

To: Members and Directors of MOSL cc: BDO LLP

30 June 2020

Dear Member

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting (“AGM”) of Market Operator Services Limited (“MOSL” or the “Company”) will be held by videoconference on **16 July 2020 at 3:00 pm** in order to transact the following business:

To consider and, if thought fit, to pass, the following Resolutions, of which Resolutions 3 to 8 will be proposed as special resolutions and all other Resolutions will be proposed as ordinary resolutions. Further information on all resolutions is given in the Explanatory Notes on pages 5 to 7, along with a copy of the revised Articles of Association showing the proposed changes.

ORDINARY RESOLUTIONS

1. To receive and adopt the [Annual Report and Financial Statements, and the Auditor’s Report therein](#), for the financial year ended 31 March 2020.
2. To reappoint BDO LLP as the Company’s auditor until the conclusion of the next Annual General Meeting of the Company and to authorise the Audit Committee to determine the auditor’s remuneration.

SPECIAL RESOLUTIONS

3. Removal of 5-Year Industry Restriction for Board Chair

To amend article 12.2.6 of the Company’s articles of association to read as follows:

“an independent chairperson nominated by unanimous decision of the Nominations Committee as being an individual that they believe would enjoy the confidence of all stakeholders in the industry and who, in the opinion of the board of directors, shall be sufficiently independent of any member or an associated company of a member.”; and

to add an article 12.14 to read as follows: *“Where any provision of this article 12 conflicts with the Market Rules, the Market Rules shall prevail.”*

4. Amending the Term of the Elected Directors from two to three years (including to extend the term of those current in office)

To amend article 12.3 of the Company’s articles of association to read as follows:

“The Nominations Secretary shall fix: (a) the date of each Nomination Meeting for the appointment of the Wholesaler Director; (b) the date of each Nomination Meeting for the appointment of the Unassociated Retailer Director; and (c) the date of each Nomination Meeting for the appointment of the Associated Retailer Director. The appointment of the Wholesaler Director, the Unassociated Retailer Director and the Associated Retailer Director shall be for a period of 36 months unless he resigns or is removed from office in terms of article 12.9, and, for the avoidance of doubt, the relevant members may nominate the same individual as was nominated or appointed for the preceding period of appointment. Following the holding of the first Nomination Meeting for each class of membership

the subsequent Nomination Meeting for that class of member shall be held no later than the date falling 36 months after the relevant preceding Nomination Meeting. Each Wholesaler Member shall be entitled to attend and vote at each Nomination Meeting in respect of the appointment of the Wholesaler Director, each Unassociated Retailer Member shall be entitled to attend and vote at each Nomination Meeting in respect of the appointment of the Unassociated Retailer Director, and each Associated Retailer Member shall be entitled to attend and vote at each Nomination Meeting in respect of the appointment of the Associated Retailer Director; however (i) a Wholesaler Member shall not be entitled to attend or vote at a Nomination Meeting in respect of the appointment of an Unassociated Retailer Director or an Associated Retailer Director, (ii) an Unassociated Retailer Member shall not be entitled to attend or vote at a Nomination Meeting in respect of the appointment of a Wholesaler Director or an Associated Retailer Director, and (iii) an Associated Retailer Member shall not be entitled to attend or vote at a Nomination Meeting in respect of the appointment of a Wholesaler Director or an Unassociated Retailer Director.”; and that this article shall have retrospective effect, such that those directors already appointed under it, and who are currently in office, shall be deemed to have been appointed for 36 months, rather than 24.

5. Board quorum and removal of option for alternate directors

To amend article 26.2 of the Company’s articles of association to read as follows:

“The quorum for directors’ meetings may be fixed from time to time by a unanimous decision of the directors and, unless otherwise fixed at any other number, shall be two independent directors (of which one may be the independent chairperson); and any two of the Unassociated Retailer Director, Associated Retailer Director or the Wholesaler Director.”;

To amend article 16 to read as: *“Directors shall not be permitted to appoint alternate directors”;* and

To amend article 22.2 to read as follows: *“Not used.”*

6. Nomination Committee composition

To amend article 1, Defined Terms, such that the definition of Nominations Committee reads as follows:

“Nominations Committee” means a committee of the board of directors comprised as the board of directors shall determine from time to time;

7. Discretion to appoint a Senior Independent Director

To create a new article 12.13 of the Company’s articles of association to read as follows:

“The board of directors may elect to nominate an independent director (the “Senior Independent Director”) to perform the duties ascribed to the Senior Independent Director in these articles. The Senior Independent Director shall perform the duties of the chairperson as set out in these articles, if the chairperson is, by reason of absence, illness, injury or conflict unable to exercise the power vested in him/her pursuant to these articles.”

8. Measures to introduce modernised voting

- a. To amend article 42.1.4 of the Company's articles of association to read as follows: *"is delivered to the company not less than 1 hour before the time for holding the meeting and otherwise complies with any instructions contained in the notice of the general meeting to which they relate."*;
- b. To amend article 42.2 to read as follows: *"The company may require proxy notices to be delivered in a particular form, including in electronic form, and may specify different forms for different purposes."*;
- c. To amend article 34.3 to read as follows: *"The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it, which may include electronic and digital forms of communication."*;
- d. To amend article 12.4 to read as follows: *"The Nominations Secretary shall give each member not less than twenty (20) Business Days' notice in writing of the date of the Nomination Meeting in relation to that member's class of membership. Each member shall either send one suitably authorised representative to attend each relevant Nomination Meeting or, alternatively, shall arrange for a suitably authorised representative to participate in the Nomination Meeting by way of a video or telephone conference call. The member shall provide the Nominations Secretary with notice in writing confirming if they intend to attend the Nomination Meeting (and whether in person or not), such notice to be received not less than forty-eight (48) hours before the stated commencement time for that Nomination Meeting."*
- e. To amend article 12.5 to read as follows: *"Each member of the relevant class shall be entitled, by notice to the Nominations Secretary given no earlier than ninety (90) days before the date of and not later than ten (10) Business Days before the stated commencement time of the relevant Nomination Meeting, to nominate one (1) individual to be: in the case of a Wholesaler Member, the Wholesaler Director; in the case of an Unassociated Retailer Member, the Unassociated Retailer Director; and in the case of an Associated Retailer Member, the Associated Retailer Director. Such nominated individual shall be employed by a Wholesaler Member, an Unassociated Retailer Member or an Associated Retailer Member (as appropriate) and shall be an industry representative with the requisite skills and experience to fulfil the role and to be involved in the delivery of the objects set out in article 4 and such nomination shall contain the name, address and details of the relevant skills and experience of the nominated individual. For any such proposal to be valid it shall require to be in writing and shall require to be accompanied by a written statement from the nominated individual stating that he is aware of the proposal and would be prepared to serve as the Wholesaler Director or as the Unassociated Retailer Director or as the Associated Retailer Director (as appropriate) if appointed."*
- f. To amend article 12.6 to read as follows: *"At each Nomination Meeting the Nominations Secretary shall circulate to each member present a list of the names of all of the individuals nominated to serve as the relevant director. Where the authorised representative of a member entitled to vote at the meeting is participating in the Nomination Meeting by way of a video or telephone conference call and there is more than one nominated individual, the Nominations Secretary shall provide that member with a list of the names of all of the individuals nominated to serve as the relevant director and a voting paper (in the form to be provided pursuant to article 12.6.1) no earlier than five (5) Business Days before the stated commencement time for the Nomination Meeting."*

Such member shall complete the voting paper in accordance with the provisions of article 12.6.2 and return the voting paper to the Nominations Secretary by email, or other electronic means, no later than one (1) hour in advance of the stated commencement time for the Nomination Meeting. In the event that there is only one individual nominated to serve as the relevant director then that person shall duly become the Wholesaler Director or the Unassociated Retailer Director or the Associated Retailer Director (as appropriate) for the forthcoming period of appointment. In the event that there is more than one individual nominated to serve as the relevant director and the members present at the Nomination Meeting (or participating by way of a video or telephone conference call) cannot agree unanimously on the identity of the director to be appointed, the following procedures shall be applied in sequence:-“

- g. To amend article 12.6.1 to read as follows: “each member present and entitled to vote at the meeting shall be given a voting paper with the name of every individual nominated to serve as the relevant director on it. This voting paper may be in an electronic or digital form, as well as a paper voting form;” and*
- h. To amend article 12.7 to read as follows: “A Nomination Meeting may consist of a video or telephone conference call between relevant members who are not all in one place but who are able to speak to each of the others and to be heard by the others simultaneously provided that where it is necessary to apply the procedures set out in articles 12.6.1 to 12.6.7 to select the relevant director any member who is not attending the Nomination Meeting in person shall only be permitted to take part in the Nomination Meeting if it has submitted voting papers to the Nominations Secretary under article 12.6 in advance of the Nomination Meeting.”*

VIRTUAL AGM AND PROXY VOTING

If you wish to attend the annual general meeting you can do so virtually via Microsoft teams, using the meeting link that will be emailed to you. There will be a short Q&A on the resolutions.

You do not need to attend the AGM to vote. You can use the electronic proxy form to tell the chairman of the meeting how to vote on your behalf. Your vote will be counted and added to the total cast on the day and you may still attend the video conference and ask questions, having cast your vote by proxy. You may also vote during the AGM itself, if preferred.

By order of the Board



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Company Secretary and General Counsel

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EXPLANATORY NOTES TO THE RESOLUTIONS

RESOLUTION 1 – ANNUAL REPORT AND ACCOUNTS

The Annual Report and Financial Statements sets out MOSL’s income, expenditure and financial position for the financial year ended 31 March 2020. This year’s report has been enhanced to include statements from our Chairman and our Chief Executive, as well as an expanded Strategic Report and Directors’ Report. We have also improved the level of disclosure in the accounts themselves in keeping with our transparency initiative.

The report also includes a new section on metrics and Key Performance Indicators (KPIs), which relate to our new suite of 12 services. As we move into 2020/21, we will set a target for each KPI and measure our performance against it.

After interest income net of tax, the reported surplus for the financial year was £224k. We propose to retain this surplus (in accordance with the Market Arrangements Code) as we continue to build a small cash reserve to fund our working capital and defray any unexpected expenses.

RESOLUTIONS 2 – REAPPOINTMENT OF AUDITOR AND DETERMINATION OF THEIR REMUNERATION

Under section 489 of the Companies Act 2006 (the “Act”), the Company is required to appoint an auditor at each general meeting at which accounts are laid before shareholders. The auditor will usually hold office from the conclusion of an AGM until the conclusion of the following year’s AGM. On the recommendation of the Audit Committee, the Board proposes that BDO LLP be reappointed as the Company’s auditor. BDO have indicated their willingness to continue in office.

Resolution 2 also proposes that the Audit Committee be authorised to determine the remuneration of the auditor. Section 492 of the Act requires the auditor’s remuneration to be fixed by ordinary resolution of the shareholders or in such manner as the shareholders may, by ordinary resolution, determine. In practice the Audit Committee considers and approves audit fees on behalf of the Board. Details of the remuneration paid to the auditor for the year ended 31 March 2020 are set out on page 41 of the Annual Report and Financial Statements.

RESOLUTION 3 – REMOVAL OF 5-YEAR INDUSTRY RESTRICTION FOR BOARD CHAIR

The articles currently require that the Board Chair must not have been employed by a member company in the past five years. With recruitment for a new Board Chair underway, due to the retirement of Jim Keohane from 31 August 2020, and with the Panel proposing to separate the Board and Panel Chairs into separate roles, the Board propose to amend the articles to remove this five-year restriction.

The Board is keen to ensure that a breadth of high calibre candidates with relevant experience can be considered and would not wish to exclude an excellent and independent minded candidate as Chair just because he or she had connections to the industry four years ago.

The wording proposed is similar to that being proposed by the Panel for the Panel Chair and is clear that the Board Chair must be sufficiently independent of any non-household retail water and sewerage services party.

EXPLANATORY NOTES TO THE RESOLUTIONS (CONTINUED)

The additional wording at article 12.14 is required as resolutions 3 and 4 require connected changes to the articles and the Market Arrangements Code. The changes to the articles are therefore subject to the associated changes to the Market Arrangements Code being implemented.

RESOLUTION 4 – AMENDING THE TERM OF THE ELECTED DIRECTORS FROM TWO TO THREE YEARS (INCLUDING TO EXTEND THE TERM OF THOSE CURRENT IN OFFICE)

Currently the articles state that the elected directors serve only a two-year term. This does not align with the other independent board directors, who each serve the standard three years until they need to stand for re-election. Two-year terms are unusually short and negatively impact Board continuity by creating an increased level of Board turnover.

The Board currently has two elected directors due to complete their two-year terms in September 2020, and one in September 2021. Therefore, this resolution includes a transition provision, whereby any of the three existing elected directors could stay on for a further year (and so complete a three-year term), if they so wish. This would, if they so choose, permit Andy Hughes, associated retailer director and Josh Gill, unassociated retailer director, to stay on beyond 17 September 2020, to 17 September 2021 and Don Maher, wholesaler director, to stay on beyond 16 September 2021 until 16 September 2022.

RESOLUTION 5 - BOARD QUORUM AND REMOVAL OF OPTION FOR ALTERNATE DIRECTORS

The current articles require all three of the elected directors to be present for the Board to be quorate. This is inflexible if a director is unexpectedly unavailable or delayed. This resolution would allow the Board to still be quorate, provided at least two of the elected directors is present.

The current articles also permit directors to appoint alternate directors. The Board consider delegation to alternate directors, who will be unfamiliar with the business of the Board, as sub-optimal governance and so proposes removing the ability to appoint alternates, as is common practice with many company boards.

The Board operates to a high standard of governance, with all directors' views being sought, and meetings are arranged to ensure the maximum possible attendance. In the unlikely event that a director was unable to attend a meeting, where a matter was due to be discussed that they had strong views on, the decision would be deferred to ensure they could participate.

RESOLUTION 6 - NOMINATION COMMITTEE COMPOSITION

Currently the articles define the Nomination Committee's quorum as including all three elected directors, which is inflexible for a Board Committee. As a Board Committee it is usual to have a lower and more flexible quorum than the full Board. This resolution proposes that the committee's composition be left to the discretion of the Board, to enable the committee to meet more flexibly when it needs to consider issues such as new appointments, which may be required at reasonably short notice.

EXPLANATORY NOTES TO THE RESOLUTIONS (CONTINUED)

RESOLUTION 7 - DISCRETION TO APPOINT A SENIOR INDEPENDENT DIRECTOR

It is common amongst companies to have one of the directors act as a Senior Independent Director (“SID”). A SID will typically deputise for the Chair, will lead the Chair’s annual review, and act as a ‘sounding board’ for the Chair and for the other directors. They would also be a contact for the members, as an alternative to the usual route through the Chair or CEO.

This resolution proposes that the Board is able, at its discretion, to nominate one of the directors to act as the SID. It would be expected that this would include a modest increase in remuneration for any director undertaking that role. The Remuneration Committee would consider what level this should be at, taking into account external benchmarking.

RESOLUTION 8 - MEASURES TO INTRODUCE MODERNISED VOTING

The articles currently stipulate that proxy voting forms used for any general meeting are only valid if submitted 48 hours prior to the meeting. This artificial deadline has frequently led to proxy forms not being valid, due to their arriving too late. As such this resolution proposes to accept proxy forms up until one hour before the general meeting. It would also make it explicit that electronic/digital proxy forms are valid. (the articles are currently silent on this)

Further, the current process for the election of new industry directors is via a nomination meeting, which does not explicitly permit video conference attendance, uses paper voting forms, allows nominations for industry directors to be submitted as late as five business days before the meeting, but also only permits circulation of the candidate details in the last 24 hours before the meeting, leaving little time for consideration of the candidates.

This resolution permits a nomination meeting to be by video conference, using electronic voting forms, with nominations to be submitted no later than ten business days before the meeting, and circulation of the candidates’ details permitted five business days before the meeting date. This will make the election process far less bureaucratic to administer, allow greater participation of the members, and give adequate time for members to consider which candidates they wish to vote for.

RECOMMENDATION

The directors consider that each of the resolutions is in the best interests of the Company and the members as a whole and, accordingly, recommend that all members vote in favour of all resolutions.

ENTITLEMENT TO ATTEND AND VOTE AT MEETING

Members entered on the Company's register of members at 3:00pm on 16 July 2020 are entitled to attend the general meeting. If you are not on the Company's register of members at that time, you will not be entitled to attend or vote.