



PENNON GROUP PLC
(the “Company”)

**ENVIRONMENT SOCIAL AND GOVERNANCE COMMITTEE (the “Committee”) TERMS OF
REFERENCE**

1. COMPOSITION

1.1 Membership

- Members will be appointed by the Board, on the recommendation of the Nomination Committee, in accordance with the Company’s Articles of Association.
- The Committee will comprise of at least three members.
- Members should have the appropriate knowledge, skills and expertise to understand ESG-related strategy, targets and implementation, and shall undertake appropriate development of their skills as necessary.

1.2 Committee Chair

- The Board shall appoint the Committee Chair who shall be an independent non-executive director. The Chair of the Board shall not be Chair of the Committee.
- In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board.

1.3 Secretary

The Company Secretary or their nominee shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the matters under discussion. The Committee shall have access to the services of the company secretariat on all committee matters including assisting the Chair in planning the committees’ work, drawing up meeting agendas, maintenance of minutes and provision of any necessary practical support.

2. PURPOSE

2.1 In the context of the Company’s desire to conduct its business in a responsible manner (including performance against the Group sustainability strategy and in relation to environmental, social and governance (ESG) matters) and manage its 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 advise the Board on the development and effectiveness of the policies, management, initiatives and performance of Pennon Group plc, its major subsidiary companies and the Group as a whole across the areas of corporate affairs and reputation, customer relations, company culture and sustainability, in the following areas:

2.2

- **Environment:** Including the Company's direct impact and indirect impact through its value chain on the natural environment and the environments' impact on the Company through: 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.
- **Social:** Interactions with responsibilities towards and impact on stakeholders: Including community engagement and workplace policies; community investment and benefits; human rights; education; volunteering; and partnerships.
- **Governance:** Compliant and ethical conduct of the Company's business, in line with its purpose and enabled through effective decision making.

3. DUTIES AND RESPONSIBILITIES

3.1 ESG Strategy

- Oversee the development of, advise the Board regarding, and recommend for approval by the board, the company's ESG strategy.
- Ensure that this strategy is effective, aligned with prevailing regulations and good practice, and integrated with the company's business plan, values and objectives, in order to support the Company's long-term sustainable success.
- Oversee the execution of the ESG strategy and approve implementation projects developed in response to the strategy.
- Review the effectiveness of the teams, governance and processes in place to ensure the outcomes of the ESG strategy are delivered. Such review will provide a forum to test ideas and provide support in implementation of the ESG strategy
- Advise on the risks and opportunities for the Company's operations and reputation in relation to the execution of its ESG strategy.

3.2 Environment

- The Committee has the duty to review and monitor the actions taken by the Company and each major subsidiary company to determine the suitability of the environmental policies and practices of the company and their respective key suppliers and contractors.
- The Committee shall keep under review and assess the Group's environmental performance, including ESG targets performance, external ESG assessment scores and progress with the Group's ESG improvement program. and shall keep under review the Group's compliance and assurance activities.
- The Committee shall consider and approve the annual Environmental Performance Assessment.
- The Committee has a duty to review and track the performance of the Company against Net Zero measures and targets

3.3 Social issues

- Understanding and monitoring the challenges arising from ESG related risks and subsequently assessing the effectiveness of the communication and engagement mechanisms, with key stakeholders such as customers, regulators, public officials, advocacy groups and employees, on behalf of the Board and make a corresponding recommendation to the Board
- Support the Board in monitoring the culture of the Company, by collaborating with management and engaging in regular dialogue with employees to review values, attitudes, ethics and behaviours to support a positive culture
- Support the Board in monitoring the wellbeing of its workforce, and the adequacy of its supply chain controls in relation to modern slavery and human rights risk.
- The Committee will review workplace policies including skills and development; equality of treatment; employee engagement and satisfaction; and human rights.
- Monitor customer service and engagement: Including identifying and responding to customers' priorities for services and investment; monitoring customer satisfaction; and support for vulnerable customers. Members of the Committee will periodically take part in customer outreach activities.
- Review feedback from the WaterShare Customer Panel received via the WaterShare Advisory Panel and consider the Company's response, bringing matters to the Board's attention where appropriate.

3.4 Group governance

- Monitor the effectiveness and outcomes from corporate policies relating to responsible and ethical business practice in line with the Company's purpose (except policies relating to whistleblowing, fraud, anti-bribery and the acceptance of gifts, hospitality and other benefits, which are considered by the Audit Committee).
- Oversee effective integration of ESG into the Company's strategy and objectives.
- Monitor and determine the Group's material sustainability issues and feed into TCFD and other non-financial reporting.
- Monitor supply chain controls and management.
- Review the Group's stakeholders and recommend to the Board changes to the key stakeholders.

4. REPORTING

4.1 To the Board

- The Committee Chair shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

4.2 Annual Report

- The Committee shall oversee the production of an annual summary of the company's ESG strategy, policies and practices, which will form part of the Company's Annual Report
- The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report including identification of any external advisers.

4.3 External reporting

- Review the content, integrity and completeness of external statements and disclosures about ESG activity, targets and progress. Review ESG-related reporting prior to Board approval, including the annual sustainability report (where one exists), information to be included in the Annual Report, and mandatory or voluntary disclosures in line with recommended practice and regulatory requirements. Evaluate the extent and effectiveness of external reporting on ESG performance and participation in external benchmarking indices.

5. OTHER MATTERS

5.1 Evaluation

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 to the Board for approval.

5.2 Training

Be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members.

5.3 Investigations

Oversee any investigation of activities which are within its terms of reference and act as a court of the last resort.

5.4 Best practice

Give due consideration to laws, regulations and any published guidelines or recommendations including but not limited to the provisions of the UK Corporate Governance Code, the requirements of the FCA Listing, Prospectus and Disclosure Guidance and Transparency Rules as well as guidelines published by relevant institutional investors and representative bodies, and any other applicable rules as appropriate.

5.5 Committees

The Committee will work and liaise as necessary with all other Board Committees to include:

- advising the Audit Committee of any material ESG risks identified and any business ethics issues identified and ensure these are appropriately captured in the company's risk profile and risk management.
- working in conjunction with the Audit Committee to regularly review the requirement for internal and external assurance of ESG-related matters. Monitor the role and effectiveness of the internal audit function with regards to assurance on ESG-related disclosures. As necessary, appoint external parties to provide assurance on relevant reporting.

- Working in conjunction with the Remuneration Committee regarding appropriate ESG-related performance objectives and incentives for executive leaders, to ensure that ESG matters are appropriately considered when setting the overall remuneration policy including advising on appropriate measures and targets.

5.6 Projects

- Undertake any other projects relating to its remit which it considers appropriate or as requested by the Board.
- Establish and oversee any sub-committees or working groups which may be relevant to support projects.
- Make recommendations to the Board in relation to the required resourcing and funding of large scale ESG-related projects, and on behalf of the Board, oversee the deployment and control of any resources and funds.

5.7 Goals and Metrics

Advise on, and recommend for approval by the board, appropriate ESG strategic goals, short- and long-term targets, and key ESG metrics. Monitor annual and long-term progress against previously set ESG objectives, including compliance with public commitments on ESG issues. Oversee the ongoing measurement and reporting of performance against key ESG metrics.

5.8 Horizon scanning

Identify current and emerging ESG-related issues, standards, good practice, and regulatory or legislative developments, at the sectoral, national and international level. This includes sourcing or undertaking relevant training and development opportunities, both for the committee members and for company employees as appropriate. Evaluate which issues and developments are likely to impact the company's strategy, operations and reputation. Determine, therefore, whether and how these should be reflected in the company's ESG objectives, policies and reporting.

5.8 Authority

The Committee is authorised by the Board to:

- seek any information it requires from any employee of the Company in order to perform its duties;
- obtain, at the Company's expense, any outside legal or other professional advice on any matter within its terms of reference;
- call any employee to be questioned at a meeting of the Committee as and when required; and gain unrestricted access to all books and records of the Company.

6. MEETING ARRANGEMENTS

6.1 Attendance

- Only members of the Committee have the right to attend meetings.
- Other individuals may be invited to attend from time to time, together with other executives responsible for the Company's 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, for all or part of any

meeting, as and when appropriate. Any other member of the Board may attend all or part of a meeting with the prior approval of the Committee Chair.

6.2 Meetings

- The quorum necessary for the transaction of the 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.
- The Committee shall meet at least four times a year in person or by telephone or video conference and at such other times as the Chair of the Committee shall require.
- Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chair of the Committee.
- 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.
- The Secretary will minute the proceedings of each meeting, which shall be circulated promptly to all members of the Committee and once agreed, to all other members of the Board, unless it would be inappropriate to do so.
- Conflicts of interest must be declared by members at the beginning of meetings and the Secretary shall record any such declaration in the minutes. If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly, has a conflict of interest, that member shall not be permitted to vote at the meeting.

6.3 Resolutions and approvals

- Committee resolutions shall be passed by the absolute majority of votes cast. In the event of equality of votes, the Committee Chair shall have the casting vote (except where he/she is not permitted to vote).
- Approvals may be taken in written form (including email), or via telephone or video conference.
- Approvals by email must be included in the minutes of the next meeting of the Committee.
- The Committee has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference. The Committee may sub-delegate any or all of its powers as it thinks fit to the Committee Chair or, if it considers it to be appropriate, to the Company Secretary.

6.4 Engagement with shareholders and stakeholders

- The Committee Chair shall attend the Annual General Meeting, prepared to respond to any shareholder questions on the Committee's activities and responsibilities. In addition, the Committee Chair should seek engagement with shareholders and other relevant stakeholders on significant matters related to the Committee's area of responsibility.

These terms of reference were approved by the Board of Pennon Group plc on 27th March 2025.