



Confidential

Ian Marchant

6 November 2017

Dear Ian

I am pleased to confirm your appointment as an independent non-executive director ("**INED**") and Chairman of Thames Water Utilities Limited (the "**Company**"). This letter sets out the terms of your appointment.

It is agreed that, on acceptance of this offer, this letter will not constitute a contract of employment.

1 APPOINTMENT

1.1 Subject to the remaining provisions of this letter, your appointment is for an initial term of three years commencing on 1 December 2017, unless terminated earlier by either party giving to the other party three months' written notice. Your appointment as an independent non-executive director shall commence on 1 December 2017 and you shall be appointed as Chairman following the board meeting of the Company due to take on 25 January 2018.

1.2 Your appointment is subject to the articles of association. Nothing in this letter shall be taken to exclude or vary the terms of the articles of association as they apply to you as a director of the Company.

1.3 Your continued appointment as an INED and Chairman is subject to election by the Company's shareholders at the Company's next Annual General Meeting ("**AGM**") and to re-election at any subsequent AGM at which the articles of association of the Company require that you stand for re-election.

If the shareholders do not re-elect you as a director, or you are retired from office under the articles of association, your appointment shall terminate automatically, with immediate effect and without compensation.

1.4 Your appointment is also contingent on satisfactory performance and any relevant statutory provisions, whether under the Companies Act 2006 (the "**Act**") or otherwise, relating to the removal of a director. You will comply with all reasonable directions and regulations of the Company, including without limitation, regulations with respect to confidentiality and notifications required to be made by a director to the Company or any relevant regulatory body, whether under the Act, the articles of association or otherwise.

1.5 INED's are typically expected to serve two three-year terms but may be invited by the board of directors of the Company from time to time (the "**Board**") to serve for an additional period. Any term renewal is subject to Board review and AGM re-election. Notwithstanding any mutual expectation, there is no right to re-nomination by the Board, either annually or after any three-year period.

- 1.6 You may be required to serve on one or more committees of the Board. You will be provided with the relevant terms of reference on your appointment to such a committee.
- 1.7 Notwithstanding the provisions of paragraph 1.1 to paragraph 1.5, we may terminate your appointment with immediate effect and without payment in lieu of notice if you:
- (a) commit a material breach of your obligations under this letter; or
 - (b) commit any serious or repeated breach or non-observance of your obligations to the Company (which include an obligation not to breach your duties to the Company, whether statutory, fiduciary or common law); or
 - (c) are guilty of any fraud or dishonesty or acted in a manner which, in the opinion of the Company acting reasonably, brings or is likely to bring you or the Company into disrepute or is materially adverse to the interests of the Company; or
 - (d) are convicted of any arrestable criminal offence other than an offence under road traffic legislation in the UK or elsewhere for which a fine or non-custodial penalty is imposed; or
 - (e) are declared bankrupt or have made an arrangement with or for the benefit of your creditors; or
 - (f) resign as a director for any reason; or
 - (g) are disqualified from acting as a director.
- 1.8 On termination of your appointment, you shall immediately at the request of the Company resign from your office as a director and as Chairman of the Company and all offices held by you in any Group Company.
- 1.9 If there are matters that arise which cause you concern about your role you should discuss them with me. If you have any concerns which cannot be resolved and you choose to resign for that, or any other, reason, you should provide an appropriate written statement to me for circulation to the Board.

2 **TIME COMMITMENT**

- 2.1 You will be expected to devote such time as is necessary for the proper performance of your duties and you should be prepared to spend at least one to two days per week on Company business after the induction phase. This is based on preparation for and attendance at:
- (a) scheduled Board meetings;
 - (b) scheduled committee meetings for those committees to which you may be appointed from time to time;
 - (c) meetings of the non-executive directors;
 - (d) meetings with shareholders;
 - (e) updating meetings/training; and

(f) meetings as part of the Board evaluation process.

Unless urgent and unavoidable circumstances prevent you from doing so, it is expected that you will attend the meetings outlined above.

2.2 The nature of the role makes it impossible to be specific about the maximum time commitment, and there is always the possibility of additional time commitment in respect of preparation time and ad hoc matters which may arise from time to time. Where the Company is undergoing a period of increased activity, such as an acquisition or takeover, or as a result of some major difficulty with one or more of its operations, additional time commitment by you may be required. This may include preparing for and attending additional Board, committee or shareholder meetings.

2.3 By accepting this appointment you undertake that, taking into account all other commitments you may have, you are able to, and will, devote sufficient time to your duties as an INED and Chairman.

3 **DUTIES**

3.1 You will be expected to perform your duties, whether statutory, fiduciary or common law, faithfully, efficiently and diligently to a standard commensurate with both the functions of your role and your knowledge, skills and experience.

3.2 You will exercise your powers in your role as an INED and Chairman having regard to relevant obligations under prevailing law and regulation of the United Kingdom or issued by any regulatory authority in the United Kingdom as may from time to time be applicable to you in your capacity as an INED and Chairman of the Company and in so far as they relate to your directorship of the Company.

3.3 You will have particular regard to the general duties of directors as set out in part 10, chapter 2 of the Act, including the duty to promote the success of the Company:

“A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the company’s employees;
- (c) the need to foster the company’s business relationships with suppliers, customers and others;
- (d) the impact of the company’s operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between members of the company.”

- 3.4 In your role as an INED you will be required to:
- (a) constructively challenge and help develop proposals on strategy;
 - (b) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
 - (c) satisfy yourself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible;
 - (d) devote time to developing and refreshing your knowledge and skills;
 - (e) uphold high standards of integrity and probity and with the other directors instil the appropriate culture, values and behaviours in the boardroom and beyond;
 - (f) insist on receiving high-quality information sufficiently in advance of board meetings; and
 - (g) take into account the views of shareholders and other stakeholders where appropriate.

- 3.5 In your role as Chairman you should:
- (a) chair the Board and general meetings of the Company;
 - (b) set the Board's agenda (primarily focused on strategy, performance, value creation and accountability) and ensure that adequate time is available for discussion of all agenda items;
 - (c) set clear expectations concerning the Company's culture, values and behaviours and the style and tone of Board discussions;
 - (d) ensure that the Board determines the nature and extent of any significant risks that the Company is willing to embrace in implementing its strategy;
 - (e) ensure that the Board has effective decision-making processes and applies sufficient challenge to major proposals;
 - (f) ensure that Board committees are properly structured with appropriate terms of reference;
 - (g) encourage all Board members to engage in Board and committee meetings by drawing on their skills, experience, knowledge and where appropriate, independence;
 - (h) develop productive working relationships with all executive directors and the chief executive;
 - (i) demonstrate ethical leadership and promote the highest standards of integrity, probity and corporate governance throughout the Company and particularly at Board level;
 - (j) ensure the Board receives accurate, timely and clear information;
 - (k) promote a culture of mutual respect, openness and debate by facilitating the effective contribution of non-executive directors in particular and

ensuring constructive relations between executive and non-executive directors;

- (l) ensure that new directors participate in a full and tailored induction programme;
- (m) regularly review and agree with each director their training and development needs; and
- (n) be aware of and respond to your own development needs.

3.6 You will be required to exercise relevant powers under, and abide by, the Company's articles of association and in accordance with the Company's policies and procedures and internal control framework.

3.7 By signing the duplicate copy of this letter you confirm that you are aware of your duties (which include your duties under the Act), including the obligation to avoid a conflict between your personal interests and those of the Company. You will disclose any direct or indirect interest which you may have in any matter being considered at a board meeting or committee meeting and, save as permitted under the articles of association, you will not vote on any resolution of the Board, or of one of its committees, on any matter where you have any direct or indirect interest.

3.8 You will immediately report to me your own wrongdoing or the wrongdoing or proposed wrongdoing of any employee or director of which you become aware.

3.9 Unless specifically authorised to do so by the Board, you will not enter into any legal or other commitment or contract on behalf of the Company.

4 REMUNERATION AND EXPENSES

4.1 The annual fee, as at the date of this letter, for an independent non-executive director is £60,000 per annum inclusive of service on any board committee. The annual fee for the Chairman is £325,000 per annum inclusive of service on any board committee. You will receive the INED fee pro rata from the date of appointment until you are appointed as Chairman on or around 26 January 2018.

4.2 All fees will be paid on the twentieth day of the month through PAYE and are subject to income tax and other statutory deductions.

4.3 Fees will be subject to an annual review by the Board.

4.4 The Company will reimburse you for all reasonable and properly-documented expenses you incur in performing the duties of your office. In addition, the Company will make a contribution towards the cost of your PA at the rate of £15,000 per annum which is to be invoiced separately each month through Dunelm Energy Limited or such other entity as notified by you from time to time.

4.5 On termination of the appointment you shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred prior to that date.

5 INDEPENDENCE AND OUTSIDE INTERESTS

5.1 You have already disclosed to the Board any significant commitments you have outside this role. You must inform me in advance of any changes to these

commitments. In certain circumstances the agreement of the Board may have to be sought before accepting further commitments which either might give rise to a conflict of interest or a conflict of any of your duties to the Company, or which might impact on the time that you are able to devote to your role at the Company.

- 5.2 It is accepted and acknowledged that you have business interests other than those of the Company and have declared any conflicts that are apparent at present. In the event that you become aware of any further potential or actual conflicts of interest, these should be disclosed to me and the Company Secretary as soon as they become apparent and, again, the agreement of the Board may have to be sought.

6 **CONFIDENTIALITY**

- 6.1 During your appointment, you will have access to and become aware of information that is confidential to the Group, which is a valuable asset of the Group and needs to be protected. You agree that during your appointment and following its termination, howsoever arising, without limitation you:

- (a) will not, except in the proper performance of your duties, directly or indirectly use or disclose any of the trade secrets or other confidential information of or relating to the Group and/or its business, or any business contact of the Group, which you have received or obtained in confidence during your appointment; and
- (b) will use your best endeavours to prevent the unauthorised publication or disclosure of any confidential information by third parties.

- 6.2 Paragraph 6.1 does not apply to:

- (a) any use or disclosure authorised by the Board or required by law;
- (b) any information which is already in or comes into the public domain other than through the unauthorised disclosure by any person (including you); and
- (c) any protected disclosure within the meaning of section 43A of the Employment Rights Act 1996.

- 6.3 You acknowledge the need to hold and retain company information (in whatever format you may receive it) under appropriately secure conditions.

- 6.4 You hereby waive all rights arising by virtue of chapter IV of part I of the Copyright Designs and Patents Act 1988 in respect of all copyright works created by you in the course of performing your duties hereunder.

7 **INDUCTION**

Immediately after appointment, the Company will provide a comprehensive, formal and tailored induction. The Company Secretary will be in touch with further details.

8 **REVIEW PROCESS**

The performance of individual directors and the whole Board and its committees is evaluated annually.

9 **TRAINING**

On an ongoing basis, and further to the annual evaluation process, we will make arrangements for you to develop and refresh your skills and knowledge in areas which we mutually identify as being likely to be required, or of benefit to you, in carrying out your duties effectively. You should endeavour to make yourself available for any relevant training sessions which may be organised for you and/or the Board.

10 **INSURANCE**

The Company has directors' and officers' liability insurance in place and it is intended to maintain such cover for the full term of your appointment. You have been informed of the current indemnity limit, on which the Board is updated from time to time. Other details of the cover are available from the Company Secretary.

11 **CHANGES TO PERSONAL DETAILS**

You shall advise the Company Secretary promptly of any change in address or other personal contact details.

12 **RETURN OF PROPERTY**

Upon termination of your appointment with the Company (for whatever cause), you shall deliver to the Company all documents, records, papers or other company property which may be in your possession or under your control, and which relate in any way to the business affairs of the Company, and you shall not retain any copies thereof.

13 **POST TERMINATION RESTRICTION**

You will not at any time after the termination of your appointment, directly or indirectly, represent yourself or permit yourself to be held out as having any connection with or interest in the Company.

14 **DATA PROTECTION**

14.1 By signing this letter you consent to the Company holding and processing information about you for legal, personnel, administrative and management purposes and in particular to the processing of any sensitive personal data (as defined in the Data Protection Act 1998) including, as and when appropriate:

- (a) information about your physical or mental health or condition in order to monitor sick leave and take decisions as to your fitness to perform your duties;
- (b) information about you that may be relevant to ensuring equality of opportunity and treatment in line with the Company's equal opportunities policy and in compliance with equal opportunities legislation; and
- (c) information relating to any criminal proceedings in which you have been involved, for insurance purposes and in order to comply with legal requirements and obligations to third parties.

You consent to the transfer of such personal information to other offices the Company may have or to any Group Company or to other third parties, whether or not outside the European Economic Area, for administration purposes and other

purposes in connection with your appointment, where it is necessary or desirable for the Company to do so.

14.2 You will comply at all times with the Company's data protection policy, a copy of which will be provided to you.

15 **RIGHTS OF THIRD PARTIES**

The Contracts (Rights of Third Parties) Act 1999 shall not apply to this letter. No person other than you and the Company shall have any rights under this letter and the terms of this letter shall not be enforceable by any person other than you and the Company.

16 **GOVERNING LAW AND JURISDICTION**

16.1 This letter constitutes the entire terms and conditions of your appointment and no waiver or modifications of such terms shall be valid unless in writing and signed by the parties to this letter.

16.2 This letter and any non-contractual obligations arising in connection with it (and, unless provided otherwise, any document entered into in connection with it) shall be governed by and construed in accordance with English law.

16.3 The English courts have exclusive jurisdiction to determine any dispute arising in connection with this letter (and, unless provided otherwise, any document entered into in connection with it), including disputes relating to any non-contractual obligations.

Please sign the attached copy of this letter and return it to the Company to signify your acceptance of the terms set out above.

Yours sincerely
For and on behalf of
Thames Water Utilities Limited

Nick Land
Senior Independent Director

I agree to the terms set out above.

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Ian Marchant

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Date