

## **NORTHUMBRIAN WATER LIMITED SLAVERY AND HUMAN TRAFFICKING STATEMENT 2017**

### **1. STATEMENT FROM CEO**

At Northumbrian Water Limited (NWL) we are proud of our reputation as an ethical company and we are committed to making ethical behaviour a standard business practice. As part of that commitment we adopt policies and practices to embed our values and to ensure that we are carrying out our business ethically.

As part of our ethical approach, we are committed to doing all we can to combat slavery and human trafficking by raising awareness and understanding of the many forms it can take and by reviewing and improving our policies and practices in light of that understanding.

This statement sets out the steps we have taken in the financial year ending 31 March 2017 to ensure that no offence under the Modern Slavery Act 2015 is occurring in our own business or in our supply chains.



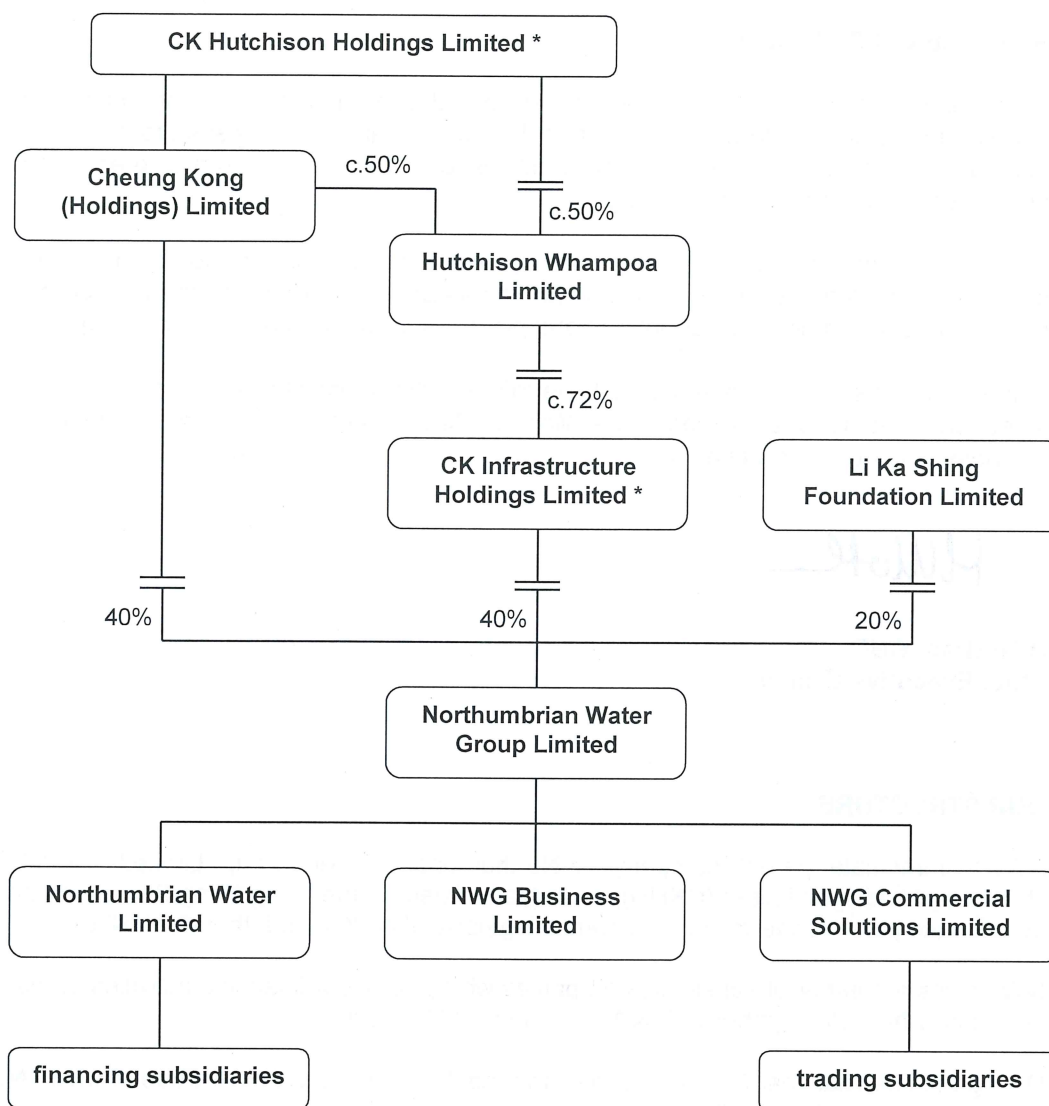
**H Mottram OBE**  
**Chief Executive Officer**

### **2. OUR STRUCTURE**

NWL's immediate parent company is Northumbrian Water Group Limited (NWGL). CK Hutchison Holdings Limited (CKHH), a company listed on the Hong Kong Stock Exchange, is the ultimate parent undertaking and controlling party of NWGL and, therefore, NWL.

NWL owns a number of subsidiary companies which carry out financing activities on behalf of NWL and which all, together with NWL, form the NWL group.

During the financial year covered by this statement the structure of the group of which NWL is a part is set out in the simplified diagram below.



\* Companies listed on the Hong Kong Stock Exchange

### 3. OUR BUSINESS

NWL is one of ten regulated Water and Sewerage Companies in England and Wales, operating in the north east of England, trading as Northumbrian Water, and in the south east of England, trading as Essex & Suffolk Water.

In the north east, the business comprises the supply of both potable and raw water and the collection, treatment and disposal of sewage and sewage sludge, serving 2.7 million people in the major population centres of Tyneside, Wearside and Teesside as well as the large rural areas of Northumberland and County Durham. We provide only wastewater services in Hartlepool.

In the south, we supply water services to 1.5 million people in Essex and 0.3 million in Suffolk. Our Essex area is part rural and part urban and includes the main population centres of Chelmsford, Southend and the London Boroughs of Barking and Dagenham and Havering and Redbridge. Our Suffolk area is mainly rural with the largest towns being Great Yarmouth and Lowestoft.

#### **4. OUR SUPPLY CHAINS**

We have an extensive supply chain of around 3,500 suppliers, with around 500 live contracts in place at any one time. There can be several tiers in the supply chain between us and the source of raw materials, spanning several countries.

We adopt multiple approaches to the procurement of goods and services and endeavour to engage suppliers at a level which is commensurate with the value, risk and importance to the business as a whole. The major spend areas are managed by our category managers directly with our contracted suppliers, while our smaller ad hoc requirements are managed on a local basis directly by the appropriate local personnel.

Ninety-nine percent of the value of our supply chain is with UK based suppliers and 90% of our total spend with suppliers is contracted and subject to procurement in accordance with The Utilities Contracts Regulations 2016.

#### **5. OUR POLICIES ON SLAVERY AND HUMAN TRAFFICKING**

We expect our suppliers to comply with all applicable local laws and regulations and respect internationally recognised human and labour rights. In 2017, NWL published its responsible procurement supplier charter which includes an express statement of values, principles and standards of conduct for the performance of professional activities applicable to everyone in the supply chain, without exception.

In addition to this, the NWG Code of Conduct (Code of Conduct) includes general principles to guide the relationship of Northumbrian Water Group (NWG) employees with contractors and suppliers and demonstrate the company's interest in basing this relationship on the principles of responsible procurement. These documents can be found on our website, [www.nwl.co.uk](http://www.nwl.co.uk)

#### **6. TRAINING ON SLAVERY AND HUMAN TRAFFICKING**

During the year ended 31 March 2017 both the NWL Procurement and Legal teams were briefed by external organisations, including law firms and CIPS (the Chartered Institute of Procurement and Supply) on slavery and human trafficking and the requirements of the Modern Slavery Act have been discussed at NWL Executive Leadership Team and Category Manager meetings.

#### **7. OUR DUE DILIGENCE PROCESSES FOR SLAVERY AND HUMAN TRAFFICKING**

Every year each of our employees is asked to confirm they have read the Code of Conduct and we also require that any supplier working with us or on our behalf reads our Code of Conduct and agrees to work ethically, lawfully and with integrity.

All of our contracted suppliers are subject to an approval process as part of which they commit to complying with our Code of Conduct.

#### **8. OUR RISK ASSESSMENT**

In order to meet the responsible procurement standards we have set, NWL recognises the importance of understanding our current position, where we need to improve and where the greatest supply chain risks manifest. To help us achieve this we have adopted the Flexible Framework self-assessment model developed by the Sustainable Procurement Task Force, and a risk based prioritisation model, enabling the business to monitor and measure our progress on responsible procurement over time.

In order for NWL to ensure that the established responsible procurement approach is relevant to our sector, geography, risk profile and operational context, it is imperative that we understand the extent of our supply chain.

A first step in our due diligence was to gather an initial understanding of the salient risks and potential opportunities in our supply chain and how these may impact the business. Developing this understanding helped to determine our priorities and the most appropriate engagement methods.

NWL has adopted a category management approach to procurement activity. For each category, NWL has segmented suppliers and developed a risk score based on the associated goods and services of each category in terms of their economic, social and environmental impact. From this, the top 12 highest risk categories and higher risk suppliers were identified in order for NWL to develop a prioritised action plan. We have used this risk based approach to identify and focus on the contracts within each category that we perceive to be the high risk areas for NWL.

Having identified these categories, NWL utilises a number of tools to help develop a better understanding of the associated risks and how these can be mitigated.

We consider that there is a very low risk of slavery or human trafficking in our own operations and a low risk at all levels within our supply chains.

## **9. OUR EFFECTIVENESS IN ENSURING NO SLAVERY AND HUMAN TRAFFICKING IS TAKING PLACE IN OUR BUSINESS OR SUPPLY CHAINS**

We have a confidential independent whistleblowing hotline and employees are encouraged to raise concerns about anything which may not be in line with our ethics. Concerns raised through this, or any other available route, will help measure our effectiveness in ensuring no slavery and human trafficking is taking place in our business or supply chains.

We are also an accredited Living Wage employer and have gone beyond the minimum requirements of the Living Wage Foundation by extending the Living Wage to our apprentices. The living wage has also been extended to all eligible employees of our supply chain.

In addition, NWL was recognised in 2016 as one of the world's most ethical companies by Ethisphere. This is the seventh consecutive year we have been listed and we remain the only water and sewerage company in the world to be included on this prestigious list.

We are confident that there is no slavery or human trafficking in our own operations and we consider there is a low risk of slavery or human trafficking being present at any level in our supply chains.

## **10. OUR NEXT STEPS**

We will continue to review the risk of slavery and human trafficking occurring in our own operations and at all levels within our supply chains as we develop our risk assessment process. This will also inform our future actions.

Whilst provisions addressing slavery and human trafficking have been added to our terms and conditions we will adopt a more formal risk analysis of our supply chains. Training and awareness will be expanded and all relevant policies and procedures will be reviewed and improved as necessary in light of this awareness and the risk analysis. For example, formal training by the Ethical Trade Initiative for the NWL Procurement team is scheduled to take place in June 2017.

As a business, we are committed to taking responsibility for safeguarding and ensuring we work with a supply chain that upholds our social, economic and environmental standards and shares our vision of continuous improvement. Our Responsible Procurement Strategy will enable the business to be well equipped to face ongoing challenges, both locally and globally, whilst allowing us to evolve and adapt to a more sustainable way of working. This approach is essential to allow us to have clearer visibility of our supply chain partners and it will ensure that, as a business, we are striving to do all we can to eliminate any unethical behaviour in the supply chain that does not align with NWG values.

As part of our strategy we will introduce an Awareness, Identification, Measurement and Enhancement (AIME) programme which allows us to set a consistent approach and articulate our commitments and expectations. It will demonstrate how NWL will build awareness of procuring responsibility, identify the main risk areas through our prioritisation model, measure performance to look for opportunities to improve and celebrate success and enhance supply chain performance allowing us to communicate and share best practice.

NWL will become listed on the Chartered Institute of Procurement and Supply (CIPS) Corporate Ethical Register to show it has taken proactive steps, in the last 12 months, to safeguard against unethical conduct in procurement and supply management. All NWL Procurement staff will undertake the CIPS Ethical Procurement and Supply E-learning modules as an element of their CPD and will have signed a Statement of Commitment to ethical sourcing and the management of their suppliers and are entitled to display the CIPS Corporate Ethical Mark.

To set targets and measure strategic supplier performance, we will extend the use of the CIPS Sustainability Index (CSI). The CSI is an independent assessment of suppliers economic, environmental and social sustainability credentials. The system allows suppliers to prove their sustainability credentials and will help us obtain essential sustainability information in an efficient manner.

We will continue to work in partnership with suppliers to identify and improve areas of concern and we will ask our best performing supplier to share experiences and best practice within our supply chain. For more information see <https://cips-sustainabilityindex.com>.

**This statement was approved by the Board of Northumbrian Water Limited on 8 August 2017.**



**H Mottram OBE  
Chief Executive Officer**