

love every drop
anglianwater 

Sustainable Finance Impact Report 2023

Anglian Water Group Limited



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

We supply water and water recycling services to almost seven million customers in the East of England. Our 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



Our purpose guides us as one of the **East of England's biggest investors in the environment**. We make a significant contribution to the region's economy. We employ more than 5,000 people and support employment for thousands more colleagues through our long-standing capital delivery partners and contractors.

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Discover more online at anglianwater.co.uk

Our region is on the frontline of a changing climate. Research shows it's the driest, receiving a third less rainfall than elsewhere in the UK. Meanwhile, a rapidly growing population – faster than London – means nearly one million additional people will live here by 2040. Ensuring we can balance the amount of water available against demand, now and in the future, fundamentally underpins the regional economy.

Our region is also flat and low-lying with 28% of land below sea level, making it prone to flooding, meaning we must invest in flooding and drought; both ends of the climate change spectrum. Home to nearly half of the UK's Grade 1 and 2 agricultural land and dubbed the 'breadbasket of Britain', 25% of the nation's cereal crop is produced here in the East of England. This land use means we must partner closely with agriculture to protect our shared environment, but also that our plans to provide water security are intrinsically linked to food security.

As the largest water and water recycling company in England and Wales by geographic area, we have a large number of small, dispersed population centres spread across the flat, drained landscape that dominates. Rivers move slowly through intensively farmed land, presenting significant challenges for river health and pollution performance. Furthermore, our extensive network of small-diameter sewers are at greater threat from blockages. As we can't use gravity to our advantage, sewage needs to be pumped over vast distances, meaning collectively, we manage more related assets than any other UK wastewater company. As a result, we have to bear the additional associated energy costs.

The East of England is one of only three areas in the UK that makes a net positive contribution to the Exchequer, reflecting the industry and commercial centres across our region. However, we also have areas of high deprivation and low social prosperity. We are seeking to address this in many ways, guided by our purpose.

We recognise our additional responsibilities as a provider of an essential public service. We have a duty to deliver benefits for both society and the environment beyond the basic provision of services. That responsibility is woven throughout our Strategic Direction Statement, Long-Term Delivery Plan, 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 (see more in our business model on pages 04 and 05).

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. 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 delivering for the environment and our communities will always sit alongside the need to deliver fair returns for our shareholders.

We have one of the largest levels of private investment in the region and have invested over £1.7 billion since 2020 as part of our five-year plan to 2025. Our investments cover protecting and enhancing the environment, protecting communities from extremes of weather, building resilience to flooding and drought, and helping to underpin sustainable economic growth by unlocking development opportunities and securing water resources for the long-term future. Supporting our plans is our Water Industry National Environment Programme (WINEP), which will see us make improvements and enhancements worth £811 million in this region. Ours is one of the largest investment programmes in the industry.

The investments financed through our Green Bonds contribute to five environmental objectives: climate change mitigation; climate change adaptation; biodiversity conservation; pollution prevention and control; and conservation of natural resources. Throughout this year, we've raised £740.1 million of funds across a number of debt transactions. Investors have financed a wide range of investments under different portfolios, which we detail in this report.



Introduction from Chief Executive and Chief Financial Officer



“

The urgency of water infrastructure has never been more obvious, with this year’s drought underscoring the importance of our strategic pipeline and two planned reservoirs, which will provide a sustainable water supply for future generations.”

Peter Simpson
Chief Executive, Anglian Water



“

Our sector is facing unparalleled demand for investment in both the near and long-term future. 2022 was a record year for capital investment at Anglian Water, with £725 million spent, part of a £3 billion plan for the region. This makes us one of the biggest private investors in the East of England and one of the biggest contributors to the health of the region’s environment. Green finance plays a critical role in building on that contribution.”

Steve Buck
Chief Financial Officer, Anglian Water

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, for our region and the wider environment. We make this clear to our stakeholders through our purpose: to bring environmental and social prosperity to the region we serve through our commitment to love every drop.

This past year, we faced two climate-related events: record high temperatures during the summer, resulting in drought, followed just a few months later by rapid freeze-thaw in December. These weather events created a barrage of operational challenges. Fortunately, our long-standing and leading track record on leakage, water efficiency and building infrastructure for resilience, enabled us to withstand the year well. We kept water flowing, avoided a hosepipe ban and protected nature by staying within the amount we are licensed to safely take out of the environment.

Like many other businesses, we also faced the additional pressures of a cost of living crisis and record inflation. We are proud to have supported 344,000 customers through hardship and vulnerable circumstances last year. We also met our stretching operational and capital carbon targets, performed well on water quality indexes, and protected critical water resources across the region by avoiding drought permits.

However, scrutiny on our sector has intensified – and rightly so. Our pollution performance is not at the level we or our customers expect. We have listened to increasing concerns surrounding pollution and the need to upgrade some of our ageing Victorian infrastructure and made firm commitments to act. Furthermore, climate-related events, which impacted our performance this year, will no longer be unusual. The risk of drought and flooding is likely to intensify, and with our growing population, the demand for resilient infrastructure is high.

Our industry is at a pivotal point to lay the groundwork for future generations to thrive.

Our sector and region faces unparalleled demand for investment in both the near and long-term future. Guided by our purpose and long-term delivery strategy, which takes us to 2050, we are building the foundations for that future, now. Our robust financial platform, recognised in Ofwat’s financial resilience report last year, along with our long-term vision, is driving the delivery of our largest ever capital investment programme, centred on building a resilient business, delivering environmental improvements across our region, and enabling sustainable economic growth.

This year, we invested £725 million, which sits as part of our plans to invest more than £3 billion in the region by 2025. Our Sustainable Finance Impact Report for 2022/23 sets out some of the projects we have progressed through our sustainable finance instruments, alongside some of the ambitious capital investments which are ongoing.

For us, sustainable finance is business as usual. We were an early adopter of sustainable funding instruments, pioneering the use of Green Bond funding in 2017, when we became the first European utility to launch a sterling Green Bond. Since the start of the AMP7 (the five-year regulatory period from 2020 to 2025), we have issued £1.6 billion of funds through green finance, and we plan to fund our entire remaining capital programme to 2025 using sustainable sources.

The investments we’ve financed through our Green Bonds contribute to five environmental objectives: climate change mitigation; climate change adaptation; biodiversity conservation; pollution prevention and control; and conservation of natural resources. Achieving these objectives will require ongoing collaboration with, and support from, all our stakeholders, from customers and communities, right through to government and investors.

In 2022, we were the first UK company to issue a £225 million corporate Green Bond in the Canadian ‘maple’ bond market. This was to fund our major drought resilience project being delivered by our Strategic Pipeline Alliance (SPA) – a vital investment to help secure a sustainable future of water in our region. Read more on page 30. This is one piece of the jigsaw in our supply and demand management strategy, which includes reducing leakage to industry-low levels, supporting customers to love every drop and crucially, leaving more water in environmentally sensitive areas.

Our Water Industry National Environment Programme (WINEP) for 2020–2025 is set to deliver £811 million worth of environmental improvements and will be financed almost entirely with sustainable finance. Our \$35 million Biodiversity Bond continues to fund schemes focused on delivering specific commitments as part of the WINEP programme, with further funding undertaken in 2023 to finance the bulk of the spending required to deliver our overall WINEP programme.

Our sustainable finance instruments are underpinned by evidence of how the funds raised are used, and through transparent reporting of our impacts. For example, our first Sustainability-Linked Bond for £300 million issued in 2021/22 is tied to achieving our net zero 2030 targets and 2025 interim targets. This means that the interest rates payable for the debt are tied to us achieving our net zero targets: should we fail to achieve our ambitious 2025 transitional carbon goals (including a best-in-class 65% reduction in capital carbon and a 106,905-tonne reduction in operational emissions), we will pay a higher rate of interest for the debt. This year, we reduced capital carbon, the carbon embodied in our assets, by over 63% from our original 2010 baseline, and operational emissions, the carbon used in running the business day-to-day, by 6% against a 2018 baseline.

Our track record provides us with ongoing stability against challenges; with economic, societal and environmental uncertainty, headwinds such as the energy and cost of living crisis, and additional scrutiny on our sector. Our proactivity has enabled us to continue investing over and above our operating profit levels, safeguarding our capital programme to build resilience, deliver environmental improvements, and support our customers.

Peter Simpson
Chief Executive
Anglian Water

Steve Buck
Chief Financial Officer
Anglian Water

Our Business Model

1

What drives us

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

2

We deliver value for our stakeholders



3

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

→ Read more in our [net zero routemap](#)

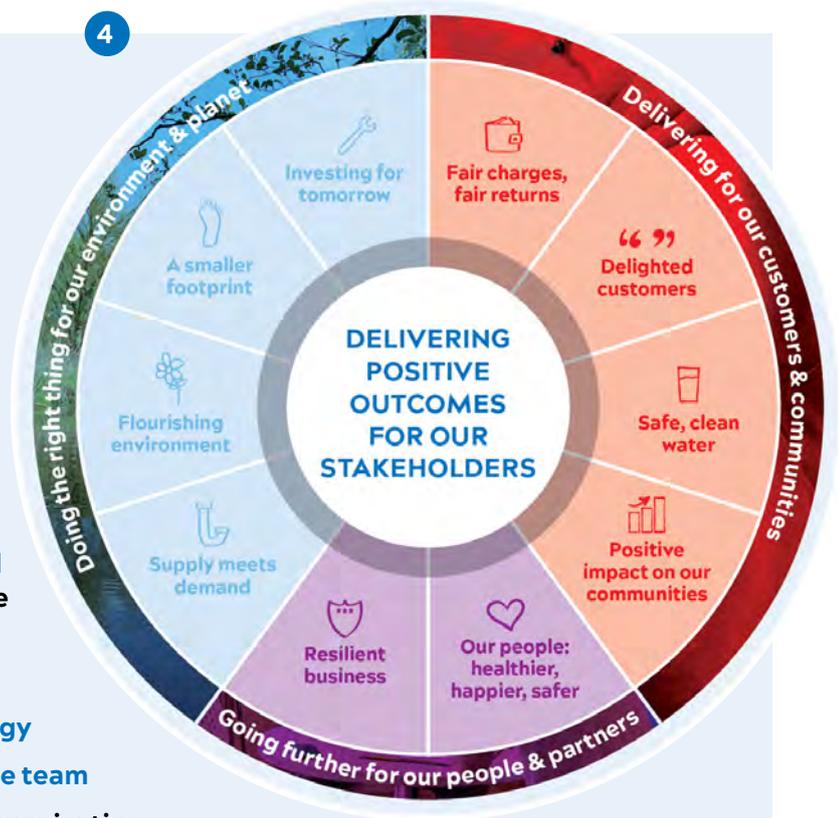
4

Our goals for 2020–2025

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

What will help us get there?

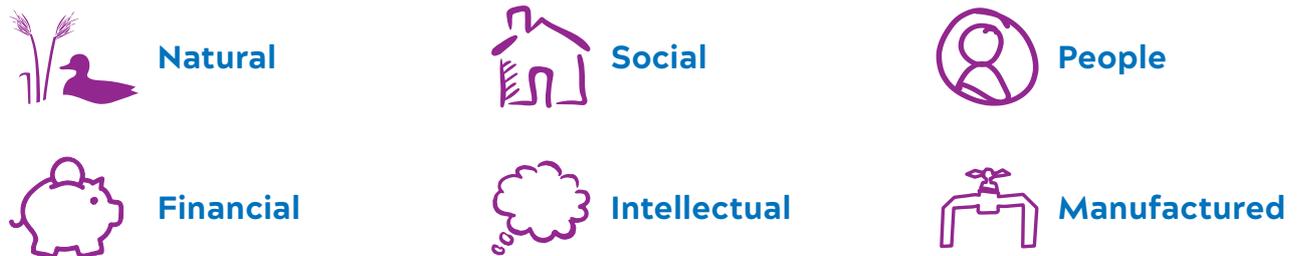
- **Skilled, trusted and customer-focused people** who are happy, healthy and safe
- **Maximising opportunities** from standardisation and centralisation
- **Smart use of information and technology**
- **World-leading alliances, working as one team**
- **Collaboration inside and outside the organisation**



5

How we make decisions

We balance our six capitals to shape investment decisions



→ Read more on pages 08 and 09.

6

SUSTAINABLE DEVELOPMENT GOALS

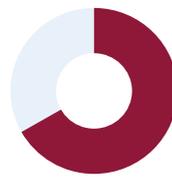
The **UN Sustainable Development Goals** influence our thinking and the investment we make contributes towards their delivery. We work in the spirit of all 17 goals, but **we have mapped our work to the 10 where we have the most material impact.**



Aligning our Ambitions with the United Nations’ Sustainable Development Goals

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

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



Example target of material interest

3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination

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

Underlying potential for negative impact

Our operations can cause pollutions if we get things wrong, or if the wrong things go down into our network

Available water is reducing due to climate change, the need for greater environmental protection, and the increasing population. Uncoordinated water management could lead to deficits and environmental harm

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

Available water is reducing due to climate change, the need for greater environmental protection, and the increasing population. Without strategic planning, a lack of water can be a barrier to growth

Examples of current activities that positively support the target

- [Get River Positive Plan](#)
- [Keep it Clear](#)
- [Catchment Management](#)
- [Pollution Incident Reduction Plan](#)

- [Future Fens: Integrated Adaptation](#)
- [Catchment Management](#)
- [New Reservoirs](#)
- [Water resources management plan](#)

- [Renewable energy](#)
- [Green hydrogen production](#)

- [Leakage](#)
- [Investing to protect the environment](#)

- [Sustainable financing framework](#)
- [New water pipelines](#)
- [Innovation](#)

How the SDG target aligns to our outcomes

Safe, clean water

Supply meets demand

A smaller footprint

A smaller footprint

Investing for tomorrow

“ 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.”

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

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

Underlying potential for negative impact

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 pollutions if we get things wrong, or if the wrong things go down into our network

Our operations have a large footprint within the natural environment

Examples of current activities that positively support the target

- [Water Parks](#)

- [Save water](#)
- [Smart meter upgrades](#)

- [Climate change](#)
- [Carbon management and our journey to net zero](#)

- [Caring for our coastline](#)
- [RiverCare and BeachCare](#)
- [Keep it Clear](#)
- [Pollution Incident Reduction Plan](#)

- [Biodiversity](#)
- [RiverCare and BeachCare](#)
- [Get River Positive](#)

How the SDG target aligns to our outcomes

Positive impact on communities

Positive impact on communities

Investing for tomorrow

Flourishing environment

Flourishing environment

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.

Six capitals thinking strengthens our business decision making, making our responsibility to customers, communities and the environment a consideration in all investment decisions.

We have worked through a cross-business steering group to embed a set of six capital metrics – natural, social, financial, manufactured, people and intellectual – which we use to consider the broadest value when making investment decisions. Our approach has been externally validated by sustainability consultants, Route 2.

These metrics have been 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 tools and process. They are also aligned with our benefits realisation management, to assess options and measure outcomes.

Embedding six capitals provides a more comprehensive understanding of the benefits and disadvantages of our capital investment decisions, inspiring innovative solutions that create extra value.

A purpose performance scorecard has been developed to indicate progression against our purpose at company level. This will help all our employees see how they contribute to the successful delivery of environmental and social prosperity in the region we serve.

The integration of six capitals into our value framework won the 2023 inaugural Copperleaf® excellence in Environmental, Social, Governance (ESG) award.

“

Integrating six capitals thinking has encouraged everyone that makes 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,
Group Chief Sustainability Officer, Anglian Water



Andy Brown presenting at the Sustainable Schools Conference hosted by Central Bedfordshire Council in May 2023.

What are the six capitals?

Six capitals is a framework to help us deliver on our purpose. Using it as a lens in our decision-making means we take account of the full impact of our activities. 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.

Holding Ourselves to Account

Our position as a supplier of an essential public service presents us with **both the opportunity and the responsibility to do more** for customers and the environment in our region.

It is essential we maintain the trust and confidence of our customers. That means running our business in a responsible and transparent way so our customers and wider stakeholders can see that:

- we act in the public interest and recognise our wider role to the communities we serve, beyond providing fresh clean drinking water and protecting the natural environment we operate in
- their bills are fair, affordable and value for money
- we are responsible with their money
- our profits are fair and not excessive
- we pay our fair share of tax

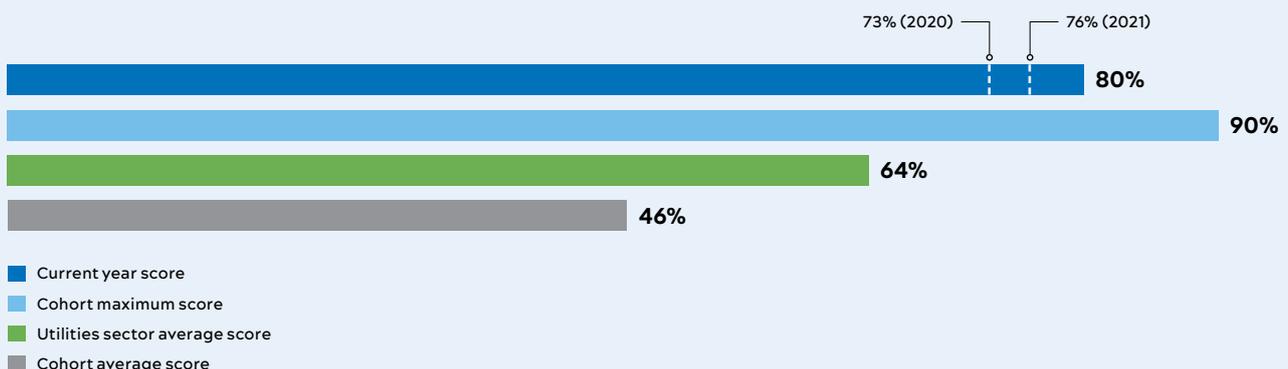
We express this to our colleagues, customers and other stakeholders through our defined purpose, which is underpinned by our company values and six capitals model for decision-making. Our people are rewarded for demonstrating behaviours in line with our purpose and values.

This year, we made structural changes within the business, including appointing our first Group Chief Sustainability Officer, Andy Brown. In his new role, Andy will work with and challenge our Board, ensuring decisions are guided by our purpose framework.

BITC’s Responsible Business Tracker®

When we embedded our purpose into our Articles of Association in 2019, we committed to assessing ourselves against a set of responsible business principles, including Business in the Community’s (BITC) Responsible Business Tracker®. The Tracker assesses our work against a set of principles, underpinned by the United Nations’ Sustainable Development Goals. We use the feedback from the Tracker to agree future areas of focus. Following our annual feedback last year, we progressed a number of sustainable procurement projects and initiatives. We continued to make progress on our diversity and inclusion work, and biodiversity, both of which saw improvements in this year’s results.

BITC’s Responsible Business Tracker® 2022 scores



“

It is fantastic to see Anglian Water’s progress across many areas of responsible business, especially regarding overall governance; nature stewardship governance and action; climate action disclosure; and your work in education. It is brilliant to see you are making this progress despite the current challenges presented in the water industry.”

**Phillippa Lennox-King,
BITC Relationship Manager**

Validating our purpose

We have acted as lead sponsor alongside the British Standards Institution (BSI) to create a new Publicly Available Specification (PAS) for embedding purpose in organisations – PAS 808:2022 Purpose-Driven Organisations, Worldviews, Principles and Behaviours.

Launched in July 2022, it is the bar by which we will hold ourselves to account, reporting against it to continue to embed our purpose in all we do. We have started by conducting an initial assessment against the seven principles, considering to what extent we demonstrate the behaviours associated with each principle. Based on this initial assessment, we have developed a maturity matrix. We expect this to evolve as we continue the process, engaging with our internal Sustainability Centre of Excellence, Customer Board, Independent Challenge Group, and an external validation specialist.

Welcoming conversations with our customers

In 2022, we re-established our Customer Board, where we facilitate an open, two-way discussion on a variety of topics which are important to our customers. Recent discussions include bill increases, our Water Resources Management Plan, water quality, leakage, and our executive bonuses.

In this year’s Tracker results, we were pleased to receive a score of 100% for purpose and values.



Members of our Management Board at a face-to-face meeting with customers, discussing key issues.

Our Routemap to Net Zero by 2030

Our region is the driest and lowest lying in the UK, **making it particularly vulnerable to the impacts of climate change**, giving us hotter, drier summers and warmer, wetter winters, and causing sea level rise.

We are playing our part in the global effort to limit further climate change by cutting our operational carbon emissions (the carbon used in the day-to-day running of our business, including energy and transport) to net zero and reducing our capital carbon (the carbon released in building and maintaining our assets) by 70%, by 2030.

Our net zero strategy is centred around encouraging the right behaviours in Anglian Water, our supply chain and with our customers to maximise demand reductions. Our approach includes using 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. We are 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 target to cut capital carbon to 63% against a 2010 baseline and reduce operational carbon by 12% against a 2019/20 baseline. In addition to our efforts on reducing capital carbon, we are now focusing on reducing our operational carbon emissions to net zero by 2030. In 2021, we published a routemap to outline how we are going to reach our target.

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.

In February, we hosted our Climate for Change event in London, in collaboration with the Corporate Leaders Group. Through this event, we aimed to build upon a more coordinated and collaborative cross-sector approach to hitting our common carbon goals by bringing people together who can make a real difference and act as one.

We've set a 2030 deadline on operational carbon rather than using the UK national commitment of net zero by 2050. To reach our 2030 goal, we have set an interim 2025 target to reduce operational carbon emissions by 30% (106,905 tCO₂e) against a benchmark set in 2018/19, and capital carbon by 65% against our original 2010 baseline.

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.

Projects we are working towards 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.

Figure 2 opposite shows our total emissions split by emission cluster at our 2018/19 baseline, in 2024/25 and in 2029/30.



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

Figure 1: Our target pathway to net zero by 2030

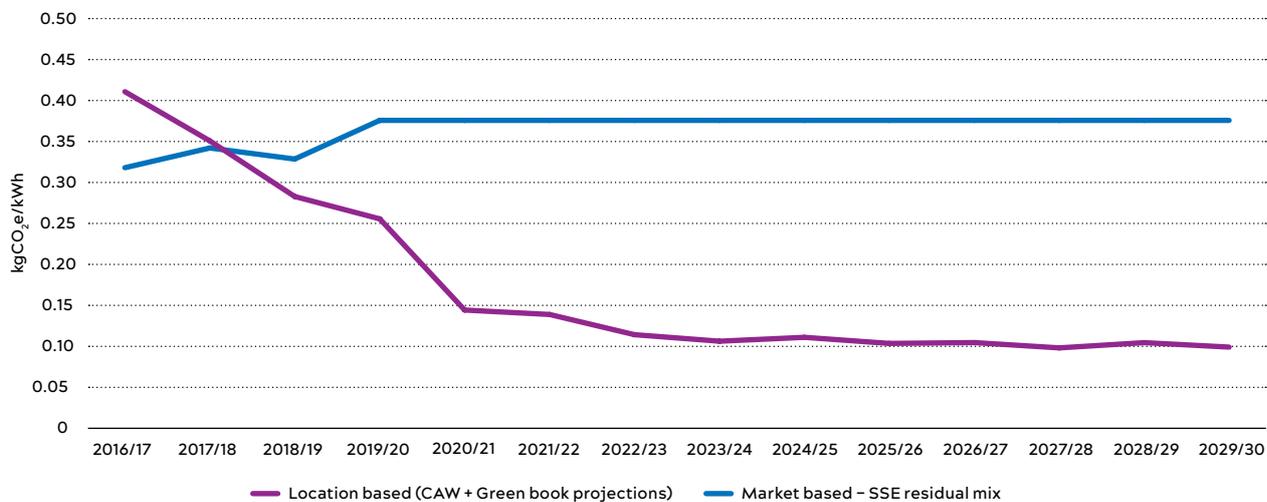
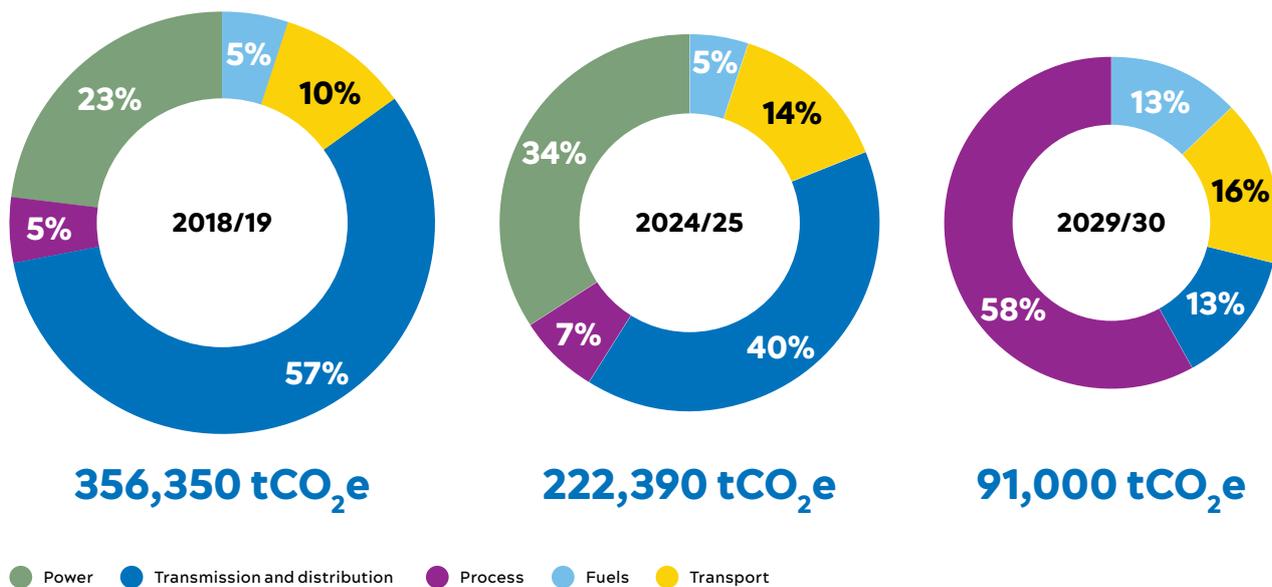


Figure 2: Market-based target pathway - emission clusters



Our 2029/30 residual emissions will consist of:

- 83,000 tCO₂e of direct process and fugitive emissions from wastewater, sludge and water treatment services
- 23,500 tCO₂e of transport-related emissions from HGVs and vans
- 18,300 tCO₂e of emissions arising from electricity transmission and distribution loss, associated with green power purchased from the grid
- 18,600 tCO₂e of emissions associated with fossil fuels used for process heat and emergency standby generation

Our Routemap to Net Zero by 2030 continued

Our net zero strategy is based on:



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 and 13 for more on our net zero routemap, and check out our full net zero strategy at 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 tCO₂e 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 tCO₂e/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 tCO₂e/y of emissions by 2024/25; and
- continue to explore energy storage opportunities in our sites to give us further flexibility.

Procuring green electricity



By 2025, we will:

- meet up to half of our overall grid electricity requirements through a combination of behind the meter renewables generation, by sleeving renewable energy to our sites through corporate power purchase agreements, or by buying REGO-backed green tariffs.

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); and
- 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; and
- develop a hydrogen strategy that will see us playing a greater role in the UK energy economy post-2030.



We've deployed wind turbines, including this one at Tetney in Lincolnshire.

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 N₂O emissions factor and CH₄ emissions from water recycling and sludge treatment;
- seek to reduce CH₄ process emissions and minimise fugitive losses where possible; and
- continue to investigate alternative processes such as Membrane Aerated Biofilm Reactor (MABR) for implementation post 2025, to help avoid N₂O emissions.



Solar energy forms a key part of our 2030 net zero plan. Our carbon targets are linked to our Net Zero Bond. See more on page 37.

Opting for alternative fuels



By 2025, we will:

- replace 30% of our gas oil for non-transport uses with hydrotreated vegetable oil (HVO) while reducing consumption through efficiency gains to save 7,000 tCO₂e; and
- continue our assessment of hydrogen production and use.



25 percent 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% 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; and
- 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.

Climate-related Financial Disclosures

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

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. We fundamentally understand the links between the provision of water supply and water recycling services and the environment. The health of the environment both influences, and is impacted by, our operations.

Our responsibility to the environment 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 71 to 82 of our 2023 Annual Integrated Report](#).

Annual highlights

- Named by the Financial Times and Statista as a 2023 European Climate Leader
- On track to achieve net zero operational carbon emissions by 2030
- On track to achieve a 70% reduction in capital carbon by 2030
- Platinum certified by Achilles Carbon Reduce (formerly CEMARS), signalling 10+ consecutive years of carbon reductions

Governance

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

Management has established various steering groups to manage specific climate-related risks, including the Climate Change and Carbon Steering Group. The achievement of ESG goals is tied to executive compensation by the Remuneration Committee.

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.

Metrics & targets

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

See our Scope 1, Scope 2 and relevant Scope 3 greenhouse gas emissions on page 17.

Our guiding principles are laid out in our net zero 2030 routemap and Climate Change Adaptation Report. Our longer-term climate-related targets are:

- Make the East of England resilient to drought and flooding;
- Work with others to achieve a significant improvement in ecological quality across our catchments;

- Enable sustainable economic and housing growth in the UK's fastest growing region;
- Develop a strategy to further reduce our capital carbon beyond 70% post-2030, with an ambition to be zero carbon well before the national target of 2050; and
- Develop a hydrogen strategy to best understand how we could generate hydrogen, use any oxygen generated from hydrolysis and understand how our HGV fleet could be powered using hydrogen.

Scope 1, Scope 2 and relevant Scope 3 Greenhouse Gas Emissions (GHG)

Metrics and targets

This table meets the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations.

	Units	2021/22	2022/23	Inclusions
Energy consumption used to calculate emissions kWh	kWh	1,047,019,565	1,073,538,749	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 ₂ e	11,936	10,541	Fossil fuel combusted, natural gas and biogas
SCOPE 1 – Process and fugitive emissions	Tonnes CO ₂ e	81,601	85,859	Water and waste water treatment, biogas
SCOPE 1 – Owned transport	Tonnes CO ₂ e	20,854	21,904	Fleet vehicles and company cars
SCOPE 1 – Total	Tonnes CO ₂ e	114,390	118,304	
SCOPE 2 – Purchased electricity	Tonnes CO ₂ e	134,894	121,994	Grid electricity – location-based electric for vehicles
SCOPE 2 – Total	Tonnes CO ₂ e	134,894	121,994	
SCOPE 3 – Business travel	Tonnes CO ₂ e	306	621	Private cars, public transport
SCOPE 3 – Outsourced transport	Tonnes CO ₂ e	12,834	13,144	Outsourced tankers
SCOPE 3 – Purchased electricity	Tonnes CO ₂ e	11,937	11,154	Transmission & distribution
SCOPE 3 – Total significant	Tonnes CO ₂ e	25,077	24,920	We have not included commuting, capital carbon and emissions from use of water in customers' homes
TOTAL ANNUAL GROSS EMISSIONS	Tonnes CO ₂ e	274,362	265,219	
Exported renewables	Tonnes CO ₂ e	-4,946	-6,334	Exported renewables REGO certified
Green tariff	Tonnes CO ₂ e	0	0	
TOTAL ANNUAL NET EMISSIONS	Tonnes CO ₂ e	269,416	258,884	
INTENSITY RATIO – water treated	Kg CO ₂ e per Ml	203.73	192.48	
INTENSITY RATIO – recycled water	Kg CO ₂ e per Ml	425.20	409.54	
INTENSITY RATIO – recycled water	Kg CO ₂ e per Ml	232.61	227.79	Full flow to treatment

Methodology: Emissions have been calculated using Carbon Accounting Workbook v17 (2023) an industry standard reporting tool. 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 2023 to calculate the above disclosures. There have been no methodological changes in the way emissions have been calculated in financial year 2022–2023 against 2021–22.

The reporting boundary covers the emissions within the regulated activity of Anglian Water Services Ltd where we have operational control i.e. all Scope 1 emissions, all Scope 2 emissions and Scope 3 emissions of outsourced transport, business travel and transmission and distribution losses.

The numbers reported have been verified by Achilles Carbon Reduce (formerly CEMARS) as being measured, managed and reduced in accordance with ISO 14064-1. This verification process has been followed since 2011.

We aim to be a net zero carbon business by 2030. This is defined as net zero emissions where we have operational control as set out in our net zero carbon routemap 2030.

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.

Our Sustainability Finance Framework currently 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. Our current framework [can be found here](#).

We are working on updating our Sustainable Finance Framework which will combine with our Green Bond Framework and Sustainability-Linked Framework to align with current market standards. This will ensure our framework remains current and are well positioned to evolve with future market developments.

Once this workstream is complete, we will publish the updated framework on our website.

Glossary

Name	Definition
Green Bond	Green Bonds are 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 and which are aligned with the four core components of the Green Bond Principles. Different types of Green Bonds exist in the market.*
Social Bond	Social Bonds are 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 and which are aligned with the four core components of the Social Bond Principles. Different types of Social Bonds exist in the market.*
Sustainability Bond	Sustainability Bonds 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 .*
Sustainability-Linked Bond (SLB)	Sustainability-Linked Bonds (SLBs) 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 .*
AMP	Asset Management Period – the five-yearly cycle over which water companies are regulated by water regulator Ofwat.
AWSF	Anglian Water Services Financing Limited – the financing entity that legally issues debt.
AWOF	Anglian Water (Osprey) Financing Limited – the financing entity that legally issues debt.
AFIP	Aigrette Financing (Issuer) plc – the financing entity that legally issues debt.

* Source: ICMA website: [icmagroup.org/sustainable-finance/](https://www.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
Allocation of proceeds	DNV	All spend reported as allocated; project categories	Click here for report
Capital carbon	DNV	tCO ₂ e	Click here for report
	BSI PAS 2080	Carbon management in Infrastructure	Click here for report
Operational carbon	Achilles	tCO ₂ e	Click here for report
Water leakage	Jacobs	Megalitres per day of water lost through leakage	Click here for report
Priority Service Register	DNV	Number of customers signed up to Priority Service Register	Click here for report
Climate resilience score	DNV	Score 1-3	Click here for report
Sustainability-Linked Bond Framework	DNV	Documented framework	Click here for report
Anglian Water Green Bond Sustainability Framework	DNV	Documented framework	Click here for report



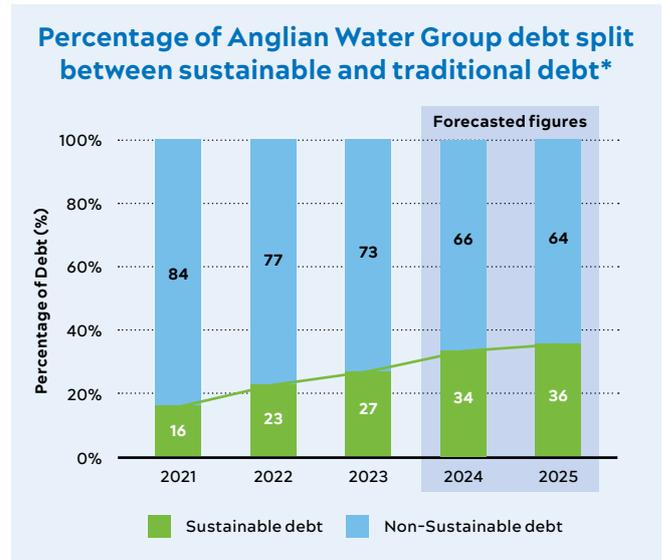
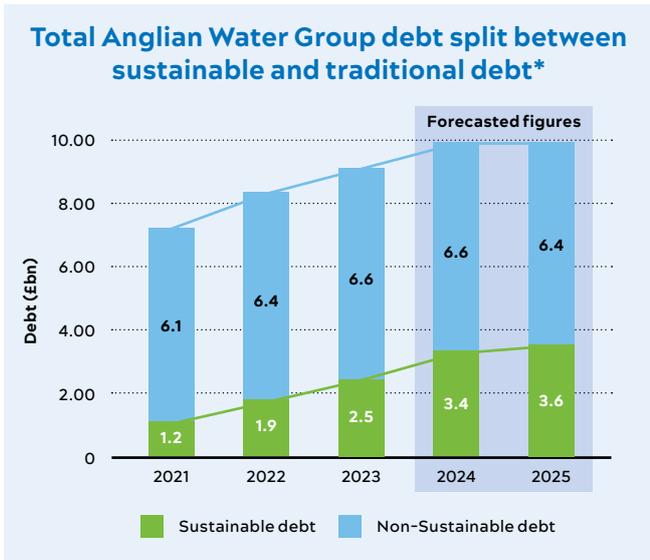
Sustainable Finance Programme continued

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

ICMA Category	AWG Green/Social Project Category	AWG Definition
Sustainable water and wastewater management	Sustainable service (water recycling)	Capital maintenance of water recycling infrastructure to prevent deterioration of services to customers and the environment
Sustainable water and wastewater management	Sustainable service (water)	Capital maintenance of water infrastructure to prevent deterioration of services to customers and the environment
Sustainable water and wastewater management	Providing safe clean water	Water quality initiatives such as replacement of lead pipes and treatment of raw water that contains agricultural pollutants such as nitrates
Environmentally sustainable management of living natural resources and land use	Improving our environment	WINEP obligations to improve ecological status of water bodies, both river and coastal areas
Environmentally sustainable management of living natural resources and land use	Super green	Natural capital solutions for phosphorous removal, water framework directive measures and eels programme
Climate change adaptation	Community improvements	Flood risk reduction, removing persistent low pressure, connecting villages on the network
Climate change adaptation	Resilient services	Improvements to single points of failure and security to outside threats
Climate change adaptation	Resilient Water supplies – supply capacity measures	Supply-side measures set out in Anglian Water’s Water Resources Management Plan (WRMP) – securing supplies from climate change and growth in the region
Climate change adaptation	Resilient Water supplies – demand reduction measures	Demand-side measures set out in the WRMP, including smart metering and leakage – securing supplies from climate change and growth in the region
Affordable basic Infrastructure	Sustainable growth	Accommodating new housing in our region including community surface water removal measures



DNV’s full assurance report, including their conclusions and summary of work, can be found on our website: www.awg.com/reports/



* 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.

We have bold ambitions through the rest of this AMP to 2025 to continue funding some of our biggest environmental improvement programmes yet. The next page looks forward and outlines our ongoing works to reduce the impact of storm overflows.



In March 2022, we launched Get River Positive with five key pledges to create a flourishing and thriving environment. In it, we pledged Anglian Water’s assets will not be the reason for any stretch of river being classed as ‘unhealthy’ by 2030. To make that a reality, this year we’ve expanded our newly created Quality and Environment directorate and appointed a new Director of Water Recycling – with both teams, supported by the entire business, dedicated to improving river health.”

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%. 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 been deployed and the investments financed through this debt are likely to save or avoid 162,073 tonnes of carbon now these projects have been delivered.

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 20, and no further reporting will be made on AMP6 expenditure, subject to the conditions set out in the AMP6 Framework.

Sustainable investing

The funds we’ve received from investors as Green Bonds are predominantly invested in sustainable investments until they are allocated to project spend and withdrawn from the account. The landscape for sustainable investments is rapidly expanding and we will continue to engage with banks and investment managers to develop our Treasury policy and investment strategy.

Our Capital Delivery Programmes 2020–2025

Our ambitious plan for 2020–2025 (Asset Management Period 7) 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.

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



Retrospective



Looking ahead

Case study:

Reducing the impact of storm overflows

Storm overflows, also known as Combined Sewer Overflows, were developed as valves to reduce the risk of sewage backing up into homes and properties during heavy rainfall. These types of overflows are no longer designed into modern sewerage systems as the foul and surface water sewers are built separately. Storm overflows are permitted to operate by the Environment Agency (EA) under certain conditions, to protect homes and businesses from flooding. Without them, this excess storm water would back up through toilets, drains and manholes flooding properties.

Storm overflows are several decades old and removing them completely would be complicated, disruptive and expensive, with an estimated price tag of £600 billion to effectively re-plumb major towns and cities across the UK. Since privatisation, we have revoked the permits for 13% of our overflows, but we understand the need to go further. We have pledged to reduce storm spills to an average of 20 by 2025 and eliminate harm from storm overflows by 2030.

This year we met our 2025 target to reduce spills, with an average of 15 spills per overflow – the lowest in the industry (which averaged 29). We recognise one year of performance ahead of target does not mean the job is complete, but the progress and positive downward trajectory is clear. Spill duration has also more than halved. More than 86% of our storm overflows are fitted with an Event Duration Monitor and we will have full coverage by the end of the year, well ahead of the Government’s target.

We have made substantial improvements to our sewer network to reach this point. For example, since 2020 we have installed over 100 storm tanks, many of them ahead of schedule. In the past year, we’ve increased capacity at 40 sites adding over 11,000m³ of storm storage to the network. 63% of these were delivered early and over the next two years we will be increasing capacity at a further 56 sites.

As part of our wider work to reduce the impact of storm overflows, we are upgrading assets at 52 of our water recycling centres, enabling us to treat more flow and reduce the risk of spills to the environment. This year, we have delivered nine flow-to-full treatment schemes, four of which were delivered early. The reduced nutrient loading facilitated by these schemes will increase the resilience of our region’s rivers to storms and other events.

We have also conducted 40 investigations under our Storm Overflow Assessment Framework (SOAF) to understand what, if any, environmental impact our most frequent spillers have. As a result, we have committed to improving 10 works, and have begun delivering on these. To facilitate this, we have delivered five of the investigation schemes ahead of their regulatory requirement of completion. And, we have also recently identified one additional opportunity to deliver another improvement scheme in Frinton to reduce spills to the environment under the SOAF.

To facilitate transparency with our wider stakeholders, this year we launched an interactive map on our website showing where our storm overflows are located and data about how often they spilled in 2022. We are working to provide near real-time spill data by the end of 2023.

This year, £93 million was invested to increase storm water capacity at 40 sites, protect and improve bathing water quality, and make a wide range of enhancements to the environment. All as part of our biggest ever environment programme, WINEP, worth £811 million between 2020 and 2025.

What’s the difference between a pollution and a storm overflow?

A **storm overflow** acts as a safety valve, allowing excess water into rivers and the sea to prevent sewers overflowing during periods of heavy or prolonged rainfall or snow melt. Under extreme weather conditions, storm overflows prevent sewers from becoming overloaded, acting as the pressure release that allows floodwater to escape into a river or the sea, and not back up into the toilets and shower trays of ground floor bathrooms. Because of the job they do, most of what they release is extremely diluted.

Pollutions cover anything found in the environment which shouldn’t be there that is causing an impact. Lots of different types of pollution can affect rivers including chemical spills, farming run-off to sewage and household waste. We also report storm spills on dry days as pollutions, however, companies report pollutions differently across the sector, meaning true comparison is difficult. Over 41% of pollutions are mainly caused by blocked pipes where wastewater backs up and overflows, coming back to the surface from underground sewers and drains. To find out more about how we are reducing pollutions, our Pollution Incident Response Plan can be [found here](#).



Average number of spills per monitored storm overflow



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 2022	Deposits during 2022-23	Net interest income	Total proceeds
Green Bond 2036 £35 million	35,019,865.00	-	1,049.00	35,020,914.00
Biodiversity Bond 2026 \$35 million	25,487,529.00	-	153,066.00	25,640,595.00
Green Bond 2032 C\$350 million	-	224,820,144.00	1,091,809.00	225,911,953.00
Green Loan 2040 £100 million	-	100,000,000.00	421,517.00	100,421,517.00
Green Bond 2037 £266 million	-	266,000,000.00	1,120,376.23	267,120,376.23
Total	60,507,394.00	590,820,144.00	2,787,817.23	654,115,355.23

All figures in table are in GBP for all bonds	Drawn as of 31 March 2022	Bond draws in 2022/23	Drawn as of 31 March 2023	Ring-fenced account balance as of 31 March 2023
Green Bond 2036 £35 million	34,161,502.00	859,412.00	35,020,914.00	-
Biodiversity Bond 2026 \$35 million	2,079,949.00	20,786,172.00	22,866,121.00	2,774,474.00
Green Bond 2032 C\$350 million	-	177,966,033.04	177,966,033.04	47,945,919.90
Green Loan 2040 £100 million	-	31,300,000.00	31,300,000.00	69,121,517.03
Green Bond 2037 £266 million	-	175,500,000.00	175,500,000.00	91,620,376.23
Total	36,241,451.00	406,411,617.04	442,653,068.04	211,462,287.16

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 Anglian Water 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.
- **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 0 is not resilient.

All figures in table are in GBP for all bonds	Drawn as of 31 March 2023	Spending allocation	Capital carbon reduction from baseline (tCO ₂ e)	Climate resilience score
Green Bond 2036 £35 million	35,020,914	63,746,735	5,005.7	2
Biodiversity Bond 2026 \$35 million	22,866,121	26,836,531	1,124.91	1
Green Bond 2032 C\$350 million	177,966,033	235,683,193	1,450.78	1
Green Loan 2040 £100 million	31,300,000	38,249,486	1,416.10	2
Green Bond 2037 £266 million	175,500,000	221,844,598	1,978.85	1
Total	442,653,068	586,360,543	10,976.34	

For additional details on assurance on selected metrics from independent assurer, DNV, see page 39.

Affordable Basic Infrastructure

Green Loan 2040 £100m

Issuer	AWSF
Currency	GBP
£ equivalent	100 million
Issue date	29 Sept 2022
Maturity date	28 Oct 2040
Coupon	3.017%



Our Treatment teams are responsible for the operation and maintenance compliance of over 1,100 water recycling centres across our region.

Sustainable growth

	Spend to date £	Total spend £	% complete	Capital carbon reduced on completed works tCO ₂ e	Climate resilience score
Sludge Treatment Works	£49,022	£10,779,204	1%	WIP	WIP
Water Recycling Centre- Dry Weather Flow Programme	£2,372,757	£28,035,754	9%	WIP	WIP
Water Recycling Centre – Capacity Enhancement	£2,478,421	£23,537,332	11%	WIP	WIP

WIP: Work in progress

The amount of water we have available in future is reducing due to climate change, the need for greater environmental protection, and the increasing population. Vital infrastructure is already underway to bridge the deficit.

The investments from this loan cover our work to increase supply capacity at our Water Recycling Centres, in anticipation of greater demand and to treat increased flows. Investments covered a growth scheme at Towcester Water Recycling Centre, where we are adding c.3,350 population equivalent capacity to the site.

Use of Proceeds Debt continued

Affordable Basic infrastructure continued



Case study:
Expanding capacity for future generations

Our region is one of the fastest growing in the country. Growth projections exceed 175,000 new homes over the next five years, and by 2050 the region could be home to nearly one million more people.

In anticipation of growth, there is a need to increase capacity at our Water Recycling Centres (WRC) to balance the extra load on our region. At our WRCs, we recycle used water and return it safely to the environment. Anglian Water is responsible for over 1,100 water recycling catchments, covering areas with fewer than fifty people to urban densities of over 300,000.

This year, we have invested in process capacity and increased sludge treatment. Sludge Treatment Centres (STC) recycle sewage sludge into biosolids that can be used as an agricultural soil conditioner. During the treatment process gas is generated, which is diverted to Combined Heat and Power (CHP) engines. This enables us to generate our own renewable power on site, which we use to fuel our sludge treatment processes. We currently have ten sites producing more than 113GWh per annum. Any excess power is exported to the grid. We are responsible for processing around 150,000 tonnes of sludge per annum.

One of our main projects is at our Water Treatment Centre in Whitlingham, Norwich, where we are increasing sludge treatment capacity. Working closely with Royal Haskoning DHV, we identified an opportunity to develop a new hydrolysis technology that would maximise our plant’s biogas production from sludge. This would also reduce operating costs and the plant’s carbon footprint too. The digestion technology significantly increases the biogas yield over conventional digestion. At the same time, it transforms the remaining biosolids into a high quality biosolids resource that can be utilised in agriculture as a nutrient and a soil conditioner.

The project at Whitlingham is currently in the design phase, with the additional digester technology and capacity being complete by the end of the AMP.

Through increasing capacity and implementing innovative sludge digestion technology, we are preparing to cater to additional growth in the area; as well as process excess sludge as a result of our phosphorus removal schemes – a key project to improve river health.

United Nations’ Sustainable Development Goals



Working with local stakeholders to anticipate growth

Over the past three years, we’ve worked with a number of key stakeholders, including our customers, to identify current and future risks to drainage and water quality and the solutions we need to deliver to address them. We’ve identified almost 600 catchments at potential risk, as a result of local authority growth forecast, climate change, and flood and pollution concerns in certain catchments.

Our Drainage Wastewater Management Plan (DWMP) outlines how we will plan for investment in drainage, treatment and sewerage systems over the next 25 years (2025–2050). The plan supports our vision for a fully integrated water and water recycling system that provides reliable, affordable and sustainable levels of service for customers and business, while fully protecting the environment. [Read more here.](#)

Sustainable Water and Wastewater Management

Green Loan 2040 £100m continued

Issuer	AWSF
Currency	GBP
£ equivalent	100 million
Issue date	29 Sept 2022
Maturity date	28 Oct 2040
Coupon	3.017%



Safe, clean drinking water is consistently a top priority for customers.

Resilient Water supplies – supply capacity measures

	Spend to date £	Total spend £	% complete	Capital carbon reduced on completed works tCO ₂ e	Climate resilience score
Strategic Solutions and Optimisation	£38,117,427	£67,376,366	57%	WIP	WIP

WIP: Work in progress

The investments from this loan cover our work to enhance our supply capacity, in anticipation of greater demand. This year, we have worked to improve the operational efficiency of assets and systems and improve asset condition and reduce our carbon emissions, through optimising our treatment and processes and refurbishing and replacing equipment.

We also have a number of programmes to ensure our water achieves full compliance with drinking water quality standards, including improvement of treatment capabilities and continued treatment processes and maintenance projects including replacing lead pipes.

Use of Proceeds Debt continued

Sustainable water and wastewater management continued

Green Bond 2037 £266 million

Issuer	AWSF
Currency	GBP
Amount £	266 million
ISIN	-
Issue date	09 Nov 2022
Maturity date	09 Nov 2037
Coupon	6.07%



This bond covers various maintenance works. This involves the creation, refurbishment or replacement of assets pertaining to the resilience of water supplies, both in terms of the water supply and water recycling infrastructure. The bond covers expenditure on maintaining sewage pumping stations, where failure would result in flooding, pollutions and loss of service to customers.

Sustainable service (water recycling)

	Spend to date £	Total spend £	% complete	Capital carbon reduced on completed works tCO ₂ e	Climate resilience score
Sustainable service (water recycling)	£58,067,083	£128,543,067	45%	866.9	1
Sustainable service (water)	£173,596,502	£285,186,731	61%	1112.0	1

A review of expenditure on Vacuum Pumping Stations has identified a number of sites with high reactive costs including responses to alarms and loss of service. Capital investment covering interventions to modify these sites – including additional Vac pots, changes to telemetry, relocation of pots and changes to pumps – will result in reduced operational expenditure and improved customer satisfaction and service.

Green Bond 2036 £35 million

Issuer	AWSF
Currency	GBP
ISIN	-
Issue date	30 Apr 2021
Maturity date	30 Apr 2036
Coupon	2.14%



Schemes under this bond include the renovation of 10 Combined Heat and Power (CHP) engines. These engines help us to reduce operational carbon emissions in line with our net zero 2030 routemap. We've also added enhanced maintenance to screens at the start of the treatment process to prevent unflushables and large debris getting into other part of the process and causing blockages.

Climate change adaptation

Green Bond 2032 CAD 350 million

Issuer	AWSF
Currency	CAD
Amount	CAD 350 million
GBP Equiv	£224.8 million
ISIN	CAG0372VCQ54
Issue date	26 Aug 2022
Maturity date	26 Aug 2032
Coupon	4.53%

Funds deployed will help to prevent flooding of assets and properties.



Resilient Water supplies – supply capacity measures

Capital project	Spend to date £	Total spend £	% complete	Capital carbon reduced on completed works tCO ₂ e	Climate resilience score
WRMP and Drought	£240,863,694	£900,649,603	27%	1450.78	1

Metric

Population supported by additional resilience (number) ¹	333,000
Increases to water supply from the WRMP (Ml/day) ²	469.4
Reductions in water abstraction from the WRMP (Ml/day)	85
Biodiversity Net Gain (from 2019 baseline) %	22.08

- 1 The population supplied by additional resilience reported here is aligned to our % population on a single supply Performance Commitment, which these schemes contribute towards.
- 2 The increases to water supply metric reported here is aligned to our internal interconnectors Performance Commitment which measures additional capacity supplied via transfers or treatment and enables us to reduce abstraction in environmentally sensitive areas.

These schemes contribute towards increasing supply options and reducing the amount of water we abstract, which is one of the most important things we can do to protect the environment.

The Water Resources Management Plan (WRMP) and Drought schemes are being delivered through our strategic alliances, the Strategic Pipeline Alliance and the Integrated Mains Work Alliance. The metrics above are forecasted numbers on completion of these schemes.

In 2022/23 the Norwich Water Resources Zone (WRZ) to North Norfolk Rural WRZ scheme was completed, delivering an increase to water supply benefit of 5 megalitres a day (Mld). Alongside the Norwich and The Broads WRZ to Happisburgh WRZ scheme, which completed in 2021/22, these two schemes have provided additional resilience and supplies to 19,000 properties. We are on track to complete the East Ruston scheme in early 2024 enabling us to cease abstraction from the East Ruston and Witton boreholes. The project will help to reduce the amount of water taken from the local environment by more than 2 million litres per day, protecting the local Broad Fen, Site of Special Scientific Interest (SSSI). Biodiversity Net Gain increases are being calculated as the final designs progress.

The remainder of the schemes are progressing through delivery to be completed in 2024/25 with main laying of our strategic interconnecting pipeline underway at a large number of sites across the region. As with a project of this scale, it has been extremely complex. This complexity has been exacerbated by, Covid-19, dealing with multiple different local councils and supply chain challenges, resulting in delays. Despite these delays, which have caused a timing difference between the cost profile in the Business Plan and our actual spend profile, we have made great progress in recent months and expect to complete the project within the original target dates.

Use of Proceeds Debt continued

Case study:

Strategic Pipeline Alliance



We have a growing population to serve and demand for water is only going to increase as our summers get hotter. To build resilience against climate change and the pressures within our region, we’re investing in vital infrastructure to keep supplies flowing. This includes our interconnected pipeline, which will bring in water from more sustainable sources.

Together with our Strategic Pipeline Alliance (SPA) partners: Costain, Farrans, Jacobs and Mott MacDonald Bentley, we’re delivering the biggest infrastructure programme in Anglian Water’s history. Our pipeline will be key to moving water around the region to improve resilience to drought and keeping fresh, clean water flowing to homes and businesses. By 2025, we’ll have hundreds of kilometres of pipelines and upgraded infrastructure to allow water to be moved around our water-scarce, growing region.

The pipeline is a new way of approaching our water resource challenge, with hundreds of kilometres of interconnecting pipelines allowing us to move water from areas where there is a surplus to areas where there is not. This will protect vulnerable habitats as we reduce abstraction in sensitive environments.

Starting at Elsham in North Lincolnshire, the pipeline will end near Colchester in Essex, and Ipswich in Suffolk – making it as long as the M1 motorway. Commissioning of the 12.5km Norwich to Wymondham section is now complete. The next section to be commissioned is the 34 kilometres linking Lincoln and Grantham. Planning permission has now been granted for the route of the 70-kilometre stretch between Bexwell and Bury St Edmunds, meaning permission is now in place for about two-thirds of the route.

In a first for the UK water industry, with our partners, we developed an innovative new technique to clean the newly laid water pipe to food hygiene standards without using vast amounts of water. Known as ‘Low Water Commissioning’, we used it to flush the first section of SPA’s new network, a 12.5km pipeline in Norfolk. A length of 700mm diameter pipe around a kilometre long would need around 380,000 litres of water to clean it with traditional methods – a volume simply not tenable given the scale of our pipeline.

Low Water Commissioning uses just 15% of the water in comparison by using compressed, dry and clean air to drive slugs of water between swabs to clean and disinfect the pipes. The technique saw us win the ‘Groundbreaker Award’ at the 2023 Water Industry Awards.

We are also developing a digital twin to mirror the physical infrastructure, which will provide 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.

In addition, the SPA team has innovated to reduce 200,000 tonnes of CO₂e from being emitted, through using existing materials including 67km of existing Anglian Water pipe network and upgrading existing pumping stations, instead of installing new infrastructure. This is helping the project to remain on track to meet its industry leading 65% reduction capital carbon target and supports Anglian Water’s wider net zero ambition.

Furthermore, our SPA team is committed to leaving a lasting green and social legacy – from planting thousands of trees and wildflowers, to donating more than 2,000 books and resources to primary schools up and down the pipeline route, supporting Bookmark reading – a national reading charity.

We were awarded ‘Deal of the year: Bond below GBP 750m’ by the Association of Corporate Treasurers for our funding mechanism for our strategic pipeline project, where we have used the first Maple Green Bond in Canadian market history.

The judges said: “In a very competitive category, the Anglian Water bond stood out as the first-ever Maple Green Bond in the Canadian market, helping the company to diversify its investor base while providing financing for a strategically important project.”

United Nations’ Sustainable Development Goals



Super Green

Biodiversity Bond 2026 \$35 million

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



Capital project	Spend to date £	Total spend £	% complete	Capital carbon reduced on completed works tCO ₂ e	Climate resilience score
WINEP – Eels	5,208,464	6,622,581	79%	2182.17	1
River Restoration	2,098,151	11,008,314	19%	WIP	WIP
WINEP – Water Framework Directive No deterioration	19,529,916	27,076,170	72%	2823.54	1

WIP: Work in progress

Recognising the responsibility we have to contribute to nature recovery, we are committed to delivering 10% biodiversity net gain across our capital schemes and land management activities where there is a material impact on biodiversity. Over the past year, we delivered 281% net gain. Many of the enhancements were delivered via our @one Alliance, and through our land management activities.

We completed the installation of 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. 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 saw screens installed 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.



Use of Proceeds Debt continued

Case study:

Restoring rivers through our phosphorus removal programme



In March 2022, we launched Get River Positive. It is our commitment to ensure that Anglian Water’s assets will not be the reason for any stretch of river being classed as ‘unhealthy’ by 2030. Get River Positive is underpinned by five key pledges to create a flourishing and thriving environment.

Water companies, on average, are responsible for 27% of the reasons rivers are not achieving good ecological status (RNAGs). In the Anglian Water region, we are responsible for 17.9% of RNAGs, a number that’s reducing as we continue our investment and improvements.

So far, we have invested £93 million on environmental protection and improvements, and we’re partnering with Severn Trent and collaborating with other sectors to help them reduce their impact on rivers and the environment, too.

This includes phosphorus and ammonia treatment. 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, run-off 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 since privatisation, and since then phosphorus concentration in rivers is down by 80%. During this AMP, we have injected more funding into around 150 schemes. This represents a seven-fold increase in investment, which will aim to achieve a further 60% reduction in phosphorus levels in our waterways. So far, our phosphorus removal schemes have improved 22.4km of river since 2020.

There are a number of ways to treat high concentrations of phosphorus. For example, our £1.4 million programme of works at Monks Eleigh this year covered the installation of a chemical dosing package, a new attenuation tank with flow-to-full control and inlet flowmeter, new site drainage and an increase in power supply to maintain supply to these new assets. We have also refurbished two sludge drying beds for additional sludge creation.

This year, we have commissioned five similar schemes to remove phosphorus, all of which were delivered ahead of schedule.

We continue to seek nature-based solutions to remove unwanted chemicals such as phosphorus, rather than adding more carbon-intensive assets and chemicals to our treatment processes, which is both unsustainable and risks pushing up customer bills. Wetlands act as a sustainable, low-carbon, natural wastewater treatment system that can boost biodiversity. Through our Get River Positive initiative, we have committed to delivering 26 new treatment wetlands. Wetlands enable us to deal with nutrient loading from phosphate and nitrate in a way that delivers a raft of environmental outcomes over and above traditional nutrient removal methods.

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	AWSF	AWOF	AFIP	AWSF
Currency	GBP	GBP	GBP	GBP	GBP
Amount	550	50	250	30	100
£ equivalent	550	50	250	30	100
Unique Identifier	F14 F 0.35 2024 GBP 550m	F15 BOC 0.35 2024 GBP 50m	F20 F 2.55 2026 GBP 250m	F31 F 2.75 2024 GBP 30m	L06 A Fix 1.588 2024 GBP 100.0m
Issue Date	24 June 2019	24 June 2019	16 June 2021	28 Oct 2021	06 Dec 2019
Maturity Date	24 June 2026	24 June 2026	16 June 2026	28 Oct 2025	04 Oct 2024
Margin	0.35%	0.35%	2.25%	2.75%	1.58%
Ref Rate	SONIA	SONIA	SONIA	SONIA	Fixed

Issuer	AWSF	AWSF	AWOF	AFIP	AFIP
Currency	GBP	GBP	GBP	GBP	GBP
Amount	75	75	105	125	95
£ equivalent	75	75	105	125	95
Unique Identifier	F35 F NAT 1.05 2029 GBP 75m	F36 F NAT 1.15 2032 GBP 75m	L01 A Fix 2.200 2028 GBP 105m	LO1 A Fit 0.00% 2026 GBP 125m	SF H SONIA 2027 GBP 95m
Issue Date	01 Nov 2022	01 Nov 2022	15 Dec 2021	13 July 2021	09 Dec 2021
Maturity Date	01 Nov 2029	01 Nov 2032	15 Dec 2028	16 June 2026	09 Dec 2027
Margin	1.05%	1.15%	2.25%	3.25%	3.25%
Ref Rate	Fixed	Fixed	Fixed	SONIA	SONIA

In total, we have £880 million of revolving credit facilities and £575 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 two KPIs and there was no change to our fees.

Sustainability-Linked Loans continued

Sustainability performance targets

Sustainability key performance indicator

Capital carbon



Measure: Percentage reduction in carbon emissions from construction activity measured in tonnes of CO₂ equivalent compared to a 2010 baseline.

Actual:
63.2%

Target:
63.0% (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% 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:
2.92

Target:
1.50 (not met)

The Compliance Risk Index (CRI) is the Drinking Water Inspectorate's headline measure of water quality compliance. Our Compliance Risk Index (CRI) score for this year demonstrates the robust processes and controls we have in place to manage water quality, especially given the operationally challenging year. The CRI score of 2.92 (against a target of 1.50) is almost half the industry average of 5.

Whilst not quite meeting our Ofwat set target, we saw a 29% improvement compared to 2021 (4.04 in 2021). 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.



We closely monitor our water before, during and after the treatment process, ensuring it meets stringent water quality standards.



Through the drought, our teams innovated, using drones to spot flora growth and identify leaks.

Sustainability key performance indicator

Water leakage

Target not met

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

Actual (MI/d):

179.5

Target (MI/d):

177.6 (not met)

For the first time since 2010, we missed our regulated leakage target owing to the weather impacts both in summer and winter. However, it was still a reduction on 2022 and our lowest ever leakage level. At 179.5 MI/d, our three-year rolling leakage continues to improve and is now 7.5% below 2019/20 levels, and builds on our industry leading leakage performance last year.

Sustainability key performance indicator

Pollution incidents

Target not met

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

Actual:

33.4

Target:

22.8 (not met)

In 2022, our Category 1-3 pollutions per 10,000km sewer totalled at 33.36. In 2021/22, the total was similar at 33.75. Our performance remains off target and improving our pollutions performance is an absolute priority. Zero is the only acceptable number for serious pollutions and our plan is geared to achieving this. While classified as ‘serious’, none of the events resulted in any distressed or deceased wildlife.

Following close review, we know the very narrow watercourses, owing to the heavily drained nature of our region, create an increased vulnerability for serious pollutions. This is something we are looking to address. The progress we are making on our Pollution Incident Reduction Plan will give us greater insight on asset health, but it will take time for the cumulative benefit to feed through to our results. Read more about what we’re doing to [reduce pollutions here](#).



Blockages account for 41% of pollution incidents on our sewer networks. We are installing monitors across our network, to help us detect a blockage forming so that we can clear it before it causes an impact. We clear over 40,000 blockages every single year, caused by wrongly flushed items, as well as a build-up of fats, oils and greases. This equates to one blockage every five minutes – of which 80% are avoidable. Find out more about what we are doing to reduce pollutions, here: www.anglianwater.co.uk/environment/enhancing-the-environment/pollution-prevention/

Sustainability-Linked Loans continued

Sustainability performance targets continued

Sustainability key performance indicator

Supporting vulnerable customers



Measure: Number of domestic households on PSR – as % of the number of households (connected properties)

Actual:
11.4%

Target:
6.1%_(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 significantly ahead of target on our Priority Services Register, which has already met the full AMP target of 7%. Now, 11.4% of customers are signed-up to the PSR against a national average of 5%.

We offer services from reading meters, to sending bills in other formats. However, many customers aren't aware they qualify for this service and we've been on a mission to redress that balance. We proactively get in touch with our PSR customers every two years at least, to check in and see if there's anything else we can help with. We continue to identify and support more than 1,400 customers each week through our PSR team and remain committed to helping vulnerable customers in our community in line with our purpose. We have a dedicated customer partnerships team who help us form relationships with organisations that support specific community groups and those who are more challenging to reach, for example, the vulnerable and/or disabled.

Our commitment to supporting vulnerable customers and providing access to support services was reflected in our achievement of the new British ISO standard 22458: Customer Vulnerability in January 2023. We are one of only two water companies to achieve this.

Our PSR support is one aspect of our wider strategy to support vulnerable customers, particularly as the cost of living crisis takes hold. This year, our tailored affordability support package for customers totalled more than £65 million (and will be doubled in 2023/24), helping more than 344,000 customers with discounts, temporary payment plans, debt support schemes, payment breaks, and hardship funds.

We significantly lowered the eligibility threshold for our social tariff, LITE, resulting in a doubling of customers benefiting from reduced bills. We now support more than 110,000 customers with a lower bill through LITE.

We utilise every avenue to reach people in need of support before they fall into arrears, including working with the Department for Work and Pensions and Housing Associations to proactively identify customers in hardship. Using this data, we have been able to automatically passport more than 13,600 customers onto our financial support schemes. Our trained Extra Care teams help customers create personalised plans to pay their bills and utilise our industry-first, all-in-one benefits assessment calculator to point customers towards additional cost of living assistance. Between April 2022 and March 2023, we conducted 63,149 Extra Care assessments, supporting 6,535 customers by identifying more than £2.6 million pounds of unclaimed benefits, helping them maximise their income.

Our Extra Care team has also been on hand to support customers with payment plans and setting up direct debits, along with signposting them to the broad package of support we offer.



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% of investors have been asset managers and hedge funds, with 85% 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 CO₂ equivalent compared to a 2018/19 baseline.

2023 actual:
35,167
tCO₂e

2025 target:
106,905
tCO₂e

In 2022/23 our carbon emissions were 321,184 tCO₂e, delivering a reduction of 35,167 tCO₂e and representing a 9.9% decrease in emissions against a 2018/19 baseline. This reduction has been achieved as a consequence of energy consumption reductions through our 20GWh challenge, through our ongoing programme of electrification of our vehicle fleet, and increase in use of renewable electricity.

Sustainability key performance indicator

Capital carbon

Measure: Percentage reduction in carbon emissions from construction activity measured in tonnes of CO₂ equivalent compared to a 2010 baseline.

2023 actual:
63.2%

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, and were instrumental in the development of PAS 2080 Carbon Management in Infrastructure.

Strong capital carbon reductions in 2022/23 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-intensive construction required.

Since the start of this AMP period, completed projects have achieved a capital carbon saving of 83% (24,468 tCO₂e). 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 Ratings

We have a track record of securing **external validation of our ESG impact and business resilience.**

MSCI	
2023:	AA
2022:	AA

This year, we maintained our AA rating in MSCI’s 2023 ESG rating – the second-highest ranking for the second year running. The measurement assesses a company’s resilience to long-term ESG risks. Our approach to corporate governance and business ethics practices was hailed as ‘globally leading’.

CDP	
2022:	B
2021:	A-

A CDP score provides a snapshot of a company’s disclosure and environmental performance, assessing environmental impact. This year, our climate questionnaire submission received a B rating. A B score indicates that we have addressed the environmental impacts of our business and ensure good environmental management.

Moody’s	
2023:	CIS-3
2022:	CIS-3

Moody’s ESG Credit Impact Score summarises the potential impact of ESG-related credit risks on a company’s creditworthiness. The Moody’s methodology considers inherent creditworthiness as opposed to management’s ability to influence the outcome. Our score is moderately negative (CIS-3), reflecting moderate environmental, social and governance risks but also recognises mitigating factors, such as the regulated nature of water companies’ activities and their investment requirements, including a forward-looking allowance for efficient cost.



DNV Assurance Appendix

KPI	Units	Definition	Methodology and comments
Capital carbon reduction	tCO ₂ e (tonnes CO ₂ equivalents)	Carbon savings associated with the Green Bonds issued The capital carbon emissions avoided by projects in the Totex (Total expenditure. This includes our capital expenditure and operational expenditure) investment programme against a 2010 baseline	Net capital carbon reduced from baseline is calculated in line with PAS2080, the global standard for managing carbon in infrastructure, which we helped to develop, and which is now being 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.
Priority Service Registry (PSR) – Reach	%	Number of domestic households on PSR - as % of number of households (connected properties) in 2022/23	The PSR is kept up to date and regularly reviewed to ensure customers are receiving the right support. Number of connected properties is based on domestic properties supplied with water and/or wastewater services excluding any void properties.
Climate Resilient Projects	1-3	The weighed average (by tCO ₂ e) Climate resilient score for all projects completed/ under construction in 2020/21, 2021/22 and 2022/23	Climate resilience score is based on the assessment of completed projects against a number of climate related hazards, including whether assets will be impacted by increased temperatures, wind and storms and susceptible 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. We only consider standalone, large or complex, and completed projects.



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