

**Southern Water Services Limited Nomination Committee
(the “Committee”)**

Terms of Reference

1. Membership

1.1. The Committee shall comprise at least three members, of whom:

1.1.1. a majority shall be independent non-executive directors;

1.1.2. all must be non-executive directors¹.

1.2. Members of the Committee shall be appointed by the board, on the recommendation of the nomination committee in consultation with the chairman of the Committee

1.3. Only members of the Committee have the right to attend Committee meetings. However, the Chief Executive Officer, Director of HR, Executive Leadership Team members, external advisers and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

1.4. The board shall appoint the Committee chairman. The Committee chairman shall be either the board chairman or an independent non-executive director. In the absence of the Committee chairman and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting. The chairman of the board shall not chair the Committee when it is dealing with the matter of succession to the chairmanship.

2. Secretary

2.1. The company secretary, or his/her nominee, shall act as the secretary of the Committee.

3. Quorum

3.1. The quorum necessary for the transaction of business shall be two members and at least half of the members in attendance (including participation via electronic, telephonic or similar means) must be independent non-executive directors.

4. Frequency of Meetings

4.1. The Committee shall meet at least one time a year and otherwise as required.

5. Notice of Meetings

5.1. Meetings of the Committee shall be convened by the secretary of the Committee at the request of the Committee chairman.

5.2. Unless otherwise agreed by the Committee, 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 no later than five working days before the date of the meeting. Where possible, supporting papers shall be sent to Committee members at the same time.

5.3. Notices, agendas and supporting papers can be sent in electronic form.

6. Minutes of Meetings

6.1. The secretary or his/her delegate shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

¹ For the purposes of this provision, the board chairman shall be eligible to be a member of the Committee.

- 6.2. Draft minutes of Committee meetings shall be agreed with the Committee chairman and then circulated promptly to all members of the Committee, unless it would be inappropriate to do so in the opinion of the Committee chairman.

7. Duties

7.1. The Committee shall:

- 7.1.1. regularly review the structure, size and composition (including the skills, knowledge, experience and diversity as well as the requirement for representation of independent non-executive directors on the board set out in the company's Instrument of Appointment from Ofwat²) of the board and make recommendations to the board with regard to any changes;
- 7.1.2. give full consideration to succession planning for directors and other senior executives³ in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the board in the future;
- 7.1.3. keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to carry out its purpose as a provider of an essential public service;
- 7.1.4. keep up-to-date and fully informed about strategic issues and commercial changes affecting the company and the sector in which it operates;
- 7.1.5. be responsible for identifying and nominating for the approval of the board, candidates to fill board vacancies as and when they arise;
- 7.1.6. before any appointment is made by the board,⁴ evaluate the balance of skills, knowledge, experience and diversity 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:
 - 7.1.6.1. use open advertising or the services of external advisers to facilitate the search;
 - 7.1.6.2. consider candidates from a wide range of backgrounds;
 - 7.1.6.3. consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the board, including gender, social and ethnic backgrounds, taking care that appointees have enough time available to devote to the position;
- 7.1.7. for the appointment of a board chairman, the Committee should consider the skills, knowledge and experience required for the role of board chairman and the Committee should prepare a job specification including the time commitment expected. A proposed chairman's other significant commitments should be disclosed to the board before appointment and any changes to the chairman's commitments should be reported to the board as they arise;
- 7.1.8. prior to the appointment of a director, the proposed appointee should be required to disclose 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;
- 7.1.9. 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 commitments, committee service and involvement outside board meetings;
- 7.1.10. review the results of the board performance evaluation process that relate to the composition of the board;

² Available at: <https://www.ofwat.gov.uk/regulated-companies/ofwat-industry-overview/licences/>

³ "senior executives" includes all direct reports to the Chief Executive Officer, together with such other key senior managers as the Committee shall determine.

⁴ Excluding the appointment of an Investor Director under the Subscription and Shareholders' Agreement dated 4 October 2007. The Committee is not required to be involved in the appointment of the two Investor Directors. In addition, the appointment of all directors requires the approval of the board of Greensands Holdings Limited.

7.1.11. review annually the time required from non-executive directors. The performance evaluation should be used to assess whether the non-executive directors are spending enough to fulfil their duties; and

7.1.12. work and liaise as necessary with all other board committees.

7.2. The Committee shall also make recommendations to the board concerning:

7.2.1. formulating plans for succession for both executive and non-executive directors and in particular for the key roles of chairman and Chief Executive Officer;

7.2.2. suitable candidates for the role of senior independent director;

7.2.3. membership of the board committees, in consultation with the chairman of those committees;

7.2.4. the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the board in the light of the knowledge, skills and experience required;

7.2.5. any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the company subject to the provisions of the law and their service contract; and

7.2.6. the appointment of any director to executive or other office.

8. Reporting Responsibilities

8.1. The Committee chairman shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

8.2. The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

8.3. The Committee shall compile a report to be included in the company's annual report on its activities, the process used to make appointments and explain if external advice or open advertising has not been used. Where an external search 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.

8.4. The report referred to in 8.3 above should include a statement of the board's policy on diversity, including gender, social and ethnic background, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.

9. Other Matters

9.1. The Committee shall:

9.1.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

9.1.2. be provided with appropriate and timely training, both in the form of an induction programme and on an ongoing basis for all members;

9.1.3. give due consideration to relevant laws and regulations, including the requirements of Ofwat, the Environment Agency and Drinking Water Inspectorate, and any other applicable rules, as appropriate; and

9.1.4. arrange for periodic reviews of its own performance and, at least annually, review its 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.

9.2. For the purposes of these terms of reference the term "company" shall, unless indicated otherwise, refer to Southern Water Services Limited. Furthermore, the term "board" shall,

unless indicated otherwise, refer to the board of directors of Southern Water Services Limited.

10. Authority

10.1. The Committee is authorised to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.

Date approved by the Board of Southern Water Services Limited: 27 February 2019