

Board and Governance Manual

Smart DCC Limited

(Adopted 30 March 2021)

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1. EXECUTIVE SUMMARY

1.1 Background

Smart DCC's (the "Company") Board of Directors wish to identify and successfully follow appropriate good governance guidelines and be particularly cognisant and compliant with relevant Smart Meter Communication Licence (the "Licence") Conditions (see Section 1.3 and Appendix 1) in this respect.

1.1.1 Version Control

A first draft of this governance manual was provided to the Board in April 2014 but never formally adopted although, in practice, it has been followed. The Board asked for the manual to be updated with a view to being formally adopted at the May 2015 Board Meeting. The manual was subsequently reviewed and revised in June 2016, May 2018, May 2019, June 2019 and December 2020.

1.2 Objectives of the Company

The business of the Company is to link smart meters in homes and small businesses with the systems of energy suppliers, network operators and energy service companies (the "Business"). Smart DCC will develop and deliver the data and communications service through external providers, as appropriate.

The Business may be modified to include such further services as the Company may develop and as agreed by a unanimous decision of the Shareholder(s).

Smart DCC is tasked within Condition 5 of the Licence (General Objectives of the Licensee) to discharge its duties to achieve the following General Objectives:

- **Interim General Objective** – achievement of a full, timely, efficient, economical, and secure Completion of Implementation.
- **Enduring General Objective 1** – development, operation and maintenance of an efficient, economical, coordinated, and secure system for the provision of Mandatory Business Services.
- **Enduring General Objective 2** – deliver Mandatory Business in a manner that is most likely to facilitate:
 - effective competition between persons engaged in, or commercial activities connected with, the Supply of Energy;
 - innovation in the design and operation of Energy Networks; and
 - reduction (by virtue of benefits arising from the provision of Value Added Services) of the charges payable for Mandatory Business Services.

To enable achievement of the General Objectives, Condition 6 of the Licence (Authorised Business of the Licensee) sets out the Authorised Business activities that Smart DCC is permitted to deliver:

- **Mandatory Business** – comprising the provision of Core Communications Services, Elective Communications Services, Enabling Services (including Enrolment, Communications Hub and Other Enabling Services) for and on behalf of SEC parties, and the Centralised Registration Service.
- **Permitted Business** – comprising the provision of Value Added Services and Minimal Services.

1.3 Smart Meter Commercial Licence

- On 23 September 2013, the Department of Energy and Climate Change (DECC) awarded Smart DCC Limited the Smart Meter Communication Licence to deliver the Company's objectives.
- Ofgem is a non-ministerial government department which is set up to be the national watchdog for all things relating to the service, delivery and development of gas and electricity in the UK. As such, Ofgem regulates the Licence operated by Smart DCC Limited.
- It is the governance and Board of Directors of Smart DCC Limited to which this document relates.

1.4 Ownership Structure

There is 1, fully paid up ordinary share of £1 in issue, held by Capita Business Services Limited. As a consequence there is no requirement to hold Annual General Meetings.

1.5 Importance of good Corporate Governance?

The Board of Directors recognise that good Corporate Governance will:

- Help identify and manage the risks faced by the business;
- Help the business comply with legal and regulatory requirements;
- Enable decisions to be made efficiently;
- Define roles and responsibilities and provide clear accountabilities;
- Embed good values and high ethical standards into the corporate culture;
- Protect investors and other stakeholders and build support for the business; and
- Improve information flows between the Shareholders.

2. COMPOSITION

2.1 Director Appointments

The Smart DCC Board has been set up in compliance with the requirements of Licence Condition 9, Independence and Autonomy of the Licensee. See Appendix 1.

Appointment: The first members of the Board were confirmed to Ofgem in a letter of 22 August 2013. Since then, all new appointments to the Board are sent a letter which confirms the arrangements of their

appointment. Any appointment of a Sufficiently Independent Director (see section 2.2) must also be notified to Ofgem within 14 days of confirmation and any resignations or removals of Sufficiently Independent Directors must also be confirmed in writing to Ofgem within 14 days of notification.

As Capita Business Services Limited is the holder of over half the nominal value of the issued ordinary share capital, under Article 9 of the Articles of Association (the “Articles”), the holder has the power at any time to appoint any person as a Director or Directors to fill any vacancy and to remove a Director from office any Director howsoever appointed and notwithstanding any agreement between the Company and the Director. However in practice, all appointments and removals of Directors will be agreed by the Board.

Sufficiently Independent

Directors (SIDs): Two of the Board of Directors must be Sufficiently Independent Directors (“SIDs”) (see section 2.2), they are also deemed Non-Executive Directors (“NEDs”).

Executive Director: There will be at least one Executive Director.

Remuneration: SIDs receive a Directors’ fee and are able to claim reasonable expenses. The other Directors, as Capita Group employees, receive their Capita Group salaries and benefits, but no other payments in the form of salaries, for services to the Smart DCC Board.

Chair: The Chair is responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role. Although the Articles allow the Chair to have a casting vote, the Board wishes to avoid the use of this, where possible and seek consensus where possible. If the Chair is unable to attend a meeting of the Board, the Board is entitled to appoint another Director to act as Chair of that meeting.

Restrictions: All Directors are prohibited from acting as a director, employee or holding or acquiring investments in: (a) any person (or any Affiliate or Related Undertaking of such person) to whom any Services are provided as part of the Licensee’s Authorised Business; or (b) any External Service Provider (or any Affiliate or Related Undertaking of such person) from whom Specified Capability is or is likely to be procured by the Licensee

2.2 Sufficiently Independent Directors

As stated in Licence Condition 9.14, at least two of the persons at any time appointed as the Company’s Directors must be persons who are sufficiently independent from the Company. The intention is that where possible at least three of the Company’s Directors will be persons who are sufficiently independent from the Company.

The SIDs must at all times:

- have the skills, knowledge, experience, and personal qualities that are necessary for them to perform effectively as non-executive Directors of the Company;
- are not required to perform any executive duties; and
- satisfy the requirements in respect of independence as stated within the condition.

The requirements to satisfy independence under the Licence include:

- A SID must not be, (and must not at any time during the 12 months preceding his/her appointment have been): a Director or an employee of the Company; or a Director or an employee of any Affiliate or Related Undertakings
- A SID must not have, (and must not at any time during the 12 months preceding his/her appointment have had), any material business relationship with the Company or any Affiliate or Related Undertakings
- A SID must at no time during his/her service as such hold any remit to represent the interests of: any particular shareholder or group of shareholders of the Company; or any Affiliate or Related Undertakings
- A SID must not receive any remuneration from the Company or any Affiliate or Related Undertakings apart from a Director's fee and reasonable expenses

The term Affiliate or Related Undertaking used in this section shall have the same meaning as defined in the Licence. A term of service for a SID may not be longer than six years, but may be reappointed as a SID once (and once only) provided that the Independence Requirements are met.

2.3 Senior Independent Director

The Board shall, if it deems appropriate, appoint one of the sufficiently independent directors to be the senior independent director. The senior independent director shall be available to the shareholder if they have concerns which contact through the normal channels of the Chairman, the Chief Executive or the Finance Director has failed to resolve or for which such contact is inappropriate.

3 BOARD MEETINGS

This section aims to set out the practical requirements relating to Board meetings.

The following items are considered:

- Quorum
- Guest/Observer attendance at Board meetings
- Timetable of Main Board Activities
- Decision making by Directors
- Matters reserved for the Board

3.1 Quorum

In accordance with the Articles, for any Board meeting held in accordance with section 4.2 to be quorate, there needs to be two Directors present. However, in practice and to be aligned with the conditions of the Licence, the Board has agreed that the quorum for any Board meeting of the Directors (including any adjourned meeting) is a minimum of two Directors, (or their alternates), one of whom must be a SID. No decisions can be made at any meeting of the Directors unless a quorum is in place and due notice has been given to all Directors.

3.2 Guest/Observer attendance at Board Meetings

The Board may choose to invite a guest or an observer to attend a Board meeting (either in its entirety, or in part), but the guest/observer must attend the meeting with the full consent of the Board. The Chair may at any time request that the guest/observer absent themselves from the meeting, either for a particular agenda item, or permanently from the meeting.

The guest/observer(s) should be invited to the Board meeting by the Chair or Company Secretary.

The Chair should decide whether the guest/observer receives any (or all) of the Board papers that shall be discussed at the meeting. Those receiving the papers do so on the strict understanding that all papers are kept confidential.

No guest/observer shall assume the role of Director at any time during the meeting and shall not count as part of the quorum nor be entitled to vote on any decision being made.

4 BOARD DECISION MAKING

4.1 Decision Making by the Board

4.1.1 Decisions by the Board

Directors must be able to make decisions for the business. Any decision made by Directors must be made at a Board Meeting (including by email or telephone meeting, as outlined in section 4.2) or by written resolution, and must be made in accordance with the Articles.

At all times, the Legal Advisor will be available to provide legal advice and support to the Board. Similarly, the Finance Director will also be available.

4.1.2 Recording of decisions

All Director decisions must be made by way of a formal resolution, which will be either recorded in the minutes of the Board Meeting or in the form of a written resolution of the Directors. This means that the Directors must pass a majority vote to approve any decision, and there must be a formal record of the outcome.

4.2. Board Meetings

4.2.1 Board Meetings

Board meetings are meetings held for the transaction of the matters relating to the management of Smart DCC, that the shareholder has delegated to the Directors (see below).

The Board will meet formally at least six times per annum, usually during alternate months. All Directors are expected to attend, preferably in person, but by telephone or video conference if agreed with the Chair in advance.

There may be occasions where the Board of Directors wishes to adjourn/reconvene any meeting of the Directors at a later date. The Board can adjourn the meeting either whilst present at the meeting or before it, for example if the Directors wish to consider an item in further detail. However the Directors do not need to give a reason for the adjournment. It is important that no business is discussed at any meeting after a request for adjournment has been made and in light of this, no meeting of Directors should be adjourned more than once.

4.2.2 Decision Making via Email

Where a matter is in need of an urgent decision that cannot wait until the next available Board meeting, a meeting may be held via email. A Notice, together with the Board papers may be sent out at short notice (i.e. less than 5 working days before the Board meeting), and will set out a time and date of the meeting, as agreed with Directors. The Board will be asked to indicate by email their agreement to the matters under discussion.

Alternatively, where deemed business critical, a decision made via email may be formally ratified at the next Board meeting.

4.2.3 Telephone Board Meetings

The Board is allowed to conduct Board meetings via telephone conference. A Notice, together with the Board papers may be circulated at short notice, and will set out a time and date of the meeting with dial in details. The Board will be asked to attend a telephone conference to discuss the proposal.

4.2.4 Written Resolutions

A decision may take the form of a resolution in writing, where each eligible Director has indicated agreement in writing. A decision may not be taken if the Directors would not have formed a quorum had the matter been proposed as a resolution at a Directors' meeting. A decision may also be ratified by the Board at their next Board meeting.

4.2.5 Dates of Board Meetings

The annual list of proposed dates of Board Meetings and Trading Updates (see section 4.3) will be circulated to each of the Directors and every effort will be made to accommodate the availability of all the Directors. The Board accepts that ad hoc matters may arise which will necessitate the holding of additional Board meetings, for which due notice will be given as far in advance as possible, but may be less than five working days.

4.2.6 Board Meeting Papers

Notice of Board meetings together with any Board meeting papers will usually be circulated five working days prior to a meeting and will be sent in hard copy format via post, uploaded to a shared access portal, or sent in soft copy via email.

The Committee may send notices, agendas and supporting papers in electronic form where the recipient has agreed to receive documents in such a way.

4.3 Trading Updates

The Board may also attend Trading Updates as required between Board meetings. These will consist of informal updates from the CEO and the Finance Director. No decisions binding the Company will take place at the Trading Updates. All Directors will be invited to join the Trading Updates.

4.4 Matters Reserved for the Board

The following items are those which are reserved for approval by the Board

1. Responsibility for the overall strategic direction of Smart DCC.
2. Oversight of the Company's business and operations ensuring:
 - Competent and prudent management;
 - Sound planning;
 - Adequate accounting and other records;
 - Compliance with statutory and regulatory obligations; and
 - Due consideration of any serious complaints.
3. Review of performance in light of the Company's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
4. Approval of the annual accounts (save that the final form may be delegated to a sub-committee of the Board set up solely for that purpose).
5. Ensuring maintenance of a sound system of internal control and risk management including:
 - Receiving reports, reviews and audits, and reviewing the effectiveness of risk and control processes to support its aims and objectives;
 - Undertaking an annual assessment of these processes; and
 - Approve procedures for enabling the workforce to raise any matters of concern, the detection of fraud, and the prevention of bribery.
6. Undertaking an annual formal and rigorous review of its own performance, and that of individual Directors.
7. Membership and Chairship of Board Committees, e.g. Audit and Risk Committee, Nomination Committee and Remuneration Committee.
8. Approval of terms of reference of Board Committees.
9. Receiving reports from Board Committees on their activities.
10. Oversight and review of the Company's overall corporate governance arrangements.
11. Approval of new policies.
12. Annual effectiveness review of the Company.
13. Annual Review of Delegation of Authority.
14. Formal publication of the Business Plan (and related documents).
15. Provision of annual certificates to Ofgem in relation to financial and operational resources, as well as compliance with the Licence.

5 HOW THE BOARD GOVERNS THE COMPANY

5.1 Corporate Governance

To discharge its governance function effectively, the Board herein specifies rules covering:

- Roles and Responsibilities of the Board
- Board structure
- Delegation of authority
- Role of the Company Secretary
- Directors' and Officers' Insurance
- Directors' Duties
- Guidelines for the Board
- Annual Effectiveness Review
- Wider Duties of a Director

5.2 Role and Responsibilities of the Board

The ultimate responsibility for the Company rests with the Board irrespective of any powers delegated to its Committees or to a third party.

The Board is primarily responsible for setting the Company's strategic objectives and ensuring that the appropriate resources are in place to achieve these. The Board should also have an appropriate mix of skills, experience, and knowledge of the Company to enable them to fulfil their responsibilities efficiently and effectively, which should be proactively monitored.

5.3 Board Structure

- Chair (also Non-executive Director)
- 3 (Minimum of 2) Sufficiently Independent Directors (also Non-executive Directors)
- Chief Executive Officer
- Chief Financial Officer
- 1 Non-executive Director nominated by Capita,
- Company Secretariat

5.4 The Role of the Chair

The Chair is responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role.

The main responsibilities include:

- Leading the Board, ensuring its effectiveness: setting its agenda, promoting effective debate and ensuring sufficient time is given to strategic issues
- Ensuring that Directors receive accurate, timely and clear information for robust debate and quality decision making
- Building an effective Board with the balance of skills, experience, independence and diversity appropriate for the needs of the business
- Promoting high standards of integrity and corporate responsibility in all aspects of the Company's activities whereby ensuring that the company operates to the highest standard of corporate governance
- Communicating effectively with shareholders and other stakeholders and ensuring that the Board develops an understanding of the views of stakeholders

5.5 Directors' Duties

5.5.1 Directors' Duties

The Smart DCC Board understands that the Companies Act 2006 (the "2006 Act") codified Directors' duties for the first time. The general duties are based on the existing common law rules and equitable principles as they apply in relation to Directors and have effect in place of those rules and principles as regards the duties owed by a Director to a Company.

Every Director has a duty to:

- Act within their powers i.e. in accordance with the Company's constitution for the purpose for which the powers were conferred;
- Promote the success of the Company;
- Exercise independent judgement;
- Exercise reasonable care, skill and diligence;
- Avoid conflicts of interest;
- Not accept benefits from third parties; and
- Declare interests in proposed transactions or arrangements.

The duties listed above are the "seven statutory duties" of Directors contained in the 2006 Act Sections 171 to 177.

In relation to the duty to promote the success of the Company in exercising this duty Directors must have regard to (amongst other matters) the following factors:

- The likely consequences of the decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

The Act also introduced a simplified statutory procedure for shareholders to take derivative actions against Directors which allows any shareholder to bring a derivative claim on behalf of the company against a Director for negligence, default, breach or duty or breach of trust.

Furthermore, the Directors must always act in a manner that is consistent with its special position as the person that is licensed under the Principal Energy Legislation to carry on the Authorised Activity in Great Britain, as laid down in Licence Condition 11.

5.5.2 Wider Duties of a Director

In addition to the seven statutory duties above the Directors understand and acknowledge that the role of a Director also involves the responsibility for the performance of numerous other duties imposed by companies' legislation on the Company. As the Company is not a natural person, the Board acknowledge that it is the Directors, as a practical matter, who must ensure that the Company does everything it is required to do, including for example the review of any serious complaints made about Smart DCC.

There are also other pieces of statute that the Board understand will indirectly impose further duties upon them such as health and safety and corporate manslaughter legislation with which they must comply.

5.5.3 Directors' and Officers' Liability Insurance

All of the Directors of the Company are covered under Capita's Group Directors' and Officers' Liability Insurance policy.

In the event that an individual requires details of the cover in place or more importantly is aware of a circumstance that may give rise to a claim they should report it to their Business or Divisional Finance Director, who depending on the seriousness of the circumstance should report the instance either immediately or in the next Monthly Operational Business ("MOB") reporting process to the Group Insurance Director. .

5.6 Delegation of Authorities

The Delegation of Authorities is reviewed and approved by the Board annually.

5.7 Role of the Company Secretary

The appointed Company Secretary of the Company is Capita Group Secretary Limited. Capita Group Secretary Limited have outsourced the board meeting and corporate governance support of the Company to Link Company Matters Limited ("Link"). As part of the sale agreement of Capita Asset Services ('CAS') to Link Administration Holdings, Link Company Matters Limited will provide Company Secretarial services for a period of 5 years from the date of the sale (1 November 2017). The Company Secretarial services are subject to annual review.

The Company Secretary organises the meetings and provides administration and, and records the minutes, including decisions, of the Board and Board Committees. In addition, best practice Corporate Governance advice is provided as requested by any of the directors.

5.8 Guidelines for the Board

Directors need to be aware of their duties under the 2006 Act and where appropriate, the Company Secretary can deliver training to the Board when requested to do so.

Where items are presented to the Board, and briefing papers and presentations are prepared by individuals other than those appointed to the Board of the Company, the sponsoring Director must ensure that those individuals are made aware of the legislation relating to Directors' duties under the 2006 Act. This will enable those individuals to prepare supporting papers that include a thorough analysis of all of the factors, including those referred to in the 2006 Act, in the Board papers. Notwithstanding the information contained in the Board papers, the Directors appreciate the continued need to use their business judgement in considering the proposal in the usual way.

The Chair will ensure that the minutes of Board proceedings record consideration of the relevant duties that apply to the particular circumstances of the decision. The Board minutes will record the decision made and will not be verbatim minutes; they will not therefore be used to evidence the thought processes of the Board in light of the codification of Directors' duties.

Where the Board delegates any of its functions the Directors acknowledge that this does not absolve the Director of his/her duty to supervise the discharge of the delegated function.

5.9 Annual Effectiveness Review

The Board is aware that it needs to continually monitor and improve performance and recognises this can be achieved through a Board evaluation. The Board will undertake an annual evaluation each year, the format of which will be determined by the Board

6 CONFLICTS OF INTEREST

6.1 Statutory Conflicts of interest

Set out below is a summary of the conflicts of interest provisions as under the Articles of Association and UK Company Law. The provisions are set out in full in the Articles of Association. If there are any queries or concerns about a conflict or potential conflict of interest contact should be made with the Company Secretary in the first instance.

The statutory duties under the 2006 Act concerning Directors' conflicts of interest were duly updated on 1 October 2008. The Act provides for three duties in relation to conflicts of interest:

1. the duty to declare interest in transactions and arrangements with the company;
2. the duty not to accept third party benefits; and
3. the duty to avoid a situational conflict of interest.

This duty requires a Director to declare to the other Directors an interest in any existing or proposed transaction or arrangement with the Company. Of particular importance are conflicts relating to property, information or opportunities regardless of whether the Company could take advantage of such opportunities as depicted under S175 (2) of the 2006 Act. In these circumstances, in accordance with the Articles, the Directors should declare an interest once identified to the Board (in advance of any proposed transaction).

6.1.1 Duty not to accept third party benefits

This duty requires a Director not to accept any benefit from a third party, conferred in that Director's capacity as a Director, which might give rise to a conflict of interest. However

the duty is not infringed if the acceptance of the benefit cannot reasonably be regarded as likely to give rise to a conflict of interest.

6.1.2 Duty to avoid a situational conflict of interest

Section 175 of the 2006 Act imposes a duty on a Director to “avoid a situation in which he has, or can have, a direct or indirect interest that conflict, or possibly may conflict, with the interests of the company”. As the duty also extends to indirect interest, Directors will need to consider the position of their connected persons (which includes a spouse or long term partner, a company where a Director has an interest in 20% or more of that Company’s shares and any children or step children under 18).

This statutory duty catches “potential” as well as “actual” conflicts and requires conflicts issues to be addressed at an earlier stage.

The following points should be noted:

- the duty is personal to each Director, and is owed to the Company;
- the duty exists where there is a “situation” which may give rise to a conflict of interest. There does not need to be an actual conflict. Directors therefore need to consider potential as well as actual conflicts; and
- the duty to “avoid” a situation of possible conflict, although breach of the duty can be prevented, as explained below, by Board (or, in the case of a private company, shareholder) approval.

6.2 Authorisation of Conflicts by the Directors

The Articles of Association allow the Directors to authorise matters and situations which, if not authorised, would involve a Director breaching his/her duty to avoid conflicts of interest. These provisions enable the Directors to deal with any potential conflict in the course of their day to day business without having to escalate the matter to the shareholder(s).

If and when the Directors provide a Conflict Authorisation, full consideration of and adherence to Article 6 of the Articles should be made.

An authorisation of a conflict by the Directors is effective only if:

- a) the requisite quorum is present, without counting the conflicted Director;
- b) the matter was agreed to without the conflicted person voting or would have been agreed to if their votes had not been counted;
- c) the terms of such conflict authorisation should be recorded in writing (but the authorisation shall be effective whether or not the authorisation is recorded in this way.

When making a decision to approve a conflict, the Directors should take into account their statutory duty to promote the success of the Company. The authorisation may provide that the interested Director be excluded from the receipt of documents and information and the participation in discussions relating to the conflict or any other terms that the Directors think fit. The interested Director will not be required to share information obtained through his/her involvement in the conflict and is permitted to absent himself from discussions of matters relating to the conflict.

In the event that a Director becomes aware of a new conflict or potential conflict of interest they should notify the Company Secretary and the other Directors as soon as is practicable. Once notified, the Company Secretary can arrange a meeting to authorise the conflict, if appropriate.

Directors are not required to account for any remuneration, profit or benefit derived from a conflict authorised by the Directors (Subject to the provisions of the particular authorisation) and no contract shall be liable to be avoided on such grounds.

6.3 Register of Conflicts

The Company Secretary will maintain a Register of Conflicts on behalf of the Directors and the Register will be available to Directors upon request. The Register of Conflicts is reviewed on at least an annual basis.

7 ANTI-CORRUPTION POLICY

Directors have undertaken that the Company will not engage in any activity, practice or conduct which may be an offence under sections 1, 2 or 6 of the Bribery Act 2010.

8 BOARD COMMITTEES

The Board has created an Audit and Risk Committee, Remuneration Committee and Nomination Committee to carry out certain duties for the Company.

8.1 Audit and Risk Committee

8.1.1 Membership

The members of the Audit and Risk Committee shall be appointed by the Board of Directors, in consultation with the Chair of the Audit and Risk Committee. The Chair of the Board may be a member of, but not Chair the Audit and Risk Committee, in addition to the independent non-executive Directors, provided he or she was considered independent on appointment as Chair. The Audit and Risk Committee shall comprise at least two independent Non-Executive Board Members. At least one member of the Audit and Risk Committee should have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies. The Audit and Risk Committee as a whole should have competence relevant to the sector in which the Company operates.

A quorum shall be any two members of the Audit and Risk Committee, one of which should be a SID, subject to the prevailing Terms of Reference of the Audit and Risk Committee at the time.

Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two additional periods of up to three years, provided the members continue to remain independent.

8.1.2 Attendance

The Audit and Risk Committee will meet at least two times a year. Other Directors including the Finance Director and other individuals may be invited to attend all or part of any meeting as and when appropriate.

8.1.3 Notice of Meetings

Unless otherwise agreed, notice of the Audit and Risk Committee meetings together with any Committee meeting papers will be circulated five working days prior to a meeting

8.1.4 Summary of the Duties

The Audit and Risk Committee shall monitor the integrity of the financial statements of the company, including its annual report and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

The Audit and Risk Committee shall keep under review the adequacy and effectiveness of the Company's principal risk management systems, and will provide support on the Viability Statement.

A full description of the duties of the Audit and Risk Committee can be found in the Audit and Risk Committee's Terms of Reference (Appendix 2).

8.2 Remuneration Committee

8.2.1 Membership

The Remuneration Committee shall comprise at least three members, two of whom shall be Sufficiently Independent Directors (a "SID"). Members of the Remuneration Committee shall be appointed by the Board, in consultation with the Chair of the Remuneration Committee and shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members continue to be independent.

The Board shall appoint the Remuneration Committee Chair who shall be a non-executive Director.

The quorum necessary for the transaction of business shall be two, one of which should be a SID, subject to the prevailing Terms of Reference of the Remuneration Committee at the time.

8.2.2 Attendance

The Remuneration Committee shall meet at least twice a year and otherwise as required.

8.2.3 Notice of Meetings

Unless otherwise agreed, notice of the Remuneration Committee meetings together with any meeting papers will be circulated five working days prior to a meeting.

8.2.4 Summary of Duties

The Remuneration Committee shall have responsibility for advising the parent company (the parent) on setting the remuneration policy for all executive Directors, including pension rights and any compensation payments, and recommending and monitoring the level and structure of remuneration for senior management.

No Director or senior manager shall be involved in any decisions as to their own remuneration.

A full description of the duties of the Remuneration Committee can be found in the Remuneration Committee's Terms of Reference (Appendix 3).

8.3 Nomination Committee

8.3.1 Membership

The Nomination Committee shall comprise at least two Sufficiently Independent Directors (a "SID"). A majority of the Members of the Committee shall be SIDs. All Non-Executive Directors (both Sufficiently Independent Directors and Capita-appointed Non-Executive Directors) may be Members of the Committee.

Appointments to the Committee are made by the Board on the recommendation of the Nomination Committee and shall be for a period of up to three years, which may be extended by no more than two additional three-year periods, provided the Director still meets the criteria for Membership of the Committee.

The quorum necessary for the transaction of business shall be two, one of which should be a SID, subject to the prevailing Terms of Reference of the Remuneration Committee at the time.

8.3.2 Attendance

The Nomination Committee shall meet at least twice a year and otherwise as required.

8.3.3 Notice of Meetings

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than five working days before the date of the meeting.

8.2.4 Summary of Duties

The Nomination Committee shall regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.

The Nomination Committee shall ensure plans are in place for orderly succession to Board and senior management positions, and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future

A full description of the duties of the Nomination Committee can be found in the Nomination Committee's Terms of Reference (Appendix 4).

8.3 Sub-Committees

In addition to the Remuneration Committee, Nomination Committee and the Audit and Risk Committee, the Directors may delegate any of their powers or discretions to time limited committees to address specific issues. Any such committee shall, unless the

Directors otherwise resolve, have power to sub-delegate to sub-committees any of the powers or discretions delegated to it. Any such committee or sub-committee shall consist of one or more Directors, one or more SID, and one or more other named person.

Any committee or sub-committee shall, in the exercise of the delegated powers, conform to any regulations which may from time to time be imposed by the Directors.

The meetings and proceedings of any such committee or sub-committee consisting of two or more persons shall be governed by the provisions of the Articles regulating the meetings and proceedings of the Directors, so far as the same are not outdated by any regulations made by the Directors.

All acts done by any meeting of Directors or of any such committee is as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of the committee or sub-committee and had been entitled to vote.

APPENDICES

1. Smart Meter Commercial Licence
2. Contact Details

APPENDIX 1

The full and updated Licence be found at: <https://www.smartdcc.co.uk/about/smart-dcc-licence/>

APPENDIX 2

The terms of reference for the Audit and Risk Committee can be found at:

https://www.smartdcc.co.uk/media/1415/smart_dcc_ltd_-_audit_committee_terms_of_referencenv20.pdf

APPENDIX 3

The terms of reference for the Remuneration Committee can be found at:

https://www.smartdcc.co.uk/media/1437/remuneration-terms_of_reference_10032016.pdf

APPENDIX 4

The terms of reference for the Nomination Committee can be found at:
[needs to be uploaded to the website]

APPENDIX 5

Company Secretarial Contact Details

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