

**Southern Water Services Limited Environment Social Governance (ESG) 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; and
 - 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 chair of the Committee.
- 1.3. Only members of the Committee have the right to attend Committee meetings. However, the Chief Executive Officer, Chief Financial Officer, Executive Leadership Team members, Head of ESG, external advisors and other non-members may be invited to attend Committee meetings on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

The board shall appoint the Committee chair who shall be an independent non-executive director. In the absence of the Committee chair and/or an appointed deputy at a Committee meeting, subject to compliance with these terms of reference, the remaining members present shall elect one of themselves to chair the meeting or, if that is not possible, the meeting will be rearranged. The Chair of the board shall not be chair of the Committee.

2. Secretary

- 2.1. The company secretary, or his/her nominee, shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

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 four times 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 chair.
- 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.

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

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

7. Duties

7.1. **General responsibilities** of the Committee include:

7.1.1. consider the material environmental and social matters relevant to the Company's activities and support the Company in delivering its desired longer-term ambitions, plans, governance and positioning in the following areas:

7.1.1.1. environmental programmes and plans including but not limited to issues of climate change, nature and biodiversity, and changes to the environmental regulatory situation.

7.1.1.2. social impact programmes and plans including but not limited to matters of employee engagement, equality diversity and inclusion, community engagement and investment; and vulnerable customers . (Except matters relating to board diversity which are considered by the Nomination Committee, executive remuneration policy which are considered by the Remuneration Committee, and health, safety, security and wellbeing which are considered by the Health and Safety and Operational Risk Committee);

7.1.2. maintain oversight of wider governance matters, considered by the Board and its other sub-committees, particularly pertaining to the Company's position and performance in ESG benchmarks and indices.

7.1.3. support the board in understanding the expectations of the Company's stakeholders in relation to environmental and social matters, and oversee the approach and mechanisms for building stakeholder relationships;

7.1.4. oversee adequacy of approach in the identification and management of risks and opportunities in relevant areas;

7.1.5. hold to account functional leads tasked with implementation to ensure its responsibilities are met;

7.1.6. monitor and consider emerging trends, issues, and public debate in the areas relevant to this Committee, to assess their materiality regarding the Company's long-term ambitions.

7.2. The Committee shall **ensure** that:

7.2.1. the Company has strategies, plans and programmes relevant to the Committee's general responsibilities and that these are appropriately ambitious and fit for purpose;

7.2.2. short- and long-term goals are in place and key metrics reported on; and where they are not, to develop and recommend to the board such goals and related performance metrics;

7.2.3. all related and key published policies are regularly reviewed and updated, and remain compliant with relevant national and international regulations, and reflect best practice.

7.2.4. emerging opportunities and risks are understood, as they relate to the Company's ability to discharge its responsibilities, ambitions, and value creation and in collaboration with the Audit and Health and Safety and Operational Risk Committees.

7.2.5. its Terms of Reference are publicly available.

7.3. The Committee shall **review**:

7.3.1. effectiveness of strategies, plans, programmes, governance, and resources to ensure successful implementation and delivery of ambitions across its responsibilities and make recommendations to the board as necessary. This shall include:

7.3.1.1. adequacy of the Company's policies, codes and other standards;

7.3.1.2. operational and corporate performance results, including preparedness for future compliance performance; key metrics; and scoring in external benchmark indices, and oversee implementation of identified areas for improvement;

7.3.1.3. findings of internal and external audits, where audits relate to a key risk area of the Committee;

7.3.1.4. extent and effectiveness of the Company's external reporting of operational and corporate performance, and its participation in relevant external benchmarking indices.

7.3.1.5. relevant stakeholder engagement activities, external partnerships, and overall management of reputational risks (in collaboration with the Audit and Health and Safety and Operational Risk Committees as appropriate).

7.4. Request action and give guidance to other board committees as appropriate.

8. Reporting Responsibilities

8.1. The Committee chair 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 advise the Audit Committee, Risk Committee, and Health and Safety and Operational Risk Committee as appropriate, of any material financial or non-financial control issues and risks identified which are relevant to the respective roles of each.

8.4. The Committee shall compile a report on its activities to be included in the company's annual report.

8.5. The Committee shall review and approve annual ESG reporting in the Company's annual report, regulatory reporting, and any other specific and material reporting on ESG matters. The Committee shall liaise with all other board committees, as appropriate, particularly the Audit Committee which has responsibility overall for the annual report.

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. oversee any investigation of activities which are within its terms of reference;

- 9.1.5. work and liaise as necessary with all other board committees, taking account of the impact of ESG strategy and reporting being delegated to other committees; and
- 9.1.6. 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: November 2023