



WONDERFUL ON TAP

SEVERN

TRENT

Anti-Slavery and Human Trafficking Statement 2018

This is our third Anti-slavery and Human Trafficking Statement. Our first statement was published in September 2016 and our second in September 2017. This Statement is made on behalf of the Severn Trent Plc Board in accordance with the Modern Slavery Act 2015, and describes our efforts to mitigate the risk of slavery and human trafficking, during the financial year ending 31 March 2018.

We will always treat people in our business and supply chain fairly, and are committed to taking steps to mitigate the risk of slavery and human trafficking. Our understanding and approach to mitigating this risk is constantly evolving as our business and supply chain changes and as such we know that we need to continuously develop and adapt our work streams.

We consider modern slavery to be a growing global issue and know our customers share our concern. In the past year we have sought to increase the depth and breadth of our work in this regard, seeking to further understand our risks, and ensure we have in place the most effective responses to that risk.



Our Business and Supply Chain

We will not tolerate slavery or human trafficking within our business or supply chain. Severn Trent Plc is a FTSE 100 business, providing clean water and waste water services and developing renewable energy solutions through our businesses; Severn Trent Water Limited and Hafren Dyfrdwy Limited (together our “Regulated Water and Waste Water business”), and Severn Trent Business Services.

With our Group headquarters in Coventry, our Regulated Water and Waste Water business includes the wholesale and household retail activities of Severn Trent Water Limited and Hafren Dyfrdwy Limited. We are one of the largest regulated water and waste water businesses in England and Wales providing 1.6bn litres of drinking water and treating 2.77bn litres of waste water, every day, to more than 4.3 million households and businesses.

Severn Trent Business Services operates in the UK and Ireland. Our UK Operating Services provides contract services to municipal and industrial clients in the UK and Ireland and the Ministry of Defence for design, build and operation of water and waste water treatment facilities and networks, and services to developers. Within Business Services, we generate renewable energy from anaerobic digestion, hydropower, wind turbines and solar technology. Additionally, our Property Development business unit within Business Services aims to develop land previously used for operations through the planning process for onward sale to developers to enable new homes and commercial premises to be built, creating new homes, communities and jobs.

Our purpose is to serve our communities and build a lasting water legacy. This drives our vision to be the most trusted water company by 2020, delivering an outstanding customer experience, best value service and environmental leadership.

We directly employ over 6,400 colleagues across 130 UK sites, all committed to living and breathing our values and objectives every single day. Our physical assets include over 49,000 km of water mains, 27 dams, 139 water treatment works and a vast range of equipment, sites, offices and other structures across an estate that covers more than 53,000 acres.

We rely on a pool of suppliers that use their expertise and resources to maintain and improve our infrastructure. Through our One Supply Chain programme, we agree long term contracts that give suppliers greater certainty of workflow and revenue, while the benefit to Severn Trent lies in the opportunity to negotiate more competitive prices.

The long term nature of the contracts also enables both parties to build stronger relationships, work more closely together and explore more efficient ways of working.

As of 31 March 2018, the Severn Trent Group had c2,800 suppliers with a total spend of over £1,053 million. As part of our supplier relationship management, we segment these suppliers based on spend and criticality to the business to identify those suppliers that require closer relationship management. Approximately 99% of our direct supplier contracts are with UK branches of companies. Many of our direct suppliers use sub-contractors for services and we work with them to gain insight over all of our supply chain. All subcontractors working on behalf of our direct suppliers require our approval and assurance and due diligence. As part of our AMP 7 strategy, we are moving to a model that will increase our direct engagement with many of our subcontractors.



“Our vision is to be the most trusted water company by 2020.”

Prioritised Suppliers

Definition of Prioritised Suppliers - Our prioritised suppliers have been identified following segmentation of risk and spend that are required to sign up to our Sustainable Supply Chain Charter and those with a spend of +£10M required to provide a Modern Slavery Statement.

2017/18

100%

100 % Prioritised suppliers have signed up to the Sustainable Supply Chain Charter and **100%** provided MS statement and policy

100%

100% suppliers identified (>£10 million spend where suppliers are required to provide a statement in annual accounts) for auditing purposes have provided a MS statement

2018/19

93%

93% Prioritised Suppliers have provided a MS statement to date

80%

80% Prioritised Suppliers have signed up to the Sustainable Supply Chain Charter to date

Total spend for STW and PLC last financial year was

**£1,053.75
million**



Strategy and Governance

Central to our approach is our robust governance structure.

In 2015, we established a cross-functional Modern Slavery Working Group (the “Working Group”) comprising representatives from key areas within the business, to guide our approach to mitigating the risk of slavery and human trafficking. The remit of the Working Group is governed by its Terms of Reference which are reviewed annually. The Working Group comprises members from our General Counsel, Capital Delivery and Commercial and Internal Audit teams, and reports directly to the Severn Trent Plc Disclosure Committee, Severn Trent Plc Corporate Responsibility Committee and the Severn Trent Plc and Severn Trent Water Limited Boards, as set out below. Additionally, the Disclosure Committee oversees the accuracy of our Anti-Slavery and Human Trafficking reporting. More information on our reporting practices can be found in our [2018 Annual Report and Accounts](#).



“We’re fully committed to our responsibility to respect human rights”

We’re fully committed to our responsibility to respect human rights as set out in the International Bill of Human Rights and the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work. The United Nations Guiding Principles on Business and Human Rights are applied throughout our operations. Our approach to reducing the risk of modern slavery is continually refreshed and follows a five stage approach as outlined below:

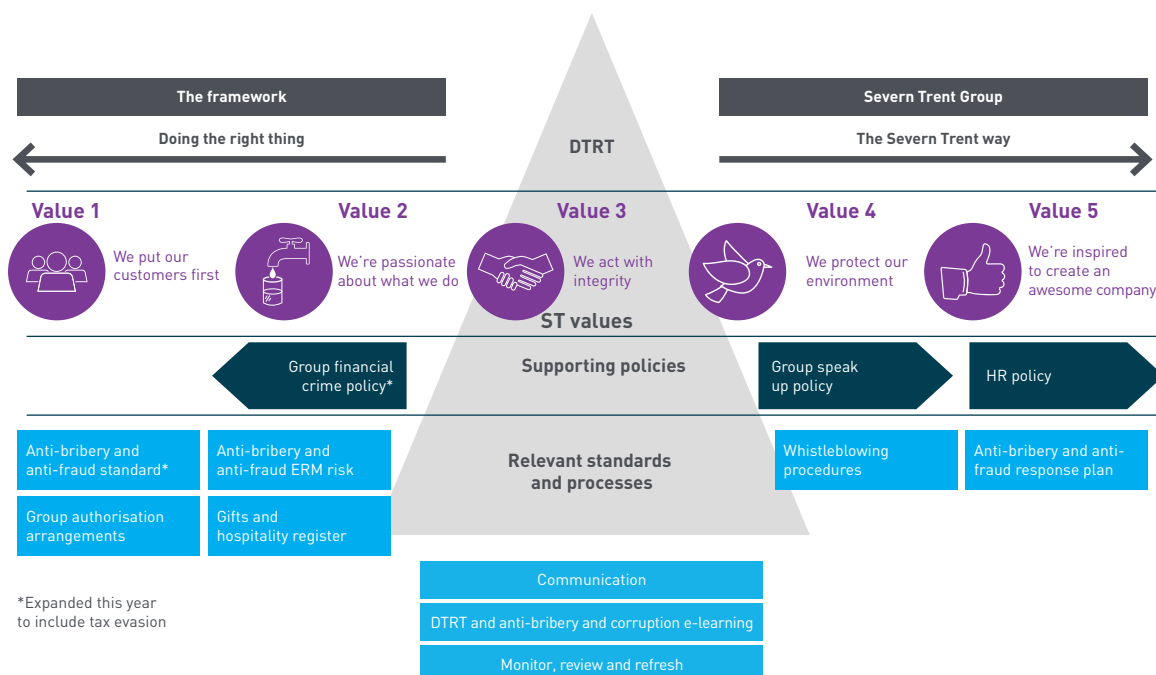


Strategy and Governance (continued)

Our Statement takes each of these segments in turn and details the steps we have taken throughout the financial year. Our five year plan is summarised below:

Year 1	Year 2	Year 3	Year 4	Year 5 and Beyond
2015/16	2016/17	2017/18	2018/19	2019/20
1st Modern Slavery statement		Slave-Free Alliance membership. Risk assess our suppliers annually Annual audit and review with Hope For Justice. Benchmark and Collaborate with peers		
<p>Development of cross functional Modern Slavery Working Group</p> <p>Code of Conduct updated to reflect our zero tolerance position on slavery and human trafficking.</p> <p>Communications programme across the Group</p> <p>Revised contractual terms and conditions to reflect zero tolerance position</p> <p>Developed Anti-Slavery and Modern Slavery Standard</p> <p>Completion of 1st supply chain risk assessment.</p> <p>Developed sustainable supply chain charter with launch event for prioritised suppliers – engaging them on risks of Slavery</p>	<p>Engaged with Hope For Justice and PriceWaterhouseCoopers (PWC)</p> <p>3 X Modern Slavery contract manager audits</p> <p>6 X Modern Slavery Audits carried out in conjunction with KPMG</p> <p>Engaged with our key suppliers on MSA</p> <p>Communicated with our supply chain requesting evidence of compliance with MSA 2015</p>	<p>Became the first utility company to become a member of Slave-Free Alliance</p> <p>100% of our key suppliers confirmed compliance with the Modern Slavery Act 2015</p> <p>Developed a tailored 3 stage training programme in conjunction with Hope for Justice</p> <p>Developed a further understanding our Prioritised supply chain and risks</p> <p>Developed our 3-5 year strategy to mitigate the risks of slavery within our business and supply chain</p> <p>13 Modern Slavery Self Assessments completed by our prioritised suppliers</p>	<p>Modern slavery assessments of 3 high risk suppliers</p> <p>Appoint Modern Slavery ambassadors within Severn Trent</p> <p>Engage with our Company forum</p> <p>Expand risk assessment beyond prioritised suppliers</p> <p>Deliver MS training to all Contract Managers, Category Managers and Construction Project Managers</p> <p>Engage with suppliers over £5m spend from £10M previously</p> <p>Our Prioritised suppliers to complete the STW e-learning for MS and DTRT</p>	<p>Continue to mitigate the risk of modern slavery</p> <p>Engage with our wider supply chain</p> <p>3 year review with Slave-Free Alliance</p>

Our values, people and policies



Our Code of Conduct

As reported in our previous statements, our Code of Conduct, **‘Doing the Right Thing – the Severn Trent way’** details the principles we work by. It was updated in 2016 to reflect our commitment to protecting every individual’s human rights and to complying with the Modern Slavery Act.

At the top level, Doing the Right Thing sets out the cultural norms and expected behaviour of everyone at Severn Trent. This is supported by Group Policies, relevant Standards, communication exercises and bespoke e-learning, reiterating our zero tolerance approach to slavery and human trafficking. We will never tolerate the use of child or forced labour and we firmly believe that nobody should be hurt or made unwell as a result of the work we do, or services we provide.

Group Human Resources Policy

Before colleagues start working with us, we use pre-employment checks to confirm their identity and right to work in the UK and we tell them about their statutory rights, such as holiday pay, and any other benefits they might be entitled to.

All directly employed colleagues, with the exception of apprentices, are paid at least the living wage and we make sure that any recruitment agencies we use comply with all legal requirements. Our Group Human Resources Policy makes it clear that we are committed to ensure that any worker, anywhere within our supply chain, is employed in line with the requirements of the Modern Slavery Act.

“We are committed to ensure that any worker, anywhere within our supply chain, is employed in line with the requirements of the Modern Slavery Act”

Company Forum

In order to ensure every employee in the Company has a voice, we operate our Company Forum which meets every quarter to discuss key issues from around the business.

Members include representatives from HR, our Trades Unions and other parts of the business. The Forum shares information, obtains feedback and asks for suggestions on key issues and hot topics. Additionally, it works very closely with our Business Forums who are responsible for bringing important topics to the table which can't be addressed at a local level.



Group Speak Up Policy

In 2016, we published an Anti-Slavery and Human Trafficking Standard, to let our colleagues know about their obligations under the Modern Slavery Act. It also tells them about what they should do if they suspect it's happening in our business or supply chain. Any breach of the principles laid out in Doing the Right Thing or the Anti-Slavery and Human Trafficking Standard will be taken very seriously, and could result in disciplinary action or dismissal.

We know from our work with Hope for Justice that engaging employees in reporting potential modern slavery is a very powerful tool in combatting it. If colleagues have any concerns they are encouraged to report it through our 'Speak Up' process. They can speak to their own line managers, raise it with senior management, or use our confidential 'Speak Up' helpline - a service operated by Safecall, an independent company which specialises in handling concerns at work. Speak Up is also available to contracted staff from Severn Trent's suppliers. Our new membership with Slave-Free Alliance also provides a 24/7 service where employees can raise any concerns directly to Hope for Justice. We hope that, with several avenues which employees can raise concerns, if anyone has anything they feel uncomfortable about, they have an appropriate outlet to do so.

As of 31 March 2018, no instance of slavery or human trafficking had been reported. Should an instance of slavery or human rights violations be reported, we will liaise with Hope for Justice and Slave-Free Alliance to ensure the correct course of action is taken. Any resulting investigations will be carried out independently of management and findings reported back to the Severn Trent Plc Audit Committee and Severn Trent Plc Corporate Responsibility Committee.

Training and Awareness



In April 2018, we entered into a partnership with Hope for Justice and became a member of Slave-Free Alliance. Hope for Justice is an anti-trafficking and anti-slavery organisation which exists to bring an end to modern slavery by preventing exploitation, rescuing victims, restoring lives, and reforming society.

We're thrilled to announce that Severn Trent has become the first utility company in the UK to sign up to Slave-Free Alliance, set up by the charity Hope for Justice to champion these issues.

The primary focus of these partnership's centres around preventative activities through employee and supplier education.

Throughout 2017, Hope for Justice met with our key stakeholders throughout the organisation to better understand our business, following which they developed a tailored training programme to target our highest risk areas. This training has been developed through years of experience working directly with victims, law enforcement, other agencies and partners. The programme will be implemented as follows:-

We will be running a measurable training programme.

1. Two e-learning modules for all group employees, one tailored for field based staff, and one developed for all office based staff;
2. A detailed Procurement and Contract Manager Workshop for all of our capital and commercial delivery colleagues; and
3. A 30 minute presentation, tailored for the Board, Executive Committee and Senior Management Team to ensure suitable and senior awareness of our responsibilities.

Following successful completion of the training, participants will be able to:

- **Explain what modern slavery is and identify the different types that exist and forms it takes**
- **Recognise the signs and indicators**
- **Understand what best practice is with regard to modern slavery**
- **Understand what steps to take if it is suspected**
- **Learn how to complete supplier assessments (Procurement and contract manager workshop only)**

It is anticipated that the training will be rolled out to employees by 31 December 2018. We'll review and assess our training requirements each year and adapt our approach according to our business needs and any areas of risk that we identify. We will also look to further train employees involved in supplier assessments such as health and safety teams and internal auditors, our supply chain and our case review managers in relation to the employment process in general.

Looking forward to 2019/20 we will be appointing Modern Slavery Ambassadors within the business who will be trained by Hope for Justice to be the subject matter experts within Severn Trent who will in turn be able to provide training internally to a wide array of business areas in the future. Quarterly reviews will be held with Hope for Justice training managers to analyse the number of employees trained and deal with any issues which may have arisen during the quarter. The Modern Slavery Ambassadors will be quality assessed annually by Hope for Justice.

Supply chain due diligence

Terms and Conditions

To ensure all of our suppliers meet our high standards and to mitigate the identified risk that exists within our business and supply chain, we revised our standard contractual terms and conditions in 2016 to require all suppliers, and each of their sub-contractors, to comply with the Modern Slavery Act 2015.

Additionally, all suppliers are required to adopt our Code of Conduct, Doing the Right Thing, which makes it clear that we do not tolerate slavery or human trafficking in any form and specific modern slavery compliance questions have been built in to our tender process. We informed all existing suppliers of these changes, and we will assess any non-compliance issues and take action accordingly. We also reserve the right to carry out assessments on any of our suppliers.

Supply Chain Charter

In 2017, we launched our 'Sustainable Supply Chain Charter'. The Charter explicitly states that we expect all suppliers to comply with the Modern Slavery Act and encourages them to publish their own anti-slavery and human trafficking statements regardless of turnover. Being open and transparent is important to us and our Charter makes it clear that we expect our suppliers to have their own whistleblowing procedures in place. As at 31 March 2018, 100% of our prioritised suppliers have signed the Charter.

We ensure compliance with these requirements through a comprehensive assessment during the tendering process, and through regular communications and meetings. For example, a number of our suppliers have signed up to corporate responsibility targets agreed with us, and we review progress against these monthly. Through our supplier event, we set out our plans and expectations, and invited delegates to contribute their own ideas on how we could work better together. We also took the opportunity to underline the role that safety and ethics play in creating enduring supplier relationships.

Supplier Statements

As part of our due diligence, in 2017, we sent letters to all of our suppliers requesting their anti-slavery and human trafficking statements and risk assessments of their business and supply chains, where applicable.

As at 31 March 2018, 100% of our prioritised suppliers have provided us with their statements and/or applicable policies. Those suppliers yet to provide their statements and risk assessments are tracked at the Capital Delivery and Commercial bi-weekly comm cells.

Assessments

All high-risk suppliers are being reviewed through self-assessment questionnaires and site visits to indicate whether there is an active risk or whether they are taking appropriate actions to manage risk. We are aiming to site-assess 25% of our high-medium risk suppliers throughout the 2018/19 year; approximately 18 suppliers. Following advice from Hope for Justice, we are moving towards assessments rather than audits as a more collaborative approach and to illustrate our commitment to help support any suppliers where issues may be found.

We are using risk heat maps, starting with our prioritised suppliers, then expanding out further to all contracted suppliers in 18/19, to identify priority suppliers for assessment. To date, we have audited a number of our big suppliers, with no concerns raised.

In order to ensure we have the right systems in place to better identify and mitigate risks, we are continually evolving our risk analysis of suppliers. In 2017, we prioritised our suppliers based on those with the highest spend, or high criticality to the business. In 2018 moved to our Supplier Relationship Management process as described below. This allows us to target the suppliers that are key to the business as a first line of defence, before expanding our reach to the remaining supplier base. More detail on this is explained in the risk assessment section.

Risk Assessment

Group Risk

Modern Slavery is identified as an important risk for Severn Trent through our Enterprise Risk Management Process (ERM). The ERM process is managed by our central ERM team and is linked to our corporate objectives, core processes, key dependencies, stakeholder expectations and legal and regulatory obligations.

The potential causes and subsequent impact of the risks are documented to enable the mitigating controls to reduce the likelihood and impact to be assessed. This assessment allows us to put in place effective mitigation strategies to remediate defective controls or implement additional controls. In 2017/18, as part of our annual risk assessment, we reviewed our risk around modern slavery with the commercial assurance team and, due to our systems to mitigate the risk, determined it should remain a Group risk, rather than a standalone risk.

The ERM process

The Board

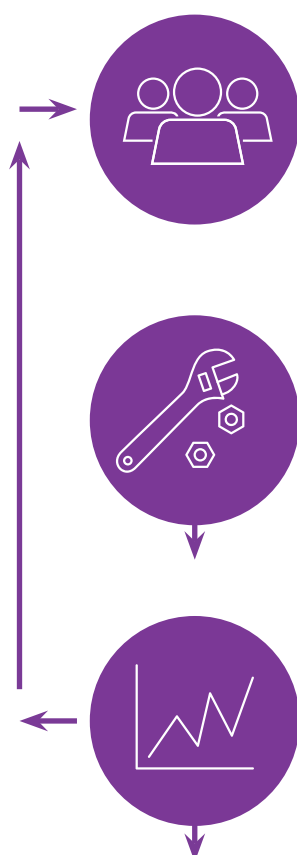
- Sets strategy and determines regulatory outcomes
- Sets business plan objectives
- Defines risk appetite

Operational teams

- Identify and assess risks
- Set risk target position
- Identify risk improvement actions

ERM team

- Monitors performance
- Assesses ERM maturity across the group
- Provides challenge and insight
- Reports to Executive Committee, Audit Committee and Board



Supplier Risk Assessment

In December 2016, we carried out risk assessments of all suppliers with a contracted spend exceeding £10 million per year and these priority suppliers were assessed against recognised indicators of modern slavery, in accordance with Chartered Institute of Procurement and Supply (CIPS) Guidance, as follows:

1. The country risk of modern slavery.
2. Consideration of the services and goods provided, such as chemicals, raw materials, PPE, pipes, IT hardware and Transport.
3. Consideration of the types of labour used, including migrant labour, zero hour contracts, seasonal work, subcontracting and outsourced labour, and minimum wage.
4. A confidence factor was applied based upon information available from contract managers
5. Consideration of the strength of the suppliers' own Anti-Slavery and Human Trafficking Statements, scored on the depth of information provided, including:
 - a. Organisational structure, business and supply chains;
 - b. Organisations policies in relation to employment, human rights, slavery and human trafficking;
 - c. Due diligence processes undertaken in relation to slavery and human trafficking both within their own business and their supply chain;
 - d. Identification of potential risk and steps taken to mitigate and manage the risk;
 - e. Key Performance Indicators used to monitor progress; and
 - f. Training available both internally and externally

This gave us a 'heat map' of those that we deemed high/medium/low risk. Of the prioritised suppliers, 35% were identified as high risk, 48% as medium risk and 16 as low risk. Based on these assessments, of 3% the highest risk suppliers were audited by us through site visits, document checks, employee interviews and manager interviews. Reports were produced detailing the findings, with no issues raised.

In 2017/18 we reconsidered how we assess risk and elected to align it with cost and risk. This has identified 81 suppliers, up from 62. These suppliers are being assessed using CIPS Guidance above, with the information put onto heat maps. We are now using this as a tool to prioritise suppliers for on site assessment each year. In 2018/19 we will focus on contracted spend exceeding £5 million per year.

Self and Site Assessments

Through our procurement and contract management workshop we will upskill our employees on assessment completion, and contract assessments, and embed this into our contract management processes. Going forward we are looking to expand the scope further each year and continue with a targeted approach to site assessments, whilst retaining the right to assess any suppliers should we deem necessary.

We have also developed a self-assessment questionnaire for our suppliers to identify where they feel there are potential risks in their supply chain due to where materials or services are sourced. This questionnaire was sent out to all Prioritised Suppliers in 2018 as part of our Group Data Protection Regulation ('GDPR') checks. As at 31 March 2018, 100% of our prioritised suppliers have completed questionnaires and returned these to us. The results we've had from the self-assessments have given us further confidence in our supply chain, as they continue to meet our requirements.

Evaluating our progress

Our Key performance Indicators (KPIs) will help us to monitor and report on the effectiveness of our progress. The KPIs develop over time, however, for the financial year ending 31 March 2018, we measured our performance accordingly:

100%

Percentage of prioritised suppliers signed up to the Sustainable Supply Chain Charter

100%

Percentage of prioritised suppliers having completed and returned self-assessment questionnaires

100%

Percentage of prioritised suppliers signed up to the Modern Slavery Act

0

Number of Speak Up allegations reported within Severn Trent relating to modern slavery

• Creating an ambassador network

We recognise the benefit in training Severn Trent Ambassadors to drive awareness of slavery and human trafficking throughout the business. Once we have rolled out our training plan with Hope for Justice, more bespoke training of this nature may be considered.

• Benchmarking and reviewing of best practice

We will continue to investigate further steps we can take, reviewing best practice, benchmark ourselves against others, and continuously update our action plan based on what we learn.

We know that our colleagues are passionately committed to our purpose, vision and values and we believe that this, along our supporting policies, procedures and practices, massively reduces the risk of slavery and human trafficking within our organisation. But we are not at all complacent – we're committed to developing our practices further and working collaboratively with our suppliers and contractors to share best practice to ensure that we all eradicate modern slavery.

Compliance

This statement, which constitutes our Group's slavery and human trafficking statement for the financial year ended 31 March 2018, is made pursuant to section 54(1) of the Modern Slavery Act 2015. The statement was approved by resolution of the Board of Directors on 17 July 2018 and is signed on its behalf by;

Next steps Our 2018/19 Action Plan

• Robust processes

Improving our response rate to our Modern Slavery statements and Risk Assessments requests, gathering data on our supply chain to improve our visibility Ensuring that our expectations are made clear to our entire supply chain and that our processes capture all existing contracts and extension negotiations in addition to new suppliers.

• Training and Awareness

We will be delivering our bespoke training packages and engaging with our Company Forum.

• Risk assessing suppliers

We plan to risk assess in April every year, to refresh the data and mitigate any risk.

• High risk modern slavery audits

We need to be assessing more of our high risk suppliers. Our training package will suitably upskill our employees to complete these assessments.



Olivia Garfield

Olivia Garfield
Chief Executive Officer
Severn Trent PLC