1.0 WESSEX WATER SERVICES LIMITED BOARD

1.1 The Board's main responsibility is to ensure the Company meets its regulatory and legal obligations. The Board and its Directors will seek to comply at all times with its s172 Companies Act 2006 duties to promote the success of the Company for the benefit of its shareholder. In so doing it will have regard to the long term consequences of its decisions; the interests of employees; the fostering of business relationships with suppliers, customers and others; the impact of its decisions on the community and environment; and maintaining a reputation for high standards of business conduct. The Board regards it as fundamental to the long term success of the Company to provide excellent customer service and satisfaction. The Board will approve an annual business plan and operating budget; monitor progress against financial and other targets and authorise major investment and expenditure. Specific duties and items reserved for approval of the Board are attached as Appendix 1. There are no matters specifically reserved for shareholder approval. The Board will meet approximately every two months.

MEMBERSHIP OF BOARD

Francis Yeoh  Non-Executive Chairman
Colin Skellett  Chief Executive
Mark Watts   Director of Finance & Treasurer
Andy Pymer   Managing Director
James Rider  Chief Operating Officer
David Barclay Shareholder Director
Gillian Camm Independent Non-Executive Director
Huw Davies   Independent Non-Executive Director
Fiona Reynolds Independent Non-Executive Director
Hong Yeoh   Non-Executive Director
Mark Yeoh   Non-Executive Director
Kathleen Chew Alternate Director to Hann Yeoh
Hann Yeoh   Non-Executive Director
Richard Keys Non-Executive Director
Leigh Fisher-Hoyle Company Secretary

In all matters of corporate governance the Board will comply with the UK Corporate Governance Code 2012 (and any amendment thereto) published by the Financial Reporting Council except where Code Principles can be more effectively satisfied by other means more appropriate to a private company owned by a single shareholder. Any departure from the recommendations of the Code will be explained in the Annual Report and the Company’s Code of Practice for Corporate Governance.

1.2 The following Board Committees, advisory Panels and Group will be established to assist in managing and, in the case of the Panels, giving advice to the business:
a) Audit Committee

David Barclay (Chairman)
Gillian Camm
Huw Davies
Fiona Reynolds
Richard Keys

Terms of reference are set out in Appendix 2.

b) Remuneration Committee

Hong Yeoh (Chairman)
Gillian Camm
Huw Davies
Mark Yeoh
Richard Keys

Terms of reference are set out in Appendix 3.

c) Nomination Committee

Francis Yeoh (Chairman)
Gillian Camm
Huw Davies
Fiona Reynolds
Colín Skellett
Hong Yeoh
Richard Keys

Terms of reference are set out in Appendix 4.

d) Corporate Responsibility Committee

Gillian Camm (Chair)
Fiona Reynolds
David Elliott (by invitation)
Andy Pymer (by invitation)

Terms of reference are set out in Appendix 5.

e) Risk Management Advisory Group

Colin Skellett (Chairman)
David Elliott
Mike Moriarty
Andy Pymer
James Rider
Mark Watts

Terms of reference are set out in Appendix 6.

f) Panels
Terms of Reference and areas of competence are set out in Appendix 7.

1.3 Appointment and resignation of a Director or a material change to a Director’s responsibilities will be reported to the Board and OFWAT.

1.4 An annual budget for the Company will be approved by the Board prior to the start of each financial year.

1.5 The financial performance of the Company, relative to budget and the previous year, will be reported to the Board.

1.6 The performance of the Company relative to objectives, targets and standards of service will be reported to the Board.

1.7 The Risk Management Plan will be submitted annually to the Board by the Risk Management Advisory Group for approval.

2.0 DAY TO DAY MANAGEMENT

2.1 Divisions of responsibility between the Chairman, Chief Executive and the Senior Independent Director are set out in Appendix 8.

2.2 An Executive Group will meet monthly. Terms of reference and responsibilities for the various parts of the Company’s business are set out in Appendix 9.

2.3 An Investment Management Team Meeting (IMT) will be held as required. Terms of reference are set out in Appendix 10.

3.0 LIMITS OF AUTHORITY

3.1 Any disposal of assets outside the Company whose value, either individually or as a related disposal, exceeds £2M will be referred to the Board for approval. Other disposals are covered by the current Asset Disposal Rules in Appendix 11.

3.2 Individual limits of authority to incur expenditure or dispose of assets will be maintained, as approved from time to time by the Director of Finance & Treasurer.

3.3 Contribution Negotiation limits are set out in Appendix 12.

3.4 Capital Expenditure authorisation limits are set out in Appendix 13.

3.5 Internal Controls & Procurement Compliance procedures are set out in Appendix 14.

3.6 Claims Settlement limits and procedures are set out in Appendix 15.

4.0 HEALTH, SAFETY AND WELFARE COMMITTEE

Terms of Reference of the Committee are set out in Appendix 16.
5.0 LINKS WITH OTHER ORGANISATIONS

These are summarised in Appendix 17.
1. ROLE OF THE BOARD

1.1 MANAGEMENT

1.1.1 Providing leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.
1.1.2 Approval of strategy and the annual operating and investment budget, monitoring progress against budget and other non-financial targets.
1.1.3 Setting the Company’s values and standards.
1.1.4 Material changes to the Company’s management and control structure.
1.1.5 Approval of Board appointments.
1.1.6 Membership and terms of reference of Board Committees.

1.2 COMPANIES ACT REQUIREMENTS

1.2.1 Approval of dividends.
1.2.2 Approval of any significant change in accounting policies or practices.
1.2.3 Remuneration of auditors and recommendations for appointment or removal of auditors.
1.2.4 Appointment or removal of Company Secretary.

1.3 FINANCIAL CONTROL

1.3.1 Capital expenditure, acquisitions and investments in excess of £2M.
1.3.2 Contracts involving negotiation of a contribution from a customer in excess of £2M.
1.3.3 Disposal of fixed assets with book or market value in excess of £2M.
1.3.4 Substantial financial commitments, including the level of pension funding and pledging assets of the Company as security to external bodies.
1.3.5 Internal control arrangements (day to day responsibility delegated to Director of Finance & Treasurer).
1.3.6 Contracts outside the normal course of business.
1.3.7 Risk management strategy.
1.3.8 Approval of the Company’s charges.
1.3.9 Approval of all material loans and other sources of finance.
1.3.10 Approval of the Annual Budget.
1.3.11 Approval of the Business Plan to OFWAT at Price Reviews.

1.4 OTHER MATTERS

1.4.1 Material changes in the rules of the Company pension scheme and changes of trustees.
1.4.2 Prosecution, defence or settlement of litigation which is material to the interests of the Company.
1.4.3 Policy on charitable donations.
1.4.4 Political donations.
1.4.5 Directors’ and officers’ liability insurance.
1.4.6 Health and safety policy.
1.4.7 Material contravention’s of any code of practice, legal requirements or statutory undertakings given to the Secretary of State.
1.4.8 Any circumstances likely to put customer’s safety at risk.
1.4.9 Approval of the Company’s Code of Practice for Corporate Governance.
1.4.10 Significant matters arising from OFWAT, the Consumer Council for Water, the Environment Agency, Drinking Water Inspectorate, Health & Safety Executive, Natural England and other regulatory and statutory bodies.
1.4.11 Authorisation of any proposed Compulsory Purchase Order.
1.4.12 Approval of any capital scheme below the £2M threshold requiring Board approval under Appendix 13 that may involve material risk to the Company’s or materially affect its reputation.
1.4.13 Approval of the Company’s tariff proposals for each year including consideration of and compliance with Licence Condition E.

2. BOARD, COMMITTEE AND CHAIRMAN PERFORMANCE

2.1 The Board will undertake a review of its own performance and of its individual Committees at least annually prior to publication of the Company’s Annual Review and Accounts. The form of the review will be agreed by the Board.
2.2 The Independent Non-Executive Directors will meet without the Chairman at least once a year prior to publication of the Company’s Annual Review and Accounts to review the Chairman’s performance and on such other occasions as they consider appropriate.

3. CONFLICTS OF INTEREST

Directors are required to disclose all actual or potential conflicts of interest to the Chairman and Company Secretary who will maintain a written record.

The actual or potential conflict will be reviewed at the subsequent Board meeting against the requirements of the Companies Act 2006 to determine whether any shareholder or other authorisations are required. Such determinations will be recorded in the Board minutes.
AUDIT COMMITTEE - TERMS OF REFERENCE

1. PURPOSE

The Audit Committee is a Committee of the Board of the Company from which it derives its authority and to which it reports.

The principal purpose of the Committee is to:

- Review the Company’s internal control systems and process for managing risk
- Review the Company’s financial statements
- Review the Company’s Annual Review
- Review the Company’s internal audit arrangements and audit programme.
- Consider the appointment of the external auditor, its independence and its working relationships with the Company.

Direct responsibility for identification and management of risk lies with the Board who also receive advice from the Risk Management Advisory Group that reports to the Board. If the Audit Committee is not satisfied that a correct and proper risk process is in place and has been carried out at least annually it is authorised to refer the matter to the Board’s attention with a recommendation that the Committee assumes direct responsibility for managing the risk management process.

2. COMPOSITION AND PROCEDURE

2.1 Members of the Committee will comprise at least three Independent Non-Executive Directors as appointed by the Board from time to time at least one of whom has relevant financial experience as required by the Code. Two members present will constitute a quorum. The Board will appoint the Chairman of the Committee.

2.2 The Directors of Finance & Treasurer and Director of Regulation & Customer Services together with the Financial Controller and Head of Internal Audit will usually attend meetings of the Committee, in an advisory capacity. The Committee Chairman may invite other Board members and senior managers to attend.

2.3 A representative of the Company's external auditors may attend meetings of the Committee at the invitation of the Committee.

2.4 Meetings will take place ‘as required’, as determined by the Chairman of the Committee and usually four times a year but not less than twice a year to coincide with the Company’s half year and full year results. The Chairman, Chief Executive, Company Secretary, any member of the Committee or the external auditor may convene a meeting of the Committee at any time to discuss any matter falling within the Committee’s remit.

3. SECRETARY

The Company Secretary or his or her nominee will act as the Secretary of the Committee.
4. NOTICE OF MEETINGS

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, will be forwarded to each member of the Committee, any other person required to attend and all other Non-Executive Directors, no later than five working days before the date of the meeting, unless agreed otherwise in advance. Supporting papers will be sent to Committee members and to other attendees as appropriate, at the same time.

Members may participate in a meeting by means of telephone, video conferencing facility or other suitable communicating equipment.

5. MINUTES

(a) The Secretary will minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

(b) Minutes of Committee meetings will be circulated to all members of the Committee unless it would be inappropriate to do so.

6. DUTIES OF THE COMMITTEE

The Committee will carry out the duties below:-

(a) Financial reporting

The Committee will monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, and any other formal announcement relating to its financial performance, where it is considered that a review of significant financial reporting issues and judgements is required.

In particular, the Committee will review and challenge where necessary:

i. the methods used to account for significant or unusual transactions where different approaches are possible;

ii. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

iii. the clarity and completeness of disclosure in the Company’s financial reports and the context in which disclosures are made;

iv. changes to significant accounting policies; and

v. the process undertaken to ensure that directors are able to make the statement required by section 418 Companies Act 2006 in respect of relevant audit information.

(b) Regulatory Reporting

In respect of the Company’s regulatory reporting obligations the Committee will review and challenge where necessary:
i. the integrity of the processes that ensure the quality and reliability of the information within the annual Risk & Compliance Statement submitted to the Office of Water Services (Ofwat); and

(c) Internal controls and risk management systems.

The Committee will at least annually:

i. keep under review the adequacy and effectiveness of the company’s internal financial controls and internal control; and
ii. review and approve the statements to be included in the Company’s annual report concerning internal controls and risk management.

(d) Whistleblowing, bribery and fraud.

The Committee will:

i. review reports of matters arising in respect of financial or internal control matters from the Company’s whistleblowing procedures (the adequacy of which are reviewed by the Corporate Responsibility Committee of the company);
ii. review the Company’s procedures for preventing and detecting fraud; and
iii. review the Company’s systems and controls for the prevention of bribery and receive reports on non-compliance.

(e) Internal audit

The Committee will:

i. review and approve the remit of the Company’s internal audit function, having regard to the complementary roles of the internal and external audit functions;
ii. monitor and review the effectiveness of the Company’s internal audit function in the context of the Company’s overall risk management system;
iii. approve the appointment and removal of the Head of the Internal Audit function;
iv. consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee will also ensure the function has adequate standing and is free from management or other restrictions;
v. review and assess the annual internal audit plan;
vi. review reports addressed to the Committee from the internal auditor;
vii. review and monitor management’s responsiveness to the findings and recommendations of the internal auditor;
viii. meet the Head of Internal Audit at least once a year, without management being present, to discuss its remit and any issues arising from the internal audits carried out; and
ix. ensure that the Head of Internal Audit has the right of direct access to the Chairman of the board and to the Committee and is accountable to the Committee.
External Audit

The Committee will consider matters relating to the appointment of the external auditor including:

i. making recommendations to the Board in relation to the appointment, re-appointment and removal of the Company’s external auditor;

ii. assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process;

iii. if the Committee decides to consider the appointment of new auditors, overseeing the selection process for a new auditor and, if an auditor resigns, investigate the issues leading to this and decide whether any action is required; and

iv. overseeing the relationship with the external auditor including (but not limited to):

A. approval of their remuneration for audit services, including establishing whether the level of fees is appropriate to enable an adequate audit to be conducted;

B. developing and implementing a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;

C. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

D. assessing their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

E. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);

F. monitoring the auditor’s compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;

G. assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process;

H. seeking to ensure co-ordination with the activities of the internal audit function.

I. meeting regularly with the external auditor. The Committee will meet the external auditor at least once a year, without management being present, to discuss the auditor’s remit and any issues arising from the audit;

J. reviewing and approving the annual audit plan and ensuring that it is consistent with the scope of the audit engagement;

K. reviewing the findings of the audit with the external auditor. This will include but not be limited to, the following:

- a discussion of any major issues which arose during the audit;
- any accounting and audit judgements; and
- levels of errors identified during the audit.

L. reviewing any representation letter(s) requested by the external auditor before they are signed by management; and

M. reviewing the annual report to the Audit Committee and management’s response to the auditor’s findings and recommendations.
7. REPORTING

(a) The Committee Chairman will report orally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. Drafts of Committee minutes will be sent to the Committee Chair. Once approved they will be circulated with papers for the next Board.

(b) The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

(c) The Committee will approve the section in the Annual Report which deals with the activities of the Committee.

8. RESOURCES & REVIEW

The Committee will:

(a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary and the Company’s solicitors for assistance as required;

(b) give due consideration to the Company’s Licence, laws and regulations, the provisions of the Code and best audit practice;

(c) be responsible for co-ordination of the internal and external auditors;

(d) oversee any investigation of activities which are within its terms of reference; and

(e) arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

9. POWERS

The Committee is authorised:

(a) to seek any information it requires from any employee of the Company in order to perform its duties;

(b) to obtain, at the Company’s expense, outside legal or other professional advice on any matter within its terms of reference;

(c) to call any employee to be questioned at a meeting of the Committee as and when required; and

(d) to have the right to publish in the Company’s annual report details of any issues that cannot be resolved between the Committee and the Board.
APPENDIX 3

REMUNERATION COMMITTEE - TERMS OF REFERENCE

1. PURPOSE

The Remuneration Committee is a Committee of the Board of the Company from which it derives its authority and to which it reports.

The principal purpose of the Committee is to:

Determine and recommend to the Board the remuneration policy for the Executive Directors and Senior Managers of the Company;

Ensure the levels and structure of remuneration is designed to attract, retain and motivate the Executive Directors and Senior Managers needed to run the Company.

2. COMPOSITION AND PROCEDURE

2.1 Members of the Committee will comprise at least three Non-Executive Directors as appointed by the Board from time to time. The Committee will always have a majority of Independent Non-Executive Directors. Three members present two of whom must be Independent Non-Executive Directors will constitute a quorum. The Board will appoint the Chairman of the Committee. The Head of Human Resources and other employees or external advisers may attend by invitation. No attendee will participate in any discussion about their own remuneration or conditions of service.

2.2 Meetings will take place 'as required', as determined by the Chairman of the Committee.

3. SECRETARY

The Company Secretary or his or her nominee will act as the Secretary of the Committee.

4. NOTICE OF MEETINGS

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, will be forwarded to each member of the Committee, any other person required to attend no later than five working days before the date of the meeting, unless agreed otherwise in advance. Supporting papers will be sent to other attendees as appropriate, at the same time.

Members may participate in a meeting by means of telephone, video conferencing facility or other suitable communicating equipment.

5. MINUTES

(a) The Secretary will minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
Minutes of Committee meetings will be circulated to all members of the Committee and the Board unless it would be inappropriate to do so.

6. DUTIES OF THE COMMITTEE

The Committee will carry out the duties below:-

6.1 To determine the framework and broad policy for the remuneration of:

A. Executive Directors
B. The Company Secretary
C. All other Senior Managers

(The persons covered by above will be referred to herein as the "Executive Group")

In making such remuneration policy determinations, it will consider:

(i) the contents of the Code (as may be amended from time to time) including the requirement for explanation in the event of any permitted non-compliance;

(ii) Water Industry Act 1991 requirements and any OFWAT guidance;

(iii) any other appropriate guidance or recommendations about executive pay from bodies or institutions of good standing;

(iv) the need for clear linkages between both the Company’s and the individual’s performances and remuneration and the interests of shareholders;

(v) consultation with the Company Chairman as appropriate;

(vi) the policy and scope of pension arrangements for the Executive Group;

(vii) that the performance-related elements of the remuneration package form an appropriate and significant proportion of the remuneration package and that the targets and/or performance conditions are set at realistic but challenging levels and that achievement against such targets/performance conditions are clearly monitored;

(viii) relevant advice from its independent advisers;

(ix) the risk policies and systems across the group; and

(x) reliable, up to date information about remuneration in other companies.

6.2 annually, within the remuneration policy framework, the total individual remuneration packages of the Executive Group (including but not limited to salary, bonuses, discretionary payments, share-based payments and their equivalents, benefits in kind);

(i) the retention by them of any financial reward from any external directorships or similar appointments;
(ii) the policy for authorising claims for expenses from directors;

(iii) arrangements to monitor the terms of any proposed letter of appointment or contract or termination arrangements relating to any Executive Director or the Chairman;

(iv) annually, the appropriateness of any performance conditions;

(v) the Remuneration Report for inclusion in the Annual Report and Accounts, ensuring that the components required to be audited are prepared in such a way that they will receive audit approval and comply with the provisions regarding disclosure of remuneration, as set out in Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code (as may be amended from time to time) which includes the report on the frequency of, and attendance by members at, Committee meetings in the Annual Report;

(vi) awards under any other share plans operated by the YTL Group;

(vii) payments made by YTL Group to any Executive or Independent Non-Executive Director.

(b) To review:

(i) regularly, the detailed terms of the Executive Directors’ contracts and, in any event, at least every three years and ensure that the contractual terms of termination and any payments due and payable thereunder are fair to the individual and the Company but so that failure is not rewarded and that a duty to mitigate loss is fully recognised;

(ii) the ongoing appropriateness and relevance of the remuneration framework and broad policy annually and report thereon to the other Non-Executive Directors and, as appropriate, to the Chairman;

(iii) the design of, and the targets for, any performance related pay schemes operated by the Company in respect of Executive Group members and approve the payments made under such schemes;

(iv) annually, remuneration trends across the Company including the total annual salary budget;

(v) the appointment and terms of reference for any remuneration consultants who advise the Committee, and in carrying out such a review be exclusively responsible for establishing the selection criteria and selection of such consultants, considering any other connection that they may have with the Company; and

(vi) any major changes in employee benefits arrangements throughout the Company.

(c) To ensure:

(i) that the Committee chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;
(ii) that no director or manager should be involved in any decisions as to their own remuneration;

(iii) that effective communications are maintained with the Company’s shareholder on the rationale for the prevailing remuneration policy and practices and any anticipated changes;

(iv) that the remuneration policies operated reflect the Company’s risk policies and systems, and in particular that they do not encourage excessive risk taking;

(v) that in all its decisions relating to remuneration policies for the Executive Group, regard will be taken of employee pay and conditions elsewhere in the Company; and

(vi) that the remuneration policies for the Executive Group are set at an appropriate level and structured to ensure the long-term success of the Company.

(d) To recommend to the Board:

(i) a framework or broad policy for the determination of the remuneration of the Executive Group, in consultation where appropriate with the Company Chairman. In making such recommendations it will ensure that levels of remuneration are sufficient to attract, retain and motivate directors of the quality required to run the Company successfully. The objective will be to ensure that members of the Executive Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company; and

(ii) major changes to the rules of the Company’s pension schemes.

7. DECISIONS

Any decisions of the Committee will be taken on a simple majority basis. The Chairman will have a casting vote in the event of equality of voting.

8. REPORTING

8.1 The Committee Chairman will report orally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. Drafts of Committee minutes will be sent to the Committee Chair. Once approved they will be circulated with papers for the next Board.

8.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8.3 The Committee approve the section of the Annual Report which deals with the activities of the Committee.
9. RESOURCES & REVIEW

The Committee will:

(a) Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary and solicitors for assistance as required;

(b) Give due consideration to laws and regulations, the provisions of the Code;

(c) Oversee any investigation of activities which are within its terms of reference; and

(d) Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

10. POWERS

The Committee is authorised:

(a) To seek any information it requires from any employee of the Company in order to perform its duties:

(b) To obtain, at the Company’s expense, outside legal or other professional advice on any matter within its terms of reference. The appointment and performance of such advisors will be reviewed by the Committee on a regular basis and at least annually;

(c) To call any employee to be questioned at a meeting of the Committee as and when required.
NOMINATION COMMITTEE - TERMS OF REFERENCE

1  PURPOSE

The Nomination Committee is a Committee of the Board of the Company from which it derives its authority and to which it reports.

The principal purpose of the Committee is to make recommendations to the Board about its membership.

2  COMPOSITION AND PROCEDURE

2.1 Members of the Committee will comprise the Chairman of the Board and at least three Independent Non-Executive Directors as appointed by the Board from time to time. The Committee will always have a majority of Independent Non-Executive Directors. Three members present of whom at least two will be Independent Non-Executive Directors will constitute a quorum. The Board will appoint the chairman of the Committee. The Chairman of the Board will not chair the Committee in any discussion about his or her succession or performance.

2.2 Meetings will take place `as required', as determined by the Chairman of the Committee. The Secretary or any member may also convene a meeting of the Committee at any time to discuss any matter falling within the Committee’s remit.

3  SECRETARY

The Company Secretary or his or her nominee will act as the Secretary to the Committee.

4  NOTICE OF MEETINGS

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, will be forwarded to each member of the Committee, any other person required to attend and all other Non-Executive Directors, no later than five working days before the date of the meeting, unless agreed otherwise in advance. Supporting papers will be sent to Committee members and to other attendees as appropriate, at the same time.

Members may participate in a meeting by means of telephone, video conferencing facility or other suitable communicating equipment.

5  MINUTES

The Secretary will minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

Minutes of Committee meetings will be circulated to all members of the Committee unless it would be inappropriate to do so.
6 DUTIES OF THE COMMITTEE

The Committee should carry out the duties below

(a) To determine:

(i) that before appointment is made by the Board, the balance of skills, knowledge, experience and diversity on the Board is evaluated, and, in the light of this valuation a description of the role and capabilities required for a particular appointment is prepared and in identifying suitable candidates the Committee will:

- use open advertising or the services of external advisers to facilitate the search or appointment of Independent Non-Executive and Executive Directors it being recognised that the Company’s sole shareholder may elect such Non-Executive Directors to the Board as it considers appropriate;
- consider candidates from a wide range of backgrounds as appropriate; and
- consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position;

(ii) when considering appointments to Chairman of the Board, that a job specification is prepared, including an assessment of the time required to fulfil the role and that they are aware of prospective candidates other significant commitments, ensuring that the Chairman holds no FTSE 100 chairmanships;

(iii) that prior to the appointment of a director, the proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest;

(iv) that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings;

(v) that the Committee keeps up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;

(vi) that the Committee’s terms of reference and the Non-Executive Directors’ terms and conditions of appointment are made publicly available; and

(vii) that the Committee chairman reports formally to the Board on its proceedings after each meeting.

(b) To review:

(i) regularly, the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
(ii) that the leadership needs of the Company are kept under review, both executive and Non-Executive, with a view to ensuring the continued ability of the organisation to run efficiently and compete effectively in the retail market;

(iii) that full consideration is given to succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;

(iv) the results of the annual Board performance evaluation process that relate to the composition of the Board;

(v) annually, the time required from Non-Executive Directors - performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties; and

(vi) that Non-Executive Directors regarded as independent meet that designation under the Code.

(c) To approve:

(i) the terms of engagement of Non-Executive Directors and of the terms of service contracts of Executive Directors; and

(ii) a separate statement for inclusion in the Annual Report about its activities setting out the process used for appointments and providing an explanation where external advice or open advertising has not been used, and including a report on the frequency of, and attendance by members at, Committee meetings.

(d) To recommend to the Board:

(i) memberships of the Audit and Remuneration Committees and any other Board Committees as appropriate, in consultation with the Chairmen of those Committees;

(ii) the identification and nomination of candidates to fill board vacancies as and when they arise;

(iii) suitable candidates for the role of Senior Independent Director;

(iv) the re-appointment of any Non-Executive Director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;

(v) the re-election of any director having due regard to the Code and their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board (particularly in relation to directors being re-elected for a term beyond six years);
any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provisions of the law and their service contract;

proposals concerning:

- plans for succession for both Executive and Non-Executive Directors and in particular for the key roles of Chairman and Chief Executive;
- the appointment of any Director to executive or other office (however, the positions of Chairman and Chief Executive must be considered at a meeting of the full board);
- any request by an Executive Director to hold a non-executive directorship or similar position outside the Company; and
- on any area that it deems appropriate, within its remit where it believes action or improvement is necessary.

7 REPORTING

(a) The Committee chairman will report orally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. Drafts of Committee minutes will be sent to the Committee Chair. Once approved they will be circulated with papers for the next Board.

(b) The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

(c) The Committee approve the section of the Annual Report which deals with the activities of the Committee.

8 RESOURCES & REVIEW

The Committee will:

(a) Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary and solicitors for assistance as required;

(b) Give due consideration to laws and regulations, the provisions of the Code;

(c) Oversee any investigation of activities which are within its terms of reference; and

(d) Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
9 AUTHORITY

The Committee is authorised:

(a) To seek any information it requires from any employee of the Company in order to perform its duties:

(b) To obtain, at the Company’s expense, outside legal or other professional advice on any matter within its terms of reference. The appointment and performance of such advisors will be reviewed by the Committee on a regular basis and at least annually; and

(c) To call any employee to be questioned at a meeting of the Committee as and when required.
APPENDIX 5

CORPORATE RESPONSIBILITY COMMITTEE – TERMS OF REFERENCE

1 PURPOSE

The Corporate Responsibility Committee is a Committee of the Board of the Company from which it derives its authority and to which it reports.

The principal purpose of the Committee is to make recommendations to the Board about the Company’s corporate and social obligations to its employees and other stakeholders.

2 COMPOSITION AND PROCEDURE

2.1 Members of the Committee will comprise at least two Independent Non-Executive Directors as appointed by the Board from time to time. Two members present will constitute a quorum. The Board will appoint the chairman of the Committee.

2.2 Only members of the Committee have the right to attend Committee meetings. Other Executive and Non-Executive directors, senior management and external advisors may be invited to attend for all or part of any meeting as and when appropriate, particular care being taken to recognise and avoid any conflicts of interest.

Meetings will take place at least once a year and 'as required', as determined by the Chairman of the Committee. The Secretary or any member may also convene a meeting of the Committee at any time to discuss any matter falling within the Committee’s remit.

3 SECRETARY

The Company Secretary or his or her nominee will act as the Secretary to the Committee.

4 NOTICE OF MEETINGS

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, will be forwarded to each member of the Committee, any other person required to attend and all other Non-Executive Directors, no later than five working days before the date of the meeting, unless agreed otherwise in advance. Supporting papers will be sent to Committee members and to other attendees as appropriate, at the same time.

Members may participate in a meeting by means of telephone, video conferencing facility or other suitable communicating equipment.

5 MINUTES

The Secretary will minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
Minutes of Committee meetings will be circulated to all members of the Committee unless it would be inappropriate to do so.

6 DUTIES OF THE COMMITTEE

(a) The responsibilities of the Committee will be to:

6.1 define the Company’s corporate and social obligations and oversee its conduct in the context of those obligations;

6.2 approve a strategy for discharging the Company’s corporate and social responsibilities;

6.3 identify and monitor those external developments which are likely to have a significant influence on the Company’s reputation and/or its ability to conduct its business and review how best to protect that reputation or that ability;

6.4 oversee the creation of appropriate policies and supporting measures including Business Ethics, Bribery & Corruption Prevention, Sustainability, Human Resources, Whistleblowing, Health & Safety and Community Engagement;

6.5 review the Company’s engagement with external stakeholders and other interested parties including supervision and review of its Customer Engagement Panels;

6.6 ensure that appropriate communications policies are in place and working effectively to build and protect the Company’s reputation both internally and externally;

6.7 review and sign off an annual report (to form part of the Annual Report);

6.8 produce annually an action plan to include targets, proposed by executive management, to maintain the above policies; and

6.9 undertake such initiatives as it deems appropriate in any area within its remit where action or improvement is needed.

(b) To ensure:

(i) the development, review and promulgation of workplace polices and Codes of Conduct. In particular those concerning the provision of a healthy and safe working environment for employees and contractors and the Company’s people values, human rights and employee diversity;

(ii) the promotion of environmental standards particularly those that relate to the activities of the Company that have the most significant environmental impacts in respect of energy management and climate change, water quality, resource productivity (including leakage and waste) and biodiversity and land use;
(iii) the development of socially responsible values and standards that relate to the social and economic community in which the Company operates. Ensuring the Company can demonstrate that it lives through these values and can act responsibly in its engagement with all stakeholders in the community, locally and nationally; and

(iv) the publication, internally and externally, of corporate responsibility performance and plans using the Company’s website, annual report and other such methods of communication as are considered necessary.

(c) To review:

(i) regularly, performance measures and KPIs against agreed criteria; and

(ii) oversee any evaluation of activities within its terms of reference.

(d) To approve:

(i) Performance measures and KPIs, their audit, verification and inclusion within the Annual Report.

7 REPORTING

(a) The Committee Chairman will report orally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. Drafts of Committee minutes will be sent to the Committee Chair. Once approved they will be circulated with papers for the next Board.

(b) The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed; and

(c) The Committee approve the section of the Annual Report which deals with the activities of the Committee.

8 RESOURCES & REVIEW

The Committee will:

(a) Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary and solicitors for assistance as required;

(b) Give due consideration to laws and regulations, the provisions of the Code;

(c) Oversee any investigation of activities which are within its terms of reference; and

(d) Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
9 AUTHORITY

The Committee is authorised:

(a) To seek any information it requires from any employee of the Company in order to perform its duties;

(b) To obtain, at the Company’s expense, outside legal or other professional advice on any matter within its terms of reference. The appointment and performance of such advisors will be reviewed by the Committee on a regular basis and at least annually; and

(c) To call any employee to be questioned at a meeting of the Committee as and when required.
RISK MANAGEMENT ADVISORY GROUP - TERMS OF REFERENCE

1  PURPOSE

The principal purpose of the Group is to make recommendations to the Board about the identification and management of risks to which the Company’s business is subject.

2  COMPOSITION AND PROCEDURE

2.1 Members of the Group will comprise all Executive Directors of the Company appointed by the Chief Executive. Two members present will constitute a quorum. The Chief Executive will be chairman of the Group.

2.2 Only members of the Group have the right to attend Group meetings. Other Non-Executive directors, senior management and external advisors may be invited to attend for all or part of any meeting as and when appropriate, particular care being taken to recognise and avoid any conflicts of interest.

Meetings will take place twice a year or more 'as required', as determined by the Chairman of the Group. The Secretary or any member may also convene a meeting of the Group at any time to discuss any matter falling within the Group’s remit.

3  NOTICE OF MEETINGS

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, will be forwarded to each member of the Group and any other person required to attend, no later than five working days before the date of the meeting, unless agreed otherwise in advance. Supporting papers will be sent to Group members and to other attendees as appropriate, at the same time.

Members may participate in a meeting by means of telephone, video conferencing facility or other suitable communicating equipment.

4  MINUTES

The Secretary will minute the proceedings and decisions of all meetings of the Group, including recording the names of those present and in attendance.

Minutes of Committee meetings will be circulated to all members of the Group unless it would be inappropriate to do so.

5  DUTIES OF THE GROUP

(a) To consider any matters relating to the identification, assessment, monitoring and management of risks associated with the operations of the Company’s business that it determines to be appropriate. In addition, the Group will examine any other matters referred to it by the Board or any Non-Executive Director;
(b) To review and make recommendations to the Board annually of a Risk Management Plan in relation to risk management;

(c) To consider, and make recommendations to the Board in connection with, the compliance by the Company with its Risk Management Plan;

(d) To report to the Board on any material changes to the risk profile of the Company; and

(e) To consider and make recommendations to the Board about the Company’s Compliance & Risk Management Statement submitted annually to OFWAT and included in the Company’s Annual Review.

6 REPORTING

(a) The Group chairman will report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Group is supported by the WWSL Risk Group which oversees the risk register. The Group reviews reports from the WWSL Risk Group every six months. The WWSL Risk Group is chaired by the Director of Risk and Investment.

(b) The Group will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

7 RESOURCES & REVIEW

The Group will:

(a) Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary and solicitors for assistance as required;

(b) Give due consideration to laws and regulations, the provisions of the Code;

(c) Oversee any investigation of activities which are within its terms of reference; and

(d) Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

8 AUTHORITY

The Group is authorised:

(a) To seek any information it requires from any employee of the Company in order to perform its duties;
(b) To obtain, at the Company’s expense, outside legal or other professional advice on any matter within its terms of reference. The appointment and performance of such advisors will be reviewed by the Group on a regular basis and at least annually; and

(c) To call any employee to be questioned at a meeting of the Group as and when required.
CONTEXT

1. The Catchment Panel (CP) will help to inform decision making about, and provide scrutiny of, sustainable land and water resource use – in relation to the Company’s services, constructed and natural assets and entitlements.

2. The Company has agreed 9 broad outcomes with customers and stakeholders which reflect the long-term strategic direction of the Company and will be delivered over a number of years.

3. To achieve the outcomes, the Company will need to step out from the traditional asset-centric approach to tackle issues. Broader, more holistic ways of operating are needed, through approaches described as catchment services, as well as greater influence on how customers consume our services.

4. Consequently, many of these outcomes will need to be met by a balance of asset construction and operation, managing natural resources and influencing behaviours. By optimising the balance of these three functions, better progress against our outcomes can be made at a more affordable cost.

5. To deliver these strategies the Company has established 10 individual catchments built around river basins. As each of the catchments is subtly different, with different environmental pressures, the plans for each catchment will vary. They are essentially the environmental market within which the Company will operate.

SPECIFIC TASKS

6. The CP will review the environmental outcomes and measures of success proposed by the Company in its Business Plan for 2015-20. It will assess progress made each year against them, commenting on whether any financial rewards or penalties are due, and scrutinise proposals for the following year.
7. It will also review the level of activity associated with delivering the more innovative strategies. In particular, it will participate in the operation, progress and adoption of the catchment services principles, policies and actions outlined in the monitoring plan. It will also review catchment plans and help the Company maximise stakeholder involvement (for example, in seeking funding and implementing works).

8. The Panel will review the appropriateness of changes to the Company’s monitoring plan in the event of changes in legal requirements that occur during the AMP period. Where alternative solutions to achieve agreed outcomes are proposed under the Company’s localised Change Protocol proposals, the Panel will agree value neutral changes to the activities required under the statutory environmental programme, so that the Company can adapt transparently to new circumstances as they arise.

9. The Panel will advise the Company on development issues and policy matters that may influence the sustainable use and development of the catchments.

10. It will consider and advise on how best to maximise economic and social benefits within ecological constraints.

11. The Panel will collect and review relevant research and surveys carried out or affecting the catchments.

12. It will liaise with and provide feedback from other stakeholders as appropriate.

FORMAT

13. The chair of the Panel will be an elected independent member with sufficient skills, experience and interests, who will also be a member of the Customer Advisory Panel.

14. The CP will comprise a core of members with a key interest and in some cases a statutory remit, in the water sector.

15. Members will have a range of skills, experience and interests across various environmental issues and include regulators, consumer groups, advisory bodies and charities representing specific customer groups. They may have a local or national focus.

16. The Panel will include representatives of the Environment Agency, Natural England, the Drinking Water Inspectorate (DWI), the National Farmers Union and the Country Landowners Association (CLA). Additional members may be invited at the discretion of the Board if it agrees that their involvement will benefit the outcomes, e.g. Rivers Trusts, Wildlife Trusts.

17. To accommodate customers’ views, the Panel may consult the CAP; it may also include a behavioural economist as a member, as elements of the Company’s catchment strategies will be delivered through customer behaviour change.
18. Members will normally be appointed for five years subject to earlier termination.

19. The Panel will meet approximately three times a year. All members will be expected to attend each meeting.

20. All secretariat duties will be undertaken by the Company who will also provide appropriate meeting facilities. The Company will also cover all expenses.
CUSTOMER ADVISORY PANEL

CONTEXT

1. The Customer Advisory Panel (CAP) is the successor body to the Customer Scrutiny Group (CSG), which brought together a range of stakeholders to scrutinise Wessex Water’s Business Plan proposals and to ensure the Plan truly reflected the Company’s customers’ aspirations for service improvements and ability to pay.

SPECIFIC TASKS

2. The CAP will primarily scrutinise and assess the Company’s delivery against customer related outcomes and associated performance commitments set out in the Business Plan 2015-20, namely:

- affordable bills
- excellent service for customers
- reduced leakage
- highest quality drinking water
- sewage flooding minimised
- resilient services
- reduced carbon footprint.

3. The CAP will also assess the Company’s overall eligibility for rewards or penalties according to the final regulatory settlement having taken into account the views of the Catchment Panel on environmental outcomes.

4. The Panel will advise and challenge the Company with regard to:

- day-to-day service provided to customers and the Company’s customer offering; policy matters and standards of service; accessibility to services; measures to improve affordability and assist low income households; public health; pricing and billing; and the Company’s community initiatives
- its annual tariff proposals including any changes in social tariffs
- its engagement and research plans for the Business Plan 2020-25
- its interpretation of customers’ views and how they are reflected in its longer-term strategy and business plans
- on an annual basis, whether the Company has benefitted from a substantial favourable effect that may constitute a reason for an adjustment to price limits under the relevant Licence condition
- any proposal by the Company to reopen price limits within the period under the IDOK provisions of the Licence
- any proposal by the Company to share outperformance with customers over and above the requirements of the regulatory settlement.

5. The CAP will publish its advice to the Company Board on whether performance commitments are being met and whether any financial rewards or penalties are due.
6. The Panel will have full access to the Company’s Reporter and a member with a similar technical background responsible for report writing recruited by the Chair. The Company will provide appropriate funding for this resource together with such additional independent expertise on regulatory and corporate finance as may be required when reviewing any proposed re-opening of price limits.

7. The CAP will comprise no more than sixteen core members who have a key interest and in some cases a statutory remit, in the water sector and/or customer issues.

8. Members will represent the interests of domestic customers and include regulators, consumer groups, advisory bodies and charities representing specific customer groups. They may have a local or national focus.

9. The chair of the Panel will be appointed by the Company, CC Water and Citizens Advice acting jointly.

10. The Panel will also contain the chair of the Catchment Panel to help the CAP form a holistic view of the Company’s performance, including on environmental issues.

11. Members are appointed for five years, unless membership is terminated earlier.

12. The CAP will normally meet up to three times a year and members will be expected to attend each meeting.

13. All secretariat duties will be undertaken by the Company who will also provide appropriate meeting facilities. The Company will cover all expenses.

14. The Company’s Business Plan contains detailed calculations for each of the performance commitments. As these are necessarily technical calculations the Company will also provide the Panel with independent technical resources to support their assessment of the Company’s performance.
FUTURES PANEL

CONTEXT

1. The Futures Panel (FP) is the successor body to the former Sustainability Panel (SP), which reported to the Board on a range of long-term risks and opportunities.

2. The FP will have a similar horizon scanning role to the SP and be a place of constructive debate, challenge and guidance for the Company. Its members – a mix of non-executive director and external experts – will be seen as ‘critical friends’ who can provide insight on emerging issues of relevance to the Company.

3. In the last few years, subjects covered by the SP included persistent organic pollutants; the UK Chemical Investigations Programme; climate change risk and adaptation; customer and community engagement; chemical incident risk & public health; pyrolysis & biochar; water legislation; customer research; catchment management and ecosystem services. The FP is expected to encompass a similarly broad range of issues.

SPECIFIC TASKS

1. The FP will monitor the full extent of sustainability issues affecting the Company, including customers and communities, natural capital and promoting liveable environments, employees, public health, assets and technology, and finances.

2. The Panel will focus primarily on emerging opportunities and risks, particularly those that are likely to have a wide impact beyond the next five years, and provide advice to the Company in relation to these issues.

3. It will identify, discuss and propose opportunities for the Company to become more sustainable in the longer term.

4. The Panel will monitor the implementation of the Company’s Sustainability Vision, and ensure that progress is being maintained.

5. The Panel will discuss the Company’s stakeholder engagement arrangements, to ensure that stakeholder partnership work is fruitful and that stakeholders’ views are formally taken account of.

FORMAT

1. The chair of the Panel will be a non-executive director of the Company.

2. Other Panel members will include one other non-executive director of the Company and individuals with suitable expertise and insight to allow coverage of the main themes.

3. Core members will be supplemented by a wider network of individuals who, while not attending all meetings, can be called upon on an ad hoc basis to attend a Panel meeting to assist with specific topics.
4. Meetings of the Panel will be reported to the Board and, as appropriate, issues and recommendations will be brought to the Board for discussion.

5. The Panel to meet approximately 3 times a year.

6. All secretariat duties will be undertaken by the Company who will also provide appropriate meeting facilities. The Company will cover all expenses.
COMPETITION PANEL

CONTEXT

1. The Competition Panel (CP) reports and advises on the Risk Management Advisory Group and the Board on competition law, commitments and obligations.

SPECIFIC TASKS

The CP shall;

1. Keep a watching brief on policies, plans and business procedures of the Company to enable early identification of potential non-compliance and to eliminate such risk;

2. Consider and recommend to the Company the formal adoption of fair trading commitments and competition law obligations (as required by UK and EU Competition Law);

3. Investigate and audit as necessary to provide the Company with assurance of compliance with UK and EU Competition Law;

4. Monitor, review and advise the Company on complaints of non-compliance whether internally or externally raised;

5. Review and challenge where necessary, the actions and judgements of management in relation to fair trading and competition law obligations and any actual or potential risk of material non-compliance;

6. Review annually or at such shorter intervals as may be required under the Code of Practice required to be put in place under the Company’s Licence Condition R and advise the Company of such steps as are required to secure compliance;

7. In the run up to the opening of the business retail market for water and sewerage services in 2017 advise the Company on such steps as are required to secure compliance with the “level playing field principles”.

FORMAT

1. The Chair of the Competition Panel shall be the Compliance Officer. The Competition Panel shall otherwise comprise the Director of Regulation and Customer Service together with core members of the Company with suitable knowledge and expertise of competition legislation in its application of the Company’s business.

2. The Competition Panel shall meet bi-monthly. Meetings of the Competition Panel will be reported to the Board and, as appropriate, issues and recommendations will be bought to the Board for discussion.

3. All secretarial duties will be undertaken by the Company who will provide appropriate meeting facilities and cover all expenses.
Chairman

The Chairman is responsible for leadership of the Board. In particular, the Chairman will:

1. Ensure effective operation of the Board and its committees in conformity with the highest standards of corporate governance.

2. Ensure effective communication with shareholders, Government regulators and other relevant stakeholders and that the views of these groups are understood by the Board.

3. Set an agenda which is primarily focused on strategy, performance, value creation and accountability, and ensure that issues relevant to those areas are considered by the Board.

4. Ensure that the Board determines the nature and extent of the significant risks the Company is willing to embrace in the implementation of its strategy, and that the Board reviews on an ongoing basis the effectiveness of risk management and internal control systems.

5. Set the agenda, style and tone of Board discussions to promote constructive debate and effective decision-making.

6. Manage the Board to ensure that adequate time is allowed for discussion of all agenda items (in particular strategic issues) and to ensure that complex or contentious issues are dealt with effectively, making sure in particular that independent non-executive directors have sufficient time to consider them.

7. Ensure that Board members receive accurate, timely and clear information, in particular about the Company's performance.

8. Ensure appropriate delegation of authority from the Board to executive management.

9. Ensure that all Board Committees are properly established, composed and operated.

10. Chair the Nominations Committee and build an effective and complementary Board, regularly consider its composition and balance, diversity, including gender, and succession planning for Board and senior management appointments.

11. Liaise with the Remuneration Committee on proposals for the remuneration of the executive directors and senior managers.
12. Ensure proper disclosure in the annual report of information about the Company's Board appointment process including a description of the Board's policy on diversity including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. The disclosure should also include a description on the search and nomination process.

13. Ensure comprehensive and tailored induction programmes for new directors.

14. Ensure the directors continually update their skills and the knowledge and familiarity with the Company (including through site visits) as required to fulfil their role both on the Board and on Board Committees.

15. Review at appropriate intervals and agree with each director their training and development needs and address the needs of the Board as a whole.

16. Support the Chief Executive in the development of strategy and, more broadly, to support and advise the Chief Executive.

17. Maintain access to senior management as is necessary and useful, but not intrude on the Chief Executive's responsibilities.

18. Promote effective relationships and communications between non-executive directors, executive directors and senior managers.

19. Ensure that the performance and effectiveness of the Board, its main committees and individual directors is formally evaluated on an annual basis and that there is an externally facilitated evaluation every three years. Any evaluation should consider the balance of skills, experience, independence, knowledge of the Company on the Board, its diversity (including gender), how the Board operates as a unit and any other factors relevant to its effectiveness.

20. Act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the Board and, where appropriate, proposing new members be appointed to the Board or seeking the resignation of directors.
Chief Executive

The Chief Executive is responsible for leadership of the business, managing it within the authorities delegated by the Board and the development and implementation of strategy. In particular, the Chief Executive will:

1. Develop strategy proposals for recommendation to the Board and ensure that agreed corporate strategy actions are reflected in the business.

2. In conjunction with the Finance Director and Treasurer, develop an annual budget and funding plan consistent with agreed corporate strategies, for presentation to the Board for approval. This should include developing processes and structures to ensure that capital investment proposals are reviewed thoroughly, that associated risks are identified and appropriate steps taken to manage the risks.

3. Be responsible to the Board for the performance of the business consistent with agreed business plans, corporate strategies and policies and keep the Board as a whole updated on progress made against such agreed plans, corporate strategies and policies.

4. Plan human resourcing to ensure that the Company has the capabilities and resources required to achieve its plans and ensure that robust management succession and management development plans are in place and presented to the Board from time to time.

5. Develop an organisational structure and establish processes and systems to ensure the efficient organisation of resources.

6. Lead the Group Management Team, including the development of performance targets and senior management.

7. Ensure that financial results, business strategies and, where appropriate, targets and milestones are communicated to the shareholder and where appropriate Regulators and other stakeholders.

8. Develop and promote effective communication with the Company’s shareholder and other relevant stakeholders.

9. Ensure that business is conducted in accordance with the Company’s policy on business ethics.

10. Ensure that the flow of information to the Board is accurate, timely and clear.

11. Establish a close relationship of trust with the Chairman, reporting key developments to him in a timely manner and seeking advice and support as appropriate.

12. Ensure that reporting lines within the Company are clearly established and are effective.
13. Ensure that management put procedures in place to ensure compliance with all relevant legislation and regulation.

14. Develop and maintain an effective framework of internal controls including risk management in relation to all business activities.

15. Ensure that the Company has a suitable system and policy for the timely and accurate disclosure of information in accordance with regulatory requirements.

16. Keep the Chairman promptly informed on all matters that may be of importance to the Board or of which the Board should be aware.

17. Maintain regular contact with the Chairman to review issues, opportunities and problems.

Senior Independent Non-Executive Director

The Senior Independent Non-Executive Director role includes:

1. Working closely with the Chairman, acting as a sounding board and providing support.

2. Chairing the Board in the absence of the Chairman.

3. Acting as an intermediary for other directors as and when necessary.

4. Being available to the shareholder, other non-executive directors and other stakeholders to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication.

5. Meeting at least annually with the non-executive directors to review the Chairman’s performance and any requirement for succession planning.

6. For such period as the Chairman of the Company is a shareholder appointment to act, in accordance with the requirements of the OFWAT Principles and the Company’s Code of Practice for Corporate Governance, as the principal contact for OFWAT in regulatory matters that would otherwise have been referred to the Chairman.
APPENDIX 9

EXECUTIVE GROUP – TERMS OF REFERENCE AND EXECUTIVE AREAS OF RESPONSIBILITY

1. PURPOSE OF THE MEETING

To review the strategy and performance of the Company’s business.

2. COMPOSITION, PROCEDURE AND AREAS OF RESPONSIBILITY

Chief Executive - C F Skellett
Chief Executive’s Office
Human Resources
Legal & Company Secretary
Information & Performance
Communication & Public Relations
Information Services

Finance Director & Treasurer - M T Watts
Accounting & Financial Control
Purchasing
Treasury & Financial Planning
Payments & Cashflow Management
Pensions
Risk & Investment
Tax
WWEL activities

Director of Strategy & New Markets - D J Elliott
Environment & Catchment Strategy
Sustainability & Innovation
Water Markets & Resources

Managing Director - A F Pymer
Asset Strategy & Compliance
Customer Relations
Regulation
Internal Audit
Science & Scientific Centre
BWBSL activities

Chief Operating Officer - James Rider
Water Treatment & Supply
Wastewater treatment
Sewerage
Waste Strategy
Director of Engineering & Construction - Mike Moriarty
Engineering & Constructions
Mechanical. Electrical & Utilities Solutions
Health, Safety & Security
INVESTMENT AND RISK MANAGEMENT TEAM – TERMS OF REFERENCE

1. PURPOSE OF THE MEETING

To control and monitor the capital investment of the business, delivering required service performance efficiently while maintaining an acceptable level of risk.

2. COMPOSITION AND PROCEDURE

Separate Approval and Performance & Risk meetings will be held monthly. The meetings are chaired by the Director of Risk and Investment, who is responsible for ensuring a quorum attendance is achieved appropriate to the subject.

Other senior managers to attend as appropriate.

3. ROLE

3.1 Monitoring risks to the business and ensuring appropriate measures are taken to keep risk within agreed limits;

3.2 Ensuring investment plans reflect the requirement of regulators, the reviewing of new development and the need to manage Company risks;

3.3 Challenging investment proposals in order to ensure the most efficient whole life cost delivery ensuring Company financial and physical targets are met;

3.4 Investigating and approving capital investment proposals with the Approvals meeting arranged monthly to allow an appropriate review at the Directors Meeting;

3.5 Tracking the progress of performance commitments and identifying adjustments to the investment plan;

3.6 Reviewing the recommendations of the early challenge optioneering review of schemes proposed to achieve efficiency;

3.7 To arbitrate on issues related to technical standards challenges, and other issues not able to be addressed at TRM/NRM or SRM;

3.8 To review proposals for spend to save initiatives;

3.9 Making recommendations to Directors Meetings or the WWSL Board.

3.10 Technical review of proposals is made by Treatment or Network Review Meetings (TRM/NRM) or in the case of IT or business change projects, the Systems Review Meeting (SRM) with all approvals recorded in the minutes of IMT.
APPENDIX 11

ASSET DISPOSAL RULES

PURPOSE

The Company Asset Disposal Rules are intended to ensure that:

1. Disposal decisions are made in the best long-term interests of the Company.
2. Assets are not disposed of when they can be economically re-deployed in the Company.
3. The Company obtains maximum value from disposals.
4. There is a consistent approach to disposals.
5. Disposals are conducted with integrity, fairness, transparency and accountability.
6. The interests of staff involved in disposals are protected.

APPROVAL LIMITS FOR ASSET DISPOSALS

<table>
<thead>
<tr>
<th>Disposal Value</th>
<th>Submitted By</th>
<th>Tender or Auction</th>
<th>Authorised By</th>
<th>Approved By</th>
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<td>Up to £3,000</td>
<td>Asset owner</td>
<td>If appropriate *</td>
<td>Departmental Manager **</td>
<td>Financial Controller</td>
</tr>
<tr>
<td>£3,000 to £250,000</td>
<td>Asset owner</td>
<td>YES</td>
<td>Departmental Manager **</td>
<td>Financial Controller</td>
</tr>
<tr>
<td>Above £250,000</td>
<td>Asset owner</td>
<td>YES</td>
<td>Financial Controller plus a</td>
<td>Executive Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Director</td>
<td></td>
</tr>
</tbody>
</table>

* There will be low value disposals where the most practical course of action is to accept the first offer made.

** With an Expenditure Limit greater than the disposal value.

RULES

1. SCOPE

   These Rules apply to all disposals or prospective disposals of assets made by the Company, with the exception of land and buildings to which special arrangements apply.

2. PROBITY

2.1 Every person involved in the disposal process must act with integrity and in the best interests of the Company.
2.2 Individuals must not use their authority or office for personal gain.

2.3 Any personal interest which may impinge, or might reasonably be judged by others to impinge, on the impartiality of a member of staff involved in a disposal must be declared in writing by that person to his/her line manager.

3. AUTHORISING DISPOSALS

3.1 Assets may only be disposed if they cease to have commercial value to the Company.

3.2 Asset disposals must be authorised in line with the Approval Limits.

3.3 An Executive Director must approve any proposed disposal that may prove contentious.

3.4 Before proposing the disposal of an asset the asset owner must be satisfied that:-

(i) The asset is “owned” by his/her section/department or project;

(ii) The asset is not and will not be required in his/her section/department or project.

4. DISPOSAL ARRANGEMENTS – TO OBTAIN BEST VALUE

4.1 The Directors of Engineering & Construction and the Director of Operations are responsible for the physical disposal of assets within their directorates.

4.2 Upon receipt of the request to dispose, the Director will first check whether the asset can be economically re-deployed within the Company. If it cannot, the disposal will proceed.

4.3 Where the estimated disposal value of an asset or batch of assets does not exceed £3,000, the Director must ensure that staff undertaking the disposal:

(i) obtain best value (taking into account disposal costs);

(ii) identify potential purchasers and obtain competitive prices where appropriate;

(iii) keep a written record of all enquiries made;

(iv) record the reason for selecting a particular purchaser if competitive prices have not been obtained;

(v) where the estimated cost of disposal will equal or exceed the likely income, dispose of the asset at least cost. In these circumstances, disposal in return for a receipted contribution to WaterAid may be acceptable.
4.4 Where the estimated disposal value of an asset or batch of assets exceeds £3,000, the Director must seek best value by competitive tendering or public auction as he sees fit.

(i) Following the invitation, receipt, recording and evaluation of tenders in accordance with agreed procedures, the sale may proceed. The tender accepted will be that which is considered to give best value to the Company. If the highest tender is not accepted a record of the reasons must be made and signed by a line manager before disposal proceeds;

(ii) Post-tender negotiations by the Director, to achieve better value for the Company, are permitted. Two members of staff should be present at negotiations and a written record must be kept.

4.5 If the “reserve price” or any conditions set by the asset owner are not met then the Director must obtain the written consent of the Chief Executive before proceeding to complete the sale.

5. DISPOSAL ARRANGEMENTS - AFTER SALE AGREED

5.1 Except where assets are disposed of by public auction, all disposals will be subject to the Company’s standard Conditions of Sale or otherwise agreed by the Company’s Legal Department.

5.2 Where the asset being disposed is subject to statutory testing or inspection, the Director will notify the appropriate department.

5.3 For each asset disposed a Company invoice with VAT must be raised by the Director.

5.4 Payment must be made by banker’s draft or cheque to The Cashier, Finance except where self-billing arrangements exist. Where payment is made by cheque, the asset must not be released to the purchaser until confirmation has been received from Finance that the cheque has been cleared.

5.5 Before the asset is released to the purchaser all references to the Company must be removed from the assets and the identity/serial numbers of the asset must be recorded. All computer files must be deleted.

5.6 On concluding the sale agreement the Director must send a copy of the authorisation for the disposal to Finance.
## CONTRIBUTION NEGOTIATIONS - FINANCIAL AUTHORITIES

<table>
<thead>
<tr>
<th>Limit</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £2M</td>
<td>Executive Group</td>
</tr>
<tr>
<td>Above £2M</td>
<td>Wessex Water Services Board</td>
</tr>
</tbody>
</table>
CAPITAL EXPENDITURE

Authorisation Limits for Capital Expenditure

<table>
<thead>
<tr>
<th>Scheme expenditure</th>
<th>Authorising body</th>
<th>Documentation required</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;£2 Million</td>
<td>WWSL Board</td>
<td>Executive report</td>
</tr>
<tr>
<td>£250,000 to £2,000,000 Project specifically identified in annually agreed capital programme</td>
<td>IMT</td>
<td>Project proposal</td>
</tr>
<tr>
<td>£250,000 to £2,000,000 Project not specifically identified in annually agreed capital programme</td>
<td>Project released by DM</td>
<td>Reserve Release</td>
</tr>
<tr>
<td>£250,000 to £2,000,000 Project not specifically identified in annually agreed capital programme</td>
<td>Approval at IMT</td>
<td>Project proposal or Minor Works form as agreed at IMT</td>
</tr>
<tr>
<td>&lt;£250,000 Project specifically identified in annually agreed capital programme</td>
<td>Director/Head of Dept with relevant budgetary responsibility for the funding or by delegated authority</td>
<td>Minor works form or Project proposal as appropriate to scheme complexity</td>
</tr>
<tr>
<td>&lt;£100,000 funded from Block capital maintenance expenditure or supply/demand balance</td>
<td>Director/Head of Dept with relevant budgetary responsibility for the funding or by delegated authority</td>
<td>Minor works form</td>
</tr>
</tbody>
</table>

Note:
- WWSL = Wessex Water Services Ltd Board
- GMT = Directors Meeting
- IMT = Investment & Risk Management Team

The Investment & Risk Management Team will be chaired by the Director of Risk & Investment. IMT attendees include budget holders at Director or Head of Department level or nominated representatives with delegated authority.

Project approval documentation includes an estimate of the Revenue Effects of New Obligations (RENO) costs. The appropriate Manager must ensure that the RENO figure included has been agreed by Operational staff. RENO is coordinated by the Director of Risk & Investment.

All authorisations up to £2M including the corporate fee will be included in the IMT minutes. All approvals are recorded on the central approvals database.

Approval limits for an increase in the authorised spend

Further expenditure approval will be necessary when the revised cost estimate exceeds the project authorised cost by the larger of 10% or £10k.

In the case of larger projects any proposed overspend of £1M will require re-authorisation.

The authorising body will be that body with authority to authorise the total new authorised cost.
INTERNAL CONTROLS & PROCUREMENT COMPLIANCE

1. Background

The Company is committed to following best practice in ensuring compliance with its systems of internal controls and procurement policies.

Having controls and policies in place is not enough. The Company is committed to taking all reasonable steps to ensure compliance.

Employees involved in the key business processes must certify on an annual basis that, save as may have been disclosed in accordance with the following procedures, the Company’s controls and policies have been followed. The certification process also requires employees to proactively record and submit returns of instances where controls and policies have not been followed and explain the reasons why.

Certificates must be returned electronically using the prescribed form.

The annual certificates will form part of the process that allows the Board to certify that it has maintained a sound system of internal control under the UK Corporate Governance Code 2014.

2. Business Activities to be covered by Certificates

1. Procurement
   1.1 Goods and Services have been procured in line with the Procurement Rules;
   1.2 Framework agreements have been renewed, and supplier performance monitored;
   1.3 Steps have been taken to secure the supply of scarce commodities and prevent reliance upon a single source of supply;
   1.4 Surplus material is returned to supplier / stores or disposed in accordance with Company Disposal Rules;
   1.5 Company Purchase Card controls are in place.

2. Human Resources and Payroll
   2.1 Staff recruitment has complied with legal obligations and followed Company guidelines;
   2.2 Statutory deductions from payroll reconciled and paid over on time;
   2.3 Pension contributions reconciled and paid to Pension Scheme;
   2.4 Pension trustee meetings are held in accordance with relevant legislation.
2.5 DBS checks have been made for all permanent and fixed term contract staff prior to commencement of employment.

3. **Treasury**

3.1 Insurance cover maintained;

3.2 Bank Mandates maintained;

3.3 Daily Treasury transactions were in line with agreed procedures;

3.4 Borrowings taken and cash deposits held in line with Treasury Policy Guidelines.

4. **Financial Accounting**

4.1 Balance Sheet control accounts have been completed;

4.2 Bank reconciliations completed;

4.3 Debt write off’s in line with approved authority limits;

4.4 Authorisation limits maintained.

5. **Capital Project Managers**

5.1 F6 capital expenditure forecasts updated correctly;

5.2 Costs charged to correct projects;

5.3 Supplementary expenditure approved.

6. **Accounts Payable**

6.1 BACS and cheque runs have followed agreed procedures;

6.2 Segregation of duties;

6.3 Supplier set up;

6.4 Payments made in accordance with agreed terms.

7. **Management Accounting**

7.1 Liabilities accrued at month end;

7.2 Full year forecast updated quarterly;

7.3 Departmental cash profiles passed to Treasury Dept.
8. Legal and Statutory

8.1 Known liabilities have been notified to Finance;

8.2 VAT returns made on time;

8.3 Requirements of Transport “O” Licence met;

8.4 Company Van Use Confirmation for tax purposes.

8.5 Compliance with GSS obligations

9. IT Services Management

9.1 Staff are required to regularly change passwords;

9.2 Security software is up to date and appropriate;

9.3 Staff access profiles are changed when they leave or change jobs.

10. Corporate Hospitality

10.1 Awareness and compliance with Company Corporate Hospitality rules.
3. **Typical Form of Annual Self Certificate**

<table>
<thead>
<tr>
<th>Reference</th>
<th>Certificate Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td>Compliance with the Procurement Rules</td>
</tr>
<tr>
<td>Name</td>
<td>John Smith</td>
</tr>
<tr>
<td>Post</td>
<td>Group Manager</td>
</tr>
</tbody>
</table>

**CERTIFICATION**

I have read and understood the Procurement Rules.

I am aware of the procurement practices undertaken within my department.

I certify, to the best of my knowledge, that apart from exceptions previously reported, the procurement of goods and services has followed the Procurement Rules.

[YES / NO / Not Applicable]

**IF NO ENTERED**

List the exceptions and explain the reason

[Click here to submit certificate]
4. **Form of Reporting of Exceptions**

If staff are regularly unable to comply with Company procedures then they are asked to proactively send an email immediately following the exception using the self-certification application providing the following details.

<table>
<thead>
<tr>
<th>Reference</th>
<th>Certificate number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td><strong>Compliance with the Procurement Rules – Exception Report</strong></td>
</tr>
<tr>
<td>Name</td>
<td>John Smith</td>
</tr>
<tr>
<td>Post</td>
<td>Group Manager</td>
</tr>
</tbody>
</table>

**LIST INSTANCES WHERE THE GROUP PROCUREMENT POLICY WAS NOT FOLLOWED AND THE REASONS FOR THE EXCEPTION.**
## 5. Initial List of Employees to Complete Self Certification

<table>
<thead>
<tr>
<th>Cert. No</th>
<th>Activity No</th>
<th>Certificate Name</th>
<th>Certificate Completed by</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>1.1 &amp; 1.4</td>
<td>Procurement compliance</td>
<td>All General Managers, Facilities Manager, IT Procurement Manager, Laboratory Manager, Selection of staff requisitioning or authorising procurement – see note 1 below</td>
</tr>
<tr>
<td>C2</td>
<td>1.2 &amp; 1.3</td>
<td>Advanced Procurement</td>
<td>Head of Purchasing</td>
</tr>
<tr>
<td>C3</td>
<td>5.1, 5.2, 5.3 &amp; 5.4</td>
<td>Capital Projects</td>
<td>Selection of capital project management staff – see note 1 below</td>
</tr>
<tr>
<td>C4</td>
<td>2.1 &amp; 2.5</td>
<td>Staff Recruitment</td>
<td>HR Manager</td>
</tr>
<tr>
<td>C5</td>
<td>2.2</td>
<td>Statutory Deductions from payroll</td>
<td>Payroll Operations Manager</td>
</tr>
<tr>
<td>C6</td>
<td>2.3 &amp; 2.4</td>
<td>Pension Contributions Paid on time</td>
<td>Pensions and Rewards Manager</td>
</tr>
<tr>
<td>C7</td>
<td>3.1, 3.2, &amp; 3.4</td>
<td>Insurance, Mandates &amp; Treasury Policies</td>
<td>Finance Director and Treasurer</td>
</tr>
<tr>
<td>C8</td>
<td>3.3</td>
<td>Daily Treasury transactions follow procedures</td>
<td>Treasury Operations Manager</td>
</tr>
<tr>
<td>C9</td>
<td>4.1 &amp; 4.2</td>
<td>Balance Sheet Controls &amp; Reconciliations</td>
<td>Financial Accountant</td>
</tr>
<tr>
<td>C10</td>
<td>4.3 &amp; 4.4</td>
<td>Debt Write Off &amp; Authorisation Limits</td>
<td>Financial Controller</td>
</tr>
<tr>
<td>C11</td>
<td>9.1, 9.2, &amp; 9.3</td>
<td>IT Services management</td>
<td>IS Head of Technology</td>
</tr>
<tr>
<td>C12</td>
<td>1.5</td>
<td>Company Purchase Card Controls</td>
<td>Treasury Operations Manager</td>
</tr>
<tr>
<td>C13</td>
<td>6.1, 6.2 &amp; 6.3</td>
<td>BACS, Segregation of duties and Supplier Set up</td>
<td>Treasury Operations Manager</td>
</tr>
<tr>
<td>C14</td>
<td>6.4</td>
<td>Suppliers Payment Terms</td>
<td>Treasury Operations Manager</td>
</tr>
<tr>
<td>C15</td>
<td>7.1, 7.2 &amp; 7.3</td>
<td>Accruals, Forecasts &amp; Cash profiles</td>
<td>Senior Management Accountant</td>
</tr>
<tr>
<td>C16</td>
<td>8.1</td>
<td>Known liabilities and claims have been revealed</td>
<td>General Counsel Company Solicitor</td>
</tr>
<tr>
<td>C17</td>
<td>8.2</td>
<td>VAT returns made on time</td>
<td>Financial Controller</td>
</tr>
<tr>
<td>C18</td>
<td>8.3</td>
<td>Requirements of O licence met</td>
<td>Head of Fleet</td>
</tr>
<tr>
<td>C19</td>
<td>8.4</td>
<td>Company Van Use Confirmation</td>
<td>All supervisors with staff driving liveried vehicles</td>
</tr>
<tr>
<td>C20</td>
<td>8.5</td>
<td>GSS Appointments</td>
<td>R&amp;M Regional Scheduling Manager, Operations Despatcher Team Leader, Regional Supply Regulations Eng, Divisional Supply Mgrs N, S, W</td>
</tr>
<tr>
<td>C21</td>
<td>8.5</td>
<td>GSS Complaints</td>
<td>Operational Customer Relations Team Leader</td>
</tr>
<tr>
<td>C22</td>
<td>8.5</td>
<td>GSS Supply Interruptions</td>
<td>Divisional Supply Mgrs N, S, W, Water Supply Regulations Manager</td>
</tr>
<tr>
<td>C23</td>
<td>8.5</td>
<td>GSS Low Pressure</td>
<td>Water Supply Regulations Manager</td>
</tr>
<tr>
<td>C24</td>
<td>8.5</td>
<td>GSS Sewer Flooding</td>
<td>Sewerage Managers N,S,W</td>
</tr>
<tr>
<td>C25</td>
<td>10.1</td>
<td>Corporate Hospitality</td>
<td>Selection of staff – see note 1 below</td>
</tr>
</tbody>
</table>

Note 1: Selection process for staff to complete forms maintained by Head of Internal Audit

A) General orders and cheque requests

The following rules apply:

Over £2m - Two signatures required, one x A plus one x B (B signatory must not be authorising A signatory)

A - Signatory
Colin Skellett – Chief Executive
Mark Watts – Finance Director & Treasurer

B - Signatory
Colin Skellett – Chief Executive
Mark Watts – Finance Director & Treasurer
Dave Elliott - Director of Strategy & New Markets
Mike Moriarty – Director of Engineering & Constructions
Leigh Fisher-Hoyle – General Counsel
Andy Pymer - Managing Director
James Rider – Chief Operating Officer
Nigel Reed - Financial Controller

Over £1m – Two signatures required, two x A or one x A and B (B signatory must not be authorising A signatory)

A - Signatory (Director)
Colin Skellett – Chief Executive
Mark Watts – Director of Finance
Dave Elliott - Director of Strategy & New Markets
Mike Moriarty – Director of Engineering & Construction
Andy Pymer - Director of Regulation and Customer Services
James Rider – Director of Operations

B - Signatory
Leigh Fisher-Hoyle – General Counsel
Nigel Reed - Financial Controller

Up to £1m – One signature required from Director
Up to £500k – One signature required from Director or Nigel Reed
Up to £250k – One signature required from Director, Leigh Fisher-Hoyle, Phil Pike, Mohammed Saddiq, John Thompson, Julian Welbank, Neil Wilson
Up to £100k or up to £50k - Senior managers as determined by the Financial Controller – value depends on their role in the Company (please refer to Authorised Financial Expenditure & Procurement Rules List published on the Intranet)

£10k – Junior managers as determined by the Financial Controller – value depends on their role
in the Company (please refer to Authorised Financial Expenditure & Procurement Rules List published on the Intranet)

£5k, £1k or £0.5k – Others as determined by the Financial Controller – value depends on their role in the Company (please refer to Authorised Financial Expenditure & Procurement Rules List published on the Intranet)

The following rules apply for statutory payments of PAYE, NI, Pension contributions, VAT, Corporation tax

Unlimited – Colin Skellett or Mark Watts

Up to £2m - Nigel Reed

The following rules apply for the authorisation of individual energy trades within the overall Energy Procurement Contract because of the need to make quick decisions in the energy trading market.

Unlimited – verbal authorisation by Mark Watts (or in his absence Nigel Reed) – to be subsequently confirmed by archive of email authorisation.

B) Contracts other than Purchase Orders and Cheque Requests detailed in (A))

Accept tenders (Rule 12)

Over £1m – Two signatures required from Colin Skellett, Mark Watts, David Elliott, Andy Pymer, Mike Moriarty, James Rider or one Director and one of Martyn Thompson or Dave Durkin.

Up to £1m – One signature required from Colin Skellett, Mark Watts, David Elliott, Andy Pymer, Mike Moriarty, James Rider, Mohammed Saddiq, Neil Wilson, Martyn Thompson or Dave Durkin

Up to £250k – One signature required from Leigh Fisher-Hoyle

Up to £100k – One signature required from senior managers as determined by the Director of Engineering & Construction - value depends on their role in the Company*

Framework Agreements – One signature required from Procurement or Supply Chain Team member as determined by Mike Moriarty or Mark Watts – value depends on their role*

*Please refer to Authorised Financial Expenditure & Procurement Rules List published on the Intranet

ii) Certifying payments requiring Engineers Certificates against awarded contracts (Payments) – final approval (of three).

Over £1,000k - Two signatures required from Colin Skellett, Mark Watts, Dave Elliott, Andy Pymer, Mike Moriarty, James Rider or Neil Wilson

Up to £1,000k - One approval required from Stuart Sutton or Martyn Thompson (electronic via Agresso workflow).

Up to £250k - One approval required from Sally Barnett or Ben Owers (electronic via Agresso workflow).

APPENDIX 15
CLAIMS SETTLEMENT PROCEDURES

“Claim” means:–

(a) all claims (whether brought formally through court action, arbitration or adjudication or raised informally in writing or orally) for damages, money or extensions of time made against the Company by a contractor or supplier;

(b) all applications to the Company under variation or change provisions in a contract;

(c) all claims for damages whether made formally or raised informally for breach of contract or in tort by the Company against a contractor, supplier or other third party;

(d) all claims whether made formally or raised informally for damages or statutory compensation brought against the Company by third parties other than contractors or suppliers.

No Claim is to be settled or brought without first having been subject to the following authorisation process:–

<table>
<thead>
<tr>
<th>Value of Claim</th>
<th>Authorising Person/Body</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £50K</td>
<td>Any one of:- Director, Mike Moriarty, James Rider, David Elliott, Andy Pymer, General Manager, Financial Controller, Company Secretary.</td>
</tr>
<tr>
<td>£50K to £250K</td>
<td>Either a General Manager or Company Secretary and Financial Controller acting jointly</td>
</tr>
<tr>
<td>£50K to £2M</td>
<td>Any one Director, David Elliott, Andy Pymer, Mike Moriarty, James Rider and Financial Controller acting jointly.</td>
</tr>
<tr>
<td>Above £2M</td>
<td>Committee of the Board comprising Chief Executive, Finance Director and Company Secretary.</td>
</tr>
</tbody>
</table>

Note 1: multiple Claims in any one contract must be aggregated for the purpose of calculating the value of the Claim. Treating individual Claims as separate items on the same contract to avoid breaking a threshold is prohibited.

Note 2: the Authorised Person/Body is responsible for ensuring proper evaluation of the merits of any claim taking professional advice as necessary from the Legal Department.
1. OBJECTS AND SCOPE OF THE COMMITTEE

The main objects of the Committee will be to provide regular consultation to promote co-operation between employers and employees in instigating, developing and carrying out measures to ensure the health, safety and welfare of the Company’s employees and other persons who may be affected by the activities of the Company.

This Committee covers all employees of the Company or any of its subsidiary companies.

2. FUNCTIONS

a) To consider all matters relating to the health, safety and welfare of employees of the Company and other persons who may be affected by its activities and to advise, recommend and where appropriate, to make determinations thereon.

b) To receive advice and reports on health, safety and welfare matters from appropriate sources and to take action on such matters as necessary.

3. MEMBERSHIP

a) The Committee will be appointed as follows:-

i) Employers Representation:

Six members appointed by the Executive Group

ii) Employee Representation:

Six accredited representatives appointed by recognised trade unions.

iii) Safety Officers and Occupational Health Consultants may attend as advisers to the Committee.

iv) Recognised Trade Union full-time officials may attend the Committee by request.

b) Committee members may appoint substitutes when necessary.

c) The Committee may appoint a sub-Committee as necessary.

d) The Committee may co-opt other members when necessary.

4. COMMITTEE OFFICERS

a) The Committee will appoint a Chairman and a Vice-Chairman at the Annual General Meeting (AGM).
b) The Committee may appoint a Secretary at the AGM.

5. MEETINGS

The Committee will normally meet half yearly and the AGM will normally be held in the last quarter of each year.

6. SUB COMMITTEES

Sub Committees will be established covering the key business areas of the Company – Networks, Treatment, WECSL and the remainder of the business – titled Group Services. Each Sub Committee will have its own terms of reference mirroring that of the principal Committee. The Sub Committees will meet quarterly. Information will be shared between the principal Committee and the Sub Committees and vice versa.
WESSEX WATER SERVICES LIMITED - LINKS WITH OTHER ORGANISATIONS

WESSEX WATER PENSIONS SCHEME TRUSTEE LIMITED

Directors:-

Huw Davies (Chairman)
Jerry Lavis*
Alan Morgan*
Barry Morgan*
Mark Nicholson
James Rider
Marilyn Smith
Richard Talbott*
Mark Watts

* Member nominated Director

EMPLOYERS PENSIONS GROUP

1.1 Membership

From April 2015, membership of the group will be as follows:

Mark Watts (Chairman)
D H Davies
Mark Nicholson
Colin Skellett

Secretary – Ali Standerwick

1.2 Terms of Reference

The group meets to consider pension issues on behalf of the Company, in particular:

• Any change to overall pension strategy and legislation
• Any issues relating to funding or investment strategy
• Actuarial valuation results
• Performance of advisors

Any issue requiring Board approval must be considered by the EPG, and recommendation presented to the Board in the groups’ name.

The main Company powers under the WWPS rules are:

• Agreeing the Company contribution rate with the Trustees following advice of the Actuary
- Admission of new participating employers
- Amendment of the scheme (with Trustees consent)
- Appointment or removal of Company appointed Trustees
- Augmentation of members benefits subject to payment of additional contribution as required by Trustees
- Eligibility for membership
- Pension increases (above guaranteed level)
- Voluntary Early Retirements
- Approval of bulk transfers (on advice of actuary)
- Can trigger scheme wind-up (upon specified events)

Professional Advice

The group will take professional advice on behalf of the Company when necessary

Hewitt provide actuarial advice as required.

Burges Salmon provide legal advice on an ad-hoc basis.

Meetings

Secretary to arrange for group to meet when required.