

Anti-Financial Crimes Policy

National Energy System Operator
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Policy Document

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1. Introduction

This policy sets out National Energy System Operator's (NESO's) commitment to prevent financial crime and corruption. It applies to all employees and those who work on our behalf.

An Introduction from Charlie Pate, Chief Financial Officer:

At National Energy System Operator (NESO), we take our responsibilities for achieving the highest standards of ethical behaviour very seriously and we believe in promoting a culture of openness and integrity. We have a zero-tolerance approach to bribery or any form of corrupt practices and will, at all times, operate fairly and transparently and will cooperate with governmental and law enforcement authorities in connection with any matters involving NESO.

As a minimum, we will meet our legal compliance obligations, but we strive to go further to understand and manage our risks and consistently apply good practice controls.

We are committed to the prevention of financial crime, such as money laundering, the funding of terrorist activity, bribery and corruption, fraud and market abuse, and through risk-based internal procedures, systems and controls, we strive to ensure that high standards of crime prevention and awareness are maintained by all employees and others working on our behalf.

2. What is Financial Crime?

Bribery and Corruption: Inducements or rewards offered, promised, or provided to gain any commercial, contractual, regulatory, or personal advantage, or the misuse of power to influence an action. This may involve the inappropriate offering, giving or receiving of gifts, hospitality or endorsements, and facilitation payments (e.g., payments or gifts given to facilitate a particular process, such as a planning application approval) and kickbacks (e.g., an illegal commission paid to someone in exchange for preferential treatment, such as awarding a contract).

Fraud: Wrongful or criminal deception intended to result in financial or personal gain, or loss to another party.

Money laundering and financing terrorism: Transforming the proceeds of crime into legitimate money or assets. Terrorist activity may be facilitated or sponsored by the proceeds of money laundering or from other fraudulent activities including credit card fraud and may include

bypassing sanctions or other controls.

Tax evasion: Illegal practice of not paying taxes, by not reporting income, reporting expenses not legally owed, or by not paying taxes owed.

Market abuse: Buying or selling a security, including shares in a company, by someone who has access to material non-public information about that security.

Modern Slavery: Deprivation of a person's liberty by another in order to exploit them for personal or commercial gain, whether through slavery, servitude, forced and compulsory labour, and human trafficking.

3. Aim of Policy

Through our anti-financial crimes policy and associated procedures, we aim to deter, detect, and investigate all forms of financial crime. This policy:

- Sets out the behaviours we expect to ensure compliance with relevant legislation and our ethical standards.
- Enables the recognition and reporting of suspicions or concerns relating to financial crime so they can be properly investigated, and corrective actions taken to protect the reputation and integrity of NESO.
- Explains how our organisational governance maintains effective accountability and oversight for financial crime risk and compliance.

4. Scope

This policy applies to all employees (whether temporary, fixed term, or permanent), consultants, contractors, vendors, trainees, remote workers, agency staff, volunteers, interns, agents, sponsors, or any other person or persons associated with us, or any of our subsidiaries or their employees. The policy also applies to officers, trustees, board, and/or committee members at any level. We will also ensure that any suspicious activity or behaviour or concern is report appropriately.

5. Our Responsibilities

As employees we will never:

Offer or accept any bribe, kick-back or facilitation payment (except for appropriate hospitality and small gifts as detailed in our Code of Ethics and accompanying guidance).

Give, promise to give, or offer, a payment, gift, or hospitality:

- with the expectation or hope that a business advantage will be received, or to reward a business advantage already given.
- to a government or regulatory official, agent or representative.

Accept a payment, a gift or hospitality that you know, or suspect is offered with the expectation that it will obtain a business advantage.

Make charitable donations or sponsorships to individuals or organisations in the expectation that a business advantage will be received or to reward an advantage already given.

Offer or accept any other disguised form of bribery or inducement.

Maintain accounts “off book” to facilitate or conceal improper payments.

Threaten or retaliate against another employee or person working on our behalf who has refused to commit a bribery offence or who has raised concerns under this policy.

Engage in any activity that might lead to a breach of this policy.

As a company, we will always seek to prevent financial crime by:

Practicing due diligence for prevention of money laundering, corruption, the financing of terrorism, tax evasion and modern slavery by asking relevant commercial questions and looking for unusual occurrences during routine business transactions, such as cash payments or unusual payments, for example to a third party or any official.

Filing and maintaining clear and verifiable:

- financial records for all expenses and receipts including those claimed under the Business and Travel Expenses Policy and
- accounts, invoices, memoranda and other documents and records relating to dealings with third parties (e.g., clients, suppliers, business partners, and government officials).

Guarding against the misuse of confidential information in securities trading and complying fully with the laws prohibiting insider trading and stock tipping. Restricted persons (persons discharging managerial responsibilities [defined as the board of directors of NESO and members of the executive committee]) and certain employees, who have been notified of their designation through an “insider list” or “business confidential list”, must pre-clear any planned transactions in all types of securities.

Reporting information or concerns we may have about any financial crime or potential financial crime, or if we suspect that a breach of this policy has occurred or may occur in the future.

We commit to:

Maintaining internal systems of control to comply with sanctions or restrictions on activities with respect to targeted individuals, countries, governments, or entities imposed, for example by HM Treasury.

Carrying out appropriate background checking and screening to ensure that (to the best of our knowledge) all our employees and those working on our behalf have the appropriate rights to work and none of our employees or those working on our behalf is a sanctioned person or has been involved in financial crimes.

Educating our employees and those working on our behalf on the standards we expect, through our training programmes, communications and our employee and supplier codes of conduct. NESO promptly investigates, and in case of any issues, reports to the appropriate regulators.

6. Training and Communication

We provide training on this policy as part of the induction process for all new employees and have a programme of continual training that focuses on our Code of Ethics and related policies. This training is applicable to all employees.

The key principles of this policy are set out in our Supplier Code of Conduct ensuring that anyone working on our behalf are aware of our policies and expectations.

We provide regular related communications to our employees as part of our ethics programme and to reinforce the requirements and expectations of all our employees.

7. How to Report Concerns

An open and transparent culture is essential to ensure employees and those working on our behalf feel comfortable to report suspicious incidents. In the first instance, we would always encourage you to raise concerns with managers within the business or get advice from our network of NESO ethics and compliance champions. If you don't feel comfortable to do that you can speak to our ethics and compliance team.

We also have external business conduct helplines where concerns can be reported anonymously. Contact information for the internal team and external helplines are provided at the end of this policy.

We do not tolerate retaliation or victimisation of any kind against any person who has raised a

concern and appropriate action will be taken against any individual found to have acted in that way.

8. Monitoring, Investigations and Governance

Monitoring & Continuous Improvement

We operate a financial crime risk assessment process to evaluate, mitigate and monitor the risk of financial crime. The assessments are conducted by our ethics and compliance team in coordination with the business and process owners on an annual basis.

Investigations & Response

All concerns or incidents related to potential financial crimes are investigated and corrective actions are taken as appropriate, with the support of our ethics and compliance team. Our audit committee maintains oversight of risks and investigations and any serious incidents are escalated immediately. The audit committee receives regular reports on risks, incidents, and improvement plans, together with information on culture and effectiveness of our programmes.

Governance & Resources

Compliance with policies and procedures is subject to independent review by internal audit. Our external auditor also provides independent assurance on financial matters relevant to their responsibilities.

9. Related Documents

We have several internal policies that support our adherence to our fraud and bribery controls, in addition to the following public documents:

National Energy System Operator Code of Ethics
Supplier Code of Conduct
Responsible Business Charter

10. Relevant Legislation

This policy is designed to secure compliance with the following legislation:

International:

- Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of the Organisation for Economic Cooperation and Development (OECD)
- United Nations Convention against Corruption

UK:

- Anti-Terrorism, Crime and Security Act 2001

- Fraud Act 2006
- Bribery Act 2010
- Modern Slavery Act 2015
- Criminal Finances Act 2017 (Provisions relating to the criminal facilitation of tax evasion)
- Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017
- Corporate Governance Code 2018

11. Contact information

National Energy System Operator's Chief Financial Officer is accountable for the policy and the Director of Financial Control is responsible for monitoring its effectiveness and will review the implementation of it on an annual basis.

Internal business conduct assistance:

- Email: box.soa.ethics@nationalgrideso.com

External helplines (available 24/7)

- Freephone 0800 298 6231
- Email: report@seehearspeakup.co.uk

12. Version Details

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Author	Anne Bidwell
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