

FOREWORD

Our world has changed dramatically in recent years including our customers' expectations, environmental obligations, and our focus on making the right decisions today for the benefit of future generations. Sustainability was previously a by-word for environmental concern or protection, but for us, it means far more than that and touches nearly every aspect of our work, including procurement. That is why we are placing sustainable procurement at the heart of everything we do when procuring goods, works and services, from one off purchases to high value partnerships. As the only not-for-profit utility company in the UK, Dŵr Cymru Welsh Water are committed to taking responsibility to ensure we work with a supply chain that upholds our social, economic, and environmental standards and shares our vision of continuous improvement.

We recognise that the way in which we manage the circa £500 million we spend annually with suppliers can make a significant contribution to this priority. As a signal of our commitment to working in an ethical and sustainable manner our procurement team has achieved the Chartered Institute of Procurement and Supply (CIPS) Corporate Ethics Accreditation and Chartered status.

Our Sustainable Procurement Policy and Sustainable Supplier Code demonstrates Welsh Water's commitment to the enhancement of social, economic and environmental wellbeing across the entire geographical area that we operate in. Working collaboratively with our supply chain will ensure we are well equipped to face ongoing challenges, both local and globally, and will provide us with the tools to identify the key areas of risk, measure performance and drive continual improvement within our supply chains.

Our Sustainable Supplier Code aims to provide guidance and support for our supply chain to help deliver our vision "to earn the trust of our customers every day" and to help mirror the values that we expect of our own employees and our customers expect of us all.

Peter Perry

Welsh Water Chief Executive Officer



OUR VALUES...





INTRODUCTION

Welsh Water is committed to being open, honest, transparent, and upholding the highest ethical and professional standards. We conduct our business with integrity, not only to comply with legal and regulatory requirements, but to deliver sustainable outcomes for our customers, colleagues, suppliers, the environment, and the local communities in which we deliver our services.

Wherever practicable, we adhere with the principles of the Wales Procurement Policy Statement, to maximise long term social, economic, and environmental value from our spend.

Our supply chain plays an essential part in enabling us to deliver vital services to our 3 million customers. All suppliers are a key part of our business operation so we want to work and engage with those who are able to operate to highest standards of openness, honesty, integrity and business ethics as set out in our Sustainable Supplier Code.

WHO OUR SUSTAINABLE SUPPLIER CODE APPLIES TO

Our Sustainable Supplier Code applies to all suppliers of goods and services. Where we refer to "suppliers", this includes suppliers, contractors, subcontractors, service providers, professional service providers, consultants, intermediaries, and agents within our supply chain.

Our Sustainable Supplier Code applies to all of our supply chain. It is the responsibility of all suppliers to cascade these principles to their own supply chain.

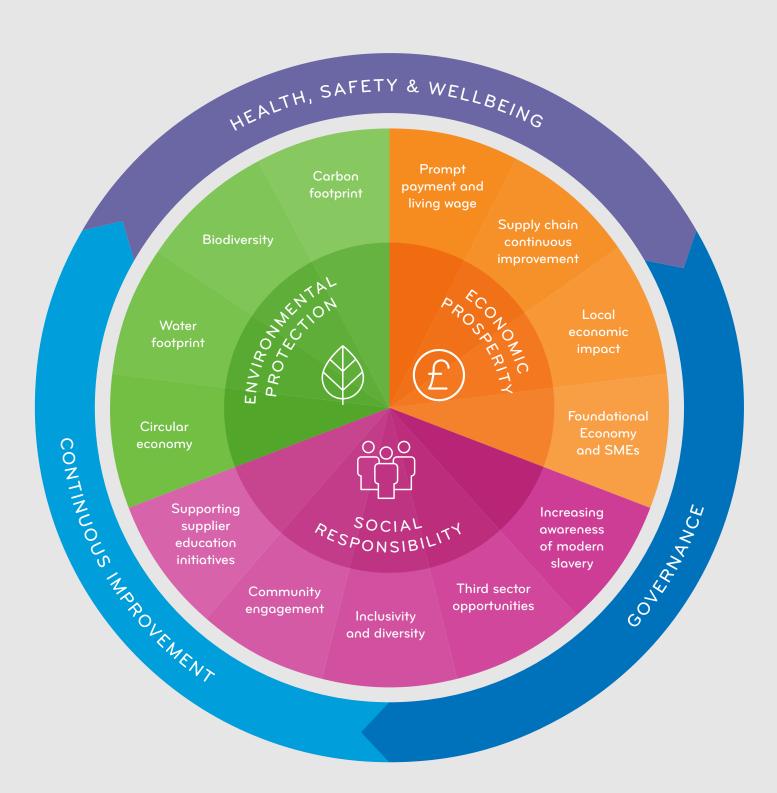
Our Sustainable Supplier Code is not intended to conflict with or modify any existing terms and contracts between Welsh Water (or any subsidiary company) and our suppliers. Should any conflict arise, the terms of any specific agreed contract will take precedence.

WHAT IS SUSTAINABLE PROCUREMENT?

"Sustainable procurement is an approach to the procurement process that embeds Environmental, Social and Governance (ESG) issues together with Corporate Social Responsibility (CSR) practices at the heart of its specifications and its process – Chartered Institute of Procurement and Supply"

OUR SUSTAINABLE PROCUREMENT ASPIRATIONS

Welsh Water have identified the following key aspirations within our Sustainable Procurement Policy. These are grouped under three themes: Environmental protection, Social responsibility, Economic prosperity, with a continued focus on health, safety and wellbeing, governance, and continuous improvement. These are explained further overleaf.







ENVIRONMENTAL PROTECTION

CARBON FOOTPRINT

We recognise the increasing importance of reducing our carbon emissions and we will work with the supply chain to reduce Scope 3 carbon emissions in line with Welsh Water's Journey to Net Zero.

BIODIVERSITY

We have a Biodiversity strategy and plan which sets out our ambitions. Where appropriate, we ask our supply chain to demonstrate awareness of Biodiversity and how activities may impact this. We are committed to maintain and enhance biodiversity through best practice and risk mitigation across our supply chain.

WATER FOOTPRINT

We will work in partnership with our supply chain to reduce our water footprint, taking into account product and material use, transportation and technology selection, based on the environmental impact.

CIRCULAR ECONOMY

We will require our supply chain to identify opportunities for supporting the circular economy, minimise waste production, encourage reuse where practicable, and adhere to the waste hierarchy with disposal as the last option.

Welsh Water expect all suppliers to:

- Be aware of, and comply with, all relevant environmental laws and regulations.
- To implement carbon reduction plans for scope 3 emissions
- Implement appropriate management, operational and process controls to minimise the release of harmful emissions to the environment.
- Consider the environmental impact of their operations and reduce energy consumption, water use and minimise waste wherever possible.
- To de-risk their supply chain, taking into account product and material use, transportation and technology selection, based on the environmental impact.
- Ensure that their operations maintain all the appropriate environmental permits and approvals, and that their operations are conducted in an environmentally responsible manner.

To help protect our environment, Welsh Water is committed to achieving a net zero future. This requires a collaborative approach, working with our like minded suppliers we can achieve our joint vision.



SOCIAL RESPONSIBILITY

OF MODERN SLAVERY

We will work to increase awareness of the risk of Modern Slavery through our supply chain. We require adherence to Modern Slavery Act 2015 and will look to drive increasing levels of transparency in our supply chains in areas of perceived risk.

THIRD SECTOR OPPORTUNITIES

We will work to actively promote opportunities to Third Sector organisations, and will promote engagement with social enterprises and supported business.

COMMUNITY ENGAGEMENT

We will review the potential to create opportunities for training and recruitment of economically inactive people, creating new employment and training opportunities and promoting community engagement in the communities we serve.

AND DIVERSITY

We are committed to equal opportunities for all, and will review inclusivity and diversity through within our supplier selection process and throughout our supply chain.

SUPPORTING SUPPLIER EDUCATION INITIATIVES

We will work to review the potential for supporting supplier education initiatives, which contribute to education in Wales, including those which aim to inspire STEM interest.

We have developed supply chain management plans to help manage, improve and address social risks and any adverse impacts. We require our supply chain to do the same and comply with social and human rights criteria in their operations and wider supply chains.

MODERN SLAVERY

Welsh Water are committed to meeting the aims of the Modern Slavery Act 2015. We strongly oppose slavery, human trafficking and child labour and we work to raise awareness of the risks across the business and in our supply chains. Therefore, we will not tolerate slavery and human trafficking in our supply chains or any part of our business. To be trusted to do the right thing is one of our core values. We would never knowingly engage with suppliers or contractors involved in slavery or human trafficking and reserve the right to terminate our agreements with any third party found to have engaged in these practices.

Welsh Water expect all suppliers to:

- Confirm that they comply with the Modern Slavery Act 2015.
- Not exploit their workforces or suppliers.
- Implement measures to ensure that modern slavery, child labour and human trafficking are not taking place in their supply chain, or in any part of their business. Compliance audit trails must be retained.

THE SAFETY OF CHILDREN AND ADULTS AT RISK

Welsh Water take the safety of children and adults at risk seriously and as such strives to ensure that these safe practises are embedded in our processes. Safeguarding is about protecting children and adults at risk from abuse or neglect. We all have a responsibility to ensure that we are doing all we can to protect the most vulnerable members in our society. Suppliers engaged in activities that involve or may involve contact with, impact on, or work with children/adults at risk are expected to adopt this same commitment.

Welsh Water expect all suppliers to:

- Have robust, well managed safeguarding arrangements in place which are compliant with regulations and legislation to ensure all staff and volunteers are safely recruited, trained and managed.
- Ensure that all relevant staff are DBS checked.
- Speak up and tell us about any issue or suspicion affecting the safety of children or adults at risk.

EQUALITY AND DIVERSITY

Welsh Water are committed to recognising and promoting equality, diversity and inclusivity and always treating others with dignity and respect. We are bound by the Equality Act 2010 to ensure that we do not discriminate in any capacity on the grounds of sex, race, religion or belief, sexual orientation, disability, age, pregnancy and maternity, marriage and civil partnership or gender reassignment.

Welsh Water expect all suppliers to:

- Maintain workplaces characterised by professionalism, and respect for the dignity of every individual with whom their employees interact.
- Respect the diversity of their employees, customers and others with whom they interact and have established programmes to promote diversity across their network.
- Take a zero tolerance approach to discrimination.
- Speak up and tell us if you see bullying, harassment or unlawful discrimination in your relationship with us.

MODERN SLAVERY

Please view our <u>Anti-Slavery Statement</u> under the Modern Slavery Act 2015, which includes the steps we are taking to ensure the eradication of Modern Slavery from our supply chains.

To support our Anti-Slavery agenda we select the suppliers who behave in an ethical and sustainable manner.

We encourage all suppliers to speak up and tell us about any issue or suspicion of modern slavery in any parts of Welsh Water or its supply chain. Our Whistle Blowing Policy can be accessed <u>here</u>.





ECONOMIC PROSPERITY

LOCAL ECONOMIC IMPACT

We will seek to identify opportunities to increase local spend and improve the local economic impact of Welsh Water's expenditure, including opportunities for the procurement of upcycled goods.

FOUNDATIONAL ECONOMY

AND SMES

We will work to promote open and accessible supply chains that provide opportunities for Wales based businesses, including those that form part of the Foundational Economy and SMEs.

SUPPLY CHAIN

CONTINUOUS

IMPROVEMENT

We will provide guidance and constructive feedback to the supply chain to encourage continuous improvement.

LIVING WAGE

Ensuring everyone who works for Welsh Water is paid fairly for what they do is something we care passionately about. We are recognised as a company that ensures fair pay for a hard day's work – with accreditation as a Living Wage Employer by the Living Wage Foundation. We encourage all our supply chain partners to pay the Living Wage.

PROMPT PAYMENT

We encourage all our suppliers to adopt prompt payment for its subcontractors, in line with the Prompt Payment Code principles.

MEET THE BUYER EVENTS

We will work to facilitate meet the buyer events, to provide the supply chain with an opportunity to hear about upcoming tender opportunities. These events will give suppliers unprecedented access to buyers and decision makers from across Welsh Water.



WELSH WATER'S IMPACT IN WALES, ITS WORKFORCE AND THE LOCAL ECONOMY

We have recently partnered with Cardiff University's Welsh Economy research unit to map Welsh Water's impact in Wales, its workforce and the local economy.



For every £1m direct spend on staff and suppliers in Wales a further £0.58m is generated.



For every DCWW FTE a further 1.64 FTE are generated elsewhere in the economy.



Our 'Gross Value Added' contribution (GVA is a measure of the true 'worth' of economic activity to Wales) has increased more than 20% since 2013.





Welsh Waters total spending on salaries which are retained in Wales is almost £400m per annum.



It is estimated that Welsh Water contributes more than £1 billion to the Welsh economy each year and supports more than 9,100 jobs across Wales.

Cardiff University's Welsh Economy Research Unit (2023)



It is critical to our safety culture that everyone who works alongside Welsh Water carries out their activities safely and has health, safety and wellbeing at the heart of all they do. The safety of our employees, customers, business partners, suppliers, and communities come first. To ensure this we expect robust occupational health and safety management systems to be in place, adopting best practices and engaging in continuous performance improvement.

Welsh Water expect all suppliers to:

- Comply with all relevant health and safety legislation, regulations, codes of practice, and other requirements.
- Demonstrate a strong commitment to provide a safe workplace, where the health, safety and wellbeing of all employees, customers and third parties comes first.
- Provide adequate training and equipment and ensure employees are competent to do their work.
- ldentify and control the risks arising from their activities, ensuring that suitable safe systems of work, supervision and management controls are in place and effectively monitored.

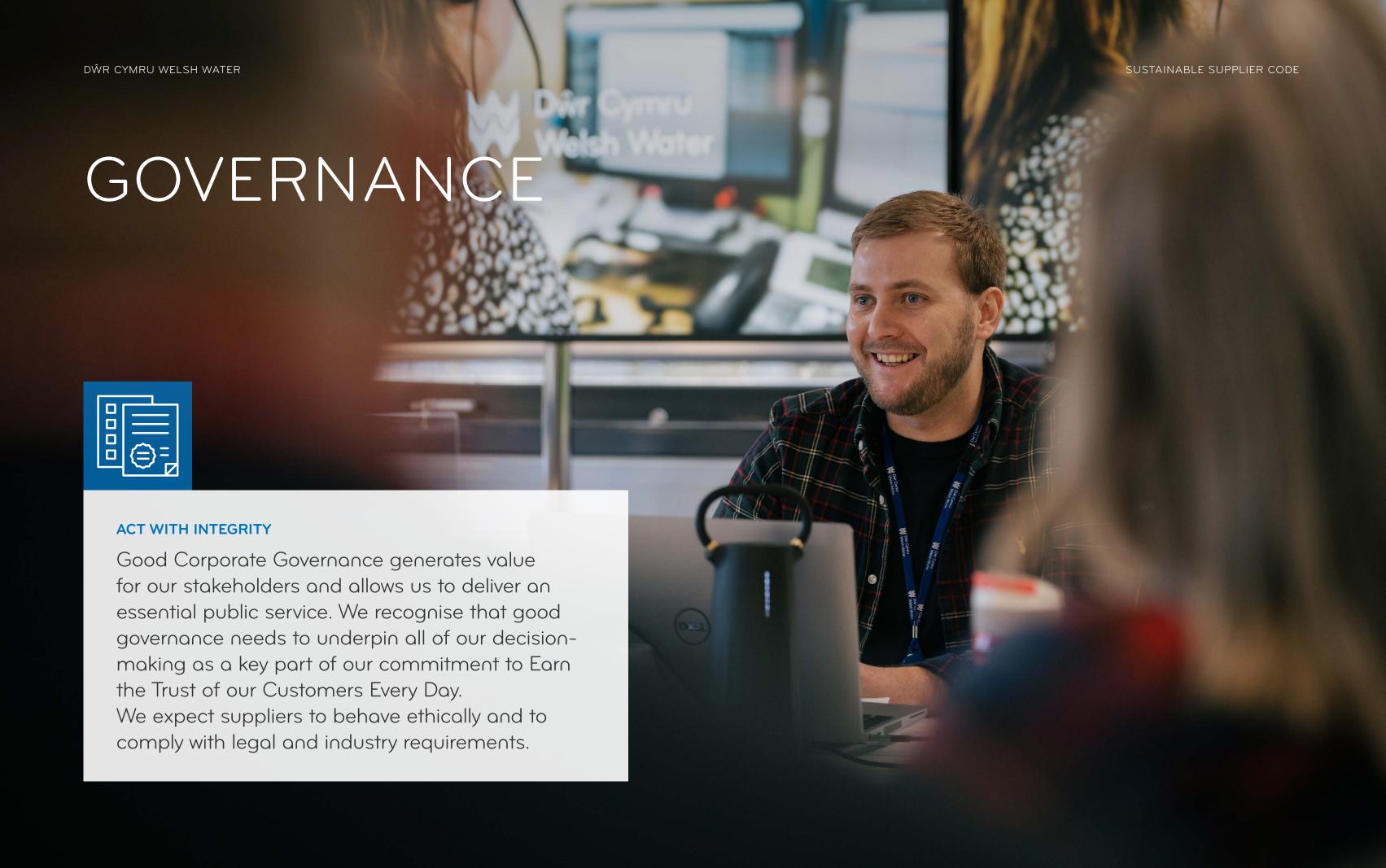
- Ensure that any organisations working on their behalf (e.g. subcontractors) have adequate health and safety arrangements in place and monitor their performance.
- Implement robust processes for the reporting, escalating and investigation of incidents and the capture and communication of lessons learned to prevent re-occurrence.
- Speak up and tell us if you see, or are asked to do, anything that you think is unsafe.
- Work with us, our suppliers, and other organisations to share information relevant to health, safety, and wellbeing risk management.

USE OF DRUGS OR ALCOHOL

We have a zero tolerance policy to drug and alcohol use at any of our sites or offices. While on our premises, working on behalf of Welsh Water or otherwise representing or being seen as representing Welsh Water, suppliers must not be impaired by alcohol or drugs or be in possession of alcohol or illegal drugs.

Welsh Water expect all suppliers to:

- Speak up if they suspect that another individual engaged in work on behalf of us is under the influence of drugs or alcohol whilst at work.
- Take a responsible attitude to alcohol and conduct themselves sensibly at any work-related functions that are outside working hours.



BRIBERY AND CORRUPTION

Welsh Water have a zero tolerance policy towards bribery and corruption and is committed to implementing and enforcing effective systems to counter them. We require everyone who works with us, to act honestly and with integrity at all times.

Welsh Water expect all suppliers to:

- Conduct their business honestly, fairly and free from any bribery or corruption.
- Not engage in any illegal or improper act.
- Not receive, offer, promise, improperly influence payment, authorise payments or awards in return for personal gain, financial or otherwise.
- Maintain appropriate anti-bribery policies.
- Speak up and tell us if anyone suspects that bribery or corruption is taking place.

HOSPITALITY, GIFTS AND ENTERTAINMENT

Welsh Water employees are not allowed to accept hospitality, gifts or entertainment or offer hospitality, gifts or entertainment in any circumstances. We require employees to record all offers of hospitality, gifts and entertainment.

Welsh Water expect all suppliers to:

- At all times be, and be seen to be, fair, impartial and unbiased.
- Not offer hospitality, gifts or entertainment to Welsh Water employees in any circumstances.
- Not receive hospitality, gifts or entertainment from Welsh Water employees in any circumstances.
- Speak up and tell us if anyone suspects that hospitality, gifts or entertainment are being offered or received.

VENDOR SELECTION & RELATIONSHIPS

We comply with applicable procurement legislation and take compliance with competition law seriously. Welsh Water are committed to conducting our business activities in a fair and open manner at all times and in compliance with all applicable laws.

Welsh Water expect all suppliers to:

- Comply with applicable public procurement and competition laws, rules and regulations.
- Not engage with its competitors or its own suppliers in a way that improperly restricts competition.
- Implement appropriate monitoring and assurance processes to prevent anticompetitive behaviour.
- Conduct training to raise awareness and prevent anticompetitive behaviour.
- Speak up and tell us if you suspect that anticompetitive behaviour has taken place.



We take pride in our supply chain and in selecting appropriate suppliers. We are committed to contracting with reputable organisations who adhere to this Sustainability Code.

All checks are carried out in accordance with procurement law and best practice guidance. We expect our suppliers to act in a responsible and ethical way. Accordingly, as our supplier you must ensure that all your workers, agents, and permitted subcontractors are aware of the requirements of the Sustainability Supplier Code. Please contact us if you have any questions.

We reserve the right to monitor and audit each supplier's compliance with the Supplier Code. In the event that compliance is not met, the business relationship may be reviewed and corrective actions pursued subject to the terms of the particular contract and Welsh Water's policy on the suspension of suppliers.

OUTSOURCING AND SUBCONTRACTING

We recognise that outsourcing is a practice that suppliers may use to promote innovation, fill resource gaps, and/or create operational efficiencies. We also recognise that suppliers may need to use subcontractors in the performance of services.

Welsh Water expect all suppliers to:

- Report on levels of sub contracted services used within delivery of their services back to Welsh Water in a timely way.
- Monitor the outsourcing or subcontracting arrangement to ensure it complies with the suppliers' contractual obligations and with this Sustainable Supplier Code, providing evidence of such monitoring upon request.

CONFLICTS OF INTEREST

A conflict of interest may arise when an individual has a private or personal interest which could be considered to influence what should be an objective business decision.

Welsh Water expect all suppliers to:

- Not try to gain improper advantage or preferential treatment through any relationships they may have with Welsh Water.
- Avoid all conflicts of interest or situations giving the appearance of a conflict of interest when doing business with Welsh Water.
- Promptly report to us any instances involving actual or apparent conflicts of interest between suppliers' interest and those of Welsh Water, such as a direct personal or financial interest in a business decision or vendor selection.
- Not without prior written notification to us, enter into any business relationship with any director, employee, or representative of Welsh Water that may create a conflict with their obligations to, or the interests of Welsh Water.
- Speak up and tell us if anyone suspects that actual or apparent conflicts of interest are not being declared.

FRAUD AND THEFT

We have a zero-tolerance policy towards fraud and theft and are committed to implementing and enforcing effective systems to counter them. We will take appropriate action should an incident occur.

Fraud is defined as an 'abuse of position, or false representation, or prejudicing someone's rights for personal gain'. Theft is defined as 'to dishonestly appropriate property belonging to another with the intention of permanently depriving the other of it'.

Welsh Water expect all suppliers to:

- Safeguard all assets belonging to Welsh Water.
- Ensure that their processes and procedures for identifying and managing fraud are robust.
- Maintain accurate and complete records of all business transactions with Welsh Water.
- Speak up and tell us if you suspect that theft or fraudulent activity is or has taken place.



CYBER SECURITY

We may have to share confidential or personal information about our customers, colleagues, or related third parties with our suppliers. Suppliers may have access to confidential or personal information about Welsh Water.

Welsh Water expect all suppliers to:

- Process any sensitive or personal information that is shared to fulfil any contractual requirements in accordance with current data privacy legislation in the UK, such as the Data Protection Act 2018.
- Use information obtained through their relationship with us only for the purpose defined to them.
- Process and store information as agreed with Welsh Water.
- Complete a submission to our third party security management platform to allow us to evaluate their security posture.
- Have in place current and relevant internal cyber security policies and procedures that covers the use of our information.
- Notify their welsh water contract manager of actual suspected privacy breaches, security breaches, or losses of our information and assist us in managing any consequences arising from such events. (0303 3130303)

Failing to protect sensitive and classified information can have a significant business impact. We actively manage external cyber security threats as mandated by our management and regulators.

Welsh Water expect all suppliers, where relevant to the services provided, to:

- Complete a security posture evaluation.
- Protect our sensitive and classified information, acting in compliance with UK data security laws and guidance from the likes of the Information Commissioner's Office (ICO) and the National Cyber Security Centre (NCSC).
- Limit access to sensitive and classified information to only those that require it.
- Notify us in the event of a cyber security breach, regardless of whether it may impact Welsh Water.



PROTECTING WELSH WATER ASSETS

Welsh Water have an obligation to protect our assets from criminality and terrorism. This may take many forms; the role played by our supply chain is vital in securing our assets and maintaining our ability to provide our services.

Welsh Water expect all suppliers to:

- Ensure that all staff and sub-contracting staff adhere to personnel security standards to enable them to carry out employment in the UK.
- To evidence the effectiveness of their current security arrangements.
- Ensure they adhere to their security responsibilities and include any associated security requirements in any sub-contracts they let.
- Ensure that suppliers understand their responsibility to provide appropriate protection for our contract information and contracted products and service.
- Adhere to any minimum security requirements set by Welsh Water which are proportionate to the service provided.
- Have in place current and relevant internal security policies and procedures including a nominated senior member of staff who has responsibility for security.

- Ensure that key staff (e.g. procurement, security, marketing) understand security risks, as well as their responsibilities to help manage them.
- Complete a submission to our third party security management platform to allow us to evaluate their security posture.
- Notify us promptly of actual or suspected security breaches, or losses of our information and assist us in managing any consequences arising from such events.
- Notify us of any concerns in relation to physical and personnel security so that we may be able to assist and offer advice.
- Assist us with any due diligence inspections relating to security.

PROTECTING WELSH WATER ASSETS

As a company we are required by legislation and regulation to ensure that physical and personnel security is of a high standard. We fully expect our suppliers to also achieve these standards. We will also actively assist companies with advice and guidance when requested to do so.

Welsh Water expect all suppliers, where relevant to the services provided, to:

- Complete a submission to our third party security management platform to allow us to evaluate their security posture.
- Ensure that all staff and sub-contracting staff adhere to personnel security standards to enable them to carry out employment in the UK.
- Adhere to any minimum security requirements set by Welsh Water which are proportionate to the service provided.
- Have in place current and relevant internal security policies and procedures including a nominated senior member of staff who has responsibility for security.
- Notify us of any concerns that you may have in relation to physical and personnel security.
- Ensure that sensitive information in relation to DCWW assets which are considered as critical to the national infrastructure is not disclosed.



CONTINUOUS IMPROVEMENT

Welsh Water is a proud partner of the Supply Chain Sustainability School. This is a collaboration between clients, contractors and first tier suppliers who want to build the skills of their supply chains.

This engagement provides an opportunity to access the Supply Chain Sustainability School's wide range of learning materials, and CPD accredited training. Welsh Water use this relationship to support the education of our internal employees and have expanded it out to our supply chain partners, to mature their approach to sustainability. Suppliers can access the Supply Chain Sustainability School and all free learning material via their website **supplychainschool.co.uk**

Our commitment to continuous improvement and supporting our supply chain on our sustainable procurement journey is strengthened by our partnerships with the Supply Chain Sustainability School.

The Supply Chain Sustainability School drive continuous improvement through their ability to be "collaborative, impactful, inspirational and inclusive, to inspire tens of thousands of individuals every year through a combination of industry subject-matter-experts and high-quality training and resources. More than 200 Partner companies fund the School and this helps support many thousands of SMEs in the supply chain by providing them with industry-standard training and resources free at the point of use".





SPEAK UP

We are committed to doing the right thing and encourage suppliers to speak up about anything that is not in line with the principles set out in our Sustainable Supplier Code without fear of retaliation. Retaliation against anyone who speaks up is not acceptable.

In the first instance, suppliers can raise questions or concerns by speaking to their Welsh Water designated contact.

If suppliers feel uncomfortable about raising concerns via this route or via their own whistle blowing procedures, they can contact our Internal Audit Team; an independent team reporting directly to the Group's Audit Committee.

Contact: internal.audit@dwrcymru.com

