

**TITLE:**

**CODE OF CONDUCT**

**Introduction**

The mission of Northumbrian Water Group plc is to be the national leader in the provision of sustainable water and waste water services.

One of our six core values is to behave ethically. We believe in doing the right thing and in being open and truthful with those who depend on us. We will always aim to do what we say we will and keep environmental and social issues at the heart of our thinking. Our performance is scrutinised by many external observers, including our regulators, and we will always be honest with them.

We provide essential services in the areas in which we work and we accept the high levels of responsibility which this carries. We are committed to:

- providing continuous supplies of high quality drinking water;
- protecting and enhancing the natural environment;
- supporting our employees to develop their potential in a great place to work;
- working in partnership with our communities to provide sustainable solutions;
- delivering a return to our shareholders and investors through our competitiveness;
- meeting our responsibilities and developing our reputation as a corporate citizen, complying with the letter and spirit of the law; and
- publicly reporting our results.

To help us meet these wide-ranging responsibilities, we have adopted this Code of Conduct. We will endeavour to adhere to the Code in all our activities and will carefully monitor our performance through the key indicators and trend data in our Corporate Responsibility Model published on our website. We will review the Code regularly.

**Our Code of Conduct**

We will strive to adhere to this Code of Conduct.

**1.0 Relationships**

- 1.1 Our relationships with our employees, customers, regulators and other stakeholders are important to us and are taken into account in our decision making.
- 1.2 We act ethically, lawfully and with integrity, honesty and fairness in all our relationships.
- 1.3 We are careful how we handle information we receive in the course of our business. If the information is confidential or sensitive we do not disclose it, except where we are legally required to do so or with the express permission of the individual to whom it relates. We comply with our obligations under data protection legislation.
- 1.4 We apply strict rules when giving or accepting gifts or hospitality.
- 1.5 We communicate our policies, achievements and prospects regularly, clearly and in plain English to our employees and stakeholders. We do not make excuses if something goes wrong.
- 1.6 We will form lasting long term relationships with organisations that share a common vision of environmental, economic and community enhancement.

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## 2.0 Customers

- 2.1 We recognise that the services provided by our main operating business, Northumbrian Water Limited ("NWL"), are essential to the health and wellbeing of our customers. We will provide these services to a very high standard, ensuring they meet or exceed all applicable legal and regulatory standards.
- 2.2 Our overriding objective is to meet the needs of our customers. To do this we will:
- improve customer service and reduce overall customer complaints;
  - balance the need for investment with affordability to customers; and
  - provide good value for money.
- 2.3 We describe our services and products accurately in our communication materials and advertising.
- 2.4 We aim to recover debts swiftly and efficiently to prevent additional costs being imposed on our paying customers. However, we try to help customers who have difficulty paying their bills and we offer a variety of options to make payments easier.
- 2.5 We consult our customers regularly through appropriate channels which include, in the case of NWL, the Consumer Council for Water and independent research.

## 3.0 People

- 3.0 We expect our employees to comply with our overriding principle of acting ethically, lawfully and with integrity, honesty and fairness.
- 3.1 We recruit and develop talented and committed employees, regardless of age, gender, disability, race, religion or sexual orientation.
- 3.2 We equip our people with the right skills for their current job and their next job. We ensure our people have the information, tools and skills to contribute to both efficiency and customer service.
- 3.3 We seek to lead effectively, developing leadership skills both in current and potential people managers.
- 3.4 We seek to achieve and maintain high levels of performance and motivation.
- 3.5 We protect and enhance the health and wellbeing of employees through proactive management of risks to health and safety, the encouragement of a sensible work/life balance and participation in occupational health programmes.
- 3.6 We pay our employees fairly, recognising and rewarding them for their achievements and contributions. We monitor market conditions to ensure that our pay and conditions remain competitive, taking account of all the relevant factors. We involve our employees in the business planning process, so that our final business plans take account of input from the whole business.
- 3.7 We encourage open feedback throughout the organisation and protect employees who wish to voice concerns about any behaviour or decisions which they believe to be unethical.
- 3.8 We encourage our employees to share in our future through long term employee share ownership plans.

## 4.0 Environment

- 4.1 We take a proactive approach to environmental matters and engage in local, national and international debate on emerging issues.
- 4.2 We assess the environmental and social effects of our significant developments and seek sustainable, innovative solutions to mitigate adverse environmental impact and to enhance the environment where this is practicable.
- 4.3 We encourage conservation and biodiversity and pay particular attention to environmentally sensitive areas.

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- 4.4 We seek to reduce our consumption of natural resources and our emissions to air, land and water. We report publicly on our use of these resources. In particular, we aim to minimise energy consumption and use self-generated renewable energy where possible. We monitor our carbon emissions and participate in the Carbon Disclosure Project voluntary reporting scheme.
- 4.5 We are assessing, and will respond to, the impact of climate change.
- 4.6 We use resources in a sustainable manner and in procuring materials, goods and services take account of their environmental, social and economic impact.
- 4.7 We are reducing the amount of waste we produce. We reuse, recycle/compost, recover energy from and/or dispose of the waste that is produced in a responsible manner.
- 4.8 We work with organisations that focus on environmental conservation and enhancement, such as Natural England and the Environment Agency, to ensure that we enhance the environment when opportunities arise and minimise the adverse impact of our operations.

## 5.0 Competitiveness and reputation

- 5.1 We will respond to the challenges of a developing market through our competitiveness and reputation.
- 5.2 We promote innovation and enterprise across the Group.
- 5.3 We benchmark our performance against relevant comparators and indices to drive continuous improvement.
- 5.4 We contribute to regional economic performance.
- 5.5 We are a valued contributor, partner and/or leader within the communities we serve.

## 6.0 Shareholders and other investors

- 6.1 We aim to provide an appropriate return for shareholders and meet our obligations to providers of debt finance by ensuring our business generates an appropriate level of profit and is sustainable.
- 6.2 We prepare accounting statements on a timely basis and in accordance with applicable accounting standards.
- 6.3 We provide the market with timely and accurate details on all disclosable events as required by the UK Listing Rules.

## 7.0 Regulators

- 7.1 We recognise the importance of NWL maintaining positive relationships with its main regulators: Ofwat, the Environment Agency, the Consumer Council for Water, the Drinking Water Inspectorate and the Health and Safety Executive.
- 7.2 We communicate openly, honestly and promptly with our regulators and ensure that appropriate care is taken in the submission of information to them.

## 8.0 Suppliers

- 8.1 We will build lasting relationships with suppliers, advisers and contractors (together "suppliers"), to encourage loyalty and flexibility on both sides.
- 8.2 We expect our suppliers to act ethically, lawfully and with integrity, honesty and fairness, and we will use these criteria in the selection of suppliers. Where the supply chain includes international providers of goods or services, we will require these suppliers to meet or exceed international standards covering employment, environmental and social issues. In all cases we will work with our suppliers to manage the environmental and social impact of our operations.

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8.3 We will pay suppliers on time and according to agreed terms.

## 9.0 Local communities

9.1 We will serve the community, not only by providing our services efficiently and at a fair price, but also by providing employment opportunities and enhancing the communities in which we operate.

9.2 We encourage employees to participate in community and civic affairs in company time through our employee volunteering programme.

9.3 We support the communities in which we operate and in other areas, where appropriate, by dedicating our time, money and facilities. Activities are generally focused on supporting sustainable projects that make the areas we serve better places in which to live, work and invest. Charitable donations and educational and cultural contributions are made within a policy which is set and reviewed by the Corporate Responsibility Committee of the NWL board.

9.4 We publicly report on our achievements on our website or through other methods as appropriate.

## 10.0 Corporate governance

10.1 We will adhere to the Combined Code on Corporate Governance.

10.2 We operate a robust system of internal risk assessment and control to safeguard our shareholders' investment and the Group's assets. This enhances the efficiency of our operations and the reliability of internal and external reporting, as well as assisting us to comply with laws and regulations.

10.3 We brief our employees regularly on their obligations outlined in the Disclosure and Transparency Rules in respect of restrictions on disclosing inside information and share dealing during close periods.

10.4 We effectively manage risk through the Group risk model.

## 11.0 Law and political parties

11.1 We comply with all applicable law and regulatory standards.

11.2 We comply with our statutory obligations in relation to direct and indirect taxes and maintain a professional relationship with the tax authorities.

11.3 We do not favour any one political party over another. We do not make donations to political party funds or political candidates, although we may incur expense (within strict limits approved by our shareholders) in ensuring that we have regular and appropriate contact with all the main parties, for example by hosting events at party conferences.

## 12.0 Compliance and verification

12.1 The Group Managing Director is responsible for initiating and supervising investigations of all reports of breaches of this Code and ensuring that appropriate disciplinary action is taken when required.

12.2 The company's own internal auditors will audit compliance with this Code and report to the Board, the Company Secretary and the Corporate Responsibility Committee of the NWL board, as appropriate, any practice they discover in the course of their work which appears to breach it.

12.3 We protect employees who make us aware of contravention of our Code of Conduct.

12.4 We monitor and report, as appropriate, on performance against our corporate responsibility policies, making information available on the Group's website and internal systems.

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- 12.5 We respond quickly and accurately to stakeholders' questions on environmental and corporate responsibility issues.

Signed by Managing Director, John Cuthbert:



Dated 18 September 2009

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