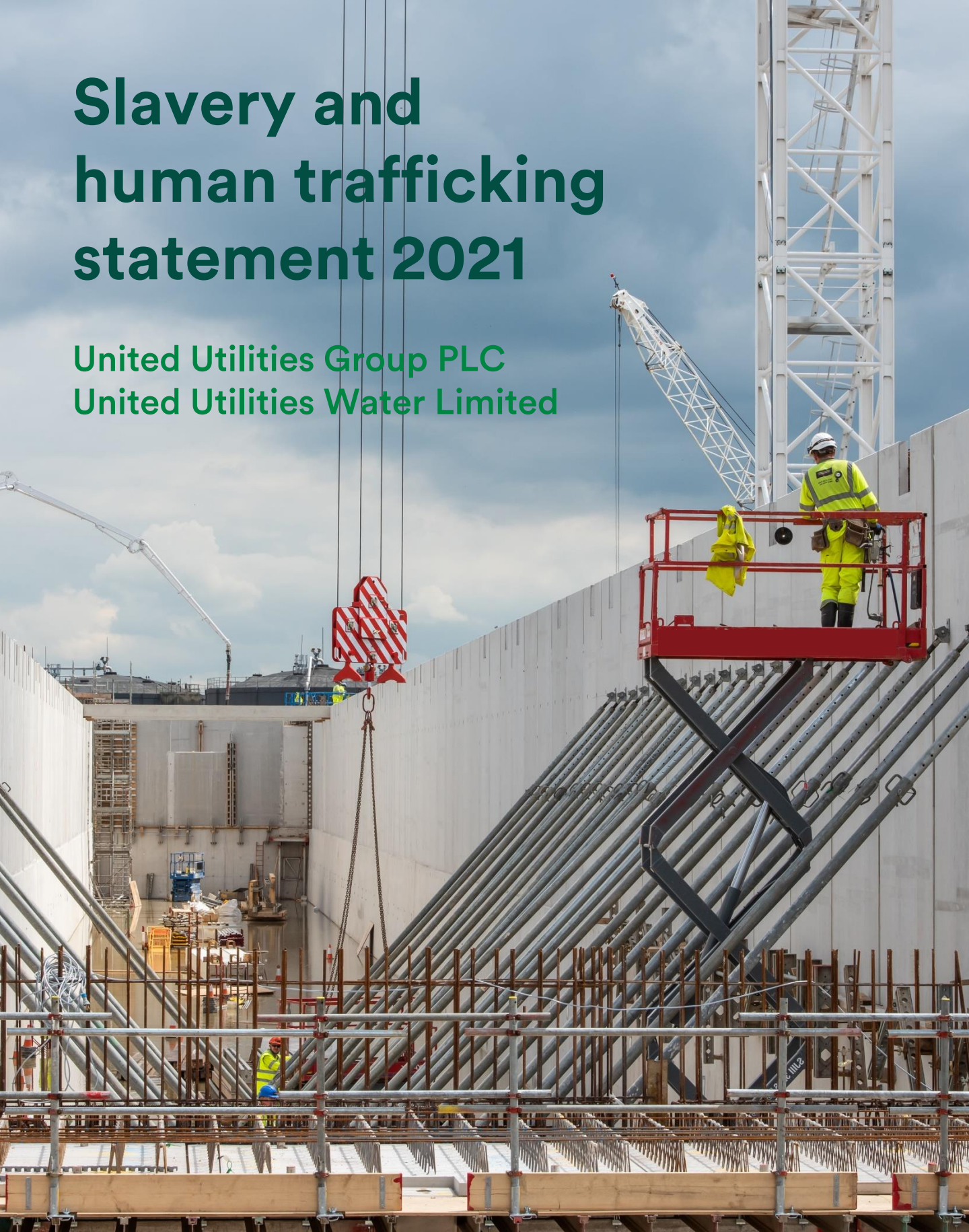


Slavery and human trafficking statement 2021

United Utilities Group PLC
United Utilities Water Limited



Executive summary

We are committed to tackling modern slavery, both in terms of our own business operations and within our supply chain. Our ambition is to raise awareness of the issue throughout our direct and indirect employee base, in order that we can be vigilant when in the communities we serve.

We recognise that the modern slavery landscape is dynamic. As the impacts of the COVID-19 pandemic and its aftermath emerge we need to be vigilant in our approach to make sure it is resilient to emerging issues.

Over the past year our focus has been on updating our approach to responsible procurement including updating our responsible procurement principles, reviewing and automating our commercial risk identification process and applying this to our partners and strategic suppliers.

We are committed to building on our actions and improving our processes, training and policies with a view to both eradicate the possibility of exploitation within our supply chain, but also build our capability in working towards this goal. Consistent with good corporate governance and in line with the commitments made in previous statements we have reviewed our Human Rights policy to make sure it continues to take account of best practice and our company purpose. During the past year we have continued with targeted modern slavery awareness training for employees in key roles and published screencast materials to engage and upskill employees throughout modern slavery awareness week.

Through collaboration with the Supply Chain Sustainability School we have developed and delivered a series of Modern Slavery Workshops with attendance of over 15 suppliers and our Commercial team. We have retained our Corporate Ethics Mark (from the Chartered Institute of Procurement and Supply) and committed to do so through to 2025. We have continued to engage and collaborate with organisations and groups with an interest in addressing the risk and impact of modern slavery.

At United Utilities we have a comprehensive set of policies and procedures which are continually monitored and updated. These aim to ensure that our employment and commercial practices prevent forced, compulsory or child labour, as well as any form of human trafficking.

We have continued to address areas where we have identified a higher risk of modern slavery potentially occurring within our supply chain and have kept abreast of industry developments to highlight emerging risk areas, specifically in the waste management sector.

While we reflect on some positive progress this year, we are committed to addressing the global issue of modern slavery, and ensuring that internally, in the communities we serve and within our supply chains we do the utmost to protect those that need it most. As part of our United Supply Chain we plan to work with our partners and strategic suppliers, focussing on engagement with our top risk and high value spend suppliers to roll out an extensive training programme with the Supply Chain Sustainability School. We will begin our assurance work and work in collaboration to address higher risk areas.

This statement is prepared in accordance with the Modern Slavery Act 2015.

Overview of our business

United Utilities provides water and wastewater services to around seven million people and 200,000 businesses in the North West of England. The group's principal subsidiary, United Utilities Water Limited (Uuw) operates solely in the UK.

We directly employ over 5,300 people to deliver these services – from engineers to customer service specialists; scientists to financial experts. Many of these employees are members of trade unions with whom we have regular and constructive engagement. We also rely on over 550 agency workers, engaged through a recruitment agency, as part of our people strategy.

Our financial year, and the period covered in the statement, is from 1 April 2020 to 31 March 2021.

Our supply chain

As well as our employees, we rely on suppliers to deliver our services. Every year we spend over £1.1 billion with up to 2,200 suppliers, from major international corporations to sole traders.

While the majority of our suppliers are from the UK, we also source goods and materials from at least 15 countries around the world. In the UK alone, our research indicates that there are over 15,500 indirect jobs associated with our supply chain.

As Chief Executive Officer, Steve Mogford has overall responsibility for compliance with human rights and modern slavery laws and best practice, which is ultimately discharged through the Board and its committees. Our Human Rights and Modern Slavery Act Compliance Group meets regularly throughout the year to assess our approach and address any issues.

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Our approach to human rights and addressing modern slavery

We are committed to protecting the human rights of our employees, and those working on our behalf in our supply chain.

This year, in line with best practice, we have reviewed and updated our human rights policy. As a result of this review, we have included two new commitments: one on expectations of those working on our behalf; and one clarifying our provision of a means of reporting issues without retribution. The updated policy continues our recognition and support for all the rights and freedoms set out in the articles of the Universal Declaration of Human Rights, and the four commitments set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

Given the breadth of human rights issues, our Human Rights and Modern Slavery Compliance Group revisited our human rights risk assessment. The assessment looks at human rights issues (such as forced and child labour, fair treatment and discrimination) against the likelihood and severity of occurrence in our key stakeholder groups of communities, customers, employees and suppliers.

There are some changes to the likelihood and severity of some risks, however, our analysis has identified the biggest risks to be:

- forced/child labour (modern slavery);
- health and safety; and
- data protection and privacy.

A fourth issue of access to clean water and sanitation is considered salient due to the industry in which we operate.

Our salient issues and the policies and processes in place to mitigate risk are published on our website.

Our policies and procedures seeking to prevent modern slavery fall under our broader approach towards maintaining human rights. Our focus remains on the three key ways modern slavery can occur, and where there is the greatest risk:



Direct employment

Through our recruitment and management of employees and engagement of agency workers.



By association

As a result of our operations, or as a secondary consequence of our actions.



Indirect employment

Within our supply chain or through the use of products, or materials, which have been produced by people under conditions of forced labour

Trade union relations

We develop effective and commercial partnerships with four main trade unions; UNISON, GMB, Unite and Prospect. This enables effective consultation with our people on issues that affect them. There are three full time representatives available within the company to provide employees with help and advice.

The unions also negotiate with the company collectively on behalf of employees on key issues such as pay, terms and conditions and working practices. This is done through four monthly local forums covering the main areas of the business. Joint statements are published internally following each meeting.

1 Direct employment

All new employees who join us directly, or who work on our behalf as agency workers, are subject to pre-employment checks to confirm their identity, right to work in the UK, and to verify employment history and qualifications. They are also subject to basic criminal record checks. In addition, for certain roles such as directorships and those with financial responsibilities, we carry out additional checks.

We have a comprehensive set of internal employment policies that support the prevention of modern slavery among all people in our employment. These include:

- Esteem in the workplace;
- Agency workers;
- Whistleblowing;
- Health, safety and wellbeing;
- Mental wellbeing;
- Equality and diversity;
- Working time;
- Grievance;
- Maternity, paternity, shared parental and adoption leave;
- Flexible working; and
- Safeguarding and prevent.

We have an established governance process through our Human Resources Policy Forum to consult on and implement employment policies. This includes consultation with our joint trade union forum, which meets quarterly. These policies are published on our intranet, which is accessible to employees and agency workers.

During the year, our focus has been on implementing important changes to support the health and wellbeing of our employees in response to the COVID-19 pandemic, including:

- conducting our COVID-19 risk assessment and publishing our five steps to safer working;
- introducing safeguarding measures such as social distancing and provision of Personal Protective Equipment; and
- issuing key worker cards to frontline employees to explain their presence in communities.

We will continue to review and update policies particularly in light of the pandemic and reflecting changes in the workplace.

Our agency worker framework relationship has been extended until summer 2022. We have started the process for assessing and retendering the provision of agency workers with a target release of autumn 2021.

Raising awareness

To coincide with UK Anti-Slavery Day on 18 October 2020, we published a set of materials to engage and upskill our employees.

As most of our employees have been working from home, the materials were provided as a series of screencasts throughout Modern Slavery Awareness Week. The screencasts covered:

What is modern slavery?

The forms of modern slavery and how to report it

The Modern Slavery Act 2015

Modern slavery in the supply chain

How United Utilities is tackling modern slavery

We will continue to raise awareness by making our Anti-Slavery Day an annual event.



2

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 modern slavery or human trafficking has occurred within the local area as a result of our operations, or as a secondary consequence of our actions.

3

Indirect employment

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 legislation and are raising awareness and mitigating modern slavery risk throughout the supply chain.

Supply chain

All United Utilities Group procurement activity is carried out by our commercial department. Our approach is based on category management which takes a long term view of our demand, specifications and the external supplier market to deliver the appropriate contract strategy. We build relationships with our key partners and suppliers based on common values to achieve our goals which are monitored through our Supplier Relationship Management (SRM) process.

Over the past couple of years we have reviewed our approach to sustainable procurement, taking into account an external review undertaken by the University of Liverpool to understand the implications of modern slavery legislation on our practices and culture. Launched this year our United Supply Chain (USC) approach is our supply chain vision to 2025 where we will be working with our suppliers in a collaborative, proactive manner. The focus of USC is about being better together.

The USC approach is centred on ensuring that the United Utilities Responsible Sourcing Principles are brought to life and embedded throughout our supply chain.

To do this, there are two levels of commitment for suppliers as part of USC, to be either a signatory or to be a leader. Building upon the good work undertaken through AMP6 via our Sustainable Supply Chain Charter, as a minimum, existing suppliers will become

signatories to the Responsible Sourcing Principles, with leader organisations representing those that we will work more closely with on key areas of risk and focus across our supply chain.

Activities to address modern slavery and human trafficking are incorporated into our USC approach. Our approach is based on The British Standard for Sustainable Procurement BS8903.

We have improved our policy and governance structures to ensure USC is incorporated into contract pre-assessment, award process and ongoing relationship management. At a procurement category level we undertake heat mapping exercises against all 10 of the responsible procurement principle areas. This enables assessment of the issues through several layers/tiers of the supply chain allowing us to identify the key areas of impact and the control we may have.

Where there are issues of concern the process dictates that risk analysis is incorporated in the contract assessment and award process. Once we have a contract with a supplier the issues of concern form the basis of action and improvement through ongoing supplier relationship management.

Our benchmark remains to ensure that all suppliers are able to demonstrate their employment and labour standards compliance, detailing their factories, people and ethical charters in each country where they operate.

We also seek and encourage the promotion of the United Nations Global Compact Principles covering human rights, labour standards, environment and anti-corruption.

As partners to the Supply Chain Sustainability School, and as a part of our strong relationship with the Chartered Institute of Procurement and Supply (CIPS), which has awarded us the Corporate Ethics Mark, we are building a culture of best practice and will continue to leverage these relationships going forward. As part of the revised supply chain strategy for the next five years we intend to provide suppliers with resources and forums to share best practice to develop their own capability, following on from the positive reception of our collaboration with the Supply Chain Sustainability School so far.

Responsible sourcing principles

We have been publicly committed to sustainable and responsible procurement for over 15 years. As part of our USC approach have replaced our sustainable supply chain charter with a set of responsible sourcing principles.

The principles are structured around environmental, social and governance issues that are important to us as a business and in our approach to responsible sourcing. Considerations on modern slavery are incorporated into the wider issues of human rights and fair treatment. Specifically, 'treat people with dignity and respect, whilst working to eradicate modern slavery in all its forms'.

The principles are available to all on our website and we have committed that 100% of targeted suppliers will be signed up to the principles by 2025.

Oversight of human rights and modern slavery

We have a cross-functional group, the Human Rights and Modern Slavery Act Compliance Group, comprising representatives from: Legal; Human Resources; Commercial; Corporate Affairs; Customer; and Health and Safety, to ensure we are tackling issues holistically and our approach is aligned to our purpose, values and corporate policies. The group, which meets monthly, has been instrumental in the review of

our human rights risk assessment, salient issues and our human rights policy.

During the next 12 months the group will be reviewing the risk of modern slavery and human rights risk across our supply chain, monitoring progress against our planned activities and considering further action that may be required to improve our approach.

Supply chain modern slavery risk assessment

Through our internal risk mapping process across our entire supply chain, we have identified five key category areas of our supply chain where we believe the greatest potential risk of modern slavery non-compliance lies.

During the year we have seen evidence that the waste management sector is one of the emerging risk areas where modern slavery is on

the rise. We work with eight suppliers for waste management across our operational sites. In response to this evidence we are engaging with our suppliers and are putting measures in place to reduce the likelihood of forced or bonded labour occurring at their premises. We will continue to engage with them concerning their procedures and governance throughout the contract term. This is a key part of our procurement exercise assessment criteria that is underway for upcoming waste contracts.

Our five sensitive areas are:



1. Construction and maintenance

Every year we spend a combined total of around £550 million on construction and maintenance which amounts to approximately 50% of overall procurement spend. Most of our construction is undertaken by four delivery partners with whom we work on a partner basis. Many of these construction partners employ sub-contractors and as the supply chain reaches further from our business there is less visibility and control over employment practices. We are continuing the relationships with our delivery partners and in doing so have strengthened the contractual obligations with regard to modern slavery provisions. We are looking to set clear assurance practices with regard to our partners. This includes a stipulation that these measures must be passed down through the delivery partner supply chains to increase awareness of modern slavery issues. Modern slavery considerations have been included as part of our construction and maintenance site audits, alongside health and safety. Modern Slavery training is standard for our audit teams and is incorporated into the audit question set.

Following a trial which took place in 2020, modern slavery considerations have also been incorporated within existing health and safety audits on our network partners. This further demonstrates our progress in bringing together different policy areas to form a cohesive business response to managing risk in this sector. Collaboration with other infrastructure providers, and membership of Supply Chain Sustainability School, will provide further insight into the specific construction and maintenance sectors.



2. Chemicals

Chemicals account for 3% of our annual procurement spend with 21 suppliers sourcing products and raw materials from 16 countries. Focussing on those chemicals most commonly used in water and wastewater treatment, as part of on-going annual supplier verification audits, we have requested that our suppliers review their extended supply chains to source, and provide assurances that no modern slavery is evident. These checks continue to take place across the extended supply chain and we seek regular assurances and evidence from our suppliers, including access to their Corporate Responsibility, Modern Slavery and Human Trafficking Policy Statements to support their commitment. 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.

The topic of modern slavery continues to be important across the water sector. Through existing collaborative forums in the chemicals area we will continue to investigate opportunities to work holistically to tackle modern slavery. This is particularly relevant in the chemicals sector where there are common sector supply chains.



3. Workwear and Personal Protective Equipment (PPE)

Less than 1% of our annual procurement spend is on workwear and PPE, with both currently contracted suppliers located in the UK. Textiles remains a potentially high risk area within this spend category, as they are generally sourced from countries where there may be a higher inherent risk of forced or child labour in their production. We have sought assurances from all existing associated suppliers, that their business and supply chains do not contain slave and child labour.

In February 2021 we published tender documents for supply and delivery of corporate workwear, PPE, uniform and outdoor clothing. As part of this re-tender we have taken into consideration the many sustainable and ethical risks in this area. As such we have conducted extensive market engagement to understand the various risks and mitigation options available to us, and our strategy takes into account the increasing importance of sustainability and ethics in our value proposition. To demonstrate the importance of sustainability and modern slavery to the awarding of these contracts the weighting given to these topics in the pre-qualification questionnaire process has been allocated at 25%, with an additional 10% based on health, safety and wellbeing. The procurement and appointment of a new supplier will be completed in the financial year 2021-2022 which is slightly later than we had anticipated. We are confident this will continue to take into account mitigation of the high level of risk in this area.



4. Information Technology (IT) hardware and equipment and offshore labour

We work with 270 suppliers located in nine countries relating to IT hardware and equipment, accounting for around 5% of annual procurement spend. IT equipment remains a focus due to the large proportion of manufacture which takes place in South East Asia, where 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.

In addition, we continue to engage a number of framework suppliers that utilise offshore labour, again predominantly in South East Asia. We aim to provide assurance to ensure these framework suppliers 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. The Commercial Digital Services team have been supporting the implementation of new technology and exploring how this can be achieved in terms of physical assurance moving forward. Whilst we have started assurance as part of SRM activities, work will continue with our internal policy and governance team to undertake audits, or use data from the Achilles supply chain management system to achieve alternative assurance.

As part of our framework replacement process, we will be considering supplier evaluation, and post mobilisation will look at appropriate visits to the delivery sites located in the country where the labour is based, so as to ensure that these suppliers comply with the standards we set ourselves and our supply chain.



5. Network materials, mechanical, electrical and operational technology kit (mainly metal and plastics)

The category accounts for over 2% of our annual procurement spend with 191 suppliers located in at least three 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. Fair treatment and labour standards form part of our ongoing risk assessment, our suppliers continue to be evaluated on their labour standards as part of both on-going performance management, tender assessment and subsequent framework awards. 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. They also advise about their policy for their extended supply chain and compliance to the Act and if their organisation has accreditation or has adopted any recognised standards or initiatives that they operate to (e.g. UN global compact).

Training

Our training programme on issues related to modern slavery has been focused on employees who are directly involved in commercial activities.

We have retained the CIPS Mark for three years. This requires all relevant commercial employees to carry out online training covering human rights and forced labour in supply chains; the implications, the risks and how to respond. To complete the training, participants must reach the required pass mark. This accreditation recognises the work we have done and the level of training we have provided to our staff in support of our aim of eliminating modern slavery from our supply chain, and those of our suppliers.



To enable further awareness and training of employees we have developed a Modern Day Slavery Awareness elearning course. The course covers what modern slavery is, the Modern Slavery Act, how to spot the signs and what to do if you have concerns. The course will be made available to all our employees on our online education platform, edUUcate. Over the next 12 months we are targeting 100% of our commercial employees to have completed the elearning course. The training plan for wider employees including those working within the communities of the North West will be finalised in 2021.

To ensure that we keep up to date with developments and best practice in addressing modern slavery in our supply chain we are continuing our engagement with IEMA (Institute of Environmental Management & Assessment) and the BSI Committee on Modern Slavery, leading to an improvement in our Commercial function. We will continue our collaboration with the Utility Modern Slavery working group to ensure consistent practice across the water and wider utilities sector.

Reporting of concerns

We all have a responsibility to remain vigilant and alert to the potential for modern slavery issues both internally and within our supply chain.

To support this, we continue to raise awareness of our whistleblowing policy and independent hotline for employees to report concerns safely and in confidence, allowing management to act appropriately to deal with any resulting issues.

The whistle blowing hotline is available to our Utilities employees, contractors and suppliers. There have been no issues raised relating to modern slavery, or human trafficking, to the

whistleblowing hotline during the last 12 months.

This year we have communicated further information to our employees on the steps to take if they are concerned about modern slavery. We have encouraged employees to be vigilant in spotting the signs of modern slavery within the community and at work. We believe that knowing how to spot the signs and report them is a key tool in addressing modern slavery.

Issues reported to the hotline are answered in the strictest confidence by an independent operator Safecall. Once a concern is raised via the above means, the basis of that concern will be recorded, a decision made on what further actions are required and the relevant senior managers informed.

Continuous improvement

We are proud of both our progress and achievements in relation to addressing the potential risk of modern slavery, however we recognise that further work will always be required and we will not reduce our efforts. We recognise that there is further we can go within our organisation, within our supply chain and in collaboration with other organisations to raise awareness of, and mitigate against modern slavery risk.

An essential part of this is recognising the areas for improvement and uncertainties. We accept that our current strategy is focused on our tier one supply chain with whom we have contracts for common goods and services, however in many cases our influence and visibility is reduced beyond the first tier and into the rest of supply chain. We also recognise the limitations that arise from global supply chains, and differences in legislation and culture across the globe. By understanding and being transparent about these challenges we have the opportunity to begin to tackle them.

During the next 12 months our focus will be on three key ways in which modern slavery can occur, and where there is the greatest risk:

Direct employment

We will continue to maintain high standards through our recruitment and management of employees and agency workers. We will embed a culture of tackling modern slavery throughout our direct employee base through completion of our elearning source and awareness of the confidential ways for our employees to report their concerns, both at work and in the community. Over the next 12 months we are targeting 100% of our commercial employees to have completed the elearning course, whilst the training plan for wider employees, including those working within the communities of the North West, will be finalised. We will continue the process for assessing and retendering the provision of agency workers, incorporating checks relating to modern slavery and fair treatment.

By association

We aim to provide training to front-line staff to be vigilant in our relationship with the communities we serve, and build relationships with other

organisations to collaborate on tackling modern slavery risk. We will continue to engage with sector groups and the Supply Chain Sustainability School to increase our sphere of influence and engagement.

Indirect employment

We will continue to review and improve our risk identification and mitigation through strong relationships with our supply chain and our new strategy will build on the great work we have undertaken thus far with regard to United Supply Chain. This will include measurement and monitoring, assuring and reporting and investigating ways in which we can gain visibility of the supply chain beyond tier one. We will also continue to build relationships with other organisations to build a cohesive and holistic approach to mitigating modern slavery risk. We are exploring assurance with our top 10 suppliers by spend and high risk categories with the aim of covering over 5% of spend by due diligence assurance (to include high risk sustainability areas and modern slavery). We aim to retain the CIPS Corporate ethics mark as well as gaining 100% of targeted suppliers signed up to United Supply Chain.

As the UK, and wider world, emerges from the pandemic, we recognise that the risks associated with modern slavery will change. We will continue to engage closely with the supply chain in relation to identification of increased modern slavery risk.

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 27 April 2021 and signed by



Steve Mogford
Chief Executive Officer
United Utilities Group PLC