

Compliance Code

Yorkshire Water's Compliance Code –for the provision of
wholesale water and wastewater supplies (Condition R)

June 2021



YorkshireWater

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1. Compliance Statement

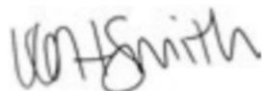
Yorkshire Water Services Limited (YWS) provides wholesale water and wastewater services to over 5.4 million people in Yorkshire. With over 140,000 businesses in the region, we are proud to play water's role in making Yorkshire a great place to be now and always. As a regulated monopoly, we fully recognise our statutory obligations under competition law and we understand we have a part to play in supporting effective markets in the Water Industry to deliver sustained and meaningful benefits to our customers.

YWS supports competition in the Water Industry and is fully committed to complying with its obligations and taking the lead to ensure customers in Yorkshire can get the benefits markets can offer. As a wholesale provider of services, we commit to responsibly requesting and handling the information we need to receive from and in relation to market participants.

Yorkshire Water Retail exited the non-household retail market in October 2019, with customers who hadn't already switched to a new Retailer transferring to Scottish Water Business Stream (SWBS). Three Sixty, a subsidiary of The Kelda Group currently provides a transitional service to Business Stream, and operates independently of Yorkshire Water.

Our ambition is to put people at the heart of everything we do by treating all of our customers fairly, and this code demonstrates how we fulfil our obligations under Condition R of our Instrument of Appointment. This code is published on our website and is available to all employees to support their understanding of our obligations and emphasises the importance of compliance.

Signed by the Yorkshire Water Services Limited Company Secretary on behalf of the Board of Directors



Kathy Smith Company Secretary

2. Code Purpose



THIS COMPLIANCE CODE MEETS THE REQUIREMENTS OF CONDITION R OF OUR LICENCE AND DEMONSTRATES HOW YORKSHIRE WATER:

- Maintains compliance with its confidentiality obligations and protects commercially sensitive information that we receive from, or in relation to market participants;
- operates at arm's length of Three Sixty, a subsidiary company of the Kelda Group;
- ensures relevant employees understand our obligations under our licence Condition R and under competition law; and
- operates fairly and without discrimination.

3. Group Structure

YWS is part of the Kelda Group. The Kelda Group is made up of several companies, including YWS and Three Sixty.

YWS provides wholesale water and wastewater services to market participants in the Yorkshire region, and has an obligation to ensure all participants operating in competitive markets are treated fairly and receive an equitable level of service.

YWS exited the non-household water retail market in October 2019 and no longer provides retail services to business customers. The acquiring Retailer was Scottish Water Business Stream (SWBS). This means that the non-household customers that hadn't switched Retailer, transferred over to SWBS.

Three Sixty is a Kelda Group subsidiary which operates independently to YWS. SWBS have entered into a contractual agreement with Three Sixty for them to provide a service to their contracted business customers in Yorkshire on a transitional basis until March 2022. YWS has no formal relationship with Three Sixty, however, and the Kelda Group continues to maintain appropriate levels of separation in the support services provided to Three Sixty as part of the Kelda Group..

4. Information handling

As a wholesale water provider, we understand that we will receive information from market participants that could be commercially sensitive.

As a regulated monopoly, market participants will also need to receive information from us in a secure and timely fashion to enable them to operate effectively.

YWS has a suite of policies that underpin the rules and expectations for handling information. This includes our:

- Data protection policy;
- IT security policy – detailing system access control, access to market data is only granted to roles that require it to legitimately process service requests and to fulfil our duties as a wholesale water provider; and
- Competition law policy.

Yorkshire Water has a dedicated wholesale market services team that will act as the primary contact and be responsible for all information exchanges between us and other market participants securely.

We use a bi-lateral portal called SWIM-pool that holds information and tracks service requests from Retailers, with secure access Retailers can view progress in real time.

YWS will never ask for more Information than is required to fulfil Its contractual obligations with a market participant.

5. Training

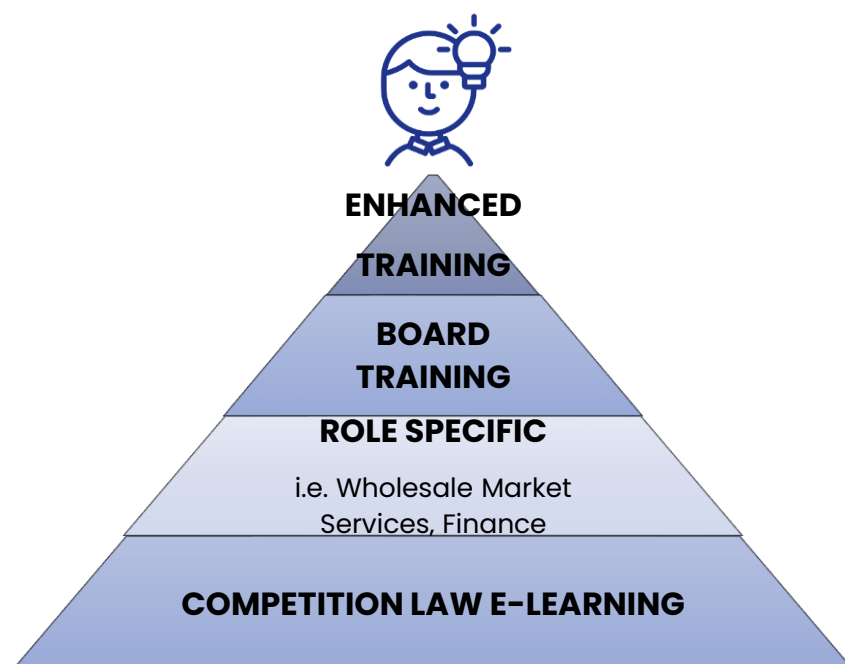
YWS is committed to making sure that all its employees have the level of competition law training proportionate and relevant to the role they undertake.

We have embedded a tiered training approach (Diagram A) into the compliance programme to ensure all colleagues (including key contractors of YWS) have the appropriate training and awareness required to operate in the water retail market.

All colleagues are required to complete a mandatory e-learning course addressing the risks around competition law. Further bespoke training has been delivered to employees who are involved in the day-to-day operations of markets.

It is important that employees understand our obligations and the risks faced when operating in competitive markets. Our compliance policy was refreshed in 2020 and we plan to review our compliance handbook in 2021. Both documents are hosted on the company Intranet site and are easily accessible to all colleagues at YWS.

Our training approach helps colleagues recognise and identify anti-competitive behaviour and enables us to offer a level playing field to all market participants.



6. Monitoring

The three lines of defence assurance model is used to ensure the risks and controls associated with operating in markets are identified, recorded, and monitored in our corporate risk management system. Appendix A (below) provides a high-level summary of the risks and controls.

YWS monitors all corporate risks through an annual attestation of compliance, this involves all senior leaders across the company confirming their awareness and compliance with our highest risk obligations including competition law.

In addition, YWS has a dedicated compliance team that oversees our obligations under competition law, the Market Arrangements Code and the Wholesaler Retail Code. A risk-based compliance monitoring plan is embedded to ensure proportionate assurance takes place.



7. Disciplinary Procedures

Yorkshire Water wants to conduct business with honesty and integrity. We want to do the right thing. This is a key part of our Big Ambition, to put people at the heart of everything we do; we want to make sure we are doing the right thing by our colleagues, our customers and the communities that we serve.

YWS takes non-compliance with any group policy very seriously, and this is the case in relation to actual or potential breaches of competition law or our Instrument of Appointment.

Any failure to comply with the terms of this Code will lead to a formal investigation and corrective action plan, which could include following disciplinary procedures with employees.

We would also seek to learn from any breaches of the Code, to enable us to review and strengthen our controls and ensure future compliance.



8. Review date/ version control

Document Control

Document Control Ref:	Condition R Compliance Code
Document Custodian:	Competition compliance team
Review Period:	Condition R Licence requirement to review and publish annually.

Document Approval

Compliance Manager Document Owner (Author)	Company Secretary Document Approval Manager
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Document Revision History

Version	Date	Amendment Details
1	2017	Update for the introduction of Retail Competition opening in the Water Industry.
2	2018	Update to include risks and controls embedded through the introduction of the Water Retail Market.
3	2019	Rebranded in line with PR19 and simplified.
4	2020	Update to reflect the sale of Three Sixty to SWBS.
5	2021	Updated to the new brand and widened the scope to cover competition in the wider markets and update the controls.

9. Appendix A – Risk and Controls Map

Risk	Could result in...	CONTROLS		
		Level 1	Level 2	Level 3
YWS discloses commercially sensitive information about market participant	<ul style="list-style-type: none"> • A Competition Act investigation/ breach • A DPA breach • Fines of up to 10% of group turnover • Reputational damage • Disadvantage to market participants 	<ul style="list-style-type: none"> • Competition act policy and handbook • Information security policy – System access controls and Secure physical security • Data protection policy • Documented processes for handling information in relation to market participants • Limited number of colleagues with access to information- only colleagues who legitimately need information have access • Competition and Markets training 	<ul style="list-style-type: none"> • Management oversight • Disciplinary procedures • Risk-based assurance reviews • Level Playing Field (LPF) reporting 	<ul style="list-style-type: none"> • Risk-based audits (internal and external)
YWS provides Three Sixty with the ability to transact with them through internal processes that are unavailable to other retailers outside of the Group	<ul style="list-style-type: none"> • A Competition Act investigation/ breach • Fines of up to 10% of group turnover • Reputational damage • Disadvantage to market participants 	<ul style="list-style-type: none"> • Competition act policy and handbook • Documented processes in line with the Wholesale Retail Codes • Competition and Markets training • Group separation – different server and systems, located in different buildings/ sites • All service requests come centrally to Wholesale Service Desk and are managed through contracted SLA's consistently regardless of Retailer 		
Employees of Yorkshire Water do not understand its obligations under competition law	<ul style="list-style-type: none"> • A Competition Act investigation/ breach • Fines of up to 10% of group turnover • Reputational damage 	<ul style="list-style-type: none"> • Mandatory e-Learning provided to all employees • Bespoke training for Market facing teams • Enhanced training for the limited number of individuals who have dual responsibilities • Compliance manual published on the Intranet • Compliance built into processes 		
YWS treat market participants unfairly	<ul style="list-style-type: none"> • A Competition Act investigation/ breach • A DPA breach • Fines of up to 10% of group turnover • Reputational damage • Disadvantage 	<ul style="list-style-type: none"> • Competition act policy and handbook • Documented processes • Risk Management • Competition and Markets training • Service Level Agreements and Jeopardy Management • Quality Assurance 		

Thank you

For more information contact:

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