

Company Name: SEMBCORP BOURNEMOUTH WATER LIMITED

Registered Office: GEORGE JESSEL HOUSE  
FRANCIS AVENUE  
BOURNEMOUTH  
DORSET  
BH11 8NX

Company Number: 2924312

Date of Incorporation: 25 April 1994

## PURPOSE

Every listed company should be headed by an effective board, which is collectively responsible for the success of the Company. Although the Company is no longer listed it supports the principles of good boardroom practice.

These procedures have been written incorporating the key responsibilities of the board as defined in the Combined Code of Corporate Governance, together with Companies Act 1985 and Companies Act 2006 as applicable and this Company's Memorandum and Articles of Association.

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## SECTION 1 - DIRECTORS

### 1.1 Statutory Statement of Directors Duties

- Duty 1: To act within powers (CA 2006 s.171)
- Duty 2: To promote the success of company (s.172)
- Duty 3: To exercise independent judgement (s.173)
- Duty 4: To exercise reasonable care, skill and diligence (s.174)
- Duty 5: To avoid conflicts of interest (s.175)
- Duty 6: Not to accept benefits from third parties (s.176)
- Duty 7: To declare interest in proposed transactions with the company (s.177)

### 1.2 The Collective Role of the Board

- The Board will meet regularly for the despatch of business, adjourn and otherwise regulate their meetings as they think fit.
- Directors will receive accurate, timely and clear information.
- The Board will have a formal schedule of matters specifically reserved to it for decision.
- Where directors' concerns about the running of the Company or a proposed action cannot be resolved they will ensure that they are recorded in the Board minutes.
- Directors may take independent professional advice if necessary at the Company's expense.
- All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that board procedures are followed and that applicable regulations are complied with.
- All Directors will bring an independent judgement to all issues.
- The quorum necessary for the transaction of business of the Directors may be fixed from time to time by the Directors and unless so fixed at any other number shall be two.
- It is assumed that the Directors have the required competences to fulfil their duties. However, if any area of development is required, then training is provided by the Company, at its own expense.
- All non-executive Directors other significant commitments and potential conflicts of interest are disclosed to the Board before appointment.
- The Board will undertake a formal and rigorous evaluation of its own performance and that of its committees and individual directors at least every two years.

### 1.3 Chairman

- The Directors will elect from their number a Chairman and determine the period of office.
- The Chairman's performance evaluation forms part of the formal and rigorous evaluation of the Board.
- The Chairman:
  - is responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda
  - sets the agenda, style and tone of board discussions to promote effective decision making and constructive debate
  - will ensure the directors receive accurate, timely and clear information
  - will ensure that the directors continually update their skills and have the knowledge and familiarity with the Company required to fulfil their role
  - will ensure effective implementation of board decisions
  - ensures effective communication with the shareholder
  - facilitates the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors
  - will ensure that all directors, whether executive or non-executive, accept their full share of responsibility for the governance of the Company and the non-executives in particular are kept properly informed
  - provides coherent leadership of the Company, including representing the Company and understanding the views of shareholder
  - has the authority (in his absence the Senior Independent Director) to approve contracts with a value in excess of £250,000 in between Board meetings.

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## SECTION 1 - DIRECTORS

### 1.4 Senior Independent Director

- The Directors may, if thought appropriate, elect from one of the independent non-executive Directors, a Senior Independent Director to allow another communication route to the Board.
- If elected, the Senior Independent Director:
  - would be available to the shareholder if they had concerns which contact through the normal channels of Chairman, Managing Director, or Finance Director had failed to resolve or for which such contact was inappropriate
  - would lead meetings of the non-executive directors which it was inappropriate for the Chairman to attend

### 1.5 Board Committees

- The Board has delegated power to three committees to review and make recommendations. These are as follows:
  - i) Audit Committee
  - ii) Remuneration Committee
  - iii) Nomination Committee
- i) The Audit Committee comprises at least two non-executive Directors and meets at least twice a year. The matters normally reserved for this committee are detailed in section 4.1.
- ii) The Remuneration Committee comprises all the independent non-executive Directors and normally meets twice a year to consider the remuneration and other employment conditions of the executive Directors.
- iii) The Nomination Committee comprises all the non-executive Directors and meets when required to consider any appointments to the Board after consultation with the executive Directors.

### 1.6 Board Balance

- The Instrument of Appointment (the Company's licence from Ofwat) dictates that the Board must have a minimum of three independent non-executive Directors, who will be persons of standing with relevant experience and who will collectively have connections with and knowledge of the areas within which the Company provides water services and an understanding of the interests of the Company's activities and how these can be respected and protected.

### 1.7 Supply of Information

- Management has an obligation to provide the Board with appropriate and timely information. Board papers will be sent to Directors one week prior to the meeting. This information is unlikely to be sufficient in all circumstances and Directors should make further enquiries where necessary.

### 1.8 Board Meetings

- The Board agenda should strike a balance between long-term strategic and shorter-term performance issues. All directors have the opportunity to put items on the agenda.
- The Board will hold regular meetings including strategy away days.
- High attendance at Board meetings will be expected and achieved.
- Major decisions are only to be taken after a full discussion at Board meetings.

## **SECTION 1 - DIRECTORS (Continued)**

### **1.9 General Meetings**

- A General Meeting will be held once in every year, at such time and place as may be determined by the Directors.
- The Chairman of the Board, will preside as Chairman at a General Meeting. If the Chairman is not present within fifteen minutes after the time appointed for holding the meeting, the Directors present will choose one of their number to chair the meeting.
- No business other than the appointment of a Chairman will be transacted at any General Meeting unless a quorum is present. Two members present in person or by proxy or a duly authorised representative of a corporation and entitled to vote will be quorum for all purposes.
- The Chairman of any general Meeting may with the consent of the meeting, adjourn the meeting from time to time and from place to place. But no business will be transacted at any adjourned meeting except the business that would lawfully have been transacted at the meeting from which the adjournment took place.
- At any General Meeting a resolution put to the vote of the meeting will be decided on a show of hands unless a poll is demanded.
- In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting will be entitled to a casting vote.

### **1.10 Minutes**

- The Company is required (CA 2006 s.248) to maintain minutes of all meetings of the directors and for these to be available for inspection by any director.
- These minutes must be kept for at least ten years from the date of the meeting.
- If a Company fails to comply with this section, an offence is committed by every officer of the company who is in default.

### **1.11 Appointments to and Retirements from the Board**

- The appointment of a Director will initially be discussed at the Nominations Committee for recommendation to the Board.
- The Company may by, Resolution of the Board, appoint any person to be a Director either to fill a casual vacancy or as an additional Director. There is no maximum limit on the number of directors but shall not be less than 2.
- Any person so appointed will hold office only until the next AGM and will then be eligible for re-election.
- The Company may, in accordance with and subject to the provisions of the Companies Act 1985 and the Companies Act 2006 as applicable and any agreement between the Company and such Director, by Ordinary Resolution of which Special Notice has been given, remove any Director from office and appoint another person in place of a Director so removed.
- In default of such appointment the vacancy arising upon the removal of a Director from office may be filled as a casual vacancy.
- If the situation dictates the Chairman has the power to suspend an executive Director, pending a meeting of the Board to make final decision.

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## SECTION 1 - DIRECTORS (Continued)

### 1.12 Re-election

- Each Director must retire not later than the third Annual General Meeting following his last appointment or re-appointment in general meeting.
- The Directors to retire on each occasion will be determined by the composition of the Board at the start of business on the date of the notice convening the AGM.
- In any event, at every Annual General Meeting, a minimum number of Directors must retire. The minimum number is one third, or where the number of Directors is not divisible by three, the number that is nearest to and less than one-third.
- A retiring Director will be eligible for re-election.
- Any term beyond six years for a non-executive Director, will be subject to particularly rigorous review.
- Non-executive Directors may serve longer than nine years subject to annual re-election. However, serving more than nine years could be relevant to the determination of a non-executive Director's independence and the Board must consider whether the Director is independent notwithstanding such relationships or circumstances and, if it determines that he is so independent, state its reasons for doing so.

### 1.13 Schedule of Matters Reserved for the Board

The following schedule details the matters reserved for Board decisions:

- Strategy and Management
  - Responsibility for the overall management of the Company
  - Approval of the Company's long term objectives and commercial strategy
  - Approval of the annual operating and capital expenditure budget
  - An overview of the Company's operations to ensure: competent and prudent management; sound planning; an adequate system of control; adequate accounting and other records; compliance with statutory and regulatory regulations
  - Review of performance in the light of the Company's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken
  - Extension of the Company's activities into new business areas
  - Any decision to cease to operate all or any material part of the Company's business
- Structure and Capital
  - Changes relating to the Company's capital structure
  - Major changes to the Company's corporate structure
  - Changes to the Company's management and control structure
  - Any changes to the Company's status as a plc
- Financial/Regulatory Reporting and Controls
  - Approval of announcements or interim and final results
  - Approval of the annual report and accounts including the business review, corporate governance and remuneration report
  - Approval of the dividend policy
  - Declaration of the interim dividend and recommendation of the final dividend
  - Approval of any significant changes in accounting policies or practices
  - Approval of treasury policies (including the use of financial derivatives)
  - Approval of regulatory documents (e.g. Regulatory accounts, June Return, Business Plans etc.)

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## SECTION 1 - DIRECTORS (Continued)

- Internal Controls
  - Ensuring maintenance of a sound system of internal control and risk management including receiving reports on, and reviewing the effectiveness of, the Company's risk and control processes to support its strategy and objectives; undertaking an annual assessment of these processes; approving an appropriate statement for inclusion in the annual report
- Contracts and Charges
  - Capital projects in excess of £250,000 and unbudgeted capex which cannot be accommodated in the annual total approved budget.
  - Contracts which are material strategically or by reason of size, entered into by the Company (or any subsidiary) in the ordinary course of business
  - Contracts of the Company not in the ordinary course of business, including any acquisitions or disposals
  - Approval of charges scheme (e.g. Tariff structure)
- Communication
  - Approval of resolutions and to be put forward to shareholders at a general meeting
- Board Membership and other appointments
  - Changes to the structure, size and composition of the Board, following recommendations from the Nomination Committee
  - Ensuring adequate succession planning for the Board and senior management
  - Appointments to the Board, following recommendations by the nomination committee
  - Selection of the Chairman of the Board
  - Appointment of the Senior Independent Director if appropriate
  - Membership and Chairmanship of Board committees
  - 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 AGM and otherwise as appropriate
  - Continuation in office of any director at any time, including the suspension or termination of service of any executive Director as an employee of the Company, subject to the law and their service contract
  - Appointment or removal of the Company Secretary
  - Appointment, reappointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit committee
  - Appointments to Boards of subsidiaries
- Remuneration
  - Determining the remuneration policy for the Executive Directors and any incentive arrangement for all Directors and Senior Managers
  - Determining the remuneration of the non-executive Directors, subject to the Articles of Association and shareholder approval as appropriate
- Delegation of Authority
  - The division or responsibilities between the Chairman and Managing Director, is defined in section 1.3 in respect of the Chairman and in the Managing Directors job description
  - Approval of terms of reference of Board committees
  - Receiving reports from Board committees on their activities

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## SECTION 1 - DIRECTORS (Continued)

- Corporate Governance Matters
  - Undertaking a formal and rigorous review of its own performance, that of its committees and individual directors
  - Determining the independence of directors
  - Considering the balance of interest between shareholders, employees, customers and the community
  - Review of the Company's overall corporate governance arrangements
  - Receiving reports on the views of the Company's shareholder
  
- Policies
  - Approval of policies including, Business Conduct and Ethics ; Health and Safety policy; Environmental policy; Corporate Social Responsibility; Charitable Donations policy, Bribery, Anti corruption, Whistleblowing and Fraud Policies
  
- Other
  - The appointment of the Company's principal professional advisers
  - Prosecution, defence or settlement of litigation (involving amounts material to the interest of the Company)
  - Approval of the overall levels of insurance for the Company, including Directors' & Officers Liability Insurance (and indemnification of directors)
  - Major changes to the rules of the pension scheme
  - This schedule of matters reserved for Board decisions



## **SECTION 2 – DIRECTORS’ REMUNERATION**

### **2.1 Remuneration Committee**

The Remuneration Committee’s main responsibilities are:

- To determine and agree with the Board the framework or broad policy for the remuneration of the Company’s executive Directors. Review the executive directors’ basic salary annually and also determine any incentive arrangements for all Directors and other senior managers.
- In determining such policy, take into account all factors which it deems necessary. The objective of such policy will be to ensure that the levels of remuneration are appropriate to the Directors and sufficient to attract and retain such directors as are needed to run the Company successfully.
- To ask the Board (excluding the non-executives) on advice from the shareholders’ representative as appropriate to fix the remuneration of the non-executive Directors and to review this annually.
- To oversee any major changes in employee benefit structures.
- To review the ongoing appropriateness and relevance of the remuneration policy.
- To be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference of any remuneration consultants who may be asked to advise the committee: and to obtain reliable, up-to-date information about remuneration in other companies. The Committee will have full authority to commission any reports or surveys, which it deems necessary to help to fulfil its obligations.
- To take into account the views of the ordinary shareholder in determining the overall policy of remuneration for all the directors.
- To ensure that no Committee attendee will participate in any decision on their own remuneration.
- To ensure that provisions regarding disclosure of remuneration including pensions as set out in the Directors’ Remuneration Report Regulations 2002 and the Combined Code are fulfilled.

### **2.2 The Level and Make-up of Remuneration**

- Levels of remuneration will be sufficient to attract and retain the Directors needed to run the Company successfully, but to avoid paying more than is necessary for that purpose. A proportion of executive Directors’ remuneration will be structured so as to link rewards to corporate and individual performance and to levels of service provided to the Company’s water customers.
- The Remuneration Committee has responsibility for recommending the remuneration for all executive Directors for approval by the whole Board.

### **2.3 Key Disclosures in the Directors’ Remuneration Report**

- Names of Remuneration Committee members.
- Statement of remuneration policy for the following and subsequent years.
- For each director, the policy statement will include a summary of performance conditions; an explanation of why they were chosen; and a summary of the method to be used in assessing whether they have been met.
- Details of directors’ service contracts including potential early termination payments.
- Audited details for each director of their remuneration and pension details. Payments to past directors.

### SECTION 3 – RELATIONS WITH THE SHAREHOLDER

- The Company will maintain a dialogue with the shareholder through Board representation and regular communication on the Company's financial and operational performance.

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## **SECTION 4 – ACCOUNTABILITY AND AUDIT**

### **4.1 Audit Committee**

The Audit Committee's main responsibilities are:

- To monitor the integrity of the financial statements and any formal announcements on the Company's financial performance.
- To review the Company's internal financial controls; its internal control and risk management systems.
- To monitor/review the effectiveness of the internal audit function.
- To make recommendations to the Board on the appointment/removal of the external auditor and their terms of engagement and remuneration. If the Board does not accept the audit committee's recommendation, the Committee will explain its recommendation in the annual report and the Board will set out its reasons for taking a different position.
- To monitor/review the external auditor's independence/objectivity and the effectiveness of the audit process. If non-audit services are provided then the annual report will explain how objectivity and independence are safeguarded.
- To develop/implement policy on the engagement of the external auditor to supply non-audit services and to report to the Board on actions/improvements needed in this area.
- To review arrangements by which staff may raise concerns about possible improprieties ('whistleblowing') in order to ensure arrangements are in place for their proportionate/independent investigation and for follow-up action.
- To ensure that in the event that an auditor ceases to hold office before the end of his term of office that the appropriate audit authority is notified.

### **4.2 Internal Control**

- The Board will maintain a sound system of control to safeguard the shareholder's investment and the Company's assets.
- The executive Directors will meet periodically during the year to assess the risks to the business and how these are being managed and monitored.
- The Directors, will at least annually, conduct a review of the effectiveness of the Group's system of internal controls and will report to shareholder that they have done so. The review will cover all controls, including financial, operational and compliance controls and risk management.
- Communication and monitoring results to the Board.

## SECTION 5 – CORPORATE SOCIAL RESPONSIBILITY

The Board is responsible for ensuring that the Company's social and environmental performance is monitored and continually developed.

The responsibility covers a number of areas including:

- Customers
- Business Conduct and Ethics
- Staff
- Health and Safety
- Risk Management
- Community and Charitable Giving
- Environment
- Energy Use/Carbon Trading