



**Scottish
Water**

Trusted to serve Scotland

2023/24 MODERN SLAVERY STATEMENT



CONTENTS

Introduction from our Chief Executive	03
Our Organisation Structure and Supply Chains	03
Our Policies in Relation to Slavery and Human Trafficking	04
Due Diligence Processes	04
Risk Assessment and Management	05
Key Performance Indicators	05
Improvements made in the Last Year	06
Training on Modern Slavery and Trafficking	06
Reporting	06
Next Steps in 2024/25	07

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes Scottish Water's anti-slavery and human trafficking statement for the 2023/24 financial year which ended on 31 March 2024.



Cover Image - Megget Reservoir

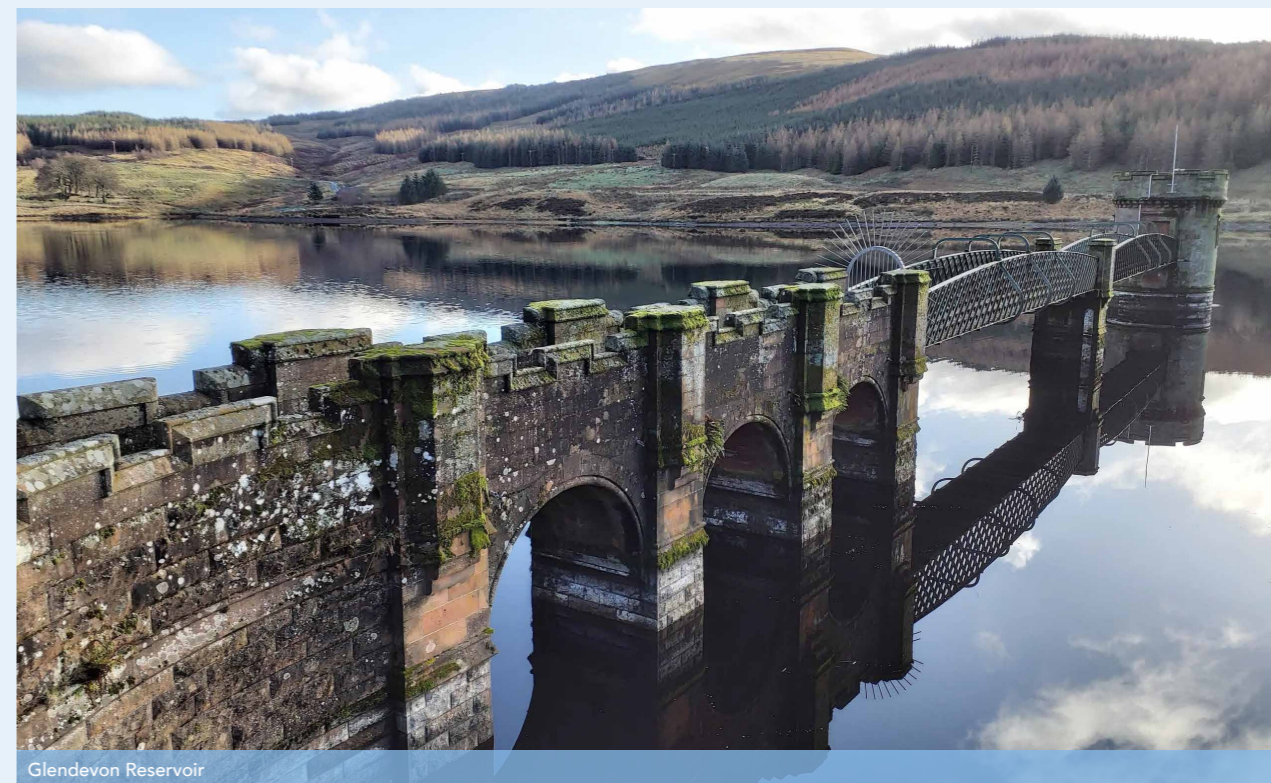


Alex Plant

INTRODUCTION FROM OUR CHIEF EXECUTIVE

At Scottish Water we pride ourselves on being bold, responsible, inspiring and caring. As a public body, it's really important that we lead the way in ensuring ethical practices are embedded within our business and supply chain. Modern slavery has no place in a civilised world and our pledge is that we will do all we can to remove any links to it in our purchasing choices and business operations.

Alex Plant
August 2024



Glendevon Reservoir

OUR ORGANISATION STRUCTURE AND SUPPLY CHAINS

Scottish Water is a public sector body, classified as a public corporation of a trading nature and is answerable to the Scottish Parliament through Scottish Ministers.

Scottish Water provides water and waste water services to over 2.6 million households and more than 160,000 business premises across Scotland. We have an annual turnover in excess of £1.9 billion and during the Strategic Review period of 2021-2027 (SR21) we will invest £4.4 billion in water and waste water infrastructure.

We have over 4,800 employees including directly engaged employees and agency employees. Scottish Water recognises three trade unions and a Negotiating Forum is held with representatives from these unions to negotiate changes to contractual policies and employee terms and conditions, including pay.

We have an extensive framework supply chain of up to 450 suppliers regularly providing goods and services to our operations and infrastructure across the whole of Scotland. Our water and waste water infrastructure can be technically complex. Whilst c90% of our direct framework supply chain spend is with companies based in Scotland, there can be multiple levels of suppliers between Scottish Water and the source of raw materials used in the supply chain, which can span many countries.

Details of our business structure can be found on our [website](#) and details regarding our financial position in respect of the 2023/24 financial year can be found in our [Scottish Water Annual Report & Accounts 2023/24: Performance and Prospects](#).

The main trading businesses of the Scottish Water group are:

- Scottish Water, which supplies households and wholesale licensed providers with regulated water and waste water services;
- Scottish Water Horizons Limited, which provides non-regulated services to customers both within Scotland and internationally; and
- Scottish Water Business Stream Limited, our licensed retail subsidiary which supplies water and waste water services to business customers.

Scottish Water Business Stream Limited is required to prepare its own statement and is therefore not covered by this statement. The position in relation to the other listed trading subsidiaries is included in this statement.

The Compliance Officer for modern slavery within Scottish Water is the General Manager for Procurement and Supply Chain (PSC), and they hold the responsibility for preparing this statement.

OUR POLICIES IN RELATION TO SLAVERY AND HUMAN TRAFFICKING

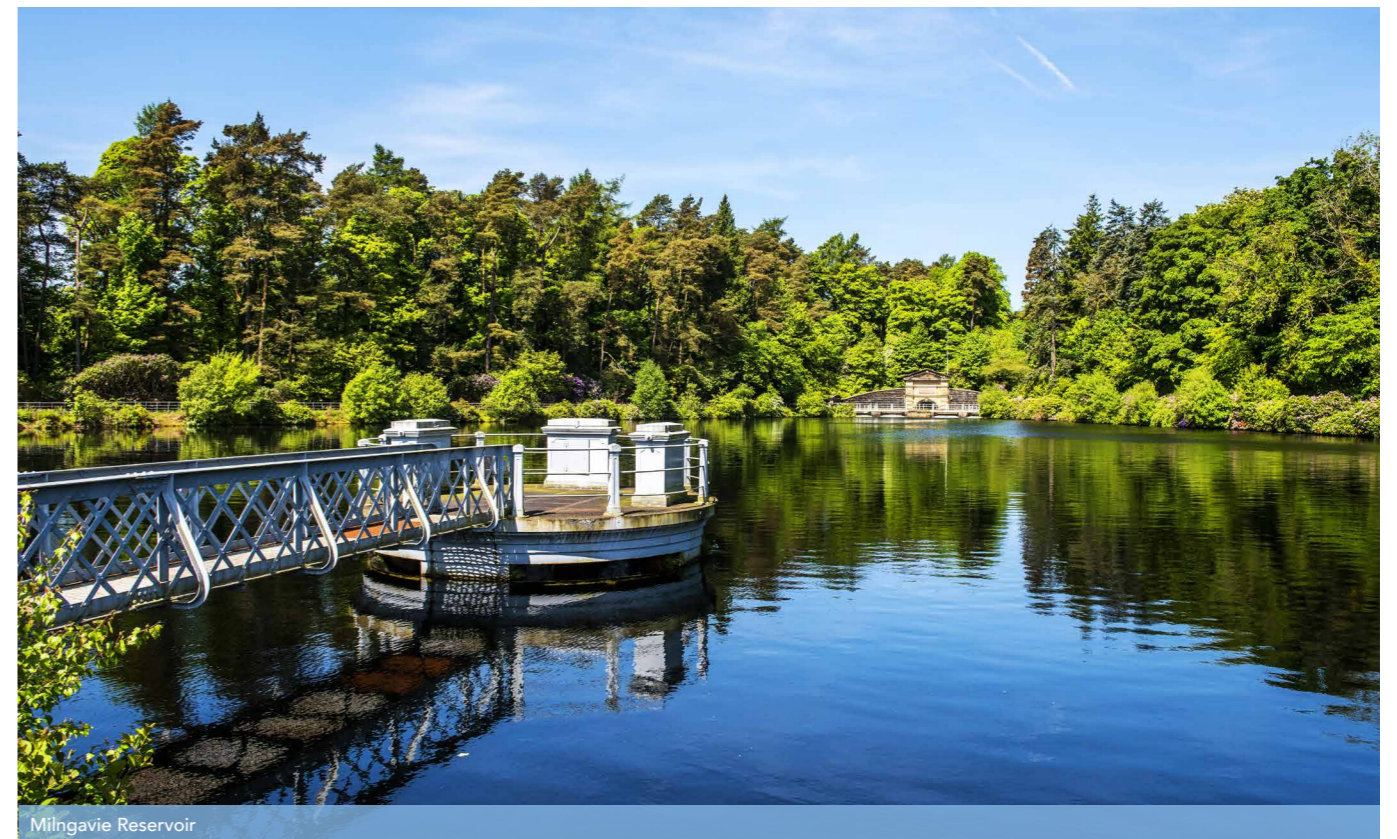
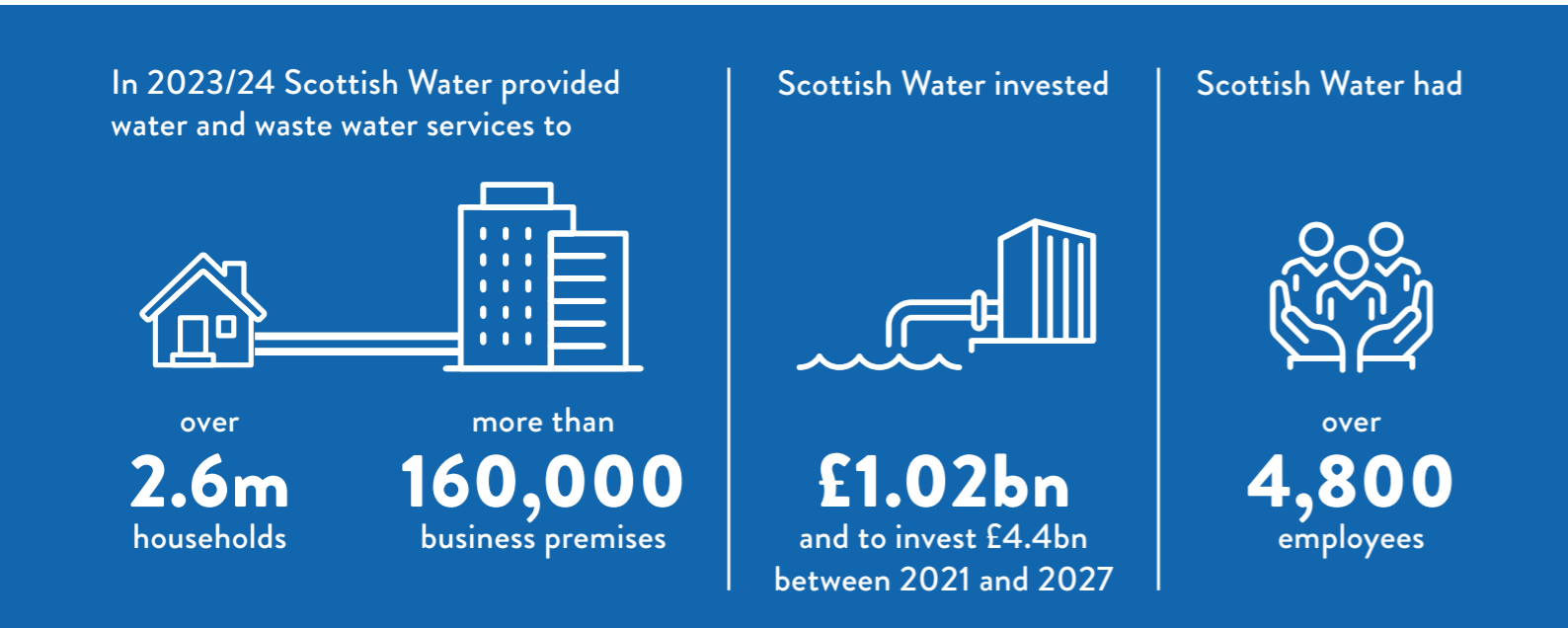
Scottish Water is committed to working in a responsible and sustainable way to ensure the long-term interests of our customers and communities we serve along with the people who work for and alongside us and, more widely, society as a whole. We undertake to engage with our people and procure goods and services in a sustainable and ethical manner in compliance with our values, public sector policy and procurement law.

Scottish Water strongly opposes modern slavery and child labour and we are committed to eradicating these within any element of our business and supply chain. We expect all those who work for us and with us to adopt the same stance and we have a zero-tolerance approach to inaction and cover up of these issues. Any suppliers engaging with Scottish Water are expected to be transparent and honest if any issues of modern slavery or child labour are discovered, and to commit to taking meaningful action to address such instances or concerns within their businesses and supply chains.

Our internal employee policies include a Recruitment Policy, a Grievance Policy and a Code of Ethical Conduct which form part of our conditions of employment. We also have a Whistleblowing Policy, and an external independent Whistleblowing Helpline run by Safecall which is also available for our supply chain partners and members of the public. Our policies are available to all employees on our intranet and are reviewed at least every two years, or more frequently if required.

Scottish Water's standard terms and conditions require all suppliers to comply with the Scottish Water Supplier Code of Conduct which references our approach to modern slavery and includes a clause permitting Scottish Water to terminate for breaches of modern slavery legislation including the Modern Slavery Act 2015 and the Human Trafficking and Exploitation (Scotland) Act 2015.

Scottish Water also has an Anti-Slavery Policy which is applicable to all employees, suppliers and contractors. This policy outlines our approach, the roles and responsibilities of relevant parties and also identifies potential indicators of slavery in victims and within our supply chain.



Milngavie Reservoir

DUE DILIGENCE PROCESSES

We consider the risks of modern slavery within our employee base to be low. Within our own business we undertake appropriate pre-employment checks to ensure a right to work in the UK, with further identity checks as required. All contracts of employment, and pay, are directly with the individual and checks are run monthly which highlight the use of joint bank accounts for salary payments. We pay a minimum of the Real Living Wage and are accredited by the Living Wage Foundation.

Scottish Water has a framework in place for the provision of temporary staff via employment agencies and the terms of this include a requirement to adhere to the Conduct of Employment Agencies and Employment Business Regulations 2003, which prevents agencies charging work seekers a fee for finding employment.

The breadth, depth and interconnectedness of our supply chain make it challenging to manage business and sustainability issues. In 2023/24, approximately 96% of our direct framework supply chain was UK-based and c74% of our framework spend was with UK companies which have an annual turnover of over £36 million and are therefore required to publish an annual statement under the Modern Slavery Act. We carry out due diligence checks to ensure these statements have been updated and are available on supplier websites. Many suppliers with a turnover of below £36 million voluntarily produce their own modern slavery statement; those that don't are required to sign a Scottish Water declaration annually confirming their adherence to modern slavery legislation. Within supplier selection processes all suppliers are required to confirm compliance with anti-slavery legislation and declare any convictions for breaches of anti-slavery laws.

Scottish Water is a member of Utilities Against Slavery which is facilitated by Slave-Free Alliance and is a forum for energy, water and gas providers to collaborate to prevent and address modern slavery. The group signifies the importance of cooperation across the industry to drive up standards, identify risks, and create opportunities in relation to the human rights of persons employed in or impacted by business operations and their wider supply chains.

We are also a member of Scotland Against Modern Slavery and contributed as both a funding partner and critical friend for the publication of Action Sustainability's Addressing Modern Slavery and Labour Exploitation in Solar PV Supply Chains Due Diligence Guidance, which was released in September 2023.



RISK ASSESSMENT AND MANAGEMENT

Scottish Water undertakes an analysis on the ethical risks within its supply chain on an annual basis, and these risks feed into an ethical risk matrix. This considers the source location of the raw materials, the length of the supply chain, the commodity type and the ease with which we could re-source the requirement. In 2023/24 our highest risk areas were deemed to be solar panels, valves, service fittings, digital hardware, electric vehicle batteries and workwear. Mapping exercises were carried out on all of these areas; some of these exercises are ongoing and the results of the completed exercises will feed into sourcing decisions and future procurement strategies.

In 2023/24 Scottish Water also conducted ten ethical audits on its direct supply chain. These were undertaken by the Procurement and Supply Chain function and cover supply chain due diligence, modern slavery training provided to employees and the supplier's modern slavery statement amongst other topics including diversity and Fair Work First. The audit is a two stage process which results in the creation of an audit report and action plan for each supplier. The organisations selected for audit included a motor control centre supplier, a supplier of filter media, one of our digital services partners, a capital delivery partner, one of our

regional contractor services partners, a hires provider, a pipe supplier, a waste services contractor, one of our scientific services equipment suppliers and a pump supplier. No evidence of any modern slavery was uncovered during these audits and all the suppliers audited were open and receptive to the sharing of best practice. Corresponding action plans have been developed following these audits and will be tracked over the coming months to ensure the agreed actions have been embedded.

Over the past two years we have conducted a detailed review of our supply chain for photovoltaic solar panels which led to the conclusion that elements of the panels Scottish Water are purchasing are, or have a very high probability of, being produced using forced labour in the Xinjiang region of China. This led to our decision to suspend new photovoltaic solar panels in our business once we have completed our current visible programme of works (identified as investment gate 70 and onwards) and this decision remains in place. We continue to conduct due diligence on solar panel supply chains in the hope this will lead to an ethically clean source and we welcome organisations to engage with us if they have evidence of any ethically safe supply chains or alternative products.



Engaging with communities in areas where we are working

KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS TO MEASURE THE EFFECTIVENESS OF STEPS BEING TAKEN:



100%

OF OUR DIRECT SUPPLIERS WITH A TURNOVER BELOW £36 MILLION HAVE SIGNED THE SCOTTISH WATER MODERN SLAVERY DECLARATION WITHIN THE PAST 12 MONTHS.



100%

OF OUR DIRECT SUPPLIERS WITH A TURNOVER ABOVE £36 MILLION HAVE PUBLISHED THEIR OWN MODERN SLAVERY STATEMENT WITHIN 6 MONTHS OF THEIR MOST RECENT FINANCIAL YEAR.



100%

OF PLANNED SUPPLIER AUDITS WERE CARRIED OUT WITH CORRESPONDING ACTION PLANS ISSUED.



81%

OF ASSIGNED EMPLOYEES UNDERTOOK THE REVISED MODERN SLAVERY TRAINING E-MODULE, LAUNCHED IN NOVEMBER 2023.



Work being carried out in Edinburgh's Marchmont area to reduce flooding

IMPROVEMENTS MADE IN THE LAST YEAR

During 2023/24 we made a number of improvements to our approach to reduce the risk of modern slavery within our business and supply chain.

THESE INCLUDE THE FOLLOWING ACTIVITIES:



TRAINING

Our revised training module was rolled out to all employees at leadership level in Scottish Water plus colleagues in the Procurement and Supply Chain, Legal, Finance and People functions.



SUPPLIER COMMUNICATIONS

We created an ethics doorway on our supplier portal to share best practice. This is available to nearly 4,000 individual users within our direct supply chain.



AUDITS

We increased the number of ethical audits we carried out from six to ten.



ETHICAL DECISION TREE

We created an ethical decision tree to help us work through purchasing decisions where we have concerns of forced labour at lower supply chain tiers.



SUPPLIER ADHERENCE

We onboarded over 200 of our low-value suppliers and as part of this process they were required to provide details of their approach to modern slavery and confirm adherence to modern slavery legislation.



CHIEF EXECUTIVE COMMUNICATION

Our Chief Executive produced a video, available on our external website, explaining our decision to pause solar projects and launched our pledge to do all we can to help eradicate modern slavery.

TRAINING ON MODERN SLAVERY AND TRAFFICKING

Our online Modern Slavery training module provides employees with an overview of what modern slavery is, indicators of modern slavery and the roles and responsibilities of employees and line leaders. This course is mandatory for all employees in our leadership group alongside colleagues in Procurement and Supply Chain, Finance, Legal, and our People functions. It is also available to any other employee who wishes to undertake it.

All employees undertaking the training are tested on their understanding and are required to reach a minimum score in order to successfully pass the course.


Our intranet has a page dedicated to raising awareness of modern slavery, including common indicators and how to report concerns. All employees have access to this.



Glencorse Reservoir

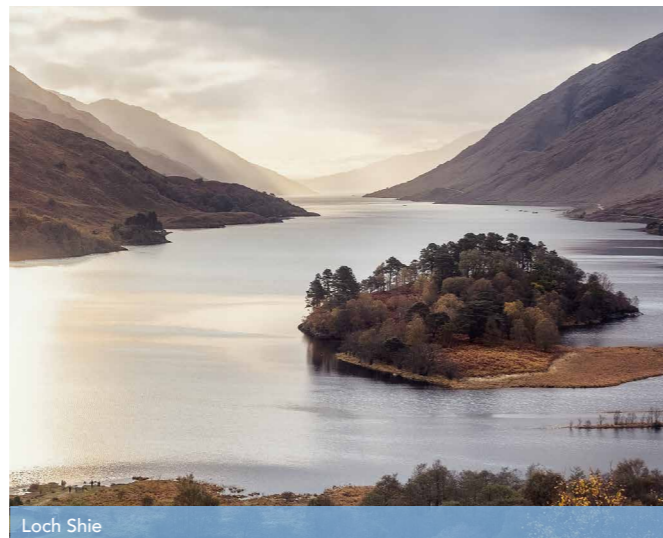
REPORTING

We encourage the reporting of concerns by employees to their line managers. If they do not feel comfortable doing this, they can contact our whistleblowing line which is available 24/7.

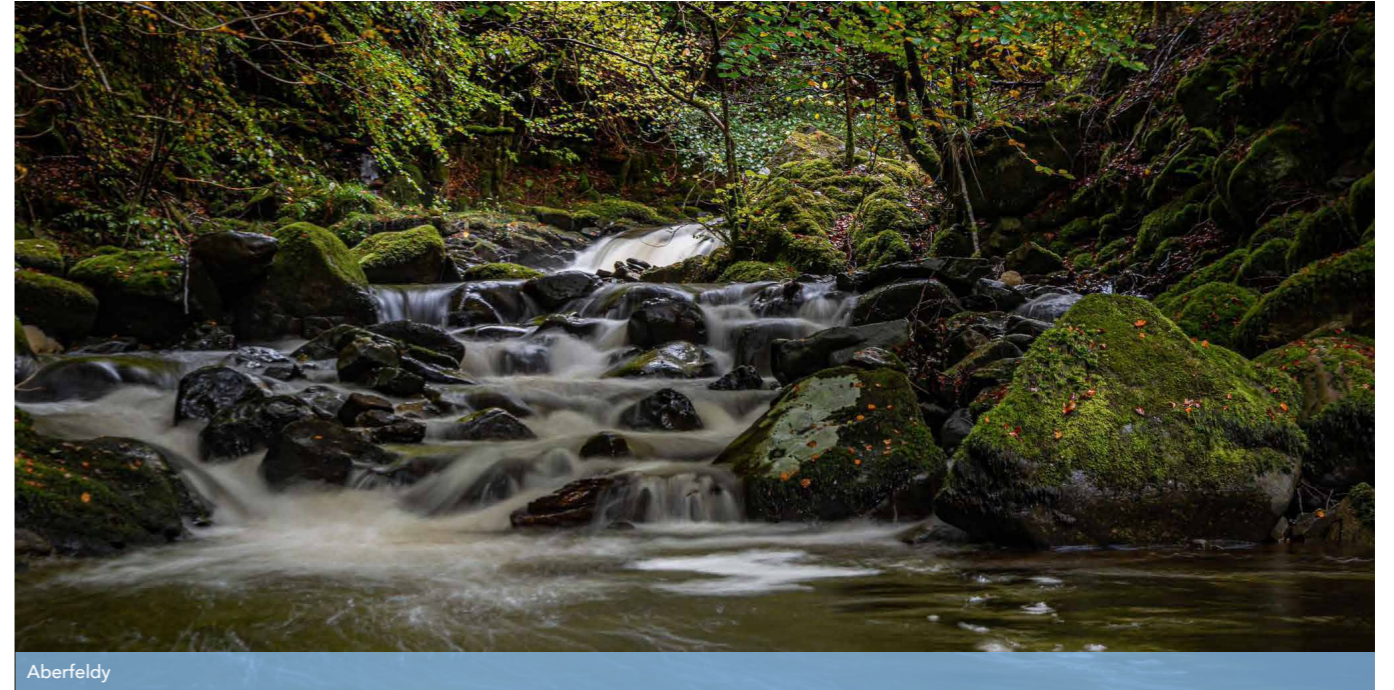


ZERO

WE RECEIVED NO CONCERNS REGARDING MODERN SLAVERY THROUGH OUR WHISTLEBLOWING HELPLINE.



Loch Shie



Aberfeldy

NEXT STEPS IN 2024/25

In 2024/25, Scottish Water commits to undertaking the following activities:

- In line with our revised approach to supply chain risk analysis, Scottish Water will prioritise the highest-risk categories for supply chain mapping and further analysis of their management controls and risk mitigation activities. Scottish Water may decide to instruct external audits of the lower tier suppliers within these areas where deemed necessary.
- We recognise that there may be areas of our supply chain where we find instances of modern slavery and our initial focus will be to work with our supply chain to resolve issues. If we are unable to reach an appropriate solution, we will only continue to work with those suppliers as a last resort where no global alternative is available. We will be transparent whilst we take the lead to explore alternative options and seek out other like-minded organisations to use our combined leverage to try and drive change.
- We will carry out audits on areas of our supply chain across all other areas of our supply chain to check whether existing controls are adequate. Ten suppliers have been selected for audit in 2024/25 covering a broad range of spend categories.
- We will review our supplier selection procedures to consider how we can best embed anti-modern slavery approaches into the procurements for our next regulatory period.
- We will be working with our leaders to increase uptake of our Modern Slavery training e-module and to ensure that this training is regarded as essential; this will be sponsored by our Executive Leadership Team.

Scottish Water's Supply Chain Steering Group and the Audit and Risk Committee reviewed and approved this statement prior to its approval by the Board of Scottish Water. The Board approved this statement on 26 June 2024.

Rob Mustard
Director of Capital Investment

August 2024