



2020/21 Directors' Remuneration Summary

Affinity Water Limited

28 June 2021

Introduction

The following report sets out the remuneration paid to the directors of Affinity Water Limited ('the company') in the year ended 31 March 2021.

For 2020/21 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 2020/21 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 discretion 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.

Whilst the company has been adversely impacted both operationally and financially by the ongoing COVID-19 pandemic, the LTIP and annual bonus operational targets have not been adjusted to allow for the impact of COVID-19 on the metrics. Furthermore, given the tough challenges the company faces in AMP7, the executive directors did not receive a salary increase for the year 2020/21 and will not receive an increase in 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, selected 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 2020/21, executive directors and senior managers are 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.

The purpose of the LTIP is to incentivise executive directors and senior management to meet both financial and strategic targets, including service and performance commitments over a six year period. The 2018/19 LTIP fully vested in 2020/21, with amounts being paid in equal instalments over the three years ending 31 March 2022, 31 March 2023 and 31 March 2024.

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 2020/21 remuneration in the remuneration report of its Annual Report and Financial Statements for the year ended 31 March 2021, available on the company's stakeholder website: affinitywater.co.uk/corporate/investors/library.

Directors' remuneration 2020/21



Ian Tyler, Tony Cocker, Justin Read and Patrick O'D Bourke were not remunerated for the full year.

The LTIP amounts disclosed relate to payments made regarding the 2018/19 LTIP which fully vested in the year ended 31 March 2021. The total amounts of £206,300 and £76,370 for Pauline Walsh and Stuart Ledger respectively will be paid in equal instalments over the three years ending 31 March 2022, 31 March 2023 and 31 March 2024.

There were no items of 'Other remuneration' paid during the year ended 31 March 2021.