

NORTHUMBRIAN WATER LIMITED SLAVERY AND HUMAN TRAFFICKING STATEMENT 2016

1. STATEMENT FROM CEO

At Northumbrian Water Limited (“NWL”) we are proud of our reputation as an ethical company and we are committed to making ethical behaviour a standard business practice. As part of that commitment we adopt policies and practices to embed our values and to ensure that we are carrying out our business ethically.

As part of our ethical approach, we are committed to doing all we can to combat slavery and human trafficking by raising awareness and understanding of the many forms it can take and by reviewing and improving our policies and practices in light of that understanding.

This statement sets out the steps we have taken in the financial year ending 31 March 2016 to ensure that no offence under the Modern Slavery Act 2015 is occurring in our own business or in our supply chains.



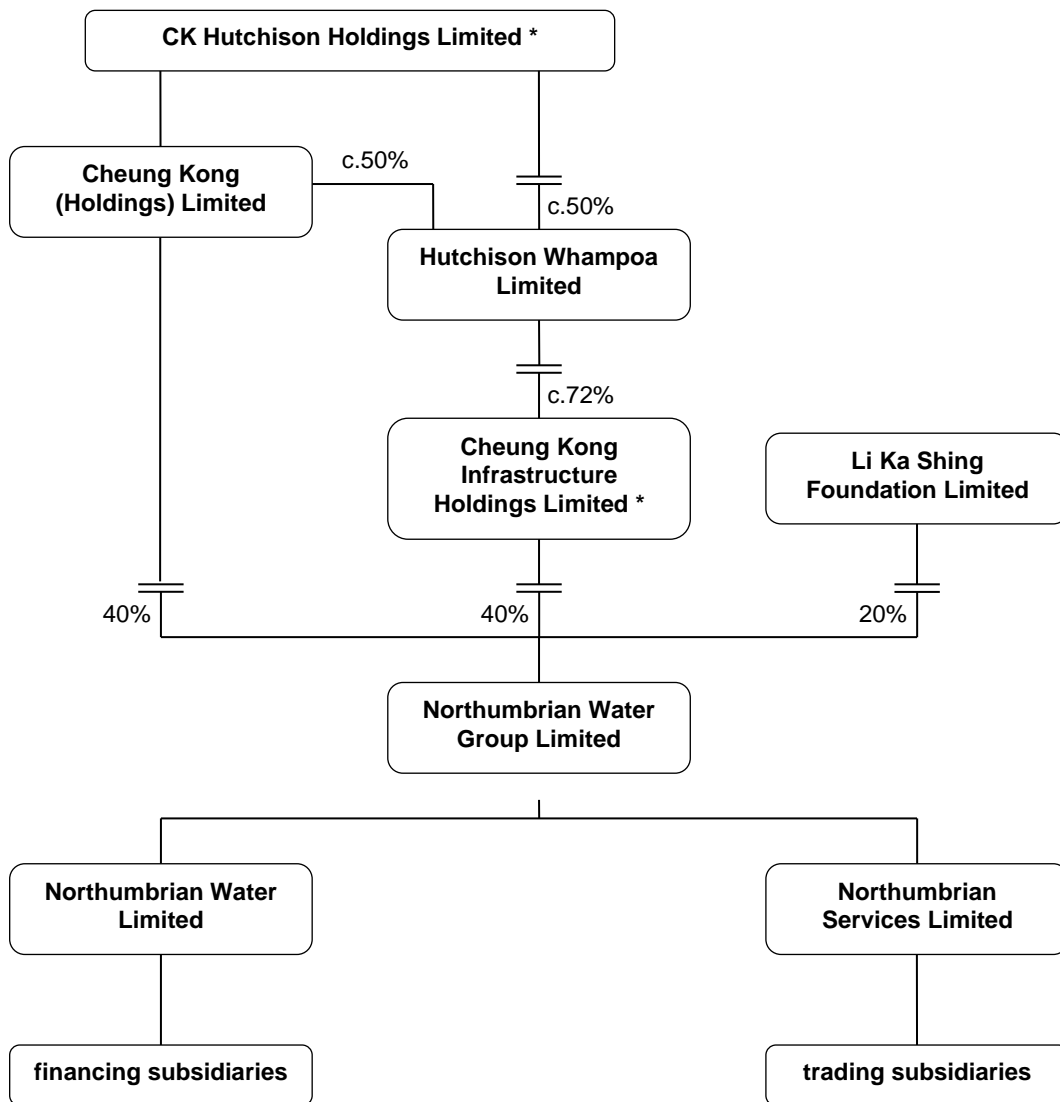
H Mottram OBE
Chief Executive Officer

2. OUR STRUCTURE

NWL’s immediate parent company is Northumbrian Water Group Limited. CK Hutchison Holdings Limited (CKHH), a company listed on the Hong Kong Stock Exchange, is the ultimate parent undertaking and controlling party of NWGL and, therefore, NWL.

NWL owns a number of subsidiary companies which carry out financing activities on behalf of the Company which, together with the Company, form the NWL group.

During the financial year covered by this statement the structure of the group of which NWL is a part is set out in the simplified diagram below.



* Companies listed on the Hong Kong Stock Exchange

3. OUR BUSINESS

NWL is one of ten regulated Water and Sewerage Companies in England and Wales, operating in the north east of England, trading as Northumbrian Water, and in the south east of England, trading as Essex & Suffolk Water.

In the north east, the business comprises the supply of both potable and raw water and the collection, treatment and disposal of sewage and sewage sludge, serving 2.7 million people in the major population centres of Tyneside, Wearside and Teesside as well as the large rural areas of Northumberland and County Durham. We provide only wastewater services in Hartlepool.

In the south, we supply water services to 1.5 million people in Essex and 0.3 million in Suffolk. Our Essex area is part rural and part urban and includes the main population centres of Chelmsford, Southend and the London Boroughs of Barking and Dagenham and Havering and Redbridge. Our Suffolk area is mainly rural with the largest towns being Great Yarmouth and Lowestoft.

4. OUR SUPPLY CHAINS

We have an extensive supply chain of around 3,500 suppliers, with around 500 live contracts in place at any one time. There can be several tiers in the supply chain between us and the source of raw materials spanning several countries.

We adopt multiple approaches to the procurement of goods and services and endeavour to deal with suppliers at a level which is commensurate with the value and importance to the business as a whole. The major spend areas are managed by our category managers directly with our contracted suppliers while our smaller ad hoc requirements are managed on a local basis directly by the appropriate local personnel.

Ninety-nine percent of the value of our supply chain is with UK based suppliers and 85% of our total spend with suppliers is subject to procurement in accordance with EU Procurement Directives.

5. OUR POLICIES ON SLAVERY AND HUMAN TRAFFICKING

Our code of conduct for working ethically and with integrity (the "Code of Conduct") applies to all employees and is supported by our Employee Handbook. Our Code of Conduct can be found at:

https://www.nwl.co.uk/assets/documents/NWG_Conduct_Code_HR_-_FINAL2.pdf

In addition we have a sustainable procurement policy which sets out what we expect from suppliers. This can be found at:

https://www.nwl.co.uk/assets/documents/NWG_SUSTAINABLE_POLICY_DOCUMENT_FINAL.pdf

6. TRAINING ON SLAVERY AND HUMAN TRAFFICKING

During the year ended 31 March 2016 both the NWL Procurement and Legal teams were briefed by external organisations, including law firms and CIPS (the Chartered Institute of Purchasing and Supply), and slavery and human trafficking and the requirements of the Act have been discussed at NWL Management Team meetings and Category Manager meetings. In addition, formal training was organised for the NWL Procurement and Legal teams which was scheduled to take place after the year end.

7. OUR DUE DILIGENCE PROCESSES FOR SLAVERY AND HUMAN TRAFFICKING

Every year each of our employees is asked to confirm they have read the Code of Conduct and we also require that any supplier working with us or on our behalf reads our Code of Conduct and agrees to work ethically, lawfully and with integrity.

All of our suppliers are subject to an approval process as part of which they commit to complying with our Code of Conduct.

8. OUR RISK ASSESSMENT

In the year to 31 March 2016 we carried out an initial internal review of our business and also of our supply chains, focussing on our main suppliers and those in the supply chains with whom we have a direct relationship.

We have considered the risk in relation to both product and supplier and against risks associated with particular countries and production processes.

We engage with CIPS to use the CIPS Sustainability Index (CSI) when appropriate. The CSI is an independent assessment of suppliers' economic, environmental and social sustainability credentials. The system allows suppliers to prove their sustainability credentials and means we can obtain essential sustainability information in an efficient manner.

As part of our procurement process, our category managers consider slavery and human trafficking risks and include them in the risk registers completed for each category.

We consider that there is a very low risk of slavery or human trafficking in our own operations and a low risk at all levels within our supply chains.

9. OUR EFFECTIVENESS IN ENSURING NO SLAVERY AND HUMAN TRAFFICKING IS TAKING PLACE IN OUR BUSINESS OR SUPPLY CHAINS

We have a confidential independent whistleblowing hotline and employees are encouraged to raise concerns about anything which may not be in line with our ethics. Concerns raised through this, or any other available route, will help measure our effectiveness in ensuring no slavery and human trafficking is taking place in our business or supply chains.

We are also an accredited Living Wage employer and have gone beyond the minimum requirements of the Living Wage Foundation by extending the Living Wage to our apprentices.

Our two suppliers of temporary workers are also required to pay above the Living Wage and all such workers commit to complying with our Code of Conduct.

In relation to other suppliers, as well as our risk assessment and approval process for suppliers, specific provisions on compliance with the Act were included in framework agreements awarded to our direct contractors involved in delivering our £1bn CAPEX programme. These provisions also obliged the contractor to pass the obligation to its sub-contractors.

In addition, we were listed in 2015 as one of the world's most ethical companies by Ethisphere. This is the sixth consecutive year we have been listed and we remain the only water and sewerage company in the world to be included on this prestigious list.

We are confident that there is no slavery or human trafficking in our own operations and we consider there is a low risk of slavery or human trafficking being present at any level in our supply chains.

10. OUR NEXT STEPS

We will continue to review the risk of slavery and human trafficking occurring in our own operations and at all levels within our supply chains as we develop our risk assessment process. This will also inform our future actions.

Provisions addressing slavery and human trafficking have been added to our terms and conditions and will continue to be rolled out. In addition, a more formal risk analysis will be carried out of our supply chains. Training and awareness will be expanded and all relevant policies and procedures will be reviewed and improved as necessary in light of this awareness and the risk analysis.

This statement was approved by the Board of Northumbrian Water Limited on 9 August 2016



H Mottram OBE
Chief Executive Officer