

Matters Reserved for the Board of Bristol Water plc (the “Company”) as agreed and adopted by the Company’s Board on 23 April 2018 and as revised on 27 May 2020.

Unless otherwise stated, the items marked * are also matters that may require shareholder approval.

1. Strategy and Management

- 1.1 Responsible for the overall management of the Company.
- 1.2 Approval of the Company’s long term objectives and commercial strategy.
- 1.3 Approval of major and certain specific regulatory submissions to Ofwat and other regulators including the Price Review Business Plan, Annual Performance Report, Annual Assurance Plan, Annual Charges, Mid-Year Performance Report, Water Resources Management Plan and Drought Plan.
- 1.4 Approval of the annual operating budget and capital expenditure budgets and any material changes to them.
- 1.5 Over-sight of the Company’s operations ensuring:
 - 1.5.1 competent and prudent management;
 - 1.5.2 sound planning;
 - 1.5.3 an adequate system of internal control; and
 - 1.5.4 compliance with strategy and regulatory obligations.
- 1.6 Review of performance in the light of the Company’s strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
- 1.7 *Extension of the Company’s activities into new business or geographical areas.
- 1.8 *Any decision to cease to operate all or any material part of the Company’s business.
- 1.9 *Any proposal to merge or amalgamate the Company or any of its subsidiaries with any other company which requires shareholder approval.

2. Structure and Capital

- 2.1 *Changes to the Company’s capital structure, including reduction of capital, share issues (except under employee share plans), share buy-back including the use of Treasury shares.
- 2.2 *Major changes to the Company’s corporate structure.
- 2.3 Changes to the Company’s management and control structure.
- 2.4 *Any changes to the Company’s listing or its status as a PLC.
- 2.5 *The consideration of any proposal to merge or amalgamate the Company or any of its subsidiaries with any other company.
- 2.6 *The allotment of any shares of the Company or the granting of options over any of the Company’s shares or the shares of its subsidiaries.

3. Financial Reporting and Controls

- 3.1 Approval of the half yearly report, interim management statements and any preliminary announcement of the final results.
- 3.2 Approval of the annual report and accounts, including the corporate governance statement, strategic report and remuneration report.
- 3.3 Approval of Regulated Accounts.
- 3.4 *Approval of dividend policy.
- 3.5 Declaration of the interim dividend and recommendation of the final dividend.
- 3.6 Approval of any significant changes in accounting policies or practices.
- 3.7 Approval of treasury policies including foreign currency exposure and the use of financial derivatives.
- 3.8 The making of any change to the accounting reference date of the Company.
- 3.9 Reviewing the management accounts.

4. Internal Controls

- 4.1 Ensuring a sound system of internal control and risk management including:
 - 4.1.1 undertaking an annual assessment of these processes; and
 - 4.1.2 approving an appropriate statement for inclusion in the annual report.

5. Contracts

- 5.1 *Approval of contracts of the Company or any subsidiary in the ordinary course of business where the value is greater than £1 million or a contract in the ordinary course of business of any value where the Company or any subsidiary is proposing to undertake such contract as a shareholder with or without others in a special purpose vehicle or as a joint venture in an integrated or non-integrated joint venture. Any contract value greater than £30 million requires shareholder approval.
- 5.2 *Approval of contracts for any acquisition or disposal of an investment, assets (including land) or business where its cash or market value, whichever is the greater exceeds £1 million. Any contract value greater than £30 million requires shareholder approval.
- 5.3 *Approval of any guarantee of a debt (other than a guarantee given in respect of a subsidiary in connection with the Company's banking and bond facilities) and any guarantee which would be outside the ordinary course of business.
- 5.4 *Approval of all new borrowing (or indebtedness in the nature of borrowings) by the Company or any of its subsidiaries.
- 5.5 *Approval of all major investments including acquisition or disposal of interests of more than 5% in the voting shares of any company or the making of any take-over offer.

- 5.6 Approval of any advance, loan or deposit of money up to £30 million to any party that is not a member of the Group.
- 5.7 Creating or giving of any mortgage, charge or any other financial encumbrance in respect of all or any part of the undertaking, property, or assets of the Company or the acceptance of any financial encumbrance for its benefit, where the fair market value is up to £30 million.
- 5.8 *Approving contracts outside the ordinary course of business.

6. Communications

- 6.1 Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- 6.2 Approval of all circulars, prospectuses and listing particulars.
- 6.3 Approval of Stock Exchange announcements concerning matters of the Board.

7. Board Membership and other appointments

- 7.1 Changes to the structure, size and composition of the Board following recommendations from the Nomination Committee.
- 7.2 Ensuring adequate succession planning for the Board and senior management.
- 7.3 Appointments to the Board following recommendations by the Nomination Committee.
- 7.4 Selection of the Chairman of the Board.
- 7.5 Appointment of the Senior Independent Director.
- 7.6 *Membership and chairmanship of Board Committees.
- 7.7 Continuation in office of directors at the end of their term of office, when they are due to be re-elected by shareholders at the AGM and otherwise as appropriate.
- 7.8 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 law and their service contract.
- 7.9 *In the context of their appointment and removal as statutory director of the Company:
 - 7.9.1 the Chief Executive;
 - 7.9.2 the Finance Director; and
 - 7.9.3 Regulatory Director.
- 7.10 Appointment and removal of the Company Secretary.
- 7.11 Appointment, re-appointment or removal of the external auditor to be put to shareholders for approval following recommendations from the Audit and Risk Assurance Committee.

8. Remuneration

- 8.1 The introduction of new incentive plans or major changes to existing plans.
- 8.2 The approval of remuneration of directors and employees who are employed on permanent contracts of employment where the base salary is £100,000 or more. For the purposes of this paragraph a person is employed on a “permanent contract of employment” if:
- 8.2.1 that person is employed by the Company for an unlimited period of time (subject only to passing of a probationary period for newly engaged employees); or
- 8.2.2 has been employed by the Company on the basis of one or more fixed term periods (whether consecutive or not) or is otherwise subject to contractual arrangements which, as a matter of English law, confer or are deemed to confer on that person, at the time they are first engaged by the Company, all the rights and benefits of a permanent employee of the Company.

For the avoidance of doubt, no approval is required under this paragraph 8.2 for fixed term contracts of employment for a period of less than 1 year notwithstanding that the compensation paid to the person in question may, of itself or on an annualised basis, be equal to or exceeds £100,000 per annum provided that the arrangements relating to that person do not fall within sub paragraph 8.2,2 above.

9. Delegation of authority

- 9.1 The delegation of responsibility to the Chief Executive and the Executive Board which will be contained in the policy on delegation.

10. Corporate Governance Matters

- 10.1 Undertaking a formal and rigorous review annually of its own performance, that of its committees and individual directors.
- 10.2 Assessment of which directors are independent.
- 10.3 Consider the balance of interests between shareholders, employees, customers and the community.
- 10.4 Review the Company’s overall corporate governance arrangements.

11. Policies

- 11.1 Approval of the terms of reference for Board Committees.
- 11.2 Receiving reports from Board Committees on their activities.
- 11.3 The prosecution, defence or settlement of litigation involving an amount above £1 million or being otherwise material to the interest of the Company officers’ liability insurance. Any amount above £30 million requires shareholder approval.

- 11.4 Material changes to the Company's pension scheme and/or the Company's obligations thereunder.
- 11.5 The schedule of matters reserved for Board decisions.