional specific training needs in their business areas and supporting delivery of our training plan.</p>
<p>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.</p>	<p>In late 2019 we commenced a move to a new procurement platform which will see a phased launch over 2020. As part of this move we have been looking at how third parties can be further managed through this process, particularly in regards to their ethical and social commitments. In 2019 we introduced a new category within our supplier awards for ScottishPower suppliers to include those suppliers demonstrating better ethical behaviours, such as their approach to eradicating Modern Slavery risks. In addition, the new BCOs recruited in late 2019 have already been considering how suppliers in their business areas are currently managed and how this can be enhanced to more expressly incorporate Modern Slavery considerations. This forms part of our action plan for 2020.</p>

In our 2018 Modern Slavery Statement we said that we would	What we did in 2019
<p>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.</p>	<p>In 2019 we became a member of the Slave Free Alliance and have drawn from their expertise and practical knowledge of Modern Slavery in order to assess ScottishPower's existing programme and identify areas for improvement and development.</p> <p>We have also taken insight and expertise from Slave Free Alliance member seminars, to help enhance our knowledge and understanding of Modern Slavery risks. We have found this activity to be of particular importance as it has helped to identify additional considerations that have been issues in other sectors and helped to expand our understanding of Modern Slavery and its impacts.</p>
<p>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</p>	<p>In 2019 we incorporated a high level monitoring of our Modern Slavery programme into our Compliance KPI monitoring and reporting. In 2020, this will be further developed, to help us track the effectiveness of our action plan.</p>

As noted above, in 2019 much of this activity has been taken forward under the banner of the Slave Free Alliance membership and gap analysis review and follow up, 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 Global group demonstrating an ethical commitment towards ending Modern Slavery.



ScottishPower's Modern Slavery prevention plan has therefore been heavily influenced by the recommendations from this review. In 2020 we will:

- I. Finalise our Modern Slavery Policy and Strategy and implement the Action Plan, taking into account the Slave Free Alliance recommendations;
- II. Provide targeted Modern Slavery training to a targeted population of employees across our business;
- III. Further explore options for enhancing the risk assessment and management of suppliers both as part of and post the procurement process from a Modern Slavery perspective; and
- IV. Expand on indicators to better monitor progress against our Action Plan and 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 2020



SCOTTISHPOWER