

BRISTOL WATER PLC (the "Company")

TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

1. CONSTITUTION

- 1.1 The Committee has been established by resolution of the Board of directors of the Company and is to be known as the Remuneration Committee ('Committee').
- 1.2 References to executive directors shall mean the chief executive officer and the chief financial officer appointed from time to time.
- 1.3 References to senior management shall mean those employees who are appointed to the executive management team of the Company from time to time and the Company Secretary.

2. MEMBERSHIP

- 2.1 The members of the Committee shall be appointed by the Board from amongst the directors of the Company and shall consist of at least three members, a majority of whom are independent non-executive directors in the view of the Board. Each of the current shareholders in CSE Water UK Limited (namely iCON III Bristol Limited ('iCON Bristol'), iCON III Water Investments Limited ('iCON Water') and I-Environment Investments Limited ('Itochu')) is entitled to appoint a member of the Committee. However, Itochu shall be entitled to appoint one representative to the Committee for so long as there is at least one representative appointed by a shareholder other than Itochu.
- 2.2 The Board shall appoint a chairperson of the Committee (the "Chair") and shall decide their period of office. The Chair shall be an independent non-executive director and shall not be the Chair of the Company.
- 2.3 The Board shall regularly review the membership of the Committee to ensure that membership is refreshed and undue reliance is not placed on particular individuals as regards membership of the Committee and other Board committees.
- 2.4 The Committee may invite the Chair of the Company and the chief executive of the Company or any other person to advise and/or to join meetings of the Committee when required notwithstanding that they may not members of the Committee.

3. QUORUM

A quorum shall be two members of which one must be an independent non-executive director and one must be a non-executive director appointed to the Committee. 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. ATTENDANCE AT MEETINGS

- 4.1 The Chair of the Company, chief executive, and any other executive or member of senior management may be called upon or shall be able to speak at any meeting of the Committee by prior arrangement with the Chair.
- 4.2 No director or senior executive shall be involved in any decisions as to his or her own remuneration.

5. SECRETARY

- 5.1 The Company Secretary of the Company or their agreed nominee shall act as the secretary of the Committee ("Secretary").

6. FREQUENCY OF MEETINGS

Meetings shall normally be held at such times as the Committee deems appropriate and in any event shall be held not less than three times a year.

7. PROCEEDINGS

- 7.1 Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the Company's Articles of Association regulating the meetings and proceedings of directors.
- 7.2 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Chair or any member thereof.
- 7.3 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be sent to each member of the Committee and any other person required to attend in reasonable time but not later than 72 hours (where possible) prior to the date of the meeting.
- 7.4 The Secretary shall record the proceedings and resolutions of the meetings of the Committee and shall circulate the draft minutes of such meetings to all members of the Committee promptly. Once approved by the Committee, minutes of the Committee meetings should be circulated to all members of the Board unless it would be inappropriate to do so.

8. AUTHORITY

- 8.1 In connection with its duties, the Committee is authorised by the Board (within any budgetary restraints imposed by the Board):
 - 8.1.1 to seek any information it requires from any employee in order to perform its duties and all employees are directed to co-operate with any requests for such information made by the Committee;
 - 8.1.2 to obtain external legal or other professional advice and to secure the attendance of third parties with relevant experience and expertise at meetings of the Committee if it considers this necessary and to commission or

purchase any reports, surveys or information the Committee deems necessary; and

8.1.3 to appoint external consultants in respect of executive directors' remuneration and to set their terms of reference.

8.2 These terms of reference may be amended from time to time as required, subject to approval by the Board.

9. DUTIES

9.1 The Committee shall

9.1.1 determine and agree with the Board the framework and broad policy for the remuneration (including benefits, pension arrangements and termination payments), of the Chair of the Company, the executive directors of the Company, the Company Secretary and such other members of the senior management as it is designated by the Board to consider;

9.1.2 within the terms of the agreed policy, and in consultation with the Chairman of the Company and/or the Chief Executive as appropriate determine the total individual remuneration package of each of the executive directors, including where appropriate, bonuses, incentive payments and share options or other share awards and pension arrangements.

9.1.3 determine and agree with the Board the Company's policy on the duration of contracts with executive directors, and notice periods and termination payments under such contracts, with a view to ensuring that any termination payments are fair to the individual and the Company, that failure is not rewarded and the duty to mitigate loss is fully recognised;

9.1.4 to approve the design of, and determine targets for, any performance related pay schemes operated by the Company for the executive directors and approve the total payments made under such schemes.;

9.1.5 having regard to Schedule A of the UK Corporate Governance Code ("the Code), to advise on and determine all formulae for performance-related schemes operated by the Company for executive directors, the methods for assessing whether performance conditions are met and the eligibility of executive directors for annual bonuses and benefits under long term incentive schemes;

9.1.6 when appropriate, requesting the Board to seek shareholder approval of all new long term incentive schemes save in the circumstances permitted by paragraph 9.4.2 of the Listing Rules;

9.1.7 to review and recommend to the Board, the remuneration of the Company Secretary;

9.1.8 to ensure that the items that should be published in the Company's Annual Report relating to the activities of the Committee, are included in that report;

9.1.9 to agree the policy for authorising claims for expenses of the chief executive and the Chair of the Company; and

9.1.10 to review and update, these terms of reference as necessary but at least every 3 years (subject to the approval of the Board) and make them publicly available.

10. EXCLUSIONS

- 10.1 The terms of reference of the Committee do not encompass decisions to employ or dismiss executives. The Committee does not have responsibilities for nominations to the Board.
- 10.2 The remuneration of non-executive directors shall be a matter for the Chair of the Company and the Chief Executive of the Company. No director shall be involved in any decisions as to his or her remuneration.

11. ANNUAL GENERAL MEETING

In the event that a shareholder other than the immediate holding company is entitled to attend an AGM, The Chair shall be available at the Annual General Meeting to answer questions arising from the directors' remuneration report and generally on remuneration principles and practice and the activities of the Committee. He or she should also ensure that the Company maintains good contact with shareholders about remuneration in the same way as for other matters.

Approved by the Board 22 March 2018