



## **SES Water**

---

## **Compliance Code**

Issue no.7

---

# Contents

<b>1.</b>	<b>About this Code.....</b>	<b>1</b>
1.1.	Introduction.....	1
1.2.	Scope of the Code .....	1
1.3.	Compliance statement .....	2
<b>2.</b>	<b>Arm’s length trading.....</b>	<b>2</b>
<b>3.</b>	<b>Information and data handling .....</b>	<b>3</b>
3.1.	Confidentiality.....	3
3.2.	Handling of information and data.....	3
3.3.	Data storage .....	4
<b>4.</b>	<b>Employee training and discipline .....</b>	<b>4</b>
4.1.	Awareness .....	4
4.2.	Competence .....	4
4.3.	Consequences of breaching the code .....	5
<b>5.</b>	<b>Audit process .....</b>	<b>6</b>
	<b>Glossary of terms .....</b>	<b>7</b>
	<b>Document control .....</b>	<b>9</b>

---

## 1. About this code

### 1.1. Introduction

This document is SES Water's Compliance Code (the "Code"). It provides information for employees and other interested parties about how the Company intends to comply with the requirements placed on it through Condition R of its Instrument of Appointment and relevant competition law.

Condition R of the Company's Instrument of Appointment imposes obligations on SES Water to:

- carry out all transactions with an Associated Licensee at arm's length;
- show no undue preference towards, or undue discrimination against:
  - customers (or potential customers) of a Licensee, as compared with either the Company's own customers or customers of any other Licensee; or
  - a Licensee, as compared with any other Licensee or the Company itself;
- not use or disclose information received from a Licensee inappropriately and have legally enforceable terms in place related to the confidentiality of the information shared between the Company and the Licensee; and
- have a Compliance Code that complies with guidance issued, and from time to time modified, by Ofwat.

The Competition Act 1998 imposes similar requirements on the Company. It prohibits anti-competitive agreements between businesses and abusive behaviour by businesses in dominant market positions.

The Code has been produced in accordance with the Guidance on Compliance Codes issued by Ofwat in July 2008.

Any questions concerning this Code should be directed to the Company's Compliance and Assurance Manager.

A glossary of terms is included in section 6.

### 1.2. Scope of the Code

This Code outlines the specific steps the Company takes to ensure that it complies with the regulatory requirements imposed by Ofwat to ensure fair and appropriate trading with all water retailers, and the legal obligations imposed by the Competition Act. Employees must adhere to it at all times.

From April 2017, the market for water supply and sewerage services changed. All eligible business customers are now able to choose their retailer and the requirements on the Company and Licensees are set out in the Market Codes. This Compliance Code sets out how the Company continues to ensure compliance with regulatory and legal requirements in the new market. This includes how the Company manages any dealings with its Associated Licensee, SES Business Water, and all other Licensees.

## 1.3. Compliance Statement



Nicola Houlahan

**Quality and  
Compliance Director**

*“The competitive market for water services has expanded. SES Water recognises the importance of treating all Licensees and their customers fairly. We have relevant procedures and promote a culture of compliance through our employee performance management processes and information and training for all employees.*

*We take compliance with our Instrument of Appointment and the Competition Act very seriously. This Code provides information to our employees, Licensees and others on how we will approach compliance with our licence and the law.*

*All employees have a responsibility to comply with this Code. It is the responsibility of senior managers to ensure employees are aware of it and adequately informed of the duties placed on them by it. We take non-compliance or any action preventing or discouraging others from complying with this Code very seriously. A failure to comply with this Code, whether highlighted by audit or complaints from a Licensee, will be investigated.*

*This Code is published on our website and made available to all employees affected by it.”*

---

## 2. Arm’s length trading

The Company has the same ultimate parent company as SES Business Water, holder of licences to supply water and sewerage services in England and Wales, and Scotland. SES Business Water is therefore an Associated Licensee of the Company.

SES Business Water is legally and physically separated from SES Water. The two companies have separate Boards and no information will be shared with SES Business Water that has not been shared with all Licensees.

The Company must carry out all transactions with SES Business Water at arm’s length. The Company and SES Business Water share some resources. These shared resources are recorded, charged and billed in accordance with the signed agreements that meet the requirements of Condition F of the Instrument of Appointment and the Regulatory Accounting Guidelines, issued and amended from time to time by Ofwat. The financial transactions are documented in the Company’s Annual Report, available on the Company’s website.

The Company will not enter into an agreement or contract with a Licensee that provides any preferential treatment to it or its customers.

---

## 3. Information and data handling

### 3.1. Confidentiality

All enquiries from Licensees, including Associated Licensees, will be handled by the Wholesale Services Desk, unless directly related to the provision of a contracted shared service.

A Licensee that wishes to deal with us will have to comply with the Market Code requirements, including the requirements on confidentiality. The purpose of the confidentiality requirements is to ensure that neither party discloses information without consent or misuses information received.

The Company and its employees agree to follow the Market Code requirements regarding confidentiality. Only employees working on the Wholesale Services Desk will have access to information provided by Licensees, unless it is directly related to the provision of a contracted shared service. The Company will not use any information it obtains for its own commercial advantage and will only use such information for the purposes for which it was supplied.

Employees are required by their terms of employment (the 'SES Water Staff Handbook') to abide by rules in relation to handling confidential information. This applies equally to information from customers and Licensees. The relevant section of the Staff Handbook contains information on requirements to:

Return information and material on termination of employment

Do not divulge confidential information

Keep information confidential

### 3.2. Handling of information and data

The amount of information and data that is discussed and exchanged between the Company and the Licensee shall be limited to that reasonably required for fulfilment of the contract.

The Company's Quality and Environmental Management System is implemented according to the ISO 9001:2015 and ISO 14001:2015 International Standards. The documented manual notes that supplied data and information is protected from damage or deterioration and stored to be easily retrievable. It is controlled to protect the Company and its customers (including Licensees) from any breach of confidentiality.

All Quality and Environmental Management System documentation is reviewed periodically to ensure it remains current and is approved prior to issue or re-release.

Once we hold information it will only be shared in accordance with the documented procedure in the Company's Quality and Environmental Management System Manual (QESP11 - Information Security), the Company's Data Protection Policy and the Company's Security Policy.

The Licensee should be aware that if environmental information is requested the Company will take account of its legal obligations under the Environmental Information Regulations 2004 on public access to environmental information and may disclose information to meet this requirement.

### 3.3. Data storage

Information and data relating to a Licensee shall be stored on a secure server where access will be limited to authorised personnel on the Wholesale Services Desk or the IT department. Hard copy documents, if required, will be stored in a lockable filing cabinet.

Data will not be kept for longer than is necessary for its use for the purposes specified and will be disposed of as confidential waste in line with our data retention schedule.

---

## 4. Employee training and discipline

### 4.1. Awareness

All relevant employees are aware of the content of this Code and the requirements it places on them in relation to compliance with the Market Codes and competition law. All new employees go through a formal induction process that includes raising awareness of the content of this Code, where it is relevant to that role.

Any amendments to this Code are communicated to all staff. The Code is published on the Company's intranet and website.

### 4.2. Competence

Specific training is given to employees in roles where there is an increased risk of non-compliance with this Code. This training is carried out by a Company representative and includes details of:

The Company's obligations under Condition R

The Company's Compliance Code

Arm's length trading

Obligations about information

Employees can discuss any additional training needs with their line managers, in accordance with the Quality and Environmental System procedure QESP9 - Training. A record of this training will be kept by the Company's Human Resources department. Training requirements will be kept under review and take account of any update to the regulatory guidance or any non-conformity raised by internal audit or complaint.

It is important that employees are compliant with the Competition Act. The main features of the Act are summarised below together with examples of acceptable and non-acceptable behaviours to assist all employees in meeting the legal requirements:

- **Dividing up and sharing markets** – Do not contribute or engage in any behaviour which could be perceived to influence which retailer a business customer chooses and never try to prevent a retailer from accessing any part of the market. Treat all retailers equally.
- **Bid or tender rigging** – We must never discuss the price offered with other wholesalers for special agreements or non-primary services. Agreeing that another party, or ourselves, would have the lower price, is against the law.

- **Price fixing** – We must not share confidential commercial information, impose minimum pricing on our retailers or discuss charging with other wholesalers.
- **Abuse of a dominant market position** – We have a dominant market position in our geographic area as we are the only wholesaler for domestic customers and for retailers supplying business customers. It is important not to abuse our position. We must ensure a level playing field for all retailers.

## Do

- You can discuss historical and aggregated industry pricing if required.
- You can provide information to a customer to help them understand how the market works or to improve the service they receive.
- You can make business customers aware that they are able to change their retailer and you can direct them to the Open Water website to help them with their choice.
- You must leave any meeting or discussion which provides you with information about competitors pricing or planned activities and report to the Compliance and Assurance Manager.
- You must direct any contact (calls or physical visits) made directly to you from retailers to the Wholesale Service Desk and report them to the Compliance and Assurance Manager.
- You must treat all retailers equally and ensure a 'level playing field' for all.
- You can keep safe any information you have access to which may be commercially sensitive by keeping paper copies in a secure location.
- You can speak with non-household customers in relation to supply interruptions or a water quality incident.

## Don't

- You cannot communicate any future pricing of SES Water or commercial strategy outside the Company.
- You cannot process any workflow for any retailer outside of the processes detailed for the Wholesale Services Desk, particularly not showing any preference to any particular retailer, except for where this is covered by a contracted shared service arrangement.
- You cannot provide information to a retailer outside of the Wholesale Services Desk which could be perceived as providing an advantage.
- You must not discuss with customers your opinion of the water market or retailers.
- You cannot remain in any situation where a competitor discusses their commercial strategy.
- You must not take paper copies of any commercially sensitive information outside the office. Such information should only be stored electronically, on a password protected device.
- You cannot provide specific advice to non-household customers arising from their water bill; they should be referred to their retailer.

### 4.3. Consequences of breaching the Code

The disciplinary procedure is documented in the Company's Staff Handbook. The procedure will apply equally to any employee who does not act in accordance with this Code.

Any breach of the Code may result in disciplinary proceedings being taken against the employee(s) involved. This is because any breach of this Code could put the Company at risk of breaching the Competition Act 1998, the Water Industry Act 1991 and/or the Company's Instrument of Appointment which could result in severe penalties. In addition, for certain offences under the

Competition Act, individual employees may be liable personally and, if found guilty, could be fined or sentenced to a term of imprisonment.

The Company rules and disciplinary procedure apply to all employees. The aim is to ensure consistent and fair treatment for all. The disciplinary procedure itself contains sections on:

- General principles;
- Conduct of meetings under the procedure, including appeals;
- Right to be accompanied in formal meetings;
- Warnings and dismissal:
- Gross misconduct;
- Appeals; and
- Pay review.

The Company reserves the right to alter any of its terms at any time. Employees will be notified of the changes at the time they are made.

---

## 5. Audit process

The Company's internal audit schedule is risk based. It is set by the Quality and Compliance Director and approved by the Audit Committee.

The areas covered by this Code will be reviewed at least annually to check for actual or potential breaches of this Code. The review will consist of checks that:

- The processes being followed comply with the Market Codes;
- The processes being followed comply with competition law;
- The Code and processes in place reflect the latest version of the Market Codes, the Company's Instrument of Appointment and the Competition Act 1998; and
- Inappropriate behaviour or any infringements are being identified, recorded and rectified.

Action will be taken to correct any non-conformity. This Code will be reviewed at least annually to ensure it is fit for purpose and reflects current practice. All revisions to the Code will require sign-off by the Quality and Compliance Director.



## Glossary of terms

TERM	DESCRIPTION
<b>Access</b>	The wholesale supply of water by a Water Undertaker to a Licensee for the purpose of making a retail supply of water to the premises of the Licensee's Customer; and the introduction of water by the Licensee into a Water Undertaker's supply system for that purpose.
<b>Access Agreement</b>	An agreement between a Water Undertaker and a Licensee for access to a Water Undertaker's supply system pursuant to a Retail Authorisation (Wholesale Master Agreement) or a Retail Authorisation combined with a Supplementary Authorisation (Combined Access Agreement).
<b>Access Code</b>	The Company's document that sets out all principal aspects of access to its supply system and the terms and conditions on which it will grant access to its supply system by a Licensee. It comprises the standard terms and conditions to all Water Undertakers and the terms and conditions specific to the Company.
<b>Associated Licensee</b>	A Licensee which is an associated company of Sutton and East Surrey Water.
<b>Authority</b>	The Water Services Regulation Authority, also known as Ofwat, established by section 1A of the Water Industry Act 1991.
<b>Company</b>	SES Water (being the Incumbent to which this Compliance Code refers).
<b>Customers</b>	A person or organisation that receives water or services from the Water Undertaker, or Licensee.
<b>Incumbent</b>	The Company, being the existing statutory Water Undertaker appointed under the Water Industry Act 1991, which owns and operates the System on which Access will operate, in its area of supply.
<b>Instrument of Appointment</b>	The instrument of appointment granted under section 6 of the Water Industry Act 1991 to a company to provide water and sewerage services in England and Wales.
<b>Licensee</b>	A company holding a Water Supply Licence or a Sewerage Licence granted under section 17A or 17BA of the Water Industry Act 1991.

TERM	DESCRIPTION
<b>Market Arrangements Code</b>	The code of that name designated by the Authority from time to time.
<b>Market Codes</b>	Collectively: (i) the Wholesale-Retail Code (including the Wholesale Contract); and (ii) the Market Arrangements Code.
<b>Primary Water Undertaker</b>	For the purposes of Section 66A WIA91 (wholesale water supply by Primary Water Undertaker) and Section 66C WIA91 (wholesale water supply by Secondary Water Undertaker), a Water Undertaker is the Primary Water Undertaker if the undertaker's supply system is to be used for the purposes of making the supply to the premises of the Licensee's Customer.
<b>Secondary Water Undertaker</b>	A Water Undertaker other than the relevant Primary Water Undertaker (section 66C(1)(a)(i) WIA91).
<b>Water Supply Licence</b>	A licence granted to a Company giving it the Retail Authorisation, or both the Retail Authorisation and the Supplementary Authorisation.
<b>Water Undertaker</b>	A company appointed under the WIA91 to provide water services to a defined geographic area and which owns the supply system and other infrastructure.
<b>Wholesale Contract</b>	The contract between the Company and the Licensee that constitutes: (i) a Section 66D Agreement; or (ii) a Section 117E Agreement; or (iii) both a Section 66D Agreement and a Section 117E Agreement;  and which, in each case, refers to and incorporates the terms and conditions set out in the Wholesale-Retail Code.
<b>Wholesale-Retail Code</b>	The code of that name issued by the Authority under sections 66DA and 117F of the Water Industry Act 1991.
<b>Wholesale Services Desk</b>	The department of SES Water responsible for dealing with all transactions with Licensees.

## Document control

Code owner	Nicola Houlahan
Reviewed and updated	April 2020
Next review planned	March 2021

### AMENDMENT SCHEDULE

Revision	Amendments	Reviewed	Authorised	Date
1	Implementation		JD	03/11/2008
2	Updates to original		JD	30/01/2014
3	Updates to reflect market reform arrangements and minor revisions	JLC	NLH	29/03/2016
4	Updates to reflect policy and practical changes for market reform. All sections were updated following review.	JLC & LJR	NLH	31/03/2017
5	Minor updates to reflect contracted shared service arrangements	JLC & LJR	NLH	21/03/2018
6	Minor updates to reflect the adoption of a combined Quality and Environmental Management System	PT	NLH	18/03/2019
7	Minor updates following annual review	DE	NLH	28/04/2020