

# **Kelda Holdings Limited**

## **Board Leadership, Transparency and Governance Code**

### **Introduction**

The Board of Kelda Holdings Ltd (“Kelda” or “the Company”) is accountable to the Kelda Group’s shareholders for maintaining standards of corporate governance. Following a consultation exercise, in April 2014 Ofwat published a document entitled “Board leadership, transparency and governance – holding company principles” (“the Ofwat Holding Company Principles”) which set out the principles that Ofwat considers should guide the governance arrangements of the holding company of a regulated company operating in the water sector in England and Wales. These principles complemented those that Ofwat had published in January 2014 for regulated companies operating in the water sector in England and Wales (“the Ofwat Regulated Company Principles”).

In accordance with the Ofwat Regulated Company Principles the board of Yorkshire Water Services Ltd (Yorkshire Water) has adopted its own “Board Leadership, Transparency and Governance Code” (“the YW Code”) which it has published on its website. The YW Code sets out how Yorkshire Water currently applies the Ofwat Principles and the time frame in which they will be fully adopted. An explanation of how Yorkshire Water applies the Ofwat Regulated Company Principles is provided in the Yorkshire Water Annual Report and Financial Statements.

In its Annual Report and Financial Statements for the year ended 31 March 2015 the Kelda Board will report on how it has addressed the Ofwat Holding Company Principles.

This code sets out how Kelda currently applies the Ofwat Holding Company Principles and where it does not meet a principle provides an explanation of the approach being taken to meet the spirit of the proposals.

### **1. Transparency**

- 1.1 The holding company structure shall be transparent and explained in a way that is clear and simple to understand.

The role of each of the companies that have links or interests in Yorkshire Water within the group structure shall be clearly explained, including a description of the interaction between the holding company and the regulated company. It shall be clear in which country each company is registered. In the event of a group company being dormant or non-trading this shall be clearly stated.

- 1.2 The holding company will provide information on debt and equity structures.

Kelda shall publish information in an accessible way to make its debt and equity structures transparent and shall explain where and why it has considered it necessary to exclude any information on the grounds for example of commercial confidentiality. This information shall also cover the capital structure of any other company with links to or interests in Yorkshire Water.

- 1.3 The holding company will transparently demonstrate directors' interests and the nature of those interests (other than where they are declared at the regulated company level).

The Company shall publish a list of all of its directors. The Company has a clear process for disclosure of the interests of those directors in other companies within the Kelda Group at each of its board meetings. Where applicable, where there are interests within Yorkshire Water they shall also be declared in the Yorkshire Water Annual Report and Financial Statements.

- 1.4 The Company will explain which matters that impact on Yorkshire Water are reserved to the holding company board.

Reserved matters shall be clearly explained and disclosed both in the Annual Report and Financial Statements of the Company and Yorkshire Water.

- 1.5 The Company will transparently demonstrate the governance standards that it applies, including how it meets these principles.

The corporate governance report in the Company's Annual Report and Financial Statements describes how the Board of the Company and its committees discharge their duties in respect of corporate governance.

The Company shall address each of the principles set out in the Ofwat Holding Company Principles and how they have been met in its Annual Report and Financial Statements.

## **2. Managing Risk - the Company will manage its risks in such a way that Yorkshire Water is protected from risk elsewhere in the Kelda Group**

- 2.1 The Company will not put the obligations and requirements of Yorkshire Water at risk.

In carrying out its activities the Company will ensure that it fully understands the duties and obligations of Yorkshire Water contained within statute and its licence. The Company will give full consideration to the undertakings required by Condition P of Yorkshire Water's licence including that it refrains from any action which would cause Yorkshire Water to breach any of its obligations. The Company will explain how it has ensured that it has a full understanding of the duties and obligations of Yorkshire Water and has given full consideration to the Condition P undertaking.

- 2.2 The Company should provide Yorkshire Water with the information that it reasonably requests about the activities of the wider Kelda Group.

Yorkshire Water shall have access to any relevant information that it legitimately needs about the wider Kelda Group. This includes a clear understanding and visibility of matters where they have the potential to impact on Yorkshire Water. Where Yorkshire Water determines that it needs additional information, clarification of our explanation, this will be made available.

- 2.3 The holding company should disclose any issues at the Kelda Group level which may materially impact on Yorkshire Water.

The Company will explain how it has identified and disclosed such issues where they are identified or shall otherwise confirm that there are none.

- 2.4 The Company should support the Board of Yorkshire Water so that it is able to run the business as if it is a separate and listed public limited company.

The Company will facilitate the ability of Yorkshire Water to meet (or by exception explain any departures from) the Ofwat Regulated Company Principles. This includes the composition of the board of Yorkshire Water.

### **3. Supporting long-term decision making**

- 3.1 The Company should support Yorkshire Water in operating in a sustainable way (including making long-term decisions) in line with the long-term nature of the water sector.

The Company will support Yorkshire Water so that it can make strategic and sustainable decisions in the interests of its regulated business for the long term.

**Approved by the Board of Kelda Holdings Ltd**

**January 2015**