

SOUTH WEST WATER LIMITED - SUSTAINABILITY COMMITTEE

TERMS OF REFERENCE

1. Membership

- 1.1 Members of the Sustainability Committee (the **Committee**) shall be appointed by the Board on the recommendation of the Nomination Committee 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 Chairman, the Group Chief Executive Officer, other Directors and external advisers 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.
- 1.3 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 on the recommendation of the Nomination Committee and shall be an independent non-executive director. 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.
- 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 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 summoned by the Secretary of the Committee at the request of the Chairman of the Committee.
- 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 and any other person required to attend, 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 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 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. Annual General Meeting

- 7.1 The Chairman 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 sustainability strategy of Pennon Group plc ("the Group")) 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 Company's strategies, policies, management, initiatives, targets and performance in the following areas:
 - 8.1.1 Health, Safety, Security and Assurance: Including health and safety and well-being measures and performance, the security of assets and employees, and relevant assurance systems and procedures, whilst recognising that health and safety remains the responsibility of the board in accordance with health and safety law.
 - 8.1.2 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.
 - 8.1.3 Workplace policies: Including diversity; skills and development; equality of treatment; employee wellbeing; and human rights.
 - 8.1.4 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 their 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, health and safety and environmental policies and practices of their respective 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 Chairman 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 and any other applicable regulations as appropriate;
- 10.4 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
- 10.5 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 of South West Water Limited on 28 March 2019.