

TERMS OF REFERENCE
OF
THE ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) COMMITTEE
(being a Committee of the Board of Directors of Northumbrian Water Limited)
(the “Committee”)

The Environmental, Social and Governance (ESG) Committee (“the Committee”) of the Board of Northumbrian Water Limited (“NWL”) will have the oversight responsibility and specific duties as described below, ensuring that the company is run ethically and transparently.

1. Membership and Attendance

- (i) The Committee shall be appointed by the NWL Board, in consultation with the Chair of the board. In addition to the Chair, the Committee will consist of at least two shareholder nominated representatives, at least two NWL independent non-executive directors and the Chief Executive Officer. The Company Secretary or a designate shall be the Secretary of the Committee.
- (ii) In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of their number present to chair the meeting. A shareholder has the right to nominate an observer(s) to attend all or any part of Committee meetings.
- (iii) The Committee may ask any relevant member of the Executive Leadership Team or senior manager to attend all or part of meetings either regularly or by invitation.

2. Responsibility

The Committee is part of the Board. Its primary function is to assist the Board in Fulfilling its oversight responsibilities relating to ESG matters. It is envisaged that some members of the Committee may take a lead in key areas e.g., affordability / vulnerability, employees / culture, nature / environment, and climate change. Relevant ESG topics include, but are not limited to:

- (i) Environmental
 - (a) Water management for the environment and people (taking less water from the environment, minimising the amount of water that’s wasted, minimising the amount of water that’s used).
 - (b) Healthy catchments, rivers, and coastal waters (Enhancing the quality of the water environment through regeneration of nature and catchments; supporting excellent bathing waters; significantly reducing the occurrence and impacts of storm overflows; helping to significantly reduce flood risk).
 - (c) Effective climate action (Minimising greenhouse gas emissions from our activities; working in partnership to reduce emissions from others; managing environmental risks from climate change to provide a resilient service to customers and business).
 - (d) Valuing resources and eliminating waste (Reducing resource use and sourcing sustainably; recovering energy and materials from our processes; eliminating avoidable waste).
 - (e) Thriving nature and communities (Restoring, protecting, and enhancing biodiversity; connecting communities to nature; improving local air quality).
- (ii) Social
 - (a) Attracting and developing the right people and the right skills (putting the frameworks in place to support an engaged, competent, and expert workforce).
 - (b) Creating the right culture for all (delivery of the NWL Together for Inclusion, Diversity and Equity strategy outlining our commitment to representing different cultures, backgrounds and lived experiences; targeted engagement and advocacy of underrepresented groups in NWL workforce and customer populations).
 - (c) An enabled, performing and thriving workforce (making sure everyone in NWL and its supply chain goes home safe every day; supporting colleagues’ health and wellbeing through the NWL Living Well initiative) This is to be carried out in conjunction with the Risk Sub-Committee, which is responsible for reviewing the annual Health Safety and Security Plan, and for overseeing the associated risk management.

- (d) Designing and implementing policies and services which are inclusive and affordable for all (tackling water poverty; supporting customers in vulnerable circumstances; promoting water for health).
 - (e) Building Successful Economies in our Regions (supporting our communities by giving time, expertise, and resources to their important causes; working in partnership with organisations to achieve the goals that are most important to our customers; investing in our local economies by committing to spend £60p in every £1 in our regions).
- (iii) Governance
- (a) Monitoring of the Board's responsibilities to ensure that the behaviours and culture of NWL are aligned to its Purpose, Vision, and Values
 - (b) Reporting, transparency, and governance arrangements engender trust and ensure accountability (appropriate ESG indices are completed; annual ESG reporting on performance; valuing open data as a way of building trust and enabling positive outcomes for customers and the environment).
 - (c) Oversight and monitoring of internal company processes designed to protect ethical behaviours (oversight and reporting on business ethics, whistleblowing, anti-bribery and corruption programmes, data privacy and security, and slavery and human trafficking). This is to be carried out in conjunction with the Risk Sub Committee (whose duties are set out in its Terms of Reference) and/or the Board (as applicable).
 - (d) Considering business activities in a holistic and long-term context whilst being cognisant of diverse customer and stakeholder needs ('horizon scanning', identification of emerging ESG threats and opportunities based on external data).

The Committee has no executive power. The Committee will provide the Board with regular reports of activities and findings.

3. Authority

- (i) The Committee is granted the authority to investigate and enquire of any matter or activity involving the ESG activities of the Company. In addition to the duties and responsibilities expressly delegated to the Committee in this Terms of Reference, the Committee may exercise any other powers and carry out any other responsibilities consistent with this Terms of Reference, the purposes of the Committee, and the Company's Memorandum and Articles of Association.
- (ii) The Committee shall be entitled to consult independent experts when necessary for the effective discharge of its duties and responsibilities.

4. Meetings

- (i) The Committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. Any Committee member may request the Chair of the Committee to call a special meeting should an urgent matter arise requiring immediate attention.
- (ii) Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers (where relevant), shall be sent to each member of the Committee and any other person required to attend, no fewer than five days prior to the date of the meeting.
- (iii) The quorum necessary for the transaction of business shall be two members. 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.
- (iv) A motion shall be passed by a simple majority of votes cast in favour by members present and eligible to vote. The Chairman of the Committee will not exercise a casting vote. In the event of an equal number of votes being cast for and against a motion, the motion will be referred to the NWL Board for resolution.

5. Reports and Minutes of Meetings

- (i) The Company Secretary or a designate shall be available for each meeting and report on matters which are relevant to, or affect, the duties and responsibilities of the Committee.
- (ii) Minutes of proceedings and resolutions of Committee meetings shall be kept by the Company Secretary.
- (iii) Minutes of Committee meetings shall be circulated to all members of the Committee and to the Chair and, once approved, to all other members of the NWL Board, unless it would be inappropriate to do so in the opinion of the Chair of the Committee.
- (iv) The Chair of the Committee will report to the NWL Board the main items of business addressed at each meeting of the Committee.

6. Duties

In carrying out its oversight responsibilities, the Committee will have, without limitation, the following duties and responsibilities.

- (i) Strategy Development and Integration
 - Recommend to the Board the Company's overall general strategy with respect to ESG matters, in line with the NWL Purpose, Vision and Values.
 - Oversee the Company's policies, practices, and performance with respect to ESG matters.
 - Review and assess the Company's strategy for supporting vulnerable customers at least annually.
- (ii) Performance Monitoring and Reporting
 - Oversee that appropriate performance measures are in place for key ESG activities and are monitored.
 - Assess how well the company is performing in its ESG programme.
 - Keep under review the consistency and appropriateness of disclosure and reporting on a year-to-year basis.
 - Oversee ESG reporting as required, including information in the Annual Report and submissions to external agencies.
- (iii) Compliance and Regulatory Oversight
 - Oversee the Company's reporting standards in relation to ESG matters and ESG disclosures including but not limited to any Climate-Related Financial Disclosures (CFD).
- (iv) Board Awareness
 - Update the board on emerging ESG trends, risks and opportunities.
 - Report to the Board current and emerging topics relating to ESG matters that may affect the business, operations, performance, or public image of the Company or are otherwise pertinent to the Company and its stakeholders and, if appropriate, detail actions taken in relation to the same.
 - Advise the Board on significant stakeholder concerns relating to ESG matters.