



Modern Slavery Statement 2022

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Pennon Group

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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 2021-2022. This statement is made on behalf of Pennon Group plc and its Group companies, including South West Water Limited, Bristol Water Holdings UK Limited and its subsidiary undertakings including Bristol Water plc, Pennon Water Services Limited and was approved by the Pennon Group plc Board on 28 September 2022.

Introduction

September 2022 – A message from our Chief Executive Officer Susan Davy

At Pennon we pride ourselves on being a good corporate citizen. We have a zero-tolerance approach to modern slavery and are committed to playing our part in helping to eradicate it. Here at Pennon, all our activities are motivated and guided by our clear ethical standards which have a central role in guiding our behaviours and are directly linked to our core values: Trusted, Collaborative, Responsible and Progressive.

Through leading by example, with integrity and by upholding the highest principles, we aim to deliver world class services to our customers and communities. We enact our strong ethical values and behaviours in everything we do, from the way we work together, to how we work with our partners and suppliers, and in how we provide our services for the communities we serve.

We carefully consider how we can make a positive impact for the good of our stakeholders and for wider society – please see the Pennon Group plc Annual Report and Accounts 2022 for more details of our approach. It is our expectation that our suppliers, partners and those who work with and for us hold the same ethical values and high standards of behaviour. We want to work with our suppliers, and other organisations, to demonstrate how doing the right thing will benefit and strengthen their operations and also play a vital part in helping to eradicate the scourge of modern slavery.

Each year we build on our approach. We understand the risks associated with modern slavery are constantly changing. The changes in the labour market as a result of external events, such as the rising cost of living and the COVID-19 pandemic, may put people at enhanced risk of exploitation. We will continue to engage closely with all our stakeholders, and anti-slavery groups, to identify any increased risk of modern slavery in our organisation.

This Modern Slavery Statement highlights our organisational structure and supply chains, our relevant policies dealing with slavery and human trafficking, our due diligence processes, risk assessment and management, and our key performance indicators through which we measure effectiveness of steps being taken. Our Statement also refers to training we have undertaken this year to prevent modern slavery from occurring anywhere within our organisation or our wider business relationships.

We believe through the steps we have taken to date, the risk of modern slavery remains low within our business and supply chain and I can report that we have had no instances of modern slavery raised this year.



I have signed this statement on behalf of the Board of Directors of Pennon Group plc following its approval on 28 September 2022.

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 in brief...

Pennon:

- was founded over 30 years ago
- its core business is centred on the UK Water sector
- companies serve circa 3.5 million domestic customers in the south west of England
- employs circa 3,000 people
- Group companies include:
 - **South West Water**
 - **Bristol Water**
 - **Bournemouth Water**
 - **Pennon Water Services.**

Pennon's businesses are all UK based and all our businesses and staff have adopted and live by our anti-slavery and human trafficking strategy.

A list of Pennon Group trading subsidiary companies can be found on our Annual Report at https://annualreport.pennon-group.co.uk/documents/pen002_ar22%20web.pdf



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Annual Report and Accounts 2022



Pennon and Bristol Water

All Pennon Group companies have the same core focus in the UK water sector. The modern slavery risks relevant to each subsidiary company are equivalent, and the same strategy, governance, controls, activities and plans apply to all Pennon Group companies.

Throughout our Modern Slavery Statement, we are providing information on the progress we have made in identifying the risk of modern slavery across the Group. However, because Bristol Water has recently come into the Group, some of its processes have previously operated outside of the Pennon Group context.

In the next 12 months, as part of the intended merger of Bristol Water into South West Water, we will fully integrate Bristol Water's processes into those of the wider Pennon Group. Examples where Bristol Water's approach is distinct are the branding of Bristol's whistleblowing hotline and its activities on supplier segmentation.

Wherever Bristol Water processes are currently different, we have identified this in our Statement.

Supporting documents and policies

Pennon has a number of policies to support its stance on modern slavery, which include:

- The Pennon Code of Conduct
- Anti-Modern Slavery and Human Rights Policy
- Code of Conduct for Supply Chain Partners
- Anti-bribery and Corruption Policy
- Whistleblowing Policy.

...and in more detail...



Founded in 1989, Pennon Group plc (Pennon) is one of the leading businesses in the UK water sector, providing clean water and wastewater services through our businesses across the South West of England.

We believe the role of a responsible business is one of stewardship for sustainable living, supporting and allowing communities, customers and the environment to thrive, now and into the future.

Pennon is the parent company of **South West Water (which includes Bournemouth Water), Bristol Water** and **Pennon Water Services**.

Pennon's core focus is in the UK water sector and its subsidiary companies collectively supply services to circa 3.5 million domestic customers.

Collectively, Pennon Group employs circa 3,000 staff across its businesses.



South West Water operates in the south west peninsula of England, covering the whole of Devon, Cornwall, and parts of Somerset and Dorset. South West Water is the supplier of clean and wastewater services to circa 1.8 million domestic customers plus circa 10 million seasonal visitors and it employs approximately 1,800 people in its operations across the region.



Bristol Water is a supplier of clean water to circa 1.2 million customers in Bristol and surrounding areas. Wastewater services are provided to its customers by neighbouring water companies.

Bristol Water became part of the Pennon Group in June 2021 and following clearance by the Competition and Markets Authority in March 2022, Pennon plans to merge it into South West Water*.



Bournemouth Water Bournemouth Water (merged with South West Water) has retained its name for the wider Bournemouth region. It serves and provides clean water services to circa 500,000 customers in Bournemouth together with parts of Hampshire and Wiltshire. Wastewater services are provided to its customers by the neighbouring water companies.



Pennon Water Services Pennon Water Services was formed in 2017 in readiness for the introduction of competition in the water and wastewater sector for non-household customers and serves circa 160,000 business customers. Pennon Water Services competes with other UK water retailers to supply water and wastewater services to commercial customers across the United Kingdom.

* Subject to Ofwat processes

Key progress in 2021/2022

The key points of progress we have made against last year's aims, are shown below.

Overview of progress

Approach and Engagement

- Continuation and improvement of our Strategy, Governance and Approach
- Undertaken our annual risk review
- Refreshed Group policies
- Accredited as a Living Wage Employer
- Continued Membership with Slave-Free Alliance to plan independent assurance activities
- Refreshed and enhanced whistleblowing hotline processes
- Cross Sector Utilities Working Group involvement to explore further opportunities to tackle modern slavery across the utilities sector.

Supply Chain and Procurement

- Implementation and utilisation of a Risk Management Platform, risk assessing potential partners through enhanced onboarding checks
- Supplier segmentation reviews[†]
- Monitoring the status of high risk suppliers[‡]
- Further development of supply chain risk and resilience policy and procedures

Training and Awareness

- Training
- Continuation of modern slavery awareness activities / training and scoping out targeted awareness campaign and training in key areas.

Key performance indicators

- 0 whistle-blows relating to modern slavery.
- 100% of our suppliers have been engaged.

...and in more detail...

Strategy, Governance and Approach

Strategy

We strive to provide a safe, fair and inclusive work environment for our people and supply chain, doing so by aligning our approach with best practice, including Home Office guidance and the United Nations' Guiding Principles on Business and Human Rights. Additionally, we are benchmarked by major ESG indices and as a good corporate citizen disclose our approach transparently.

Governance

Accountability for our statement rests with our CEO, General Counsel, and the Pennon Executive with regular updates and reports being provided to them throughout the year. The Pennon Board oversees and sign off on our approach annually.

Approach

Our compliance programme has been developed to ensure alignment and consistency of approach to identification, management, monitoring and response to principal compliance risks. This includes activities to tackle modern slavery across the Group, with a particular focus on identifying high-risk areas, initiating engagement with key stakeholders, increasing awareness and ensuring supplier due diligence.

Annual Review

Our annual assessment has identified that changes in the labour market as a result of the rising cost of living and from the COVID-19 pandemic may be putting people at more risk of exploitation.

Additionally, from an internal perspective, we have considered the change in the Group structure coming from the inclusion within the Group of Bristol Water.

Our review has found that the net modern slavery risk relating to the whole Pennon Group remains consistent. Bristol Water has operated an equivalent strategic and governance approach with similar controls and activities. It is therefore fully aligned with the rest of the Pennon Group, with the exception that Bristol Water's whistleblowing hotline will need to be rebranded as Speak Up, and it has not segmented its supply base in the same manner as the rest of the Group, although it has used a similar approach through the Achilles pre-vetted UVDB (Utilities Vendor Database) to risk assesses suppliers through enhanced onboarding checks.

[†] Not undertaken in relation to Bristol Water

[‡] Not undertaken in relation to Bristol Water

We will continue to engage closely with our supply chain, and anti-slavery groups, to assess and identify increased modern slavery risks. We have continued to review our approaches to ensure effectiveness and responsiveness to changing risk profiles.

We have reviewed and updated our policies relevant to modern slavery and we have conducted our yearly risk and control assessments by considering the capacity of our Group to manage and prevent the risks of modern slavery, and by assessing any potential for gaps in our processes or systems.

Our annual assessments also allow us to identify where to deploy further guidance and support, and help inform our partnership working with stakeholders to allow mutual identification of issues and strategies to improve protections.

We have also achieved accreditation as a Living Wage Employer, identified new awareness and training initiatives, continued with our third-party due diligence, supported supply chain initiatives led by our procurement team and continued our engagement in the Slave Free Alliance and wider industry activities.

Group Policies

Our comprehensive set of policies and procedures are regularly reviewed, monitored and updated. These policies aim to ensure that our employment and commercial practices are conducted in a way that prevents forced or compulsory labour including child labour, as well as any form of human trafficking.

Our policies are central to guiding behaviours and conduct, key to our strategy for tackling modern

slavery, and are cascaded to our supply chain to ensure compliance.

Our core policies have been reviewed and communicated to all employees throughout the Group.

Living Wage Employer

In 2021, we announced our Living Wage Foundation (LWF) Accreditation.

This accreditation extends to Bristol Water as part of the Pennon Group and evidences our strong and ongoing commitment towards our people and their wellbeing.



Slave-Free Alliance

Pennon has continued its membership of the Slave Free Alliance (SFA). Our membership includes Bristol Water.

Our continuing relationship has enabled us to draw on SFA's specialised expertise and experience. We have used their expertise and experience to help inform and support our risk assessments, confirm priority areas and plan our independent assurance programme for our supply chain.



Whistleblowing Helpline

During the past 12 months we have refreshed our whistleblowing procedures to better support our incident service known as **Speak Up**. Speak Up provides a 24-hour, confidential support to employees and contractors.

This helpline is integral to our strategy and gives all employees and contractors a safe confidential space to raise concerns they don't feel able to raise through the normal channels.

We have standardised and improved our processes to ensure that each concern is carefully considered, investigated thoroughly, with findings reported to our Audit Committee and as appropriate relevant business areas, to ensure we deal properly with issues and enhance organisational learning.

We have aligned Bristol Water's practices to the remainder of the Group. *We will rebrand the Bristol Water whistleblowing / incident management line to 'Speak Up' in the next 12 months.*

There have been no reports of modern slavery through our whistleblowing / incident management lines across the Pennon Group during the last financial year.

Review, in detail, continued...

Cross-Sector Utilities Modern Slavery Group.

We have continued our membership of the Cross-Sector Utilities Modern Slavery Group and our membership extends to Bristol Water now it is part of the Pennon Group.

At Pennon we welcome this industry wide collaborative approach to tackling modern slavery issues common to all businesses. As part of this grouping, we have greatly benefited from the exchange of best practice and insights.

Supply Chain and Procurement



Implementation and utilisation of a Risk Management Platform, risk assessing potential partners through enhanced onboarding checks and supplier segmentation.

As a large organisation we work with a large supply chain. Our supply chain partners play a vital role in supporting resilience, sustainable growth and efficiencies across the business and we are committed to ensuring our partners align with the same values, standards and behaviours we demand of ourselves.

To that end, we want to ensure that our suppliers understand and commit to our values. We therefore engage with all our suppliers to ensure that they adhere to the same standards and values.

We continue to reinforce and enhance our supplier selection, vetting and procurement processes and supply chain management activities to address and mitigate the risks of modern slavery within our supply chain.

South West Water and Bristol Water are both members of Achilles UVDB (Utilities Vendor Database) Steering Group working closely with other industry members to help achieve the highest standards of supply chain assurance as well as utilising its system as our approved supplier qualification system supporting our Utilities Contract Regulations 2016 requirements.

Bristol Water operates the same supplier approach, controls and activities except that it does not currently segment its supply base in the same manner as the rest of the Group. Over the course of the next 12 months, and as part of the intended merger of Bristol Water into South West Water[§], the supplier segmentation programme will be extended to apply to the entire Pennon Group.

Our annual review has found that the risk of encountering modern slavery risks in Pennon Group's supply chain, including for Bristol Water, is consistent throughout the Group.

Supplier Segmentation

Supplier segmentation allows us to understand more about our high-risk categories, how products or services are produced, where and by whom.

The Group, excluding Bristol Water, have continued our supplier segmentation and rationalisation programme which supports greater governance in the supply chain, and directly assists identification of risk in the supply chain.

Using a third-party Risk Management Platform, we undertake comprehensive risk assessments with our strategic and key suppliers and assess risk within our supply chain against a number of key risk themes including modern slavery.

We have a number of projects underway and planned as part of our continuous improvement approach. These will help to define our approach to modern slavery in practical terms and enhance some of the valuable activities already completed to date. These projects include:

- 1) Increasing the number of suppliers who have signed up to (and are assessed through) our Risk Management Platform
- 2) Reviewing and refreshing all Procurement processes, procedures and policies
- 3) Embedding supply chain risk mapping as part of the refreshed supplier segmentation
- 4) Continued supplier engagement raising awareness (and required commitment to) the Group's Code of Conduct for Supply Chain Partners

As part of the newly implemented Risk Management Platform, suppliers are assessed against a number of themes including whether they have evidenced policies and procedures ensuring the prevention of modern slavery.

[§] Subject to Ofwat processes

We are targeting a year-on-year increase in sign up and assessment of suppliers under this Platform (starting with targeted sign up for all Strategic and Key suppliers). This exposes any areas of risk and assesses the maturity of our supply chain.

We currently segment our supply base on a bi-annual basis (and this will be refreshed to include Bristol Water suppliers in 22/23).

Monitoring the status of high-risk suppliers

A risk-based approach is undertaken to monitor our suppliers. This approach is applied across the Pennon Group including Bristol Water.

Within our assessment of potential risk to the Group, we identify high risk suppliers who potentially have a modern slavery / Corporate Social Responsibility risk. We assess any non-UK suppliers as high-risk. Where high-risk suppliers are identified, we respond with a structured, standardised way for dealing with such high-risk scenarios. We assess the risk posed and ascertain potential risk exposure to the Group and points of mitigation or response.

This approach assists supply chain transparency and visibility and ensures risks are identified and understood at the outset to allow us to make informed business decisions and give us the understanding necessary to mitigate risks.

Further development of supply chain risk and resilience policy and procedures

We annually review and refresh our core policies and procedures to ensure that the most effective methods are operating for avoiding, mitigating and

managing risks within the supply chain.

100% engagement of our suppliers on our approach

Currently, we engage with our suppliers to raise awareness of our approach as well as to assess suppliers to ensure they have a proper level of compliance in, amongst other things, modern slavery focused areas.

All suppliers sign up to our Supplier terms and conditions requiring full compliance 'with relevant laws' which will include requirements on addressing modern slavery.

Training and Awareness

We have rolled out training courses, including training on our core policies with specific training on modern slavery to raise awareness especially in any high-risk areas.

We will fully integrate existing Bristol Water processes around training refreshers and awareness events into those of the wider Pennon Group in the next 12 months.

Key Performance Indicators for 2021/2022

We can report:

- that we have had 0 whistle-blows relating to modern slavery.
- 100% engagement with our suppliers.

Overview of plans for 2022/2023

Approach and Engagement

- Continue to assess and monitor our modern slavery risks
- Annual review of policies and procedures to support our approach
- Continued membership of Slave Free Alliance
- Continued membership of Cross Sector Utilities Working Group
- Whistleblowing hotline refresh
- Development of additional modern slavery metrics
- Continued engagement with key stakeholders.

Training and Awareness

- Continue with policy review and training for the Group
- Targeted awareness and training for high-risk areas of the Group.

Supply Chain and Procurement

- Increase number of suppliers signed up (and assessed) through Risk Management Platform
- Refresh policies and procedures
- Embed supply chain risk mapping targeting our Strategic & Key suppliers
- Raise awareness through supply chain engagement

...and in more detail...

Understanding and monitoring our Risks

Our core businesses centre on the UK water industry, providing clean safe drinking water and wastewater services to our customers.

Building upon our approach and governance including policies and due diligence, across the Group we will continue with our annual assessments to identify and monitor our risks to ensure we have appropriate measures to prevent modern slavery.

We will continue to review our policies and procedures to consider any necessary improvements and address areas where we identify a higher risk of modern slavery potentially occurring within our supply chain.

This will include conducting enhanced assurance work where required, and we will keep abreast of industry developments to highlight emerging risk areas.

Slave-Free Alliance (SFA)

We will continue to work with SFA who provide us with insights and expert support on our compliance activities in this area. We will engage with key suppliers to assist in independent assurance activities and to help us develop other activities such as awareness campaigns and training across the Pennon Group.

We consider SFA's insights and help in providing assurance activities to be crucial in helping us test our risk profile, strengthen our monitoring processes and complement our work to further reduce the risks of modern slavery in our supply chain.

Cross-Sector Utilities Modern Slavery Group.

We will continue our membership of the Cross-Sector Utilities Modern Slavery Group, committing to support the industry wide collaborative effort to tackle modern slavery issues common to the utilities sector.

Whistleblowing Hotline

We will rebrand Bristol Water's incident management service as Speak Up and continue to improve colleague and supplier awareness of Speak Up.

We are committed to publicising our 24/7 Speak Up confidential hotline to our people including our supply chain to ensure our people are regularly reminded how they can raise any concerns.

The Speak Up hotline will continue to help underpin our strategy and give all employees and contractors a safe confidential space to raise concerns they don't feel able to raise through the normal channels.

Modern Slavery Metrics

To better demonstrate our progress in tackling modern slavery, we have developed some key performance indicators and will look to develop further reporting metrics.

Training and Awareness

We will continue to monitor employee engagement with our modern slavery and Code of Conduct e-learning courses.

These courses are central to raising awareness, advancing knowledge and understanding of modern slavery and what can be done to help prevent it.

In the next 12 months, with the assistance of SFA, we intent to start site audits on our construction and operational sites across the South West and provide enhanced training to key roles to improve due diligence in high-risk environments.

Supply Chain and Procurement

We will continue to build on the progress that has been made during the last 12 months.

The outputs from our activities form an integral part of our procurement strategy to prevent and mitigate the risks of modern slavery in the supply chain now and in the future.

We will continue risk assessing our supply base through our Risk Management Platform.

We will continue to refresh and enhance our policies and procedures providing focus on internal procurement processes and external supply chain relationships, and explore all associated risk factors within the supply chain, including the risk of modern slavery across multiple layers within the supply chain.

We will continue to map suppliers and products across the Group as part of our continued rationalisation of the supply base. This will allow us to continue to monitor the status of our high-risk suppliers, including any overseas suppliers, so as to assist in the mitigation the risk of modern slavery in their own supply chains.

We are committed to our engagement with our supply chain to highlight the behaviours we expect and to raise awareness of our core policies and ensure compliance with commitments in it.

Our activities in the next 12 months will also include

full integration of Bristol Water's processes into those of the wider Pennon Group.

Conclusion

We continue to take our responsibilities extremely seriously and believe that we have taken many positive steps in the past few years to mitigate the risk of modern slavery within our business and supply chain.

We apply a risk-based approach and have robust policies and procedures in place. We follow best practice and have clearly set out our expectations, including having a zero tolerance towards modern slavery. We have increased awareness, training and collaboration and have ensured that concerns can be easily raised through our confidential Speak-Up hotline.

We believe that our approach is proportionate to our risk, but we remain committed to continuing to review, develop and improve on our activities and plans to eliminate the risk of modern slavery.

