



**Jeremy Pelczer**  
Chairman, non-executive

### Statement by the Chairman of the Nomination Committee

While Board membership has undergone certain changes in 2018/19, the Committee has remained focused on succession planning and ensuring the continued development of talent and effective senior management across the business. The Committee is pleased to note the appointment of Seiji Kitajima as one of the Company's shareholder-nominated non-executive directors, replacing Yoichi Sakai. Seiji was previously a Board member between 2015 and 2016 and brings with him a wealth of experience in water, telecommunications, renewable energy and transport, having been with Sumitomo Corporation since 1992. In addition, the Committee is pleased

to note the appointment of Paul Kerr as Finance and regulation director, after a successful handover period with his predecessor, John Chadwick, who retired in September 2018.

On 27 March 2019 Managing director Anthony Ferrar informed the Board of his intention to retire later this year and a process is underway to appoint his successor.

The review of the effectiveness of the Board and its committees, which this year was facilitated by an external provider, concluded that the Nomination Committee continued to fulfil its objectives appropriately.

**Jeremy Pelczer**  
Chairman of the Nomination Committee  
15 July 2019

### Membership

Jeremy Pelczer  
Dave Shemmans  
Murray Legg  
Jon Woods  
Anthony Ferrar

### Responsibilities

- Ensuring the Board and its committees have the right balance of skills, knowledge and experience
- Planning for orderly succession to the Board and ensuring that an effective succession planning system is in place for other senior executive positions
- Making recommendations to the Board on the appointment of any director
- Identifying and nominating suitable candidates for executive and non-executive director vacancies, having regard to, amongst other factors, the benefits of diversity, including gender diversity
- Contributing to the annual review of Board performance, particularly in relation to the ability of non-executive directors to devote adequate time to the Company's business

### Attendees:

Senior employees or external advisors may attend specific meetings by invitation.

### Terms of reference:

The Committee's full terms of reference as approved by the Board can be found in the corporate governance section of the Company's website.

### Activities of the committee

The Nomination Committee met five times during the year, focusing upon succession planning and the performance of the Committee and individual directors as part of the review of Board effectiveness. Jeremy Pelczer does not chair the Committee when it discusses his performance as chairman.

With respect to Board succession, during the year the Committee recommended to the Board that Jeremy Pelczer serve a third and final three-year term from March 2019 as Chairman of the Board, which will mean compliance with the Code in terms of his tenure as Chairman not exceeding nine years. The Committee also approved and recommended to the Board that Murray Legg and Jon Woods serve their second three-year terms as independent non-executive directors, effective from 1 October 2018 and 1 March 2019 respectively.

In addition, Seiji Kitajima replaced Yoichi Sakai as one of the Company's shareholder-nominated non-executive directors, after his successful pre-appointment interview with Ofwat. Ryu Nishida, the Company's other shareholder-nominated non-executive director, whose original three-year term on the Board was due to end in March 2018, remained on the Board until May 2019 after confirmation by the Committee. His successor on the Board, Kenji Oida, was formally appointed on 1 May 2019, following his successful pre-appointment interview with Ofwat. The Committee would like to thank both Yoichi Sakai and Ryu Nishida for their significant contribution to the Board and Company during their tenure.

On 27 March 2019 Managing director Anthony Ferrar informed the Board of his intention to retire this year and a process is underway to appoint his successor. Finally, the Committee is pleased to note the appointment of Paul Kerr as Finance and Regulation Director and Company Secretary, after an appropriate handover period with his predecessor, John Chadwick, who retired in September 2018. The Committee would like to thank both Anthony and John for their significant contributions over a number of years to the Company.

The Committee is pleased that the above confirmations and appointments, which were approved by the Board, will bring a level of stability and continuity to the Board in the coming years, especially through the final stages of the Company's PR19 Business Plan process.

The Committee has continued to devote considerable attention to succession planning at executive director and senior management levels, recognising the importance of a smooth flow of new talent alongside the continuous development of existing employees to enable the Company to thrive in a challenging and changing business environment.

The Board is committed to evaluating its performance every two years and as such an evaluation was concluded in June 2019, with the aid of an external facilitator (Independent Audit Limited) and the findings reported to the Board. The previous review was undertaken in September 2017. The Board concluded that it remained satisfied that the Committee continued to perform its duties in line with its terms of reference. In addition, the external Board effectiveness review conducted by Independent Audit also concluded that the Committee performed effectively, adding that further focus on executive succession planning and talent management would benefit the Committee in the future. The Board Chairman reviews individual non-executive director performance annually and, in turn, the senior independent non-executive director undertakes a review of the Chairman's performance annually. All reviews were satisfactory.