## GROUP PROCUREMENT AND CONTRACT MANAGEMENT POLICY



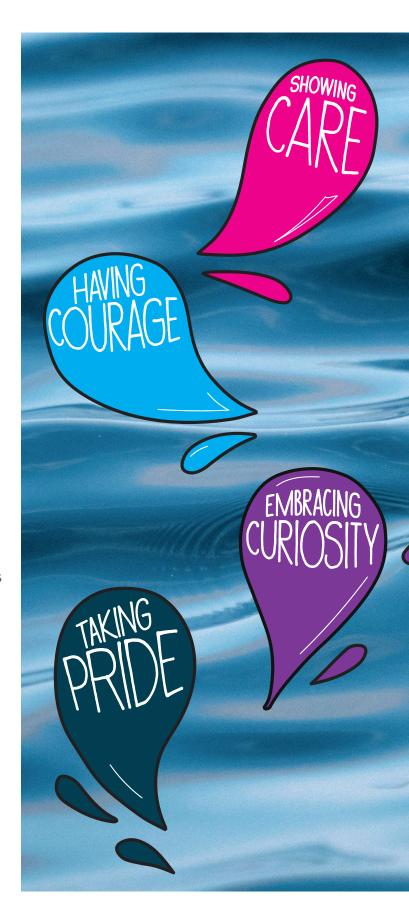
### **OUR BUSINESS**

Severn Trent Plc is a FTSE100 company. Severn Trent Water and Hafren Dyfrdwy, are two of 11 regulated regional and waste water businesses in England and Wales, providing high quality services to more than 4.6 million households and businesses in the Midlands and Wales. Severn Trent Business Services operates a UK-focused portfolio capitalising on market opportunities in four areas:

- Green Power generates renewable energy from anaerobic digestion, crop, hydropower, wind turbines and solar technology;
- Operating Services provides contract services to municipal and industrial clients in the UK, including to the UK Ministry of Defence, for the design, build and operation of water and wastewater treatment facilities and networks. and services to developers:
- Property Development manages the sale of surplus land; and
- Other our property searches and affinity partnership businesses.

We spend over £1.2 billion a year through our supply chain, and rely on around 2,800 supply chain partners within our associated Group companies to deliver our operations responsibly; from the construction of sewage treatment works through to cleaning and maintaining our sites and offices. Due to the nature of our business activities, over 99% of our supply chain is based within the UK.

As a company we know the work that we do is critical for our customers to live their daily lives, and our purpose of 'taking care of one of life's essentials' recognises this. Our purpose is underpinned by our core values which define who we are and what we stand for, ultimately supporting everything we do. These are **Showing** Care, Having Courage, Embracing Curiosity and Taking Pride.



## PROCUREMENT AND CONTRACT MANAGEMENT VISION



## HOW WE WORK WITH **OUR SUPPLY CHAIN**

#### Complying to regulations

We operate in a wide variety of supply markets that have different levels of complexity, risk and opportunity. It's why we work collaboratively with our suppliers and take account of the supply market they operate in and reflect the strategic importance of the goods and services they provide. In doing so we're able to improve supply chain performance, reduce costs and effectively manage risk.

Our supply agreements are awarded in compliance with the Utility Contract Regulations 2016. The format of these agreements, for example contract length and number of suppliers, is determined on a case-by-case basis. Typically, agreements will be developed taking into consideration the nature of the market and the relative size of spend on the goods or services

Where legislation requires us to make a call for competition, potential suppliers will be identified from responses to advertisements on the Find a Tender Service. Sell2Wales or via the Achilles Utilities Vendor Database. Where a call for competition isn't required under the Utility Contract Regulations 2016 or the requirement is for our non-regulated Business Services companies, potential suppliers are identified from numerous sources including trade associations, our approved supplier database, the internet, supplier catalogues and from historical expressions of interest.





#### **Group Procurement and Contract** Management Responsibility

The purpose of Group Procurement and Contract Management is to work with colleagues and suppliers to deliver value for Severn Trent Plc and our customers. We will:

- Act with honesty, integrity and encourage fair competition when dealing with suppliers. We never abuse our purchasing power, change payment terms or break confidentiality. Naturally, we expect our suppliers to share these practices;
- Be effective stewards of Corporate Social Responsibility and pursue the development of sustainable procurement practices within our Supply Chain:
- Ensure that environmental and social sustainability measures are given appropriate priority in procurement decisions and supplier selection:
- Improve our understanding of our Scope 3 emissions (carbon emissions associated with our supply chain) and work with suppliers to actively reduce emissions:
- Strive to eliminate the risk of modern slavery occurring in our Supply Chain, either as a direct or indirect result of our procurement practices and contract management;
- Commit to ensure that our contracted suppliers pay their employees the Real Living Wage: our target is to ensure 100% compliance against this measure;

- Ensure that our procurement processes do not create unnecessary obstacles for SME's and underrepresented suppliers. We continue to build a supply chain that represents the communities we serve:
- Comply with all legislative requirements in all the areas we operate within;
- Comply with our Group Authorisation Arrangement;
- Develop and continually review category plans for key areas of expenditure;
- Deliver continuous training and development of our people to ensure high standards and effective supply chain management;
- Strive to be a team that constantly provides the best value and choice of goods, services and solutions by driving performance, compliance, innovation and total value throughout our end to end supply chain;
- Comply with commercial best practice for each business unit whenever possible and not approve expenditure where a conflict of interest may exist;
- Fully consider Supply Chain risk in our interactions with suppliers in high-risk industries or high-risk countries;
- Promote confidentiality when engaging with suppliers, such as the signing of a nondisclosure agreement prior to exchanging confidential information:
- Be effective stewards for IR35, GDPR Cyber Security compliance & RAG 5 by following internal procedures.

## REPORTING CONCERNS



# GROUP PROCUREMENT AND CONTRACT MANAGEMENT POLICY

