

Annex I: Conduct of Board Members

Introduction

1. Board Members will at all times abide by the [Code of Conduct for Board Members of Public Bodies](#) and Ofwat's employee Code of Conduct as if references in the latter Code of Conduct to employees were references to them, save where obviously inapplicable. In the case of overlap or any inconsistency between the two, the higher standard prevails. References in this Annex to Board Members should also be taken to refer to Committee Members and other attendees at Board and Committee meetings.
2. The highest standards of propriety requiring integrity, impartiality and objectivity will be maintained in relation to the stewardship of public funds and the management of Ofwat.
3. Board Members are required to maximise value for money through ensuring that the Board operates in an efficient, economical and effective way, according to the principles of good regulation and within available resources.
4. The Board is accountable to Parliament for the activities of Ofwat, its stewardship of public funds, and the extent to which key performance targets and objectives have been met. In order to promote accountability, Board Members must seek to carry out their functions transparently and to follow best practice.

Confidentiality

5. Board Members and employees are subject to a general duty of confidentiality in relation to the conduct of the affairs of Ofwat. This duty continues to apply after leaving office.
6. The Criminal Justice Act 1993 (CJA) makes it a criminal offence for an individual who has information as an insider to deal in securities (including shares, debt securities, warrants and options, futures and contracts for differences) on a regulated market. A Board Member who gains access to price sensitive information through their duties will be considered an insider under the CJA. A Board Member who has unpublished price sensitive information on any company and either deals in the securities themselves, arranges for

someone to deal in the securities on their behalf or encourages another to deal will be committing an offence. Disclosure of such information to any other person knowing (or having reasonable cause to believe) either that the person will deal in the securities on any regulated market (themselves or through an intermediary), or will pass such information on to a person who will deal, is also an offence.

7. Particular care should be taken to avoid disclosing to any person (or otherwise acting on) any discussions relating to price sensitive decisions that have not yet been made public.
8. Even where disclosure would not breach the insider dealing rules, a Board Member must ensure that they do not disclose outside Ofwat information received during the course of their duties where such information has been provided on a confidential basis.

Relationship with Government

9. The Secretary of State is responsible for appointing the Chair and Board Members to the Board. The Board will consist of a Chair and at least two other Board Members appointed by the Secretary of State. The Secretary of State may also remove Board Members from office on the grounds of incapacity or misbehaviour. Ofwat's decisions are taken independently of Ministers, taking account where relevant of published ministerial guidance and in accordance with, in most cases, the strategic priorities and objectives set out in statements published by the Secretary of State or Welsh Ministers under Sections 2A(1) and 2B(1) WIA91 respectively.
10. Communications between the Board and Ministers will normally be through the Chair, and as appropriate the Chief Executive, except where the Board has agreed that another individual Board Member should act on its behalf. Other Board Members will be kept informed of such communications. Individual Board Members have the right of access to Ministers on any matter which they believe raises important issues relating to their duties as a Member of the Board. In such cases, the agreement of the rest of the Board Members should normally be sought.
11. The main point of contact between Ofwat and Defra, the Welsh Assembly, Environment Agency, Natural Resources Wales, and other Government

departments and other stakeholders on day-to-day matters will normally be the Chief Executive or other members of staff.

Criminal and civil liability

12. Although any legal proceedings initiated by a third party are likely to be brought against Ofwat as a body corporate, in exceptional cases proceedings (civil or, in certain cases, criminal) may be brought against the Chair or other individual Board Members. For example, a Board Member may be personally liable for making a fraudulent or negligent statement, which results in loss to a third party. Board Members may also be liable for breach of confidence under common law or under insider dealing legislation if they misuse information gained by virtue of their position.

Accountability to Parliament

13. Ofwat is responsible for providing Parliament with such information as may be requested concerning its policy decisions and actions. The Chair or the Chief Executive will aim to respond positively to any request to appear before an elected body. Appearance before Select Committees is an essential part of demonstrating Ofwat's accountability. Ofwat is under a specific duty under section 192B WIA91 to present its annual report to Parliament and the Welsh Assembly. Accounts are subject to audit by the National Audit Office (although this may be delegated by them to a third party). A copy of the statement of accounts will be published.

Concerns about propriety

14. Ofwat employees may raise any concerns that they have about the propriety of the Board, or any Board Member or Ofwat employee, confidentially with the Chair, or another Board Member, Chief Executive, or the Senior Director, Business Improvement, or General Counsel, who will be under a duty to investigate and will guarantee anonymity. If an issue of propriety is raised with the Senior Director, Business Improvement or General Counsel, then they are under an obligation to inform the Chair and/or Chief Executive about the issue unless both those individuals are the subject under discussion, in which case the Senior Director, Business Improvement or General Counsel is under an obligation to inform another executive or non-executive Board Member. If the

employee remains dissatisfied they can raise the concern with Defra. Ofwat employees are able to make such complaints without going through the normal management structure. This is in accordance with recommendation 53 in the 'Report of the Committee on Standards in Public Life' (the Nolan Report).

Gifts and hospitality

15. Board Members are required to comply with Ofwat's policy from time to time on accepting gifts and hospitality.
16. Board Members will inform the Board Secretariat of all offers of gifts, hospitality or other benefits received in the course of carrying out their duties whether accepted or not. These will be recorded in the register referred to in paragraph 17 of this Annex and, if required, the Board Secretariat will give guidance to Board Members on whether they can or cannot accept any offer. This process is not intended as a censoring mechanism. Rather, it seeks to avoid unnecessary Board representation at events and functions and that there can be no suggestion of actual or perceived bias towards any particular stakeholder.
17. A register of all gifts and hospitality, both offered to and accepted by Board Members (and senior staff) will be maintained and will be published, consistent with Ofwat's policy from time to time.

Requirements on leaving office

18. On termination of office, Board Members must return all property belonging to Ofwat (including, but not limited to, documents and software, IT equipment supplied in order to enable Board Members to receive Ofwat papers and related work, keys and security passes).

Public speaking and journalists

19. Board Members should normally speak with one voice in public on Ofwat issues. If a different approach were to be followed, this would first have to be discussed by the Board. A Board Member should inform the Chair (or Chief Executive in the absence of the Chair or if the relevant Board Member is the Chair) before making public statements on Ofwat business.

20. Particular care should be taken about any public statement – including social media posts, invitations to speak publicly, published articles or speaking with journalists - in an individual’s capacity as a Board Member. In any such instance, Board Members should consult the Chief Executive, or in her absence, the Senior Director, Corporate Communications, or equivalent, as appropriate. In all cases, Board Members should not express views at variance from agreed Ofwat policy, or which may touch on future Ofwat policy in which the Board is engaged, or which give rise to the perception of political bias. Personal views may otherwise be expressed so long as it is made clear that the Board Member is speaking or writing in a purely personal capacity and stating their own private opinion. Where any personal social media accounts used by Board Members make reference to or link to their role at Ofwat, for example in a Twitter or LinkedIn biography, they should take care to flag that any posts represent their personal views. In general, Board Members are not restricted from access to the media or social media in their personal, non-Ofwat capacity, or in pursuit of a professional interest, for example as experts, critics, or commentators, but are expected always to have regard to the potential impact of any statements made on Ofwat’s reputation.
21. If a Board Member resigns because of disagreement with a Board decision, they may state the basis for the disagreement but may not publicly disclose the views of other Board Members. Nominated Board Members (other than those who disagreed with a decision) may be required to explain and articulate specific decisions.

Attendance at conferences and stakeholder events

22. All invitations to attend or speak at industry or stakeholder events should be referred to the Chief Executive, or in her absence the Senior Director, Corporate Communications, or her equivalent, for advice. Care will be taken to ensure there is appropriate Board representation at events, and that Board Members are properly briefed in advance of attending.

Political activities

23. In light of Ofwat’s status and the need for Board Members to be and to be seen to be politically impartial, Board Members are subject to restrictions on political activity including:

- occupying a paid party political post or holding a particularly sensitive or high-profile role in a political party;
- membership of the House of Commons, the National Assembly for Wales, the Northern Ireland Assembly, the Scottish Parliament or the European Parliament;
- beginning formal procedural steps for election to any of the above bodies;
- membership of or candidacy for local authorities other than parish councils; and
- acting as a party spokesman in the House of Lords.

24. In cases of doubt, Board Members should consult the Chair and Board Secretary.

Expenses

25. Expenses are only recoverable if the expenditure is reasonably and necessarily incurred on behalf of Ofwat. Receipts will, wherever practicable, accompany claim forms. Claims should be submitted to the Board Secretariat as soon as possible after the expenditure has been incurred. Board Members should refer to the relevant current Ofwat guidance.

Travel

26. When on Ofwat business, Board Members are entitled to travel normally by standard class, where available within the UK, and to claim expenses accordingly. Travel and accommodation may be arranged through the Board Secretariat.

Compliance with Ofwat policies

27. Board Members must comply with all relevant Ofwat policies from time to time, in particular those relating to conduct, travel and expenses, hospitality, and to security, whether in relation to the physical security of Ofwat's premises, or the security and protection of information and information assets.

Data protection

28. Board Members' personal data is processed by Ofwat in accordance with the General Data Protection Regulation 2016/679, the Data Protection Act 2018 (both as amended from time to time) and any other applicable data protection legislation (see [Ofwat's privacy policy](#)).

Principles of public life

29. Board Members will abide by the seven principles of public life¹ as follows:

Selflessness: Holders of public office should act solely in terms of the public interest.

Integrity: Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity: Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability: Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness: Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty: Holders of public office should be truthful.

¹ The seven principles of public life were endorsed in 'Spending Public Money: Governance and Audit Issues', Cm 3179, March 1996. <https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2>. A slightly revised version is included in the [Code of Conduct for Board Members of Public Bodies](#).

OFFICIAL

Rules of Procedure for the Water Services Regulation Authority (Ofwat)

Leadership: Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.