

Northumbrian Water Limited (NWL) has twelve Directors. These comprise four Independent Non-executive Directors (INeDs), three Executive Directors and five Non-executive Directors appointed by the Shareholders. An extract from NWL's last published accounts showing Directors' biographies is attached as an Appendix.

The Board (which meets at least five times a year) sets, implements and supports the Company's vision, values and strategy and ensures compliance with legal and regulatory obligations. The Board has ultimate responsibility for risk management and is supported in this by the Risk & Compliance Sub-Committee, from which it receives regular and detailed reports.

The Executive Directors submit detailed reports to the Board ahead of each meeting, covering each aspect of the Company's activities. The key items include customer service, health and safety, operational performance, the investment programme and regulatory matters.

The Board operates as an integrated whole and the Chairman ensures that all items are discussed openly and that all Directors have an opportunity to express their views. The Board recognises that customers' interests are best served when the Company is flexible and innovative, so the Executive Directors are encouraged to think laterally and consider a range of solutions for each issue.

The INeDs play a key role in NWL's governance, assurance and decision making. As well as participating in formal meetings they have very broad involvement in NWL's overall business and take part in extensive sessions with management on customer service and risk. Through the Board's PR19 Sub-group, the INeDs are ensuring that the Company's preparations for the price review have customers, sustainability, the environment and innovation at their heart.

The INeDs also play important roles in the Audit Committee, which ensures the integrity of the Company's financial and accounting systems and of its financial and regulatory reporting. There are also three INeD members of the Remuneration Committee, which sets principles and standards for executive remuneration and benefits and agrees individual remuneration packages.

MARTIN PARKER
Company Secretary

17 January 2018

CORPORATE GOVERNANCE

BOARD MEMBERSHIP

The composition of the NWL Board is as follows:



A J Hunter

A J Hunter (Non-Executive Chairman) joined the Board in October 2011. He was appointed by CK Infrastructure Holdings Limited (CKI), which is listed on the Hong Kong Stock Exchange and is a substantial shareholder in the Group. A J Hunter is Deputy Managing Director

of CKI and is an Executive Director of Power Assets Holdings Limited, a listed company. He has been an Executive Director of CKI since December 2006 and Deputy Managing Director since May 2010. He acted as the Chief Operating Officer of CKI from December 2006 to May 2010. Prior to his appointment to the board of Power Assets Holdings Limited in 1999, Mr Hunter was Finance Director of the Hutchison Property Group. He holds a Master of Arts degree and a Master's degree in Business Administration. He is a member of the Institute of Chartered Accountants of Scotland and of the Hong Kong Institute of Certified Public Accountants. He chairs the Remuneration Committee.

Key strengths: Leadership, strategic overview, finance and infrastructure.



P Rew

P Rew (Senior Independent Non-Executive Director) joined the Board in 2010. He is a Chartered Accountant and was a partner in PricewaterhouseCoopers LLP (PwC) from 1987 until 2010, where he was lead partner for a diverse range of FTSE 100 clients and for

PwC's UK energy, utilities and mining sector practice. He is a Non-Executive Director of DEFRA and the Care Quality Commission and chairs their Audit Committees, and was formerly a Non-Executive Director of the Met Office. He chairs the Audit Committee and Risk & Compliance Committee and is also a member of the Remuneration Committee.

Key strengths: Finance, risk and governance.



H Mottram

H Mottram (CEO) joined the Board in 2010, when she was appointed as CEO of NWL and NWGL. Prior to her current position, Ms Mottram held a number of senior management roles, including Managing Director of Northern Rail Limited, Commercial Director of Arriva Trains and

Operations Director of Midland Mainline, as well as various senior positions in Great North Eastern Railway. She is a Non-Executive Director of Eurostar International Limited and a Board Member of the North East Local Enterprise Partnership. She is also a Board Member of Kielder Water and Forest Park Development Trust, as well as a member of the CBI Board and Newcastle University Council. Ms Mottram was named Rail Business Manager of the Year in 2009 for being an "inspirational leader", she was awarded an OBE in the New Year honours list in 2010 for services to the rail industry and is also the Prince of Wales' Ambassador for Business in the north east of England

Key strengths: Leadership, corporate overview, infrastructure and customer service.



C I Johns

C I Johns (Finance Director) joined the Board in 2013. He was previously Finance Director of Northern Gas Networks Limited (NGN) since 2005, which is also part of the Cheung Kong Group. Before joining NGN, C I Johns worked in the financial services sector. He is a Chartered Accountant and

has held senior financial management positions in both Yorkshire and London. His previous positions include being Head of Finance and Accounting within the UK lending operations of Provident Financial plc, and a senior management role in the Financial Reporting and Control Group of Morgan Stanley.

Key strengths: Finance and infrastructure.



A C Jones

A C Jones (Assets and Assurance Director) joined the NWL Board in 2004. An economist by background, he holds an MBA with distinction from Warwick and has extensive experience in dealing with government and regulatory bodies. He is a Chartered Environmentalist and worked as a government economist and economic

consultant before joining the water industry and has held non-executive positions at a number of water industry organisations and is currently Vice Chair of a locally based enterprise development business.

Key strengths: Economic regulation and corporate planning.



M Fay

M Fay (Independent Non-Executive Director) joined the Board in 2010. She was Managing Director of Tyne Tees Television until December 2003 when she became Chairman of One North East, a position she held until August 2010. She is Deputy Chairman of The Sage Gateshead, a Governor of the University of

Sunderland, Patron of Tees Valley Community Foundation and a Deputy Lieutenant for Tyne and Wear. M Fay is a member of the Remuneration Committee.

Key strengths: Corporate overview and customer service.



Dr S Lyster

Dr S Lyster (Independent Non-Executive Director) joined the Board in 2006. He is a lawyer by training, qualified in both the UK and the USA and is the author of the leading legal textbook on wildlife law. Dr Lyster was Chief Executive of LEAD International from 2005 to 2011. Before joining LEAD,

he was Director General of The Wildlife Trusts and previously worked for World Wildlife Fund for nine years, where he was responsible for its global policy work on international conventions. He is Chairman of the World Land Trust and a Trustee of Conservation International-UK, the Kilverstone Wildlife Conservation Trust and the Rural Community Council of Essex. In July 2014, Dr Lyster was appointed to the Board of Natural England and he is a Deputy Lieutenant for the County of Essex. Dr Lyster is a member of the Audit Committee, Risk & Compliance and Remuneration Committees.

Key strengths: Conservation, the environment and law.



M A B Nègre

M A B Nègre (Independent Non-Executive Director) joined the Board in 2006. He was, between April 2000 and April 2001, the CEO of the former Northumbrian Water Group plc and the chief corporate representative of its parent company, Suez, in the UK. He was a founding Director

of NWGL when it acquired the Group from Suez SA in 2003. He currently chairs Ecofin Vista Hedge Fund Limited, is a Non-Executive Director of listed Investment Trust EGL plc and holds a number of Directorships focused on utilities. He sits on the supervisory board of Messieurs Hottinger & Cie. M A B Nègre is a member of the Audit Committee and Risk & Compliance Committee.

Key strengths: Strategy and infrastructure.



F R Frame

F R Frame (Non-Executive Director) joined the Board in November 2011 and was appointed by Li Ka Shing Foundation Limited, a company limited by guarantee and a charity, which is a substantial shareholder in the Company. A lawyer by profession, Mr

Frame served as Deputy Chairman of the Hongkong and Shanghai Banking Corporation; as Chairman of South China Morning Post Limited and The Wallem Group Limited; and as a Director of The Weir Group plc, Swire Pacific Limited, the British Bank of the Middle East, Edinburgh Dragon Trust plc, Baxter International Inc and Consolidated Press International Limited. He holds the degrees of Master of Arts and Bachelor of Laws.

Key strengths: Corporate overview and law.



H L Kam

H L Kam (Non-Executive Director) joined the Board in October 2011. He was appointed by Cheung Kong (Holdings) Limited (CKH), which is a substantial shareholder in the Company and is now wholly-owned by CK Hutchison Holdings Limited (CKHH). He is Group Managing Director of

CKI and Deputy Managing Director of CKHH. H L Kam has been Group Managing Director of CKI since its incorporation in May 1996. He has also been Deputy Managing Director of CKH since February 1993. He is President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc., and an Executive Director of Hutchison Whampoa Limited and Power Assets Holdings Limited. Mr Kam is also Chairman of Hui Xian Asset Management Limited, which manages Hui Xian Real Estate Investment Trust,





a listed real estate investment trust. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration.

Key strengths: Leadership, strategic overview, finance and infrastructure.



D N Macrae

D N Macrae (Non-Executive Director) joined the Board in October 2011. He was appointed by CKI, where he holds the position of Head of International Business. D N Macrae has over 22 years of experience in the infrastructure investment field and holds a Bachelor's and a Master's degree in Philosophy, Politics & Economics. He is a member of the Audit Committee and Remuneration Committee.

Key strengths: Finance, infrastructure and corporate overview.



L S Chan

L S Chan (Non-Executive Director) joined the Board in 2016. He was appointed by CKH and has been an Executive Director of CKI since January 2011 and Chief Financial Officer of CKI since January 2006. He joined Hutchison Whampoa Limited, which is a substantial shareholder of CKI, in January 1992 and has

been with the Cheung Kong Group since May 1994. Mr Chan is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and also a member of the Institute of Certified Management Accountants (Australia). He is a member of the Audit Committee and Risk & Compliance Committee.

Key strengths: Finance, infrastructure and corporate overview.

The Chairman and CEO have clearly defined roles and responsibilities. The Chairman leads the Board and creates the conditions for overall Board and individual Director effectiveness, both inside and outside the boardroom. The CEO is responsible for running the Company's business on a day-to-day basis. A J Hunter, D N Macrae, H L Kam, F R Frame and H Mottram were also Directors of NWGL in the year.

The Non-Executive Directors bring to the Board many years of business experience as well as financial expertise and the ability and willingness to constructively challenge and help develop proposals on strategy.

The General Counsel and Company Secretary, M Parker, assists the Board to ensure that good corporate governance compliance is achieved. He is also Company Secretary of NWGL and is secretary to all Board committees.