APPENDIX SES065

DIVIDEND AND EXECUTIVE PAY POLICES 2025-2030

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A. Dividend Policy

Dividend policy for 2025-2030

The Board considers that the base level of ordinary dividend for the appointed business should reflect the return on regulatory equity (defined as regulatory capital value less net debt) allowed in the regulator's most recent price review, subject to the Company having adequate resources available to fulfil its overall service commitments and its other financial obligations. This includes compliance with the covenants associated with its index-linked bond (which are designed to protect the interests of the Company's creditors).

The Board will consider variations from this base level of ordinary dividend reflecting:

- The overall level of service delivered to customers, compliance with statutory obligations, progress with the delivery of regulatory and other obligations. Such other obligations will include delivering to our communities and employees ensuring that "in-the- round" delivery is considered.
- Known and forecast financial and non-financial performance against regulatory assumptions and internal targets, taking account of the relative importance to customers and stakeholders of such targets.

The Board will explain the way in which these factors have been taken into account in arriving at the dividend declared in the Company's Annual Report, and other publications, and will refer to any quantitative analysis required by reporting standards in support of such explanations.

The Board will adjust base dividends, if necessary, to reflect the Company's performance and delivery to customers, and will take account of the performance levels recently agreed with Ofwat as part of its final determination. These performance levels will include consideration of such items as water quality, leakage levels, C-MeX performance, achieving our supply interruption target and ensuring improved resilience to reduce the risk of supply failures.

In particular, before declaring any dividend (including the base dividend) the Company will consider whether:

- The payments would cause significant harm to the Company's financial resilience and the potential impact any distributions may have on customers or employees

- Any payment of outperformance dividends in excess of the return on regulatory equity allowed in the regulator's most recent price review would not be made where the Company was materially failing to meet its performance targets, unless the dividend was accompanied by investment aimed at improving that position.

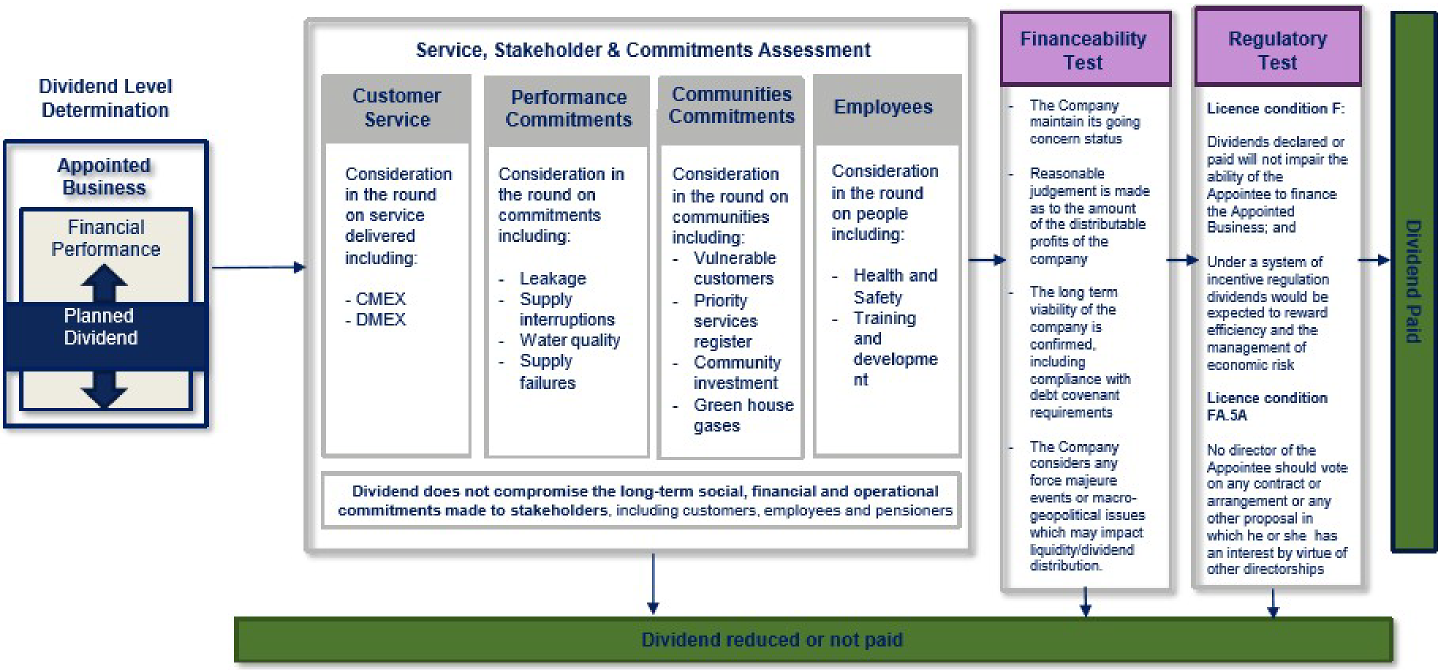
- Any constraints on dividends resulting from the Company's current credit rating.

The above will ensure that the Company adheres to the dividend policy licence condition implemented by Ofwat on 17 May 2023 which states that the Appointee shall declare or pay dividends only in accordance with a dividend policy which has been approved by the Board and which complies with the following principles:

- that dividends declared or paid will not impair the ability of the Appointee to finance the Appointed Business, taking account of current and future investment needs and financial resilience over the longer term
- that dividends declared or paid take account of service delivery for customers and the environment over time, including performance levels, and other obligations; and
- that dividends declared or paid reward efficiency and the effective management of risks to the Appointed Business.

As noted in the licence condition, dividends refer to any distributions declared or paid in respect of any ordinary shares or preference shares

To supplement this formal AMP 8 dividend policy, and in line with best practice provided via Ofwat, the following diagram to aid interpretation of the policy is recommended to be published with the actual policy.



B. Executive Pay Policy

Executive directors’ remuneration policy for 2025-2030

Background

The Company’s executive remuneration policy is designed to attract and retain good quality senior executives having regard to other UK-based businesses. It provides for a remuneration package, the variable element of which reflects the Company’s performance against stretching customer service, operational and financial objectives.

Remuneration policy for 2025-2030

The Board acknowledges and fully agrees with Ofwat’s pronouncements on its expectations with respect to companies being transparent about how executives are remunerated and especially how any performance-related element is linked to customer interests and the measures are stretching in nature. In particular the Board has considered the recent letters from Ofwat in February and December 2022 emphasising the importance of performance for both customers and the environment when considering executive pay

Specifically, the executive directors’ Remuneration policy effective from 1 April 2025, continues to incorporate a substantial link between executive pay and delivery for customers and the environment within the Company’s long-term incentive plans (LTIPs). The latter provides clear customer-based targets and measurement criteria, ensuring the position that 70% of any potential LTIP award is aligned to customer performance and service and 30% relating to environmental performance.

Performance targets will be regularly assessed to ensure they remain stretching throughout the 2025 to 2030 business plan period.

The Remuneration Committee still retains the power to reduce all or part of performance-related pay payments resulting from exceptional circumstances.

In terms of the process for determining potential executive annual bonus and LTIP payments, the Remuneration Committee reviews progress against objectives in each of its meetings during the year, based on the most recent performance data against the set measurement criteria. This includes both actual financial and non-financial performance data, together with forecast data for the remainder of the year or term of the relevant LTIP. The Committee also considers other macro-economic or geopolitical factors influencing any particular measurement period. Final decisions on both annual bonus and LTIP payments are made at the May Committee meeting, following receipt of the externally audited performance results for the year.

Measures are in place to avoid or deal with any potential conflicts of interest that should arise during this process. Neither the Chief Executive Officer or Chief Financial Officer are present during the discussions of their potential annual bonus or LTIP awards, and the Committee has access to third party audit reports to objectively verify both the financial and non-financial performance of the business, including delivery of service to the Company’s customers.

To ensure that the policy and associated annual bonus targets are sufficiently stretching, the Board will ensure any outperformance is only payable if the Company is earning a net reward for the delivery of the customer pledges in any one year. This ‘gateway’ approach will be particularly demanding given the Company’s targets for 2025 to 2030 are typically in the industry upper quartile.

The Remuneration Policy incorporates business resilience as it supports customer performance into the LTIPs as opposed to simply financial performance will ensure that executives have a responsibility to ensure the long-term financial sustainability of the Company and this will be assessed using a set of measurements such as bond ratios, totex efficiency and credit ratings. Such business resilience targets also include network infrastructure, operational and information technology infrastructure resilience measurements. As part of this review of business resilience, the impact of the cost of living crisis and macro-economic environment, and how the executives have managed the long-term operational and financial sustainability of the business in the crisis, is a key consideration.

Through our Remuneration Committee, we are committed to being fully transparent and continuously reviewing executive pay policies over time and, where they develop and change, we will explain the reasons in our Annual Report and signal changes to stakeholders. We will also include accessible explanations in ‘Keeping it clear’, our customer-friendly guide to how we are owned, run and financed.

Components of executive directors’ remuneration within the policy

There are five components of the executive directors’ remuneration – three fixed elements (Base salary, Benefits and Retirement Benefits) and two variable elements (Annual bonus and LTIPs). These five components of renumeration are detailed below.

1. Base salary

Purpose and link to strategy - Core element of fixed remuneration, reflecting the size and scope of the role. Purpose is to recruit and retain directors of the calibre required for the business to drive success and delivery for customers in line with the top quartile of the industry.

Operation - Reviewed annually and normally fixed for 12 months commencing 1 April. Whilst executive directors are contractually entitled to an annual review of their salary, there is no entitlement to an increase as a result of this review.

Salary levels are determined by the Committee taking into account a range of factors including:

- Role, experience and performance.
- Prevailing market conditions.
- External benchmarks for similar roles at comparable companies.
- Award levels of the rest of the business.

Opportunity - Increases in base salaries are reviewed in the context of salary increases across the Company as a whole. The Committee considers any reasons why increases should diverge from this benchmark, including:

- Increase in scope, complexity or responsibility of the role.
- Increase on promotion to executive director.
- A salary falling significantly below market positioning.

Performance metrics - Contribution and overall performance in the role are taken into account in determining whether any increase in base salary should be awarded, and if so, at what level.

2. Benefits

Purpose and link to strategy - Ensures the overall package is competitive to recruit and retain directors of the calibre required for the business.

Operation - Executive directors receive benefits in line with market practice, which include a car allowance, private medical insurance and life assurance. Other benefits may be provided based on the role and individual circumstances. These may include, for example, relocation and travel allowances.

Opportunity - Set at a level which the Committee considers appropriate against the market and provides a sufficient level of benefit based on individual circumstances.

Performance metrics - Not applicable.

3. Retirement benefits

Purpose and link to strategy - Purpose is to recruit and retain directors of the calibre required for the business and to provide market-competitive post-employment benefits. The executive pension contributions are set per individual's contract. This is higher than other employees within the business (at c15% for the CFO compared to between 6 and 10% for all other employees) and is considered part of their overall remuneration package.

Operation- Executive directors are eligible to participate in the Company's defined contribution pension scheme (or such other pension plan as may be deemed appropriate) and, if a member before closure of the scheme, the Company's defined benefit scheme. The defined benefit scheme was closed to new entrants from 1 May 2020. Any executive director who is a member of the closed scheme can continue to receive benefits in accordance with the terms of the scheme. The executive directors are not members of the defined benefit scheme.

Opportunity - The executive directors have personal pension plans or where appropriate an option of a pension allowance (at the same contribution rate as their pension) in lieu of pension contributions by the Company.

Performance metrics - Not applicable.

4. Annual bonus

Purpose and link to strategy - Rewards performance against annual targets which support the strategic direction of the Company.

Operation - Annual targets include shared corporate targets for the levels of service to customers and other aspects of operational performance, financial performance, and individual targets for the achievement of personal goals. Targets are set by the Board (advised by the Remuneration Committee) before the start of each financial year and are assessed following audit of the Company's financial statements and independent assurance of the levels of service achieved, prior to publication of the Company's Annual Report and signature of the Risk and Compliance Statement. As with all bonuses, they remain discretionary and can be adjusted or removed at the Company's discretion, which is exercised by the Remuneration Committee on behalf of the Board.

Opportunity – The maximum bonus opportunities for the Chief Executive Officer and Chief Financial Officer are 55% and 35% respectively. These levels will be reviewed annually from 1 April 2025 onwards to ensure such levels are appropriate with respect to sector and market expectations.

Performance metrics - The weighting of annual targets, under the updated policy, is now across two main categories as follows:

	Customer pledges* (70%)	Personal targets (30%)	Total
Chief Executive Officer	38.5%	16.5%	**55%**
Chief Financial Officer	24.5%	10.5%	**35%**

The specific customer pledges are broken down further into the following key components, which will be measured and monitored for achievement by the Remuneration Committee. These specific customer pledges have historically been determined by the Remuneration Committee to be those of most relevance to delivering quality and consistent levels of high customer service and continue to be relevant for the 2025-2030 period.

* Customer pledges	% split
Water quality	16.7%
C-Mex	16.7%
Leakage	16.7%
Supply interruptions	16.7%
Per Capita Consumption	16.7%
Affordability	16.7%
Total	**100.0%**

Performance metrics are selected to align with the Company's strategy. The targets set are designed to be stretching and require year-on-year improvements in overall business performance. In setting stretching performance targets, the Committee takes into account a range of factors, including the Company's medium-term business plans, commitments to customers, regulatory and other obligations, and shareholder expectations.

Personal targets focus upon critical areas of business development, including process and service enhancements, demonstration of the Company's values, and employee leadership and development.

5. Long-term incentive plan

Purpose and link to strategy - Rewards performance against longer term financial targets which support the strategic direction and value of the Company and the Group of which it is a part. In addition, this plan provides an incentive for executives to remain in the business, which provides stability and continuity of key individuals in a competitive marketplace, allowing full focus on achieving customer objectives.

Operation -Targets for financial performance over three years for the Company and the Group of which it is a part are set by the Board (as advised by the Remuneration Committee) annually before the start of the three-year performance period. Rewards only crystallise if the shared corporate targets for the levels of service to customers and other aspects of operational performance (as applicable under the annual bonus) are achieved. Performance is assessed annually following audit of the Company's financial statements and independent assurance of the levels of service achieved, prior to publication of the Company's Annual Report and signature of the Risk and Compliance Statement. Rewards only become payable at the end of the three-year performance period, when performance over the three-year period as a whole is assessed. As with all bonuses, they remain discretionary and can be adjusted or removed at the Company's discretion, which is exercised by the Remuneration Committee on behalf of the Board.

Opportunity - Incentive payments for the three-year period are shown below. These levels will be reviewed annually from 1 April 2025 onwards to ensure such levels are appropriate with respect to sector and market expectations.

LTIP	On-target	Maximum available
Chief Executive Officer	35%	70%
Chief Financial Officer	30%	60%

Performance metrics – These performance targets are aligned to performance for customers and to reflect focus on environmental resilience, with the requisite weighting as follows:

- Customer performance, service and support - 70%
- Environmental and reputational resilience - 30%

Given the updates to the Remuneration policy noted above in recent years, and the improved alignment to customer and environmental performance, no further changes to such metrics are proposed for 2025-2030 at present.

The specific measurement criteria are broken down further into the following key components, which will be measured and monitored for achievement by the Remuneration Committee. With the focus primarily on customer performance through long term business resilience, as well as customer service and support, 70% of any potential LTIP award is clearly aligned to delivery for customers.

In addition, and in line with the Company's focus on sustainability, environmental targets are also included within the LTIP schemes, as can be noted in the following breakdown of key components, where progress on the Company's environmental and overall sustainability agenda form part of the overall executive LTIP scheme.

Customer performance through business resilience

Target	Measurement criteria	Weighting
Systems-based resilience	Progress on key aspects of the company-wide resilience plans with a focus on network and operational resilience • Such progress will be achieved through effective totex spend to minimise leakage, supply interruptions and supply failures and efficient capex programmes to minimise unplanned outages and ensuring performance commitments are met. Digital resilience will be a key part of achieving this overall systems-based resilience	15%
Financial resilience	Ensure that customers benefit from a stable financial business that allows prioritisation of customer service • Outperformance of budget (allowing delivery to customers in an economically efficient manner) • Business plan financial covenant and gearing ratios are met • Progress on enduring financial resilience solutions, including long-term refinancing and sinking fund solutions	25%
Total weighting		**40%**

Customer service and support

Target	Measurement criteria	Weighting
Value to customers	Development, deployment and delivery of a company-wide, cost effective customer plan that solidifies our position as a customer-orientated organisation and drives improvements in our C-MeX standing	15%
Financial hardship	Achievement of social tariff and Priority Services Register targets in line with the Company's business plans to ensure appropriate support for our most vulnerable customers	15%
Total weighting		**30%**

Environmental and reputational resilience

Target	Measurement criteria	Weighting
Proactive sustainability and social steps	Proactive steps taken to enhance reputation, including embracing and implementing a social value agenda and bring to life the Company's environmental agenda (aligned to the water sector's Public Interest Commitments, including net zero carbon)	20%
Reactive management	Appropriateness of steps taken by management in light of potential reputational issues	10%
Total weighting		**30%**