

AffinityWater

2021/22 Directors' Remuneration Summary

15 July 2022



Introduction

The following report sets out the remuneration paid to the directors of Affinity Water Limited ('the company') in the year ended 31 March 2022.

For 2021/22 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 incentives, ensuring that it is incentivising executives to deliver truly stretching performance for customers and stakeholders. 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 stakeholders.

The remuneration of executive directors in 2021/22 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, application of the company principles and overall performance.

The challenging nature of our incentive targets and our business plan has been evidenced this year by the fact that payouts under the incentive schemes are lower, with only 11.4% out of a maximum of 80% being achieved under the financial and customer elements of the annual bonus. Furthermore, given the tough challenges the company faces in AMP7, the executive directors did not receive a salary increase for the year 2020/21 or 2021/22.

The leakage, water quality, interruptions to supply, Customer Measure of Experience ('C-MeX') and financial targets continue to be aligned for the executive director, senior manager and company-wide schemes, as this ensures there is a common focus across the business, particularly with respect to service to customers and performance measures can be compared across different years.

Additionally, in 2021/22, executive directors and senior managers were also targeted to achieve stretching Per Capita Consumption ('PCC') and water pressure targets. For employees, the company wanted to keep a focus on a set number of metrics to maintain the focus and keep the scheme simple and impactful. Additionally, for employees the metrics used can be directly attributed to their roles. For senior managers and executive directors, the bonus scheme has additional measures to reflect the main delivery of our business plan.

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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. The 2019/20 LTIP fully vested in 2021/22, with amounts being paid in equal instalments over the three years ending 31 March 2023, 31 March 2024 and 31 March 2025 for Stuart Ledger.

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 2021/22 remuneration in the remuneration report of its Annual Report and Financial Statements for the year ended 31 March 2022, available on the company's stakeholder website: affinitywater.co.uk/corporate/investors/library.

Directors' remuneration 2021/22



Amounts relating to Stuart Ledger reflect his position as CFO to 8 September 2022 and CEO for the remainder of the year.

The LTIP amount disclosed for Pauline Walsh relates to the 2019/20, 2020/21 and 2021/22 LTIPs in respect of payments already accrued for her period in office.

The LTIP amount disclosed for Stuart Ledger relates to the 2019/20 LTIP which fully vested in the year, and will be paid over the following three years in equal instalments.

Other remuneration in 2021/22 for Pauline Walsh related to compensation for loss of office.