



**Policy and Procedure for the Selection and Appointment of the Members of  
Glas Cymru Holdings Cyfyngedig**

Version 1.3 Adopted by the Board in March 2001 (updated and re-issued in 2017)

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## Introduction

1. Glas Cymru Holdings Cyfyngedig (“Glas Cymru”), the holding company for Dŵr Cymru Cyfyngedig (“Welsh Water”) is unique in the water sector as a statutory water and sewerage undertaker which has no shareholders, but instead is limited by guarantee and owned and managed for the benefit of its customers. Glas Members are an important part of the Glas Group’s corporate structure.<sup>1</sup>

### Company limited by guarantee

2. As a “company limited by guarantee” Glas Cymru has no share capital, and therefore no shareholders. Individuals appointed as members of Glas Cymru (“Members”) do not receive dividends nor do they have any other financial interest in the Group.
3. Membership is personal and cannot be transferred.

### Activities of Welsh Water

4. Welsh Water provides an essential public service. It is a highly regulated business that provides water and wastewater services to over three million people living and working in Wales and some adjoining parts of England. Welsh Water has over 1.1 million domestic customers and over 110,000 business customers, and employs assets worth more than £25 billion.

### Members of the Company

#### Role of Members

5. The Board of Directors is accountable to the Members of Glas Cymru for its management of the Group’s activities. Members play an important role in scrutinising the Group’s performance against commercial, regulatory and other targets, as well as against water industry benchmarks for quality of service and cost efficiency. The role of a Member is similar to that of a shareholder in a public limited company, save that a Member has no financial interest in the Group. Members perform this corporate governance role by receiving regular reports on the Group’s activities and performance and by participating in Members’ conferences and in general meetings.
6. Under Glas Cymru’s ownership, the regulated water and sewerage company Welsh Water needs to perform as well as, or better than, the shareholder-owned water companies regulated by Ofwat, the water industry regulator. The regulatory framework and disciplines apply to Welsh Water under Glas Cymru’s ownership, as they do for any other regulated water and sewerage company in England and Wales.
7. Glas Cymru is obliged to act as though it were listed on the London Stock Exchange. In particular, this requires that the company acts in accordance with the Principles of Good Governance as updated from time to time (the “UK Corporate Governance Code”). Members have an important role in ensuring that the company is managed in line with the highest standards of corporate governance.

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<sup>1</sup> Throughout this document, references to “Glas Cymru” are to Glas Cymru Holdings Cyfyngedig, the holding company of the Glas Group, and where applicable to its wholly owned subsidiaries (the “Group”). References to Dŵr Cymru Cyfyngedig (“Welsh Water”) are to the regulated water and sewerage company which is a wholly owned subsidiary of Glas Cymru. Other subsidiaries include Welsh Water Infrastructure Limited (which takes forward commercial projects) and Cambrian Utilities Limited (a business retail services subsidiary).

8. In addition Members have a formal role in:
  - 8.1 Approving certain major transactions or changes to the Group's constitution;
  - 8.2 Approving the appointment and re-appointment of Directors;
  - 8.3 Approving the appointment and re-appointment of the Group's auditors; and
  - 8.4 Approving the Remuneration Policy and annual Remuneration Report.
9. Members are appointed on the basis of an appropriate combination of expertise, experience and capacity to contribute to these key governance roles.
10. Members of Glas Cymru are selected and appointed in accordance with the policy and procedures set out in this document ("the Membership Policy").
11. This document should be read in conjunction with the [Members handbook](#) (which sets out the role of appointed Glas Members in more detail).
12. The Membership Policy is a public document, available for inspection on the Group's Website ([www.dwcymru.com](http://www.dwcymru.com)). The Membership Policy is reviewed by the Board of Directors from time to time and, if necessary, amended.

### **Number of Members**

13. The Board considers that around 50-60 independent Members is an appropriate number to embrace the key stakeholder perspectives served by Welsh Water. The Directors of the company are also Members. Further appointments may be made to reinforce the Membership and to allow for the regular rotation of Members. The maximum permitted number of Members is 200 (Article 3.1 of the company's Articles of Association).

### **Selection of Members**

14. Members are appointed by the Board following a process of recruitment and nomination by an independent panel ("the Membership Selection Panel" or "Panel"). The role of the Membership Selection Panel is to recommend individuals who have the skills, experience and interest to be effective Members. In addition, the Membership Selection Panel shall seek to ensure that the company has a balanced and diverse Membership which is, as far as possible, broadly reflective of the range of customer and other stakeholder interests served by Welsh Water.
15. The Membership Selection Panel comprises a Chairman, who is independent of the company, together with one non-executive director of Glas Cymru and between one and three other Panel members who shall also be independent of the company. The Membership Selection Panel is supported and assisted by the Company Secretary of Glas Cymru.

### **Term of appointment**

16. Members are appointed initially for a period of three years. Membership may be renewed beyond the initial period, but Members will not be eligible for a re-appointment which takes them beyond the tenth anniversary of their first becoming a Member. Members are expected to attend meetings regularly (Article 6.1 of the company's Articles of Association).

### **Liability of Members**

17. In the event that the company was ever wound up or liquidated then each Member could be required to contribute £1 to the assets of the company. This is the maximum liability of any Member, and this liability would only arise at all if the company was to be wound up in circumstances where it was unable to meet all its debts in full.

## Members' right to receive expenses

18. No portion of the income or property of any Group company may be distributed to Members, whether by dividend, bonus or other form of profit. Members are reimbursed all reasonable expenses incurred in respect of their attendance at the Annual General Meeting, Members' conference(s) or similar events.

## Standard of conduct

19. Members must at all times observe the highest standards of propriety in relation to their Membership. Members must:
  - 19.1 Take decisions as Members solely in the interests of the Group and not for any financial or other gain for the benefit of themselves, their family, their friends or any particular organisation or interest group.
  - 19.2 Not use their position as a Member, or information received by virtue of their position as a Member, to further private interests or to frustrate or influence the policy, decisions or actions of the Group.
  - 19.3 Declare to the Board any private interests relevant to their Membership or the activities of the Group, and take steps to resolve any conflicts arising in a way that protects the interests of the Group.
  - 19.4 Act in a manner which will maintain and strengthen the public's trust and confidence in the Group, and avoid any action which would, or could, bring the Group's name and reputation into disrepute.
20. In the event that a Member fails to observe, or is perceived by the Membership Selection Panel or the Board, to be failing the standard of conduct expected of a Member then:
  - 20.1 The Membership Selection Panel may recommend to the Board that a Member's appointment be terminated in accordance with paragraph 29 of this Membership Policy; and/or
  - 20.2 The Board may, pursuant to paragraph 20.1 or otherwise having first sought the views of the Membership Selection Panel on the appropriateness of the proposed course of action, terminate the appointment of a Member in accordance with paragraph 29 of this Membership Policy.

In either case, the Membership Selection Panel shall satisfy itself that termination of Membership is appropriate by such measures as the Panel shall determine in the circumstances, and shall provide the Board with a written statement explaining its decision or view. This written statement will also, on request, be provided to the Member. Any decision or view of the Membership Selection Panel shall not be subject to appeal by a Member.

## 21. Conflict of interest

- 21.1 Paragraph 19.3 provides that a Member shall declare to the Board any private interests relevant to their Membership or the activities of the Group and shall take steps to resolve any conflicts arising in a way that protects the Group.
- 21.2 In the event that a conflict of interest arises (whether or not it is reported by a Member), or where the Panel or the Board reasonably believes that a conflict of interest exists, or could exist, then the Panel, having sought such clarification from the Group and/or the Member of the circumstances as it considers appropriate, shall confirm to the Board in writing its view on whether a conflict of interest exists.

- 21.3 Where the Membership Selection Panel concludes that a conflict of interest exists, or could exist, the Chairman shall write to the Member concerned stating the steps to be taken to resolve the conflict and the timescale, if not immediate, in which this is to be achieved.
- 21.4 If a conflict of interest is incapable of remedy, or there is a failure by a Member to resolve a conflict of interest or potential conflict of interest, this would be incompatible with the standard of conduct expected of a Member as set out in paragraph 19 of this Membership Policy.
- 21.5 Where the Panel and the Board agree in writing that a Member's conflict of interest is of a temporary nature, then the Chairman of the Panel and the Member may agree in writing to a period of sabbatical during which a Member would not exercise any rights or powers of a Member, but would remain subject to standard of conduct expected of a Member. During any period of sabbatical, a Member would not be required to attend and vote at any meeting of the Members of Glas Cymru, or attend any other event to which a Member might ordinarily be invited or have access to the Members website. In the event that agreement cannot be reached in respect of any period of sabbatical, then the provisions of paragraph 21.4 of this policy may apply.

### How Members may be sought

22. Potential Members may be sought in a number of ways including by the Membership Selection Panel:
- 22.1 Asking suitably qualified/ experienced persons, bodies, groups and organisations to promote awareness of Membership among individuals associated with them.
- 22.2 Placing press releases and/or advertisements in appropriate journals, press and media.
- 22.3 Promoting Membership via the company's website.

In all cases applicants must submit a written application to the Company Secretary.

### The appointment process

23. The Membership Selection Panel assesses applications from Potential Members and make its recommendation to the Board. The assessment process comprises four stages.

Stage 1: On receipt of applications, the Company Secretary reviews them to ensure that they have been properly completed.

Stage 2: The Panel Chairman carries out an initial review of the list of Potential Members with other members of the Membership Selection Panel.

Stage 3: For those that proceed beyond the initial review, the Membership Selection Panel assesses applications against the company's published criteria for Membership, particularly as regards the qualities and experience of the applicant, his or her independence and personal integrity, and his or her ability to contribute to the effective governance of the company.

Stage 4: Shortlisted applicants will be invited to an interview with the Membership Selection Panel. At least two members of the Panel will be present and a record of the interview will be prepared.

24. The Membership Selection Panel then submits a report to the Board with a clear recommendation as to those individuals proposed to be invited to become Members of Glas Cymru. Having made its decision, the Board will instruct the Company Secretary to issue an invitation to Membership as appropriate.

25. The Board can reject the recommendations by the Membership Selection Panel, but only individuals proposed by the Membership Selection Panel can be appointed as Members.
26. The Board's invitation will include the following information:
  - the date by which a response to the invitation should be given;
  - information on Glas Cymru's activities;
  - details of the requirements, responsibilities and rights of Members; and
  - such other information as the Board considers appropriate.
27. A Potential Member will be asked to confirm his or her acceptance of Membership in writing. On receipt of such acceptance, the Company Secretary will record the Member's details in the Register of Members.

### **Provision of Information**

28. The company will keep the Members informed of the Group's activities, progress and performance:
  - via a Members' website;
  - by the issue of a periodic performance and other reports for Members;
  - by the issue of an annual report and financial statements;
  - at an Annual General Meeting and a half year Members' Meeting which will include presentations on the company's general and financial performance and on its customer service, water quality, environmental performance, strategy, and challenges; and
  - at such other Members' conferences as the Board may consider necessary or desirable.

### **Termination of Membership**

29. Membership may only be terminated in accordance with the relevant provisions in the company's Articles of Association. A Member can resign at any time by serving written notice on the Company Secretary and it will be effective from the time such resignation is recorded in the Register of Members.
30. Prior to considering any exercise of the discretionary power provided by paragraph 20 of the Membership Policy, the Board shall seek the views of the Membership Selection Panel as set out in paragraphs 20.1 and 20.2.

### **Public Register of Members**

31. In line with the principles of openness and transparency which Glas Cymru upholds, the Register of Members (giving the names and brief details of members) will be published on the company website. This is required of all members and consent for this is deemed given when an application for membership is submitted.

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