

Independent Decision Making

Scottish Water Business Stream (Business Stream) must take care to ensure that its decision making processes allow it to demonstrate independence when contemplating transactions with Scottish Water (SW) and other subsidiaries of SW. This was a test, set by the Commission, that Business Stream had to achieve to be awarded a permanent licence, and it is also clearly stated in the Governance Code, which Business Stream has adopted as a statement of the principles governing its relationship with SW.

Business Stream and its Compliance Executive have formulated a number of policies and procedures to ensure that its decision making processes are independent, these include the following:

Code of Conduct and Corporate Governance Policy

In July 2007, the Board approved the Business Stream Corporate Governance Policy and Code of Conduct. These Policies were updated in November 2007 to incorporate salient points from the Governance Code.

The Corporate Governance Policy sets out the principles and practices that the Board of Directors of Scottish Water Business Stream Limited will follow in carrying out its duties and responsibilities. It also describes the functions and composition of the Board of Directors, including its committees and operations.

A Corporate Governance Checklist has been developed so that the Business Stream Board can assess its compliance with the Policies. In addition, both Internal Audit and the Compliance Executive are monitoring compliance to the Code of Conduct and Corporate Governance Policy.

Audit Committees

To ensure independent decision making and sound governance, two Board Committees have been created, the Remuneration and Audit Committees both of which operate independently of SW.

The Remuneration Committee, which includes both of the Non-Executive Directors of Business Stream, one of which Chairs, has the aim of ensuring levels of remuneration are sufficient to attract, retain and motivate directors and other staff of the quality necessary to run the company successfully.

The Audit Committee remit is to monitor the integrity of the Company's financial statements, review significant financial reporting, review the company's internal financial controls, monitor the effectiveness of Business Stream's internal audit function, and make recommendations to the Board in relation to changes to the external auditor. Both Non-Executive Directors sit on this committee, one of which Chairs. The Audit Committee will also review Business Stream's compliance with the Governance Code on an annual basis and publish its findings.

Confidentiality Policy

A Confidentiality Policy has been published and distributed to all Business Stream staff. The Compliance Executive will restate the Confidentiality Policy on an annual basis to all staff and will monitor the staff awareness of the policy.

Service Agreements

Any services that Business Stream procures from SW will comply with the Commission's RAR5 Transfer Pricing Requirements and will be formalised in a service agreement. All service agreements will be approved in advance by the Commission. Thus ensure that any transactions between SW and Business Stream are carried out at arm's length and on a normal commercial basis.

Meeting Policy

A meeting policy concerning meetings between SW and Business Stream staff has been circulated to all Business Stream employees and will be restated each year by the Compliance Executive, who will also monitor Business Stream's compliance to the policy.

Business Stream

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