

AffinityWater

2022/23 Directors' Remuneration Summary

July 2023



Introduction

The following report sets out the remuneration paid to the directors of Affinity Water Limited ('the company') in the year ended 31 March 2023.

For 2022/23 executive director pay continued to be aligned to the company's stretching performance across customer, environmental, operational, people and financial measures as well as the development and delivery of our business and transformation plans. The company continues to set stretching targets across all its incentive schemes, ensuring that it is incentivising executives to deliver truly stretching performance for customers, stakeholders and shareholders.

The company offers competitive salaries and links executive directors' annual bonuses and long-term incentive plan ('LTIP') payments to the standards of performance which are of benefit to customers, the environment and other stakeholders. In line with the expectations set by Ofwat, a minimum of 60% of incentives are aligned to stretching customer outcomes.

The remuneration of executive directors in 2022/23 reflected the performance of the company through the annual bonus plan and LTIP scheme. The company's Remuneration Committee established measures of financial and non-financial performance for the year, continuing to link the remuneration of executive directors to the standards of performance expected by customers by aligning the operational targets to our stretching AMP7 commitments. The achievement of performance against these targets provided the basis for determining the value of annual bonus and LTIP awards. The company's Remuneration Committee exercised judgement in determining the level of bonus awarded in relation to personal performance, assessing objectives set at the start of the year, behaviours in line with the company principles and the individual's overall performance.

The challenging nature of our incentive targets and our business plan has been evidenced again this year by the fact that payouts under the incentive schemes have been less than 50% in the last two years, with only 17.5% out of a maximum of 80% (11.4% out of a maximum of 80% in 2021/22) being achieved under the financial, customer and safety elements of the annual bonus for executive directors. Furthermore, given the tough challenges the company faces in AMP7, the executive directors did not receive a salary increase for the years 2021/22 or 2022/23.

The annual bonus targets for 2022/23 were focused on key financial and operational targets in line with the business plan, namely regulated totex and working capital, non-regulated cash, water quality, leakage, Customer Measure of Experience ('C-MeX'), Developer Services Measure of Experience ('D-MeX'), interruptions to supply, mains repairs, properties at risk of low pressure, per capita consumption, and safety. These targets applied to executive directors, the Executive Management Team, and other managers. A subset of them also applied to the company-wide bonus scheme, ensuring everyone in the business is focused on delivering in the areas which are of key importance to customers and other stakeholders.

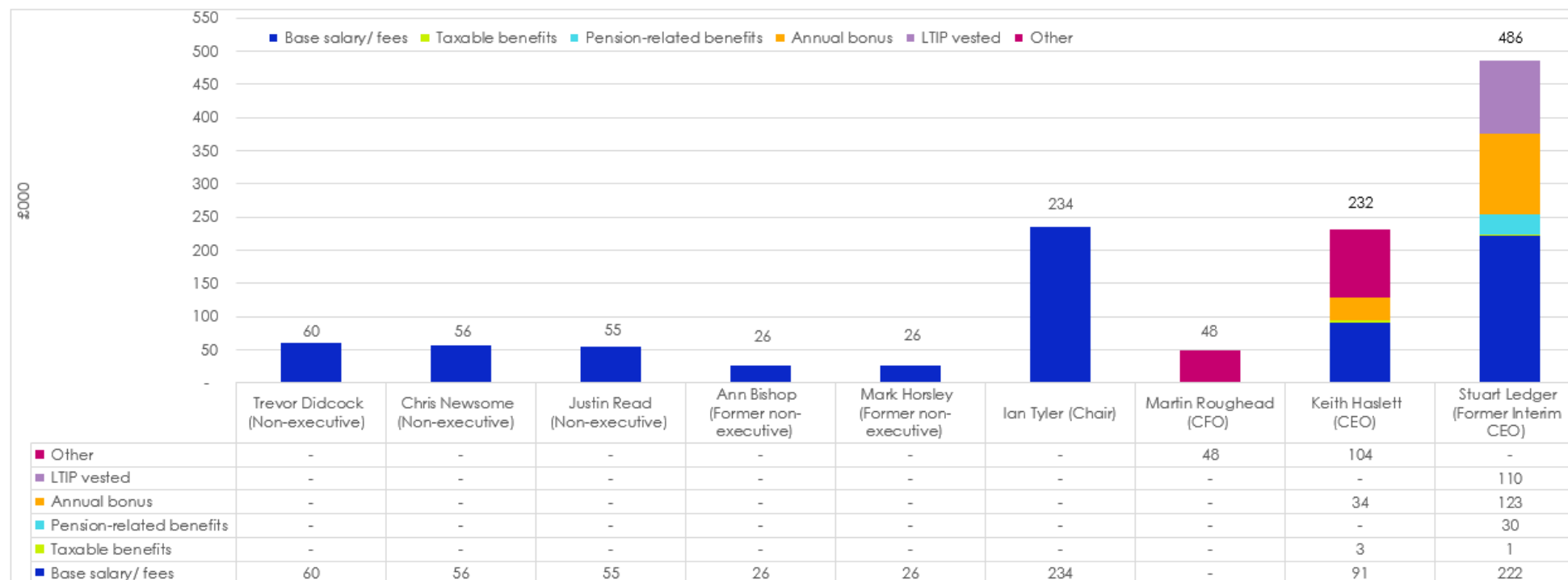
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The purpose of the LTIP is to incentivise the Executive Management Team to meet both financial and strategic targets, including service and performance commitments over a six year period, with the LTIP itself vesting over three years and payments being made in equal instalments over the next three years. The 2020/21 LTIP fully vested in 2022/23.

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

The company has also reported its remuneration policy and 2022/23 remuneration in the remuneration report of its Annual Report and Financial Statements for the year ended 31 March 2023, available on the company's stakeholder website: affinitywater.co.uk/corporate/investors/library.

Directors' remuneration 2022/23



Fees for Ian Tyler include an additional allowance as compensation for taking on the Executive Chair role for a period of 5 weeks and providing CEO transitional activities over a further period of 7 weeks.

The LTIP amount disclosed for Stuart Ledger relates to the 2020/21 and 2021/22 LTIPs in respect of payments already accrued for his period in office.

The annual bonus payments made to Keith Haslett and Stuart Ledger were made on a pro-rata basis for their periods in office.

Other remuneration for Martin Roughead related to compensation for the forfeit of a variable remuneration arrangement with his previous employer.

Other remuneration for Keith Haslett related to compensation for the forfeit of a variable remuneration arrangement with his previous employer and a relocation allowance.