

## **THE ESG COMMITTEE: TERMS OF REFERENCE**

(Re-adopted by the board on 25 April 2023)

### **Constitution**

1. There shall be a committee of the board to be known as the ESG (environmental, social and governance) Committee which will act in a way which the Committee considers, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole.
2. The Committee will comprise at least three directors appointed by the board two of whom should be independent non-executive directors. A quorum shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be authorised to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
3. The Chair of the Committee shall be appointed by the board, following consultation with the Nomination Committee and shall be an independent non-executive director. In the absence of the Committee's Chair, the Committee will appoint one of its members to be chair of the Committee.
4. The company secretary (or his/her nominee) shall be secretary to the Committee and shall keep appropriate minutes of its proceedings which will be circulated promptly to all members of the Committee and once approved to the board unless a conflict of interest exists. The secretary shall ascertain at the beginning of each meeting of the Committee, the existence of any conflicts and minute them accordingly.
5. The Chair of the Committee shall formally report to the Board following each meeting of the Committee in the form of a brief update on key ESG topics.
6. No one other than the members of the Committee is entitled to be present at a meeting of the Committee but others may attend at the invitation of the Committee including but not limited to the Customer Services and People Director, the Corporate Affairs Director, the Head of Sustainability and the Committee's advisers (if appointed). The Chairman of the board and other board members may attend, if invited by the Committee to do so.
7. Meetings shall be held at least twice a year and may be held in person or by telephone or videoconference. Approvals required between scheduled Committee meetings may be given via email.
8. In the event that a member of the Committee is unable to attend a regular or ad-hoc meeting of the Committee, such member may appoint another director to act as an alternate member of the Committee and attend the meeting in his or her place. The said alternate members shall have full powers of a regular member of the Committee when attending any such meeting as a substitute for any absent member.
9. The Committee's duties and activities during the year shall be disclosed in the annual report and financial statements.
10. The Chair of the Committee shall attend the annual general meeting and shall answer questions, through the Chairman of the board, on the ESG Committee's activities and their responsibilities.

### **Powers**

11. The Committee is authorised by the board to undertake any activity within its terms of reference or any other activity that it is asked by the board to undertake, or any review or take any other action that it considers appropriate in the discharge of its duties. It is authorised to seek any information it requires from any employee and all employees will be directed by the board to co-operate with any request made by the Committee.

12. The Committee is authorised by the board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. This authority is subject only to the requirement that independent advice is sought at a reasonable cost commensurate with the matter under review.

### **Duties**

13. The Committee's duties are:

### **Policy Direction**

(a) to consider and recommend to the board the broad approach to environmental, social and governance matters taking into account the company's desired ESG positioning and objectives and related costs and benefits, the overall strategic plan, relevant external and other factors;

(b) to keep under review the Group's overall approach to environmental, social and governance matters and ensure it is in alignment with the Group's purpose, vision, strategy and values and, if appropriate, recommend amendments to such policies to the board; and

(c) to review environmental, social and governance issues and objectives material to the Group's stakeholders and identify and monitor the extent to which they are reflected in Group strategies, plans and policies.

### **Policy Delivery**

(d) to agree and approve the report of the Committee published within the Annual Report (this approval can be given by email should it fall between scheduled Committee meetings);

(e) to monitor and review compliance with the board's approach to environmental, social and governance matters and scrutinise the effectiveness of the delivery of the ESG commitments by the Executive;

(f) to review all approved specific giving which supports the Group's ESG approach where the aggregate financial contribution exceeds £100,000 over the period of the proposed funding;

(g) to review all community giving expenditure annually;

(h) to develop and recommend to the board ESG targets and key performance indicators and receive and review reports on progress towards the achievement of such targets and indicators;

(i) to review the profile of the charitable donations directed by the United Utilities Trust Fund;

(j) to review relevant stakeholder engagement activities and management of key reputational risks and issues.

(k) to undertake any review or take any other action that it considers appropriate in the discharge of its duties.

### **Other Matters**

(l) to undertake any other duties as directed by the board.

(m) to annually review its own performance, constitution and terms of reference to ensure it operates effectively and recommend any changes it considers necessary to the board for approval.