



**Anglian Water Services Ltd**  
Lancaster House  
Lancaster Way  
Ermine Business Park  
Huntingdon  
PE29 6YJ

Tel 01480 323226  
www.anglianwater.co.uk  
Our ref

Mr J Hirst

21 July 2020

Dear John

**REVISED LETTER OF APPOINTMENT - CHAIRMAN ANGLIAN WATER SERVICES LIMITED  
("AWS" OR THE "COMPANY")**

The purpose of this letter is to set out the terms of your engagement as Chairman of the Company and to summarise our expectations for the role.

This letter sets out the main terms of your appointment. If you are unhappy with any terms, or need any more information, please let me know.

By accepting this appointment, you agree that this letter is a contract for services and not a contract of employment and you confirm that you are not subject to any restrictions which prevent you from holding office as a director.

This letter of appointment replaces all previous agreements in relation to your appointment to the AWS Board including (but not limited to) your appointment letter of 27 March 2020.

**Terms of Appointment**

In addition to performing the role of Chairman of the Company, you will also be required to be chairman of Anglian Water Group Limited ("AWG").

We have outlined in the attached Independent Chairman Position Description (**Attachment 1**), our expectations of the objectives that we expect you to pursue, the day to day role that we expect you to perform as Chairman.



Registered Office  
Anglian Water Services Ltd  
Lancaster House, Lancaster Way, Ermine Business Park,  
Huntingdon,  
Cambridgeshire. PE29 6XU  
Registered in England  
No. 2366656.

**an AWG Company**

## **Contract Terms**

### **1. Appointment**

You have agreed to accept the appointment as Chairman of Anglian Water Services Limited (“AWS”) for a four year period (the “Term”) commencing on 1 April 2020. As is common practice, the terms of your appointment are subject to annual review. Without prejudice to the remaining provisions of this Agreement (in particular section 13 below) your appointment as Chairman under the terms of this agreement may be terminated by you or by the Company by giving not less than six months’ written notice to the other party at any time during the Term. For the avoidance of doubt, your appointment will come to an end on 31 March 2024 without the need for either party to give notice.

Your appointment is subject to the Company’s articles of association, as amended from time to time (the “Articles”). Nothing in this letter shall be taken to exclude or vary the terms of the Articles as they apply to you as a director of the Company.

Continuation of your appointment is contingent on your continued satisfactory performance and any relevant statutory provisions relating to removal of a director. If you are retired from office under the Articles, your appointment shall terminate automatically, with immediate effect and without compensation.

### **2. Time Commitment**

You will be expected to devote such time as is necessary for the proper performance of your duties. The board of the Company (the “Board”) meets around eight times annually. It is envisaged that the “normal” time commitment for the Chairman is roughly three to four days per month. However, there may be circumstances that require you to dedicate more time than this in order to satisfy the Position Description.

We also ask that you attend each of the AWS Board Committees, each of which are chaired by Non-Executive Directors.

By accepting this appointment, you confirm that, taking into account all of your other commitments, you are able to allocate sufficient time to the Company to discharge your responsibilities effectively.

### **3. Governance and Standards of Conduct**

The Company is regulated by Ofwat and must conduct its affairs in accordance with the terms of its Instrument of Appointment (or Licence). The Licence provides that: “The Appointee [i.e. the Company] shall, at all times, conduct the Appointed Business as if it were substantially the Appointee's sole business and the Appointee were a separate public limited company”. The Licence also specifies that the Company must meet certain objectives on board leadership, transparency and governance set out in the Company’s Licence

In response to these Licence requirements, the Company has devised its own governance code (which is published on the Company’s website). The Code sets out certain responsibilities of the Chairman. I also refer you to the Code requirement for the Chairman to remain independent of investors.

In common with all directors, the Chairman is expected to comply with the statutory obligation ensure that decisions are taken with regard to (inter alia)

- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment; and
- the desirability of the Company maintaining a reputation for high standards of business conduct.

#### **4. Performance Review Process**

If there are any matters which cause you concern in respect to your performance in the role, we expect that you will discuss them with us as soon as appropriate. Equally, we would expect to raise concerns regarding your performance with you.

#### **5. Fees**

Your Chairman's fee in respect of being Chairman of the Company will be £180,000 per annum.

The fee shall be paid by monthly payments on the 15th of each month by the Company. This fee will cover all of the time that you spend preparing for, attending and participating in any meetings as a director of or in your capacity as Chairman of the Company and will include any travel time.

#### **6. Status and Tax Liabilities**

You agree that it is not intended that you shall be employed by the Company but shall hold a position as a non-executive director and officer of the Company, the rest of the AWS Finance Group companies (defined below) and shall not be entitled to any pension, bonus or other fringe benefits. As previously indicated, however, should you wish, we are willing to explore restructuring your Chairman's fee in a mutually acceptable manner.

You agree that the Company shall deduct tax and national insurance or similar contributions (where appropriate) in respect of your fees in accordance with Schedule E of PAYE.

#### **7. Expenses**

You will be reimbursed for all your reasonable expenses incurred in the performance of your role. Expenses should be approved by the Chairman of the Audit Committee.

During the term of your appointment you will have access to confidential information regarding the businesses and financial affairs of the Company and its subsidiaries. You must not, either during your appointment or afterwards, disclose to anyone or otherwise make use of this confidential information, except in the proper performance of your duties or as may be required by law or by any competent regulatory body, without prior clearance from at least two Directors of the Company. This does not apply to any information already in the public domain.

You acknowledge the need to hold and retain Company information (in whatever format you may receive it) under appropriately secure conditions.

We expect that you will comply with any Company policies or codes of conduct that apply to all directors from time to time.

## **7. Competition**

You will not during your term as a director, nor for a period of 6 months thereafter be, or become, a director or employee or agent of (i) any company, business or enterprise, which at that time competes, or is likely to compete, or have a significant business relationship, with the Company or its subsidiaries or (ii) the economic regulator of the water industry (Ofwat), without the prior consent of the Board.

## **8. Consent to Act and Registered Information**

You hereby agree to your continued appointment as a director of the Company and as a director of Anglian Water Services Holdings Limited, Anglian Water Services Overseas Holdings Limited and Anglian Water Services Financing plc (together the "AWS Finance Group companies").

## **9. Other Commitments**

You have already disclosed to the Board the commitments you have outside your role in the Company. You must inform the Chief Executive Officer and Company Secretary in advance of any changes to these commitments. In certain circumstances, you may have to seek the Board's agreement before accepting further commitments which either might give rise to a conflict of interest or a conflict with any of your duties to the Company, or which might impact on the time that you are able to devote to your role at the Company.

The Board has determined that you are independent according to the provisions of the Company's Corporate Governance Code

## **12. Insurance**

The Company has directors' and officers' liability insurance and it is intended to maintain such cover for the full term of your appointment. The current indemnity limit is £50 million.

## **13. Termination**

This contract shall terminate forthwith upon notice to you by the Company:

- a. If you have committed a material breach of your obligations under this letter;  
or
- b. if you become prohibited by law from being a director; or
- c. if you become bankrupt, or have an interim receiving order made against you or make any arrangement or compound with your creditors generally; or
- d. if you are removed as a director under the Articles of Association of the Company or the AWS Finance Group companies; or
- e. if you are incompetent, guilty of gross misconduct and/or serious or persistent negligence in the provision of the services hereunder; or

- f. if an order is made by any court of competent jurisdiction on the ground of mental disorder for detention or for the appointment of a guardian or receiver or other person to exercise powers with respect to your affairs or you are admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983; or
- g. if you fail to attend three consecutive Board Meetings unless prevented by illness, unavoidable accident or other cause which may seem to the Board to be sufficient; or
- h. if you are convicted of any offence under the Criminal Justice Act 1993 or under any other present or future statutory enactment or regulation relating to insider dealing; or
- i. if you have not complied with the Company's anti-bribery policy.

Upon the termination by whatever means of this contract:

- a. you hereby agree to resign forthwith as a director of the Company and as a director of the AWS Finance Group companies and of all other group companies of which you are a director; and
- b. you shall not, without the prior written consent of the Company, at any time thereafter represent yourself as still being connected with either the Company or the rest of the AWS Finance Group companies.

Your obligations in relation to confidentiality and non-competition shall survive any termination of this contract.

If matters arise which cause you concern about your role, you should discuss these matters with the Chief Executive Officer or Senior Independent Non-Executive Director. If you have any concerns which cannot be resolved, and you choose to resign for that, or any other reason, you should provide an appropriate written statement to the Chief Executive Officer for circulation to the Board.

#### **14. Independent Professional Advice**

Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Circumstances may occur when it will be appropriate for you to seek advice from independent advisors at the Company's expense. A copy of the Board's agreed procedure under which directors may obtain such independent advice is available from the Company Secretary. The company will reimburse the full cost of expenditure incurred in accordance with the agreed procedure.

On an on-going basis, and further to the annual evaluation process, the Company will arrange for you to develop and refresh your skills and knowledge in areas which are mutually identified as being likely to be required, or of benefit to you, in carrying out your duties effectively. You should try to make yourself available for any relevant training sessions which may be organised for the Board.

#### **15. Materials**

On termination of this contract you will return all materials, documents, records (in whatever form or media they are held) and other property belonging to the Company which are in your possession or under your control. If this information cannot be

returned, then it should be destroyed and we will require you to confirm in writing that this has occurred.

**16. Data Protection**

By signing this letter you consent to the Company holding and processing data about you for legal personnel, administrative and management purposes and in particular to the processing of any Special Category data (as defined in the General Data Protection Regulation) relating to you.

**17. Miscellaneous**

This letter is governed by and shall be construed in accordance with the laws of England and the parties to this contract submit to the exclusive jurisdiction of the English courts.

This letter contains the entire understanding between the parties and supersedes all prior agreement and understanding relating to its subject matter. Any amendments to this contract shall not be valid unless made in writing and signed by the authorised representatives of each party

The failure or delay by either party to this letter in exercising any right, power or remedy of that party under this letter shall not in any circumstance impair such right, power or remedy nor operate as a waiver of it.

Yours sincerely

**AWS Director**

Signed on behalf of Anglian Water Services Limited.

I confirm my agreement to the proposals set out in this letter in connection with my appointment.

Signed:.....

**John Hirst**

Date:.....

## Attachment 1

### Independent Chairman Position Description

The key part of the Chairman's role is to lead the Board in the achievement of the Business Plan and meeting the Company's objectives. The Chairman also provides a key formal interface between the shareholders (individually and collectively), acting in the normal role of Chairman and in providing support and advice to the CEO.

#### 1. General objectives

##### *i. Provide effective leadership of the Board*

Your overall objective is to lead the Board in the determination of its strategy and in the achievement of its agreed business plan.

We expect the Chairman to guide the Board, in all its activities, to generate growth in shareholder value at an appropriate level of risk and promote the return of that value to the shareholders. In doing so, you should exercise your independent judgement on all matters, recognising that you have responsibilities not just to the shareholders but also to the Company, its employees and its other stakeholders.

##### *ii. Maximise the Board's performance and pursue targets*

We expect you to act in your position as Chairman to maximise the Board's performance in pursuit of targets agreed in the business plan and monitor objectively management performance.

You should ensure that the recruitment of senior management and the setting of remuneration are conducted in the interests of maximising the performance of the Company.

##### *iii. Ensure the highest standards of governance and regulatory compliance*

As Chairman it is your responsibility to ensure that the Company employs best practice in respect of corporate governance, and to provide guidance to the Board as appropriate on the principles of corporate legislation and regulatory compliance.

In particular, as the Chairman of a regulated business, we expect you to ensure that the Company's regulatory and financial reporting disciplines meet the highest possible standards. You must take all reasonable measures to ensure that the Company acts to avoid the possibility of adverse regulatory action being taken against it.

##### *iv. Maintain excellent relationships with stakeholders*

We regard it as an important objective for the Chairman to maintain, for the benefit of the business and its shareholders, excellent relationships with all of the business's major stakeholders. In particular the Chairman should maintain good relationships with customers, employees, funding providers, suppliers, government, the regulator and other regulated utilities businesses.

## 2. Conduct in office

We place great importance upon the quality of leadership in the Company. As an experienced business leader the responsibilities and competences required of an effective Chairman will be familiar to you. Nonetheless, for completeness, we particularly encourage you, as Chairman, to:

- (i) keep an independent position on the Board, to be able to challenge the management's assumptions, decisions and the status quo;
- (ii) support all members of the Board, especially new and non-executive members, to make effective contributions and enhance the Board's overall effectiveness as a team. Actively review the performance of the Board as a team and address any weaknesses in the Board's constitution through the development or reassignment of existing members or by seeking the appointment of new members;
- (iii) undertake regular evaluations of the performance of the Executive Directors, and retain a high visibility over the senior management team and oversee the preparation and adoption of succession plans for the Executive Directors and their immediate reports;
- (iv) maintain a thorough understanding of the financial performance of the business, reasons for under or over performance and the future implications of such performance in terms of liquidity and shareholder value;
- (v) fully comprehend the challenges and opportunities facing the business by understanding the overall market that the business addresses, the regulatory system and the financial environment;
- (vi) act to ensure continuing high standards of corporate governance, including to ensure that the Board has adequate systems to safeguard the Company in situations where its interests may be in conflict with the personal interests of its individual directors.

As Chairman you have obligations and responsibilities to the Company, its employees and its other stakeholders, and we reiterate that you should exercise your independent judgement on all matters. However, we expect you to have due regard to the views and opinions of shareholders and opinions and take all reasonable steps to ensure that these are appropriately considered by the executive members of the Board. When there is a material disagreement between yourself and any Executive Directors, we ask that you bring this to our attention promptly.

## 3. Communication with shareholders

We regard the Chairman-shareholder relationship as critical to the future success of the business. It is therefore important that there is regular contact with the shareholders to discuss the Company's progress and any issues that are of concern to you.

We expect you to keep shareholders apprised of your views on matters including shareholder value and risk, Company strategy, management performance, succession planning, regulatory developments and on any issues arising from the financial performance of the business. We correspondingly expect you to understand the issues and concerns of shareholders and be able to effectively communicate these to the executive management and to the Board.

The communication with between you and shareholders is not meant to replace the contact between shareholders and executive directors with whom shareholders also expect to have



regular liaison. Principally, it is expected that this broader dialogue with management will be structured in the form of half-yearly reviews.

#### 4. Half-yearly reviews

In addition to general ongoing communications, we ask that every six months you liaise with the executive management team to ensure that they prepare an appropriate presentation to the Board and to shareholders about the performance of the business. The purpose of these reviews is to facilitate an active discussion on corporate strategy and shareholder value within a structured framework that does not confuse the lines of communication between shareholders and management in respect of the day to day running of the business.

We expect management to use their judgement as to the focus of these reviews, but as a minimum we would expect them to cover performance against the business plan, highlighting:

- (i) trading and operational performance against targets and industry benchmarks;
- (ii) financial performance, cash flow and debt management issues;
- (iii) trading and financial forecasts for subsequent periods;
- (iv) regulatory developments;
- (v) review of business strategy, including risks and opportunities for the following twelve months; and
- (vi) comment on the markets in which the business operates.