



**GLAS CYMRU HOLDINGS CYFYNGEDIG**  
**(GLAS CYMRU)**

**DŴR CYMRU CYFYNGEDIG**  
**(DŴR CYMRU)**

**ENVIRONMENTAL SOCIAL GOVERNANCE COMMITTEE**  
**TERMS OF REFERENCE**

Approved by the Board on 2 May 2024

**GLAS CYMRU HOLDINGS CYFYNGEDIG (Company No. 09917809)**

**DŴR CYMRU CYFYNGEDIG (Company No. 02366777)**

## **ENVIRONMENTAL SOCIAL GOVERNANCE COMMITTEE**

### **TERMS OF REFERENCE**

In this document:

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

## **1. Purpose**

- 1.1 The Board has established a Committee of the Board to be known as the Environmental Social Governance ("**ESG**") Committee (the "**Committee**").
- 1.2 The Committee has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference.
- 1.3 The responsibilities of the Committee are to:
  - 1.3.1 Provide oversight on behalf of the Board in relation to the Group's ESG strategies and activities and ensure they are aligned with and integrated into the broader business purpose and strategy.
  - 1.3.2 Once the ESG strategy and activities have been defined, ensure that resources are focussed on addressing the key issues which have been identified through that process, in a resource-efficient manner.
  - 1.3.3 Provide oversight of internal and external communications and engagement on ESG matters including engagement with stakeholders and the development of strategic relationships with partners that will support the achievement of the Company's ESG strategy.
  - 1.3.4 Review the ESG policies, processes, supporting framework documentation and initiatives of the Group ensuring they remain effective and up to date whilst identifying emerging trends and challenges that might impact on the Group's ESG strategy.
  - 1.3.5 Advise the Board as to what targets to set, and which ratings to adopt, in delivering the Group's ESG strategy and how most effectively to measure progress towards these targets in a manner capable of external benchmarking pay.
  - 1.3.6 Determine how best to consult with stakeholders and most effectively to report the Company's ESG position in a manner that ensures all stakeholders receive appropriate and proportionate information about the Group's ESG activities.
  - 1.3.7 Ensure compliance with all legal and regulatory requirements relevant to Environmental, Social and Governance issues, including corporate governance principles and industry standards, as applicable to the Company.

1.3.8 Monitor the year end carbon performance and note the progress against the 2023 target.

## 2. Remit

**Environmental:** the Group's impact on the natural environment and its adaptation to climate change, in particular our progress towards carbon neutrality, including greenhouse gas emissions, both operational and embedded, energy consumption, generation and use of renewable energy, biodiversity and habitat, impact on water resources and the status of water bodies (QSC), pollution (QSC), resources efficiency and the reduction and management of waste.

**Social:** the Group's interactions with employees (Board), governments (Board), commercial and state counterparties (Board), stakeholders and the communities in which it operates and the role of the Group in society (Board), workplace policies (for example, employee relations and engagement (Board), diversity (Nomco), non-discrimination, inclusivity and equality of treatment (Board), health and safety and well-being (Board/QSC)), ethical procurement, any social or community projects undertaken by the Group and social aspects of the supply chain, community and stakeholder engagement or partnerships; and

**Governance;** the ethical conduct of the Group's business including its corporate governance framework (Board/Audit Committee); the diversity of candidates for Group roles (Nomco); and competencies available to the Group, both internally and from external partners, in relation to ESG matters, including through the delivery of appropriate training ;

where references above to QSC, Nomco and Audit mean the Quality and Safety Committee, Nomination Committee and Audit Committee of the Board.

## 3. Membership

3.1 Members of the Committee will be appointed by the Board and in consultation with the Chair of the Committee (the "**Committee Chair**"). The Committee will be made up of at least 3 members and have a majority of independent Non-Executive Directors<sup>1</sup>. <sup>2</sup>The Chair of the Board may also serve on the Committee as an additional member.

3.2 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.

3.3 Members should have the appropriate knowledge, skills and expertise to understand ESG-related strategy, targets and implementation, and shall undertake appropriate development of their skills as necessary.<sup>3</sup>

3.4 Only members of the Committee have the right to attend Committee meetings<sup>4</sup>. However, other individuals such as members of the Executive Team, other senior managers or external advisers may be invited to attend for all or part of any meeting, as and when appropriate.<sup>5</sup>

---

<sup>1</sup> FRC Guidance 2024, paragraph 87, states that members of any board-level committee 'should' be independent non-executive directors. Executives can then be invited to attend as appropriate. However, some companies choose to include one or more executive directors as members of their sustainability or ESG committee.

<sup>2</sup> Where one exists. FRC Guidance 2024, paragraph 146.

<sup>3</sup> Code Principle K and FRC Guidance 2024, paragraphs 65 (final bullet point), 89, 91 and 143

<sup>4</sup> FRC Guidance 2024, paragraph 92

<sup>5</sup> FRC Guidance 2024, paragraph 92

3.5 The Chair will be the Committee Chair. 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.

#### **4. Secretary**

The Company Secretary (or their nominee) shall be Secretary to the Committee and attend all meetings. The Company Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to all matters considered by the Committee. The Committee shall have access to the services of the Company Secretariat on all Committee matters, including assisting the Chair in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, and provision of any necessary practical support.

#### **5. Quorum**

The quorum necessary for the transaction of business will be two Committee members present in person or by electronic communication. 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.

#### **6. Meeting Frequency and Schedule**

Meetings shall be held at least four times a year, and otherwise at such frequency as the Committee Chair shall require<sup>6</sup>.

#### **7. Notice of Meetings**

- 7.1 A meeting may be convened by any member of the Committee or by the Secretary at the request of the Committee Chair.
- 7.2 Unless otherwise agreed by the Committee, a notice of each meeting confirming the time and date, together with a physical venue or conference call, shall be sent to each member of the Committee, any other person required to attend no later than five working days before the date of the meeting or otherwise as agreed by the members of the Committee. Supporting papers shall be sent to Committee members and other attendees as appropriate. Notices, agendas and supporting papers may be sent in electronic form.

#### **8. Minutes**

- 8.1 The Secretary shall keep appropriate written minutes of the proceedings and resolutions of the Committee, including recording the names of those present and in attendance.
- 8.2 Draft minutes of Committee meetings will be circulated promptly to all members of the Committee and once approved, to all members of the Board, unless a conflict of interest exists<sup>7</sup>.

#### **9. Engagement with Members and Stakeholders**

The Committee Chair shall attend the Annual General Meeting to answer any members questions on the Committee's activities and responsibilities. In addition, the Committee chair should seek

---

<sup>6</sup> According to the UK 2023 Spencer Stuart Board Index, the average sustainability or ESG committee meets four times per year (

<sup>7</sup> FRC Guidance 2024, paragraph 96

engagement with members and other stakeholders where relevant, on significant matters related to the Committee's areas of responsibility<sup>8</sup>.

## **10. Duties**

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

The Committee shall

### ***ESG Strategy or framework***

- 10.1 Oversee the development of, advise the Board regarding, and recommend for approval by the Board, the Company's ESG strategy. Ensure that this strategy is effective, aligned with prevailing regulations and good practice, and integrated with the Company's business plan, values and objectives, in order to support the Company's long-term sustainable success.
- 10.2 Oversee the execution of the ESG strategy and approve implementation projects developed in response to the strategy. Review the effectiveness of the teams, governance and processes in place to ensure the outcomes of the ESG strategy are delivered. Advise on the risks and opportunities for the Company's operations and reputation in relation to the execution of its ESG strategy.

### ***Goals and metrics***

- 10.3 Advise on, and recommend for approval by the Board, appropriate ESG strategic goals, short- and long-term [science-based] targets, and key ESG metrics<sup>9</sup>. Monitor annual and long-term progress against previously set ESG objectives, including compliance with public commitments on ESG issues. Oversee the ongoing measurement and reporting of performance against key ESG metrics.

### ***Reporting***

- 10.4 Review the content, integrity and completeness of external statements and disclosures about ESG activity, targets and progress<sup>10</sup>. Review ESG-related reporting prior to Board approval, including the annual sustainability report (where one exists), information to be included in the Annual Report, and mandatory or voluntary disclosures in line with recommended practice and regulatory requirements. ESG related reporting on external statements and disclosures included within the Annual Report will be reported via the Audit Committee. Other ESG related reporting such as EU Taxonomy or Biodiversity will be direct from the ESG Committee to Board. Evaluate the extent and effectiveness of external reporting on ESG performance and participation in external benchmarking indices.
- 10.5 Review regularly the requirement for internal and external assurance of ESG-related matters, and as necessary, appoint external parties to provide assurance on relevant reporting. Review and approve the qualifications, independence, engagement,

---

<sup>8</sup> Code Provision 3 and FRC Guidance 2024, paragraph 101, relate to engagement with shareholders. Due to the nature of sustainability or ESG committees, many companies choose to also include a reference to other types of stakeholders.

<sup>9</sup> FRC Guidance 2024, paragraph 142

<sup>10</sup> FRC Guidance 2024, paragraph 142

compensation and performance of the external party chosen to provide assurance on such reporting.<sup>11</sup>

### ***Horizon scanning***

- 10.6 Identify current and emerging ESG-related issues, standards, good practice, and regulatory or legislative developments, at the sectoral, national and international level. When those horizon scanning topics which align with environmental performance are highlighted to the QSC Committee these should be summarised for ESG. This includes sourcing or undertaking relevant training and development opportunities, both for the Committee Members and for Company employees as appropriate. Evaluate which issues and developments are likely to impact the Company's strategy, operations and reputation. Determine, therefore, whether and how these should be reflected in the Company's ESG objectives, policies and reporting.

### ***Policies and procedures***

- 10.7 Monitor the establishment of appropriate ESG-related policies, procedures for incident reporting, codes of practice, and standards of business conduct. Where these exist, review their adequacy and ongoing relevance and effectiveness. Where necessary, ensure they are updated to remain in compliance with relevant national and international standards. Review any serious incidents which breach the Company's ESG-related policies, codes, standards and procedures.

### ***Social issues***

- 10.8 Oversee the Company's interactions with and responsibilities towards its stakeholders in relation to ESG-issues, most notably its employees, customers, suppliers, and the communities in which it operates. Support the Board in monitoring the culture of the Company, the safety and wellbeing of its workforce, and the adequacy of its supply chain controls in relation to modern slavery and human rights risk.<sup>12</sup>

### ***Risk***

- 10.9 Advise the Board on the Company's appetite and tolerance with respect to environmental and social risk. Identify material ESG-related risks and ensure that these are appropriately captured in the Company's risk profile and risk management framework.<sup>13</sup>

### ***Collaboration with other Committees***

- 10.10 Work and liaise as necessary with other Board Committees, ensuring the interaction between Committees and with the Board is reviewed regularly<sup>14</sup>. This may include:

- 10.10.1 Work in conjunction with the Remuneration Committee regarding appropriate ESG-related performance objectives and incentives for executive leaders, to

---

<sup>11</sup> FRC Guidance 2024, paragraph 147. Where assurance is necessary, a company may choose for the sustainability or ESG committee to oversee the assurance (internal and external) of ESG-related reporting, or it may choose for this to be the responsibility of the audit committee. Whichever option is chosen, the committees should collaborate to align their work and to ensure ESG-related reporting is adequately assured, as is detailed in 10.10

<sup>12</sup> Certain companies choose to reserve diversity, equality and inclusion as a matter for the full board. The full board has ultimate responsibility for company culture under Code Principle B and Provision 2.

<sup>13</sup> A company may choose for the sustainability or ESG committee to oversee risks related to ESG matters, or it may choose for this to be the responsibility of another committee, such as the audit or risk committee. Whichever option is chosen, the committees should collaborate to align their work and to ensure ESG-related risks are fully understood and appropriately managed, as is detailed in 10.10.

<sup>14</sup> FRC Guidance 2024, paragraphs 90 and 148

ensure that ESG matters are appropriately considered when setting the overall remuneration policy.<sup>15</sup>

- 10.10.2 Work in conjunction with the Audit Committee to review regularly the requirement for [internal and] external assurance of ESG-related matters. Monitor the role and effectiveness of the internal audit function with regards to assurance on ESG-related disclosures. As necessary, appoint external parties to provide assurance on relevant reporting.<sup>16</sup>
- 10.10.3 Work in conjunction with the Audit Committee to advise the Board on the Company's appetite and tolerance with respect to environmental and social risk, to identify material ESG-related risks and to ensure these are appropriately captured in the Company's risk profile and risk management framework.<sup>17</sup>
- 10.10.4 Work in conjunction with the Nomination Committee to support the oversight of a diverse pipeline for appointments at Board level.<sup>18</sup>
- 10.10.5 Work in conjunction with Quality and Safety Committee regarding water quality and pollution.

## 11. Reporting

- 11.1 The Committee Chair will report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.<sup>19</sup>
- 11.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is required.<sup>20</sup>
- 11.3 The Committee shall oversee the production of an Annual ~~[sustainability report]~~ summary of the Company's ESG strategy, policies and practices, which will form part of the Company's annual report or as a separate supplementary report.
- 11.4 The Committee shall compile a report of its activities to be included in the Company's Annual Report, including identification of any external advisers.<sup>21</sup>
- 11.5 The Committee shall be responsible to the Board for its work without prejudice to the Board's responsibility for such work or the duties and authority of the Committee.

## 12. Other matters

The Committee is authorised to:

- 12.1 Have access to sufficient resources to carry out its duties, including access to the Company Secretariat for assistance as required.<sup>22</sup>
- 12.2 Be provided with appropriate and timely training on an ongoing basis for all members. The induction programme for new members shall cover the role of the Committee, including

---

<sup>15</sup> FRC Guidance 2024, paragraphs 145 and 148

<sup>16</sup> FRC Guidance 2024, paragraphs 147 and 148

<sup>17</sup> Whether this is appropriate depends on the remit of the audit or risk committee.

<sup>18</sup> Code Provision 17 relates to the nomination committee's responsibility for this. In some cases, it may be beneficial for the sustainability or ESG committee to support with this work.

<sup>19</sup> FRC Guidance 2024, paragraph 95

<sup>20</sup> FRC Guidance 2024, paragraph 95

<sup>21</sup> Code Provision 14

<sup>22</sup> Code Provision 16 and FRC Guidance 2024, paragraph 97

its terms of reference and expected time commitment by members, an overview of the business, identifying the main business and financial dynamics and risks, and meeting staff, as appropriate.<sup>23</sup>

- 12.3 Give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Rules or published guidelines or recommendations as appropriate.
- 12.4 At least once a year, review its own performance<sup>24</sup>, 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. The Board shall review the Committee's effectiveness annually.

### **13. Authority**

The Committee is authorised by the Board to

- 13.1 Seek any information, including reports, that it requires from any employee of the Company in order to perform its duties.
- 13.2 Obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference<sup>25</sup>.
- 13.3 Establish and oversee any Sub-Committees or working groups which may be relevant to support the Committee's work.

---

<sup>23</sup> FRC Guidance 2024, paragraphs 91 and 143

<sup>24</sup> Code Provision 21

<sup>25</sup> FRC Guidance 2024, paragraph 143