

## **BRISTOL WATER PLC**

### **SCHEDULE OF MATTERS RESERVED TO THE BOARD**

#### **1. Strategy and Management**

##### 1.1 Responsibility for:

- (i) promoting the long-term sustainable success of the Company, generating value for the shareholders of Pennon Group ('the Group') and contributing to wider society;
- (ii) the overall leadership of the Company, setting the Company's purpose, values and strategy, ensuring consistency with those of the wider Group and satisfying itself that these and the Company's culture are aligned;
- (iii) ensuring effective engagement with, and encouraging participation from the Company's stakeholders; and
- (iv) ensuring that workplace policies and practices are consistent with the Company's values and support its long-term sustainable success.

1.2 Approval of the Company's long-term strategic aims, objectives and sustainable business strategy, ensuring consistency with the wider Group. Ensuring the necessary resources are in place for the Group to meet its objectives and measure performance against them.

1.3 Approval of the annual operating and capital expenditure (totex) budgets and any material changes to them, ensuring consistency with those of the wider Group;

##### 1.4 Oversight of the Company's operations ensuring:

- competent and prudent management;
- sound planning;
- maintenance of sound management and adequate system of internal control;
- adequate accounting and other records; and
- compliance with statutory and regulatory obligations.

1.5 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;

1.6 Extension of the Company's activities into new business or geographic areas;

1.7 Any decision to cease to operate all or any material part of the Company's business;

1.8 Approval of the Company's level of risk appetite;

1.9 Ensuring compliance with the Ofwat principles on Board leadership, transparency and governance.

#### **2. Structure and capital**

2.1 Changes relating to the Company's capital structure including reduction of capital and share issues;

- 2.2 Major changes to the Company's corporate structure;
- 2.3 Changes to the Company's management and control structure.

### **3. Financial reporting and controls**

- 3.1 Approval of the Annual Report and Accounts, including the corporate governance statement and remuneration report, and the Annual Performance Report; \* A, R
- 3.2 Approval of the dividend policy and declaration of dividends;
- 3.3 Approval of any significant changes in accounting policies or practices; \*A
- 3.4 Approval of treasury policies including foreign currency exposure and the use of financial derivatives; \*A
- 3.5 Approval of material unbudgeted capital or operating expenditure.

### **4. Internal controls and risk management**

Ensuring maintenance of a sound system of internal control and risk management including:

- receiving reports on, and reviewing the effectiveness of, the Company's risk and control processes to support its strategy and objectives;
- undertaking an annual assessment of these processes;
- approving policies and procedures for the detection of fraud and the prevention of bribery, corruption and combating modern slavery and human trafficking;
- approving an appropriate statement for inclusion in the Annual Report.

### **5. Contracts and Capital Expenditure**

- 5.1 Approval of major capital projects and, if necessary under the Schedule of Financial Delegations, recommendation to the Pennon Group board of the same; 5.2 Approval of specified items of expenditure/income that require Board authorisation as set out in the Schedule of Delegated Authorities.
- 5.3 Approval of contracts which are material strategically or by reason of size, entered into by the Company or any subsidiary in the ordinary course of business and, if necessary under the Schedule of Financial Delegations, recommendation to the Pennon Group board of the same;
- 5.4 Approval of contracts of the company or any subsidiary not in the ordinary course of business, for example loans and repayments; foreign currency transactions; major acquisitions or disposals, including land sales, and, if necessary under the Schedule of Financial Delegations, recommendation to the Pennon Group board of the same;

- 5.5 Major investments including the acquisition or disposal of interests in the voting shares of any company or the making of any takeover offer.

## **6. Communication**

- 6.1 Approval of resolutions and corresponding documentation to be put forward to the shareholder at a general meeting;
- 6.2 Approval of press releases concerning matters decided by the Board or by the Pennon Group board, insofar as they are relevant to the Company;

## **7. Board membership and other appointments**

- 7.1 Agree changes to the structure, size and composition of the Board, following recommendations from the Nomination Committee; \*N
- 7.2 Ensuring adequate succession planning for the Board and senior management; \*N
- 7.3 Approving appointments to the Board and its committees, following recommendations by the Nomination Committee; \*N
- 7.4 Selection of the Chair of the Board and certain senior Executive appointments; \*N
- 7.5 Appointment of the Senior Independent Director to provide a sounding board for the Chair and to serve as an intermediary for other Directors when necessary; \*N
- 7.6 Approving the continuation in office of Directors at the end of their term of office, when they are due to be re-elected at the AGM and otherwise as appropriate; \*N
- 7.7 Approving 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 law and their service contract; \*N
- 7.8 Appointment or removal of the Company Secretary; \*N
- 7.9 Appointment, reappointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit Committee. \*A
- 7.10 Appointments to boards of subsidiaries.

## **8. Remuneration**

- 8.1 Determining the remuneration policy for the Directors, Company Secretary and other Senior Management. \*R
- 8.2 Determining the remuneration of the Non-Executive Directors, subject to the articles of association and shareholder approval as appropriate. \*R
- 8.3 Approving the introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval; \*N

## **9. Delegation of Authority**

- 9.1 The division of responsibilities between the Chair, and the Executive Directors, should be clearly established and set out in writing and agreed by the Board.
- 9.2 Approval of delegated levels of authority.
- 9.3 Approval of terms of reference of Board Committees and material changes thereto;
- 9.4 Receiving reports from Board Committees on their activities.

## **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 Determining the independence of Non-Executive Directors in light of their character, judgment and relationships;
- 10.3 Considering the balance of interests between shareholders, employees, customers and the community and other stakeholders;
- 10.4 Review of the Company's overall corporate governance arrangements;
- 10.5 Authorising conflicts of interest as permitted by the Company's Articles of Association.

## **11. Policies**

- 11.1 Approval of company policies, including those contained in the delegated authorities schedule.

## **12. Other**

- 12.1 The making of political donations;
- 12.2 Approval of the appointment of the Company's principal professional advisers, in conjunction with the Pennon Group;
- 12.3 Approval of the prosecution, defence or settlement of litigation in accordance with the Schedule of Delegated Authorities;
- 12.4 Approval of the overall levels of insurance for the Company including Directors' & Officers' liability insurance and indemnification of Directors;
- 12.5 Major changes to the rules of the Company's pension scheme, or changes of trustees;
- 12.6 This schedule of matters reserved for Board decisions;
- 12.7 Any decisions likely to have a material effect in the Company from any perspective, including, but not limited to, financial, operational, strategic or reputational.

**Notes:**

Matters, which the Board considers suitable for delegation, are contained in the terms of reference of its Committees.

Items marked \* indicate matters, which the Board believes should be considered in the first instance by the relevant Board Committee, with any final decision required to be taken by the Board as a whole.

A = Audit Committee

R = Remuneration Committee

N = Nomination Committee

S = Environment, Social & Governance Committee

In addition, the Board will receive reports and recommendations from time to time on any matter, which it considers significant to the Company.

These Matters Reserved are effective 2 April 2022 and were approved by the Board of Bristol Water plc.