

Hafren Dyfrdwy

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# Matters Reserved to the Hafren Dyfrdwy Cyfyngedig Board

Company Secretariat

Approved by the Board on 11 March 2022

This schedule has been considered in light of the requirements contained in Ofwat's Board leadership, transparency and governance principles (the 'Principles') and the UK Corporate Governance Code 2018 (the 'Code') and has been approved by the Hafren Dyfrdwy Cyfyngedig Board. It is intended to describe those matters that it considers should be decided by the Board as a whole rather than delegating to a Committee or Individual Directors.

Having regard to the Principles and Code, and to the duty (contained within Section 172 Companies Act 2006) for each of the Directors to promote the success of the Company for the benefit of its members as a whole, and in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The Hafren Dyfrdwy Cyfyngedig Board will evaluate this document on an annual basis in line with corporate governance best practice.

The Board has the following matters reserved to it:

<b>1</b>	<b>Strategy and Management</b>
1.1	Responsibility for the overall leadership of the Company.
1.2	Approval of the Company's strategic aims and objectives.
1.3	Assessment and monitoring of the Company's culture.
1.4	Approval of the annual operating and capital expenditure budgets and any material changes to them.
1.5	Oversight of the Company's operations ensuring: <ul style="list-style-type: none"> <li>• Competent and prudent management;</li> <li>• Sound planning;</li> <li>• Maintenance of sound management and internal control systems;</li> <li>• Adequate accounting and other records; and</li> <li>• Compliance with statutory and regulatory obligations.</li> </ul>
1.6	Review of performance in the light of the Company's strategic aims, values, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
<b>2</b>	<b>Structure and Capital</b>
2.1	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.
2.2	Changes to the Company's management and control structure.
<b>3</b>	<b>Financial Reporting and Controls</b>
3.1	Approval of the Annual Report and Accounts. *A
3.2	Approval of material unbudgeted capital or operating expenditure.

<b>4</b>	<b>Internal Controls and Enterprise Risk Management</b>
4.1	<p>In conjunction with the Audit and Risk Committee<sup>1</sup> where appropriate, establish formal and transparent policies and procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives, including: * A</p> <ul style="list-style-type: none"> <li>• Approving the Company/Group's risk appetite statements;</li> <li>• Review reports from the Group's Enterprise Risk Management function and make recommendations for the approval of material changes to the Group's Enterprise Risk Management Framework, if required;</li> <li>• Monitoring the Company's risk management and internal control systems, and annually reviewing and reporting on the effectiveness of these systems to support its strategy and objectives;</li> <li>• Ensuring the independence and effectiveness of the internal and external audit functions and satisfying itself on the integrity of the financial and narrative statements;</li> <li>• Routinely reviewing the Company's arrangements for its workforce to raise concerns, in confidence and anonymously; reviewing any reports arising from such arrangements and ensuring that such arrangements allow proportionate and independent investigation of such matters and follow-up action;</li> <li>• Considering matters relating to whistleblowing, including receiving reports on whistleblowing matters, including material instances of disclosure;</li> <li>• Approving procedures for the detection of fraud and the prevention of bribery and corruption;</li> <li>• Undertaking an annual assessment of these processes; and</li> <li>• Approving appropriate statements for inclusion in the Annual Report and Accounts.</li> </ul>
<b>5</b>	<b>Contracts / Transactional Approvals</b>
5.1	Approval of revenue and capital expenditure, bid submissions and the acquisition or disposal of land, property or other capital assets where the cost or consideration exceeds the respective amounts in the delegated levels of authority (Severn Trent Plc Group Authorisation Arrangements (the 'GAA')).
5.2	Notwithstanding the delegated approvals contained in the GAA, the approval of any project which materially increases the Company's risk profile and/or which involves any obligations, restrictions or liabilities of an

	unusual, onerous or exceptional nature not in the ordinary course of the Company's business.
<b>6</b>	<b>Communication</b>
6.1	Ensuring effective engagement with the Company's stakeholders based on the mutual understanding of objectives and review of engagement mechanisms with such parties.
<b>7</b>	<b>Board Membership and Other Appointments</b>
7.1	Changes to the structure, size and composition (including the skills, knowledge, independence, experience and diversity) of the Board, and of its Committees in consultation with the relevant Committee Chair, following recommendations from the Nominations Committee. *N
7.2	Appointments to the Board following recommendations by the Nominations Committee. *N
7.3	Identifying and managing conflicts of interest, including those resulting from significant shareholdings and appointments to the Board of other companies, and ensuring that the influence of third parties does not compromise or override independent judgment. Authorising conflicts of interest where permitted by the Company's articles of association.
7.4	Appointment or removal of the Company Secretary.
<b>8</b>	<b>Remuneration</b>
8.1	Determining the remuneration of Non-Executive Directors (in accordance with the Articles of Association of the Company), on the recommendation of the Managing Director and the Chief Financial Officer and in conjunction with the Company's independent remuneration consultants.
<b>9</b>	<b>Delegation of Authority</b>
9.1	Establishing Board Committees and approving their terms of reference, and approving material changes thereto.
9.2	Receiving reports from Board Committees on their activities.

<b>10</b>	<b>Corporate Governance Matters</b>
10.1	Undertaking a formal, rigorous and transparent annual review of its own performance, that of its Committees, the Chair and individual Directors, and the division of responsibilities.
10.2	Determining the independence of Non-Executive Directors in light of their character, judgment and relationships.
10.3	Review of the Company's overall corporate governance arrangements.

In exceptional circumstances, it may be necessary to agree any of the foregoing matters in the best interests of the Company on very short notice and without being able to summon all Directors to a meeting.

In these exceptional circumstances, it will be sufficient for the Board Meeting to be comprised of at least two Directors, and for all Directors (other than those who are absent without having left a suitable means of contacting them urgently) to be given a brief explanation of the nature of the proposal and the obligations and potential liabilities of the Company under the proposal. Where possible, the views of all Directors on the proposal should be sought and taken account of.

Note: 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.

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

**By Order of the Board**

**Hannah Woodall-Pagan  
Company Secretary**

**11 March 2022**