

# Anglian Water Sustainable Finance Framework



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## Introduction to Anglian Water's Sustainable Finance Framework

Anglian Water is the largest water and water recycling company in England and Wales by geographic area. We supply water and water recycling services to almost seven million people in the East of England and Hartlepool.

The Anglian Water Sustainability Finance Framework supports the financing of water and water recycling projects that link to our environmentally sustainable management of natural resources and land use, as well as adapting to climate change.

Our sustainable finance programme began in 2017, when we were the first major utility to issue a GBP Green Bond. Since then, we have continued to seek sustainable funds to deliver a series of projects to deliver on our purpose: to bring environmental and social prosperity to the region we serve through our commitment to love every drop.

As a monopoly provider of water and water recycling services, it is our duty to operate in the public interest, and for the long-term prosperity of our region and the wider environment. Our responsibility is clear. It's woven into the fabric of Anglian Water, enshrined in our Articles



of Association, which holds our Directors accountable not simply to shareholders, but to the environment and our communities too.

We constantly challenge ourselves and our supply chain partners to find new and better ways to deliver our service to customers. Over the years we have invested in schemes to build resilience to flood and drought, enabled sustainable economic and housing growth, improved the ecological quality of catchments, and are leading the way in our industry

towards becoming a carbon neutral business.

Delivering on our purpose is becoming increasingly challenging. We are managing water resources in a region that is water scarce, vulnerable and already feeling the impacts of climate change, has many precious environmental sites to protect, a fast-growing population and a sizeable agricultural economy that relies on water to feed the nation.

As we head into the near and long-term future, our sector faces unparalleled demand for investment. Our Business Plan (2025-2030) was submitted to Ofwat in Q4 2023, and outlines our bold ambitions as we face into these challenges. As well as continuing to invest in our customers' number one priority - safe, clean water, now and in the future - our plan places a large emphasis on protecting and enhancing the environment.

We have consistently taken a forward-looking approach to investment to build resilience for the long-term. For example, in 2014, our shareholders funded the new East Hills Water Treatment Works for Norwich to improve security of water supply to Norwich and the surrounding area. Similarly, shareholders funded

a major resilience scheme in Peterborough, dualling key assets to provide more than one source of supply in the event of an interruption.

Another example is our interconnecting pipeline - the biggest infrastructure programme in Anglian Water's history - which is being delivered now. Our pipeline will be key to moving water around the region to improve resilience to drought and keeping fresh, clean water flowing to homes and businesses. This project is being partly funded by a corporate Green Bond in the Canadian 'maple' bond market.

We strive to deliver what our region needs with a minimal impact on our customers. Since privatisation, our bills have risen little more than 10% compared to an industry average increase of 40%, both excluding inflation.

## The region Anglian Water serves

**The challenges in the region we serve**

**Home to 15% of England's population** and four of the fast-growing cities Cambridge, Peterborough, Milton Keynes, and Northampton mean that by 2043, 700,000 more people will live here

**Businesses in the East are particularly water intensive, e.g. food processing**

**14 diverse counties** in our region, all with differing environmental, social and economic needs

**Lowest rainfall** at 2.14mm per day, versus the national average of 2.85mm

**28% of land is below sea level,** putting us at risk of flooding whilst hotter than average temperatures make us prone to drought

**75% of land** in the East of England is used for agriculture, higher than any other region

### Our strategic direction statement

Resilient to the risk of drought and flood

Work with others to achieve significant improvements in ecological quality of catchments

A carbon neutral business

Enabling sustainable economic and housing growth

The region we serve is home to a number of unique challenges. Our Thriving East research, commissioned with Capital Economics, shows that we are particularly impacted by climate change. Temperature projections to 2040 indicate that the region we operate in will be hotter than the national average: 11.4 degrees compared to 11 degrees, and we have record low rainfall. We are already feeling the impact. In 2022, the Met Office recorded the hottest day on record (40.3 degrees) in Coningsby, Lincolnshire.

This has a consequence on the availability and quality of water resources. By 2050, more severe droughts will create a deficit of 80 million litres per day in our surface water sources. Groundwater sources will also be affected, but changes to abstraction licences will restrict access to water, which has benefits for the environment. If we do not invest now in new sources of water, households and businesses will face shortages in future droughts.

And, with agriculture's economic contribution being especially sizeable in the region we serve, at roughly twice the national average, we have the highest level of water

consumption from business and industry in the country.

Furthermore, with almost 30% of the region low-lying, particularly near the coast, as well as managing supply and demand, we must also prepare for flooding impacts.

We have long known about the pressures facing the region we serve. Our 2050 Strategic Direction Statement and the four ambitions remain as relevant as they did in 2007. It will continue to guide how we address these challenges and plan ahead for future generations. More on what we are investing in now and in the future, can be found in our PR24 Business Plan.



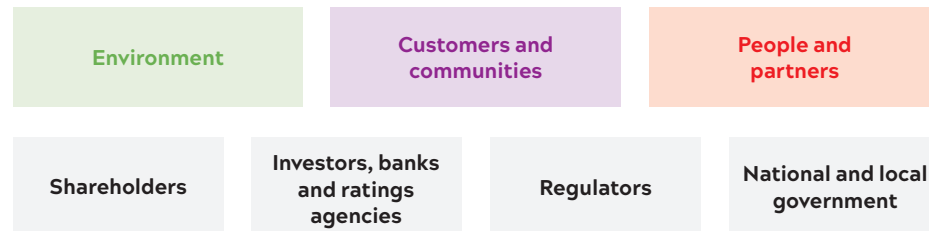
1

What drives us

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

2

We deliver value for our stakeholders



3

Our long-term ambitions

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



Make the **East of England** resilient to the risks of drought and flooding



Enable sustainable economic and housing growth in the UK's fastest-growing region



By 2030, be a **net zero carbon business** and reduce the carbon in building and maintaining our assets by 70%



Work with others to achieve significant improvement in **ecological quality** across our catchments

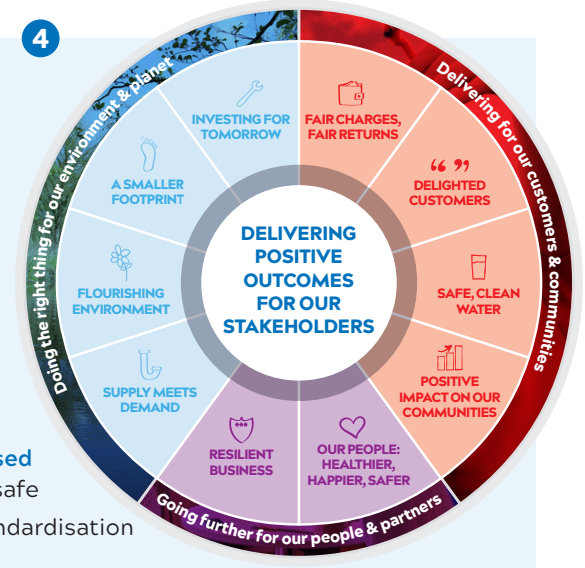
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Our goals for 2020-2025

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

What will help us get there?

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



5

How we make decisions

We balance our six capitals to shape investment decisions



6

SUSTAINABLE DEVELOPMENT GOALS

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



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

## Embedding sustainability at Anglian Water

As a supplier of an essential public service, we have both the opportunity and the responsibility to do more for customers and the environment. By linking our sustainability efforts with our financing, we are further integrating sustainability into our business.

Our six capitals approach is an example. Our responsibility to customers, communities and the environment is a consideration in investment decisions. Our cross-business steering group has worked to embed a set of six capital metrics – natural, social, financial, manufactured, people and intellectual – which we use to consider the broadest value when making investment decisions.

This approach has been externally validated by Route 2. These metrics have been incorporated into our value framework, which attributes a notional financial value to elements such as biodiversity and amenity value, and our risk, opportunity and value tools and process. They are also aligned with our benefits realisation management, to assess options and measure outcomes. Our Board has committed to using six capitals thinking to inform decision-making as we deliver our business plan and now uses a purpose scorecard based

on the six capitals framework.

It is important for us to be transparent in our reporting, for example we've made disclosures under the recommendations of the Taskforce for Climate-Related Financial Disclosures (TCFD) since 2017, adopting them well ahead of their mandatory introduction.

It's also important that we communicate our sustainability ambitions with our customers and understand what is important to them alongside the future of our region. Our Customer Board facilitates discussions between customers and our Management Board on a variety of topics important to our customers, including our investments in the environment.

Internally, our Sustainability Community allows Anglian Water employees and alliance partners to engage with sustainability-related activities, ask questions and seek feedback from experts on ideas and initiatives.

### A purposeful business

When we embedded our purpose into our Articles of Association in 2019, we committed to assessing ourselves against a set of responsible business principles, including Business in the

Community's (BITC) Responsible Business Tracker®. The Tracker assesses our work against principles, underpinned by the UN's Sustainable Development Goals. We use the feedback from the Tracker to agree future areas of focus.

We have also acted as lead sponsor alongside the British Standards Institution (BSI) to create a new Publicly Available Specification (PAS) for embedding purpose in organisations – PAS 808:2022 Purpose-Driven Organisations, Worldviews, Principles and Behaviours. Launched in July 2022, it is the bar by which we will hold ourselves to account, reporting against it to continue to embed our purpose in all we do.

Our work will be underpinned by a purpose dashboard, which is in development. Once live, it will indicate progression against our purpose at company level, using

metrics on both our environmental and social performance.

Our work and investments over previous regulatory cycles make us well-placed to deliver now and into the future. However, maintaining current levels of service will only become more difficult as the climate changes. We will need to invest significantly more into our operations just to stand still.

We intend to provide institutional investors with the opportunity to invest in Anglian Water's sustainable transactions to finance parts of the environmental and social and the use of proceeds. This will include capital expenditures of eligible investments in respect of the projects identified and falling within the eligible sustainable categories set out on pages 10-12 and 15-16.



We were delighted to be awarded the Queen's Award for Enterprise: Sustainable Development to hold for a further five years from 2020. We were first awarded it in 2015, and it is a testament to the long-term focus on sustainable practices across our whole operation and supply chain.

Our work and investments over previous regulatory cycles make us well-placed to deliver now and into the future. However, maintaining current levels of service will only become more difficult as the climate changes. We will need to invest significantly more into our operations just to stand still.



## About our Sustainable Finance Framework

In our previous Framework, launched in 2020, the eligible categories reflected the outcomes outlined in our five-year asset management period running from 2020 to 2025. For this Framework update we have revised the Use of Proceeds section to follow standard market practice, and we have introduced a new set of KPIs to align the Sustainable Finance Programme with our Long-Term Delivery Strategy which is discussed in depth throughout this framework.

The framework aligns with the ICMA Green Bond Principles 2021, including the updated appendix I of June 2022, the Social Bond Principles June 2023, the Sustainability Bond Guidelines 2021, as published by the International Capital Market Association (“ICMA”) and Loan Market Association’s (“LMA”) Green and Social Loan Principles 2023.

In alignment with the broader Anglian Water corporate responsibility strategy, Anglian Water Services Ltd, Osprey Acquisitions Limited, Aigrette Financing Limited, AVH Solar Limited, Anglian Water Group Limited and Anglian Venture Holdings Limited, together with our financing subsidiaries Anglian Water Services Financing PLC, Anglian Water (Osprey) Financing PLC and Aigrette Financing (Issuer) PLC (hereinafter referred to as the “Company” or “Anglian Water”) have established this Sustainable Finance Framework to be able to issue Green, Social and Sustainability financing as well as Sustainability Linked finance instruments.



# A Anglian Water Green, Social and Sustainability Finance Framework

This section of the framework covers any Green, Social and Sustainability financing in various formats (such instruments hereinafter referred to as “Sustainable Finance Instruments”), which may include senior bonds (preferred and non-preferred), subordinated bonds, medium-term notes, commercial paper, and loans.



We intend to provide institutional investors with the opportunity to invest in Anglian Water’s Sustainable Finance Instruments to finance parts of the environmental and social investments made through our current Asset Management Plan for the period 2020-2025 (AMP7) with an eye towards the following period 2025-2030. The use of proceeds will include capital expenditures of eligible investments in respect of the projects identified and falling within the Green and Social Eligible Categories set out on the right.

## The Sustainable Finance Instruments that can be issued under this Framework are defined below:

- Green Finance Instruments to finance and/or refinance Eligible Green Financings (as defined in the Use of Proceeds section under Green Eligible Categories)
- Social Finance Instruments to finance and/or refinance Eligible Social Financings (as defined in the Use of Proceeds section under Social Eligible Categories)
- Sustainability Finance Instruments to finance and/or refinance Eligible Green and Social Financings (as defined in the Use of Proceeds section under Green and Social Eligible Categories)

## The framework is based on:

- ICMA Green Bond Principles 2021 including the updated appendix I of June 2022<sup>1</sup>
- the Social Bond Principles June 2023<sup>2</sup>
- the Sustainability Bond Guidelines 2021, as published by the International Capital Market Association (“ICMA”)<sup>3</sup>
- the Loan Market Association’s (“LMA”) Green and Social Loan Principles 2023<sup>4/5</sup>

## The Principles have four core components:

1. Use of proceeds
2. Process for project evaluation selection
3. Management of proceeds
4. Reporting

<sup>1</sup> [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf) | <sup>2</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf> | <sup>3</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf> | <sup>4</sup> <https://www.lsta.org/content/green-loan-principles/> | <sup>5</sup> <https://www.lsta.org/content/social-loan-principles-slp/>



The Framework also follows the recommendations of the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines regarding External Review<sup>6</sup>.

The Framework defines the portfolio of projects (such projects hereinafter defined as “Eligible Sustainable Project Portfolio”) eligible to be funded by the proceeds of Sustainable Finance Instruments issued by Anglian Water. The documentation for any Sustainable Finance Instrument issued shall provide a reference to this Framework under the use of proceeds section.

It is our intention to follow, where possible, best market practice and take into account, in due course the technical screening criteria of the UK Taxonomy, when published. Therefore, the Sustainable Finance Framework may be amended and/or updated to reflect the requirements of the EU Taxonomy and the future UK Taxonomy, and in particular that related to the sustainable use and protection of water and marine resources, and/or changes in market practice.

For the avoidance of doubt, any future change to the eligibility criteria or market standards (e.g. future changes to the ICMA Green Bond Principles, the LMA/APLMA/ LSTA Green Loan Principles, and/

or developments related to sustainable finance regulation) may not necessarily apply to outstanding Sustainable Finance Instruments issued under the previous versions of the Framework.

It is understood that certain social projects may also have environmental co-benefits, and that certain green projects may have social co-benefits. We will determine the classification of use of proceeds as sustainable transactions based on our primary objectives for the underlying projects.

## 1. Use of proceeds

An amount equal to the net proceeds from Sustainable Finance Instruments issued by Anglian Water will be used to finance and/or refinance a portfolio of Eligible Sustainable Projects as defined by the eligibility criteria (such criteria hereinafter referred to as “Eligibility Criteria”) in this Framework.

Eligible Sustainable Projects will include the capital expenditures (Capex) associated with the Eligibility Criteria outlined below. Capex will be selected from our current Asset


Management Plan for the period 2020-2025 (AMP7) and from the following Asset Management Plan 2025-2030 (AMP 8). Eligible Capex shall qualify for refinancing with a 3-year look-back period from the time of the issuance.



In alignment with Anglian Water’s broader corporate responsibility strategy and support of the global United Nations Sustainable Development Goals (UN SDGs) 2030, the Eligibility Criteria contemplated under this Framework, directly contribute to the achievement of UN SDGs.



<sup>6</sup> [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/External-Review-Guidelines\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/External-Review-Guidelines_June-2022-280622.pdf)


## Green Eligible Categories

ICMA Green Category	Eligibility Criteria	Alignment with United Nations Sustainable Development Goals
<p><b>Sustainable water and wastewater management</b></p>	<p>Expenditures related to:</p> <p><b>Water supply measures, adapting to a changing climate</b></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 ground water sources</p> <ul style="list-style-type: none"> <li>• Water abstraction, treatment and supply systems and facilities</li> <li>• 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</li> <li>• Extension, renewal and/or maintenance of water infrastructures, leakage reduction, improvements to single points of failure and security to outside threats</li> <li>• Improving water quality initiatives, such as replacement of lead pipes</li> <li>• Increasing capacity of water recycling centres to match growth</li> </ul> <p><b>Wastewater Treatment, adapting to a changing climate</b></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"> <li>• Wastewater collection network and infrastructure</li> <li>• Production of organic fertilisers and soil conditioners from wastewater processes</li> <li>• Wastewater reuse for non-domestic purposes such as irrigation of agricultural land, urban watering and cleaning or recharging water tables</li> <li>• Treatment of water that contains agricultural pollutants and phosphorous removal</li> <li>• Sustainable drainage systems, adapting to a changing climate</li> <li>• 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</li> </ul>	

	<p><b>Sustainable drainage systems, adapting to a changing climate</b></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"> <li>• Flood risk reduction</li> </ul> <p><b>Reducing demand for clean water, adapting to a changing climate</b></p> <p>Installation and associated services for leakage control technologies that enable leakage reduction and prevention</p> <ul style="list-style-type: none"> <li>• Reduction of water consumption, reduction of leakages from the system and smart metering</li> <li>• Demand-side measures set out in the WRMP including leakage reduction</li> </ul> <p><b>Energy efficiency</b></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"> <li>• Demand-side measures set out in the WRMP, including smart metering, water efficiency measures</li> </ul>	
<p><b>Terrestrial and aquatic biodiversity</b></p>	<p>Expenditures related to:</p> <ul style="list-style-type: none"> <li>• Water Industry National Environment Programme (WINEP) obligations to improve ecological status of water bodies, both rivers and coastal</li> <li>• Natural capital solutions</li> <li>• Restoration, remediation and the conservation of habitats and ecosystems to enhance biodiversity in our region.</li> </ul>	
<p><b>Renewable energy</b></p>	<p>Expenditures related to:</p> <ul style="list-style-type: none"> <li>• Wind power: onshore and offshore wind energy generation facilities and related infrastructure</li> <li>• Solar power: photovoltaics (PV), concentrated solar power (CSP) and related infrastructure</li> </ul>	



## Social Eligible Categories

ICMA Green Category	Eligibility Criteria	Target Population	Alignment with United Nations Sustainable Development Goals
<p><b>Affordable basic infrastructure</b></p>	<p>Expenditures related to:</p> <ul style="list-style-type: none"> <li>· Accommodating new housing in our region including community surface water removal measures</li> <li>· Projects enabling all customers/ households to have access to water</li> <li>· New wastewater connections to replace septic tanks</li> </ul>	<p>Underserved communities not connected on the network</p>	

## 2. Process for project evaluation and selection (eligibility criteria)

All capital expenditure we undertake must meet the Anglian Water Governance Framework (the eligibility criteria), a summary of which is set out below. Accordingly, all of our capital expenditure is capable of being an eligible project for inclusion in an eligible sustainable category.

Anglian Water has a strict governance process for investment, of which carbon reduction will continue to be a key indicator challenged at each milestone up to DM4 (stage at which a project has been delivered).

Eligible Sustainable Projects will be selected by a dedicated Sustainable Finance Working Group (referred to as the “Working Group”) set up within Anglian Water. The Working Group is formed by members of Anglian Water’s Strategy and Regulation, Climate and Carbon Steering Group, Treasury, Finance and any other relevant business teams. The Working Group will meet at least on a quarterly basis.

### The Working Group is responsible for:

- Reviewing the content of Sustainable Finance Framework and updating it to reflect changes in corporate strategy, technology, market, or regulatory developments on a best effort basis;
- Updating external documents such as Second Party Opinion (SPO) and related documents from external consultants and accountants;
- 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 efforts 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 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

The use of proceeds, as financing and/or refinancing of the Eligible Sustainable Project Portfolio will be approved by the Finance, Treasury, Energy, Policy Group (FTEPG) of Anglian Water based on the proposal of the Working Group. The Working Group reports to the FTEPG of Anglian Water.

Furthermore, Anglian Water complies with applicable official national and international environmental and social standards as well as applicable and local laws and regulations on a best effort basis across all of its activities. These laws are monitored and enforced by the local authorities, amongst others as part of obtaining the necessary permits for new projects and infrastructure maintenance.

Additional information on the management of environmental and social risks via the policies and standards of Anglian Water is provided below;

- ‘Do the Right Thing’ – code of behaviour
- Modern Slavery and Human Trafficking Statement 2022
- Anti-bribery Policy
- Whistleblowing Policy
- Health, Safety and Wellbeing Charter
- Integrated Management System Framework Policy
- Corporate Governance Code
- Human Right Policy
- Diversity and Inclusion
- Tax and Transparency Policy

More policies can be found on the Anglian Water website.

Projects that directly and/or indirectly support fossil fuel exploration, development, production and distribution are excluded.

### 3. Management of proceeds

The proceeds from the Sustainable Finance Instruments will be managed by Anglian Water in a portfolio approach. Anglian Water intends to allocate these proceeds to an Eligible Sustainable Project Portfolio, that meets the Eligibility Criteria for the use of proceeds criteria and follows the evaluation and selection process outlined above.

Anglian Water will strive over time, to achieve a level of allocation for the Eligible Sustainable Project Portfolio that matches or exceeds the balance of net proceeds from its outstanding Sustainable Finance Instruments within 24 months from the time of issuance of each Sustainable Finance Instrument. Eligible Sustainable Projects will be added to or removed from Anglian Water's Eligible Sustainable Project Portfolio to the extent required.

Unallocated net proceeds from Sustainable Finance Instruments will be held in Anglian Water's liquidity portfolio, in cash or other short term liquid instruments, at its own discretion.

The proceeds from the sustainable transactions will be managed by Anglian Water's Sustainable Finance Working Group led primarily by the Sustainable Finance team within Treasury.

### 4. Reporting

Anglian Water will 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.

Anglian Water will report the allocation and impact of the net use of proceeds to the **Eligible Sustainable Project Portfolio** at least at the category level and on an aggregated basis for all of Anglian Water's Sustainable Finance Instruments outstanding.

#### 4.1. Allocation

Allocation reporting will be available to investors annually through a Sustainability Finance Report, until the proceeds have been fully allocated, and as necessary thereafter in the event of material developments. Each year's Sustainability Finance Report will incorporate all the sustainable transactions outstanding.

#### The report will detail:

- 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<sup>7</sup> and refinancing

#### 4.2. Impact reporting

Anglian Water intends to align its reporting with the approach described in the ICMA "Handbook - Harmonized Framework for Impact Reporting (June 2022)" on a best effort basis.

Where feasible, Anglian Water may on a best effort basis report yearly and until full allocation or until maturity on the environmental and/or social impact associated to the Eligible Sustainable Projects.

#### For each eligible category, the impact report may provide:

- 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 impact as described below



<sup>7</sup> New financing refers to projects financed over the previous reporting period.



## Green Eligible Categories

ICMA Green Category	Potential Impact Indicators
<b>Sustainable water and wastewater management</b>	<p><b>Water supply measures, adapting to a changing climate and wastewater treatment</b></p> <ul style="list-style-type: none"> <li>• Reduction in number of pollution incidents</li> <li>• Population supported by additional resilience</li> <li>• The number of bathing waters that exceed EU bathing water directive requirements</li> <li>• Population supported by risk mitigation on single water source supply</li> <li>• Performance on interruptions to supply to our customers</li> <li>• Per capita consumption of water</li> <li>• Interruptions to supply measured by per household interruption</li> <li>• Water quality contacts relating to discoloration</li> <li>• The amount of recycled water harvested for phosphorus</li> </ul> <p><b>Sustainable drainage systems, adapting to a changing climate</b></p> <ul style="list-style-type: none"> <li>• Performance against our regulatory performance commitments for external and internal flooding incidents</li> <li>• Volume of water recycled (MI)</li> </ul> <p><b>Reducing demand for clean water, adapting to a changing climate</b></p> <ul style="list-style-type: none"> <li>• Performance on leakage by volume of water lost from water pipes (MI)</li> <li>• Percentage reduction of three-year average leakage in megalitres per day (MI/d) from the 2019-20 baseline</li> <li>• The amount of recycled water harvested for phosphorus</li> </ul> <p><b>Energy efficiency</b></p> <ul style="list-style-type: none"> <li>• Renewable energy generation, the Gwh of energy generated from renewable sources.</li> <li>• Efficiency investment, the amount spent on improving the energy efficiency of our assets</li> </ul>
<b>Terrestrial and aquatic biodiversity</b>	<ul style="list-style-type: none"> <li>› The compliance of our sites with the Eel Regulations 2009</li> <li>› The length of river improved by our biodiversity investment</li> </ul>
<b>Renewable energy</b>	<ul style="list-style-type: none"> <li>› Estimated annual reduced and/or avoided GHG emissions [tCO<sub>2</sub>e/year]</li> <li>› Installed renewable energy capacity (MW)</li> </ul>

## Social Eligible Categories

ICMA Social Category	Potential Impact Indicators
<p><b>Affordable basic infrastructure</b></p>	<ul style="list-style-type: none"> <li>› Number of new homes connected to water supply and wastewater network</li> <li>› Number of homes connected to wastewater network replacing septic tanks</li> <li>› Number of customers supplied in the region we serve</li> <li>› Number of jobs supported in the local economy</li> </ul>



In addition, we publish an annual greenhouse gas (GHG) emissions report, [available here](#). The metric used (kg of CO<sub>2</sub>e per mega litre for water supply and water recycling treated) was selected to measure intensity as this is a common business metric for our industry sector. The carbon data has been externally verified as part of the regulatory reporting requirements. Since 2010, Anglian Water has met the requirements of the Carbon & Energy Management Reduction Scheme (CEMARS), having measured greenhouse gas emissions in compliance with ISO 14064-1:2006.

### 5. External review

#### Second party opinion

Anglian Water has obtained an independent second-party opinion from DNV to assess the alignment of

the framework with the ICMA Green Bond Principles 2021 (including the updated Appendix I of June 2022), the ICMA Social Bond Principles June 2023, the ICMA Sustainability Bond Guidelines 2021, the LMA/APLMA/ LSTA Green and Social Loan Principles 2023. The independent second-party opinion will be published on Anglian Water’s official website.

#### Verification

Anglian Water intends to request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the proceeds to the Eligible Sustainable Project Portfolio, provided by its external auditor (or any subsequent external auditor).



## B Sustainability-Linked Finance Framework



### Rationale for issuing Sustainability-Linked Finance Instruments

As part of its commitment to sustainability, Anglian Water has developed this Sustainability-Linked Finance Framework (the “Framework”), to issue sustainability-linked finance instruments (“Sustainability-Linked Finance Instruments”). It will link Anglian Water’s funding with its sustainability objectives, leveraging ambitious targets to that are relevant, core, and material to its business.

### Basis of this framework

Anglian Water has established this Framework as an overarching platform under which the company intends to issue Sustainability-Linked Finance Instruments. This Framework has been developed in accordance with the five core components of the International Capital Market Association’s (“ICMA”) Sustainability-Linked Bond Principles (“SLBP”, June 2023<sup>8</sup>), and also takes into account the Sustainability-Linked Loan Principles<sup>9</sup> as published in February 2023 by the Loan Markets Association (“LMA”), as presented on the left.

<sup>8</sup> [www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/](http://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/)

<sup>9</sup> [www.lsta.org/content/sustainability-linked-loan-principles-sllp/](http://www.lsta.org/content/sustainability-linked-loan-principles-sllp/)



## 1 Selection of Key Performance Indicators (KPIs)

### KPI | 1 | % reduction of Net Operational Carbon emissions

#### Definition of the metric

Operational emissions (Scope 1, 2 and some Scope 3 relevant to core outsourced activities), over which we have operational control, net of surplus renewable generation exported and purchase of Renewable Energy Guarantees of Origin (REGO) backed green tariff electricity.

#### Rationale

Our region is the driest and lowest lying in the UK and is more vulnerable than most to the effects of climate change, giving us hotter, drier summers, and warmer, wetter winters, and making us more exposed to rising sea levels. Therefore, our goal is to achieve net zero operational emissions by 2030 and to maintain this thereafter. This aligns with the Water UK Net Zero 2030 Roadmap<sup>10</sup>, which is a shared objective with all water companies in England set out in 2019 as part of the Water UK Public Interest Commitment to show leadership at national level.

Improvement in performance against this KPI is core to our sustainability strategy and aligns with our published net zero strategy which was released in 2021 and will guide our route to net zero<sup>11</sup>.

#### Unit

Percentage reduction of tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e).

#### Perimeter

Regulated activity of Anglian Water Services Ltd.

#### Methodology

The reporting boundary covers the emissions within the regulated activities of Anglian Water Services Ltd. The emissions that are measured and managed include CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O. These three gases are reported collectively as Carbon Dioxide Equivalent (CO<sub>2</sub>e). The following emissions are captured under the KPI methodology:

- **Scope 1** emissions include the burning of fossil fuels, process and fugitive emissions (e.g. Nitrous oxide and methane from water recycling/sludge treatment) and emissions from owned or leased vehicles;
- **Scope 2** emissions include purchased grid electricity;
- **Scope 3** emissions covered under operational carbon include business travel, outsourced activities within our regulatory boundary and Transmission and Distribution losses.

The reporting of net emissions also takes into account the export of surplus renewable generation and purchase of Renewable Energy Guarantees of Origin (REGO) backed green tariff electricity.

Capital carbon (emissions relating to capital expenditure) and wider Scope

3 emissions (e.g., sludge to land, and chemicals) are not included within this KPI. Capital carbon is included as a separate KPI (see KPI 2).

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting for our disclosures. Where relevant, we have also aligned with industry best practice for emissions measurement and reporting. This approach has been verified, since 2010, by CEMARS as being measured, managed and reduced in accordance with ISO 14064. Our strategy for operational carbon reduction has been verified against ISO-14064 since 2010 and in 2021 were awarded Platinum status on Achilles Carbon Reduce.

<sup>10</sup> [Water UK Net Zero 2030 Roadmap](#)

<sup>11</sup> [Our Net Zero Strategy](#)

## KPI | 1 | % reduction of Net Operational Carbon emissions

### Data assurance

Carbon data is submitted to Ofwat and the Management Board through our Annual Integrated Report (AIR) processes. The AIR contains Outcome Delivery Incentives (ODIs), including operational carbon. The carbon data has historically and will continue to

be externally verified by a suitable provider as part of our regulatory reporting requirements. Since 2010, we have met the requirements of CEMARS (the Certified Emissions Measurement and Reduction Scheme - now called Carbon Reduce), having

measured greenhouse gas emissions in compliance with ISO 14064-1:2006. Going forward, the data assurance will also review purchased grid electricity.

### Baseline and historical data

Tonnes of CO <sub>2</sub> e	2018/2019 (baseline)	2019/2020	2020/2021	2021/2022	2022/2023
Scope 1	123,302	117,784	117,010	114,390	118,304
Scope 2	209,818	241,134	245,501	134,894	121,994
Scope 3	32,676	36,420	34,867	25,077	24,920
Annual gross emissions	365,796	395,338	397,379	274,362	265,219
Exported renewables	(9,444)	(12,257)	(10,957)	(4,946)	(6,334)
Net Operational Carbon Emissions	356,351	383,081	386,421	269,416	258,884

(Reporting period 1st April to 31st March).

## KPI | 2 | Capital carbon emissions expressed in % of emissions avoided in tonnes of CO<sub>2</sub> equivalent

### Definition of the metric

Capital Carbon is the emissions associated with the creation of assets (From cradle to as built). This is our carbon footprint as a result of the construction projects we undertake, covering the extraction, transportation and processing of raw materials and from site construction activities required to create or maintain a built asset or part thereof, expressed as equivalent emissions of carbon dioxide.

### Rationale

As an asset-heavy industry, we are responsible for considerable capital carbon in our distribution and treatment assets. We recognise that there is a causal link between carbon reduction and lower costs, as confirmed by the HMT Infrastructure Carbon Review, sponsored by the Green Construction Board, in its national initiative to save 24 million tonnes of carbon and £1.46 billion a year by 2050. We have used carbon reduction as a means of driving efficient investment. As such, in 2010, we ambitiously defined our initial

Capital Carbon goal to halve the carbon emitted through our construction projects. At the time, measuring and managing capital carbon, let alone setting such a stretching goal for avoidance, was market leading. In 2022/23 with visionary leadership and a supply chain that lined up behind the target, we have achieved a 63.1% reduction avoidance in capital carbon emissions versus a 2010 baseline. Again, despite this achievement, we continue our commitment to decarbonising our business and recognize that further action is required in our indirect footprint.

### Unit

Percentage of tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) avoided

### Perimeter

Regulated activity of Anglian Water Services Ltd.

### Methodology

Measurement is made through the creation of over 1300 capital carbon models<sup>5</sup> utilizing data from the University of Bath Inventory of

Carbon and Energy (ICE), Defra and CESSM4 workbook. Baselines at 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. C55 is our corporate master system for supporting expenditure decisions. It gives us a common location to store and report on all of our investments in our assets and uses a common framework to assess them. It is used to calculate carbon baselines. C55 is used for carbon and cost modelling before schemes are handed to a delivery route. Asset+ was the predecessor to C55 and was used to calculate carbon baselines. Our Carbon and Water Footprint Modeller (the “Carbon Modeller”), uses the various carbon models and has the ability to calculate the life cycle carbon and water of infrastructure projects.

### Data assurance

Since 2016 we have met the requirements of PAS2080 Carbon Management in Infrastructure externally verified by LRQA8 (and BSI in 2022 as the AW audit partner). PAS 2080:2016 provides a common framework for all infrastructure sectors (including energy, water, waste, transportation and communication) on how to manage whole life carbon management when delivering infrastructure assets and programmes of work. PAS 2080 ensures that carbon is consistently and effectively quantified at key points, enabling carbon data to be shared transparently along the supply chain.

### Baseline

The baseline period for the Carbon Modeller is 2010. 2010 baseline level refers to material emission factors, materials and construction techniques associated with assets created under business as usual practises during the period between 2005-2010.



## KPI | 2 | Capital carbon emissions expressed in % of emissions avoided in tonnes of CO<sub>2</sub> equivalent

Baseline levels are set on a scheme-by-scheme basis on projects delivered through the Totex Investment Programme, using Asset+ and C55. Emissions factors for baselines and models are based on the Intergovernmental Panel on Climate Change (IPCC) AR2 Global Warming Potentials (GWPs). It is noticed that GWPs have been updated in the published IPCC AR4 GWP, however IPCC AR2 GWPs

have been retained to maintain a consistency and comparability between carbon baselines and models. Modelling our AMP7 2020-2025 investment programme using our activities and practises from 2010, the projected capital carbon baseline for the period 2020-2025 is 1,014,875 tonnes of CO<sub>2</sub>e. As a regulated utility operating with five yearly asset management periods, the projection for delivering

the capital carbon avoidance for the period AMP8 2025-2030 will be updated prior to 1 April 2025.

### Historical data

% of emissions avoided in tonnes of CO <sub>2</sub> e from associated baseline level*	2019/2020	2020/2021	2021/2022	2022/2023
Capital Carbon	61%	61.2%	63.1%	63.2%

(Reporting period 1st April to 31st March.)

## KPI | 3 | Reducing per-capita household consumption-related water sourcing from from the environment

### Definition of the metric

Water is vital to health and wellbeing, to the economic prosperity of the East of England, and to maintaining a thriving natural environment that we can all enjoy. Yet we face growing challenges to supply from population growth in our region and the escalating climate emergency. Our region is the driest area in England and over the past decade has had the highest level of population growth in the UK, so we must manage water carefully.

Our supply-demand balance is under significant pressure from population growth, climate change, sustainability reductions and the need to increase our resilience to severe drought. These challenges are acute in our region, which is characterised by low rainfall and is home to many wetland sites of conservation interest.

Sustainable sourcing of water is underpinned by our water abstraction performance which relates to the process of extracting water from any natural sources, such as a lake, aquifer, river, stream or spring. Reducing the amount of water we take from rivers and water sources is one of the biggest actions we can take to protect

the environment. Half of the water we abstract to provide homes and businesses comes from our rivers and streams. The other half of our supply is stored in underground reservoirs called aquifers.

This metric will measure the amount of water (expressed in litres) extracted for household use on a per capita basis per year. The biggest challenge for our business will be to sustainably manage abstraction in the face of increasing demands on our network from population growth.

### Rationale

All of our water abstractions must be environmentally sustainable, replenished within the cycle of climatic variability, and avoid the risk of environmental deterioration. Changes to abstraction, and other catchment-based environmental improvements form a core part of our strategy and are included as part of our Water Industry National Environment Programme (WINEP). The WINEP is a set of actions that the Environment Agency and Natural England agree with water companies to complete within the five year AMP.

Each water company has obligations which are driven by directives and regulations, such as the Water Framework Directive which aims to avoid the risk of deterioration and achieve good status in rivers and water bodies. Anglian Water has the ambition to deliver in AMP7 one of the largest WINEPs in the country. We include the WINEP schemes in our investment plans in order to meet these environmental obligations, such as sustainable abstraction, river restoration, river support and improving water quality.

Whilst our historical and ongoing investment in resilience is proving beneficial, demonstrated by the way we handled the 2022 drought without a hosepipe ban, and with similar amounts of water into supply, our weather patterns continue to alter. We are experiencing hotter, drier summers and warmer, wetter winters. Drought is also expected to become increasingly common. This changing weather means there is less opportunity to replenish the groundwaters and river catchments we borrow water from, reducing the amount of water we have available.

We currently take groundwater from 425 boreholes and surface water from eight reservoirs and nine rivers. We know that, if not managed carefully, these abstractions can have a detrimental impact on the environment. That's why we are the only water company to pledge to voluntarily cap our abstraction licences to maximum peak levels by 2025.

Population growth is also a particular issue for us as the East of England, with the region experiencing the UK's highest growth between 2011 and 2021. We expect this to continue with an additional 911,000 people predicted to be living in our region by 2050. This means we have to further focus on sustainable abstraction, increasing the capability of our water and water recycling facilities.

As we want to ensure we make the right investments, and not put our environment at risk of deterioration, significant engagement with multiple stakeholders including local authorities and regulators will be required to promote sustainable growth.

## KPI | 3 | Reducing per-capita household consumption-related water sourcing from from the environment

### Unit of measurement

Average daily amount of water abstracted directly from rivers, reservoirs and groundwater, for household use, per capita in a year.

### Perimeter

Regulated activity of Anglian Water Services Ltd.

### Methodology (performance)

Water Abstraction (per capita) is calculated using individually defined components for both water abstraction and population. LARS is the Licensed Abstraction Recording System. This is the system used by Anglian Water to collect abstraction flow data for the purpose of regulatory reporting to the Environment Agency which is a requirement of our abstraction licenses. LARS collects flow readings from meters around the region that record the amount of water abstracted from boreholes or surface sources. Data is collected locally in SCADA (Supervisory Control and Data Acquisition) outstations, then transferred to IRIS (Integrated Remote Intelligence System) and finally to IREM (the IRIS Reporting Module). There are two adjustments we make for the purposes of this metric. Firstly to remove ‘double-

abstracted water’ e.g. where we abstract from a river into a reservoir, and then from a reservoir into treatment, we only use the latter figures. Secondly, we don’t include water abstracted for non-household (NHH) use; for our non-potable network we exclude abstraction completely, and elsewhere we remove NHH demand and the proportion of losses attributable to NHH demand (based on the ratio of HH demand to total demand).

Anglian Water in-year (APR) population figures are derived using ONS data (sub-national population projections (snpp), official mid-year estimates (updates) and ONS projections for dwellings (table 406) for each Local Authority (LAUA) served. Base year recorded water account properties in the AWS billing system are then compared to the LAUA household official totals, allowing the % of households and population served by AWS to be determined. ‘Communal’ non-household population (care home, hospital, military, prison etc.) per LAUA are also derived from census data, but for this metric are not included in the population figures. Population totals are updated annually.

### Data assurance

The whole meter system is checked on a monthly basis by comparison with other hydraulically connected meters in the Water Supply System, as part of our Leakage, Supply Demand and Water Balance monitoring. If meters appear unstable, or if the system accuracy standard is breached, meters are either repaired or replaced. Verification problems, together with their resolution, are logged using our metering database. Where there are no suitable hydraulically connected meters, meters are manually verified on-site, at least 3-yearly, by either comparison to a temporary meter or by use of electronic flow simulators.

Any data corrections (due to meter and/or telemetry faults) are made in IREM with a full audit trail of changes undertaken. The data is then periodically downloaded (currently annually but moving towards quarterly) for uploading to the Environment Agency “Manage your water abstraction or impoundment license” service. The LARS data is subject to independent annual audit as part of the APR submission to Ofwat. The population and demand-abstraction volume data is subject to independent annual audit by a third party as part of the APR submission to Ofwat.

### Baseline and historical data

	2020 / 2021	2021 / 2022	2022 / 2023
<b>Average daily water abstracted per capita per household consumption measured in litres</b>	199.7	208.4	195.0



## KPI | 4 | Proportion of Households on the Priority Service Register

### Definition of the metric

Our Priority Service register (PSR) is designed to support a wide range of customers who may need additional help. Being on the PSR not only provides critical support in the event of an incident but also practical day-to-day support.

Customers are able to join the register free of charge via our account manager platform, MyAccount and our App, enabling them to manage their support needs at the click of a button. Customers are also able to register via our website<sup>12</sup>. All registrations via our online platforms and our customer service agents are instant, meaning should there be an incident, their support needs are immediately visible.

Anglian Water has a dedicated Priority Services team who proactively engages to support differing customer needs. Some may need assistance with managing their account due to a medical condition or cognitive impairment, others may need tailored communication due to a sight or hearing impairment. Our specialist team can act as a dedicated point of contact and help with anything from organising the

repair of a leak to talking a customer through the bill. For example, a customer who may live in an isolated rural location, with restricted mobility, and a limited support network, could be severely impacted in the event of a supply interruption. By being on the PSR our dedicated team will reach out in the event of an incident to understand any support needs and where needed organise bottled water to be delivered directly to the customer's door. Equally, a customer who has home dialysis will need advance notice of any planned work or be notified as a priority in the event of an incident so they can arrange critical treatment at a local hospital or treatment centre. Our customer-facing teams have undertaken specialist training to equip them with the confidence and skills to understand potential signs of vulnerability and need for support.

### Rationale

We believe the Priority Service register provides vital service for our customers. Without this service, these customers could be placed at extreme risk. From 2025 onwards, the PSR performance commitments set

by Ofwat will no longer be in place. It is our strong belief that the service we provide to our customers on the PSR is invaluable. Although there will be no regulatory demand for us to increase or maintain the volumes of customers being supported or obtain external assurance on the quality of service provided, we remain committed that our customers receive the support they need when they need it. We believe this service is our benefit to both our customers and the business and retaining this measure is the right thing to do.

Our customer centric approach to supporting our customers and providing an inclusive and accessible service also feeds into other key metrics imposed on us by the regulator such as CMeX, where we attain high levels of customer satisfaction from those on the PSR. Through our extensive partnership work we have also been able to increase the level of financial support we provide to our customers. In partnership with local councils, we have delivered more than £2 million of support to those in financial hardship through the Household

Support Fund. This has also helped us to achieve our affordability measures and reduce our bad debt charge.

We're also committed to maintain the ISO 22458 for consumer vulnerability which is a high-level of certification issued to businesses that have met strict criteria for protecting customers in vulnerable situations. Following assessment by an expert auditor against the standard and scheme requirements, we have demonstrated that we understand the impact of consumer vulnerability and we provide an inclusive and flexible approach to address it, making it easier for consumers to access information, services, and products and make good decisions and achieve positive outcomes.

<sup>12</sup>Priority services

## KPI | 4 | Proportion of Households on the Priority Service Register

### Unit of measurement

% of billed properties

### Perimeter

Regulated activity of Anglian Water Services Ltd

### Methodology

(Number of households on the PSR (recorded on 31 March) / Total number of households served (recorded on 31 March) × 100).

In line with the methodology for PSR Reach provided by Ofwat in their reporting guidance<sup>13</sup>, we will calculate the number households on PSR as % of billed properties, where the number of billable properties is based on domestic properties supplied with water and/or wastewater services excluding any void properties.

### Data assurance

PSR reach is submitted to Ofwat and the Management Board through our Annual Integrated Report (AIR) process. PSR data has historically and will continue to be externally verified by a suitable provider as part of our regulatory reporting requirements. Also, to maintain certification of the ISO 22458 we will need to pass an

external annual surveillance visit and full recertification audit every three years by the BSI (British Standards Institute).

To ensure the accuracy of the data we hold on the register, we perform regular reviews with our customers. We will contact our customers at least once every two years to check they are receiving the right support or if their circumstances have changed. We do this via a range of different channels tailored to our customers' communication needs and preferences.

### Baseline and historical data

In 2018 we had just over 15,000 customers on our Priority Service Register. As at 31st March 2023 we have over 330,000 customers registered for support. We have taken great strides to improve our understanding and extend the support we are able to provide our customers. We are now leading in the industry in terms of the % customers being supported on our Priority Register.

The exponential growth of our register is a direct result of one-to-

one engagement with our customers and our team's ability to identify and respond to disclosures of vulnerability, alongside our extensive partnership work. In March 2023 we went live with a cross industry data

share, that enables customers to get support from both water, electricity, and gas with a single sign up, supporting our ambitions of a "tell us once approach", providing holistic support across their utilities.

PSR Industry Performance 2022-23

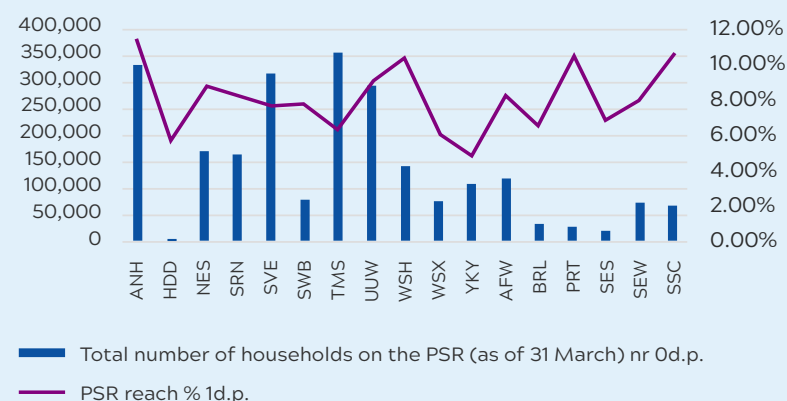


Figure 2: In 2022-23 we had the highest proportion of customers registered on the PSR.

	2020 / 2021	2021 / 2022	2022 / 2023
<b>% of customers on the PSR register</b>	6.0%	9.4%	11.4%
<b>Number of customers</b>	175,345	277,418	336,296

<sup>13</sup> PR19-final-determinations-Reporting-guidance---Common-performance-commitment-for-the-Priority-Service-Register.pdf (ofwat.gov.uk)

## 2 Calibration of Sustainability Performance Targets (SPTs)

**SPT1a:** 30% reduction in Net Operational Carbon emissions by 31st March 2025 – from 2018/2019 base year

**SPT1b:** Net zero on Net Operational Carbon emissions by 31st March 2030 – from a 2018/2019 base year

### Baseline year

2018/2019 base year

### Baseline figure

356,350 tonnes

### Target observation dates

31st March 2025 and 31st March 2030

### Ambition

In line with the UK water sector, we have established ambitious plans to achieve net zero by 2030 on net operational carbon emissions, those over which we have the most control. Our decarbonization plans are outlined in our published net zero strategy and are underpinned by multiple actions and investments, which will require effort beyond business-as-usual to achieve.

It relies on us transforming both our own operations and those of our supply chain, as well as requiring a

great degree of agility on our part and significant engagement with our sector’s stakeholders in addition to overcoming external headwinds which may arise (see factors that risk achievement of the targets below).

### Measures to achieve the SPT

We have a robust action plan. Our collaborative routemap sets out how the industry plans to rise to the net zero challenge over the next decade and highlights a broad range of opportunities, initiatives and projects that will help us cut millions of tonnes of carbon emissions by 2030. **Specifically, Anglian Water will focus on the following areas to achieve its target:**

- 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 Electric Vehicle 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 optimisation 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.
- Supply chain 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.

### Factors that risk the achievement of the targets:

- Growing population increasing energy demands on our 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 and natural sequestration options
- Weather events and pandemics
- Changes in the future UK offsetting markets



**SPT2a:** 65% of Capital Carbon emissions avoided by 31st March 2025 - from AMP7 2010 baseline level

**SPT2b:** 70% of Capital Carbon emissions avoided by 31st March 2030 - from AMP8 2010 baseline level

**Baseline year**

2010

**Baseline figure**

SPT2a - AMP7 2010 baseline level/  
SPT2b - AMP8 2010 baseline level

**Target observation dates**

31st March 2025 and 31st March 2030

**Ambition**

Anglian Water has been a pioneer in measurement and avoidance of capital carbon in the water industry. Anglian Water has hence already tackled all the significant carbon hotspots, which can be considered ‘easy wins’ and brought significant reductions. Our capital carbon footprint is increasingly challenging due to the high proportion of the baseline in harder to reduce infrastructure schemes, such as below ground assets.

Therefore, further reductions in capital carbon are considered challenging and significant engagement will be needed with our delivery partners, wider supply chain and peers to ensure we remain on track to meet our 2030 targets.

**Measures to achieve the SPT**

- 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 1,300 capital carbon models.
- Clarity of communication to the supply chain, with collaboration enabling lower GHG emissions solutions.

- Continual 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.



**Factors that risk the achievement of the targets:**

Increasing challenge due to higher target and 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 market and as a consequence carry a price premium which can increase the costs of delivery of schemes. 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.

**SPT3: Reduce average daily amount of water abstracted directly from rivers, reservoirs and groundwater, for household use, per capita to 189.3 l/h/d by 31st March 2025 and to 179.1 l/h/d by 31st March 2030 (measured in litres)**

**Baseline year**

2021/2022

**Baseline figure**

208.4 litres per head of household population

**Target observation date**

31st March 2025 and 31st March 2030

Due to the change in habits caused by Covid-19 in 2021/22 we have selected that as a baseline from that point onwards as many of the trends such as working from home have carried on still to this day and so this

**Ambition**

accounts for the expected increase in demand at that point. The level of demand in 2022/23 was lower than expected due to the cost of living and energy prices, which suppressed water demand due to factors such as cost of heating water for showers and the cost of using a washing machine.

Growth is a particular issue for us as the East of England experienced the highest growth rates in the United Kingdom between 2011 and 2021. We expect this to continue with an additional 911,000 people predicted to be living in our region by 2050. This is great for our region, as it becomes increasingly prosperous, but it means we have to increase the capability of our water and water recycling facilities. As we want to ensure we make the right investments, and not put our environment at risk of deterioration, we liaise closely with local authorities and regulators to promote sustainable growth. In practice this means we have a significant focus on

demand management, as well as the development of new sources of water that do not rely on abstraction from sensitive environments.

Whilst our historical and ongoing investment in resilience is proving beneficial and is exemplified by the way we were able to handle the recent drought without a hosepipe ban and with similar amounts of water into supply, our weather patterns continue to alter. We are experiencing hotter, drier summers and warmer, wetter winters. Drought is also expected to become increasingly common. This changing weather means there is less opportunity to replenish the groundwaters and river catchments we borrow water from, reducing the amount of water we have available.

Our track record offsetting the impact of growth is good. We put the same amount of water into supply now as we did back in 1989, despite a 30% population increase in that time. However, opportunities for reducing water usage and leakage

are becoming increasingly limited and expensive, as we have invested heavily in leakage reduction since privatisation and remain at the forefront of the industry in this field.

With one of the highest levels of standard metering in the country, and on course with an equally ambitious smart meter program which will see full smart meter coverage by 2030, we must turn towards more innovative methods to drive the next step change in reducing demand. These measures will ensure we manage sustainable growth, ensuring we do not take any further water out of the environment than we do now. To achieve this whilst experiencing a rapidly growing population we need to reach ambitious levels of abstraction per capita.

The Water Resources Management Plan contains strategies for managing and reducing the demand for water, including the reduction of leakage from our own network; increasing our meter penetration

	FY2023-24	FY2024-25	FY2025-26	FY2026-27	FY2027-28	FY2028-29	FY2029-30
Average daily water abstracted per capita per household consumption measured in litres	196.7	193.0	189.3	187.0	184.6	181.3	179.1
Percentage reduction from baseline	-5.61%	-7.39%	-9.17%	-10.27%	-11.42%	-13.00%	-14.06%



and measured cohort (measured customers tend to use less water than unmeasured customers), and our smart meter rollout with associated water efficiency campaigns to help customers understand and reduce their consumption (including unintended consumption identified by smart meters; plumbing losses and customer supply pipe leakage). Government-led interventions (such as higher water efficiency standards for white goods, better labelling and planning rules) are outside our control and we concluded that the KPI itself would be better focused on actions more firmly in our control.

**Measures to achieve the SPT**

- Our actions to reduce raw water leakage, distribution leakage and process losses. (Currently we are making significant investments in pressure management and active leakage control measures and for WRMP24 are looking to expand our 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 we abstract from sensitive areas.

**Factors that risk the achievement of the targets**

- 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



**SPT4a: 12.8% PSR Reach by 31st March 2025**

**SPT4b: 15% PSR Reach by 31st March 2030**

**Baseline year**

2022/23

**Baseline figure**

11.4%

**Target observation date**

31st March 2025 and 31st March 2030

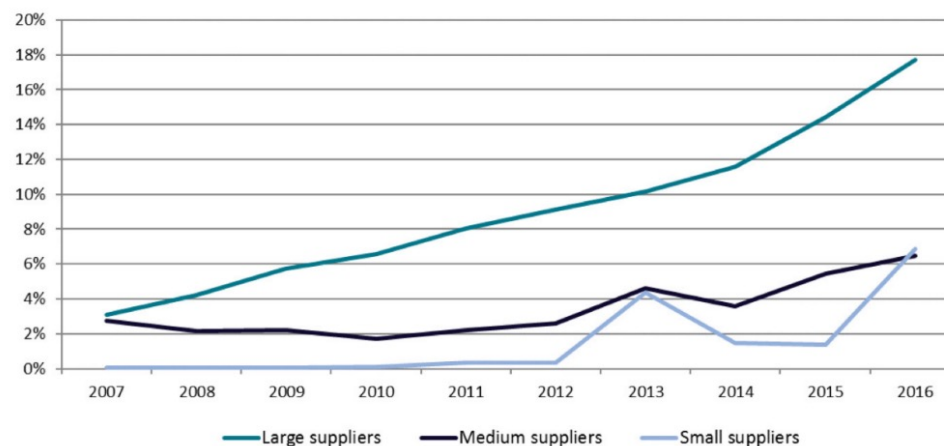
**Ambition**

In 2020, we set an ambitious target of achieving 12.8% of customers on our PSR by 2025 and 15% by 2030, based on the trajectory shown above. This represents a material outperformance by 2025 versus the industry target of 7% set initially by Ofwat within its PR19 final determinations report<sup>16</sup>.

We believe this target to be especially ambitious due to the high population growth in our area adding to the resources required to maintain and increase this percentage to the 2030 target and hence the absolute figures will be even higher than those shown below.

We consider this a stretching target based on our analysis of trends in PSR registrations in the energy sector, which showed a gradual initial uptake followed by a steeper rate of increase as companies identified the most effective ways to reach out to customers and raise awareness of the PSR. The table on the right shows the proportion of electricity customers on the PSR in the energy sector. We chose an ambitious approach to align our growth with that of a large supplier, which saw an increase to approximately 15% PSR reach over a 9-10 year period.

**Figure 2: Proportion of electricity customers on a PSR**  
(trend is similar for PSR gas customers)



**Figure 3: Vulnerable Customer in the retail energy market, 2017** (source: Ofgem)

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
<b>PSR reach %</b>	12.1%	12.8%	13.2%	13.7%	14.1%	14.6%	15.0%
<b>PSR Reach Number (23-24 Population)</b>	358,512	379,253	392,289	405,919	417,770	431,400	444,437

<sup>16</sup> PR19-final-determinations-Reporting-guidance---Common-performance-commitment-for-the-Priority-Service-Register.pdf (ofwat.gov.uk)



By the end of the 2025 we want to penetrate a higher proportion of customers equal to 12.8% who would benefit and wish to access support. As such, there is likely to be a smaller subset of customers left requiring support, making the achievement of additional PSR reach more challenging. Therefore, the current rate of growth that we have been able to achieve may not be sustainable long term. Alongside growth we also see attrition, through our ongoing data cleanse activities and validation processes we continually remove customers from our register. Attrition can be because of a change to a customer circumstance where they no longer require support, they no longer reside in our region or because they have passed away.

Although we have achieved incredible growth, to maintain the current run rate is not without it's challenges. It requires a constant promotion to maintain elevated levels of awareness across our customers. To achieve this, we have undertaken extensive promotion of the services on offer. Promotional activities include radio ads, social media campaigns and advertising at key customer touch points, such as pay point receipts, pharmacy bags and bus adverts. To maintain this level of customer support will require ongoing and continuous customer engagement.

It is also important to consider the operational impact of supporting such a high volume of customers. There are resource requirements involved, and these become extremely stretched in the event of a large scale or prolonged incident. To be able to service these customers effectively takes an incredible amount of effort, co-ordination and is resource intensive.

We aim to maintain our industry leading performance but equally recognise the importance of the quality of the support we provide. Therefore, we propose to maintain the ISO standard moving forward which will look for and assess continual improvements and innovation in the support we provide our customers.

Supporting this volume of customers now and in the future is an ambitious and challenging target, but one that is imperative to the communities we serve.

**Measures to achieve the SPT**

- 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 from both water, electricity, and gas with a single sign up.



**Factors that risk the achievement of the targets**

- 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

### 3 Financial characteristics

For each Sustainability-Linked Finance Instrument issued under this Framework Anglian Water may use a single SPT or a combination of multiple SPTs. The financial characteristics of Anglian Water's Sustainability-Linked Finance Instruments may vary depending on whether or not the KPI reaches the predefined SPT(s). They are to be specified in the transaction documentation of each Sustainability-Linked Finance Instrument issued or borrowed. The financial characteristics of Sustainability-Linked Finance Instruments may include coupon step-up(s), coupon step-down(s) and/or may lead to a higher or a lower redemption price payable in the optional redemption price in the case of notes.

The details of any financial penalty payable to investors in any Sustainability-Linked Bond in the event of a missed target will be set out in the offering documentation provided at the point of issuance of any Sustainability Linked Bond.

#### The details will include:

- Maturity date of instrument
- Sustainability Key Performance Indicators (KPIs)
- Sustainability Performance Targets (SPTs)

- Sustainability Target Observation Date(s)
- The amount of the penalty

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.

The relevant transaction documentation might provide that the SPTs may be subject to recalculation based on specific circumstances, such as changes in the calculation methodology or major events having a material impact on Anglian Water's structure, and/or might provide that the occurrence of certain events, outside Anglian Water's control, will not result in the financial penalty being triggered.

#### Recalculation Policy

In order to accurately track progress towards our emission targets, we will adjust our baselines and/or SPTs in the event of any significant changes described below, if the changes

drive an increase/decrease in KPIs performance greater than 5%. We may also choose to recalculate our baseline(s) and/or SPT(s) for changes below this threshold.

Significant Recalculations of the SPT(s) and/or baseline(s) may be performed on the condition that an external assurance provider independently confirms 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).

The factors and circumstances for recalculation/adjustment shall be set out further in the relevant documentation of the sustainability-linked bonds. 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.

#### Significant changes may include:

##### • Structural change

Changes in Anglian Water's perimeter (due to an acquisition, a merger or a demerger or other restructuring), an amalgamation, a consolidation or other form of reorganisation with similar effect, a spin-off, a disposal, or a sale of assets). Organic changes to the organisation will not trigger a recalculation or update of the baseline.

##### • Methodology changes

Changes to the methodology for calculation of any KPI to reflect changes in the market practice, the relevant market standards, which, individually or in the aggregate, has a significant impact on the level of any SPT or any KPI. Methodological changes include updated assumptions, or calculation methods. This also covers updates in emission factors, where the update is not related to an actual change in conditions such as annual updates of electricity grid factors.

##### • Regulation changes

Changes in or any amendment to any applicable laws, regulations, rules, guidelines, and policies relating to the business of the Group, including transition plan disclosure regulation.

##### • Errors and other changes

Changes in the Group's ability to calculate its SPT(s) and/or baseline(s), for example as a result of changes to data accessibility, or data quality. Recalculation will also be triggered by the discovery of a significant error or multiple cumulative errors.

#### 4 Reporting

All KPIs will be reported by Anglian Water on an annual basis as part of its annual report/non-financial statement, which is verified by external auditors, and available on Anglian Water’s website.

##### Reporting will include:

- i. Up-to-date information on the performance of the selected KPI, including the baseline where relevant, covered by an assurance statement of the independent auditor
- ii. 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
- iii. Any relevant information enabling investors to monitor the progress of the KPI.

##### Information may also include when feasible and possible:

- Qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the performance/KPI on an annual basis;

- Illustration of the positive sustainability impacts of the performance improvement; and/or
- Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope, if relevant.
- 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).

##### Focus on carbon reporting

Since 2010, Anglian Water has measured and reduced its greenhouse gas emissions using the CEMARS criteria (further described in the Appendix to this Framework) and will continue to do so.

The annual Greenhouse Gas Report provides a breakdown of its emissions and actions for reduction, and is available on its website.<sup>17</sup>

The carbon data is externally verified as part of the regulatory reporting requirements. Since 2010, Anglian Water has met the

requirements of CEMARS2 (the Certified Emissions Measurement and Reduction Scheme), having measured greenhouse gas emissions in compliance with ISO 14064-1:2006.

#### 5 Verification

This Framework and the associated annual reporting will benefit from three layers of external verification:

**Second Party Opinion** by a recognised ESG agency on the alignment of the Framework and the associated documentation with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles, including an assessment of the relevance, robustness and reliability of selected KPI, the rationale and level of ambition of the proposed SPTs, the relevance and reliability of selected benchmarks and baselines, and the credibility of the strategy outlined to achieve them, based on scenario analyses, where relevant.

This opinion has been published on the Anglian Water website.<sup>18</sup>

**An assurance statement** by an independent auditor on the KPI information included in our annual Impact Report published on our website.

**A verification assurance certificate** by an independent auditor confirming whether the performance of the KPI meets the relevant SPTs, published on our website following a target observation date, and notified in writing by Anglian Water to the Principal Paying Agent and the Noteholders

For both assurance statement and verification assurance certificate, we commit to having at least a limited assurance report provided by the independent auditor.

<sup>17</sup> <https://www.anglianwater.co.uk/in-the-community/protecting-our-environment/climate-change/carbon-management/>

<sup>18</sup> <https://www.awg.com/investors/anglian-water-services---terms-and-conditions/anglian-water-services---investor-information/green-bond/>





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