

CORPORATE GOVERNANCE STATEMENT

As a public company and regulated business we believe we should apply the highest standards of corporate governance to meet the expectations of our customers, employees, shareholders, regulatory authorities and the general public.

In line with the Company's vision the Board is committed to maintaining trust in Bristol Water's reputation for high standards of conduct, beyond just as a dependable provider of an essential water service. Bristol Water continues to operate to the standard of corporate governance provided for in our Licence namely complying with the UK Corporate Governance Code (the "Code") as published by the Financial Reporting Council in July 2018 and which is applicable to the Company from 1 April 2019. Bristol Water plc is in private ownership but it has securities (debentures and preference shares) listed on the main market of the London Stock Exchange as a standard listing. However, our corporate governance compliance and our annual financial statements are prepared as if we were a premium listed company.

In January 2019, our economic regulator, Ofwat, has revised its principles document entitled "Board leadership, transparency and governance" ("Ofwat's Principles"). Ofwat set out a series of objectives that companies' Boards are required to follow, with provisions that we reference to explain how we achieve this.

Historically, Bristol Water has chosen to draft its own code combining the Company's Articles, UK Corporate Governance Code and Ofwat Principles together with relevant references to the UK Listing Rules and Disclosure and Transparency Rules within the Financial Conduct Authority's handbook. This statement replaces and modernises this approach, by reiterating our aim to comply with all relevant corporate governance legislation and regulation including the Code, Ofwat Principles and relevant regulation for a company with a premium listing on the London Stock Exchange.

The Board will not take a "tick box" approach to compliance and we will explain our approach compared to provisions, including justifying wherever we take an alternative approach (allowed under regulation). We will provide an explanation for our approach and a clear rationale for the action of the Company in the Company's financial statements and annual reporting.

One of Ofwat's provisions requires that the regulated company board establishes the company's purpose, strategy and values. In 2019 we launched our Social Contract which included our social purpose following a wide ranging consultation with our colleagues, customers and stakeholders, including as part of our PR19 business plan:

The Company's social purpose is to "To have a positive impact on the lives of our customers, our communities, our colleagues and the environment, beyond the delivery of pure and reliable water. By doing this we promote the success of the Company for the benefit of its members as a whole, through its business and operations."

The directors have agreed that in discharging their duties as directors of the Company under section 171-177 of the Companies Act 2006, the directors shall have regard to the social purpose of the Company stated above.

This document will be periodically reviewed and updated as appropriate to ensure we always meet the high standards we place on ourselves and that is expected of us.

On behalf of the Board

Keith Ludeman

Chairman

July 2019