

THE NOMINATION COMMITTEE: TERMS OF REFERENCE

(Re-adopted by the board on 30 April 2019)

1. There shall be a committee of the board to be known as the Nomination Committee (the “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, and subject to annual re-election, non-executive appointments should, generally be for a period of no more than nine years, so long as members continue to be independent and effective. Consideration should be given to the length of service of the Board as a whole whilst taking into account appropriate continuity for the regulatory cycle and membership regularly refreshed.
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 usually chair the Committee but not when the Committee is dealing with the appointment of his/her successor or in any other circumstance where he/she believes he/she 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 shall be entitled to be present at a meeting of the Committee 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 procedure for board appointments and to make recommendations to the Board about filling vacancies on the Board (including the Company Secretary), maintain orderly and effective succession plans for board directors and senior management (i.e. other members of the chief executive officer’s executive committee) and nominating additional persons to the Board for consideration as directors from time to time and oversee the development of a diverse pipeline for succession. In doing so the Committee shall take into account the Company’s strategic priorities and the main trends and factors affecting the long-term success and future viability of the Company;
 - (b) to evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the roles and capabilities required for a particular appointment. Appointments (and succession plans) should be based on merit and objective criteria and, within

this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

(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 of the Board, 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 consider using the services of an external search consultant or open advertising in the recruitment of a chairman or a non-executive director.

(f) 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;

(g) so far as is practicable, arrange for all board directors to have the opportunity to meet potential external appointees and representatives from the Office of Water Services as appropriate 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, including having sufficient time for the proper performance of their duties;

(h) 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

(i) 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, the likely time commitment involved 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/her 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.