

## **PENNON GROUP PLC**

### **SUSTAINABILITY COMMITTEE**

#### **TERMS OF REFERENCE**

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

- 1.1 Members and the Chairman of the Committee shall be appointed by the Board and shall be made up of at least 3 members. The Chairman shall be a Non-executive Director.
- 1.2 All Non-executive Directors of the Committee shall be independent Non-executive Directors.
- 1.3 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 sustainability matters including environmental performance, health and safety and security affairs of the Group as appropriate.
- 1.4 In the absence of the Committee Chairman the remaining members present shall elect one of themselves to chair the meeting.

##### **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 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 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 5 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.

## **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.

## **7. Annual General Meeting**

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

## **8. Duties**

- 8.1 In the context of the requirement for companies to conduct their business in a responsible manner (including 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, in a non-executive capacity, are to review the strategies, policies, management, initiatives, targets and performance of Pennon Group Plc, major subsidiary companies (currently South West Water Ltd and Viridor Ltd) and the Group as a whole, as appropriate, in the following areas:
  - 8.1.1 Health and safety, including the security of assets and employees, whilst recognising that health and safety remains the responsibility of the board of each Group business in accordance with health and safety law.
  - 8.1.2 Environment, including: emissions to air, water and land; energy management; climate change; waste and resource productivity; and compliance with environmental regulation.
  - 8.1.3 Workplace policies, including equality of treatment and human rights.
  - 8.1.4 Group 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 Group in society, including community engagement policies and the overall strategy for corporate donations.
  - 8.1.6 Customer service and engagement, including identifying and responding to their priorities for services and investment.
- 8.2 The Committee, in a non-executive capacity, also has the duty to review the actions taken by Pennon Group Plc and each major subsidiary 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 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.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 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 the requirements of the UK Listing Authority's Listing Rules as appropriate; and
- 10.4 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 Group in order to perform its duties;
- obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- call any employee to attend at a meeting of the Committee as and when required.