



Dŵr Cymru
Welsh Water

GLAS CYMRU HOLDINGS CYFYNGEDIG
(GLAS CYMRU)

DŴR CYMRU CYFYNGEDIG
(DŴR CYMRU)

TERMS OF REFERENCE AND
SCHEDULE OF MATTERS RESERVED FOR THE JOINT BOARD
OF GLAS CYMRU AND DŴR CYMRU

Approved by the Board on 2 May 2019

GLAS CYMRU HOLDINGS CYFYNGEDIG (Company No. 09917809)

DŴR CYMRU CYFYNGEDIG (Company No. 02366777)

In this document

- '**Group**' or '**group company**' means Glas Cymru Holdings Cyfyngedig ("**Glas Cymru**") and its subsidiaries
- '**Company**' means Dwr Cymru Cyfyngedig ("**Dwr Cymru**")
- '**Executive**' means the Executive Committee of Glas Cymru
- '**Senior Management**' means the Executive Committee, including the Company Secretary
- '**Members**' or '**Membership**' means the membership of Glas Cymru
- '**Material**' means any financial term specified in this schedule, but also (where appropriate) to any matter that could have a significant impact of the quality of service delivered to the customers of Dwr Cymru or on the reputation of the Group or its financial affairs

TERMS OF REFERENCE

Membership

1. The Board shall comprise the Chair, Senior Independent Director, Non-Executive Directors and Executive Directors. A majority of the Board should be Non-Executive Directors whom the Board considers to be independent.
2. Non-Executive Director appointments shall be for a period of up to three years, which may be extended for two further three-year periods, provided the Director remains independent. In exceptional circumstances an appointment may be extended beyond this provided the Board considers that the individual Committee member remains independent.
3. Only members of the Board have the right to attend Board meetings. However, the Board may invite such other persons to attend all or part of any meeting, as appropriate.
4. Although normally decisions are reached by consensus in the event of disagreement, decisions on any matter will be made by the majority, with the Chairman of the meeting having a second casting vote in the event of a tie. A Board member who remains opposed to a proposal after a vote can ask for his or her dissent to be noted in the minutes.
5. In the absence of the Chairman of the Board, the meeting shall be chaired by the Senior Independent Director. In the absence of the Chairman of the Board and the Senior Independent Director, the remaining Board members present shall elect one of themselves to chair the meeting.

Secretary

6. The Company Secretary (or their nominee) shall act as Secretary of the Board ("**Secretary**").

Quorum

7. The quorum for transaction of business shall be three members of the Board, one of whom should be the Chairman or the Senior Independent Director unless the Board agrees otherwise by prior arrangement. A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Board.

Meeting Frequency

8. The Board shall meet 9 times per year, and otherwise at such frequency as circumstances demand.

Notice of meetings

9. The Board may meet for the dispatch of business, adjourn and otherwise regulate its meetings as it thinks fit. A Director at any time may, and the Secretary on the requisition of a Director at any time shall, summon a Board meeting.
10. Meeting dates will be set and communicated one year in advance, wherever possible.
11. Unless otherwise agreed, a notice of each meeting (confirming the venue, date and time, and an agenda of business to be discussed) shall be sent to each member of the Board and any other person required to attend not less than five working days before the date of the meeting. Supporting papers shall be sent to Board members and other attendees as appropriate.

Minutes

12. The Secretary shall keep appropriate written minutes of the proceedings and decisions of the meeting, including the names of those present and in attendance.
13. Draft minutes of meetings will be circulated promptly to the Chairman of the meeting and once approved by the Chairman of the meeting, to all Board Directors at the next Board meeting, unless it would be inappropriate to do so.

SCHEDULE OF MATTERS RESERVED FOR THE BOARD

Having regard to the duty of all Directors under Section 172 of the Companies Act 2006 and related guidance, to promote the long-term success of the Company and delivery of sustainable value to customers, the Board has the following matters reserved to it.

Board responsibilities:

Strategy and management

14. Business strategy, planning and reviewing performance, including:
 - a. Approval of the Group's long-term objectives and strategy.
 - b. Approval of the Group's plan for each 5 year AMP and of each annual business plan, having regard to the Group's agreed long-term objectives and strategy.
 - c. Review ongoing performance in the light of the Group's strategy, objectives and business plans and ensure that appropriate corrective action is taken where required, taking into account the recommendations of the Quality and Environment Committee.
 - d. Review the business plan half yearly in the light of operating performance and approve revised projections where appropriate.
15. Responsibility for the overall management of the Group, including oversight of the Group's operations to ensure:
 - a. Competent and prudent management
 - b. Consideration of longer term strategic threats to the Group's business
 - c. Sound planning

- d. An effective system of internal control and risk management
- e. Adequate accounting and other records
- f. Compliance with statutory, regulatory and corporate governance obligations

16. Major changes to the Group's management and control structure.

Structure and capital

17. Changes to the Group's corporate structure or to the status of the Company as a company limited by guarantee.

18. Major acquisitions, disposals and other transactions outside approved delegated limits.

19. Approval of any capital investment project the value of which is:

- a. within the approved business plan but which is greater than £10 million; or
- b. greater than £5m and exceeds its business plan budget by more than 25%; or
- c. any project the value of which exceeds £2.5 million and is outside of the approved business plan.

Risk Management and internal controls

20. Ensuring the maintenance of an effective system of internal control and risk management including:

- a. Approval of the Group's risk appetite and risk management strategy
- b. Approval of the framework of monthly risk reporting, including receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes to support its strategy and objectives;
- c. Undertaking an annual assessment of these processes and approval of an appropriate statement for inclusion in the annual report and accounts; and
- d. Approval of business continuity plans.

Financial, reporting and controls

21. Approval of:

- a. the annual operating and capital expenditure budgets and any material changes to them.
- b. preliminary announcements of interim and final financial results (following recommendation from the Audit Committee).
- c. the Company's annual report and accounts, including the Directors' report and Reports on Remuneration and Corporate Governance following recommendation from the Audit Committee.
- d. any material report or statement addressed to Members, or the Group's regulators or bondholders.
- e. the transfer of financial surpluses to reserves and any recommendation as to the application of financial reserves.
- f. any significant changes in accounting policies or practices following recommendation from the Audit Committee.
- g. the Group's financing strategy, investment strategy, treasury policy and material financing transactions.
- h. for the release of any funding specifically reserved to the Board.

- i. the provision of any guarantees, indemnity or security by a group company for a sum that exceeds or may exceed £10 million.
- j. the Distribution Policy.
- k. Return of Value.

Capital expenditure and long-term commitments

22. Procurement

Award of a procurement contract:

- a. to an individual supplier where the value of such contract has the potential to exceed £10 million per annum;
- b. where the potential value of the framework agreement across multiple suppliers has the potential to exceed £10 million per annum.

23. Estates

- a. The acquisition or disposal of land or fixed assets above £1m in value and outside of the Capital Programme. For example, acquiring a new office building or operational site.

24. Litigation

- a. The prosecution, defence or settlement of litigation involving amounts above £2 million or being otherwise significant to the interests of the Group, or which have the potential for significant public interest, and/or which would require disclosure in the Company's annual report and accounts.

25. Insurance

- a. Approval of the Group's programme of insurances, including Directors' and Officers' liability insurance.
- b. Approval of change of insurer or of proposed material amendments to key terms of the Group's insurance policy.

26. Contracts

- a. Approval of contracts which are material strategically or by reason of size, entered into by any group company in the ordinary course of business.
- b. Approval of contracts which are not in the ordinary course of business for the Group including any extension of the Group's activities into new business or geographic areas; the acquisition or disposal of fixed assets above £1m in value; and contracts to acquire or dispose of an interest in any business or undertaking.
- c. Contracts to establish a joint venture or other material collaborative venture.

Board membership and other appointments

27. The appointment and removal of any Director on the Board following recommendation from the Nomination Committee.

28. Changes to the structure, size and composition of the Board following recommendation from the Nomination Committee.

29. Ensuring adequate succession planning for the Board and Senior Management so as to maintain an appropriate balance of skills and experience within the business and on the Board.
30. The appointment (and scope of delegations to) the Chairman of the Board, the Senior Independent Non-Executive Director and the Chief Executive.
31. Appointments to and removals from the Executive Committee.
32. Establishment of the process for the selection of Executive and Non-Executive Directors and members of the Executive Committee.
33. Continuation in office of Directors on the Board at the end of their term of office, when they are due to be re-elected by Members at the AGM and otherwise as appropriate.
34. Continuation in office of any Director at any time, including the suspension or termination of service of an Executive Director as an employee of the Company, subject to the law and their service contract.
35. Membership and Chairmanship of all Board Committees in conjunction with the Nomination Committee.
36. Appointment and removal of Directors of any group company, including any special terms and conditions attached to the appointment or removal of a Director.
37. Determining the independence of the Non-Executive Directors in accordance with the UK Corporate Governance Code published by the Financial Reporting Council from time to time.
38. Appointment or removal of the Company Secretary.
39. Appointment, reappointment or removal of the external auditor (subject to recommendation by the Audit Committee and approval by the Members).

Remuneration

40. Determining the policy for and remuneration of the Chairman, Executive Directors and Non-Executive Directors (including any matter that requires approval by the Members) ensuring, at all times, that no Director is involved in any decision relating to their own remuneration.
41. Determining the remuneration of other members of the Executive Committee, including the Company Secretary.
42. Oversight of the company's policy on gender pay and approval of gender pay reporting.
43. Approval of major changes in the rules of the Group's pension schemes or funding arrangements, including the creation of any new pension arrangements, and the appointment or removal of any company nominated pension trustee or pension advisor.

Corporate governance matters

44. Changes to and approval of this Schedule of Matters Reserved for the Board.
45. Undertaking a formal and rigorous review on an annual basis of the Board's own performance, that of its Committees and individual Board Directors.
46. Periodically reviewing and approving existing and prospective Directors' conflict authorisations as required by the Companies Act 2006. The Board will be responsible for ensuring compliance with policy on dealing with conflicts and for ratifying any decision made where a director has a potential conflict of interest.

47. Considering the balance of interests between Members, employees, customers, the community and other stakeholders.
48. Overseeing the Group's corporate culture, values and standards.
49. Reviewing the Group's overall corporate governance arrangements.

Regulatory matters

50. Any proposed modification of the Licence of Dwr Cymru as a regulated water and sewerage undertaker.
51. Any material matter involving the Office of Water Services, Natural Resources Wales, the Environment Agency or the Drinking Water Inspectorate which would result (or has the potential to result) in formal dispute or enforcement proceedings.
52. Decisions regarding the group which require Board approval in accordance with the Water Industry Act or the company's published licence, including but not limited to the published tariffs of Dwr Cymru Cyfyngedig, Regulatory Data Submissions and Price Reviews.

53. Policies

- a. Approval of the Group's delegated authority statement which sets out expenditure and other limits.
- b. Approval of the Group's corporate governance policies (including but not limited to) health and safety, environment and sustainability, corporate social responsibility, code of conduct, competition law compliance, data protection, modern slavery act, anti-bribery, fraud (including whistleblowing) business ethics and Board diversity.
- c. The making of any political donation or other donation or arrangement which would need to be disclosed in accordance with the Political Parties, Elections and Referendums Act 2000.
- d. Approval of policy for sponsorship.
- e. Approval of policy for charitable donations.

54. Communications

- a. Approval of any resolution and corresponding documentation to be put before the Members in a general meeting.
- b. Approval of any circulars and listing particulars in connection with the Group's debt capital.
- c. Approval of announcements, press releases and other communication on matters reserved to the Board or otherwise of material importance to the Group. Announcements relating to financial reporting will be approved by the Board on recommendation from the Audit Committee.

55. Members

- a. Appointment or removal of individuals as Members (subject to a recommendation from the independent Membership Selection Panel).
- b. Approval of the Membership Policy (including the procedure for the appointment and removal of Members and change in the number of the membership (guidance on the appropriate size of the Membership is set out in the Company's Articles of Association)).
- c. Changes to the terms of reference, membership and Chairman of the Membership Selection Panel.

- d. Approval of matters for the agenda of all General Meetings of the Company and other meetings of the Members.

56. Delegation of authority

- a. The division of responsibilities between the Chairman, the Chief Executive and the terms of reference for the Senior Independent Director, which should be in writing.
- b. The Board retains authority to approve any matters which could damage the Group's reputation and is authorised to seek such information from the Company and its directors and employees, as it deems necessary in order to fulfil its role.
- c. Matters which the Board considers suitable for delegation are contained in the terms of reference of its Committees. All matters not expressly reserved to the Board in this schedule, or delegated to a Committee of the Board in written terms of reference, are delegated to the Chief Executive who shall have full power and authority to delegate powers to other Executive Directors or senior executives, including the Executive Committee or other management committees.
- d. The Board has delegated the authority to determine the remuneration of (i) the Chairman and the Executive Directors to the Remuneration Committee; and (ii) the Non-Executive Directors to a decision of the Chairman and the Executive Directors. In doing so the Board has ensured that no Director is involved in any decision in relation to their own remuneration.
- e. Save where expressly authorised, delegated authorities relate only to transactions or matters entered into in the ordinary course of business for the Group.
- f. Where there is confusion over the terminology in these Matters Reserved for the Board, the Company Secretary will clarify (in conjunction with the Chairman).