

Ring-fencing Certificate



Leep Networks (Water)
Ltd



leep utilities™

Certificate of Adequacy

1. Principal activities

The principal activity of Leep Networks (Water) Ltd (the 'Company') is the provision of water and sewerage services including the adoption and operation of water and waste network infrastructure within defined geographical areas.

2. Licence Requirement

This Certificate is issued pursuant to licence conditions P10 to P13, which place on the Directors of the Company a requirement to ensure that, at all times, the Company has adequate financial and management resources and facilities to enable it to carry out its regulated activities and, further, that the Directors issue a Certificate of Adequacy confirming that the Company complies with its duties in this regard.

3. Approval

At a Board meeting held on 10 July 2024, the Directors approved this Certificate. An extract of the minutes of that meeting is appended.

4. Statement

The Directors confirm that in the opinion of the Board:

- the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated activities;
- the Appointee will, for at least the next 12 months, have available to it management resources which are sufficient to enable it to carry out those functions; and
- all contracts entered into with any Associated Company include all necessary provisions and requirement concerning the standard of service to be supplied to the Appointee, to ensure that it is able to meet all its obligations as a water undertaker.

Signatory:

A handwritten signature in dark ink, appearing to read 'V. Manfredi'.

Date: 11/07/2024

Victoria Louise Manfredi

Chief Executive Officer

Appendix

1.1. Factors considered by the Board

In reaching its decision to approve the Certificate of Adequacy the Board has considered, either directly or through the Company's management, a set of factors outlined below, pertinent to the operation of the Company.

1.2. Financial Resources

The Company has arranged letters of credit, sufficient to provide for at least the twelve-month period following the date of this Certificate. The Board is satisfied that this level of support is within the broader capabilities and objectives of the Ultimate Controller.

1.3. Management Resources

The Company has in place a clearly defined organisational structure comprising financial, operational, regulatory and customer service personnel.

These personnel have, both collectively and individually, many years of experience in the water and sewerage industry and have gained significant understanding of the New Appointments & Variations market. Succession plans have been identified enabling business continuity in all activities.

A defined reporting and governance structure ensures that the Directors are made aware of and can respond to matters arising from the conduct of the business and are able to monitor the overall ability of the Company to fulfil all licensed regulatory activities and to meet customer's needs.

1.4. Systems of Planning and Internal Control

The Company's Articles of Association and Code of Conduct policy provides the framework for operating the business in line with its stated objectives and within the terms of its licence. These documents also detail and define the actions of employees with regard to diversity, whistleblowing, fraud and to encourage and promote appropriate behaviours.

There are clearly defined processes in place enabling the Company to monitor the delivery of all regulated and business deliverables coupled with an internal audit regime to assess compliance in meeting all the requirements of the licence.

The Company has effective contingency plans, providing for situations where employees and offices may be unavailable.

1.5. Rights and Resources

The Company provides its customer and operational services by means of its own employees, competent service providers and the use of appropriate technology and systems. To maintain these services, the Company reviews and upgrades any associated contracts in response to changes in the business environment or according to internally defined milestones. The Board is satisfied that the current arrangements are robust and assures our ability to deliver all required services and mitigates any risks.

1.6. Contracting & Associated Companies

The terms of the Company's licence include within Condition 'P' a requirement that the Company conducts any business with any Associated Company at 'arm's length' and that the terms of any contract with that Associated Company do not adversely affect the ability of the Company to carry out its regulated duties.

- 1) The Company operates two Appointments within the Portsmouth Water region, taking potable water under bulk supply contracts. Portsmouth Water is owned by Ancala, which is a 90% shareholder of Leep Utilities and

is the Ultimate Controller of LNWL. The bulk supply contracts were signed by Portsmouth Water and SSE Water Ltd, prior to the acquisition of SSE Water Ltd by Leep Utilities and remain in force. The contracts are not time limited.

- 2) Where the Company seeks further appointments involving premises in which an interest is held by Peel Holdings (PH) who has a non-controlling financial interest in Leep Utilities, the Company will continue to satisfactorily demonstrate the actions and assessments undertaken are in line with its general principles and policies and its approach to other financial dealings.

The Board is satisfied that the terms and conditions of the bulk supply contracts support the principle of Arm's Length Trading, do not create cross-subsidies or other obligations and that the contracts ensure that the Company is able to carry out its Regulated Activities. Further, the Board is also satisfied that the Company's internal procedures are consistently followed in dealings with associated companies.

The Company's Code of Conduct policy includes a requirement for employees to be aware of and report any potential conflicts of interest, including those arising from activities involving associated companies.

1.7. Risk Management

The Company supplies water and sewerage services in a regulated market under the New Appointments and Variations process. Prior to applying for a new appointment, the Company has internal processes to review the proposal, ensuring that financial, customer and operational targets can be met.

The Company has developed and embedded a clear framework for risk management allowing for the identification of risks to LNWL. A central risk register documents any identified risks and agreed control measures to mitigate any potential risks, and this is subject to continuous review with the Board.

The Board is satisfied that the Company will not be subject to any challenges beyond those that may reasonably be predicted.