

Slavery and Human Trafficking Statement 2017

Executive Summary

As a highly regulated UK based company we have a comprehensive set of policies and procedures to ensure that our direct employment practices are preventing forced, compulsory and child labour. Since publishing our first statement in September 2016, we have continued to address areas where there is the risk of modern slavery occurring within our supply chain. We build on our actions and improve our processes, training and policies to seek to eliminate that possibility altogether.

Overview

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 just over 5,000 people to deliver these services – from engineers to customer service specialists; scientists to financial experts.

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 2,400 different suppliers and sub-contractors from 15 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.

Our Sustainable Supply Chain Charter

This year we have reviewed and updated our sustainable supply chain approach 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. Our aim is that at least 75% of our annual procurement spend is with suppliers who have signed up to the charter by 2020.

Our Policies

To address the issue of modern slavery we have reviewed and updated a number of our key operational and governance policies, including reviewing our Modern Slavery Policy.

We have a comprehensive suite of internal employment policies that help eliminate modern slavery in our direct employment including Agency Worker Policy, Fixed-Term Workers Policy and Whistleblowing Policy.

Our response to the Modern Slavery Act is in alignment with our approach to human rights. We continue to review and update our approach to dealing with our supply chain and we appreciate the complexity and international nature of our suppliers does increase the potential risk of modern slavery taking place somewhere.

We remain focused on the three key ways modern slavery may 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 new legislation.

In 2016, following an internal risk mapping process, we identified the key areas of our supply chain where we believe the greatest potential risk of modern slavery non-compliance lies. We continue to target these four sensitive areas:

Chemicals

Chemicals account for over 2% of our annual procurement spend with over 77 suppliers located in two countries. We have again reviewed those chemicals most commonly used in water and wastewater treatment, and have requested that our suppliers review their supply chains to source and provide assurances that no modern slavery is evident. These checks have taken place across Europe and into China. We continue to seek assurances and evidence from our suppliers including access to their Corporate Responsibility and Modern Slavery and Human Trafficking Policy Statements to support their commitment, along with details of their suppliers, countries of production and raw materials used. 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 over nine suppliers all located in the UK. We have conducted analyses of the goods that we buy and identified that a potentially high risk area is textiles, specifically our workwear and Personal Protective Equipment (PPE), as these are generally sourced from countries where there may be a higher likelihood of forced or child labour in their production. We have sought assurances from our suppliers, whether they are statutorily required to comply with the Modern Slavery Act or not, 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 have found that they have taken a hands-on approach and responded directly to our efforts, which in turn has resulted in a trickle-down effect. It has encouraged them to voluntarily audit their supply chains to ensure they have their own assurances and can demonstrate to us that ignorance is not acceptable. They have provided us with their own statements, findings, policies and risk assessments to tackle the issue of modern slavery.

Information Technology (IT) Hardware and Equipment

We work with over 120 suppliers located in seven countries relating to IT hardware and equipment accounting for over 3% of annual procurement spend. As a high proportion of the components of IT equipment is manufactured in South East Asia, 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. One such relationship has seen a key partner base its approach to corporate responsibility on the 10 core principles of the United Nations Global Compact (UNGC). This includes ensuring they are not complicit in human rights abuses and are committed to the elimination of all forms of forced and compulsory labour.

Furthermore, we continue to operate a number of framework relationships 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. In addition, we will again visit 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.

Mains Materials (Metal and Plastics)

Mains materials account for 8% of our annual procurement spend with over 388 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 were asked about their labour standards as part of the tender assessment and subsequent framework award. 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.

All of the responding contractual suppliers were able to demonstrate their employment and labour standards compliance, detailing their factory, people and ethical charters in each country where they operate. They also recognise and promote the UNGC Principles covering human rights, labour standards, environment and anti-corruption.

Other initiatives:

Training

We have worked with the Chartered Institute of Procurement and Supply (CIPS) to roll out focussed training on ethical procurement and supply. The training has raised awareness and understanding of modern slavery, and has been completed by all Commercial staff who are directly involved with suppliers and who may need to be vigilant of potential modern slavery issues.

Tendering

We continue to review and update our tendering processes and practices to ensure compliance with both legal requirements and industry best practice. As part of this we have worked with colleagues from across our business to support in the updating of standard documents, policies and procedures including covering areas such as the business operations and labour standards of our suppliers. This has allowed us to place greater emphasis on modern slavery and other ethical and sustainability issues during the procurement process.

Continuous Improvement

Whilst we feel we have made great strides in addressing the potential risk of modern slavery we recognise that further work is required. We will continue to review and moderate our approach as needed to ensure the risk is fully mitigated and that modern slavery is not tolerated anywhere in our business or our wider supply chain.

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 25 April 2017 and signed by



Steve Mogford
Chief Executive Officer