



# Dividends and executive pay explained

Our shareholders will only receive dividends when stretching customer and environmental performance targets are met.

Our dividend policy will ensure a fair and balanced reward between customers, stakeholders and investors. When we are successful in the delivery of our business plans, all stakeholders share in our success: customers benefit through environmental and water resilience improvements, better services and lower bills, and shareholders earn a fair return on the money they have invested.

Shareholders have supported substantial investment in the business during 2020–25, significantly over and above regulatory allowances. They expect to receive no further dividends for the rest of the current investment period to 2025. No dividends have been paid to external shareholders since 2017.

Our dividend policy is reviewed annually by the Board and published in our Annual Report each July. No changes are currently planned to be made to the existing policy ahead of the next investment period (2025–30), but the Board will keep this under review.

When considering whether to pay a dividend, the Board of Southern Water, acting independently and in line with our licence, will follow the dividend policy.

**Executive bonuses are linked to the delivery of significant improvements in our customer satisfaction and environmental performance.**

Our executive pay policy explains how we attract, recruit and retain the people we need to deliver what's in our business plan. This will continue to be reviewed for the 2025-30 investment period and beyond.

We need to make sure that the needs of our customers, the environment, and our shareholders and other stakeholders are being met and this means our people must be accountable for improving the company's performance. Our regulators also expect this.

To make this happen, we're committed to making sure:

- Performance-related executive pay is linked to stretching improvement targets linked to specific customer and environmental outcomes and other measures.

- We are transparent about performance against those targets to our stakeholders and our customers. Full details are set out in our Annual Report, published each July.
- Scheme rules are followed and that there is independent governance of pay decisions made at the Remuneration Committee of the Board.
- Any regulatory requirements are followed, and the Remuneration Committee will consider other matters, including the UK Corporate Governance Code and corporate governance principles and guidance issued by our regulator, Ofwat.
- We pay attention to pay practices at other UK companies of a similar size and those operating in the water industry.

An additional executive incentive linked to longer term targets was added from 1 April 2023.

The Board's Remuneration Committee will review the executive pay policy, and appropriate performance-related incentives before the start of the 2025–30 investment period.