

Compliance Code

For the provision of wholesale water and
wastewater supplies (Condition R)

01/06/2020

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COMPLIANCE STATEMENT

Yorkshire Water Services Limited (YWS) provides wholesale water and wastewater services to both household and non-household customers in Yorkshire. As a regulated monopoly, we fully recognise our statutory obligations under Competition Law.

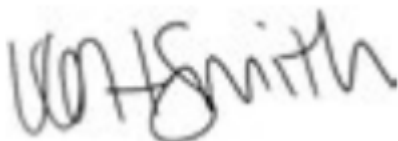
YWS supports competition in the Water Industry and is fully committed to complying with its obligations. As a wholesale provider of services, we commit to responsibly requesting and handling the information we need to receive from and in relation to market participants.

Yorkshire Water exited the non-household retail market in October 2019 with customers transferring to Scottish Water Business Stream (SWBS). Three Sixty, a subsidiary of The Kelda Group provides a transitional service to Business Stream and operate independently of Yorkshire Water.

As a wholesale provider of services, we treat all 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

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.

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 is under an obligation to ensure all participants in the market are treated fairly and receive an equitable level of service.

YWS exited the non-household water retail market in October 2019 and therefore no longer provides retail services to business customers. The acquiring Retailer was Scottish Water Business Stream (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 continue providing a service to business customers in Yorkshire on a transitional basis until September 2021.

YWS has no formal relationship with Three Sixty. The Kelda Group continues to maintain appropriate levels of separation in the support services they provide to Three Sixty.

TRAINING

YWS is committed to making sure that all 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 the market.

It is important that employees understand our obligations and the risks faced when operating in a competitive market.

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

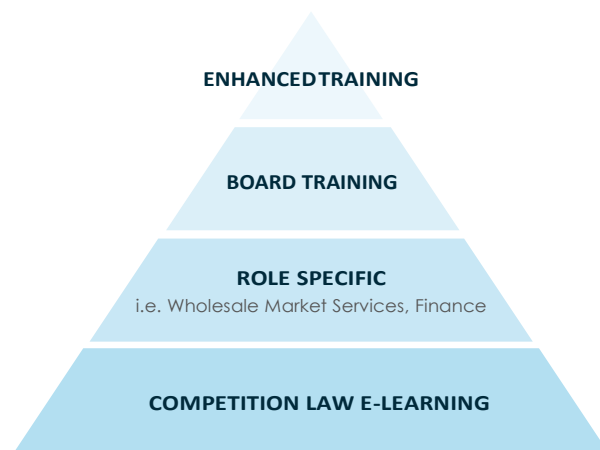


DIAGRAM A. YWS TRAINING STRATEGY FOR RETAIL COMPETITION

MONITORING

A three line of defence assurance model is used to ensure adequate controls are in place and monitored.

YWS monitors all corporate risks through an annual Control and Risk Self-Assessment process, by which all senior leaders across the company confirm their awareness and compliance with our highest risk obligations.

In addition, YWS has a dedicated Compliance Team that monitors and tests the controls against its obligations under Competition Law, the Market Arrangements Code and the Wholesaler Retail Code.

Appendix A details the controls and monitoring that is in position to mitigate the risks the company faces.

DISCIPLINARY PROCEDURES

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 the 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.



APPENDIX A - RISK AND CONTROLS MAP

		CONTROLS		
Risk	Could result in..	Level 1	Level 2	Level 3
YWS discloses commercially sensitive information about retailers	<ul style="list-style-type: none"> • A Competition Act investigation/breach • A DPA breach • Fines of up to 10% of group turnover • Reputational damage 	<ul style="list-style-type: none"> • Information security policy • Data protection policy • Documented processes for handling information in relation to retailers • Secure/ locked storage • Limited number of colleagues with access to information • Training 	<ul style="list-style-type: none"> • Management oversight • Disciplinary procedures • Risk based compliance reviews 	<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 	<ul style="list-style-type: none"> • Compliance policy and manual • Documented processes in line with the Wholesale Retail Codes • Training • Group separation - different server and systems, located in different buildings/sites • All services requests come centrally to Wholesale Service Desk and are managed through contracted SLA's • Support Services provided by the group are supplied and charged to under service agreements 	<ul style="list-style-type: none"> • Management oversight • Disciplinary procedures • Risk based compliance reviews 	<ul style="list-style-type: none"> • Risk based audits (Internal and external)
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 Hive • Compliance built into processes 	<ul style="list-style-type: none"> • Management oversight • Disciplinary procedures • Risk based compliance reviews • Board training 	<ul style="list-style-type: none"> • Risk based audits (Internal and external)
YWS treat Retailers and non-household customers 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 	<ul style="list-style-type: none"> • Compliance policy and manual • Documented processes for operation • Training • Service level agreements for all wholesale service requests • Quality Assurance 	<ul style="list-style-type: none"> • Management oversight • Disciplinary procedures • Risk based compliance reviews 	<ul style="list-style-type: none"> • Risk based audits (Internal and external)

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