

NORTHUMBRIAN WATER GROUP PLC
THE NOMINATION COMMITTEE
TERMS OF REFERENCE

References to “the Committee” in these Nomination Committee Terms of Reference shall mean the Nomination Committee of Northumbrian Water Group plc.

References to “the Board” shall mean the Board of Directors of Northumbrian Water Group plc.

References to “Company” shall mean Northumbrian Water Group plc.

References to the “NWL Board” shall mean the Board of Directors of Northumbrian Water Limited.

1. Membership

- (i) The Committee shall be appointed by the Board and shall comprise of the Chairman of the Company and at least four other members.
- (ii) A majority of members of the Committee shall be independent non-executive directors.
- (iii) The Board shall appoint the Committee Chairman. Such Committee Chairman may also be the Chairman of the Board but not on occasions when the business of the Committee includes dealing with the appointment of a successor to the Chairman of the Board. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
- (iv) If a regular member is unable to act due to absence, illness or any other cause, the Chairman of the Committee may appoint another director of the Company to serve as an alternate member having due regard to maintaining the required balance of executive and independent non-executive members.
- (v) The Committee shall ensure that the risk of any conflict of interest that might be seen to give rise to an unacceptable influence is minimised.

2. Secretary

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

3. Quorum

The quorum necessary for the transaction of business shall be the Chairman of the Company plus three directors (of whom at least two must be 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.

4. Frequency of meetings

The Committee shall meet not less than once a year and at such other times as the Chairman of the Committee shall require.

5. Notice of Meetings

- (i) Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairman of the Committee.
- (ii) 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 no fewer than five working days prior to the date of the meeting.

6. Minutes of Meetings

- (i) The Chairman of the Committee will report to the Board the main items of business addressed at each meeting of the Committee.
- (ii) The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- (iii) Minutes of Committee meetings shall be circulated to all members of the Committee and to the Chairman of the Board and made available on request to other 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

- (i) The Committee shall:
 - (a) regularly review the structure, size and composition of the Board and the NWL Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;
 - (b) prepare a description of the role and capabilities required for a particular appointment;

- (c) be responsible for identifying and nominating for the approval of the Board, candidates to fill vacancies on the Board and the NWL Board as and when they arise;
 - (d) satisfy itself with regard to succession planning, that the processes and plans are in place with regard to both Board, NWL Board and senior appointments;
 - (e) assess and articulate the time needed to fulfil the roles of Chairman, senior independent director and non-executive director;
 - (f) ensure on appointment that a candidate has sufficient time to undertake the role and review the relevant commitments, ensuring that if the director is an executive of another company this will be his sole non-executive appointment; and in the event that a candidate for chairman is being considered take note that the director can not be a Chairman of more than one FTSE100 company or equivalent; and
 - (g) ensure that the Secretary on behalf of the Board and NWL Board has written formally to any appointees, detailing the role and time commitments and proposing an induction plan produced in conjunction with the Chairman.
- (ii) It shall also make recommendations to the Board:
- (a) with regard to the Chairman having assessed every three years whether the present Chairman shall continue in post, taking into account the needs of continuity versus freshness of approach;
 - (b) as regards the re-appointment of any non-executive director at the conclusion of his or her specified term of office; especially when they have concluded their second term;¹
 - (c) concerning the re-election by shareholders of any director under the ‘retirement by rotation’ provisions in the Company’s articles of association;
 - (d) concerning any matters relating to the continuation in office as a director, of any director at any time;
 - (e) concerning the appointment of any director to executive or other office other than to the positions of Chairman and Managing Director, the recommendation for which would be considered at a meeting of:

¹ Combined Code recommends only two terms of three years. Where a third term is proposed for a non-executive director, the reasons must be explained in the Annual Report. After nine years the non-executive director must submit to annual re-election and the Board must continue to give its reasons.

- all the non-executive directors regarding the position of Managing Director;
 - all the directors regarding the position of Chairman;²
- (f) detailing items that should be published in the Company's Annual Report relating to the activities of the Committee; and
- (g) with regard to the membership and chairmanship of the Audit Committee.

9. Authority

- (i) The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties.
- (ii) 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.

² The appointment of a chairman would be led by the senior independent Director, leading a committee which would exclude the present Chairman and any potential candidates for the position.