



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

Adopted by the Board in March 2001 (updated and re-issued in July 2009)

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Introduction

- 1 Members of Glas Cymru Cyfyngedig ("Glas Cymru" or "the Company") are selected and appointed in accordance with the policy and procedures set out in this document ("the Membership Policy").
- 2 The Membership Policy is a public document, available for inspection on the Company's website (*www.dwrcymru.com*). The Membership Policy is reviewed by the Board of Directors of the Company ("the Board") from time to time and, if necessary, amended.

Company limited by guarantee

- 3 Glas Cymru is a "company limited by guarantee", registered in Wales under the Companies Act 1985. It was formed in March 2000 for the sole purpose of acquiring and owning Dwr Cymru Cyfyngedig ("Welsh Water").
- 4 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 Company. All financial surpluses generated will be retained by the Company for the benefit of Welsh Water and its customers.
- 5 Membership is personal and cannot be transferred.

Activities of Welsh Water

- 6 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 £25,000 million.
- 7 The activities of Glas Cymru are limited to the provision of water and sewerage services in the region served by Welsh Water. Glas Cymru cannot diversify into unrelated activities.

Members of the Company

Role of Members

- 8 The Board is accountable to the Members of Glas Cymru for its management of the Company. Members play an important role in scrutinising Welsh Water's performance against commercial 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 Company. Members perform this corporate governance role by receiving regular reports on the Company's performance and by participating in Members' conferences and in general meetings of the Company.

- 9 Under Glas Cymru's ownership, 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.
- 10 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 and Code of Best Practice as annexed to the listing rules of the London Stock Exchange (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.
- 11 In addition Members have a role in:
 - Approving certain major transactions or changes to the Company's constitution;
 - Approving the appointment and re-appointment of Directors; and
 - Approving the appointment and re-appointment of the Company's auditors.
- 12 Members are appointed because they have an appropriate combination of expertise, experience and capacity to contribute to these key governance roles.

Number of Members

- 13 The Board believes that around 50 independent Members is enough 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).

Term of appointment

- 14 Members are appointed initially for periods of between two to five years. Membership may be renewed beyond the initial period, but Members appointed by the Board will not be eligible for re-appointment once their term of Membership has reached ten years. (Article 6.1 of the Company's Articles of Association).

Liability of Members

- 15 In the event that the Company was ever "wound up" then each Member would 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 the Company was unable to meet all of its debts in full.

Members' right to receive expenses

- 16 No portion of the income or property of the 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

- 17 Members must at all times observe the highest standards of propriety in relation to their Membership. Members must:
- Take decisions as Members solely in the interests of the Company and not for any financial or other gain for the benefit of themselves, their family, their friends or any particular organisation or interest group.
 - 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 Company in an improper manner.
 - Declare to the Board any private interests relevant to their Membership or the activities of the Company, and take steps to resolve any conflicts arising in a way that protects the interests of the Company.
 - Act in a manner which will maintain and strengthen the public's trust and confidence in the Company, and avoid any action which would, or could, bring the Company's name and reputation into disrepute.
- 17A In the event that a Member fails to observe, or is perceived by the Membership Selection Panel (as defined in paragraph 18 below), or the Board, to be failing the standard of conduct expected of a Member then:
- (a) the Membership Selection Panel may recommend to the Board that a Member's appointment be terminated in accordance with paragraph 28 of this Membership Policy; and/or
 - (b) the Board may, pursuant to (a) 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 28 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. All communication with a Member in such circumstances shall be in writing. Any decision or view of the Membership Selection Panel shall not be subject to appeal by a Member.

17B Conflict of interest

- B.1 Bullet 3 of paragraph 17 provides that a Member shall 'declare to the Board any private interests relevant to their Membership or the activities of the Company and to take steps to resolve any conflicts arising in a way that protects the Company'.
- B.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 Company 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.
- B.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.

- B.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 17 of this Membership Policy.
- B.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 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 17B.4 of this policy may apply.

Selection of Members

- 18 Members are appointed by the Board following a process of 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.
- 19 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. Members of the Membership Selection Panel will receive a fee and expenses for their services.

How Members may be sought

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

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

The appointment process

- 21 The Membership Selection Panel assessed applications from Potential Members and make its recommendation to the Board. The assessment process comprises three 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. If there are any Potential Members that the Membership Selection Panel deems to be unsuitable or inappropriate, then the Company Secretary (on behalf of the Panel) will write to such individuals explaining the Membership Selection Panel's decision.

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 Potential Member, his or her independence and personal integrity, and his or her ability to contribute to the effective governance of the Company. In carrying out this assessment it may be necessary to contact the Potential Member to seek further clarification of his or her application. If this is necessary, all such communication will be in writing. If, in exceptional circumstances, it is necessary to meet the Potential Member, then the Panel Chairman and at least one other member of the Panel will be present and a record of the meeting will be prepared.

- 22 The Membership Selection Panel then submits a report to the Board on the Potential Members considered by it together with a clear recommendation as to which should be invited to become a Member of Glas Cymru. Having made its decision, the Board will issue an invitation to Membership as appropriate.
- 23 The Board can reject Potential Members recommended by the Membership Selection Panel, but only individuals recommended by the Membership Selection Panel can be appointed as Members.
- 24 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, and on Welsh Water's water and sewerage business;
 - details of the requirements, responsibilities and rights of Members; and
 - such other information as the Board considers appropriate.
- 25 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.
- 26 Those responsible for the selection and approval of Members can be required to show that objectivity and probity in complying with this Membership Policy have been exercised throughout the selection process.

Provision of Information

- 27 The Company will keep the Members informed of the Company's activities, progress and performance:
- via a private 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, and environmental performance; and
 - at such other Members' conferences as the Board may consider necessary or desirable.

Termination of Membership

- 28 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.
- 28A Prior to considering any exercise of the discretionary power provided by paragraph 28 of the Membership Policy, the Board shall seek the views of the Membership Selection Panel as set out in paragraphs 17 and 17A of this Membership Policy.

General

- 29 **Applicability of the Membership Policy:** The Membership Policy is to be followed in respect of the selection and appointment of all Members in all cases.
- 30 **Communication with Members:** All communication between the Company, Potential Members and Members relating to the selection process should normally be in writing (or by email) through the Chairman of the Membership Selection Panel or the Company Secretary.

Where this is not possible full details of oral communication with Potential Members should be recorded by or on behalf of the Membership Selection Panel. Any information disclosed to a Potential Member during the selection process must, to the extent it is relevant, be disclosed to all other Potential Members.

- 31 **Withdrawing an application:** If a Potential Member wishes to withdraw an application during the selection process, then written confirmation of the decision must be submitted to the Company Secretary.
- 32 **Retention of correspondence:** The Company Secretary will be responsible for maintaining all correspondence in relation to Members or Potential Members in an appropriate filing system. All correspondence relating to unsuccessful applications will be retained for a period of five years.

Information held by the Company about Potential Members and Members will be used only for the administration of the Membership and, if relevant, for the proper conduct of the Company's affairs.

- 33 **Public register of members:** In line with the principles of openness and transparency on which Glas Cymru has been founded, the Register of Members (giving the names and brief details of Members) will be published on the Company's website. This is required of all Members and consent for this is given by submission of an application for Membership.
- 34 **Copies of this Membership Policy:** Copies of this policy document are available from the Company's website www.glascymru.com or on written request from:

The Company Secretary
Glas Cymru Cyfyngedig
Pentwyn Road
Nelson
Treharris
CF46 6LY
company.secretary@dwrcymru.com