

**JERSEY NEW WATERWORKS COMPANY LIMITED AND JERSEY ELECTRICITY COMPANY LIMITED:
DIRECTORS**

**Lodged au Greffe on 8th January 2002
by the Finance and Economics Committee**



STATES OF JERSEY

STATES GREFFE

150

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PROPOSITION

THE STATES are asked to decide whether they are of opinion -

- (a) to agree that the Jersey New Waterworks Company Limited and the Jersey Electricity Company Limited should further amend their Articles of Association so as to provide that there should be only one class of director voted by all shareholders;
- (b) to agree that the States should be represented at any meeting of either company, or any meeting of any class of shareholders of either Company, by the Greffier of the States or the Deputy Greffier of the States (or any other officer appointed to discharge the functions of the Office of Greffier under Article 5 of the Departments of the Judiciary and the Legislature (Jersey) Law 1965, as amended) and by the Treasurer of the States or the Deputy Treasurer of the States or a substitute nominated by the Finance and Economics Committee.

FINANCE AND ECONOMICS COMMITTEE

Report

The States on 24th August 1982 and 22nd February 1983 adopted propositions of the Finance and Economics Committee inviting the Jersey New Waterworks Company Limited to amend its Articles of Association so as to safeguard the controlling interest which it has acquired in the Company following the threat of a takeover by a United Kingdom based investor.

The Articles of the Company were subsequently changed and included the States right to nominate four out of the seven directors from among their members, and for special voting rights on a poll of shareholders, the effect of which gave the States a majority vote. Effectively the majority Shareholder (the States) voted for four directors and the minority shareholders voted for the remaining three directors.

The Chairman of the company has requested a change in the Articles which would allow all shareholders to vote for all directors nominated. This request has been made by the company partly because of the difficulties in achieving stability on the Board from States appointments which have changed due to States elections, retirements and resignations and difficulties with quora because of the other pressures on States members. In addition to this, the Board, with only three non-States directors, cannot easily widen its collective experience by appointing directors with special expertise.

In relation to the Jersey Electricity Company Limited the number of directors is currently ten, of which the States nominate five. The Company is also willing to propose similar changes to its articles.

The task of a director in a Company is governed by the Companies (Jersey) Law 1991 and that Law provides that a director, in exercising his powers and discharging his duties shall act honestly and in good faith with a view to the best interests of the Company. The primary duty of a director is therefore to the Company and not to the States. It is doubtful whether the appointment of States directors is necessary or desirable (other than perhaps one or two representatives) given the existing powers of the States to protect the public interest in exercising its right as majority shareholder and the statutory duty as to regulation.

The view of the Finance and Economics Committee is that the States interests are already protected through the majority shareholding and the Committee will be able to instruct the Greffier and Treasurer of the States to vote for or against any directors nominated. In practice the Committee will be able to continue to propose directors, who may or may not be members of the States. In the view of the Committee the best person for the job should be nominated.

In future the Finance and Economics Committee will have the task of protecting the States interest as an investor in the company and the Industries and Public Services Committees will have responsibility for their respective areas of regulation.

It is intended that if the States approve the attached proposition the Jersey New Waterworks Company will hold, as soon as possible, an Extraordinary General Meeting at which a special resolution will be considered which, if agreed, will effect the necessary changes in the Articles of Association. Following this, the States appointed directors have undertaken to resign. The Board has powers to fill casual vacancies and it is the intention of the Board to re-appoint those of the resigning directors who are willing to be so appointed. They will then be due for election by the shareholders at the next following Annual General Meeting.

In respect of the Jersey Electricity Company Limited, which is a Company quoted on the Stock Exchange with substantial minority shareholders, the matter will need to be raised in the next Annual Report and Accounts, and it is proposed to effect the changes to the Articles to coincide with the end of the term of office of the current States-nominated directors in March 2003.

This proposition has no implications for the financial or manpower resources of the States.