

Matters reserved for the Thames Water Utilities Ltd Board



Approved by the Board of Thames Water Utilities Limited on 27 June 2018

Table of Contents

1. Strategy and Management	3
2. Structure and Capital	4
3. Financial Reporting and Controls	4
4. Internal Controls	4
5. Contracts and Investments	5
6. Communication	5
7. Board Membership and other appointments	5
8. Remuneration	6
9. Delegation of Authority	6
10. Corporate Governance Matters	7
11. Policies	7
12. Material Regulatory Decision	7
13. Other	8

Board Reserved Matters

1. STRATEGY AND MANAGEMENT

- 1.1 Responsibility for the overall leadership of the Company¹ and setting the Company's values and standards.
- 1.2 Approval of the Company's 5 year Business Plan, setting its strategic aims and objectives.
- 1.3 Approvals of the annual operating and capital expenditure budgets consistent with the 5 year Business Plan, and any material changes to them.
- 1.4 Oversight of the Company's operations ensuring:
 - Competent and prudent management;
 - Sound planning;
 - Maintenance of sound management and internal control systems;
 - Adequate accounting and other regulatory obligationsto secure the carrying out of its regulated activities, including the investment programme
- 1.5 Review of performance in the light of the Company's strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
- 1.6 Material extension of the Company's activities into new business or geographic areas, consistent with the 5 year Business Plan.
- 1.7 Any decision to cease to operate all or any material part of the Company's business, consistent with the 5 year Business Plan.

¹ References to "Company", shall mean Thames Water Utilities Limited

2 STRUCTURE AND CAPITAL

- 2.1 Changes relating to the Company's capital or corporate structure including reduction of capital, share issues (except under employee share plans), share buy backs including the use of treasury shares.
- 2.2 Changes to the Company's management and control structure.

3 FINANCIAL REPORTING AND CONTROLS

- 3.1 Approval of the half-year Financial 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 and directors' remuneration report.
- 3.3 Approval of the dividend policy, ensuring it complies with the Company's Instrument of Appointment.
- 3.4 Declaration of the interim dividend and recommendation of the final dividend in accordance with the dividend policy.
- 3.5 Any change to the accounting reference date or material changes to accounting or tax policies, except as required by law or to meet a relevant financial reporting standard.
- 3.6 Approval of treasury policies including foreign currency exposure and the use of financial derivatives and any material changes.
- 3.7 Approval of material unbudgeted capital or operating expenditures, projects and contracts, not included in the approved business plan.

4 INTERNAL CONTROLS

- 4.1 Ensuring maintenance of a sound system of internal control and risk management including:
 - Approving the Company's risk appetite statements;
 - Receiving reports on, and reviewing the effectiveness of, the Company's risk and control processes to support its strategy and objectives;

- Approving procedures for the detection of fraud and the prevention of bribery;
- Undertaking an annual assessment of these processes; and
- Approving an appropriate statement for inclusion in the annual report.

5 CONTRACTS AND INVESTMENTS

- 5.1 Contracts of the Company or any subsidiary not in the ordinary course of business, not included in the 5 year Business Plan.
- 5.2 Acquisition or disposal of a business, undertaking or assets, or of share capital, loan capital or other securities, or entry into a joint venture arrangement or cost or profit sharing arrangement, not included in the agreed Business Plan.

6 COMMUNICATION

- 6.1 Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives.
- 6.2 Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- 6.3 Approval of all circulars, prospectuses and listing particulars.

7 BOARD MEMBERSHIP AND OTHER APPOINTMENTS

- 7.1 Any changes to the composition of the Board in terms of the range of skills and capabilities of its members, following recommendations from the Nominations committee.
- 7.2 Ensuring adequate succession planning for the Board and senior management so as to maintain an appropriate balance of skills and experience within the Company and on the board.
- 7.3 Appointments to the Board, or removals, following recommendation by the Nominations Committee.

- 7.4 Selection of the Chairman of the Board and the Executive Directors.
- 7.5 Appointment of a senior independent director to provide a sounding board for the Chairman and to serve as intermediary for the other directors when necessary.
- 7.6 Membership and chairmanship of board committees following recommendations from the Nominations committee subject to the right of the Shareholders to appoint Directors to the Committee.
- 7.7 Appointment or removal of the Company Secretary.
- 7.8 Appointment, reappointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the audit committee.
- 7.9 Appointments to boards of subsidiaries.

8 REMUNERATION

- 8.1 Determining the remuneration policy for the Company..
- 8.2 The introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval.

9 DELEGATION OF AUTHORITY

- 9.1 The division of responsibilities between the chairman and the chief executive, which should be clearly established and set out in writing.
- 9.2 Approval of the delegated levels of authority to management, including the Chief Executive's authority limits (which must be in writing).

9.3 Establishing Board committees, approving their terms of reference, and approving any material changes.

9.4 Receiving reports from board committees on their activities.

10 CORPORATE GOVERNANCE MATTERS

10.1 Undertaking a formal and rigorous annual review of the Board's performance, that of its committees and individual directors, and the division of responsibilities.

10.2 Determining the independence of non-executive directors in light of their character, judgement and relationships.

10.3 Receiving reports on the views of the Company's shareholders to ensure that they are communicated to the board as a whole.

10.4 Authorising conflicts of interest where permitted by the Company's articles of association.

11 POLICIES

11.1 Approval of group policies, including:

- Data Protection Policy;
- Information Security Policy;
- Employee Relations Policy;
- Diversity and Inclusion Policy;
- Customer Policy;
- Corporate Responsibility policy;
- Health & Safety policy;
- Environment Policy; and
- Honest & Ethical Behaviour Policy.

12 MATERIAL REGULATORY DECISIONS

12.1 Any submission having a material effect on the 5 year Business Plan made as part of a periodic or interim price review;

- 12.2 Any decision to appeal (or not appeal) a periodic or interim price review;
- 12.3 Any decision to respond (or not respond) to Ofwat in connection any material regulatory matter;
- 12.4 Any decision to respond (or not respond) to Ofwat in connection with any proposed modification to the licence; and

13 OTHER

- 13.1 Any change to the agreed policy of not making any political donations.
- 13.2 Approval of the appointment of the Company's principal professional advisers.
- 13.3 Matters relating to litigation, health and safety and the environment likely to have a material adverse reputational impact on the Company.
- 13.4 Approval of the overall levels of insurance for the Company including directors' & officers' liability insurance, and indemnification of directors.
- 13.5 Major changes to the rules of the Company's pension scheme, or changes of trustees or, when this is subject to the approval of the Company, changes in the fund management arrangements to be in accordance with the pension strategy in the 5 year Business Plan.
- 13.6 This schedule of matters reserved for Board decision.