

THE NOMINATION COMMITTEE: TERMS OF REFERENCE

(Re-adopted by the board on 25 February 2014)

1. There shall be a committee of the board to be known as the nomination committee which will act in a way which the committee considers, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole.
2. Unless exceptional circumstances or succession planning requires otherwise, non-executive appointments should, generally 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.
3. The committee will comprise the non-executive directors. A majority of members shall be independent non-executive directors. A quorum shall be two members, both of whom must be non-executive directors.
4. The chairman will be the chairman of the committee but shall not chair the committee when it is dealing with the appointment of a successor to the chairmanship or in any other circumstance where he believes he may have a conflict of interest in respect of the business of the meeting. In the chairman's absence, an independent non-executive director shall chair the committee. No one other than the chairman and members of the committee is entitled to be present at a meeting of the committee (but shall not attend any meeting when any issue surrounding their own succession is being considered) but others may attend at the invitation of the committee.
5. The company secretary (or his/her nominee) shall be the secretary to the committee and shall keep appropriate minutes of its proceedings which will be circulated promptly to all members of the committee and once approved to all members of the board unless a conflict of interest exists or where the committee determines it to be inappropriate to do so for reasons of confidentiality. The secretary shall ascertain at the beginning of each meeting of the committee, the existence of any conflicts and minute them accordingly.
6. Meetings shall be held not less than once a year and may be held in person or by telephone or videoconference.
7. The committee is authorised to obtain outside independent professional advice relevant to its duties.
8. The committee's duties and activities during the year shall be disclosed in the annual report and financial statements together with the process used to make appointments and explain if external advice or open advertising has not been used.
9. The committee's duties are:
 - (a) to lead the process for board appointments and to make recommendations to the board about filling vacancies on the board (including the secretary), giving consideration to succession planning for directors and other members of the chief executive officer's executive committee of the Company, nominating additional persons to the board for consideration as directors and the re-election by shareholders of any director under the retirement by rotation provisions in the Company's articles of association;

UNITED UTILITIES GROUP PLC: TERMS OF REFERENCE HANDBOOK

(b) to evaluate the balance of skills, knowledge and experience and diversity, including gender, on the board and, in the light of this evaluation, prepare a description of the roles and capabilities required for a particular appointment;

(c) to consider and make recommendations to the board from time to time on the board's composition and balance and the refreshment of the membership of the Board's Principal Committees;

(d) for the appointment of a chairman, the committee should prepare a job specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crises;

(e) to review directors' conflict authorisations required by the Companies Act 2006 and make recommendations to the board from time to time as to whether, due to changing circumstances, the authorisations are appropriate or not, or require some amendment;

(f) so far as is practicable, arrange for all directors to have the opportunity to meet potential external appointees before their appointment is formally considered at a board meeting and ensure that any possible conflict of interest issues in respect of external candidates are fully addressed;

(g) consider requests from executive directors for election to the boards of other companies and, if agreed, to recommend approval to the board, having weighed the developmental benefits for the individual with the likely demands of the role and his or her responsibilities as an employee of the company; and

(h) consider requests from non-executive directors for election to the boards of other companies and, if agreed, to recommend approval to the board, having assessed the likely demands of the role and whether this would impact adversely upon their ability to discharge their obligations to the Company. Given the need to assess such requests expeditiously and the conflicts of interests considerations associated with them, the Committee will delegate any such requests to the Chairman (other than in respect of his own position) for determination.

10. The committee shall at least 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 for board approval.