

## Anglian Water Services Limited

### Remuneration Committee Terms of Reference

In these Terms of Reference, the following words have the meanings:

- “AWG” shall mean Anglian Water Group Limited;
- “the AWG Remuneration Committee” shall mean the Remuneration Committee of AWG;
- “the AIR” shall mean the Annual Integrated Report;
- “the Board” shall mean the Board of Directors of the Company;
- “the Code” shall mean the Anglian Water Services Corporate Governance Code 2020 (or subsequent version of the Code as approved by the Board).
- “the Committee” shall mean the Remuneration Committee of the Company;
- “the Company” shall mean Anglian Water Services Limited;
- “the Director(s)” shall mean one or more Director(s) of the Company; and
- “Investor” means an investor in AWG.

#### **1. Membership**

- 1.1 The Committee shall comprise at least three independent non-executive directors. The members of the Committee (including the Chair) shall be appointed by the Board, on the recommendation of the Nomination Committee. The appointment of Committee members (including the Committee chair) also requires the approval of the Board of AWG. Non-Executive Directors (or other representatives of the Company’s ultimate investors) are entitled to be members of the Committee, provided that the majority of members are independent non-executive directors.
- 1.2 The Chair of the Board can be a member of the Committee provided they were independent on appointment. It is expected that the Chair of the Committee will normally be the same Director who chairs the other AWG Remco.
- 1.3 The Chair of the Board cannot chair the Committee.
- 1.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chair of the Board, (if not a Committee member), the Chief Executive Officer and the Group People Director will normally be invited to attend for all or part of any meeting as and when appropriate and necessary, except when their personal positions are under discussion. Members of the AWG Remuneration Committee will normally be invited to attend meetings. External advisers may be invited to attend for all or part of any meetings as and when appropriate.

- 1.5 The Board shall appoint the Committee Chair who shall be an independent non-executive Director. Before being appointed as Chair of the Committee, the appointee should have served on a remuneration committee for at least 12 months. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

## **2. Secretary**

- 2.1 The Company Secretary or their nominee shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

## **3. Quorum**

- 3.1 The quorum necessary for the transaction of business shall be two Committee members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## **4. Frequency of Meetings**

- 4.1 The Committee shall meet at least twice a year and at such other times as the Chair of the Committee shall require.

## **5. Notice of Meetings**

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, members of the AWG Remuneration Committee and any other person required to attend no later than three days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.
- 5.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

## 6. Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be agreed with the Committee Chair and circulated prior to the following meeting to all members of the Committee.

## 7. Duties

The Committee shall have no responsibility for agreeing or setting any remuneration or benefits paid for by AWG. In respect of remuneration and benefits paid on behalf of the Company the Committee shall:

- 7.1 Have responsibility for setting the Company's remuneration policy and practices for all executive Directors. Executive remuneration should be aligned to the Company's purpose and values, and be clearly linked to the successful delivery of the Company's long-term strategy. The Board itself should make proposals as to the remuneration of the non-executive directors, though normally the Independent non-executive directors would receive the same inflated related pay rise as received by the workforce. No director or senior manager shall be involved in any decisions as to their own remuneration.
- 7.2 Approve the design of, and determine targets for, and conditions of, any short-term performance related pay schemes operated by the Company. In this case short-term shall be one year or less and will include any annual bonus scheme operated by the Company.
- 7.3 Approve the total annual payments made to Executive Directors and members of the Executive Committee under any short-term performance related pay schemes.
- 7.4 Approve the remuneration, paid by the Company to the Chair. The Chair's annual remuneration should reflect their time commitment and responsibilities together with the experience of the individual. The Chair will not be a member of any short or long-term incentive schemes.
- 7.5 Review pension contribution rates for the Executive Directors, or payments in lieu, considering those available to the wider workforce.
- 7.6 Approve any major changes in employee benefits, which impact the Executive Directors and members of the Executive Committee.
- 7.7        Recommend and monitor the level and structure of remuneration for the Company's senior management (including approving changes to base pay paid for by the Company to Executive Directors and senior managers);

- 7.8 in considering the remuneration policy, take into account all factors which it deems necessary including the relevant legal and regulatory requirements, the provisions and, where appropriate, the recommendations of the Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to views of the members of the AWG Remuneration Committee and other stakeholders. The remuneration policy should have regard to the risk appetite of the Company and alignment of the Company's long strategic term goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company;
- 7.9 when setting remuneration policy for Directors it should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive Director remuneration;
- 7.10 review the ongoing appropriateness and relevance of the remuneration policy;
- 7.11 within the terms of the agreed policy and in consultation with the Chair of the Board and/or Chief Executive, as appropriate, determine the total individual remuneration package, paid for by the Company, of each executive director including base pay, bonuses, incentive payments and pension payments;
- 7.12 obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company, within any budgetary restraints imposed by the Board;
- 7.13 establish the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- 7.14 recommend the approach that the Board should adopt to designing and determining targets for, any "all employee" performance related pay schemes operated by the Company and recommend (for approval by the Board) the total amount of the annual payments to be made under such schemes;
- 7.15 review the design of all employee incentive plans and recommend to the Board for approval. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive Directors and other senior executives and the performance targets to be used;
- 7.16 consider the use of discretion to override formulaic outcomes within remuneration schemes and policies.

- 7.17 consider the policy for, and scope of, pension arrangements for each executive Director and other senior executives;
- 7.18 ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 7.19 oversee any major changes in employee benefits structures throughout the Company or group;
- 7.20 consider the policy for authorising claims for expenses from the Directors; and
- 7.21 work and liaise as necessary with all other Board committees.

## **8. Reporting Responsibilities and further approvals**

- 8.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall set out those matters which require formal approval by the Board.
- 8.2 The Committee shall produce a report of the Company's remuneration policy and practices to be included in the Company's AIR in a form and level of detail that is accessible and clear for customers and stakeholders and includes and includes the information detailed in 5.9 of the Code. If the Committee has received advice from remuneration consultants, the Remuneration Report should identify such consultants and state whether they have any other connections with the Company.
- 8.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.4 Nothing in these Terms of Reference shall be construed as superseding or over-riding the provisions of the AWG Governance Matrix which provides that certain material remuneration decisions also require the approval of the AWG Board.

## **9. Other**

The Committee shall:

- 9.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
- 9.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 9.3 give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non listed companies including but not limited to the provisions of the Code and any other applicable Rules, as appropriate; and

- 9.4 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. Authority**

- 10.1 The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.
- 10.2 In connection with its duties the Committee is authorised by the Board to obtain, at the Company's expense, any outside legal or other professional advice.