

**SEVERN TRENT WATER LIMITED  
MATTERS RESERVED to the BOARD**

*Items marked \*\* may not be delegated by the Board*

*Items marked \$ require the Water Board to report to the Plc Board.*

*Items marked # require prior consultation with the Plc Board.*

<b>1</b>		<b>AUTHORITY</b>
1.1	**	Approval of Terms of Reference of any Water Executive Team & Committees
1.2	**	Receiving Reports from any Water Executive Team & Committees
1.3	**	Undertaking a formal and rigorous review, on an annual basis, of its own performance and that of individual directors.
1.4	**	Assessment of which directors are independent.
1.5	**	Scope and nature of the general duties of directors as set out within the Companies Act 2006 with specific regard to the provisions of sections 171 to 177 of those owed by a director of a company to the company.
1.6	**	This schedule of matters reserved for the board.
<b>2</b>		<b>STRATEGY &amp; MANAGEMENT</b>
2.1	** \$	Ensuring observance of all matters required by the Company's Instrument of Appointment.
2.2		Oversight of the activities of the Company, ensuring that the Company has adequate; <ul style="list-style-type: none"> <li>• financial resources and facilities</li> <li>• management resources</li> <li>• systems of planning &amp; internal control</li> </ul> to enable it to secure the carrying out of its regulated activities including the investment programme.
2.3	\$	Key performance indicators (financial, operational, customer services) on a quarterly basis,
2.4		Review of performance in the light of the Company's strategy, objectives, business plans and budgets and ensuring that any necessary action is taken.
2.5	\$	Submissions to Office of Fair Trading, OFWAT, Competition Commission and similar agencies and bodies.
2.6	** \$	Obtain from Severn Trent Plc and make available to the Water Services Regulation Authority written undertakings to comply with the Instrument of Appointment.
2.7		Procedure for directors in the furtherance of their duties to take independent advice, at the Company's expense.

<b>3</b>		<b>CONTRACTS AND COMPLIANCE</b>
3.1		Cascading of the Group Authorisation Arrangements throughout the business.
3.2		Contracts not in the ordinary course of business
3.3	** \$	Contracts in which a director or other related party is interested,
3.4		Ensuring that any conflicts of interest between duties as directors of the Company and other duties are reported to the Water Services Regulation Authority.
3.5		Transactions between the Company and associated businesses
3.6	** \$	Guarantees and Loans to/on behalf of associated businesses have Water Services Regulation Authority approval.
3.7	\$	Matters likely to impact on reputation including (without limitation) fluoridation policy issues, major operational issues (e.g., hosepipe ban), prosecutions by EA, DWI or similar, significant litigation, possible regulatory and enforcement action
<b>4</b>		<b>FINANCE</b>
4.1	\$	Changes to Charges Schemes and Tariff Policy.
4.2	\$	Communication of Bad Debt write off
<b>5</b>		<b>COMMUNICATIONS</b>
5.1		Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
5.2	**	Delivery of financial and other material statements to the Water Services Regulation Authority (including land disposal certificates)
5.3	**	Approval of press releases concerning matters decided by the Board.
5.4	\$	Appointment, re-appointment or removal of the Reporter
<b>6</b>		<b>ACCOUNTS &amp; AUDIT</b>
6.1		The keeping of proper accounting records
6.2	** \$	Approval of the financial statements of <ul style="list-style-type: none"> <li>• the Company</li> <li>• the associated businesses</li> <li>• the consolidated businesses</li> </ul>
6.3	** \$	Approval of the Annual Report & Accounts, including the Directors Report, Corporate Governance Statement and statements required by the Company's Instrument of

		Appointment.
6.4	** \$	Approval of the Dividend policy, ensuring it complies with the Company's Instrument of Appointment.
6.5	** \$	Declaration of the interim dividend and recommendation of the final dividend.
6.6	**	Approval of Directors' statements to the Water Services Regulation Authority concerning the annual viability of the business.
<b>7</b>		<b>INTERNAL CONTROL</b>
7.1	\$	Ensuring the maintenance of a sound system of internal control and risk management.
7.2	\$	Reviewing the effectiveness of the Company's risk management and internal control processes, including receiving and reviewing regular reports.
7.3		Carrying out a review, at least annually, of these processes.
<b>8</b>		<b>BOARD APPOINTMENTS</b>
8.1	** \$ #	Changes to the structure, size and composition of the Board, including appointments and removals, together with the notification of such events to the Water Services Regulation Authority (including notification of any important change in a director's responsibilities).
8.2	** \$ #	Selection of the Chairman of the Board and the Chief Executive
8.3	\$ #	Appointment of the Senior Independent Director.
8.4		Membership and Chairmanship of Board Committees.
8.5	\$ #	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 Annual General Meeting and otherwise as appropriate
8.6	\$ #	Removal of any director, including the suspension or termination of service of an executive director as an employee of the group, subject to the law and their service contract.
8.7	** \$ #	Appointment or removal of the Company Secretary
8.8		Appointments to Boards of Subsidiaries of the Company.
<b>9</b>		<b>CORPORATE RESPONSIBILITY</b>
9.1		Cascading of Group Corporate Responsibility Policies

It is appropriate for emergency procedures to be drawn up to deal with matters urgently, such as video or telephone conference call. In such cases it is desirable that as many directors as possible participate. All relevant papers should be sent to all directors and those unable to participate invited to air their views with the Chairman or Company Secretary.