

AffinityWater

2023/24 Directors' Remuneration Summary

July 2024



Introduction

The following report sets out the remuneration paid to the directors of Affinity Water Limited ('the company') in the year ended 31 March 2024.

For 2023/24 executive director pay continued to be aligned to the company's 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 exceptional 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 2023/24 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, where possible, to our stretching Asset Management Plan period, 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 values and the individual's overall performance.

The challenging nature of our incentive targets and our business plan, together with steadily improving performance, is evidenced in the last two years by the level of achievement under the incentive bonus schemes. In 2022/23 achievement under the financial, customer, environmental and safety elements of the annual bonus was 11.4% out of a maximum of 80% for executive directors, with the remaining 20% relating to personal performance. With our performance improving, payouts for 2023/24 have increased to 58.3% out of a maximum of 85% with the remaining 15% relating to personal performance.

The annual bonus targets for 2023/24 were focused on key financial and operational targets, primarily in line with the business plan, namely base and enhancement costs, cash generation, water quality, leakage, Customer Measure of Experience ('C-MeX'), Developer Services Measure of Experience ('D-MeX'), interruptions to supply, unplanned outage, mains repairs, properties at risk of low pressure, per capita consumption, Net Zero, our enhancement action plan, and safety.

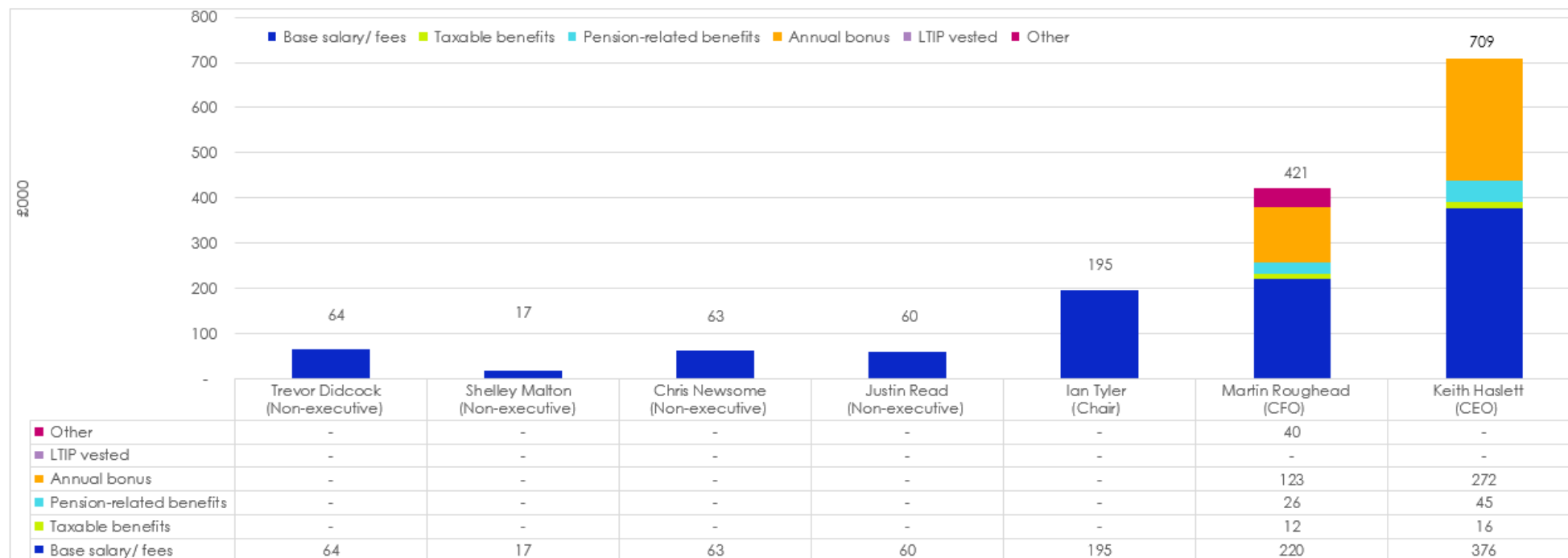
These targets applied to executive directors, the Executive Leadership Team, other selected managers, and the company-wide bonus scheme, ensuring everyone in the business is focused on delivering in the areas which are of key importance to customers and other stakeholders.

The purpose of the LTIP is to incentivise the Executive Leadership Team to meet both financial and strategic targets, including service and performance commitments over a five or six year period, with the current LTIP schemes vesting over two or three years (until the end of AMP7) and payments being made in equal instalments over the following three years. The 2021/22 LTIP fully vested in 2023/24.

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 2023/24 remuneration in the remuneration report of its Annual Report and Financial Statements for the year ended 31 March 2024, available on the company's stakeholder website: affinitywater.co.uk/corporate/investors/library.

Directors' remuneration 2023/24



Director fees for Shelley Malton were made on a pro-rata basis for her period in office.

No LTIP amounts vested or were paid in the year regarding the executive directors.

Other remuneration for Martin Roughead related to a relocation allowance.