

TERMS OF REFERENCE
OF
THE NOMINATION COMMITTEE
(being a Committee of the Board of Directors of Northumbrian Water Limited)
(the “Committee”)

In these terms of reference:

“**Company**” or “**NWL**” means Northumbrian Water Limited.

“**NWL Board**” means the board of directors of the Company.

References to “**director(s)**” are to one or more director(s) of the Company.

1. Membership and Attendance

- (i) The Committee shall comprise at least five members. A majority of Committee members shall be non-executive directors nominated by the Company as independent directors for the purposes of its Instrument of Appointment (“**INeDs**”) and at least two Committee members shall be shareholder-appointed non-executive directors. Other members of the Committee shall comprise either non-executive directors or other Investor-appointed representatives. Members of the Committee shall be appointed by the NWL Board, on the recommendation of the Committee and in consultation with the Chairman of the Committee.
- (ii) Only members of the Committee have the right to attend Committee meetings. However, other individuals and/or external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- (iii) The Chairman of the Company shall act as the Committee chairman (the “**Committee Chairman**”). In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Company shall not chair the Committee when it is dealing with the matter of succession to the chairmanship.

2. Secretary

The Company Secretary or his nominee shall act as the Secretary of the Committee (the “**Secretary**”).

3. Quorum

The quorum necessary for the transaction of business shall be three of which two must be INeDs and one must be a shareholder appointed non-executive director.

4. Frequency of Meetings

The Committee shall meet at least once a year and at such other times as any member of the Committee shall require.

5. Notice of Meetings

- (i) Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.
- (ii) 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 and to the chairman of the NWL Board no later than five 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

- (i) The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- (ii) Minutes of Committee meetings shall be circulated to all members of the Committee and the Chairman of the Company and, once agreed, to all other members of the NWL Board, unless in the opinion of the Committee Chairman it would be inappropriate to do so.

7. Duties

The Committee shall:

- (i) regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the NWL Board and make recommendations to the NWL Board with regards to any changes;
- (ii) give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the NWL Board in the future;
- (iii) keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continuous ability of the organisation to compete effectively in the marketplace;
- (iv) keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- (v) be responsible for identifying and nominating for the approval of the NWL Board, candidates to fill NWL Board vacancies as and when they arise;
- (vi) before any appointment is made by the NWL Board, evaluate the balance of skills, knowledge, experience and diversity on the NWL Board and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
 - use open advertising or the services of external advisers to facilitate the search;
 - consider candidates from a wide range of backgrounds;
 - consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the NWL Board, including gender, taking care that appointees have enough time available to devote to the position;
- (vii) prior to the appointment of a director of the Company, the proposed appointee should be required to disclose (i) any other significant commitments and (ii) any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest and any changes to his/her commitments as they arise;
- (viii) ensure that on appointment to the NWL Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitments, committee service and involvement outside NWL Board meetings;
- (ix) review the results of the NWL Board performance evaluation process that relate to the composition of the NWL Board;
- (x) review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the nonexecutive directors are spending enough time to fulfil their duties; and
- (xi) work and liaise as necessary with all other NWL Board committees.

The Committee shall also make recommendations to the NWL Board concerning:

- (i) formulating plans for succession for both executive and non-executive directors and in particular for the key roles of chairman and chief executive;

- (ii) suitable candidates for the role of senior independent director (should the NWL Board determine that a senior independent director is required);
- (iii) 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 NWL Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the NWL Board (particularly in relation to directors being re-elected for a term beyond six years);
- (iv) 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; and
- (v) the appointment of any director to executive or other office.

8. Reporting Responsibilities

- (i) The Committee Chairman shall report formally to the NWL Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (ii) The Committee shall make whatever recommendations to the NWL Board it deems appropriate on any area within its remit where action or improvement is needed.
- (iii) The Committee shall make a statement or produce a report in the Company's annual report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used. Where an external search agency has been used, it shall be identified in the annual report and a statement made as to whether it has any connection with the Company.
- (iv) The above statement or report (as the case may be) shall disclose the Committee's policy on diversity, including gender, any measurable objectives that have been set for implementing the policy, and progress made towards achieving the objectives.

9. Other matters

The Committee shall:

- (i) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- (ii) 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; and
- (iii) from time to time review its own performance, and at least annually, review its constitution and terms of reference to ensure it is operating effectively.

10. Authority

The Committee is authorised to:

- (i) seek any information it requires from any employee/director of the Company in order to perform its duties;
- (ii) obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference;
- (iii) instigate and oversee any investigation into any matter within its terms of reference; and
- (iv) call any employee of the Company to be questioned at a meeting of the Committee as and when required.