

Hafren Dyfrdwy



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# Charter of Expectations and Role Profiles

Company Secretariat

Approved by the Board on 1 March 2023

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## Introduction from the Chair

This document sets our role profiles for all of the key positions (including my own) on the Hafren Dyfrdwy Board and states the expectations that are demanded of each of us. This will be published on our website so that there is complete transparency of the standards we set ourselves for all our stakeholders. The performance of our Board and Board Committees and of each of us individually will be measured against these expectations.

Many of you hold a number of positions on the Board and will therefore be expected to meet the expectations set for each of the roles you hold, as they are crucial to the long-term success of Hafren Dyfrdwy.

**John Coghlan**  
**Chair of the Hafren Dyfrdwy Board**

## Chair – Role Profile

### Main Accountabilities

#### Board Leadership and Management

- Demonstrate ethical leadership and uphold the highest standards of integrity and probity, setting clear expectations concerning the Company's culture, values and behaviours.
- Provide leadership of the Board and manage the business of the Board through setting its agenda and taking full account of the issues and the concerns of Board members.
- Ensure that Board agendas are primarily focused on strategy, performance and key value creation issues.
- Ensure that members of the Board receive accurate, timely and high-quality supporting information, in particular about the Company's performance, to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of the Company.
- Ensure that Board decision-making processes are effective.
- Manage Board process to ensure that sufficient time is allowed for discussion of complex or contentious issues, where appropriate arranging for informal meetings beforehand to enable thorough preparation for the Board's discussion.
- Facilitate and encourage active engagement and appropriate challenge by members of the Board, particularly on matters of risk and strategy or other major proposals; by drawing on Directors' skill, diverse experience, knowledge and where appropriate, independence.
- Ensure that there are no impediments to the Board's effective oversight of risk.
- Build an effective and complementary Board, initiating change and regularly considering succession planning and Board composition, working with the Nominations Committee.
- Foster relationships founded on mutual respect and open communication between Non-Executive Directors and management, both inside and outside the Boardroom.
- Ensure Board Committees are clearly structured with appropriate Terms of Reference.
- Ensure that there is sufficient time at Board meetings for discussion of all major issues considered by Board Committees.

The Chair will also:

- Provide effective leadership for the Company, including representing the Company and understanding the views of stakeholders.
- Establish and develop effective working relationships with management, in particular, developing a relationship of trust with the Managing Director, providing support and advice, while respecting executive responsibility.
- Establish good working relations and open lines of communication with other Executive Committee members.

#### Board Induction, Evaluation and Development

- Ensure that a properly constructed induction programme is provided for new Directors.
- Consider and address the development needs of individual Directors and the Board as a whole to maintain the necessary depth and breadth of knowledge and skills and enhance the effectiveness of the Board as a team.
- Ensure that the performance of individual Board members, and of the Board and Board Committees as a whole, is evaluated at least once a year.
- Ensure appropriate action plans are put in place and implemented as a result of the Board evaluation.

### Governance

- Keep under review, with the Board, the general progress and long-term development of the Company.
- Promote the highest standards of corporate governance, seeking compliance with the provisions of Ofwat's Board leadership, transparency and governance principles (the 'Ofwat Principles') and the UK Corporate Governance Code ('UK Code') wherever possible.
- Ensure that the Board is able to discharge its duties and comply with the requirements of statutory/regulatory bodies that affect the functioning and responsibilities of the Board.

### Relationships with Stakeholders

- Maintain effective communication with stakeholders and ensure that members of the Board develop and maintain an understanding of the views of key stakeholders, and report on the nature and extent of the communication with major stakeholders.

## Chair – Charter of Expectations

### Term

The Chair will be appointed for a specific term of three years subject to annual re-election and statutory provisions relating to the removal of a Director. The Chair should not remain in post beyond nine years from the date of their first appointment to the Board. This period can be extended for a limited period of time to facilitate effective succession planning and development of a diverse Board, particularly in cases where the Chair was an existing Non-Executive Director on appointment.

### Role Requirements

- **Time Commitment** – The Chair is expected to commit to expend whatever time is necessary to fulfil their duties.
- **Experience** – Experience on the Board of a major organisation. Good understanding of the role of Chair and able to operate effectively in such a role at the highest level. Relevant financial experience is desirable.
- **Knowledge** – The Chair must have a good understanding and experience of UK boardroom and corporate governance issues.

### Key Competencies and Behaviours

In addition to the required competencies and behaviours of a Non-Executive Director, the Chair must demonstrate the following:

#### Provision of effective leadership to the Board

- In conjunction with the Nominations Committee ensures high quality Board composition with an appropriate balance of diverse skills and experience in the context of the Company's agreed strategic priorities.
- Sets the Board agenda and pro-actively manages the annual calendar of business to ensure the most appropriate use of the Board's time.
- Engages and supports individual members to enhance Board activities and discussions.
- Ensures that the Board operates effectively as a team.
- Promotes effective communication between Executive Directors and Non-Executive Directors.

#### Effective Chairing of Meetings

- Empowers all Board members to challenge issues openly whilst preventing unnecessary or acrimonious conflict.
- Encourages and manages vigorous debate whilst achieving closure on issues.
- Ensures time is allocated appropriately, ensuring the business of the meeting is completed, whilst allowing appropriate discussion of individual items.
- Facilitates, encourages and expects informed and critical contribution from Directors in discussion and decision taking, particularly on matters of risk and strategy.
- Ensures Directors receive all information in an accurate, timely and clear form.

#### Be a respected ambassador for the Company

- Be comfortable dealing with political and regulatory interests.
- Be able to command respect of key opinion formers.

**The above expectations are to be read in addition to the Charter of Expectations for Directors and any other Board positions held.**

## Director – Role Profile

### Introduction

The Board is responsible to stakeholder for creating and delivering sustainable value through the management of the Company's business. It should therefore determine the objectives and policies of the Company to deliver such long-term value and provide overall strategic direction. The Board must ensure that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. Directors must act in a way that they consider, in good faith, would promote the success of the Company for the benefit of its stakeholders and, in doing so, have regard (amongst other matters) to:

- (a) The likely consequences of any decision in the long term;
- (b) The interests of Hafren Dyfrdwy's employees;
- (c) The need to foster Hafren Dyfrdwy's business relationships with suppliers, customers and others;
- (d) The impact of Hafren Dyfrdwy's operations on the community and the environment;
- (e) The desirability of Hafren Dyfrdwy maintaining a reputation for high standards of business conduct; and
- (f) The need to act fairly as between stakeholders of Hafren Dyfrdwy.

The Board is also responsible for ensuring that management maintains a system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. In carrying out this responsibility, the Board must have regard to what is appropriate for the Company's business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.

The Board is also the decision-making body for all other matters of such importance as to be of significance to the Company as a whole because of their strategic, financial or reputational implications or consequences.

The principle of collective responsibility shall apply to all Board decisions such that all Directors will support consensus decisions, unless to do so would be illegal, or a breach of their duties as a Director.

### General to all Directors

1. Provide entrepreneurial leadership of the Company, within a framework of prudent and effective controls which enable risk to be assessed and managed.
2. Approve the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance.
3. Set the Company's values and standards and ensure that its obligations to its customers, regulators and other stakeholders are understood and met.
4. Act in accordance with the general Duties of Directors in Sections 171 to 177 of the Companies Act 2006.

Under English Law the key duties of Directors include:

- Only exercising powers within the authority given and acting in accordance with the Company's constitution;
- At all times acting not only in good faith and honestly, but also in the Company's best interests and to promote the success of the Company for all its members, whilst having regard to the impact on the long-term consequences of any decisions on employees, suppliers and customers, the community and the environment, and the need to act fairly as between members of the Company;
- Exercising independent judgement in carrying out their duties;
- Exercising reasonable care, skill and diligence in carrying out their duties commensurate with their knowledge and experience; and
- Avoiding a conflict of interest between their personal interests and their duties to the Company (although a conflict or potential conflict may be authorised by the Directors in accordance with Hafren Dyfrdwy's Articles of Association and the Severn Trent Plc Group Conflicts of Interest Policy), including not accepting a benefit from a third party and declaring an interest, direct or indirect, in a proposed transaction or arrangement with the Company.

In addition, Directors must ensure that the Company does everything that is required of it by law and regulation, e.g. ensuring the preparation of accounts which give a true and fair view of the state of affairs of the Company at the end of each financial year.

#### Specific to Non-Executive Directors

The role of the Non-Executive Director is to:

1. Uphold high standards of integrity and probity and support the Chair and Executive Directors in instilling the appropriate culture, values and behaviours in the Boardroom and throughout the Company.
2. Constructively challenge and help develop proposals on strategy and then fully empower the Executive Directors to implement the strategy.
3. Scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
4. Apply their judgement to the business of the Board, leveraging their knowledge of the business and their other business experience.
5. Demonstrate the financial literacy required for a proper understanding of the Company's activities and associated risks.
6. Satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.
7. Complement the skills and experience of the Executive Directors, in particular by bringing to bear a diverse range of knowledge, experience and insight from other industries and an awareness of Welsh Government policy and priorities, including the Well-being of Future Generations Act.
8. Ensure that individual business decisions conform to agreed strategies and policies.

#### Specific to Executive Directors

Executive Directors bear the responsibility (under the leadership of the Managing Director) for making and implementing operational decisions and running the Company's business on a day-to-day basis. The duties of an Executive Director include the general duties applicable to all Directors as set out above. These duties extend to the whole of the business and not just that part of it covered by their individual executive responsibilities.

## Non-Executive Director – Charter of Expectations

- **Term** – Non-Executive Directors will be appointed for a specific term of three years subject to annual re-election and statutory provisions relating to the removal of a Director.

### Role Requirements

- **Time Commitment** – Expected time commitment will be agreed on an individual basis with each Non-Executive Director, with the average time commitment for the Non-Executive Directors as a whole being in the range of 12 days per year. Certain Non-Executive Directors, including Committee Chairs and Committee members will be expected to commit additional time in order to fulfil these extra responsibilities. All Non-Executive Directors are expected to make sufficient time available to discharge their responsibilities.
- **Meetings** – Attends all Board and Board Committee meetings and Board dinners unless exceptional circumstances prevail. Is well prepared for all Board and Committee meetings.
- **Independence** – Maintenance of own independence as measured by the independence criteria for Non-Executive Directors pursuant to the UK Code and Ofwat Principles.
- **Conflict of Interest** – Takes all reasonable actions to avoid potential conflicts of interest and promptly disclose any that may arise, in line with the Severn Trent Plc Group Conflicts of Interest Policy.
- **Business Awareness** – Ensure they have the knowledge and understanding of the business to enable them to contribute effectively. On appointment, a Non-Executive Director should devote a sufficient amount of time to a comprehensive formal and tailored induction programme to acquire an understanding of the main areas of business activity, in particular those that involve significant risk. Each Non-Executive Director will review their development annually with the Chair and agree any development needs.
- **Competencies: Audit and Risk Committee Membership** – Non-Executive Directors who are appointed to the Audit and Risk Committee should have competence relevant to the sector in which the Company operates and at least one member should have recent and relevant financial experience.

### Key Competencies and Behaviours

#### “Committed to maximising long-term value”

##### High Performance Indicators

- Effectively leads Hafren Dyfrdwy towards the achievement of its strategic objectives.
- Prepared to challenge established thinking on current strategy or practice for the longer-term benefit of the Company.
- Draws on real life examples from experience in a way that illustrates possible directions.
- Is focused on ensuring that the Company performs to the highest levels of stakeholder expectations.

#### “Helps Shape Corporate Strategy”

##### High Performance Indicators

- Is well informed about the Company, the external environment and an awareness of Welsh Government policy and priorities, including the Well-being of Future Generations Act, and bringing that knowledge to bear in the development of strategy.
- Raises relevant strategic issues (such as competition, sector wide and Wales-specific issues), influencing the shaping of Company or cluster level strategy.
- Tests proposals on strategy put forward by the Executive Directors.
- Effectively contributes to the evolution of the corporate strategy and assists in its implementation through advice and counsel.

- Utilises full breadth of skills and experience to add value to all strategic discussions.

#### “Demonstrates independence of judgement”

##### **High Performance Indicators**

- Willing to stand up for and defend own beliefs and values in the face of opposition.
- Able to challenge effectively outside own area of expertise.
- Demonstrates the courage to take a stand and challenge others’ assumptions, beliefs or viewpoints as necessary, for the good of the organisation.

#### “Questions intelligently, debates constructively, challenges rigorously and decides dispassionately”

##### **High Performance Indicators**

- Asks searching questions which are focused on the key value at risk issues for the Company.
- Willing to challenge openly and rigorously, without causing unnecessary conflict.
- Takes difficult decisions dispassionately, whilst also being aware of the political implications.
- Able to deal effectively with complexity and assimilates knowledge quickly.
- Satisfies him/herself that Board discussion and decision taking on risk matters is based on accurate and appropriately comprehensive information and draws, as far as he/she believes it to be relevant or necessary, on external analysis and input.
- Takes into account, the views of stakeholders which may provide different perspective on the Company and its performance.

#### “Has the trust and respect of other members of the Board”

##### **High Performance Indicators**

- Commands the respect of his/her Board colleagues.
- Comments and observations are valued by Executive Directors and management alike.
- Is seen as even-handed in all his/her dealings with the Board and management.
- Supports executives in their leadership of the business whilst monitoring their conduct and performance.
- Is well informed about the Company and has a strong command of the issues relevant to the business.

#### “Effective member of the Board”

##### **High Performance Indicators**

- Demonstrates openness to being challenged on assumptions, beliefs, viewpoints and is willing to re-examine them in order to reach new conclusions.
- Will participate in robust and rigorous debates and then work with peers to arrive at consensus solutions.
- Listens sensitively to the views of others, inside and outside the Board.
- Is willing to enhance their contribution through receipt of feedback.
- Fully empowers the Executive Directors to implement the strategic decisions taken by the Board.

#### “Uses network of contacts effectively”

##### **High Performance Indicators**

- Is always alert to how his or her network of contacts may be utilised for the benefit of Hafren Dyfrdwy.

#### “Uphold high standards of integrity”

##### **High Performance Indicators**

- Actively promotes and demonstrates the appropriate culture, values and behaviours of the Boardroom and beyond.

## Executive Director – Charter of Expectations

### Role Requirements

#### Executive Directors

- **Time Commitment** – Executive Directors are expected to attend all Board meetings and dinners each year and be available to attend meetings of Board Committees, when required to do so by the Chair of that Committee.
- **Meetings** – Is well prepared for all Board meetings.
- **Viewpoint** – Be able to take a “group” stakeholder value viewpoint notwithstanding personal responsibility for a function.
- **Knowledge** – Be knowledgeable of own areas of responsibility as well as understanding the strategic priorities facing the Company.

### Key Competencies and Behaviours

#### Executive Directors are expected to:

- Effectively lead Hafren Dyfrdwy towards the achievement of its strategic objectives and implement the strategy decisions taken by the Board.
- Use their specialist knowledge and experience, generally to assist the Board in consideration of strategic issues and ensure that decisions taken are in the Company’s best interests.
- Help ensure that the Board receives relevant, accurate, timely and high-quality supporting information and presentations necessary for it to fulfil its duties.
- Put the interests of the Company before those of their specific area of responsibility, in particular being prepared to participate fully in the Board’s collective and consensus decision taking as a team member, rather than as a functional advocate.
- Be open to constructive challenge from Non-Executive Directors.
- Manage any conflicts of interest between their role as a Board member and as an executive.
- Be sensitive to the collective responsibility of the Board for creating stakeholder value and be mindful of having all the responsibilities of a Director.
- Be aware of their wider responsibilities when they join the Board and ensure that they receive appropriate training to enable them to fulfil their role.
- Be willing to enhance their contribution through receipt of feedback.

## Committee Chairs – Charter of Expectations

The Chairs of Board Committees fulfil an important leadership role similar to that of the Chair of the Board, particularly in creating conditions for overall Committee and individual Director effectiveness. The Chairs of the Board Committees will preside at all meetings of the Committees and ensure that the work of the Committee is performed in an efficient and timely manner.

The key duties of a Committee Chair will be:

### Provision of Effective Leadership to the Committee

- Ensures, in conjunction with the Board Chair and the Nominations Committee, high quality Committee membership with an appropriate balance of skills and experience.
- Pro-actively manages annual calendar of business to ensure most appropriate use of the Committee's time.
- Engages and supports individual members to enhance Board activities and discussions.
- Ensures that the Committee operates effectively as a team.
- Ensures that membership of the Committee is a stimulating and enjoyable experience.
- Ensures that the Committee's performance is evaluated annually.

### Effective Chairing of Meetings

- Empowers all Committee members to challenge issues openly whilst preventing unnecessary or acrimonious conflicts.
- Encourages and manages vigorous debate, whilst achieving closure on issues.
- Ensures time is allocated appropriately and ensures the business of the meeting is completed, whilst allowing appropriate discussions of individual items.
- Ensures the Committee works in accordance with the best practice so that the Committee is able to discharge its duties and comply with statutory/regulatory requirements.
- Ensures appropriate flow of timely and high-quality information to the Committee.
- Ensures the Committee is able to provide appropriate assurance to Board on the issues within its terms of reference.
- Ensures Committee members receive appropriate induction and ongoing training.

### Reporting to the Board

- Ensures high quality reporting to Board on the work of the Committee including identification of solutions to issues and concerns identified by the Committee. Requires full Board consideration of Committee areas of remit where considered appropriate, in conjunction with the Board's Chair.

## Audit and Risk Committee Chair – Specific Responsibilities and Requirements

- Ensures that the Committee effectively reviews the appropriateness and completeness of the Company's system of internal control, reviews the report which identifies high level control issues of significance that require or are subject to remedial action and ensures that the Committee considers whether necessary actions are being taken to remedy any significant failings or weaknesses.
- Ensures that the Committee monitors the integrity of the financial statements of the Company, including its annual report, and any other formal announcement relating to its financial performance and shall review and, where appropriate, report to the Board on significant financial reporting issues and significant estimates and judgements which they contain.
- Ensures that the Committee effectively reviews arrangements made by management for compliance with regulatory financial reporting and best practice requirements and ensures that the Committee effectively reviews the response of management to comments from the Auditors, Regulators, or the Committee.
- Ensures the Committee oversees the Company's whistleblowing policies and procedures, assessing their effectiveness and ensuring management provide an annual update on whistleblowing to the Board.
- Ensures that the Committee effectively and appropriately monitors the working relationship between the external auditors and Hafren Dyfrdwy.
- Ensures that the Committee effectively reviews the work of the Severn Trent Group's Internal Audit ('IA') and the performance of IA against its objectives.
- Ensures that key findings of the Committee are reported to the Board.
- Meets regularly with the Head of Internal Audit to receive briefings on the work of IA and provide support when necessary to ensure that the independence and integrity of IA is beyond reproach.
- Meets regularly with the External Auditors to discuss their work and any issues or concerns arising in between meetings of the Committee.
- Ensures that an annual assessment of the performance of the Committee is conducted.

### Role Requirements

- **Competencies** – Must have competence relevant to the sector in which the Company operates and recent and relevant financial experience, preferably a chartered accountant, and comfortable dealing with complex financial issues. Should make every effort to keep up to date with international financial and accounting best practice developments.
- **Internal Audit** – The Audit and Risk Committee Chair must meet regularly (at least annually) with the Head of Internal Audit to review briefings on the work of Internal Audit.
- **External Auditors** – Must meet regularly (at least annually) with the External Auditors to discuss their audit work.
- **Available in time of crisis** – Must be available outside of meetings of the Committee in case urgent issues are raised by management, by Internal Audit or the External Auditors.
- **Experience** – Experience of Board and Board Committee work in a major organisation is preferable. This could be achieved by serving a period of time on the Hafren Dyfrdwy Board prior to appointment as Committee Chair.

## Nominations Committee Chair – Specific Responsibilities and Requirements

- Ensures that the Committee reviews and makes recommendations to the Board on Board composition and balance.
- Ensures that the Committee assesses the skills required to competently discharge the Board's duties having regard to the strategic direction of the Company.
- Ensures that the Committee effectively identifies reviews and recommends candidates for potential appointment as Directors.
- Ensures that the Committee effectively reviews and makes proposals in respect of succession plans, over the longer term in order to maintain an appropriate balance of skills and experience and to ensure progressive refreshing of the Board.
- Ensures that the Committee considers and sets the criteria for the performance review of each Non-Executive Director, the Board and each Committee of the Board (including this Committee).
- Ensures that the Committee conducts an annual performance evaluation of the effectiveness of the Board and each Committee of the Board.
- Ensures that the Committee reviews the composition of the Board to ensure that:
  - its membership represents a mix of backgrounds and experience that will enhance the quality of its deliberations and decisions; and
  - there is adequate awareness of Welsh Government policy and priorities on the Board as a whole, including the Well-being of Future Generations Act.

### Role Requirements

- **Knowledge of Corporate Governance issues** – Must have a good knowledge of corporate governance and make every effort to keep up to date with best practice developments.
- **Experience** – Experience of Boards and Board Committee work in a major organisation is preferable. This could be achieved by serving a period of time on the Hafren Dyfrdwy Board prior to appointment as Committee Chair.

## Board Support and the Company Secretary

The Board will be supported by the Company Secretary, whose role in ensuring good governance is to:

- Support the Chair and help the Board and its Committees to function effectively.
- Work with the Chair, Managing Director and management to ensure the presentation of accurate, timely and high-quality supporting information to the Board and Board Committees.
- Support the Chair in delivering Director induction and development programmes.
- Support the Chair of the Board and the Chairs of Board Committees in delivering the Board and Board Committee evaluation process and implementing any resulting action plan.
- Periodically review with the Chair, the effectiveness of the Board and Board Committee governance framework including the remit of each Board Committee and the process of interaction between Committees and each Committee to the Board.

The Company Secretary will:

- Report to the Chair on all matters of Board Governance.
- Be expected to build relationships of mutual trust with the Chair and the Non-Executive Directors, whilst maintaining the confidence of the Managing Director and Executive Directors.