
Anti-Money Laundering

PURPOSE

The purpose of this policy is to explain Pennon's expectations in relation to countering money laundering and dealing with the proceeds of crime bribery and corruption. It sets out our responsibilities as Pennon people, and of those working on our behalf, in meeting the Group's zero tolerance towards money laundering.

In addition, the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 place obligations on Pennon and its subsidiaries to establish internal procedures to prevent the use of our services for money laundering.

Currently Pennon and its subsidiaries do not undertake activities requiring licensing under the Money Laundering Regulations but we will continue to actively review the situation to ensure that we do not exceed the thresholds over which we must be licensed.

SCOPE AND APPLICATION

The Group General Counsel and Company Secretary has responsibility for this policy. It has been approved by the Pennon Group Board and applies across the Pennon Group and its subsidiary companies ("Group").

GOVERNANCE

Who is covered by this policy?

This policy applies to all workers, both permanent and temporary. In addition, we expect all our suppliers and contractors to comply with equivalent principles to those set out in this policy and in our Code of Conduct.

Potentially any one of us could be caught by the money laundering provisions if we suspect money laundering and either become involved with it or do nothing about it.

What is Money-Laundering?

Money laundering is the process of changing 'dirty' money into 'clean' money in order to hide the fact it may have originated from criminal activity. Money Laundering is the term used for a number of offences involving the proceeds of crime or terrorism funds.

Money laundering often happens in 3 steps:

- Cash is introduced into the financial system by some means (placement),
- This involves a seemingly innocent financial transaction to disguise the illegal source (layering),
- The final step is the receipt of the wealth from these illicit arrangements (integration).

Sometimes, and this is where the Pennon Group is most likely to encounter it, it can simply involve receiving payment for goods or services with "dirty" money – usually cash. It also includes possessing or concealing the proceeds of any crime. One example of this could be paying in advance for something, eg.

water or waste services (placement) and then cancelling the order within a few days, vacating property etc., (layering) in order to obtain a refund (integration).

How do we identify suspicious activity?

Any member of the workforce dealing with transactions involving income for goods and services (or other income) must be alert to the possibility of money-laundering, particularly where:

- Cash is offered by the customer,
- Overpayment is received by us and a refund is made, particularly where a cheque refund is requested,
- We receive a suspiciously low tender for goods or services,
- Checking the identity of a new customer / supplier is proving difficult,
- An individual from a new customer / supplier is reluctant to provide their details,
- There isn't a genuine reason for using the services provided,
- A customer / supplier attempts to introduce intermediaries to either protect their identity or hide their involvement,
- A customer requests a cash transaction,
- The source of the cash is not known or is unusual,
- The transaction doesn't seem normal in the context of the customer's business,
- The size or frequency of the transaction is not consistent with the normal activities of the customer,
- The pattern of the customer's transactions changes unexpectedly.

When do we need to be registered for receiving cash?

If Pennon or any part of the business were to accept or make cash payments of €10,000 or more (or equivalent in any currency) we would have to register with HMRC.

This includes when a customer deposits cash directly into the business's bank accounts, or when they pay cash to a third party for the business's benefit. Any of the following will be caught:

- A single cash payment of €10,000 or more for goods,
- Several cash payments for a single transaction totalling €10,000 or more, including a series of payments and payments on account,
- Cash payments totalling €10,000 or more which appear to have been broken down into smaller amounts so that they come below the high value payment limit.

PROCEDURES

Pennon has implemented procedures for reporting suspicious transactions and, if necessary, making an appropriate suspicious activity report (often shortened to SAR) to the Serious Organised Crime Agency (SOCA).

- We are alert to the possibility that we may become the subject of an attempt to involve us in a Money Laundering transaction. Accordingly, we maintain procedures for verifying and recording the identity of counterparties, we will report any suspicious behaviour and will ensure our workforce are properly trained in what to do if they suspect any illegal activity,

- Details of transaction(s) must be retained for at least 7 years after the end of the business relationship. Examples of that documentation are:
 - a. Documents relating to the financial transactions,
 - b. Customer Identity checks,
 - c. If you handle invoices, money transactions, payments or receipts, you must consider each transaction carefully, report any suspicious activity and remain vigilant.
- Large individual cash payments must be treated with caution. Any cash payment over €10,000 must be declined and the person requested to deposit the cash at their bank or with their solicitor and to make payment by debit or credit card, cheque, banker's draft or solicitor's cheque.
- Any suspicious activity **MUST** be reported as soon as you possibly can to your line manager or to the Group General Counsel and Company Secretary or the Head of Legal Compliance and, if you do not feel comfortable talking to an internal member of staff, through the Speak-up helpline (Phone: 0808 196 58 52, Online: www.pennongroup.ethicspoint.com). Anyone who suspects that money laundering is on-going must not disclose any material to anyone that might prejudice any investigation.

Consequences

The consequences for any of us of committing an offence are potentially very serious. The failure to disclose a suspicion of a case of Money Laundering is a serious offence, and there are only very limited grounds in law for not reporting a suspicion.

Failure to comply with the procedures set out in this policy, including reporting suspicious activity, may lead to disciplinary action being taken in addition to any legal prosecution.

Whilst the risk to Pennon of being involved in any Money Laundering activity is considered low, it is important that we all understand our legal responsibilities and how to report any suspected suspicious activity.

This policy should be read alongside all Pennon Group policies and procedures.

Follow-up Action

If you'd like further advice, you can contact our Head of Legal Compliance, who will be happy to offer guidance.

Head of Legal Compliance
Sylvia C Kong
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VERSION HISTORY

This section of the policy should be completed to detail changes made to the policy.

VERSION	STATUS	AREA OF CHANGES	DESCRIPTION OF CHANGES	APPROVED BY	DATE OF RELEASE DD/MM/YYYY
1.0	Current	All	Final Version	Pennon Board	16/05/2019 ¹

¹ Contact details were updated on 2 December 2022