

## TIDEWAY'S CORPORATE GOVERNANCE (CONTENT FOR TIDEWAY WEBSITE)

### Introduction

The majority of reporting on Tideway's corporate governance arrangements is reported annually, in Tideway's Annual Report and Accounts which is available here.

We measure our standards against two main corporate governance codes: [The UK Corporate Governance Code](#) and [Ofwat's principles on board leadership, transparency and governance](#).

The Annual Report explains Tideway's compliance with the principles of the UK Corporate Governance Code and the objectives of the Ofwat board leadership, transparency and governance principles. The following information supplements our Annual Report and helps give transparency as to our compliance with the codes.

Details of both codes is set out below with corresponding suggestions where to find information about Tideway's related governance mechanisms and activities, either in the Tideway Annual report or here on the Tideway webpages.

### UK Corporate Governance Code 2018 – Tideway compliance mapping 2020

	Principles (A - R) and Provisions (1 – 41)	Comply Yes / No / Not applicable	For further information ( <i>all page references are to the Tideway Annual Report 2019/20</i> ):
<b>Section 1: Board Leadership and Company Purpose</b>			
A	A successful company is led by an effective an entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	Yes	The Role of the Board page 88

	<b>Principles (A - R) and Provisions (1 – 41)</b>	<b>Comply Yes / No / Not applicable</b>	<b>For further information (all page references are to the Tideway Annual Report 2019/20):</b>
<b>B</b>	The board should establish the company's purpose, values and strategy and satisfy itself that these and the culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	Yes	Board activity pages 89-91 Our Vision, Purpose and Values pages 08-09
<b>C</b>	The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	Yes	The Role of the Board and Board activity pages 88-91 Governance Standards pages 92-93 The Risk Committee report page 102-103
<b>D</b>	In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	Yes	The Role of the Board and Board activity page 88-91 Engaging with our external partners pages 14-15 Governance Standards pages 92-93
<b>E</b>	The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	Yes	Board activity pages 89-91 Our Strategy pages 22-23 Company and People pages 46-53
<b>1</b>	The board should assess the basis on which the company generates and preserves value over the long-term. It should describe in the annual report how opportunities and risks to the future success of the business have been considered, the sustainability of its business model and how its governance contributes to the delivery of its strategy.	Yes	Board activity pages 89-91 Risk Management pages 65-71
<b>2</b>	The board should assess and monitor culture. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the company's purpose, values and strategy it should it should seek reassurance that management has taken corrective action. The annual report should explain the board's activities and any action taken.  In addition, it should include an explanation of the company's approach to investing in and rewarding its workforce.	Yes  Yes	Board activity pages 89-91 Remuneration Committee report pages 110-121



	<b>Principles (A - R) and Provisions (1 – 41)</b>	<b>Comply Yes / No / Not applicable</b>	<b>For further information (<i>all page references are to the Tideway Annual Report 2019/20</i>):</b>
<b>6</b>	There should be means for the workforce to raise concerns in confidence and – if they wish – anonymously. The board should routinely review this and any resulting reports. It should ensure there are arrangements for proportionate and independent investigation of such matters and for follow-up action.	Yes	Audit Committee Report pages 106-109
<b>7</b>	The board should take action to identify and manage conflicts of interest, including those resulting from significant shareholdings, and ensure that the influence of third parties does not compromise or override independent judgement.	Yes.	Please see further information on the Tideway website re conflicts of interest
<b>8</b>	Where directors have concerns about the operation of the board or the management of the company that cannot be resolved, their concerns should be recorded in the board minutes. On resignation, a non-executive director (“ <b>NED</b> ”) should provide a written statement to the chair, for circulation to the board, if they have such concerns.	N/A	Not applicable, but in the event of such a circumstance arising concerns would be brought to the attention of board members and recorded in board minutes. Departing directors would be advised to provide a written statement to the chair, for circulation to the board.
<b>Section 2: Division of Responsibilities</b>			
<b>F</b>	The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	Yes	Division of Responsibilities Within the Board page 96
<b>G</b>	The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board’s decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company’s business.	Yes	Governance Standards pages 92-93 The Board Members pages 80-85 Division of Responsibilities Within the Board page 96
<b>H</b>	Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	Yes	Division of Responsibilities within the Board page 96

	<b>Principles (A - R) and Provisions (1 – 41)</b>	<b>Comply Yes / No / Not applicable</b>	<b>For further information (all page references are to the Tideway Annual Report 2019/20):</b>
			Please see further information on the Tideway website re Board appointments
<b>I</b>	The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	Yes	Board evaluation page 99
<b>9</b>	<p>The chair should be independent on appointment when assessed against the circumstances set out in Provision 10.</p> <p>The roles of chair and CEO should not be exercised by the same individual. A chief executive should not become chair of the same company. If, exceptionally this is proposed by the board, major shareholders should be consulted ahead of appointment.</p> <p>The board should set out its reasons to all shareholders at the time of the appointment and also publish these on the company website.</p>	<p>Yes</p> <p>Yes</p> <p>Not applicable.</p>	<p>Chair's biography page 80</p> <p>Division of Responsibilities within the Board page 96</p>
<b>10</b>	<p>The board should identify in the annual report each NED the Board considers to be independent. Circumstances which are likely to impair, or could appear to impair, a NED's independence include, but are not limited to, whether a director:</p> <ul style="list-style-type: none"> <li>• is or has been an employee of the company or group within the last 5 years;</li> <li>• has, or has had within the last 3 years, a material business relationship with the company, either director or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;</li> <li>• has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme;</li> <li>• has close family ties with any of the company's advisers, directors or senior employees;</li> <li>• holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;</li> <li>• represents a significant shareholder; or</li> </ul>	Yes	The Board Members pages 80-85

	<b>Principles (A - R) and Provisions (1 – 41)</b>	<b>Comply Yes / No / Not applicable</b>	<b>For further information (<i>all page references are to the Tideway Annual Report 2019/20</i>):</b>
	<ul style="list-style-type: none"> <li>• has served on the board for more than nine years from the date of their first appointment.</li> </ul> <p>Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non-executive director is independent, a clear explanation should be provided.</p>		
<b>11</b>	At least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent.	No	<p>We do not comply.</p> <p>We have six Independent Non-Executive Directors, including the Chair, on the Tideway Board. This makes the Independent Non-Executive Directors the single largest group on the Tideway Board.</p> <p>The Board also includes four Shareholder Directors and three Executive Directors.</p> <p>The Shareholder Directors represent the views of investors in Board discussions and decision-making. The Independent Non-Executive Directors ensure there is a balance of perspectives, drawing on a wide range of skills and experience, so that the Board can make high quality decisions that address diverse stakeholder needs.</p> <p>All the Non-Executive Directors use their breadth of knowledge and experience to challenge, monitor and approve the strategy and policies recommended by the Executive Directors. Each of the Board committees is chaired by one of the Independent Non-Executive Directors, with those roles allocated based on their relevant skills and experience.</p>

	<b>Principles (A - R) and Provisions (1 – 41)</b>	<b>Comply Yes / No / Not applicable</b>	<b>For further information (<i>all page references are to the Tideway Annual Report 2019/20</i>):</b>
			See also Governance Standards pages 92-93
<b>12</b>	The board should appoint one independent NED to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the NEDs should meet without the chair present at least annually to appraise the chair's performance, and on other occasions as necessary.	Yes	Division of Responsibilities within the Board page 96
<b>13</b>	NEDs have a prime role in appointing and removing executive directors. NEDs should scrutinise and hold to account the performance of management and individual executive directors against agreed performance objectives.  The chair should hold meetings with the NEDs without executive directors present.	Yes  Yes	Governance Standards pages 92-93  Remuneration Committee Report pages 110-121
<b>14</b>	Responsibilities of the chair, CEO, senior independent director, board and committees should be clear, set out in writing, agreed by the board and made publicly available.  The annual report should set out the number of meetings of the board and committees, and individual attendance by directors.	Yes  Yes	Division of Responsibilities within the Board page 96  Attendance at Board meetings page 91  Attendance at Committee meetings in Committee reports pages 101-121
<b>15</b>	When making new appointments the board should take into account other demands on directors' time. Prior to appointing a new director, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior approval by the board, with the reasons for permitting significant appointments explained in the annual report.  Full-time executive directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment.	Yes  Yes	Please see further information on the Tideway website re Board appointments

	<b>Principles (A - R) and Provisions (1 – 41)</b>	<b>Comply Yes / No / Not applicable</b>	<b>For further information (<i>all page references are to the Tideway Annual Report 2019/20</i>):</b>
<b>16</b>	All directors should have access to the advice of the company secretary who is responsible for advising the board on all governance matters. Both the appointment and removal of the company secretary should be a matter for the board.	Yes	Please see further information on the Tideway website re Information and Support
<b>Section 3: Composition, Succession and Evaluation</b>			
<b>J</b>	Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	Yes	Nominations Committee report page 101 Please see further information on the Tideway website re Board appointments and succession arrangements
<b>K</b>	The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	Yes	The Board Members pages 80-85 Sector experience page 94
<b>L</b>	Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	Yes	Board Evaluation page 99
<b>17</b>	The board should establish a nomination committee to lead the process for appointments, ensure plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline for succession.  A majority of the committee members should be independent NEDs.  The chair of the board should not chair the committee when dealing with the appointment of their successor.	Yes  Yes  Yes	Nominations Committee report page 101
<b>18</b>	All directors should be subject to annual re-election.	Yes	Please see further information on the Tideway website re Board appointments and succession arrangements
<b>19</b>	The chair should not remain in post beyond 9 years from the date of first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can	Yes	Chairman's biography page 80



	<b>Principles (A - R) and Provisions (1 – 41)</b>	<b>Comply Yes / No / Not applicable</b>	<b>For further information (all page references are to the Tideway Annual Report 2019/20):</b>
	be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment. A clear explanation should be provided.		
<b>20</b>	Open advertising and/or and external search consultancy should generally be used for the appointment of the chair and NEDs. If an external search consultancy is engaged it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.	Yes	Nominations Committee report page 101
<b>21</b>	There should be formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors.  The chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies, this should be at least every 3 years. The external evaluator should be identified in the annual report and a statement made about any other connection it has with the company or individual directors.	Yes	Board Evaluation page 99
<b>22</b>	The chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the board. Each director should engage with the process and take appropriate action when development needs have been identified.	Yes	Board evaluation page 99
<b>23</b>	The annual report should describe the work of the nomination committee, including: <ul style="list-style-type: none"> <li>• The process used for appointments, its approach to succession planning and how both support development of a diverse pipeline;</li> <li>• How the board evaluation has been conducted, the nature and extent of an external evaluator’s contact with the board and individual directors, the outcomes and action taken, and how it has or will influence board composition;</li> <li>• The policy on diversity and inclusion, its objectives and linkage to strategy, how it has been implemented and progress on achieving the objectives; and</li> <li>• The gender balance of senior management and their direct reports.</li> </ul>	Yes	Nominations Committee report page 101 Board evaluation page 99 Diversity and inclusion page 48
<b>Section 4: Audit, Risk and Internal Control</b>			

	<b>Principles (A - R) and Provisions (1 – 41)</b>	<b>Comply Yes / No / Not applicable</b>	<b>For further information (<i>all page references are to the Tideway Annual Report 2019/20</i>):</b>
<b>M</b>	The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	Yes	Audit Committee report pages 106-109
<b>N</b>	The board should present a fair, balanced and understandable assessment of the company's position and prospects.	Yes	Long-Term Viability Statement pages 72-75
<b>O</b>	The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	Yes	Risk Management pages 65-71
<b>24</b>	The board should establish an audit committee of independent NEDs, with a minimum of three, or in the case of smaller companies (below the FTSE 350), two. The chair of the board should not be a committee member. At least one member should have recent and relevant financial experience. The committee as a whole should have competence relevant to the sector in which the company operates.	Yes	Audit Committee report pages 106-109
<b>25</b>	<p>The main roles and responsibilities of the audit committee should include:</p> <ul style="list-style-type: none"> <li>• Monitoring the integrity of the company's financial statements and any formal announcements relating to financial performance, reviewing significant financial reporting judgements contained in them;</li> <li>• Providing advice (where requested by the board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;</li> <li>• Reviewing the company's internal financial controls and internal control and risk management systems, unless expressly addressed by a separate board risk committee comprised of independent non-executive directors, or by the board itself;</li> <li>• Monitoring and reviewing the effectiveness of the company's internal audit function or, where there is not one, considering annually whether there is a need for one and making a recommendation to the board;</li> </ul>	Yes	Audit Committee report pages 106-109

	<b>Principles (A - R) and Provisions (1 – 41)</b>	<b>Comply Yes / No / Not applicable</b>	<b>For further information (<i>all page references are to the Tideway Annual Report 2019/20</i>):</b>
	<ul style="list-style-type: none"> <li>• Conducting the tender process and making recommendations to the board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;</li> <li>• Reviewing and monitoring the external auditor’s independence and objectivity;</li> <li>• Reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;</li> <li>• Developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required; and</li> <li>• Reporting to the board on how it has discharged its responsibilities.</li> </ul>		
<b>26</b>	<p>The annual report should describe the work of the audit committee, including:</p> <ul style="list-style-type: none"> <li>• The significant issues considered relating to the financial statements and how these issues were addressed;</li> <li>• An explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information of the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;</li> <li>• In the case of a board not accepting the audit committee’s recommendation on the external auditor appointment, reappointment or removal, a statement from the audit committee explaining its recommendation and the reasons why the board has taken a different position;</li> <li>• Where there is no internal audit function, an explanation for the absence, how internal assurance is achieved, and how this affects the work of external audit; and</li> </ul>	Yes	Audit Committee report pages 106-109

	<b>Principles (A - R) and Provisions (1 – 41)</b>	<b>Comply Yes / No / Not applicable</b>	<b>For further information (<i>all page references are to the Tideway Annual Report 2019/20</i>):</b>
	<ul style="list-style-type: none"> <li>an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services.</li> </ul>		
<b>27</b>	The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, are fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.	Yes	Directors' Report pages 128-129
<b>28</b>	The board should carry out a robust assessment of the company's emerging and principal risks. The board should confirm in the annual report that it has completed this assessment, including a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.	Yes	Risk Management pages 65-71
<b>29</b>	The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.	Yes	Risk Committee report page 102-103
<b>30</b>	In annual and half-yearly financial statements, the board should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.	Yes	Long-Term Viability Statement pages 72-75
<b>31</b>	Taking account of current position and principal risks, the board should explain in the annual report how it has assessed the prospects of the company, over what period it has done so and why it considers that to be an appropriate period. The board should state whether the board has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions necessary.	Yes	Long-Term Viability Statement pages 72-75
<b>Section 5: Remuneration</b>			
<b>P</b>	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to the company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	Yes	Remuneration Committee report pages 110-121

	<b>Principles (A - R) and Provisions (1 – 41)</b>	<b>Comply Yes / No / Not applicable</b>	<b>For further information (<i>all page references are to the Tideway Annual Report 2019/20</i>):</b>
<b>Q</b>	A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management (i.e. the executive committee or the first layer of management below board level, including the company secretary) remuneration should be established. No director should be involved in deciding their own remuneration outcome.	Yes	Remuneration Committee report pages 110-121
<b>R</b>	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Yes	Remuneration Committee report pages 110-121
<b>32</b>	The board should establish a remuneration committee of independents NEDs, with a minimum membership of three, or in the case of smaller companies, two. In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as chair of the committee, the appointee should have served on a remuneration committee for at least 12 months.	Yes	Remuneration Committee report pages 110-121
<b>33</b>	The remuneration committee should have delegated responsibility for determining the policy for executive director remuneration and setting remuneration for the chair, executive directors and senior management.  It should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.	Yes	Remuneration Committee report pages 110-121
<b>34</b>	The remuneration of NEDs should be determined in accordance with the Articles of Association or, alternatively, by the board. Levels of remuneration for the chair and all NEDs should reflect the time commitment and responsibilities of the role. Remuneration for all NEDs should not include share options or other performance-related elements.	Yes	Remuneration Committee report pages 110-121
<b>35</b>	Where a remuneration consultant is appointed, this should be the responsibility of the remuneration committee. The consultant should be identified in the annual report, alongside a statement about any other connection it has with the company or individual directors. Independent judgement should be exercised when evaluating the advice of external third parties and when receiving views from executive directors and senior management.	Yes	Remuneration Committee report pages 110-121
<b>36</b>	Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of	Not applicable	Not applicable – share awards do not form part of Tideway remuneration schemes.

	<b>Principles (A - R) and Provisions (1 – 41)</b>	<b>Comply Yes / No / Not applicable</b>	<b>For further information (<i>all page references are to the Tideway Annual Report 2019/20</i>):</b>
	five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements covering both unvested and vested shares.		
<b>37</b>	Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. They should also include provisions enabling the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so.	Yes	Remuneration Committee report pages 110-121
<b>38</b>	Only basic salary should be pensionable. Pension contribution rates for executive directors or payments in lieu should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared to workforce arrangements.	Yes	Please see further information on the Tideway website re Pensions
<b>39</b>	<p>Notice or contract periods should be one year or less. If it is necessary to offer longer periods to new directors recruited from outside the company, such periods should reduce to one year or less after the initial period.</p> <p>The remuneration committee should ensure compensation commitments in directors' terms of appointment do not reward poor performance. They should be robust in reducing compensation to reflect departing directors' obligations to mitigate loss.</p>	Yes	<p>Please see further information on the Tideway website re Board appointments</p> <p>Remuneration Committee report pages 110-121</p>
<b>40</b>	<p>When determining executive director remuneration policy and practices, the remuneration committee should address the following:</p> <ul style="list-style-type: none"> <li>• Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;</li> <li>• Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;</li> </ul>	Yes	Remuneration Committee report pages 110-121

	<b>Principles (A - R) and Provisions (1 – 41)</b>	<b>Comply Yes / No / Not applicable</b>	<b>For further information (<i>all page references are to the Tideway Annual Report 2019/20</i>):</b>
	<ul style="list-style-type: none"> <li>• Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;</li> <li>• Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;</li> <li>• Proportionality – the link between individual awards, the delivery of strategy and long-term performance of the company should be clear. Outcomes should not reward poor performance; and</li> <li>• Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.</li> </ul>		
41	<p>There should be a description of the work of the remuneration committee in the annual report, including:</p> <ul style="list-style-type: none"> <li>• An explanation of the strategic rationale for executive directors’ remuneration policies, structures and any performance metrics;</li> <li>• Reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;</li> <li>• A description, with examples, of how the committee has addressed the factors in Provision 40;</li> <li>• Whether the remuneration policy operates as intended in terms of company performance and quantum. If not, what changes are necessary;</li> <li>• What engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;</li> <li>• What <u>engagement with the workforce</u> has taken place to explain how executive remuneration aligns with the wider company pay policy; and</li> <li>• To what extent discretion has been applied to remuneration outcomes and the reasons why.</li> </ul>	Yes	Remuneration Committee report pages 110-121

**Ofwat's Board Leadership, Transparency and Governance Principles – Tideway compliance mapping 2020**

<b>Objectives and Provisions</b>	<b>Comply Yes / No / Not applicable</b>	<b>For further information (<i>all page references are to the Tideway Annual Report 2019/20</i>):</b>
<p><b><u>Objective 1: Purpose, Values and Culture</u></b>  <b>The regulated company board establishes the company's purpose, strategy and values and is satisfied that these and its culture reflect the needs of all those it serves.</b></p>	Yes	Board activity pages 89-91 Our Vision, Purpose and Values pages 08-09 Appointment of a non-executive director representing workforce matters page 49
<p>i. The board develops and promotes the company's purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public service.</p>	Yes	Our Business Model pages 20-21 Board activity pages 89-91
<p>ii. The board makes sure that the company's strategy, values and culture are consistent with its purpose.</p>	Yes	Board activity pages 89-91 Our Vision, Purpose and Values pages 08-09
<p>iii. The board monitors and assesses values and culture to satisfy itself that behaviour throughout the business is aligned with the company's purpose.</p>	Yes	Board activity pages 89-91
<p>iv. Companies' annual reporting explains the board's activities and any corrective action taken. It also includes an annual statement from the board focussing on how the company has set its aspirations and performed for all those it serves.</p>	Yes	Our Strategy pages 22-23 Board activity pages 89-91
<p><b><u>Objective 2: Standalone regulated company</u></b>  <b>The regulated company has an effective board with full responsibility for all aspects of the regulated company's business for the long term.</b></p>	Yes	The Role of the Board page 88 Governance Standards pages 92-93
<p>i. The regulated company sets out any matters that are reserved for shareholders or parent companies (where applicable); and explains how these are consistent with the board of the regulated company having full responsibility for all aspects of the regulated company's business, including the freedom to set, and accountability for, all aspects of the regulated company's strategy.</p>	Yes	The Role of the Board page 88 Shareholder Reserved Matters page 125



<p>ii. Board committees, including but not limited to audit, remuneration and nomination committees, report into the board of the regulated company, with final decisions made at the level of the regulated company.</p>	<p>Yes</p>	<p>The Role of the Board page 88 Committee reports pages 101-121</p>
<p>iii. The board of the regulated company is fully focused on the activities of the regulated company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholdings; and ensures that the influence of third parties does not compromise or override independent judgement.</p>	<p>Yes</p>	<p>The Role of the Board page 88  Please see further information on the Tideway website re Conflicts of Interest</p>
<p><b>Objective 3: Board leadership and transparency</b> <b>The board's leadership and approach to transparency and governance engenders trust in the regulated company and ensures accountability for their actions.</b></p>	<p>Yes</p>	<p>Our Strategy pages 22-23 Relationship with Shareholders page 122-125  Other information on Tideway's approach to board leadership, transparency and governance can be found throughout the Annual Report and in the Further Information section of the Tideway website.</p>
<p>The regulated companies publish the following information in a form and level of detail that is accessible and clear for customers and stakeholders:</p> <p>i. An explanation of group structure;</p> <p>ii. An explanation of dividend policies and dividends paid, and how these take account of delivery for customers and other obligations (including to employees);</p> <p>iii. An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed;</p> <p>iv. The annual report includes details of board and committee membership, number of times met, attendance at each meeting and where relevant, the outcome of votes cast; and</p> <p>v. An explanation of the company's executive pay policy and how the criteria for awarding short and long-term performance related elements are substantially linked to stretching delivery for customers and are rigorously applied. Where directors' responsibilities are substantially focussed on the regulated company and they receive remuneration for these responsibilities</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>Relationship with Shareholders pages 122-125 Distributions page 57  Risk Management pages 65-71  Board Activity pages 89-91 Committee reports pages 101-121  Remuneration Committee Report pages 110-121</p>

<p>from elsewhere in the group, policies relating to this pay are fully disclosed at the regulated company level.</p>		
<p><b>Objective 4: Board structure and effectiveness</b>  <b>Boards and their committees are competent, well run, and have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.</b></p>	<p>Yes</p>	<p>Governance Standards pages 92-93  The Board Members pages 80-85  Committee reports pages 101-121</p>
<p>i. Board and committees have the appropriate balance of skills, experience, independence and knowledge of the company. Boards identify what customer and stakeholder expertise is needed in the boardroom and how this need is addressed.</p>	<p>Yes</p>	<p>Governance Standards pages 92-93  Sector experience page 94  Company and People page 46-53</p>
<p>ii. Independent non-executive directors are the largest single group on the board.</p>	<p>Yes</p>	<p>Governance Standards pages 92-93</p>
<p>iii. The chair is independent of management and investors on appointment and demonstrates objective judgement throughout their tenure. There is an explicit division of responsibilities between running the board and executive responsibility for running the business.</p>	<p>Yes</p>	<p>Chairman’s biography page 80  Division of Responsibilities Within the Board page 96</p>
<p>iv. There is an annual evaluation of the performance of the board. This considers the balance of skills, experience, independence and knowledge, its diversity, how stakeholder needs are addressed and how the overarching objectives are met. This approach is reported in the annual report and any weaknesses are acted on and explained.</p>	<p>Yes</p>	<p>Board Evaluation page 99</p>
<p>v. There is a formal, rigorous and transparent procedure for new appointments which is led by the nomination committee and supports the overarching objective.</p>	<p>Yes</p>	<p>Nominations Committee Report page 101</p>
<p>vi. To ensure there is a clear understanding of the responsibilities attached to being a non-executive directors in this sector, companies arrange for the proposed, final candidate for new non-executive appointments to the regulated company board to meet Ofwat ahead of a formal appointment being made.</p>	<p>Yes</p>	<p>Case Study on Director Induction page 98</p>
<p>vii. There is a majority of independent members on the audit, nomination and remuneration committees and the audit and remuneration committees are independently led.</p>	<p>Yes</p>	<p>Committee reports pages 101-121</p>

**Further information:**

## **Board appointments**

All the Independent Non-Executive Directors have letters of appointment and they have one- to three-year terms. Each has confirmed that they are able to allocate sufficient time to Tideway to discharge their responsibilities effectively. They are required to declare any proposed additional appointments or changes of circumstance which could adversely affect their ability to discharge their responsibilities and are reminded periodically to do so.

On appointment to the Board and committees, all Directors receive a tailored induction. It includes meetings with Directors, senior management and key external advisors, to help new Directors build a detailed understanding of how Tideway works and the key issues it faces. Directors are also encouraged to visit construction sites.

The Board reviews each Independent Non-Executive Director's performance before the term of their appointment expires, and agrees reappointment subject to a number of considerations, including reviewing the individual director's performance and the skills required on the Board to meet the project's evolving needs. The Independent Non-Executive Directors' terms and conditions of appointment can be requested from the Company Secretary.

## **Board succession planning**

The Board succession plan has been prepared to ensure the Board and its committees have the appropriate skills, experience and knowledge appropriate to the evolving nature of the project. Diversity considerations are built-in to succession planning and board-mapping and external search consultants (where used) are required to provide a diverse list of candidates and to demonstrate they are actively engaged in initiatives that support the development of a pipeline of candidates from diverse backgrounds.

## **Conflicts of interest**

The Shareholders' Agreement and Tideway's Articles of Association set out a process of identifying and managing actual or perceived conflicts of interest. The Company Secretary requests that all Directors complete a Declaration of Interest Form every six months and Directors are expected to raise any potential, actual or perceived conflicts as soon as they arise so the Board can consider them at the next available opportunity. In addition, Directors are asked to declare any conflicts of interests at the start of every Board meeting and may be asked to remove themselves from any related discussions and/or decision making where a potential conflict is identified. The Company Secretary holds a register of all declared interests and conflicts.

**Information and Support**

The Executive Directors regularly update the Board and Shareholders on key matters. Both the Board and its committees have access to independent professional advice at Tideway's expense, where it is necessary to discharge their responsibilities as Directors.

The Company Secretary is responsible for advising the Board on all governance matters. All directors have access to the advice of the Company Secretary, the appointment and removal of whom is a matter for the Board.

**Pensions**

Detailed information on remuneration is contained in the Remuneration Committee report in the Annual Report. As regards pensions, only basic salary is pensionable and this arrangement applied to all Tideway employees therefore arrangements for executive directors are aligned with those available to the workforce.