

**ANGLIAN WATER SERVICES LIMITED (THE "COMPANY")**  
**SCHEDULE OF MATTERS RESERVED FOR THE BOARD**

<b>1. Strategy and management</b>	<b>AWG approval?</b>
1.1 Responsibility for the overall leadership of the Company and setting the Company's values and standards.	
1.2 Approval of the Company's strategic aims and objectives.	YES Where material change in Company strategy
1.3 Approvals of the annual operating and capital expenditure budget.	YES Where material change in Company strategy
1.3 Material changes to annual operating expenditure budget.	YES Where business plan limits exceeded by £10m
1.3 Material changes to annual capital expenditure budget.	YES Where business plan limits exceeded by £5m
1.4 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>	
1.5 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.	
1.6 Extension of the Company's activities into new business or geographic areas.	YES Where change in activities/business is material in context of the group
1.7 Any decision to cease to operate all or any material part of the Company's business.	YES

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<b>2. Structure and capital</b>	<b>AWG approval?</b>
2.1 Changes relating to the Company's capital structure including reduction of capital, share issues and share buy backs.	BOTH Where changes are material in the context of the group
2.2 Changes to the corporate structure of the AWS Finance Group of companies (of which the Company is a member).	BOTH
2.2 Entry into or termination of a joint ventures or partnership.	YES Where consideration is >£10m
2.3 Changes to the Company's management and control structure.	
<b>3. Financial reporting and controls</b>	
3.1 Approval of the half-yearly report, interim management statements and any preliminary announcement of the final results.	
3.2 Approval of the annual report and accounts, including the corporate governance statement and directors' remuneration report.	
3.3 Approval of the dividend policy.	YES Company's dividend policy must be consistent with group policy
3.4 Declaration of the interim dividend and recommendation of the final dividend.	
3.5 Approval of any significant changes in accounting policies or practices.	BOTH
3.6 Approval of treasury policies.	BOTH
3.7 Approval of material unbudgeted capital expenditure (in excess of Business Plan limits).	YES Where >£5m
3.8 Approval of material unbudgeted operating expenditures (in excess of Business Plan limits).	BOTH Where >£10m

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<b>4. Internal controls</b>	<b>AWG approval?</b>
<p>4.1 Ensuring maintenance of a sound system of internal control and risk management including:</p> <ul style="list-style-type: none"> <li>• Approving the Company/Company's risk appetite statements;</li> <li>• Receiving reports on, and reviewing the effectiveness of, the Company's risk and control processes to support its strategy and objectives;</li> <li>• Approving procedures for the detection of fraud and the prevention of bribery;</li> <li>• Undertaking an annual assessment of these processes; and</li> <li>• Approving an appropriate statement for inclusion in the annual report.</li> </ul>	
<b>5. Contracts</b>	
5.1 Approval of procurement strategy for award of new contract by AWS where contract value (over the life of the contract) expected to be in excess of £15m.	YES (Where value is >£30m)
5.2 Disposal of land or rights over land to a third party where the consideration or land value (determined on an arms length basis) is £1m or above.	
5.3 Disposal of obsolete or surplus items of plant, vehicles or equipment where the consideration is expected to be in excess of £10m.	
5.4 Buying land/buildings, including lease where transaction over £5m.	
<b>6. Communication</b>	
6.1 Approval of any listing particulars, circulars to holders of the Company's securities or prospectuses and recommendations in respect of any matters which may be submitted to holders of the Company's securities.	
<b>7. Board membership and other appointments</b>	
7.1 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.	
7.2 Appointment, removal or replacement of executive directors of the Company.	BOTH
7.3 Appointment or removal of the Company Secretary.	

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<b>7. Board membership and other appointments</b>	<b>AWG approval?</b>
7.4 Appointment, removal or replacement Chairman of the Board of the Company.	BOTH
7.5 Appointment, removal or replacement or any independent directors of the Company.	BOTH
7.6 Appointment of members of Board Committees (including appointment of the Committee Chairman).	BOTH
<b>8. Remuneration</b>	
8.1 Agreeing the remuneration of all executive directors of the Company (including the Chief Executive Officer) within the constraints of the Remuneration Policy.	
8.2 Designing the structure and key metrics of the Annual Bonus scheme for the senior management team within the constraints of the Remuneration Policy.	
8.3 Designing new incentive plans or major changes to existing plans within the constraints of the Remuneration Policy.	
8.4 Making awards under long term incentive plans (LTIP) within the constraints of the Remuneration Policy.	
8.5 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).	
8.6 Agreeing the extent to which LTIP performance conditions have been achieved (subject to approval of the implementation of Remuneration Policy).	
8.7 Approving Remuneration policy applicable to executive directors of the Company and Senior Management (including the Company's forward-looking policy on remuneration).	YES
8.8 Approving the implementation of Remuneration Policy including approving the total pay received by each director during the year including bonuses, long term incentive payments and pension provision.	YES
8.9 Determining the remuneration of the non-executive directors, subject to the articles of association and shareholder approval as appropriate.	YES

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<b>9. Delegation of authority</b>	<b>AWG approval?</b>
9.1 Agreeing the division of responsibilities between the Chairman, the Chief Operating Officer and other executive directors.	
9.2 Establishing board committees and approving their terms of reference, and approving material changes thereto.	BOTH
9.3 Receiving reports from board committees on their activities.	
<b>10. Corporate governance matters</b>	
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.	
10.2 Determining the independence of non-executive directors in light of their character, judgment and relationships.	
10.3 Reviewing the Company's overall corporate governance arrangements.	
10.4 Authorising conflicts of interest where permitted by the Company's articles of association.	
<b>11. Policies</b>	
11.1 Approval of material policies, including: <ul style="list-style-type: none"> <li>• Code of Conduct;</li> <li>• Bribery prevention policy; and</li> <li>• Whistleblowing policy.</li> </ul>	
11.2 Approval of Health and safety policy.	BOTH
11.3 Approval of material changes to group's Pensions policy.	BOTH
<b>12. Other</b>	
12.1 Approval of the appointment of the Company's principal professional advisers where advice sought is contemplated by the annual business plan (subject to 12.2).	
12.2 Approval of the appointment of the auditors for the Company and the group.	YES
12.3 Prosecution, commencement, defence or settlement of litigation, or an alternative dispute resolution mechanism involving claims above £1 million or being otherwise material to the interests of the Company.	YES (where claim is >£20m)
12.4 Approval of the overall levels of insurance for the Company and the group up including directors' & officers' liability insurance.	YES

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<b>13 Regulatory matters</b>	
13.1 Approval of any draft or final business plan to be submitted to OFWAT under the Licence.	BOTH
13.2 Approval of any request for any Interim Determination of K.	BOTH
13.3 Approval of any proposed material changes to the Licence.	BOTH
13.4 Referral of any matter (including a proposed Licence Modification, Interim or Final Determination) to the Competition Commission.	YES
13.5 Approval of application for Inset Appointments.	
13.6 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)	
13.7 Approval of the annual and any interim Charges Scheme.	
13.8 Approving an appropriate statement for inclusion in the annual report to OFWAT on Internal Controls.	
13.9 Approval of any general customer rebate.	
13.10 Approval of Hosepipe bans	
13.11 Approval of drought orders	
<b>14 Securitisation Matters</b>	
14.1 Proposed changes to any Finance Document as defined in the Master Definitions Agreement.	BOTH
14.2 Approval of any material matter requiring the consent of the Security Trustee under the CTA including but not limited to any STID proposal, application for waiver or certificate required in respect of any default or trigger event.	BOTH
14.3 Approval of investor's reports and compliance certificates under the CTA.	

**Notes:**

- i) "BOTH" means that approval by both the AWS Board and the AWG Board is required.
- ii) In some cases, either a Special Resolution of the AWG Board may be required or the AWG Board must also seek approval of the ultimate owners of the group.
- iii) The above list of matters reserved sets out material matters which are reserved to the AWS Board but is not exhaustive. The AWS board may also be required to make decisions on any matter which it considers significant to the Company.