

**PENNON GROUP PLC**  
**(the "Company")**

**SCHEDULE OF MATTERS RESERVED TO THE BOARD**

**1. Strategy and Management**

1.1 Responsibility for:

- (i) promoting the long-term sustainable success of the Company and its subsidiaries (the "Group"), generating value for shareholders and contributing to wider society;
- (ii) the overall leadership of the Group, setting the Group's purpose, values and strategy and satisfying itself that these and the Group's culture are aligned;
- (iii) ensuring effective engagement with, and encouraging participation from, shareholders, employees, suppliers, customers and other stakeholders;
- (iv) considering the impact of the Group's operations on the community and the environment;
- (v) maintaining a reputation for high standards of business conduct; and
- (vi) ensuring that workplace policies and practices are consistent with the Group's values and support its long-term sustainable success.

1.2 Approval of the Group's long-term strategic aims, objectives and sustainable business strategy (including that of the principal subsidiaries). Ensuring the necessary resources are in place for the Group to meet its objectives and measure performance against them.

1.3 Approval of the annual operating and capital expenditure (totex) budgets and any material changes to them.

1.4 Oversight of the Group's operations ensuring:

- competent and prudent management;
- sound planning;
- maintenance of sound management and adequate system of internal control;
- adequate accounting and other records; and
- compliance with statutory and regulatory obligations.

1.5 Review of performance in the light of the Group's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.

1.6 Extension of the Group's activities into new business or geographic areas.

1.7 Any decision to cease to operate all or any material part of the Group's business.

1.8 Approval of the Group's level of risk appetite.

1.9 Ensuring compliance with the Ofwat Principles on Board Leadership, Transparency and Governance, as they apply to Pennon as the parent company of South West Water Limited.

**2. Structure and capital**

2.1 Changes relating to the Group's capital structure including reduction of capital, share issues (except under employee share plans), share buy backs including the use of treasury shares (excludes intra-Group transactions to the extent these are delegated under the Delegated Authorities Schedule)

2.2 Major changes to the Group's corporate structure, including but not limited to acquisitions and disposals of shares.

2.3 Changes to the Group's management and control structure.

2.4 Any changes to the Company's listing or its status as a plc.

### **3. Financial reporting and controls**

3.1 Approval of the half-year results, trading statements and full-year results. \*A

3.2 Approval of the Annual Report and Accounts, including the corporate governance statement and remuneration report. \* A, R

3.3 Approval of the dividend 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. \*A

3.6 Approval of treasury policies including foreign currency exposure and the use of financial derivatives. \*A

3.7 Approval of material unbudgeted capital or operating expenditure.

### **4. Internal controls and risk management \*A**

Ensuring maintenance of a sound system of internal control and risk management including:

- receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes to support its strategy and objectives;
- approving the Group's risk appetite statements;
- undertaking an annual assessment of these processes;
- approving policies and procedures for the detection of fraud and the prevention of bribery, corruption and combating modern slavery and human trafficking; and
- approving an appropriate statement for inclusion in the Annual Report and Accounts.

### **5. Contracts and Capital expenditure**

5.1 Approval of major capital projects.

5.2 Approval of specified items of expenditure/income that require Board authorisation as set out in the Schedule of Delegated Authorities.

5.3 Approval of contracts which are material strategically or by reason of size, entered into by the Company or any subsidiary in the ordinary course of business, in accordance with the Schedule of Delegated Authorities other than by South West Water in accordance with its regulatory obligations.

5.4 Approval of contracts of the Company or any subsidiary not in the ordinary course of business, for example loans and repayments; foreign currency transactions; major acquisitions or disposals, including land sales all in accordance with the Schedule of Delegated Authorities.

5.5 Major investments including the acquisition or disposal of interests in the voting shares of any company or the making of any takeover offer.

### **6. Whistleblowing \*A**

6.1 Reviewing the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns in confidence, about possible wrongdoing and ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

## **7. Communication**

- 7.1 Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- 7.2 Approval of all circulars, prospectuses, and listing particulars (approval of routine documents such as periodic circulars about scrip dividend procedures or exercise of conversion rights may be delegated to a committee).
- 7.3 Approval of press releases concerning matters decided by the Board.
- 7.4 Approval of mechanisms by which the Board will engage with employees in accordance with the requirements of the UK Corporate Governance Code.

## **8. Board membership and other appointments**

- 8.1 Agreeing changes to the structure, size and composition of the Board, following recommendations from the Nomination Committee.\*N
- 8.2 Ensuring adequate succession planning for the Board and senior management.\*N
- 8.3 Approving appointments to the Board, following recommendations by the Nomination Committee. \*N
- 8.4 Selection of the Chair of the Board and senior Executive appointments.\*N
- 8.5 Appointment of the Senior Independent Director to provide a sounding board for the Chair and to serve as an intermediary for other Directors when necessary. \*N
- 8.6 Membership and Chair of Board committees following recommendations from the Nomination Committee.\*N
- 8.7 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.\*N
- 8.8 Continuation in office of any Director at any time, including the suspension or termination of service of an Executive Director as an employee of the Company, subject to the law and their service contract.
- 8.9 Appointment or removal of the Company Secretary.
- 8.10 Appointment, reappointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit Committee.\*A
- 8.11 Appointments to boards of subsidiaries and joint ventures (excludes dormant and non-trading subsidiaries).

## **9. Remuneration**

- 9.1 Determining the remuneration policy for the Directors, Company Secretary and other Senior Management and submit to shareholders for approval.\*R
- 9.2 Determining the remuneration of the Non-Executive Directors, subject to the articles of association and submit for shareholder approval, as appropriate.\*R
- 9.3 Approving the introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval.\*R
- 9.4 Engaging with shareholders on significant matters related to the Remuneration Committee's areas of responsibility, such as changes to the Groups remuneration policy.

## **10. Delegation of Authority**

- 10.1 The division of responsibilities between the Chairman, and the Executive Directors, which should be clearly established, set out in writing and agreed by the Board.
- 10.2 Approval of the Delegated Authorities Schedule.
- 10.3 Approval of terms of reference of Board Committees and material changes thereto.
- 10.4 Receiving reports from Board committees on their activities.

## **11. Corporate Governance Matters**

- 11.1 Undertaking a formal and rigorous review annually of its own performance, that of its Committees and individual Directors.
- 11.2 Determining the independence of Non-Executive Directors in light of their character, judgment and relationships.
- 11.3 Considering the balance of interests between shareholders, employees, customers, the community, and other stakeholders.
- 11.4 Review of the Group's overall corporate governance arrangements.
- 11.5 Receiving reports on the views of the Company's shareholders.
- 11.6 Authorising conflicts of interest as permitted by the Company's Articles of Association.

## **12. Policies**

- 12.1 Approval of Group policies, including those contained in the Delegated Authorities Schedule.

## **13. Other**

- 13.1 The making of political donations (noting the policy is not to make political donations).
- 13.2 Approval of the appointment of the Group's principal professional advisers.
- 13.3 Prosecution, defence or settlement of litigation in accordance with the Delegated Authorities Schedule.
- 13.4 Approval of the overall levels of insurance for the Group including Directors' & Officers' liability insurance and indemnification of Directors.
- 13.5 Major changes to the rules of the Group's pension scheme, or changes of trustees.
- 13.6 Approve changes to the schedule of matters reserved for Board decisions.
- 13.7 Any decisions likely to have a material effect on the Group from any perspective, including, but not limited to, financial, operational, strategic or reputational.

Matters, which the Board considers suitable for delegation, are contained in the Terms of Reference of its Committees and the Delegated Authorities Schedule.

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.

A = Audit Committee  
R = Remuneration Committee  
N = Nomination Committee

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

**These Schedule of Matters Reserved to the Board were approved by the Board on 16<sup>th</sup> November 2023.**