



Thames Water Utilities Limited

Remuneration Committee Terms of Reference

June 2023

Remuneration Committee

Terms of Reference

These Terms of Reference set out the specific responsibilities delegated by the Board to the Remuneration Committee (the “Committee”) of Thames Water Utilities Limited (the “Company”) and detail the manner in which the Committee will operate.

1. Overview

- 1.1. The main objectives of the Remuneration Committee are to assist the Board in developing and implementing the remuneration policy, to set the remuneration packages of, and targets for, senior executives (which includes the Executive Directors, and the Executive team) and senior management of the company, and to have regard to best practice and the pay and conditions across the Company.

2. Membership

- 2.1. The Committee shall comprise at least three independent non-executive directors and up to two non-executive directors. The Chair of the board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chair.
- 2.2. Members of the Committee shall be appointed by the Board, on recommendation of the Nomination Committee.
- 2.3. The Board shall appoint the Committee Chair who must be an independent non-executive director. 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. The Chair of the Board shall not be Chair of the Committee. No member of the Committee shall be entitled to vote (or chair the Committee) in relation to him/herself or his/her own emoluments and benefits
- 2.4. The Committee may invite any persons (including the CEO, CFO, People Director and external advisers) to attend any meetings or parts of meetings. However, any invited person (including the CEO and CFO) will not be entitled to vote at any meetings or parts of meetings of the Committee.
- 2.5. Each member of the Committee shall be entitled to one vote.
- 2.6. The Chair of the Committee shall not be entitled to a second or casting vote in the case of an equality of votes on any matter.

3. Secretary

- 3.1. The Company Secretary or their nominee shall act as the Secretary of the Committee.
- 3.2. The Secretary shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to all such matters.

4. Quorum

- 4.1. The quorum for Committee meetings shall be three members, two of whom must be an independent non-executive director.

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5. Meetings

- 5.1. The Committee shall meet at least twice a year.
- 5.2. Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members.
- 5.3. 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 in electronic form to each member of the Committee, and any other person required to attend, no later than five working days before the date of the meeting. Relevant supporting papers shall be sent to Committee members and other attendees at the same time.
- 5.4. The attendance of any non-Committee person at the meeting shall be at the invitation of the Committee Chair.

6. Minutes of Meetings

- 6.1. The secretary shall minute the proceedings and decisions of all committee meetings, including recording the names of those present and in attendance and the existence of any conflicts of interest.
- 6.2. Draft minutes of committee meetings shall be agreed with the Committee Chair and then circulated to all members of the committee and once agreed, to all members of the Board.

7. Annual General Meeting

- 7.1. The Chair of the Committee shall attend the Annual General Meeting, in the event that such a meeting is held, and be prepared to respond to any shareholder questions on the Committee's activities.

8. Duties

The Committee shall carry out its duties for the Company and shall:

- 8.1. Design, develop and recommend to the Board, the remuneration policy. The policy shall be transparent and designed to promote the long-term success of the Company. The policy should be formally reviewed every three years.
- 8.2. Design and develop additional policies, standards and practices related to remuneration (where required) to support the Company strategy and promote long-term sustainable success, with senior executive and senior management remuneration aligned to company purpose and values, and demonstrably linked to performance commitments for customers, the environment and shareholder return;
- 8.3. Agree, in line with the remuneration policy, the total remuneration package of all senior executives and the Chair, including any bonuses and incentive payments. The Board itself or, where required by the Articles of Association, the shareholders, shall determine the remuneration of the non-executive directors and the independent non-executive directors.

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When determining the remuneration of senior executives and (where appropriate) senior management of the Company, consideration must be given to the Corporate Governance Code (the 'Code') requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture;

- 8.4. Set the performance targets for senior executives and senior management;
- 8.5. Approve the design of and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments under such schemes;
- 8.6. Review the ongoing appropriateness and relevance of the remuneration policy and benefits;
- 8.7. Have regard to pay and conditions across the Company when setting remuneration policy for the senior executives and senior management, including when determining annual salary increases;
- 8.8. Approve the terms of any contract of employment or related contract with a senior executive on behalf of the Company;
- 8.9. Ensure that contractual terms on termination, and any payments made, are fair to any senior executive and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 8.10. Approve any contract of employment or related contract with an executive director on behalf of the Company; and
- 8.11. Review workforce remuneration and related policies.

9. Reporting

- 9.1. The Committee shall report, through the Committee Chair, on its activities and how it has discharged its responsibilities to the Board after each committee meeting.
- 9.2. The Committee shall produce a report to be included in the Company's Annual Report on its activities.
- 9.3. The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Corporate Governance Code (the "Code"), are fulfilled, and produce a report of the Company's remuneration policy and practices to be included in the Company's Annual Report. If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy will identify such consultants and state whether they have any connection with the Company.

10. Authority and Legal Advice

The Committee is authorised to:

- 10.1. Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.

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- 10.2. Obtain, at the company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so.
- 10.3. Undertake any other duties as requested by the Board from time to time and to investigate any activities it deems necessary to carry out its duties and to seek information from any employee.
- 10.4. Give due consideration to all relevant laws and regulations, the provisions of the UK Corporate Governance Code and any other applicable rules, as appropriate.

11. Terms of reference and performance

The Committee is authorised to:

- 11.1. 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.
- 11.2. Ensure that an annual evaluation of the committee's performance is carried out.
- 11.3. 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.

Version control

Version	Date Approved	Comments (amendments)
1.0	1 January 2006	Original T&C's
2.0	June 2018	Approved by TWUL board
2.1	March 2022	Approved by TWUL board (formatted onto new template. Minor amendments).
3.0	June 2023	Version control added and minor changes to reflect consistencies across the other Company TOR

