

## **SOUTH WEST WATER LIMITED - NOMINATION COMMITTEE**

### **TERMS OF REFERENCE**

#### **1. Membership**

- 1.1 Members of the Nomination Committee (the **Committee**) shall be appointed by the Board in accordance with the Company's articles of association and shall be made up of at least three members, the majority of whom should be independent non-executive directors.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals, including the Group Chief Executive Officer and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 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 The Board shall appoint the Committee Chairman who shall be the Chairman of the Board. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting. The Chairman of the Board shall not chair the Committee when it is dealing with the matter of succession of the chairmanship.
- 1.5 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, in the event of an equality of votes the Committee Chairman shall have a casting vote.

- 1.6 The Committee Chairman and members shall be listed each year in the Company's annual report.

#### **2. Secretary**

- 2.1 The Company Secretary or their nominee shall act as the secretary of the Committee.

#### **3. Quorum**

- 3.1 The quorum necessary for the transaction of the business shall be two both of whom must be independent non-executive directors. 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**

- 4.1 The Committee shall meet at least twice a year in person or by telephone or video conference and at such other times as the Chairman of the Committee shall require.

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

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Chairman of the Committee.
- 5.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 5.3 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 non - executive directors, no later than five working days before the date of the meeting unless agreed otherwise in advance. 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 Committee meetings, including the names of those present and in attendance.
- 6.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Chairman of the Board and, once agreed, to all other members of the Board, unless a conflict of interest exists or if the Committee Chairman considers it inappropriate to do so.

#### **7. Duties**

- 7.1 The Committee shall:
- 7.1.1 regularly review the structure, size and composition (including the skills, knowledge, independence, diversity and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
  - 7.1.2 give full consideration to succession planning for directors and other Senior Management (as determined by the Committee from time to time) in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
  - 7.1.3 be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
  - 7.1.4 before appointment is made by the Board, evaluate the balance of skills, knowledge, independence, diversity and experience on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
    - 7.1.4.1 use open advertising or the services of external advisers to facilitate the search;

- 7.1.4.2 consider candidates from a wide range of backgrounds; and
- 7.1.4.3 consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position;
- 7.1.5 assist with the annual evaluation process to assess the overall and individual performance and effectiveness of the Board and its committees, including consideration of the balance of skills, experience, independence and knowledge of the Company, its diversity, including gender, how the board works together as a unit, and other factors relevant to its effectiveness;
- 7.1.6 review the results of the Board's annual performance evaluation that relate to the composition and effectiveness of the Board;
- 7.1.7 keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace;
- 7.1.8 keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the markets in which it operates;
- 7.1.9 review annually the time required from non-executive directors and assess whether they contribute effectively and demonstrate commitment to the role. Performance evaluation shall be used to assess whether the non-executive directors are spending enough time to fulfil their duties;
- 7.1.10 apply the policy of Pennon Group plc ("the Group") on diversity, including gender, and the measurable objectives that it has set in implementing the policy, and progress on achieving the objectives;
- 7.1.11 prepare a job specification for the appointment of a chairman of the Board, including an assessment of the time commitment expected, recognising the need for availability in the event of crises and the Committee shall ensure that it is aware of prospective candidates' other significant commitments and that any significant commitments are reported to the Board prior to appointment;
- 7.1.12 ensure, that prior to the appointment of a director, the proposed appointee be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest;
- 7.1.13 keep under review the number of external directorships held by each director; and
- 7.1.14 ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.
- 7.2 The Committee shall also make recommendations to the Board concerning:
  - 7.2.1 formulating plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman, Managing Director and Finance Director;
  - 7.2.2 suitable candidates for the role of Senior Independent Director;

- 7.2.3 membership of the Audit and Remuneration Committees and any other board committees as appropriate, in consultation with the Chairmen of those committees;
- 7.2.4 the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board (particularly in relation to directors having served for at least six years);
- 7.2.5 any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract; and
- 7.2.6 the appointment of any director to executive or other office (other than to the position of Chairman and the appointment of the Company Secretary, the recommendation for which would be considered at a meeting of the Board).

## **8. Reporting Responsibilities**

- 8.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.3 The Committee shall produce a report to be included in the annual report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used. The report should identify any external search consultancy used and include a statement as to whether it has any connection with the Company. The report shall also include a description of the policy on diversity, including gender, any measurable objectives set for implementing the policy, and the progress on achieving the objectives. The report shall include details of the number of Committee meetings held and attendance over the course of the year.

## **9. Other**

The Committee shall:

- 9.1 Arrange for annual reviews of its own performance, its 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.
- 9.2 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 9.3 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 9.4 Give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable regulations as appropriate; and

- 9.5 Make available to shareholders these terms of reference by placing them on the Company's website.

**10. Authority**

- 10.1 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.
- 10.2 The Committee is authorised to obtain, at the Company's expense, any external legal or other professional advice on any matters within its terms of reference, including employing search consultants and to secure the attendance of any person with relevant experience and expertise if it reasonably considers this necessary.

**11. Approval**

- 11.1 These terms of reference were approved by the Board of South West Water Limited on 28 March 2019.