



Membership of Glas Cymru

Supplementary information (July 2010)

**This document should be read in conjunction with the
Policy and Procedure for the Selection and Appointment of the Members of
Glas Cymru Cyfyngedig ("Membership Policy")**
[Last updated in July 2009]

CONTENTS	Page
INTRODUCTION	
About Glas Cymru	2
About Welsh water	3
How Welsh Water is regulated	4
Welsh Water – A 'not for profit' company	5
HOW WELSH WATER HAS PERFORMED UNDER GLAS CYMRU OWENERSHIP (2010 Annual Report)	
Chairman's Statement	7
Managing Director's Report	8
MEMBERSHIP	11
Your questions answered	12
Further Information	15
Appendix 1: The Board of Directors	17
Appendix 2: The Members of Glas Cymru	19

INTRODUCTION

This document provides information for individuals who might be interested in becoming Members of Glas Cymru. It describes Glas Cymru, its relationship with Welsh Water and the role of its Members.

ABOUT GLAS CYMRU

Glas Cymru Cyfyngedig ("[Glas Cymru](#)") was formed in April 2000 and completed its acquisition of Dwr Cymru Cyfyngedig ("[Welsh Water](#)") in May 2001.

Glas Cymru is a single purpose company and owns, finances and manages Welsh Water for the benefit of customers. The company is a "company limited by guarantee" ("[CLG](#)"), registered under the Companies Act, which means Glas Cymru is the same as any other company except that it has no share capital - and therefore no shareholders.

Members of a CLG carry out the important corporate governance duties of shareholders; but unlike shareholders they do not receive dividends, nor do they have any other financial interest in the company. This allows Members to fulfil their important role in a wholly independent way.

Over the next three years, half of the current Members, individuals who were appointed in 2001 and who will shortly have served three terms of appointment, will stand down. Glas Cymru wishes to appoint new Members (to replace them) and is looking for people who have an interest in Welsh Water and have the interest, experience and skills to carry out this important governance role effectively.

Glas Cymru is the only UK utility company structured as a CLG. This means that Welsh Water needs to perform as well as, or better than, the other (shareholder-owned) water companies regulated by Ofwat, the water industry regulator. Alongside water industry regulators, bond investors and the National Assembly for Wales, the Members of Glas Cymru have a key 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.

New Members will be sought by the placing of press releases and advertisements and by contacting various individuals and organisations to promote general awareness of the procedure by which people can apply to become Members.

Members are appointed in accordance with a published Membership Policy. Written applications are assessed by an independent Membership Selection Panel which will then make recommendations to the Board of Glas Cymru. The Membership Policy is available on the company's website - www.dwrcymru.com - or a copy can be obtained from the Company Secretary of Glas Cymru.

ABOUT WELSH WATER

Welsh Water is wholly owned by Glas Cymru and is the sixth largest of the ten regulated water and sewerage companies in England and Wales. It provides an essential public service to more than three million people living in Wales and some adjoining parts of England. Through activities to operate, maintain and upgrade its network of assets so as to ensure a safe and reliable supply of drinking water and to deal effectively with customers' wastewater, Welsh Water fulfils an important role in protecting public health and the natural environment. Established in 1989, when the water industry in England and Wales was privatised, Welsh Water is Glas Cymru's principal trading subsidiary.

Welsh Water operates one of the larger networks of infrastructure assets in the UK water industry. 71 impounding reservoirs and 87 water treatment works deliver a daily average of around 800 million litres of drinking water through a network of 27,000km of water mains and 550 service reservoirs. Welsh Water also collects wastewater and surface water through a network of 19,000km of sewers, incorporating 1,800 sewage-pumping stations and 3,500 combined sewer overflows. Treatment is carried out at over 800 wastewater treatment works. Welsh Water also owns 35,000 hectares of land, much of which has a high value in terms of nature conservation and recreational use.

Until recently, the day to day operation and maintenance of Welsh Water's network of assets was outsourced to leading utility contractors, which meant that whilst some 3,000 people were involved in delivering water and sewerage services to its customers, Welsh Water only directly employed some 220. This changed in April and May 2010 when these outsourced arrangements came to an end and, as a result, nearly 1,600 staff transferred to become employees of Welsh Water in accordance with TUPE legislation. Despite bringing asset operations under the direct control of Welsh Water, some 60% of annual operating expenditure remains subject to competitive tender – which remains one of the highest levels in the water sector. Further information on this is provided in Glas Cymru's 2010 Annual Report (copy available on the website or on request from the Company Secretary).

Welsh Water's business is measured against a wide range of regulatory and other performance targets, which reflect the quality and reliability of service received by customers and compliance with drinking water and environmental quality standards.

Under Glas Cymru's ownership, the sole focus of Welsh Water is to provide high quality services to its customers at the lowest sustainable cost, whilst:

- Meeting required regulatory standards and targets for service delivery;
- Delivering a five-year capital investment programme (which in the period 2010-15 is some £1.1 billion); and
- Ensuring the long-term efficiency of the business.

Glas Cymru's focus is the overall performance and strategic direction of Welsh Water and, in particular, the way in which it is financed and governed. [See Welsh Water – a 'not for profit company' – page 5 below]

Under Glas Cymru's ownership, Welsh Water's assets and capital investment are financed by bonds, loans, leases and retained financial surpluses. The Glas Cymru 'not-for-profit' business model aims to reduce Welsh Water's asset financing costs, the water industry's single biggest cost. Financing efficiency savings to date have largely been used to build up reserves to insulate Welsh Water and its customers from any unexpected costs and also to improve credit quality so that Welsh Water's cost of finance can be kept as low as possible in the years ahead.

These savings have also funded additional discretionary investment in service improvements, and in returns to Welsh Water's customers that by 31 March 2010 had totalled some £130 million.

The governance structure of Glas Cymru, in which Members play such an important role, is unique in the UK utility sector.

HOW WELSH WATER IS REGULATED

Welsh Water operates within a regulatory framework prescribed by the Water Industry Act 1991. The economic regulator is The Water Services Regulation Authority (Ofwat), which is responsible for setting the limits on prices that Welsh Water can charge, and overseeing Welsh Water's overall performance. Ofwat also has a duty to protect the interests of customers, including by promoting competition.

The industry operates on a five-year cycle, and 1 April 2010 was the start of a new Asset Management Period (AMP5), which ends in March 2015. During AMP5 Welsh Water will deliver a capital expenditure programme costing in total some £1.1 billion, similar to that of the previous five year period. Over the period, the average Welsh Water customer's bill is expected to fall by £30 (before inflation). To deliver this, Welsh Water would need to reduce its controllable operating costs by some 20%, whilst at the same time improving its service to customers, which makes AMP5 the most challenging five year period for the Company since the industry was privatised.

The Drinking Water Inspectorate (DWI), which is part of the Department of the Environment, Food and Rural Affairs and, in Wales, also acts on behalf of the Welsh Assembly Government, is responsible for overseeing our water quality performance. The Company's performance is monitored against the results of more than 290,000 water supply tests are sent to the DWI each year.

The Environment Agency oversees Welsh Water's environmental performance, specifically with regard to the way in which it abstracts water from rivers and reservoirs, and then disposes of wastewater after it has been treated.

The Consumer Council for Water (CCWater) is the independent body that represents the general interests of customers of water companies. CCWater investigates individual concerns and complaints and seeks to influence company policy on issues that customers regard important.

The Welsh Assembly Government also has a role in determining water quality and environmental quality standards, as well as setting the framework for other public policy matters such as social considerations arising from water tariff structures.

All aspects of Welsh Water's water and wastewater operations are subject to extensive performance monitoring against targets set by regulators and Government. Each year these regulators publish reports commenting on and comparing the performance of water companies across a full range of measures, including cost efficiency, customer service, water quality and environmental quality, and each has powers that can be used in the event that Welsh Water's performance is not up to standard.

MORE ABOUT GLAS CYMRU

Glas Cymru's activities are limited to those of financing the operation of Welsh Water in its area of appointment and managing Welsh Water's business so that water and sewerage services are delivered at the lowest sustainable cost to customers, while always ensuring that Welsh Water is able to carry out its functions and responsibilities in accordance with its Licence and other legal obligations.

Under its constitution, which cannot be changed without the consent of Members or Ofwat, Glas Cymru cannot diversify into other commercial activities. Glas Cymru's constitution also requires that the Board of Glas Cymru at all times has a majority of non-executive directors (the same also applies to Welsh Water).

The Board currently comprises a non-executive chairman, Bob Ayling, five non-executive directors, John Bryant (Senior Independent Director), Geraint Talfan Davies, Tony Hobson, Professor Stephen Palmer and James Strachan; and three executive directors, Nigel Annett, Chris Jones and Peter Perry. The Board of Glas Cymru and the Board of Welsh Water have the same directors. Brief details on each director are set out in Appendix 1 to this document.

WELSH WATER - A NOT FOR PROFIT COMPANY

Glas Cymru is concerned with the strategic direction of Welsh Water and in particular the way in which Welsh Water is financed and governed. The Glas Cymru not for profit business model ensures that the business is managed in the best interests of Welsh Water, its customers and the environment in Welsh Water's region.

How Welsh Water is financed

The water industry is very capital intensive and the cost of paying a return on money raised to finance assets is Welsh Water's single biggest cost, currently absorbing nearly a third of annual revenues. Since privatisation, Welsh Water has invested over £6 billion in its network of assets to deliver water quality and environmental improvements, and it will invest a further £1.1 billion in the next five years (2010-2015). With this level of investment the proportion of revenues absorbed by financing costs will continue to rise.

Glas Cymru financed its acquisition of Welsh Water by the issue of £1.9 billion long dated maturity, high quality "investment grade" bonds. This is the key feature of Glas Cymru's strategy. By demonstrating and reinforcing the fact that Welsh Water, a monopoly providing an essential public service, is a very low risk business Glas Cymru has reduced Welsh Water's cost of finance and generated significant cost savings for the benefit of Welsh Water and its customers.

Part of these savings has been used to reduce bills and improve service for Welsh Water customers. This is because all financial surpluses arising from lower financing costs are retained or re-invested for the benefit of Welsh Water, its customers and the environment - instead of going to equity shareholders as dividends. The balance of savings is retained in the business to grow financial reserves which will protect Welsh Water against the risk of adverse trading conditions in the future.

How the Glas Cymru business model has reduced risk

Ways in which Glas Cymru has reduced the risk for bondholders investing in the Company include:

[Strong financial reserves](#) ... Having started in 2001 with reserves of just over £100 million - these had grown to almost £1.1 billion by March 2010.

[No diversification risk](#) ... Glas Cymru's constitution limits its purpose to that of financing and operating Welsh Water's assets so as to ensure the proper carrying out of functions and responsibilities in accordance with Welsh Water's Licence. The worry that Glas Cymru might diversify into other risky activities is thereby removed.

[Competitive procurement](#) ... is a precondition to the delivery of efficient and high levels of customer service and, in part, due to Glas Cymru's business model being different from other companies, this is closely monitored by Ofwat and other key stakeholders to ensure that Welsh Water adopts best practice and gives best value to its customers.

As previously explained, until April 2010 the day to day operation and maintenance of Welsh Water's network of water and sewerage assets was outsourced to specialist utility contractors, but these activities are now managed by Welsh Water directly. Other functions such as capital investment and maintenance and support services (e.g. billing and income, IT, laboratories and sampling and network development services) continue to be outsourced.

Welsh Water retains ultimate control of all activities carried out under contract. It is not locked-in to any one contract partner or set of working arrangements and contracts operate on a transparent basis so that Welsh Water retains access to all staff, information and knowledge required to meet its legal and regulatory obligations.

[Licence changes](#) ... In 2001, Glas Cymru agreed a package of changes to Welsh Water's Licence, which reinforced the independence of Welsh Water and ensured its assets are "ring fenced" (i.e. that they could not be used for any other purpose).

Rating Agencies scrutinise Welsh Water's performance on behalf of bond investors, who have substantial rights and protections. Should Welsh Water's financial position ever begin to deteriorate, bondholders can progressively require changes to be made to remedy any shortfall in performance, and in extreme circumstances bondholders can appoint new directors in order to protect their investment. Bondholders are therefore also involved in active monitoring of Welsh Water to ensure that the company performs efficiently and effectively; and this is an important discipline in keeping the business commercially focused.

HOW WELSH WATER HAS PERFORMED UNDER GLAS CYMRU'S OWNERSHIP

Extract from Chairman's statement: 2010 Annual Report

"As Glas Cymru approaches its tenth anniversary it is a pleasure to be able to report another year of solid progress for Welsh Water, with real improvements in a number of key areas supported by a record investment for the longer term.

I believe that we have come a long way in that time and have established that 'not-for-profit' ownership of a long term industry providing an essential public service can work and work well. Under Glas Cymru's ownership Welsh Water is now financially secure and has delivered a step change improvement in performance for our customers in terms of bills, service standards and the quality of their environment. Welsh Water is well placed to tackle the significant challenges it now faces following Ofwat's price determination that will see average household bills in the region £30 lower in real terms in five years' time than they were last year.

Ten years ago, Welsh Water had the highest water bill in the industry and the second highest sewerage bill, something that our customers found difficult to understand in such a wet part of the country. This year our water bill is below the industry average and our sewerage bill is closer to the industry average – an achievement that has been possible only because of Welsh Water's sector-leading record of cost reduction that also made possible an annual 'customer dividend' that has been unique in the industry.

Financing efficiency has been one of our most important successes, and is the key to ensuring that the public service we provide is affordable. Under Glas Cymru's ownership we have created financial reserves of over £1 billion by reducing gearing from 93% at the acquisition of the company in 2001 to 71% today, funded 'customer dividends' of more than £150 million and achieved the best credit ratings in the sector. With 60% of our total borrowings being index-linked, interest costs last year fell by a third and a £140 million index-linked bond issue in March 2010 put the business in a strong liquidity position with its capital expenditure requirements for the next regulatory period now largely pre-funded.

But financing efficiency is only part of the picture. In the regulated water industry much of what matters to customers and to the environment can be measured, compared and judged. Welsh Water was one of the poorest performers on this basket of measures 10 years ago, but by 2005 had improved to the best in the industry. In the years since 2005 we have suffered some setbacks, but we have been determined to rectify any shortfalls and to invest whatever is necessary to restore Welsh Water's position as a consistently leading water company on all the measures that matter for customers and for the environment."

Extract from Managing Director's Report: 2010 Annual Report

"The past year has been an important one for Welsh Water: the conclusion of Ofwat's five-yearly price review has set significant challenges for us, and we have had to make difficult decisions on the future shape of the business in order to meet them. At the same time we can report another year of solid progress, including record capital investment, all designed to improve our service to customers, to safeguard the environment, and to bring our performance up to the high level to which the whole team aspires.

Performance

Our most important responsibility is safe drinking water. Overall compliance with water quality standards in 2009 remained very high at 99.94%, and there were fewer water quality incidents in 2009 although still more than the average for the water sector. To improve the reliability of our water supply network we have accelerated £200 million of investment to refurbish and upgrade 26 water treatment works, with priority given to those, mostly in North Wales, that have previously relied on single stage treatment of high quality source waters.

Schemes totalling £83 million at Cwellyn, Harlech and Penybont in North Wales and at Crai, Cwmbran and Talybont in South Wales, were completed during the year. Pending completion of this major improvement programme, we also installed additional ultra violet treatment at 23 sites to protect against the risk to public health posed by cryptosporidium in particular.

Wales, with only 15% of the British coastline, secured a record 50 Blue Flag awards – more than a third of the total awarded to all of the UK - for the 2010 summer season, and all 81 designated bathing beaches in Wales passed the mandatory European standard for coastal water quality. In addition, a record 48 Green Coast awards for rural beaches were secured. Wales also continues to have some of the highest quality rivers in the UK with more than 90% being classed by the Environment Agency as having good or very good chemical and biological water quality.

On the wastewater side, compliance with discharge consents at our wastewater treatment works slipped to 99.9%, from 100% in 2008, and there were seven serious pollution incidents caused by asset breakdown, compared with just three in the previous year but 17 in the year before that. Getting back to sector-leading performance on environmental protection, which Welsh Water has achieved in the past, is a high priority.

Our relatively strong water resource position was reinforced during the year by the completion of a £7 million scheme in Anglesey to link two supply zones thereby further reducing the risk of shortages during droughts. Alongside water efficiency, managing leakage is important to ensure that we are able to maintain supplies during droughts and last year we again achieved Ofwat's leakage reduction target despite a doubling of the number of bursts following the freezing weather at the start of 2010.

Customer satisfaction, as measured by quarterly tracking research, reached a record high, with 83% of customers saying they were satisfied with the overall service provided by Welsh Water. This high standing was confirmed by Ofwat's independent research into customer satisfaction, with Welsh Water ranked as the second highest of the 10 water and sewerage companies.

Against this encouraging picture, we still have more complaints than average about discoloured tap water. Moreover, we judge that more than half of the contacts we received last year from our customers could have been avoided - and one of the most important benefits we will secure from our £100 million IT modernisation programme will be to equip our customer facing staff with the information they need to deliver outstanding customer service. A key element of this programme is the establishment of a new operational control centre at St Mellons near Cardiff which will open towards the end of 2010.

Last year the number of sewer flooding incidents fell by nearly 20%, from 392 to 317. We know that the very worst customer service failing is flooding from overloaded or blocked sewers and during the year we completed 92 schemes to reduce the risk of internal and external sewer flooding for over 460 properties, cutting the 'at risk' register to 250. Over the last five years we have invested £67 million on upgrading our sewer network reducing the risk of repeat flooding for over 1,200 properties. The Consumer Council for Water uses 'Leading Edge Tables' to identify areas of good practice and last year Welsh Water came top for the level of service it provides when dealing with a problem caused by flooding from a public sewer.

Value for money

As our Chairman states, Welsh Water has made great strides in reducing bills to something much closer to the average across England and Wales. Sector-leading cost reduction and financing efficiency has allowed us to sustain an annual 'customer dividend' that is unique in the industry. Last year the 'customer dividend' reduced each bill by £22 and brought the total sum returned to our customers in this way to more than £150 million since 2003.

Affordability has been at the heart of our plans since the start and it is very clear to us that many of our customers face real hardship in paying their water bill, particularly in the current economic climate. So, we have developed a unique range of customer assistance tariffs which, together with our Customer Assistance Fund, has helped 27,000 customers to afford their water bill.

The Ofwat price review has set some very challenging targets for us for the next five years. While our plans for £1.3 billion of capital investment were largely endorsed, we have been set the demanding target of reducing our controllable operating costs by 20%. As a result, the average household customer's bill will fall in real terms over the next five years. With bills falling, and in order to marshal our financial resources in what is still a very difficult economic environment, the Board has decided to postpone any further 'customer dividends' until it is once again prudent to do so.

Outsourcing strategy

Since Glas Cymru acquired Welsh Water in 2001, we have employed an outsourcing strategy to ensure that our customers get the best value for money from a competitive marketplace for each element of the value chain. To date, around 85% of our costs have been covered by outsourcing arrangements.

Our key contracts with United Utilities and Kelda for the operation of Welsh Water's water and wastewater assets provided for a 'price and performance review' in 2009 to coincide with Ofwat's Final Determination of price limits for the next five years. After an exhaustive process, we were not able to agree terms that were acceptable to United Utilities and Kelda while satisfying us that we could reach our targets for both cost reduction and improved customer service.

United Utilities since 2001 and Kelda Water Services since 2005 have made an enormous contribution to improving the performance and especially the efficiency of Welsh Water. The business is in better shape to tackle the new challenges ahead than it would have been but for this important contribution from both companies.

Despite bringing the asset operations under the direct control of Welsh Water, some 60% of annual operating and capital expenditure will remain subject to competitive tender, still the highest percentage in our sector.

Looking ahead

The challenge of reducing our costs, while continuing to improve our service to customers and ensuring a high degree of sustainable protection for the environment, will be testing. But I am confident that with the commitment of our newly unified team, together with our commercial partners, we will rise to the challenge. The way in which our staff right across the business have responded to the significant challenges that arose during the year is remarkable. Their continuing commitment and enthusiasm is the key to our success in serving our customers and to looking after this long term and important industry for future generations."

MEMBERSHIP

Glas Cymru is a "company limited by guarantee", registered under the Companies Act 1985. The Members of Glas Cymru are similar to shareholders in a public limited company but they do not receive dividends, nor do they have any other financial interest in the Company.

Members have a duty to carry out their important corporate governance role in such a way as to support Welsh Water's primary objective of providing high quality water supply and sewerage services at the lowest sustainable cost.

Under the company's constitution no Member can serve for longer than ten years, and, in practice, initial appointments will be for period of between two and five years. The Board believes that around fifty external Members is large enough a number to embrace the key stakeholder perspectives served by Welsh Water, although it may be necessary to rise above this number in the short term to allow an orderly succession of Members.

Membership is personal and Members will not be selected to represent any particular community, group or interest.

Members of Glas Cymru will have an important role in supporting the Company, carrying out the corporate governance appropriate to a large commercial company providing an essential public service upon which some three million people rely. More detail on the role of Members is provided over-page under "[Your Questions Answered](#)".

The Board of Glas Cymru has published a Membership Policy that describes the process for the selection and appointment of Members. An independent Membership Selection Panel will seek and then consider applications for Membership and make recommendations to the Board in accordance with the Membership Policy.

The chairman of the independent Membership Selection Panel is Janet Lewis Jones. She was previously a senior official in the Home Office, served in both the Cabinet Office and the Privy Council Office and has a strong background in the water industry, having been involved in the privatisation of the water industry in 1989. Other Members of the Panel are Arthur Walford (who was previously General Counsel and Company Secretary of BUPA, which is also a commercial enterprise structured as a company limited by guarantee), Derek Jones (formerly a senior civil servant with the Welsh Assembly Government and now Director of Business and Strategic Partnerships at Cardiff University) and Geraint Talfan Davies, a non-executive director of Glas Cymru.

The Membership Selection Panel will follow an open selection process as detailed in the Membership Policy. The Board may appoint as Members only those individuals who are recommended to it by the Membership Selection Panel, although appointment as a Member is entirely at the discretion of the Board.

In line with the policy 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.

YOUR QUESTIONS ANSWERED

What does a Member do?

Members perform the corporate governance role normally carried out by shareholders in companies that have a share capital. This means scrutinising the performance of Welsh Water against its commercial and other targets as well as against water industry benchmarks for quality of service and cost efficiency.

In order to perform this role, Members have the formal right:

- To attend general meetings of the Company and speak and vote on matters considered at these meetings;
- To receive a copy of the Company's annual report and accounts;
- To inspect the Company's statutory registers and the Directors' service contracts; and
- To vote on the appointment or re-appointment of the Company's Directors and Auditors.

In carrying out these corporate governance duties, it is a specific duty of Members to act at all times in a personal capacity and in the best interests of the Company.

This means that Members must not:

- Take decisions or exercise rights as members for any financial or other gain for themselves, their family or their associates;
- Use their position as members to promote private interests or to frustrate or influence decisions of the company in an improper manner; or
- Engage in conduct that would bring the Company's name or reputation into disrepute.

Any breach of this duty would be likely to cause the Board to consider terminating Membership.

How much time will being a Member take and how will Members be kept informed?

Members are invited to attend two Members meetings a year - an Annual General Meeting in July, and a half-year meeting in December. At these meetings the directors and senior management of Welsh Water will report on the performance of the business and discuss strategic and performance plans and targets for the years ahead. Members will have direct opportunity to question the directors on their stewardship of the business. Members will also be given the opportunity to visit facilities, attend openings etc, to maintain their interest in and develop their knowledge of the activities of Welsh Water.

Glas Cymru also communicates with Members through a "members only" website and by the occasional written Bulletin from the Managing Director. Through these, Members are regularly updated on the performance of the business and on topical key issues being addressed at any time.

Any questions, or points of clarification, which arise from Members Meetings or communications, may be raised via the Company Secretary at any time.

Will Members be liable for the activities or finances of Glas Cymru?

Yes, but only up to a maximum of £1 each. This small liability would arise only if the Company is ever "wound up" in circumstances where the Company cannot meet its debts in full. Apart from this nominal sum, Members are not liable in any way for the activities or finances of Glas Cymru or Welsh Water.

Who decides who will be invited to become Members?

Members will be selected and appointed in accordance with the Membership Policy. This is a public document available from Glas Cymru's website. The Membership Selection Panel, which has an independent Chairperson, will seek and consider written applications and make recommendations to the Board of Glas Cymru. The Board can only appoint Members from individuals recommended to it by the Membership Selection Panel.

What sort of person is Glas Cymru looking for to become a Member?

Anyone with an interest in Welsh Water and its activities and, in particular, individuals who have the time, experience, knowledge and skills to carry out the important governance role of Members. In addition, the Board is looking to appoint individuals who compliment existing Members such that, overall, the Membership remains broadly reflective of the various stakeholder interests that Welsh Water serves.

The Membership Selection Panel has recommended that Membership would benefit, in particular, from more Members from Herefordshire, more women Members and younger Members. The Panel also believes it would be advantageous to have more Members with experience of management of larger businesses, customer representation (including issues such as a disability and financial hardship), ethnic minorities, and key business sectors such as agriculture and tourism.

Please note: the Board will not appoint as a Member any individual who it believes to be seeking appointment to pursue any particular goal or interest that is inconsistent with the overall purpose of Glas Cymru.

Do I have to be a customer of Welsh Water to be a Member?

No. However, a large proportion of Members will live in the area served by Welsh Water.

How do I become a Member?

By submitting an Application Form, a copy of which can be downloaded from the Welsh Water website (www.dwrcymru.com) or can be obtained from the Company Secretary (see Further Information below).

The Membership Selection Panel will only consider and make recommendations to the Board on the basis of written applications.

How long are Members appointed for?

This can vary. The initial term of appointment will be between two and five years, and is typically three years. This will be specified in the invitation to become a Member. No Member can serve for more than a total of ten years.

If I apply to become a Member will there be an interview or a process of election?

No. Members will be selected solely on the basis of a written application. Members become members by invitation, they are not elected.

Can membership be taken away from me?

Yes - but only in extreme circumstances. Only if an individual breaches the duties of Membership is the Board (on the recommendation of the Membership Selection Panel) likely to have cause to consider withdrawing membership from any individual.

Can I resign my membership?

Yes - at any time by writing to the Company Secretary. A resignation will be effective at the time it is recorded in the Register of Members, immediately after the Company Secretary has notified the Board at its next meeting

Will Members have any direct say in the direction or policies of the Company?

No, that is not part of the role of a Member. The management of the business, including the setting of its strategic direction, is for the Board, which is accountable to industry regulators, investors and Members for its management of the business. This is the same as in a shareholder owned company.

Members will, however, be an important source of experience and views and the Board would wish to take full advantage of this on certain key policy matters. Members provide a valuable link between Welsh Water and the communities it serves, and the Company would wish to use Member experience to ensure our policies and priorities are aligned to customer needs, and that the Board is in touch with public perception of the company's performance.

Will Members be able to use their position as a Member to take up complaints or other causes on behalf of Welsh Water customers?

No. Membership is personal and Members are not representatives of any constituency or community. However, Members are likely to know about Welsh Water and its key policies and procedures and will be able make these known to anyone who approaches them. Members asked to take an interest in any issue should advise the Company Secretary in order that such an approach can be recorded and, if appropriate, taken up directly with a complainant or other interested party.

Can I transfer my Membership?

No. Members are appointed in a personal capacity. Membership is not something that can be given away or transferred.

Will Members get paid?

No. Members do not get paid. Glas Cymru will, however, reimburse reasonable expenses incurred by Members (e.g. travel or accommodation expenses in relation to attendance at Members Meetings).

How do Members fit in with the bond investors?

Bondholders have invested very substantial sums in Welsh Water. This is “at risk” capital - i.e. if Welsh Water were ever to get into financial difficulties, it would be bond investors, not Members, who would suffer losses. Bond investors therefore have very substantial rights and protections as investors in Welsh Water.

Should Welsh Water’s financial position deteriorate, bondholders can progressively require changes to be made so as to remedy any shortfall in performance. In extreme circumstances bondholders can require that additional Directors be appointed, should this be necessary in order to protect their investment. In practice, were there ever to be a problem with the performance or management of Welsh Water, the non-executive directors, regulators and/or the bond investors would require corrective action before it became a matter for Members.

FURTHER INFORMATION

To receive an application form and a copy of Glas Cymru’s Membership Policy please visit the Welsh Water website www.dwrcymru.com. Alternatively, a “Members Information Pack” may be requested by email: company.secretary@dwrcymru.com, or by writing to the Company Secretary, Glas Cymru Cyfyngedig, Pentwyn Road, Nelson, Treharris, Mid Glamorgan CF46 6LY.

Next Steps

If, having read this briefing, you would like to be considered for appointment as a Member of Glas Cymru you should complete and return the application form. All applications will be considered equally on their merit in strict accordance with the Board’s Membership Policy.

Appointment as a member is entirely at the discretion of the Board, which will form its decision after receiving a recommendation from the Membership Selection Panel. If the Board determines not to appoint any individual then a reason will be provided. The decision of the Board is final.