GLAS CYMRU HOLDINGS CYFYNGEDIG

(GLAS CYMRU)

DŴR CYMRU CYFYNGEDIG

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QUALITY AND ENVIRONMENT COMMITTEE

TERMS OF REFERENCE

Approved by the Board on 3 June 2021

GLAS CYMRU HOLDINGS CYFYNGEDIG (Company No. 09917809)

DŴR CYMRU CYFYNGEDIG (Company No. 02366777)

QUALITY AND ENVIRONMENT COMMITTEE

TERMS OF REFERENCE

In this document:

- '**Group'** means Glas Cymru Holdings Cyfyngedig ("***Glas Cymru***") and its subsidiaries
- **'Company**' means Dŵr Cymru Cyfyngedig ("***Dŵr Cymru***")
- '**Board**' or '**Group Board'** means the Joint Board of Glas Cymru and Dwr Cymru
- '**Executive'** means the Executive Committee of Glas Cymru

1. PURPOSE

1.1 The Board has established a Quality and Environment Committee ("***Committee***") to identify and manage risks to the business arising from operational, environmental and health and safety related issues. The Committee will provide oversight of the management and mitigation of these risks on behalf of the Board and will monitor the operational performance of the Company on a quarterly basis.

2. THE COMMITTEE

2.1 Membership

2.1.1. Members of the Committee will be appointed by the Board on the recommendation of the Nominations Committee and in consultation with the Chair of the Committee ("***Committee Chair***"). The Committee shall comprise a majority of independent Non-Executive Directors and the Chief Executive Officer ("***CEO***").

2.1.2. Non-Executive Director appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the Director remains independent. In exceptional circumstances an appointment may be extended beyond this provided the Board considers that the individual remains independent.

2.1.3. Only members of the Committee have the right to attend Committee meetings. However, the following individuals are invited to attend all or part of any meeting, as appropriate:

- the Chief Financial Officer;
- Managing Director of Water Services, Capital Delivery and Asset Planning;
- Managing Director of Wastewater Services, Business Customers & Energy
- Director of Water Services;
- Head of Quality Policy & Compliance; and
- the Director of Environment.

2.1.4. The Committee will be advised by two Independent Scientific Advisors who respectively cover drinking water and the environment and who will also be invited to attend Committee meetings, as appropriate. The Scientific Advisor on environmental matters will provide reports from the Independent Environmental Advisory Panel (IEAP) to the Committee.

2.1.5. The Board will appoint the Committee Chair who will be an independent Non-Executive Director. In the absence of the Committee Chair, and/or their nominated alternate, who

will also be a Non-Executive Director, the remaining members present shall elect one of themselves to chair the meeting.

2.1.6. The Board shall determine the period for which any member of, or advisor to, the Committee shall hold office.

2.2 **Secretary**

The Company Secretary (or their nominee) shall be Secretary to the Committee ("***Secretary***").

2.3 **Quorum**

The quorum for a valid meeting shall be the Committee Chair (or their nominated alternate, who will also be a Non-Executive Director) and the CEO. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

2.4 **Role of Committee Members**

Committee members will utilise their personal skills, knowledge and judgement to perform the responsibilities set out in these terms of reference.

3. MEETINGS

3.1. **Meeting Frequency**

Meetings shall be held six times a year, and otherwise at such frequency as circumstances demand.

3.2 **Notice of Meetings**

3.2.1. A meeting may be convened by any member of the Committee or by the Secretary at the request of the Committee Chair.

3.2.2. Should any reportable issues arise between meetings, the CEO will be responsible for informing the Chairman, who may call a meeting if necessary

3.2.3. Unless otherwise agreed, a notice of each meeting (confirming the venue, date and time, together with an agenda of items to be discussed), shall be sent to each member of the Committee and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and other attendees as appropriate.

3.3 **Minutes**

3.3.1. The Secretary shall keep appropriate written minutes of the proceedings and decisions of the Committee, including the names of those present and in attendance.

3.3.2. Draft minutes of Committee meetings will be circulated promptly to the Chair of the Committee and once approved by the Committee Chair, to all Board directors at the next Board meeting, unless in the opinion of the Committee Chair it would be inappropriate to do so.

3.4 **Duties**

3.5. The Committee will carry out the duties below for the Company and the Group, as appropriate:

3.6 The Committee will:

3.6.1. scrutinise operational performance and assesses the appropriateness of improvement strategies for Dŵr Cymru's water and waste water activities.

3.6.2 review, monitor and influence the health and safety management plan for Dŵr Cymru and other companies within the Group.

3.6.3. in the context of operational performance and Health and Safety, fulfil a role of positive challenge and hold the Executive Directors to account for its main public health and environmental protection responsibilities.

3.6.4. hold the Executive to account to ensure that Dŵr Cymru fulfils its public health responsibilities for the provision of safe, clean drinking water and waste water sanitation in line with all statutory standards.

3.6.5. review and monitor the Company's health and safety performance and improvement plans in this area.

3.6.6. review Dŵr Cymru's operational drinking water and waste water performance.

3.6.7. assess whether the Company has appropriate strategies and resources to meet its statutory obligations; and ensure these criteria are met against specific targets set by the Board where they indicate that performance improvement is required.

3.6.8 assess annual reports, including but not limited to, the Annual Dam Safety Report and the Annual Health and Safety Report, and recommend to the Board for approval.

3.6.9. monitor the year end carbon performance and note the progress against the 2020 target.

3.6.10. review and influence the Company's non-financial audit programme and receive the findings of internal and external audit reports relating to water and waste water service provision.

3.6.11. meet on behalf of the Board key stakeholders including senior personnel from regulators such as the Drinking Water Inspectorate, Health and Safety Executive and Natural Resources Wales.

3.6.12. review the Company's plans in key areas such as AMP investment proposals for water and waste water service areas.

3.6.13. encourage the Company to assess and adopt appropriate new technology or other innovation that will improve service to customers and the environment.

3.6.14. challenge and encourage smart use of data and reporting information.

3.6.15 ensure the Company has adequate emergency and security arrangements in place in line with current statutory guidance such as CNI and SEMD standards.

3.7 **Reporting**

3.7.1. The Committee Chair shall report and make recommendations to the Board on its proceedings after every meeting.

3.7.2. The Committee shall produce a report of its activities in the Annual Report.

4. OTHER MATTERS

4.1 The Committee will:

4.1.1. have access to sufficient resources in order to carry out its duties, including access to the Group Company Secretariat for assistance as required;

4.1.2. be provided with appropriate and timely training, both in the form of an induction programme for new Committee members and on an on-going basis for all Committee members;

4.1.3. give due consideration to laws and regulations, the operating company's statutory licence, provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, Ofwat's principles on Leadership, Transparency and Governance and any other applicable rules, as appropriate;

4.1.4. work and liaise as necessary with all other Board Committees; and

4.1.5 arrange for the 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.

5. AUTHORITY

5.1 The Committee is authorised to:

5.1.1. investigate any activity or state of affairs within its terms of reference.

5.1.2. at the Group's expense, seek such information as it requires from the Group and its employees, and/or to take such internal and external professional advice, as it shall consider appropriate in connection with the performance of its duties.

5.1.3. be advised, when necessary, by such public health and other independent experts on the operational aspects and environmental impact of the supply of water and sewerage services as the Board may appoint from time to time.