



Bazalgette Tunnel Limited

Board Terms of Reference

1. Vision and objectives

The role of the Board of Bazalgette Tunnel Limited (the “Company”) is to govern the Company and hence the Thames Tideway Tunnel Project (the “Project”), such that the Company delivers on its objectives, including the successful delivery of the Project. The Board is collectively responsible for the long-term success of the Company and delivery of sustainable value to shareholders. It sets the strategy and risk appetite for the Company and approves and monitors plans presented by management for the achievement of the Company’s strategic objectives and targets.

2. Responsibilities of the Board

The Board’s responsibilities include, but are not limited to:

- (a) Setting the Company’s strategy
- (b) Monitor performance against the Company’s strategy
- (c) Establishing an appropriate culture throughout the Company
- (d) Determining the Company’s risk appetite and the approach to risk management
- (e) Ensuring the Company’s compliance with applicable laws, regulations and other relevant documents (e.g. DCO, Legacy document)
- (f) Ensuring the Company’s compliance with the Project Licence and the Board must notify Ofwat if it becomes aware of any activity or any proposal to embark on any activity which does not form part of the Licence Activities
- (g) Ensuring the Company puts in place appropriate management and information systems and processes, with appropriate reporting and transparency
- (h) Ensuring that the Company puts in place appropriate accounting policies and procedures, and establishes appropriate internal and external audit arrangements
- (i) Establishing and monitoring an appropriate remuneration strategy for the Company
- (j) Board composition, including the evaluation of the performance of Directors and the Board as a whole
- (k) The appointment and removal of directors, and succession planning more generally
- (l) Ensuring appropriate adequate time and resources for Board meetings and decisions
- (m) Appointing a Chair and Deputy Chair (see clause 4 below)
- (n) Establishing the following Board committees, each of which shall have its membership and its terms of reference approved by the Board and regularly reviewed:
 - Audit & Finance Committee;
 - Remuneration Committee;
 - Risk, Health, Safety, Security and Environment Committee; and
 - Nominations Committee.

The Committees shall comprise a majority of independent non-executive Directors.

3. General

The Board is responsible for managing the business of the Company and, in doing so, may exercise all the powers of the Company, subject to any relevant laws and regulations and to the Shareholders' Agreement and Articles of Association ("Articles").

The Board will be compliant with the relevant guidelines in the UK Code on Governance (the "Code"), the Company's Licence and any additional requirements stipulated by OFWAT. While the Government Support Package ("GSP") is in force, the Board will comply with the requirements of the GSP.

The Shareholders' Agreement and Company's Articles of Association (the "Articles") set out a number of considerations relevant to the establishment and conduct of the Board. For the avoidance of doubt, the Shareholders' Agreement and Articles have precedence over these terms of reference in the event that these terms of reference were seen to conflict with either document.

4. Composition

The Board should have the appropriate balance of skills, experience, independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively.

The Board will be of sufficient size to allow an appropriate balance of skills and experience to be represented, and such that no individual or small group of individuals can dominate the Board's decision-making. Equally the Board should not be so large as to be unwieldy.

The Board will comprise a balance of executive and non-executive directors, but with a majority of non-executive directors. When participating in meetings of the Board, executive directors are required to discharge their responsibilities as directors of the Company and not to act solely as the representative of the activity for which they bear executive responsibility.

Shareholder non-executive directors are permitted to sit on the Board of directors. When participating in meetings of the Board, investor non-executive directors are required to discharge their responsibilities as directors of the Company and not to act solely as the representative of the investor(s) by whom they were appointed.

Independent non-executive directors must make up the single largest body on the Board. Independent non-executive directors must be demonstrably independent in character and judgement, as set out in the Code and as required by OFWAT. As independent non-executive directors they must therefore be free from relationships and circumstances which are likely to affect their judgement or compromise their independence.

The Board shall elect one of the independent non-executive directors as Chair, who will lead the Board and whose casting vote shall be decisive where appropriate.

The Board shall also elect a Deputy Chair who will, inter alia, carry out the duties associated with a Senior Independent Director as set out in the Code. The Deputy Chair must be an independent non-executive Director.

In the event that a Commitment Notice is issued by the Secretary of State in accordance with the Contingency Equity Support Agreement, the Secretary of State shall be entitled to nominate (and remove or replace) one person as an observer (the Secretary of State Observer) to attend meetings of the Board. The Secretary of State Observer shall have no right to vote at Board meetings, but shall have a right to speak and contribute at Board meetings.

In the event that an Aggregate Commitment by the Secretary of State is an amount greater than ten per cent of the total equity issues by the Company in favour of any shareholder at the date of the relevant Contingent Equity Commitment Request, the Secretary of State shall have the right to appoint Director(s) to the Board in accordance with clause 5.2 of the Shareholders' Direct Agreement.

While the GSP is in force, the Board must include a non-executive Director (and any replacement as necessary) with experience in senior management, executive or advisory roles on major infrastructure investments or projects for a period of at least 10 years, including on at least one infrastructure investment or project (or programme of related infrastructure investments or projects) with a capital value in excess of £250 million in the United Kingdom or another country in a sector which is regulated. This may be the Chair or Deputy Chair or any other independent non-executive director.

5. Responsibilities of Directors

Directors are expected to have regard to their fiduciary duties as Directors of the Company when acting in that capacity. Failure to attend more than three Board meetings in any year shall render a Director liable to loss of Director status at the discretion of the Chair in consultation with the other Directors.

Directors are expected to commit sufficient time to Company matters so as to discharge their responsibilities.

Directors are expected to attend all Board and Board Committee meetings of which they are members, plus the Annual General Meeting and any Extraordinary General Meetings, and only to absent themselves when absolutely necessary.

Directors are generally expected to be good ambassadors for the Company and not to do anything, whether acting as a Director or otherwise, to harm the reputation or prospects of the Company.

Directors are expected not to knowingly incur conflicts of interest with the Company; and where such conflicts do occur, to declare such conflicts immediately to the Chair or Deputy Chair. Directors shall also openly declare to the Board any interests before discussing Board matters to which such interests relate; in some circumstances Directors may be asked to leave the Board discussion of such matters.

6. Professional indemnity insurance

The Company will, at its own expense, ensure that an appropriate level of professional indemnity insurance is in place to cover Directors, in accordance with normal market terms.

7. Meetings and Quorum

The Board will meet with such frequency and at such times as it may determine but sufficiently regularly to discharge its duties effectively. It is expected that the Board will meet at least six times a year.

At the discretion of the Chair, the Board may invite non-directors to attend all or part of Board meetings.

The quorum for meetings of the Board is at least at all times two Shareholder Directors, two independent Non-Executive Directors and one Executive Director. If the Secretary of State is a Shareholder and has appointed one or more Directors then at least one Company Director appointed by the Secretary of State shall be in attendance.

The Board may appoint sub-committees, to whom specified tasks and responsibilities may be delegated on an ad-hoc basis (see Clause 11 below).

8. Secretary

The Deputy Company Secretary shall be the secretary of the Board and will attend Board meetings in that capacity.

The Deputy Company Secretary will co-ordinate the diary of regular Board meetings as agreed by the Board and is also responsible for convening Board meetings at the request of any member of the Board. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, will be forwarded to each member of the Board and any other person required to attend, no later than five working days before the meeting.

The Deputy Company Secretary shall also draft minutes of each Board meeting, recording the proceedings and decisions, as well as the names of those present and in attendance. Draft minutes will be circulated promptly to all Directors and attendees - these will be considered at the following Board meeting.

The Deputy Company Secretary shall be responsible for ensuring effective communication with shareholders as appropriate and to ensure that due regard is paid to their interests. The Deputy Company Secretary shall organise and ensure constructive use of any general meeting, in particular, the Annual General Meeting (AGM) relating to the annual report and accounts. The Deputy Company Secretary shall ensure that the Chairman of the Board and the Chairmen of the audit, risk, remuneration and nominations committees are available to answer questions at the AGM.

The Deputy Company Secretary shall ensure compliance with all relevant statutory and regulatory requirements including but not limited to ensuring that the forms that a company needs to submit to the registrar of companies are submitted on time.

The Deputy Company Secretary shall be available to give detailed practical support and guidance to Directors both individually and collectively.

9. Matters Reserved to the Shareholders

Matters reserved to the shareholders of the Company, other than those stipulated by law or regulation, are set out in Schedule Four of the Shareholders' Agreement. The Board's authority in respect of such matters shall be duly constrained to the will of the shareholders, subject to the terms of the Shareholders' Agreement, a copy of which shall be made available to the Board.

Where the Board considers that the reservation of matters to shareholders, or the outcome following such reservation, is in conflict with the objectives of the Company the Board shall first consider whether the correct notice of the meeting was provided and all other formalities were complied with in relation to the specific Resolution passed.

10. Matters reserved to the Board

Subject to clause 9 above, the Board may delegate the management and day to day running and decision-making of the Company to the executive management team in accordance with such policies and directions as the Board may from time to time determine, with the exception of the matters which require approval by the Board as set out in the Schedule of Board Reserved Matters.

11. Powers of the Board to Delegate

The Board may delegate and confer on any directors holding executive office any of its powers, authorities and discretions (including the power to sub-delegate) for such time and on such terms as it thinks fit, consistent with Clauses 9 and 10 above.

The Board may delegate any of its powers, authorities and discretions (including the power to sub-delegate) for such time and on such terms as it thinks fit, to any committee consisting of one or more directors and (if thought fit) one or more other persons, provided that where the committee consists of more than one member, not less than 2 members of such committee shall be directors or alternate directors, and no resolution of a committee shall be effective unless one of those present when it is passed is a director (or his alternate).

12. Independent Advice

The Board may appoint, at the expense of the Company, such professional advisors or consultants as they may consider appropriate. Any such appointment shall be made through the Deputy Company Secretary, who shall be responsible for the contractual arrangements and payment of fees on behalf of the Board.

Any Director may also request the appointment of a professional adviser on a personal basis, at the expense of the Company, subject to the approval of the Board (or a duly appointed sub-committee of un-conflicted directors).

13. Review of terms of reference and performance

The Board shall review annually:

- (a) The Board's terms of reference and those of the Board Committees
- (b) The performance of the Board as a whole and of each Committee
- (c) The performance of each Director in Board and Committee meetings. These reviews will be conducted by the Chair, except for the Chair's review which will be conducted by the Deputy Chair.

The Board may periodically determine that these reviews should be conducted by external consultants.