

SOUTH EAST WATER LIMITED (Registration No 2679874) (the “Company”)

**TERMS OF REFERENCE OF THE
REMUNERATION COMMITTEE**

1. Membership

1.1 The committee shall comprise at least three members, all of whom shall be non-executive directors. A majority of the members of the committee shall be independent non-executive directors. Members of the committee shall be appointed by the board in consultation with the chair of the committee.

1.2 The chair of the board may also serve on the committee as an additional member if they were considered independent on appointment as chair.

1.3 Only members of the committee have the right to attend committee meetings. However, other individuals such as the chief executive, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.

1.4 Appointments to the committee are made by the board on the recommendation of the nomination committee and in consultation with the chair of the remuneration committee and shall be for a period of up to three years, which may be extended for further periods of up to three-years (so that the total duration of the appointment shall not exceed 9 years in total), provided the director still meets the criteria for membership of the committee (including independence for independent non-executive director members), except that a non-executive director representing a shareholder shall be member of the committee for as long as she or he remains a director of the company or until her or his appointment to the committee is ended for any reason.

1.5 The board shall appoint the committee chair who shall be an independent non-executive director who should have served on a remuneration committee for at least 12 months. In the absence of the committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the board. The chair of the board shall not be chair of the committee. If the numbers of votes for and against any proposal are equal, the chair of the committee shall have a casting vote.

2. Secretary

The company secretary or his or her 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

The quorum necessary for the transaction of business shall be three, two of whom must be independent non-executive directors. 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. Meetings

The committee shall meet at least twice a year and otherwise as required.

5. Notice of meetings

5.1 Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair or 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, any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members and, as appropriate, to other attendees at the same time.

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 Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the board unless, exceptionally, it would be inappropriate to do so.

7. Engagement with Shareholders

The committee chairman should attend the annual general meeting, if any, to answer any shareholder questions on the committee's activities. In addition, the committee chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.

8. Duties of the Remuneration Committee

The committee should carry out the duties detailed below.

The committee shall:

8.1 Have delegated responsibility for determining the policy for executive directors' remuneration and setting remuneration for the company's chair and executive directors and senior management (being the first level of management below board level), in accordance with the principles and provisions of the SEW Corporate Governance Code (the "SEW Code").

8.2 No director or senior manager shall be involved in any decisions as to their own remuneration outcome. The remuneration of independent non-executive directors should be determined by the board.

8.3 Design remuneration policies and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to company purpose and values, clearly linked to the successful delivery of the company's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums under appropriate specified circumstances.

8.4 When determining executive director remuneration policy and practices, consider the requirements of the SEW Code for clarity, simplicity, risk mitigation, predictability, proportionality, and alignment to culture.

8.5 in determining remuneration policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the SEW 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 shareholders and other stakeholders.

8.3 when setting remuneration policy for directors, review and have regard to the remuneration trends across the company or group, especially when determining annual salary increases.

8.6 review the ongoing appropriateness and relevance of the remuneration policy.

8.7 within the terms of the agreed policy and in consultation with the chair and/or chief executive, as appropriate, determine the total individual remuneration package of each executive director, the company chair and other senior managers including bonuses, incentive payments. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of company and individual performance, and wider circumstance.

8.8 obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. Have full authority to appoint remuneration consultants (including establishing the selection criteria, selecting, appointing and setting the terms of

reference) 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. However, the committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants.

8.9 determine the policy for, and scope of, pension arrangements for each executive director and other senior managers.

8.10 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;

8.11 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 and oversee any major changes in employee benefits structures throughout the company or group;

8.12 engage with the workforce on executive remuneration;

8.13 work and liaise as necessary with all other board committees, ensuring the interaction between committees and with the board is reviewed regularly.

9. Reporting responsibilities

9.1 The committee chair shall report to the board after each meeting on the nature and content of its discussion, recommendations and action to be taken.

9.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for board discussion when necessary.

9.3 The committee shall provide a description of its work in the annual report in line with the requirements of the SEW Code. The committee shall produce a report of the company's remuneration policy and practices to be included in the company's annual report and shall consider whether and how to take account of the requirements that apply to the directors' remuneration report for a quoted company.

9.4 If the committee has appointed remuneration consultants, the consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors

10. Other matters

The committee shall:

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;

10.2 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;

10.3 give due consideration to all relevant laws and regulations, the provisions of the SEW Code and published guidelines or recommendations regarding the remuneration of company directors, and any relevant requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;

10.4 Ensure that a periodic evaluation of the committee own performance is carried 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.

11. Authority

11.1 The committee is authorised by the board to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.

11.2 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.