

## Modern Slavery Statement

This 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 2019/20.

May 2019



### A message from our CEO

Pennon Group plc is committed to acting ethically and with integrity in all its business dealings. As part of this commitment, we continue to develop and implement robust systems and controls to mitigate the risk of modern slavery anywhere within our business operations or supply chain.

We recognise that in order to fully deliver on this commitment, we must continue to strive for improvement in all our processes. In 2019 we therefore became a member of the "Slave-Free Alliance" business scheme, run by global charity "Hope for Justice". The Slave-Free Alliance provides knowledge and resources to give businesses the tools they need to identify the risk of modern slavery within their organisations, and then put in place appropriate control measures. We look forward to working with Slave-Free Alliance to further develop our existing internal processes.

All those with whom we do business are expected to follow the highest ethical principles. Here at Pennon we expect all our business partners, representatives and suppliers to have robust processes in place to eliminate the risk of modern slavery occurring in their organisations. This has resulted in strengthened internal due diligence and other processes designed to allow us to monitor and work closely with all our supply chain partners to achieve this aim.

Pennon's commitment to combatting modern slavery is supported by its four core values, trusted, collaborative, responsible and progressive.

Our new Modern Slavery Statement develops these themes and sets out Pennon's detailed and strong ambition to prevent modern slavery from occurring anywhere within our organisation or our wider business relationships.

**Christopher Loughlin**  
Chief Executive Officer  
Pennon Group



## About Pennon

Pennon's businesses are all UK based and have all adopted this Statement. All our businesses and staff are part of our anti-slavery and human trafficking campaign.

A list of Pennon Group trading subsidiary companies can be found on page 168 of our Annual Report at [www.pennon-group.co.uk/investor-information](http://www.pennon-group.co.uk/investor-information)



## Background

Pennon is one of the largest environmental infrastructure groups in the UK. Pennon is at the top end of the FTSE 250, has assets of around £6.2 billion and a workforce of around 5,000 people. The Group is made up of the following businesses: Viridor – a leading UK energy recovery, recycling and waste management company; South West Water and Bournemouth Water - providing clean water and wastewater services to a population of c.2.2m in the South West of England and Bournemouth; and Pennon Water Services – retailing water services to business. Pennon has sites across the UK, including Scotland, and trades with jurisdictions in Asia and Europe.

The Modern Slavery Act 2015 was designed to tackle slavery in the UK.

Modern slavery is a criminal offence and can happen in various forms. The offence covers slavery, servitude, human trafficking and forced labour, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal gain.

## Review of activity in 2018/19

### Governance and overview

Pennon has developed an anti-slavery programme to allow it to understand and mitigate the risk of modern slavery across the Pennon Group, bringing together internal and external stakeholders. The programme was approved by Pennon's Board of Directors in 2019 and sets out Pennon's activities to deliver Pennon's strategy over the coming three years.

Delivery of the anti-slavery programme at Pennon is led by the Head of Legal Compliance. Overall responsibility sits with the Pennon CEO, Pennon's General Counsel, and the Pennon Executive, who receive regular progress reports, as does the Board of Directors.

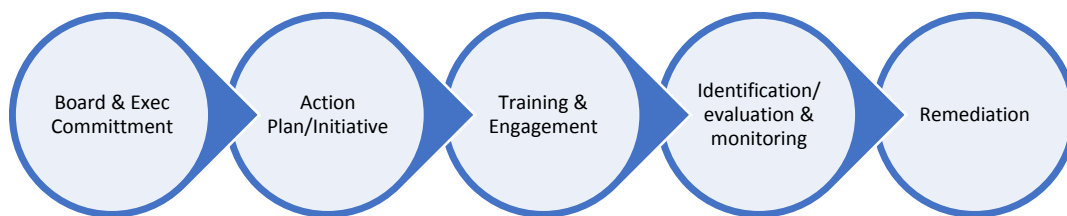
The programme is to be rolled-out over the next three-years. Key strategic steps to achieve full compliance are as follows:

- Gain a full understanding of the risks
- Undertake numerous physical site visits, concentrating initially on waste management and later moving to other parts of the Group
- Devising processes and procedures which will ensure that the Group has no potential for modern slavery occurring anywhere in its operations
- Undertake a training need analysis, developing bespoke training to be delivered to key employees
- Continuing to develop and roll-out the activities already in place (see below)

Some of the activities in the three-year programme already in place:

- Becoming a member of the Slave Free Alliance and working with that organisation to identify best-practice
- Development of the Group Code of Conduct which applies to all Pennon Group permanent or temporary staff
- Regular Code of Conduct training to all staff. The training includes sections on Pennon's Anti-slavery and Human Trafficking Policy, and Whistleblowing (Speak-Up) procedure
- Roll-out of a new Code of Conduct for Supply Chain Partners alongside Pennon's wider Sustainable Procurement policy, both of which highlight and identify the anti-slavery principles and priorities Pennon expects its supply chain partners to adopt
- Carrying out a tender process for a new contract to provide temporary agency staff. Pennon will work closely with the new provider to ensure appropriate and robust measures are in place to mitigate any risk of modern slavery within our agency work force

The diagram below summarises the approach taken in formulating and delivering the anti-modern slavery programme:

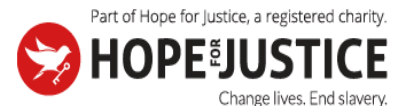


## Partnering with Slave Free Alliance

Achieving Pennon's commitment to ensure modern slavery is not occurring anywhere within its business operations or its supply chain requires internal drive and energy but also external expertise and knowledge. This will allow Pennon to ensure it can see what works well elsewhere and where improvements can be made.

"Slave-Free Alliance" is a business scheme, run by global charity "Hope for Justice". Hope for Justice was founded in the UK in 2008 with the goals of preventing exploitation, rescuing victims, and restoring lives. Hope for Justice has since grown to become an international charity, working across four continents and running rescue programmes, aftercare facilities for vulnerable children and providing trauma care for victims of modern slavery.

Hope for Justice set up Slave-Free Alliance to work in collaboration with businesses to develop a proactive strategy that businesses and their supply chains can adopt to deal with the threat of modern slavery. The core objective of Slave-Free Alliance is to support businesses to work towards a slave-free organisation and supply chain. Slave-Free Alliance is assisting Pennon to develop tailored business processes and controls to prevent modern slavery occurring in Pennon's operations. This support and insight both provides external expertise and increases confidence that Pennon is meeting its obligations.



## Supply Chains

Targeting modern slavery within Pennon's business operations is not enough. Pennon is also committed to addressing the risk of modern slavery in Pennon's supply chain. Pennon has made significant changes to its procurement and supplier management processes and has begun to put in place a multi-stage due diligence and compliance assessment process, which will cover both the procurement phase and the contract delivery phase.

A newly updated Code of Conduct for Supply Chain Partners has been launched, which identifies, amongst other key principles, Pennon's anti-slavery principles.

To start the process, Pennon carried out a high-level supply chain mapping exercise. It then strengthened its procurement due diligence process through initiating the following:

- (i) Category management approach – delineating Pennon’s procurement activity by business requirement category, with dedicated category managers who will gain a detailed understanding of the supply chain within their category.
- (ii) Supplier rationalisation – reducing and rationalising Pennon’s supplier list to focus on those suppliers which provide most value to Pennon and are committed to Pennon’s values. Wherever possible, Pennon builds long-standing relationships with suppliers meeting Pennon’s expectations of ethical business behaviour.
- (iii) Supplier segmentation – this involves a high-level consideration of the risks that modern slavery present in the global operations of a supplier. The nature of the supplier’s core business offering (i.e. the type of goods or services provided by the supplier) and the geographic locations where the supplier operates are also identified. This process allows Pennon to address other factors including the performance of the supplier, how Pennon uses that supplier, spend, business criticality, and adverse reports of behaviour, convictions, or other serious matters. The segmentation provides a holistic approach to calculating the exposure to risk posed by any supplier, and enables Pennon to prioritise its supplier due diligence and ongoing compliance assurance.

The above activities will serve to introduce greater scrutiny and control into Pennon’s procurement process, which in turn positions Pennon appropriately in order to identify modern slavery risks in its supply chain at the earliest possible stage.

At the end of the procurement process, Pennon includes compliance terms in all new contractual documentation. These terms provide audit rights and oblige the chosen supplier to adhere to Pennon’s Code of Conduct and the Modern Slavery Act 2015. This contractual documentation enables Pennon to carry out a programme of planned and ad hoc compliance assessments during contract delivery, in line with priorities identified from processes such as segmentation.

Ultimately, Pennon expects its partners to work with it openly to identify and combat modern slavery. Pennon will only trade with those suppliers who fully comply with the Code of Conduct, or those who are taking verifiable steps towards compliance.

## **Policies**

Pennon’s commitment to raising the bar to combat the risks of modern slavery and human trafficking in every area of its business is also to be found in the following documents, all of which can be found on Pennon’s website.

- Anti-slavery and Human Trafficking Policy
- Sustainable Procurement Policy
- Pennon Code of Conduct
- Code of Conduct for Supply Chain Partners

Pennon has established a dedicated internal working group with a cross-section of skills and knowledge to drive the programme forward and to identify and update other policies needed to support our anti-slavery programme, such as Pennon’s recruitment policies.

## **Employees**

Pennon recognises that in some areas, such as the use of agency staff, its operations have the potential to be more susceptible to human trafficking and slavery. Pennon is working particularly closely with those of its business partners who provide agency staff to its Viridor sites. Pennon already obtains verification of existing processes and is developing a bespoke and rigorous risk assessment and monitoring programme to cover agency staff it employs on its sites.

Pennon has a large population of temporary and seasonal agency staff working across its Viridor recycling and waste facilities. In addition to conducting scrutiny of providers of agency staff, Pennon is reducing the risk of modern slavery occurring at its sites through its programme of transferring agency staff onto permanent contracts of employment wherever feasible.

## Training and Awareness

Pennon carries out a combination of e-learning and face to face training sessions. Leaflets translated into 8 languages are handed out at all sites, with a dedicated help-line set up. Pennon's Code of Conduct, the Anti-Slavery & Human Trafficking policy and the Whistleblowing (Speak-Up) Procedure all feature heavily in the training.

For Pennon's supply chain partners, the Code of Conduct for Supply Chain Partners is communicated during the procurement process as part of requests for information and invitations to tender. The updated Code of Conduct for Supply Chain Partners is being issued to all members of the supply chain through a bulk send out approach and then in subsequent tenders as necessary.

## Next steps and targets

Pennon has set itself some challenging targets. Pennon is in the early stages of its detailed anti-slavery programme, and there is a strong desire to see further improvement across the organisation.

We will develop a structured policy of continuous improvement to allow full understanding of the risks and further required processes and procedures.

We will continue to network with peers and external experts to share knowledge and experiences to understand what works well elsewhere and identify where further improvements can be made.

We will continue to work openly with suppliers, and will develop further protocols which will allow us to assess any instances of non-compliance within the supply chain on a case-by-case basis and tailor any remedial action appropriately.

We will use the energy and commitment of our staff as we proceed on our journey. Staff who have had training strongly support our commitment to develop processes to prevent any instances of modern slavery in our organisation. We will develop our awareness programme to ensure that all staff are aware of the signs of modern slavery and know what to do if they suspect that a colleague may be a victim.

This statement is made in accordance with Section 54(1) of the Modern Slavery Act 2015 and constitutes the Pennon Group's anti-slavery and human trafficking statement for the financial year 2019/20.

The statement was approved by the Pennon Group Board on 16 May 2019.



---

C Loughlin  
Group Chief Executive  
Pennon Group plc