

PENNON GROUP PLC
(the “Company”)

NOMINATION COMMITTEE (the “Committee”)
TERMS OF REFERENCE

1. COMPOSITION

1.1 Membership

- Members will be appointed by the Board in accordance with the Company’s articles of association.
- The Committee will comprise of at least three members, the majority of whom should be independent Non-Executive directors.

1.2 Committee Chair

- Appointed by the Board and shall be either the Chair of the Board or an independent Non-Executive director.
- In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
- The Chair of the Board shall not chair the Committee when it is dealing with the matter of succession of the Chair.

1.3 Secretary

The Company Secretary or their nominee shall act as the Secretary of the Committee.

2. DUTIES AND RESPONSIBILITIES

In carrying out its responsibilities the Committee must act in accordance with the UK Corporate Governance Code (the “Code”) and shall:

2.1 Board Composition

- regularly review the structure, size and composition (including the skills, knowledge, independence, diversity and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes.

2.2 Succession Planning

- give full consideration to succession planning for the Board and Senior Management (as determined by the Committee from time to time);
- oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
- make recommendations to the Board concerning orderly plans for succession for both statutory and Non-Executive Directors and in particular for the key roles of Chair, Group Chief Executive Officer and Group Chief Financial Officer; and
- consider, at least annually, management’s succession plans for senior management below the level of statutory Director.

2.3 Board Appointments and Searches

- be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise, including statutory Directors;

- before appointment is made by the Board, evaluate the balance of skills, knowledge, independence, diversity and experience on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee shall:
 - use open advertising or the services of external advisers to facilitate the search;
 - consider candidates from a wide range of backgrounds; and
 - consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position; and
- be responsible for ensuring that prior to the appointment of any Director, the proposed appointee discloses:
 - any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest; and
 - other significant commitments (not limited to other external appointments) and any changes to those commitments going forward.
- ensure that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings, and the induction process.

2.4 Chair and Senior Independent Director appointment

- prepare a job specification including the time commitment expected, including an assessment of the time commitment expected, recognising the need for availability in the event of crises and the Committee shall ensure that it is aware of prospective candidates' other significant time commitments. Any additional future commitments should not be undertaken without prior approval of the Board, with the reasons for permitting significant appointments explained in the annual report;
- make recommendations to the Board concerning the Chair, having assessed at least every three years whether the present incumbent shall continue in post, taking into account the need for continuity versus freshness of approach; and
- make recommendations to the Board regarding suitable candidates for the role of Senior Independent Director.

2.5 Director re-appointments/continuation in office

- make recommendations to the Board, having given due regard to the Director's performance, ability to continue to contribute to the Board and commitment to the role in the light of the knowledge, skills and experience required, regarding:
 - the re-appointment of any Non-Executive Director at the conclusion of their specified term of office, also taking into account the need for progressive refreshing of the Board (particularly in relation to Directors being re-elected for a term beyond six years); and
 - putting each Director forward for annual re-election at the Annual General Meeting in accordance with the provisions of the Corporate Governance Code and the Articles of Association.
- make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including (i) the suspension or termination of service of an statutory Director as an employee of the Company subject to the provisions of the law and their service contract; and (ii) a Non-Executive Director's dismissal, retirement, non re-appointment or any other substantial change in their duties or responsibilities or the term of their appointment.

2.6 Time Commitments and external appointments

- review annually the time required from Non-Executive Directors, including the Chair and the Senior Independent Director. Performance evaluation should be used to assess whether the Non-Executive Directors are spending enough time to fulfil their duties; and
- notwithstanding the Board approval required for Directors to take on additional external appointments, keep under review the number of external directorships held by each Director, taking into account the investor body and institutional guidelines in relation to 'overboarding'.

2.7 Diversity

- set measurable objectives and targets on Board diversity if thought appropriate and prepare and review annually the policy on Board diversity; and
- support the Board in reviewing and monitoring progress against the Group's diversity targets.

2.8 Board Committee Membership

- make recommendations to the Board concerning membership of Board Committees in consultation with the Chairs of those Committees.

2.9 Conflicts of Interest

- review at least annually Directors' potential conflicts of interest and recommend the authorisation of conflicts of interest (including the approval of any changes to limits or conditions) to the Board ensuring that the influence of third parties does not compromise independent judgement.
- to the extent any authorisation is required in the interim this should be reviewed by the Committee and formally considered and approved by the Board at the relevant time.

2.10 Board Evaluation

- assist with the annual evaluation process to assess the overall and individual performance and effectiveness of the Board and its committees, including consideration of the balance of skills, experience, independence and knowledge of the Company, its diversity, including gender, how the board works together as a unit, and other factors relevant to its effectiveness.
- review the results of the Board's annual performance evaluation that relate to the composition and effectiveness of the Board and succession planning.

3. REPORTING

3.1 To the Board

- The Committee Chair shall report to the Board on its 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.

3.2 Annual Report

The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report, which shall include details of the number of meetings held and attendance over the course of the year. This report shall describe the work of the Committee, including:

- the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline. If an external search consultancy is engaged it should be identified in the annual report alongside a statement about any other connection it

has with the Company or individual Directors;

- how the Board evaluation has been conducted, the nature and extent of an external evaluator's contact with the Board and individual Directors (as applicable), the outcomes and actions taken, and how it has or will influence Board composition. Where an external agency has been used, it shall be identified in the annual report and a statement made as to whether it has any connection with the Company;
- the policy on diversity and inclusion, its objectives and linkage to Company strategy, how it has been implemented and progress on achieving the objectives; and
- the gender balance of those in senior management and their direct reports.

4. OTHER MATTERS

The Committee shall:

4.1 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.

4.2 Training

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.

4.3 Investigations

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

4.4 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.

4.5 Committees

Work and liaise as necessary with all other Board Committees.

4.6 Projects

Undertake any other projects relating to its remit which it considers appropriate or as requested by the Board.

4.7 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.

5. MEETING ARRANGEMENTS

5.1 Attendance

- Only members of the Committee have the right to attend meetings.
- Other individuals such as the Group Chief Executive Officer, Group HR Director and external advisers may be invited to attend 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.

5.2 Meetings

- 5.2.1 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.
- 5.2.2 The Committee shall meet at least twice a year in person or by telephone or video conference and at such other times as the Chair of the Committee shall require.
- 5.2.3 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chair of the Committee.
- 5.2.4 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.
- 5.2.5 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.
- 5.2.6 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.

5.3 Resolutions and approvals

- 5.3.1 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).
- 5.3.2 Approvals may be taken in written form (including email), or via telephone or video conference.
- 5.3.3 Approvals by email must be included in the minutes of the next meeting of the Committee.
- 5.3.4 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.

5.4 Annual General Meeting

The Committee Chair shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with shareholders 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 16th November 2023.