

# AffinityWater

## Environment, Social And Governance Committee Terms of Reference



## ENVIRONMENT, SOCIAL AND GOVERNANCE BOARD COMMITTEE TERMS OF REFERENCE

### 1. PURPOSE

- 1.1. Ensure strategic focus and direction is given to the Environmental, Social and Governance (ESG) matters across the business and to monitor and minimise ESG risks and maximise opportunities to add social and environmental value from our activities.
- 1.2. Maintain an overview of how activities and programmes fit together into a coherent set of ESG related strategies and policies that address all the ESG aspects to deliver against Company's purpose and objectives.
- 1.3. Advise on opportunities to increase both public and shareholder value to enhance outcomes for customers, communities and natural environment.

### 2. MEMBERSHIP

- 2.1. The committee shall comprise: (a) at least four members, at least three of whom shall be independent non-executive directors; and (b) a majority of Independent non-executive directors (including the chair of the committee).
- 2.2. Appointments to the committee shall be made by the board, on the recommendation of the nomination committee in consultation with the chair of the committee. The committee chair shall be an independent non-executive director.
- 2.3. Only members of the committee have the right to attend committee meetings. The directors of relevant business areas or may be invited to attend for all or part of any meeting of the committee.

### 3. SECRETARY

The company secretary or his or 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 the issues.

### 4. QUORUM

The quorum necessary for the transaction of business shall be three of the appointments outlined in 2.1, at least one of whom shall be an independent non-executive director.

### 5. MEETINGS

The committee shall meet at least four times a year. Initially, the committee shall meet bi-monthly.

### 6. NOTICE OF MEETINGS

- 6.1. Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair
- 6.2. 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 no later than five working days before the date of the meeting.

- 6.3. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

## 7. MINUTES OF MEETINGS

- 7.1. The secretary (or his or her nominee) shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- 7.2. Draft minutes of committee meetings shall be circulated promptly to all members of the committee.
- 7.3. 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.

## 8. OBJECTIVES AND DUTIES

- 8.1. The committee shall oversee on behalf of the board the ESG strategy and activities to ensure alignment and integration with the business purpose and decision making.
- 8.2. The committee shall consider the material ESG matters relevant to the Company's activities and support the Company in delivering the desired ambitions, performance plans and programmes, and positioning in the following areas:
  - 8.2.1. **Environmental performance** programmes and plans including water resource management plans and sustainable abstraction; controlling the risks and impacts of pollution; leakage and PCC reduction; net zero targets; climate change adaptation and resilience, energy efficiency, resource use and circular economy, natural capital; biodiversity; and changes to the environmental regulatory landscape.
  - 8.2.2. **Social performance** programmes and plans including workplace matters such as employee engagement, [equality diversity and inclusion] , learning and development; customer service and engagement on affordability; contractor and supplier management and wider community matters including volunteering and charitable contributions; developing and fostering partnerships with community (except matters relating to board diversity which are considered by the Nomination Committee, executive remuneration policy which are considered by the Remuneration Committee);
  - 8.2.3. **Governance matters** relating to ethical and transparent business practice, culture, and the green finance framework (except matters relating to policies and controls for whistleblowing, fraud, compliance, anti-bribery, and internal control and external audit, which are considered by the Audit Risk and Assurance Committee).
- 8.3. The committee shall ensure resources are in place to deliver on objectives in the most resource efficient manner for best value outcomes.
- 8.4. The committee shall review and make recommendations to the Board on the strategic direction for effective ESG strategy, and to communicate, promote and champion ESG issues. The committee will provide oversight of internal and external communications and engagement on ESG matters to enhance strategic

- reputation, trust and transparency and public disclosure of company position on ESG topics.
- 8.5. The committee shall keep under review the adequacy of the ESG framework, policies and procedures within the Company (including training and competency assessment), and compliance with relevant legislation and their effectiveness in providing added value using multi capital approach.
  - 8.6. The committee shall review and monitor ESG matters arising from the Company's activities and operations, including monitoring performance against targets and emerging trends.
  - 8.7. The committee shall consider ESG issues that may have strategic business and reputational implications for the Company and, where necessary, recommend appropriate measures, responses and targets (including performance targets and KPIs for directors and senior managers).
  - 8.8. The committee shall work within Company's agreed governance requirements and other committees as required.
  - 8.9. The committee shall receive and review:
    - Induction programme and training as needed.
    - Environment, Social and Governance Programme boards.
    - Any relevant documentation as required i.e. strategic partnerships entered in relation to the ESG strategy.
  - 8.10. The committee shall ensure ToR and committee performance is reviewed at least once a year.

## **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.
- 9.3. The work and membership of the committee will be disclosed in each annual report and accounts of the Company. If the committee and board consider this appropriate, such disclosure will be accompanied by a summary of the committee's activities during the relevant reporting year.

## **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;
- 10.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 10.3. 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
- 10.4. review its terms of reference from time to time to ensure it is operating effectively and recommend any changes it considers necessary to the board for approval.
- 10.5.

## 11. AUTHORITY

The committee is authorised to:

- 11.1. seek any information it requires from any employee of the Company in order to perform its duties, specifically ESG EMT sub-committee members;
- 11.2. obtain, at the Company's expense, independent legal, accounting, or other professional advice on any matter it believes it necessary to do so;
- 11.3. call any employee to be questioned at a meeting of the committee as and when required; and
- 11.4. have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the committee and the board.

Approved by the Board on 25<sup>th</sup> January 2024