

Annual Compliance Report

Cadent

Your Gas Network

Prepared pursuant to paragraph 8 of Standard Special Condition A34 of the licence granted to Cadent Gas limited (registered in England with number 10080864 and whose registered office is at Ashbrook Court, Central Boulevard, Prologis Business Park, Coventry, CV7 8PE) under section 7 of the Gas Act 1986.

16 May 2019



Introduction

This is the annual report prepared in accordance with Standard Special Condition A34 (“**SSC A34**”) of Cadent’s Gas Transporter Licence. It sets out the results of a review of the following:

- the relevant duties performed by the Compliance Officer (“**CO**”);
- the implementation of practices, procedures and systems adopted in accordance with the Standard Special Condition A33 (“**SSC A33**”) compliance statement (the “**Compliance Statement**”); and
- Any investigations carried out under SSC A34.

This is the annual report in respect of the period 1 April 2017 – 31 March 2018 (the “**Period**”).

Further context

Since separation from National Grid Gas on 1 October 2016, no relevant entities have been identified in relation to this licence condition.

Relevant duties performed by the CO

In summary, during the Period, the CO has complied with the relevant duties set out in SSC A34. This has specifically included the following:

a) Provision of advice and information to Cadent, for the purpose of ensuring the licensee’s compliance with relevant duties.

The CO has provided advice to Cadent in respect of the relevant duties and the practices, procedures and systems adopted in accordance with the Compliance Statement.

One of Cadent’s core values is ‘commitment’. This value is underpinned by Cadent’s guide to ethical business conduct (“**Always Doing the Right Thing**”), which specifically includes a commitment to business separation. Since the creation of Cadent as a standalone entity, although there are few specific controls required by the Compliance Statement, the employee code of conduct continues to be communicated and enforced. This highlights the need to treat external parties fairly and equally and reinforces Cadent’s commitment to high ethical standards.

b) Monitoring the effectiveness of the practices, procedures and systems adopted in accordance with the Compliance statement.

It is worth noting that since 1 October 2016, no relevant businesses have been identified that would require specific separation under SSC A33 and SSC A34 going forward.

Managerial independence – Cadent, as a separate legal entity has its own Board of Directors and Executive Committee responsible for the day to day management of the business. To preserve the independence of the CO, the CO reports to the General Counsel.

In line with corporate governance good practice, directors' conflicts of interests are reviewed at the start of each committee meeting to ensure that changes in director responsibilities will continually assessed in relation to business separation.

Independent branding – Whilst part of NGG, the Gas Distribution business maintained its own branding. Now, as a separate business, Cadent has established its own brand and identity. This included a significant re-branding.

Operational independence – Premises: Cadent is a gas transporter and does not own or conduct shipping, electricity generation, supply of gas or electricity or any trading business. Cadent does not have a meter related services business or meter reading business and has no interaction with any relevant supplier, shipper, generator, producer or trading business in the context as defined in Standard Special Condition A33.

Operational independence – Systems: Cadent is a gas transporter and does not own or conduct shipping, electricity generation, supply of gas or electricity or any business. Cadent does not have a meter related services business or meter reading business and has no interaction with any relevant supplier, shipper, generator, producer or trading business in the context as defined in Standard Special Condition A33.

Use of equipment, facilities, property and personnel – Cadent's services are provided under written contracts, which have been prepared on an arm's length basis. Assurance was provided to the CO from Cadent's executive management team through the Financial Ring Fence Assurance process.

Transfer of employees - Cadent is a gas transporter and does not own or conduct shipping, electricity generation, supply of gas or electricity or any trading business. Cadent does not have a meter related services business or meter reading business and has no interaction with any relevant supplier, shipper, generator, producer or trading business in the context as defined in Standard Special Condition A33.

As a result of the review, the CO has assessed that the controls set out in the Compliance Statement are effective and appropriate and the CO is not aware of any breaches during the Period and, since 1 October 2016, there are no relevant business to which SSCs A33 and A34 apply.

c) Investigating complaints

There have been no complaints made during the period which have required an investigation.

Further Information

Requests for further information about this statement should be addressed for the attention of the Compliance Officer at:

Cadent Gas Limited
General Counsel Department
Ashbrook Court
Prologis Park
Central Boulevard
Coventry
CV7 8PE