

Modern Slavery Statement 2020

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This modern slavery statement is made in accordance with section 54(1) of the Modern Slavery Act 2015 and constitutes Pennon's anti-slavery and human trafficking statement for the financial year 2020-2021. This statement was approved by the Pennon Group plc Board on 24 September 2020.

September 2020 – A message from our CEO



At Pennon we have a zero-tolerance approach to modern slavery, and we are committed to developing and implementing robust systems and controls to mitigate the risk of modern slavery anywhere within our business operations or supply chain. This includes ensuring we have adequate processes, and safeguards in place to protect all employees from the risks of modern slavery; furthermore, that our supply chain partners share our principles. Additionally, we expect everyone who is working with us to replicate our standards with their own partners and suppliers.

We pride ourselves on being an ethical company as set out in our code of conduct and through our core four values: Trusted, Collaborative, Responsible and Progressive. Tackling and preventing modern slavery goes beyond a simple legal duty: it is the right thing to do. We aim to deliver world class services and innovation to our customers and communities with integrity, by upholding the highest principles and through leading by example. By setting the tone through which we wish to do business, we want to work with our suppliers, and other organisations, to show them how doing the right thing will not only benefit them and strengthen their operations but will also play a vital part to help eradicate modern slavery.

There will be challenges to the delivery of our programme, the most notable and prominent being from the recent outbreak of the Covid-19 virus and resulting lock down. However, we will continue to innovate and utilise the knowledge, expertise and skillset of our outstanding workforce to overcome this and any other obstacles that fall in our path.

In addition to the Covid-19 outbreak, the recent sale of Viridor means a significant change to the Pennon Group. While we have said goodbye to our friends and colleagues at Viridor, this does not mean that our responsibilities or commitment to prevent modern slavery should or will end. We will continue to implement a revised strategy and programme to the fullest degree to take account of the new group structure.

We recognise that there is still a long way to go but we are confident we are on the right track and have made significant progress over the past 12 months, as documented in this statement, and we will continue to build on our achievements over the coming year.

I have signed this statement on behalf of the Board of Directors of Pennon Group plc following its approval on 24 September 2020

A handwritten signature in black ink, appearing to read 'S. Davy'.

Susan Davy

Chief Executive Officer and Director of Pennon Group plc

About Us, Pennon Group at a glance...

Pennon

- Was founded in 1989
- Core business is South West Water, Bournemouth Water and Pennon Water Services
- Serves approximately 2.2 million domestic customers in the south west of England
- Employs around 2,000 people.

Pennon Group is made up of:



Pennon's businesses are all UK based and have all adopted this statement. All our businesses and staff have adopted our anti-slavery and human trafficking strategy. A list of Pennon Group trading subsidiary companies can be found on page 182 of our Annual Report at [https://annualreport.pennon-group.co.uk/ui/downloads/main/Pennon Annual Report 2020.pdf](https://annualreport.pennon-group.co.uk/ui/downloads/main/Pennon%20Annual%20Report%202020.pdf)

...and in more detail...

Who is Pennon and what do we do?

Pennon owns South West Water, Bournemouth Water and Pennon Water Services. Earlier in the year Pennon sold Viridor, which had been part of the group since the early nineties.

Founded in 1989, Pennon has been driven by its strategic vision to become a leader in UK infrastructure, delivering for the benefit of customers, communities and the environment. Pennon's core focus is now in UK water. Pennon owns South West Water and Bournemouth Water, who both operate in the south west of England. Together, the two companies supply approximately 2.2 million domestic customers; South West Water providing clean and waste water services, while Bournemouth Water is a clean water only supplier. These services are likewise provided by South West Water and Bournemouth Water for the water retail market, (the commercial non-household sector), which operates across United Kingdom. Pennon also owns Pennon Water Services, a water retailer active across the country. Collectively, Pennon Group employees approximately 2000 staff across its businesses.

South West Water

South West Water has the licence to supply clean and waste water services to approximately 1.7 million customers on the south west peninsula of England, covering the whole of Devon, Cornwall, and parts of Somerset and Dorset. South West Water employs approximately 1500 people across its operations.

Bournemouth Water

Bournemouth Water (although now part of South West Water) has retained its name for the region it serves and

has the licence to supply clean water services to approximately 500,000 customers in Bournemouth together with parts of Hampshire and Wiltshire. Waste water services are provided to its customers by the neighbouring water company.

Pennon Water Services

Pennon Water Services was formed for the deregulation of the water industry in 2017 to introduce competition for non-household customers; competition is not restricted to the local geographical area. Pennon Water Services competes with other UK water retailers to supply water and waste water services to commercial customers across the whole of the country.

Supporting documents and policies

Pennon has a number of policies that are in place across the group to support its stance on modern slavery. They include:

- The Pennon Code of Conduct
- Anti-slavery and Human Trafficking Policy
- Code of Conduct for Supply Chain Partners
- Anti-bribery and Corruption Policy
- Whistleblowing Policy.



Achievements and review of 2019/2020 at a glance...

During the past Year, Pennon, in addition to operating a water business, also owned Viridor, a national waste and resource management company. This part of the statement therefore covers the larger group comprising South West Water (Including Bournemouth Water), Pennon Water Services and Viridor.

Training and Awareness

- Implementation and delivery of awareness training to key employees and sites
- Face to face code of conduct training
- Progression of work within the remit of the modern slavery working group
 - Development of a Pennon modern slavery standard
 - Development of a Pennon modern slavery standard manager's guide
 - Development of a Pennon modern slavery standard employee guide
- Anti-slavery day awareness event.

Management, Resources & Engagement

- Participation in the review of modern slavery legislation
- New employment agency with proven expertise in modern slavery
- Site visits and audits (Viridor Sites)
- Relationship with Slave-Free Alliance.

Supply Chains and Procurement

- Rationalisation of supplier base
- Supplier scorecard questionnaire
- Enhanced onboarding checks for new suppliers
- Study of overseas suppliers
- Supply chain risk and resilience framework.

...and in more detail...

Governance, Programme and strategy

2019/20 represents something of a landmark year for the Pennon Group, with its sale of Viridor. The review of the past 12 months includes Viridor as it reflects the achievements of our Group as it was during this period.

Accountability for our statement rests with our CEO, General Counsel and the Pennon Executive, with regular updates and reports being provided throughout the year. We actively supported and contributed to the government review of the Modern Slavery Act in September 2019 by providing feedback and comment to its consultation.

The progress we have made against last year's aims are indicated by the bullet points to the left and are detailed below.

Training and Awareness

Together with Slave-Free Alliance, we developed and implemented a comprehensive training and awareness programme to key employees across the business. The training has been positively received, with delegates taking the key messages and learning to raise awareness with fellow employees, family and friends alike.

Modern Slavery Working Group

Our modern slavery working group has built upon the work it started following its formation last year. The membership of the working group comprises of employees from all companies across our Group. During the year, they developed a modern slavery standard for the group and drafted accompanying manager and employee explanatory and guidance documents.

The working group also came together on 18 October - Anti-Slavery Day 2019, to participate in a charity abseil fundraising and awareness event, raising money for the anti-slavery charity Hope for Justice.



New Employment Agency

During the past year we have contracted the services of Smart Solutions employment agency as our preferred supplier of temporary labour. They have proven expertise and robust measures in place to help detect and prevent modern slavery in their recruitment of staff.

Temporary staffing arrangements are now provided by or coordinated by Smart Solutions, with any second-tier providers also being required to report to Smart Solutions and adhere to their processes.

In addition to their rigorous recruitment processes and onboarding checks, Smart Solutions also provide further safeguards by conducting their own audits of their staff employed at our sites.

Achievements and review, in detail, continued...

Slave-Free Alliance

Pennon's membership with Slave Free Alliance (SFA) during the year enabled us to draw on their experience and expertise. SFA helped us during visits to some Viridor sites, to identify areas of improvement. The recommendations derived from these visits have proved to be a valuable resource in helping us to boost measures to prevent modern slavery. Membership of Slave Free Alliance has transferred to Viridor as part of the sale agreement.

Supply Chain and Procurement

We have continued to reinforce and enhance our processes to address and mitigate the risks of modern slavery within our supply chain. Multi-stage due diligence processes continue to be implemented across a wide range of supply chain management activities. Supplier rationalisation and segmentation exercises continue to support greater governance in the supply chain, which assists supply chain risk identification, including modern slavery.

New projects currently underway illustrate our approach to modern slavery in practical terms. As some of these projects are still in their relative infancy or lead on from the aforementioned activities and exercises, they remain relevant to our future endeavours without Viridor. As such these projects will also feature in our plans for the next 12 months.

These projects include:

- 1) Development of a framework for a supplier scorecard questionnaire.
- 2) An enhanced supplier onboarding process.

- 3) Monitoring the status of the supply chain with regards to overseas suppliers.
- 4) Development of a supply chain risk and resilience framework.

A phased issue of a scorecard (questionnaire) will host a selection of questions representing key subject areas within our Code of Conduct for Supply Chain Partners. This will be issued to identified Strategic and Key suppliers following our segmentation exercise. This will ensure current selected suppliers working with us are assessed to ensure compliance, which will contain Modern Slavery focused areas.

A new onboarding process for all suppliers has been launched, establishing greater governance and control over new supply chain relationships, including highlighting which suppliers are obligated to publish a Modern Slavery annual statement.

A high-level desktop study of Pennon's overseas suppliers has been conducted. Moving forward we will continue to monitor the status of the supply chain with regards to overseas suppliers. As a result of the sale of Viridor it is anticipated that there will be significantly fewer overseas suppliers, although the importance of monitoring remains.

If and when high risk suppliers are identified, we will implement a supply chain decision engagement tree which will invoke a structured, standardised way for dealing with high risk scenarios. Pennon will explore ways of supporting suppliers where potential risk is identified.

A formal framework for enhancing wider supply chain risk and resilience has begun development, which will explore all associated risk factors within supply chain engagement, including the risk of modern slavery across multiple tiers within the supply chain.

Where Pennon's own terms and conditions are used, a clause dedicated to 'compliance with relevant laws and policy' addresses the Modern Slavery Act 2015.



Plans for 2020/2021

Training and Awareness

- Code of Conduct Training
- Continue modern slavery awareness training and seek alternatives to face to face training.

Management, Resources & Engagement

- Cross Sector Utilities Working Group
- Community engagement.

Supply Chain and Procurement

- Initiate supplier scorecard questionnaire to key and strategic suppliers
- Further enhanced onboarding checks for new suppliers
- Monitor the status of overseas suppliers
- Further develop the supply chain risk and resilience framework.

Understanding the Risks

Our core business now centres on the water industry and providing clean safe drinking water and waste water services to our customers. Our philosophy of continual improvement will help us to better understand the risks, strengthen any response and ensure we implement appropriate measures to prevent modern slavery.

Whistleblowing Helpline



Our 24-hour, confidential helpline provides continuous support to employees. The helpline is integral to our strategy and affords all employees and contractors a safe confidential space to raise concerns they don't feel able to raise through the normal channels.

Training and Awareness

Awareness training, and our Code of Conduct are central to advancing knowledge and understanding of modern slavery and what can be done to help prevent it. While we favour face to face training for employee engagement and thought-provoking discussions, current restrictions imposed by the Covid-19 pandemic mean that we are developing our employee engagement to provide more on-line education and training.

Cross-Sector Utilities Modern Slavery Group.

We have recently joined a new Cross-Sector Utilities Modern Slavery Group. At Pennon we are supportive of a collaborative approach to tackling the modern slavery issues that are common to all business.

Community Engagement

At Pennon, we recognise the importance of engaging with the communities we serve and contributing to positive effect. We intend to promote our firm stance against slavery in any of its forms, amongst the communities we are privileged to serve.



Supply Chain and Procurement

We will continue to build on our progress of the last year. The outputs form an integral part of our procurement strategy to prevent and mitigate the risks of modern slavery in the supply chain for the immediate and future years.

We will continue the development of a supplier scorecard (questionnaire) for identified Strategic and Key suppliers, which will contain a selection of questions representing key subject areas within our Code of Conduct for Supply Chain Partners, including modern slavery focused areas. We will continue with the onboarding process for all new suppliers and we will continue to monitor the status of the supply chain with overseas suppliers to mitigate the risks of modern slavery in our supply chain. A formal framework for enhancing supply chain risk and resilience will be further developed to explore all associated risk factors across multiple layers within the supply chain.



Trusted

We do the right thing for our customers and stakeholders



Collaborative

We forge strong relationships working together to make a positive impact



Responsible

We keep our promises to our customers, communities and each other



Progressive

We are always looking for new ways to improve and make life better

