



GLAS CYMRU HOLDINGS CYFYNGEDIG
(GLAS CYMRU)

DŴR CYMRU CYFYNGEDIG
(DŴR CYMRU)

NOMINATION COMMITTEE
TERMS OF REFERENCE

Approved by the Board on 30 April 2020

NOMINATION COMMITTEE

TERMS OF REFERENCE

In this document:

- ‘**Group**’ means Glas Cymru Holdings Cyfyngedig (“**Glas Cymru**”) and its subsidiaries
- ‘**Company**’ means Dwr Cymru Cyfyngedig (“**Dwr Cymru**”)
- ‘**Board**’ or ‘**Group Board**’ means the Joint Board of Glas Cymru and Dwr Cymru
- ‘**Member(s)**’ means the Members of Glas Cymru
- ‘**Executive Team**’ means the Dŵr Cymru Executive Committee including the Company Secretary (the equivalent of “Senior Management” as defined in the 2018 UK Corporate Governance Code)
- ‘**Chair**’ means Chair of the Board

1. PURPOSE

- 1.1. The Board has established a Committee of the Board to be known as the Nomination Committee (the “**Committee**”).
- 1.2. The Committee has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference.
- 1.3. The responsibilities of the Committee are to:
 - 1.3.1. ensure that there is a formal, rigorous and transparent procedure for appointments to the Board;
 - 1.3.2. lead the process for such appointments and make recommendations to the Board;
 - 1.3.3. assist the Board in ensuring its composition is regularly reviewed and refreshed, taking into account length of service of the Board as a whole, so that it is effective and able to operate in the best interests of the Company, its Members and other key stakeholders;
 - 1.3.4. establish plans for orderly succession to positions on the Board and maintain oversight over the plans developed by the Chief Executive for the Executive Team, both having regard to the Company’s diversity objectives; and
 - 1.3.5. work and liaise with other Board Committees, as appropriate, including the Remuneration Committee in respect of any remuneration package to be offered to any new appointee of the Board.

2. THE COMMITTEE

2.1. Membership

- 2.1.1. Members of the Committee will be appointed by the Board and in consultation with the Chair of the Committee (the “**Committee Chair**”). The Committee will be made up of at least 3 members, one of whom will be the Chief Executive, and have a majority of independent Non-Executive Directors.
- 2.1.2. Non-Executive Director appointments to the Committee 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 remains independent.

2.1.3. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the People and Change Director, and other senior managers or external advisers may be invited to attend for all or part of any meeting, as and when appropriate.

2.1.4. The Chair will be the Committee Chair. In the absence of the Committee Chair, the Senior Independent Director will chair the meeting and when the Committee is dealing with the matter of succession to the Chair.

2.2. **Secretary**

The Company Secretary (or their nominee) shall be Secretary to the Committee (the “**Secretary**”).

2.3. **Quorum**

The quorum necessary for the transaction of business will be two members, both of whom must be independent Non-Executive directors. A duly convened meeting of the Committee 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 Committee.

2.4. **Role of Committee Members**

Committee members will utilise their personal skills, knowledge and judgement to perform the responsibilities set out in these terms of reference.

3. **MEETINGS**

3.1. **Meeting Frequency and Schedule**

Meetings shall be held at least once a year, and otherwise at such frequency as circumstances demand.

3.2. **Notice of Meetings**

3.2.1. A meeting may be convened by any member of the Committee or by the Secretary at the request of the Committee Chair.

3.2.2. Unless otherwise agreed, a notice of each meeting (confirming the venue, date and time, together with an agenda of items to be discussed, shall be sent to each member of the Committee, any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and other attendees as appropriate.

3.3. **Minutes**

3.3.1. The Secretary shall keep appropriate written minutes of the proceedings and decisions of the Committee, including the names of those present and in attendance.

3.3.2. Draft minutes of Committee meetings will be circulated promptly to the Chair of the Committee and once approved by the Committee Chair, to all Board directors at the next Board meeting, unless in the opinion of the Committee Chair it would be inappropriate to do so.

4. **DUTIES**

4.1. The Committee will carry out the duties detailed below for the Company and the Group, as appropriate. For the avoidance of doubt, these duties do not extend to matters covered by the remit of the Glas Cymru Membership Selection Panel.

4.2. Composition of the Board and Executive Team

- 4.2.1. regularly review the structure, size and composition (including the skills, experience, knowledge, independence and diversity) of the Board and its Committees, taking into account the Company's strategic priorities and the matters affecting the company in paragraph 4.2.3 and make recommendations to the Board with regard to any changes that are deemed necessary;
- 4.2.2. keep under review the leadership needs of the organisation, relating both to the Board and the Executive Team, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- 4.2.3. keep up to date and fully informed about the strategic and commercial issues and priorities and main trends and factors affecting the long-term success and future viability of the Company and the market in which it operates; and
- 4.2.4. set measurable objectives for diversity and inclusion in relation to the Board and Executive Team positions, prepare a policy on the promotion of diversity and inclusion on the Board and in the Executive Team to meet those objectives;

4.3. Succession Planning

- 4.3.1. in the course of its work, give full consideration to succession planning for Directors and maintain oversight over the planning and appointment of members of the Executive Team by the Chief Executive. This is to be based on merit and objective criteria, and taking into account the challenges and opportunities facing the Company, the skills, experience, knowledge, independence and diversity needed on the Board and the Executive Team in the future, the length of service of the Board as a whole, and the need for its membership to be regularly refreshed;
- 4.3.2. in undertaking 4.3.1, maintain oversight over the succession plans developed by the Chief Executive for the Executive Team; and
- 4.3.3. establish plans for orderly succession for appointments to the Board and satisfy itself that such plans are in place for the Executive Team having regard to diversity of gender, social and ethnic backgrounds, cognitive and personal strengths;

4.4. Appointments to the Board

- 4.4.1. based on recruitment from diverse backgrounds, be responsible for identifying and nominating for the approval of the Board, candidates to fill vacancies as and when they arise;
- 4.4.2. consider proposals for the re-appointment or promotion of Directors and also any proposal for their dismissal, retirement, non-re-appointment or any substantial change in their duties or responsibilities or the terms of their appointment;
- 4.4.3. before any appointment is made to the Board, whether of the Chair, Executive or Non-executive directors, evaluate the balance of skills, experience, knowledge, independence and diversity on the Board, and the future challenges affecting the Company, and, in the light of this evaluation, prepare a description of the role, the time commitment expected, and the capabilities required and set in hand the process to identify, sift and interview suitable candidates. In identifying suitable candidates the Committee will:
 - a) adopt such methods as it deems appropriate, including the use of open advertising or the services of external advisers to facilitate the search;
 - b) consider candidates from a diverse range of backgrounds, genders, and ethnicity;

- c) consider candidates on merit and against objective criteria with due regard for promoting the benefits of diversity on the Board, including gender, social and ethnic backgrounds, and cognitive and personal strengths, ensuring that appointees have enough time available to devote to the position; and
 - d) in the case of non-executive directors, ensure that the final candidate in the selection process meets with the Chairman of Ofwat, or an Ofwat executive nominated by the Chair of the Board, so that any feedback from Ofwat can be taken into account before their appointment is confirmed.
- 4.4.4. For any appointment to the Board any other significant commitments of a candidate should be disclosed to the Board before appointment, and any changes to their commitments should be outlined to the Committee prior to their acceptance by the Director concerned in order that the Committee may satisfy itself that such additional commitments will not adversely affect the individual's ability to discharge their obligations to the Company. The Committee's assessment of their impact will subsequently be explained in the next annual report;
- 4.4.5. prior to the appointment to the Board, ensure that Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service, involvement outside Board meetings and the induction process; and
- 4.4.6. review the annual re-election of Directors by the Members in accordance with the UK Corporate Governance Code (the "**Code**") as updated from time to time and the 'retirement by rotation' provisions in the Company's Articles of Association, having regard to their performance and ability to continue to contribute to the Board, in the light of the knowledge, skills and experience required and their length of service;
- 4.5. **Appointments to the Independent Member Selection Panel**
 - 4.5.1. be responsible for identifying and nominating for the approval of the Board, candidates to fill vacancies as and when they arise;
- 4.6. **Induction and Training**
 - 4.6.1. arrange for all new Directors an appropriate induction programme to ensure that they are fully informed about the Company's main areas of business activity, including those involving significant risk, and the strategic priorities and commercial issues affecting the Company and the market in which it operates as well as their duties and responsibilities as a Director; and
 - 4.6.2. keep under regular review the personal development and training requirements of all Directors.
- 4.7. **Conflicts of Interest**
 - 4.7.1. before the appointment of a Director, require the proposed appointee to disclose any other interests that may result in a conflict of interest and require all Directors to report to the Board any future business interests that could result in a conflict of interest; and
 - 4.7.2. any proposed new external appointments of an existing Director to be discussed with the Chair, in the first instance, and remitted to the Committee if the Chair considers it appropriate;
- 4.8. **Board Evaluation**
 - 4.8.1. Ensure that the Chair, as regards the Board, and the Senior Independent Director, as regards the Chair, implement an annual evaluation process to assess the overall and individual performance and effectiveness of the Board and its Committees, including consideration of balance of skills, experience, independence and knowledge of the Company, its diversity, how the Board works together as a unit, and other factors relevant to the Board's effectiveness;

- 4.8.2. ensure that the evaluation of the Board is externally facilitated at least every three years; and
- 4.8.3. review annually the time required for Non-Executive Directors, including the Chair and Senior Independent Director in the context of the requirements of the role and the external appointments held by each Director. Performance evaluation should be used to assess whether the Non-Executive Directors are spending enough time to fulfil their duties.

5. BOARD RECOMMENDATIONS

- 5.1. The Committee will make recommendations to the Board, as appropriate, on the following:
 - 5.1.1. the appointment of any Director to executive or other office, other than to the positions of Chair and Chief Executive, the recommendation for which is to be considered at a meeting of the full Board;
 - 5.1.2. the extension of the Chair's appointment by a further three years, having assessed whether the present incumbent shall continue in post, taking into account the need for continuity versus freshness of approach;
 - 5.1.3. a suitable candidate for the role of Senior Independent Director;
 - 5.1.4. a suitable candidate to join the Independent Member Selection Panel as the Board's representative director;
 - 5.1.5. membership and chairpersons of all Board Committees in consultation, as regards membership, with the Chair of those Committees;
 - 5.1.6. formulating succession plans for both Executive and Non-Executive Directors and, in particular, for the key roles of Chair and Chief Executive;
 - 5.1.7. the re-appointment of any Non-Executive Director at the conclusion of their specified term of office, having given due regard to their performance and ability to contribute to the Board and the Company's long-term sustainable success, in the light of the knowledge, skills and experience required and the length of service of the Board as a whole and its membership being regularly refreshed;
 - 5.1.8. re-election by Members of the Directors in accordance with the Code or the retirement by rotation provisions in the Articles of Association of the Company, having regard to their performance and commitment to the role and their contribution to the Company's long-term sustainable success; and
 - 5.1.9. any matters relating to the 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 provisions of the law and their service contract.

6. REPORTING

- 6.1. The Committee Chair will report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 6.2. The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is required.
- 6.3. The Committee will produce a report to be included in the Company's annual report describing its work, including:
 - 6.3.1. its activities, the membership of the Committee, number of meetings and attendance over the course of the year;
 - 6.3.2. the process used in relation to appointments and explaining if external advice or open advertising has not been used. Where an external search agency has been used, it

shall be identified in the annual report and a statement made as to whether it has any connection with the Company or any individual Director; and

- 6.3.3. how the board evaluation has been conducted, the nature and extent of an external evaluator's contact with the Board and individual Directors, the outcomes and actions taken, and its influence on Board composition.
- 6.4. The report referred to in paragraph 6.3. should include a description of the Board's policy on diversity and inclusion and linkage to company strategy, how it has been implemented and progress against achieving the objectives; and the gender balance of those in the Executive Team and their direct reports.
- 6.5. Ensure, through the Chair, that the Company maintains contact and as the Committee Chair seeks engagement, as required, with the Members on significant matters related to the Committee's area of responsibility.
- 6.6. The Chair (or in their absence, the Senior Independent Director) will attend the AGM prepared to respond to any shareholder questions on the Committee's activities.

7. OTHER MATTERS

- 7.1. The Committee will:
 - 7.1.1. have access to sufficient resources in order to carry out its duties, including access to the Group Company Secretariat for assistance as required;
 - 7.1.2. be provided with appropriate and timely training, both in the form of an induction programme for new Committee members and on an on-going basis for all Committee members;
 - 7.1.3. give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, Ofwat's principles on Leadership, Transparency and Governance and any other applicable rules, as appropriate; and
 - 7.1.4. arrange for the periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

8. AUTHORITY

- 8.1. The Committee is authorised to:
 - 8.1.1. investigate any activity or state of affairs within its terms of reference;
 - 8.1.2. at the Group's expense, seek such information as it requires from the Group and its employees, and/or to take such internal and external professional advice, as it shall consider appropriate in connection with the performance of its duties;
 - 8.1.3. obtain, at the Company's expense, expert advice from the Company's auditors, professional advisers or otherwise, and to take independent professional advice and to require the attendance of outsiders with relevant experience and expertise if it considers it necessary; and
 - 8.1.4. select, set the terms of reference and appoint appointment consultants, at the Company's expense but within budgetary constraints agreed with the Board.