

Compliance System Transparency Report 2023

ScottishPower Compliance Unit



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01.

Introduction



1. Introduction

ScottishPower is part of the Iberdrola Group ('the Group'), one of the largest electric utilities in the world, and a leader in clean energy technologies.

ScottishPower was the first integrated energy company in the UK to generate 100% green electricity. Our focus is on affordable, clean energy, smart grids and driving the change to a cleaner, electric future, and over the next 5 years we're investing over £1.4 billion a year to make this happen. We're committed to speeding up the transition to cleaner electric transport, improving air quality and over time, driving down bills - to deliver a *better future, quicker* for everyone.

ScottishPower is made up of Corporate Functions and the following businesses:

- **ScottishPower Energy Networks** which provides power on behalf of supply companies through a network of cables and power lines that we own and maintain.
- **ScottishPower Retail** which supplies gas and electricity to over 5 million households and businesses across the UK.
- **ScottishPower Renewables** which is, as part of the Iberdrola Group, a world leader in clean energy with an installed capacity of over 29,500 MW, and the leading wind energy producer worldwide.

We employ over 6,000 people, including highly skilled engineers working on cutting edge innovation projects in our networks business and building offshore windfarms in the most challenging conditions.

As part of a Group delivering innovative and affordable energy solutions and with such a diverse workforce, ScottishPower aims to ensure that its conduct, and that of its people, remains in line with generally accepted ethical and sustainable development principles, as well as full compliance with the law and its own Governance and Sustainability System. In this regard, ScottishPower promotes a preventive culture based on the principle of "zero tolerance" towards the commission of illegal acts and all forms of fraud and corruption.

The Scottish Power Limited ('ScottishPower') Board of Directors has adopted the Iberdrola Group Purpose and Values, which establishes the Group's approach to how it operates. The ScottishPower Board has also adopted the Iberdrola Code of Ethics, which is intended to serve as a guide for the actions of the directors, professionals, and suppliers of all of the Group's companies.

In order to reinforce the highest ethical standards established in its Governance and Sustainability System, Iberdrola has implemented a Compliance System, which is intended to ensure that the Company acts in accordance with ethical principles and applicable law and to



prevent improper or contrary conduct to ethics, the law, or the Governance and Sustainability System that may be committed by professionals in the course of their activities.

The Group's Compliance System incorporates the Iberdrola Compliance Unit and Compliance Units within each of the companies within the Iberdrola Group. These Compliance Units, acting in coordination with the Iberdrola Compliance Unit, ensure the effective functioning of their respective company's compliance system. Within ScottishPower, this unit is the ScottishPower Compliance Unit.

This report includes the main actions, initiatives and measures developed, promoted, and adopted by the ScottishPower Compliance Unit during 2023, which illustrate the functioning of the ScottishPower Compliance System and highlight its effectiveness.

For the purposes of this report, references to 'ScottishPower' or 'the Company' incorporate Scottish Power Limited and all its subsidiary companies (unless otherwise stated). References to 'Iberdrola' or 'the Group' are to Iberdrola S.A. and all of the companies where it has a majority stake.

02.

SP

Compliance

Unit



2. SP Compliance Unit

2.1 Governance

The ScottishPower Compliance Unit (“SP Compliance”) is a collective, permanent, and independent function within ScottishPower, linked to the ScottishPower Limited Audit and Compliance Committee, a consultative committee of the Scottish Power Limited Board.

SP Compliance has Budget autonomy and independence of action.

SP Compliance incorporates Compliance Officers dedicated to each of ScottishPower’s three main sub-holding Companies, SP Energy Networks, ScottishPower Renewables and ScottishPower Retail (collectively ‘the Businesses’). Each of these Compliance Officers are appointed by, and report to, their own Business Audit and Compliance Committee (in the case of SP Energy Networks) or Business Board of Directors (in the case of ScottishPower Renewables and ScottishPower Retail).

The structure, powers and duties of SP Compliance is controlled through the Regulations of the Compliance Unit of Scottish Power Limited (“the Regulations”). The Regulations were last revised and approved by the ScottishPower Limited (“the Company”) Board of Directors on 18 October 2023, and also subsequently adopted by the Scottish Power sub-holding Business Boards.

2.2 Budgets and Resources

Article 6 of the Regulations establishes that SP Compliance “*shall have access to the material and human resources necessary to perform its duties*”. Thus, on an annual basis, the ScottishPower Limited Audit and Compliance Committee approve the budget of SP Compliance, providing the necessary autonomy and independence for the exercise of its functions.

At year-end 2023, SP Compliance comprised seven professionals (6.66 full time equivalents), who bring a wide range of experience in compliance, control, risk management, audit, regulation and business assurance activities, and a thorough knowledge of both the company and the wider energy industry.

SP Compliance comprises 7 employees, with a breadth of business and compliance expertise, independence, and seniority.



The ScottishPower Chief Compliance Officer (“SP CCO”) manages the operation of the SP Compliance Unit and its budget and is responsible for carrying out the corresponding measures and action plans and ensuring that the Compliance Unit complies with its duties.

The SP CCO is supported by three Ethics and Compliance Managers in the central Corporate Team, and three full time Business Compliance Officers (“BCOs”), one for each of the core operational ScottishPower business units (Retail, Renewables, and SP Energy Networks).

The 2023 SP Compliance Unit budget was £1.23m.

2.3 Professional Qualifications

As at end 2023, all members of SP Compliance had obtained the Compliance and Ethics Professional International (CCEP-I) certification, awarded through the Society of Corporate Compliance and Ethics.

In addition, a variety of professional training was undertaken by each of the SP Compliance Team throughout 2023 to maintain professional qualifications and increase awareness and understanding of applicable ethics and compliance related developments. Training included attendance at in-person training events, virtual workshops, conferences and webinars, and completion of mandatory internal employee-training courses.

In 2023 members of SP Compliance recorded 67.5 training hours, averaging 10 hours per person across the team.

03.

**Compliance
Risk Analysis
&
Assessment**



3. Compliance Risk Analysis & Assessment

SP Compliance have an established compliance risk assessment process, covering an assessment of the material compliance risks facing the business, the likelihood of materialisation of each risk, and the impact that such materialisation would have.

The inventory of risks covered was developed at Iberdrola Group level and is used consistently across the Compliance Units of each of the Iberdrola sub-holding companies, to ensure consistency in approach across the Group. Risks are grouped in two broad categories: i) crime prevention; and ii) separation of activities. An inventory of the crime prevention risks covered in the 2023 risk assessment can be found in the table below:

Risk Inventory	
Corruption and fraud	Antitrust proceedings
Money laundering	Falsification of public information
Sanctions	Data protection
Embezzlement	Cybercrimes
Permits, licenses, and public administration	Trade Secrets
Punishable insolvency	Workers' rights
Smuggling	Hinder external oversight
Intellectual and industrial property	Facility safety & public health
Market abuse	Customer protection
Fraud against Public Administrations & Social Security	Health & Safety

Each of the SP Compliance Officers analyses the risks in their respective businesses to develop and update their local compliance risk map, working with professionals from across the Business to understand the risk factors and relevant responses. The main mitigating controls are identified and, where relevant and appropriate, improvement actions are proposed to reinforce the effectiveness of these controls. The output of the Risk Assessment is communicated to local management and Governance Committees.

The compliance risk maps of each company are regularly updated by their respective Compliance Officers to ensure it remains up-to-date and reflective of the current environment.

In October 2023, the SP Chief Compliance Officer reported to the ScottishPower Limited Audit and Compliance Committee on the outcome of the 2023 compliance risk assessment. The overall assessment was that the residual risk was considered to be low.

04.

Policy

Framework



4. Policy Framework

Written policies and procedures are foundations of an effective compliance programme, enabling a business to meet regulatory requirements, identify risk mitigation controls, and define roles and responsibilities for compliance.

The SP Compliance Unit will establish and maintain Compliance Policies and Procedures to support the effective operation of the Compliance System across ScottishPower, as defined in the Compliance Unit Regulations.

These documents are periodically reviewed to identify any necessary amendments or improvements. Periodic updates are designed to reflect:

- New policies, protocols or other governance changes notified by Iberdrola S.A.;
- Changes in external legislation in the UK;
- Relevant changes in ScottishPower business processes; and / or
- Findings from external legal / compliance reviews or Internal Audit reports.

In 2022, following external benchmarking and best practice research, the SP Compliance Unit developed and implemented an internal Policy Management Framework to apply a more formal approach, strengthen governance, and assure that SP Compliance Unit policies, procedures and guidelines are consistent, accessible, fit-for-purpose, and reviewed at an appropriate frequency. This Framework was maintained in 2023.



The key aspects of the internal Policy Management Framework include:

- Policy Management Framework documented and formalised.
- Internal rules established to ensure Compliance Unit documents: Are centrally administered; Follow a common format, look & feel; Are centrally stored and accessible; and follow agreed approval processes.
- A 4-tier documentation hierarchy, developed to define documents based on type of information and intended audience.
- An inventory for the centralised view of all active Compliance Unit documents and the agreed frequency of review.

Material changes to relevant documents will be highlighted to the ScottishPower Audit & Compliance Committee and, where required, proposed for ScottishPower Limited Board approval.



The table below provides a list of the current, active Level 1, 2 and 3 Compliance Unit Policies and procedures:

Hierarchy Level	Document Name
Level 1 - Code	Iberdrola Code of Ethics
	Iberdrola Supplier Code of Ethics
	SP Code of Conduct & Disciplinary Rules
Level 2 - Policy	Policy on Anti-Bribery & Corruption
	Policy on Business Separation
	Policy on Competition Law
	Policy on Modern Slavery
Level 3 - Procedures	Compliance & Ethics Manual
	Speaking Out Guidelines
	Competition Law Manual
	Procurement Guidance – Compliance Risk & Considerations
	Sponsorships, Donations & Social Contributions
	Compliance Review & Approach: Legal Consultancy
	Sanctions Procedure including Escalations Process

In 2023, each of the Level 2 – Policy documents were reviewed and updated, in line with the Framework schedule. In addition, the SP Code of Conduct was reviewed. Updates incorporated to the documents included improving accessibility of language, removing duplication of content, and incorporating external feedback and best practice.

The revised Policies were reviewed and noted by the ScottishPower Audit & Compliance Committee in July 2023 and approved by the ScottishPower Limited Board in the same month. The updated Code of Conduct was reviewed and approved in October 2023. All documents were subsequently adopted at the ScottishPower subsidiary Business Boards.

05.

Risk

Management



5. Risk Management

5.1 Third Parties

The ScottishPower Anti-Bribery and Corruption Policy states that ScottishPower will carry out appropriate due diligence on third parties and assess them for risks of fraud and corruption. This includes assessment prior to a third party registering to be a supplier with ScottishPower and prior to the contracting process.

ScottishPower takes a risk-based approach to third party risk assessment, focusing on activities or third-party types that might present a greater fraud or corruption risk to the organisation. The ScottishPower Compliance and Ethics Manual sets out specific areas of business activity where due diligence must be completed by SP Compliance. These include:

- **Procurement of Goods and Services:**
 - Contracts valued >€10m.
 - Contracts for Agents or Intermediary Services
 - Contracts for Consultancy.
 - Contracts with Government, Government Agency, or Public Bodies.
- **New Business Development:**
 - Acquisition or divestment of an interest,
 - Setting up a new Joint Venture,
 - Other Corporate Transactions.
- **Other higher Compliance Risk areas:**
 - Collaboration Agreements with one or more external parties (which may not always be formal legal partnerships).
 - Research and innovation expenditure which is not subject to a competitive tender process.
 - Funding of donations, sponsorships, or social contributions.
 - Employee membership of the governing bodies of trade associations or external Boards.
 - Onboarding of new vendors located in high-risk countries.
 - Where an employee and/or a Third Party has a Conflict of Interest with their duties, or the services being provided.
 - A third party that has been flagged as having a higher compliance risk.

The third-party risk assessment considers, among other matters:

- Links with countries considered, by the Iberdrola Group Compliance Unit, to be above a certain level of risk.
- International Sanctions.
- Adverse news or incidents in the field of:
 - Human rights.
 - Modern slavery.
 - Corruption and bribery.



- Other irregularities and unlawful conduct.
- Links with persons with public responsibility or public entities.

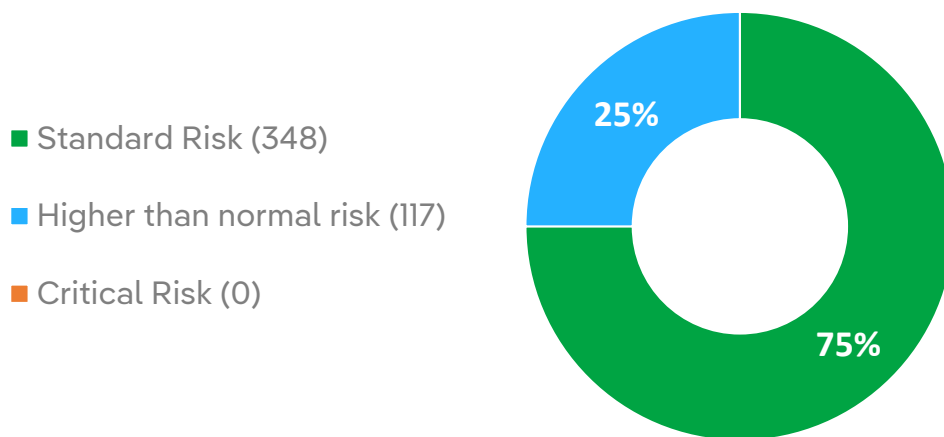
Based on the third-party risk assessment, SP Compliance rates the fraud and corruption risk of each supplier, recording this rating in the global Compliance system.

- If the risk exceeds a certain level, SP Compliance will monitor all transactions intended to be entered into with that supplier.
- Suppliers considered to be above acceptable risk are classified as critical risk and blocked in the systems, preventing the formalisation of any transaction or payment with that vendor.

465 third party risk assessments were carried out by SP Compliance in 2023

In 2023, SP Compliance conducted 465 third party risk assessments. Of the 465 assessments completed, 348 were assessed as standard risk, and 117 were identified as Higher-than-normal risk, with ongoing vendor monitoring implemented. No third parties were flagged as critical compliance risk through the year.

2023 Due Diligence Reviews - Risk



After the initial screening of third parties upon registration, ScottishPower suppliers are screened on a daily basis through third party fraud and corruption databases, co-ordinated at Group level. Iberdrola's Compliance Unit will triage all alerts identified through these databases, clearing false matches, and prioritising those alerts which need to be analysed. SP Compliance is alerted to new developments concerning ScottishPower suppliers which require further analysis. These alerts are analysed in order to, where applicable, update the third-party risk assessment and take appropriate action.



5.2 Professionals

Background Checks

The Company carries out background checks on employees as appropriate to their role and employment status. For example, new employee checks, including fitness to work, are conducted for all individuals joining the Company. Background checks are carried out by a specialist third party on behalf of SP People and Organisation.

To support this, and in recognition of best practice, in December 2022, SP Compliance working with SP People and Organisation, implemented a new Company-wide process to conduct compliance risk background checks on all senior level internal and external appointments. SP Compliance conducted 114 background checks of relevant professionals in 2023 in order to consider their suitability from the perspective of Compliance.

Conflicts of Interest

In accordance with the provisions of the Code of Ethics, employees are obliged to report, in writing, any conflict-of-interest situations in which they find themselves.

In 2023, SP Compliance collected 92 declarations of conflicts of interest. None of these were considered serious or material matters. Appropriate recommendations were made in 18 cases to mitigate any compliance risks associated with the conflicts of interest identified.



Related Party Transactions

The ScottishPower Limited Board Procedure for Related-Party Transactions (approved 9 December 2021) creates obligations on Board Directors and Senior Managers (as defined) to report relevant Related Party Transactions to SP Compliance for review and approval, in advance of conducting the transaction. Article 3(2)(i) of the ScottishPower Audit and Compliance Committee Terms of Reference (approved 11 July 2023) places a responsibility on the Committee to report on any Related Party Transactions relevant to the Company and ensure that they are fair and reasonable to the Company.

In 2023 SP Compliance identified all relevant Directors and members of Senior Management and made them aware of their requirements. No relevant transactions were identified through the year and an annual declaration was also completed. On review of the submissions made, no relevant related party transactions were identified. The Compliance Officers for each of the ScottishPower Businesses each provided a report on this to their relevant Governance Bodies.

Gifts & Hospitality

The giving and receiving of gifts and hospitality can be a significant risk factor for Bribery and Corruption because they can influence the independent decision making of the recipient. In line with the Code of Ethics and Anti-Bribery and Corruption Policy, gifts and hospitality must be appropriate, reasonable and of minimal value. They must also not be aimed at influencing the recipient in any way. The SP Code of Conduct and Disciplinary Rules states that details of



any gifts received over £25 in value or hospitality over £50 in value should be reported promptly to the SP Compliance Unit for final review and approval.

A total of 440 offers of gifts and hospitality were reported to SP Compliance in 2023. In 22 cases, SP Compliance provided further recommendations or advice, following review.

5.3 Modern Slavery

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 an individual being unable to escape their situation, living in fear of either themselves or loved ones being punished if they don't comply, or working in conditions which do not meet legal standards. Human trafficking includes recruiting, transporting, or transferring people for the purpose of exploitation.

Modern Slavery can exist in our business and in all aspects of a supply chain, particularly where the supply chain is complex and has many components. 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.

We have published a Modern Slavery Statement that sets out our overall approach to tackling the risk of Modern Slavery, including through our Policy framework, risk assessment and third-party assessments. In 2023 our vendor screening approach was enhanced with the inclusion of additional questions in the supplier onboarding form relating to Modern Slavery risk.

We did not identify any instances of Modern Slavery in our supply chain in 2023 and no suppliers that we considered were a critical risk from a Modern Slavery perspective.

5.4 Sanctions Programme

A breach of the UK (or EU / US) Financial Sanctions regime(s) can incur serious and significant penalties. There is a sustained global focus on sanctions in the current climate.

SP Compliance has developed and implemented a Sanctions Procedure that governs how ScottishPower should respond to sanctions incidents or queries, and also sets out the roles and responsibilities across the business.

The overall assessment of sanctions risk is that direct exposure to sanctions was low and indirect exposure continued to be reviewed.

06.

Separation of Activities



6. Separation of Activities

The licence conditions imposed on ScottishPower Transmission and Distribution businesses by Ofgem include a number of obligations relating to separation of activities between electricity network businesses and competitive energy activities (“Business Separation Requirements”).

Business Separation Requirements are placed on SP Energy Networks (“SPEN”) to operate the Transmission and Distribution businesses independently from other parts of ScottishPower. This includes obligations to ensure:

- Full managerial and operational separation of SPEN from any other ScottishPower business or ScottishPower company.
- Non-disclosure of confidential SPEN information to any other ScottishPower business or ScottishPower company.
- Segregation of IT systems that contain SPEN data from any other ScottishPower business or ScottishPower company.
- Restricted access to premises occupied by SPEN or shared between SPEN and any other ScottishPower business or ScottishPower company.
- Prohibition of cross subsidies between SPEN and any other ScottishPower business or ScottishPower company.
- Non-discrimination of metering and connection services and charges across all suppliers and competitors.
- Separate branding from any other ScottishPower business or company.
- The appointment of a Compliance Officer to facilitate compliance with, amongst other things, the Business Separation Requirements.

In 2022, SPEN appointed an external, independent, third-party Business Separation Compliance Officer to monitor the effectiveness of the controls in place to meet the licence obligations.

The SPEN Business Compliance Officer, in collaboration with the SPEN Assurance Team, supports the business in the provision of advice and guidance in relation to business separation. Across 2023, proactive engagement has taken place with numerous groups across the ScottishPower business to ensure compliance with Business Separation Requirements.

The ScottishPower Chief Compliance Officer has also maintained an oversight role for compliance with the Business Separation obligations.

In July 2023, the ScottishPower Chief Compliance Officer reported to the ScottishPower Limited Audit and Compliance Committee that the business separation framework had continued to operate effectively during the previous compliance year.



07.

**Training &
Communication**



7. Training & Communication

Employee training and awareness is a cornerstone of an effective ethics and compliance programme. The SP Compliance Unit Training and Communications – Strategic Plan 2021-23 sets out the main principles and approach to training and communications activity. This is underpinned by the Training and Comms Master Plan, a multi-year, risk-based view of planned and delivered ethics and compliance training and communications activity across the ScottishPower business. The Master Plan is reviewed and updated periodically, by the Corporate Compliance Team, to ensure planned content is timely, relevant, appropriate to the audience, and has a focus on the areas of higher compliance risk across the organisation.

7.1 Training

Training is defined as material designed to educate and / or build knowledge on the compliance programme in general, or specific elements of the compliance programme, and to influence behaviours and actions. This will cover bespoke training (face to face / in person or online) designed to address specific risks or knowledge requirements for business areas or individuals, or guidance sessions to reaffirm related processes or procedures.

Training methods incorporate a mix of online and in-person training. Online training is designed to be more general, aimed at ensuring that all employees are aware of their obligations under the Code of Ethics and of ScottishPower’s zero tolerance approach to bribery and corruption. The online training is supplemented by risk-based targeted training, depending on roles, responsibilities or relevant developments in core ethics and compliance areas.

In 2023, 5,689 employees undertook SP Compliance Unit training, across 40 training events.

A new online Code of Ethics course was launched in August 2023, providing training on the Code of Ethics, SP Compliance policies, Anti-corruption and Speaking Out. Other areas of focus included training the large volume of new starts in the key aspects of compliance and ethics and the SP Compliance Unit programme, alongside risk-based targeted events such as training for our Ethics Liaison and Procurement populations.

7.2 Communications and Awareness

Communications activity includes any business-wide or more targeted activity, designed to raise awareness on general or specific aspects of SP Compliance Unit activities. It includes briefings or updates on the compliance programme, or elements of the compliance programme, to particular groups of the employee base, to make them aware of new or updated information on the programme.

In delivering communications and awareness activities, the SP Compliance Unit aim to utilise the range of tools available in order to vary the tone and format of messages and to help drive uptake and absorption rates. All communications also continue to incorporate the SP Compliance Unit ‘Look and Feel’ and ‘Sustainable, Ethical Working’ strapline, which was



developed and launched in 2020 to bring a continuity of message and build recognition of the function over time.

In 2023, 83 individual communications were issued, across a range of ethics and compliance subject areas.

Communications activity is delivered across a number of different communication mediums, including email, in-person briefings by the Business Compliance Officers, the Employee Portal, Iberdrola News, video blog, digital screen animations, the Buzz Internal Communications application, and Yammer, the internal social media platform. Key 2023 initiatives included:

- Rolling out Speaking Out posters across the ScottishPower estate.
- Development of the Compliance Introduction video for all new employees.
- Emails from SP Chief Executive Officer (CEO), and the Business CEOs introducing the Ethics Liaison initiative.
- Code of Ethics training communications.
- Use of video screens across SP sites to promote Speak Out options.
- Launch of new Ethics Mailbox Informative Report to increase employee awareness around the speaking out process and sense of organisational justice.

08.

Ethics

Mailbox



8. Ethics Mailbox

The SP Compliance Unit advertise and maintain numerous formal routes for Speaking Out over any activity or event which that person believes may be in breach of the Code of Ethics or other internal rules or procedures, or in violation of the law (“Claims”).

In addition to Speaking Out, these channels are available to raise questions or queries on aspects relating to the interpretation of, and compliance with, the Code of Ethics or any other relevant compliance matter (“Enquiries”).

All communications received through these channels are considered confidential and, in the case of Claims, can be made anonymously. ScottishPower does not tolerate retaliation, in any form, against anyone who speaks out in good faith.



In 2023, a total of 303 notifications were submitted through the Ethics Mailbox (45 Claims and 258 Enquiries).

Based on the Ethics Mailbox communications received during the year (or other available channels including email or via Human Resources), one case involving a serious or sensitive matter was identified and reported to the ScottishPower Limited Audit & Compliance Committee and the Iberdrola Compliance Unit. This case was not considered to have a material financial or accounting impact.

8.1 Claims

As stated in the Iberdrola Code of Ethics, professionals of the Group's companies who have reasonable indications of the commission of any improper act or of any act in violation of legal provisions or the rules of conduct in the Code of Ethics, must report it to the Compliance Unit through the Ethics Mailbox or any of the other mechanisms established for this purpose.

A total of 45 claims were received by the SP Compliance Unit in 2023 (versus 23 to end 2022). Of these, 28 were admitted for processing (further investigation). A further 6 were investigated but dismissed. The top root cause categories were:

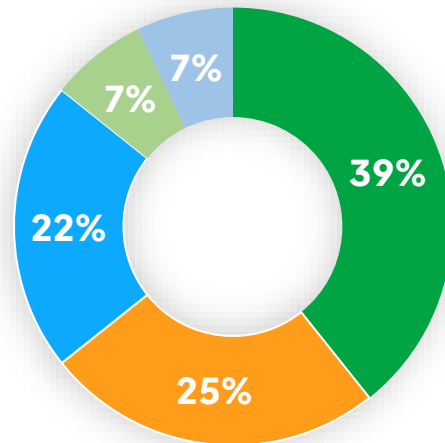
- 11 related to HR, diversity, and workplace respect (labour harassment, behaviours of employees towards other employees).
- 7 related to Business Integrity (employee behaviour in relation to business activities).
- The remaining 10 claims were spread across a range of other categories, including third-party misconduct, environment, health & safety and misuse, misappropriation of corporate assets.





2023 Ethics Mailbox Claims

- HR, Diversity & Workplace Respect (11)
- Business Integrity (7)
- Third Party Misconduct (6)
- Environment, health & safety (2)
- Misuse, misappropriation of corporate assets (2)



8.2 Enquiries

The SP Compliance Unit also receive and manage enquiries, requests for advice and guidance on how to manage a compliance or ethical dilemma. The opportunity to engage with the business through enquiries is invaluable, allowing advice and guidance to be provided to individuals across the business, in addition to the implementation of corrective action(s) where necessary, thereby preventing wider compliance issues from arising.

A total of 258 enquiries were recorded in 2023. The consistently high volume of proactive enquiries shows strong compliance engagement across the business. The main category of enquiries related to Business Integrity, with others enquiry categories covering Anti-Bribery policies and procedures, Business Separation, Conflicts of Interest, Gifts and Hospitality and vendor behaviour.

09.

Monitoring & Review



9. Monitoring & Review

9.1 Monitoring Indicators

On a quarterly basis, the Compliance Unit supervises the effectiveness of the compliance system of the Iberdrola Group companies by reviewing the indicators of the main compliance risks, the effectiveness of the Compliance Unit's activity, and the Group Compliance Unit Key Performance Indicators. The indicators cover the following aspects, among others:

- Operations in countries considered by the compliance function to be above a certain level of risk.
- Third-party risk assessments.
- Ethics mailbox activity.
- Monitoring risky operations.
- Ethical development of suppliers.
- Training activities.
- Internal and external communication initiatives.
- Conflicts of interest.
- Employee background checks
- Gifts and hospitality given and received by professionals.
- Legal proceedings involving professionals.
- Audits and reviews of the Group companies' compliance systems.

9.2 Internal Audit

Internal Audit, as an independent function, will conduct periodic audits of the compliance system of the Iberdrola Group companies, as required under their risk-based audit approach.

No audits were conducted by the ScottishPower Internal Audit function in 2023. However, an exercise was undertaken in the first half of the year to define the key policies, procedures, responsibilities, and assurance in place around key elements of the Compliance System. The output of this exercise was used to develop an agreed 'How we Audit Compliance' approach by Internal Audit.

Additionally, the SP Chief Compliance Officer maintained regular engagement with the ScottishPower Head of Audit throughout 2023 to provide regular programme updates and areas of assurance over the ScottishPower Compliance programme.

9.3 Accreditations and External Reviews

ScottishPower's compliance programme retained two external accreditations through 2023:

- **Ethisphere Compliance Leader Verification (CLV)**

The Ethisphere Institute is a global leader in defining and advancing the standards of ethical business practices and offers the CLV, a globally recognised external



accreditation, for organisations whose compliance programmes meet a range of best practice standards.

ScottishPower was originally awarded full CLV accreditation in 2021, with Ethisphere noting the continued efforts by ScottishPower to develop our ethics and compliance programme, particularly within the challenging environment around COVID. In the latest award in 2022, Ethisphere confirmed that the ScottishPower compliance programmes and initiatives continue to meet or exceed the standards envisaged by the CLV assessment.

This award is retained until end 2023 and ScottishPower expects to be reassessed in 2024.



- **ISO 37001 (Anti-Bribery Management Systems)**

ISO 37001 is the International Standard that allows organisations of all types to prevent, detect and address bribery by adopting a robust anti-bribery management system. ScottishPower first achieved ISO 37001 accreditation in 2019 and successfully retained the accreditation following reassessment in 2023.



- **Effectiveness of the SP Criminal Risk Mitigation Programme**

In addition, the ScottishPower Crime Prevention Programme was subject to external assessment by a leading UK legal firm. The final report, received in April 2023 concluded that the CRMP (Criminal Risk Mitigation Programme) *“is designed carefully and sensibly...is proportionate and risk-based in its approach, with due focus on the relevant policies and procedures in place for each offence category”*. Some recommendations for incremental improvement were highlighted but no material changes were proposed.

In May 2023, the Chief Compliance Officer reported to the SPL Audit and Compliance Committee on the overall assessment of the effectiveness of the CRMP, stating the CRMP continued to be effective for the previous calendar year.

10.

Iberdrola S.A.

Acknowledgements



10. Iberdrola S.A. Acknowledgements

Iberdrola S.A. has received a number of acknowledgements related to its Compliance System in 2023. While these acknowledgements are not specific to ScottishPower, they highlight recognition of the Compliance System within which the ScottishPower Compliance System operates and with which it shares the same structure, principles, and strategy.

10.1 World's Most Ethical Companies List

Iberdrola S.A. has been recognised for the tenth consecutive year as one of the world's most ethical companies, according to the 2023 ranking for the World's Most Ethical Companies produced by the Ethisphere Institute.

In drawing up this list, Ethisphere assesses the existence of an effective compliance system, reputation, the presence of an ethical culture at all levels of the organisation and in all its activities, corporate governance, and social responsibility. This recognition was granted to 135 companies worldwide in 2023. Iberdrola, S.A., was the only Spanish company on the list.

10.2 Expansión Awards

In March 2023, the panel of the Expansión Compliance Awards granted Iberdrola S.A. the award of the “*Most innovative company in the year*” highlighting the breakthrough the publication of the first edition of the Compliance System Transparency Report was to the Compliance community.

Expansión had previously awarded Iberdrola S.A. the prize for “*Company with best Compliance practices 2018-2019*”, recognising the effectiveness and robustness of the Compliance System of the Iberdrola Group's companies, and the development of the Group's ethical culture.

These awards represent a return on the efforts undertaken by the Iberdrola Group and its management in implementing effective compliance systems in their organisations.

10.3 Haz Foundation

Iberdrola tops the ranking of the most transparent companies in the IBEX 35 according to the Transparency and Good Governance on Ethics and Compliance Practices of IBEX 35 Companies report, drawn up by the Haz Foundation with the support of the Cumplén Association. This report analyses the voluntary transparency in the public information of the companies that make up the main Spanish stock market index on their policies and practices in the areas of ethics and compliance.

10.4 European Compliance & Ethics Conference Awards

Iberdrola S.A. was recognised at the European Compliance & Ethics Conference 2023 for the publication of the Compliance System Transparency Report. With this international recognition, Iberdrola S.A. has consolidated its position in the professional community as a benchmark when it comes to sharing compliance system information with its stakeholders.

11.

**Dissemination
& Promotion
of Business
Ethics**



11. Dissemination & Promotion of Business Ethics

SP Compliance also participates in initiatives and groups designed to promote and support business ethics on a more general scale, including in our supply chain and in business more generally. In 2023 this included:

- Support for the Institute of Business Ethics (IBE), a community of individuals and organisations committed to promoting high standards of business conduct based on ethical values, as Large Corporate Supporter. Work carried out by the IBE promotes good ethical business practice and allows for the sharing – and addressing – of common challenges in the implementation of an effective organisational commitment to ethics.
- Renewing our membership of the Slave Free Alliance. The 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 an organisation and supply chain that is free from slavery.

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