

# Regulatory and Compliance

## PURPOSE

The purpose of this policy is to outline the requirements on Group companies to comply with relevant legislation, standards, best practice and other obligations they have in undertaking their business activities and to ensure that regulatory and compliance risks are identified, adequately mitigated and reported.

## SCOPE AND APPLICATION

This policy is managed by the Group General Counsel and Company Secretary, approved by the Pennon Group Board and enforced without discrimination across the Pennon Group and its subsidiary companies ("Group") and sets out the principles and standards for compliance and management of compliance risks across the Group.

## GOVERNANCE

All Pennon companies are required to comply with the following:

- All UK, EU and international legislation (including statutes, statutory instruments and codes of practice thereunder) which is applicable to the business activities of Group companies;
- The requirements of the regulatory organisations (including the Water Services Regulation Authority (Ofwat), the Drinking Water Inspectorate, HMRC, the Financial Services Authority, the London Stock Exchange, the Health and Safety Executive, the Information Commissioner's Office, the Competition and Markets Authority, and the Environment Agency) that have responsibility for setting standards, procedures and practices applicable to the relevant Group companies' operations and business activities, including such regulations and license conditions which a Group company, is required to comply with in order to carry out its business;
- The standards set by trade organisations, professional bodies and accreditation organisations with which the relevant Group companies agree to comply, depending upon relevance to their operations and business activities; and
- The internal Group policies and procedures including the Group's Code of Conduct, Data Protection Policy, Health and Safety Policy, Inside Information Policy, Gifts and Hospitality Policy, Legal Matters Policy, Whistleblowing Policy and Risk Management Policy, which set out the principles and standards for compliance and management of risks across the Group and enable the Group to monitor and report compliance on an annual basis, and introduce more robust measures to ensure ongoing compliance where necessary.

Any regulated companies including South West Water Limited (water and sewerage undertaker), is required to carry out its regulated business in accordance with its licence.

## COMPLIANCE RISKS AND TOLERANCE

The Group has zero tolerance to breach of applicable laws and will ensure, enable, and enforce compliance with all relevant laws, regulations, standards, guidance and codes applicable to the Group's activities.

In addition to the requirements of the Group Risk Management Policy, any concerns and or findings of regulatory non-compliance shall be initially reported to the director or head of department (or their delegate) of the appropriate Business Unit (being each operating segment with the Group) to the Head of Legal Compliance, and to the Group General Counsel and Company Secretary for monitoring, with further escalation by the Head of Legal Compliance or Group General Counsel and Company Secretary, as necessary.

## PROTECTION

We aim to encourage openness and will support anyone who raises genuine concerns in good faith.

Additionally, we are committed to ensuring no one suffers any detrimental treatment as a result of refusing to take part in bribery or corruption, or because they report any suspicion of actual or potential bribery or corruption.

## PREVENTATIVE MEASURES

### Risk assessment

We conduct regular risk assessments to drive the identification and evaluation of our risks to ensure a risk-based approach in undertaken to implement appropriate measures and controls.

### Effective monitoring and internal control

Our businesses must all maintain an effective system of internal control and monitoring of our transactions. Once bribery and corruption risks have been identified and highlighted via the risk assessment process, procedures will be developed in order to mitigate these risks on an ongoing basis.

## TRAINING AND COMMUNICATION

Training on this policy forms part of the induction process for all our people. We will provide regular refresher training as necessary.

## BUSINESS PARTNERS

As part of our Sustainable Procurement Policy and on-boarding process, each business partner is required to comply with our Code of Conduct for Supply Chain Partners which sets out the principles and values which must be upheld by all suppliers, subcontractors and any other business partners working with us. (We also require our business partners to accept relevant contractual commitments).

## BREACHES OF THIS POLICY

Any employee who breaches this policy will face disciplinary action, up to and including dismissal.

## 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	25/03/2021 <sup>1</sup>

<sup>1</sup> References were updated on 2 December 2022