



SUSTAINABILITY SUMMARY

2012



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Introduction

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Welcome

Welcome to ScottishPower's Sustainability Summary 2012.

As part of the Iberdrola Group our focus is on building a strong and commercially successful business, with sustainability at the heart of our strategy for growth.

That means being at the forefront of renewable energy technologies, reducing carbon across the energy chain and incorporating environmental, social and cultural awareness into our business plans and activities.

During 2012, our parent company Iberdrola confirmed investment of £10 billion in the UK over the next 10 years, which could create up to 4,000 engineering and technical jobs. We believe the power sector as a whole will help Britain on the way to economic recovery by boosting demand for goods and services through unprecedented levels of investment.

ScottishPower's investment programme between 2013 and 2021 will include the most significant upgrades to the electricity transmission system for 50 years. These projects will increase the capacity of the network to accommodate renewable energy and build resilience, helping to safeguard supplies to customers. In fact investment in Networks during this period will facilitate the connection of offshore and onshore wind generation in Scotland of around 11 GW (enough to power over 6 million homes).

The company is making a major contribution towards reducing carbon emissions in Britain's electricity industry. During the year we continued to increase the volume of clean green electricity that we generate. As the UK's largest developer and operator of renewable energy with 24 operational windfarms and 9 hydroelectric plants, we are now developing projects that utilise the next generation of renewable technologies, including offshore wind, tidal and wave energy.

These projects, such as our 398MW West of Duddon Sands Offshore Windfarm with DONG Energy and our

1,200MW East Anglia ONE offshore wind development, in partnership with Vattenfall, provide the potential to generate green energy on a significant scale by 2020. At the same time as pioneering these new, large-scale technologies, we are repowering two of our oldest and smallest windfarms in Cornwall and Lancashire with modern turbines, to improve their efficiency and output.

We are also involved in low carbon network projects in Glasgow and Cheshire and we are supporting University of Strathclyde's Power Networks Demonstration Centre, which aims to accelerate low carbon solutions for the electricity industry of the future.

We remain firmly committed to responsible development and operation of our renewable energy portfolio and at the end of 2012 had more than 7,500 hectares of land at our windfarms under habitat management, in addition to Biodiversity Action Plans covering all of our other generation sites.

We are among the top three organisations for peatland restoration in the UK and our work to protect Golden Eagles in Argyll over the last 12 years was rewarded in summer 2012 when another chick fledged successfully, bringing the total to five.

High on our agenda is our continuation to help customers improve the energy efficiency of their homes and ensure they are on the best possible energy deal, as well as giving advice on how to reduce their energy bills.

There will continue to be pressure on energy prices due to a range of factors, including the level of investment required to modernise Britain's electricity assets, government schemes and wholesale costs.

Between 2008 and 2012 we invested £400 million in home insulation and other measures, through the Government's CERT programme, beating our target for assisting the most vulnerable households by 20%.

During 2012 we spent £190m on energy efficiency and social programmes. The ScottishPower Energy People

Trust awarded funding of £2.2m to 52 projects in 2012, helping an estimated 116,000 people living in fuel poverty.

I am delighted to report that we contributed a total of £6.2m in community investment last year across a range of projects, from economic development, education and skills training, to environmental projects, charitable causes and cultural initiatives. You can read about these in the Our Communities section.

In February 2012 we launched a new, three-year relationship with Cancer Research UK that raised well over £1m in its first nine months. The money was raised through employee fundraising and a special Help Beat Cancer energy product, where ScottishPower makes a donation to Cancer Research UK for every customer who signs up. Our thanks go to all customers and staff who have supported this initiative.

Our employee volunteering programme continued to expand during 2012, with hundreds of staff involved in fundraising, or giving their skills and time to projects as diverse as painting community buildings, landscaping country parks and giving up their summer holiday to help train young people in Brazil.

This Sustainability Summary outlines our environmental, social and economic performance during 2012 and we hope you find it interesting. As always, we welcome your comments, which can be sent by email to us at crfeedback@scottishpower.com.



Keith Anderson
Chief Corporate Officer, ScottishPower

About this Summary

The ScottishPower Sustainability Summary is designed to complement the Iberdrola Sustainability Report and focuses on the issues that UK stakeholders have told us are important to them.

The Iberdrola Sustainability Report 2012, which gives full details of the group's economic, environmental and social performance using the Global Reporting Initiative (GRI) indicators, can be found at: www.iberdrola.es

This Summary relates to the year ended 31 December 2012, unless otherwise stated, and consists primarily of data that feeds into the Iberdrola Sustainability Report 2012, which has been independently assured by KPMG Asesores S.L.

We have also included additional information that ScottishPower deems to be material to its stakeholders. This supplementary information covers a wide range of indicators, many of which have been reported to external organisations, such as Ofgem and Consumer Focus (now Consumer Futures).

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, including ScottishPower Renewables, but excludes 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 this website, where we would encourage you to leave your comments on this Summary.

Our Year in Summary - Highlights

January to March

In January we announced a reduction in gas prices, equivalent to 5% off the average annual bill for around 1.4 million domestic gas customers.

We also announced that our £2.6 billion investment in the transmission network across central and southern Scotland had been fast tracked for approval by the Regulator, Ofgem. The plans cover the period from 2013 to 2021 and will create up to 1,500 new jobs, delivering some of the most important network upgrades for 50 years.

Helping customers to use energy more efficiently has been a key priority for several years and in January we announced a pilot project of a new community energy advice service, endorsed by the Energy Saving Trust, based in Motherwell and North Shields.

Meanwhile, a targeted campaign to alert customers to the savings they could make simply by changing tariff was taken up by more than 20,000 customers, resulting in estimated savings of £4 million.

In February we welcomed Scottish Minister for Youth Employment, Angela Constance MSP, to Cardonald College, where she met young people going through three vocational engineering courses, run in conjunction with ScottishPower – Skills for Work, PowerSkills and the Engineering Foundation Programme. The courses are aimed at young people, some of whom had struggled to get into education or employment.

ScottishPower Chairman, Ignacio Galán, announced the creation of 300 new engineering and technical jobs to support the company's £5 billion investment in major upgrades of our electricity networks. The announcement was made at our Scottish training headquarters in Cumbernauld with the First Minister of Scotland, Alex Salmond MSP.

We also announced our new relationship with Cancer Research UK in February, with the objective of raising £5 million for the charity over three years. This has since been revised upwards to £6 million. The deal includes a dedicated Help Beat Cancer energy

product, sponsorship of the flagship Race for Life annual fundraising event, employee fundraising and health campaigns.

Also in February, ScottishPower achieved the top score out of the UK's major energy suppliers in Which? Magazine's survey of the industry's telesales practices.

Major contracts worth £1 billion were awarded to Siemens and Prysmian to build a 420km subsea electricity link that will connect the transmission system in Scotland with those in England and Wales.

In March the latest array of turbines at Whitelee Windfarm was connected to the grid, taking the windfarm's operating capacity to 539MW during 2012. Whitelee Visitor Centre reopened for the summer, with an activity programme launched by Scottish Government's Energy and Tourism Minister, Fergus Ewing, MSP.

March also saw the closure of Cockenzie Power Station, our 1,200MW coal-fired plant in East Lothian, after 45 years of operation. ScottishPower has planning consent to build a new gas-fired facility at the site.

April to June

We were pleased to announce in April that we had retained our position as one of the best performing major energy companies in Ofgem's annual customer satisfaction survey. We also showed one of the largest improvements in service since 2010.

In April we were delighted to meet HRH the Duke of Rothesay at Dumfries House near Cumnock. At a meeting hosted by East Ayrshire Council, our Chief Corporate Officer and CEO of ScottishPower Renewables, Keith Anderson outlined ScottishPower's plans to deliver tens of millions of pounds of investment in renewable energy projects in Ayrshire and the opportunities for economic development, skills enhancement and training.

We also announced £1 million of investment in youth development in North West England and North Wales through our support for grassroots skills development programmes during the 2011-13

period including the Duke of Edinburgh's Award, pre-apprentice schools programmes, and technical partnerships with colleges and universities.

Whitelee Windfarm welcomed a delegation of UK Ambassadors from several Arab States, including Kuwait, Lebanon, Qatar, Bahrain, Egypt, Morocco, United Arab Emirates, Oman, Sudan, Yemen, Tunisia, Algeria, Jordan and Saudi Arabia, as part of an international fact finding visit.

ScottishPower Renewables and DONG Energy announced the award of contracts worth €115 million to Boskalis Offshore, SMIT Marine Projects and Volker Construction International for the transportation and installation of turbine foundations for the 389MW West of Duddon Sands Offshore Windfarm in the East Irish Sea.

In May, the Rt Hon Edward Davey MP, UK Secretary of State for Energy and Climate Change, officially opened our new offices at Tudor Street in London.

Two of our flagship education and training initiatives, the PowerWise public safety programme and the Young Apprentice engineering work experience programme, were re-accredited with Big Tick Awards by Business in the Community.

We successfully completed initial testing of a tidal turbine in Orkney, which has been providing electricity to homes and businesses on the island of Eday. The device will eventually be deployed in a 10MW tidal array in the Sound of Islay.

Also in May, we became the first energy utility in the UK to launch our Midata web platform, which is designed to offer individual customers access to data about their energy consumption history and check they are on the best tariff. In the same month, we achieved a Five Star rating for customer handling from consumer champion Which?

In June, Whitelee Windfarm Visitor Centre became the first wind energy project to join the Association of Scottish Visitor Attractions. The Centre, which opens seasonally, has attracted a quarter of a million visitors, including at least 10,000 school children on organised trips, since it opened in September 2009.

Speaking at Iberdrola's Annual General Meeting, Ignacio Galán, Chairman of Iberdrola and ScottishPower reaffirmed the company's commitment to invest €6 billion on upgrading the UK's distribution and transmission systems, despite the economic uncertainty taking place in the Eurozone.

Also in June, our work with young people in Wales was recognised by Business in the Community's Business Inspiring Young People Award, for our support of Ysgol Rhosnesi, a high school in Wrexham.

July to September

In July, ScottishPower Renewables announced a £10,000 annual investment in skills training and education for people living in Tiree, to help them gain qualifications linked to employment in renewable energy.

We also announced that ScottishPower Renewables had reached agreements with four windfarm developers in central Scotland, covering five windfarms, to provide access to data from our custom-built radar station in Kincardine, which was built in 2006 to mitigate the concerns of Glasgow Airport and National Air Traffic Services (NATS) during the construction and operation of Whitelee Windfarm. The agreements have helped to 'unblock' up to 110MW of renewable energy that was restricted due to potential radar concerns.

ScottishPower's Board of Directors outlined plans to build a new 14 storey Headquarters office in Glasgow, to support continued investment in Scotland.

Also in July, we announced our involvement in STEP-UP, a European collaboration between industrial and academic partners in Glasgow, Gothenburg, Ghent and Riga on low carbon energy strategies to meet the European 2020 energy targets for improved energy efficiency, growth of renewable energy and carbon emissions reduction.

We also announced that our Retail business had improved its performance in the latest quarterly

energy complaints data compiled by Consumer Focus, from January to March 2012, increasing from a 3 star rating to a 4 star rating, while consumer magazine Which? had awarded ScottishPower the top score of 5 stars for billing and account management.

In August we submitted a planning application to the Scottish Government for a third extension at Whitelee Windfarm. The additional five turbines would take the installed capacity of the site to 551MW.

We also announced that our pioneering 95MW tidal energy project, off the coast of Caithness in the Pentland Firth has been shortlisted for the Scottish Government's £10 million Saltire Prize. The project, still in the early stages of development, will utilise the revolutionary HS1000 tidal turbine.

In September we welcomed more than 100 new starts, ranging from pre-apprentice students, to apprentices and postgraduate scholars, following a recruitment drive to fill around 300 engineering and technical roles in our Energy Networks business.

Also in September, we announced our Winter Commitments to customers, pledging to do even more to help vulnerable customers, including free insulation, Warm Home Discount guarantee to those eligible, debt recovery breaks, no winter disconnections and a fixed prices deal for two winters.

ScottishPower Renewables and Vattenfall awarded contracts worth £17 million relating to the East Anglia offshore windfarm development to the Aberdeen-based Wood Group and Steel Engineering of Renfrew.

ScottishPower Chairman Ignacio Galán met the UK Chancellor of the Exchequer, the Rt Hon George Osborne MP, in September at the Treasury in London.

Mr Galán outlined our investment plans and praised the UK's long track record of a consistent regulatory framework, but called for the Electricity Market Reform to be finalised as soon as possible, to establish reasonable investment conditions for energy generation plans currently being developed.

October to December

In October we announced the creation of 340 new jobs to support our Retail customer service operation with call handling for gas and electricity account holders and to support our Home Comfort product, which includes boiler maintenance.

Work began at Harestanes Windfarm in Dumfriesshire, a £160 million investment, which is expected to support 150 jobs over two years.

We also announced that fundraising for Cancer Research UK had reached the £1 million mark, as around 400 staff, friends and families volunteered to take calls and donations from the public during Stand Up to Cancer, a fundraising event televised on Channel 4.

In November we announced the steps we were taking to safeguard our network against winter storms, including around £330 million of maintenance and upgrades, as well as helicopter and foot inspections by engineers and vegetation surveys. We also issued advice on measures customers can take to prepare for an unexpected loss of power supply.

Also in November, we were awarded £8 million from the Low Carbon Networks Fund for a trial project that aims to improve the process for connecting small, community-based renewable energy projects to the grid. ScottishPower's partners in the Accelerating Renewable Connections Project include Smarter Grid Solutions, Community Energy Scotland and the University of Strathclyde.

In December we moved into 3rd position for overall customer satisfaction in the latest customer report from uSwitch, with a 70% rating for customer satisfaction – a 9% improvement on the previous year.

We also submitted a planning application for the East Anglia ONE offshore wind development, a joint venture project with Vattenfall, which could provide up to 1,200MW of renewable energy.

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. During 2012 the Group employed more than 30,000 people in 39 countries worldwide, with operations concentrated in the Atlantic region, including Spain, the United Kingdom, the United States, Mexico and Brazil.

In January 2012, ScottishPower acquired 100% of ScottishPower Renewable Energy Limited, previously a subsidiary of Iberdrola, world leader in renewable energy, and is now responsible for the development, construction and operation of Iberdrola's renewable energy activities in the UK and Ireland.

During 2012 ScottishPower's main business divisions were:

Networks Business

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

Retail and Generation 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 5.6 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.

Renewables Business

ScottishPower Renewables is responsible for the development, construction and operation of Iberdrola's renewable energy projects in the UK and Ireland, including onshore and offshore windfarms and the development of wave and tidal energy projects. At the end of 2012 our operational windfarms had a combined installed capacity of more than 1,200MW.

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

Key Statistics

At the end of December 2012 our key statistics were:

- 7,434 employees
- 5.6 million electricity and gas customers
- 3.5 million electricity connections
- 6,036 MW of generation capacity
- 118,116 km of underground cables and overhead lines
- Turnover of £8,030 million
- Net generation output of 18,703 GWh
- Electricity and gas sales of 57,100 GWh
- Community investment of £6.2 million

Stakeholder Engagement

We have ongoing relationships with various stakeholder groups, as we believe open and honest communication with stakeholders and understanding their opinions enables us to develop better-informed policies and strategies.

ScottishPower is represented on the Iberdrola Group's CSR and 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.

Stakeholder consultation now forms a major part of the regulatory framework for Britain's networks businesses, following a major overhaul by Ofgem, who have given customers, network users and other stakeholders an enhanced role in developing and scrutinising company business plans.

The stakeholder groups we engage with most regularly include the following:

Employees

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 Ofgem as well as Consumer Focus and Citizens Advice (now Consumer Futures) who represent the interests of our customers.

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.

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 Government, the devolved administrations and their agencies on all aspects of energy policy and other industry issues, as well as local constituency issues.

We communicate with government through meetings and our responses to government and regulatory consultations. We are also represented in discussions with government through various industry associations.

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 (now Consumer Futures).

Associative Bodies

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

- Energy UK (formerly the Energy Retail Association and Association of Electricity Producers)
- Energy Networks Association (ENA)
- Renewable UK
- Scottish Renewables
- Energy Institute
- Scotland's 2020 Climate Group
- Business in the Community and Scottish Business in the Community
- Fuel Poverty Advisory Group
- Scottish Fuel Poverty Forum
- All Party Parliamentary Fuel Poverty & Energy Efficiency Group (Associate member)
- Arts & Business Scotland
- Generators' Safety and Integrity Programme (GENSIP)
- Joint Environment Programme (JEP) – a research organisation established by the UK's coal producers
- Energy UK

Benchmarking and Recognition

ScottishPower received several awards during 2012. Business in the Community recredited two Big Tick Awards – one in the Education category for the company's PowerWise public safety programme and another in the Work Inspiration category for its Young Apprentice engineering work experience programme.

In addition, the company was awarded the Business Inspiring Young People Award by Business in the Community (Wales) for its sustained support of Ysgol Rhosnesni, a school in Wrexham where staff have provided Masterclasses for pupils in science, technology, engineering and maths.

ScottishPower was joint winner of the Community Award in the Arts & Business Scotland Awards for its work with the National Theatre of Scotland.

Roy Jones from the Corporate Social Responsibility (CSR) team was awarded an MBE in Her Majesty The Queen's New Year Honours for services to young people in Wales.

During 2012 ScottishPower also received the Engineering Heritage Award from the Institution of Mechanical Engineers (IMechE) for Cruachan Power Station – the world's first high-head reversible pumped storage power station.

Shoreham Power Station received a Gold Award in the Royal Society for the Prevention of Accidents' annual health and safety awards.

ScottishPower also won the Roll Out Innovation Award in the European Smart Metering Awards and the Marketing Initiative of the Year at the Utility Industry Achievements Awards 2012.

During the year our Retail business performed well across a range of external benchmarks for customer service.

We were ranked top out of the UK's 'big six' energy suppliers for our telesales practices by Which? Magazine with a score of 92%, and retained our position as one of the top performing energy suppliers in Ofgem's annual customer satisfaction survey.

In addition, we received a five star rating from Which? following research into the way Britain's energy suppliers deal with their customers. Which? also awarded ScottishPower the top score of 5 stars for billing and account management practices, after examining payment policies and ease of customer submitting meter readings. ScottishPower stood out for the clarity of bills, particularly the way that key information was easy to find on the first page.

During the year we improved our complaints performance, and moved upwards in the Consumer Focus ratings from 3 stars to 4 stars. We also moved up into 3rd place for overall customer satisfaction in uSwitch.com's Customer Satisfaction report. The research showed that 70% of customers were satisfied – 9% more than last year.

The company won two awards in the National Skills Academy awards, including Education & Training Provider of the Year and George Hedley of Learning & Development received an award for Contribution to the Power Sector 2012. Paul Cormack of Learning & Development also received the Attraction and Resourcing Award at the HR Network Scotland Awards.



Governance

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Governance

Scottish Power 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 (the “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. As a general guiding principle, the group adopts the principles and rules 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 development, revision and ongoing improvement of corporate governance regulations is part of the strategy that the Iberdrola group, including Scottish Power, 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 follow the link below:
<https://www.iberdrola.es/webibd/corporativa/iberdrola?cambioldioma=ESWEBACCGOBCORSIS>

In particular, Scottish Power is committed to the highest standards of ethical conduct and integrity in its business activities in the UK and overseas and in particular does not tolerate bribery or corruption of any type, whether attempted by outsiders or by its own staff. In compliance with the Bribery Act 2010, which came into force on July 2011, Scottish Power put in place its Anti Bribery and Anti Corruption Rules in June 2011.

Scottish Power Ltd (“Scottish Power”) is the head of country subholding company of the Iberdrola Group in the United Kingdom. Scottish Power has a strategic role acting as the holding company of the Scottish Power UK group (the “SP Group”).

The Scottish Power Board combines both global international business experience with a strong UK core to ensure its activities are globally coordinated and implemented in the most appropriate way in the UK. Scottish Power operates in the United Kingdom through the following head of business subholding companies: Scottish Power Generation Holdings Limited; Scottish Power Energy Networks Holdings Limited; and ScottishPower Renewable Energy Limited, all indirectly wholly owned by Scottish Power.

Pursuant to the Corporate Governance System of the Group, the Governance Model duly separates the management and supervisory functions within Iberdrola and its Group, as well as between the central strategy function and decentralised executive responsibilities. In this regard, Iberdrola, as the parent company within the Group, is responsible for establishing the overall management policies, strategies and guidelines of the Group, supervising the development of such strategies and guidelines on the various country subholding companies and deciding on matters of strategic significance at a Group level.

As a consequence of the decentralisation model, the Board of Directors of Scottish Power principal responsibility is the formulation and implementation of SP Group Strategy, entrusting to the head of business subholding companies of SP Group the duties of day-to-day management and effective guidance and operational business management.

Governance in 2012

On January 2012, the SP Group acquired 100% of Scottish Power Renewable Energy Limited a subsidiary of Iberdrola. Since that date the SP Group has been responsible for the management of the renewable energy activities of Iberdrola in the UK and Republic of Ireland.

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

Keith Anderson was appointed as a director.

Susan Deacon was appointed as a director.

Lord Kerr was appointed Vice-Chairman.

Fernando Becker Zuazua resigned as a director.

José Luis San Pedro Gerenabarrena resigned as a director.

Amparo Moraleda resigned as a director on leaving the company.

The Scottish Power Limited Board comprises the Chairman José Ignacio Sánchez Galán and nine other directors.

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 Audit and Compliance Committee is governed by the Memorandum and Articles of Association of Scottish Power Limited and by its Terms of Reference. 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 Scottish Power. 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.

The directors of Scottish Power Limited and their classifications are shown below:

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

Lord Kerr of Kinlochard (Vice- Chairman)
Independent, non-executive director

Keith Anderson (CCO)
Non-independent, non-executive director

José Miguel Alcolea Cantos
Non independent, executive director

José Sainz Armada
Non-independent, non-executive director

Juan Carlos Rebollo
Non-independent, non-executive director

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

Sir Tom Farmer
Independent, non-executive director

Susan Deacon
Independent, non-executive director

The Scottish Power Co-ordination Committee is a permanent internal body, without executive functions, having an informative and coordinating role, for the activities of SP Group. The Co-ordination Committee ensures executive focus on co-ordinating the activities of SP Group. It meets fortnightly and receives regular information on the activities of SP Group in order to support the corporate functions and lines of business in understanding the local, legal and regulatory and market specifics in the UK and assist the Chief Corporate Officer ("CCO") in the performance of his duties. The Co-ordination Committee reports to the Scottish Power Board and currently comprises eight senior executives including the CCO, directors of Finance, Regulation, Human Resources, Communications, the Chief Executive Officer ("CEO") of the Liberalised Business, the CEO of the Regulated Business, the CEO of the Renewables Business, and the Head of Legal and General Secretary.

The head of business subholding company boards are comprised as follows:

Board of Directors of
Scottish Power Generation Holdings Limited:

Francisco Martínez Córcoles (Chairman)
Neil Clitheroe (CEO)
Aitor Moso Raigoso
Ángel Chiarri Toscano
Felix Rojo Sevillano
Fernando Tallón Yaguez (resigned 9.04.12)
Heather Chalmers White
Hugh Finlay
Óscar Fortis Pita

Board of Directors of
Scottish Power Energy Networks Holdings Limited:

Javier Villalba Sánchez (Chairman)
Frank Mitchell (CEO)
Antonio Espinosa de los Monteros Herrera
José Izaguirre Nazar
Nicola Connelly
Scott Mathieson
Dame Denise Holt
 Independent, non-executive director
 (appointed 24.05.12)

Board of Directors of
ScottishPower Renewable Energy Limited:

Xavier Viteri (Chairman)
Keith Anderson (CEO)
Pablo Canales Albaitua
Javier Garcia de Fuentes
 (appointed 30.05.12)
Jonathan Cole (appointed 30.05.12)
Susan Deacon (resigned 30.05.12)
Denise Holt (resigned 4.05.12)
Regina Reyes (resigned 29.05.12)

Vision and Values

In accordance with the corporate governance system of IBERDROLA, S.A. and with Scottish Power 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.

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.

Our vision, which applies to the whole IBERDROLA Group, 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

To strengthen the process of supervision in areas related to sustainability, the IBERDROLA Board of Directors created a Corporate Social Responsibility Committee in 2010. The Committee is chaired by Samantha Barber, a former CEO of Scottish Business in the Community, and has significant duties in the areas of CSR, reputation, corporate governance and regulatory compliance.

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.

Our Head of CSR in the UK represents ScottishPower on the IBERDROLA CSR and Reputation Committee, which coordinates and monitors CSR and reputational issues, and chairs 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. It meets three times per year, is responsible for policy development and review and advising business heads on CSR.

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 and Management Approach

- Investment for the period 2012-14 projected to be £3.6 billion
- £1 billion contract awarded for new subsea electricity link between Scotland and England & Wales
- ScottishPower's proposals for £2.6 billion Transmission Grid investments were fast tracked for approval by Ofgem

ScottishPower's parent company, Iberdrola, underlined its commitment to the Scottish and UK economies in 2012, by confirming investment in the UK between 2012 and 2014 is projected to be £3.6 billion. This accounts for 40% of Iberdrola's global investments – and two thirds of this will be in Scotland.

We believe our investments will create value for the UK, helping economic recovery through the creation of skilled jobs, major procurement contracts and boosting demand for goods and services within UK communities. The creation of new employment will also increase income tax and national insurance payments to the UK Treasury. ScottishPower is a commercially successful business and we are committed to creating value for shareholders and the Scottish and UK economies.

These major investments will be mainly in Energy Networks, to conduct the most significant upgrades the electricity transmission system has seen since it was built more than 50 years ago, along with continuing investment in renewable energy, including offshore and onshore wind, tidal and wave energy projects.

Networks projects will include a new 420 km subsea, high voltage electricity link between Scotland and England & Wales, as well as further strengthening of the interconnectors between the North and South of Scotland networks and increasing the capacity of the land-based power links between Scotland and England.

Major offshore wind projects are also being planned, including the construction of the 398MW West of Duddon Sands windfarm in the East Irish Sea with DONG

Energy and a joint venture project with Vattenfall of up to 1,200MW off the coast of East Anglia. In addition, there are plans for further offshore wind development and marine energy off the west coast of Scotland.

During 2012 we announced that we would build a new 220,000 sq ft headquarters office in Glasgow, which will accommodate around 1,500 employees. The new 14-storey building will be the largest single occupier office development in the city for 25 years.

In May, our new London office was officially opened by Secretary of State for Energy and Climate Change, Ed Davey, while John Swinney MSP, Scottish Government Cabinet Secretary for Finance, Employment and Sustainable Growth, officially opened another new office in Blantyre, Lanarkshire, which will support customer service and the company's major network engineering projects.

In December, our Chairman Ignacio Galan, who is also Chairman and CEO of Iberdrola, met Chancellor of the Exchequer George Osborne at the Treasury to discuss significant regulatory issues and the importance of decisions being made now, via the Electricity Market Reform proposals enshrined in the Energy Bill, to future investment in electricity generation.

Reasonable investment conditions will be required if companies such as ScottishPower are to commit to building new power stations to replace the UK's ageing coal fleet, some of which, including our own Cockerley Power Station, are now being taken out of service.

Energy prices remained a topical issue during the year, as suppliers' spend under Government energy efficiency obligations increased and supply margins remained tight. ScottishPower continued to work hard during 2012 to minimise the impact of price increases on customers by conducting tariff checks, providing free energy efficiency advice and supporting vulnerable customers through social programmes, such as the Warm Home Discount.

Performance

	2012 (million)	2011 (million)
Revenues	£7,806	£7,434
Earnings Before Interest and Tax	£835	£399
Net profit	£646	£302
Staff costs	£377	£367
Net capital investment	£957	£548

Key Financial Results

Profit increased in 2012 in comparison to 2011 due to the inclusion of the UK Renewables business into the ScottishPower Group of companies and because of the £169 million write-down (impairment charge) on future revenues from one of our coal-fired power stations which impacted the 2011 results.

Revenue increased mainly within the Retail business due to increases in the volume of energy sold, increases in the customer base and in domestic and business customer tariffs. Demand for electricity during the year increased by 5% and demand for gas increased by 17%, compared with 2011, due predominantly to weather conditions. Revenues in the Generation and Wholesale businesses decreased due to lower power sales to the wholesale market.

Operating costs increased in the year mainly with the inclusion of the Renewables business. Cost increases for increased activity in our Networks business and higher IT costs were offset by the impact of restructuring in the Retail business. At 31st December 2012, we employed 7,190 people.

ScottishPower's debt, and hence its finance costs, was higher than in 2011, again mainly due to the inclusion of the Renewables business. Windfarm and other renewable energy developments require a significant upfront investment and the cost of borrowing to build these sites is taken into consideration before a project is approved. Once built, a windfarm is expected to generate electricity for more than 20 years.

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.

We paid £102 million in Corporation tax in 2012. In addition, we paid £25 million in Employers' National Insurance Contributions and remitted £71 million in respect of Employees' Income tax and National Insurance deductions.

Restructure

On 1 January 2012, ScottishPower Renewable Energy Limited was incorporated into the ScottishPower Group. Since January 2012 ScottishPower has been responsible for the management of the renewable energy activities of Iberdrola in the UK and Republic of Ireland. When Iberdrola bought ScottishPower in 2007, the activity within the Generation business that related to renewables was aligned with the Iberdrola global renewables business. Since this time, ScottishPower Renewables has been developed into a standalone UK business segment which had 1,215 MW of renewable energy capacity as at 31 December 2012 as well as further projects in development.

On 1 May 2012, ScottishPower transferred ownership of Iberdrola Canada Energy Services Limited to another subsidiary of Iberdrola. This small business specialised in gas trading and storage in the Canadian market and transferring this business has had little impact on the 2012 financial results.

Investment

In 2012, ScottishPower's key investments were mainly in our Networks and Renewables business. Iberdrola expects to invest around £10 billion in the UK in the coming years, in networks, windfarms and other forms of generation, such as Combined Cycle Gas Turbine power stations.

Network Investment

Investment in the transmission system as a whole will total £2.6 billion over the period from 2013 to 2021, representing the most extensive improvements since the grid was built more than 50 years ago. The work will include providing new connections for onshore and offshore windfarms, along with the replacement of 800km of overhead lines and renewal and replacement of electricity substations. In January 2012 we received the welcome news that the Regulator, Ofgem, had fast tracked our plans for approval.

Key investments in the transmission system include starting the construction of the Western 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 420 km cable, representing an investment of £450 million, 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.

Projects are also under way to strengthen the existing Anglo Scottish interconnector, along with our section of the Beaulieu-Denny powerline and upgrades to the lines between the East and West of Scotland.

During the year we consulted widely with stakeholders to help finalise our investment plans for the electricity distribution networks in Central and Southern Scotland, the North West of England and North Wales for the period 2015 to 2023. These projects represent investment of several billion pounds and will improve the performance and reliability of the network, benefiting our customers. The plans will be submitted to Ofgem for approval during 2013.

Renewable Energy Investment

Significant investments in renewables include a further extension to Whitelee Windfarm – one of the largest onshore windfarms in Europe – and our £1.6 billion offshore windfarm at West of Duddon Sands in the East Irish Sea. A £50 million purpose built assembly facility at Belfast Harbour was completed during 2012 to support this project.

During the year construction started at Harestanes windfarm, in Dumfriesshire, which represents an investment of £160 million.

Traditional Generation Investment

The Energy Bill, published in November 2012, contains wide-ranging reforms to the British electricity market that are designed to create an environment conducive to investment in clean generation, to ensure the UK has a secure and affordable, low carbon energy supply in the future.

The Energy Bill also aims to make the UK more self sufficient for its energy, to reduce our exposure to expensive global gas prices. In addition, it contains proposals the Government believes will result in a better deal for consumers.

ScottishPower has maintained dialogue with the Government over its proposals, particularly on issues such as the capacity mechanism, which we believe will be an essential catalyst to investment in new generation plant to replace the 20GW or so of coal, old gas and nuclear power stations that may close over the next decade.

We have urged the Government to expedite progress over Contracts for Differences and introduce a capacity mechanism by 2014 to ensure new generation capacity can be built in time to replace the UK's ageing fleet.

ScottishPower has plans to support the UK's need for traditional generation capacity by building new Combined Cycle Gas Turbine power stations and the capacity mechanism is key to those projects being implemented. We reaffirmed during the year that we will invest to help address the UK generation gap, provided there is a clear, long-term commercial and regulatory framework.

Community Investment

We continued to support numerous programmes in the communities we serve during the year, including skills and employability training for young people, public safety and environmental projects, as well as economic development, energy efficiency and charitable giving.

Our total community investment during 2012 was £6.2 million. Examples of the projects we supported appear in the Our Communities section.

Energy Prices & Regulation

As both a retail supplier of electricity and gas and a generator of electricity, ScottishPower is impacted by both local and international energy price movements. Energy prices have been on an upward trend in the past due to international gas and oil prices. This trend is likely to continue into the future, as higher network and environmental costs add to the upward pressure.

Global events ranging from political unrest in the Middle East to the growing demand for gas in Asia affects the wholesale gas price in the UK. Then there are weather related fluctuations, with cold conditions increasing demand and pushing up prices.

Gas is used to generate a proportion of Britain's electricity, so rising gas prices have a knock-on effect on electricity prices, which are also affected by international events

Wholesale energy costs are a significant factor in determining the prices consumers pay for their energy, but they are only part of the picture. Energy prices will continue to rise, year on year, for some time into the future, as a result of the investments required in low carbon, renewable energy and in upgrading electricity networks, along with Government obligations to spend many millions of pounds on making customers' homes more energy efficient and providing help and rebates for vulnerable customers.

For more information on energy prices and price decreases and increases, please see the Pricing and Product Innovation section, under Our Marketplace.

Energy Efficiency and Help for Vulnerable Customers

We spent £160.5 million on customer energy efficiency programmes in 2012 and provided £30.4 million in support for vulnerable customers. Our combined total spend of £190.9 million was up by 112% on 2011.

Since the Carbon Emission Reduction Target (CERT) scheme was launched in 2008, ScottishPower has invested more than £400 million, helping to improve energy efficiency in around one million homes across Britain.

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



4

Environment



Highlights

ScottishPower remains committed to environmental sustainability.

Some performance highlights from 2012 include:

- We increased our output of renewable wind energy during the year, avoiding 1,047,237 tonnes of CO₂
- We reduced the volume of non ash waste arising from our operations by 16% on 2011 levels and progressed our long term aim to become a zero waste company
- We reduced CO₂ emissions from transport by 36% and launched a new Transport Policy, which emphasises active travel and public transport over private car use
- ScottishPower Renewables was named among the top three restorers of blanket bog habitat in the UK, along with the Royal Society for the Protection of Birds (RSPB) and the EU Life Project
- A Golden Eagle chick successfully fledged at our Beinn an Tuirc windfarm in Kintyre, the fifth since we implemented a ground breaking Habitat Management Plan 10 years ago
- ScottishPower Renewables planted 9,000 native trees at Beinn Tharsuinn windfarm in the Highlands
- 87 bird species were recorded at Longannet Power Station during the year, 33 of which bred and 50 bird species were found during Cruachan Power Station's annual breeding bird survey

Policy, Organisation & Management System

ScottishPower's environmental policy, organisation and environmental management system are 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 (EMS) that covers the entire Iberdrola Group. This is supported by comprehensive systems at business and site level that are certified under various standards, such as ISO14001, Eco Management and Audit Scheme (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:** Global Reporting Initiative (GRI) methodology indicators that provide an overall classification of each guideline area
- **Environmental goals and plans:** with targets, these drive actions for 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 EMS based on UNE-EN-ISO 14001:2004 linking, where appropriate, to our Corporate EMS. We also operate EMAS at some of our assets. Within many of our businesses, EMS structures are embedded within an Integrated Management System (IMS).

Further information and the certification status of operations in the UK (for ScottishPower and IBEDROLA Companies) can be viewed at www.iberdrola.com.

Evaluation of the Group's environmental performance and its continuous improvement is conducted internally 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 also continued throughout 2012, which enables direct engagement with environmental stakeholders
- Topics under discussion during this year included review of our management approach to the creation of infrastructure for smarter city design and preparations for the introduction of the Green Deal and Energy Company Obligation.

Stakeholder Issues

Our key environmental stakeholder issues in 2012 related to:

- Materials Consumption and Resource Productivity
- Energy
- Water Management
- Greenhouse Gas Emissions
- Waste and By-products
- Biodiversity Management
- Compliance
- Transport and Mobility

Management Focus on Environmental Indicators

Environmental indicators allow for an evaluation of the Company's performance and provide support for decision-making. Our management focus during 2012 continued to be on the environmental aspects considered to be the most significant to our business and stakeholders, as outlined below.

Materials Consumption and Resource Productivity

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 2012, 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. These were assessed in 2012 as a basis for further improvement.

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. Across our businesses, we have initiatives dedicated to minimising the amount of waste we produce.

Energy

ScottishPower strives for efficiency across the energy chain. This includes efficient energy production through introducing more advanced equipment and technology.

It also includes efficiency in transmission and distribution – in which substantial investments are being made to reduce losses from the electrical power grids (through 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 2012, our electricity generation output was lower than 2011 levels. Our wind energy production increased during the year, but this was more than offset by a reduction in electricity from thermal generation and hydroelectricity.

Within our conventional generation fleet, our business increased generation from coal sources and reduced electricity generated from natural gas. This shift reflected market conditions (i.e. commodity fuel costs, carbon permits and electricity market prices) during 2012, which favoured coal-fired generation. This change in our generation mix increased the carbon and pollution intensity (per MWh) from our portfolio.

It is vital that the UK economy continues to have a secure, sustainable, affordable and diverse electricity supply. In 2012, we continued to engage with the UK Government on their process of Electricity Market Reform. This process is continuing during 2013.

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

Water Management

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 sets and controls surface level limits and ecological flows at the hydroelectric generation reservoirs, avoiding the capture of water in areas with hydrologic stress.

In 2012, water requirements for our thermal power stations were reduced, reflecting changes in operational patterns during the year. Water use in offices and facilities in 2012 recorded a substantial increase, partly attributable to improvements in metering and monitoring.

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 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 across the company 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 relevant environmental regulator until the incident is resolved.

Greenhouse Gas Emissions

ScottishPower's goal in the UK is to improve greenhouse gas emissions (GHG) performance by at least 20% by 2020 on 2007 levels. This builds on the reduction of more than 40% in our emissions per kWh that we achieved on 1990 levels for our portfolio up to 2007.

Our strategy is focused on gradually reducing the intensity of GHG emissions by increasing electricity generation from renewable sources and progressively introducing more efficient and less carbon-intensive technologies at existing facilities.

In a highly unusual year, emissions per kWh for our generation portfolio in the UK increased by over 24% between 2011 and 2012, mostly as a result of an increase in electricity generated from coal fired power stations, together with a reduction in generation overall for ScottishPower fleet.

This resulted in making our carbon intensity higher than normal for the 2012 period. The increase was due to utilising our coal fired Cockerhills Power Station in its final year (closed in March 2013), our use of coal fired power plant against the prevailing market conditions for electricity generation in the UK and a reduction in the reliance on gas fired generation during the year.

Despite the increase in our carbon intensity in 2012, our long run trend for emissions intensity remains on target to meet our 2020 ambition.

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, compared with the sector as a whole.

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).

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 and By-products

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 long-term initiative and requires examination of our key business processes across the various activities that we are engaged in.

In 2012, the overall volume of ash arising from our power stations increased due to an increase in coal fired electricity generation. 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 Tarmac, 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.

We observed an increase in hazardous waste during 2012, primarily due to an increase in investment and refurbishment in our Energy Networks business.

Biodiversity Management

Biodiversity is managed in line with our group 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
- Internal and external communication of biodiversity projects and protocols used across our businesses
- Training and awareness-raising; and
- Stakeholder relationships

Our 2012 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 Iberdrola's 2011-2012 Biodiversity Report available at: www.iberdrola.com. This is due to be published in summer 2013.

Compliance

The Group's environmental management systems allow legal requirements to be applied to its activities and to evaluate compliance. During 2012, there were no substantive legal proceedings in respect of environmental compliance failures across ScottishPower's activities in the UK.

Transport and Mobility

During 2012, we continued to focus on improving the environmental sustainability of transport. We agreed a new transport policy that introduces a travel hierarchy for our UK businesses. This emphasises active travel, public transport and lower carbon transport options prior to the use of conventional, private forms of transport.

Our fleet business is actively supporting the wider adoption of lower emission vehicles. The roll out of telematics to all vehicles in the company's operational fleet was also completed with the purpose of improving business productivity, reducing travel times for operational duties and to pinpoint opportunities to maximise fuel efficiency.

As part of our new transport policy, we continued to support our coverage of car sharing and the promotion of alternatives to travel, such as video conferencing. Our Electric Vehicle trial in Glasgow was concluded in 2012 with results published in partnership with the Technology Strategy Board.

Performance

Our environmental performance in 2012 is reported against the Global Reporting Initiative (GRI)'s 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 each area in the sections that follow.

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	2012	2011
Coal (t)	4,393,825	4,263,552
Fuel-oil (t)	2,023	4,498
Natural Gas (Nm ³)	932,544,015	1,914,918,789
Biomass and Waste Derived Fuel (t)	10,465	37,155

Our fuel consumption during 2012 reflects electricity market conditions that favoured the use of coal for electricity generation over that of natural gas.

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	2012	2011
Sulphuric Acid (t)	510	504
Sodium Hydroxide (t)	785	2846
Sodium Hypochlorite(t)	6145	5900
Ammonia (t)	31	19

Elimination of PCBs

Polychlorinated biphenyls (PCBs) are not produced by the company's activities, 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 many countries by the year 2025, in accordance with the Stockholm treaty. There are no known PCBs used within ScottishPower's equipment above the threshold level.

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 slightly in 2012, compared to 2011, due to a reduction in the amount of electricity generated.

	2012	2011
United Kingdom – Total	171,633,126	178,741,685

Fuel Consumption by Primary Source

In 2012, the use of coal, fuel oil, natural gas and biomass reduced in line with decreased electricity production from thermal generation plant.

	2012	2011
Coal(t)	4,393,825	4,263,552
Fuel-oil (t)	2,023	4,498
Natural Gas (Nm ³)	932,544,015	1,914,918,789
Biomass and Waste Derived Fuel (t)	10,465	37,155

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 and cogeneration plants).

	2012	2011
Internal consumption (GJ) for Generation	5,754,006	5,793,553

Energy Consumption in Buildings (MWh)

Energy consumption in buildings increased between 2011 and 2012, partly as a result of transitions to new properties and weather effects.

	2012	2011
Energy Consumption – UK Buildings (MWh)	36,838	36,031

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.

Actions	Energy	CO ₂ avoided (t)
Renewables		
Primary energy saving through the production of renewable energy	2304GWh production in 2012	1,047,237
Hydro-electric		
Primary energy saving through hydroelectric generation	409GWh production in 2011	185,902

Further energy saving efforts took place through our CERT / CESP programmes, transport initiatives, waste commitments and property strategies during 2012.

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 concluded our 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 participated in the Plug-In Places project promoted and subsidised in part by the Office for Low Emission Vehicles (OLEV), designed to establish electricity charging infrastructure in the United Kingdom. We were also involved in the establishment of the E-cosse Electric Vehicle partnership in partnership with WWF and the Scottish Government – this is designed to promote EV and low carbon vehicles in Scotland. Details of this partnership can be found via <http://www.e-cosse.net/>
- **In the area of demand-side management ScottishPower has strong involvement in the development of active electricity grids.** During 2012, 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. Further information in regard to these programmes can be found via <http://www.spenergynetworks.co.uk/innovation/>

Additional information can be found at indicator EU7.

EN7: Initiatives to Reduce Indirect Energy Consumption and Reductions Achieved

During 2012, ScottishPower, via Iberdrola, progressed a campaign launched in 2009 to promote the control of CO2 emissions among suppliers, with 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. 21,397 videoconferences were held in 2012 across the Iberdrola Group (an increase on 2011 levels of more than 22%), 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

Gross water withdrawal (m3)	2012	2011
Total	1,509,660,713	1,888,173,359

Water Use at Production Facilities

Water Use (hM3)	2012	2011
Capture	1,858.90	1,888.09
Discharge	1,842.13	1,884.46

The cooling systems at most of our power stations in the UK are open circuits or air condensers.

Water Use at Offices and Facilities

Water Use (m3)	2012	2011
United Kingdom	121,942	67,698

Water consumption at offices increased substantially in 2012, compared to 2011. This is partly attributable to improvements in the metering and measurement processes.

EN9: Water Sources Significantly Affected by Withdrawal of Water

No situations were recorded during 2012 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. This does not take place in protected areas.

All water collection is strictly regulated by the Scottish Environment Protection Agency (SEPA) and the Environment Agency (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 is able to reduce water use by up to 75% against baseline through a rainwater collection system. The water collected is treated and used as process water.

Biodiversity

EN11 – Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

ScottishPower and ScottishPower Renewables manage a significant area of landholdings throughout the UK, from the uplands of Beinn Tharsuinn, Argyll, the wetlands of Galloway and the coastal reedbeds at Damhead Creek, Kent.

We operate 10 generating sites, gas storage and sludge drying facilities, numerous windfarms and our electricity power lines carry power to homes and business throughout the country.

We have seven sites on, or adjacent to, areas that have been recognised, at international and national level, as being important for biodiversity and afforded statutory protection for their habitats and species. These include three Ramsar sites – at the Firth of Forth, Medway Estuary and Ken-Dee Marshes – six Special Protection Areas (SPAs), three Special Areas of Conservation (SACs) and 13 Sites of Special Scientific Interest (SSSIs).

Generation Sites Adjacent to Designated Protection Areas

Generation Site	Ramsar Designation	Special Protection Area	Special Area of Conservation	Site of Special Scientific Interest
Longannet Power Station (coal-fired) and Valleyfield Ash Lagoons, Fife	The power station and lagoons are adjacent to inter-tidal areas of the Firth of Forth	The power station and lagoons are adjacent to inter-tidal areas of the Firth of Forth SPA		The power station is adjacent to the Firth of Forth SSSI and the designation includes 805 of the lagoons
Cockenzie Power Station (coal-fired) and Musselburgh ash lagoons, East Lothian	The Firth of Forth Ramsar includes around 50% of Musselburgh lagoons and is adjacent to the inter-tidal areas of the station and lagoons	The Firth of Forth SPA includes around 50% of Musselburgh lagoons and is adjacent to the inter-tidal areas of the station and lagoons		The Firth of Forth SSSI includes around 50% of Musselburgh lagoons and is adjacent to the inter-tidal areas of the station and lagoons
Damhead Creek Power Station (CCGT) and its mitigation land, Kent	The station's mitigation land is adjacent to Medway Estuary and Marshes Ramsar	The station's mitigation land is adjacent to Medway Estuary and Marshes SPA		The station's mitigation land is adjacent to Medway Estuary and Marshes SSSI
Galloway hydro electric scheme, Dumfries & Galloway	The Loch Ken and Dee Marshes Ramsar site is 100% within the area of hydro operation	The Loch Ken and Dee Marshes SPA is 100% within the area of hydro operation		Seven SSSIs are on or adjacent to the Galloway Hydros' land holdings, while a further two SSSIs may be affected by hydro operations
Lanark hydro electric scheme, Lanark			The Falls of Clyde SSSI is a component within the Clyde Valley Woods SAC	The Falls of Clyde SSSI is 100% within Lanark' Hydros landholdings
Cruachan Power Station (pumped storage and hydro), Argyll		Cruachan reservoir is adjacent to the Glen Etive SPA for its Golden Eagle population	Coillie Leitire SSSI is a component within the Loch Etive Woods SAC	Two water supplies for Cruachan are within the Coillie Leitire SSSI and the dam access road is adjacent to the site
Hatfield Moor Gas Storage, Yorkshire		The 0.6ha Hatfield Moor Well is within the Thorne and Hatfield Moors SPA and Lindholme is adjacent to the site	The 0.6ha Hatfield Moor Well is within the Thorne and Hatfield Moors SAC and Lindholme is adjacent to the site	The 0.6ha Hatfield Moor Well is within the Hatfield Moors SSSI and Lindholme is adjacent to the site

An estimated 41% of the land managed by our Generation business is located on, or adjacent to, protected areas. This figure is influenced significantly by the Galloway Hydroelectric scheme in southwest Scotland: its catchment area of 103,600 hectares includes 11 protected sites, including several large-scale reservoirs.

Proposals for a new gas-fired power station, at Avon, near the Severn Estuary Ramsar Site, have been put out to public consultation.

In our Energy Networks business, 6.19% of the area occupied by electricity power lines is on land designated as protected sites – including National Scenic Areas and National Nature Reserves. Around 7.6% of the total area occupied by electricity substations is on or adjacent to protected sites.

ScottishPower Renewables (SPR) has 24 operational windfarms in Great Britain and Ireland, with more than 20 new developments or extensions to existing sites under construction or in the planning or development process.

It is the company's policy, under our Windfarm Sustainable Development Strategy, not to select areas for scoping or development that are protected or areas of outstanding natural beauty.

Two SPR windfarms in Scotland – Clachan Flats and Arecleoch – are adjacent to SPAs created for upland birds. In England, Carland Cross windfarm repowering is situated adjacent to an SAC and SSSI.

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

ScottishPower and ScottishPower Renewables aim to minimise the impacts of their operations on biodiversity, and promote wildlife and habitats through positive conservation management and research.

As a key element of sustainable development, biodiversity has been an integral part of ScottishPower's Environmental Policy for many years. Our Biodiversity Policy is aligned to the Iberdrola group policy that was first published in December 2007.

ScottishPower Renewables (SPR) operates a Biodiversity Conservation Strategy that informs both the development of new wind projects and management of existing sites.

Both organisations work closely with statutory agencies such as Scottish Natural Heritage, Natural England, Fisheries Boards and non-governmental organisations, including the Royal Society for the Protection of Birds (RSPB), WWF and Wildlife Trusts, in respect of our present sites and planned developments.

In 2012, SPR worked closely with RSPB Scotland to deliver a 'Date with Nature' programme over the summer at Whitelee windfarm. RSPB Scotland staff and volunteers publicised how the RSPB works with developers and decision makers to try and ensure windfarms and other developments do not have a detrimental effect on wildlife. They also provided tips about wildlife watching at the wind site and organised events and activities for visitors.

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 protection of the environment.

The potential environmental impact of a development is always assessed in full before construction. If the impact is deemed to be 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 with completion of the facility, but continues during the operation and decommissioning phases.

It has been determined during the preparation of the Pollution Prevention Control (PPC) Permit application for our generation sites and gas storage and sludge drying facilities that their activities are not damaging to protected sites.

We have in place environmental monitoring, and control and environmental management systems (EMS), which are certified in accordance with ISO14001 or the European Eco Management and Audit Scheme (EMAS) 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.

Energy Networks has a Biodiversity Procedure for large projects, including the construction of overhead lines and substations. The procedure details actions at each stage of the planning, development and construction process, to protect biodiversity and habitats.

The documents entitled “Environmental Effects of Electric Power Production and Distribution” and “Introduction to Biodiversity Management in the Company” are available at www.iberdrola.com. These 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.

EN13: Habitats Protected or Restored

ScottishPower Renewables has for several years helped to develop best practice for the restoration of blanket bog – one of the world’s rarest habitats, which is included in the UK Biodiversity Action Plan and Annex 1 of the EU Habitats Directive.

SPR is committed to restoring more than 8000ha of damaged blanket bog and peatland – making the company one of the three largest restorers of this internationally-important habitat in the UK (along with the RSPB and EU).

Eight wind farms (Arecleoch, Whitelee, Black Law, Beinn an Tuirc, Beinn Tharsuin, Clachan Flats, Cruach Mhor, Mark Hill) are located partially within covered peat bogs.

The renewables business is continuing its blanket bog restoration trials at Blacklaw and Whitelee windfarms in Central Scotland to inform and develop conservation methods throughout its wind generation portfolio. In 2012, SPR’s work was highlighted by the International Union for Conservation of Nature (IUCN) in its publication ‘UK Peatland restoration: Demonstrating Success’.

Meanwhile, ScottishPower continues to operate biodiversity action plans (BAPs) at each of its generating sites to identify habitat improvements and establish a timescale for their implementation.

In 2012, BAP actions included the development of a wildflower meadow at Cruachan Power Station, ditch and vegetation improvements at Damhead Creek Power Station and woodland management at Longannet Power Station. A phase one habitat survey was carried out at Cruachan Reservoir and other habitat survey work was

completed at the Galloway Hydros, Lanark Hydros and Cockenzie Power Station.

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

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’s landholdings include a mitigation area of 32ha that was implemented as part of the planning conditions for the station’s construction. These required the operators to retain existing habitats and create and manage new areas for biodiversity to help mitigate for the environmental impacts of the plant’s construction and operation.

The mitigation land includes wetland, coastal grassland, woodland and scrub that are home to species of conservation concern such as Water Vole, Slow Worm and Northern Lapwing. A programme of habitat management is in place, supported by ongoing monitoring and research.

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

ScottishPower recognises the importance of biological diversity and cultural heritage, and respecting natural resources. Biodiversity Action Plans are in operation at all of our generating sites, while habitat management plans (HMPs) have been developed at many of SPR’s windfarm developments.

SPR manages 8157ha at 14 existing and consented windfarms as habitat management areas (HMAs).

At Whitelee near Glasgow, one of the largest windfarms in Europe, more than 2,500ha is set aside for improving habitats for habitats and species, including breeding waders and upland birds.

Meanwhile, SPR’s pioneering work into creating foraging for Golden Eagles away from our windfarm at Beinn an Tuirc, Kintyre, continues to be successful and, in 2012, the resident pair of eagles fledged the fifth chick since the HMP was initiated.

In 2012, habitat management plans were developed for around 140ha of land adjacent to Lynemouth, Middleton and Carland Cross wind developments.

SPR expect to launch HMAs at five further windfarms in 2013, increasing the area being managed for biodiversity to 8,611ha.

Most of the goals established in the HMPs are being achieved, improving the habitat and the development of species over the original situation, although some are still in the process of development and have not matured.

SPR is advancing several habitat improvement projects at its sites including restoration of peatlands, native tree planting and removal of non-native conifer plantations.

Almost 9,000 native trees were planted at Beinn Tharsuinn in 2012 and, going forward, one of the largest native woodland schemes in the UK will commence in 2013 at Mark Hill windfarm, Ayrshire, involving planting more than 192ha with trees of local provenance.

SPR also plans to extend the area of the internationally rare Dorset Heath at Carland Cross windfarm by 2.5ha in 2013, providing a valuable habitat for wildlife in the area.

SPR's habitat management is supported by ongoing biological monitoring and research, often in partnership with a conservation groups and industry bodies.

Additional information on SPR's activities can be found on the Iberdrola website:

<http://www.iberdrola.com/webibd/corporativa/iberdrola?IDPAG=ENWEBRESMAGESPRIBIOPRI>

Biodiversity action plans continue to define the goals for maintaining and improving habitats at ScottishPower's generating sites and gas storage facility at Hatfield Moor.

ScottishPower sponsors rangers at key sites to carry out conservation work and liaise with the public, and commissions monitoring of habitats and wildlife at several sites.

Highlights in 2012 included:

- At Cruachan, 50 species of birds were found during the annual Breeding Bird Survey, Pine Marten was confirmed on the site's landholding and four new species of invertebrate for Mainland Argyll were recorded
- Fifty species of birds were recorded during breeding bird monitoring at Damhead Creek. Surveys also found that the site's Water Vole population was stable and Slow Worms and Common Lizards were present in healthy numbers on the mitigation land
- At Longannet and its ash disposal lagoons, 87 bird species were recorded throughout the year, of which 33 were confirmed as having bred
- Wintering bird surveys at the Galloway and Lanark Hydros and Cockenzie Power Station added to our knowledge of species on our sites.

In 2013, breeding bird and other wildlife surveys will be carried out for the first time at Galloway Hydros' six power stations and four of its dams.

More information on our biodiversity action plans at our power stations is available at <http://www.spenergywholesale.com>

Energy Networks' biodiversity procedure was enacted for projects including the connection of the 132 kV overhead line of the Rhyl Flats offshore windfarm, reinforcement of the 132 kV Carrington-Lostock overhead line to the east of Cheshire; and the Beaulieu-Denny 132 kV transmission line.

In addition, community consultations and environmental impact assessments were carried out for 14 transmission projects.

Environmental impact assessments relating to the development of new projects can be viewed at http://www.spenergynetworks.co.uk/serving_our_customers/performance.asp?NavID=1&SubNavID=3

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 maintains a list of species of conservation concern that occur on its landholdings and managed sites. These include animals and plants that are listed as Critical, Endangered, Vulnerable or Near Threatened on the IUCN Red List, and those that are cited as priorities for conservation action in the UK BAP.

Group	Species	Common Name	SP Facility
IUCN Critically endangered			
FISH	Anguilla Anguilla	European Eel	
IUCN Endangered			
COLEOPTERA	Curimopsis nigrita	Mire Pill-beetle	Hatfield Moor
	Bembidion humeral	a ground beetle	Hatfield Moor
BIRD	Melanitta fusca	Velvet Scoter	Cockenzie
IUCN Vulnerable			
BIRD	Clangula hyemalis	Long-tailed Duck	Cockenzie
DIPTERA	Phaonia jaroschewskii	Hairy Canary Fly	Hatfield Moor
COLEOPTERA	Hydroporus rufifrons	Oxbow Diving Beetle	Galloway
LICHEN	Collema dichotomum	River Jelly Lichen	Lanark
IUCN Near threatened			
BIRDS	Numenius arquata	Eurasian Curlew	Longannet, Cockenzie, Damhead Creek
MAMMALS	Limosa limosa	Black-tailed Godwit	Longannet, Cockenzie, Damhead Creek
	Lutra lutra	European Otter	Cruachan, Galloway, Longannet, Lanark
	Oryctolagus cuniculus	European Rabbit	Longannet, Cockenzie, Rye House, Damhead Creek

At our generating sites, a total of 34 birds included in the UK BAP (almost three quarters of the 56 distinct species on the priority list) have been recorded, along with eight mammals, seven fish, four reptiles, two amphibians, eight butterflies and moths, four other invertebrates, a lichen and seven plant species.

Group	Species	Common Name	SP Facility
BIRDS			
Wintering only species	Anser albifrons	Greenland White-fronted goose	Galloway
	Melanitta negra	Common Scoter	Cockenzie, Longannet, Damhead Creek
	Turdus iliacus	Eurasian Redwing	Longannet, Galloway, Damhead Creek
	Limosa limosa	Black-tailed Godwit	Cockenzie, Longannet, Damhead Creek
	Aythya marila	Greater Scaup	Cockenzie, Damhead Creek
	Branta bernicla bernicla	Dark-bellied Brent Goose	Damhead Creek
Breeding species	Larus argentatus	Herring Gull	Galloway, Longannet, Cockenzie
	Perdix perdix	Grey Partridge	Galloway, Longannet, Cockenzie, Damhead Creek
	Vanellus vanellus	Northern Lapwing	Galloway, Longannet, Cockenzie, Damhead Creek
	Carduelis flavirostris	Twite	Cruachan
	Numenius arquata	Eurasian Curlew	Longannet, Galloway
	Alauda arvensis	Skylark	Galloway, Lanark, Longannet, Cockenzie, Damhead Creek, Hatfield Moor, Cruachan
	Anthus trivialis	Tree Pipit	Galloway, Lanark, Hatfield Moor, Cruachan
	Prunella modularis	Dunnock	Galloway, Lanark, Longannet, Cockenzie, Damhead Creek, Shoreham, Rye House, Daldowie, Hatfield Moor, Blackburn Mill, Cruachan
	Turdus philomelos	Song Thrush	Galloway, Lanark, Longannet, Cockenzie, Damhead Creek, Shoreham, Rye House, Daldowie, Hatfield Moor, Blackburn Mill, Cruachan
	Locustella naevia	Grasshopper Warbler	Galloway, Longannet
	Phylloscopus sibilatrix	Wood Warbler	Galloway, Cruachan
	Muscicapa striata	Spotted Flycatcher	Galloway, Lanark, Hatfield Moor, Cruachan
	Sturnus vulgaris	Common Starling	Galloway, Lanark, Longannet, Damhead Creek, Shoreham, Rye House, Daldowie, Blackburn Mill, Cruachan
	Passer domesticus	House Sparrow	Galloway, Lanark, Longannet, Shoreham, Rye House, Daldowie, Blackburn Mill, Cruachan
	Passer montanus	Tree Sparrow	Rye House
	Carduelis cannabina	Common Linnet	Galloway, Lanark, Longannet, Cockenzie, Damhead Creek, Rye House, Hatfield Moor
	Carduelis flavirostris	Lesser Redpoll	Galloway, Lanark, Longannet, Cruachan
	Poecile montanus	Willow Tit	Galloway
	Pyrrhula pyrrhula	Bullfinch	Galloway, Lanark, Longannet, Cockenzie, Hatfield Moor, Cruachan
	Emberiza citrinella	Yellowhammer	Galloway, Lanark, Longannet, Cockenzie, Hatfield Moor
	Emberiza schoenicus	Reed Bunting	Galloway, Lanark, Longannet
	Cuculus canorus	Common Cuckoo	Longannet, Damhead Creek, Cruachan, Galloway

Group	Species	Common Name	SP Facility
BIRDS			
Breeding species	Streptopelia decaocto	Eurasian Turtle Dove	Damhead Creek
	Caprimulgus europaeus	European Nightjar	Hatfield Moor
	Turdus torquatus	Ring Ouzel	Hatfield Moor, Cruachan
	Gavia artica	Black-throated Diver	Cruachan
MAMMALS			
	Plecotus auritus	Brown Long-eared Bat	Galloway, Hatfield Moor
	Micromys minutus	Harvest Mouse	Galloway, Damhead Creek
	Lutra lutra	Otter	Galloway, Hatfield Moor
	Lepus europaeus	Brown Hare	Galloway, Hatfield Moor
	Sciurus vulgaris	Red Squirrel	Galloway, Cruachan
	Martes martes	Pine Marten	Cruachan
	Arvicola sapidus	Water Vole	Damhead Creek, Rye House, Hatfield Moor
	Erinaceus europaeus	Western European Hedgehog	Hatfield Moor
FISH			
	Salvelinus alpinus	Arctic Charr	Galloway
	Salmo salar	Atlantic Salmon	Galloway, Lanark, Longannet, Cockenzie
	Salmo trutta trutta	Brown/Sea Trout	Galloway, Lanark, Longannet, Cockenzie, Shoreham
	Anguilla anguilla	European Eel	Galloway, Lanark, Longannet, Cockenzie
	Petromyzon marinus	Sea Lamprey	Longannet, Cockenzie
	Osmerus eperianus	Smelt	Longannet, Cockenzie
REPTILES/ AMPHIBIANS			
	Vipera berus	Adder	Galloway, Lanark, Hatfield Moor
	Podarcis hispanica	Common Lizard	Galloway, Lanark, Damhead Creek
	Bufo bufo	Common Toad	Galloway, Lanark, Longannet, Damhead Creek, Rye House
	Triturus cristatus	Great Crested Newt	Galloway, Damhead Creek, Rye House
	Anguis fragilis	Slow-worm	Lanark, Damhead Creek, Galloway
COLEOPTERA			
	Hydroporus rufifrons	Oxbow Diving Beetle (VU)	Galloway
	Bembidion humeraie	Ground Beetle (EN)	Hatfield Moor
	Curimopsis nigrita	Mire Pill-beetle (EN)	Hatfield Moor
LEPIDOPTERA			
	Boloria euphrosyne	Small Pearl-bordered Fritillary	Galloway
	Boloria euphrosyne	Pearl-bordered Fritillary	Cruachan

Group	Species	Common Name	SP Facility
LEPIDOPTERA			
	<i>Tineola bisselliella</i>	Common Heath	Galloway, Damhead Creek
	<i>Coenonympha tullia</i>	Large Heath	Galloway
	<i>Perizoma albulata</i>	Grass Rivulet	Lanark
	<i>Tyria jacobaeae</i>	Cinnabar	Rye House
	<i>Pechipogo strigilata</i>	Common Fan-foot	Lanark
	<i>Orgyia recens</i>	Scarce Vapourer	Hatfield Moor
DIPTERA			
	<i>Phaonia jaroschewskii</i>	Hairy Canary Fly (VU)	Hatfield Moor
LICHEN			
	<i>Collema dichotomum</i>	River Jelly Lichen (VU)	Lanark
PLANTS			
	<i>Juniperus communis</i>	Common Juniper	Galloway
	<i>Platanthera bifolia</i>	Lesser Butterfly-orchid	Galloway, Lanark
	<i>Coeloglossum viride</i>	Frog Orchid	Galloway
	<i>Pilularia globulifera</i>	Pillwort	Galloway
	<i>Stellaria palustris</i>	Marsh Stitchwort	Galloway
	<i>Hordeum marinum</i>	Sea Barley	Damhead Creek
	<i>Carex divisa</i>	Divided Sedge	Damhead Creek

Emissions, Effluents & Wastes

EN16 Total Direct and Indirect Greenhouse Gas Emissions by Weight

Emissions from Production Facilities

CO₂ emissions from production facilities for 2012 are shown in the following table:

Emissions from production facilities		
	2012	2011
United Kingdom (t)	13,562,566	13,366,269
Generating facilities (t)	13,541,898	13,235,986
Generating facilities Cogeneration (t)	20,668	359,410

CO₂ emissions in 2012 showed a slight increase despite a reduction in the amount of electricity generated, compared with 2011. This increase was due to a greater proportion of electricity generation being generated from coal fired power stations.

CO₂ Emissions Intensity

	2012	2011
CO ₂ emissions intensity (kg per MWh)	0.734	0.588

Due to market factors (commodity fuel costs, carbon permit costs and electricity price levels) the electricity generating mix in 2012 was rebalanced towards a greater reliance on coal-fired generation and a reduction in generation from natural gas sources.

While there was an increase in the amount of electricity generation from wind power in the UK, this was not enough to offset an increase in the value of CO₂ emissions per MWh (specific global mix) of 734 kg/MWh in 2012, compared to 588 kg/MWh in 2011. This figure is obtained by dividing emissions by the total net production.

The emissions per kWh for the Iberdrola Group overall was 264 kg/MWh in 2012 (248 kg/MWh in 2011) an increase in emissions per MWh of more than 6%.

Other direct emissions recorded for the year include 548t equivalent of CO₂ in methane releases from the Hatfield plant in the United Kingdom.

Releases of SF₆ totalling the equivalent of 21.9kt CO₂ occurred at our distribution networks in 2012.

Indirect Emissions

	2012	2011
CO ₂ emissions (t)	16,950	16,214

The emissions in the table above are associated with the energy consumption at buildings reflected in indicator EN4. This shows an associated increase in CO₂, aligned with rise in energy consumption in our buildings. This figure was calculated using the Department for Environment, Food and Rural Affairs (DEFRA)'s GHG conversion factors.

Data on emissions from losses of the distribution network are not included for ScottishPower's activities. This data is subject to regulatory formula.

EN17: Other Relevant Indirect Greenhouse Gas Emissions by Weight

Emissions Associated with Transport

	2012	2011
Air, train and shipping (t)	104,114	168,529
Vehicles by road (t)	9,796	9,054
Car use (where distance available) (t)	3,978	4,450

In 2012, across the Iberdrola Group, there were 21,397 videoconferences that avoided employee travel, including between the United Kingdom and Spain. This resulted in a reduction in GHG emissions arising from international travel of 24,223kg CO₂.

Emissions Associated with the Supply Chain

During 2012, the Iberdrola Group Supplier Awareness and Greenhouse Gas Measurement Campaign II was performed, with surveys being sent to more than 1050 of the Group's suppliers in Spain, the United Kingdom and the United States of America. Of the 34% of surveys returned, 42% 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 316 kt CO₂ for the United Kingdom in our inventory.

Greenhouse Gas Measurement Campaign III – ScottishPower

The results obtained within the United Kingdom during the GHG measurement campaign in 2012 are shown in the table below:

United Kingdom	Number	%
No. of surveys sent	214	100
No. of surveys received	83	39
Emissions calculations provided	49	59
Established goal(s) to reduce emissions	50	60
Prepared emissions inventory	46	55
Emissions inventory has been verified by third parties	31	67

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

GHG Protocol

In April 2012, for the third 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).

Emissions of CO₂ Equivalents to be Verified in 2013 (kt)

Scope 1:	
Direct Emissions	13,563
Scope 2:	
Indirect Emissions	3,730
Scope 3:	
Other Indirect Emissions	6,270

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 13,563Kt

SCOPE 2: Indirect emissions of greenhouse gases by energy

These 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 3,730Kt

SCOPE 3. Other indirect emissions

These remaining indirect emissions 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 6,270Kt.

Emissions of CO2 Equivalents in 2012 within a GHG footprint table

	2012	2011
Emissions from production facilities (t)	13,562,566	13,366,269
Renewable energy (t)	14,059	50,234
Transport (t)	116,222	182,034
Internal energy & process use (t)	669,380	629,738
SF6 CO2 equivalent (t)	21,901	20,604
Methane CO2 equivalent	[548]	[833]
Total CO2 emissions (t)	14,384,128	14,248,880

UK emission factors are based on the DEFRA Greenhouse Gas Reporting Guidelines 2012

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.

EN20: NOx, 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, NOx, and particulates from large combustion facilities.

Oxides of Nitrogen

Emissions of Oxides of Nitrogen	2012	2011
United Kingdom Total (t)	21,788	20,942
Emissions intensity (kg / MWh)	1.18	0.921

NOx emissions, both in absolute values as well as in intensity by MWh produced, show an upward trend, compared to 2011. This is due to a greater proportion of electricity generated from coal, arising as a consequence of market conditions for electricity generation in the UK.

SO2 Emissions

Emissions of Sulphur Dioxide	2012	2011
United Kingdom Total (t)	41,369	41,206
Emissions intensity (kg / MWh)	2.24	1.81

SO2 emissions in 2012 were 2.24 kg/MWh, above those of the prior year, due mainly to a higher proportion of coal generation that arose as a consequence of market conditions for electricity generation in the UK.

Particulate Emissions

Total Particulate Emissions (t)	2012	2011
United Kingdom Total (t)	939	1,058
Emissions intensity (kg / MWh)	0.051	0.047

Particulate emissions in 2012 increased slightly to 0.051 kg/MWh, which was mainly attributable to a higher proportion of electricity generation from coal in 2012.

Mercury (Hg) Emissions

The total emissions figure for mercury (Hg) during financial year 2012 was 152kg.

EN21: Total Water Discharge by Quality and Destination

The main water 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 by-products from coal generation.

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

	2012	2011
Pulverised Fuel Ash (PFA) Produced (t)	589,145	423,239
Pulverised Fuel Ash (PFA) Ash Re-covered (t)	161,373	162,016
% of PFA Product Re-covered (%)	27.4%	38.3%
Furnace bottom Ash (FBA) Produced (t)	54,566	31,816
Furnace Bottom Ash (FBA) Recovered (t)	24,672	1,786
% of FBA Product Recovered (%)	45.2%	5.6%

The production of ash has increased in the United Kingdom due to higher electricity production from coal. The overall reuse of ash remains below its long run average, due to a dip in construction industry demand. However, in 2012, volumes of FBA recovered increased substantially.

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 processing, consistent with duty of care responsibilities.

Hazardous and Non-Hazardous Waste

	2012	2011
Hazardous Waste Arising(t)	10,854	2,330
Hazardous Waste Recovered, Recycled or Re-used (t)	4,644	1,647
Non Hazardous Waste Arising (t)	115, 723	148,002
Non Hazardous Waste Recovered, Recycled or Re-used (t)	73,728	101,717
Overall Recovered, Recycled or Re-used	62%	68%

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 non hazardous waste due to the closure of some offices, a reduction in the 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 2012 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

ScottishPower/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 2012 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 because electricity does not directly generate any waste upon being used.

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 2012 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 published in indicator EN16.

Overall

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

Environmental investments and expenditure made by ScottishPower/Iberdrola in the UK during 2012 are in the following table:

Treatment of Emissions	£46,310,910
Treatment of Waste	£4,115,186
Remediation of environmental impact	£89,217,846
Environmental Prevention	£169,234,525
Environmental Management	£863,381
TOTAL	£301,470,677

Costs include levies, environmental fees and emissions certificates, which were not taken into account in the calculation for 2011.



Social

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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 and 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 the year.

Highlights

- Community investment of £6.2 million, of which more than £1.8 million was spend on social welfare and humanitarian projects
- Launched a new charity relationship with Cancer Research UK – more than £1 million raised by employees and customers in 2012
- 262 employees involved in volunteering with community charity partners, supporting numerous worthwhile local causes
- Grants totalling £2,194,120 awarded by the ScottishPower Energy People Trust to 52 fuel poverty projects, helping more than 51,000 households and over 116,000 individuals
- More than £1.4 million donated to local communities through Windfarm Community Benefit Funds
- Our Green Energy Trust awarded grants to 11 small-scale renewable energy projects at community level, including solar, geothermal and air source heat pump schemes
- Safety messages delivered to 47,000 children in schools through our award winning PowerWise programme
- Which? Magazine ranked ScottishPower top out of the UK's 'big six' energy suppliers for our telesales practices, with a score of 92%. We were also awarded the top score of 5 stars for billing and account management practices in a separate survey

Our Workplace

Overview & Management Approach

At ScottishPower we aim to create a positive workplace culture, where employees feel empowered and supported to work hard and reach their full potential.

We place a strong focus on the safety, wellbeing and life-work balance of our employees and provide ongoing opportunities for learning and development, to enable our people to develop and refresh their skills.

We employ 7,434 people in the UK across a wide range of disciplines in our power stations and networks businesses, along with our customer service centres and offices in Scotland, England and Wales.

A key issue for us over the next 10 years will be ensuring we have a sufficient number of skilled employees to deliver the company's major investment programme.

ScottishPower plans to invest around £3.6 billion in major upgrades to our networks and in low carbon electricity generation over the next few years – and with significant numbers of skilled workers due to retire, the race is on to recruit and train the next generation of engineers and other professionals to deliver those investments.

We remain committed to equality, diversity, fairness and respect and providing market competitive rewards and benefits for our people.

Due to the nature of our business, which involves many employees working with electrical equipment, safety is a top priority for us and we invest continuously in our people, plant and processes to make sure ScottishPower is a safe place to work.

Employee Health, Safety & Wellbeing

ScottishPower has a strong health and safety culture, with employees at all levels within the business playing their part in making sure our sites are safe and healthy places to work.

Our priority is to ensure that our facilities and working practices cause no harm to our employees, contractors, visitors and members of the public.

Responsibility for health and safety rests with the ScottishPower Executive and there are clearly defined responsibilities at every level in our organisational structure. Our operations are covered by a large volume of safety documentation, including policies and procedures that are designed to prevent and manage risk. Our health and safety policy was reviewed and re-issued in January 2013.

Over the years, our occupational health and safety performance has improved significantly, but we continue to seek further improvements by aiming to achieve best practice and sharing information across the company and with other parts of the Iberdrola Group.

We have run behavioural safety programmes for many years and we are among the UK leaders in terms of our process safety programme, which aims to protect the integrity of our power stations and the electricity networks under our management.

ScottishPower was the first UK energy utility to embrace process safety principles, which the company introduced in 2009. Process safety is being championed by the Health and Safety Executive for all COMAH (Control of Major Accident Hazards) sites in the UK, following publication of the Baker Report into the BP Texas City disaster in 2005.

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. In 2012 ScottishPower Renewables completed the implementation of an integrated safety and quality management system for its onshore site operations business. This was accredited to ISO 9001 for quality and OHSAS 18001 for safety.

Correct installation, operation and maintenance of plant is essential to ensure high standards of safety. Our Energy Networks and Generation businesses also hold PAS55 accreditation for asset management.

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 (and a rolling programme of refresher training) is given a high priority throughout the company and much of this is delivered at our two technical training centres in Cumbernauld and Hoylake. 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 professional medical staff.

The range of services provided by our occupational health department include health surveillance, voluntary 'Fit for Life' health checks and the promotion of wellbeing through health campaigns and services such as counselling.

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

Our larger sites have well-equipped gyms and through our 'Your Choices' employee benefits programme, we also offer discounted gym memberships at health and fitness clubs.

Work related ill-health can emerge over many years, so to protect our employees and comply with statutory obligations we maintain an occupational health risk register. This 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, so that any work-related health conditions can be detected and treated at a very early stage.

Stakeholder Issues

Key stakeholder issues in relation to the workplace:

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

Employee Profile & Diversity

At the end of December 2012 ScottishPower employed 7,242 people, of which 65% were men and 35% were women. These figures include ScottishPower Renewables and exclude Iberdrola Engineering and Construction employees in the UK.

Our employee turnover rate for the year was 11.75% and our staff costs were £376.3 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	2012
Men	4710
Women	2532
By Professional Category	
Managers	595
Advanced degree holders	1447
Basic degree holders	1601
Skilled workers	3599
By Age Group	
Up to 30 years old	990
Between 31 and 50 years old	4267
Over 50 years old	1985

Performance

Employee Health, Safety & Wellbeing

Accidents and Injuries

	2012	2011*
Number of accidents	164	218
Fatal accidents, employees	0	0
Fatal accidents, contractors	0	0
Lost time accidents (LTAs)	10	13
LTAs/100 employees	0.14	0.17
LTAs/1,000,000 man hours	0.77	0.95
Reportable accidents*	10	8
Dangerous occurrences	8	3
Number of days lost	522	596

* The 2011 figures exclude ScottishPower Renewables, which are included for 2012, following the integration of the business back into ScottishPower.

In April 2012 there was a change to the definition of Reportable Accidents by the HSE. Under the new definition, a Reportable Accident is defined as an accident that results in absence from work for seven days or more. The length of absence from work for an accident to be classified as "Reportable" prior to that was three days. The figures for 2011 have been adjusted to show the revised definition.

During 2012 there were 10 Lost Time Accidents, which resulted in employee absences from work. All 10 met the current Health and Safety Executive's (HSE) definition of Reportable Accidents – accidents that resulted in absence from work of more than seven days.

There were no fatal accidents involving members of staff or contractors during the year. ScottishPower was served an HSE Improvement Notice on its Hatfield Moor Gas Storage Facility. This was in relation to 'Human

Factors' assessments in relation to safety critical task operations. There were no other legal actions raised or fines levied in respect of any breaches of health and safety legislation.

Safety Programmes & Achievements

During 2012 we continued with the following initiatives:

- Process safety programme – to avoid serious incidents relating to our power stations and network assets
- Behavioural safety programme – to ensure our employees practise safe behaviours and conduct appropriate risk assessments
- Occupational Health and Safety campaigns
- Annual Health and Safety Conferences – we held two, one for Scottish staff and one for staff in England and Wales
- The Generation business held a Health & Safety Seminar in 2012
- We created, designed and delivered a training programme for Health & Safety representatives
- Our Annual First Aid conference and competition was held in September 2012 at Cathcart, Glasgow
- ScottishPower Renewables expanded its Safety Forum in 2012 to ensure workers in onshore, offshore and international projects have the opportunity to consult with management on health and safety and to give employees a voice in this important area
- 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 musculo-skeletal disorders
- Public Safety programmes for children, various industries, leisure clubs and the emergency services. These are covered in the Our Communities section.

Other Safety Achievements

ScottishPower Renewables, which develops and operates the company's wind, wave and tidal projects had a number of notable safety achievements during 2012.

For the fourth successive year, external assessment of the onshore renewables business against OHSAS 18001 showed no non conformities. In addition, East Anglia Offshore Wind, a joint venture between ScottishPower Renewables and Vattenfall Wind Power Ltd, which is developing a large scale windfarm off the coast of East Anglia, successfully underwent a certification audit and a surveillance audit of their management system against OHSAS 18001.

During the year the offshore business developed and launched a safety management system for international projects (projects to be completed outside of UK waters). This will ensure legal compliance in all EU countries as well as propagating the best practices that reside in the UK business across Europe.

Meanwhile, ScottishPower Renewables' onshore business has ring-fenced a sum of €1.2 million to purchase and install climb-assist systems in turbines that exceed 50 metres in height but do not have lifts installed. This will help to protect the health of our technician workforce by limiting the effort required to climb turbines and also prevent musculo-skeletal stress that can result from climbing inside turbine towers.

ScottishPower Renewables continues to play a leading role in the development of safety standards across the renewable energy sector in the UK and beyond. The Managing Director of the Offshore Business, sits on the Executive team of the G9 Offshore Wind Health and Safety Association, which is dedicated to improving health and safety across the European offshore wind sector.

ScottishPower Renewables' Health and Safety manager has also played an important role in the development and launch of G9 and three major initiatives to improve standards in work at height, vessel operations and lifting operations. He is also a member of Renewable UK's Health and Safety Strategy Group (HSSG). This group is dedicated to consultation and cooperation between all of the stakeholders in onshore and offshore wind in the UK and beyond.

In addition, a ScottishPower Renewables manager chaired Renewable UK's training committee during 2012 and made a significant contribution to the development and harmonisation of training standards in the wind energy sector.

Occupational Health monitoring

	Number of Employees 2012	Number of Employees 2011
Health Monitoring	1,503	1,163
Fit for Life Assessments*	880	1,947

* As reported to the Healthy Working Lives programme

During 2012 we conducted 1,503 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.

In addition, we conducted 880 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

	2012	2011
Number of sickness days per person	9.14	9.01
Days lost due to sickness (%)	3.51	3.63

During the last five years the total number of days lost due to sickness absence have reduced. Although we experienced a very small increase in the number of sick days per person in 2012 of 1.4%, the general longer-term trend has shown a decrease in sickness absence levels in recent years.

Support programmes we have put in place to help employees manage their return to work after illness have been a strong contributory factor to improvements in sickness absence levels. These include the Building Emotional Resilience strategy to proactively manage stress and ensure early referral to Occupational health, fast track physiotherapy intervention (implemented in 2011) and a phased return to work on reduced hours initially, where appropriate.

Healthy Working Lives Award

During 2012 we were successful in maintaining our Gold Healthy Working Lives Award, which recognises the company's ongoing commitment to improving the health, safety and wellbeing of our employees.

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 supersedes Bronze and Silver and is only given to organisations that can demonstrate a long-term commitment to employee health and wellbeing.

During the year we continued to 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.

Health and Safety Campaigns

During 2012 our key Occupational Health campaign focused on "Building Emotional Resilience."

The aim was to develop a proactive approach to managing employee stress in order to:

- reduce the size of the problem
- enable employees to take responsibility for their health and mental wellbeing
- enable managers to:
 - proactively identify the early signs of stress in others through workshops
 - support employees in finding ways to build emotional resilience

In addition, ScottishPower has signed up to The Public Health Responsibility Deal Physical Activity, which recognises our ongoing commitment to promoting the importance of physical activity as part of our rolling Occupational Health and Wellbeing Plan.

In December we completed our submission to Britain's Healthiest Company, which required employees to complete a health assessment that included questions on current health status, clinical factors, lifestyle behaviour and motivation levels.

Individuals received a personal health report that provided their "Vitality Age", key health risks, and recommendations for improving their health. This was a valuable exercise in identifying health risk factors and health needs of our working population.

Other campaigns included the importance of electrical safety in the home, CPR, stop smoking (offering assistance from the Occupational Health team) and an alcohol awareness campaign.

Learning & Development

We are committed to ensuring our people are given the best development opportunities to ensure strong and effective leadership. Our Learning and Development programmes are designed to make sure that employees at all levels have the skills and experience to deliver high levels of performance in the workplace.

The energy supply industry is changing rapidly and the number of employees approaching retirement age in the next decade could result in a skills gap, so we have a strong focus on 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 on-going job-specific training, covering issues such as health and safety, environmental compliance, systems training and customer service. In 2012 we delivered 136,394 training hours.

People Leader Programme

During the year we continued to run our People Leader Programme to support employees as they begin their management careers. 150 staff attended this programme in 2012. 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 2011 in partnership with Price Waterhouse Coopers to embed a coaching culture across ScottishPower's management population. There is still considerable demand for this programme, and 62 line managers attended in 2012.

Positive Influencing

Company leaders need influencing techniques to encourage others and be a positive influence to drive excellent business results. In 2011, we launched a 'Positive Influencing' programme for managers, developed in partnership with Price Waterhouse Coopers. There is still considerable demand for this programme, and 68 line managers and specialists attended in 2012.

Global Energy MBA

We continued to sponsor five participants (two in the 2010 intake and three in the 2011 intake) 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. Five managers from our 2009 intake graduated in 2012. Iberdrola will launch a new MBA in the Global Energy Industry in 2013, in partnership with the University of Strathclyde and Comillas Pontifical University ICAI in Madrid, and ScottishPower will have 5 participants on this programme.

Leadership Development Review (LDR)

During 2012, we evaluated a further 15 Senior Managers against our Group Leadership Model, "Energising Leaders", which was developed in partnership with an external consultancy, YSC Group. This helps us to 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.

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. 33 of our senior leaders attended Visionaries events in 2012.

Leadership Conference

In 2012 we ran a Leadership Conference for senior managers using our Leadership Model "Energising Leaders" as the focus for the event. 120 of our senior leaders attended.

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 2012, 41 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 prepare them to become effective managers and leaders. 32 graduates participated in our modular Graduate Development Programme in 2012.

Summer Placement Programme

We provide a number of summer placements for students each summer holiday and in 2012 we recruited 51 students across our businesses. The placements are aimed to provide a learning environment from June to September for 3rd and 4th year engineering and business undergraduates, giving them an understanding of the world of work and encouraging them to consider a career with ScottishPower on completion of their degree courses.

Apprentice Programme

We offer an Apprentice Programme, which generally runs for three years, depending on the selected trade. The programme 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. We had 25 apprentices across our businesses in 2012.

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 71 trained STEM volunteers in our business who support activity to promote sector attractiveness in schools and universities, as well as events aimed at these groups, and also career changers.

We also contribute to online resources at: www.thinkpowersector.co.uk to educate potential recruits 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 Our Communities Section.

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. From 1 March 2013, Scottish Power will comply with pensions auto enrolment requirements detailed in the Pensions Act 2008, by automatically entering all eligible workers into a qualifying workplace pension arrangement.

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	Manweb Group Pension Scheme
	(% of salary)	(% 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 the 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 2012 there were 1,210 contributing members, and the total value of the Plan was £27.413 million.

Support and Communication

We support employees preparing for retirement to help them make informed financial choices. We 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 2012 we held road shows and surgeries for staff at various locations and pensions forums for retired members in June and November.

Pension Scheme Management

In 2012, equity markets recovered some of the returns lost in 2011. The US equity market, which led the recovery at the beginning of the year, floundered during the last quarter of 2012. Post-election uncertainty, exasperated by the fiscal cliff discussions, caused the market to fall in sterling terms. During the quarter ended 31 December 2012 the strongest markets were in Europe, whilst Japanese equities rose by 17.6% in local currency, but only by 5.1% in sterling terms. Gilts were broadly flat, whereas credit once again gave a positive return as spreads tightened. Index-Linked gilts had a very strong quarter with real yields declining by 0.2%. Property returns continued to be marginally positive.

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 defined benefit Schemes, assisted by their investment advisers, conducted an investment strategy review in 2012. They decided to move some of the funds held in equities to alternative asset classes such as diversified growth and mezzanine debt funds, to reduce the overall level of investment risk within the schemes, while retaining access to the attractive long-term investment returns offered by equities.

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 2012 a total of 71% of employees were paying into this plan, with monthly contributions averaging £90. 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 2012, 24% of eligible employees (22% of the total workforce) were paying into Sharesave with an average monthly saving of £168 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 2012, 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 2012 77% 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. Our employee magazine Connection is available in both English and Spanish.

During 2012 we launched our employee survey, The Loop, and building on feedback from this led us to introduce The Deal.

The Deal is built upon a series of shared expectations that help the company and our employees to work better together to deliver more for our customers. Each expectation consists of two simple parts:

1. What the company expects of you,
2. What you can expect of the company.

Our Marketplace

Overview and Management Approach

ScottishPower is one of the UK's largest energy suppliers. At the end of 2012 we supplied electricity and gas to more than 5.6 million customers across Britain and provided electricity connections to 3.5 million customers.

We have a diverse range of generation plant with an installed capacity of 7,271 MW, including 24 operational windfarms, two hydroelectric schemes, two coal stations, and a fleet of modern gas and co-generation plant. One of our coal stations, Cockenzie, was taken out of service just outside the reporting period in March 2013.

Our Energy Networks business, which transports electricity between generation plant and our customers, is investing £2.6 billion over the period from 2013 to 2021 to upgrade Scotland's transmission network.

This represents the most significant upgrades to the grid for 50 years. It will allow the connection of more renewable energy projects and increase the capability to transfer electricity between Scotland, England and Wales by strengthening the existing power links and building the Western HVDC link, a new 420 km subsea cable between Ayrshire in the West of Scotland and the Wirral Peninsula in north West England.

Energy Networks is now consulting stakeholders on investment plans for its distribution networks in Central and Southern Scotland, North West England and North Wales. Plans are still being finalised, but will focus on six priority areas, as follows:

- Managing an ageing network
- Improving service to poorly served customers
- Investing in storm resilience
- Improving customer service during power cuts
- Reducing the number and length of power cuts
- Preparing the network for low carbon technologies

These projects represent investment of several billion pounds and will improve the performance and reliability of the network, benefiting our customers. The plans will be submitted to Ofgem for approval during 2013.

Meanwhile, our Energy Retail business is working hard to improve customer service and this was reflected in our ratings in external reports during 2012 from Ofgem, Consumer Focus, Which? and uSwitch.

In recent years Government obligations on energy suppliers to deliver customer energy efficiency measures and social programmes to help vulnerable customers have increased sharply. These obligations are met from customer bills. In 2012 our spend on energy efficiency programmes totalled £160.5 million, while our spend on social programmes to help vulnerable customers was £30.4 million.

Government obligations on energy efficiency and social programmes and the need to invest in electricity infrastructure to decarbonise the energy supply market in Britain means that bills will continue to rise in future years.

We are seeking to minimise the impact on our customers by offering competitive products, free energy efficiency advice and innovations such as smart metering and energy monitors, as well as helping customers through social programmes such as the Warm Home Discount, the new Energy Company Obligation and the Green Deal.

ScottishPower also participates in the UK and other markets as a major purchaser of goods and services, and continues to play a significant role in supporting national and regional supply chains.

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

Performance

Our Markets

Our customer portfolio includes domestic, industrial and commercial customers, as well as public sector organisations and local authority customers.

During the year we supplied those customers with 24.9 TWh of electricity and 32.2TWh of gas. Key trends in our markets during 2012 saw domestic gas and power consumption per household reduce. We attribute this to a combination of milder weather, the effects of home energy efficiency measures and customers reducing their fuel use as a result of the economic downturn.

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 has declined in recent years due to the flat economy. Growth forecasts for the industrial sector in Britain are uncertain 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 and Product Innovation

Energy Prices

Energy prices continued to be a significant factor for customers in 2012, as families across Britain continued to experience a squeeze on household budgets, due to weak income growth, tighter credit conditions and increases in the cost of living.

ScottishPower recognises that energy bills are a significant outgoing for the majority of households. During 2012 we have worked hard to communicate with customers, openly and transparently about the prices we charge.

As part of this, we produced an Energy Journey animation:

<http://www.youtube.com/watch?v=HGDI0vW6Iw&feature=share&list=PL4CD35D82AF6F71A8>

and we publish a bill breakdown on our customer website:

<http://www.scottishpower.co.uk/support-centre/service-and-standards/billbreakdown>.

In addition, we continually encourage customers to check with us that they are on the best tariff for their needs – whether they want to opt for the cheapest energy available at any given time, or have the certainty offered by a fixed price product.

In October 2011 we promised that we would not increase electricity or gas prices over the winter months – and we kept that promise, announcing in January 2012 a reduction in gas prices for around 1.4 million domestic gas customers, which came into effect in February 2012.

The reduction in gas prices came about as a result of changes in the wholesale price of gas that we were able to pass on to customers. However, at the same time, we have continued to make it clear to our customers that energy suppliers are experiencing a sustained increase in other costs, which will continue to drive energy prices upwards in the longer term.

We were forced to announce an increase in domestic electricity and gas prices in October, which came into effect in December 2012. Britain's other major energy suppliers also announced price increases in the latter part of 2012.

Our increase was due to the increasing cost of Government obligations, such as customer energy efficiency programmes, which were projected to rise by more than one third on the previous year, along with increases in the cost of transporting energy to customers' homes.

During the year we also simplified our pricing structure, making standing charges and discounts for each payment method more consistent, to make our tariffs easier for customers to compare with those of other suppliers.

Energy prices will continue to face upward pressure in the coming years as a result of the investments required in low carbon, renewable energy and upgrading electricity networks, along with Government obligations

to spend many millions of pounds on making customers' homes more energy efficient and providing help and rebates for vulnerable customers.

ScottishPower continues to work hard to minimise the effects of these rising costs on customers including:

- Offering savings for customers paying by direct debit and managing their accounts online
- Providing fixed tariff options
- Encouraging customers to take a free, no obligation tariff price check
- Offering customers free advice on making their homes energy efficient

We also have various programmes in place to help vulnerable customers. These are explained in the Social Programmes section.

Energy Suppliers Price Changes 2012

The table below shows the price changes announced by Britain's "big six" energy suppliers during 2012.

Products

During 2012 we continued to offer domestic customers a range of energy tariffs to suit their needs. This included variable fixed and discounted price tariffs reflecting differing consumer needs for flexibility, price security or the cheapest deal available..

The range of new products included a number of competitive online and offline products. In addition, new versions of our innovative Unifi product and Platinum bundled products were launched.

The Unifi Fixed Offer 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).

The 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.

Our relationship with Cancer Research UK developed further with three new versions of the Help Beat Cancer Discounted Energy launched during 2012. The current version (correct as at 30th April 2013) offers a 4% discount on standard monthly direct debit prices and provides the charity with £15 for every customer who signs up and £10 annual payment for each customer who remains on the tariff.

We also continued to be active in the green energy market with two new versions of our Simply Green Energy product launched. This is an independently certified green energy tariff that meets Ofgem's green supply guidelines and contributes funds towards environmental and educational renewable energy projects within communities across the UK.

Looking ahead, Ofgem's Retail Market Review (RMR) due to be implemented in 2013 will have a major impact on both our existing product portfolio and future developments. We welcome the RMR proposals and we are now focused on the effective implementation of the policy.

We recognise the benefits of clearer customer communications in making the market more transparent and consumer-friendly and we agree that rebuilding consumer trust will play a vital role in enhancing consumer engagement with the energy market. A summary of the key tariff proposals is outlined below:

- Suppliers will be limited to offering four core tariffs
- All tariffs must have a standing charge and unit rate structure
- Introduction of a tariff comparison rate (TCR) for all tariffs
- Communication with customers on the cheapest deals

Sales and Marketing

During 2012, our specially trained Energy Advisors visited homes across the country offering free energy assessments. The Advisors provided householders with energy efficiency advice and information on the best ScottishPower product for them based on their individual needs.

Doorstep selling – formerly one of the main touchpoints with prospective customers – ended in 2011. But we retrained sales staff as Energy Advisors in an initiative endorsed by the Energy Saving Trust. Throughout 2012 our Energy Advisors gave people information which could help them to save money on their bills, as well as advising on ways to cut the five tonnes of carbon dioxide that the average UK home produces each year.

With the removal of doorstep sales activity, we worked hard during the year to offer a range of stand out products and services through various channels, including telesales and digital marketing. In addition, the success of affinity relationships with Cancer Research UK, O2 and Panasonic has allowed ScottishPower to share ideas and opportunities with powerful, trusted and recognised brands.

We have renewed our focus on delivering the best customer service possible and launched new customer initiatives such as a tariff check scheme, which has encouraged customers to switch to a different ScottishPower tariff, resulting in savings on their energy bills.

During the year we highlighted our commitments to customers and ongoing investment in sustainable energy solutions through a UK-wide advertising campaign with the key themes being 'We're making a world of difference' and 'Because we believe in using our power to change things for the better'.

In February 2012 we achieved the best score out of the UK's 'big six' energy companies in Which? magazine's second investigation into energy industry telesales practices, topping the performance league table with a score of 92%.

The investigation considered whether callers were always offered the cheapest tariff available, told about exit fees (or whether they didn't apply) and whether calls were answered within two minutes.

Customer Information

Our customer website provides easy access to information on many aspects of our business 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 deals appropriate for the customer's needs
- Projected annual costs based on their last 12 months consumption
- Breakdown of an energy bill – customers can see where their money goes
- Ofgem Annual Statement summarising key contract information
- Emergency and loss of supply information
- How customers can check they are 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

Our Welcome 'cycle' for new customers has won a clutch of awards, including Marketing Initiative of the Year at the Utility Industry Achievement Awards 2012. The Welcome cycle comprises a series of interactive media, including a personalised web page for each customer.

During 2012 we began publishing customer service data on our website for the first time. The information published includes the number of customer calls the company received over the previous month, how quickly those customers got through and the number of customer complaints resolved.

The information can be found on our customer website at:

<http://www.scottishpower.co.uk/support-centre/service-and-standards.aspx>

There is also information on the number of home visits made by our Community Liaison Officers and the number of times customers used our free call back option.

During the year ScottishPower was the first UK energy company to launch a live, online solution in the Government-backed 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.

ScottishPower, along with other energy providers agreed to develop a Midata solution at the Energy Summit with Prime Minister David Cameron in October 2011. Since then we have worked closely with government and consumer groups to devise a system that had a strong focus on data privacy and security. The Midata platform is 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.

Energy Networks provides customers with written notice of planned service interruptions, along with advice on what to do in relation to electrical appliances before, during and after the outage and contact details for further information.

Customer information on what to do in the event of an unplanned service interruption is advertised on customers' bills, on company websites, customer welcome packs and the telephone directory.

Customer Service

Our UK Retail business received 7,378,403 calls in 2012. We operate across five main contact centre operations and customer calls are routed by payment type in order to provide a tailored customer experience and service offering.

Customer satisfaction is measured via our satisfaction tracker, Voice of the Customer (VOC). The study is managed by an independent research supplier and it explores metrics identified by customers (via qualitative research) as being critical to quality, including, but not limited to:

- Overall satisfaction
- Brand
- Overall service satisfaction
- Reliability of fuel
- Offer competitive prices
- Value for money
- Do more for you
- Honest
- Knowledgeable about customers
- Respond to queries in an acceptable time
- Meter read with adequate frequency
- Happy for meter readers to just turn up
- Receive accurate bill after reading
- Satisfaction with billing
- Accuracy of bills and statements
- Satisfaction with answering enquiries
- Feel informed throughout process
- Confident will not need to phone again
- Staff were understanding of the query
- Resolved in acceptable time
- Less than 2 minutes to speak to someone
- Complaints resolved to satisfaction
- Staff sympathetic to complaint, and;
- Confident (the complaint) won't reoccur.

In 2012, we conducted a qualitative review of our Voice of the Customer carrying out 10 domestic focus groups about aspects of our service that are deemed "critical to quality", allowing us to understand the important factors in a customer's relationship with ScottishPower.

Voice of the Customer feedback helps to shape our long-term strategy and qualitative findings are subsequently reviewed in a quantitative environment. We also use an ongoing satisfaction tracker via an online panel using YouGov's BrandIndex platform.

Top 50: Each year ScottishPower participates in a syndicated mystery shopping exercise called Top 50, which benchmarks customer service experience across over 80 organisations. An extensive number of quality factors are scored by mystery shoppers based on telephone and email enquiries.

Following extensive scrutiny of 2011 results, 2012 saw significant improvements across the 5 key quality pillars moving us into the Top 50 with a rank of 39, and winning an award for the 'most improved' company.

PCIVR (post-call Interactive Voice Response): We continually track satisfaction, with between 2,000 and 3,000 surveys completed per week using a post call survey across all call-centres. The results are monitored closely and this feedback is used to proactively improve our service through activity such as agent coaching and additional training.

In 2012 we focused on improving customer service agents' knowledge on energy efficiency advice, support for customers and offering the best deal to our customers. Since the launch of this feedback survey, around 86% of customers tell us they experience a "hassle free" service, while more than 90% of customers agreed that our agents listened carefully to their enquiry and resolved it to their satisfaction.

Tell The Energy People (TTEP): Our online customer panel has around 7,000 specially recruited members who participate in a range of research activities, both qualitative and quantitative, including rating their contact experiences.

Typically between 200 and 300 contribute each week to a range of activities such as forums, polls, contact diaries, smartboards and online focus groups. The research findings are fed back to the business in a variety of ways. Ideas for customer service improvement from the panel are fed to the Customer Improvement Board for consideration and implementation where possible.

A Customer Improvement Board was established in 2012 with the aim of delivering improvements in the business, as identified by the ongoing customer

satisfaction programme. The output from this is a Customer Experience Improvement Tracker, which assigns responsibility to an improvement idea and monitors all the actions that are fed in from across the business.

Measures adopted in 2012 included:

- Introducing a new call quality monitoring system across all SP contact centres to ensure we are delivering excellent customer service, offering the best deal, providing energy efficiency advice and detecting vulnerable customers
- Team Managers have undergone enhanced training to ensure their teams are focusing on a better experience for customers
- Introducing a daily call with all customer service managers to highlight complaint issues that customers are encountering, to agree actions and implement solutions that will improve customer satisfaction
- Monthly meetings of the Customer Improvement Board to discuss customer dissatisfaction and talk through and implement improvements across the business
- Becoming more transparent by publishing Customer service performance figures on our website including complaint volumes, call answered, emails and letters received.

In 2012 our Energy Networks business handled 832,945 calls. We operate across two virtual contact centres, based over four sites. One Centre focuses on Faults & Emergencies, General Enquires and MPAS Calls, while the other handles calls for the Connections Business.

Our Energy Networks business, which operates distribution companies in Central and Southern 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.

A new measure of customer satisfaction called the 'Broader Customer Service Measures' was introduced from 1st April 2012, which combines the results of a more detailed customer satisfaction survey, complaints and stakeholder engagement.

For the 2012/13 regulatory year, after a poor start in April, both companies demonstrated improvements to their scores throughout the year, as a robust continuous improvement plan was put in place. ScottishPower Manweb was ranked 6th out of 14 with an overall score of 7.91 out of 10, while ScottishPower Distribution was ranked 12th with an overall score of 7.77 out of 10. The mean score for the sector for the 12-month period was 8.00.

Companies were measured in the following categories:

- Interruptions
- Connections
- General Enquiries

The scores from each category are combined using the following weightings – interruptions 40%, connections 40% and general enquiries 20% – to give an overall score.

External Benchmarks

Our Retail business performed well across a range of external benchmarks for customer service in 2012.

In February, we were ranked top out of the UK's 'big six' energy suppliers for our telesales practices by Which? Magazine, with a score of 92%. The investigation considered whether callers were always offered the cheapest tariff available, told about exit fees or whether they didn't apply and whether calls were answered within two minutes.

In April we retained our position as one of the top performing energy suppliers in Ofgem's annual customer satisfaction survey and in May received a five star rating from Which? following research into the way Britain's energy suppliers deal with their customers.

We also improved our complaints performance, and moved upwards in the Consumer Focus ratings from 3 stars to 4 stars.

In July, Which? awarded ScottishPower the top score of 5 stars for billing and account management practices, after examining payment policies and ease of customer submitting meter readings. ScottishPower stood out for the clarity of bills, particularly the way that key information was easy to find on the first page.

In December 2012 we moved up into 3rd place for overall customer satisfaction in uSwitch.com's Customer Satisfaction report. The research showed that 70% of customers were satisfied – 9% more than last year. The report also stated that ScottishPower had shown some strong improvements in key areas.

There was an 11% increase in customers who would recommend us, a 10% increase in customers who were satisfied that we offered value for money, a 9% increase in those who were satisfied that we had them on the best deal for their needs and a 6% increase in those satisfied with our customer service. We were ranked in first place across the industry for our transfer process.

Customer Complaints

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 5.7 million occasions through a variety of means, with the overwhelming majority of these communications being normal day-to-day enquiries, or requests for information or advice.

We define a complaint as "when a customer tells us that they are unhappy with our service, regardless of whether or not we resolve the issue at the time of contact". In 2011/12 the number of complaints to our Retail business that were unresolved by the end of the next working day totalled 80,845. 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 occurring. 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 and performance 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. During the time period covered by this report, the component parts of that scorecard have changed, and are set to continue to change in line with regulatory requirements.

Companies are ranked on the number of customer contacts to Citizens Advice Consumer Service, 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 2011/12 the number of ScottishPower customers referring their complaint to Citizens Advice Consumer Service fell by 61% compared to the previous year. We also improved from a 3-star to a 4-star rating for complaint handling received from Consumer Focus in the industry complaints scorecard for the period January to March 2012.

During the period from 1st October 2011 to 30th September 2012, our Energy Networks business received 6,216 complaints, with 3,011 complaints received over the first three quarters of the 2012/13 regulatory year.

The majority of those related to loss of power supply, with others concerning quality of supply. Previously complaint categories ranging from Streetworks to vegetation management, are now included in the Broader Customer Service Measures monitored by Ofgem.

Social Programmes

ScottishPower, in common with all the major UK energy suppliers, funds social programmes to help vulnerable customers, such as people on low incomes who find it hard to afford their energy bills.

The Warm Home Discount, introduced on 1st April 2011, is a key element in the Government's strategy for tackling fuel poverty, which is deemed to exist when households spend 10% or more of their income to adequately heat their homes.

Under the scheme, UK energy suppliers are targeted with a combined social spend of £1.13 billion over four years until 31st March 2015.

Participation in the Warm Home Discount scheme is mandatory for all UK energy suppliers that have more than 250,000 customers. Compliance with the scheme is monitored by the Regulator, Ofgem.

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 are also paid to a broader group of vulnerable customers, to be identified by suppliers, who must be vulnerable customers on low incomes. The scheme has been designed to replace, suppliers' voluntary social and discounted tariffs, such as our Fresh Start tariff.

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 received approval from Ofgem to be included in the scheme.

Social Programme Performance

Suppliers' social spend obligations are implemented from 1st April to 31st March and audited by Ofgem, who publish a report on their website:

<http://www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/CSR/Pages/CSR.aspx>

During the first year of the scheme suppliers spent a total of £237.5 million on giving rebates to customers who met the eligibility criteria of £120 each.

We exceeded our minimum obligatory spend for the broader group by 52%.

In addition to the rebate payments and legacy spend on our Fresh Start tariff, we spent £1.56 million on allowable industry initiatives, including:

- **The ScottishPower Energy People Trust** (see below) which provides grants to third sector agencies that work to alleviate fuel poverty
- **The Home Heat Helpline**, managed by Energy UK, which provides help to any vulnerable customer suffering from, or at risk from, fuel poverty
- **Energy Best Deal**, a programme run by Citizens Advice, aimed at helping customers to get the best deal for their energy and information on energy efficiency
- **Macmillan Cancer Support project** – funding provided to Energy Action Scotland to deliver City & Guilds Energy Awareness training sessions to welfare rights forum members in South West Scotland

Winter Assistance Programme

In 2012, once again we put in place a package of measures to protect vulnerable customers during the winter months, including:

- **A targeted tariff check campaign** – writing to all quarterly cash customers to provide personalised quotes of the savings that could be made by making changes to their tariff and/or payment method
- **A debt recovery break** for prepayment customers over the three-month winter period, meaning that any payments made would be purely for energy
- **No winter disconnections** for debt between November 2012 and February 2013, although we never knowingly disconnect a vulnerable customer for debt under any circumstances
- **Offer of free loft and cavity wall insulation** for any qualifying household
- **Warm home Discount Guarantee** – guaranteeing that any customer eligible for the Warm Home Discount Broader Group who applies within the specified timescale would receive the Warm Home Discount rebate
- **Fixed prices for two winters** through a new fixed price tariff, helping to give customers certainty about their energy costs and with no penalty for cancellation

Support to customers during storms

Our Energy Networks business has made significant investments in recent years to improve the resilience of our networks to severe weather events. However, some events do result in loss of supply for longer periods. We take a number of actions to support customers in such circumstances:

- Winter Packs are made available to vulnerable customers for supply interruptions including a fleece blanket, an analogue phone, a torch and hand warmers
- We offer accommodation and hot meals to vulnerable customers in an extended period of no supply and to all customers where an interruption goes into a second night
- We have processes and agreements in place with Local Authorities to provide vulnerable customer listings so that we can work in partnership with them to respond to the changing needs of customers as outages progress.

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 build up 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.

	2012	2011
Electricity disconnections	117	143
Gas disconnections	25	42

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 install a prepayment meter, we may disconnect as a last resort.

During 2012 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. We continue to operate a process 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 customer's 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.

In 2012, as part of our Winter Commitments to all customers we promised not to disconnect any supply in the winter period covering November 2012 to February 2013. This promise was fulfilled with no disconnections in the full period.

Energy Efficiency

The end of 2012 also marked the end of two mandatory energy efficiency initiatives delivered by energy suppliers. The Carbon Emission Reduction Target (CERT) and Community Energy Saving Programme (CESP) were created by the UK Government to reduce carbon dioxide emissions, while also helping people in low-income households reduce their fuel costs by using energy more efficiently.

Since 2008, ScottishPower has invested more than £400 million on home energy efficiency measures, such as loft and cavity wall insulation, in more than 340,000 properties across Britain.

As shown in the table above, we met all of our targets under the CERT scheme, exceeding our obligations by nearly 20% for the Super Priority Group, which was an obligation designed to ensure that the most vulnerable in society benefited from the investment. More than 80,000 families in this group benefited as part of the company's investment in insulating their homes.

We achieved nearly 70% of our carbon savings by promoting insulation measures and 10% by promoting lighting measures, with heating measures accounting for 20% of the total.

All targets for the CESP scheme were achieved by the end of April 2013, with 70% delivered as of 31st December 2012. Both programmes delivered combined carbon savings of more than 32.6 million tonnes.

We estimate that close to one million homes benefited from our activities under CERT, while approximately 20,000 families benefited from the CESP programme.

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.

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

Priority Services Register

Customers who have special needs, or senior citizens, can join our Priority Services Register.

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 30th March 2013 we had 447,026 customers on our Priority Services 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 or their representatives and helping to manage debt and other issues through one-to-one support.

In 2012 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. This was supported by a tailored programme of training to CAB staff as part of their Big Energy Saving Week initiative with over 500 staff attending the training sessions held throughout Sept – Nov 2012.

During the year we secured funding through the Warm Homes Discount Scheme allowing 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.

ScottishPower Energy People Trust

The ScottishPower Energy People Trust (SPEPT) is an independent charity, which provides funding not-for-profit organisations that help people whose lives are affected by fuel poverty.

In 2012 the Trust awarded grants of £2,194,120 to 52 projects, helping more than 51,000 households and over 116,000 individuals. Since the Trust was established in November 2005, it has awarded almost £11.5 million to 236 projects, helping 1,590,268 people in 1,323,197 households throughout Britain. Examples of some of the projects funded by the Trust are published below.

Amaze Secures £6 million to Combat Fuel Poverty

Amaze, a registered charity based in Brighton and Hove, used a £90,000 grant from the ScottishPower Energy People Trust to secure £6m of additional benefits for families with disabled children.

The charity, which provides support to parents of children with special needs and disabilities, helped 737 families to secure an additional £6m in disability living allowance over three years and provided free energy efficiency advice to more than 1,400 families.

Ann Loughrey, Company Secretary of the ScottishPower Energy People Trust, said:

“We were pleased to visit Amaze and hear first hand the incredible difference the project has made to families in the Brighton area.

“It is a fantastic achievement for an organisation to be given £90,000 and turn that into a £6 million benefit for families who need help in the local area. Amaze has effectively turned every £1 the Trust donated to them into a benefit of £66 for disadvantaged households. The average family who were helped increased their income by over £8,000.

“These exceptional increases in family household budgets as a result of Amaze advice services have helped relieve the stresses of fuel poverty and contribute to a better standard of living for the participating families. We are proud to have been able to play our part in assisting this inspirational project.”

Hexham Affordable Warmth Project

West Northumberland Citizens Advice Bureau (CAB) was awarded £28,214 by the ScottishPower Energy People Trust to continue its successful Fuel Energy Project.

The initial project helped to generate £124,000 of additional income for families suffering from fuel poverty, through benefit ‘health checks’, accessing grants and helping clients to secure the best energy tariff for their needs.

The new project, which started in March 2012, involves CAB’s case worker focusing exclusively on fuel poverty through home visits and CAB offices. It aims to help a further 660 people achieve affordable warmth by offering personal energy assessments and benefit health checks.

Hexham MP Guy Opperman, said: “I was delighted to work with the CAB to ensure they secured the funding for this very important project. Fuel poverty is a huge issue across Tynedale and one I have campaigned on for almost two years. I hope that this project will help provide advice and assistance to those struggling in fuel poverty and I know the West Northumberland CAB will do an excellent job of delivering it.”

Lancashire Bill Busters Secure £46,000 Funding

A Lancashire based charity was awarded £46,835 by the ScottishPower Energy People Trust for an 18 month project which aims to help lift more than 3,500 people out of fuel poverty.

Blackburn with Darwen Healthy Living’s Bill Busters project aims to help fuel poor, vulnerable households to live in warm, dry and comfortable homes, while controlling their fuel use and keeping fuel costs affordable.

Local residents can access help and advice in relation to their energy usage and bills through one to one energy advice surgeries either in a local community centre or through home visits.

The project is delivered by one full time energy efficiency advisor and eight volunteer community energy champions who will also run a series of presentations to local groups, such as parent and toddler groups, to provide information and advice on keeping homes affordably warm.

In addition, workshops will be held in community venues and information stands will also be set up in local schools at parent evenings.

For further information visit:

www.energypeopletrust.com

Plant Reliability and Energy Security

The security and integrity of electricity supplies depends on the reliable operation of generation assets, such as windfarms and power stations and network assets, which comprise transmission and distribution systems.

Our Generation and Energy Networks businesses operate asset management systems certified to PAS 55, to ensure plant is operated and maintained properly and that investments are made to keep our plant operating safely and reliably.

The average availability of our generation assets is shown in the table below:

	2012 (%)	2011 (%)
Combined Cycle Gas	63.49	91.75
Coal	72.01	87.63
CHP	87.22	96.85
Hydroelectric	92.02	93.21
Wind	97.00	95.60

During the year we continued to invest in the maintenance of our existing power stations, with significant outages for upgrades, including a £20 million overhaul at Longannet Power Station that involved the replacement of a 300 tonne generation transformer, as well as routine inspections and repairs.

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 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 Beauly (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 deliver our annual maintenance programme during the year, which ensures that the network continues to operate efficiently and with a high degree of reliability.

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.

Customer Interruptions (CI) are measured by the number of customers (per 100 customers) that are affected by power cuts lasting three minutes or more.

Customer Minutes Lost (CML) is the average number of minutes that a customer is without power for three minutes or more due to a power cut.

We normally report our performance to Ofgem adjusted to take account of exceptional events such as severe storms. Both the adjusted and non-adjusted figures are shown in the table above.

Energy Security

We are continuing to play our 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, visit: <http://www.scottishpowerrenewables.com>

ScottishPower has in place comprehensive emergency response and business continuity plans for all of our businesses, so that 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 (TSMS), which 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, with special emphasis on respect for human rights
- Economic-financial situation
- Anti-bribery & Corruption assessment

To improve the status of suppliers with lower performance in these areas, improvement, awareness-raising and motivation activities are conducted throughout the year in order to help suppliers achieve certification. Additionally, as a way of integrating suppliers into our sustainable procurement strategy, we set annual goals linked to the remuneration of the senior procurement managers, with a focus on improving suppliers' profiles in the area of corporate social responsibility.

These objectives have been included in the Purchasing Division scorecard, with monthly indicators and annual improvement ratios. Consequently, not only

are suppliers motivated to improve their profile by demonstrating excellence in their corporate management, but employees of the Purchasing Division are encouraged, through quantifiable objectives, to select those suppliers that perform well in the aspects of sustainability that the company is interested in developing.

During financial year 2012, there were no human rights problems discovered with suppliers, nor is there any evidence of practices that could violate respect for human rights in the Purchasing area of the Iberdrola Group. No cancellation of any contracts was necessary on such grounds.

Our external supplier data source company Achilles, supports the supplier assessment requirements based on supplier product risk. Below are some high level assessment figures for 2012:

- 92% of all suppliers were audited. This is the number of suppliers audited by Achilles in 2012 out of the total active suppliers in 2012 (3774 out of 4098)
- 73% of high risk suppliers, across UVDB, were audited. This is the number of high risk suppliers audited by Achilles out of the total number of high risk suppliers across UVDB (2751 out of 3774)
- 24% of high risk suppliers, across TSMS only, were audited. This is the number of high risk suppliers audited by Achilles out of the total number of high risk suppliers across TSMS only (330 out of 1367)

Going forward in 2013 we expect to further develop CSR reporting capability from the Achilles platform.

Transparency in the Purchasing Process

The Purchasing Division ensures equality of opportunity, applying standards of objectivity and impartiality in supplier relations, promoting publicity of and participation in selection processes, within management efficiency criteria. To that end, one of the annual objectives of the purchasing team is to increase the volume awarded in the bidding processes with a transparent and objective closing process, by means of sealed envelope and/or electronic auctions, which promotes bidding processes that are more equitable for suppliers and more competitive for the company.

Foster corporate responsibility measures in the value chain

ScottishPower has made investment in electricity networks and renewable energy a strategic driver of its growth, and is working to improve the environment and to enhance energy efficiency through the following activities: as a purchaser, by including environmental and social commitment clauses in supplier contracts, and by preparing awareness and carbon footprint measurement campaigns within the supply chain.

In 2012, the campaign launched among the main suppliers of the Group was further developed and expanded, and the emissions from the main suppliers in the United States of America, the United Kingdom, and Spain were included in the Iberdrola Group's emissions inventory.

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.

In 2012 we spent £947m on general purchases, including equipment, materials, works and services, up 6% on the previous year.

In 2011, ScottishPower introduced an Anti-bribery & Corruption Policy that we expect all our staff, contractors and suppliers to adhere to. In addition, Anti-bribery & Corruption and Corporate Social Responsibility clauses were introduced to ScottishPower contracts. ScottishPower continues to develop and strengthen its engagement in managing Anti-bribery & Corruption processes to ensure compliance to the Anti Bribery Act 2010 via working with UK based partners to enhance data quality and supplier compliance with this key contractor policy.

We are currently examining options to provide a more automated control framework via our external Supplier information Database provider, or via a bespoke software data provider. The aim of this initiative will

be to drive better supplier Anti-bribery & Corruption compliance and ensure ScottishPower develops its commitment to improved Anti-bribery & Corruption controls.

When issuing a tendering to potential suppliers ScottishPower includes a number of Policies and Procedures that we as a company expect our suppliers to adhere to:

- Policy on Anti-Bribery and Corruption
- Policy on People with Disabilities
- Policy on Equal Opportunities
- Policy on Health, Safety, Welfare and Environmental Requirements for Contractors and Their Employees
- Policy on Harassment
- Policy on Race, Religion or Belief Discrimination
- Policy on Sex Orientation and Gender Reassignment Discrimination
- Policy on Age Discrimination

During 2012, Aenor certified the expansion of the Quality System in accordance with the ISO 9001 standard, including the purchasing and supplier-classification processes carried out in the United Kingdom. Obtaining this recognition, which ensures the dissemination and implementation of good practices, endorses the effort made by the organisations involved, which focus their processes on the international integration of their management while respecting the specific needs of each country.

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 Communities

Overview & Management Approach

At ScottishPower we don't just invest in power stations, networks and renewable energy – we invest in our local communities, supporting numerous projects and charities that make a real difference to people's lives.

We invest in young people through our education and training programmes, nurturing the next generation of engineers and technicians our industry needs to grow and prosper, through apprenticeships and university partnerships and creating sustainable employment.

Our Visitor Centres at Whitelee Windfarm and Cruachan Power Station host numerous visits by school groups every year, helping youngsters to learn about renewable energy, while teaching them about related topics, such as climate change and energy efficiency.

Within schools, our STEM ambassadors work with pupils to encourage an interest in science, technology, engineering and maths – and we also educate young people about electrical safety, through our award winning PowerWise programme.

We deliver environmental programmes, sponsoring countryside rangers at many of our power stations and windfarms and supporting research into fisheries and the restoration of peat bog. In addition, The ScottishPower Green Energy Trust provides funding for renewable energy projects in communities.

We also support national cultural events and are one of the few companies in the UK to have our own, award-winning pipe band.

We have always supported good causes that are close to people's hearts and in 2012 we formed a new, ground-breaking relationship with Cancer Research UK, which aims to raise millions of pounds over the next few years to ensure that more people than ever before can survive cancer.

We have a strong culture of employee volunteering across the company, with hundreds of staff rolling up their sleeves each year to participate in community projects, support young people's learning and raise significant sums of money for good causes.

We value our relationships with our local communities and aim to demonstrate this by operating our business responsibly at all times, being open and honest in our communication with local stakeholders and lending a helping hand when we can.

Responsible Development and Operation

ScottishPower has a long track record of demonstrating a responsible approach to the planning, development and operation of our power stations, windfarms and electricity networks.

When we are planning a new development we consult extensively with stakeholders, ensuring that consideration has been given to landscape and ecological issues and the needs of local communities and businesses.

Before we begin conducting an Environmental Impact Assessment, or applying for planning consent we tell as many people as possible about our plans and listen to the views of community groups, wildlife and heritage organisations and businesses.

For major developments, including windfarms and networks infrastructure we hold Public Information Days in venues such as village halls, where we display exhibition material, explain our plans and answer any questions local people may have. There may be several rounds of Public Information Days for each project.

We also hold early meetings with a wide range of statutory consultees and NGOs, including local authorities, Scottish Natural Heritage (SNH), Natural England, the Countryside Council for Wales, the Royal Society for the Protection of Birds (RSPB) and many more.

ScottishPower Renewables also produces a Project Summary leaflet for distribution to local stakeholders, which provides background on the project and our business in a user-friendly format.

Most major projects require an Environmental Impact Assessment to be conducted, which provides a robust assessment of all potential environmental, social and economic effects of the proposed development. However, ScottishPower also operates internal policies that are designed to ensure our approach to development constitutes best practice. For example, ScottishPower Renewables have a Windfarm Sustainable Development policy and a Biodiversity Conservation policy.

Many of our assets, such as wind turbines and 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 potentially Cockenzie in East Lothian where we are evaluating options for the development of the site.

In January 2013, just outside the reporting period, we received planning consent from Burnley Borough Council for the Repowering of Coal Clough Windfarm, one of the oldest in the UK. ScottishPower Renewables will replace the ageing turbines on site with eight new, modern ones that will increase Coal Clough's capacity by over a third to 16MW.

Our Approach to site management

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

Longannet Power station, which is a major site located close to several small communities, has a Local Liaison Committees that meet regularly to discuss topics of mutual interest.

In addition, staff at various sites attend meetings of community councils and other local groups to keep in touch with community opinions and provide updates on projects.

Our Energy 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.

Each of our businesses has rigorous processes in place to ensure that any community complaints are recorded and addressed.

Visitor Centres

We have visitor centres at several sites, including Whitelee Windfarm, which is one of Scotland's leading eco-tourist attractions. The Visitor Centre at Whitelee is managed by Glasgow Science Centre and is open from March to November.

The Visitor Centre has first-class education facilities, including interactive displays and exhibitions and a learning hub, staffed by professional educators from Glasgow Science Centre, which caters for school groups. To date, more than 250,000 people have visited the site.

Whitelee also has an ambitious public access plan, which has opened up 90km of pathways across the site to be enjoyed by walkers, cyclists and horse riders. There is a shop and cafeteria, as well as facilities for cyclists, including a shower block, and visitors can take a bus tour of the site.

Cruachan Power Station's visitor centre, near Oban, is open all year round and welcomes over 60,000 visitors each year. It has interactive displays, a shop and cafeteria and offers bus tours to the power station inside the hollow mountain.

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

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, renewable energy and local wildlife – and have the opportunity to see the fish ladder and walk across the dam.

Performance

Project Development

ScottishPower Renewables

During 2012 we completed initial testing of an underwater tidal turbine in Orkney, during which the 1MW device generated electricity for Eday, one of Orkney's northern islands.

Following this test period, which proved to be very successful with the turbine reaching full output, the HS1000 device will be deployed in a 10MW tidal array in the Sound of Islay, which received consent from the Scottish Government in 2011.

We also progressed our West of Duddon Sands Offshore Windfarm in the East Irish Sea, awarding major contracts for transportation and installation of the turbine foundations for the 389MW development. The project, which is a joint venture with DONG Energy, will cost in the region of £1.6 billion to build. Construction of the windfarm will be facilitated by the first purpose-built offshore wind installation and pre-assembly hub at Belfast Harbour, which was handed over to ScottishPower Renewables and DONG Energy, just outside the reporting period in February 2013. A £4m operations base in Barrow-in-Furness is also being developed as a base for the project's Operations & Maintenance team.

In addition, East Anglia Offshore Wind Limited, a joint venture between ScottishPower Renewables and Vattenfall, held consultations about the onshore aspects of East Anglia ONE offshore windfarm which will have up to 325 turbines and an eventual capacity of around 1,200MW. Contracts for weather monitoring stations were awarded during the year and a planning application for the project was submitted to the National Infrastructure Directorate in December 2012.

During the year construction work began on Harestanes Windfarm, a 67-turbine development near Dumfries and we submitted a planning application to the Scottish government for a further extension to Whitelee Windfarm, near Glasgow. Whitelee is one of the largest onshore windfarms in the UK and the extension could increase the overall capacity of the site to 551MW – enough to meet the energy needs of more than 300,000 homes.

Generation

We continued to progress plans to develop three new Combined Cycle Gas Turbine (CCGT) Power Stations during 2012. Damhead Creek II, a 1,000MW generating station will be built on a site adjoining our existing Damhead Creek Power Station on the Hoo Peninsula, Kent.

We also progressed plans to develop a CCGT at Cockenzie in East Lothian. Our existing coal-fired power station at Cockenzie was withdrawn from service just outside the reporting period in March 2013, after more than 45 years of service.

Consultations are taking place in relation to the development of a third CCGT power station at Avonmouth near Bristol.

During 2013 we continued with site clearance works at Inverkip, our former oil power station on the Clyde coast. The boiler house was demolished in a controlled explosion in October and plans are in place to bring down the station's 778-foot chimney in 2013.

Energy Networks

Energy Networks staff deployed 850 engineers in communities across Central Scotland in January 2012 to repair power lines that were damaged in severe gales that had caused thousands of customers to lose their electricity supply.

The weather caused the worst storm damage and disruption to ScottishPower's network for 13 years, with more faults experienced in a day than would normally happen over three months. The company responded by sending out the largest ever number of engineers to repair the damage.

During the year we progressed the development of a new high voltage subsea electricity cable, which will link Scotland's electricity transmission system to that of England and Wales. Siemens and Prysmian were awarded a £1 billion contract to build the link, which will have a capacity of 2,200MW and run from Hunterston in Ayrshire to a landing point on the Wirral Peninsula.

We also progressed plans for major upgrades of the electricity networks at various locations across our

licensed areas to support load requirements and new windfarm connections. A major new substation was completed in Stirling during the year, as part of a larger £3.8 million upgrade of the network in the area.

In Glasgow we continued with our £25 million reinforcement of the network, which will support the Glasgow 2014 Commonwealth Games and the Clyde Gateway regeneration project. We also progressed proposals for a new primary substation at our St Vincent Crescent premises in Glasgow, to support growth and development in the city's West End.

Community Investment

We have for many years used the London Benchmarking Group (LBG) model to evaluate our community support activities. LBG is the standard for community reporting adopted by around 120 companies worldwide.

The model allows companies to report community contributions and achievements by measuring the total impact on communities rather than financial contributions alone.

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

During 2012, ScottishPower's businesses contributed £6.2 million in community support activity of which £3.9 million was contributed to registered charitable organisations.

The £6.2 million total incorporated £1.8 million categorised as charitable gifts, £2.8 million categorised as community investment and £1.6 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 young people (including public safety)
- Environment
- Economic development
- Social welfare
- Health
- Arts & culture
- Other

Our community programmes are explained in detail under Community Programmes.

Community Programmes

Public Safety

PowerWise is a pioneering safety education programme run by ScottishPower Energy Networks, which teaches primary school children aged four to 11 years the potential dangers of electricity in the home and outdoor environment.

The programme, which has won several awards, is taught by qualified teachers and is linked to the school curriculum in our operating areas across Scotland, North-West England and North Wales.

During 2012, the PowerWise Classroom Education Programme provided 350 teaching days to primary schools, delivering the safety messages to an estimated 47,000 children. Schools in Wales can opt for the programme to be delivered in English or Welsh.

We also distributed around 350 PowerWise resource packs free of charge to primary schools across our operating areas. The packs, for use by school teachers, contain ready made lesson plans, games and activities.

The PowerWise website, at: www.powerwise.org.uk, also provides an easily accessible way for children to learn about electrical safety. The website offers lesson plans, interactive games and information for children of all ages and has resources and information for teachers and parents. It received 100,991 hits during the year – an increase of more than 10% on 2011.

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.

Children are taken to the safety education centres on organised school trips. The centres have purpose built scenarios, including a mock substation and an overhead line that are designed to educate children and raise awareness of accidents, injury prevention and personal safety in a safe environment. In 2012, Dangerpoint added a new electricity scenario, which helps children understand why the human body can conduct electricity and how to stay safe.

Each tour ensures that children are made aware of the dangers of electricity in the home and outdoors. Afterwards, each child is given a workbook to complete at school or at home, to consolidate what they have learned.

During 2012, approximately 6,500 children visited DangerPoint in North Wales and around 7,800 visited The Risk Factory.

Crucial Crew

Crucial Crew is a national programme, facilitated by the emergency services, or local authorities, 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 2012, approximately 9,000 children in the final stages of primary school education attended Crucial Crew events, where staff from our Energy Networks business helped to educate young people about the potential dangers of electricity.

Rye House Power Station also sponsored Crucial Crew events in Hertfordshire during 2012.

Other public safety initiatives

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

In 2012 we continued to support the Working Well Together construction safety group in North Wales. The group is well attended by the Health and Safety Executive (HSE), Environment Agency, Local Authorities and local construction companies and works to promote a safer construction industry in the North Wales area.

Membership of the group enables us to provide safety events for construction workers in our operating area who are at high risk of coming into contact with overhead power lines or underground cables.

Energy Networks supported the North Wales group in setting up an event in Wrexham during 2012 and provided a speaker to educate micro construction companies on the dangers of working near overhead power lines and underground cables. We also attended a groundworkers event in West Lothian.

During the year we continued to work with police across our operating areas to combat the theft of copper from substations. This has been a growing problem for electricity utilities in recent years due to the rising price of metal and could have significant implications for public safety, as well as causing loss of power to

customers. Following a series of thefts at various locations on our networks, we issued safety messages in the media and offered a financial reward to anyone who provided information that may help to secure a criminal conviction.

ScottishPower also hosts a training centre for the emergency services on the site of our former Kincardine Power Station. This includes the Carbonaceous Firefighting Training Unit, which helps the Fire Service to train for dangerous back-draft conditions and flashovers.

Damhead Creek Power Station in Kent donated a salt spreader to St Werburgh Primary School to help make the school grounds safe for staff and pupils during freezing winter conditions.

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 various education and training programmes, working with school children, school leavers and graduates, to encourage young people to pursue a career in the power sector and develop the skills our industry needs.

Encouraging Science, Technology, Engineering & Maths (STEM)

During 2012 our STEM ambassadors continued to support Science, Technology, Engineering and Maths in schools. Fifteen employees were involved in these activities during the year, giving around 358 hours of volunteering time.

Our STEM programme reached an estimated 3,600 young people directly during 2012, along with another 24,103 people through the Think Power website, which we support.

As part of the STEM initiative we supported the Masterclass Airline Challenge, an enterprise challenge, involving 335 Year 10 pupils from three schools. We also supported two Business in the Community 'Teachers into Industry' initiatives during the year, which enabled 24 teachers to come to a ScottishPower site and learn about the opportunities available for young people and the different entry routes to careers with the company.

In 2012 we continued to support the INEOS science fair, delivering several 45-minute workshops each day. Six

employees attended the 12-day event, which attracted an estimated 1,900 schoolchildren from 50 schools in the Falkirk area.

We also supported a Celebration of Engineering & Science, the flagship event for the Young Engineer and Science Club at the Glasgow Science Centre, which was attended by an estimated 750 young engineers, companies and teachers. ScottishPower devised a series of three-minute engineering challenges for the young people to solve. In addition, we supported the Young Enterprise Wales finals, where eight teams presented their products and services.

We continued to support Engineering Your Future, a careers event, jointly co-ordinated and sponsored by SETPOINT, the Institution of Mechanical Engineers, the Institution of Civil Engineers, and the Institution of Engineering and Technology. An estimated 140 students attended the event.

In 2012 we supported the Catalyst Science Centre in Runcorn with funding of £5,000. Catalyst is an interactive science centre and museum devoted to chemistry and how the products of chemistry are used in everyday life. It also has an interactive demonstration unit on electricity generation.

The Centre aims to make science exciting and accessible to people of all ages, and provide information about science-based industries. During Science week in June 2012 they delivered an event to attract people into careers that involve the study of science.

During the year we hosted placements for three interns from Glasgow City council through the Career Academy initiative. Our interns completed a four week paid work placement during the school summer holidays to give them an insight into the world of work. In addition, we supported a celebration day which included a guided tour at Whitelee Windfarm for nine Career Academy students.

In 2012 we supported the Skills Show, a high profile careers event, designed to inspire the fashion designers, engineers and web developers of tomorrow, as well as Engineering Your Future and a Science at Work day, which aimed to encourage young people to pursue career choices that involve studying sciences. We also lent our support to Career Wales through a one-day series of workshops at Bangor University to provide STEM students in Wales with improved awareness and knowledge of the power sector.

Encouraging Young People into the Sector

We continued to work with pupils approaching the end of their secondary education in 2012, through our Skills for Work, Engineering Foundation and Powerskills programmes, which support the transition to apprenticeships.

Skills for Work

Our Skills 4 Work Engineering programme provides 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.

The Programme is delivered in conjunction with Cardonald College, Glasgow City Council and local schools. It provides students with knowledge of the power sector, supports young people in making the transition from education to work and gives them the chance to earn a qualification in engineering.

During 2012, 16 young people joined the programme from schools in the Glasgow area.

Engineering Foundation Programme

Young people who successfully complete the Skills 4 Work Engineering Programme can progress to the next level through our Engineering Foundation Programme. This programme is primarily aimed at school leavers, aged 16 to 18, who want to develop their interest in electrical engineering with a view to securing an apprenticeship within the industry.

Students attend a local college on a full time basis working towards an Electrical Engineering qualification for an academic year. As part of the programme, they spend a period of time with ScottishPower Engineers at our training centres in Cumbernauld and Hoyle. This allows students to develop their knowledge and skills and gain a valuable insight into the industry and the range of employment opportunities that could be available to them.

During 2012, 27 out of the 28 young people who started the programme in 2011 completed it successfully and achieved a qualification in engineering at Level 2. A new cohort of 42 students joined the Engineering Foundation Programme in September 2012 – 14 each at Edinburgh, West Cheshire and Cardonald colleges.

During the year 11 young people secured apprenticeships with ScottishPower – five in Scotland and six in England and Wales.

Powerskills Programme Funded by Cashback for Communities

During 2012 we launched PowerSkills, our new grassroots programme, which is designed to encourage disadvantaged young people into engineering.

PowerSkills was developed in association with the Personal Development Partnership, a youth engagement body and 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.

PowerSkills, designed by ScottishPower, is a six-month programme that aims to develop young people aged 16 to 19 towards a qualification in Engineering at Intermediate Level 1. It provides the knowledge, understanding and employability skills needed to progress within the engineering sector.

The first group of 12 candidates started the programme in January 2012, with several successfully completing the course modules. Two young people subsequently enrolled on the Engineering Foundation Programme.

The Power Academy

We support the Power Academy, a partnership between industry and academia, which provides bursaries for power engineering students at participating universities. 13 scholarships were awarded in 2012.

Support for PhDs

We also continued to provide 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 a number of environmental projects with community benefits during 2012. These form part of our community investment activities and are additional to our main environmental programmes, which are detailed in our Environment Section.

Countryside Rangers

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

Rangers based at Valleyfield and Musselburgh ash lagoons near Longannet and Cockenzie power stations, respectively, continued work to promote biodiversity and educate community groups about local wildlife during the year.

Two further rangers work at Loch Ken and Loch Doon, which form part of the Galloway Hydro Scheme and a further ranger is sponsored over the summer season at the Scottish Wildlife Trust's reserve in Lanark, close to our Lanark Hydro Scheme.

There are also three full-time Countryside Rangers based at Whitelee Windfarm, provided through the windfarm's community benefit fund.

Environmental Research and Engagement

ScottishPower contributes to several ongoing environmental research programmes, including the restoration of peatland at our windfarm sites. During 2012 ScottishPower Renewables featured in the International Union for Conservation of Nature (IUCN) publication "UK Peatland restoration: Demonstrating success" for our trial work on restoring blanket bog habitats. We are one of the three largest restorers of peatlands in the UK along with the Royal Society for the Protection of Birds (RSPB) and the EU Life project.

ScottishPower Renewables has for many years conducted research and monitoring into Golden Eagles at Beinn an Tuirc Windfarm and during the year another chick successfully fledged, bringing the total to five since the Habitat Management Plan was implemented.

In 2012 we also continued to sponsor research projects through the Galloway and Ayrshire Fisheries Trusts to promote and conserve fisheries and biodiversity. The ranger at Loch Ken in Galloway helps to run a salmon hatchery, which was set up with funding from ScottishPower.

Our Hatfield Moor gas storage site in Yorkshire funds habitat management work to improve the habitat for Nightjars and other wildlife on Thorne and Hatfield Moors and assist scientific study. Hatfield Moor also supports Palaeoecological research on the moors.

Cockenzie Power Station, which came to the end of its operational life in March 2013, has a long history of supporting environmental projects and working with local schools on planting wild flowers and trees to enhance the environment. This continued during 2012 and the station gave a presentation on biodiversity initiatives it had supported at Musselburgh Ash lagoons to Friends of Musselburgh Links.

Staff at Cockenzie also manufactured anchor weights for use by Prestonpans Yacht and Boat Club and made a replica boat for display locally, which symbolises Cockenzie and Port Seton's heritage.

Many of our sites work with local environmental organisations. Rye House Power Station is a corporate member of the Herts & Middlesex Wildlife Trust and Blackburn Mill, a Combined Heat and Power (CHP) plant, is a member of Lancashire Wildlife Trust, which has supported the station's Biodiversity Action Plan.

During the year we continued sponsorship of the RSPB's Capercaillie research project at Abernethy Forest, which includes collaboration with Spanish Capercaillie specialists.

We also sponsored "Inspiring People", a series of environmental talks by the Royal Scottish Geographical Society.

ScottishPower 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 2012 the Green Energy Trust provided funding of £138,285 to 11 small-scale renewable energy projects at community level that may not otherwise have been developed.

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

Projects funded in 2012 included biomass, solar, geothermal and rainwater harvesting systems for Fylde District Scouts' new green headquarters in Lancashire, the installation of wind, geothermal and solar systems at Logan Botanic Gardens in Wigtownshire and solar panels and an air source heat pump for Gartmore Village Hall.

The Trust also funded solar panels for a cancer support centre in Aberdeen and at a children's hospice in Manchester, as well as renewable energy systems for an archaeological research centre in Hampshire.

To date the Green Energy Trust has funded 146 projects with a total amount of £1,557,644.

For further information, visit the Trust's website: www.scottishpowergreentrust.co.uk

Social Welfare

We continued to support a range of charitable causes and social welfare projects in 2012, ranging from our charity relationship with Cancer Research UK and funding fuel poverty projects through the ScottishPower Energy People Trust, to continuing our support for community awards in the North West of England and North Wales.

ScottishPower Energy People Trust

The ScottishPower Energy People Trust (SPEPT) is an independent charity, which provides funding to registered charities that help people whose lives are affected by fuel poverty.

In 2012 the Trust awarded grants of £2,194,120 to 52 projects, helping more than 51,000 households and over 116,000 individuals. Since the Trust was established in November 2005, it has awarded almost £11.5 million to 236 projects, helping 1,590,268 people in 1,323,197 households throughout Britain.

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

For further information visit: www.energypeopletrust.com

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 small local charities, such as Rye House Power Station's support of the Hoddeson Christmas Parcel scheme, which provides food packs to elderly people.

ScottishPower Renewables supported Christmas parties for children and senior citizens in West Kintyre.

Arts & Culture

Celtic Connections

In 2012 we sponsored Celtic Connections, a major traditional music festival, for the 6th consecutive year. The festival, held between 19th January and 5th February, attracts a combined audience of more than 100,000 at over 70 free and 200 paid for events at 20 venues across Glasgow.

More than 2,100 musicians and singers from all over the world took part in Celtic Connections 2012 and gross ticket sales exceeded £1.1 million.

The festival also includes an education programme and in 2012 thousands of children attended a series of eight school concerts at the Glasgow Royal Concert Hall, while 2,000 children participated in 40 free workshops.

The ScottishPower Powerful Performance, a traditional music competition for secondary school musicians, 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 2012 competition were St Ambrose High School in Coatbridge, where a group of 20 pupils from S1 to S5 classes sang and played traditional Scottish music, including Dance of the River Women, Lazy March, Minor Reel and Marni Swanson. The pupils were also treated to a Masterclass with Innes Watson of the Treacherous Orchestra.

The festival not only helps to encourage traditional music and showcase young talent – it also generates wealth for Glasgow and Scotland at a quiet time of year.

Economic Development

ScottishPower contributed to the economic development of communities through various initiatives during 2012.

Windfarm Community Benefit Funds

ScottishPower Renewables donated more than £1.4 million to its windfarm communities during 2012, mostly to Windfarm Community Benefit Funds.

The Community Benefit Funds are intended to be used to carry out environmental or educational initiatives within communities and the funds are administered locally, empowering communities.

Carrick Futures was established to administer the windfarm community benefits funds relating to ScottishPower Renewables' Mark Hill and Arecleoch windfarms in Ayrshire. It is run by 10 people representing the six main community councils in the area, who approve spend on local projects.

To date, the area has benefited from over £1 million-worth of investment, which has been used to support a host of projects, including a community shop, community transport, a local home care in the community service, Girvan Youth Trust's music festival, an outdoor education programme for local school children and many local clubs and playgroups.

Girvan's Festival of Light, a free event open to the whole community, was also partly supported by the community benefit fund.

Carrick Futures is now looking at more strategic projects, such as providing incubator units for small businesses and supporting core community aims, including improving access to affordable housing, developing employment and wealth through tourism, improving access to services and local facilities and tackling migration of young people from the area.

In another part of Ayrshire, the community of Barrhill has established the Barrhill Community Interest Company to oversee the management of income from windfarm community benefits funds from ScottishPower Renewables and other developers.

Following extensive community consultation, an ambitious Community Action Plan was developed to focus on local issues, such as local economic development, providing affordable housing, developing a bright and welcoming village, providing a range of activities for all ages and promoting health, energy efficiency and improving local transport and access routes.

Many smaller projects have been supported for the benefit of local people, including community bus trips, creation of a car park, installation of a traffic speed sign, development of pathways, summer holiday activities for children and the provision of bursaries for residents undertaking further education.

In Argyll and Bute, Cruach Mhor Windfarm Trust paid out grants to numerous local projects in 2012 from its index linked funding, including children's activities, Scouts and Guides, village hall renovations, the local shinty and bowling clubs and funding for the Cowal Way, a 57 mile walk, which helps to promote tourism.

Community benefits from Whitelee Windfarm, near Glasgow, have been numerous and range from a new wheelchair accessible minibus for the Eastwood branch of Age Concern, to refurbishment of a Scout Hall, Eaglesham Pavilion and playing fields, upgrading and refurbishment of a play park and the creation of a new pedestrian crossing.

Iberdrola Foundation

The Iberdrola Foundation was founded in 2002 as a private cultural non-profit Foundation. It provides funding in four main areas:

- Training and Research
- Sustainability and Biodiversity
- Arts and Culture
- Cooperation and Solidarity

A number of activities in the UK were funded by the Iberdrola Foundation in 2012, including:

- Postgraduate Scholarships in Energy and the Environment
- Scottish Green Awards
- The Royal Scottish Geographical Society
- Urban and Rural Woodland Community Development Projects
- ScottishPower Pipe Band
- National Theatre of Scotland
- Edinburgh International Book Festival
- Llangollen International Eisteddfod
- Duke of Edinburgh's Award
- Your Champions and Your Heroes
- Outward Bound
- Young Enterprise Awards

Postgraduate Scholarships in Energy and the Environment

The Iberdrola Foundation Scholarship Programme, launched in January 2010, awards scholarships for Masters studies at four UK universities to students of Spanish or British nationality, focusing on the areas of renewable energy, sustainable energy systems, environment and biodiversity, clean carbon technologies, emissions management and energy efficiency. Scholarships were awarded to six UK students in 2012.

The scholarship covers the full cost of tuition fees plus a monthly allowance of £1,200. Three students from the 2011 intake subsequently applied to the ScottishPower Graduate programme and were accepted in 2012.

Scottish Green Awards

During 2012 we continued our sponsorship of the Scottish Green Awards, in association with Trinity Mirror media group. The Awards were established in 2008 to promote Scotland as a country that encourages sustainability, tackles climate change and is committed to improving energy efficiency. Eight awards were presented in 2012 to public and private sector organisations and a school.

ScottishPower Pipe Band

The ScottishPower Pipe Band, sponsored since 1989, is one of the world's leading grade 1 pipe bands having featured as a regular prizewinner in all major competitions over several decades.

During 2012 the band achieved their highest ever position at the World Pipe Band Championships in Glasgow, securing its place as the premier Scottish pipe band in the world after coming in 2nd.

Great ambassadors for the company, they are in demand throughout the world, having performed in the US, Canada, Japan, China and Spain; always dressed in the ScottishPower tartan which was commissioned especially for them.

Among its many engagements in 2012, the Band played at Celtic Connections and Cancer Research UK's Race for Life in Hyde Park.

ScottishPower Renewables sponsored the British Pipe Band Championships, which were held in Annan in 2012. The business also made a donation to Kilmarnock Pipe Band.

National Theatre of Scotland

We have a long association with the National Theatre of Scotland and in 2012 we supported their production of Glasgow Girls at the Citizen's Theatre.

Glasgow Girls is a musical that tells the true story of a group of young women in Drumchapel who, appalled at a dawn raid at the home of a Kosovan friend, decide to campaign for the rights of the children of asylum seekers, taking on the Scottish Government and the Home Office and succeeding.

It is an inspiring story of how a community united behind its residents in a bid to stop people being taken away in the night for detention or deportation.

In association with the production, we ran the ScottishPower Power Rap competition, inviting secondary schools and community groups to write a poem or compose a rap on a subject they were passionate about.

Edinburgh International Book Festival

We are a long-term supporter of the Edinburgh International Book Festival, which is one of the biggest literary festivals in the world. In 2012 the event attracted more than 800 authors from over 40 countries and a record 210,000 visitors.

In parallel with the festival, the company ran the ScottishPower Story Swap Shop, a competition that encourages primary school children to read and then pass on their books to others for 50p raising money for the Aberlour Child Care Trust, which provides help to around 6,000 of Scotland's most vulnerable children, young people and their families each year.

In 2012, hundreds of children took part in the challenge and raised nearly £1,000. Robert Douglas Memorial School in Perth was declared the winner and enjoyed a visit from "World of Norm" author Jonathon Meres as their prize.

A second competition for secondary school children, The Story Generator, was launched in 2011 to encourage creative writing. The winning school in 2012, Wellington School in Ayr, developed a story from an opening line provided by top children's author Elizabeth Wein, with each S2 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.

Llangollen International Festival

We also continued sponsorship of Children's Day at the Llangollen International Eisteddfod, a major cultural event in Wales that featured artists and choirs from many different countries. ScottishPower also donated free tickets to several local schools.

The 66th Llangollen International Eisteddfod was attended by over 4,000 young people who experienced a spectacle of colour and sounds around the festival grounds and main pavilion. Competitors celebrated the first day of events with a procession through the streets of Llangollen, led by patron Terry Waite MBE.

Duke of Edinburgh's Award

We have sponsored The Duke of Edinburgh's Award (DofE) since 2010, aiming to increase participation in the scheme, particularly of young people from disadvantaged backgrounds.

The programme, aimed at 16 to 18-year-olds, helps to improve confidence, teach new skills and enhance employment prospects for participants, improving their chances of future success.

In the first year of the partnership, 168 young people in Glasgow that would not have had access to the programme undertook the award with 53% completing it (up from 22% prior to the partnership). This success rate was duplicated in 2011/12 when a total of 408 young people from 20 schools and youth groups in Glasgow registered to take part, with 205 achieving their Bronze Award and 15 attaining Silver.

Our funding also supports a Development Officer at Glasgow City Council, which holds the licence for the DofE Programme locally.

The programme was extended to the Liverpool area for the 2011/12 intake, where a total of 2,509 young people registered for the programme, with 1,529 achieving awards. 590 pupils were from our partner schools in Liverpool, Knowsley and the Wirral, who previously would not have had the opportunity to participate in the programme.

Ten ScottishPower staff have been trained as DofE assessors, supporting their personal development, while assisting the programme and its young participants.

Outward Bound

During the year we continued to provide funding for bursaries, enabling young people from disadvantaged areas to go on Outward Bound courses. In 2012, 55 young people from St Josephs Academy in Ayrshire undertook the week long Eco and Sustainability course at Loch Eil Outward Bound Centre. The project has informed the school's environmental agenda and built context for the young people through staff involvement.

Your Champions and Your Heroes

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

The awards have been running for 25 years in Cheshire and 15 years in North Wales. They recognise members of the local communities for the contributions they have made to local life, good causes, or for outstanding achievements.

The Champion of Champions Award for Chester in 2012 went to Olympic gymnast Beth Tweddle, MBE, who in addition to winning a Bronze Medal at London 2012, works with young gymnasts in schools and has carried out fundraising activities for Claire House children's hospice and North West Air Ambulance.

The Champion of Champions for Wales in 2012 was volunteer George Williams, who has collected £100,000 for St David's Hospice, Llandudno, over the last 16 years.

There were numerous category winners across seven newspaper areas for the Your Heroes Awards in 2012, recognising many inspirational and big-hearted people, including the organiser of a disability football team, a pensioner who has run 10 marathons, a man who trekked 250 km across the Sahara to raise funds for the charity Scope and a schoolgirl who raised funds to help young carers in her area.

Volunteering and Fundraising

Volunteering and fundraising by ScottishPower staff contributed more than £212,000 to good causes in 2012.

Charities which benefited from the support of our staff during the year including Cash for Kids, Marie Curie, Macmillan Cancer Support, Sports Relief, hospices, Mountain Rescue, Diabetes UK, the British Heart Foundation and the MS Society, along with numerous local charities.

As well as raising funds, our employees donated time valued at £119,080 in 2012.

Employee Volunteering

ScottishPower has always encouraged employee volunteering as part of being a responsible corporate citizen and to support our employees' personal development.

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 have a volunteering portal on the company intranet, which highlights activities being delivered across the Iberdrola group, promotes local opportunities to staff and helps them to share their volunteering experiences.

During 2012, 262 staff members were actively involved in supporting community charity partners. This has involved activities such as:

- Acting as marshals at charity events, such as Cancer Research UK's Race for Life
- Becoming assessors for the Duke of Edinburgh's Award scheme
- Facilitating family activities with RSPB
- Volunteering at Scottish Youth Hostelling Association hostels
- Helping at a fundraising duck race for Brainwave, a charity that provides services for children with brain injuries

Iberdrola International Volunteering Day

As part of Iberdrola's commitment to improving the lives of people living in the communities it serves, the Iberdrola International Volunteering Day was launched in 2010. Channelling the charitable spirit of employees in Spain, the US, Brazil, Mexico and the UK, hundreds of staff participate each year to complete a variety of projects across the five countries.

In October 2012 ScottishPower volunteers in Scotland carried out maintenance work at Gorbals Community Orchard in Glasgow, helping to improve this local amenity, while others repainted Revive MS Support's physiotherapy treatment room, which was in need of refurbishment to create a positive environment for service users.

Another team provided support for Starter Pack Inverclyde, a charity that provides formerly homeless people starting new tenancies with essentials household items for their new homes.

Volunteers also carried out garden maintenance in the grounds of a hostel for young homeless people in Glasgow, run by Y-People.

Staff volunteers in England and Wales carried out maintenance work and painting for various community organisations. They painted the doors of Stiw Community Theatre, Rhosllanerchrugog, and tidied up the rear of the building, while other teams carried out clearing, weeding and shifting a lorry load of bark at Burtonwood and Trevor Scout Huts.

Another team conducted some heavy duty gardening at Hurst Newton Homeless Project, tidying the garden, making paths through woodland and planting daffodils to line the drive.

Helping Children in Sao Paulo

Six staff from the UK joined 14 colleagues from around the Iberdrola Group to travel to Sao Paulo, Brazil in summer 2012 to take part in an international volunteering project.

The team gave up their summer holiday to train young people at risk of exclusion and help to improve their future employment prospects, as part of the initiative which was run in collaboration with the Fundación Deporte Integra.

The 16-month project will train the young people in computer and office skills and web applications, to boost their chances of securing employment associated with sporting events hosted by Brazil, such as the Olympics and the 2014 Fifa World Cup.

A second team of volunteers will participate in the project in summer 2013.

Business in the Community Give and Gain

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.

In 2012 staff in the North West teamed up with Warrington Wolves Rugby Club at a Fit 4 Fun day, to encourage around 200 primary school children to engage in sport, while employees in Wales completed various community projects.

An eco garden with paths and raised beds was created at Bryn Gwalia Primary School, Mold for use by pupils and a dipping pond was cleared of rushes and plants and a decking area extended at Cefn Mawr Country Park, Cefn Mawr. The area will be used by the general public as well as visiting schools.

Another project took place at Walton Lea Garden Centre in Warrington, a charity that provides work experience for people with learning difficulties or disabilities. The project 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 team of ScottishPower staff painted a greenhouse and a large pagoda at the garden centre for Give and Gain Day.

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.

Employee Fundraising

Employees raised a total of £212,191 for charitable causes during 2012. Just over half of this was fundraising to support ScottishPower's relationship with Cancer Research UK.

Staff also donated £68,158.63 to many different charities through tax efficient payroll giving.

During the year our Charity Chest paid out £9,327 in match funding, up to a maximum of £200 for a variety of causes and employees raised a further £30,860. Just over half of the total went to cancer charities, such as Marie Curie and Macmillan Cancer Support, with other beneficiaries including medical charities, hospitals, special care units and children's charities.

Once again in 2012 staff in Glasgow supported Radio Clyde's Cash for Kids Appeal, raising £2,241 through initiatives, such as bake sales. Cash for Kids provides help for families in need at Christmas and works all year round to help young people living in poverty, or who have ill-health or special needs. It also provides vital support for young carers in the West of Scotland.

Nearly £200 was raised for Diabetes UK from employees paying £1 each to wear denim to work.

Employees at Longannet Power Station supported a Charity Golf Day, raising more than £800 for Macmillan Cancer Support and Marie Curie.

Staff in England lent their support to Sport Relief, manning the phones to take donations during the evening and holding fundraising events, which raised £800. They also raised nearly £700 to help send a child suffering from a rare genetic disorder abroad for treatment.

Cancer Research UK

ScottishPower joined forces with Cancer Research UK in February 2012, with the aim of raising £6m over three years.

The relationship combines an innovative 'Help Beat Cancer' energy product, with employee fundraising and health messaging to ScottishPower's 5.6m customers and 8,000 employees across Britain.

At the heart of the relationship is a dedicated 'Help Beat Cancer' energy product. For every customer secured, ScottishPower donates £15 to the charity, with a further £10 annually for the life of the contract, to a maximum of £45 per customer. Help Beat Cancer offers a discount on ScottishPower's standard monthly prices, while raising much-needed funds towards research.

ScottishPower was proud to sponsor Cancer Research UK's Race for Life in 2012 and has pledged £250,000 annually to sponsor this event for three years. Alongside this, the company launched the High 5 Challenge, harnessing the positive energy of thousands of women, as they made a High 5, while wearing a ScottishPower pink glove. A target of 40,000 High 5s was set, but an incredible 47,329 was achieved in a sea of pink gloves, nationwide, raising £20,000.

The company also funded the Race for Life entry fees of 414 employees, who raised £26,000 – and the ScottishPower Pipe Band played at several events, including at Hyde Park in London.

At Race for Life Glasgow a ScottishPower employee, who is a breast cancer survivor, shared her moving story on stage and a team of 20 employees, including ScottishPower directors, managed the start line.

In October, ScottishPower sponsored the launch of Stand Up To Cancer, a new live fundraising event on Channel 4. The company also provided three call centres, where more than 400 employee volunteers, family and friends, manned the phones to take donations on the night. The event raised more than £8m for clinical research.

Employee engagement has been key to the success of the relationship. Assisted by 31 volunteer charity champions, ScottishPower's 8,000 strong workforce organised fundraising events at the company's offices, depots and power stations across Britain.

Funds were raised from bake sales, car washes, fun days, charity auctions and a 'fun week' in December, with entertainment, sporting activities and a health day promoting health and offering wellbeing treatments, such as massage.

The relationship is also firmly supported by the ScottishPower senior management team who raised £100,000 with the help of outsource workers, contractors and suppliers.

More than one in three people will be affected by cancer at some stage in their lives, so health messaging is a key feature of the relationship. Health workshops on cancer prevention and early diagnosis have taken place at ScottishPower offices and power stations across the UK, while customers have received health and cancer awareness messaging, tailored to age and gender, through welcome packs, mailings and the company website.

By early 2013, just outside the reporting period, we had reached our annual fundraising target of £2 million – two months ahead of schedule and 110,000 gas and electricity services were being purchased through our Help Beat Cancer product.

In addition, we are donating £1 million over three years for cancer research projects at Edinburgh University and Imperial College, London.

We believe this is a relationship that has something for everyone. For Cancer Research UK, the relationship will raise significant funds to continue their pioneering work.

Customers benefit from a discounted product, while ScottishPower's diverse workforce are united in working towards a common goal – harnessing their collective energy to help bring forward the day when all cancers can be cured.

For ScottishPower, the relationship reinforces our reputation as a responsible energy company and will support our ambitions to grow our customer base to six million and increase our brand profile across Britain.

To sign up to Help Beat Cancer, or to find out more, visit: <https://www.scottishpower.co.uk/cancer-research-uk/help-beat-cancer-offer>