



2011



contents



1. Introduction

Introduction & welcome	2
About this summary	3
Our year in summary - Highlights	4
About us	7
Stakeholder engagement	8
Benchmarking and recognition	10

2. Governance

Governance	12
How we manage CSR	15

3. Economic

Highlights & Management Approach	18
Performance	
Key Financial Results 2011	19
Investment	20
Energy prices & Regulation	21

4. Environmental

Highlights & Management Approach	24
Policy Organisation & Management System	24
Management focus on Environmental Indicators	26
Performance	
Materials	29
Energy	30
Water	31
Biodiversity	33
Emissions, Effluents & Wastes	35

5. Social

Social	42
Highlights	42
Our Workplace	
Overview & Management Approach	43
Performance	
Employee Health, Safety & Wellbeing	45
Learning and Development	47
Employee Benefits	49
Employee Relations	50
Our Marketplace	
Overview & Management Approach	51
Performance	
Our Markets	52
Pricing & Product Innovation	52
Sales & Marketing	53
Customer Information	54
Customer Service	55
Social Programmes	57
Plant Reliability & Energy Security	61
Supply Chain	63
Our Communities	
Overview & Management Approach	64
Performance	
Project Development	66
Community Investment	67
Community Programmes	67
Volunteering & Fundraising	74

6. Assurance and information

Assurance and information	80
Assurance Opinion	82
Archive	84

1



Welcome to ScottishPower's Sustainability Summary for 2011



As part of the IBERDROLA Group, we aim to be a strong, successful and sustainable company that is committed to the highest standards of safety and customer service.

We are playing our part in the UK's transition to a low carbon economy. Following the integration between IBERDROLA and ScottishPower in 2007 we have invested £4 billion in the UK energy sector, and plan investments totalling around £10 billion over the coming years, to continue in the modernisation of our networks and decarbonised power generation.

This will ensure that as one of the UK's leading energy companies, we can help to meet the forecast growth in national energy demand more sustainably. It also means that we will create and maintain highly skilled professional jobs and contribute to the growth of our national and regional economies.

Throughout 2011 we continued to engage with government to ensure that the ongoing Electricity Market Reform and other key policies create the right conditions for future investment.

In our Networks operation, we have regulatory stability guaranteeing sufficient and predictable returns for our investments that will total more than £6 billion in the next few years and enable the most important

upgrades to the electricity network in more than half a century. These investments will create up to 1,500 jobs in the next 8 years and include a multi-million pound investment in a 260 mile long high-voltage undersea cable linking South West of Scotland to North Wales.

We recognise that with a difficult economic climate, and increasing energy costs, many people are finding it harder than ever to balance the household budget. We have been offering advice to customers to ensure they are on the most cost-effective tariff for their needs and to help them reduce their energy use and save money on bills.

As a result of a three-month tariff check campaign launched in 2011, just under 37,000[▲] of our customers changed from standards tariffs, mainly quarterly cash payments, to an alternative ScottishPower tariff, with combined savings of more than £6.3[▲] million.

During 2011 we continued to work with government to improve the energy efficiency of customers' homes and to help our most vulnerable customers through targeted social programmes. We spent a total of £90 million on these programmes during the year.

We will continue to be proactive in helping customers to manage the amount of energy they use through innovations such as energy monitors and smart meters

[▲] 2011 data covered by KPMG's limited assurance scope.

and continue to invest in innovations that will benefit customers in future. In September we were delighted to welcome His Royal Highness the Duke of York to a multi-million pound research centre, in which ScottishPower is a founding partner, that will be used to develop new 'smart grid' technologies.

ScottishPower is a proud supporter of various education programmes, working with schools, apprentices, graduates and supporting groundbreaking research and development. We have announced an investment of £6.5 million in grassroots skills development between 2011 and 2013.

We also deliver environmental programmes at community level through our Green Energy Trust, which provides funding for small-scale renewable energy projects and by sponsoring countryside rangers at a number of our sites.

During 2011 we invested £3.3 million in our communities, supporting a range of initiatives from encouraging science, technology, engineering and maths in schools, to our award-winning PowerWise safety programme for children and our sponsorship of the Edinburgh Book Festival. The ScottishPower Story Swap Shop competition encourages primary school children in Scotland to swap books in order to raise funds for charity, with the winning school receiving a visit from an acclaimed children's author. Our employees, supported by the company, also give their time and skills to support the communities where they live and work.

Recently we formed a new charity relationship with Cancer Research UK and with the support of our staff and customers we hope to raise £5 million over three years.

We hope that you find this Sustainability Summary interesting and informative. As always, we would welcome your views, which can be sent to us via the Feedback/ Contact Us section of the website.




Keith Anderson
Chief Corporate Officer,
ScottishPower

About this summary

Full details of our economic, environmental and social performance using the Global Reporting Initiative (GRI) indicators can be found in our parent company IBERDROLA's Sustainability Report 2011, published at www.IBERDROLA.es

To complement the IBERDROLA Sustainability Report, we are pleased to present this ScottishPower Sustainability Summary which focuses on the issues that UK stakeholders have told us are important to them.

The information in this Summary relates to the year ended 31 December 2011, unless otherwise stated, and consists of:

- data that feeds into the IBERDROLA Sustainability Report 2011, published at www.IBERDROLA.es. The IBERDROLA Sustainability Report 2011 has been independently assured by KPMG Asesores S.L.
- supplementary data that ScottishPower deems to be material to its stakeholders

The supplementary data covers a wide range of indicators that had not been subject previously to any other form of third party assurance or verification. We have asked KPMG LLP to provide limited assurance over 24 of these Key Performance Indicators (KPIs) for the year ended 31 December 2011. These KPIs are listed in the Assurance & Information section.

We have also taken the opportunity to explain some of our social and community initiatives that are not covered in any other company publications.

We have presented the information in core sections, as follows:

- **Economic**
- **Environment**
- **Social**

This Summary covers the activities of ScottishPower in the United Kingdom but excludes ScottishPower Renewables and other IBERDROLA Group activities in the UK.

The structure of the organisation is explained in the Governance section. There is also a Feedback section on the website, where we would encourage you to leave your comments on this Summary.

Our year in summary - Highlights

January to March

In January,

we received Section 36 planning consent from the Department of Energy and Climate Change for a new 1,000 MW combined cycle gas turbine (CCGT) power station adjacent to our existing Damhead Creek station on the Hoo peninsula in Kent, marking a major milestone in plans to expand our generation portfolio in South East England.

We continued to be the headline sponsor of Celtic Connections, a major traditional music festival, for the 5th consecutive year. The 18-day festival featuring 2,100 musicians and singers from all over the world, attracted audiences of more than 100,000 people at 14 venues across Glasgow.

In February

our Chairman, Ignacio Galán, was appointed as a Visiting Professor within the Faculty of Engineering at the University of Strathclyde, underlining ScottishPower's commitment to leading innovation in new low carbon technologies, and to establishing Glasgow as a centre of engineering excellence.

In March,

IBERDROLA announced plans to bring its renewables subsidiary fully back into the IBERDROLA group. In the same month ScottishPower Renewables was granted consent to build the world's first tidal power array in the Sound of Islay. The company was also granted consent to extend Black Law windfarm by an additional 69MW to 193MW.

April to June

In April,

we announced that we would fund £1.15 million of energy efficiency improvements to 800 homes in the Darnley and Arden areas of Glasgow. The work will be carried out under the government's Community Energy Saving Programme, which is funded by electricity generators and suppliers.

We also reported that through another social programme funded by the ScottishPower Energy People Trust, residents in Liverpool had secured almost £700,000 of additional benefits they were entitled to, helping to lift them out of fuel poverty.

In April,

our sister company ScottishPower Renewables received the distinction of a Queen's Award for Enterprise in the Sustainable Development category for Whitelee Windfarm near Glasgow. ScottishPower also won an award for Social Investment in Scotland in the Scotland plc Awards.

In June,

Studies began at the site of our proposed new 1,200 MW combined cycle gas turbine power station at Avonmouth near Bristol and June also saw the demolition of the chimney at our former Methil Power Station in Fife, by controlled explosion. The chimney had been a feature of the East Fife skyline for 46 years.

Following a meeting with Scottish Government Finance Secretary John Swinney, we announced that we would work with government and local authorities to fund a targeted £10 million energy efficiency programme to help those households most in need of improvements.

July to September**In August**

we announced plans to invest £3 billion in our networks over the next 10 years, which will create around 1,500 new jobs, including significant training of young people.

We also reaffirmed our commitment as lead sponsor of the Celtic Connections traditional music festival for the sixth consecutive year. In the same month, our own ScottishPower Pipe Band was ranked 3rd in the World Pipe Band Championships.

In September

we welcomed HRH The Duke of York to the site of the Power Network Demonstration Centre. The Centre, which will test new 'smart grid' technologies, is being built on land owned by ScottishPower and will be operated by the University of Strathclyde.

October to December**In October,**

we were granted Section 36 consent to build a new combined cycle gas turbine power station on the site of our existing coal-fired Cockenzie Power Station, which will close over the next few years. This marks an important milestone in renewing our generation fleet in Scotland.

We also announced no winter price increases for customers and stopped doorstep sales of energy products.

In October,

the UK Government announced its decision not to fund a commercial Carbon Capture and Storage project at Longannet Power Station, having considered a detailed Front End Engineering Design study by ScottishPower and its consortium partners, which estimated the likely cost to be above the £1 billion pledge by the UK Government in its competition for funding.

In November,

we re-affirmed our support for the UK Government's groundbreaking 'midata' programme, which aims to give consumers better access to their personal data held by private companies.

We were also delighted to be the highest ranked UK energy company in the CRC Energy Efficiency Scheme performance league.

In November,

our networks business was successful in securing funding from the Low Carbon Network Fund to conduct a pilot project in St Andrews, Wrexham and Whitchurch that could reduce the need for new substations in local electricity networks.

In December,

the Scottish Government approved mitigation plans for our section of the Beauldy-Denny transmission line near Stirling. The mitigation proposals, costing an estimated £35 million, include screen planting, landscaping and undergrounding of distribution lines.

Performance highlights 2011

Social

- Community investment of £3.3 million, of which more than £1.3m was spent on social welfare and humanitarian projects
- Nearly £1m spent on education and training projects for young people
- Around 200 employees involved in volunteering projects during 2011 – from encouraging Science, Technology and Mathematics in schools (STEM volunteers) to lending senior management expertise to the boards of charities and improving school playgrounds and community spaces
- The ScottishPower Energy People Trust awarded £1,170,358 in funding for 25 projects designed to alleviate fuel poverty. This helped more than 30,000 people and 16,558 households across Britain.
- We were top utility in a Which? Report involving mystery shoppers looking for the cheapest tariff
- We were 2nd equal in the UK National Customer Satisfaction Index of UK energy utilities
- Complaints to Consumer Direct fell by 54% on 2010 levels

Environmental

- Ranked top UK energy utility in the Carbon Reduction Commitment (CRC) energy efficiency league table
- Reduced emissions of CO₂ per kWh of electricity generated by 7% on 2010 levels
- Continued to sponsor countryside rangers at Musselburgh and Valleyfield ash lagoons, Loch Ken, Loch Doon, the Falls of Clyde and at various windfarm sites to manage our land in the interests of biodiversity
- Our Green Energy Trust funded a further nine community level renewable energy projects, bringing the total at the end of December 2011 to 137 projects since the Trust was established
- Continued to supply Scotland's biggest green energy contract to Procurement Scotland, which means that every school, hospital and public building from the Scottish Parliament to Edinburgh Castle is using our renewable energy

Economic

- Planned investments of around £10 billion – likely to create 1,500 new jobs
- Spend on energy efficiency and fuel poverty up by a third to £90 million
- Procurement spend of £5.9 billion – 93% of general purchases made in the UK
- Net capital investment of £547 million during the year

About us

Scottish Power Limited (ScottishPower) is part of the IBERDROLA Group of Spain, one of the world's largest electricity utilities by market capitalisation. The Group employs more than 33,000 people in 40 countries worldwide, with operations concentrated in the Atlantic region, including the Iberian Peninsula, the UK, the United States and Latin America.

IBERDROLA is the world leader in renewable energy and develops and manages renewable energy projects in the UK through ScottishPower Renewables. It is important to highlight that, on January 2012, the company acquired 100% of ScottishPower Renewable Energy Limited a subsidiary of IBERDROLA. Since that date the group has been responsible for the management of the renewable energy activities of IBERDROLA in the UK and Republic of Ireland.

During 2011 ScottishPower's main business divisions were:

Regulated Business

Energy Networks – owns and operates our electricity transmission and distribution networks in south and central Scotland, Merseyside, Cheshire, North Shropshire and North Wales

Liberalised Business

Generation – operates a diverse generation fleet with a capacity of 6,000 MW, plus gas storage, and trades energy commodities and carbon

Energy Retail – supplies customer services to over 5 million electricity and gas customers across the UK

We also continued to operate several joint ventures and subsidiaries. These include SWM Ltd, a wholly owned subsidiary of our ScottishPower Generation that operates a sludge drying facility near Glasgow and ScotAsh Ltd, a 50:50 joint venture with Lafarge Cement UK, which processes power station ash into products for the construction industry.

ScottishPower's headquarters continues to be located at: 1 Atlantic Quay, Glasgow, G2 8SP.

Key statistics

**At the end of December 2011
our key statistics were:**

- 7,530 employees
- Over 5 million electricity and gas customers
- Over 3 million electricity connections
- 6,139 MW of generation capacity
- 118,017 km of underground cables and overhead lines
- Turnover of £7,450 million
- Net profit of £286 million
- Procurement spend of £5,959 million
- Community investment of £3.3 million

Stakeholder engagement

Communicating with stakeholders and understanding their opinions enables companies to develop better-informed policies and strategies that are more likely to be successful.

We engage with our many stakeholder groups regularly, to build and maintain positive relationships and listen to their opinions on our business.

ScottishPower is represented on IBERDROLA Group's Reputation Committee, which provides a forum for discussion on stakeholder engagement and the key issues emerging at Group and geographic levels. Our CSR Steering Committee fulfils a similar function in the UK.

Human Resources

We gather employee feedback throughout the year through formal and informal channels and use the results to improve our employees' workplace experience. We also engage with trade unions on a regular basis through the Company Consultative Council and regular, on-going dialogue.

Regulatory Authorities

We engage on a regular basis with regulatory bodies in the Health, Safety and Environmental arenas, including SEPA, the Environment Agency, the Health & Safety Executive, Scottish Natural Heritage, Natural England and Marine Scotland.

We also engage with the industry regulator, Ofgem, on the whole spectrum of industry issues, particularly price regulation and consumer issues.

Customers

We continue to carry out regular customer surveys to gather feedback on the customer experience and focus our efforts on addressing any issues raised. We also engage regularly with Consumer Direct.

Suppliers

We engage in regular feedback sessions with all major suppliers, and maintain close communications both at contract award stage and during contract delivery.

Society - Communities

We maintain close links with communities at our existing sites and conduct significant community consultation on any new developments. Examples include community councils and other local groups and charities, which are important to our local communities.

Environment

Our Environmental Forum challenges and informs our environmental policies and actions. The Forum meets at least twice a year and includes academics, policy experts and representatives from environmental organisations.

Media

We engage constantly with media representatives at both local and national levels through planned briefings, news releases, events, arranging interviews and responding to enquiries.

Government

We continue to engage with the UK and devolved Governments and their agencies on all aspects of energy policy and other industry issues. We also engage with MPs and MSPs in whose constituencies we have operations. We make representation to public powers through meetings and our responses to government and regulatory consultations.

We are also represented in discussions with government through the following organisations: Energy UK (formerly the Energy Retail Association); Energy Networks Association (ENA); Association of Electricity Producers (AEP); United Kingdom Business Council of Sustainable Energy (UKBCSE), the UK Business Council Sustainable Development and the Scottish Council for Development and Industry (SCDI).

NGOs/Special interest groups

We consult extensively with a variety of Non Governmental Organisations and, where appropriate, work closely with them on developing our projects. Examples include the RSPB, the Scottish Wildlife Trust and the Galloway and Ayrshire Fisheries Trusts, as well as charitable organisations such as Energy Action Scotland, National Energy Action and Citizens Advice.

Stakeholder Sessions

We run stakeholder sessions, normally in Glasgow and Chester, that are linked specifically to our reporting activities. We invite a cross-section of organisations to these sessions, representing social and environmental stakeholders, and invite them to provide us with feedback. A summary report from the stakeholder sessions is available [here](#).

Associative bodies

ScottishPower is a member of many organisations, including the following:

Energy UK

(formerly the
Energy Retail Association)

Energy Networks Association

(ENA)

Association of Electricity Producers

(AEP)

United Kingdom Business Council for Sustainable Development

(UKBCSD).

United Kingdom Business Council for Sustainable Energy

(UKBCSE)

Scotland's 2020 Climate Group

May Day Network

All Party Parliamentary Fuel Poverty & Energy Efficiency Group

(Associate member)

Fuel Poverty Advisory Group

Scottish Business in the Community

Arts & Business Scotland

Benchmarking and recognition

Awards 2011

ScottishPower won the Employee Volunteering Award at the Business in the Community Awards Wales for volunteering activities in Wales and was highly commended in Scottish Business in the Community's Community Volunteering Team of the Year Award for work on a willow plantation in Glasgow. In addition, we were shortlisted for the Scottish Large Company of the Year Award.

We also received a Work Inspiration Award and were shortlisted as a National Example of Excellence for the ScottishPower Young Apprentice Programme. In addition, we received Big Tick re-accreditations for the Power in Partnership Award, in respect of our work with North Staffordshire Warm Zone and the Education Award for our PowerWise schools safety programme.

We also received the Social Investment in Scotland Award at the Scotland plc Awards and won the Best Project Contributing to Innovation Award in the International Process Quality and Productivity (IQPC) Process Excellence Awards for our innovative Unifi energy monitor.

In the Arts & Business Scotland Awards we were commended in the Community category for our partnership with National Theatre of Scotland and shortlisted in the Enduring Partnerships category for our partnership with Celtic Connections.

Other award achievements in 2011 include:

- Winner of the Power Team of the Year Award in the National Skills Academy People in Power Awards
- Winner of the Strategic People Development Project of the Year Award and a finalist in the Corporate Social Responsibility category of the HR Network (Scotland) Awards

We also contribute to a range of indices through our parent company IBERDROLA, including the Carbon Disclosure Project and the Dow Jones Sustainability Index.

We were delighted that just outside the reporting period in January 2012, Community Liaison Manager Roy Jones was awarded an MBE in the New Year's Honour List for services to young people in Wales.

At the end of 2011 we supplied electricity and gas to over 5 million customers

2



Governance



ScottishPower is part of the Iberdrola S.A. (“Iberdrola”) group of companies, which is committed to responsible business operations and growth. IBERDROLA maintains a continuously updated Corporate Governance System, which is the set of documents made up of the By-Laws, the Corporate Policies, the Internal Corporate Governance Rules and the other internal Codes and Procedures approved by the appropriate bodies of IBERDROLA. This System has been developed taking into account the good governance recommendations generally recognised in international markets.

The development, revision and ongoing improvement of corporate governance regulations is part of the strategy that the IBERDROLA group, including ScottishPower, have been following for years. The General Corporate Governance Policy is an updated summary of the IBERDROLA's Corporate Governance System.

For further clarification please visit the link below:

<https://www.iberdrola.es/webibd/corporativa/iberdrola?cambioldioma=ESWEBACCGOBCORSIS>

Governance in 2011

The ultimate parent of ScottishPower, as explained above, is IBERDROLA which is listed on the Madrid stock exchange.

IBERDROLA is a global organisation that understands the importance of local management in the 40-plus countries in which it operates. Ensuring that the ScottishPower Board combines both global international business experience with a strong Scottish and UK core is fundamental to IBERDROLA's aim of

The directors of Scottish Power Limited

and their classifications are shown below:

José Ignacio Sánchez Galán (Chairman)
Non-independent, non-executive director

Amparo Moraleda Martinez
Non-independent, non-executive director

Fernando Becker Zuazua
Non-independent, non-executive director

John Campbell
Executive Director (resigned 9/02/11)

José Luís San Pedro Gerenabarrena
Non-independent, non-executive director

José Miguel Alcolea Cantos
Non-independent, non-executive director

José Sainz Armada
Non-independent, non-executive director

Juan Carlos Rebollo
Non-independent, non-executive director
(appointed 9/02/11)

Rt Hon Lord Macdonald of Tradeston
Independent, non-executive director

Lord Kerr of Kinlochard
Independent, non-executive director

Sir Tom Farmer
Independent, non-executive director

ensuring its activities are globally coordinated and implemented in the most appropriate way in the UK and Scotland.

As a general guiding principle, the group adopts the principles and a rule contained in the most widely recognised good governance recommendations and, in particular, has taken as a reference the Uniform Good Governance Code for listed Companies approved by the National Securities Market Commission of Spain.

The **Scottish Power Limited Board** comprises the Chairman José Ignacio Sánchez Galán and nine other directors. Sr Galán is also the Chairman and Chief Executive of IBERDROLA.

Previously, ScottishPower had an Executive Team ("The Executive Team"), which comprised seven senior executives. The Executive Team ensured executive focus on performance and risk management and reviewed strategy, operational performance and risk issues on behalf of the group. The Executive Team reported to the ScottishPower Board. The roles and responsibilities of the Executive Team have now been allocated between the **ScottishPower Co-ordination Committee** ("the Co-ordination Committee") and the Board of Directors of the **Scottish Power Energy Networks Holdings Limited** ("SPENH") and **Scottish Power Generation Holdings Limited** ("SPGH") groups, which were implemented following the corporate restructuring noted previously.

The Co-ordination Committee ensures executive focus on co-ordinating the activities of ScottishPower. It meets fortnightly and receives regular information on the activities of ScottishPower in order to support the corporate functions and lines of business in

The Board of Directors of **Scottish Power Generation Holdings Limited** is as follows:

Francisco Martínez Córcoles
Chairman

John Campbell
Executive director (resigned 31/08/11)

Neil Clitheroe
Chief Executive Officer (appointed 31/08/11)

Raymond Jack
Executive director (resigned 31/12/11)

Aitor Moso Raigoso
Executive director

Ángel Chiarri Toscano
Executive director

Félix Rojo Sevillano
Executive director

Fernando Tallón Yaguez
Executive director

Heather Chalmers White
Executive director

Hugh Finlay
Executive director

Marion Venman
Executive director (resigned 24/03/11)

Oscar Fortis Pita
Executive director

The Board of Directors of **Scottish Power Energy Networks Holdings Limited** is as follows:

Javier Villalba Sánchez
Chairman

Frank Mitchell
Chief Executive Officer

Antonio Espinosa de los Monteros Herrera
Executive director

José Izaguirre Nazar
Executive director

Nicola Connolly
Executive director

Scott Mathieson
Executive director

Marion Venman
Executive Director (resigned 8/03/11)

understanding the local, legal and regulatory and market specifics in the UK and assist the Chief Corporate Officer (“COO”) in the performance of his duties. The Co-ordination Committee reports to the ScottishPower Board and currently comprises eight senior executives including the CCO, directors of Finance, Regulation, Human Resources (“HR”), Communications, the Chief Executive Officer (“CEO”) of the Liberalised Business, the CEO of the Regulated Business, and the Head of Legal.

The **Scottish Power Audit and Compliance Committee** is a permanent internal body, having an informative and consultative role, without executive functions, with powers of information, assessment and presentation of proposals to the Board of Scottish Power within its scope of action. The Committee is governed by the Memorandum and Articles of Association of Scottish Power Limited and by the Terms of Reference of the Committee. The Committee’s responsibilities include:

- Monitoring the financial reporting process for the group;
- Monitoring the effectiveness of the group’s internal control, internal audit and risk management systems
- Monitoring the statutory audit of the annual and consolidated accounts; and
- Reviewing the status of compliance with laws, regulations and internal procedures.

A risk and control governance framework is in place across ScottishPower. The risk management framework and internal control system is subject to continuous review and development. The company is committed to ensuring that a proper control environment is maintained.

As part of a group restructuring exercise to align the operational structure of ScottishPower with the operational structure of IBERDROLA group, two new holding companies were incorporated within the group, namely SPENH and SPGH, both companies are direct subsidiaries of Scottish Power UK plc.

On July 2011, those entities within the group deemed to be part of the Energy Networks business were transferred to SPENH and those entities within the group deemed to be part of the Energy Wholesale and Energy Retail businesses were transferred to SPGH.

Governance in 2012

During the course of the present year **Scottish Power Limited Board’s structure** has been modified due to the following reasons:

- Keith Anderson was appointed as a director.
- Amparo Moraleda left the company.
- Lord Kerr became Vice-Chairman.

It is equally important to highlight that, on January 2012, the company acquired 100% of ScottishPower Renewable Energy Limited a subsidiary of IBERDROLA. Since that date the group has been responsible for the management of the renewable energy activities of IBERDROLA in the UK and Republic of Ireland.

Vision and Values

In accordance with the corporate governance system of IBERDROLA, S.A. and with ScottishPower being a subsidiary company, its vision and values are the ones contained within its Code of Ethics.

“We aspire to be the preferred global energy company because of our commitment to the creation of value, quality of life, the safety of people and of supply, the protection of the environment and customer focus.”

The Company’s vision, which is framed within a collection of activities provided for in the corporate purpose and which brings together the economic, social and environmental aspects of sustainability, is based on six values representing firm commitments of the Company:

- a) Corporate ethics and responsibility
- b) Economic results
- c) Respect for the environment
- d) Sense of belonging and trust
- e) Safety and reliability
- f) Customer focus

Human Rights

Human rights issues for workers and contractors in the United Kingdom are assured by UK and European legislation. The rights of individuals and communities are taken into consideration through the planning procedures for transmission lines and power stations, which involve detailed environmental impact assessment and extensive consultation.

Human rights in the supply chain are an issue that we consider in proportion to risk. The majority of our procurement takes place within the Euro Zone where workers' human rights are protected by law.

We select most of our suppliers through the Achilles procurement portal where significant suppliers are required to subscribe to the Verify Scheme and provide policy and performance information on corporate responsibility issues, including the assurances they demand from their suppliers in terms of human rights.

Fuel procurement is handled by a separate specialist team in Generation business who, as part of coal supply contracts with non-EU countries, review a number of factors such as management of local operations, social and welfare arrangements for local employees, living standards, health and education provisions and comparisons of local salaries against both industry and national average wages.

We are members of the Association of UK Coal Importers (Coallmp), which has produced a CSR Policy and Guidelines detailing Coallmp members' expectations of suppliers in respect of a number of CSR related areas.

In addition, we have produced draft clauses for use by members in their coal supply contracts, which require the suppliers to give an undertaking that they will comply with the principles of the CSR policy. Breach of any of the clauses could result in termination of the contract. Inclusion of such clauses in ScottishPower contracts is under consideration by ScottishPower and Iberdrola's legal teams.

We have successfully included the policy, the supplier representation and termination events in a recent contract.

We are actively trying to engage more European players in adopting the principles and to work with Coallmp to build a critical mass behind the drive to establish the CSR policy in the wider coal industry.

How We Manage CSR

Corporate Social Responsibility begins with the company's vision and values, which guide us in everything we do.

At group level, the IBERDROLA vision is: "We aspire to be the preferred Global Energy Company because of our commitment to the creation of value, quality of life, the safety of people and of supply, the protection of the environment and customer focus".

This is underpinned by six values, as follows:

- Corporate ethics and responsibility
- Economic results
- Respect for the environment
- Sense of belonging and trust
- Safety and reliability; and
- Customer focus

ScottishPower's senior management team is committed to CSR – doing business responsibly to achieve sustainable growth and to protect and enhance the reputation of ScottishPower and the wider IBERDROLA Group in the UK.

Management of CSR issues is conducted at group level through a CSR Committee, which is responsible for driving the company's CSR policies and ensuring the best corporate governance practices are followed. This is a Committee of the main IBERDROLA Board. The UK is represented by Samantha Barber, a former CEO of Scottish Business in the Community.

Our Head of CSR in the UK represents ScottishPower on the IBERDROLA International Reputation Committee, which act as a focus for discussion and policy development for a range of CSR issues at group level, as well as chairing ScottishPower's CSR Steering Committee.

The CSR Steering Committee, made up of senior representatives from across all the functions in ScottishPower, provides a link between the ScottishPower Co-ordination Committee and business operations.

The CSR Steering Committee, which meets three times per year, is responsible for policy development and review and advising business heads on Corporate Social Responsibility.

Through our CSR Steering Committee we ensure that CSR is integrated into the company's strategy for sustainable growth and that social and environmental issues are given full consideration in our business decision making.

A key part of our CSR framework is on-going consultation with stakeholder groups, listening to and considering their feedback and, where appropriate, addressing the issues they raise in the way we do business.

We have a distinct framework for environmental governance, as it involves an increasing number of mandatory demands and legislative compliance. This is described in the Environment section.

Economic

3



Highlights & Management Approach



At ScottishPower our priority is to run a sustainable business that creates value for everyone – for our customers, shareholders, employees, suppliers and the communities and regional economies where we operate.

Our economic success has a direct bearing on the lives of many people. IBERDROLA shares are held by many leading UK pension and investment funds. Consequently, many thousands of British people benefit directly from our strong financial performance through their pensions and investments.

We also support regional and national economies throughout Britain, through the direct and indirect employment of thousands of people, contributing tax revenues to the UK Treasury and through our procurement of goods and services, which in 2011 amounted to almost £6 billion.

Energy prices continued to be an issue of significant concern to the British public during 2011, and ScottishPower in common with other major UK suppliers had to raise prices following large increases in wholesale energy costs during the year. Following our price rise, we launched a major drive to help our customers reduce the cost of their fuel bills, by providing advice on how to use energy more efficiently and checking they were on the most appropriate tariff.

At the same time, energy suppliers saw their margins reduce during 2011, due to higher wholesale prices and the costs involved in meeting government obligations to reduce carbon emissions and improve the energy efficiency of customers' homes, along with a regulated programme of social spend to help vulnerable customers.

The UK requires significant investment to modernise the electricity industry over the next 10 to 15 years and we are playing our part in this. We invested £547 million in our businesses during 2011 and expect to invest a total of £10 billion in networks, renewable energy, thermal generation and customer service over the coming years.

Performance

Key Financial Results 2011

	2011 (m)	2010 (m)
Revenues	£7,450	£7,134
Earnings before Interest and Tax	£415	£809
Net profits	£286	£527
Staff costs	£365	£351
Pensions payout	£120	£114
Net capital investment	£547	£585

Profit reduced significantly in 2011. This was due to a reduction in customer demand, reduced generation output, lower profit margins due to higher wholesale prices and a £169 million write-down (impairment charge) on future revenues from one of our coal-fired power stations.

The asset write down arose as a result of the decision not to proceed with Carbon Capture and Storage at Longannet power station and the introduction by the UK Government of a carbon floor price from April 2013. From that date, the carbon price will be set at a minimum price of around £16 per tonne of CO₂, rising to £30 per tonne in 2020. The carbon floor price will increase the costs incurred by coal-fired stations, reducing their future profitability and making life extensions challenging.

Demand for electricity during the year reduced by 5% and demand for gas fell by 19%, compared with 2010, due predominantly to weather conditions, with some impact from economic pressure and energy efficiency, while profit margins were also lower, mainly due to volatile wholesale energy prices.

Contribution to Regional and UK Economies

We continued to make a significant contribution to regional economies in Scotland, England and Wales through our payroll and to the UK national economy via tax paid to HM Revenue & Customs.

At 31st December 2011, we employed 7,350 people. Our staff costs for the year were £365 million and our pension funds paid out a total of £120 million to retired employees.

We collected £288 million in VAT and paid £168 million in corporation tax. Our corporation tax liability was significantly lower than in 2010, reflecting last year's reduction in profit and a reduction in the tax charge rate. In addition, we paid out £24 million relating to the Government's Climate Change Levy.

Procurement Spend

Our procurement spend in 2011, including fuel and energy purchases, was £5,959 million –up by 8.1% on last year. During the year we spent £856 million on general purchases, including equipment, materials, works and services. 93% of general purchases were made in the UK.

Energy efficiency goods and services have ranked among our most significant purchases in recent years. New contracts were awarded in February 2011 for the delivery of the final phase of the Carbon Emission Reduction Target (CERT) and Community Energy Saving Partnership (CESP) programmes, with a combined value of £169m over 2011/12.

The contracts, for the installation of energy saving measures in customers' homes will create and maintain jobs in this sector.

In the final quarter of 2011, significant preparatory work has been undertaken in advance of the new Energy Company Obligation (ECO) that will supersede CERT and CESP in 2012, and will continue to install energy saving measures, such as insulation, in consumers' properties, to help low-income, vulnerable customers heat their homes more affordably.

Restructure

During the year, ScottishPower was reorganised to align with the IBERDROLA Group's global structure. The Liberalised business (Generation and Retail) will share synergies and expertise across the UK, Spanish and Mexican operations.

Similarly, our regulated Networks business will work closely with Spain, Brazil and North America, creating long-term benefits through shared expertise in areas such as smart grid development, low carbon network delivery and regulatory policy.

As of 1st January 2012, the Renewables business was incorporated back into the ScottishPower Group.

Investment

Net capital investment for the year was £547 million, of which £441 million was invested in strengthening our electricity network and providing new grid connections for windfarms.

Our Networks business is investing around £450 million in a new High Voltage Direct Current (HVDC) subsea link between Scotland and England & Wales. The 2,000MW link will be the longest of its kind in the world and this strategic national investment will allow electricity to flow in either direction between the nations.

The 260km cable will run from Hunterston in Ayrshire, to a landing point on the Wirral Peninsula and will play a major part in the transmission of low carbon renewable energy between Scotland and England & Wales.

ScottishPower's investment in the energy transmission network as a whole will total £2.6 billion over the period from 2013 to 2021, representing the most extensive improvements for 50 years. The work, which will involve the connection of offshore and onshore windfarms, the replacement of 800km of overhead lines and the renewal and replacement of substations, is expected to create up to 1,500 new jobs.

IBERDROLA expects to invest around £10 billion in the UK over the course of the decade, in networks, windfarms and other forms of new generation, such as Combined Cycle Gas Turbine (CCGT) power stations. The company has Section 36 consent for CCGTs at Cockenzie and Damhead Creek and in 2011, began consultations on a project to build a further CCGT at Avonmouth, near Bristol.

During 2011 our Retail business embarked on a significant investment in IT systems that will enable us to implement service improvements to our customers.

Community Investment

We continued to support numerous programmes in the communities we serve during 2011, ranging from employability training for young people, to arts and culture, environmental and public safety projects, energy efficiency and charitable giving.

Our total community investment for 2010 was £3.3 million. Examples of the projects we supported during 2011 appear in the Communities section.

Energy Prices & Regulation

Energy prices remained volatile during 2011. Oil prices rose sharply due to increased demand, the Japanese tsunami and the Arab Spring. This put upward pressure on gas prices, which remained high for much of 2011, dipping towards the end of the year due to lower than average seasonal demand.

Wholesale energy costs, transportation costs and energy efficiency obligations have a significant influence on domestic and business bills. In August 2011 UK suppliers, including ScottishPower, raised prices following sustained rises in wholesale prices.

We continued to offer advice to our customers on how to use energy more efficiently. We also continued to offer discounted (and in some cases free) home insulation and energy efficiency measures to help customers save money on future energy bills.

In October 2011, we issued an assurance that there would be no further price increases over the winter months until at least April 2012. A drop in wholesale gas prices meant that in January 2012, just outside the reporting period, we were able to announce a reduction in gas prices to domestic customers of 5%, effective from 27th February.

Ofgem, in their Electricity and Gas Supply Market Report, published in December 2011, estimated the net margin on supplying an average dual fuel customer on an average standard tariff at £105. However, this “snapshot” failed to take into account a range of factors that affect margins, such as discounts, price guarantees, volatility in the wholesale market and rising distribution, transmission and government obligation costs.

An independent report by NERA Economic Consulting, published in January 2012, estimates that as of December 2011, the annual margins of UK energy suppliers were around £24 per electricity only customer, £49 per gas only customer and £50 per dual fuel customer. These margins can change quickly due to rising wholesale prices and can turn negative from time to time.

In October 2011, we published figures from our segmental accounts for 2009 and 2010, showing that our average annual net margin on a dual fuel account was approximately £10. The figures published by Ofgem are theoretical and make assumptions that do not reflect our own experience of the energy supply markets in recent years.

In January 2012, just outside the reporting period, we reached agreement with Ofgem on a £2.6 billion transmission network investment from 2013 to 2021 that will create up to 1,500 jobs.

The plans submitted under Ofgem’s RIIO T1 process in 2011, will deliver the most significant upgrades to the electricity network in central and southern Scotland for more than 50 years.

Ofgem have awarded a 7% return on equity (in real terms) over the period.

Energy Efficiency and Help for Vulnerable Customers

We spent £65 million in 2011 on customer energy efficiency programmes and provided £25 million in support for vulnerable customers. Our total combined spend of £90 million was up by a third on 2010.

For further information on these programmes, see the Customer section, under Our Marketplace.

Environmental

4



Highlights & Management Approach



ScottishPower continued its commitment to environmental sustainability during 2011. During the year we:

- Reduced greenhouse gas emissions by 7% on 2010 levels
- Reduced emissions of SO₂, NO_x and dust per GWh of electricity produced
- Were ranked top UK energy utility in the Carbon Reduction Commitment (CRC) energy efficiency league table
- Set a long-term objective to become a zero waste company
- Continued to sponsor countryside rangers at Musselburgh and Valleyfield ash lagoons, Loch Ken, Loch Doon, the Falls of Clyde and at various windfarm sites to manage our land in the interests of biodiversity
- Continued to supply Scotland's biggest green energy contract to Procurement Scotland, which means that every school, hospital and public building from the Scottish Parliament to Edinburgh Castle is using our renewable energy
- Funded a further nine community level renewable energy projects through the ScottishPower Green Energy Trust, bringing the total at the end of December 2011 to 137 projects since the Trust was established

Policy, Organisation & Management System

Our environmental policy, organisation and environmental management system is integrated into those of the IBERDROLA Group and we have adopted the IBERDROLA Group's **Environmental Policy**, **Policy against Climate Change** and **Biodiversity Policy**.

These define specific guidelines we must follow in terms of our strategy, investments, operations and control of environmental risks.

The policies place a requirement on all of our businesses to foster innovation and eco-efficiency, and strive to achieve a progressive reduction in the environmental impacts of their activities.

Our activities are governed by an **Environmental Management System** that covers the entire IBERDROLA Group. This is supported by comprehensive systems certified under various standards, such as ISO14001, EMAS and ISO14064, which contribute to reducing environmental risk.

The IBERDROLA Group's **Environmental Management System** creates a common environmental framework, allowing the coordination of various plans and measures, while respecting autonomy and individuality at regional level. The system is based on agreed policies and strategic lines and incorporates shared criteria, monitoring indicators and standards for compliance reports.

The main operating elements in our Group **Environmental Management System** are as follows:

- Environmental guideline areas: Preserving Biodiversity, Pollution Prevention; Achieving Operational Excellence; Optimising Waste Management; and, Engaging with Stakeholders
- Global performance indicators: GRI methodology indicators that provide an overall classification of each guideline area
- Environmental goals and plans: these carry out each guideline area within each business.
- Key environmental risks: identification and management through mitigation and control measures where appropriate
- Economic summary of environmental expenses and investments: Emissions Treatment; Waste Treatment; Environmental Impact Remediation; Environmental Prevention; and, Environmental Management.

At UK level there is strong regional management of environmental issues as a result of co-ordinated strategies, goals, policy, performance, risk and communication in relation to environmental aspects and impacts.

Each of our businesses operates Environmental Management Systems (EMS) based on UNE-EN-ISO 14001:2004 and the EMAS standard and these link back to our Corporate EMS.

In 2011, subsidiaries of the IBERDROLA Group in the UK, IBERDROLA Engineering and Construction UK and IBERDROLA Engineering and Construction Networks Ltd, obtained certification to ISO 14001. More information and the certifications obtained can be viewed at www.iberdrola.com.

Evaluation of the Group's environmental performance and its continuous improvement is conducted through an Environmental Scorecard, which enables analysis of environmental performance globally and by business. This helps to guide environmental improvement projects across the entire Group.

Other tools supporting the management system include:

- Employee training on specific environmental issues.
- A system for reporting incidents and anomalies, which is used as a decision-making tool for investments in preventive measures
- Monitoring of environmental regulations, with coordination across the IBERDROLA Group for matters that are European in scope.
- Our Environmental Forum, which enables direct engagement with environmental stakeholders. In 2011 topics under discussion included review of our management approach to the environmental impact of Electricity Transmission System development, along with Smart Grids and the Electricity Market Reform process.

Stakeholder Issues

Our key environmental stakeholder issues in 2011 continued to be:

- Materials consumption
- Energy
- Water
- Greenhouse Gas Emissions
- Waste & Byproducts
- Biodiversity
- Compliance
- Transport

Management Focus on Environmental Indicators

Environmental indicators allow for an evaluation of the Company's performance in this field and provide support for decision-making. Our management focus during 2011 continued to be on the environmental aspects considered to be the most significant to our business, as outlined below.

Materials Consumption

The consumption of fuel, such as natural gas and coal, in the production of electricity is our most significant use of material resources, although lesser quantities of chemical products, lubricating oils, refrigerants, and other products are also consumed.

In 2011, we continued our approach of looking at the input materials to our energy and industrial processes to ensure we can minimise material use in line with the waste hierarchy. Our strategy is based on using production technologies with lower emissions, achieving a reduction in the consumption ratios for fuel, energy, water and other materials per GWh of electricity produced. The wider IBERDROLA Group has established projects in eco-efficiency that we are examining very carefully.

We note the objectives of Government, regulators and its agencies for the economy to be more resource productive. In support of this we have set ourselves a goal of moving towards becoming a zero waste company. This is a longer term objective, but one that has the potential to create opportunities both commercially and for the environment.

Energy

Our business takes action across the energy chain to optimise the use of energy. This includes efficient energy production through introducing more advanced equipment in technology. It also includes efficiency in transmission and distribution – in which substantial investments are being made to reduce losses from the electrical power grids (new substations, smart grids, etc.) and promoting efficiency at the final point of use. This involves adopting measures to reduce consumption within the Company's own facilities and promoting the efficient use of energy by customers, through offering a wide range of products and services that encourage energy conservation.

In 2011, our electricity generation was down by over 18% against 2010 levels. Our wind energy production increased during the year, but this was more than offset by a reduction in electricity generation from coal, gas and hydroelectricity.

In Autumn 2011, the first league table for the Carbon Reduction Commitment was published. ScottishPower was rated as the highest performing UK utility company and 27th overall in the UK (out of 2,100 organisations).

It is vital that the UK economy continues to have a secure, sustainable, affordable and diverse electricity supply. In 2011, we set out our initial recommendations to Government to help them take forward their process of Electricity Market Reform. This process is continuing during 2012 via the production of a draft Energy Bill.

For further information, see the Performance section, indicators EN3 to EN7 of this report.

Water

Water is captured primarily for the cooling process at thermal power plants. A small proportion is consumed (by evaporation) in the process itself, and the remainder is returned to the environment, after ensuring its quality.

Maximum limits on the capture and consumption of fresh water are established and monitored by the Scottish Environment Protection Agency (SEPA) in Scotland and the Environment Agency (EA) in England and Wales. SEPA also establishes and controls surface level limits and ecological flows at the hydroelectric generation reservoirs, avoiding the capture of water in areas with hydrologic stress.

In 2011, water requirements for our thermal power stations were reduced in line with the lower electricity generation production. Water use in offices and facilities in 2011 was reduced due to improvements in monitoring and targeting of water efficiency measures.

Effluents from our generation plants are treated before they are discharged into the sea, reservoirs or rivers. Wastewater treatment plants and other facilities allow for monitoring and improving the quality of the effluents and reducing the risk of polluting discharges.

Preventative measures to avoid the risk of accidental discharges of fuel or contaminated water at our generation facilities include:

- Obtaining a PPC permit and imposing strict environmental requirements on the design of the facility
- Continuous monitoring of the quality and quantity parameters for the water collected and discharged, in compliance with environmental law
- The use of ISO 14001 certification as a tool for on-going improvement and EMAS certification for promoting the transparency of information
- The use of systems for reporting anomalies and incidents and plans to minimise discharge risks, by implementing predictive, preventive and corrective actions that guarantee the proper condition of the water
- In-house and external audits by insurance and certifying entities, whose observations or recommendations will lead to a preventive or corrective initiative within the environmental management system.

These initiatives also apply to distribution substations and windfarms to manage the risk of oil spills.

We also have bunding and oil separation facilities, along with oil spill response teams.

If a discharge occurs at our facilities that could have negative effects on the surrounding environment, we cooperate with the regulator until the incident is resolved.

Greenhouse Gas Emissions

Our goal is to reduce greenhouse gas emissions by at least 20% by 2020 on 2007 levels. This builds upon the reduction of more than 40% in our emissions per kWh that we achieved on 1990 levels for our portfolio up to 2007.

ScottishPower's strategy is focused on gradually reducing its intensity of GHG emissions by increasing electricity generation based on renewable sources and progressively introducing more efficient and less carbon-intensive technologies at existing facilities.

Emissions per kWh for our generation portfolio in the UK fell by 7% between 2010 and 2011, mostly as a result of an increase in electricity generated from renewables and a reduction in electricity generation from coal and gas.

We recently announced the closure of Cockenzie coal fired power station by March 2013. We are evaluating options for our remaining coal fired power station, Longannet, against the requirements of implementation of the Industrial Emissions Directive in the UK.

ScottishPower, as part of the IBERDROLA Group, is committed to maintaining its position as one of the leading European companies, with fewer CO₂ emissions per GWh produced. The wider goal for the IBERDROLA Group internationally is to achieve a 30% reduction in CO₂ intensity in the period to 2020. This commitment supports high level political negotiations, such as those recently held in Durban, to reach a treaty regarding the emissions of developed countries both in the medium term (2020) and in the long term (2050).

During the year, we completed the FEED study exercise for the installation of a Carbon Capture and Storage (CCS) demonstration project at Longannet Power Station. Unfortunately, the Department for Energy and Climate Change concluded that this project was not viable within the construct of the UK Government's CCS competition and it was decided that the CCS project would not be taken forward.

In 2011, we published two reports updating our approach and preparedness to climate adaptation. These reports separately cover our major asset owning business – Generation and Energy Networks. Copies of these reports can be found via

<http://archive.defra.gov.uk/environment/climate/documents/adapt-reports/04distribute-trans/sp-energy-networks.pdf> and <http://archive.defra.gov.uk/environment/climate/documents/adapt-reports/03electric-gen/scottish-power.pdf>

We also work with other organisations to make sure that we can improve our performance in respect to climate mitigation, including WWF, RSPB, Green Alliance and others. Our business also continues to play a leading part in the Scottish 2020 Climate Delivery group <http://www.2020climategroup.org.uk/>.

Waste & Byproducts

We manage waste in an environmentally-responsible and cost-effective manner, maximising recycling whenever possible. Waste is managed through environmental management systems that set objectives and goals with respect to reduction, good practices, and the use of recycled materials, etc. Our approach to waste management takes into consideration the waste hierarchy.

At company level, we have set a goal to move towards becoming a zero waste company. We have been working with stakeholders to examine in detail how this can be done. This is a longer term initiative and requires examination of our key business processes across the various activities that we are engaged in.

In 2011, the overall volume of ash arising from our power stations was reduced, as well as the operational waste arising from other activities. Ash is a by-product of our coal generating plant, which can be used in a number of applications in the construction sector. ScotAsh, our joint venture with Lafarge Cement, was established to utilise ash as a raw material in cements, grouts and other construction products. In the past few years there has been a downward pressure on the demand for aggregates and cement.

Biodiversity

Biodiversity is managed in line with our Biodiversity Policy, which is based on:

- The protection, conservation and sustainable use of the environment (air, water, soil, fauna, flora and landscape);
- Development and implementation of biodiversity guidelines for new projects
- The communication of internal and external information on biodiversity
- Training and awareness-raising; and
- Relations with stakeholders

Our 2011 performance report includes an update on plans and programmes designed to support our policy in the United Kingdom. For more detailed information on initiatives across our wider group, please see the recently published IBERDROLA's 2009-2010 Biodiversity Report available at: www.iberdrola.com.

Compliance

The Group's environmental management systems allow legal requirements to be applied to its activities and to evaluate compliance. During 2011, there were no substantive legal proceedings in respect of environmental compliance failures across ScottishPower's activities in the UK.

Transport

During 2011, we continued to focus on improving the environmental sustainability of transport.

A fleet business review was undertaken, leading to the wider adoption of lower emission vehicles, as well as the wholesale introduction of telematics to all vehicles in the company's operational fleet. Telematics has the potential to improve business productivity, reduce travel times for operational duties and pinpoint opportunities to maximise fuel efficiency.

We expanded our coverage of car sharing to additional business sites and continued to promote alternatives to travel, such as video conferencing.

Our Electric Vehicle trial in Glasgow was fully deployed during 2011, with final results from this initiative expected in 2012.

Performance

Our environmental performance in 2011 is reported against the Global Reporting Initiative (GRI) G3 guidelines, in common with the Sustainability Report of the IBERDROLA Group. These appear as codes and numbers, with EN denoting “environment” and EU denoting indicators specific to the electric utilities sector.

You can view our environmental performance in the following section.

Materials

EN1: Materials Used by Weight or Volume

Our fuel use to produce electricity is set out in the following table:

Consumption of Fuels

Fuel	2011	2010
Coal (t)	4263552	5,768,781
Fuel-oil (t)	4498	12,193
Natural Gas (Nm3)	1,914,918,789	2,855,116,956
Biomass and Waste Derived Fuel (t)	37155	55,776

Use of Chemicals

We also consume chemical products, which are used (in strictly controlled amounts) in the generation processes, in tasks consisting of the purification of gases and effluents and the reconditioning of equipment.

Chemical	2011	2010
Sulphuric Acid (t)	504	718.54
Sodium Hydroxide (t)	2846	1,145.05
Sodium Hypochlorite (t)	5900	4,901.29
Ammonia (t)	19	24.73

Elimination of PCBs

Polychlorinated biphenyls (PCBs) are not produced by the company’s activity, but were sold during the last century by the manufacturers of electrical equipment and used mainly in transformers and condensers for dielectric insulation. The use of equipment with PCBs must be eliminated in the other countries by the year 2025, in accordance with the Stockholm treaty. There are no known PCBs in ScottishPower’s equipment.

EN2: Percentage of Materials that are Recycled Input Materials

Qualified substitutes for the principal materials we use are not available on the market, so management focuses on the efficient use of energy, water, and chemical products, through the best available technologies and optimising systems.

Energy

EN3: Direct Energy Consumption by Primary Energy Source

Fuel Consumption (GJ)

The consumption of primary energy sources decreased in 2011, compared to 2010, due to an 18.7% reduction in the amount of electricity generated, especially thermal generation from coal and gas.

Fuel Consumption	2011	2010
United Kingdom – Total	178,741,685	236,833,678

Fuel Consumption by Primary Source

In 2011, the use of coal, fuel oil, natural gas and biomass reduced in line with decreased electricity production from thermal generation plant.

Fuel	2011	2010
Coal(t)	4,263,552	5,768,781
Fuel-oil (t)	4,498	12,193
Natural Gas (Nm3)	1,914,918,789	2,855,116,956
Biomass and Waste Derived Fuel (t)	37,155	55,776.34

EN4: Indirect Energy Consumption by Primary Energy Source

Internal consumption (GJ) for Generation

The following table shows electricity used for internal consumption (total consumption of energy generated internally and imported from the grid) at our power stations (conventional thermal, combined cycle, cogeneration, nuclear, and biomass plants).

	2011	2010
Internal consumption (GJ) for Generation	3,282,729	3,796,653

Energy Consumption in Buildings (MWh)

Energy consumption in buildings reduced between 2011 and 2010, mostly as a result of new property management procedures and anticipation of the implementation of the Carbon Reduction Commitment.

	2011	2010
Energy Consumption – UK Buildings (MWh)	36,031	38,323

EN5: Energy Saved Due to Conservation and Efficiency Improvements

Energy saved due to renewables is calculated using the DEFRA UK Greenhouse Reporting Guidelines 2012. The table uses the latest Scope 1 grid emissions factor – 0.45453 kg CO₂ per kWh.

CO₂ saved due to the CERT obligation is also set out in the table below.

Energy savings have also been delivered through activities such as implementation of the Carbon Reduction Commitment, through measure such as video conferencing, etc.

	Actions	Energy	CO ₂ avoided (t)
Renewables	Primary energy saving through the production of renewable energy	2155GWh production in 2011	975,512
Hydro-electric	Primary energy saving through hydroelectric generation	553GWh production in 2011	242,264
Energy Programme Savings	Carbon Emissions Reduction Target Program	N/A	4,583.957

EN6: Initiatives to Provide Energy Efficiency or Renewable Energy Based Products and Services, and Reductions in Energy Requirements as a Result of These Initiatives

ScottishPower's strategy includes the promotion of eco-efficiency in order to encourage the responsible consumption of energy and to foster the use of renewable sources of generation, which in turn will help to reduce emissions of CO2 into the atmosphere.

We offer a number of services to support our strategy:

- Energy savings and efficiency – our Energy Retail business offers energy services to industrial and commercial customers, designed to improve the efficiency of their energy use and energy management. Energy Retail also offers a range of insulation and energy saving technologies to residential customers via the Carbon Emissions Reductions Target (CERT) and the Community Energy Savings Programme (CESP)
- ScottishPower Renewables operates renewable energy facilities, including the development of projects in onshore and offshore wind energy, wave and tidal electricity generation. We utilise 100% of ScottishPower Renewables' generation output
- Electric mobility – we participated in a pilot project developed and subsidised in part by the Technology Strategy Board (TSB), which focused on promoting the electricity infrastructure needed for the use of Allied Peugeot electric vehicles in Glasgow. ScottishPower also participates in the Plug-In Places project promoted and subsidised in part by the Office for Low Emission Vehicles (OLEV) which focuses on promoting electricity infrastructure in the United Kingdom
- In the area of demand-side management ScottishPower has strong involvement in the development of active electricity grids. During 2011, the Energy Networks business was involved in a variety of R&D activities funded through Ofgem regulatory incentives such as IFI and the Low Carbon Network Fund.

Additional information can be found at indicator EU7.

EN7: Initiatives to Reduce Indirect Energy Consumption and Reductions Achieved

During 2011, ScottishPower, via IBERDROLA, progressed a campaign launched in 2009 to promote the control of CO2 emissions among suppliers, with the principal suppliers in the United States, the United Kingdom and Spain being included in IBERDROLA's emissions inventory.

ScottishPower and IBERDROLA's strategy has established a production structure that enables the company, in line with its Policy against Climate Change, to be one of the largest energy companies with the lowest CO2 emissions per GWh produced.

Initiatives to reduce indirect emissions include the promotion of video conferences as a method for reducing the number of journeys to meetings by employees. 17,413 videoconferences were held in 2011 across the IBERDROLA Group, including significant use of video conferencing facilities between the United Kingdom and Spain.

Additional information can be found in indicators EN5, EN6 and EU7.

Water

EN8: Total Water Withdrawal by Source

Water is captured mainly for use in the cooling systems, processes and standby services for the thermal generation plants. Most of the water is returned to the environment in discharges that meet the requirements of our PPC permits.

When fresh water is captured for the cooling of thermal plants, it is returned to the environment (closed circuit), and when salt-water or brackish water is withdrawn, the majority is returned to the sea without significantly changing its state.

Total water withdrawal by Source

	2011		2010	
	Gross water withdrawal (m3)	Net water withdrawal (m3)	Gross water withdrawal (m3)	Net water withdrawal (m3)
Salt / Brackish water	1,884,277,740	-	2,216,397,252	-
Rivers	-	-	-	-
Lakes / Reservoirs	209,065	194,818	277,938	277,938
Waste Water	-	-	-	-
Total	1,884,486,805	194,818	2,216,675,190	277,938

Water Use at Production Facilities in 2011

Water Use (hM3)	Capture	Auxiliary Processes and Services	Evaporation from Cooling	Discharge
United Kingdom	1,888.09	3.52	0.195	1,884.46

The cooling systems at most of our power stations in the UK are open circuits or air condensers, and therefore it is estimated that the volume of evaporated water is practically zero, except for steam from cogeneration.

Water Use at Offices and Facilities

Water Use (m3)	2011	2010
United Kingdom	67,698	70,474

Water consumption at offices reduced in 2011, compared to 2010, due to improvements in the measurement and management processes.

EN9: Water Sources Significantly Affected by Withdrawal of Water

No situations were recorded during 2011 that significantly affect water resources or the habitats associated with the water-collection points, which are for the most part significant masses of fresh water or salt-water. As can be seen in indicator EN8, over 98% of the water captured is salt-water or brackish water and this does not take place in protected areas.

All water collection is strictly regulated by SEPA and the EA, which assign permits and determine the maximum allowed volumes of collection to ensure that there are no significant impacts.

ScottishPower does not have any plants located in areas considered by international bodies to have water stress.

The following websites provide additional information regarding areas of the world currently experiencing water stress.

- <http://www.fao.org/nr/water/aquastat/data/query/results.html>
- http://www.grida.no/publications/other/ipcc_tar/?src=/climate/ipcc_tar/wg2/180.htm

EN10: Percentage and Total Volume of Water Recycled and Re-used

Nearly all of the water collected at thermal generation and cogeneration facilities is subsequently returned to the environment in a physicochemical condition that allows it to be utilised by other users – and without affecting the natural environment. A very small amount of the water collected is consumed in the process.

Rye House power station can reduce water use by up to 75% through a rainwater collection system which, after being treated, is used as process water. In 2011, the volume of rainwater reused was 29,310 m³

Biodiversity

EN11: Location and Size of Land Owned, Leased, Managed in, or Adjacent to, Protected Areas of High Biodiversity Value Outside Protected Areas

The ScottishPower facilities relevant to this indicator are mainly reservoirs, electrical power lines, and windfarms, due to the extensive territory that they occupy.

We have significant properties in 12 production centres in Scotland and England, located across a wide geographic area from the uplands of Ben Cruachan to the coastal reed-beds at Damhead Creek.

Many of these sites are located in, or near, areas that are recognised as important to biodiversity and afforded statutory protection for their habitats and species.

An estimated 41% of the land is located in protected areas. They include three Ramsar designations, five Special Protection Areas, three Special Areas of Conservation, and 13 Sites of Special Scientific Interest. Of particular importance is the Galloway hydroelectric scheme, which affects 11 protected sites, a reflection of the substantial area it covers in south-western Scotland. The new Avon combined cycle plant, near the Severn Estuary, which is designated as a Ramsar site, is currently subject to public consultation.

In our Energy Networks business, 6.19 % of the protected areas (including NSA, SPA, SAC, Ramsar, NNR, SSSIs) are affected by electrical lines and 7.60 % by substations.

Further information on ScottishPower's activities in this area is included in the *2009-2010 IBERDROLA Biodiversity Report*, published at www.iberdrola.com.

EN12: Designation of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas

The documents entitled "Environmental Effects of Electric Power Production and Distribution" and "Introduction to Biodiversity Management in the Company", which are available at www.iberdrola.com, reflect the most significant potential impacts on biodiversity arising from ScottishPower's activities, products, and services in protected areas and in areas and sites of high biodiversity value in unprotected areas.

Generation and distribution facilities operate in compliance with the permits granted by the environmental regulatory authorities, and are subject to restrictions and duties that ensure the protection of the local environment. Prior to construction, the potential environmental impact is assessed in full. If the impact is significant, the project is modified, where possible, with the adoption of the best available techniques, together with measures deemed necessary to correct and minimise the impact. If full mitigation is not possible, remedial measures are implemented.

Control of environmental impacts does not end upon completion of the facility, but continues during the operation and decommissioning phases. Environmental monitoring and control plans are established and management systems are implemented, the majority of which are certified in accordance with ISO14001 or EMAS standards, to prevent and control environmental risks.

The operation of hydroelectric plants conforms to the requirements of the European Water Framework Directive and associated local regulations. Our thermal generation plants operate in accordance with the Integrated Pollution Prevention and Control (IPPC) Directive and successor Industrial Emissions Directive.

EN13: Habitats Protected or Restored

ScottishPower continues with biodiversity action plans at each main facility to promote the regeneration of natural habitats, fauna, and flora (see indicators EU13 and EN14). More information is available at <http://www.spenergywholesale.com>

We supported the Royal Society for the Protection of Birds with a habitat restoration project in Abernethy Forest aimed at habitat restoration for the native Scottish Capercaillie. This project, spanning several years, was supported into 2011.

EU 13: Biodiversity of Offset habitats Compared to the Biodiversity of the Affected Area

No comparison has been made of the biodiversity at offset habitats, although environmental impact studies prior to the construction of new facilities analyse and assess the surroundings and possible impacts. Corrective measures identified in the various environmental studies are implemented, including those relating to habitat offsets. In addition, various activities or plans are implemented to improve the biodiversity within the vicinity of our facilities, as can be seen in indicators EN13 and EN14.

Damhead Creek manages a 32 ha mitigation area in the interests of biodiversity. This territory includes wetlands, coastal grasslands, and woodland and bush areas. The complex also has preventive measures to improve the conditions of the principal species, such as the water vole. The practical work of conservation is based on hydrological studies and fieldwork to assess the conditions of the flora and fauna.

EN14: Strategies, Current Actions, and Future Plans for Managing Impacts on Biodiversity

ScottishPower adheres to the IBERDROLA *Biodiversity Policy*, which includes a commitment to take biodiversity impacts into account in the planning, implementation and operation of its energy infrastructure, and to increase society's awareness of the magnitude of this challenge and possible actions to contribute to the maintenance of biodiversity.

The *2009-2010 Biodiversity Report* was published in 2011. It sets out in further detail the management report, strategies and actions implemented by ScottishPower, documenting the progress of actions implemented in previous years and outlining newly developed ones. More information regarding these activities is contained within the *2010-2012 Biodiversity Management Plan*. These documents can be found at: www.iberdrola.com.

Biodiversity Action Plans (BAPs) continue to be developed at each facility, except at the Daldowie sludge drying plant. These plans define the goals for maintaining and improving natural habitats on their lands as well as an implementation schedule. More information is available at www.spenergynetworks.co.uk, which includes files with downloadable information regarding biodiversity and its management at each generating plant.

Our Energy Networks business has a biodiversity procedure that covers large projects, including the construction of overhead lines and substations. The procedure applies to projects from the planning and consultation phase, to the development of specific plans to protect biodiversity and habitats during the construction phase.

Examples of projects where this procedure has been applied include:

- Connection of the 132 kV overhead line of the Rhyl Flats offshore wind farm.
- Reinforcement of the 132 kV Carrington-Lostock overhead line to the east of Cheshire.
- Beaulieu-Denny 132 kV transmission line. These procedures, environmental impact assessments and more information relating to the environment and the development of new projects can be viewed at:
- www.spenergynetworks.co.uk > Publicly Available Information > Community Consultation
- www.spenergynetworks.co.uk > Corporate Responsibility > Environment

During the performance of works on the Moffat Substation in Scotland, IBERDROLA Engineering and Construction found nests of the pygmy round-eared bat (*Pipistrellus pipistrellus*) in a building that was to be demolished. Measures were established for the bats' protection, including the installation of bat boxes in the area and training relating to protection of this species for all employees participating in the works.

EN15: Number of IUCN Red List Species and national Conservation List Species with Habitats in Areas Affected by operations, by Level of Extinction Risk

ScottishPower is active in certain areas that are, or may be, inhabited by threatened species included in the IUCN Red List and other national lists such as the UK BAP and the USFW32, without such activities entailing a negative impact or threat.

At our power stations, a total of 28 birds included in the UK BAP (half of the 56 species on the high-priority list) have been noted hibernating or breeding. Nine mammal species, seven fish species, five reptile species, two amphibian species, eight butterfly and moth species, another four invertebrate species, a lichen species, and seven plant species, all of them included in the UK BAP, also live on these lands.

IUCN is the "International Union for the Conservation of Nature" (www.iucn.org), UK BAP is the "UK Biodiversity Action Plan" (www.ukbap.org.uk/newprioritylist.aspx).

Emissions, Effluents & Wastes

EN16 Total Direct and Indirect Greenhouse Gas Emissions by Weight

Emissions from Production Facilities

CO₂ emissions from production facilities for 2011 are shown in the following table:

Emissions from production facilities	2011	2010
United Kingdom	67,698	70,474
United Kingdom (t)	13,366,269	17,742,159
Generating facilities (t)	13,235,986	-
Generating facilities Cogeneration (t)	359,410	-

CO₂ Emissions Intensity

There was a 20% decrease in thermal generation in 2011, leading to a value of CO₂ emissions per MWh (specific global mix) of 588 kg/MWh in 2011, compared to 634 kg/MWh in 2010. CO₂ emissions per kWh fell by 7% between 2010 and 2011 – this figure was obtained by dividing emissions by the total net production.

Over this period, there was also a small reduction in electricity generation from hydro-electricity. The emissions per kWh for the IBERDROLA Group overall is 0.248kg per kWh.

Water Use (m3)	2011	2010
CO ₂ emissions intensity (kg per MWh)	0.588	0.634

In addition to emissions from our power stations, 47 kt of CO₂ was recorded during 2011 at the Scottish Daldowie sludge drying plant and 50 kt from burning biomass.

Other direct emissions recorded for the year include 0.7 kt equivalent of CO₂ in methane releases from the Hatfield plant in the United Kingdom.

Releases of SF₆ totalling the equivalent of 20.6kt of CO₂ occurred at our distribution networks in 2011.

Indirect Emissions

Emissions Associated with the Consumption of Energy at Offices

	2011
CO ₂ emissions (t)	16,214

The emissions are associated with the consumption at buildings reflected in indicator EN4. This figure was calculated using DEFRA's GHG conversion factors.

During 2011, ScottishPower imported electricity evaluated at 66.33 GWh, entailing indirect emissions of 30 kt equivalent CO₂.

Emissions associated with consumption by the power stations during shutdowns (energy imported from the grid) and during pumping at the hydroelectric plants and those associated with internal consumption by wind farms amounted to 433 kt of CO₂.

Emissions from Losses in the Distribution Network

Data on emissions from losses of the distribution network are not included for ScottishPower's activities due to regulatory changes at the time of preparation of this report.

EN17: Other Relevant Indirect Greenhouse Gas Emissions by Weight

Emissions Associated with Transport

	2011	2010
Air, train and shipping (t)	168,529	229,358
Vehicles by road (t)	9,054	8,952
Car use (where distance available) (t)	4,450	5,251

In 2011, across the IBERDROLA Group, there were 17,413 videoconferences in Spain that avoided employee travel, including between the United Kingdom and Spain. This resulted in a reduction of approximately 10,531 t of CO₂, reaching our goal of reducing CO₂ emissions by 31% compared to the previous year, thanks to the installation of new videoconferencing facilities and the improvement of existing equipment.

Emissions Associated with the Supply Chain

During 2011, the IBERDROLA Group Supplier Awareness and Greenhouse Gas Measurement Campaign II was performed, with surveys being sent to more than 860 of the Group's suppliers in Spain, the United Kingdom and the United States of America. Of the 26.5% of surveys returned, 44% provided a calculation of emissions. Based on these, emissions proportional to the supplier's share of the IBERDROLA Group's procurement spend are deemed to correspond to the IBERDROLA Group, leading to the inclusion of indirect emissions of 85 kt CO₂ for the United Kingdom in our inventory.

Greenhouse Gas Measurement Campaign II – ScottishPower

The results obtained for the United Kingdom during the campaign are shown in the table below:

United Kingdom	Number	%
No. of surveys sent	118	100
No. of surveys received	46	39
Emissions calculations provided	36	78
Established goal(s) to reduce emissions	37	80
Prepared emissions inventory	32	69
Emissions inventory has been verified by third parties	22	69

EN18: Initiatives to Reduce Greenhouse Gas Emissions, and Reductions Achieved

GHG Protocol

In May 2011, for the second consecutive year, AENOR certified ScottishPower as part of IBERDROLA's greenhouse gas emissions inventory, covering the direct and indirect emissions from all of its activities, in line with the UNE ISO 14064-1:2006 standard.

Below is the ScottishPower inventory to be submitted for verification in 2012, within the IBERDROLA Group, pursuant to the Greenhouse Gas Protocol of the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI).

SCOPE 1:

Direct emissions of greenhouse gases

Direct emissions come from sources that are owned or controlled by the Company. They include direct emission focal points from energy generation facilities, and releases of SF₆ in the distribution networks. Scope 1 Direct emissions 13,485Kt

SCOPE 2:

Indirect emissions of greenhouse gases by energy

Include emissions from the generation of electricity acquired and consumed by the Company: consumption of energy during shutdowns, pumping and indirect consumption at wind farms, consumption of energy at buildings, emissions from imports, and those associated with energy lost in transmission and distribution. Scope 2 Indirect emissions 479Kt

SCOPE 3:

Other indirect emissions

Correspond to the remaining indirect emissions, which are a result of the Company's activities, but occur at sources that are neither owned nor controlled by the Company: transportation of acquired fuel, transportation of employees, emissions from the supplier chain and the purchase of energy from generators that are not part of the IBERDROLA Group for distribution thereof. Scope 3: Other indirect emissions 6,010Kt

Emissions of CO₂ Equivalents in 2011 within a GHG footprint table

	2011	2010
Emissions from production facilities (t)	13,366,269	17,742,159
Renewable energy (t)	50,234	80,367
Transport (t)	182,034	243,562
Internal energy & process use (t)	629,738	486,985
SF ₆ CO ₂ equivalent (t)	20,604	20,020
Methane CO ₂ equivalent		799
Total CO ₂ emissions (t)	14,248,880	18,573,892

UK emission factors are based on the DEFRA Greenhouse Gas Reporting Guidelines 2011

EN19: Emissions of Ozone Depleting Substances by Weight

The chlorofluorocarbon (CFC) and halon substances long used as coolants and propellants affect the ozone layer if they are released into the atmosphere. Ozone depleting substances have a very limited presence in our facilities and are located primarily in fire-extinguishing equipment and cooling systems. These systems and equipment are maintained in accordance with the provisions of applicable laws and regulations. The only atmospheric emissions originating from these products would be those arising from possible losses, which are negligible.

As specified by the international conventions on the management of chemical products that are damaging to the ozone layer, their use has been restricted in most countries since 2010, and ScottishPower's policy is to eliminate their presence at our facilities. In 2011, 6.38kg of CFC-11 equivalent was replaced in the United Kingdom.

EN20: NO_x, SO₂ and Other Significant Air Emissions by Weight

We have invested in emissions abatement plant at our power stations to comply with Directive 2001/80/CE and successor Directives, which limit the atmospheric emissions of SO₂, NO_x, and particulates from large combustion facilities.

Oxides of Nitrogen

Emissions of Oxides of Nitrogen	2011	2010
United Kingdom Total (t)	20,942	28,819
Generating Facilities (t)	20,908	-
Co-generation (t)	34	-
Emissions intensity (kg / MWh)	0.921	0.99

NO_x emissions, both in absolute values as well as in intensity by MWh produced, show a downward trend, compared to 2010.

SO₂ Emissions

Emissions of Sulphur Dioxide	2011	2010
United Kingdom Total (t)	41,206	58,493
Generating Facilities (t)	41,018	-
Co-generation (t)	188	-
Emissions intensity (kg / MWh)	1.81	2.01

SO₂ emissions in 2011 were 1.81 kg/MWh, below those of the prior year, due mainly to lower coal production in Scotland and the start up of the Longannet desulphurisation plant, which will allow for up to a 90% reduction in its SO₂ emissions by the end of 2012.

Particulate Emissions

Total Particulate Emissions (t)	2011	2010
United Kingdom Total (t)	1,058	1,435
Generating Facilities (t)	1,055	-
Co-generation (t)	3	-
Emissions intensity (kg / MWh)	0.047	0.051

Particulate emissions in 2011 reduced to 0.047 kg/MWh, which was mainly attributable to a lower proportion of electricity generation from coal in 2011.

Mercury (Hg) Emissions

Emissions of mercury (Hg) during financial year 2011 was 169kg.

EN21: Total Water Discharge by Quality and Destination

The main discharge comes from the cooling systems for the thermal generation plants. The water returned from cooling has insignificant physicochemical changes, including temperature changes. There is a thermal increase based on the difference between the water collected and the water discharged. The Government and regulators establish certain maximum allowable values for each plant, based on the nature of the collection point and the discharge point (ocean, reservoir or river) and carries out monitoring. The plants continuously monitor the temperature of the discharge, and if established limits are exceeded, the facility must correct the temperature or halt production.

Information relating to this indicator is shown in indicator EN8.

EN22: Total Weight of Waste by Type and Disposal Method

The wastes that are generated can be divided into two groups, those originating from the generation process itself, and those originating from facilities and offices, which are not directly related to the electricity production process but rather are generated by maintenance, operational, management, or other activities.

Waste from the Production Process

Fly Ash and Furnace Bottom Ash are key byproducts from coal generation.

Production and Reuse of Ash at ScottishPower Thermal Power Plants in the United Kingdom

	2011	2010
Pulverised Fuel Ash (PFA) Produced (t)	423,239	610,811
Pulverised Fuel Ash (PFA) Ash Re-covered (t)	162,016	172,330
% of PFA Product Re-covered (%)	38.3%	28.2%
Furnace bottom Ash (FBA) Produced (t)	31,816	66,175
Furnace Bottom Ash (FBA) Recovered (t)	1,786	23,768
% of FBA Product Recovered (%)	5.6%	35.9%

The production of ash has been significantly reduced in the United Kingdom due to lower energy production from coal (reduced by 26% in 2010). The overall reuse of ash has been reduced, due to the strong reduction in demand from the construction industry, and alternative ways to reuse this product are being developed.

Other Waste

Hazardous Waste

Our businesses carry out activities designed to minimise and improve the management of the hazardous wastes produced (oil, lubricants, resins, emulsions, etc.), which are included within our certified environmental management systems. The waste is periodically delivered to authorised handlers for proper processing, consistent with duty of care responsibilities.

Hazardous and Non-Hazardous Waste (t) Generation (t)

	2011	2010		
United Kingdom Waste Generation	Total produced	Deposited and /or incinerated	Recovered, Recycled, Re-used	Produced
Hazardous Waste (t)	2,230	686	1,647	2,922
Non Hazardous Waste (t)	148,002	46,092	101,717	225,612

For liquid waste, kgs are converted based on a density of 1.3 kg/m³.

The non-hazardous waste produced is quite diverse: tubing, wood, plastics, paper, etc., and the company has minimisation and recycling plans and awareness-raising campaigns to promote the adoption of good environmental practices by its employees.

There has been a reduction in waste due to the closure of some offices, a reduction in workforce, a reduction in plant shutdown time and other operational circumstances.

EN23: Total Number and Volume of Spills

Accidental spills are prevented by incident reporting systems and plans to minimise the risk of spills, which have been implemented at our generation and distribution facilities. The term "significant spill" means a spill that causes damage to the external surroundings of the facility and that must be reported to the regulator. Small spills may occur within the facilities during their operation and maintenance, which are properly handled and reported as required.

In 2011 there were no minor accidents or incidents at ScottishPower facilities that have had permanent environmental impacts on the surroundings, and it was not necessary during the year to adopt corrective or compensatory measures.

EN24: Weight of Transported, Imported, Exported, or Treated Waste Deemed Hazardous under the Terms of the Basel Convention Annex I, II, III and IV

IBERDROLA does not directly transport, import or export hazardous waste covered by the Basel Convention in any of the countries in which it engages in its activities.

EN25: Identify, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff

Collection and discharges of water by our facilities during 2011 has been within the limits indicated by PPC permits and no anomalies have been detected outside of the limits that could materially affect water resources or related habitats.

Products and Services

EN26: Initiatives to mitigate environmental impacts of products and services

These initiatives are described in indicator EN6 of this report.

EN27: Percentage of products sold and their packaging materials that are reclaimed, by category

This indicator is not applicable to the IBERDROLA Group, because electricity does not directly generate any waste upon being used.

The standards for allocating environmental expenses and investments were revised in financial year 2011, and there is no equivalent comparable information for prior financial years.

In addition to the expenses and investments mentioned above, the company maintains reserves in the amount of 223.5 million euros for environmental items across the IBERDROLA Group as a whole.

Compliance

EN28: Monetary value of significant fines and total number of non monetary sanctions for non – compliance with environmental laws and regulations

There were no significant fines during 2011 for activities in the United Kingdom.

Transport

EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce

The primary environmental impact of the transport of fuels and of employee travel consists of CO2 emissions, the figures for which are set forth in indicator EN16.

Overall

EN30: Total environmental protection expenditures and investments, by type.

The expenses of and investments made by IBERDROLA during 2011 to preserve the environment are in the following table:

	2011 (£,000)	2010 (£,000)
United Kingdom Total (t)	41,206	58,493
Environmental Expenses	81,232	50,342
Environmental Investments	330,680	40,056

Social

5



Social



ScottishPower is committed to providing employees with a safe place to work and good working conditions and strives to be a good neighbour to our communities.

We aim to give our customers choice, value and innovation and to treat our suppliers with fairness and respect.

The Social area of our Sustainability Summary contains the following sections:

- **Our Workplace** – contains information on health and safety, employment practices, learning and development and employee benefits
- **Our Marketplace** – explains the markets in which we operate, our approach to customer issues, such as energy prices, product innovation, customer service and what we do to help vulnerable customers. The Marketplace section also contains information on plant reliability and energy security and how we manage our relationships with suppliers
- **Our Communities** – contains information on how we develop and operate our sites, details of our community investment and the wide range of projects and programmes we support in the areas of public safety, education and training, the environment, social welfare and arts and culture. It also provides information on some of the volunteering and fund raising initiatives undertaken by employees during 2011.

Highlights

- Community investment of £3.3 million, of which more than £1.3m was spent on social welfare and humanitarian projects
- Nearly £1m spent on education and training projects for young people
- Around 200 employees involved in volunteering projects during 2011 – from encouraging Science, Technology and Mathematics in schools (STEM volunteers) to lending senior management expertise to the boards of charities and improving school playgrounds and community spaces
- The ScottishPower Energy People Trust awarded £1,170,358 in funding for 25 projects designed to alleviate fuel poverty. This helped more than 30,000 people and 16,558 households across the UK
- A survey of the energy industry telesales practices conducted in late 2011 by Which? Magazine showed that ScottishPower topped the performance league table with a score of 92%.
- We were 2nd equal in the UK National Customer Satisfaction Index of energy utilities
- Customer complaints to Consumer Direct fell by 54% on 2010 levels

Further details on our management approach can be found within the Our Workplace, Our Marketplace and Our Communities sections.

Our Workplace

Overview & Management Approach

Having a strong workplace culture helps to build a better business that can do more for its customers, shareholders, communities and economies.

At ScottishPower we aim to provide a workplace environment where employee safety and wellbeing, personal development and work-life balance are valued and supported at the highest level through progressive policies and opportunities.

We recognise that our industry is evolving at a faster pace now than at any time in its recent history and that as we face the prospect of skills shortages, we must do all we can to attract high potential young people for development and retain the skills and experience of our existing staff.

We employ people across a wide range of disciplines in our power stations and networks businesses, in our customer service centres, depots and support services and we invest continuously in enhancing and updating their skills and providing market-competitive employee benefits.

Due to the nature of our business, which involves many employees working with electrical equipment, the health and safety of our workforce, visitors and the general public is a high priority for us. We invest heavily in our health and safety programmes and strive to improve our performance every year.

Employee Health, Safety and Well-being

We have a robust health and safety culture where providing a safe, healthy and enjoyable place to work is a top priority.

Our goal is to ensure that our facilities and working practices cause no harm – not only to our employees, but also to contractors, visitors and members of the public.

Responsibility for health and safety rests with the ScottishPower Board and there are clearly defined responsibilities at every level in our organisational structure, with a raft of policies and procedures that are designed to prevent and manage risk. Our health and safety policy was reviewed during 2011 and re-issued in January 2012.

Over the years, our health and safety performance has improved significantly, but we continue to seek further improvements by setting ourselves challenging targets.

We are among the UK leaders in terms of our behavioural and process safety programmes, which aim to ensure safe behaviours and protect the integrity of our power stations and the electricity networks under our management.

Health and Safety Management

A central safety department and occupational health team provide specialist support to the businesses on all aspects of safety and health.

The health and safety management systems across our businesses have been certified to the Occupational Health and Safety Assurance Standard OHSAS 18001. Correct installation, operation and maintenance of plant is essential to ensure high standards of safety. Our Energy Networks and Generation businesses hold PAS55 accreditation for asset management.

Currently we assess our Generation and Networks businesses against DNV's International Safety Rating System, 8th edition (ISRS 8).

We operate robust risk management systems across our businesses and continually review our working practices, procedures and equipment to ensure they remain in line with best practice.

We work with a large contractor population and expect them to meet our high standards of health and safety, while recognising that we can also learn from them.

Health and safety training is given a high priority throughout the company and is mainly delivered at our two technical training centres in Cumbernauld and Hoyle. We offer a wide range of courses from NEBOSH (The National Examination Board in Occupational Safety and Health) and IOSH (Institution of Safety and Health) courses, to first aid, refresher training on risk assessment and specialist topics such as working at height and electrical safety.

Occupational Health

Our employees have access to a range of occupational health services, delivered by medical advisers, occupational hygienists and occupational health nurses.

Our occupational health department provides a comprehensive service, including health surveillance, proactive preventative medicine through health campaigns, voluntary 'Fit for Life' health checks, and measures such as counselling and the promotion of wellbeing.

We also offer rehabilitation and support for employees returning to work after illness or injury, including physiotherapy, exercise referral and counselling.

Larger sites have well-equipped fitness centres and we promote healthy living through a Wellbeing Programme, with campaigns on a wide range of issues.

We recognise our statutory duty and the fact that work related ill-health can emerge over many years, so we maintain an occupational health risk register, which holds details of all employees who may be exposed to work-related health hazards such as noise, vibration and chemical substances. We monitor all employees on the register at least once every two years, to enable us to detect any signs of ill health at a very early stage.

Stakeholder Issues

Key stakeholder issues in relation to the workplace include:

- Employee diversity
- Health, safety and well being
- Learning and development
- Employee benefits
- Employee relations

Employee Profile and Diversity

At the end of December 2011 ScottishPower employed 7,530 people, of which 66% were men and 34% were women. These figures exclude ScottishPower Renewables and IBERDROLA Engineering and Construction employees in the UK.

Our employee turnover rate for the year was 9.79% and our staff costs were £365 million.

We encourage diversity in our employee population and promote equal opportunities in the workplace for people from all walks of life, however, our core discipline of engineering continues to attract a significantly greater proportion of men than women.

We are working on a number of programmes with schools in a bid to attract more young women into engineering and other power sector professions.

We employ people across a wide range of disciplines from engineering and project management, to trading, commercial development, operations and sales to support services such as finance, human resources, IT and marketing.

Workplace Profile Summary	
By gender	2011
Men	4,951
Women	2,579
By professional category	
Managers	471
Advanced degree holders	1,336
Basic degree holders	1,567
Skilled workers	4,156
By age group	
Up to 30 years old	1,116
Between 31 and 50 years old	4,384
Over 50 years old	2,030

Employee Health, Safety & Wellbeing

Accidents and Injuries

	2011	2010
Number of accidents	218	225
Fatal accidents, employees	0	0
Fatal accidents, contractors	0	1
Lost time accidents (LTAs)	13	12
LTAs/100 employees	0.17	Not reported
LTAs/1,000,000 man hours	0.95	Not reported
Reportable accidents*	10 [▲] (8*)	9
Dangerous occurrences	3 [▲]	Not reported
Number of days lost	596	173

* From 2012 there will be a change to the way Reportable Accidents are defined. Currently the Health and Safety Executive define accidents that result in absence of three days or more. Going forward, this will change to seven days or more. The figure in brackets is the new definition.

During 2011 there were 13 Lost Time Accidents, which resulted in employee absences from work. Of these, 10[▲] met the Health and Safety Executive's (HSE) definition of Reportable Accidents – accidents that resulted in absence from work of three days or more.

There were no fatal accidents involving members of staff or contractors during the year, nor any legal actions raised or fines levied in respect of any breaches of health and safety legislation.

Safety Programmes

During 2011 we continued with the following initiatives:

- Behavioural safety programme – to ensure our employees practise safe behaviours and conduct appropriate risk assessments
- Process safety programme – to avoid serious incidents relating to our power stations and network assets
- Annual Health and Safety Conferences – we held two, one for Scottish staff at the Risk Factory, Edinburgh, and one for staff in England and Wales at Dangerpoint, Holywell, in North Wales
- Annual First Aid conference and competition – this was held in September 2011 at Hampden Park, Glasgow
- Employee campaigns under our Health and Safety Matters focus – 12 safety and six health topics were covered during the year including slips, trips and falls, transportation, arc flash, heights, tools and equipment, stress, alcohol and MSD
- Public Safety programmes for children, various industries, leisure clubs and the emergency services. These are covered in the Our Communities section

Occupational Health Performance 2011

Occupational Health monitoring

	No. of Employees 2011	No. of Employees 2010
Health Monitoring	1,163 [▲]	1,715
Fit for Life Assessments *	1,947	Not reported

* As reported to the Healthy Working Lives programme

During 2011 we conducted 1,163[▲] statutory occupational health checks in line with national and legislative standards. Employees on the Occupational Risk Register have occupational health assessments every two years, to prevent job-related ill-health, such as hearing loss, and to enable any conditions to be detected and treated at the earliest possible stage. A new two year cycle began in 2011 and more than 50% of employees on the register received a check during the year.

[▲] 2011 data covered by KPMG's limited assurance scope.

In addition, we conducted 1,947 Fit for Life voluntary health checks, which include checks on body mass index, blood pressure, body fat, cholesterol, and urinalysis, combined with lifestyle advice on measures employees can take to enhance their long-term health.

Sickness Absence

	2011	2010
Number of sickness days per person	9.01	9.93
Days lost due to sickness (%)	3.63	3.98

Sickness absence trends have been downwards during the last five years, assisted by support programmes we have put in place to help employees manage their return to work after illness. These include fast track physiotherapy intervention (implemented in 2011) and a phased return to work on reduced hours initially, where appropriate.

Healthy Working Lives Award

During 2011 we were successfully re-accredited with the Gold Healthy Working Lives Award for a further three years.

ScottishPower first achieved Gold status in 2008 and has been reviewed by assessors annually since then, with full re-accreditation taking place in 2011. The Gold Award supercedes Bronze and Silver and is only given to organisations that can demonstrate a long-term commitment to employee health and wellbeing.

We also participate in the Energy Networks Association Powering Improvement programme, which aims to achieve world-leading health and safety practices across the UK electricity industry by 2015.

Campaigns

Health and wellbeing campaigns throughout the year focused on our top three health risks – musculoskeletal disorders (MSDs), stress and sedentary lifestyle (obesity, poor diet and fitness). These were delivered via posters, Wellbeing Matters magazine, toolbox talks and the intranet, under our Health and Safety Matters branding.

During the year we launched an online Employee Assistance Programme to enable employees to seek support for stress or other psychological issues in confidence, from their PC.

We also ran a company-wide weight loss challenge, supported by professionals from the PowerClub. A total of 695 employees from across the UK took part, losing 4,348 lbs over three months – well in excess of the initial target of 3,000 lbs.

Teams from across the business also took part in a walking challenge. More than 200 employees took part in the Seven Continents challenge between June and December, walking 2,667 miles between them.

Learning & Development

We are committed to ensuring that our people at all levels within the organisation have the skills and experience to deliver consistent high levels of performance in their job roles and that our people are given the best development opportunities to ensure strong leadership and assist succession planning.

We are aware that the fast pace of change in our industry and the number of employees approaching retirement age in the next decade could result in a skills gap, so another key focus is attracting, nurturing and retaining talented individuals for the long-term benefit of our business.

Our key development programmes are summarised below. In addition, we conduct many thousands of hours' job-specific training each year covering issues such as health and safety, environmental compliance and customer service.

In 2011 our 7,530 employees undertook a total of 131,739 hours of training – an average of 2.33 days per person.

Global Energy MBA

We offer a limited number of places annually on the Global Energy MBA at Warwick University, a three-year, part-time course with a specific focus on the needs of the energy sector.

We sponsored three managers to undertake the course in 2011 and two in 2010. Five managers – who were sponsored by ScottishPower to undertake the MBA when it was launched in 2009 – are due to graduate in 2012.

People Leader Programme

We continued to run our People Leader Programme during 2011 to support employees as they begin their management careers. The programme covers key aspects of leadership in four modules, including leadership, coaching, health and safety, performance management, policies and people skills.

High-Performance Coaching

A two-day 'High-Performance Coaching' programme was developed in partnership with PriceWaterhouseCooper to embed a coaching culture across ScottishPower's management population. We also offered one-to-one coaching using external executive coaches to support senior managers through major organisational transition.

Positive Influencing

In order to deliver bottom line results, our leaders must positively influence and encourage others through a range of influencing techniques. In 2011, we ran a 'Positive Influencing' programme for managers, developed in partnership with PriceWaterhouseCoopers.

Leadership Development Review (LDR)

During 2011 we evaluated a further 14[▲] Senior Managers against our Group Leadership Model, "Energising Leaders", which was developed in partnership with an external consultancy, YSC Group.

This helps us assess our current leadership capabilities across the organisation, and identify strengths and areas for improvement, at individual and organisational levels, which are addressed through personal development plans.

[▲] 2011 data covered by KPMG's limited assurance scope.

Visionaries – Benchmark for Business

Visionaries: Benchmark for Business is a leading developer of management conferences, which take the world's finest management thinkers through a programme of world-class business events where top executives and corporate leaders can share inspirational insights on the future of business success. 36 of our senior leaders attended Visionaries events in 2011.

Institute for Management Studies (IMS) Scotland

The Institute for Management Studies provides opportunities to interact with, and learn from, some of the world's leading management thinkers on an ongoing basis. In 2011, 32[▲] high-potential middle managers and recently appointed senior managers attended places provided by ScottishPower.

Graduate Development

We continue to recruit young, graduate talent and aim to provide a learning environment in which our graduates can develop personal and business skills that will enable them to become effective managers and leaders in the future. Two[▲] graduates participated in our modular Graduate Development Programme in 2011.

Apprentice Programme

We offer an Apprentice Programme, which runs for three years depending on the selected trade. It combines a blend of academic and technical skills training with work based learning and assessment. Candidates work towards achieving industry recognised City & Guilds and NVQ qualifications. Ten[▲] apprentices took part in 2011.

National Skills Academy

ScottishPower is a founder and contributing board member of The Power Academy, which was established in 2004, as part of the Government's National Skills Academy programme. It brings together power companies and universities, to address the shortfall in engineering expertise in the electrical power industry.

Addressing the Skills Gap

ScottishPower's engineering and technical skills requirements will increase in the years ahead as the company delivers major investments in the electricity infrastructure.

This increased requirement comes at a time when 18% of the existing workforce will be eligible to retire within the next 10 years.

To address a potential skills gap, we have been working to promote sector attractiveness in schools and universities and we can expect to see graduate and apprentice recruitment increase in the years ahead. We have a number of STEM volunteers in our business who support the activity to promote sector attractiveness in schools and universities and at events aimed at these groups, and also career changers.

We also contribute to online resources www.thinkpowersector.co.uk to allow as wide a reach as possible to educate people on the numerous opportunities that exist in the Power Sector.

We run a number of programmes specifically aimed at providing young people with experience in Engineering. These programmes, which aim to lead young people onto an Electrical Apprenticeship, are described in the Communities Section.

[▲] 2011 data covered by KPMG's limited assurance scope.

Employee Benefits

Pensions and Retirement

Over 79% of all employees contribute to our pension plans, which are market competitive and in line with best practice standards.

We have three pension schemes – two final salary schemes, which are closed to new entrants and the IBERDROLA Group (UK) Stakeholder Pension Plan.

Our longer serving employees benefit from our two final salary pension schemes which have the security of building up valuable pension benefits with flexible, innovative options for topping up their Scheme benefits.

A summary of the features of our defined benefit pension schemes is shown in the table below.

	SP Pension Scheme (% of salary)	Manweb Group Pension Scheme (% of salary)
Company contributions	21.8	23.9
Employee contributions	5	5.5

Our schemes are funded by company and employee contributions and the two defined benefit plans are managed by effective, responsible trustee bodies committed to safeguarding these pension schemes for all members.

A summary of the features of our defined contribution pension schemes is shown in the table below.

	Stakeholder Pension (defined contribution)
Percentage of pensionable salary contributed by employer	Bronze – 6% Silver – 8% Gold – 10%
Percentage of pensionable salary contributed by employee	Bronze – 3% Silver – 4% Gold – 5%

** Or 0% for those participating in the Pension Salary Sacrifice Agreement (Pension Plus)*

ScottishPower pays twice the employee's chosen contribution level into the Stakeholder Pension Plan.

Our Stakeholder Plan provides employees with an incentive to save for retirement with the company's support in an easy, flexible and tax efficient way. It also includes life assurance cover. As at 31 December 2011 there were 728 contributing members, and the total value of the Plan was £18.53 million.

Support and Communication

We support employees preparing for retirement to help them make informed financial choices on retirement and communicate with all our pension scheme members through a dedicated pensions helpline, one-to-one on-site pension surgeries, forums for retired staff, annual pension scheme newsletters and a pensions website that all members can access.

This provides information on the financing and management of the schemes and enables employees to calculate estimates of pension benefits and access their benefit statements online. All pension plan members are provided with annual Benefit Statements.

During 2011 we held road shows and surgeries for staff at various locations and pensions forums for retired members in June and November.

Pension Scheme Management

Investment returns in 2011 were poor compared with the previous year due to the effects of the Japanese tsunami and political unrest in key oil producing nations in the Middle East and North America, coupled with the European sovereign debt crisis.

Our pension schemes currently have less than 50% of the assets invested in equities, the remainder being invested in Government and corporate bonds, cash, property and infrastructure funds.

The aim of this strategy is to achieve the long-term investment returns required to pay all benefits due without taking an unreasonable amount of risk. The Trustees of both Schemes will conduct an investment strategy review in 2012 to assess whether the current strategy remains appropriate

Employee Share Plans

We offer two employee share plans to enable employees to benefit from the successful performance of the IBERDROLA Group.

Share Incentive Plan

Contributions from employees' pre-tax salary are used to purchase shares, which are held in trust on employees' behalf. This scheme includes the bonus of free shares for each share acquired, up to a monthly maximum. Dividends are paid on these shares twice a year. At the end of 2011 a total of 71%[▲] of employees were paying into this plan, with monthly contributions averaging £89[▲]. The maximum monthly contribution is set at £125 and the bonus maximum is £50.

Sharesave Scheme

The company also operates a Sharesave Scheme (Save As You Earn), where employees pay into a savings scheme for a period of three or five years. At the end of the savings contract they receive a guaranteed tax-free bonus and the option to buy shares at a set price, or to cash in their savings.

The current Sharesave Scheme launched on 1 November 2008. Members who chose a three-year Sharesave contract were contacted in October 2011 and given details of their options at the Plan Maturity Date of 1 November 2011. Members had the choice to either exercise their share options or withdraw their savings, plus bonus, as cash.

At the end of 2011, 24%[▲] of eligible employees (22%[▲] of the total workforce) were paying into Sharesave with an average monthly saving of £166[▲] per employee.

Eligibility

The Share Incentive Plan is open to all employees, and the Sharesave scheme was open to employees who were employed in a participating company on 2 October 2008 and opted into the scheme.

Other Employee Benefits

We offered a range of other employee benefits in 2011, including:

- On site or discounted fitness club membership
- A Your Choices discount scheme for products and services including shopping, days out and holidays
- Discounts on cars and motoring services through our partnership with Vauxhall
- Childcare vouchers, in partnership with Computershare Voucher Services
- Tax efficient charitable giving through a Give As You Earn Scheme
- Social and Recreational Clubs, offering a variety of social, recreational, cultural and sporting activities

Employee Relations

We continue to recognise four Trade Unions (Unison, Unite, GMB, and Prospect). In 2011 78% of employees were covered by a collective bargaining agreement.

We have a Company Consultative and Negotiating Council, which acts as a vehicle for discussion, consultation and negotiation on a range of topics, including business performance, strategy, proposals for organisational change and matters of concern or interest to the company, the Trade Unions and employees. The framework also includes representation for employees on personal contracts.

The Council meets twice a year to discuss matters of mutual interest and has two sub groups for pensions and employment policy. We also have a Company Health & Safety Council, which meets twice a year.

We operate a raft of policies to protect employees from discrimination, harassment or bullying of any kind and ensure equal opportunities are available to all.

Employee engagement and communication

We continued our commitment to employee communication through a number of channels including senior management site visits and presentations, an employee intranet portal, email updates, webcasts, team briefings and the group magazine, Connection.

[▲] 2011 data covered by KPMG's limited assurance scope.

Our Marketplace

Overview & Management Approach

ScottishPower is one of the UK's largest energy suppliers and by the end of 2011 we supplied electricity and gas to over 5 million customers and provided electricity connections to over 3 million customers.

We have a diverse range of flexible generation plant including coal, gas, hydro and co-generation plant. Our Energy Retail business continually seeks to improve the customer service experience and is focussed on providing customers with competitive and innovative energy products, as well as energy efficiency solutions including loft and cavity wall insulation products and smart metering. We have a specialist energy management team carrying out wholesale trading of coal, gas and emissions allowances that ensures that the group maximises its potential within the UK's highly competitive markets. Finally our Networks business provides a key role in maintaining and improving the transmission and distribution network and responds quickly to major weather events that disrupt supply.

During 2011 we purchased goods and services worth nearly £6 billion and continued to play a significant role in supporting national and regional supply chains. Over this period, demand for electricity and gas weakened, due to the economic crisis, improved energy efficiency measures and milder winter weather conditions, with electricity volume sales down by 5% and gas by 19% on 2010. Finally, in common with the UK's other major energy supply utilities, we increased prices due to large increases in wholesale costs of energy, which account for more than 50% of the average customer bill.

During 2011 we became even more focussed and engaged with our customers to help them to identify the best energy package for their needs. A three-month tariff check campaign, launched in November 2011 led to just under 37,000[▲] customers changing tariff resulting in savings of more than £6.3[▲] million.

With energy prices predicted to rise further in future years as a result of the UK's drive to improve energy efficiency, move to low-carbon generation and invest heavily in network infrastructure, our key focus will be to provide safe, reliable and sustainable energy, at market competitive prices.

We will be proactive in helping customers to manage the amount of energy they use through innovations such as energy monitors and smart meters, offering a variety of products, including fixed price, online, prepayment and green deals to meet our customers' differing needs. We will also continue to use our skills and experience to help vulnerable and low-income customers. In 2011 our combined spend on home energy efficiency and fuel poverty was £90 million.

Stakeholder Issues

Key stakeholder issues relating to our Marketplace activities include:

- Energy prices
- Sales & Marketing practices
- Customer service
- Help for vulnerable customers
- Plant reliability and energy security
- Responsible procurement

[▲] 2011 data covered by KPMG's limited assurance scope.

Our Markets

Our customer portfolio includes domestic, industrial and commercial customers, as well as public sector organisations, such as the Scottish Parliament, NHS Scotland and local authority customers.

During the year we supplied those customers with 35,434 GWh of electricity and 14,976 GWh of gas. Key trends in our markets during 2011 saw domestic gas and power consumption per household reduce. We attribute this to a combination of milder winter weather, compared to 2010, the effects of home energy efficiency measures and customers reducing their fuel use as a result of the recession.

Despite these factors, total demand is expected to grow in future due to an increase in the number of households. Industrial and commercial power and gas demand in the UK dropped slightly in 2011, due to a combination of warmer weather and sluggish economic growth.

Growth forecasts for the industrial sector in Britain are uncertain at present, following the closure in recent years of plants with high energy use, including steel, aluminium and other energy intensive industry, and will depend on recovery in the UK manufacturing sector.

Commercial demand tends to rise and fall roughly in line with GDP growth. The UK has been alternating between quarters of growth and contraction since mid 2010, though robust growth in the service sector is predicted in the longer term.

Pricing & Product Innovation

Energy Prices

Energy prices remained the single biggest issue among UK customers in 2011, as UK suppliers, including ScottishPower, raised prices in August, following sustained rises in wholesale prices.

Wholesale energy costs have the biggest influence on the prices energy suppliers charge their customers and therefore at the same time we continued to offer advice on how to use energy more efficiently. We also continued to offer discounted (and in some cases free) home insulation and energy efficiency measures to help customers save money on future energy bills.

In October 2011, we issued an assurance that there would be no further price increases over the winter months until at least April 2012. A drop in wholesale gas prices meant that just outside the reporting period, we were able to announce a 5% reduction in gas prices, effective from 27th February.

The cost of energy is likely to rise further in future years as the electricity industry invests more than £200 billion in upgrades to ensure Britain has a modern and reliable, low-carbon electricity network. In addition, energy suppliers are obliged by the UK Government to invest a significant sum of money in customer energy efficiency and social programmes, which are funded through customers' bills.

During the year we responded to the challenge of rising energy costs by engaging closely with our customers to ensure they were on the best tariff for their needs. In November 2011 we wrote to all customers paying by cash or cheque to provide them with a personalised quote showing how much they could save by switching to cheaper tariffs. The three-month campaign led to just under 37,000[▲] customers changing to another ScottishPower energy package, benefiting from total savings of more than £6.3 million[▲].

Products

During 2011 we continued to offer domestic customers a range of energy tariffs to suit their needs. This included fixed or capped price tariffs for those customers wanting price security, discounted tariffs for

[▲] 2011 data covered by KPMG's limited assurance scope.

those looking to save money right now, and more innovative offerings such as our Unifi Capped Energy tariff.

The Unifi Capped Energy deal includes a home energy monitor, which displays household energy use in pounds and pence, as well as kilowatt hours. It allows customers to track the amount of energy being used by up to six appliances – and to switch them on or off remotely from a smartphone. It therefore provides customers with the tools and information to make informed changes to the way they use energy, which will reduce their energy consumption (and in turn their bills). Our Platinum Fixed Energy tariff includes boiler care as part of the deal, allowing customers to not only take the worry out of changing energy prices, but also providing boiler cover.

We continue to offer “Simply Green”, an independently certified green energy tariff that meets Ofgem’s green supply guidelines and helps to support green energy projects at community level. We also continue to be one of the UK’s largest suppliers of green energy to the business community. We supplied 205[▲] customers with 3.039 TWh[▲] of renewable energy, covering over 14,000[▲] supply points. We are also in the process of collecting data on the CHP energy supplied, which we hope to publish in future years.

We continue to serve standard quarterly cash customers, though the growth in internet use has seen increasing numbers of customers signing up for discounted online energy deals. We also offer a competitive prepayment option using modern key meters and secure, web-based top-up using a PowerPod device.

Just outside the reporting period in February 2012 we launched a new charity relationship with Cancer Research UK. Our Help Beat Cancer discounted energy product – with a guaranteed discount of 3% on standard monthly direct debit prices, will provide the charity with £15 for every customer who signs up and £10 annual payment for each customer who remains on the tariff.

For further information on our electricity and gas home energy products, visit our customer website:

<http://www.scottishpower.co.uk/your-home/new-customer/energy-products.aspx>

Sales & Marketing

ScottishPower stopped doorstep sales of energy products in November 2011. We are now retraining former doorstep sales agents as Community Energy Advisors, who will work directly with customers to help them manage their energy use and reduce their bills. This ensures that no energy sales take place in the customer’s home, although they will be given up-to-date information on our energy products and prices.

We recognise that energy is a significant purchase in today’s household budgets and identified a need to provide customers with sound guidance on all household energy issues. This includes advising customers on the best tariff for their needs, as well as efficient use of energy, energy monitoring and home insulation.

Research showed us that customers, particularly those who don’t have internet access, value face-to-face contact and the new service was designed with that in mind. Our new Community Energy Service has been endorsed by the Energy Saving Trust.

During the year we continued to invest in training of our agents and further simplifying customer information on tariffs to enable customers to compare deals more easily. A survey of the energy industry telesales practices conducted in late 2011 by Which? Magazine showed that ScottishPower topped the performance league table with a score of 92%. It assessed whether people calling energy companies were always offered the cheapest tariff available, whether terminations fees applied and whether calls were answered within two minutes.

The results of the survey were published just outside the reporting period in February 2012.

During 2011, we introduced improved segmentation to better understand our customers’ needs and wants. This allowed for more targeted communications giving customers relevant information at the right time. In addition, we provided all new customers with our award winning, tailored ‘Welcome Cycle’ communications that includes a personalised URL. The Welcome Cycle won a national Marketing Week direct mail campaign award in 2011.

[▲] 2011 data covered by KPMG’s limited assurance scope.

Customer Information

Customers can access information on many aspects of our business via our customer website and we also send out information with customer bills.

Key customer information we communicate includes:

- Tailored Welcome Pack providing details of their contract and the switching process
- Detailed communications at point of a product maturity offering new tailored deals
- Projected annual costs based on their last 12 months consumption
- Ofgem Annual Statement summarising key contract information
- Emergency and loss of supply
- Checking the customer is on the best tariff for their needs
- Home energy efficiency information and advice
- Our performance against the Standards of Service set by our regulator, Ofgem
- How to make a complaint
- Carefree services for extra needs customers
- Moving house

At the end of 2011 ScottishPower was leading the UK utility sector in supporting the government's Midata programme, which allows customers online access to their energy consumption history, helping them to ensure they are on the best package for their needs.

We agreed to develop a Midata solution at the Energy Summit in London in October 2011 and worked closely with government and consumer groups to devise a system that had a strong focus on data privacy and security. The Midata platform will be available to all customers who have an online energy account.

A key piece of information we provide customers with annually is the fuel mix we use in our electricity supply. This can be viewed on our customer website:

<http://www.scottishpower.co.uk/fuelmix>

Information on what to do in an emergency is provided to every customer on the back of their bill, via our website and in our Welcome Pack for new customers.

We provide energy efficiency advice on our website and offer a free phone energy efficiency advice line for both domestic and business customers. Energy efficiency advice includes home energy efficiency audits and advice on home insulation, grants and appliances. We also provide information on gas safety and carbon monoxide poisoning.

Customer Service

Our Energy Retail business operates five main customer contact centres across central Scotland, north-west England and north Wales and responded to 7.45 million calls in 2011.

The number of calls handled by Energy Networks staff at contact centres in Kirkintilloch and Prenton during the year was 788,600.

Customer Satisfaction

We actively seek customer feedback through "Voice of the Customer" surveys, using the results to improve the service we offer and shape our long-term strategy. In the UK in 2011, we conducted two quantitative waves of our Voice of the Customer research and interviewed approximately 3,000 respondents about aspects of our service that are deemed "critical to quality". Additionally, we deploy an ongoing satisfaction tracker via an online panel using YouGov's BrandIndex platform and our Tell The Energy People customer panel provides a regular view of customer satisfaction, both quantitatively and gives a deeper understanding of why customers' score satisfaction the way they do. In addition, every week we speak to between 2,000 and 3,000 customers who have contacted us recently to ask how satisfied they were with our service. We use this feedback to continually improve the service we provide.

In 2011, out of more than 125,000[▲] customers interviewed, 92%[▲] agreed that our agents had listened carefully and resolved their enquiry to their satisfaction. We introduced a new question in the last quarter of 2011 asking customers if the service they had experienced was "hassle free". 87%^{*▲} of customers agreed.

Our Energy Networks business, which operates distribution companies in central Scotland (ScottishPower Distribution) and Cheshire, Merseyside, North Wales and North Shropshire (ScottishPower Manweb) measures customer satisfaction monthly and its performance is monitored and reported on annually by the industry regulator, Ofgem.

Ofgem has stated that customer service is one of their key priorities for network regulation. Customers expect electricity distribution network operators to be readily contactable and responsive to the needs of their stakeholders.

In 2010/11 both of our companies were ranked above the industry average for the quality of their telephone response. ScottishPower Manweb was ranked 3rd out of 14 with a score of 4.49 out of 5, while ScottishPower Distribution was ranked 5th with a score of 4.42. The mean score for the sector for the 12-month period was 4.37.

Companies were ranked on:

- The politeness of the members of staff
- The usefulness of the information given
- Satisfaction with the speed of response.

A new measure of customer satisfaction is being introduced from 1st April 2012, which combines the results of a more detailed customer satisfaction survey, complaints and stakeholder engagement.

External Benchmarks

Our telesales service came top out of all UK energy suppliers in a recent Which? report that involved mystery shoppers looking for the cheapest tariff. We offered this in 100% of cases in the Which? Survey. The survey was undertaken in late 2011 and the results published just outside the reporting period in February 2012.

During 2011 ScottishPower came 2nd equal with Eon and EDF in the UK National Customer Satisfaction Index of energy utilities.

In the uSwitch independent customer satisfaction survey 2011 customers ranked us 3rd in relation to providing value for money and being confident they were on the best deal, with a rating of 4th overall.

In 2012 we have renewed our focus on providing an improved customer experience and seek to improve these ratings over the coming years. In fact, we received a 4 star rating from Consumer Focus in the industry complaints scorecard for the period January to March 2012.

* 87% of the 40,013 responses received from September - December 2011

▲ 2011 data covered by KPMG's limited assurance scope.

Customer Complaints

ScottishPower topped the league of UK energy suppliers for the way we handle complaints in a customer satisfaction survey conducted by regulator Ofgem. We were also the company that had achieved the greatest improvement since 2010. The survey was conducted in 2011 and the results published in February 2012. We endeavour first and foremost to always provide a great service to every customer.

Ofgem's reporting year runs from 1st October to 30th September, so we record customer complaints data over that period. During the period, our customers communicated with us on more than 6.5 million occasions through a variety of means, with the overwhelming majority of these contacts typical of the normal day-to-day conversations of any energy company.

We define a complaint as "when a customer tells us that they are unhappy with our service, regardless if whether or not we resolve the issue at the time of contact". In 2010/11 the number of complaints to our Retail business that were unresolved by the end of the next working day totalled 93,032. We consider a complaint to be resolved only after a solution has been agreed by the customer and actioned.

When things go wrong, we are highly committed to resolving customers concerns and taking practical actions to put things right quickly, accurately and satisfactorily. We will always endeavour to return customers to the position they were in prior to the issue. If that involves financial loss, we'll consider any claims and finally, we always try to ensure that the same mistake doesn't happen again.

Full details of our Complaints Handling Procedure can be viewed at: <http://www.scottishpower.co.uk/support-centre/service-and-standards/complaints.aspx>

Consumer Focus publishes a quarterly performance report on their website based on the number of consumers that have contacted an independent organisation for advice or support with an energy problem.

Companies are ranked on the number of customer contacts to Consumer Direct, Consumer Focus and the Energy Ombudsman in relation to their market share during the previous quarter. Scores are weighted to reflect the seriousness of the complaint and the time taken to resolve it.

During 2010/11 the number of ScottishPower customers referring their complaint to Consumer Direct fell by 54% compared to the previous year. We also improved from a 2-star to a 3-star rating for complaint handling, and received a 4 star rating from Consumer Focus in the industry complaints scorecard for the period January to March 2012.

Our Energy Networks business received 10,823 complaints during the year. The majority of those related to loss of power supply, with others concerning quality of supply, connections and other miscellaneous categories ranging from streetworks to vegetation management.

Social Programmes

ScottishPower in common with all the major UK energy suppliers has played its part for many years in funding social programmes that are designed to help people living in fuel poverty – who are on low incomes and have difficulty in affording their energy bills.

Last year was the final year of the suppliers' voluntary agreement under which the UK's six largest energy suppliers spent a collective £488.7 million on social programmes to help vulnerable customers out of fuel poverty.

This arrangement came to an end on 31st March 2011 and was replaced from 1st April by the Warm Home Discount and a new, regulated framework for social spend. Suppliers are targeted with a combined social spend of £1.13 billion over the four-year scheme that runs until 31st March 2015.

Under the Warm Home discount, electricity suppliers provide a fixed rebate to customers in a "core group" of households that receive the guaranteed element of pension credit. This will expand to include customers who receive the savings credit element of pension credit, with customers being identified through data sharing between suppliers and the Department for Work and Pensions.

Fixed rebates will also be paid to a broader group of vulnerable customers, to be identified by suppliers, who must be vulnerable customers on low incomes. As the scheme expands, social and discounted tariffs will be phased out.

Companies are also allowed to spend a certain amount of money on industry initiatives, such as fuel poverty trust funds, provided they have Ofgem's approval. The ScottishPower Energy People Trust has received approval from Ofgem to be included in the scheme.

As last year was a transitional year and we do not yet have verifiable figures for the Warm Home Discount, we have chosen to report on ScottishPower's performance in the final year of the voluntary agreement, which ran from 1st April 2010 to 31st March 2011.

Social Programme Performance

- We exceeded our social spend target of £16 million for 2010/11
- We contributed £10.74 million through our discounted tariff, Fresh Start, benefiting 112,803 customers aged 60 years or over and in receipt of certain benefits
- We provided 16,955 of our most vulnerable customers with rebates in 2010/11, spending £2.7 million. Rebates were given to vulnerable prepayment and quarterly cash customers. This included 2,000 extremely vulnerable customers, identified through home visits by our Customer Liaison Officers, who were given help with debt through our internal hardship fund, with an average rebate of £753
- We donated £700,000 to our fuel poverty charitable trust, the ScottishPower Energy People Trust, during the year. Further information on the ScottishPower Energy People Trust appears below
- We spent a further £390,000 on supporting Warm Zones, National Energy Action and Energy Action Scotland in their work to alleviate fuel poverty, including funding the delivery of income maximisation and energy efficiency advice
- We continued to fund the Home Heat Helpline, an industry initiative to help people keep warm and manage their energy bills

Winter Assistance Programme

Following the severe winter of 2010, we put in place a package of measures to protect vulnerable customers in winter 2011, including:

- A pledge of no price increases until at least April 2012
- Encouraging customers facing payment difficulties to contact us for help
- Delaying the collection of debt repayments through prepayment meters during the winter months
- Encouraging those customers who were eligible to join Fuel Direct
- Severely curtailing disconnection activity over the winter months
- Promoting energy efficiency and low or no cost home insulation

Disconnection

Disconnection of a customer's electricity or gas supply continues to be the option of last resort for non-payment of an energy bill and is never a preferred course of action.

We maintain a continual focus on attempting to contact customers as early as possible in the debt process in order to promote the best debt management solution to suit their circumstances and help to prevent the buildup of further debt. We prefer to help any customers who let us know they are having difficulties in paying their energy bills. This may include devising a payment plan, installing a prepayment meter, changing the customer's tariff, offering energy efficiency advice and directing them to agencies that are able to offer additional assistance.

We aim to ensure that no vulnerable customer is disconnected from their electricity or gas supply and have invested heavily in training customer service agents to identify vulnerable customers, who are suffering financial hardship.

However, disconnection remains an important sanction in cases where customers refuse to pay, despite having the means to do so.

	2011	2010
Electricity disconnections	143	229
Gas disconnections*	42	407

* As reported to Ofgem. Gas disconnection figures are not published in the IBERDROLA Group Sustainability Report 2011

An account will never be disconnected without ScottishPower having offered the customer a number of contact attempts and a range of repayment options. The fitting of a prepayment meter is our preferred option to help the customer manage their consumption, prevent further debt from accruing and recover any outstanding debt. However, where it is not safe or practical to do so, we may disconnect as a last resort.

During 2011 we worked hard to minimise our total number of disconnections. This was recognised by Ofgem and we are pleased with our continued progress in this area. For gas, we have implemented a solution known as ProFit, which allows the installation of prepayment meters at a property where the customer is not present. Where previously we would have disconnected the customers supply we are now able to fit a prepayment meter. This has had a positive reduction in the overall number of customers reaching the warrant process, and led to a year-on-year reduction in disconnections.

Energy Efficiency

We continued to meet our targets for customer energy efficiency under the Government's CERT programme by installing energy saving measures such as cavity wall and loft insulation and energy efficient lighting in customers' homes.

Under the programme, 40% of the assistance offered must be directed at people on low incomes and people aged 70 years or over, thus helping some of our most vulnerable customers to achieve long term savings on their energy bills.

CERT, originally running from 1st April 2008 until 31st March 2011 was extended until December 2012 to give suppliers time to prepare for the UK government's new Green Deal. As part of the extension, suppliers must direct 15% of energy saving measures to a Super Priority group (a subset of the Priority Group) of low-income customers considered to be at high risk of fuel poverty.

We deliver our customer energy efficiency programmes through partnerships with social housing providers, including Warm Zones. In addition to carrying out physical energy efficiency measures, the majority of these projects include income maximisation advice.

This is important, as millions of pounds of benefits go unclaimed each year, increasing the number of families in fuel poverty who cannot afford to heat their homes adequately.

Home Heat Helpline

We continued to support the Home Heat Helpline, an independent telephone service funded by UK energy companies, for the sixth successive year during 2011. The Helpline, staffed by independent advisors, is designed to give help and advice to people who are struggling to pay their energy bills or to keep warm in winter. Callers receive information and advice on staying warm and using energy efficiently, as well as payment plan options and those with special needs can find out how to become a Priority Services Customer.

In 2011 the number of calls to the Home Heat Helpline was 40,938, a reduction on the 61,238 received in 2010, possibly due to milder winter weather. Of these, 995 were referred to us, compared with 2,902 in 2010.*

The free phone number for the Home Heat Helpline is 0800 33 66 99.

Carefree Scheme

Customers who have special needs, or senior citizens, can join our Priority Services Register, known as the Carefree Scheme.

This offers benefits such as a special password that customers can use to check that a caller to their home is a ScottishPower employee or agent, as well as free gas safety checks on home appliances for eligible customers.

At 31st March 2011 we had 140,528 customers on our Carefree register.

Community Liaison Officers

ScottishPower has a team of skilled and experienced Community Liaison Officers, who play a key role in identifying and communicating with vulnerable customers and helping to manage debt and other issues through one-to-one support.

In 2011 our Community Liaison Officers made thousands of visits to customers' homes, including to special needs customers, to provide advice on a range of subjects including energy efficiency, debt management and metering.

During the year we maintained our internal hardship fund, which enabled our Community Liaison Officers to help customers in genuine need to pay for energy bills, clear debt, or replace old heating systems that were beyond economic repair.

Customer Diversity

We try to meet the needs of our diverse customer base, offering bills in large print, Braille and audio tape for our Carefree register customers. We also provide help when necessary for non-English speaking customers through a translation service.

ScottishPower Energy People Trust

The ScottishPower Energy People Trust funds not-for-profit groups that help people whose lives are affected by fuel poverty.

The Trust is run as an independent charity. It is funded by ScottishPower through our social spend programme and by voluntary donations from independent supporters.

Since the Trust was established in November 2005, it has awarded over £9 million to 185 projects, which have helped more than 1.5 million people in over 1.2 million households throughout Britain.

In 2011 the Trust awarded £1,170,358, funding 25 projects, which helped more than 30,000 people in 16,558 households.

Listed below are just a few examples of projects funded by the ScottishPower Energy People Trust in 2011.

Neighbourhood Energy Challenge

The ScottishPower Energy People Trust supported a competition run by the Regenda Housing Group in which fuel poor households in North-West England competed to see who could achieve the greatest reduction in their energy bills, based on before and after meter readings.

Each household was given a pack of energy saving products, along with a home energy audit, energy saving tips and advice on maximising income.

In the first of several contests, 20 households in Birkenhead were given radiator panels, energy efficient mobile chargers, light bulbs and energy monitors, as well as checks on the air tightness and insulation of their homes. The household that achieved the greatest reduction in energy use over a 10-week period won an A-rated energy efficient home appliance of their choice.

The project, which received a grant of £5,340 from the ScottishPower Energy People Trust, will help up to 180 households cut their household energy bills.

* Source: Home Heat Helpline

Closing the Door on Fuel Poverty

A two-year project in Lancashire, run by Blackburn-based Youth Action, aims to engage vulnerable young people in tackling fuel poverty and help them free up income to improve their lives, by avoiding wasted energy.

Over time, it is hoped that young people who have been helped through the workshops, will be able to educate others on how to save money by being energy efficient.

A grant of £95,000 from the ScottishPower Energy People Trust will fund a part-time energy advisor at Youth Action to run workshops for the young people and also work with families on ground level research, looking at their energy consumption habits.

Based on information gleaned, the advisor will provide energy saving ideas and solutions to help an estimated 500 families lift themselves out of fuel poverty.

Fuel Poverty Action

Brighton Unemployed Centre Families Project will be able to offer advice on beating fuel poverty to an estimated 300 families over the next three years, thanks to a £15,000 grant from the ScottishPower Energy People Trust.

The funding will help a part-time welfare rights office and nine specially trained volunteers to address fuel poverty by offering benefits health check and energy efficiency advice to Centre service users who are struggling to pay their energy bills.

I'm an Expert Energy Saver

A grant of £42,306 from the ScottishPower Energy People Trust is enabling Speakup Self Advocacy in Rotherham to train Energy Efficiency Champions who will help vulnerable, disadvantaged and disabled people avoid fuel poverty.

The project will support people with learning disabilities who live alone or with groups of friends, in how to be energy efficient and avoid fuel poverty, including young people who are making the transition to independent living.

It will teach them about using energy saving light bulbs and devices and give advice about draught proofing, insulation, beating the cold by wearing energy efficient clothing and keeping healthy in cold weather. It will also check with other support workers that they are

receiving all the right benefits and ensure they know where to get help, should they struggle with energy bills.

For further information visit the ScottishPower Energy People Trust's website: www.energypeopletrust.com

Plant Reliability & Energy Security

The security and integrity of electricity supplies depends on the reliable operation of power stations and the transmission and distribution networks.

Our Generation and Energy Networks businesses operate asset management systems, to ensure plant is operated and maintained properly and that investments are made to keep our plant operating safely and reliably.

In 2011 Generation invested over £69m in operational asset across its portfolio. Within Longannet over £40m was spent at Longannet, which included construction works for Flue Gas Desulphurisation (FGD) plant, significant investment in overhauls and investment in critical site infrastructure such as conveying systems. Over £25m was invested in our gas plants on major overhauls and purchasing long lead items for future overhauls.

Over £3m was invested in our Hydro/Cruachan Pumped storage facilities. These assets continue to be an important part of our portfolio and this investment which covered a wide range of electrical, mechanical and civil assets will ensure their operation for years to come. Finally £1m was spent in the ongoing development of potential new gas sites at Cockenzie and Avon.

The average plant availability of our power stations during 2011 was:

	2011 (%)	2010 (%)
Combined Cycle Gas	91.75	87.74
Coal	87.63	88.13
CHP	96.85	92.10
Hydroelectric	93.21	82.26

Network Investment

We continued to invest in our networks during the year to reduce the number and duration of interruptions to power supply experienced by our customers. Our five-year investment plan for 2008-2013 involves the upgrading and modernisation of the overhead line

network, substations, underground cables and network protection systems in our Scottish and Manweb network territories.

We are also reinforcing the network to accommodate growing numbers of renewable energy projects, such as windfarms, which also helps to increase network resilience and safeguard supplies to customers. Investment in our networks from 2008 to 2013 is expected to total more than £2.3 billion.

Ofgem have also agreed to fast track ScottishPower's plans for transmission network upgrades between 2013 and 2021, with much of the pre-engineering, planning and preparatory works currently underway. These upgrades will account for a further £2.6 billion investment over this period and increase transmission capacity between Scotland and England from 3.3GW to almost 7GW by 2021.

The investment involves the upgrading and modernisation of the overhead line network, substations, underground cables and network protection systems in our ScottishPower and ScottishPower Manweb network territories.

It includes key projects to facilitate the delivery of the Government's target for renewable generation in Scotland. As part of this, ScottishPower under a joint venture arrangement, will build the first ever sub-sea electricity link between Scotland and England/Wales.

The link, at 260 miles, will be the longest high capacity HVDC (High Voltage Direct Current) cable in the world. This complements existing reinforcement projects like the construction of a new 400kV double-circuit overhead link between Beaully (near Inverness) and Denny (near Falkirk). This circuit is necessary to increase power transfers to central Scotland from new, renewable generation in the north of Scotland.

We continued to invest in our networks during the year to reduce the number and duration of interruptions to power supply experienced by our customers and to deliver our annual maintenance programme, which ensures that the network continues to operate efficiently and with a high degree of reliability.

We are also undertaking a wide range of smaller network reinforcements to accommodate growing numbers of renewable energy projects, such as windfarms, which also helps to increase network resilience and safeguard supplies to customers.

Network Performance

The performance of our networks is measured by recording customer interruptions (CI) and Customer Minutes Lost (CML). These figures are compiled from 1st April to 31st March and submitted to Ofgem to include in its Electricity Distribution Quality of Service Report.

ScottishPower operates two electricity distribution systems – ScottishPower Distribution (SPD), covering south and central Scotland and ScottishPower Manweb (SPM), covering Merseyside, Cheshire, North Wales and North Shropshire.

Targets for Customer Interruptions, which are measured by the number of customers (per 100 customers) that are affected by power cuts lasting three minutes or more, were met by both SPD and SPM in 2010/11.

Targets for Customer Minutes Lost – the average number of minutes that a customer is without power for three minutes or more due to a power cut – were also met during 2010/11.

	CI Target	CI Actual	CML Target	CML Actual
SPD	60.1	50.7	65.5	49.4
SPMW	45.6	39.3	61.1	47.5

These figures exclude exceptional events, such as storms, although our CI and CML figures including exceptional events, still exceeded Ofgem targets.

Energy Security

ScottishPower continues to play its part in developing electricity generation resources for the future. Several new Combined Cycle Gas Turbine (CCGT) power stations are planned and two of those at Cockenzie, East Lothian and Damhead Creek 2, Kent have secured Section 36 consent. Feasibility studies are being conducted at other sites, including Avonmouth, near Bristol.

ScottishPower Renewables continues to be the UK's largest developer of renewable energy and is playing an active role in the development of onshore and offshore windfarms and marine energy projects, including tidal and wave energy.

For further information, see their website at:

<http://www.scottishpowerrenewables.com>

ScottishPower has in place comprehensive emergency response and business continuity plans for its Generation, Networks and Retail businesses, to ensure that if emergencies occur, we can ensure public safety and continue to supply electricity and gas to customers. These plans were tested regularly throughout the year and modified as necessary.

Supply Chain

Suppliers are regarded as strategic stakeholders within the IBERDROLA group and the procurement function is subject to strict management controls to ensure a fair, transparent and ethical supply chain.

In our interactions with our supply chain, ScottishPower's Procurement Department continues to:

- Use selection and award processes based on practices that seek to ensure fairness, transparency, equal opportunities, integrity and mutual interest
- Promote among its suppliers principles of responsible behaviour from a social, economic and environmental perspective.

We have developed a GLOBAL SUPPLIER MANAGEMENT MODEL (including a Total Supplier Management System) that enables the company to register and classify its suppliers. This is described in the IBERDROLA group Sustainability Report in the Human Rights section.

Suppliers are assessed taking into account their technical and production capacity, amongst other criteria, and their credentials are weighted in the following areas:

- Quality
- Safety and occupational risk prevention
- Environment
- Social responsibility
- Economic-financial situation

ScottishPower needs to achieve value for money in the goods and services that we purchase. The concept of responsible procurement means that those goods and services must be produced or delivered in line with the aims of environmental sustainability and social justice.

We continue to use our purchasing power to achieve win-win solutions by building supply chains that provide responsibly sourced products and services and balance the benefits of globalisation with the health of our local and national economies.

Fuel procurement is handled by a separate specialist team who, as part of coal supply contracts with non-EU countries, review factors such as management of local operations, social and welfare arrangements for local employees, living standards, health and education

provisions and comparisons of local salaries against both industry and national average wages.

We are members of the Association of UK Coal Importers (Coallmp), which has produced a CSR Policy and Guidelines detailing Coallmp members' expectations of suppliers in respect of a number of CSR related areas.

Our procurement spend in 2011, including fuel and energy purchases, was £5,959 million – up by 8.1% on last year. During the year we spent £856 million on general purchases, including equipment, materials, works and services and 93% of general purchases were made in the UK.

Energy efficiency goods and services have ranked among our most significant purchases in recent years. New contracts were awarded in February 2011 for the delivery of the final phase of the Carbon Emission Reduction Target (CERT) and Community Energy Saving Partnership (CESP) programmes, with a combined value of £169m. These installation contracts will create and maintain jobs in this sector.

In the final quarter of 2011, significant preparatory work has been undertaken in advance of the new Energy Company Obligation (ECO) that will supersede CERT and CESP in 2012, and will continue to install energy saving measures, such as insulation, in consumers' properties. It will focus on helping low-income, vulnerable groups to achieve affordable warmth and improving the energy efficiency of homes that do not have cavity walls.

Our Communities

Overview & Management Approach

At ScottishPower we have a long track record of supporting our local communities by helping causes that are close to people's hearts.

We support charities at national and local levels – including a new flagship programme with Cancer Research UK* – and every year our employees roll up their sleeves and get involved in volunteering and fund-raising, to make a difference in the communities we serve.

We are the proud supporters of many education, environmental and arts programmes, which you can read about in this section. These include education programmes for young people that range from encouraging science, technology, engineering and maths in schools and supporting the Duke of Edinburgh's Award Scheme, to funding apprenticeships and university scholarships.

We deliver environmental programmes, such as our Green Energy Trust, which provides funding for renewable energy projects in communities and sponsoring countryside rangers at five of our sites.

We also support national cultural events that bring joy to thousands, such as Celtic Connections and we are one of the few companies in the UK to have our own, award-winning pipe band.

Our presence in communities, through power stations, offices, substations and power cables tends to be long-term, so we favour enduring partnerships that allow us to deliver tangible and lasting benefits over time.

At the heart of building and maintaining the trust of our communities is open and honest communication. That means being willing to listen to community stakeholders, encouraging feedback and doing what we say we'll do.

One of the most crucial issues in our engagement with communities is ensuring high standards of public safety, and to support this we invest in safety education

programmes, working with school children and other community groups to help ensure they do not take risks with electrical equipment and stay safe.

Our principal aim in our relationships with communities is to be a good neighbour to those around us by conducting our business responsibly – and making a positive contribution to society and community life.

Responsible Development and Operation

We work hard to maintain the trust of communities through a responsible approach to the planning, development and operation of our assets.

We consult extensively with stakeholders when planning new developments, ensuring that consideration has been given to landscape and ecological issues and the needs of local communities and businesses.

When we are planning a new development, we make a point of telling as many people as possible about our plans and listening to the views of community groups, wildlife and heritage organisations and businesses.

Many of our assets, such as pylons, are on land owned by other people, so it is important that we have effective policies in place to ensure we can maintain the safety and integrity of our plant, while respecting the needs of landowners and local communities.

We also take steps to minimise inconvenience to local communities during construction projects, such as delivering materials to site at certain times of day to avoid traffic noise and congestion on local roads.

Where possible, we redevelop existing assets. Examples of this include fitting existing powerlines with new conductors, rather than building a whole new line, or developing a power station at, or close to, an existing site, as we are doing at Damhead Creek in Kent and Cockenzie in East Lothian.

* Our relationship with Cancer Research UK was announced in February 2012, just outside the reporting period.

Our Approach to site management

We aim to manage our generation sites, transmission assets, depots and offices responsibly and in a way that does not result in complaints from members of the local community.

Longannet and Cockenzie power stations, which are major sites located close to communities, have Local Liaison Committees that meet regularly to discuss topics of mutual interest.

In addition, staff from our power stations regularly attend meetings of community councils and other local groups to keep in touch with community opinions. For example, Cockenzie Power Station is involved in a local Coastal Regeneration Forum and Longannet Power Station contributes to the work of the Forth Estuary Forum.

Our Networks business works closely with landowners on issues such as vegetation management and we have a Grantor's Charter, which sets out our commitment to treat landowners with courtesy and consideration.

We are also working to reduce the impact of our network operations in certain areas of outstanding natural beauty, including undergrounding sections of overhead lines.

Visitor Centres

We have visitor centres at several power stations. Cruachan Power Station's visitor centre, near Oban, is open all year round and welcomes over 60,000 visitors each year.

Visitor Centres at the Galloway Hydro-electric scheme and at Longannet Power Station are open to organised groups, by appointment only.

Cockenzie Power station does not have a visitor centre, but has hosted the 3 Harbours Festival for the last six years and accommodates visits from community groups by appointment.

Our Visitor Centre at Tongland Power Station – part of the Galloway Hydro-electric Scheme – has a strong focus on safety and environmental issues.

Children learn about water and electrical safety, along with the history of the scheme, all about renewable energy and wildlife – such as the lifecycle of a salmon – and have the opportunity to see the fish ladder and walk across the dam.

Stakeholder Issues

The key stakeholder issues relating to our communities include:

- Responsible site development and management
- Public safety
- Community investment

Project Development

Generation

During 2011 we secured consent to build two new Combined Cycle Gas Power Stations. We gained Section 36 consent to build a 1,000MW Combined Cycle Gas Turbine (CCGT) power station on a site beside our Damhead Creek Power Station on the Hoo Peninsula in Kent.

We also gained consent to build a new 1,000MW CCGT on the site of Cockenzie Power Station in East Lothian. The coal-fired power station will be withdrawn from service before the end of 2015.

In June we began consulting on proposals to build another CCGT power station at Avonmouth near Bristol.

We also made progress during the year with clearing the site of our former power station at Methil in East Fife, with the demolition of a 300-foot chimney in a controlled explosion, after months of detailed planning.

Energy Networks

During the year we submitted mitigation plans for our section of the Beaully-Denny power line, which will involve screen planting, landscaping, tower painting and undergrounding of 4.6km of low voltage cables to reduce the visual impact of this major, nationally-important transmission upgrade. The mitigation plans, which could cost up to £35 million, were approved by the Scottish Government in December 2011.

We also announced plans for a £4.6 million upgrade of the electricity network in Lanark and consulted communities in Mid Wales over our plans for new powerlines to connect windfarms to the grid. In addition, we undergrounded some cables as part of an ongoing network upgrade within Snowdonia National Park.

We also continued our £25 million project to reinforce the network in East Glasgow, which will power the Glasgow 2014 Commonwealth Games and the subsequent construction of housing to regenerate the area afterwards. A £200,000 Smart Grid will be developed as part of the project, which will be partially funded by a grant from the Department for Energy and Climate Change.

Community Complaints

We continued to work hard during the year to minimise the number of community complaints received by our Generation and Energy Networks businesses. Energy Networks received complaints relating to vegetation management, litter and graffiti at substations, while Generation received a small number of community complaints mainly in relation to noise, after returning generators to service.

We take seriously any community complaint and do our utmost to address the complaint and put measures in place to avoid recurrence.

Community Investment

We use the London Benchmarking Group model to evaluate our community support activities. The model allows companies to report community contributions and achievements by measuring the total impact on communities rather than financial contributions alone.

The LBG is the standard for community reporting adopted by around 120 companies worldwide.

Our input to the model is reviewed by the London Benchmarking Group annually to ensure we are applying its principles correctly and consistently.

During 2011, ScottishPower's businesses contributed £3.3 million in community support activity of which £2.6 million was contributed to registered charitable organisations.

The £3.3 million total incorporated £1.3 million categorised as charitable gifts, £1.2 million categorised as community investment and £0.8 million categorised as commercial initiatives, given in cash, through staff time and in-kind donations.

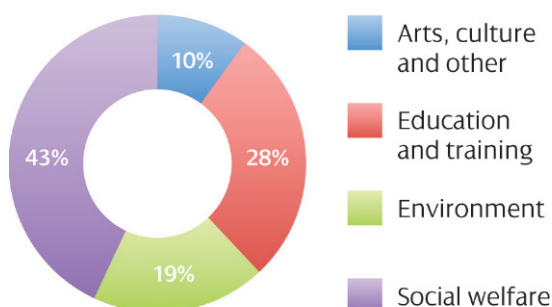
Analysis of Community Investment

Our community investment strategy reflects our culture and the main areas of investment are:

- Education and training (including public safety)
- Environment
- Social welfare
- Arts, culture and other

The majority of our community investment programmes are directed at improving the lives and prospects of young people and tackling fuel poverty.

Community Investment 2011



Community Programmes

Public Safety

Our Energy Networks business runs an award-winning public safety programme, much of which is dedicated to school children, to make them aware of the dangers of electricity.

PowerWise is a pioneering safety education programme teaching primary school children aged four to 11 years the potential dangers of electricity in the home and outdoor environment.

The programme is taught by qualified teachers and is linked to the school curriculum in our operating areas across Scotland, North-West England and North Wales. From January to December 2011, the PowerWise programme devoted 394 teaching days to primary schools, delivering the safety messages to 55,451 children. Schools in Wales can opt for the programme to be delivered in English or Welsh.

PowerWise resource packs containing lesson plans, activities and all the resources needed for primary schools to conduct their own electricity safety lesson are provided free of charge to schools that have received the classroom education programme, or who have requested packs via the website. During the year we distributed 394 packs to schools in Scotland, England and Wales.

The PowerWise website, at: www.powerwise.org.uk, also offers lesson plans, interactive games and electricity information for primary and secondary school children, teachers and parents. It received 89,416 hits during the year.

Safety Education Centres

We continued to support two innovative, dedicated safety education centres within ScottishPower's network areas – DangerPoint in North Wales and the Risk Factory in Edinburgh.

The safety education centres are designed to educate and raise awareness of accidents, injury prevention and personal safety, in a safe and controlled environment. They provide realistic settings, specifically designed for children and young people, as a background for safety

education, through hands on experiences in the home, on the roads, at the farm or in the country, and on building sites.

Electrical safety scenarios including a mock substation and overhead line have been built into each centre to ensure that children are made aware of the dangers of electricity in the home and outdoors. During 2011, 5,604 children visited DangerPoint and 7,921 visited The Risk Factory, where a ScottishPower employee spent a year as a volunteer tour guide.

Crucial Crew

Crucial Crew is a national programme where children take part in a range of fast-paced scenarios designed to raise awareness of the dangers of electricity and other common hazards and give children the knowledge they need to prevent accidents.

In 2011, approximately 11,745 children in the final stages of primary school education attended eight Crucial Crew events, at which staff from our Networks business presented the potential dangers of electricity. Over the course of the year, this equated to 106 employee work days.

Other public safety initiatives

As well as schools, Energy Networks provides electrical safety information and educational events to the public, including high-risk industrial sectors, such as construction and agriculture.

In 2011 we supported an Agricultural Safety and Health Awareness Day in Ayrshire that allowed us to promote essential safety messages about working in the vicinity of overhead power lines to around 100 delegates.

We also ran three seminars for Welsh Water on working safely near overhead powerlines and underground cables. These were attended by approximately 70 design and construction staff.

In addition, we hosted a safety presentation for 30 volunteers from Cheshire Search and Rescue, giving vital information on how to safely approach a rescue at an incident involving equipment on the electricity network.

We collaborated with the emergency services in other ways during the year. Longannet Power Station, ScotAsh and key contractors continued to sponsor a vehicle used by Community Police in West Fife to serve a number of local villages and attend community events.

A secure compound at the former Kincardine Power Station is leased to the Scottish Police College and was used during the year for "Operation Volt", a hostage negotiation exercise.

In September, a state-of-the-art Firefighting Centre was opened by Central Scotland Fire and Rescue Service at the Kincardine site, while in November, firearms officers took part in an exercise at the ScotAsh building on the Longannet Power Station complex. The scenario tested the reactions of close protection officers during the attempted kidnap of a government minister by an armed gang.

The Galloway Hydro-electric Scheme also teaches children about electrical and water safety and has produced a safety DVD, which is given to local schools.

Education and Training

We support a wide-ranging education and training programme, with the principal aim of encouraging young people to acquire the skills necessary for a career in the power sector.

Encouraging Science, Technology, Engineering & Maths (STEM)

Starting in schools with the STEM volunteering programme, company volunteers visit schools to encourage more children to study science, technology, engineering and mathematics. In 2011 30[▲] employees supported these activities.

Our STEM programme reached an estimated 3,358*[▲] young people directly during 2011, along with another 19,575** people through online resources.

We also supported Business in the Community's 'Teachers into Industry' initiative during the year and ran a STEM Masterclass for 220 Year 10 pupils from a school in Wrexham.

Once again in 2011 we supported the INEOS science fair event, delivering a number of interactive sessions to 1,853 pupils aged 11-12 from over 50 local schools in the Falkirk area, along with a one-day Engineering Your Future careers event at which workshops were delivered to 100 pupils from 11 schools.

We also supported a Celebration of Engineering & Science, the flagship event for the Young Engineer and Science Club, which was attended by 600 young engineers, companies and teachers. In addition, we supported a week-long Girls Into Engineering programme at Prenton High School, Merseyside.

Engineering for School Leavers

In 2011 we also supported pupils approaching the end of their secondary education through our Young Apprentices and Skills 4 Work Engineering programmes, which provide young people aged 14-16 years with the basic skills and knowledge they require to pursue a career within the energy sector, through a combination of vocational studies and utility sector experience.

These programmes are part of a stepped approach.

Having acquired a basic qualification, those who have been through the course will be ready to step up to our Engineering Foundation Programme on leaving school, then hopefully onwards to a full-time apprenticeship.

11[▲] students took part in the Skills 4 Work Engineering Programme, which is run in conjunction with Cardonald College, Glasgow City Council and local schools, and 11[▲] young people from the 2010 intake took part in the second year of the programme.

In 2011, 27[▲] young people took part in the Engineering Foundation Programme, which is run in conjunction with Cardonald College, Glasgow and West Cheshire College. There was no new intake to the Young Apprentices Programme in 2011, but a group of seven from the previous year's cohort continued their studies and work experience.

Powerskills Developed With Funding from Cashback for Communities

During the year we launched a new grassroots programme, which is designed to encourage some of the most disadvantaged young people into Engineering. "Powerskills" was developed in association with the Personal Development Partnership, a youth engagement body involving the Prince's Trust Scotland, Fairbridge, Venture Scotland and the Venture Trust. The project received funding from The Scottish Government's Cashback for Communities initiative, which uses money secured under the Proceeds of Crime Act 2002 to fund life changing projects for young people in local communities throughout Scotland.

ScottishPower designed the programme, which aims to give candidates the knowledge, understanding and employability skills needed to progress within the engineering sector. In 2011, we ran "taster" sessions, as well as recruitment and selection events for the programme at Whitelee Wind Farm and our Dealain House Training Centre in Cumbernauld. The first group of candidates started the programme in January 2012.

* Based primarily on the number of young people invited to events

** Official 2011 visitor statistics to www.thinkpowersector.co.uk.

▲ 2011 data covered by KPMG's limited assurance scope.

Broader Employability and Life Skills Training

ScottishPower also supports wider employability training, including a programme to encourage young people from disadvantaged backgrounds to participate in the Duke of Edinburgh's Award. The programme helps to improve confidence, teach new skills and enhance employment prospects for participants.

In Glasgow over the 2010/11 academic year, 164 young people, who previously would not have had access to the programme, undertook the award. In an event held at the Glasgow City Chambers, 87 young people were presented with an award. All of them had completed their Duke of Edinburgh Bronze Level Award – a completion rate of 53%, up from 22% prior to our involvement. In 2011, the programme was extended to the Liverpool area and a total of 1,110 young people from the Glasgow and Liverpool registered for the 2011/12 programme.

Our funding also supported the employment of a Development Officer at Glasgow City Council, which holds the licence for the programme locally, to coordinate regional activity and ensure the award can be delivered for years to come.

During the year we supported two young people on Outward Bound development programmes and provided funding for bursaries, enabling a further 32 young people from disadvantaged areas to go on Outward Bound courses.

We also provided funding that enabled 35 young people from socially challenging areas to go on activity breaks through the Scottish Youth Hostelling Association's Give Us a Break project and provided a member of staff to act as a mentor.

The activity breaks are designed to encourage groups of young people to develop new ideas and skills, and to build the self-confidence to tackle everyday situations.

The breaks provide the opportunity to break the cycle of social exclusion and pave the way to a better quality of life for themselves and their community.

We sponsored the 2011 Prince's Scottish Youth Business Trust (PSYBT) volunteers' conference, which focused on sustainability and was attended by over 200 of the charities volunteers.

We also designed and delivered a mentoring programme for the PSYBT, to develop their volunteers. 30 of their more experienced volunteers undertook the

programme, enabling this mentoring approach to be rolled to all volunteers. Our Peer to Peer mentoring programme was awarded Highly commended in the Business Project category at the 2011 Scottish Mentoring Network Awards.

ScottishPower's Education and Training programme also includes the company's award-winning Powerwise Safety Education programme. The programme includes classroom education, support for Crucial Crew – a safety awareness initiative run in association with the emergency services – and two Safety Education Centres. For further information on PowerWise, see the Public Safety section.

We supported a range of enterprise events across North Wales and North West England, including the finals of Young Enterprise competitions, career days and workshops for senior pupils.

Also in Wales, we sponsored a drama project in partnership with Clwyd Theatre Cymru, which helped 35 pupils to develop their motivation and self-belief to enable them to be re-engaged with education.

University Sponsorships

ScottishPower supports a number of talented young people through their engineering studies at university. During 2011 the Fundación Iberdrola Scholarship Programme awarded scholarships in the UK for six British post-graduate students undertaking studies in energy and environmental related fields, including: renewable energies, sustainable energy systems, environment and biodiversity, clean carbon technologies, emissions management and carbon capture, energy efficiency, energy storage, electric vehicles and smart grids.

In addition, the company supports the Power Academy, a partnership between industry and academia, which provides bursaries for power engineering students at participating universities.

We also provided funding for a PhD student at the University of Durham for a study into the development of an offline planning tool for Dynamic Thermal Rating of powerlines and sponsored a further four PhD research projects at the ScottishPower Advanced Research Centre – a partnership between ScottishPower and the University of Strathclyde.

Environment

ScottishPower continued to invest in environmental projects with community benefits during 2011.

Countryside Rangers

We continued our co-sponsorship of five countryside rangers at our sites, in association with local authorities and the Scottish Wildlife Trust.

Two rangers work to promote biodiversity and educate community groups at Valleyfield and Musselburgh ash lagoons near Longannet and Cockenzie power stations, respectively. A further two are based at Loch Ken and Loch Doon, which form part of the Galloway Hydro Scheme and another ranger is based at the Scottish Wildlife Trust's reserve in Lanark, close to our Lanark Hydro-electric Scheme.

We also sponsored research projects through the Galloway and Ayrshire Fisheries Trusts to promote and conserve fisheries and biodiversity. The Loch Ken Ranger also helps to run a salmon hatchery, which set up with funding from ScottishPower.

Cockenzie Power Station in East Lothian contributed to a number of projects through its membership of the Coastal Regeneration Forum to enhance the coastline between its ash lagoons at Levenhall Links and Longniddry.

The station has played an active role in promoting biodiversity and working with schools groups for many years and this continued in 2011. We worked with East Lothian Biodiversity Partnership on the further development of East Lothian Council's Biodiversity Action Plan, and distributed bird and insect boxes to local schools and organisations during a planting day arranged in conjunction with Coastal Regeneration Forum.

The station also gave a presentation on environmental pollution to students at Edinburgh University.

Green Energy Trust

ScottishPower established the Green Energy Trust as an independent charity, in 1998. It supports the development of new renewable sources in the UK, helping to reduce our reliance on fossil fuels and combat climate change.

In 2011 the Green Energy Trust committed funding of £105,445 to 9 small-scale renewable energy projects at community level that may not otherwise have been

developed. These projects, including biomass, solar and hydro schemes, save CO2 emissions, reduce fuel bills and help to educate the public about renewable energy.

Projects funded in 2011 included a water powered windmill at a Royal Society for the Protection of Birds centre, a biomass project at Glasgow School of Art and a solar thermal scheme at an historic Roman site on the Isle of Wight.

The Trust also awarded a grant of £11,280 to Glasgow Building Preservation Trust to help fund a wood pellet stove boiler at Pollokshaws West Station, which is set to become home to a community cycle repair and resource centre in 2012, run by South West Community Cycles.

To date the Green Energy Trust has funded 137 projects with a total amount of £1,469,843.

For further information, visit the Trust's website:

www.scottishpowergreentrust.co.uk

Scottish Green Awards

During 2011 we continued to be headline sponsor of the Scottish Green Awards, in association with Trinity Mirror media group, to recognise individuals and businesses that have made an outstanding contribution to sustainability. The programme also included an award for Best Green School.

Employee Projects

ScottishPower employees volunteered to work on several environmental projects during the year, at Drumpellier Country Park and Bothwell Community Garden, both in Lanarkshire, as part of IBERDROLA's International Volunteering Day.

A range of similar projects took place in Wales, including gardening, fence painting, tree clearing and pond building at schools, Scout huts and other community buildings.

For further details see the Employee Volunteering and Fund-raising section.

Economic Development and the Environment

During the year we sponsored several major projects designed to further knowledge of emerging energy technologies and help communities to reduce their carbon footprints.

The company is an industrial partner of the FlexNet Project, which engages with customers and lay out the steps required for flexible networks, including showcasing the technologies, so that they may be adopted and implemented by the commercial sector and governments.

We are also partnering the University of Strathclyde, Scottish and Southern Energy, Scottish Enterprise and the Scottish Funding Council to support a £12.5 million Power Network Demonstration Centre.

The Centre, to be located on ScottishPower-owned land adjacent to the company's Dealain House Technical Training Centre, will play a key role in increasing the UK electricity grid's efficiency and reliability, as well as testing the next generation of smart electrical technologies. This will support the integration of new renewable energy sources, electric vehicles and smart household appliances with the grid, such that emissions and cost can be minimised.

During the year we also supported a project by the village of Ashton Hayes in Cheshire, England, to go carbon neutral. ScottishPower Energy Networks has installed an innovative monitoring system that will show the impact that PV panels, electric cars and other renewables have on the network and will help the community plan for the future.

Social Welfare

ScottishPower Energy People Trust

ScottishPower supported a wide range of humanitarian causes and projects in 2011, ranging from major investments, such as funding for the ScottishPower Energy People Trust (SPEPT), an independently administered charity that provides grants to not-for-profit groups that work at grass roots level to alleviate fuel poverty, to many small donations to local community charities that operate close to our major sites.

The ScottishPower Energy People Trust was established in November 2005. It is an independent charity funding not-for-profit organisations that help people whose lives are affected by fuel poverty.

In 2011 the Trust awarded £1,170,358, funding 25 projects, helping more than 30,000 people in 16,558 households. Since the Trust was established in November 2005, it has awarded over £9 million to 185

projects, which have helped more than 1.5 million people in around 1.2 million households throughout Britain.

Examples of some of the projects funded during the year appear in the Marketplace section.

For further information visit:

www.energypeopletrust.com

Other community investments include Longannet Power Station's on-going sponsorship of a community police vehicle, which operates in the local community, and the Your Champions and Community Heroes award schemes that recognise examples of outstanding citizenship in North-west England and North Wales.

Your Champions and Your Heroes

The "Your Champions" and "Community Heroes" Awards programmes, are run in partnership between ScottishPower and Trinity Mirror Newspapers in North Wales, Cheshire and Southport.

The award schemes recognise members of the local communities for the contributions they have made and there were many inspirational community champions.

The Champion of Champions, Award for 2011 went to the Helsby Golf Club Powered Wheelchair Appeal, which has raised more than £1m to provide powered wheelchairs for hundreds of children with disabilities, while the North Wales Champions were an amazing couple – Arthur and Megan Newes from Llanerchymedd who have raised in excess of £220,00 for Hope House Hospice over the last 10 years.

There were numerous category winners across seven newspaper areas for the Community Heroes Awards in 2011, recognising many inspirational individuals.

Community Support

Other community investments include Longannet Power Station's on-going sponsorship of a community police vehicle, which patrols the villages of West Fife and attends community events.

We also provided support for local special needs groups, senior citizens' lunch clubs, sporting organisations and local events, including the supply of uniforms for volunteers at the International Children's Games, which were held in Lanarkshire during August.

Arts & Culture

Celtic Connections

In 2011 we continued our sponsorship of Celtic Connections, a major traditional music festival, for the 5th consecutive year. The 18-day festival featuring 2,100 musicians and singers from all over the world, attracted audiences of more than 100,000 people at 14 venues across Glasgow.

Sir Tom Jones, the Waterboys, Mavis Staples and Rosanne Cash performed alongside homegrown talent and acts from India, Cameroon, Japan, Israel, Argentina, South Africa, Senegal, Cuba, Bahrain, as well as across Europe, the USA and Canada, as the festival explored the influence of Celtic music around the world.

The festival also includes an education programme and in 2011 more than 15,000 children attended a series of eight school concerts at the Glasgow Royal Concert Hall, while 2,000 children participated in 40 free workshops.

Powerful Performance, a traditional music competition for school musicians, also sponsored by ScottishPower, takes place alongside Celtic Connections, with the winners invited to perform in front of a live audience at Glasgow Royal concert Hall during the festival.

The winners of the 2011 competition were Montrose Academy for their version of Rattlin' Roaring Willie.

The festival not only helps to encourage traditional music and showcase young talent – it also generates wealth for Glasgow and Scotland. It is estimated that in 2011 Celtic Connections generated economic benefit of £4.7 million for Glasgow and £3.6 million for Scotland.

ScottishPower Pipe Band

The company also continued its sponsorship of the award-winning ScottishPower Pipe Band, which was ranked 3rd in the world during the year. The band competes at all major competitions and its members are great ambassadors for the company, playing at both internal and external engagements.

Llangollen International Festival

We also continued its sponsorship of the International Children's Day at the Llangollen International Eisteddfod, a major cultural event in Wales that featured artists from Burundi, Zanzibar, Louisiana, Brazil and India.

A total of 43 countries were represented at the festival with choirs, dance groups, musicians, and vocal soloists from all around the world competing in 28 competitions.

Among the big names headlining the concerts were Lulu, Rick Astley, McFly, Russell Watson, Kiki Dee, Ruthie Henshall and Faryl Smith.

Edinburgh International Book Festival

ScottishPower is a long-term supporter of the Edinburgh International Book Festival, which in 2011 was attended by 800 authors and 190,000 visitors.

In parallel with the festival, the company ran the ScottishPower Story Swap Shop, a competition that encourages primary school children to read, pass on their books to others and raise money for the Aberlour Children's Trust.

In 2011, Port Ellen Primary School on the Isle of Islay was selected as the winner and excited pupils at the school received a visit from acclaimed author Vivian French.

A second competition for secondary school children, The Story Generator, was launched in 2011 to encourage creative writing. The winning school, James Hamilton Academy in Kilmarnock, developed a story from the opening line of Zenith by acclaimed Scottish children's author Julie Bertagna, with each S4 pupil adding another line to build the story.

The school received a prize of books and the pupil who devised the best line received a Kindle, courtesy of ScottishPower. Two runners-up received copies of Zenith, signed by Julie Bertagna.

Volunteering & Fundraising

Volunteering and fundraising by ScottishPower staff contributed more than £200,000 to good causes in 2011.

Numerous charities benefited from the support of our staff during the year including Cash for Kids, Marie Curie, Macmillan Cancer Support, Strathcarron Hospice, Children in Need, Help for Heroes, MIND and Comic Relief, to name but a few.

Fundraising efforts harnessed the power of the cupcake with hundreds bought and sold during the year – to the power of the jetski, with one staff member, Gary Forber, travelling 4,570 miles from Orkney to Monaco on a jetski to raise thousands of pounds for Macmillan Cancer Support and the Make A Wish Foundation.

The sum recorded on our Community Database only includes funds raised by employees that were matched by the company, so the annual total raised by employees will be higher than our official records. Recording of our employee fundraising is something that we hope to improve in the future, to give our big-hearted staff the recognition they deserve.

In February 2012, just outside the reporting period, we launched a new charity relationship with Cancer Research UK, which aims to raise £5 million over three years. We will be publishing regular updates on our progress in the news and media section of our website.

Employee Volunteering

ScottishPower has always encouraged employee volunteering as part of its employee development programme.

Every year we complete a number of community and charity projects as part of IBERDROLA's International Volunteering Day and teams of staff participate in Business in the Community's annual Give and Gain initiative.

We also run various community-based team building exercises and in 2011 we launched an employee volunteering portal, which enables employees to register and be matched up with suitable volunteering opportunities close to their place of work.

During 2011 we were proud to win the Employee Volunteering Award at the Business in the Community Awards Wales and to achieve a highly commended in Scottish Business in the Community's Employee Volunteer of the Year Award for the Carmunnock Willow Plantation Arts & Biodiversity Project, near Glasgow.

The two-year project, in partnership with Glasgow Greenspace, improved a little-used willow plantation that had become a magnet for fly tippers by creating pathways and willow sculptures. The ScottishPower volunteers also helped 200 children from five local schools to learn new skills including coppicing, weaving and creating the sculptures using willow – a local, renewable resource.

Here are some examples of projects carried out by employee volunteers during 2011.

IBERDROLA International Volunteering Day

Teams of staff across the company rolled up their sleeves during October 2011 to take part in the IBERDROLA Group's International Volunteering Day.

Around 120 employees gave up their Saturday to work on community projects in their local areas.

In England and Wales employees completed a range of projects that otherwise would not have gone ahead due to funding issues.

These included a garden clear up at the Dynamic Centre, Wrexham, which provides out of school activities for children and young people with special needs; tree clearance at Penycae Scout Hut, Wrexham; pond building at Talwrn Primary School, Anglesey; painting fencing at Community Integrated Care housing project in Runcorn; and allotment and pond building at Brighton Unemployed Family Centre.

Meanwhile, staff in Scotland were equally busy. They carried out gardening and painting at three Community Integrated Care housing projects in Glasgow at Parkhead, Govan and Pollokshields; installed walkways and repaired and raised vegetable beds that had suffered flood damage at Bothwell Community Garden and worked on a local YMCA garden that was in need of extensive maintenance.

A team of volunteers also spent the day at Starter Packs Inverclyde in Greenock, organising packs of essential household items for distribution to people in need.

East Ayrshire Carers Centre

At the East Ayrshire Carers Centre in Kilmarnock, a team of ScottishPower volunteers stepped in to repair damage that had been caused by recent vandalism.

Six engineers installed new fencing and security lighting to help make the building more secure.

East Ayrshire Carers Centre is a hub for carers of all ages and provides respite care and social activities, as well as educational and work placements for young carers, who often leave school without qualifications. Around 650 young carers are registered with the Centre.

Drumpellier Country Park

Volunteers from ScottishPower's Energy Networks business and the Human Resources team have been helping out at Drumpellier Country Park for the last few years.

The park, situated near Coatbridge, in Lanarkshire, covers an area of 500 acres and has two natural lochs (one of which is a Site of Special Scientific Interest (SSSI)), lowland heath, mixed woodlands and open grassland.

During 2011 a team of 34 staff carried out a variety of activities within the park grounds, including scrub clearance, building natural habitat dwellings, constructing owl boxes and painting.

Another team of 10 ScottishPower volunteers were involved in developing and maintaining the park's wildflower garden.

STEM Volunteers

A team of 30 volunteers from ScottishPower supported the STEM programme during 2011, working to promote Science, Technology, Engineering and Maths in schools.

Our volunteers enrich the schools curriculum in a variety of ways. They deliver careers talks, act as role models, or help deliver interactive activities as part of the STEM agenda in schools across the central belt of Scotland.

In North West England and North Wales we have been supporting a number of partner secondary schools with STEM related activities and have championed Rhosnesni High School, Wrexham.

At this school we have delivered employability sessions, assisted on mock interview days, and for the second year in 2011 we supported a Masterclass that was delivered to over 200 Year 9 pupils over two days, when pupils were given a range of tasks, including problem solving, to complete.

We have also linked with an outreach worker from Clwyd Theatre Cymru, who have delivered a number of sessions for youngsters who are part of a SEAL group – supporting their social and motivational skills. In total 30 pupils have been supported.

Cockenzie Boosts Community Art and Wildlife

Volunteers from Cockenzie Power Station helped children from Cockenzie & Port Seton Primary School to complete a colourful glass mosaic by designing and manufacturing a frame for the artwork.

The mosaic, which was made by children in an Outdoor Classroom Arts and Crafts Group, is now on display in the local Millennium Garden.

During the year Cockenzie employees also participated in initiatives led by the Coastal Regeneration Forum, including the donation and planting of wildflower seeds and plants and the distribution of around 100 bird and bat boxes, to enhance biodiversity and educate children about its importance.

Business in the Community Give and Gain

ScottishPower staff from the Settlements Team in Rhostyllen took part in Business in the Community's Give and Gain day, which saw almost 8,500 employees from companies across the UK complete a vast range of community projects in their local neighbourhoods.

The team set about putting the fun back into playtime at Maes Y Don Primary School, Cefnmawr, Wrexham by painting ladders, steps and balls on to the playground area and giving the school grounds a makeover.

Managed by Business in the Community, Give & Gain Day mobilises employees to volunteer their expertise and time during work hours to support communities in greatest need.

Walton Lea Community Learning

Walton Lea Garden Centre in Warrington is a charity that provides work experience for people with learning difficulties or disabilities.

The projects grows fruit, vegetables and plants and sells these in its shop, along with a range of planters, bird feeders, bird and bug boxes and other items made on the premises.

A large greenhouse at the garden centre, which is used as a workshop for making wood planters and bird boxes when it rains, was in need of urgent attention, so the ScottishPower team sanded down the frame and gave it a couple of coats of wood stain, helping to preserve it for the future.

Brainwave Santa Dash

ScottishPower staff in the North West of England volunteered their services to support Brainwave – a charity that uses a combination of therapies to maximise the potential of children and young people who have brain injuries.

Staff helped out at Brainwave's fundraising Santa Dash as marshalls, and manning registration desks and drinks stations.

Duke of Edinburgh's Award

Following on from our success in Glasgow, our partnership with the Duke of Edinburgh's Award on Merseyside was launched in April 2011, to encourage young people from disadvantaged areas to participate in the scheme.

We are now working with nine schools on Merseyside and 19 schools and community groups in Glasgow, with just over 1,100 pupils across both regions taking their Bronze, Silver or Gold award. To support the project, training was arranged with teachers to ensure that the programme is sustained.

In addition, 35 employee volunteers completed the training to become Duke of Edinburgh Expedition Assessors. Staff also provided marshalling support for the Duke of Edinburgh fundraising challenge.

Sharing Board Expertise

Senior managers from ScottishPower continued to share their expertise by helping and advising the boards of arts organisations and charities during 2011.

Several employees volunteered through the Arts & Business Board Bank in 2011 and three struggling charities were helped by senior management volunteers through Pilotlight Scotland.

Spreading Christmas Cheer

Employees helped to spread some Christmas cheer in the run-up to the festive season by volunteering to help out at the warehouse and distribution centre of Operation Christmas Child, who send shoeboxes filled with gifts to needy children all over the world.

Closer to home, kind-hearted employees from Bellshill, Kirkintilloch and Dealain House organised a gift collection for local children who receive very little at Christmas. The gifts were given to the Salvation Army who distributed them to needy families.

Employee Fundraising

During the year our Charity Chest received 82 applications and awarded £21,000 in match funding up to a maximum of £300, while staff raised at least another £60,211.

The majority of funds raised – 27% – was donated to cancer charities, with a further 20% going to children's and adults' hospices and 13% being donated to medical research charities in support of conditions such as MS, asthma, Crohn's disease and Alzheimers.

Just under a quarter went to children's charities, 5% to local hospitals and the remainder went to overseas charities, armed forces charities and national appeals such as Comic Relief.

In addition, 572 employees donated £57,600 through the company's Give As You Earn scheme, which offers a tax efficient way of helping causes that are close to employees' hearts.

Information on some other employee fundraising schemes from 2011 appears below.

Cash for Kids Gets £12,800 Boost

Employees in Scotland partnered Radio Clyde's Cash for Kids appeal in 2011 and raised the magnificent total of £12,800.

The money was raised by staging a series of fundraising days during November and December, including fancy dress, bake sales and raffles.

Radio Clyde's Cash for Kids charity has raised £15 million since 1981, helping 1.4 million children who are disadvantaged through poverty, ill-health or special needs.

Cash for Kids provides help for needy families at Christmas – but that's not all. It provides early intervention to help prevent children being denied opportunities because of poverty and it supports young carers through the Princess Royal Trust Young Carers.

The Cash for Kids Trust receives more than 21,000 applications for help each year from individuals and social work departments across 15 local authorities.

Energy Retail Staff Raise Nearly £11,000

Staff in Energy Retail raised around £11,000 for a host of charities, including Help for Heroes, Support Our Soldiers, Marie Curie, St Joseph's Family Centre and Comic Relief.

They also donated unwanted coats to the Salvation Army to help homeless people over the winter and filled Smartie tubes with 20p pieces, which resulted in a donation of more than £600 to Zoe's Place, a children's hospice in Liverpool.

Staff in Wales raised funds for the charity MIND, as well as two Welsh miners' appeals and Hope House children's hospice. They also raised £1,200 to buy an electric wheelchair for a local lady who suffers from MS.

Employees in England took part in a daring sky dive to raise more than £1,800 for the Make a Wish Foundation, while others raised a four figure sum to buy an electric bed for a local boy with a heart condition and to support Ronald McDonald House at Alder Hey Children's hospital.

Energy Retail employees throughout the UK also raised funds for the BBC's Children in Need appeal.

Longannet Supports Fundraising Adventurers

Longannet Power Station has a long history of supporting good causes in the local community – including the fundraising efforts of employees, contractors and the family members of staff.

In 2011 staff raised many thousands of pounds for charities by undertaking some fairly adventurous activities.

Plant controller Gary Forber was part of a three-man team of adventurers who jet skied 4,570 miles from Orkney to Monaco in aid of Macmillan Cancer Support and the Make A Wish Foundation.

Gary was joined on the open water journey by friends Colin Gregg and Dugy Ward.

The team completed their epic journey in 26 days and their spectacular effort raised more than £21,000 for their chosen charities.

Other charity champions, from Longannet, included:

- CCR Controller Bobby Smart who completed the Glasgow Santa Dash, to raise money for the Marina Dalgligh Foundation
- Longannet receptionist Maureen Mack, who completed a Midnight Walk to support Strathcarron Hospice
- Bob Hunter, who completed the 55-mile Stirling Cycle Challenge to raise funds for Parkinson's UK
- Contractors from Cape, who completed a 175-mile sponsored bike ride in aid of Help for Heroes
- A team of 12 contractors from Weir Power & Industrial who completed a 50km walk over the Trossach hills in aid of Action Medical Research
- Daughter of Longannet employee, Willie McEwan completed the Edinburgh Half Marathon on the 22nd May 2011 to raise funds for Macmillan Cancer Support.
- Audrey Smith, wife of employee Norrie Price, who carried out an abseil from the Forth Rail Bridge in aid of the Royal National Lifeboat Institution
- Craig Macdonald (son of Longannet's Brian Macdonald) who took part in a two-week hike through the Himalayas to support Childreach International and worked with the charity's projects in Nepal along the route of his hike

6

6

Assurance & Information



This online summary provides information on ScottishPower's challenges and achievements during 2011, and outlines what we are doing to address the key issues facing our industry. The data that appears in this summary consists of:

- a. data that feeds into the IBERDROLA Sustainability Report 2011, published at www.iberdrola.es. The Iberdrola Sustainability Report 2011 has been independently assured by KPMG Asesores S.L.
- b. supplementary data that ScottishPower deems to be material to its stakeholders

The supplementary data covers a wide range of indicators that had not been subject previously to any other form of third party assurance or verification. We have asked KPMG LLP to provide limited assurance over 24 of these KPIs for the year ended 31st December.

These KPIs are listed below.

1	Number of senior managers evaluated against Group Leadership model in 2011
2	Number of places on IMS Scotland Programmes attended by managers during 2011
3	Number of persons starting year one of the skills for work programme during the year and ongoing as at 31st December 2011
4	Number of persons starting year two of the skills for work programme during the year and ongoing as at 31st December 2011
5	Number of persons starting the engineering foundation programme during the year and ongoing as at 31st December 2011
6	Number of persons starting the apprenticeship programme during the year and ongoing as at 31st December 2011
7	Number of persons who started the graduate programme during the year and ongoing as at 31st December 2011
8	Number of persons who worked on the national STEM programme to promote Science, Technology, Engineering and Maths (STEM) to young people during 2011.
9	Estimated number of pupils reached through our STEM activity during 2011
10	The percentage of employees who were contributing to the Share Incentive Plan as at 31st December 2011
11	Average monthly employee contribution to the Share Incentive Plan based on the December 2011 payroll
12	The percentage of eligible employees (those who were employed in a participating company on 2nd October 2008) who were contributing to the Sharesave scheme as at 31st December 2011, and the percentage of total workforce who were contributing to the Sharesave scheme as at 31st December 2011
13	Average monthly employee contribution based on the December 2011 payroll
14	The number of reportable accidents during 2011 that meet the Health and Safety Executive's (HSE) definition; accidents that resulted in absence from work of three days or more
15	The number of dangerous occurrences reported to the Health and Safety Executive (HSE) during 2011
16	Number of employees who underwent in mandatory occupational health screening during 2011
17	Number of business customers that we have sold renewable energy to at any point during 2011
18	The number of business customer supply points that we have supplied with renewable energy at any point during 2011
19	The volume of renewable energy supplied to business customers during 2011
20	Results of Post IVR surveys: number of respondents during 2011
21	Results of Post IVR surveys: The percentage of respondents 'satisfied' during 2011
22	Results of Post IVR surveys: The percentage of respondents that agreed that the service they had experienced was "hassle free" during 2011
23	Number of customers who switched to a better ScottishPower tariff, following our tariff check campaign, as at 1st March 2012
24	Estimated combined annual savings of customers who switched to a better ScottishPower tariff, following our tariff check campaign, as at 1st March 2012

Assurance Opinion



Independent Assurance Report of KPMG LLP to ScottishPower UK Group Limited

KPMG LLP was engaged by the Directors of ScottishPower UK Group Limited (SP) to provide limited assurance over selected Corporate Social Responsibility (CSR) information marked with the symbol (▲) contained within SP's CSR website

www.scottishpowercsr.tv.com for the year ended 31 December 2011.

This independent assurance report is made solely to SP in accordance with the terms of our engagement. Our work has been undertaken so that we might state to SP those matters that we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than SP for our work, for this independent assurance report, or for the conclusions we have reached.

Responsibilities

The Directors of SP are responsible for preparing the CSR website and the information and statements within it. They are responsible for establishing and maintaining appropriate: CSR Reporting Definitions; and performance management and internal control systems from which reported information is derived.

Our responsibility is to express our conclusions to SP in relation to the scope which is set out below.

Assurance scope

We have not been engaged to provide assurance over any data or information relating to the prior year presented on the CSR website.

The extent of evidence-gathering procedures for a limited assurance engagement is less than for a reasonable assurance engagement. Therefore, a limited assurance opinion provides a lower level of assurance than a reasonable assurance opinion.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the selected CSR information contained within the SP CSR website in the context of SP's CSR reporting definitions available on the SP website

www.scottishpowercsr.tv.com.

Scope of work	Level of assurance	Reporting and assurance criteria
Reliability of selected CSR information for the year ended 31 December 2011 marked with the symbol (▲) on the ScottishPower CSR website www.scottishpowercsr.tv.com .	Limited assurance	SP's CSR Reporting Definitions for the selected CSR information available on the ScottishPower website www.scottishpowercsr.tv.com .

Basis of our work

We conducted our work in accordance with ISAE 3000[1], which establishes the ethical and competence requirements for non-financial auditors. We conducted our engagement with a multidisciplinary and appropriately qualified team, experienced in non-financial assurance. The team included specialists in auditing CSR and financial information and with experience in similar engagements.

Our independence

ISAE 3000 requires that the practitioner complies with the requirements of Parts A and B of the Code of Ethics for Professional Accountants[2], which requires, among other requirements, that the assurance provider be independent of the assurance client, including not being involved in writing the CSR website. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG LLP has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence. Our independence from the client is reviewed on an annual basis.

Work performed

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary in relation to the above scope. Our work included, but was not limited to, the following evidence based procedures which are explained below. We conducted three phases of work:

A. Site visit

We conducted a site visit to the Longannet Power Station in Fife to review how CSR data is collected and:

- conducted interviews with management and staff to obtain an understanding of data collection, aggregation and reporting processes and controls;
- examined the systems and processes in place;
- reviewed a selection of the documentation; and
- tested a selection of the underlying data and controls.

B. Head office procedures

We visited three offices where data owners are based and in respect of different types of data at each office:

- conducted interviews with SP management and staff to obtain an understanding of the CSR information data collection, aggregation and reporting processes and controls;
- examined the systems and processes in place, and reviewed a selection of the documentation;
- tested a selection of the underlying data and controls; and
- performed analytical review procedures over the CSR performance data, including a comparison to the prior year amounts having due regard to changes in energy production and changes in the business portfolio.

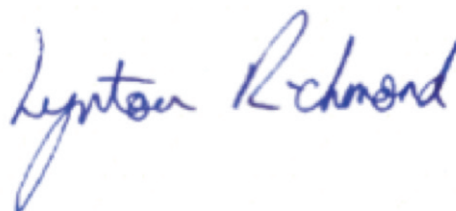
C. Group data consolidation

We reviewed group level data consolidation and:

- conducted interviews to obtain an understanding of the reporting process;
- examined and tested the a selection of the underlying controls; and
- reviewed the presentation of the CSR information within the CSR website to ensure consistency with our findings.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention to suggest that the selected CSR information, marked with the symbol (▲), on the CSR website for the year ended 31 December 2011, is not fairly stated, in all material respects in accordance with SP's CSR Reporting Definitions.



Lynton Richmond for and on behalf of KPMG LLP (UK)
Chartered Accountants
London

9 August 2012

[1] *International Standard on Assurance Engagements 3000: Assurance engagements other than audits or reviews of historical information, issued by the International Auditing and Assurance Standards Board.*

[2] *issued by the International Ethics Standards Board for Accountants.*

▲ 2011 data covered by KPMG's limited assurance scope.

Archive

ScottishPower has always had a proactive approach to stakeholder communication and aims to be among the leading companies in the UK for the quality and accessibility of our reporting on environmental and social impacts.

We published our first environment and community reports in 1995/96 and over the years have continued to report on our environmental and social impacts, moving in 2004/05 to a web-based annual summary.

In 2008, embracing continuing advances in digital technologies, we began to combine our web-based report and downloadable pdf report with video case studies on CSR TV.

This enables viewers to hear not just from the company, but from beneficiaries at grass roots level, about the difference our environmental and social programmes are making in our communities.

In the archive section of our website, you can access our environmental and social impact reports dating back to fiscal year 1996/1997.

CSR Annual Review 2010

CSR Annual Review 2009

CSR Annual Review 2008

CR Report 2007

CR Report 2006/2007

CR Report 2005/2006

2004-2005 Reports

ScottishPower Procurement Performance Report 2004-05

ScottishPower Workplace Performance Report 2004-05

ScottishPower Community Performance Report 2004-05

ScottishPower Health & Safety Performance Report 2004-05

ScottishPower Governance Performance Report 2004-05

ScottishPower Customer Performance Report 2004-05

ScottishPower Environmental & Social Impact Summary Report 2004-05

2003-2004 Reports

ScottishPower Environmental and Social Impact Report 2003-04

ScottishPower Environmental Performance Report Appendices 2003-04

ScottishPower Environmental Report 2003-04

2002-2003 Reports

ScottishPower Workplace Performance Report 2002-03

ScottishPower Environmental Performance Report Appendices 2002-03

ScottishPower Environmental Performance Report 2002-03

ScottishPower Marketplace & Community Performance Report 2002-03

2001-2002 Reports

ScottishPower Environmental Performance Report 2001-02

ScottishPower Sustainability Report 2001-02

ScottishPower Environmental Report Appendices 2001-02

2000-2001 Reports

ScottishPower Environment Report 2000-01

ScottishPower Community Report 2000-01

1999-2000 Reports

ScottishPower Environment Report 1999-00

ScottishPower Community Report 1999-00

1998-1999 Reports

ScottishPower Environment Report 1998-99

ScottishPower Community Report 1998-99

1997-1998 Reports

ScottishPower Environment Report 1997-98

ScottishPower Community Report 1997-98

1996-1997 Reports

ScottishPower Environment Report 1996-97

ScottishPower Community Report 1996-97



SCOTTISHPOWER