

Wessex Water Services Limited

Remuneration Committee

Terms of Reference

1. Purpose

- 1.1 The Remuneration Committee (the Committee) is a Committee of the Board of Wessex Water Services Limited (the Company).
- 1.2 The principal purpose of the Committee is to:
 - (a) determine and recommend to the Board the remuneration policy for the Executive Directors and Senior Managers of the Company; and
 - (b) ensure the levels and structure of remuneration is designed to attract, retain and motivate the Executive Directors and Senior Managers needed to run the Company.
- 1.3 The Committee will, in performing its duties, take account of customer and stakeholder needs.

2. Composition and Procedure

- 2.1 The Committee will comprise at least three Non-Executive Directors, as appointed by the Board from time to time. The Committee will always have a majority of Independent Non-Executive Directors. Three members present, two of whom must be Independent Non-Executive Directors, will constitute a quorum. The Board will appoint the Chair of the Committee. The Group Director of People and other employees or external advisers may attend by invitation. No attendee will participate in any discussion about their own remuneration or conditions of service.
- 2.2 Meetings will take place 'as required', as determined by the Chair of the Committee.

3. Secretary

- 3.1 The Company Secretary or his or her nominee will act as the Secretary of the Committee.

4. Notice of meetings

- 4.1 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, will be forwarded to each member of the Committee, any other person required to attend no later than five working days before the date of the meeting. Supporting papers will be sent to other attendees as appropriate, at the same time.
- 4.2 Members may participate in a meeting by means of telephone, video conferencing facility or other suitable communicating equipment.

5. Minutes

- 5.1 The Secretary will minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

5.2 Minutes of Committee meetings will be circulated to all members of the Committee and the Board unless it would be inappropriate to do so.

6. Duties of the Committee

6.1 The Committee will carry out the duties below:

(a) to determine the framework and broad policy for the remuneration of:

- (i) Executive Directors;
- (ii) the Company Secretary; and
- (iii) all other Senior Managers.

(The persons set out above will be referred to as the "Executive Group");

In making such remuneration policy determinations, it will consider:

- (1) the requirements of the Wates Principles (as may be amended from time to time) including the requirement for transparency;
- (2) Water Industry Act 1991 requirements and any OFWAT guidance;
- (3) any other appropriate guidance or recommendations about executive pay from bodies or institutions of good standing;
- (4) the design of the remuneration structure to align to the long-term sustainable success of the company ensuring that short and long-term performance related elements are substantially linked to stretching delivery for customers.
- (5) the need for clear linkages between both the Company's and the individual's performances and remuneration and the interests of shareholders;
- (6) the broader operating context, including the pay and conditions of the wider workforce and the Company's response to matters such as any gender pay gap;
- (7) consultation with the Company Chair as appropriate;
- (8) the policy and scope of pension arrangements for the Executive Group;
- (9) that the performance-related elements of the remuneration package form an appropriate and significant proportion of the remuneration package and that the targets and/or performance conditions are set at realistic but challenging levels and that achievement against such targets/performance conditions are clearly monitored;
- (10) relevant advice from its independent advisers;

- (11) reliable, up to date information about remuneration in other companies;
- (b) annually, within the remuneration policy framework, review the total individual remuneration packages of the Executive Group (including but not limited to salary, bonuses, discretionary payments, share-based payments and their equivalents, benefits in kind) including:
 - (i) the retention by them of any financial reward from any external directorships or similar appointments;
 - (ii) the policy for authorising claims for expenses from directors;
 - (iii) arrangements to monitor the terms of any proposed letter of appointment or contract or termination arrangements relating to any Executive Director or the Chairman;
 - (iv) annually, the appropriateness of any performance conditions;
 - (v) the Remuneration Report for inclusion in the Annual Report and Accounts, ensuring that the components required to be audited are prepared in such a way that they will receive audit approval and comply with the provisions regarding disclosure of remuneration, as set out in relative legislation and the Code (as may be amended from time to time) which includes the report on the frequency of, and attendance by members at, Committee meetings in the Annual Report;
 - (vi) awards under any other share plans operated by the YTL Group; and
 - (vii) payments made by YTL Group to any Executive or Independent Non-Executive Director;
- (c) to review:
 - (i) the detailed terms of the Executive Directors' contracts and, in any event, at least every three years, and ensure that the contractual terms of termination and any payments due and payable thereunder are fair to the individual and the Company but so that failure is not rewarded and that a duty to mitigate loss is fully recognised;
 - (ii) the ongoing appropriateness and relevance of the remuneration framework and broad policy annually and report thereon to the other Non-Executive Directors and, as appropriate, to the Company Chair;
 - (iii) the design of, and the targets for, any performance related pay schemes operated by the Company in respect of Executive Group members and approve the payments made under such schemes;
 - (iv) annually, remuneration trends across the Company including the total annual salary budget;
 - (v) the appointment and terms of reference for any remuneration consultants who advise the Committee, and in carrying out such a review be exclusively responsible for establishing the selection criteria

and selection of such consultants, considering any other connection that they may have with the Company; and

- (vi) any major changes in employee benefits arrangements throughout the Company;
- (d) to ensure:
 - (i) that no director or manager should be involved in any decisions as to their own remuneration;
 - (ii) that effective communications are maintained with the Company's shareholder on the rationale for the prevailing remuneration policy and practices and any anticipated changes;
 - (iii) that the remuneration policies operated reflect the Company's risk policies and systems, and in particular, that they do not encourage excessive risk taking;
 - (iv) that in all its decisions relating to remuneration policies for the Executive Group, regard will be taken of employee pay and conditions elsewhere in the Company; and
 - (v) that the remuneration policies for the Executive Group are set at an appropriate level and structured to ensure the long-term success of the Company; and
 - (vi) to recommend to the Board a framework or broad policy for the determination of the remuneration of the Executive Group, in consultation where appropriate with the Company Chair. In making such recommendations it will ensure that levels of remuneration are sufficient to attract, retain and motivate directors of the quality required to run the Company successfully. The objective will be to ensure that members of the Executive Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

7. Decisions

- 7.1 Any decisions of the Committee will be taken on a simple majority basis. The Chair will have a casting vote in the event of equality of voting.

8. Reporting

- 8.1 The Committee Chair will report orally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. Drafts of Committee minutes will be sent to the Committee Chair. Once approved, they will be circulated with papers for the next Board.

- 8.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. Where appropriate or necessary, final decisions will be taken by the Board.

8.3 The Committee will advise the Audit and Risk Committee of any matters to be included in the Annual Report dealing with the activities of the Committee.

9. Resources and review

9.1 The Committee will:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary and advisors for assistance as required;
- (b) give due consideration to laws and regulations, the Wates Principles;
- (c) oversee any investigation of activities which are within its terms of reference; and
- (d) arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

10. Powers

10.1 The Committee is authorised:

- (a) to seek any information, it requires from any employee of the Company in order to perform its duties;
- (b) to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference. The appointment and performance of such advisors will be reviewed by the Committee on a regular basis and at least annually; and
- (c) to call any employee to be questioned at a meeting of the Committee as and when required.

Change History Record

Issue	Description of Change	Approval	Date of Issue
1	Issued as a standalone document	Board	February 2018
2	Reviewed and revised	Board	July 2019
3	Reviewed and revised	Board	March 2021