



ANGLIAN WATER SUSTAINABLE FINANCE FRAMEWORK 2024

anglianwater

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Prepared by: DNV Supply Chain and Product Assurances Services UK Limited

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This assessment is valid so long as the evidence provided to DNV remains materially unchanged and remains applicable in the context of the financial instrument being assessed.

ANGLIAN WATER SUSTAINABLE FINANCE FRAMEWORK 2024

DNV ELIGIBILITY ASSESSMENT

Scope and objectives

Anglian Water Group (hereafter referred to as 'Anglian Water') is a water and sewerage company that operates in the East of England and Hartlepool. The Group employs over 5,000 people and supplies water and water recycling services to approximately seven million customers. Anglian Water manages over 1,250 water and wastewater treatment works and 112,833 km of water and wastewater pipes, making it the largest water and water recycling company in England and Wales.

Anglian Water has clear environmental and social commitments and has received multiple sustainability awards such as the Queen's Award for Enterprise in Sustainable Development (both 2015 and 2020) and the Business in the Community (BITC) Responsible Business of the Year award (2017). The Group's purpose, to "bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop", is supported by various strategies. These strategies include Anglian Water's short-term strategy ('Our Plan 2020-2025'), long-term strategy ('25-year Strategic Direction Statement') and supporting plans (Community Recovery Plan, Green Recovery Plan and Water Resource Management Plan). Anglian Water's long-term ambitions focus on resilience to drought and flooding, enabling sustainable economic and housing growth, becoming a carbon-neutral business by 2050, and working collaboratively to significantly improve the ecological quality across catchments.

To support its sustainable investment strategy and deliver on its sustainability strategy, Anglian Water has created three financing frameworks – a Green Finance Framework in 2020, a Sustainability Linked Bond Framework in 2021, and has now developed this further to create a new Sustainable Finance Framework (the "Framework") for 2024.

Anglian Water's Framework enables the following, individually or combined:

- Issuance of '**Use of Proceeds' Senior Bonds, Subordinated Bonds, Medium-term notes, Commercial Paper and/or Loans**, to finance or refinance, in whole or in part, eligible **Green and/or Social projects** ("Eligible Green and/or Social Projects") in the Eligible Green and Social Categories (collectively referred to as, "Use of Proceeds Instruments"); and/or
- Issuance of '**Sustainability-Linked' Senior Bonds, Subordinated Bonds, Medium-term notes, Commercial Paper and/or Loans**, and any other sustainability-linked financing instruments (collectively referred to as, "Sustainability-Linked Instruments").

Further details are outlined in the "Findings and DNV's opinion" section.

DNV Business Assurance Services UK Limited ("DNV") has been commissioned by Anglian Water to provide an eligibility assessment of their Sustainable Finance Framework 2024 (the "Framework"), under which it can finance and support specific activities (outlined in [Schedule 1](#)) or with general purpose on the basis of enabling the compliance of the SPTs, as outlined in [Schedule 2](#).

Our objective has been to provide an assessment of whether the Framework meets the criteria established within the ICMA Green Bond Principles 2021 (with 2022 Appendix) ("GBP"), Social Bond Principles 2023 ("SBP"), Sustainability Bond Guidelines 2021 ("SBG"), Sustainability-Linked Bond Principles 2023 ("SLBP") and the LMA Green Loan

Principles 2023 (“GLP”), Social Loan Principles 2023 (“SLP”) and the Sustainability-Linked Loan Principles 2023 (“SLLP”).

Our methodology to achieve this is described under ‘Work Undertaken’ below.

DNV was not commissioned to provide independent assurance or other audit activities. No assurance is provided regarding the financial performance of bonds or loans issued under the company’s Framework, the value of any investments, or the long-term environmental and/or societal benefits of the associated transactions. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

Responsibilities of the Management of Anglian Water and DNV

The management of Anglian Water has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform Anglian Water management and other interested stakeholders in the Framework, as to whether the established criteria have been met based on the information provided to us. In our work, we have relied on the information and the facts presented to us by Anglian Water. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Anglian Water’s management, and used as a basis for this assessment, were not correct or complete.

Basis of DNV’s opinion

We have adapted our eligibility assessment protocol which incorporates the requirements of the GBPs, SBPs, SBGs, GLPs and the SLPs, as well as the SLBPs and the SLLPs, to create an Anglian Water-specific Sustainable Finance Eligibility Assessment Protocol (henceforth referred to as “Protocol”). Our Protocol includes a set of suitable criteria that can be used to underpin DNV’s opinion.

As per our Protocol, the criteria against which the Framework has been reviewed against are grouped under the following Principles, split by type of issuance:

	Use of Proceeds for Bonds and Loans	Sustainability-Linked Bonds and Loans
Principle One:	<p>Use of Proceeds.</p> <p>The Use of Proceeds criteria is guided by the requirement that an issuer of funding instruments under the Framework must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental and/or social benefits.</p>	<p>Selection of Key Performance Indicators (KPIs).</p> <p>The issuer of sustainability-linked bonds and/or loans should clearly communicate its overall sustainability objectives, as set out in its sustainability strategy, and how these relate to its proposed Sustainability Performance Targets (SPTs). The KPI should be relevant, core and material to the issuer’s core sustainability and business strategy, measurable or quantifiable on a consistent methodological basis, externally verifiable, and able to be benchmarked externally.</p>

	Use of Proceeds for Bonds and Loans	Sustainability-Linked Bonds and Loans
Principle Two:	<p>Process for Project Evaluation and Selection.</p> <p>The Project Evaluation and Selection criteria are guided by the requirements that an issuer of funding instruments under the Framework should outline the process it follows when determining the eligibility of an investment using proceeds from Green, Social and Sustainability instruments, and outline any impact objectives it will consider.</p>	<p>Calibration of Sustainability Performance Targets (SPTs).</p> <p>The SPTs should be ambitious, meaningful, and realistic. The target setting should be done in good faith and based on a sustainability improvement in relation to a predetermined performance target benchmark.</p>
Principle Three:	<p>Management of Proceeds.</p> <p>The Management of Proceeds criteria is guided by the requirements that a funding instrument should be tracked within the issuing organisation, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.</p>	<p>Financial Characteristics.</p> <p>The bonds and/or loans will need to include a financial and/or structural impact depending on whether the selected KPIs reach (or not) the predefined SPTs. The bond and/or loan documentation needs to require the definitions of the KPI(s) and SPT(s) and the potential variation of the SLB's financial and/or structural characteristics. Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner, should be explained.</p>
Principle Four:	<p>Reporting.</p> <p>The Reporting criteria are guided by the recommendation that at least annual reporting to the investors of the instrument should be made of the use of proceeds and that quantitative and/or qualitative performance. Indicators should be used, where feasible.</p>	<p>Reporting.</p> <p>Issuers should publish and keep readily available and easily accessible up-to-date information on the performance of the selected KPI(s), as well as a verification assurance report outlining the performance against the SPT(s) and the related impact and timing of such impact on the bond's financial and/or structural characteristics, with such information to be provided to investors participating in the bond at least once per annum.</p>
Principle Five:	N/A	<p>Verification (Post-issuance).</p> <p>The Issuer should have its performance against its SPTs independently verified by a qualified external reviewer with relevant expertise, such as an auditor, environmental consultant and/or independent rating agency, at least once a year. The verification of the performance against the SPT(s) should be made publicly available.</p>

Work undertaken

Our work constituted a high-level review of the available information based on the understanding that this information was provided to us by Anglian Water in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us.

The work undertaken to form our opinion included:

- Creation of an Anglian Water-specific Protocol, adapted to the purpose of the Framework, as described above, and in Schedules 1, 2, 3 and 4, of this Assessment.

- Assessment of documentary evidence provided by Anglian Water on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Discussions with Anglian Water management, as well as a review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria.

Our opinion as detailed below is a summary of these findings.

Findings and DNV's opinion

DNV's summary findings are listed below, split by type of instrument:

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds and Loans
Principle One:	<p>Use of Proceeds:</p> <p>Anglian Water intends to use this Framework to issue green, social or sustainability bonds, loans and/or other debt instruments referred to as "Use of Proceeds Instruments", to finance or refinance, Eligible Green and/or Social Projects.</p> <p>The Framework defines Eligible Green and/or Social Projects as those that fall into one or more of the following categories that are in line with the relevant GBP, SBP, SBG, GLP and SLP:</p> <p>Eligible Green Categories:</p> <ul style="list-style-type: none"> • Sustainable Water and Wastewater Services. • Terrestrial and Aquatic Biodiversity. • Renewable Energy. <p>Eligible Social Categories:</p> <ul style="list-style-type: none"> • Access to Essential Services. <p>For the Eligible Social category, Anglian Water has also identified appropriate target populations. DNV can confirm that the target populations identified within Anglian Water's Framework fall into the ICMA/LMA categories (see Schedule 1).</p> <p>For Eligible Green Project categories, Anglian Water has also specified suitable eligibility criteria which align with industry standards and Anglian Water's core environmental goals.</p> <p>Anglian Water has mapped the eligible project categories against the relevant UN SDGs (see Schedule 1). DNV concludes that these are appropriately aligned with the UN SDGs.</p> <p>Where re-financing is expected Anglian Water has determined a maximum look-back period of 36 months prior to the issuance of any financial instrument under the Framework.</p> <p>DNV can conclude that the Green and Social Eligible Projects as described within the Framework, fall into</p>	<p>Selection of Key Performance Indicators (KPIs):</p> <p>Within the Framework, Anglian Water has identified four KPIs deemed core and material to the business. These will help address relevant ESG challenges and risks, that are within Anglian Water's control. The Group has also committed to making future sustainability improvements within set timelines, as described below, that will be reviewed at least annually.</p> <p>The KPIs are summarised below and are aligned with applicable industry standards, and/or UK environmental or social objectives:</p> <p>KPI 1: % reduction of Net Operational Carbon emissions:</p> <ul style="list-style-type: none"> • The reduction of operational carbon emissions is core and material as it is a key measure of Anglian Water's performance towards reducing carbon emissions. In 2021, Anglian Water published its net zero strategy which outlines the roadmap to achieve net zero operational emissions by 2030. KPI 1 is aligned with the net zero strategy and represents an improvement in performance. Anglian Water's net zero strategy is also aligned with the Water UK Net Zero 2030 Route map, highlighting KPI 1's strategic significance in addressing environmental challenges of the water industry. <p>KPI 2: Capital Carbon emissions expressed in % of emissions avoided in tonnes of CO2 equivalent:</p> <ul style="list-style-type: none"> • Anglian Water operates in an asset-heavy industry and are responsible for considerable capital carbon emissions. Capital carbon emissions represent the material proportion of Anglian Water's carbon footprint which are not covered under operational carbon emissions. Anglian Water recognises that there is a causal relationship between costs and capital carbon, having used the metric and tracked their performance since 2010. Avoiding capital carbon emissions is core and material to Anglian Water's performance and has significant strategic

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds and Loans
	<p>the defined categories of the GBPs, SBPs, SBGs, GLPs and SLPs and will deliver clear environmental and social benefits. We can also confirm that the eligible projects categories outlined in the Framework are consistent with the categories outlined in the GBPs, SBPs, SBGs, GLPs and the SLPs.</p>	<p>significance. Similarly, Anglian Water's net zero strategy outlines the target to reduce capital carbon emissions by 70% by 2030 from a 2010 baseline. KPI 2 is aligned with the net zero strategy and improvement in performance against KPI 2 is key to achieving the net zero target.</p> <p>KPI 3: Amount of water abstracted in litres per head of household population:</p> <ul style="list-style-type: none"> • Anglian Water's operations are in the driest region of the UK, which has also seen the highest rate of population growth over the past decade. Additionally, the area is home to a significant proportion of wetland conservation sites. In response to the growing pressures of population growth, climate change and maintaining the supply-demand balance, Anglian Water has highlighted its ambition to: reduce the abstraction of water from the environment (KPI 3), and to protect the environment from the detrimental impact of abstractions from natural resources can have if they are not managed correctly. KPI 3, which involves measures to reduce the abstraction of water from natural sources, forms a core part of Anglian Water's environmental strategy. Anglian Water's changes to abstraction and other catchment-based environmental improvements are integral to delivering its Water Industry National Environment Programme (WINEP). Anglian Water has the ambition to deliver in AMP7 one of the largest WINEPs in the country and includes the WINEP schemes in its investment plans in order to meet these environmental obligations. <p>KPI 4: Proportion of Households on the Priority Service Register</p> <ul style="list-style-type: none"> • Anglian Water have a longstanding commitment to supporting customers and providing an inclusive and accessible service. KPI 4 embodies this commitment and seeks to increase the proportion of households on the Priority Service Register (PSR). The PSR is designed to support a wide range of customers who may need additional help, it provides critical support in the event of an incident but also practical day-to-day support to those customers on the register. From 2025, the performance requirements of the PSR set by Ofwat will no longer be in place. This means that there will be no regulatory demand for Anglian Water to increase or maintain the PSR. Anglian Water has committed to improving and reporting on the PSR register to ensure their customers receive the support required. <p>DNV can confirm that all of the KPIs selected are relevant, core, and material to Anglian Water's overall business, and are of strategic significance to Anglian Water's current and/or future operations. The KPIs have also been identified as highly material by Anglian Water's stakeholders.</p> <p>Based on the work undertaken, DNV confirms that all four KPIs are also relevant, core, and material to the Group's overarching business strategy.</p>

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds and Loans
		<p>The rationale and process for KPI selection, as well as the definition, measurability and verifiability, are clearly defined and presented within the Framework.</p> <p>We can confirm that all four KPIs are in alignment with the SLBPs and the SLLPs.</p> <p>A detailed analysis of DNV's assessment of the KPIs is outlined in Schedule 4, Section 1 of this SPO.</p>
<p>Principle Two:</p>	<p>Process for Project Evaluation and Selection:</p> <p>DNV can confirm Anglian Water has specified the eligibility criteria for each type of 'Green' and 'Social' project in the Use of Proceeds table of its framework.</p> <p>All capital expenditure must meet the Anglian Water Governance Framework, which is defined by the eligibility criteria as outlined in Schedule 1. Eligible Sustainable Projects will be selected by a dedicated Sustainable Finance Working Group. The Working Group meet on a quarterly basis and comprises members across Anglian Water including those from Strategy and Regulation, the Climate and Carbon Steering Group, Treasury, Finance, and other teams.</p> <p>The Working Group is responsible for:</p> <ul style="list-style-type: none"> Reviewing the content of Sustainable Finance Framework Evaluating and defining the Eligible Sustainable Project Portfolio in line with the Eligibility Criteria as set out in the Framework. Overseeing, approving and publishing the allocation and impact reporting, including external assurance statements. Monitoring internal processes to identify known material risks of negative social and/or environmental impacts associated with the Eligible Sustainable Project Portfolio and implement appropriate mitigation measures where possible. Ensuring that the environmental and social risks potentially associated with the Eligible Sustainable Project Portfolio are properly mitigated via the due diligence processes conducted by Anglian Water at Group level. Liaising with relevant business finance segments and other stakeholders. <p>The use of proceeds, as financing and/or refinancing of the Eligible Sustainable Project Portfolio is proved by the Finance, Treasury, Energy, Policy Group (FTEPG).</p> <p>Anglian Water confirm that they are in compliance with applicable official national and environmental and social standards, as well as applicable local laws and regulations on a best effort basis across all its activities.</p> <p>DNV concludes that the activities to be financed by future issuances will be appropriately evaluated, selected, managed, and reported on as outlined within Anglian Water's Framework, and that they meet the</p>	<p>Calibration of Sustainability Performance Targets (SPTs):</p> <p>Aligned with the four KPIs as outlined above, Anglian Water has set the following SPTs:</p> <p>KPI 1: % reduction of Net Operational Carbon emissions</p> <ul style="list-style-type: none"> SPT 1a - 30% reduction in Net Operational Carbon emissions by 31st March 2025 – from a 2018/2019 base year. SPT 1b - Net zero on Net Operational Carbon emissions by 31st March 2030 – from a 2018/2019 base year. <p>Within its Annual Integrated Report 2023, Anglian Water has highlighted "becoming a net zero carbon business by 2030" as part of its four long-term strategic ambitions. SPTs 1a and 1b are based on the decarbonisation trajectory as outlined in Anglian Water's net zero strategy and are underpinned by multiple actions and investments beyond a business-as-usual pathway. Additionally, Anglian Water's net zero strategy is in-line with the "UK Water Net Zero 2030 Routemap". It should be noted that the net zero 2030 commitment may not be aligned fully with all international standards (such as SBTi) until the actions above have progressed, and more Scope 3 emissions are included in the target. However, the routemap aims to achieve net zero by 2030, well ahead of the UK government target of 2050, which allows two decades following this routemap for those emissions to be considered and potentially added to the target scope.</p> <p>KPI 2: Capital Carbon emissions expressed in % of emissions avoided in tonnes of CO2 equivalent:</p> <ul style="list-style-type: none"> SPT 2a – 65% of Capital Carbon emissions avoided by 31st March 2025 – from 2010 baseline level. SPT 2b – 70% of Capital Carbon emissions avoided by 31st March 2030 – from 2010 baseline level. <p>Within its Annual Integrated Report 2023, Anglian Water has highlighted that "Reducing capital carbon by 70% by 2030" is one of its four long-term strategic ambitions. SPTs 2a and 2b are derived from the overall corporate target of a 70 per cent capital carbon reduction against their 2010 baseline by 2030, as outlined in Anglian Water's net zero strategy. Anglian Water is the only UK Water company to achieve an "A" rating in their CDP disclosures, which indicates the Company's</p>

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds and Loans
	<p>requirements under the GBPs, SBPs, SBGs, GLPs and of the SLPs.</p>	<p>performance. Anglian Water recognises that a 70% reduction is an ambitious but achievable target. New low-capital carbon materials afford the main opportunity to achieving reductions in capital carbon, but they are currently more costly than traditional alternatives. Through detailed analysis in collaboration with external stakeholders within its supply chain, Anglian Water have identified that reductions approaching, or greater than, 72% will result in a carbon/cost tipping point. This ultimately leads to higher cost solutions to achieve lower carbon outcomes.</p> <p>KPI 3: Amount of water abstracted in litres per head of household population:</p> <ul style="list-style-type: none"> • SPT 3a – 193.0 l/h/d by 31st March 2025. • SPT 3b – 179.1 l/h/d by 31st March 2030. <p>Anglian Water recognises that there are significant challenges on the water supply in the future. Including, but not limited to, the following: droughts, climate change and population changes. Anglian Water’s Water Resource Management Plan (WRMP) outlines the extent of these challenges and identifies a strategy to fulfil the regions water needs while protecting the natural environment. Reducing the amount of water abstracted from the environment is pivotal in this strategy and the reductions outlined in the WRMP form the basis of SPT 3a and 3b.</p> <p>KPI 4: Proportion of Households on the Priority Service Register (PSR)</p> <ul style="list-style-type: none"> • SPT 4a - 12.8% PSR Reach by 31st March 2025 • SPT 4b - 15% PSR Reach by 31st March 2030. <p>In 2020, Anglian Water set the target of having 12.8% of their customers on the PSR by 2025 and 15% by 2030. This represents a material improvement on the industry target of 7% by 2025 set by Ofwat within its PR19 final determinations report. Additionally, SPT 4a depicts a growth trajectory of 1.7% per year, which aligns with the trend for the proportion of electricity customers on a PSR for a large supplier in the energy sector. For the 2025 – 2030 targets, including SPT 4b, Anglian Water aims to increase the volume of customers supported whilst at the same time, recognising the effort required to maintain these volumes. Due to the challenges of already supporting a large subset of customers, such that it becomes harder to engage and reach segments of the customer base, the current growth level of 1.7% was not deemed sustainable in the long term.</p> <p>DNV can confirm that all SPTs have clear calculation methodologies in place, have defined baselines, and have a defined target year(s) set as outlined above. We also note that the baseline date set for all four KPIs may be recalculated by Anglian Water if there are material and structural changes in the SPTs, that would significantly impact the Group’s base year.</p> <p>Anglian Water has also outlined within the Framework factors that support the achievement of the SPTs, as well</p>

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds and Loans
		<p>as any associated risks that may impact the SPTs (further detail outlined in Schedule 4).</p> <p>Based on the work undertaken, DNV can confirm that all SPTs represent a material improvement in the respective KPIs; are beyond a "Business as Usual" trajectory where comparably possible, or are in line with recognised industry targets; consistent with Anglian Water's overall sustainability and business strategy; set on a predefined timeline; where possible refers to science or industry best practices; and are in line with the SLBPs and SLLPs. An analysis of DNV's assessment of the SPTs is outlined in Schedule 4, Section 2, of this SPO.</p>
<p>Principle Three:</p>	<p>Management of Proceeds:</p> <p>Anglian Water will manage the proceeds from the sustainable finance instruments using a portfolio approach. Anglian Water intends to allocate these proceeds to an Eligible Sustainable Project Portfolio that meets the Eligibility Criteria.</p> <p>The proceeds from the sustainable transactions will be managed by Anglian Water's Sustainable Finance Working Group, which is led by the Sustainable Finance team within Anglian Water's Treasury department.</p> <p>DNV can confirm that Anglian Water has committed to storing temporary funds in cash, cash equivalents or other highly liquid asset class, in line with its Liquidity Policy.</p> <p>We confirm that Anglian Water has made it clear how it will manage any unallocated proceeds in its liquidity portfolio, as per its Treasury management policy, and has committed to using products with an ESG value, where possible. In addition, Anglian Water has appropriately disclosed how it will manage any unallocated proceeds, in accordance with its Treasury policies.</p>	<p>Financial Characteristics:</p> <p>DNV confirms that the Sustainability-Linked Instruments to be issued by Anglian Water may include a coupon, or a margin step up/step down margin, and/or may lead to a higher or a lower redemption price payable in the optional redemption price in the case of notes. We also note that the characteristics of any instrument will be detailed in the corresponding instrument documentation, and that Anglian Water has committed to notify the holders of any Sustainability-Linked Instrument, about performance against the SPT(s) as soon as reasonably practical.</p> <p>DNV confirms that Anglian Water has stated within the Framework: if, for any reason, the performance level against each SPT cannot be calculated or observed, or not in a satisfactory manner (non-satisfactory manner to be understood as a verification assurance certificate provided by the independent auditor containing a reservation or the independent auditor not being in a position to provide such certificate), then a financial step-up will be applicable. If, for any reason, Anglian Water does not publish the relevant SPTs within the time limit as prescribed by the terms and conditions of the notes, a financial step-up will be applicable. Anglian Water has committed to reporting on the SPT recalculations in its annual reporting.</p> <p>We can confirm Anglian Water's commitment to reporting on any changes to the structural and financial characteristics of the bond or loan, and that this is in line with the requirements as set out by the SLBPs and the SLLPs.</p>

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds and Loans
<p>Principle Four:</p>	<p>Reporting:</p> <p>We confirm that Anglian Water has committed to reporting on the use of proceeds of the Bond/Loan issuances through a standalone report on an annual basis, until the proceeds have been fully allocated. Anglian Water will cover key information on the allocation of proceeds and the quantification of the environmental and social benefits of the selected projects.</p> <p>DNV can also confirm Anglian Water has committed to measuring the impact of the proceeds from future issuances through a range of potential KPIs as listed in the Framework and detailed in Schedules 1 and 3 of this document.</p> <p>DNV concludes that Anglian Water has committed to producing appropriate and transparent reporting on the environmental and/or social impacts of future issuances within the Framework that meet the requirements of the relevant GBP, SBP, SBG, GLP and SLP, that Anglian Water's framework complies with.</p>	<p>Reporting:</p> <p>Anglian Water has committed to reporting on the progress against all four KPIs on an annual basis as part of its annual report/non-financial statement which will be made available on Anglian Water's website, at least until the date for assessing the achievement of the SPT has been reached.</p> <p>The reporting will include:</p> <ul style="list-style-type: none"> • Information on the performance of the selected KPI, including the baseline where relevant. • Following a target observation date, a verification assurance report relative to the KPI outlining the performance against the SPT, the related impact, timing of such impact, and on the financial instrument performance; and • Any relevant information enabling investors to monitor the progress of the KPI and the SPT. <p>Information may also include, when feasible and possible:</p> <ul style="list-style-type: none"> • A qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the KPI or SPT on an annual basis. • Illustration of the positive sustainability impact of the performance improvement. • Any re-assessments of KPIs and/or re-statement of the SPT and/or pro forma adjustments of baselines or KPI scope, if relevant; and • Any information enabling investors to monitor the level of ambition of the SPTs (e.g. any update in Anglian Water's sustainability strategy or on the related KPI/ESG governance, and more generally any information relevant to the analysis of the KPI and SPTs). <p>DNV concludes Anglian Water's commitment to reporting is in line with the requirements of the SLBPs and the SLLPs.</p>
<p>Principle Five:</p>	<p>N/A</p>	<p>Verification (Post-issuance):</p> <p>Anglian Water has committed to reporting on all four KPIs on an annual basis as part of its annual report/non-financial statement which will be made available on Anglian Water's website, and has confirmed that the data will be verified, by external third parties and made available on its website.</p> <p>DNV also notes Anglian Water will obtain an independent external verification statement, confirming whether the performance of the KPI meets the relevant SPT following a relevant target observation date. In addition, in the case of a bond, Anglian Water has also stated it will report on this publicly Anglian Water's website. In the case of loans, information may be shared with lenders via the facility agent, or bilaterally depending on the lending documentation.</p>

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds and Loans
		DNV confirms Anglian Water's commitment to verification is in line with the requirements within the SLBPs and the SLLPs.

On the basis of the information provided by The Group, and the work undertaken, it is DNV's opinion that the Anglian Water Sustainable Finance Framework 2024 meets the criteria established in the Protocol and that it is aligned with the stated definitions of: Green Bonds within the Green Bond Principles (GBP) 2021; Social Bonds within the Social Bond Principles (SBP) 2023; Sustainability Bonds within the Sustainability Bond Guidelines (SBG) 2021; Green Loans within the Green Loan Principles (GLP) 2023; and Social Loans within the Social Loan Principles (SLP) 2023.

It is also aligned with the stated definition of Sustainability-Linked Bonds within the Sustainability Linked Bond Principles (SLB) 2023, which is to "*incentivise the issuer's achievement of material, quantitative, pre-determined, ambitious, regularly monitored and externally verified sustainability (ESG) objectives through KPIs and SPTs*", thereby providing "*an investment opportunity with transparent sustainability credentials*". In addition, the Framework is aligned to the stated definition of Sustainability-Linked Loans within the Sustainability-Linked Loan (SLL) Principles 2023, which is to "*facilitate and support environmentally and socially sustainable economic activity and growth*", thereby "*promoting sustainable development more generally*".

for DNV Supply Chain and Product Assurance Services UK Limited

London, 14 February 2024



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About DNV




Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 13,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

SCHEDULE 1: DESCRIPTION OF ACTIVITIES TO BE FINANCED UNDER THE USE OF PROCEEDS BONDS AND LOANS

ICMA/LMA Green Project Category	Description of activities (non-exhaustive list)	UN SDGs
<p>Sustainable water and wastewater management</p>	<p>Expenditures related to:</p> <p>Water supply measures, adapting to a changing climate:</p> <p>Construction, extension, operation, and renewal of water collection, treatment and supply systems intended for human consumption based on the abstraction of natural resources of water from surface or groundwater sources:</p> <ul style="list-style-type: none"> • Water abstraction, treatment and supply systems and facilities. • Supply-side measures set out in Anglian Water’s Water Resources Management Plan (WRMP) — such as raw water storage reservoirs, water reuse, desalination and water transfers, that secure supply of clean drinking water and/or reduce water abstraction from sensitive environments. • Extension, renewal and/or maintenance of water infrastructures, leakage reduction, improvements to single points of failure and security to outside threats. • Improving water quality initiatives, such as replacement of lead pipes. • Increasing capacity of water recycling centres to match growth. <p>Wastewater Treatment:</p> <p>Construction, extension, upgrade, operation and renewal of urban wastewater infrastructure including treatment plants, sewer networks, stormwater management structures, connections to the waste-water infrastructure, on-site sanitation facilities, and outflows:</p> <ul style="list-style-type: none"> • Wastewater collection network and infrastructure. • Production of organic fertilisers and soil conditioners from wastewater processes. • Wastewater reuse for non-domestic purposes such as irrigation of agricultural land, urban watering and cleaning or recharging water tables. • Treatment of water that contains agricultural pollutants and phosphorous removal. <p>Sustainable drainage systems, adapting to a changing climate:</p>	    

	<p>Construction, extension, operation and renewal of urban drainage systems facilities that mitigate pollution and flood hazards due to discharges of runoff and improve the water quality and quantity, by harnessing natural processes, such as infiltration and retention:</p> <ul style="list-style-type: none"> • Flood Risk Reduction. <p>Reducing the demand for clean water, adapting to a changing climate:</p> <p>Installation and associated services for leakage control technologies that enable leakage reduction and prevention:</p> <ul style="list-style-type: none"> • Reduction of water consumption, reduction of leakages from the system and smart metering. • Demand-side measures set out in the WRMP including leakage reduction. <p>Energy Efficiency:</p> <p>Efficiency programmes in energy use and pump/air blowers replacement programme.</p> <p>Developments, installations, deployments, or maintenance of information technology (IT) or operational technology (OT) data driven solutions that improve energy efficiency for water supply, wastewater treatment:</p> <ul style="list-style-type: none"> • Demand-side measures set out in the WRMP, including smart metering, water efficiency measures. 	
<p>Terrestrial and aquatic biodiversity</p>	<p>Expenditures related to:</p> <ul style="list-style-type: none"> • Water Industry National Environment Programme (WINEP) obligations to improve the ecological status of water bodies, both rivers and coastal. • Natural capital solutions. • Restoration, remediation and the conservation of habitats and ecosystems to enhance biodiversity in Anglian Water’s region. 	
<p>Renewable energy</p>	<p>Expenditures related to:</p> <ul style="list-style-type: none"> • Wind power: onshore and offshore wind energy generation facilities and related infrastructure • Solar power: photovoltaics (PV), concentrated solar power (CSP) and related infrastructure. 	

ICMA/LMA Social Project Category	Target Population	Description of activities	UN SDGs
Affordable basic infrastructure	Underserved communities not connected on the network	<p>Expenditures related to:</p> <ul style="list-style-type: none"> Accommodating new housing in Anglian Water's region including community surface water removal measures. Projects enabling all customers/ households to have access to water. New wastewater connections to replace septic tanks. 	  

SCHEDULE 2: DESCRIPTION OF THE KEY PERFORMANCE INDICATOR (KPI) AND SUSTAINABILITY PERFORMANCE TARGET (SPT) FOR SUSTAINABILITY LINKED BONDS AND LOANS

Key performance indicator (KPI)	Sustainability performance target (SPT)	Industry alignment, or UK environmental regulation
KPI 1: % reduction of Net Operational Carbon emissions	<ul style="list-style-type: none"> SPT 1a - 30% reduction in Net Operational Carbon emissions by 31st March 2025 – from a 2018/2019 base year. SPT 1b - Net zero on Net Operational Carbon emissions by 31st March 2030 – from a 2018/2019 base year. 	<ul style="list-style-type: none"> SPTs 1a and 1b are aligned with the net zero commitments of the UK water sector as described in the Water UK Net Zero Routemap. Anglian Water have also stated their intention to add further scope 3 categories to the operational emissions target to align with other science-based targets and the UK Governments Net Zero Strategy.
KPI 2: Capital Carbon emissions expressed in % of emissions avoided in tonnes of CO2 equivalent	<ul style="list-style-type: none"> SPT 2a - 65% of Capital Carbon emissions avoided by 31st March 2025 - from AMP7 2010 baseline level. SPT 2b - 70% of Capital Carbon emissions avoided by 31st March 2030 – from AMP8 2010 baseline level 	<ul style="list-style-type: none"> SPTs 2a and 2b are benchmarked against science with studies showing that capital carbon reductions above 72% for Anglian Water result in a carbon/ cost tipping point, leading to higher cost solutions to achieve lower carbon outcomes. SPTs 2a and 2b are also part of a trajectory to achieve net zero capital carbon emission by 2050 which is aligned to the UK Government Net Zero targets.
KPI 3: Amount of water abstracted in litres per head of household population	<ul style="list-style-type: none"> SPT 3a - 193 l/h/d by 31st March 2025. SPT 3b - 179.1 l/h/d by 31st March 2030. 	<ul style="list-style-type: none"> SPTs 3a and 3b are aligned with the abstraction reduction targets outlined in Anglian Water's Water Resource Management Plan (WRMP). Ofwat requires water companies to prepare and submit WRMPs as part of their regulatory obligations. These plans are subject to review and approval by Ofwat to ensure that they align with regulatory objectives, including the efficient use of water resources, environmental sustainability, and meeting the needs of consumers.
KPI 4: Proportion of Households on the Priority Service Register	<ul style="list-style-type: none"> SPT 4a - 12.8% PSR Reach by 31st March 2025. SPT 4b - 15% PSR Reach by 31st March 2030. 	<ul style="list-style-type: none"> SPT 4a exceeds the targets of PSR reach within the water industry and is aligned with the PSR reach growth trajectory for a large supplier in the energy sector. SPT 4b shows material improvement on SPT 4a but recognises the challenges of maintaining a PSR reach growth rate as it becomes harder for Anglian Water to reach and engage its customer base.

SCHEDULE 3: USE OF PROCEEDS FINANCIAL INSTRUMENTS – ANGLIAN WATER-SPECIFIC SUSTAINABILITY FINANCE FRAMEWORK ELIGIBILITY ASSESSMENT PROTOCOL

1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Types of Financing Framework	<p>The financing must fall in one of the following categories, as defined by the GBPs, SBPs, SBGs, GLPs and the SLPs:</p> <ul style="list-style-type: none"> • Use of Proceeds Bond/Loan. • Use of Proceeds Revenue Bond/Loan. • Project Bond/Loan. • Securitised Bond/Loan. <p>Green/Social Bonds/Loans are defined as any type of Bond/Loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible projects. Green/Social Bonds/Loans must align with the four components of the GBPs and GLPs.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainable Finance Framework 2024. 	<p>The Framework outlines the type of Use of Proceeds instruments expected to be issued under the Framework as various funding instruments including, but not limited to, Green, Social and Sustainable Bonds and Loans. The specific type of Use of Proceeds Instruments will need to be further assessed on an individual basis. The Framework also enables sustainability-linked financing. DNV has this detailed in Schedule 4.</p>
1b	Green and Social Project Categories	<p>The cornerstone of a Green/Social Bond/Loan is the utilisation of the proceeds which should be appropriately described in the framework and the legal documentation for the security.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainable Finance Framework 2024. 	<p>Anglian Water intends to use the proceeds from future issuances to finance projects/assets from the following ICMA/LMA eligible categories:</p> <p>Eligible Green Categories:</p> <ul style="list-style-type: none"> • Sustainable Water and Wastewater Management • Terrestrial and Aquatic Biodiversity • Renewable Energy <p>Eligible Social Categories:</p> <ul style="list-style-type: none"> • Affordable Basic Infrastructure <p>DNV confirms that these projects, and the relevant target populations, fall within the definition of Eligible Categories as outlined in the Framework and Schedule 1 of this opinion. We can also confirm that they are consistent with the requirements as set out by the GBPs and the SBPs.</p> <p>We can conclude that the Framework appropriately describes the proposed utilisation of proceeds. The specificities of each issuance will need to be further assessed on an individual basis.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1c	Green and Social benefits	<p>All designated Green/Social project categories should provide clear environmental and/or social benefits, which, where feasible, will be quantified or assessed by the issuer.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainable Finance Framework 2024. 	<p>Anglian Water has provided a description of the types of Eligible Green and/or Social projects that it intends to finance under the Framework. Anglian Water has prioritised projects that it feels will support its progress towards delivering on the UN SDGs.</p> <p>The Eligible Categories are based on the ICMA Green Bond Principles 2021 including the updated Appendix 1 of June 2022, Social Bond Principles June 2023, Sustainability Bond Guidelines 2021 (As published by the ICMA) and LMA Green and Social Loan Principles 2023.</p> <p>DNV can also confirm that Anglian Water has committed to following best market practice where possible. Therefore, the Sustainable Finance Framework 2024 may be amended and/or updated to reflect the requirements of the EU Taxonomy and the future UK Sustainable Taxonomy.</p> <p>To make the benefits quantifiable, Anglian Water will measure capital expenditures (CAPEX) regarding a range of different KPIs for each category. CAPEX is selected from Anglian Water's current Asset Management Plan for the period 2020-2025, and from the following Asset Management Plan 2026-2030.</p> <p>The evidence reviewed gives us the opinion that future issuances under the Framework will deliver clear social and/or environmental benefits.</p>
1d	Target Population	<p>All designated social projects should be dedicated to one or more vulnerable target populations.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainable Finance Framework 2024. 	<p>Anglian Water has confirmed that all expenditure from any issuance under this framework which is dedicated to activities associated with "Affordable Basic Infrastructure" will target vulnerable populations.</p> <p>Anglian Water has identified individuals/groups/communities which are underserved or not connected to the water network.</p> <p>DNV can confirm this is in line with the requirements of the SBPs and the SLPs.</p>

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	The issuer of a Green/Social Bond/Loan should outline the decision-making process it follows to determine the eligibility of projects using the proceeds.	In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water. Evidence reviewed: <ul style="list-style-type: none"> Anglian Water Sustainable Finance Framework 2024. 	DNV can confirm Anglian Water has specified the eligibility criteria for each type of 'Green' and 'Social' project in the Use of Proceeds table of its framework. All capital expenditure must meet the Anglian Water Governance Framework, which is defined by the eligibility criteria as outlined in Schedule 1 . Eligible Sustainable Projects will be selected by a dedicated Sustainable Finance Working Group. The Working Group meet on a quarterly basis and comprises members across Anglian Water including those from Strategy and Regulation, the Climate and Carbon Steering Group, Treasury, Finance and other teams. The Working Group is responsible for: <ul style="list-style-type: none"> Reviewing the content of Sustainable Finance Framework 2024 and updating it to reflect changes in corporate strategy, technology, market or regulatory developments, on a best effort basis. Evaluating and defining the Eligible Sustainable Project Portfolio in line with the Eligibility Criteria as set out in the Framework, excluding projects that no longer comply with the Eligibility Criteria or have been disposed of and replacing them on a best effort basis. Overseeing, approving, and publishing the allocation and impact reporting, including external assurance statements. Anglian Water may rely on external consultants and their data sources, in addition to its own assessment. Monitoring internal processes to identify known material risks of negative social and/or environmental impacts associated with the Eligible Sustainable Project Portfolio and implement appropriate mitigation measures where possible. Ensuring that the environmental and social risks potentially associated with the Eligible Sustainable Project Portfolio are properly mitigated via the due diligence processes conducted by Anglian Water at Group level. Liaising with relevant business finance segments and other stakeholders on the above, including external stakeholders like consultants, accountants and SPO providers.

				The use of proceeds, for financing and/or refinancing of eligible projects under the Eligible Sustainable Project Portfolio, is approved by the Finance, Treasury, Energy, Policy Group (FTEPG). Anglian Water confirm they are in compliance with applicable official national and environmental and social standards, as well as applicable local laws and regulations on a best effort basis, across all its activities. DNV concludes that the activities to be financed by future issuances will be appropriately evaluated, selected, managed and reported on, as outlined within Anglian Water's Framework. We can also confirm that they meet the requirements as set out under the GBPs, SBPs, SBGs, GLPs and of the SLPs.
2b	Issuer's environmental, social and governance framework	In addition to the information disclosed by an issuer on its Bond/Loan process, criteria and assurances, Bond/Loan investors/lenders may also take into consideration the quality of the issuer's overall framework and performance regarding sustainability.	In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water. <ul style="list-style-type: none"> Anglian Water Sustainable Finance Framework 2024. Annual Performance Report 2023. Anti-Bribery Policy. Corporate Governance Code. Dignity At Work Policy and Procedure. Do the Right Thing' - code of behaviour. Health, Safety and Wellbeing Charter. Human Right Policy. Integrated Management System Framework Policy. Modern Slavery and Human Trafficking Statement. Our net zero strategy to 2030. Our purpose. Our Water Resource Management Plan 2024 (Revised Draft). Tax and Transparency Policy. Whistleblowing Policy. 	DNV has reviewed evidence showing that the process for project evaluation and selection is in line with Anglian Water's internal policies, which include, but is not limited to: <ul style="list-style-type: none"> Anti-Bribery Policy Corporate Governance Code Dignity At Work Policy and Procedure Do the Right Thing' - code of behaviour Health, Safety and Wellbeing Charter Human Right Policy Integrated Management System Framework Policy Modern Slavery and Human Trafficking Statement Tax and Transparency Policy Whistleblowing Policy DNV has also reviewed Anglian Water's 'Our Water Resource Management Plan 2024', 'Our net zero strategy to 2030', 'Annual Performance Report 2023' and 'Our Purpose', which shows that the categories selected for the Use of Proceeds strongly compliment the sustainability strategy of Anglian Water. For each category of the Use of Proceeds, Anglian Water has outlined the relevant UN SDGs it intends to advance. Overall, the evidence reviewed gives DNV the opinion that the Framework is in line with Anglian Water's wider approach to managing environmental and social sustainability risks.

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The net proceeds of a Bond/Loan should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Sustainability Projects.	In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water. Evidence reviewed: <ul style="list-style-type: none"> Anglian Water Sustainable Finance Framework 2024. 	Anglian Water will manage the proceeds from the sustainable finance instruments using a portfolio approach. Anglian Water intends to allocate these proceeds to an Eligible Sustainable Project Portfolio that meets the Eligibility Criteria. The proceeds from the sustainable transactions will be managed by Anglian Water's Sustainable Finance Working Group, which is led by the Sustainable Finance team within Anglian Water's Treasury department.
3b	Tracking procedure	So long as the Bonds/Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green or social investments or loan disbursements made during that period.	In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water. Evidence reviewed: <ul style="list-style-type: none"> Anglian Water Sustainable Finance Framework 2024. 	DNV confirm that Anglian Water has committed to track the proceeds from any Sustainable Financing, so that the Eligible Sustainable Project Portfolio matches or exceeds the balance of net proceeds from its outstanding Sustainable Finance Instruments. This will be done within 24 months from the time of issuance of each Sustainable Finance Instrument.
3c	Temporary holdings	Pending such investments or disbursements to eligible Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water. Evidence reviewed: <ul style="list-style-type: none"> Anglian Water Liquidity Policy - Section Liquidity and Cash Management. Anglian Water Sustainable Finance Framework 2024. 	Anglian Water has committed to the allocation of unallocated net proceeds from Sustainable Finance Instruments in Anglian Water's liquidity portfolio, in cash or other short-term liquid instruments.

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Bond and where appropriate Loan proceeds have been allocated including - when possible, with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.	In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water. Evidence reviewed: <ul style="list-style-type: none"> Anglian Water Sustainable Finance Framework 2024. 	<p>We confirm that Anglian Water has committed to publish a report on the allocation of proceeds to the Eligible Sustainable Project Portfolio as well as an impact report annually at least until full allocation or until maturity. This report will outline each of the following:</p> <ul style="list-style-type: none"> The size of the identified Eligible Sustainable Project Portfolio, per eligible category. The balance (if any) of unallocated proceeds. The number of Eligible Sustainable Projects. The amount or the percentage of new financing and refinancing. <p>Anglian Water have also committed to produce a report on its impact, using the approach described in the ICMA 'Handbook-Harmonized Framework for Impact Reporting'.</p> <p>The Impact Report will include:</p> <ul style="list-style-type: none"> A description of relevant eligible sustainable projects. The breakdown of Eligible Sustainable Projects by nature of what is being financed. Metrics regarding projects' environmental and or social impacts. <p>Anglian Water have indicated that the impact report may use the following metrics to describe the impact of investor/lender funds, under the respective ICMA/LMA category:</p> <p>Sustainable Water and Wastewater Management:</p> <ul style="list-style-type: none"> Reduction in number of pollution incidents. Population supported by additional resilience. The number of bathing waters that exceed EU bathing water directive requirements. Population supported by risk mitigation on single water source supply. Performance on interruptions to supply to customers. Per capita consumption of water. Interruptions to supply measured by per household interruption. Water quality contacts relating to discoloration. The amount of recycled water harvested for phosphorus. Performance against regulatory performance commitments for external and internal flooding incidents.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> Volume of water recycled (MI). Performance against regulatory performance commitments for external and internal flooding incidents. Volume of water recycled (MI). Renewable energy generation, the Gwh of energy generated from renewable sources. Efficiency investment, the amount spent on improving the energy efficiency of their assets. <p>Terrestrial and Aquatic Biodiversity</p> <ul style="list-style-type: none"> The compliance of sites with the Eel Regulations 2009. The length of river improved by biodiversity investment. <p>Renewable Energy</p> <ul style="list-style-type: none"> Estimated Annual Reduced and/or avoided GHG emissions (tCO2e/year). Installed Renewable Energy Capacity (MW). <p>Affordable Basic Infrastructure</p> <ul style="list-style-type: none"> Number of new homes connected to water supply and wastewater network. Number of homes connected to wastewater network replacing septic tanks. Number of customers supplied in the region served. Number of jobs supported in the local economy. <p>Separately, Anglian Water publishes an annual Greenhouse Gas (GHG) emissions report. This shows the kg of CO2/mega litre of water supply and water recycling treated in their operations each year.</p> <p>DNV can confirm that Anglian Water has committed to allocation and impact reporting on an annual basis in the Framework, and that this is aligned with the requirements as set out by the GBPs, SBPs, SBGs, GLPs and the SLPs.</p>

SCHEDULE 4: SUSTAINABILITY-LINKED BOND ELIGIBILITY ASSESSMENT PROTOCOL

1. Selection of Key Performance Indicators (KPIs)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	KPI – material to core sustainability and business strategy	<p>The issuer’s sustainability performance is measured using sustainability KPIs that can be external or internal.</p> <p>The KPIs should be material to the issuer’s core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector and be under management’s control. The KPI should be of high strategic significance to the issuer’s current and/or future operations.</p> <p>It is recommended that issuers communicate clearly to investors the rationale and process according to which the KPI(s) have been selected and how the KPI(s) fit into their sustainability strategy.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Anglian Water Services Limited: Annual Integrated Report 2023 (online). Anglian Water Sustainable Finance Framework 2024. Anglian Water: Our net zero strategy to 2030 (online). Water UK Net Zero 2030 Routemap (online). 	<p>It is our opinion that Anglian Water has set four KPIs that are material to the business and are aligned with the Group’s commitment to delivering: Reduction of Net Operational Carbon Emissions, Reduction of Capital Carbon Emissions, Reduction of water abstracted from the environment, and increasing the services to customers who require additional help - all within predefined timeframes for the relevant KPIs.</p> <p>We can confirm that the KPIs selected are highlighted as relevant, core and material to Anglian Water’s overall business, and of high strategic significance to Anglian Water’s current and/or future operations - addressing the relevant sustainability challenges and risks to the business that are within Anglian Water’s control. These KPIs have also been highlighted as highly material by Anglian Water’s stakeholders. We can confirm that the four KPIs commit Anglian Water to future sustainability improvements within predefined timelines.</p> <p>KPI 1: % reduction of Net Operational Carbon emissions:</p> <p>The reduction of operational carbon emissions is core and material as it is a key measure of Anglian Water’s performance towards reducing carbon emissions. In 2021, Anglian Water published its net zero strategy which outlines the roadmap to achieve net zero operational emissions by 2030. KPI 1 is aligned with the net zero strategy. Improvement in performance against KPI 1 is also key to achieving the Group’s net zero target. Anglian Water’s net zero strategy is also aligned with Water UK Net Zero 2030 Routemap, highlighting KPI 1’s strategic significance in addressing environmental challenges of the water industry.</p> <p>KPI 2: Capital Carbon emissions expressed in % of emissions avoided in tonnes of CO2 equivalent:</p> <p>Anglian Water operates in an asset-heavy industry and is responsible for considerable capital carbon emissions. Capital carbon emissions represent the material proportion of Anglian Water’s carbon footprint which are not covered under operational carbon emissions. Anglian Water has recognised that there is a causal relationship between costs and capital carbon and since 2010 Anglian Water have been using capital carbon reduction to drive efficient investments. In this manner, avoiding capital carbon emissions is core and material to Anglian Water’s performance and has significant strategic significance. Similarly, Anglian Water’s net zero strategy outlines the target to reduce capital carbon emissions by 70% by 2030 from a 2010 baseline, and is benchmarked against science with reductions above 72% resulting in a carbon/ cost tipping point leading to higher cost solutions, to achieve lower carbon outcomes. KPI 2 is</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>aligned with the net zero strategy and improvement in performance against KPI 2 is key to achieving the net zero target.</p> <p>KPI 3: Amount of water abstracted in litres per head of household population:</p> <p>Anglian Water operates in the driest region of the UK, which has also seen the highest population growth over the past decade. Additionally, the area is home to a significant proportion of wetland conservation sites. In response to the growing pressures of population growth, climate change and maintaining the supply-demand balance, Anglian Water has highlighted its ambition to reduce the abstraction of water from the environment (KPI 3) - to protect the environment from the detrimental impact abstractions from natural resources can have if not managed correctly. KPI 3, which involves measures to reduce the abstraction of water from any natural sources, forms a core part of Anglian Water's environmental strategy. Anglian Water's changes to abstraction and other catchment-based environmental improvements are integral to delivering its Water Industry National Environment Programme (WINEP). Anglian Water has the ambition to deliver in AMP7 one of the largest WINEPs in the country and includes the WINEP schemes in its investment plans in order to meet these environmental obligations.</p> <p>KPI 4: Proportion of Households on the Priority Service Register:</p> <p>Anglian Water have a longstanding commitment to supporting customers and providing an inclusive and accessible service. KPI 4 embodies this commitment and seeks to increase the proportion of households on the Priority Service Register (PSR). The PSR is designed to support a wide range of customers who may need additional help. It provides critical support in the event of an incident but also practical day-to-day support to those customers on the register. From 2025 onwards, the performance requirements of the PSR set by Ofwat will no longer be in place. Despite this, Anglian Water has committed to improving and reporting on the PSR performance to ensure their customers receive the support required. Additionally, Anglian Water has realised that many customers aren't aware they qualify for this service which forms part of the ambition to improve the proportion of households on the PSR.</p> <p>Based on the work undertaken, DNV can confirm that the KPIs are relevant, core, and material to the Group's overarching corporate and sustainability business strategy. The rationale and process for the KPI selection, as well as the definition, measurability and verifiability, are clearly defined and presented within the Framework. The KPIs set out by Anglian Water are also consistent with the SLBPs and the SLLPs.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1b	KPI – Measurability	<p>KPIs should be measurable or quantifiable on a consistent methodological basis; externally verifiable; and able to be benchmarked, i.e. as much as possible using an external reference or definitions to facilitate the assessment of the SPTs level of ambition.</p> <p>Issuers are encouraged, when possible, to select KPI(s) that they have already included in their previous annual reports, sustainability reports or other non-financial reporting disclosures to allow investors to evaluate the historical performance of the KPIs selected.</p> <p>In situations where the KPIs have not been previously disclosed, issuers should, to the extent possible, provide historical externally verified KPI values covering at least the previous 3 years.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Services Limited: Annual Integrated Report 2023 (online). • Anglian Water Sustainable Finance Framework 2024. • Anglian Water: Our net zero strategy to 2030 (online). • Water UK Net Zero 2030 Routemap (online). 	<p>In our opinion, the KPIs selected by Anglian Water are measurable, quantifiable, and can be benchmarked against industry standards, UK regulations, peers operating in the same sector, and/or externally verified performance over the past 3 years.</p> <p>The KPIs summarised below are either in alignment with industry standards, UK environmental objectives and Anglian Water's overarching strategy:</p> <p>KPI 1: % reduction of Net Operational Carbon emissions:</p> <ul style="list-style-type: none"> • Baseline: 2018/2019. • Aligned with Anglian Water: Our net zero strategy to 2030. • Aligned with the Water UK Net Zero 2030 Routemap. • The KPI has been externally verified, since 2010, by CEMARS as being measured, managed and reduced in accordance with ISO 14064. <p>KPI 2: Capital Carbon emissions expressed in % of emissions avoided in tonnes of CO2 equivalent:</p> <ul style="list-style-type: none"> • Baseline: 2010. • Aligned with Anglian Water: Our net zero strategy to 2030. • The approach and capital carbon avoidance metric are externally verified by LRQA8, as part of the PAS2080 Carbon Management in Infrastructure verification process. <p>KPI 3: Amount of water abstracted in litres per head of household population:</p> <ul style="list-style-type: none"> • Baseline: 2021/22. • Aligned with the overarching strategy for demand reduction and included as part of Anglian Water's WINEP. • The KPI is subject to an independent annual audit by a third party as part of the APR submission to Ofwat. <p>KPI 4: Proportion of Households on the Priority Service Register:</p> <ul style="list-style-type: none"> • Baseline: 2020/21. • Pre-2025, the KPI is aligned with the regulation on PSR reach provided by Ofwat. Post-2025, the KPI is aligned with the Anglian Water customer-centric approach and is used as a key input into other metrics imposed by Ofwat such as CMEX (customer satisfaction) and aligned with maintaining ISO 22458 on consumer vulnerability certification. • PSR reach is submitted to Ofwat and the Management Board through Anglian Water's Annual Integrated Report (AIR) processes. PSR data has

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>historically and will continue to be externally verified by a suitable provider as part of their regulatory reporting requirements.</p> <p>From the documents assessed, we can confirm:</p> <ul style="list-style-type: none"> A clear baseline year has been set and rationale provided. Each KPI is externally verifiable against the applicable international or national reporting standards and frameworks; and Anglian Water has committed to reporting on all four KPIs on an annual basis as part of its annual Sustainability Report, has confirmed that the data will be verified by external third parties, and subsequently the reporting of this will be made available on its website. <p>DNV concludes that the measurability of all four KPI's are clearly defined, and information on this will be published in the Group's annual Sustainability Report. DNV can also report that Anglian Water has provided three years of historical data for all four KPIs. A benchmarking exercise has also been conducted to assess Anglian Water's targets and provided to DNV, as part of the evidence reviewed to inform this opinion.</p>
1c	KPI – Clear definition	A clear definition of the KPI(s) should be provided and include the applicable scope or perimeter, as well as the calculation methodology.	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Anglian Water Services Limited: Annual Integrated Report 2023 (online). Anglian Water Sustainable Finance Framework 2024. Anglian Water: Our net zero strategy to 2030 (online). Water UK Net Zero 2030 Routemap (online). 	<p>It is DNV's opinion that Anglian Water has provided and included the applicable scope, parameters, and calculation methodologies, where relevant. We can also confirm for all four KPI's, that this is in line with the SLBPs and SLLPs:</p> <p>KPI 1: % reduction of Net Operational Carbon emissions:</p> <ul style="list-style-type: none"> Baseline (2018/2019): 0%. Units: Percentage reduction of tonnes of carbon dioxide equivalent (tCO2e). Definition: Operational emissions (Scope 1, 2 and some Scope 3 relevant to core outsourced activities), over which Anglian Water has operational control, net of surplus renewable generation exported and purchase of Renewable Energy Guarantees of Origin (REGO) backed green tariff electricity. Methodology: The methodology used to calculate operational emissions follows the GHG Protocol Corporate Accounting and Reporting Standard. <p>KPI 2: Capital Carbon emissions expressed in % of emissions avoided in tonnes of CO2 equivalent:</p> <ul style="list-style-type: none"> Baseline (2010): 0%. Units: Percentage of tonnes of carbon dioxide equivalent (tCO2e) avoided. Definition: Capital Carbon is the emissions associated with the creation of assets (from cradle to as built). This is the carbon footprint as a result of any of the construction projects undertaken, covering the extraction,

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>transportation and processing of raw materials and from site construction activities required to create or maintain a built asset, or part thereof.</p> <ul style="list-style-type: none"> Methodology: The avoided capital carbon is calculated using Anglian Water's bespoke Carbon and Water Footprint Modeller. The modeller uses various carbon models and can calculate the life cycle carbon and water of infrastructure projects. There are over 1,300 capital carbon models which utilise data from the University of Bath Inventory of Carbon and Energy (ICE), Defra and CESSM4 workbook to calculate the capital carbon emissions of equipment, materials and processes part of infrastructure projects. The Baselines at the scheme level are calculated within the investment optimisation tool Copperleaf C557 ("C55") and a bespoke carbon modelling tool is made available for design engineers within the supply chain. <p>KPI 3: Amount of water abstracted in litres per head of household population:</p> <ul style="list-style-type: none"> Baseline (2021/22): 208.4 l/h/d. Units: Amount of water abstracted in litres per head of household population Definition: This metric will measure the amount of water (expressed in litres) extracted for household use on a per capita basis per year. Methodology: Water Abstraction (per capita) is calculated using individually defined components for both water abstraction and population: Water abstraction data is collected through the Licensed Abstraction Recording System (LARS). <ul style="list-style-type: none"> LARS collects flow readings from meters around the region that record the amount of water abstracted from boreholes or surface sources. Anglian Water's in-year (APR) population figures are derived using ONS data (sub-national population projections), official mid-year estimates (updates) and ONS projections for dwellings for each Local Authority (LAUA) served. <p>KPI 4: Proportion of Households on the Priority Service Register</p> <ul style="list-style-type: none"> Baseline (2022/23): 11.4% Units: % of billed properties Definition: The PSR is designed to support a wide range of customers who may need additional help. Methodology: $(\text{Number of households on the PSR (recorded on 31 March)} / \text{Total number of households served (recorded on 31 March)}) \times 100$ of any one given year The calculation methodology is in line with the methodology for PSR Reach provided by Ofwat in their reporting guidance.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				DNV confirms that the scope, parameters, and calculation methodology for the four KPI's are clearly defined within the Framework, and that they meet the criteria as set out by the SLBPs and the SLLPs.

2. Calibration of Sustainability Performance Targets (SPTs)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Target Setting - Meaningful	The SPTs should be ambitious, realistic, and meaningful to the issuer's business and be consistent with the issuers' overall strategic sustainability/ESG strategy.	In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water. Evidence reviewed: <ul style="list-style-type: none"> • Anglian Water Services Limited: Annual Integrated Report 2023 (online). • Anglian Water Sustainable Finance Framework 2024. • Anglian Water: Our net zero strategy to 2030 (online). • Anglian Water: Our Water Resources Management Plan 2024 (online). • Ofwat PR19 final determinations report (online). • Water UK Net Zero 2030 Routemap (online). 	After reviewing the evidence provided, we can confirm that the SPTs selected for the four KPI's outlined in 1a are ambitious, realistic and meaningful, i.e. they will help Anglian Water to address the most material social and environmental challenges, which are of concern to its stakeholders, and the UK water sector more widely. The ambition and meaningfulness of the SPTs for each of the four KPIs are outlined below: KPI 1: % reduction of Net Operational Carbon emissions <ul style="list-style-type: none"> • SPT 1a - 30% reduction in Net Operational Carbon emissions by 31st March 2025 – from a 2018/2019 base year. • SPT 1b - Net zero on Net Operational Carbon emissions by 31st March 2030 – from a 2018/2019 base year. <p>Within its Annual Integrated Report 2023, Anglian Water has highlighted "becoming a net zero carbon business by 2030" as part of its four long-term strategic ambitions. SPTs 1a and 1b are based on the decarbonisation trajectory outlined in Anglian Water's net zero strategy and are underpinned by multiple actions and investments beyond a business-as-usual pathway. Additionally, Anglian Water's net zero strategy is in line with UK Water Net Zero 2030 Routemap which is considered best practice across UK water companies. It should be noted that the net zero 2030 commitment may not be aligned fully with all international standards (such as SBTi) until the actions above have progressed and more Scope 3 emissions are included in the target. However, the routemap aims to achieve net zero by 2030, well ahead of the UK government target of 2050, which allows two decades following this routemap for those emissions to be considered and potentially added to the target scope.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>Within the net zero strategy, Anglian Water has summarised the key factors for the achievement of the SPTs, which are listed below:</p> <ul style="list-style-type: none"> • Purchased electricity and renewables; UK electricity grid decarbonisation; Energy Efficiency measures (incremental and systemic); Leakage reduction; Water efficiency; Alternative treatment processes; Catchment management; Nature Base Solutions; Solar; Wind PPAs; Energy storage; CHP; Green electricity, sleeving (for offsetting residual emissions from power consumption); • Biogas CHP efficiencies; Biomethane to grid; Biomethane to transport (HGVs); Transport EV small vans; Electrifying components of large vehicles; HGVs to LNG; HGVs to hydrogen HGVs to electric; Behavioural travel changes • Process Emissions measurement and reduction; targeted monitoring for N2O emissions; alternative treatment processes; Operational optimization for fugitive emissions • Alternative Fuels HVO; Hydrogen (green, grey); Biomethane to transport (HGVs) • Offsetting Insets (trees, grassland, seagrass); Regional offsets (soil sequestration); National, international offsets (carbon offset credits) • Strong leadership with a clear narrative aligning the reduction of operational GHG emissions with the purpose of Anglian Water through technological and behaviour changes, a mature approach to energy optimisation since 2006, saving c.10 GWh's annually year on year and continual improvement and case studies recognising areas of focus and success stories in the low GHG emissions journey. • External collaboration with the supply chain to explore lower carbon solutions. • Integration into investment approach, challenging energy efficiency on new investments early in the design process. <p>KPI 2: Capital Carbon emissions expressed in % of emissions avoided in tonnes of CO2 equivalent:</p> <ul style="list-style-type: none"> • SPT 2a - 65% of Capital Carbon emissions avoided by 31st March 2025 - from AMP7 2010 baseline level. • SPT 2b - 0% of Capital Carbon emissions avoided by 31st March 2030 - from AMP8 2010 baseline level. <p>Within its Annual Integrated Report 2023, Anglian Water has highlighted "Reducing capital carbon by 70% by 2030" as part its four long-term strategic ambitions. SPTs 2a and 2b are derived from the target of a 70 per cent capital carbon reduction against Anglian Water's 2010 baseline by 2030 outlined in Anglian Water's net zero strategy. At the time of writing, Anglian Water are the only UK Water company to achieve a "A" rating in their CDP disclosures. Anglian Water recognises that a 70% reduction is an ambitious but achievable target. New low-capital carbon materials afford</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>the main opportunity to achieve reductions in capital carbon, but currently more costly than traditional alternatives. Through detailed analysis in collaboration with its supply chain, Anglian Water has identified that reductions approaching, or greater than, 72% will result in a carbon/ cost tipping point, leading to higher cost solutions to achieve lower carbon outcomes.</p> <p>Within the net zero strategy, Anglian Water has summarised the key factors for the achievement of the SPTs, which are listed below:</p> <ul style="list-style-type: none"> • Mature processes in place verified to PAS2080 Carbon management in infrastructure. • Proven performance over the previous ten years in measuring, managing and reducing capital carbon and hitting key milestone targets. • Strong leadership with a clear narrative aligning capital carbon avoidance with the purpose of Anglian Water. • Robust governance with schemes within the investment delivery process measured and challenged on three occasions through design and construction. • Baselines integrated into existing investment optimisation tools, with over 1300 capital carbon models. • Clarity of communication to the supply chain, with collaboration enabling lower GHG emissions solutions. • Continuous improvement and case studies recognising areas of focus and success stories in the low GHG emissions journey. • Development of an Ofwat innovation fund project to further align carbon and cost accounting and visualise GHG emissions hotspots through the design process. <p>KPI 3: Amount of water abstracted in litres per head of household population:</p> <ul style="list-style-type: none"> • SPT 3a – 193.0 l/h/d by 31st March 2025. • SPT 3b - 179.1 l/h/d by 31st March 2030. <p>Anglian Water recognises that there are significant challenges to the water supply in the future namely droughts and climate change; population changes and protection of the natural environment. Anglian Water's Water Resource Management Plan (WRMP) outlines the extent of these challenges and identifies a strategy to fulfil the region's water needs while protecting the natural environment. Reducing the amount of water abstracted from the environment is pivotal in this strategy and the reductions outlined in the WRMP form the basis of SPT 3a and 3b.</p> <p>Anglian Water has summarised the key factors for the achievement of the SPTs in its WRMP 2024, which are listed below:</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> • Actions to reduce raw water leakage, distribution leakage and process losses: including significant investments in pressure management and active leakage control measures. For WRMP24 Anglian Water are looking to expand its mains replacement program to achieve lower leakage levels. • Customer action on water efficiency, supply pipe leakage and plumbing losses, facilitated by smart metering. • Customer water efficiency and behavioural change, facilitated by smart metering and enhanced communications. • Government action on white good labelling. • Council, government, housebuilder and customer action on water efficiency in new homes including potential for reuse. • Continued work with the Environment Agency to further reduce the amount of water it abstracts from sensitive areas. <p>KPI 4: Proportion of Households on the Priority Service Register:</p> <ul style="list-style-type: none"> • SPT 4a - 12.8% PSR Reach by 31st March 2025. • SPT 4b - 15% PSR Reach by 31st March 2030. <p>In 2020, Anglian Water set the target of achieving 12.8% of customers on the PSR by 2025 and 15% by 2030. This represents a material improvement on the industry target of 7% by 2025 set by Ofwat within its PR19 final determinations report. Additionally, SPT 4a depicts a growth trajectory of 1.7% per year which aligns with the trend for the proportion of electricity customers on a PSR for a large supplier in the energy sector. For the 2025 – 2030 targets, including SPT 4b, Anglian Water aim to increase the volume of customers supported whilst at the same time recognising the effort required to maintain these volumes. Due to the challenges of already supporting a large subset of customers, such that it becomes harder to engage and reach segments of the customer base, the current growth level of 1.7% was not deemed sustainable in the long term.</p> <p>Anglian Water has summarised the key factors for the achievement of the SPTs in its WRMP 2024, which are listed below:</p> <ul style="list-style-type: none"> ○ Extensive partnership and stakeholder engagement (engage with nearly 700 organisations across the region aiming to identify those most in need of support). ○ Specialist vulnerability training delivered to customer facing roles. ○ Significant investment in system enhancements that enable quick and easy access to support and visibility of support needs during customer interactions. ○ Increased promotion and customer awareness. ○ Cross industry data share, that enables customers to get support

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>from both water, electricity, and gas with a single sign up.</p> <p>DNV can confirm that the above SPT's will help Anglian Water in its commitment to achieving net-zero by 2030; reduce Anglian Water's capital carbon emissions; reduce Anglian Water's abstractions from natural resources and improve the service provided to customers through improvement of the PSR. We can also confirm that all SPTs are consistent with Anglian Water's overall sustainability strategy.</p>
2b	Target Setting - Meaningful	SPTs should represent a material improvement in the respective KPIs and be beyond a "Business as Usual" trajectory; where possible be compared to a benchmark or an external reference and be determined on a predefined timeline, set before (or concurrently with) the issuance of the bond.	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Services Limited: Annual Integrated Report 2023 (online). • Anglian Water Sustainable Finance Framework 2024. • Anglian Water: Our net zero strategy to 2030 (online). • Anglian Water: Our Water Resources Management Plan 2024 (online). • Water UK Net Zero 2030 Routemap (online). 	<p>Having reviewed the evidence provided, we can confirm that the SPTs represent a material improvement in the respective KPIs, that they are appropriately tied to a predetermined performance target benchmark, and that the SPTs are above a "Business as Usual" trajectory. In addition, Anglian Water have outlined the potential factors which risk the achievement of the SPTs. These are outline for each KPI below:</p> <p>KPI 1: % reduction of Net Operational Carbon emissions:</p> <ul style="list-style-type: none"> • Growing population increasing energy demands on its network. • Customer preferences. • UK electricity grid decarbonisation rate. • Funding and government incentives. • Moving electricity market landscape affecting pricing strategies. • Future energy policy levers. • Future water sector policy/regulatory levers. • Evolving science in process emissions & natural sequestration options • Weather events & pandemics. • Changes in the future UK offsetting markets. <p>KPI 2: Capital Carbon emissions expressed in % of emissions avoided in tonnes of CO2 equivalent:</p> <ul style="list-style-type: none"> • Increasing challenge due to higher targets and a greater proportion of baseline in harder-to-reduce infrastructure schemes. This is water infrastructure (below-ground assets). • Increased cost of materials: the achievement of the target could be accelerated by the use of low(er) carbon materials. These materials are often innovative and new to the market and as a consequence carry a price premium which can increase the costs of delivery of scheme. A cost assessment report has been completed on AMP 6 schemes validating carbon and cost reduction and included a list of actions for improving performance through AMP 7. This highlighted the potential for increasing costs for performance exceeding 72% through the use of innovative materials.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>KPI 3: Amount of water abstracted in litres per head of household population:</p> <ul style="list-style-type: none"> • Adverse weather impacting the network e.g. freeze-thaw event. • Rising demand due to hotter summers. • Adverse future customer behaviour and demographic change e.g. desire for hot tubs. • Additional non-household demand (although Anglian Water would aim to exclude non-household demand from the metric). <p>KPI 4: Proportion of Households on the Priority Service Register:</p> <ul style="list-style-type: none"> • Substantial changes to the requirements under the ISO. • Changes in legislation and/or regulation affecting the delivery of PSR or support to those in vulnerable circumstances i.e., SEMD, Equalities Act, GDPR. • Exponential or unexpected increases to the percentage of households requiring support – There is a time lag between this percentage increasing and getting people signed up due to the logistics involved and so in the short term this would be a risk. • Customer confidence in Anglian Water being able to deliver the quality service promised. • Reputational damage if Anglian Water fails to deliver the quality service promised. • Data security breach. • Extreme weather events and pandemics that can put the support team under severe stress. • Internal funding available to support the programme. • Resources and teams available ready to be deployed when needed to support customers. <p>DNV can confirm that each SPT is aligned with, where possible, to relevant industry standards or goals. We can also conclude that Anglian Water has set out a clear calculation methodology for all SPTs, that it has provided sufficient historic data where viable, and that this is in line with the bond and loan characteristics of the SLBPs and the SLLPs.</p>
2c	Target Setting – benchmarks	The target setting exercise should be based on a combination of benchmarking approaches: <ol style="list-style-type: none"> 1. The issuer's own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI 	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Services Limited: Annual Integrated Report 2023 (online). 	<p>DNV can confirm that Anglian Water has provided at least three years of historic performance data for the SPTs, and have been appropriately benchmarked as follows:</p> <ul style="list-style-type: none"> • SPTs 1a and 1b: <ul style="list-style-type: none"> ○ SPTs 1a and 1b have been benchmarked against Anglian Water's performance over the past 3 years.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<ol style="list-style-type: none"> The SPTs relative positioning versus the issuer's peers where comparable or available, or versus industry or sector standards Systematic reference to science-based scenarios, or absolute levels (e.g. carbon budgets) or official country/regional/international targets or to recognised Best-Available-Technologies or other proxies. 	<ul style="list-style-type: none"> Anglian Water Sustainable Finance Framework 2024. Anglian Water: Our net zero strategy to 2030 (online) Anglian Water: Our Water Resources Management Plan 2024 (online) Water UK Net Zero 2030 Routemap (online). 	<ul style="list-style-type: none"> SPTs 1a and 1b are aligned with the net zero commitments of the UK water sector as described in the Water UK Net Zero Routemap. Anglian Water have also stated their intention to add further scope 3 categories to the operational emissions target to align with other science-based targets and the UK Governments Net Zero Strategy. SPT 2a and 2b: <ul style="list-style-type: none"> SPTs 2a and 2b have benchmarked against Anglian Water's performance over the past 3 years. SPTs 2a and 2b are benchmarked against science with studies showing that capital carbon reductions above 72% for Anglian Water result in a carbon/ cost tipping point, leading to higher cost solutions to achieve lower carbon outcomes. SPTs 2a and 2b are also part of a trajectory to achieve net zero capital carbon emission by 2050 which is aligned to the UK Government Net Zero targets. SPT 3a and 3b: <ul style="list-style-type: none"> SPTs 3a and 3b have been benchmarked against Anglian Water's own performance over the past 3 years. SPTs 3a and 3b are also aligned with Anglian Water's WRMP and the targets set within. The WRMP outlines science-based targets to reduce the sustainable sourcing of water from the environment to fulfil the region's water needs while protecting the natural environment. SPT 4a and 4b: <ul style="list-style-type: none"> SPTs 4a and 4b have been benchmarked against Anglian Water's own performance over the past 3 years. SPT 4a, 12.8% PSR, is more ambitious than the regulatory targets set by Ofwat of 7% PSR. Post-2025, the KPI is aligned with the Anglian Water customer-centric approach and is used as a key input into other metrics imposed by Ofwat such as CMEX (customer satisfaction) and aligned with maintaining ISO 22458 on consumer vulnerability certification. <p>DNV can confirm that the target-setting exercise and benchmarking approaches are in line with the requirements of the SLBPs and the SLLPs.</p>
2d	Target setting – disclosures	Disclosures on target setting should make clear reference to:	In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.	DNV can confirm the relevant disclosures on target setting are appropriately described within the Framework, will be achieved within a predefined timeline, and that Anglian Water has committed to disclosing its progress in its annual

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<ol style="list-style-type: none"> The timelines of target achievement, the trigger event(s), and the frequency of SPTs. Where relevant, the verified baseline or reference point selected for the improvement of the KPIs as well as the rationale for that baseline or reference point to be used Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place. Where possible and taking into account competition and confidentiality considerations, how the issuers intend to reach such SPTs. 	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> Anglian Water Services Limited: Annual Integrated Report 2023 (online) Anglian Water Sustainable Finance Framework 2024. Anglian Water: Our net zero strategy to 2030 (online). Anglian Water: Our Water Resources Management Plan 2024 (online). Water UK Net Zero 2030 Routemap (online). 	<p>reporting. The timelines set are clearly referenced for all four KPIs with target observation dates on 31st March 2025 and 31st March 2030.</p> <p>DNV notes that for each KPI a baseline year was selected, and appropriate rationale provided, see below:</p> <ul style="list-style-type: none"> KPI 1: the baseline aligns with Water UK Net Zero Routemap and Anglian Water's net zero strategy; KPI 2: the baseline year of 2010 was the first year capital carbon was measured and Anglian Water's public reduction targets have since been based on 2010; KPI 3: the baseline year of 2021/2022 was selected due to the change in habits caused by COVID-19, such as working from home; KPI 4: the baseline year for KPI 4 was selected as the most recent year of data to allow for 3 years of previous data in the benchmarking process. <p>Anglian Water has outlined its recalculation policy, which states that baselines or SPTs may be adjusted in the event of any significant changes or if any changes cause an increase or decrease in KPI performance greater than 5%.</p> <p>Anglian Water has confirmed that in the event that significant recalculations of the SPT(s) and/or baseline(s) may be performed, an external assurance provider will independently confirm that the revised SPT(s) and/or the baseline(s) are consistent with, or more ambitious and material than, the initial SPT(s) and/or the baseline(s).</p> <p>The factors and circumstances for recalculation/adjustment shall be set out further in the relevant documentation of the sustainability-linked instruments.</p> <p>Anglian Water may also review this Sustainability-Linked Financing Framework in the context of any recalculation/adjustment made in accordance with the terms and conditions of the SLBs and SLLs.</p> <p>Anglian Water has confirmed that significant changes may include:</p> <ul style="list-style-type: none"> Structural changes to Anglian Water which includes acquisitions or mergers/de-merger. Organic changes to the Group will not trigger a recalculation. Methodological changes for the calculation of any KPI to reflect changes in the market practice, relevant market standards, which have significant impacts on any SPT or any KPI. Regulatory changes including amendments to applicable laws, regulations, rules, guidelines, and policies relating to the business of the Group, including transition plan disclosure regulation. In case of a data error, or if a number of cumulative errors that together are significant.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>We can also confirm that Anglian Water has outlined the key factors for the achievement of the SPTs.</p> <p>DNV can confirm the target-setting disclosure process outlined by Anglian Water is aligned with the requirements of the SLBPs and the SLLPs.</p>

3. Financial Characteristics

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Bond or Loan Characteristics – SPT Financial/ structural impact	The SLB/SLL will need to include a financial and/or structural impact involving trigger event(s) based on whether the KPI(s) reach the predefined SPT(s).	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Anglian Water Sustainable Finance Framework 2024. 	<p>DNV confirms that the Sustainability-Linked Instruments to be issued by Anglian Water may include a coupon, or a margin step up/step down margin, and/or may lead to a higher or a lower redemption price payable in the optional redemption price in the case of notes.</p> <p>We also note that the characteristics of any instrument will be detailed in the corresponding instrument documentation, and that Anglian Water has committed to notify the holders of any Sustainability-Linked Instrument, about performance against the SPT(s) as soon as reasonably practical.</p> <p>We can confirm that Anglian Water's commitment to the Sustainability-Linked Bond and Loan characteristics is in line with the requirements of the SLBPs and the SLLPs.</p>
3b	Bond or Loan Characteristics – Fallback mechanism	Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner should be explained. Issuers may also consider including, where needed, language in the bond documentation to take into consideration potential exceptional events.	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Anglian Water Sustainable Finance Framework 2024. 	<p>DNV confirms that Anglian Water has stated within the Framework: If, for any reason, the performance level against each SPT cannot be calculated or observed, or not in a satisfactory manner (non-satisfactory manner to be understood as a verification assurance certificate provided by the independent auditor containing a reservation or the independent auditor not being in a position to provide such certificate), a financial step up will be applicable. If, for any reason, Anglian Water does not publish the relevant SPTs within the time limit as prescribed by the terms and conditions of the notes, a financial step-up will be applicable. Anglian Water has committed to reporting on the SPT recalculations in its annual reporting.</p> <p>DNV can confirm that this is in line with the requirements of the SLBPs and the SLLPs.</p>

4. Reporting commitments

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Reporting	<p>Issuers of SLB/SLLs should publish, and keep readily available and easily accessible:</p> <ol style="list-style-type: none"> Up-to-date information on the performance of the selected KPI(s), including baselines where relevant. A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics. Any information enabling investors to monitor the level of ambition of the SPTs. <p>This reporting should be published regularly, at least annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLB and/or SLL's financial and/or structural characteristics.</p>	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> Anglian Water Sustainable Finance Framework 2024. 	<p>Anglian Water has committed to reporting on the progress against all four KPIs on an annual basis as part of its annual report/non-financial statement which will be made available on Anglian Water's website, at least until the date relevant for assessing the achievement of the SPT has been reached.</p> <p>The reporting will include:</p> <ul style="list-style-type: none"> Information on the performance of the selected KPI, including the baseline where relevant. Following a target observation date, a verification assurance report relative to the KPI outlining the performance against the SPT and the related impact, and timing of such impact, on a financial instrument performance; and Any relevant information enabling investors to monitor the progress of the KPI and the SPT. <p>Information may also include, when feasible and possible:</p> <ul style="list-style-type: none"> A qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the KPI or SPT on an annual basis Illustration of the positive sustainability impact of the performance improvement Any re-assessments of KPIs and/or restatement of the SPT and/or pro forma adjustments of baselines or KPI scope, if relevant; and Any information enabling investors to monitor the level of ambition of the SPTs (e.g. any update in Anglian Water's sustainability strategy or on the related KPI/ESG governance, and more generally any information relevant to the analysis of the KPI and SPTs). <p>It is in DNV's opinion that Anglian Water has appropriately committed to reporting, and this is in line with the requirements of the criteria as set out under the SLBPs and the SLLPs.</p>
4b	Second Party Opinion	Publication of any pre-issuance external review, such as a second party opinion, or if relevant a verification of baselines.	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> Anglian Water Sustainable Finance Framework 2024. 	<p>Anglian Water has committed to conducting a Second Party Opinion (SPO) on the Framework meeting the ICMA and LMA criteria. This will include an assessment of the KPIs selected, baselines and SPTs selected, and the credibility of the strategy to achieve them. DNV confirms that the pre-issuance of any publication is in line with the requirements of the SLBPs and the SLLPs.</p>

5. Verification

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
5a	External Verification	Issuers should have their performance against each SPT for each KPI independently verified by a qualified external reviewer with relevant expertise, at least once a year, and for each SPT trigger event.	Evidence reviewed: <ul style="list-style-type: none"> • Anglian Water Sustainable Finance Framework 2024. 	<p>Anglian Water has committed to reporting on all four KPIs on an annual basis as part of its annual report/non-financial statement which will be made available on Anglian Water's website, and has confirmed that the data will be verified, by external third parties and made available on its website.</p> <p>DNV also notes Anglian Water will obtain an independent external verification statement, confirming whether the performance of the KPI meets the relevant SPT following a relevant target observation date. In addition, in the case of a bond, Anglian Water has also stated it will report on this publicly Anglian Water's website via the investor portal. In the case of loans, information may be shared with creditors via the facility agent, or bilaterally depending on the lending documentation.</p> <p>DNV can confirm Anglian Water's commitment to verification is in line with the requirements of the SLBPs and the SLLPs.</p>