

SOUTH EAST WATER LIMITED (Registration no 2679874) (the “Company”)

**TERMS OF REFERENCE OF THE
RESPONSIBLE BUSINESS COMMITTEE**

1. Purpose and definition of ESG matters

The main purpose of the Committee is to assist the Board in defining the Company’s strategy relating to ESG matters and in reviewing the practices and initiatives of the Company relating to ESG matters ensuring they remain effective and up to date.

In these terms of reference “ESG matters” or “ESG” refers (without limitation) to the following topics:

- **Environmental:** the Company’s impact on the natural environment and its adaptation to climate change including greenhouse gas emissions, energy consumption, generation and use of renewable energy, biodiversity and habitat, impact on water resources and the status of water bodies, pollution, resources efficiency, the reduction and management of waste, and the environmental impact of the Company’s supply chain;
- **Social:** the Company’s interactions with employees, customers, stakeholders and the communities in which it operates and the role of the Company in society including workplace policies (e.g. employee relations and engagement, diversity, non-discrimination and equality of treatment, health and safety and well-being), the interests of customers (e.g. vulnerability, affordability, customer satisfaction and engagement), ethical procurement and social aspects of the supply chain, community and stakeholder engagement or partnerships;
- **Governance:** the ethical conduct of the Company’s business including its corporate governance framework, business ethics policies and codes of conduct, the transparency of reporting, financial and tax transparency, and ESG risks and opportunities as these matters relate to the work of the Committee*.

*The Audit and Risk Committee remains primarily responsible for the review and recommendation for approval by the Board of the annual report (including the corporate governance statement) and the annual performance report (including reporting against regulatory governance requirements). The Audit and Risk Committee also reviews the effectiveness of the Anti-bribery policy, gifts & hospitality policy, conflicts policy and whistleblowing policy and generally the effectiveness of the systems of risk management and internal controls. The modern slavery statement is approved by the Board.

2. Membership

- 2.1. The committee shall consist of director members who have voting rights and non-director members who do not have voting rights. The committee shall have no less than three director members. At least one director member shall be an independent non-executive director and at least one other director member shall be a shareholder nominated director.
- 2.2. Director members of the committee shall be appointed by the Board. The Chair of the committee shall be appointed from amongst the non-executive directors. Non-director members of the committee shall be appointed by the Board or by the Chair of the committee from a list of named person(s) approved by the Board.
- 2.3. In the absence of the Chair of the committee and/or an appointed deputy, the remaining director members present shall elect one of themselves to chair the meeting.
- 2.4. Appointments of members shall be for a period of up to three years, which may be extended for further periods of up to three-years, provided that in the case of a director member the relevant director still meets the criteria for membership of the committee.

3. Secretary

The Chair of the committee or her or his nominee shall act as the secretary of the committee.

4. Quorum

The quorum necessary for the transaction of business shall be two director members.

5. Attendance at meetings

Only members of the committee have the right to attend committee meetings. However, other non-members may be invited to attend all or part of any meeting as and when appropriate.

6. Frequency of Meetings

- 6.1. The committee shall normally meet quarterly and at least twice a year.
- 6.2. Outside of the formal meeting programme, the committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Board, the managing director and the Chair of the Audit and Risk Committee.

7. Notice of Meetings

- 7.1. Meetings of the committee shall be convened by the committee Chair (or a secretary appointed by the committee Chair in accordance with clause 3) as the Chair consider is necessary.
- 7.2. 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. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

8. Minutes of Meetings

- 8.1. The secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- 8.2. Draft minutes of committee meetings shall be circulated promptly to all members of the committee.

9. Duties

The committee shall:

- 9.1. **Oversight of the development of the ESG vision and strategy**
 - 9.1.1. provide direction for defining the Company's ESG vision, objectives, strategy and standards of behaviour and make recommendations for their approval by the Board;
 - 9.1.2. identify the relevant ESG matters including ethical standards of corporate behaviour that affect the operation of the Company and/or the interests of other stakeholders;
 - 9.1.3. monitor and review current and emerging ESG trends, issues and public debate as regards ESG matters including ethical standards of corporate behaviour and act as a sounding Board on the management of such matters affecting the Company;
 - 9.1.4. monitor and review the Company's policies and practices relating to ESG matters to ensure that they remain relevant, effective, reflective of best practice and compliant with legal and regulatory requirements and chosen international standards;

9.2. Oversight of the implementation of the ESG vision and strategy

- 9.2.1. oversee the execution of the Company's ESG strategy and initiatives, monitor performance against ESG performance commitments and objectives adopted by the Board, recommend improvements and report to the Board (as appropriate) in particular in respect of the following:
 - a) the implementation of the responsible business strategy of the Company set out in its business plan and corporate plan and the implementation of related initiatives;
 - b) the implementation of the vulnerability and affordability strategy of the Company set out in its business plan and corporate plan and the implementation of related initiatives as it relates specifically to ESG matters (and having regard to the responsibilities of any steering group(s) responsible for these matters);
 - c) performance against responsible business performance commitments and other ESG related performance commitments and targets set out in the business plan and corporate plan or otherwise set by the Board;
 - d) review the ESG dashboard and reports from the responsible business steering group and provide oversight to that steering group;
 - e) the identification, management and mitigation of risks related to ESG matters and the identification of short and long term opportunities related to ESG matters;
 - f) performance against the GRESB standards and assessment framework relative to comparable utilities or other benchmarked companies;
- 9.2.2. be the main point of contact with the Customer Challenge Group for the coordination of the work of the Committee and of the Customer Challenge Group relating to the responsible business strategy and initiatives and related performance commitments;
- 9.2.3. oversee the Company's community, charitable and environmental partnerships, strategies and related policies;
- 9.2.4. make recommendations to the Board on the funding and resourcing of ESG initiatives;
- 9.2.5. evaluate the ethical and compliance aspects of the Company's culture and make recommendations to rectify deficiencies;

9.3. Oversight of external engagement

- 9.3.1. oversee how the Company engages with its stakeholders and ensure that the appropriate communications policies are in place and working effectively to promote the Company's relationship with its stakeholders and protect its reputation and recommend any improvements (where appropriate) to the Board;

9.4. Reporting

- 9.4.1. include within the annual report a description of the work of the committee in how it has discharged its responsibilities;
- 9.4.2. review the annual ESG and responsible business reporting in the Company's annual report, regulatory reporting and any other specific reporting on ESG matters liaising with the Audit and Risk Committee as appropriate. (The corporate governance report shall be reviewed by the Audit and Risk Committee who will also remain responsible for recommending the approval of the annual report and the annual performance report to the Board);
- 9.4.3. report to the Board regularly on how it has discharged its responsibilities;

9.5. Effectiveness

- 9.5.1. review and evaluate the performance of the committee and these terms of reference to ensure that the committee is operating effectively, and recommend any changes it considers appropriate for the Board's approval; and
- 9.5.2. in carrying out its responsibilities, the committee shall work and liaise as necessary with all other Board committees, have regard to matters reserved to the Board and give due consideration to all relevant laws, rules, regulations and regulatory requirements and guidance applicable to the Company.

10. Other Matters

The Committee shall:

- 10.1. be provided with appropriate and timely training, which may be in the form of an induction for new members and on an ongoing basis for all members;
- 10.2. have authority to obtain any information it requires from any employee of the Company in order to perform its duties;

- 10.3. be able to obtain, at the Company's expense, independent professional advice on any matter it believes necessary to do so and such advisors may attend meetings as necessary;
- 10.4. have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.