Dividend policy for 2021/22

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 fulfill 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.

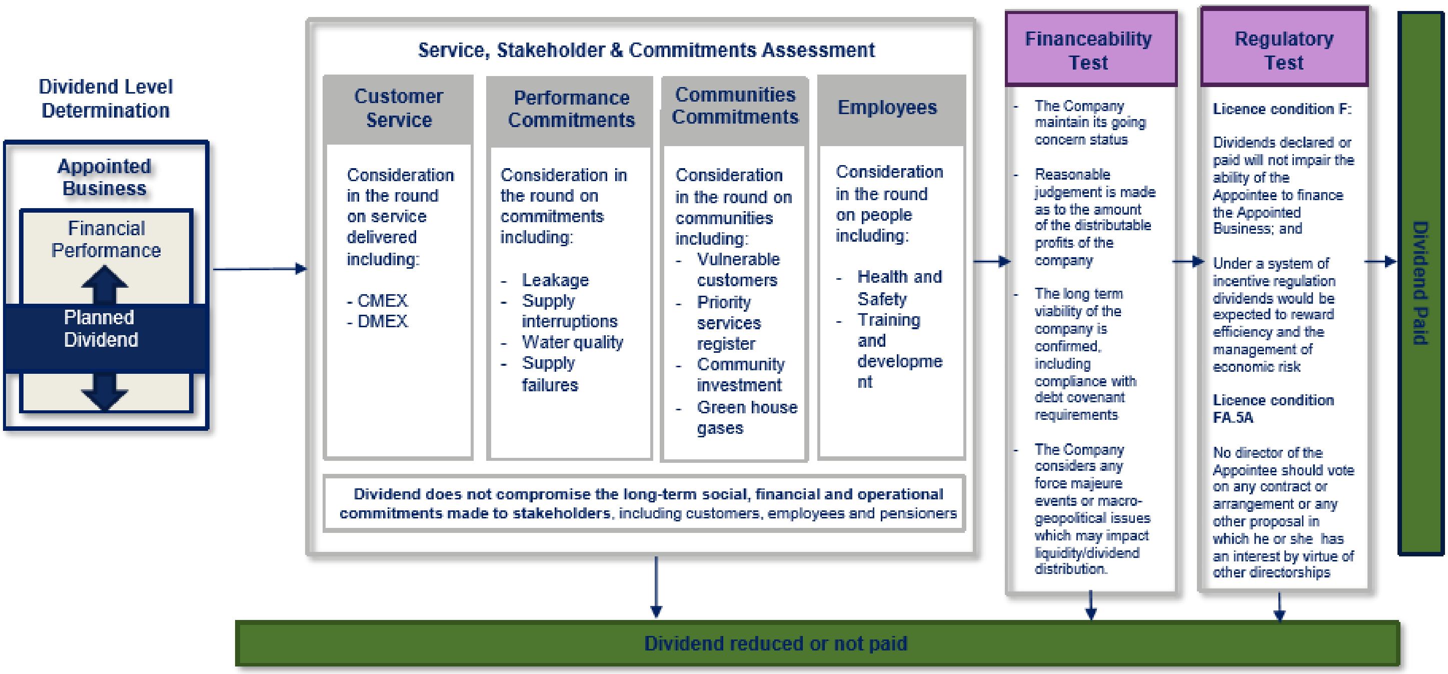
The Board will adjust base dividends, if necessary, to reflect the company's performance and delivery to customers, and will take account of the performance levels recently agreed with Ofwat as part of its final determination. These performance levels will include consideration of such items as water quality, leakage levels, C-MEX performance, achieving our supply interruption targets 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 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.

To supplement this formal AMP 7 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.


Dividend Level Determination
Appointed Business
Financial Performance
Planned Dividend
Service, Stakeholder & Commitments Assessment
Customer Service
Consideration in the round on service delivered including:
- CMEX
- DMEX
Performance Commitments
Consideration in the round on commitments including:
- Leakage
- Supply interruptions
- Water quality
- Supply failures
Communities Commitments
Consideration in the round on communities including:
- Vulnerable customers
- Priority services register
- Community investment
- Green house gases
Employees
Consideration in the round on people including:
- Health and Safety
- Training and developme nt
Dividend does not compromise the long-term social, financial and operational commitments made to stakeholders, including customers, employees and pensioners
Financeability Test
- The Company maintain its going concern status
- Reasonable judgement is made as to the amount of the distributable profits of the company
- The long term viability of the company is confirmed, including compliance with debt covenant requirements
- The Company considers any force majeure events or macro-geopolitical issues which may impact liquidity/dividend distribution.
Regulatory Test
Licence condition F:
Dividends declared or paid will not impair the ability of the Appointee to finance the Appointed Business; and
Under a system of incentive regulation dividends would be expected to reward efficiency and the management of economic risk
Licence condition FA.5A
No director of the Appointee should vote on any contract or arrangement or any other proposal in which he or she has an interest by virtue of other directorships
Dividend Paid
Dividend reduced or not paid