



Matters Reserved for the Board

Affinity Water Limited

Approved by the Board on 20 November 2013



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A MATTERS RESERVED FOR THE BOARD¹

	RESERVED MATTERS	NOTES
1.	STRATEGY AND MANAGEMENT	
1.1	Responsibility for the overall leadership of the Company ² and setting the Company's values and standards.	Code ³ A.1.
1.2	Approval of the Company's strategic aims and objectives.	Code A.1
1.3	Approvals of the annual operating and capital expenditure budgets and any material changes to them.	
1.4	Oversight of the Company's operations ensuring: <ul style="list-style-type: none"> • competent and prudent management; • sound planning; • maintenance of sound management and internal control systems; • adequate accounting and other records; and • compliance with statutory and regulatory obligations to secure the carrying out of its regulated activities including the investment programme	Code C.2.
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.	Code B.6
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.	
2	STRUCTURE AND CAPITAL	
2.1	Changes relating to the Company's capital structure including reduction of capital, share issues (except under employee share plans), share buy backs including the use of treasury shares.	
2.2	Major changes to the Company's corporate structure, including, but not limited to acquisitions and disposals of shares which are material relative to the size of the Company in question (taking into account initial and deferred consideration).	

¹ Based on Guidance on Matters Reserved for the Board published by the Institute of Chartered Secretaries and Administrators in July 2013

² References to "Company", where relevant include the two financing subsidiaries of Affinity Water Limited

³ References to the Code are to the UK Corporate Governance Code September 2012 edition

	RESERVED MATTERS	NOTES
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.	
3	FINANCIAL REPORTING AND CONTROLS	
3.1	Approval of the half-yearly report, interim management statements and any preliminary announcement of the final results.	Code C.1. Audit DTR 4.1.-4.4.
3.2	Approval of the annual report and accounts, including the corporate governance statement and directors' remuneration report.	CA06 s414, s415 DTR 4, LR9.8. Code C.1. Audit
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.	LR 9.7. A.2. DTR 6.1.13.
3.5	Approval of any significant changes in accounting policies or practices.	Code C.1. and C.3., Audit
3.6	Approval of treasury policies including foreign currency exposure and the use of financial derivatives.	
3.7	Approval of material unbudgeted capital or operating expenditures (outside pre-determined tolerances).	
4	INTERNAL CONTROLS	
4.1	<p>Ensuring maintenance of a sound system of internal control and risk management including:</p> <ul style="list-style-type: none"> • 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. 	Code C.2. C.2.1, Audit UK Bribery Act 2010
5	CONTRACTS	
5.1	Approval of major capital projects and oversight over execution and delivery.	

	RESERVED MATTERS	NOTES
5.2	Contracts which are material strategically or by reason of size, entered into by the Company or, in the case of a subsidiary, recommendations for approval in the ordinary course of business, for example bank borrowings above £1 million and acquisitions or disposals of fixed assets (including intangible assets such as intellectual property) above £1 million.	
5.3	Contracts of the Company or any subsidiary not in the ordinary course of business, for example loans and repayments above £1 million; foreign currency transactions above £1 million; major acquisitions or disposals above £1 million.	
5.4	Major investments including the acquisition or disposal of interests of voting shares of any company or the making of any takeover offer.	DTR 5.
6	COMMUNICATION	
6.1	Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives.	Code E.1.
6.2	Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.	LR 13.
6.3	Approval of all circulars, prospectuses and listing particulars.	LR 13. PR 5.5.
6.4	Approval of press releases concerning matters decided by 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.	Code B.1., Nomination
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.	Code B.2.
7.3	Appointments to the board, following recommendations by the nomination committee.	Code, B.2.1., Nomination
7.4	Selection of the chairman of the board and the chief executive.	GBE 1.4 –1.8, 1.12-1.17, 4.1-4.7 and Nomination
7.5	Appointment of any senior independent director to provide a sounding board for the chairman and to serve as intermediary for the other directors when necessary.	Code A.4.1. GBE 1.9-1.11 Nomination
7.6	Membership and chairmanship of board committees following recommendations from the nomination committee.	Nomination
7.7	Continuation in office of directors at the end of their term of office,	Nomination

	RESERVED MATTERS	NOTES
	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.	Nomination
7.9	Appointment or removal of the company secretary.	CA06 Part 12 s270-280, Code B.5.2 and GBE 2.1.-2.4.
7.10	Appointment, reappointment or removal of the external auditor to be put to shareholders for approval in general meeting, following the recommendation of the audit committee.	CA06 s489 and s491, Code C.3.2. and Audit
7.11	Appointments to boards of subsidiaries.	
8	REMUNERATION	
8.1	Determining the remuneration policy for the directors, company secretary and other senior executives.	Code D.2. and Remuneration
8.2	Determining the remuneration of the non-executive directors, subject to the articles of association and shareholder approval as appropriate.	Code D.2.3
8.3	The introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval.	Remuneration
9	DELEGATION OF AUTHORITY	
9.1	The division of responsibilities between the chairman, the chief executive and other executive directors, which should be clearly established, set out in writing and agreed by the board.	Code A.2.1.
9.2	Approval of the delegated levels of authority, including the Chief Executive's authority limits (which must be in writing).	
9.3	Establishing board committees and approving their terms of reference, and approving material changes thereto.	Code B.2.1., C.3.1. and D.2.1.
9.4	Receiving reports from board committees on their activities.	
10	CORPORATE GOVERNANCE MATTERS	
10.1	Undertaking a formal and rigorous annual review of its own performance, that of its committees and individual directors, and the division of responsibilities.	Code B.6.

	RESERVED MATTERS	NOTES
10.2	Determining the independence of non-executive directors in light of their character, judgment and relationships.	Code B.1.1.
10.3	Considering the balance of interests between shareholders, employees, customers and the community.	CA06, s172
10.4	Review of the Company's overall corporate governance arrangements.	
10.5	Receiving reports on the views of the Company's shareholders to ensure that they are communicated to the board as a whole.	Code E.1.1.
10.6	Authorising conflicts of interest where permitted by the Company's articles of association.	CA06 s177
11	POLICIES	
11.1	Approval of policies, including: <ul style="list-style-type: none"> • Code of Conduct; • Share dealing code; • Bribery prevention policy; • Whistleblowing policy; • Health and safety policy; • Environment and sustainability policy; • Human resources policy; • Communications policy including procedures for the release of price-sensitive information; • Corporate social responsibility policy; and • Charitable donations policy. 	Code A.1
12	OTHER	
12.1	The making of political donations.	
12.2	Approval of the appointment of the Company's principal professional advisers.	
12.3	Prosecution, commencement, defence or settlement of litigation, or an alternative dispute resolution mechanism involving above £1 million or being otherwise material to the interests of the Company.	
12.4	Approval of the overall levels of insurance for the Company including directors' & officers' liability insurance and indemnification of directors.	Code A.1.3.
12.5	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.	
12.6	Any decision likely to have a material impact on the Company from any perspective, including, but not limited to, financial, operational, strategic or reputational.	

	RESERVED MATTERS	NOTES
12.7	This schedule of matters reserved for board decision.	
13	REGULATORY MATTERS	
13.1	Changes to the Company's Instrument of Appointment.	
13.2	Key performance indicators (financial, operational, customer services) on a quarterly basis,	
13.3	Approval of key regulatory submissions to OFWAT, the Drinking Water Inspectorate, Environment Agency, Competition Commission and similar agencies and bodies.	
13.4	Approval of undertakings provided by the Company's ultimate controller(s) under Condition P of the Instrument of Appointment.	
13.5	Approval of transactions and arrangements between the Company and associated businesses	
13.6	Approval of guarantees and loans to/on behalf of associated businesses, subject to Ofwat approval.	
13.7	Approval of matters likely to impact on reputation including (without limitation) fluoridation policy issues, major operational issues (e.g., temporary use ban), prosecutions by EA, DWI or similar, significant litigation, possible regulatory and enforcement action	
13.8	Changes to Charges Schemes and Tariffs	
13.9	Approval of financial and other material statements to Ofwat (including land disposal certificates)	
13.10	Appointment, re-appointment or removal of the Reporter	
13.11	Approval of statements required by the Company's Instrument of Appointment	