

VNL Compliance Statement

Vattenfall Networks Limited
Confidentiality class: None (C1)



VATTENFALL

<i>Document ID</i>	<i>Version</i>	<i>Status</i>	<i>Status date</i>	<i>Organization</i>	
PR-R-001	03	Final	27/03/2024	Vattenfall AB	
<i>Document type</i>		<i>Alternative ID</i>		<i>Document owner</i>	<i>Conf. class</i>
Procedure				VNL	C1
<i>Authored by</i>		<i>Reviewed by</i>		<i>Approved by</i>	
Joanna Rysz		Darren Reeve		Stewart Dawson	
<i>Summary of Changes</i>					
Entire document updated					

Previous version history:

<i>Date</i>	<i>Version</i>	<i>Summary of changes</i>	<i>Prepared by</i>	<i>Reviewed by</i>	<i>Approved by</i>
16/03/2017	00	Original draft	M Bacon		
13/04/2017	01	Final version	M Bacon		S Dawson
20/05/2021	02	Document reviewed and updated	D Reeve		S Dawson

Contents

Introduction	4
Unbundling Principles	4
Strategies for Ensuring Operational Independence	4
1. Managerial independence	4
2. Financial independence.....	5
3. Monitoring.....	5
4. Staff.....	5
5. Data confidentiality	5
6. Branding	5
7. Preventing cross-subsidisation.....	6
8. Investigation of breaches.....	6
9. Enquiries	6

Introduction

Unbundling is a familiar concept to Vattenfall as we are a vertically integrated undertaking operating in Great Britain, Sweden and Germany and have well-established unbundling protocols. To this end the Vattenfall Group already has a 'Vattenfall Management System' document on unbundling which lays out the formal internal rules by which employees must comply.

Unbundling Principles

Vattenfall Networks Ltd commits to the following unbundling principles in its GB licenced network operations:

- **Non-discrimination:** ensure that Vattenfall Networks Ltd treats Vattenfall's licenced supply and generation businesses in the same way as other market participants
- **Steering:** ensure that the Vattenfall Networks Ltd has effective and independent decision-making in relation to its day-to-day operations and what is required in order to secure operation, maintenance and the expansion of the electricity networks
- **Commercially sensitive information:** ensure that commercially sensitive information held by Vattenfall Networks Ltd is not disclosed in a discriminatory manner to any Vattenfall retail or generation business
- **Prohibition against cross-subsidisation:** ensure that Vattenfall Networks Ltd is not paying more or less than its fair share for common Vattenfall group services
- **Identifiable branding:** ensure that customers are always aware of whether they are communicating with a regulated Vattenfall distribution business, or another arm of Vattenfall.

Strategies for Ensuring Operational Independence

There are a number of ways in which we could ensure operational independence. Vattenfall Networks Ltd has due regard to best practices from within the existing Vattenfall AB group which include, but is not limited to, the following:

1. Managerial independence

- a. Vattenfall Networks Ltd Directors and management team report to managers who are part of Vattenfall's overall distribution business ('Business Area (BA) Distribution'). BA Distribution is already unbundled from the rest of the Vattenfall AB Group. Vattenfall Networks Ltd Directors are not be overseen by, or take instruction from, senior managers who work for other areas of Vattenfall. In turn, Vattenfall Networks Ltd employees below Director level report to the Vattenfall Networks Ltd Directors.
- b. The head of Vattenfall's BA Distribution is not part of Vattenfall's decision-making Executive Management Team in order to ensure sufficient distance between our distribution activities and our wider business.
- c. Vattenfall Networks Ltd Directors may take part in non-operational decision-making with regards to the UK business covering things like, for example, HR policies or accommodation issues.

2. Financial independence

- a. Vattenfall Networks Ltd's financial resources are derived from Vattenfall's BA Distribution budget. Business planning and expenditure of Vattenfall Networks Ltd is overseen by BA Distribution.
- b. Whilst Vattenfall AB has strategic oversight of the BA Distribution business plan and the power to grant high-level approval, it will not be possible for the Group or any of its generation or retail subsidiaries to see detailed business plans or issue specific instructions on spending. The Vattenfall Group is only able to state the total investment budget but it is then up to BA Distribution to decide the most appropriate means to use this within the context of its regulatory obligations. Financial reporting of BA Distribution is also presented to the Vattenfall AB Group in aggregate.

3. Monitoring

- a. Vattenfall Networks Ltd has appointed a competent and appropriately resourced (as required in the standard condition for a distribution licence) Compliance Officer responsible for advising on, and ensuring the effectiveness of, unbundling processes. The Compliance Officer will also be able to draw on the independent advice of Vattenfall's existing unbundling experts.

4. Staff

- a. All Vattenfall Networks Ltd staff are required to undertake Vattenfall's unbundling training programme at least once every three years. This provides staff with an overview of the legislative arrangements and practical advice with regards to how they can conduct themselves to ensure the integrity of unbundling on a day-to-day basis.
- b. Contracts for all of Vattenfall's GB staff include clauses on observing the business separation requirements. Deliberate breach of the confidentiality requirements would lead to disciplinary action.

Where staff transfer from Vattenfall Networks Ltd to licensed affiliates or related undertakings, these are discussed in advance with the Vattenfall Networks Ltd Compliance Officer and Vattenfall's corporate Unbundling Officer for the UK to ensure that controls are put in place to protect and manage Confidential Information.

5. Confidential Information

- a. In addition to the HR provisions on confidentiality above, restricted access to Vattenfall Networks Ltd information is ensured via IT profiles, which will restrict access to confidential data relevant to the Vattenfall Networks Ltd business for Vattenfall employees not part of the Vattenfall Networks Ltd or those who have moved on to a different area of Vattenfall.
- b. Restricted access to premises occupied by Vattenfall Networks Ltd's staff also prevents persons not part of the Vattenfall Networks Ltd from accessing Vattenfall Networks Ltd's information.

6. Branding

Vattenfall Networks Ltd has its own branding name separate from that used by other parts of the Vattenfall group.

7. Preventing cross-subsidisation

- a. Costs for staff employed in 'shared services' (e.g. Communications, HR, Legal) who advise on different aspects of the Vattenfall business are shared in accordance with the Vattenfall group's recharge and cost sharing model. This ensures that Vattenfall Networks Ltd pays its fair share for shared services whilst still allowing us to deliver the most efficient outfit for our GB IDNO and, therefore, lowest prices for consumers.
- b. Vattenfall Networks Ltd commits to not favouring any of the Vattenfall generation or retail businesses. Provision of information and costs are on an equal basis with other market participants.

8. Investigation of breaches

The Compliance Officer and UK Unbundling Officer are responsible for investigating any breaches of either this statement or the relevant licence conditions pertaining to business separation.

9. Enquiries

Any enquiries in relation to this statement should, in the first instance, be addressed to the Compliance Officer Amanda Engman via email: Amanda.Engman@Vattenfall.com.