

# Nomination Committee

---

## Terms of Reference

July 2020

## **NOMINATION COMMITTEE TERMS OF REFERENCE**

### **1. MEMBERSHIP**

- 1.1 The committee shall comprise at least three non-executive directors who are independent. The majority of members of the committee (including the chair) shall be independent.
- 1.2 Only members of the committee have the right to attend committee meetings. However, other individuals such as the chief executive, the director of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.3 Appointments to the committee are made by the board and shall be for a period of up to three years, which may be extended for further periods of up to three-years, provided the director still meets the criteria for membership of the committee.
- 1.4 The chair of the board shall chair the committee. In the absence of the committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the board. The chair of the board shall not chair the committee when it is dealing with the matter of succession to the role of chair.

### **2. SECRETARY**

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

### **3. QUORUM**

The quorum necessary for the transaction of business shall be three at least two of whom must be independent.

### **4. FREQUENCY OF MEETINGS**

The committee shall meet at least three times per year and otherwise as required.

### **5. NOTICE OF MEETINGS**

- 5.1 Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair.
- 5.2 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.

### **6. MINUTES OF MEETINGS**

- 6.1 The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- 6.2 Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the board unless in the opinion of the committee chair it would be inappropriate to do so.

### **7. ANNUAL GENERAL MEETING**



The committee chair should attend the annual general meeting to answer any shareholder questions on the committee's activities.

## **8. DUTIES**

- 8.1 The committee shall lead the process for appointments, ensure plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline for succession. The committee shall be responsible for identifying and nominating for the approval of the board, candidates to fill board vacancies as and when they arise.
- 8.2 The committee shall conduct a continuous and proactive process of planning and assessment, taking into account the Company's strategic priorities and the main trends and factors affecting the long-term success and future viability of the Company.
- 8.3 The committee shall evaluate the skills, experience and knowledge on the board, and the future challenges affecting the business, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The committee shall evaluate future challenges affecting the business and agree the process to be undertaken to identify, select and interview suitable candidates ensuring a proper assessment of values and expected behaviours are built into the recruitment process.
- 8.4 In identifying suitable candidates the committee shall, as appropriate:
  - 8.4.1 use open advertising or the services of external advisers to facilitate the search;
  - 8.4.2 consider candidates from a wide range of backgrounds;
  - 8.4.3 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, cognitive and personal strengths, taking care that appointees have enough time available to devote to the position.
- 8.5 Prior to the appointment of a director, the committee shall consider any other business interests of the proposed appointee that may result in a conflict of interest and shall require the proposed appointee to report any future business interests that could result in a conflict of interest.
- 8.6 A proposed director's other significant commitments should be disclosed to the board before appointment and carefully considered by the committee in recommending such appointment and any changes to the director's commitments should be reported to the board as they arise.
- 8.7 The committee shall consider whether to set limits on the number and scale of other appointments it considers the chair and other non-executives may take on without compromising their effectiveness.
- 8.8 The committee shall 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 commitment, committee service and involvement outside board meetings.
- 8.9 The committee shall, where appropriate working with human resources, take an active role in setting and meeting diversity objectives and strategies for the Company as a whole, and in monitoring the impact of diversity initiatives. Examples of the type of actions the nomination committee shall consider encouraging include:
  - 8.9.1 a commitment to increasing the diversity of the board by setting targets;
  - 8.9.2 dedicated initiatives with clear objectives and targets; for example, in areas of the business that lack diversity;

- 8.9.3 a focus on the senior leadership team and the Executive Management Team;
  - 8.9.4 mentoring and sponsorship schemes;
  - 8.9.5 a commitment to more diverse shortlists and interview panels;
  - 8.9.6 positive action to encourage more movement of women into non-traditional roles.
- 8.10 The committee shall review the results of the board performance evaluation process that relate to the composition of the board.
- 8.11 The committee shall review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties.
- 8.11 Work and liaise as necessary with other board committees, ensuring the interaction between committees and with the board is reviewed regularly.
- 8.12 The committee shall also make recommendations to the board concerning:
- 8.12.1 succession plans for both executive and non-executive directors and in particular for the roles of board chair and chief executive officer;
  - 8.12.2 suitable candidates for the role of senior independent director;
  - 8.12.3 membership of the audit, remuneration and SHEDWQ committees, and any other board committees as appropriate, in consultation with the chair of those committees;
  - 8.12.4 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 knowledge, skills and experience required;
  - 8.12.5 the re-election by shareholders of directors under the annual re-election provisions of the Code or the retirement by rotation provisions in the Company's articles of association, having due regard to their performance and ability to continue to contribute to the board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the board (particularly in relation to directors being re-elected for a term beyond six years); and
  - 8.12.6 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.
- 8.13 The committee should oversee the induction arrangements for non-executive directors and ongoing training;
- 8.14 The committee should oversee delivery of the actions needed in respect of reported gender pay gap (with the Remuneration Committee retaining responsibility for overseeing statutory reporting); and
- 8.15 The committee should determine the definitions of diversity as well as set targets.

## **9. REPORTING RESPONSIBILITIES**

- 9.1 The committee chair shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

- 9.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be made available for board discussion when necessary.
- 9.3 The committee shall produce a report to be included in the Company's annual report about its activities, including:
- 9.3.1 the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline;
  - 9.3.2 how the board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence board composition;
  - 9.3.3 the policy on diversity and inclusion, its objectives and linkage to Company strategy, how it has been implemented and progress on achieving the objectives;
  - 9.3.4 the gender balance of those in the senior management and their direct reports;
  - 9.3.5 explaining if external advice or open advertising has not been used; and
  - 9.3.6 identifying the use of any external search agency and providing a statement as to whether the agency it has any connection with the Company or any individual Directors.

## **10. OTHER MATTERS**

The committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required, be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 10.2 give due consideration to laws and regulations, the Company's instrument of appointment, Ofwat's board leadership, transparency and governance principles, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate; and
- 10.3 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.

## **11. AUTHORITY**

The committee is authorised by the board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

Approved by the Board on 28 July 2020