



las Cymru Holdings Cyfyngedig - Annual General Meeting (AGM)

Held at St George's Hotel, The Promenade, Llandudno, at 09:30 on Friday 5th July 2024

In Attendance: Alastair Lyons (Chair), Debra Bowen Rees, Tom Crick, Mike Davis, Jane Hanson, Joanne Kenrick, Barbara Moorhouse, Peter Perry, Lila Thompson, 34 additional Glas Members, 24 Dwr Cymru Welsh Water representatives and 2 external advisers (all names as entered on the attendance lists completed at the start of the morning's meeting). There was an additional 15 Members who attended the AGM virtually and who used a Form of Proxy to cast their vote for the formal business of the AGM.

Glas Members not present at the AGM but who submitted their votes in advance via a Form of Proxy and/or appointed the Chair of the Meeting as their Proxy: 28. 95% of Glas Members voted either in person or by Proxy.

Quorum

Noting that the necessary quorum was present, the Chair formally declared the AGM open.

Questions from Members

Questions had been raised by Members and were responded to by the Chief Executive and other Executive Directors in writing in advance of the AGM. These are set out at Appendix A. Further questions were also raised by Members after the AGM. These are set out at Appendix B.

The Chair asked if there were any questions on the proposed 14 Resolutions, all Ordinary Resolutions which required at least 50% votes in favour to be passed, as set out in the Notice of Meeting. As there were no questions from Members, the Chair proceeded with the formal business of the meeting.

Notice of Meeting

As there were no objections to the Chair's request not to read out the Notice of Meeting, the Notice of Meeting was taken as read.

Voting

Voting by those Members present was conducted on a show of hands. The votes in the 28 proxy forms received from those Members not present were also counted. *The Directors withheld their vote (abstained) in respect of their own re-election.

Resolution 1: to receive the audited accounts and the reports of the Directors and Auditors for the year ended 31st March 2024.

For/Discretion given to Chair of Meeting: 71 (100%)

Against: 0

Abstain: 0

Resolution 2: to approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) set out on pages 132 - 153 of the Annual Report for the year ended 31st March 2024.

For/Discretion given to Chair of Meeting: 70 (99%)

Against: 1

Abstain: 0



Resolution 3 (introduced by Joanne Kenrick as Chair of the Remuneration Committee): to re-elect Alastair Lyons as a Director.

For/Discretion given to Chair of Meeting: 69 (97%)
Against: 0
Abstain: 2

Resolution 4: to re-elect Debra Bowen Rees as a Director.

For/Discretion given to Chair of Meeting: 69 (97%)
Against: 0
Abstain: 2

Resolution 5: to re-elect Tom Crick as a Director.

For/Discretion given to Chair of Meeting: 69 (97%)
Against: 0
Abstain: 2

Resolution 6: to re-elect Mike Davis as a Director.

For/Discretion given to Chair of Meeting: 69 (97%)
Against: 0
Abstain: 2

Resolution 7: to re-elect Jane Hanson as a Director.

For/Discretion given to Chair of Meeting: 69 (97%)
Against: 0
Abstain: 2

Resolution 8: to re-elect Joanne Kenrick as a Director.

For/Discretion given to Chair of Meeting: 69 (97%)
Against: 0
Abstain: 2

Resolution 9: to re-elect Peter Perry as a Director.

For/Discretion given to Chair of Meeting: 69 (97%)
Against: 0
Abstain: 2

Resolution 10: to elect Lila Thompson as a Director.

For/Discretion given to Chair of Meeting: 69 (97%)
Against: 0
Abstain: 2

Resolution 11: to elect Barbara Moorhouse as a Director.

For/Discretion given to Chair of Meeting: 69 (97%)
Against: 0
Abstain: 2



Resolution 12: to appoint Deloitte LLP as Auditors of the Company until the conclusion of the next AGM at which accounts are laid before the Members.

For/Discretion given to Chair of Meeting: 71 (100%)
Against: 0
Abstain: 0

Resolution 13: to authorise the Audit Committee to determine the remuneration of the Auditors.

For/Discretion given to Chair of Meeting: 71 (100%)
Against: 0
Abstain: 0

Resolution 14: to authorise Glas Cymru and its subsidiary, Dŵr Cymru Cyfyngedig (Welsh Water), in accordance with Part 14 Companies Act 2006 (the 'Act'), to:

- a) make donations to political organisations and/or parties, as defined in section 363 of the Act, not exceeding £50,000 in total; and
- b) incur political expenditure, as defined in section 365 of the Act, not exceeding £50,000 in total,

Providing that donations made or expenditure incurred under (a) and (b) above shall not exceed £50,000 in total. This authority revokes all existing authorisations and approvals relating to the political donations or expenditure and shall be valid during the period commencing on the date of passing of this Resolution and ending at the conclusion of the AGM of Glas Cymru in 2024.

For/Discretion given to Chair of Meeting: 67 (94%)
Against: 4
Abstain: 0

Overview of the Members Meeting of Glas Cymru Holdings Cyf

Held at St George's Hotel, The Promenade, Llandudno, at 09:30 on Friday 5th July 2024

GLAS CYMRU MEMBERS' MEETING

5 July 2024



glas
Glas Cymru Holdings Cyf

OUR VISION

We will
earn the trust of our customers
every day.

Most
challenging 12
months
since 2001

Cardigan
Westminster Welsh Affairs Select Ctee
2* EPA • WG Climate Change Ctee
10 named Met Office Storms
Live CSO Data

PERFORMANCE OVERVIEW FOR 2023/24

Overall customer service performance

CCW's Water Matters Report (May 2024)

- Most Trusted Water Company, 'there were significant differences between England and Wales... with higher scores for Wales across most individual attributes about water and sewerage'
- 5th (from 17 water companies) for Customer Satisfaction (Ofwat) for 2023/24

We compare favourably with the rest of the sector but overall scores are declining for all

PERFORMANCE CHALLENGES FOR 2023/24

- Leakage - achieving the revised target
- Interruptions to water supply - increased burst rate in west Wales
- Wastewater Treatment Compliance
- Pollution incidents - increased scrutiny from regulators/public
- Impact of climate change with 10 'named' storms
- Achieved best ever Safety Performance (9 years since last RIDDOR in Water Services)
- 75% Employee Engagement score
- Invested £483 million in our capital investment schemes
- AMP8 Readiness - preparing our most ambitious Business Plan (2025-30)

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STRATEGIC AND REPUTATIONAL RISKS

Ofwat's Leakage investigation

– 50 megalitres per day reduction since January – progressing respective undertakings (234ml/d currently and aim to achieve 191 ml/d by March 2025)

Ofwat's classification as a 'lagging' company

– Recovery Plans well underway to address shortcomings in key areas e.g. DWR Transformation Plan

Environment Assessment Performance - July 2024

– NRW to publish its annual environmental performance report for 2023 - anticipate to remain as 2 star

– Continual focus on the environment

CHALLENGES

- Performance issues cannot be fully resolved quickly
- Increased investment required over many investment periods
- Need to balance Affordability, Financialability, Deliverability and Customer Expectations
- Climate change impact on weather patterns is taking toll on network not designed for such extremes
- Policy differences in England & Wales causing tensions, but important we work towards same objectives
- Getting our supply chains ready for AMP8

OPPORTUNITIES

- Glas Model provides strong financial foundation
- Partnership working in Wales can help better deliver common goals, but we cannot do this alone
- 2025-30 investment can maximise benefits to Wales and the economy with anticipated cuts in public spending
- Positive morale and engaged colleagues in the business

GLAS CYMRU HOLDINGS MEETING AGM

SUMMARY / FUTURE FOCUS

- Maintain focus on recovering performance
- Support and motivate as public scrutiny continues
- Prepare to implement Business Plan (2025-30) which if approved, represents a step change:
 - £4bn total investment in our services
 - £2bn targeting environmental projects
- Getting the organisation 'AMP8 ready' – improved performance and efficiency

GLAS CYMRU HOLDINGS MEETING AGM

WATER, ASSET PLANNING AND CAPITAL DELIVERY

Ian Christie
Managing Director

GLAS CYMRU HOLDINGS MEETING AGM

HIGHLIGHTS

- Health & Safety Performance (9 years RIDDOR free and no Lost Time Injuries)
- Leakage – good reduction in final quarter and recovery plan now fully resourced
- Drinking water performance improving through tank cleaning works
- AMP8 Delivery 'ready' with supply chain

CHALLENGES

- Transformation Programme for Drinking Water Quality
- Supply Interruption performance as a result of Asbestos Cement pipes
- Customer Satisfaction (C-Mex) - dropping too many jobs
- Ongoing maintenance at Felindre near Swansea (our biggest water treatment work serving 400k customers)

GLAS CYMRU HOLDINGS MEETING AGM

FUTURE FOCUS

Performance Recovery Plans

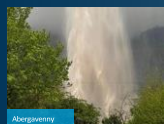
- Drinking Water Quality – complete 10 yearly tank cleans and revised competency framework
- Supply Interruptions – Embed Project Novello in south-west Wales (Operational Response Hubs)
- Leakage – maintaining detection and repair resources, trunk main metering

Asset Planning and Capital Delivery

- Shovel ready schemes for AMP8 delivery from 2025
- Procurement of new Build Partners

GLAS CYMRU HOLDINGS MEETING AGM

'GOLD' OPERATIONAL INCIDENTS



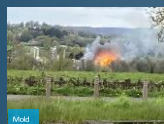
Abergavenny

April
7,000 customers without water



Trefwatts

May
Internal flooding to 15 properties



Mold

May
Major pollution on River Dee

GLAS CYMRU HOLDINGS MEETING AGM

LOWER LLIEDI DAM



Swales Valley, Llanelli

- Popular local amenity
- Legislative requirement to inspect weekly
- January - damage identified to spillway, following Storm Henk
- Mobilised drawdown of the reservoir to avoid using spillway
- Mobilised specialist teams to site and liaised with local community

GLAS CYMRU HOLDINGS MEETING AGM



GLAS CYMRU HOLDINGS MEETING AGM

WASTEWATER, BUSINESS CUSTOMERS AND ENERGY

Steve Wilson
Managing Director

GLAS OGMORE WINDFEST MEETING AGM

HIGHLIGHTS

- C-MeX customer satisfaction scores 1st in industry
- Storm overflows causing most complaints
- Better than target on sewer flooding despite wet year
- 145 new Phosphorus permits accepted and in force across all SAC rivers
- 318km of river improved ahead of plan

CHALLENGES

- NRW confirmed our 2 star performance for 2023
- Pollution run-rate from 2023 is continuing into 2024 with more focus from NRW
- Serious incidents associated with Rising Main bursts
- Overall burst rate is improving and on RM we are 2nd lowest /1000km in industry
- WwTW performance has improved in 2024 but further to go
- Real time spill map generating lots of operational work
 - reliable monitors
 - understanding impact at adjacent beaches
- Kingston & Madeley WwTW prosecution by EA

GLAS OGMORE WINDFEST MEETING AGM

FUTURE FOCUS

Improve network monitoring

- Real time spill response
- Roll out of Storm Harvester AI
- Pollution detection

Improve treatment works (WwTW) monitoring

- Rotation sensors
- Improve site feedback within 2 hours

Develop candidate sites for nature-based solutions

- Storm overflow spill reduction
- Phosphorus reduction

New Teifi Pilot Catchment Initiative to improve river water quality

- Planning and design for large number of AMP8 schemes

GLAS OGMORE WINDFEST MEETING AGM

'GOLD' OPERATIONAL INCIDENTS



May
Collapsed sewer



May
Pollution incident on River Ogmore

GLAS OGMORE WINDFEST MEETING AGM

RIVER OGMORE – POLLUTION INCIDENT

What happened

- Black sludge identified in Ogmore river on 17 May next to Penybont WwTW
- Suspected leak from an underground tank on site
- Over 1,200 hours of detailed investigations (trial holes, CCTV inspections, 3D scanning of pipes and tanks)
- Over 1,000 pots of dye used to trace leak



GLAS OGMORE WINDFEST MEETING AGM

RIVER OGMORE – POLLUTION INCIDENT

What happened

- Black sludge identified in Ogmore river on 17 May next to Penybont WwTW
- Suspected leak from an underground tank on site
- Over 1,200 hours of detailed investigations (trial holes, CCTV inspections, 3D scanning of pipes and tanks)
- Over 1,000 pots of dye used to trace leak
- Sampling taken in the river and Ogmore beach local bathing water
- Newsletter issued to stakeholders and local community
- No further evidence of a leak identified (initial leak identified was groundwater pipe – not our asset)
- NRW classified it as 'abnormal event'

GLAS OGMORE WINDFEST MEETING AGM

HOUSEHOLD
CUSTOMER SERVICES

Sam James
Managing Director

GLAS OGMORE WINDFEST MEETING AGM

HIGHLIGHTS

Financial assistance & Priority Services

- 131,000 households on social tariffs
- Launch of Cymuned scheme
- 11% of customers signed up to PS
- Outreach activity

Digital and automation

- My Account registrations
- > 400,000
- Launch Sign Video service

Customer Service

- C-MeX Billing improvement
- North Wales contact centre

CHALLENGES

Trust and Customer Service

- Increased scrutiny of bills
- Impact of environmental and operational matters
- More likely to escalate

Customer Focused Licence Condition

- Paying fair debt guideline
- Service for All vulnerability guidance

Level of IT change

GLAS CYMRU HOLDINGS MEETING AGM

FUTURE FOCUS

Vulnerability Strategy (next slide) Smart
metering preparations

Customer service systems upgrade/implementation
– Debt recovery
– Telephony/CRM
– Billing

GLAS CYMRU HOLDINGS MEETING AGM

VULNERABILITY STRATEGY

OUR APPROACH TO DEVELOPING THE STRATEGY

– Customer research
– Business engagement
– Partner feedback
– Stakeholder engagement (Senedd Members, Welsh Government officials, Natural Resources Wales)

PRIORITY AREAS

– Data
– Accessible support designed around customer need
– Training and awareness
– Community and partnerships

GLAS CYMRU HOLDINGS MEETING AGM

FINANCIAL UPDATE

Mike Davis
Chief Financial Officer

GLAS CYMRU HOLDINGS MEETING AGM

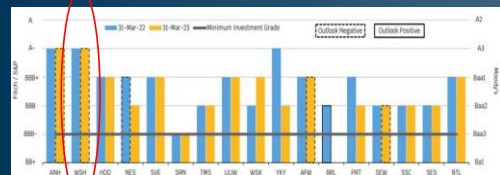
SUMMARY OF FINANCIAL POSITION

Year ended	31 March 2024	31 March 2023	% variance
Revenue	928	844	10%
Operating expenses (incl. other operating income)	(394)	(396)	1%
Infrastructure renewal expenditure (IRE)	(101)	(78)	(30%)
Operating profit before depreciation and amortisation	433	370	17%
Other expenses (incl. exceptional items and depreciation and amortisation)	(387)	(377)	(3%)
Net finance expenses	(21)	(304)	29%
Net gain/loss on financial instruments	(7)	160	(102%)
Loss before tax	(172)	(15)	(8%)
Capital expenditure including intangibles	(382)	(305)	25%
Cash (outflow)/inflow in year	(212)	(136)	(57%)
Liquidity (cash and undrawn facilities)	487	579	(16%)
Net debt	4,503	4,179	8%
Gearing (%)	60%	58%	2%
Credit rating (Moody, S&P, Fitch)	A3, A-, A	A3, A-, A	–

FINANCIAL PERFORMANCE AND OUTLOOK

- Combined operating expenses and IRE were £21m (4%) higher reflecting inflationary cost pressures
- Net finance expenses have reduced by £93m (29%) driven by reducing inflation rates partially offset by the rise in Bank of England base rate
- £14 million of 'value' returned through social tariffs due to our not-for-shareholder structure
- Retained our credit ratings at A3 (Moody's), A- (S&P) and A (Fitch)
- Gearing increased slightly to 60% (2023: 58%)
- Need to refinance some £2.6bn of existing debt and further £1.6bn of new debt (target sterling bond market but considering alternative source of finance)

LATEST OFWAT FINANCIAL RESILIENCE REPORT



GLAS CYMRU HOLDINGS MEETING AGM

PR24 SUMMARY

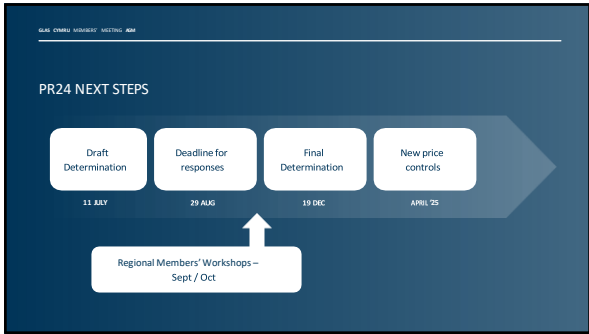
- £4.0 billion capital investment programme (84% bigger than forecast AMP7 total)
- £2.4 billion of wastewater investment to protect the environment
- Return to 4-star Environmental Performance Assessment
- Pollution incidents cut by more than 13% from 78 to 68 per annum*
- 10% reduction in leakage*
- Tap water quality contacts cut by 43%*
- Average annual pollution fine down by 30%*

*from 2025 forecast

GLAS CYMRU HOLDINGS MEETING AGM

PR24 UPDATE

- Business Plan amended in March to reflect updated NRW guidance
 - Increased size of investment programme by £525 million
 - £385 million - Storm overflow improvements and classification
 - £136 million - Phosphorous and ammonia
 - £4 million - Other
- Revised plan adds £21 to average household bill in 2029/30
- Maintained sector-leading levels of customer acceptance following update



QUALITY & SAFETY COMMITTEE REPORT

Barbara Moorhouse
Chair

MEMBERS

Glas Cymru Board	Executive	Independent Advisors
Barbara Moorhouse (Chair)	Ian Christie	Milo Purcell Former Deputy Chief Inspector DMI
Deb Bowen Rees	Steve Wilson	David Elliot Former Director at Wessex Water
Alastair Lyons	Sharon Evans	
Lila Thompson	Tony Harrington	
Jo Kenrick	Nicola Foreman (Company Secretary)	
Tom Crick		
Jane Hanson		
Peter Perry		
Mike Davis		

Frequency
Met 8 times during the year

KEY RESPONSIBILITIES

- Reviews Water and Wastewater Operational Performance and Risks
- Ensures Welsh Water fulfils its public health responsibilities
- Reviews Health and Safety Management Plan and Annual Report
- Assesses key regulatory reports i.e. Dam Safety, Water Resource and Wastewater Management Plan
- Reviews operational systems and quality assurance plans
- Receives Incident Reviews on major service failures / issues

HOW THE COMMITTEE OPERATES

- Debates key issues with the Executive and other senior staff
- Draws on the Independent advisers for input and challenge
- Meets DMI and NRW senior management at least annually to discuss key issues
- Reviews water and wastewater performance against regulatory targets
- Reviews serious operational incident reports (Lower Uled Dam, named storms)
- Reviews key operational strategies (catchment management, leakage, wastewater flow compliance) and future risks (PFAS, micropollutants)
- Assesses and recommends regulatory and statutory reports to the Board (drought plans, Reservoir Act compliance)

KEY ISSUES

- Add Value, Make a Difference
- Balance challenge and support
- Require rigorous analysis and organisational learning
- Bring a strategic perspective: operational and investment priorities, political context

AUDIT COMMITTEE REPORT

Jane Hanson
Chair

MEMBERS

Glas Cymru Board	Regular attendees	Frequency
Jane Hanson (Chair)	Peter Perry	Met 6 times during the year
Deb Bowen Rees	Mike Davis	
Jo Kenrick	Clive Hardy (Chief Risk Officer 'CRO')	Mark Owen (Chief Internal Auditor 'CIA')
	Matt Jones (Director of Finance)	Nicola Foreman (Company Secretary)
	Group's External Auditor (Deloitte)	

GLAS CYMRU MANAGEMENT MEETING AGM

HOW THE COMMITTEE OPERATES

- Under delegated authority from the Board
- Committee Members are required to be independent Non-Executive Directors
- The Committee has unrestricted access to management and external advisors to support it in discharging its duties and responsibilities
- The Committee holds private sessions with the Chief Internal Auditor and External Auditor without management present
- CIA has solid reporting line to the Chair of the Audit Committee – in line with Institute of Internal Auditors' code and good corporate governance guidance
- Chair holds regular and frequent 1:1 meetings with CFO, CRO, CIA

GLAS CYMRU MANAGEMENT MEETING AGM

PRINCIPAL RESPONSIBILITIES - TO REVIEW AND MONITOR:

- the integrity of the Group's financial statements, including ensuring that the Group provides clear, complete, fair, balanced and understandable information to all stakeholders
- the effectiveness and reliability of the risk management framework
- the integrity and sustainability of the systems of internal control as reviewed by the Internal Audit and other assurance functions
- the processes for compliance with statutory/licence obligations, laws, regulations and ethical codes of practice
- the effectiveness, performance, objectivity and independence of Internal Audit and the External Auditors
- the appropriateness of internal control systems, including those concerning public interest disclosures (whistleblowing)

GLAS CYMRU MANAGEMENT MEETING AGM

KEY ACTIVITIES IN 2023/24

Financial reporting

- Reviewed and recommended to Board half-year and FY24 financial statements, including sustainability reporting
- Bedded in new External Auditors

Internal Audit

- Received reports at every meeting from CIA on FY 24 Audit activity and approved FY25 Internal Audit Plan
- Reviewed and approved Internal Audit Charter following new Code being published

Internal control & Risk Management Systems

- Received and challenged compliance and business systems reviews performed by Risk and Compliance
- Continued oversight of risk appetite framework development

Governance

- Reviewed regulatory submissions and assurance processes relating to the Annual Performance Report (APR)
- Approved Annual Risk and Compliance Statement

GLAS CYMRU MANAGEMENT MEETING AGM

KEY ACHIEVEMENTS AND DEVELOPMENTS

Overseen the development of the governance framework at Glas Cymru including:

- Restructured and strengthened the '3 Lines of Defence' framework to oversee integrity of risk management and reporting – Group wide
- New role of Chief Risk Officer now in place to oversee holistic risk framework
- Separated and repositioned the Internal Audit function ensuring true independence, including conducting a recruitment process for a Chief Internal Auditor in 2023
- Ensured the continued improvement of our financial control environment – Financial Reporting Controls Committee – Management Committee, reporting to DCE and AC
- Conducted an External Auditor re-tender process in 2023 – oversaw the transfer of responsibilities from KPMG to Deloitte

GLAS CYMRU MANAGEMENT MEETING AGM

REMUNERATION
COMMITTEE REPORT

Jo Kenrick

Chair of the Remuneration Committee

GLAS CYMRU MANAGEMENT MEETING AGM

AGENDA

- Role of the Remuneration Committee
- The external environment framing remuneration
- Additional regulation of executive pay
- Remuneration decisions taken in the last year
- Executive remuneration levels and ratios
- Focus areas for the Remuneration Committee in FY25
- 2024 Annual Remuneration Report advisory vote

GLAS CYMRU MANAGEMENT MEETING AGM

BOARD SUB COMMITTEE OF NON-EXECUTIVE DIRECTORS

THE COMMITTEE

- Sets the remuneration policy for the Executive Directors
- Oversees the policies and principles of remuneration across the Company
- Approves remuneration of the Chair of the Board, the two Executive Directors and the wider Executive team annually
- Takes account of national (Companies Act, Financial Reporting Council) and sector (Ofwat) regulation and guidance but also the wider societal context

MEMBERS

- Have an advisory vote on the annual Remuneration Report
- Approve the Remuneration Policy every 3 years or sooner on a change of policy (last Policy vote was in 2023)

GLAS CYMRU MANAGEMENT MEETING AGM

THE EXTERNAL ENVIRONMENT

Welsh Water, and the water industry generally, continues to face many challenges

- Environmental impact, especially pollution, rightly remains at the forefront of public and customer concern.
- Our asset investment programme will produce long-term benefits but tangible results will not be felt immediately
- In 2023, Ofwat introduced powers to review company decisions on variable pay to determine whether or not they should be charged to customers
- In 2024, Ofwat and DEFRA have announced intent to enhance these powers with the ability to enforce clawback on incentive pay in some circumstances
- Our success at executing our priorities is dependent on us remaining an attractive employer at all levels of the workforce, in particular our senior leaders



GLAS CYMRU HOLDINGS: MEETING AGM

ADDITIONAL REGULATION ON EXECUTIVE PAY

In February 2024, the Government and Ofwat announced plans to impose further powers to recover executive bonuses

- Trigger factors likely to include successful prosecutions and serious management misconduct
- The industry has worked collaboratively to propose a set of principles to Ofwat but as yet there has been no response to these
- Remco currently has powers to address serious failings of management, such as clawback and a discretionary over-ride on variable pay outcomes
- During FY 25, Remco will consider how best to integrate the regulatory principles into our next remuneration policy

GLAS CYMRU HOLDINGS: MEETING AGM

PAY OUTCOMES IN FY24

Decisions taken in the last year

- 4.2% salary increase to Executive Directors & Chair, aligned to agreed workforce increase
- Variable Pay Decisions in respect of performance to 31 March 2024
- AVPS 2023/24: formulaic payout earned of 25.8% of salary (out of a maximum of 100%)
- LTVPS 2023/24: no payout
- £1,000 Colleague Reward Scheme – endorsed

GLAS CYMRU HOLDINGS: MEETING AGM

VARIABLE PAY FOR FY25

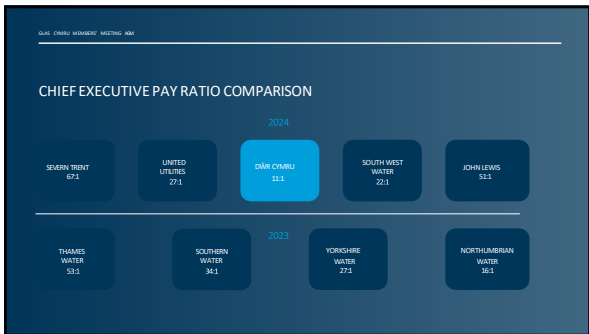
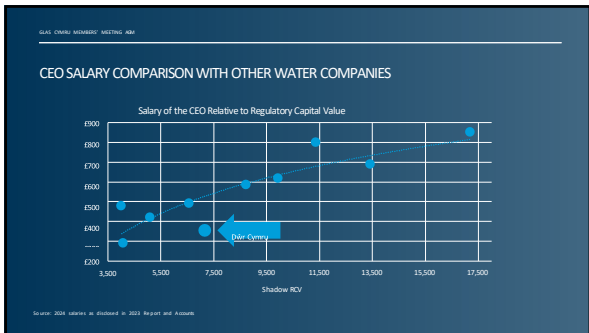
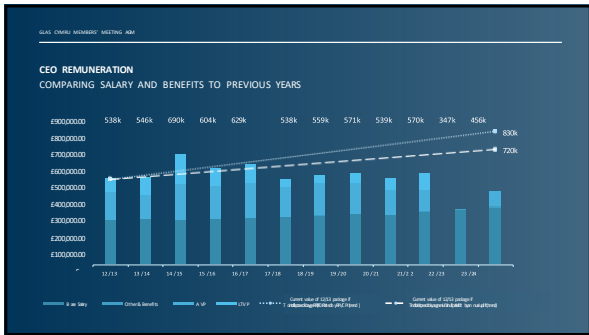
Decisions taken in the last year AVPS

2024/25

- Retaining the split as 30% Customer Service, 50% Operational, 20% Strategic that we introduced last year
- Operational goals are tied to the seven key Service Commitment Plan targets (leakage, per capita consumption, supply interruptions, drinking water quality, mains repairs, pollution and treatment works compliance)

Environmental measures will form 35% of the total AVP scorecard

- Pollution: 20%
- km of river improved, wastewater compliance and leakage: 5% each





GLAS CYMRU HOLDINGS MEETING AGM

ETHNICITY PAY GAP

This year, we published our Ethnicity Pay Gap figures for the first time:

- 79.8% of the work force have disclosed their ethnicity and we have used this data to calculate the Ethnicity Pay Gap as at 5 April 2023
- Of this population, 3.7% of colleagues describe themselves as being Black or Asian Ethnic Minority
- The median pay gap is 3.47% and the mean is 5.68%

GLAS CYMRU HOLDINGS MEETING AGM

FOCUS AREAS FOR FY 25

During 2024 we will be launching our next Remuneration Policy review.

The Committee must ensure that, at this critical time for the water industry, Welsh Water's Remuneration Policy in AMP 8 drives the right behaviours and retains key talent

- The review will align to the start of the AMP 8 regulatory cycle
- Careful thought will be given to forward planning across the whole cycle
- Regulatory changes will need to be factored into the design
- Compliance and linkage of variable pay with strategic priorities will need to be balanced with retention and talent needs

GLAS CYMRU HOLDINGS MEETING AGM

SUMMARY

Looking forward

Expect greater external regulation of executive pay in the water industry

FY 25 policy review will be shaped by the AMP final determination and wider regulation on pay

It is critical for us to balance the external scrutiny on executive pay with ensuring strong leadership and retention of senior talent.

Members are asked to approve Resolution 2 (Advisory):

This covers the decisions made for 2023/24 and 2024/25 (The Committee will take the voting outcome into account in future decision-making)

GLAS CYMRU HOLDINGS MEETING AGM

Q&A



Overview of the Members Meeting of Glas Cymru Holdings Cyf	
Held at St George's Hotel, The Promenade, Llandudno, at 09:30 on Friday 5th July 2024	
Summary of Member Engagement	
1.	<p>A member, acknowledging the focus placed on reducing leakage, questioned what the ratio for leakage was between Customer supply pipes and Dwr Cymru Welsh Water's (DCWW) wider network.</p> <p>It was confirmed that the ratio was roughly a 60: 40 split between our network and losses from customer supply pipes, and that the Business was making positive progress against leakage targets and would continue working with customers to reduce private leakage to support overall performance.</p>
2.	<p>Members queried whether they would play a role in the selection process for the appointment of the Chair of the Board's successor to be able to question candidates' views on the Glas governance model.</p> <p>The Board shared that Board Directors retained responsibility for the appointment of the Chair with the DCWW's Nomination Committee holding responsibility for oversight of the appointment process which would place a focus on the successful candidate demonstrating a clear intention to uphold DCWW's values, apply appropriate scrutiny and hold the executive to account. As well as having a good understanding of the issues of importance for customers and other stakeholders in Wales. Amongst this was ensuring environmental responsibility and support for vulnerable customers. Additionally, Members were reminded of their role to consider and vote upon the re-appointment of the Chair and other directors at each Annual General Meeting based on prior year performance.</p> <p>Members were reassured that the recruitment process was supported by an external recruitment partner and was well advanced with over 90 potential candidates expressing an interest alongside internal candidates and a strong shortlist arrived at with embedded connections to Wales and the Welsh Environment which had been prioritised in the search. Members noted that the recruitment process had placed a specific focus on candidates being absolutely committed to the ethos, values, and structure of DCWW.</p> <p>Members, who so desired, were invited to submit their queries and representations in relation to the recruitment process that would be considered by the appointment panel.</p>
3.	<p>A Member questioned whether DCWW was aware of and had considered the Manchester Ship Canal Company Ltd v United Utilities Water Ltd judgement and the likely impact that this could have on Ofwat's approach to prioritisation of storm overflow discharges.</p> <p>Members noted that DCWW was aware of the case and the precedent it had set. It was acknowledged that this was an area of law that would develop and that would be kept under review.</p>
4.	<p>A Member engaged within the Third Sector commended DCWW's Vulnerable Customer Strategy which had been launched the previous week and highlighted the positive impact that DCWW's policies were having on customers and more widely across the not for profit sector.</p>
5.	<p>Noting the operational and logistical difficulties that teams experience when undertaking maintenance and improvement work, a Member queried whether original historic designs for</p>

	<p>DCWW's infrastructure had taken account of the need for ongoing maintenance and, if not, why this had not been addressed sooner.</p> <p>Members were advised that DCWW's predecessor organisation had, regrettably, not placed the same focus on maintenance that was now required with much of DCWW's infrastructure having been developed in a piecemeal manner by individual local authorities with differing standards, designs and methodologies with no redundancy plans incorporated. It was confirmed that DCWW had put in place a programme of work to improve redundancy systems across its asset portfolio however this work had been constrained restricted by the funding made available in successive price reviews where bill reductions determined available levels of investment.</p>
6.	<p>With environmental performance listed as one of DCWW's key priorities and significant external focus placed on this area, a Member questioned why more detail had not been included within DCWW's Annual Report and Accounts to set out the company's priorities and action plans in this area. It was suggested that the inclusion of this detail would signal DCWW's intentions publicly and would evidence the company's ambitions if Ofwat did not fund all proposals included within PR24 plans.</p> <p>It was confirmed that DCWW's plans and proposals to improve environmental performance were included within its PR24 plan and Summary which were available to the public and Members. Additionally, Members noted that DCWW's Storm Overflow plans continued to focus on the reduction of environmental harm and that proposed investment at Special Area of Conservation sites would, if agreed, reduce phosphorous in these areas by 90% by 2030 and 100% by 2032.</p>
7	<p>Members welcomed the humility of the Board in-light of the challenges encountered during 2023/24 and highlighted that whilst it had at times been difficult to defend the company's performance, DCWW had provided Members with appropriate evidence and detail to enable Members to have informed and robust conversations with third parties.</p>
8.	<p>A Member questioned how the significant amount of investment required for AMP8 plans would be generated and whether the Board had confidence that funds could be secured. If not, they queried what 'Plan B' was and how this risk would be managed.</p> <p>It was confirmed that operational running costs were funded by customer charges pound for pound but that improvement costs were funded through borrowing that is added to the regulatory capital value of the business and recovered from customers over a 25 year period. Members acknowledged that DCWW held a triple A rating from credit agencies and that whilst it might be more difficult to raise finance moving forward DCWW expected to be able to secure the required investment funding.</p>
9.	<p>A Member expressed their surprise that no internal disciplinary action had been taken following the outcome of the Ofwat Report into DCWW's leakage reporting which had resulted in significant cost and reputational harm being caused to the business. The Member highlighted that Ofwat's findings had suggested that the DCWW Board had failed to put in place adequate controls to ensure reporting was based on best and latest available data which had been categorised as a failure in governance and management oversight.</p> <p>The Member drew attention to the scrutiny sessions at the Senedd and House of Commons and questioned the level of scrutiny the Board had applied to the mis-reported leakage figures.</p> <p>Additionally, the Member challenged the provision of private health cover in a 'Not for Profit' organisation.</p> <p>Notwithstanding the Member's expressed desire for a change in governance structure, they highlighted that positive improvements had been implemented, including the introduction of</p>

	<p>Regional Members meetings, the availability of hybrid meetings, and the more prompt turnaround time of meeting minutes.</p> <p>Board Members shared that in response to the internal identification of leakage misreporting a Special Oversight Committee had been formed, which the Chair of the Board had led. That Committee had overseen a detailed investigation undertaken by an independently appointed team to assess the root cause of identified issues and why these had occurred. The findings of that investigation had been shared with Ofwat which had instigated their own investigation and reached a conclusion that substantially mirrored the outcome arrived at internally. Board Members confirmed that whilst it was apparent that DCWW had misreported its leakage data this had not taken place at the behest of senior management. Members acknowledged that leakage reporting was an extremely challenging and specialised process and that DCWW's investigation had found that there was insufficient knowledge and experience within the leakage team with inadequate oversight of data. No excuse had been made for these issues and Members noted that appropriate operational changes had been implemented to improve leakage reporting, which had not been challenged by Ofwat.</p> <p>The Leakage Committee had considered what, if any, action should be taken against those directly involved in the misreporting of leakage data and that whilst many of those in management roles had left the business, DCWW's well-structured disciplinary investigatory procedures had been followed throughout the process to assess if action was deemed necessary. Following the detailed investigation carried out independently of respective line management and fully reported to Ofwat there were no grounds for disciplinary action as no culpability nor inappropriate behaviour / actions were found.</p> <p>Members noted that the Chief Executive Officer and Chief Financial Officer had foregone their variable pay for 2022/23 as the investigation revealed the errors in previous reporting.</p> <p>Additionally, Members noted that DCWW continued to provide Private Medical Insurance to senior colleagues to ensure that key personnel could return to work as soon as possible in the event of injury or illness. This is common practice in companies and other organisations similar to DCWW.</p>
10.	<p>The Board was asked whether it was certain of its corporate priorities and how these would be monitored.</p> <p>Members were reassured that the Board had clarity over its priorities. Internally, it was reported that Health and Safety was the key priority of the operational business. Aligned to that, the quality of drinking water remained the top priority, followed closely by improving performance for the worst served customers who continue to suffer from frequent supply interruptions.</p> <p>Members noted that leakage and environmental performance were also key priority areas for the business with a real focus also placed on reducing pollution incidents.</p> <p>To support achievement of these priorities Board Members confirmed that DCWW's capital delivery programme would increase from £2.0bn in AMP7 to £4.0bn within AMP8, of which £400m in investment plans was already under development to ensure that the business was able to hit the ground running in AMP8 and deliver required improvements as early as possible in the new regulatory period.</p>
11.	<p>A Member questioned whether DCWW had taken learning from issues encountered by the industry during Billing System upgrades that would inform DCWW's proposals to update its own System and whether appropriate safeguards would be put in place to ensure that customers were not impacted.</p>

	<p>The Board acknowledged that the industry had previously experienced difficulty in this area and reassured Members that DCWW intended to upgrade its existing system to support the introduction of Smart Metering, as opposed to completely replacing its current system. Notwithstanding the reduced risk presented, the Board confirmed that the upgrade would be tightly managed through robust governance groups and stringent testing which would only allow the system to go live when it was safe to do so.</p>
12.	<p>The Board was asked how seriously DCWW was considering the use of Artificial Intelligence to support its operational activity.</p> <p>The Board confirmed that DCWW was taking Artificial Intelligence very seriously and that thanks to the efforts of its Chief Technology Officer, the business had secured its place on an Artificial Intelligence software trial as one of only 300 companies worldwide. Additionally, it was noted that DCWW had appointed a new Head of Data Science to lead a team of over 30 data scientists who would focus on applying technical solutions to business and operational problems. This work would support the introduction of key operational enablers including software that would proactively make use of artificial intelligence and data analysis to support and inform operational decision making. The focus would be on predictive analysis to enable early intervention for service failures and to improve response times from wider monitoring of asset performance such as CSOs.</p>
13.	<p>A Member suggested that a section could be included within the Annual Report and Accounts to list all Members and the unique skills they have to demonstrate the value that they provide to the business. It was confirmed that proposals to implement such a suggestion would be shared with Members for approval.</p>
14.	<p>Members acknowledged the detailed activity undertaken by the Quality and Safety Committee and questioned whether the Committee also supported the work of other committees and whether there were any specific improvements made because of Committee activity.</p> <p>Board Members confirmed that the Non-Executive Directors and Chairs of each committee adopt a collegiate approach to the review and scrutiny of identified issues. Where a committee identifies an issue that should be subject to further review within another forum, a referral will be made to ensure that the issue is appropriately reviewed.</p> <p>It was acknowledged that during 2023/24 a decision had been made for all Board Members to attend the Quality and Safety Committee to enhance scrutiny and challenge which would support placing the focus on areas in need of improvement as opposed to spending significant time on established processes that were performing well.</p>
15.	<p>Members noted the role of the Quality and Safety Committee in maintaining oversight of DCWW's Health and Safety processes and took the opportunity to commend the business' exemplary Health and Safety Record.</p>
16.	<p>A Member questioned whether DCWW had developed a culture where risks were considered and addressed daily in the same manner as health and safety.</p> <p>It was noted that DCWW's Audit Committee and Board receive assurance as the effectiveness of risk management controls from the Chief Risk Officer who regularly reports upon the DCWW Risk Management Framework. Operational risk areas are managed at a local level and escalated to the Chief Risk Officer and his team as required. Additionally, DCWW's Internal Audit function provides an annual opinion on the effectiveness of internal controls, which includes risk management.</p> <p>Members acknowledged that the Board and Committees also receive assurance from operational colleagues directly on the management of risk where areas of concern are highlighted within Internal Audit and Quality Audit Reviews. Management of risk is also</p>

	considered at periodic Executive Health and Safety site visits and Board Member site visits where on the ground reviews of risk areas are discussed.
17.	<p>A Member acknowledged feedback that the appointed external auditors, Deloitte, were adding value to the business and queried whether, given their perceived complacency in the collapse of Mitie and Carillion, the business was able to take confidence that Deloitte had improved their practice.</p> <p>Board Members confirmed that the arm of Deloitte supporting DCWW was distinct from that involved in recent issues with Mitie and Carillion and added that the Financial Reporting Council had reported that confidence and trust in the big four Audit companies continued to be rebuilt.</p> <p>Members noted that since appointment, Deloitte had provided significant added value and had identified a number of areas for improvement, including through the provision of recommendations for key accounting policies. It was confirmed that the level of scrutiny Deloitte had placed on operational processes had led to positive learning being taken that would place the business in good stead moving forward.</p>
18.	<p>Members questioned what processes were in place to manage and monitor findings identified by the Internal Audit team.</p> <p>It was noted that the Internal Audit plan for each year is developed based on the risk profile of the business and approved by the Audit Committee. Each Internal Audit report is shared with the Audit Committee with limited and unsatisfactory findings reviewed in detail to ensure that appropriate action plans and controls are in place to mitigate identified risks. The Membership noted that, where required, management are invited to attend Committee meetings to provide further assurance that agreed action plans are being implemented.</p>
19.	<p>A Member shared their support for the Glas Governance model which, they suggested, took strength from a Membership with a broad range of expertise that is able and willing to provide appropriate scrutiny and challenge. The Member confirmed their belief that the business continued to operate in a transparent and honest manner, which they remained proud to defend.</p> <p>The Member acknowledged the reported salaries of executive colleagues and stressed that the level of salary was not the important factor in considering the merit of proposed remuneration. Rather, it was important to consider the impact of colleagues as leaders and the value that they add to the business. Noting the focus placed on health and safety, the degree of transparency and action taken in response to identified performance issues, and feedback received within staff surveys, the Member confirmed their full support for the salaries proposed for executive colleagues.</p>
20.	<p>It was queried whether Welsh Government would express any opinion on Defra and Ofwat proposals for the review of executive variable pay and the potential withholding of this in the event of serious pollution incidents.</p> <p>Board Members confirmed that the Remuneration Committee exercised judgement on instances where variable pay would be reduced this would take into account issues such as serious pollution or for other key issues such as health and safety breaches, where senior management had not acted diligently. This mirrored some of the type of scrutiny recently highlighted by Ofwat as being important in ensuring good remuneration policy. It was noted that the Ofwat review of executive remuneration process has been postponed following the announcement of the General Election albeit discussion was likely to recommence in the near future.</p>
21.	A Member confirmed their support of the need to appropriately remunerate colleagues to retain quality staff members. Notwithstanding this, the Member noted that pension contributions had



	<p>not been included within reported remuneration figures shared with Members and, as a deferred type of pay, questioned how this had been considered when reviewing remuneration.</p> <p>In response members heard that this was not correct and that pension contributions for executive colleagues had been included within the Annual Report and Accounts as it has been since the formation of Glas Cymru in 2001.</p>
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