

Slavery and Human Trafficking Statement 2019

Executive Summary

At United Utilities we have in place a comprehensive set of policies and procedures, which are continually monitored and updated to ensure that our employment and commercial practices prevent forced, compulsory or child labour and any form of human trafficking. Since publishing our last statement, we have continued to address areas where there is the risk of modern slavery occurring within our supply chain. We continue to build on our actions and improve our processes, training and policies to seek to eliminate that possibility altogether.

Overview of business and supply chain

United Utilities provides water and wastewater services to around seven million people and 200,000 businesses in the North West of England. We directly employ over 5,000 people to deliver these services – from engineers to customer service specialists; scientists to financial experts. Many of these employees are members of trade unions with whom we have regular and constructive engagement.

Our five year investment programme (2015-2020) means a £12 billion boost to the North West economy, supporting around 17,500 jobs each year. In doing so, we spend over £1 billion each year with up to 2,500 suppliers and sub-contractors from 14 countries. We procure works, goods and services ranging from infrastructure capital investments, through operational spend on chemicals and energy, to the use of professional IT services. We also have a framework agreement for the engagement of agency workers.

Our financial year, and the period covered in the statement, is from 1st April 2018 to 31st March 2019. Our Human Rights and Modern Slavery Act Compliance Group meets regularly throughout the year to assess our approach and address any issues.

Our Policies

To address the issue of modern slavery we continue to monitor and review, where required our key operational and governance policies, including reviewing our Modern Slavery Policy.

We have a comprehensive suite of internal employment policies that support the elimination of modern slavery among all people in our employment including:

- Health, Safety and Wellbeing
- Equality and Diversity
- Esteem in the Workplace
- Flexible Working
- Agency Workers
- Whistleblowing

We have an established governance process to consult on and implement employment policies. These policies are published on our intranet which is accessible to employees and agency workers.

Our focus remains on the three key ways modern slavery can occur, and where there is the greatest risk:

- Directly – all new staff who join as direct employees or as agency workers are subject to pre-employment checks to confirm identity, right to work in the UK and to verify employment history and qualifications. All new staff are also subject to basic criminal record checks. In addition, for certain roles such as directorship and financial, we carry out additional checks.
- By association – as a UK utility company operating with a principal footprint in the North West, our use of stringent employment checks means it is highly unlikely that trafficking has occurred as a result of our operations.
- Indirectly – this is the area where we have the least control and where we have concentrated our efforts in ensuring our suppliers recognise their obligations under the legislation.

Procurement

As we become more developed in our thinking around modern slavery we continue to update our procurement processes, practices and standard documents to ensure compliance with both legal requirements and industry best practice. This includes working with organisations such as CIPS and the Supply Chain Sustainability School, continuing to look for opportunities for collaboration with industry peers and recognised third parties, as we move towards our next five year investment programme.

Our Sustainable Supply Chain Charter

Our sustainable supply chain approach is set out in our charter, devised following feedback and discussion with both our supply chain and industry peers:

<http://corporate.unitedutilities.com/documents/uu-sustainable-supply-chain-charter.pdf>

We aim to ensure our suppliers as well as our own employees understand the content of the charter, which ranges from social priorities such as fair treatment of employees and protecting human rights to environmental considerations such as reducing waste to landfill and carbon emissions. The charter also contains details of what to do if individuals or organisations have a complaint about the social conditions in our suppliers' or sub-suppliers' premises or operations. At present we have over 70% of our suppliers signed up to the charter (based on annual procurement spend) and our aim remains to secure 75% by 2020.

Our benchmark remains to ensure that all suppliers are able to demonstrate their employment and labour standards compliance, detailing their factories, people and ethical charters in each country where they operate. We also seek and encourage the promotion of the UNGC Principles covering human rights, labour standards, environment and anti-corruption.

Risk assessment

Following an internal risk mapping process, we identified the following key areas of our supply chain where we believe the greatest potential risk of modern slavery non-compliance lies and still believe we should be targeting these four sensitive areas:

Chemicals

Chemicals account for 3% of our annual procurement spend with 20 suppliers sourcing products from twenty one countries. Focussing on those chemicals most commonly used in water and wastewater treatment, as part of on-going annual supplier verification audits we have requested that our suppliers review their extended supply chains to source, and provide assurances that no modern slavery is evident. These checks continue to take place across the extended supply chain and we seek regular assurances and evidence from our suppliers, including access to their Corporate Responsibility, Modern Slavery and Human Trafficking Policy Statements to support their commitment. We have conducted and encourage our partners to conduct their own supplier audits, including site visits to review working practices and conditions at suppliers' premises, to ensure expected standards are being met.

Workwear and Personal Protective Equipment (PPE)

Less than 1% of our annual procurement spend is on workwear and PPE, with both contracted suppliers located in the UK. Textiles remains a potentially high risk area within this spend category, as they are generally sourced from countries where there may be a higher inherent risk of forced or child labour in their production. We have sought assurances from all associated suppliers, that their business and supply chains do not contain slave and child labour. Whilst we understand it is, in some circumstances, difficult for suppliers to offer assurances, we continue to press them for evidence of audits and accreditation, receiving positive feedback and are encouraged by their efforts.

Information Technology (IT) Hardware and Equipment and Offshore Labour

We work with 95 suppliers located in four countries relating to IT hardware and equipment, accounting for around 3% of annual procurement spend. IT equipment remains a focus due to the large proportion of manufacture which takes place in South East Asia, where we continue to work with our established framework partners to ensure appropriate relationships and controls are in place with the wider supply chains in this region.

In addition, we continue to engage a number of framework suppliers that utilise offshore labour, again predominantly in South East Asia. We aim to audit each of these framework suppliers to ensure they continue to operate codes of ethics that focus on human rights issues actively prohibiting forced or other compulsory labour within their own organisations and supply chains. As part of our framework replacement process, we will be

considering supplier evaluation and post mobilisation will look at appropriate visits to the delivery sites located in the country of origin where the labour is based, so as to ensure that these suppliers comply with the standards we set ourselves and our supply chain.

Network Materials, Mechanical, Electrical & Operational Technology Kit (mainly metal & plastics)

The category accounts for over 8% of our annual procurement spend with 378 suppliers located in eight countries. As part of the procedure for identifying supplier risk, we have reviewed the types of materials we currently buy using framework agreements to assess the potential sources that could involve forced labour. Whilst fair treatment and labour standards were deemed to be low risk, our potential suppliers continue to be evaluated on their labour standards as part of both on-going performance management, tender assessment and subsequent framework awards. Applicants' responses included their policy in relation to labour standards, focusing on how their workforce are treated, how they ensure the legality of workers and how the supplier maintains these standards throughout their supply chain. They also advise about their policy for their extended supply chain and compliance to the Act and if their organisation has accreditation or has adopted any recognised standards or initiatives that they operate to (e.g. UN global compact).

Training and awareness

Over recent years we have worked with the Chartered Institute of Procurement and Supply (CIPS) to roll out focussed training on ethical procurement and supply and we are proud that we hold the CIPS Corporate Ethics Mark. This accreditation recognises the work we have done and the level of training we have provided to our staff in support of our aim of eliminating modern slavery from our, and our supplier's, supply chains.

We all have a responsibility to remain vigilant and alert to the potential for modern slavery issues both internally and within our supply chain. To support this we continue to raise awareness of our Whistleblowing Policy and hotline where employees can report concerns safely and in confidence and management can act appropriately to deal with any resulting issues.

Continuous Improvement

We are proud of both our progress and achievements in relation to addressing the potential risk of modern slavery however we recognise that further work will always be required and we will not reduce our efforts. We will continue to monitor and moderate our approach to ensure any risk is fully mitigated and that modern slavery is not tolerated anywhere in our business or our wider supply chain. If it is found, an appropriate response and solution is swiftly enacted.

The above statement sets out the steps taken by United Utilities Group PLC and United Utilities Water Limited, both companies falling within the scope of section 54(2) of the Modern Slavery Act 2015 and the Modern Slavery Act 2015 (Transparency in Supply Chains) Regulations 2015.

It was approved by the boards of United Utilities Group PLC and United Utilities Water Limited on 30 April 2019 and signed by



Steve Mogford
Chief Executive Officer
United Utilities Group PLC