

love every drop  
anglianwater 

# Sustainable Finance Impact Report 2022

Anglian Water Group Limited



## About Anglian Water

# At Anglian Water, we cover the largest geographical area of any water company in England and Wales.

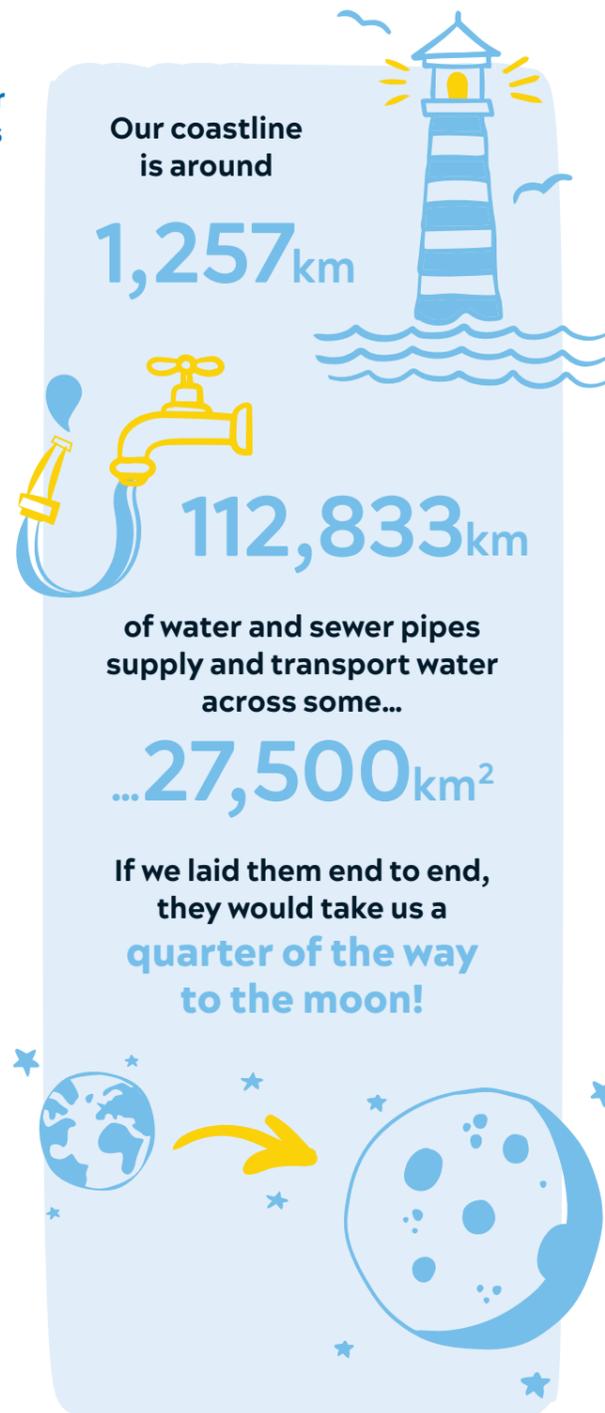
We employ 5,000 people and supply water and water recycling services to almost seven million customers in the East of England and Hartlepool. Our huge region stretches from the Humber estuary, north of Grimsby, to the Thames estuary, and from Buckinghamshire to Lowestoft on the east coast.

### Our purpose

Our purpose is to bring environmental and social prosperity to the region we serve through our commitment to love every drop.

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### Our challenges

Our region is the driest in the UK, and particularly vulnerable to the impacts of climate change – low lying, with a long coastline and low rainfall. Water resources are already scarce, and climate change could reduce them further. Yet at the same time we also face the threat of more frequent flooding due to more intense rainfall and rising sea levels.

Our region is also one of the fastest growing in the country. Over the past three years, housing growth has averaged 42,000 new homes a year across the 58 council areas we serve. By 2040, the region’s population is forecast to grow by a further 940,000 people. We look to address these challenges in collaboration with others, and by shaping our long-term vision in accordance with the ambitions set out in our 25-year Strategic Direction Statement (‘SDS’), published in 2007 and refreshed in 2017 to meet developing priorities (see graphic, bottom right).

We have always recognised the special responsibility we hold as a monopoly provider of an essential public service. We have a duty to deliver wider benefits to society, above and beyond the provision of fresh, clean water. That responsibility is woven throughout our Strategic Direction Statement and our five-year Business Plan, which are shaped around the need to facilitate growth in our region, unlock opportunities for our customers and stakeholders, safeguard our environment and provide a resilient supply for generations to come.

Our commitment to the environmental and social prosperity of our region goes back many years, even before we set out our Love Every Drop strategy in 2010. We first considered climate change in our assessment of water resources back in 1993, and our education programme has reached more than half a million people since its launch in 2006. In 2015 we were first awarded the Queen’s Award for Enterprise: Sustainable Development in recognition of our work, while in 2017 we were named Responsible Business of the Year, in large part due to our community regeneration work in Wisbech. In recent years, with the climate emergency accelerating and the challenges of providing resilient supplies to our growing population becoming ever more acute, we have played a leading role in driving industry-wide discussions around the social and environmental purpose of a water company.

### Our Articles of Association

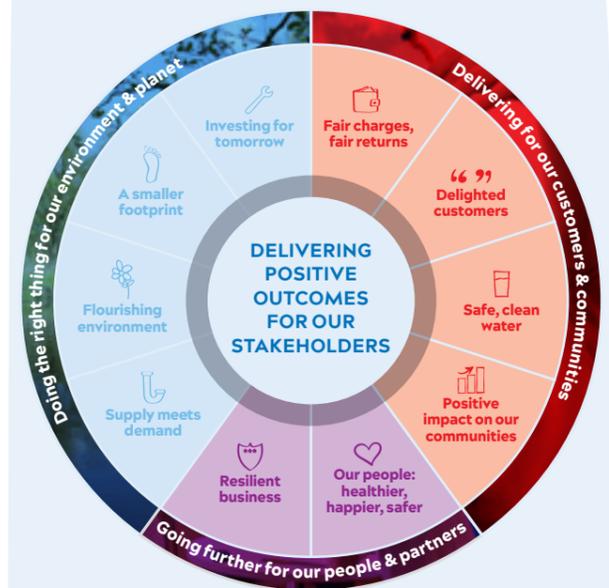
With our shareholders’ support, in July 2019 we became the first major UK utility to change our company constitution – the Articles of Association – to lock public interest into the way we run our business, both now and for future generations. By doing so we have ensured that environmental and social priorities will always sit alongside the need to deliver fair returns for our shareholders.

This change underlines our commitment to deliver a sustainable future for the East of England.

### Our outcomes

Over the period 2020 to 2025, Anglian Water will invest almost £6 billion on running the business, protecting communities from extremes of weather, including flooding, and helping to underpin economic growth, while at the same time keeping bills affordable. We have agreed 10 key outcomes that we will deliver for customers through our Business Plan for the period 2020–2025, and performance is monitored using these (see below).

### The outcomes we deliver



### Our long-term ambitions

Our ambitions respond to the pressures outlined in our 25-year Strategic Direction Statement.

- Make the East of England resilient to the risks of drought and flooding**
- Enable sustainable economic and housing growth in the UK’s fastest-growing region**
- By 2030, be a net zero carbon business and reduce the carbon in building and maintaining our assets by 70%**
- Work with others to achieve significant improvement in ecological quality across our catchments**

## Introduction from Chief Executive and Chief Financial Officer



“  
**With the help of our people, our partners and our investors, we can continue to drive tangible and lasting positive change for our customers and the environment we serve in the East of England and beyond.**”

**Peter Simpson**  
 Chief Executive, Anglian Water



“  
**The investments we’ve financed through our Green Bonds to date have saved more than 180,000 tonnes of carbon, as well as supporting improved resilience to climate change, better water quality at source and an increase in biodiversity.**”

**Steve Buck**  
 Chief Financial Officer, Anglian Water

**In the five years since we launched Anglian Water’s first £250 million Green Bond, we’ve seen a wholly welcome surge in the proportion of finance linked to the creation of a more sustainable future. By the end of 2021, more than £1.1 trillion of sustainable debt instruments had been issued globally – of which £1.8 billion have been issued by Anglian Water.**

It is heartening to see the long-heralded shift to more sustainable money flows coming to fruition, with many organisations here in the UK and internationally sharing our commitment to operating with purpose, and with long-term environmental and social prosperity in mind.

We were the first major utility to issue a Green Bond back in 2017; since then, our sustainable finance programme has gone from strength to strength. Last year we achieved another first, through Anglian Water (Osprey) Financing Plc – this time becoming the first water company in the world to issue a sustainability-linked bond tied to net zero commitments (see page 37).

Should we fail to achieve our ambitious 2025 transitional carbon goals (including a best-in-class 65 per cent reduction in capital carbon and a 106,905-tonne reduction in operational emissions), we will pay a higher rate of interest for the debt.

As Larry Fink, Chairman and CEO of BlackRock, wrote in his annual letter to CEOs earlier this year, “access to capital is not a right. It is a privilege. And the duty to attract that capital in a responsible and sustainable way lies with you.”

We feel that responsibility acutely. In a world full of challenges, and as a monopoly provider of water and water recycling services to almost seven million people, it is our duty to operate in the public interest, and for the long-term prosperity of our region and the wider environment.

Our responsibility is clear. It’s woven into the fabric of Anglian Water through the commitment enshrined in our Articles of Association, which holds our Directors accountable not simply to shareholders, but to the environment and our communities too. We make it clear to all our stakeholders through our stated purpose: to bring environmental and social prosperity to the region we serve through our commitment to love every drop.

We set out in this report some of the positive impacts we have already achieved through our sustainable finance instruments, as well as shining a light on some of the ambitious capital investments which are ongoing as part of our 2020-2025 Business Plan, and which investors will have the opportunity to co-fund.

**Our ambitious plans will see us invest more than £3 billion in our region between 2020-2025, all with long-term resilience and a thriving environment in mind.**

The investments we’ve financed through our Green Bonds to date have saved more than 180,000 tonnes of carbon, as well as supporting improved resilience to climate change, better water quality at source and an increase in biodiversity.

Our ambitious plans will see us invest more than £3 billion in our region between 2020-2025, all with long-term resilience and a thriving environment in mind. Capital raising has a vital role to play in delivering our programme.

We raised all of our debt as sustainable finance in 2021/22 and we’re planning to continue to do so. Our sustainable finance instruments are underpinned by evidence of how the funds raised are used, and by transparent reporting of our impacts, both the good and the not-so-good. For us, finance and sustainability go hand in hand – and thanks to our long track record of securing external validation of our impact, we have the evidence base that enables us to engage with these funding sources.

We are making great progress, but there is still a long way to go. We know we have more to do in order to safeguard and enhance the environment, to cut carbon further and faster, to drive resilience to drought and flood, and to equip our region for continuing population growth in the East of England, one of the fastest-growing areas of the UK. Our long-term ambitions remain those we set out in 2007, and refreshed in 2017, as shown on page 4. They are not straightforward to deliver, and nor can we deliver them alone. Achieving them will require ongoing collaboration with, and support from, all of our stakeholders, from customers to investors.

Our £800 million Water Industry National Environment Programme (‘WINEP’) for 2020-2025, for example, will be financed almost entirely with sustainable finance. A recent £25.5 million Green Bond issuance has funded some components of the WINEP programme already, and we are planning to make additional issuances over the rest of the AMP to cover the majority of the financing required. The programme’s goals include developing innovative phosphorus reduction methods, reducing our abstraction from local waterways, and protecting and increasing local biodiversity, among others. Funding to date has covered projects to protect local wildlife, including the installation of eel screens, drought and flood resilience schemes and progressive water recycling and water resource management schemes (see ‘Investing to protect our rivers and safeguard the environment’ on page 21), as well as work to restore rare chalk streams. So far, we have delivered 1,184 schemes through the programme since 2020, as verified by the Environment Agency.

The delivery of hundreds of kilometres of new interconnecting water pipelines through our Strategic Pipeline Alliance (see page 20) and the UK’s most ambitious smart metering programme (see page 28) are further examples of how we are rising to the acute water resources challenges we face.

With the help of our people, our partners, and our investors, we can continue to drive tangible and lasting positive change in the East of England and beyond.

**Peter Simpson**  
 Chief Executive

**Steve Buck**  
 Chief Financial Officer

## Our business model

### What drives us

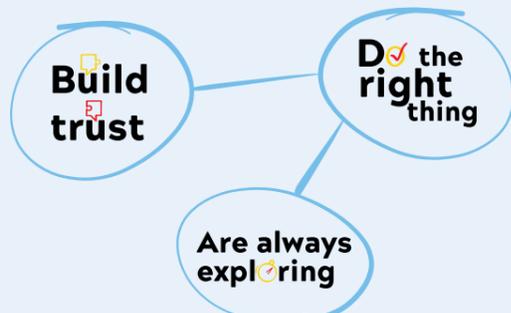
**Our purpose** is to bring environmental and social prosperity to the region we serve through our commitment to *love every drop*



#### What we do

Water is our business. We handle with care, and we don't cost the earth. We provide high-quality drinking water and recycle it safely back to the environment, serving almost seven million customers in the East of England and Hartlepool.

**Our values:** together, we



#### Our stakeholders



Read more about the relationships with our stakeholders on pages 45-72 of our 2022 Annual Report

#### Our long-term ambitions

Our ambitions respond to the pressures outlined in our 25-year Strategic Direction Statement.



Read more about our progress on pages 21-24 of our 2022 Annual Report

### SUSTAINABLE DEVELOPMENT GOALS

The UN Sustainable Development Goals influence our thinking and the work we do contributes towards their delivery. We work in the spirit of all 17 goals, but we have mapped our work to the 10 where we have the most material impact.



Find out more at [anglianwater.co.uk/UN-SDGs](http://anglianwater.co.uk/UN-SDGs)

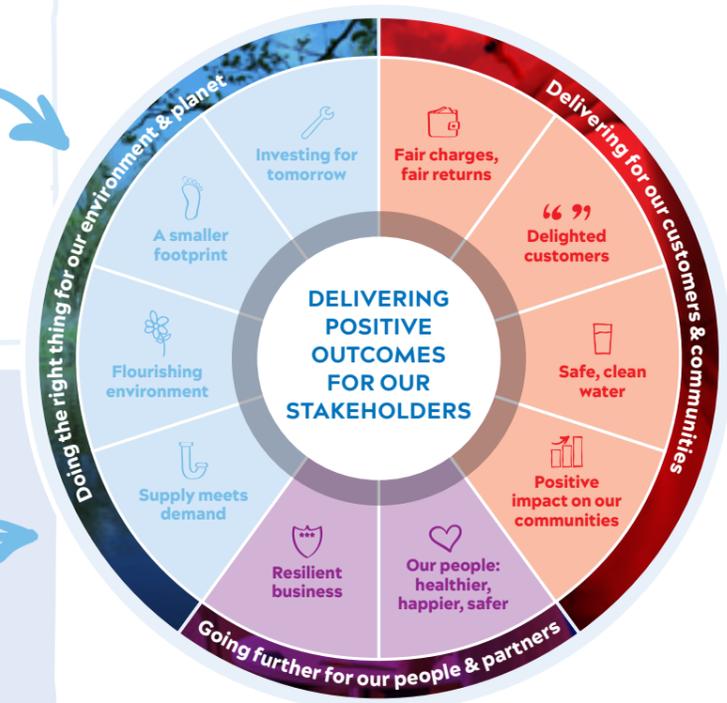
### How we are creating value

#### Our goals for 2020-2025

- 1 To make life better for our customers, every single day
- 2 To deliver our 2020-2025 Final Determination
- 3 To deliver our identified business priorities
- 4 To create a sustainable future for our region

#### What will help us get there?

- Skilled, trusted and customer-focused people who are happy, healthy and safe
- Maximising opportunities from standardisation and centralisation
- Smart use of information and technology
- World-leading alliances, working as one team
- Collaboration inside and outside the organisation



#### How we make decisions

We balance our six capitals to shape investment decisions



Read more on page 8

#### Measuring 2021/22 outcomes for our stakeholders

- 81% of employees say they are proud to work for Anglian Water (2020/21: 82%)
- 80.43/100 Customer Measure of Experience (2020/21: 83.05/100)
- 664 environment programmes delivered (2020/21: 520)

# The United Nations Sustainable Development Goals

We want to demonstrate how we are contributing to wider societal goals by aligning our activities and the outcomes we deliver to the UN Sustainable Development Goals (SDGs). We are working in the spirit of all 17 goals, but we have mapped our work to the 10 where we have the most material impact at the level of the targets. We will continue to review these in line with our Business Plan.

“The SDGs are a fantastic way of showing how our Business Plan for supporting sustainable growth in the East of England can directly contribute to a global movement – it helps us to consider all aspects of sustainability in our decision making.”  
Peter Simpson, Chief Executive, Anglian Water



Relevance of SDG to our business (proportion of targets that we can directly contribute to)



Example target of material interest (we have mapped our engagement against the 169 targets under the 17 SDGs)

3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship	6.5 By 2030, implement integrated water resources management at all levels	7.2 Increase global percentage of renewable energy	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human wellbeing, with a focus on affordable and equitable access for all	11.7 By 2030, provide universal access to safe, inclusive and accessible green and public spaces, in particular for women and children, older persons and persons with disabilities	12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature	13.2 Integrate climate change measures into national policies, strategies and planning	14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution	15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species
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Underlying potential for negative impact

Our operations can cause pollution if we get things wrong	We know we have a future skills gap	Uncoordinated water management can lead to deficits and impacts on the environment	Treating and moving water around our flat region is an energy-intensive operation	We build and operate a large network of assets and infrastructure that use energy and resources	Without strategic planning, the lack of water can be a blocker to growth	We manage large areas of open space to deliver our service	Without knowledge, our customers are unable to act sustainably	We are one of the biggest energy users in the East of England and operate in a region that is particularly vulnerable to climate change	Our operations can cause pollution if we get things wrong	Our operations have a large footprint within the natural environment
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Examples of current activities that positively support the target

<a href="#">Pollution prevention Keep It Clear</a>	<a href="#">Community education Working with colleges in our region</a>	<a href="#">Future Fens: Integrated Adaptation Catchment management Water resources</a>	<a href="#">Renewable energy</a>	<a href="#">Leakage Investing in the future of water</a>	<a href="#">Sustainable financing framework New water pipelines Innovation</a>	<a href="#">Water parks</a>	<a href="#">Save water Smart meter upgrades</a>	<a href="#">Climate change Carbon management and our journey to net zero</a>	<a href="#">Caring for our coastline Our plastics pledge RiverCare and BeachCare</a>	<a href="#">Biodiversity RiverCare and BeachCare</a>
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How the SDG target aligns to our outcomes

Safe, clean water	Positive impact on communities	Supply meets demand	A smaller footprint	A smaller footprint	Investing for tomorrow	Positive impact on communities	Positive impact on communities	Investing for tomorrow	Flourishing environment	Flourishing environment
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## Six capitals thinking at Anglian Water

# Our Board has committed to using six capitals thinking to inform decision making as we deliver our five-year Business Plan for 2020–2025.

Using six capitals thinking helps us keep our responsibility to customers, communities and the environment at the front of our minds when making business decisions.

We have worked through a cross-business steering group to develop a set of six capital metrics (natural, social, financial, manufactured, people and intellectual) which can be used to consider the broadest value when making investment decisions. Our approach was also externally validated by sustainability consultants Route 2.

The metrics have been, and continue to be, incorporated into our Value framework, which attributes a notional financial value to elements such as biodiversity and amenity value, and our Risk, Opportunity and Value ('ROV') tools and process.

They are also aligned with our benefits realisation management, which helps assess options and measure outcomes. Together with wider enhancements made to decision-making processes, embedding six capitals helps give us a more comprehensive understanding of benefits and disbenefits and inspires innovative solutions that create extra value.

The Six Capitals Steering Group is now focusing on creating a dashboard which can be used to indicate progression against our purpose at the company level. This will help all our employees to see how they contribute to the successful delivery of environmental and social prosperity in the region we serve.

### What are the six capitals?

Six capitals is a framework to help us deliver our purpose. Using it as a lens in our decision making means we take account of the full impact of our activities in the choices we make. Our aim is always to do the right thing, build trust and explore new ways of doing things that offer the broadest value to the region we serve.



**Natural**

The health of the natural systems and resources that we rely on and impact in our region and beyond; the availability and quality of water in our rivers and aquifers; the protection of our soil and biodiversity; and our impact on carbon emissions.



**Social**

The value of our relationships with stakeholders, including customers, communities and other organisations; the impacts we have on people and society (both positive and negative) and the trust they place in us as a result.



**People**

The knowledge, skills and wellbeing of our people; the health, happiness and safety of our working environment; and our organisational culture and ways of working.



**Financial**

The financial health and resilience of the organisation and our access to and use of sustainable finance.



**Intellectual**

The knowledge, systems, processes, data and information we hold, create and share within our business and with our alliance partners.



**Manufactured**

The ability of our infrastructure to provide resilient services to meet the current and future expectations of our customers.



We plan for the long term and are committed to delivering a flourishing environment in the East of England

“ Integrating six capitals thinking has encouraged all those making investment decisions at Anglian Water to balance the needs of a wide range of stakeholders, keeping our environmental and social purpose front and centre in their thinking. Making considered choices through a number of lenses also helps us move best practice into business as usual. ”

Andy Brown, Head of Sustainability, Anglian Water

## Holding ourselves to account

# Defining our purpose, as we did in 2019 when we changed our Articles of Association, was just the first step. Being accountable for delivering it and embedding it into our culture is even more important.

When we set out our purpose and embedded it into our Articles of Association in 2019, we also committed to judging ourselves against a set of responsible business principles. One of the ways we do this is through participation in the Business in the Community ('BITC') Responsible Business Tracker. The Responsible Business Tracker® is structured around BITC's Responsible Business Map and aligned with the UN Sustainable Development Goals. The Map represents BITC's view of a responsible business; one that puts creating healthy communities and a healthy environment at the centre of its strategy to achieve long-term value – [www.bitc.org.uk/the-responsible-business-map/](http://www.bitc.org.uk/the-responsible-business-map/)

**Holding ourselves to account through benchmarking and assessments against standards is one thing, but it's important that our customers and communities can see we're delivering against our commitments too.**

The metrics within the tracker have evolved over the last few years, meaning that results are not directly comparable year on year; however, our score was as follows:

**Current year:**  
**76%**  
(up 3 points on 2020)

**Compared to the cohort average of:**  
**45%**  
(up 2 points on 2020)

We use the detailed report we receive from BITC to agree future areas of focus with the Management Board. It was encouraging to see that the areas identified in 2020, including diversity and inclusion, had progressed significantly in the last year, scoring 62 per cent on the Responsible Business Tracker® in comparison to the cohort average of 48 per cent. Our focus over the next year will be on our work in the value chain. Our procurement team is working on embedding sustainability at the core of our supply chain.

**We were delighted in November 2021 to be awarded Best Use of Purpose as a Business Driver at the Strategic Comms awards. Embedding consideration of our purpose into decision making is critical to being able to deliver effectively against it.**

### Setting an international standard for purpose-driven organisations

We have also been working with the British Standards Institution on a new Publicly Available Specification for embedding purpose in organisations. As the lead sponsor, we have worked with the BSI and an advisory panel consisting of leading responsible businesses, academics, charities, and sustainability organisations to produce PAS 808:2022 "Purpose-driven organisations – Worldviews, principles and behaviours for delivering sustainability". Having gone through a full public consultation in late 2021, the final version was published in July 2022. During this year we will assess ourselves against the specification ready to include a summary in next year's annual integrated report.

The new PAS 808 will also inform ongoing work to put purpose and environmental, social and governance consideration at the heart of executive and senior manager remuneration.

**“ It has been hugely impressive to hear how you have, even during these times, been unrelenting in challenging yourselves and progressing further. Anglian Water has continued to raise the bar and remains a great example of a truly responsible business. ”**

**Shona Welberry**, Relationship Manager, Business in the Community

Holding ourselves to account through benchmarking and assessments against standards is one thing, but it is important that our customers and the communities we serve are able to see that we are delivering against our commitments too. In June 2021 we launched our Social Contract and our Community Recovery Plan. Progress reports against the commitments in these plans will be reported on our website later this year.

Through some of our sustainable finance we have also signed up for further accountability against several of our environmental and source impact metrics as well as our Net Zero 2030 and interim targets with financial penalties for missing them. More on these bonds can be found in the sustainability-linked debt and sustainability-linked bond sections.

We were delighted in November 2021 to be awarded Best Use of Purpose as a Business Driver at the Strategic Comms Awards. Ensuring that we embed the consideration of our purpose into our decision making is critical to effectively being able to deliver against it.

## The Better Business Act

We are proud supporters of the Better Business Act coalition ('BBA'), a business-led campaign supported by more than 1,000 UK companies. The BBA calls for a change to Section 172 of the Companies Act 2006 to require every medium and large company in the UK to align their activity with the interests of wider society and the environment, as we do at Anglian Water. We joined the BBA at the House of Commons in April 2022 to talk to parliamentarians about the steps we've taken and to gather support for the initiative.



Anglian Water colleagues visited parliament and discussed our purpose with MPs including Bill Esterson (third left) and Jonathan Reynolds (not pictured)

## Our routemap to net zero by 2030

**Our region is the driest and lowest lying in the UK, more vulnerable than most to the effects of climate change, giving us hotter, drier summers and warmer, wetter winters, and causing sea level rise.**

The more the world warms, the worse those effects will be. That is why we are playing our part in the global effort to limit further climate change. We will cut our operational carbon emissions (the carbon used in the day-to-day running of our business, including energy and transport) to net zero by 2030 and our capital carbon (the carbon released in building and maintaining our assets) by 70 per cent.

Our strategy is centred around encouraging the right behaviours in Anglian Water, our supply chain and our customers to help maximise demand reductions. This incorporates embedding technological innovations to reduce our reliance on fossil fuel energy consumption through accelerating our renewable energy generation and storage, as well as reductions in our process emissions and transport; deploying nature-based solutions on our land to remove part of our residual emissions and additional emissions by replacing other grey infrastructure.

**We've set a 2030 deadline on operational carbon rather than using the UK national commitment of net zero by 2050. Ever since we started our carbon journey, we've set ambitious goals that have driven innovation and delivered results.**

We have been decreasing our carbon emissions for over a decade and have reached our targets of cutting capital carbon to 63 per cent against a 2010 baseline and cutting operational carbon by 12 per cent against a 2019/20 baseline. We have now turned our vision towards cutting our operational carbon emissions to net zero by 2030 and in 2021 published a routemap to outline how we are going to reach our target. We are also actively working towards a 70 per cent reduction in capital carbon – an industry-leading commitment.

Throughout, we'll be collaborating with other leading organisations, as we always have, to share knowledge and accelerate the pace of progress for our whole industry. The next seven years will give the transformation of our business momentum that will benefit us, our customers and our shareholders for years to come.

To show our intent to reach our 2030 goals we have set an interim 2025 target to reduce operational carbon emissions by 30 per cent (106,905 tCO<sub>2</sub>e) against a benchmark set in 2018/19, and capital carbon by 65 per cent against our original 2010 baseline.

As an ambitious company with a focus on helping the environment, we've set a 2030 deadline on operational carbon rather than using the UK national commitment of net zero by 2050. Ever since we started our carbon journey, we have set ambitious goals that have driven innovation and delivered results.

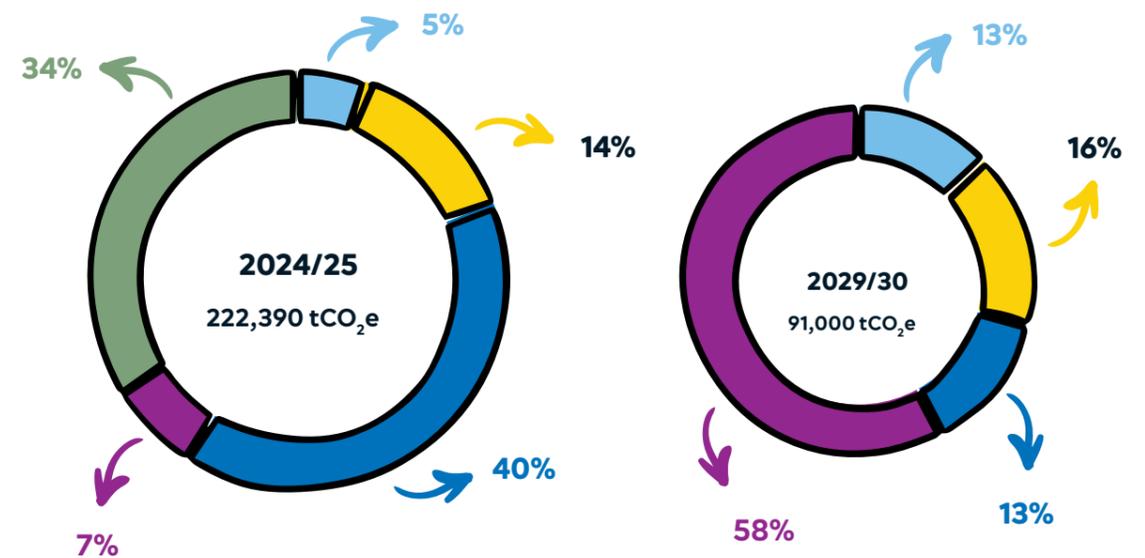
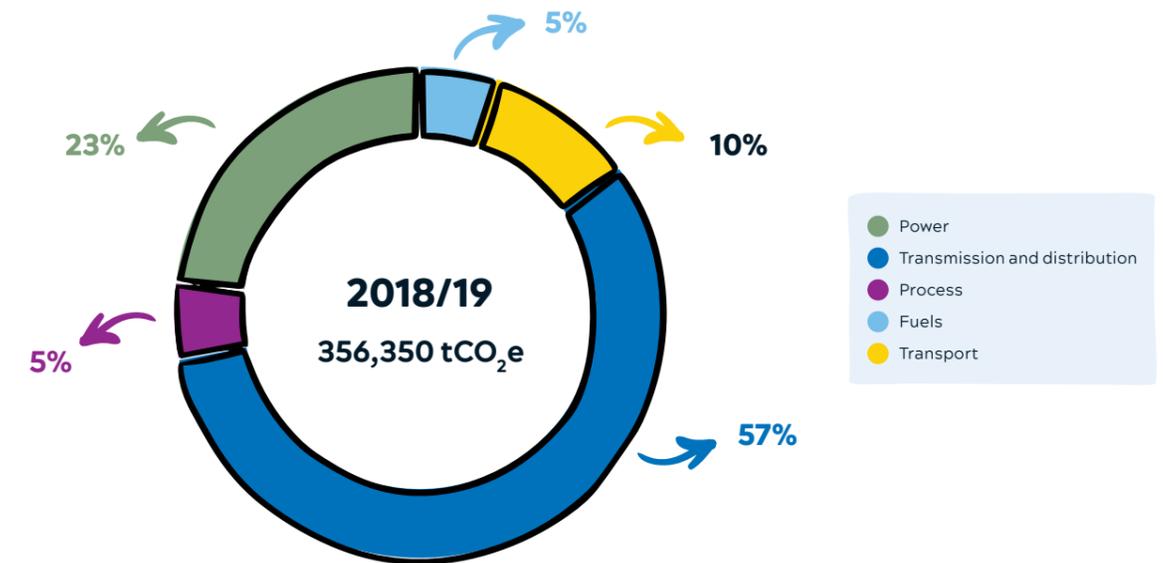
Reaching them by 2030 will require the support of our whole supply chain, our peers, government and regulators. We know we will have a certain amount of residual emissions when we get to 2030 (especially process emissions, which we are still working to fully understand), so we will need to continue to find new ways to cut carbon from there on.

Some of the things which are already in our sights include cutting process and fugitive emissions, anaerobic wastewater treatment, nature-based solutions, hydrogen production and use, sludge pyrolysis and gasification, and digitalisation.

Our strategy is expressed through a three-step hierarchy of reducing emissions, decarbonising our electricity supply and removing/offsetting our residual emissions. The charts opposite show how our emissions will reduce from more than 350,000 tonnes to 91,000 tonnes of residual emissions by 2030.

For more detail on how we will achieve our carbon goals, please see our net zero routemap: [anglianwater.co.uk/net-zero-2030-strategy](https://anglianwater.co.uk/net-zero-2030-strategy)

### Net operational carbon emissions



### Our 2029/30 residual emissions will consist of:

- 83,000 tCO<sub>2</sub>e of direct process and fugitive emissions from wastewater, sludge and water treatment services.
- 23,500 tCO<sub>2</sub>e of transport-related emissions from HGVs and vans.
- 18,300 tCO<sub>2</sub>e of emissions arising from electricity transmission and distribution loss, associated with green power purchased from the grid.
- 18,600 tCO<sub>2</sub>e of emissions associated with fossil fuels for process heat and emergency standby generation.

## Climate-related financial disclosures

### Making information about climate-related risks and opportunities available to our stakeholders is key to how we operate.

That is why, since 2017, we have made disclosures in line with the recommendations of the Task Force for Climate-Related Financial Disclosures (‘TCFD’), adopting them well ahead of their mandatory introduction.

#### Introduction

Sustainability is at the heart of everything we do and we fundamentally understand the links between the provision of water supply and water recycling services and the environment.

This understanding that the health of the environment both influences, and is impacted by, our operations has driven our successful adoption of a host of climate-related commitments and targets over many years. Our approach is set out throughout this report, and our full climate-related financial disclosures are available on pages 79–89 of our 2022 Annual Integrated Report.

#### Highlights

- Co-lead role in the first-ever UN Resilience Hub at COP26
- Combined heating and power (‘CHP’) renewable energy generation has expanded to 10 sites, producing more than 113 GWh per annum
- Our core risk management framework incorporates climate-related risks as they relate to our ability to meet our debt covenants, with management signing off on a regular basis

#### Governance

Disclose the organisation’s governance around climate-related risks and opportunities

The achievement of ESG goals is tied to executive compensation by the Remuneration Committee.

Management has established various steering groups to manage specific climate-related risks, including the Carbon Neutrality Steering Group.

#### Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning where such information is material

Using climate change scenario modelling, we identify and prioritise specific areas to ensure resilient water supplies.

By 2025 we will create hundreds of kilometres of new interconnecting pipelines to allow us to move water from areas of relative abundant water supplies to areas where we already face shortages, improving our resilience to climate change.

Renewable energy generation is at the heart of our strategy for achieving net zero, making a more resilient water supply and protecting our environment.

#### Risk management

Disclose how the organisation identifies, assesses and manages climate-related risks

We score every project before it is undertaken and again following completion on its climate change resilience, representing an asset’s ability to withstand physical risks such as sea level rise, flooding and drought, among others.

We report our greenhouse gas (‘GHG’) emissions according to TCFD, as well as other climate change-related metrics.

#### Metrics & targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Our guiding principles are laid out in our Net Zero 2030 Routemap and Climate Change Adaptation Report. Our longer-term climate-related targets are set out in our 25-year Strategic Direction Statement: Make the East of England resilient to drought and flooding; enable sustainable economic and housing growth in the UK’s fastest-growing region; be a net zero business by 2030 and reduce the carbon in building and maintaining our assets by 70 per cent; and work with others to achieve significant improvement in ecological quality across our catchments.

### Scope 1, Scope 2 and relevant Scope 3 greenhouse gas emissions (‘GHG’)

#### Metrics and targets

Our annual integrated report complies with the requirement of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations. This table meets the requirements of the Streamlined Energy and Carbon Reporting (‘SECR’) regulations.

	Units	2020/21	2021/22	Inclusions
Energy consumption used to calculate emissions kWh	kWh	1,076,648,591	1,047,019,565	Electricity, gas, fuels combusted on site (fossil fuels and biogas), transport (company cars, fleet vehicles, personal and hire cars on business use) plus liquid fuels consumed on site
SCOPE 1 – Gas and fuel oil consumption	Tonnes CO <sub>2</sub> e	13,097	11,936	Fossil fuel combusted, natural gas and biogas
SCOPE 1 – Process and fugitive emissions	Tonnes CO <sub>2</sub> e	83,009	81,601	Water and wastewater treatment, biogas
SCOPE 1 – Owned transport	Tonnes CO <sub>2</sub> e	20,903	20,854	Fleet vehicles and company cars
<b>SCOPE 1 – Total</b>	<b>Tonnes CO<sub>2</sub>e</b>	<b>117,010</b>	<b>114,390</b>	
SCOPE 2 – Purchased electricity	Tonnes CO <sub>2</sub> e	151,824	134,894	Grid electricity – location-based electric for vehicles
<b>SCOPE 2 – Total</b>	<b>Tonnes CO<sub>2</sub>e</b>	<b>151,824</b>	<b>134,894</b>	
SCOPE 3 – Business travel	Tonnes CO <sub>2</sub> e	140	306	Private cars, public transport
SCOPE 3 – Outsourced transport	Tonnes CO <sub>2</sub> e	13,800	12,834	Outsourced tankers
SCOPE 3 – Purchased electricity	Tonnes CO <sub>2</sub> e	13,057	11,937	Transmission and distribution
SCOPE 3 – Total significant	Tonnes CO <sub>2</sub> e	26,996	25,077	We have not included commuting, capital carbon and emissions from use of water in customers’ homes
<b>TOTAL ANNUAL GROSS EMISSIONS</b>	<b>Tonnes CO<sub>2</sub>e</b>	<b>295,830</b>	<b>274,362</b>	
Exported renewables	Tonnes CO <sub>2</sub> e	(6,776)	(4,946)	Exported renewables REGO certified
Green tariff	Tonnes CO <sub>2</sub> e	0	0	
<b>TOTAL ANNUAL NET EMISSIONS</b>	<b>Tonnes CO<sub>2</sub>e</b>	<b>289,054</b>	<b>269,416</b>	
INTENSITY RATIO – water treated	Kg CO <sub>2</sub> e per Ml	230.97	203.73	
INTENSITY RATIO – recycled water	Kg CO <sub>2</sub> e per Ml	433.46	425.20	
INTENSITY RATIO – recycled water	Kg CO <sub>2</sub> e per Ml	224.13	232.61	Full flow to treatment

**Methodology:** The reporting boundary covers the emissions within the regulated activity of Anglian Water Services Ltd where we have operational control. We have followed the 2020 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting standard (revised edition) and emission factors from the UK Government’s GHG Conversion Factors for Company Reporting 2022 to calculate the above disclosures. Where relevant we have also aligned with industry best practice for emissions measurement and reporting. This approach has been verified, since 2011, by Achilles Carbon Reduce (formerly CEMARS) as being measured, managed and reduced in accordance with ISO 14064-1.

## Sustainable finance programme

# The Anglian Water Sustainability Finance Framework for AMP7, published in October 2020, supports the financing of water and water recycling projects that demonstrate our environmentally sustainable management of natural resources and land use, as well as adapting to climate change.

The framework can be found here: [awg.com/Green-and-Sustainability-Bond-Framework-2020](http://awg.com/Green-and-Sustainability-Bond-Framework-2020)

The framework aligns with the ICMA Green Bond Principles 2021, the Social Bond Principles 2021 and the Sustainability Bond Guidelines 2021, as published by the International Capital Market Association ('ICMA'). It also aligns with the Loan Market Association's ('LMA') Green Loan Principles 2021. It allows for both social and green projects, and recognises that some social projects may also have environmental co-benefits, while certain green projects may have social co-benefits.

All projects contribute to the delivery of Anglian Water's stated purpose: to bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop. Subsequently we published our Sustainability-Linked Bond Framework in 2021 to support our issuance of our first sustainability-linked bond linked to specific ESG-related KPIs. The framework can be found here: [awg.com/Sustainability-Linked-Bond-Framework-2021](http://awg.com/Sustainability-Linked-Bond-Framework-2021)

Under the Frameworks we can issue funding instruments including Green, Social and Sustainability Use of Proceeds Bonds, Sustainability-Linked Debt and Bonds, private placements, bank facilities and leases.

### Glossary

Name	Definition
<b>Green Bond</b>	Green Bonds are <b>any type of bond instrument where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible green projects</b> and which are aligned with the four core components of the Green Bond Principles. Different types of Green Bonds exist in the market.*
<b>Social Bond</b>	Social Bonds are <b>any type of bond instrument where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible social projects</b> and which are aligned with the four core components of the Social Bond Principles. Different types of Social Bonds exist in the market.*
<b>Sustainability Bond</b>	<b>Sustainability Bonds</b> are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or refinance a combination of both green and social projects.*
<b>Sustainability-Linked Bond ('SLB')</b>	<b>Sustainability-Linked Bonds ('SLBs')</b> are any type of bond instrument for which the financial and/or structural characteristics can vary, depending on whether the issuer achieves predefined sustainability and ESG objectives.*
<b>AMP</b>	Asset Management Period - the five-yearly cycle over which water companies are regulated by water regulator Ofwat
<b>AWSF</b>	Anglian Water Services Financing Limited - the financing entity that legally issues debt.
<b>AWOF</b>	Anglian Water (Osprey) Financing Limited - the financing entity that legally issues debt.
<b>AFIP</b>	Aigrette Financing (Issuer) plc - the financing entity that legally issues debt.

\* Source: ICMA website: [icmagroup.org/sustainable-finance/](http://icmagroup.org/sustainable-finance/)

Many of our reported metrics, as well as the process we use to calculate them, are verified by third parties. Below is a summary of the third-party reviews that reinforce the robustness of our report.

Data collected	Auditors	Scope of audit	Link to audit reports
<b>Allocation of proceeds</b>	DNV	All spend reported as allocated; project categories	<a href="http://awg.com/DNV-Independent-Assurance-Summary-2022">awg.com/DNV-Independent-Assurance-Summary-2022</a>
<b>Capital carbon</b>	DNV	tCO <sub>2</sub> e	<a href="http://awg.com/DNV-Independent-Assurance-Summary-2022">awg.com/DNV-Independent-Assurance-Summary-2022</a>
	Lloyd's Register	Verification to PAS 2080 standard	<a href="http://awg.com/Lloyds-Assurance-2022">awg.com/Lloyds-Assurance-2022</a>
<b>Operational carbon</b>	Achilles Carbon Reduce	tCO <sub>2</sub> e	<a href="http://awg.com/Achilles-Assurance-Pack-2022">awg.com/Achilles-Assurance-Pack-2022</a>
<b>Water leakage</b>	Jacobs	Megalitres per day of water lost through leakage	<a href="http://awg.com/Jacobs-Audit-Report-2022">awg.com/Jacobs-Audit-Report-2022</a>
<b>Priority Service Register</b>	DNV	Number of customers signed up to Priority Service Register	<a href="http://awg.com/DNV-Independent-Assurance-Summary-2022">awg.com/DNV-Independent-Assurance-Summary-2022</a>
<b>Climate resilience score</b>	DNV	Score 1-3	<a href="http://awg.com/DNV-Independent-Assurance-Summary-2022">awg.com/DNV-Independent-Assurance-Summary-2022</a>
<b>Sustainability-Linked Bond Framework</b>	DNV	Documented framework	<a href="http://awg.com/DNV-Sustainability-Linked-Bond-Eligibility-Assessment-2021">awg.com/DNV-Sustainability-Linked-Bond-Eligibility-Assessment-2021</a>
<b>Anglian Water Green Bond Sustainability Framework</b>	DNV	Documented framework	<a href="http://awg.com/DNV-Sustainability-Finance-Framework-Eligibility-Assessment-2020">awg.com/DNV-Sustainability-Finance-Framework-Eligibility-Assessment-2020</a>



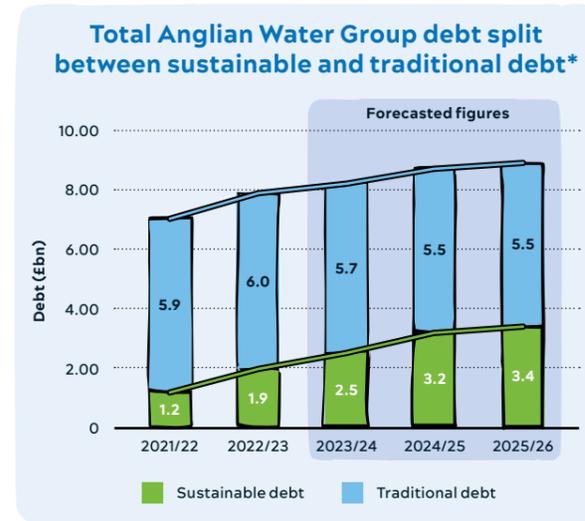
## Our AMP7 sustainable finance portfolio

All capital expenditure follows Anglian Water’s AMP7 (2020–2025) Governance Framework. Accordingly, all capital expenditure we undertake is capable of being an eligible green project for inclusion in an eligible green project category, outlined in the Green Bond Principles, as being related to the following green project categories from the International Capital Markets Association (‘ICMA’) and mapped to our own categories:

ICMA Green Project category	AWG sustainability category	Description
Climate change adaptation	Resilient water supplies – demand reduction	Demand-side measures set out in the Water Resources Management Plan, including smart metering and leakage – securing supplies in the face of climate change and growth in the region
	Community improvements	Flood risk reduction, removing persistent low pressure, connecting villages not on the network
	Resilient services	Improvements to single points of failure and security to outside threats
Sustainable water and wastewater management	Sustainable service (water)	Capital maintenance of the water infrastructure to prevent deterioration of service to customers and environment
	Sustainable service (water recycling)	Capital maintenance of the water recycling infrastructure to prevent deterioration of service to customers and environment
Environmentally sustainable management of living natural resources and land use	Super Green	Natural capital solutions for phosphorus removal and Water Framework Directive measures, as well as our eel protection programme



DNV GL’s full assurance report, including their conclusions and summary of work, can be found on our website: [awg.com/investor-information](http://awg.com/investor-information).



\* Totals include indexation for inflation-linked debt.

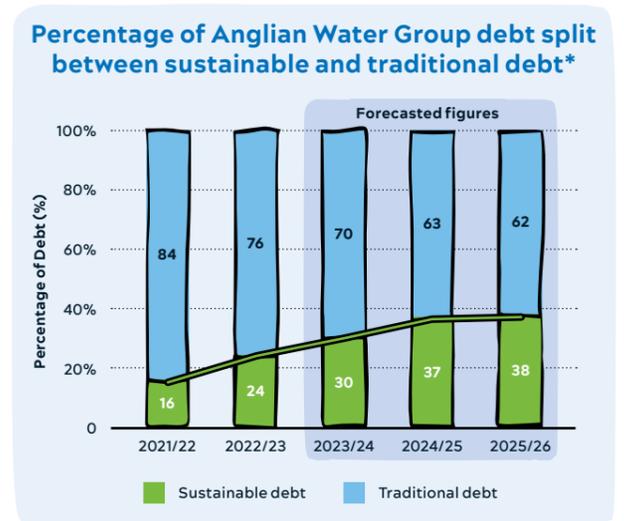
All newly issued debt across the Group will be issued as sustainable finance, including but not limited to Green, Social and Sustainability Use of Proceeds Debt and Sustainability-Linked Debt. They can be issued across several legal entities within the Anglian Water Group corporate structure (see page 16).

We have bold ambitions through the rest of this AMP to continue funding some of our biggest environmental improvement programmes yet. The next few pages outline two major programmes which will be funded by future sustainable finance, although planning and early stages of the works have already begun.

**“ Just like our customers and our stakeholders, all of us at Anglian Water are determined to see a future where our region’s rivers and chalk streams are thriving, and rich in biodiversity.**

**Our commitment to delivering that future lies at the heart of our new Quality and Environment directorate, set up this year. We’re absolutely on the front foot in making the investments needed – and, crucially in building and maintaining the strong cross-sector partnerships that will help us reach our goals.**

**Dr Robin Price,**  
Director of Quality and Environment



### Our track record of sustainable finance

In 2017 we became the first European utility company to issue a sterling Green Bond. The £250 million, eight-year bond will mature in August 2025 with a return to investors of 1.625 per cent. Following the successful launch of that debt transaction, we raised a further £627 million of Green Bonds from investors in the UK and United States in accordance with the Green Bond Principles 2018 under our AMP6 Framework, raising a total of £876 million in AMP6 via Green Bonds.

All funds under the AMP6 Framework have now been deployed and the investments financed through this debt are expected to save or avoid 162,073 tonnes of carbon. As our next capital investment period (AMP7 2020–2025) is now underway, all future proceeds will be under the AMP7 Framework set out on page 16, and no further reporting will be made on AMP6 expenditure, subject to the conditions set out in the AMP6 Framework.

### Sustainable investing

As part of Anglian Water’s commitment to sustainability, the funds we’ve received from investors as Green Bonds are invested in sustainable investments until they are allocated to project spend and withdrawn from the account. The sustainable investment programme at Anglian Water is new and rapidly expanding – we are seeking new opportunities to enable 100 per cent of investments from the ring-fenced account to be sustainable investments by the end of 2023. The sustainable investments are offered by our banking partners and held against loans funding sustainable projects aimed at achieving the UN SDGs. We are pleased to increase the reach of our impact through these innovative products.

## AMP7 delivery

**Our ambitious plan for AMP7 (2020–2025)** will see us make £3 billion of capital investment in the East of England to protect and enhance the environment, deliver resilience to climate change and accommodate rapid population growth. These projects will be funded by future sustainable finance issuances.

**Case study:**  
**Partnering to deliver our largest infrastructure programme**



Large-diameter pipelines have already been installed between Lincoln and Grantham, in Lincolnshire

The ongoing impact of climate change means that access to fresh, clean water across our region is uneven. Some areas experience flooding while others are impacted by drought, and there is an important need to rebalance access and ensure safe water for all.

Alongside our partners in the Strategic Pipeline Alliance ('SPA'), we're creating a network of new interconnecting pipelines to help us move water more freely around the region. It's the largest infrastructure programme in Anglian Water's history and one of the largest infrastructure projects in the UK.

Driven by systems thinking, this new way of approaching our water resource challenge joins up our region's water supplies like never before. The new pipelines will allow us to divert water from areas of relative abundance in the north to areas in the south and east of the region, where water isn't as readily available.

The new pipelines will help secure water supplies for future generations and reduce the number of homes and businesses that rely on a single water source.

The SPA is supported by cutting-edge digital infrastructure – a digital twin – which will mirror the physical infrastructure, providing real-time data to drive insight, helping us to monitor and optimise the network. Using artificial intelligence and machine learning, the digital twin will drive improved decision making and help to predict and prevent incidents.

By 2025, we'll have hundreds of kilometres of pipelines and upgraded infrastructure to allow water to be moved around our water-scarce region.

Work has now started on the first section of pipeline, from Lincoln to Grantham. By March 2022, we had laid 28 kilometres of pipeline. This programme forms a key part of our Water Resources Management Plan ('WRMP'), and we expect to complete the new network by 2025. The total investment will be around £400 million.

**United Nations Sustainable Development Goals**



Look out for the following icons explaining two types of information: Retrospective Looking ahead

**Case study:**  
**Investing to protect our rivers and the environment**



The River Nar, in Norfolk, is a focus area for investment in AMP7 (2020-2025)

As part of our ongoing commitment to our region's rivers and precious environments, such as sites of special scientific interest ('SSSIs') and chalk streams, we are continuing to drive a reduction in the volumes of water that we abstract in AMP7 (2020–2025).

In the Norfolk Broads, we are investing over £15 million to improve our network connectivity and cease groundwater abstraction near to SSSIs, such as the Ant Broads and Marshes SSSI. This involves increasing the available storage and capacity of our network to be able to bring water across from Heigham Water Treatment Works for customers' supply in East Norfolk.

Through early investment delivery, we have already been able to reduce abstraction by 1.4 million litres a day, and plan to reduce this by another 2.7 million litres a day by June 2024. This will allow more than 4 million additional litres of water to remain in the aquifer every day, to support the unique features and species found on these Fen SSSIs (including Annex I priority habitat, Calcareous Fen, and the Fen Orchid).

Our chalk streams and other sensitive rivers will also receive a £7 million boost, with up to 117km of river restoration planned across 16 rivers by 2025. This includes our flagship chalk stream – the River Lark – and several other high-priority rivers across Norfolk, Suffolk, South Lincolnshire and Bedfordshire.

The work, which started in late 2021, will involve reinstating lost habitats, features and processes that allow the rivers to function naturally, support thriving wildlife (including invertebrates, fish, water voles and otters), and be resilient to the challenges of climate change. Site walkovers and initial environmental improvement options have been identified, with plans to move to detailed design and in-river delivery from summer 2022.

An additional £12.5 million will be spent supporting the lowest flows in these rivers, ensuring that the restored habitat is maintained with flow during the driest summers that we will experience. Enabling works are ongoing to ensure that these projects are delivered at the same pace as the river restoration programme.

In total, we will be investing almost £35 million in our rivers and other groundwater-dependent ecosystems, bringing environmental prosperity to targeted areas of the region in AMP7. We will continue to work closely with local landowners, stakeholders and regulators to ensure that the benefits of these investments are realised and maximised for local communities.

**United Nations Sustainable Development Goals**



## AMP7 ambitions continued

### Case study: Ramping up phosphorus removal



We've been investing to reduce phosphorus levels in our rivers and streams for many years, through a blend of traditional and natural capital solutions

High levels of phosphorus in water can lead to increased growth of algae and large aquatic plants, which can decrease levels of dissolved oxygen – a process called eutrophication. This poses a risk to the fish and organisms in the water that rely on oxygen to live, and can also lead to algae blooms, producing toxins which can be harmful to human and animal health.

The levels of phosphorus in our waterways are directly linked to human impact. High concentrations can be caused by poor agricultural practices, runoff from urban areas and lawns, leaking septic systems and discharges from sewage treatment plants. We see higher levels in rivers near urban areas, and with the East of England seeing rapid population growth, unfettered phosphorus would have a huge impact on the region's waterways.

Anglian Water's phosphorus removal programme has been in place for 28 years – but it has been ramped up for AMP7 to its highest level yet, now comprising up to 150 schemes. This represents a seven-fold increase in investment, which will aim to achieve a 60 per cent reduction in phosphorus levels in our waterways.

There are a number of ways to treat high concentrations of phosphorus. Schemes such as a £2.15 million Green Bond-funded investment recently delivered in Elmswell, Suffolk, take a traditional approach, using mainly chemical and filtering treatment options. This scheme involved the installation of a chemical dosing unit, together with solids removal and a new pump. Regulatory water samples taken confirm the site is successfully achieving 0.5 milligrams of phosphorus per litre or below, which is 14 times less than the average if no treatment was in place.

Though the importance of this programme of work cannot be understated, in future we need to find smarter, more natural ways to remove unwanted chemicals such as phosphorus, rather than adding more carbon-hungry and costly assets and chemicals to our treatment processes, which is both unsustainable and risks pushing up customer bills.

In 2018, we unveiled our first wetland treatment site at Ingoldisthorpe on the River Ingol in west Norfolk. It was the first of its kind in England and shows how we can harness nature-based solutions to meet our needs and improve biodiversity, whilst reducing cost and carbon. It also reduces our reliance on chemicals that are critically needed in other sectors, such as food production.

Wetlands use nature to help nature, removing phosphorus, as well as other unwanted chemicals, by naturally filtering millions of litres of water every day. Treated water from the existing water treatment works passes through the wetland to be further filtered and cleaned by the plants before it's returned to the river. This additional, natural filtering process improves the quality of water being returned to the river, benefiting the whole ecosystem.

The Ingoldisthorpe wetland has been such a huge success and blueprint for nature-based solutions in the sector that, earlier this year, we committed to a further 26 wetlands in what will be the UK's most ambitious new wetland programme. Wetlands are a great example of how we bring environmental and social prosperity to our region and how we can meet our net zero carbon 2030 commitment.

#### United Nations Sustainable Development Goals



## Use of Proceeds Debt

Aligning to the Green Bond Principles laid out by the International Capital Markets Association ('ICMA'), Anglian Water manages the proceeds of its Green Bonds with a robust governance structure. All spending is allocated to specific bonds for full transparency for investors, from the point of debt issuance to when proceeds are spent, and in reporting on the ultimate impact of those projects over time. We always confirm spending has occurred before accessing our ring-fenced account which holds all the proceeds from Green Bonds. Our approach focuses on a few main principles: transparency, consistency and credibility.

All figures in table are in GBP for all bonds	Balance as of 31 March 2021	Deposits during 2021/22	Net interest income	Total proceeds
Green Bond 2035 £50 million	49,875,000	-	4,030	49,879,030
Green Loan 2035 £52.2 million	52,240,600	-	3,495	52,244,095
Green Bond 2040 ¥7 billion	50,372,396	-	16,467	50,388,863
Green Bond 2036 £40 million	-	40,000,000	22,703	40,022,703
Green Bond 2036 £35 million	-	35,000,000	19,865	35,019,865
Biodiversity Bond 2026 \$35 million	-	25,473,071	14,458	25,487,529
<b>Total</b>	<b>152,487,996</b>	<b>100,473,071</b>	<b>81,017</b>	<b>253,042,084</b>

Biodiversity Bond 2026 \$35m adheres to the ICMA Green Bond Principles and is also a Green Bond.

All figures in table are in GBP for all bonds	Drawn as of 31 March 2021	Bond draws in 2021/22	Drawn as of 31 March 2022	Ring-fenced account balance as of 31 March 2022
Green Bond 2035 £50 million	(48,653,009)	(1,226,021)	(49,879,030)	0
Green Loan 2035 £52.2 million	(52,240,600)	(3,495)	(52,244,095)	0
Green Bond 2040 ¥7 billion	(27,296,323)	(23,092,540)	(50,388,863)	0
Green Bond 2036 £40 million	-	(40,022,703)	(40,022,703)	0
Green Bond 2036 £35 million	-	(34,161,502)	(34,161,502)	858,364
Biodiversity Bond 2026 \$35 million	-	(2,079,949)	(2,079,949)	23,407,580
<b>Total</b>	<b>(128,189,932)</b>	<b>(100,586,209)</b>	<b>(228,776,141)</b>	<b>24,265,944</b>

The balance on the ring-fenced account ties back to the bank statement at the close of the period. The net interest income is earned net of bank fees for maintaining the bank account and is a net source of income. The income is generated from interest on the bank account, money market funds and time deposits. The investments fall under the AWG investment policy and all counterparties are thoroughly reviewed periodically to ensure compliance, including a minimum short-term credit rating from two major agencies of at least A-1/F1/P-1, among other controls.

Measuring the impact is critical in demonstrating our success. Some of our spend relates to smaller maintenance-related projects, or work done as needed which did not have an associated plan. For these projects it is not feasible to collect impact metrics for each individual scheme. The following are the primary impact metrics we report for our planned and standalone projects:

- **Capital carbon reduced from baseline** is calculated in line with PAS 2080, the global standard for managing carbon in infrastructure, which we helped to develop, and which is now used both nationally and internationally. We only consider standalone and completed projects and compare the capital carbon associated with the 'as built' asset – that is, the carbon involved in the manufacture and transport of materials and the construction process, often called 'cradle to as built' – against a 2010 baseline.
- **Embodied water reduced from plan** is calculated based on our internal procedures and is only calculated for standalone and completed projects. Embodied water relates to water used in the same way as capital carbon, but can also include some commissioning activities, such as flushing new pipelines.
- **Climate resilience score** is based on the assessment of completed projects that are large or complex against a number of climate-related hazards, including whether assets will be impacted by increased temperatures, wind and storms, and their susceptibility to flooding with the increased chance of wet weather events. A score of 1 indicates the completed work is resilient to climate change, while 2 is only partially resilient and 3 is not resilient.

### Use of Proceeds Debt continued

All figures in table are in GBP for all bonds	Drawn as of 31 March 2022	Spending allocation	Capital carbon reduction from baseline (tCO <sub>2</sub> e)	Embodied water reduced from plan (m3)	Climate resilience score
Green Bond 2035 £50 million	49,879,030	57,590,825	WIP**	WIP**	WIP**
Green Loan 2035 £52.2 million*	52,244,095	122,047,296	717.2	6,924	1
Green Bond 2040 ¥7 billion	50,388,863	65,199,386	383.2	44,328	1
Green Bond 2036 £40 million	40,022,703	48,510,872	692.7	42	1
Green Bond 2036 £35 million	34,161,502	40,864,314	93.8	36	WIP**
Biodiversity Bond 2026 \$35 million	2,079,949	3,008,067	192.5	75	1
<b>Total</b>	<b>228,776,141</b>	<b>337,220,760</b>	<b>2,079.4</b>	<b>51,405</b>	<b>1</b>

\* Green Loan 2035 £52.2 million is made up of two loans for £26.12 million and £26.13 million. More detail opposite.

\*\* WIP – Work in Progress.



Kedington Water Treatment Works in Suffolk has benefited from a recent programme of investment

### Climate change adaptation

#### Green Loan 2035 £52.2 million\*

Issuer	AWSF	AWSF
Currency	GBP	GBP
Amount	26.12 million	26.13 million
Unique identifier	L07 A CPI	L08 A CPI
Issue date	22/12/2020	06/01/2021
Maturity date	18/12/2035	18/12/2035
Coupon	0.01%	0.01%

\* The two loans are treated as one instrument, because they are with the same counterparty and are reported on jointly.



Funds deployed will help to prevent flooding of assets and properties

### Community improvements

Capital project	Spend to date £	AMP7 plan spend £	% complete	Capital carbon reduced on completed works tCO <sub>2</sub> e	Embodied water reduction m3	Climate resilience score
Community and partnership working	8,520,548	15,565,119	54.7%	(1.1)	(17)	1
Low pressure	6,821,186	7,268,324	93.8%	718.3	6,941	1
S101a First time sewerage	4,190,662	20,669,136	20.3%	WIP	WIP	WIP
Surface water management plans	2,620,722	11,304,411	23.2%	WIP	WIP	N/A
Odour and septicity	1,219,449	2,548,147	47.9%	WIP	WIP	N/A
Urban drainage modelling strategy	472,560	539,268	87.6%	N/A	N/A	N/A
<b>Total</b>	<b>23,845,127</b>	<b>57,894,405</b>	<b>41.2%</b>	<b>717.2</b>	<b>6,924</b>	<b>1</b>

The community and partnership working project was mainly focused on building resilience to the increasing impacts of climate change by preventing future flooding at two of our water recycling sites. The sites identified had experienced flooding in the past. By carrying out these projects, we have prevented an estimated five internal and five external flooding incidences over the next five years in the town of Felixstowe, in Suffolk.

The low pressure project created 6.79 kilometres of new underground water pipes to ensure we can supply water across our entire region. The properties in the areas identified – Tiptree in Essex, Wisbech St Mary in Cambridgeshire, and Daventry in Northamptonshire – were assessed not to have adequate pressure during periods of peak demand. We believe this work has prevented 515 properties from being added to our low pressure risk register, and ensures that customers in these locations continue to receive a regular supply of clean, fresh drinking water, even in periods of high demand.

Use of Proceeds Debt continued

Climate change adaptation continued

Green Loan 2035 £52.2 million continued

Resilient services

Capital project	Spend to date £	AMP7 plan spend £	% complete	Capital carbon reduced on completed works tCO <sub>2</sub> e	Embodied water reduction m <sup>3</sup>	Climate resilience score
TWD - Interruptions to supply	3,660,188	4,971,149	73.6%	N/A	N/A	N/A
Emergency preparedness	934,516	1,048,736	89.1%	WIP	WIP	WIP
Pluvial and fluvial flooding	26,417	909,380	2.9%	N/A	N/A	N/A
	4,621,121	6,929,265	66.7%	WIP	WIP	WIP

The Totex Workflow Delivery ('TWD') interruptions to supply project saw 24 new pumping stations installed across our region, in order to reduce interruptions to our customers' supply of clean water. As one of the flattest regions in England, we don't benefit from the effect of gravity as hillier regions do, making these pumps absolutely essential to move water around our region.

Resilient water supply - demand reduction

Capital project	Spend to date £	AMP7 plan spend £	% complete	Water demand reduction megalitres/day
Meter replacement	53,801,834	122,030,328	44.1%	0.00
Leakage management (see case study opposite)	19,593,368	29,210,038	67.1%	8.58 <sup>1</sup>
Smart meter network (see case study, page 28)	17,182,130	29,289,769	58.7%	9.03 <sup>2</sup>
New meter installs	3,003,717	25,676,837	11.7%	0.00
	93,581,049	206,206,972	45.4%	17.61

1. 8.58 MI/d represents the reduction in annual average leakage delivered by the management schemes.
2. If the leaks identified by smart meters had not been resolved, leakage would have been 9.03 MI/d higher at the end of the 2021/22 report year. This does not represent the saving to annual leakage and so is not comparable to the leakage management schemes saving figure above.

Total for loan

Capital project	Spend to date £	AMP7 plan spend £	% complete	Capital carbon reduced on completed works tCO <sub>2</sub> e	Embodied water reduction m <sup>3</sup>	Climate resilience score	Water demand reduction megalitres/day
Total for bond	122,047,297	271,030,642	45.0%	717.2	6,924	1	17.61



Case study: Leading on leakage reduction



Our cutting-edge leakage reduction techniques include the use of fibre-optics

We continue to push frontiers on leakage reduction, creating smart networks and using insight from smart metering to help our networks perform better than ever.

Our track record on leakage is one of our proudest achievements as a business. We've reduced leakage in the Anglian Water region by 40 per cent since privatisation in 1989, and by 34 per cent since 1997, when specific targets were introduced (versus an industry average of 30 per cent). Our leakage level per kilometre of pipe is the lowest in the industry and we've exceeded our leakage targets for more than 10 years in a row.

We committed to making a 16.4 per cent reduction in leakage across the rest of the 2020-2025 AMP - giving us a Year 2 target of achieving an AMP's worth of leakage reduction in just one year. These levels of leakage reduction haven't been achieved before in the UK or, as far as we know, globally. Our target for Year 2 was to achieve 176.33 megalitres per day (MI/d) of water lost and we've beaten this with a final figure of 173.4 MI/d. Hitting such an ambitious target is a remarkable result, given the challenging operational context and supply chain issues that have impacted the water sector.

There are many ways we are delivering these reductions, leveraging innovative technology to detect leaks and react faster than ever. We're installing a network of fixed noise sensors, which permanently listen to the network and pick up sounds when a new leak occurs, enabling us to investigate quickly and reduce the duration of a leak.

We're optimising our network through a programme of installing devices that reduce absolute water pressure in the water network and remove pressure fluctuations. This reduces the volume of water lost through existing leaks and protects the network from additional bursts due to lower stress levels on the pipes.

On top of this, we're installing a network of high-speed pressure loggers to identify pressure transients (spikes in pressure) that can be caused by pumps operating incorrectly or valves being operated too quickly, either in our network or on our large customers' premises. These transients can cause pipe failure over time and leakage. If we know about them we can remove them and reduce the risk of damage and leakage from our network.

These programmes are supported by targeted asset replacement, locating small sections of main pipes or small groups of customer supply pipes that are leaking. Finally, our smart metering programme (see page 28) is also helping us and our customers to identify leakage on the customers' supply pipes as well as inside their properties.

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Use of Proceeds Debt continued

Climate change adaptation continued

Case study:  
Keeping taps flowing and bills affordable with smart meters



We're well on the way to achieving our 2025 target of 1.1 million smart meter installations, with over 310,000 installed by March 2022

In order to address the challenge of water shortages over the next 25 years, we want to reach 100 per cent smart meter coverage in our region by 2030. Our ambitious smart metering programme will equate to installing around 2.2 million meters in total, and we have been making great progress so far.

By the end of the 2021/22 financial year, we had installed a total of 310,321 smart meters, remaining on track to reach our 1.1 million target for 2025. Scarcity of meters due to a global shortage in microchips led to a pause in programme delivery; however, the multi-award-winning programme is accelerating at pace, with more than 1,000 meters a day now being installed.

Smart meters are a key element of our Water Resources Management Plan ('WRMP') and form part of our demand management plans, alongside tackling leakage and educating customers to use water efficiently. The meters are being installed in phases, starting in places with the highest water consumption.

The data they give us and our customers is vital. Customers can understand when and where they use water and reduce any unwanted use, which has led to customers saving an average of 15 per cent on their bill since having a smart meter installed. Customers with smart meters can now opt to receive usage data as frequently as every hour, helping them stay on track of their water use and their finances. Smart metering has also directly contributed to a positive customer experience, with 5,000 feedback texts giving us an average CMeX score of 9/10.

We can use the data the meters provide to help find leaks and understand when and where water is used across our network. We can also monitor which streets or buildings within those areas have a high consumption compared to their neighbours (thus indicating an issue). Since the start of the AMP in 2020, more than 78,000 leaks have been identified and more than 46,000 customer leak investigations carried out, leading to a saving of more than 9 million litres per day.

Another benefit is the ability to get the meter readings remotely, meaning fewer vans on the roads reading meters, reducing our carbon footprint and helping towards our net zero carbon commitment.

Our IMDS (Integrated Metering and Developer Services) Alliance partners (that's Anglian Water, Kier and Clancy) developed an award-winning formula to speed up our smart meter installation programme. Taking inspiration from Formula 1 racing pitstops, they've examined and optimised every element of the installation process, shaving three minutes off the installation time for each meter and saving £1 million of cost every year. The programme was awarded Supply Chain Initiative of the Year at the 2021 Utility Week Awards. We were also very proud to win the coveted 'Team of the Year' award for the IMDS Alliance.

United Nations Sustainable Development Goals



Sustainable water and wastewater management

Green Bond 2040 ¥7 billion

Issuer	AWSF
Currency	JPY
Amount ¥	7,000 million
£ equivalent	50.4 million
ISIN	XS2275077308
Issue date	23/12/2020
Maturity date	24/12/2040
Coupon	0.85%

Sustainable service (water)

Capital project	Spend to date £	AMP7 plan spend £	% complete	Capital carbon reduced on completed works tCO <sub>2</sub> e	Embodied water reduction m <sup>3</sup>	Climate resilience score
Maintenance works and compliance	23,175,418	34,480,965	67.2%	383.0	44,328	1
Reservoir management	1,023,246	1,862,011	55.0%	WIP	WIP	WIP
	24,198,664	36,342,976	66.6%	383.0	44,328	1

Reservoir management is vital to our region: operating in the driest area of England, we need to ensure we can supply water, whatever the weather. These works spanned across three of our lagoons and included refurbishing seven ozone tanks, replacing chlorine dosing lines and many other essential works to maintain our current water services.

Sustainable service (water recycling)

Capital project	Spend to date £	AMP7 plan spend £	% complete	Capital carbon reduced on completed works tCO <sub>2</sub> e	Embodied water reduction m <sup>3</sup>	Climate resilience score
Maintenance works and compliance	41,000,721	62,202,084	65.9%	WIP	WIP	WIP

One of the major components of the maintenance works was in relation to sewage pumping stations, where we replaced 900 pumps and refurbished or enhanced a further 130 pumps. These pumps ensure our water treatment works continue to operate efficiently without any build up, supporting our commitment to reduce the number of pollution incidents arising from our assets.

Total for bond

	Spend to date £	AMP7 plan spend £	% complete	Capital carbon reduced on completed works tCO <sub>2</sub> e	Embodied water reduction m <sup>3</sup>	Climate resilience score
Total for bond	65,199,385	98,545,060	66.2%	383.0	44,328	1



Use of Proceeds Debt continued

Sustainable water and wastewater management continued

**Green Bond 2036 £40 million**

Issuer	AWSF
Currency	GBP
Amount £	40 million
ISIN	G0369@BE5XX
Issue date	30/04/2021
Maturity date	30/04/2036
Coupon	2.14%

**Sustainable service (water)**

Capital project	Spend to date £	AMP7 plan spend £	% complete	Capital carbon reduced on completed works tCO <sub>2</sub> e	Embodied water reduction m <sup>3</sup>	Climate resilience score
Sewer rehabilitation	48,510,872	78,319,553	61.9%	693.0	42	1

The sewer rehabilitation project was one of our larger projects, which has seen us replace 42.9 kilometres of sewer piping across our region. This also included the installation of nine event duration monitors to help us monitor the levels of sewage passing through our pipes – a key element in our commitment to increased monitoring which will, in turn, help us to direct our investment to the assets where it is most needed.



**Green Bond 2036 £35 million**

Issuer	AWSF
Currency	GBP
Amount £	35 million
ISIN	G0369@BF2XX
Issue date	30/04/2021
Maturity date	30/04/2036
Coupon	2.14%

Capital project	Spend to date £	AMP7 plan spend £	% complete	Capital carbon reduced on completed works tCO <sub>2</sub> e	Embodied water reduction m <sup>3</sup>	Climate resilience score
Maintenance works and compliance	40,864,314	74,657,625	54.7%	93.8	36	WIP



As part of these essential works, we renovated 10 combined heat and power ('CHP') engines. These engines help us to reduce operational carbon emissions in line with our net zero 2030 routemap, by allowing us to use the gases that naturally escape through the water treatment process as fuel to generate electricity, which then powers the facility.

**Green Bond 2035 £50 million**

Issuer	AWSF
Currency	GBP
Amount £	50 million
ISIN	XS2257836838
Issue date	13/11/2020
Maturity date	13/11/2035
Coupon	1.76%



Maintenance is crucial to ensure systems work as they should

Capital project	Spend to date £	AMP7 plan spend £	% complete	Capital carbon reduced on completed works tCO <sub>2</sub> e	Embodied water reduction m <sup>3</sup>	Climate resilience score
Maintenance works and compliance	57,590,825	64,645,481	89.1%	WIP	WIP	WIP

Use of Proceeds Debt continued

Super Green

Biodiversity Bond 2026 \$35 million

Issuer	AWSF
Currency	USD
Amount \$	35 million
£ equivalent	25.5 million
ISIN	XS2382155013
Issue date	15/09/2021
Maturity date	15/09/2026
Coupon	1.16%

Capital project	Spend to date £	AMP7 plan spend £	% complete	Capital carbon reduced on completed works tCO <sub>2</sub> e	Embodied water reduction m <sup>3</sup>	Climate resilience score
WINEP - Eels	3,008,067	6,545,950	46.0%	192.5	75	1

Some of the future works that this Bond will fund include our treatment wetlands. We will be creating up to 26 water treatment wetlands, building on the learnings made from our award-winning low carbon wetland at Ingoldisthorpe in Norfolk, which provided water quality benefits downstream in the River Ingol chalk stream. Treatment wetlands are classified as nature-based solutions due to their ability to improve water and land

management, with a range of benefits including the removal of phosphorus and improved biodiversity, among others. These wetlands are a carbon- and cost-effective way of protecting our watercourses and, crucially, delivering additional environmental benefits – which is why we are rolling them out across our region as part of the Water Industry National Environment Programme ('WINEP').



Case study: Supporting the safe passage of eels at Tinwell



Work at the site required dredging to be carried out



Once dredged, the site was ready for installation of the new grate

Stocks of European eels have fallen to an all-time low and continue to decline. In response, the Eels (England and Wales) Regulations 2009 were introduced to help reverse the decline of eels in our rivers. We have planned investment to install an eel screen at our surface water intake structure at the Tinwell pumping station (one of several sites scheduled to benefit from eel screening) to help protect this critically endangered species and ensure we comply with regulations.

As predators in streams and rivers, helping to regulate the population of other animals, eels are essential to the biodiversity of river and estuaries. Eels are also prey to several fish, mammals, turtles and birds, supporting the natural habitat. Eels are at risk when migrating from oceanic waters into coastal and inland waters. As they travel through estuaries and rivers, they use the sides of the riverbank to navigate upstream, meaning they could be swept into our pumping stations. The body shape of the eels makes them more challenging to protect, as they can squeeze through smaller openings than some other marine life within rivers.

The project at Tinwell will see an approximate spend of £3.3 million, which will fund screens along a section of the River Welland. Screens will stop the eels from entering the abstraction intake, and the size of the mesh on the screens also means they will protect fish and other organisms too. The screens' specifications were chosen to comply with current regulation but also to future proof for any potential future regulation that may be required for this species, and others that inhabit the rivers. The screens also have the added benefit of reducing the number of invading species drawn into the pumping stations and reservoirs.

A significant amount of steel structure build work was completed off-site, meaning minimal disruption during the installation of the structure by a specialised team of divers and construction workers. Steps have been taken to minimise disruption to the local community, and the project at Tinwell is scheduled to be completed by July 2022.

In addition to Tinwell, the other sites which will benefit from similar work are Bucklesham Mill Intake, Clapham Intake, Cloves Bridge Eel Pass, Duston Mill Intake and Mill River Eel Pass. As at 31 March 2022, £8.28 million of the biodiversity bond has been spent on installing screens around the Anglian Water network and other assigned Green Bond projects.

United Nations Sustainable Development Goals



## Sustainability-Linked Loans

We have a number of banking facilities and loans in place which are linked to our sustainable benchmarks for AMP7 (set out below). For facilities, the sustainability margin step up applies to both the interest on drawn funds and the commitment fee on undrawn funds, so is calculated based on the total amount of the facility.

Issuer	AWSF	AWOF	AFIP	AWSF	AWOF	AFIP	AFIP
Currency	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Amount £m	550	250	30	100	105	125	95
Unique identifier	F14 F 0.35 2024 GBP 550m	F20 F 2.55 2026 GBP 250m	F31 F 2.75 2024 GBP 30m	L06 A Fix 1.588 2024 GBP 100.0m	L01 A Fix 2.200 2028 GBP 105m	L01 A Fit 0.00% 2026 GBP 125m	SF H SONIA 2027 GBP 95m
Issue date	24/06/2019	16/06/2021	28/10/2021	06/12/2019	15/12/2021	13/07/2021	09/12/2021
Maturity date	24/06/2026	16/06/2026	28/10/2025	04/10/2024	15/12/2028	16/06/2026	09/12/2027
Margin	0.35%	2.25%	2.75%	1.58%	2.25%	3.25%	3.25%
Ref rate	SONIA	SONIA	SONIA	Fixed	Fixed	SONIA	SONIA

### Sustainability performance targets

#### Sustainability key performance indicator

### Capital carbon



**Measure:** Percentage reduction in carbon emissions from construction activity measured in tonnes of CO<sub>2</sub> equivalent compared to a 2010 baseline.

Actual:

63.1%

Target:

62.0% (met)

Our integrated supply chain has been and will continue to be fundamental to our success as we go forward with our industry-leading commitment to cut capital carbon by 70 per cent by 2030 against a 2010 baseline, alongside our net zero operational carbon target.

We continue to be accredited to PAS 2080, the global standard for managing carbon in infrastructure which we helped to develop, and which is now being used both nationally and internationally. This includes projects in the phase through to completion over the AMP. The projects included are across the entire company and not limited to projects funded by Green Bonds.

#### Sustainability key performance indicator

### Water quality compliance risk index



**Measure:** This is the key measure used by the Drinking Water Inspectorate to determine our overall compliance with stringent regulatory drinking water standards.

Actual:

4.05

Target:

2.00 (not met)

The Compliance Risk Index ('CRI') is the Drinking Water Inspectorate's ('DWI') headline measure of water quality compliance. In a common theme across the whole industry, our performance has regressed in 2021 to 4.05, having been 1.98 in 2020. The CRI is calculated by the DWI and is a measure designed to

illustrate the risk arising from treated water compliance failures; it aligns with the risk-based approach to the regulation of water supplies adopted by the DWI. We remain better than the average CRI score for the larger, combined water and sewerage companies. See [dwi.gov.uk/what-we-do/annual-report/drinking-water-2021](http://dwi.gov.uk/what-we-do/annual-report/drinking-water-2021)

### Sustainability performance targets continued

#### Sustainability key performance indicator

### Water leakage



**Measure:** A percentage reduction in the amount of water lost to leakage across the region in megalitres per day (Ml/d) measured on a three-year average. One megalitre is a million litres.

Actual loss:

182.3

Target loss:

183.2 (met)

The levels of leakage reduction we are tasked with delivering haven't been achieved before in the UK or, as far as we know, globally. We have ended the year having surpassed our performance commitment target of a 5.4 per cent reduction, delivering a 6.1 per cent drop by finding and fixing more than 37,000 leaks - see page 27. To have achieved such an ambitious target is a remarkable result, given the challenging operational context and supply chain issues that have impacted the water sector.



We've found and fixed more than 37,000 leaks during 2021/22



Our hydrophone network extends to 7,000 sensors

#### Sustainability key performance indicator

### Pollution incidents



**Measure:** Number of pollution incidents due to escapes from our water recycling network per 10,000 km of sewer network.

Actual:

33.7

Target:

23.7 (not met)

Pollutions continue to be an area of challenge for us, and we have not met our very stretching calendar year target of 181 incidents for 2021. There were 258 incidents on our network in the year, incurring a regulatory penalty of £4.4 million. We experienced a protracted period of exceptional flooding and rainfall in late 2020 and early 2021, coupled with high groundwater levels and burst riverbanks, which correlated with an increase in pollutions. Our network became inundated with surface water, and in some parts of the region was unable to hydraulically function.

Our works saw an additional four million litres of water pass through every day compared to the same period in the previous year. As flooding and rain abated, we saw significant improvements in the second and third quarters, with pollutions dropping to eight per cent below the historical average.

The Environment Agency publishes this information on its website annually as part of the Environmental Performance Assessment: see [gov.uk/government/publications/water-and-sewerage-companies-in-england-environmental-performance-report-2021](http://gov.uk/government/publications/water-and-sewerage-companies-in-england-environmental-performance-report-2021)

## Sustainability-Linked Loans continued

### Sustainability performance targets continued

#### Sustainability key performance indicator

### Supporting vulnerable customers



**Measure:** The percentage of customers recorded as requiring priority services due to being in vulnerable circumstances.

Actual:

**9.4%**

Target:

**3.6% (met)**

Our Priority Services Register ('PSR') plays a vital role in helping us identify and support those with additional needs, which can be anything from sight, hearing, learning or mobility difficulties, to having a baby under 12 months old. The service also provides support to customers with long- or short-term medical needs should there be any interruption to their water supply.

We are proud to report that our efforts to increase the reach of our Priority Services Register ('PSR') are proving very successful. We have exceeded our year-on-year target for the second year in a row.

Partnerships have helped us reach more eligible people, such as our collaboration with parenting charity the National Childbirth Trust, which resulted in almost 7,000 new Priority Services registration requests. We have also set up a live two-way data share with Cambridgeshire Fire & Rescue Service, which is referring customers to our PSR following a Safe and Well visit. Safe and Well visits are available to those who are most vulnerable in our community and assess key elements of home safety and security, offering practical support and advice. The initiative has been incredibly successful, helping hundreds of customers to receive additional support from us.

In total we have £830 million of revolving credit facilities and £425 million of loans linked to these KPIs. If fewer than two KPIs are achieved, we could pay more in interest or commitment fees annually. If two or three KPIs are achieved our fees do not change, while if more than three KPIs are achieved we could be rewarded by paying less in interest or commitment fees. This year we achieved three KPIs and there was no change to our fees.



Our dedicated Extra Care Team are trained to support customers in vulnerable circumstances

## Sustainability-Linked Bond

### Net Zero Bond

Issuer	AWOF	Issue date	13/07/2021
Currency	GBP	Maturity date	31/07/2028
Amount £	300 million	Margin	2.00%
ISIN	XS2356450846	Ref rate	Fixed rate

The £300 million 2.00% Sustainable-Linked Senior Secure Bond has had unprecedented demand, with the Bond surpassing its £1.2 billion target. 94 per cent of investors have been asset managers and hedge funds, with 85 per cent of all investors coming from the UK and Ireland.

#### Sustainability key performance indicator

### Net operational carbon

**Measure:** Reduction in carbon emissions from operational activity measured in tonnes of CO<sub>2</sub> equivalent compared to a 2010 baseline.

2022 actual:

**35,494**  
tCO<sub>2</sub>e

2025 target:

**106,905**  
tCO<sub>2</sub>e

In 2021/22 our carbon emissions were 320,856 tCO<sub>2</sub>e, delivering a reduction of 35,494 tCO<sub>2</sub>e and representing a 9.9 per cent decrease in emissions against the baseline.

This carbon emission reduction has been achieved as a consequence of consuming less energy, as well as an increase in the proportion of renewable electricity we consume.

#### Sustainability key performance indicator

### Capital carbon

**Measure:** Percentage reduction in carbon emissions from construction activity measured in tonnes of CO<sub>2</sub> equivalent compared to a 2010 baseline.

2022 actual:

**63.1%**

2025 target:

**65.0%**

We have been gathering and reporting our capital carbon performance for over a decade. We believe we have an industry-leading approach to the measurement and reduction of capital carbon; indeed, we were instrumental in the development of PAS 2080 Carbon Management in Infrastructure.

Strong capital carbon reductions in 2022 have been achieved through our programme to increase storm water retention capacity. In this programme we have utilised existing, previously redundant assets, employed lower carbon materials and extended and

reconfigured assets in order to deliver these capacity increases whilst reducing the amount of new, carbon-heavy construction required. Since the start of this AMP period, completed projects have achieved a capital carbon saving of 81 per cent (8,588 tCO<sub>2</sub>e), whilst in 2021/22 these projects have achieved a capital carbon saving of 83 per cent (6,475 tCO<sub>2</sub>e). This includes projects in the phase through to completion over the AMP. The projects included are across the entire company and are not limited to projects funded by Green Bonds.

## Sustainability-Linked Bond continued

### Our net zero strategy is based around:

1. Maximising energy efficiency and renewable energy generation and storage
2. Procuring green electricity
3. Decarbonising our vehicle fleet
4. Maximising the value of our biogas
5. Managing our process emissions
6. Opting for alternative fuels
7. Developing our offsetting strategies

The information below relates to our interim 2025 commitments. See pages 12-13 for more on our net zero routemap, and check out our full net zero strategy at [anglianwater.co.uk/net-zero-2030-strategy](http://anglianwater.co.uk/net-zero-2030-strategy)

#### Maximising energy efficiency and renewable energy generation and storage

By 2025, we will:

- Implement energy efficiency measures to reduce our power demand by 26 GWh/y in 2025, saving a total of 9,700 tCO<sub>2</sub>e of emissions;
- Install up to 238 MWp of solar generation capacity on and around our sites, through power purchase agreements ('PPAs') including the 17.6 MWp of capacity already delivered. This will yield up to 230 GWh/y. We will consume 80 GWh/y and export the balance to the grid;
- Continue to generate over 115 GWh/y of renewable power through our biogas CHP engines, of which we will export 34 GWh/y. This will avoid 45,000 tCO<sub>2</sub>e/y of emissions by 2024/25;
- Continue to generate over 12.1 GWh/y from our existing wind turbines. We are consuming 2 GWh/y and exporting the rest to the grid. This will avoid 4,560 tCO<sub>2</sub>e/y of emissions by 2024/25;
- Continue to explore energy storage opportunities in our sites to give us further flexibility.



We're deploying wind turbines, including this one at Tetney in Lincolnshire

#### Procuring green electricity

By 2025, we will:

- Meet up to half of our remaining grid electricity requirements (after reducing demand through energy efficiency measures and renewable energy PPAs) through REGO-backed green tariffs or by sleeving renewable energy (see glossary) to our sites through corporate power purchase agreements.

#### Decarbonising our vehicle fleet

By 2025, we will:

- Replace small vehicles at the end of their service life with electric equivalents (25 per cent of our small vehicle fleet);
- Switch 10 per cent of our diesel HGVs to run on liquified natural gas ('LNG').

#### Maximising the value of our biogas

By 2025, we will:

- Have a plan to upgrade the biogas we produce to biomethane that can be exported to the grid, used as transport fuel or supplied to industry, helping to reduce emissions in more challenging sectors of the economy;
- Develop a hydrogen strategy that will see us playing a greater role in the UK energy economy post 2030.

#### Managing our process emissions

By 2025, we will:

- Install monitoring equipment at four of our large sites to improve our understanding of the scale and location of process emissions. This will be shared and reviewed alongside evidence from comparable studies in the UK and elsewhere when possible;
- Review the three-tier methodology suggested by the Intergovernmental Panel on Climate Change ('IPCC') in establishing an accurate baseline position;
- Target conversations, together with other water companies, with the Department for Business, Energy and Industrial Strategy ('BEIS'), Defra (the Department for the Environment, Farming and Rural Affairs) and Ofwat, to secure a wider scale of investment for monitoring and measurement;
- Continue to work with the rest of the industry, through UKWIR, Water UK and the wider scientific community, to better understand the scale of the N<sub>2</sub>O emissions factor and CH<sub>4</sub> emissions from water recycling and sludge treatment;
- Seek to reduce CH<sub>4</sub> process emissions and minimise fugitive losses where possible;
- Continue to investigate alternative processes such as Membrane Aerated Biofilm Reactor ('MABR') for implementation post 2025, to help avoid N<sub>2</sub>O emissions.



Solar energy forms a key part of our 2030 net zero plan

#### Opting for alternative fuels

By 2025, we will:

- Replace 30 per cent of our gas oil for non-transport uses with hydrotreated vegetable oil ('HVO') while reducing consumption through efficiency gains to save 7,000 tCO<sub>2</sub>e;
- Continue our assessment of hydrogen production and use.



25 per cent of our small vehicle fleet will be electric by 2025

#### Developing our offsetting strategy

By 2030 and then beyond, we will still have some residual emissions which we will need to manage in order to achieve net zero. We currently expect our residual emissions to be around 26 per cent of our 2018/19 baseline, with the majority stemming from process emissions. Our ambition is to maximise opportunities to remove carbon in our own land (insets) and adopt a leading position in offsetting by supporting new markets across our region that bring maximum co-benefits (offsets).

We commit to:

- Implement forestry schemes on 50 hectares of our own land (insets), following best practice on biodiversity and the Woodland Carbon Code;
- Improve our scientific knowledge on potential removal opportunities such as in soils, wetlands, marshes and grasslands, and seagrass restoration, by engaging with key stakeholders and assessing their removal potential;
- Set up a framework on offsets to engage the best suppliers in the market to help us make the right investment decisions for both insets and offsets;
- Strengthen relationships in our region with key landowners and farm entrepreneurs to support the development of land management schemes that avoid and remove carbon emissions.

## Our sustainability ratings

**Rating:**

**MSCI**

**2021:**

**A**

**2022:**

**AA**

The MSCI ESG ratings aim to capture a company’s long-term resilience to ESG risks. Due to our excellent work on leakage, our MSCI rating was upgraded this year from A to AA. The AA rating corresponds to the top 32 per cent of utility companies rated by MSCI globally on ESG factors. We performed especially well on the rating scale in environment and governance. For environmental ratings, our water use reduction work was recognised as “stronger than peers” and we were highlighted as environment stewards for our efforts to reduce the impact our activity has on the environment.

In terms of governance, compared to all rated companies globally, we are in the 98th percentile, while in the UK we are in the 94th percentile. We have scored highly due to our high proportion of non-executive directors, responsible executive pay practices, and accounting function. We will continue to focus on our carbon emission, given our responsibility to do so as part of a highly energy-intensive industry, and in line with our ambitions to reach net zero by 2030.

**Rating:**

**CDP**

**2020:**

**A**

**2021\*:**

**A-**

In 2021, more than 13,000 companies responded to CDP, increasing from around 9,500 in 2020. This reflects the increased focus on climate change and the need for companies to disclose the steps they are making and their progress towards targets.

For the second consecutive year we have been placed in the leadership category for our response to the climate change questionnaire.

This places us in the top 5.5 per cent globally, and we are only one of two companies within the UK water industry to achieve this.

\*2022 CDP score not available yet.

**Rating:**

**Moody’s**

**2021:**

**N/A**

**2022:**

**CIS-3**

Moody’s ESG Credit Impact Score summarises the potential impact of ESG-related credit risks on the company’s creditworthiness. The Moody’s methodology considers inherent creditworthiness as opposed to management’s ability to influence the outcome.

Our score here is CIS-3, corresponding to a Moderately Negative risk. Nearly all regulated utilities are rated at higher risk by Moody’s, given the relationship

with and accountability to public opinion and the opposition Labour Party’s support for nationalisation. The score also reflects the recent sector-wide Ofwat investigations into full flow to treatment (‘FFT’) at water recycling centres and the request for more information issued to Anglian Water and some of our peers. Moody’s current ESG rating is negatively impacted by this. Other ratings do not reflect ongoing investigations. We continue to work with Ofwat and the Environment Agency on the matter.





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