

## **SOUTH WEST WATER LIMITED**

### **ENVIRONMENT SOCIAL AND GOVERNANCE COMMITTEE**

#### **TERMS OF REFERENCE**

##### **1. Membership**

- 1.1 Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee, in accordance with the Company's articles of association, and shall be made up of at least three members.
- 1.2 All non-executive directors of the Committee shall be independent non-executive directors.
- 1.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods provided that the majority of the Committee members remain independent
- 1.4 Only members of the Committee have the right to attend Committee meetings. However, other persons may be invited to attend from time to time together with other executives responsible for our sustainability strategy, in particular around the nine focus areas, including environmental, health and safety, community, HR, governance, supply chain, customers, resource efficiency and healthy places and habitats as appropriate and necessary.
- 1.5 The Committee Chair shall be an independent non-executive director. In the absence of the Committee Chair the remaining members present shall elect one of themselves to chair the meeting.
- 1.6 Each member of the Committee shall disclose to the Committee:
  - a. any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
  - b. any potential conflict of interest arising from a cross-directorship or other business interest.

Any such member shall abstain from voting on resolutions and participating in the discussions concerning such resolutions. Except where he has a personal interest, the Committee Chair shall have a casting vote.

- 1.7 The Committee Chair and members shall be listed each year in the Company's Annual Report.

##### **2. Secretary**

The Company Secretary or nominee shall act as the Secretary of the Committee.

##### **3. Quorum**

The quorum necessary for the transaction of business shall be two members, provided at least one is an independent non-executive director. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

#### **4. Frequency of Meetings**

The Committee shall meet at least four times a year in person or by telephone or video conference at appropriate times in the annual review and reporting cycle and otherwise as required.

#### **5. Notice of Meetings**

5.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members.

5.2 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, any other person required to attend and all other directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time and in a timely manner to enable full and proper consideration to be given to the issues.

#### **6. Minutes of Meetings**

6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

6.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board unless a conflict of interest exists or if the Committee Chair considers it inappropriate to do so.

#### **7. Annual General Meeting**

The Chair of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities. All members of the Committee shall also attend the Annual General Meeting.

#### **8. Duties**

8.1 In the context of the requirement for companies to conduct their business in a responsible manner (including performance against the Group sustainability strategy and in relation to environmental, social and governance (ESG) matters) and manage their non-financial risks, whilst at the same time delivering strong financial performance and lasting value for shareholders and other stakeholders, the duties of the Committee are to review the policies, management, initiatives and performance of the Company, in the following areas:

- 8.1.1 Environment: Including: emissions to air, water and land; energy management; climate change and carbon management; waste, recycling and resource productivity; natural capital stewardship; biodiversity; and compliance with environmental regulation.
- 8.1.2 Workplace policies: Including skills and development; equality of treatment; employee engagement and satisfaction; and human rights.
- 8.1.3 Governance and corporate policies relating to responsible and ethical business practice (except policies relating to whistleblowing, fraud, anti-bribery and the acceptance of gifts, hospitality and other benefits, which are considered by the Audit Committee).
- 8.1.5 Role of the Company in society: Including community engagement policies; community investment and benefits; education; volunteering; and partnerships.
- 8.1.6 Customer service and engagement: Including identifying and responding to customers' priorities for services and investment; customer satisfaction; and support for vulnerable customers.
- 8.2 The Committee also has the duty to review the actions taken by the Company to determine the suitability of the workplace and environmental policies and practices of its key suppliers and contractors.
- 8.3 The Committee shall keep under review the extent and effectiveness of the Company's external reporting of sustainability performance, and its participation in relevant external benchmarking indices.

## **9. Reporting Responsibilities**

- 9.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee will advise the Audit Committee of any material non-financial risks identified and on any business ethics issues identified which are relevant to the role of the Audit Committee.
- 9.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report.

## **10. Other Matters**

The Committee shall:

- 10.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required and, at the Committee's discretion, seeking advice from external consultants;
- 10.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

- 10.3 Give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the Ofwat Principles on Board Leadership, Transparency and Governance and any other applicable regulations as appropriate;
- 10.4 Work and liaise, as necessary, with other board committees, ensuring the interaction between committees and the Board is reviewed regularly.
- 10.5 Oversee any investigation of activities which are within its terms of reference and consider other topics, as determined by the Board from time to time; and
- 10.6 Once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **11. Authority**

The Committee is authorised to:

- Seek any information it requires from any employee of the Company in order to perform its duties and all employees are directed by the Board to cooperate with any request made by the Committee;
- Obtain, at the Company's expense, any external legal or other professional advice on any matter within its terms of reference and to secure the attendance of any person with relevant experience and expertise if it reasonably considers this necessary; and
- Call any employee to attend at a meeting of the Committee as and when required

## **12. Approval**

These terms of reference were approved by the Board on 24 September 2020.