

**SOUTHERN WATER SERVICES LIMITED (“THE COMPANY”)
SCHEDULE OF MATTERS RESERVED FOR THE BOARD**

The following sets out which matters are, by exception, to be approved by Greensands as shareholder of SWS in line with the Southern Water Code. Where matters are in fact put to Greensands for approval, this will be disclosed in the Company’s Annual Report.

1.	STRATEGY & MANAGEMENT	GSH BOARD APPROVAL
1.1	Responsibility for the overall leadership of the Company and setting the Company’s values and standards.	
1.2	Setting the Company’s strategy to achieve its aims and objectives	
1.3	Monitoring the delivery of the strategy. Review of performance in light of the Company’s strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.	
1.4	Extension of the Group’s activities into new business or geographic areas.	
1.5	Litigation – deciding to take action and agreeing tactics and any settlements	YES if relates to a business critical contract or claim exceeds £10m (excluding debt collection/ interim injunction/ urgent applications)
2.	STRUCTURE & CAPITAL	GSH BOARD APPROVAL
2.0	Agreeing the financing strategy	
2.1	Changes relating to the Company’s capital structure including reduction of capital, share issues and share buy backs.	YES
2.2	Changes to the corporate structure of the Securitisation Group.	YES
2.3	Entry into or termination of a joint venture or partnership.	
2.4	Changes to the Company’s management and control structure.	

2.5	Entry into a lease arrangement over £5m	
2.6	Acquisition or Disposal of assets in the Group	YES £5m in regulated business £1m in non-regulated business
2.7	Approval of the Annual Budget (operating expenditure and capital expenditure)	YES If 10% deviation from any line item in business plan or opex by 5% from business plan
2.8	Material change to the annual capital expenditure budget	YES £5m in regulated business £1m in non-regulated
2.9	Material changes to the annual operating expenditure budget	YES If exceeds 5% but less than 10% of any line item in the annual budget
2.10	Encumbrance and Guarantees	YES subject to material impact on business or assets
2.11	Acquisitions, Mergers and Amalgamations	
2.12	IPO/ Exit/ Asset Sale	
2.13	Winding up of any Group company	
2.14	Approval of Treasury Policy	YES
2.15	Approval of procurement strategy for award of new contract by the Group which is either business critical to the Group or exceeds £10m over the life	
3.	FINANCIAL REPORTING & CONTROLS	GSH BOARD APPROVAL
3.1	Approval of Financial Statements.	
3.2	Approval of the interim statement and the annual report and accounts, including the corporate governance statement and directors' remuneration report.	
3.3	Approval of dividends.	
3.4	Approval of dividend policy	YES
3.5	Approval of any significant changes in accounting policies or practices.	YES (except where to comply with law or new practices)
4.	INTERNAL CONTROLS	GSH BOARD APPROVAL
4.1	Ensuring maintenance of a sound system of internal control and risk management including: <ul style="list-style-type: none"> • Adequate accounting and other records • Approving the Company/ Company risk appetite statements; • Monitoring, 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; 	

	<ul style="list-style-type: none"> • Undertaking an annual assessment of the effectiveness of internal control processes; and • Compliance with statutory and regulatory obligations 	
5.	COMMUNICATION	GSH BOARD APPROVAL
5.1	Key customer and stakeholder publications (including, but not limited to, the Annual Report).	
6.	BOARD MEMBERSHIP & OTHER APPOINTMENTS	GSH BOARD APPROVAL
6.1	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.	
6.2	Appointment, removal or replacement of executive Directors of the Company.	YES
6.3	Appointment or removal of the Company Secretary.	
6.4	Appointment, removal or replacement of the Chairman of the Board of the Company.	YES
6.5	Appointment, removal or replacement of any independent non-executive director of the Company.	YES
6.6	Appointment of Investor Directors (two in accordance with the SSA)	YES
6.7	Appointment of member of Board Committees (including appointment of the Committee Chairman).	
7.	REMUNERATION	GSH BOARD APPROVAL
7.1	Agreeing the remuneration of all executive directors of the Company (including the CEO and CFO) within the constraints of the Remuneration Policy.	
7.2	Designing the structure and key metrics of the Annual Bonus scheme for the senior management team within the constraints of the Remuneration Policy.	
7.3	Designing new incentive plans or major changes to existing plans within the constraints of the Remuneration Policy.	
7.4	Making awards under long term incentive plans (LTIP) within the constraints of the Remuneration Policy.	
7.5	Agreeing the extent to which the performance conditions linked to the payment of the Annual	

	Bonus have been achieved (Subject to approval of the implementation of Remuneration Policy).	
7.6	Agreeing the extent to which the LTIP performance conditions have been achieved (subject to the approval of the implementation of the Remuneration Policy).	
7.7	Approving Remuneration Policy applicable to executive directors of the Company and Senior Management (including the Company's forward-looking policy on remuneration).	
7.8	Approving the implementation of the Remuneration Policy including approving the total pay received by each Executive Director and ELT member during the year including bonuses, LTIP payments and pension provision.	
7.9	Determining the remuneration of the non-executive directors, subject to the articles of association.	
8.	DELEGATION OF AUTHORITY	GSH BOARD APPROVAL
8.1	Agreeing the division of responsibilities between the Chairman and the CEO and between the CEO and the CFO	
8.2	Establishing board committees and approving their terms of reference, and approving material changes thereto.	YES
8.3	Receiving reports from board committees on their activities.	
9.	CORPORATE GOVERNANCE MATTERS	GSH BOARD APPROVAL
9.1	Undertaking a formal and rigorous annual review of its own performance, that of its committees and individual directors, and the division of responsibilities.	
9.2	Determining the independence of non-executive directors in light of their character, judgement and relationships.	
9.3	Reviewing the Company's overall corporate governance arrangements.	
9.4	Authorising conflicts of interest where permitted by the Company's articles of association.	
9.5	Changes to Constitutional Documents.	
10.	POLICIES	GSH BOARD APPROVAL
10.1	Approval of material polices including: <ul style="list-style-type: none"> • Southern Water Code; • Bribery Prevention Policy; and, • Whistleblowing Policy. 	

10.2	Approval of H&S Policy.	
10.3	Approval of material changes to Group's Pension Policy.	
11.	REGULATORY MATTERS	GSH BOARD APPROVAL
11.1	Approval of any draft or final business plan to be submitted to OFWAT under the licence.	YES
11.2	Key regulatory submissions (including, but not limited to, market reform, price review submissions, Interim Determination of K applications, Risk and Compliance Statement, and Regulatory Financial Statements).	
11.3	Application to Ofwat for a determination of the terms for bulk supplies to, and bulk discharges from, other water and sewerage undertakers (including inset appointees).	
11.4	Fixing of principal charges and charges scheme.	
11.5	Approving an appropriate statement for inclusion in the annual report to OFWAT on Internal Controls.	
11.6	Approval of any general customer rebate.	
11.7	Approval of hosepipe bans.	
11.8	Approval of drought orders.	
12.	OTHER	GSH BOARD APPROVAL
12.1	Approval of the appointment of the auditors for the Company and the Group.	YES
12.2	Approval of the overall level of insurance for the Company and the Group, including directors' & officers' liability insurance.	YES

[Notes:

1. A version of this document which does not distinguish between Greensands board and Greensands shareholder approval will be included on the Company's website.
2. There may be exceptional circumstances where the Company considers that it should proceed without Greensands approval (such as a situation where the Company needs to move fast and its board considers including from a fiduciary perspective, that it has no alternative on how to proceed). Similarly there may be exceptional circumstances where Greensands could use its approval rights to intrude on the Company's business to an inappropriate extent (such as where it consistently refuses to approve directors put forward by the Company). Neither of these are expected in practice and so are not expected to get in the way of how the governance regime should operate in practice.]