Wessex Water Services Limited

Matters reserved to the Board

1. Introduction

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.

1.2 The Company will have regard to:

(a) the long term consequences of its decisions;
(b) the interests of the Company’s employees;
(c) the fostering of business relationships with suppliers, customers and others;
(d) the impact of the Company’s operations and decisions on the community and environment; and
(e) maintaining a reputation for high standards of business conduct.

1.3 The Board regards it as fundamental to the long-term success of the Company to provide excellent customer service and satisfaction. There are no matters specifically reserved for shareholder approval. The Board will meet approximately every two months.

The matters set out below are reserved to the Board.

2. Strategy, management and structure

2.1 Providing leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.

2.2 Approval of the Company’s overall strategy.

2.3 Setting the Company’s values and standards.

2.4 Approval of the Company’s risk management strategy and determining the nature and extent of the significant risks the Board is willing to take in achieving the Company’s strategic objectives.

2.5 Material changes to the Company’s management and control structure.

2.6 Approval of Board appointments.

2.7 Membership and terms of reference of Board Committees.

2.8 Approval of intra-group restructuring of companies.

3. Financial and reporting

3.1 Approval of the annual operating and investment budget, monitoring progress against budget and other non-financial targets.
3.2 Approval of the Company's dividend policy, and interim and final dividends.

3.3 Approval of any significant change in accounting policies or practices of the Company.

3.4 Remuneration of the Company’s auditors and on the recommendation of the audit committee, the appointment, re-appointment or removal of the Company's auditors.

3.5 Approval of material changes in the rules of the Company’s pension schemes and changes of trustees.

3.6 Approval of the appointment or termination of appointment of bankers; bank mandates; bank accounts; other banking facilities; lending, borrowing and leasing; the issue of guarantees, bonds, indemnities and letters of comfort; the management of interest rate or currency exposures; and in respect of subsidiary and associated undertakings the issuing of shares or other securities and the making of inter-Group loans, where such approvals are not already delegated in accordance with the Delegated Authority Register.

3.7 Approval of all material loans and other sources of finance.

3.8 Approval of the Company's tax strategy.

4. Transactional approvals

4.1 Approval of capital expenditure, acquisitions, investments or disposal of land, property or other capital assets where the cost or consideration exceeds £2 million or the amounts delegated in the Delegated Authority Register.

4.2 Approval of any project which materially increases the Company’s risk profile and/or which involves obligations, restrictions or liabilities of an unusual, onerous or exceptional nature not in the ordinary course of the Company's business.

4.3 Approval of the prosecution, defence or settlement of litigation, which is material to the interests of the Company.

4.4 Approval of corporate or commercial joint ventures.

5. Board and committee membership and other appointments

5.1 Approval of appointment to and removals from the Board of the Company and to the Chairs of its audit, corporate responsibility, remuneration and nomination committee.

5.2 Approval of terms of reference of the Chairman, senior independent non-executive director, the Chief Executive Officer and other executive directors.

5.3 Approval of the terms of reference, authorities and membership of committees of the Board and any changes thereto.

5.4 Appointment or removal of the Company Secretary.

5.5 Undertaking a review of the Board’s own performance and of its individual Committees at least annually prior to the publication of the Company’s Annual Review and Accounts. The form of the review will be agreed by the Board.
6. **Other matters**

6.1 Reviewing the Company's overall corporate governance arrangements.

6.2 Reviewing and amending as necessary this schedule of matters reserved to the Board.

6.3 Approval of the Company’s health and safety policy.

6.4 Approval of the Company's policy on charitable and political donations.

6.5 Approval of Directors’ and officers’ liability insurance.

6.6 Reviewing material contravention’s of any code of practice, legal requirement or statutory undertaking given to the Secretary of State.

6.7 Approval of the Company's business plan for price reviews.

6.8 Approval of the Company’s Code of Practice for Corporate Governance.

6.9 Reviewing any 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.

6.10 Authorisation of any proposed Compulsory Purchase Order.

6.11 Approval of the Company’s tariff proposals for each year including consideration of and compliance with Licence Condition E.

6.12 Approval of any land disposals in accordance with Licence Condition K.

7. **Conflicts of interest**

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

7.2 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.

### Change History Record

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<tr>
<th>Issue</th>
<th>Description of Change</th>
<th>Approval</th>
<th>Date of Issue</th>
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<tr>
<td>1</td>
<td>Issued as a standalone document</td>
<td>Board</td>
<td>February 2018</td>
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