

2019/20 Directors' Remuneration Summary

Affinity Water Limited

24 June 2020

Introduction

The following report sets out the remuneration paid to the directors of Affinity Water Limited ('the company') in the year ended 31 March 2020.

For 2019/20 executive director pay continued to be aligned to the company's performance and strategy of delivering value through high quality customer and operational performance whilst ensuring the cost of water remains affordable for customers by incentivising financial efficiencies. The company offers competitive salaries and links executive directors' annual bonuses and long-term incentive plan ('LTIP') payments to the standards of performance it provides to customers as well as the value created for its shareholders.

The remuneration of executive directors in 2019/20 reflected the performance of the company through the annual bonus plan. The company's Remuneration Committee established measures of financial and non-financial performance for the year, including leakage, water quality compliance and other customer experience and operational measures. The achievement of performance against these targets provided the basis for determining the value of annual bonus awards.

The remuneration of executive directors has continued to be linked to the standards of performance experienced by customers by aligning the leakage annual bonus target for 2019/20 to the commitments made in the company's Business Plan for the 2015-20 price control period, Asset Management Plan 'AMP6', and setting ambitious water quality and SIM score targets. These are ambitious commitments made to both Ofwat and customers, and they reflect the company's desire to continue to improve on what it does.

The annual bonus plan targets for 2019/20 continued to be aligned for the executive director, senior manager, selected manager and company-wide schemes. This ensured there was a common focus across the company, particularly with respect to service to customers.

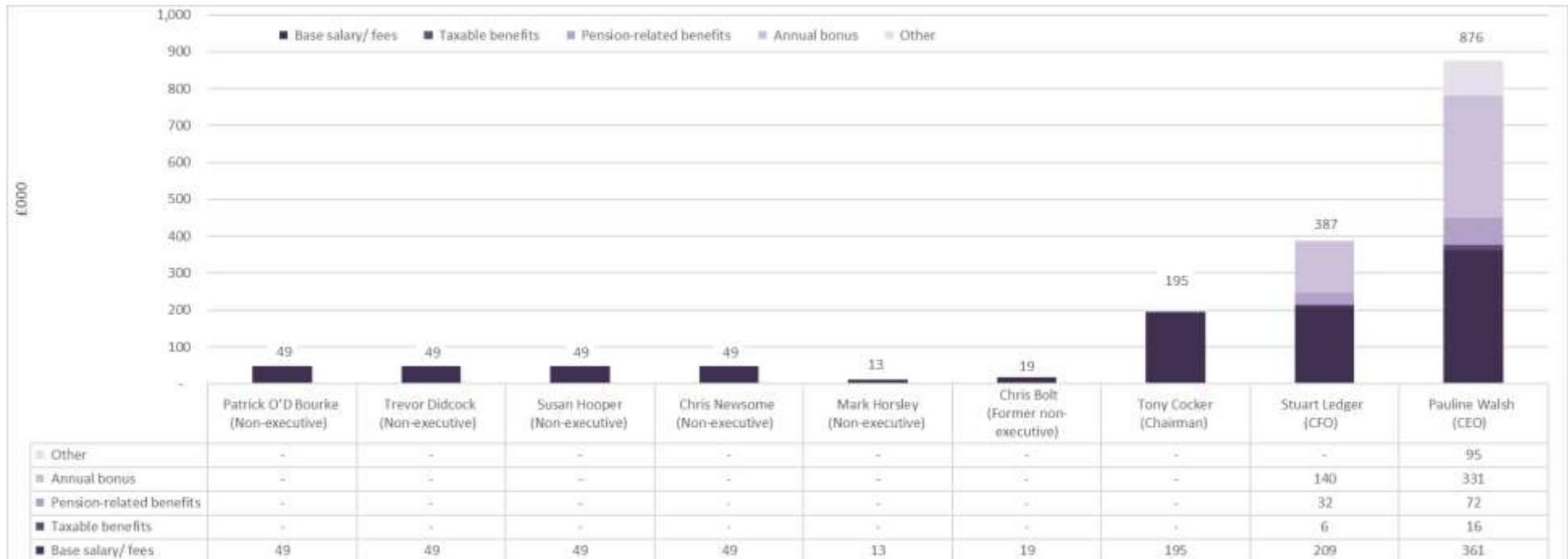
The company also has a LTIP to incentivise executive directors and senior management to meet both financial and strategic targets, including service and performance commitments over a five year period. No awards vested in the year ended 31 March 2020.

Given the tough challenges the company faces in AMP7, the executive directors and other senior managers committed to not taking the 2019/20 AMP7 readiness bonus reported in the 2018/19 remuneration report. This commitment was made in the context of our shareholders' commitment to re-invest all planned returns from the company's appointed business for the benefit of its customers for the time being and the need to work in partnership with the company's trade unions to transform the business so that the company can deliver for the company's customers and other stakeholders in AMP7. Executive directors have also not received a salary increase for the year 2020/21.

The executive remuneration policy of the company is published on the governance pages of its website: [affinitywater.co.uk/corporate/about/governance-assurance](https://www.affinitywater.co.uk/corporate/about/governance-assurance).

The company has also reported its remuneration policy and 2019/20 remuneration in the remuneration report of its Annual Report and Financial Statements for the year ended 31 March 2020, available on the company's stakeholder website: [affinitywater.co.uk/corporate/investors/library](https://www.affinitywater.co.uk/corporate/investors/library).

Directors' remuneration 2019/20



Other remuneration for Pauline Walsh relates to discretionary payments made in connection with compensation for the forfeit of a variable remuneration arrangement with her previous employer.

Mark Horsley and Chris Bolt were not remunerated for the full year.