

Governance



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Introducing the Board's approach to governance and its key areas of focus this year.

Dear Stakeholder

I present the Corporate Governance Report for the year ended 31 March 2022. This report provides you with a more detailed look at the Board's approach to governance and its key areas of focus this year.

This year we have seen success in several key areas, delivering our best-ever performance through our world-class leakage reduction programme, accelerating environmental programmes, beating our carbon targets and supporting our customers. However, our performance, particularly against environmental targets, has not reached the level we, our customers or our other stakeholders wish to see. That has inevitably shaped our approach to executive and senior management remuneration this year, as we set out in the Remuneration Committee Report on pages 132–152.

Transparency and governance

This report details our compliance against the Anglian Water Services Corporate Governance Code 2020. As described in more detail in the Corporate Governance Report, the 2020 Code incorporates both Ofwat's Board Leadership, Transparency and Governance Principles (which are incorporated into the company's Licence) and most of the provisions contained in the 2018 UK Corporate Governance Code.

Board Committees

As ever, our Board continues to be supported by the work of our Committees: Audit, Nomination and Remuneration, whose reports you can read on pages 122–152.

Board evaluation

The Board considers the annual review of the Board, its Committees and Directors to be an essential part of good corporate governance. Following on from last year's external evaluation, this year the Board undertook an internal evaluation; more information on that can be found in the Nomination Committee Report on page 131.

External Auditor

During the year, the Audit Committee led the tender of the external audit contract. After a thorough process, the Audit Committee recommended to the Board that Deloitte be re-appointed as external auditor. Further information can be found in the Audit Committee report on page 126.

Annual Performance Report

As in previous years, the Annual Performance Report is being published as a separate document; see [anglianwater.co.uk/about-us/our-reports](https://www.anglianwater.co.uk/about-us/our-reports). This report contains a statement from the Board, which focuses on how Anglian Water has set its long-term ambitions and targets and how the company is delivering for everybody that it serves.

John Hirst, CBE

Chairman

14 June 2022

Anglian Water Services Management Board

The Anglian Water Services Executive Directors also sit on the Anglian Water Services Management Board. The Management Board oversees the day-to-day running of the business and develops long-term strategies for approval by the Board of Directors.

Peter Simpson

Group Chief Executive Officer

Steve Buck

Group Chief Financial Officer

Susannah Clements

Group People and Change Director

Brian Ebdon

Director of Strategic Planning and Performance

Iain Fry

Director of Information Services

Pete Holland

Director of Customer and Wholesale Services

Ciaran Nelson

Director of Brand and Communications

Alex Plant

Director of Strategy and Regulation

Dr Robin Price

Director of Quality and Environment

Ian Rule

Director of Water Services

Claire Russell

Group Legal Director/Company Secretary

Andrew Taylor

Acting Director of Water Recycling

Jason Tucker

Director of Strategic Delivery and Commercial Assurance

- A Audit
- R Remuneration
- N Nomination
- Denotes Committee Chair

Independent Chairman



John Hirst, CBE
Independent Chairman

Appointed

- Chairman in April 2020
- Senior Independent Non-Executive Director in January 2016
- Independent Non-Executive Director in April 2015

Skills, competencies and experience

John has a wealth of experience leading and transforming complex organisations. He was Chief Executive of the Met Office from 2007 to 2014 and was Group Chief Executive of Premier Farnell plc, a FTSE 250 electronics distribution company, between 1998 and 2005. His early career was with ICI, beginning in finance before progressing into various leadership roles and serving on the group executive team as Chief Executive of the speciality chemicals division. He also served as a Non-Executive Director and Chairman of the Audit Committee of Hammerson plc between 2004 and 2014. He is a Fellow of the Institute of Chartered Accountants and a member of the Association of Corporate Treasurers.

Other roles

John is Chairman of the British Standards Institution (BSI) and the National Oceanography Centre. He is also a Director of IMIS Global Limited and Afontech Limited. John is Chairman of SUDEP Action and a Trustee of Epilepsy Research UK.

Independent Non-Executive Directors



Dame Polly Courtice, DBE, LVO, DL
Senior Independent Non-Executive Director

Appointed

- Senior Independent Non-Executive Director in April 2020
- Independent Non-Executive Director in April 2015

Skills, competencies and experience

As the Founder Director of the University of Cambridge Institute for Sustainability Leadership (CISL) from 1989 to 2021, Polly has extensive experience working with global businesses as an ambassador for best practice in sustainability. In 2016 Polly was made a Dame Commander of the Order of the British Empire (DBE) for services to sustainability leadership, and in 2008 she was made a Lieutenant of the Victorian Order (LVO). Polly was awarded the 2015 Bright Award for Environmental Sustainability from Stanford University Law School, and in 2016 was recognised with a Lifetime Achievement Award from Ethical Corporation.

Other roles

Polly is Emeritus Director and Senior Ambassador of CISL. She is a Board Adviser to BSI, a Director of Jupiter Green Investment Trust, a member of the Supervisory Board of Mercedes-Benz Group AG and serves on the environmental/sustainability advisory boards for AstraZeneca, Nespresso and Terra Firma Capital Management. She is Deputy Lieutenant for Cambridgeshire.



Natalie Ceeney, CBE
Independent Non-Executive Director

Appointed

- Chair of the Remuneration Committee in March 2022
- Independent Non-Executive Director in April 2018

Skills, competencies and experience

Natalie's career includes more than 20 years leading organisational and digital transformation, firstly as a McKinsey & Company consultant and then as an executive, before moving to non-executive roles. She has worked across a range of sectors, both public and private, and has experience as a regulator as well as a CEO. Natalie has a focus on and deep interest in meeting the needs of customers, inclusion, and the transformational nature of technology. Natalie's executive career included chief executive roles at HM Courts & Tribunals Service, the Financial Ombudsman Service, the National Archives, and as a member of HSBC's UK executive team. Natalie is a graduate of the University of Cambridge.

Other roles

Natalie is currently a Non-Executive Director of Ford Credit Europe, Liverpool Victoria Life Company Limited (LV=) and Openreach Limited.

Independent Non-Executive Directors

**Appointed**

- Chair of the Audit Committee in April 2020
- Independent Non-Executive Director in October 2018

Skills, competencies and experience

Zarin is a Chartered Accountant who spent 16 years at KPMG followed by 15 years at the BBC, during which time she helped to transform the organisation into a fully digital broadcaster. Zarin was CFO of the BBC and sat on its Board, where she was also responsible for risk management. Latterly, Zarin was COO of The Grass Roots Group plc, a customer and employee engagement specialist.

She was an independent member of the Audit & Risk Committee of John Lewis Partnership plc until April 2021.

Other roles

Zarin is currently a Non-Executive Director of Pets at Home Group plc, where she is Chair of the Audit & Risk Committee, and the Senior Independent Director of Post Office Limited. She is a Non-Executive Director on the Board of HM Treasury and chairs its Audit & Risk Committee. She also sits on the Board of Trustees of the National Trust and chairs its Audit Committee.

**Appointed**

- Chair of the Remuneration Committee in January 2015 to March 2022
- Independent Non-Executive Director in October 2013

Skills, competencies and experience

Paul has significant regulatory experience gained during an extensive career in the energy sector. He was formerly Director, UK Regulation at National Grid plc, where he led UK regulatory strategy and price control activities, supported individual UK businesses in their day-to-day regulatory discussions and sat on the boards of the two main UK operating subsidiaries. Immediately prior to that he was Group Head of Strategy.

His career began at British Gas in 1981 and included the privatisation and subsequent liberalisation of the UK gas industry as well as periods working internationally. He joined National Grid when it merged with Lattice in 2002.

Other roles

Paul is an Associate at Oxera LLP.

Executive Directors

**Appointed**

- CEO of Anglian Water Group in October 2013
- Managing Director of Anglian Water in 2010 and COO from 2004

Skills, competencies and experience

Peter is a founding member, and co-chair, of CLG UK (the Corporate Leaders Group, run by the University of Cambridge Institute for Sustainability Leadership), which provides a strong voice to support UK leadership nationally and internationally on the transition to a climate-neutral, resource-efficient, socially inclusive economy by 2050.

Peter also works with Business in the Community (BITC) as Chair of the East of England Leadership Team, and sits on the Board of Trustees of WaterAid. Peter is a Chartered Water and Environmental Manager, a Chartered Scientist and a Chartered Environmentalist. In 2016, he was made an Honorary Fellow of both the Society of the Environment and the Chartered Institution of Water and Environmental Management and in 2021 he was made an Honorary Member of the Institute of Water. He holds an MBA from Warwick Business School.

**Appointed**

- CFO of Anglian Water Group in August 2019

Skills, competencies and experience

Steve has spent almost two decades working across the globe in different roles within the utility sector. He has led finance and transformation functions, focusing on delivering for both shareholders and millions of customers in complex and challenging environments.

Between 2008 and 2017 Steve held a number of positions within Centrica (the global energy and services company) including Group Head, Finance and Transformation. Prior to this, he held a number of roles in Thames Water, the largest water and wastewater company in the UK.

Steve is a Chartered Management Accountant and a firm believer in the importance of engagement, inclusivity, scrutiny and transparency when it comes to delivering against the needs of a modern business acting with public interest at its core.

Non-Executive Directors



John Barry*
Non-Executive Director

Appointed

- Non-Executive Director in November 2020

Skills, competencies and experience

John is a Chartered Accountant who was a founding member of 3i's infrastructure business and served as a Director of 3i Infrastructure, where one of his transactions was the take-private of Anglian Water Group in 2006. More recently, he was a Managing Director of First Reserve Corporation and was one of the founders of First Reserve's energy infrastructure business. During his time at First Reserve he oversaw numerous investments into the energy sector, including energy from waste, wind and solar power plants, gas-fired power plants, utilities and oil and gas midstream as well as energy backup. John holds a BSc (Hons) in Physics from the University of Southampton.

Other roles

John is Non-Executive Chairman of Cory Group, a Non-Executive Director of North Sea Midstream Partners and an independent member of the Investment Committee for the SUSI Infrastructure Partners Energy Transition Fund.

John has been a Non-Executive Director of Anglian Water Group Limited since March 2018.



Niall Mills*
Non-Executive Director

Appointed

- Non-Executive Director in April 2014

Skills, competencies and experience

Niall is the Managing Partner, Global Head of Infrastructure Investments for Igneo Infrastructure Partners (formerly First Sentier Investors). Niall joined First Sentier Investors in 2008, prior to which he worked in industry, holding senior roles across a variety of sectors, including utility companies, rail and airports.

Niall holds an MBA from London Business School, an Institute of Directors Diploma in Company Directorship and a Bachelor of Engineering (Hons) from Sheffield Hallam University. He is a Fellow of the Institution of Civil Engineers.

Other roles

Niall is a Director of AS Utilitas Tallinn and Tallinn Water (AS Tallinna Vesa).

Niall has been a Non-Executive Director of Anglian Water Group Limited since September 2008.



Batiste Ogier*
Non-Executive Director

Appointed

- Non-Executive Director in November 2021

Skills, competencies and experience

Batiste is a Managing Director within CPP Investments' Real Assets team where he specialises in infrastructure and renewable energy investing. Prior to joining CPP Investments in 2019, Batiste was a Director at First State Investments, with a focus on European infrastructure. During his career, Batiste has overseen multiple investments across water, gas, electricity, transport, communications, wind and solar sectors. Batiste is a Fellow of the Institute of Chartered Accountants in England and Wales (ICEAW).

Other roles

Batiste represents CPP Investments as a Director of Arqiva Group Limited and Renewable Power Capital Limited. He is also a member of CPP Investments European Credit Committee.

Batiste has been a Non-Executive Director of Anglian Water Group Limited since May 2021, having been an alternate Non-Executive Director since July 2019.



Duncan Symonds*
Non-Executive Director

Appointed

- Non-Executive Director in November 2016

Skills, competencies and experience

Duncan is the Executive Director of Asset Management for the IFM Investors European Infrastructure team, where he is responsible for the identification and implementation of asset management initiatives across IFM Investors' existing portfolio of infrastructure assets, and for the development and execution of transition plans for new investments. Duncan has an extensive track record in the engineering, construction and transportation industries. He is a Fellow of the Institution of Civil Engineers and holds an MBA from Cranfield School of Management.

Other roles

Duncan also represents IFM Investors as a Director on the board of Global Infracore S.a.r.l.

Duncan has been a Non-Executive Director of Anglian Water Group Limited since January 2022, having been an alternate Non-Executive Director since July 2016.

* Director of Anglian Water Group Limited.

Principles of corporate governance

Anglian Water is committed to the highest standards of corporate governance. The Anglian Water Services Limited Corporate Governance Code 2020 (the 2020 Code) came into effect on 1 October 2020. The 2020 Code incorporates Ofwat's 2019 Board Leadership, Transparency and Governance Principles (the BLTG Principles) and supporting provisions along with most of the provisions contained in the 2018 UK Corporate Governance Code. Only the parts of the UK Corporate Governance Code that cannot sensibly be applied to a company in private ownership, such as the provisions relating to shareholder meetings, have been omitted.

This report details compliance with the 2020 Code and complies with the requirement contained in Anglian Water's Licence to meet the objectives contained in the BLTG Principles and to explain, in a manner that is effective, accessible and clear, how Anglian Water is meeting the four objectives, as detailed in this report. The 2020 Code and the previous Corporate Governance Codes applied by Anglian Water can be found at anglianwater.co.uk/governance. The Company Secretary keeps compliance with the relevant corporate governance standards under review and any changes recommended are subject to approval by the Board.

“**Anglian Water is committed to the highest standards of corporate governance.**”



Available to view at anglianwater.co.uk/governance



Company purpose, values and culture

Ofwat Principle: The Board of the Appointee establishes the company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves

The Board recognises that Anglian Water has a special responsibility as a monopoly provider of an essential public service and that it has a duty to deliver wider benefits to society, above and beyond the provision of safe, clean water and the effective recycling of waste water. In 2019, Anglian Water's Articles of Association were amended to enshrine the company's long-standing commitment to a social and environmental purpose. As a consequence of this change in its constitution, Anglian Water must conduct its business and operations for the benefit of shareholders while delivering long-term value for its customers, the region and the communities it serves, and seeking positive outcomes for the environment and society. As part of the change to the Articles of Association the Board has also made an explicit commitment to consider, as part of its decision-making process:

- the impact of Anglian Water's operations on communities and the environment;
- the interests of Anglian Water's employees;
- the need to foster good relationships with customers and suppliers;
- the need to maintain a reputation for high standards of business conduct; and
- the consequences of decisions in the long term.

Our Articles of Association require the Directors to adopt a Statement of Responsible Business Principles (the SRBP) and, to the extent not covered in the non-financial information statement, explain any steps that have been taken to ensure that the business of the company has been carried out in accordance with the SRBP. In 2021, the Board agreed again that the SRBP should take the form of Business in the Community's (BITC) Responsible Business Tracker[®]. The company conducted an assessment using the Responsible Business Tracker[®] in 2021, scoring 76 per cent against a cohort average of 45 per cent (see page 38). In addition, the collaborative project with the British Standards Institution to develop a Publicly Available Specification (PAS) for Embedding Purpose in Organisations has now concluded and the final standard BSI PAS 808 'Purpose-driven organisations – Worldviews, principles and behaviours for delivering sustainability' is expected to be published in July 2022; see pages 38–39 for further information. From 2023 the company intends to hold itself to account in relation to the principles set out in this PAS but will also continue to use the BITC Responsible Business Tracker[®] to monitor progress.

The company's purpose is one part of our business model (described on pages 19–20) which also includes the company's ambitions and values. The Board is committed to the implementation of the company's business model. By way of illustration, the Board supports the approach to employee bonuses, which depend, in part, on the extent to which employees demonstrate behaviours that are consistent with the company's values.

To ensure that colleagues understand the standards expected of them, the company provides all new starters with a booklet entitled 'Doing the Right Thing'. The booklet summarises key company policies in a clear and concise way to ensure that Anglian Water's values and standards are clear to colleagues from their very first day. Doing the Right Thing is available on the company's website at anglianwater.co.uk/governance. Further information can be found on page 75.

A statement from the Board detailing how the company has set its aspirations and performs for all those it serves can be found in the company's Annual Performance Report.

At its meetings in both May 2021 and March 2022, the Board considered the work undertaken to monitor the company's culture, including how the culture had changed following the 'culture capture' review in 2018 and the evolution of a framework to monitor the company's culture (see page 75). A quarterly dashboard has been developed with a range of cultural indicators that are tracked over time. The dashboard comprises a range of insights from the annual Love to Listen survey (see page 64 for more detail on action taken following the survey) along with more frequently changing metrics such as the latest employee engagement figures for wellbeing and inclusion events. The dashboard is still evolving, and work is being undertaken to develop more frequent metrics to enable the company to identify and respond to trends during the year (see page 75).

Corporate Governance arrangements resulting from the Aligned Debt Programme

In 2002, the company established a debt programme that underpins all of its borrowing (including bonds and private placement). All of this borrowing is based on a single set of contractual provisions (a covenant package) and a shared security arrangement that binds all debt providers. The debt programme is 'structured' in that the AWS Financing Group (described below) is separated and ring-fenced; provides security (to the extent allowed by the regulatory framework); and has built-in protections (such as cash management regimes and contractual standstill provisions). The comprehensive package of commitments – or covenants – is contained in a single document that applies to all debt providers, called the Common Terms Agreement or 'CTA'. The debt providers are bound by an intercreditor arrangement contained in a document called the Security Trust and Intercreditor Deed or 'STID'.

The company's debt programme has been designed to align with, and enhance, the regulatory protections contained in the Water Industry Act 1991 and the company's Licence (an Aligned Debt Programme) in order to support and enhance Anglian Water's credit rating. This structure is based on the principle of Regulated Asset Base (RAB)-based financing, which assumes that if the regulated company's operations are confined to

running its regulated business and the company is largely protected from non-regulated business risk and external risks, then Ofwat's regulatory framework will remunerate the Regulated Asset Base so that sufficient revenue is available to pay for the cost of servicing the company's debt. Debt providers which provide RAB-based financing also want to ensure that the company to which they are lending is focused entirely on its regulated business, carries out this business in accordance with its regulator's requirements and is largely protected from external risks to that business. Therefore, the interests of the debt providers under Aligned Debt Programmes are fully aligned with the interests of customers (and the regulator).

Debt providers under Aligned Debt Programmes are also aligned with customers and the regulator in that the programmes are structured to support the principle that a provider of a vital public service must continue the uninterrupted delivery of that service during any default, insolvency or financial distress. In these circumstances, both the company and the regulator would work to resolve the situation to enable the company to return to being able to properly finance its functions and to service its debts. Aligned Debt Programmes provide for a contractual standstill upon the occurrence of an event of default. This has the aligned intention of enabling Ofwat to deal with any problems without having to deal with defaulted or accelerated debt.



The commitments, or covenants, which are a feature of the company’s Aligned Debt Programmes help to de-risk the business. The company undertakes that it will only carry on a regulated water business and that it will conduct this business in a prudent manner. These covenants include:

- (a) Non-Permitted Business Limits (i.e., de minimis limits on the amount of non-regulated business which can be carried out).
- (b) A restriction on tax transactions and a positive obligation to pay all taxes when due.
- (c) Minimum insurance requirements (including requirements on the creditworthiness of the insurers).
- (d) A hedging policy to require prudent hedging of interest rate and foreign exchange exposure, to prohibit speculative use of derivatives and to ensure swaps are only entered into with highly rated counterparties (so as to reduce counterparty risk).
- (e) A requirement to maintain and hold all required IP rights.
- (f) An obligation to act in accordance with ‘Good Industry Practice’ in all areas of the business.

The impact of these covenants was acknowledged by the Competition and Markets Authority (CMA) in its Redetermination of the company’s PR19 regulatory settlement, in which the CMA noted that ‘covenanted companies have de-risking features such as additional ringfencing measures, enhanced rights for secured creditors, automatic standstill periods and contractual dividend restrictions’.

The company’s immediate parent Anglian Water Services UK Parent Co Limited owns the entire issued share capital of the company (32,000,002 ordinary £1 shares).

The composition of the Board and its role in relation to the company’s strategy

Ofwat Principle: The Appointee has an effective Board with full responsibility for all aspects of the Appointee’s business for the long term

The Board is ultimately responsible for the strategy, and overseeing the performance of, the company. As is explained on page 20, the company has developed four key goals for 2020–2025 (AMP7), which are:

<div style="display: flex; align-items: center; margin-bottom: 10px;"> <div style="border: 1px solid #0070C0; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; margin-right: 10px;">1</div> <div> <p>To make life better for our customers, every single day</p> </div> </div> <div style="display: flex; align-items: center; margin-bottom: 10px;"> <div style="border: 1px solid #0070C0; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; margin-right: 10px;">2</div> <div> <p>To deliver our 2020–2025 Final Determination</p> </div> </div>	<div style="display: flex; align-items: center; margin-bottom: 10px;"> <div style="border: 1px solid #0070C0; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; margin-right: 10px;">3</div> <div> <p>To deliver our identified business priorities</p> </div> </div> <div style="display: flex; align-items: center;"> <div style="border: 1px solid #0070C0; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; margin-right: 10px;">4</div> <div> <p>To create a sustainable future for our region</p> </div> </div>
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These goals are designed to be consistent with the company’s long-term strategy (which takes the form of a 25-year Strategic Direction Statement, approved by the Board in 2017) which sets out four long-term ambitions which are to:

- 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;
- work with others to achieve significant improvement in ecological quality across our catchments; and
- by 2030, be a net zero carbon business and reduce the carbon in building and managing our assets by 70 per cent.

A clearly defined framework of roles, responsibilities and delegated authorities is in place, which is designed to facilitate the achievement of the company’s key goals. The Board has a formal governance matrix, which sets out the matters that are specifically reserved for its decision, thus ensuring that it exercises control over appropriate strategic, financial, operational and regulatory issues. A full list of matters reserved to the Board appears at anglianwater.co.uk/governance. Matters delegated to management are set out in a Scheme of Delegation. Typically, these matters comprise financial approvals at levels that are not considered by the Board to be material, as well as routine operational decisions and minor regulatory approvals.

Anglian Water's investors are represented on our Board. However, Independent Non-Executive Directors form the largest single group on the Board. All Directors are required under our Articles of Association to take decisions in good faith, and in a way that is most likely to promote the purpose of the company. When making decisions, Directors must have regard (among other matters) to the interests of and impact on the company's key stakeholders (including customers, employees, suppliers, communities and the environment) as well as the interests of shareholders.

Therefore, whilst the Board considers the views of shareholders in its deliberations, it acts independently and in the best interests of the company as a whole. Anglian Water values the particular contribution of the investor representatives who sit on the Anglian Water Board.

As is explained below, a number of matters require the approval of the Board of Anglian Water Group Limited (AWG). However, any matters requiring AWG Board approval are first considered by the AWS Board (or by the relevant Board Committee) before being passed to the AWG Board for approval. This approach means that, where relevant, the AWG Board is asked to make a decision based on the recommendation of the AWS Board.

The investor representatives who sit on the AWS Board are also members of the AWG Board. Therefore, the substantive debate on all matters takes place in the course of AWS Board meetings. It follows that, where AWG Board approval is required, the AWG Board is effectively asked to endorse a decision already taken in principle by the AWS Board. The close liaison between the two Boards, and the fact that investor views are considered by the AWS Board, means that the AWG Board has never rejected a recommendation made by AWS Directors. However, the formal requirement for AWG Board approval means that these matters are made visible to the AWG Board. This is particularly important where additional equity funding might be required in order to implement a strategy proposed by the AWS Board. For example, a decision to decrease the level of gearing at AWS necessarily entails the injection of equity. Provisions in the AWG Investors' Agreement ensure that AWS Directors will not take any action which would cause Anglian Water to breach either the terms of its Licence or any of the company's obligations under the Water Industry Act.

The decisions requiring formal approval by the AWG Board include:

- material changes to the company's strategy;
- material changes to the annual operating and capital expenditure budget;
- extension of the company's activities into new business or geographic areas;
- any decision to cease to operate all or any material part of the company's business;
- material changes relating to the company's capital structure, including reduction of capital, share issues and share buy-backs;
- approval of dividend policy;
- approval of accounting and treasury policy and practices;
- approval of procurement strategy for award of new contracts by the company where the contract value (over the life of the contract) is expected to be in excess of £30 million;
- approval of remuneration policy;
- approval of the total pay received by each Director;
- approval of the appointment of the company's auditors; and
- agreeing to refer any matter (including any proposed Licence modification or Final Determination) to the Competition and Markets Authority.

During the 2021/22 financial year, the following matters required approval by the AWG Board under the terms of the governance matrix:

- remuneration matters, including the vesting of Awards made in 2018 under the terms of the Long-Term Incentive Plan and the granting of new awards under the Deferred Bonus Scheme;
- the company's capital structure;
- the procurement strategy for a number of high-value contracts;
- the appointment of a new Non-Executive Director and changes to Committee membership; and
- the revised AMP7 Business Plan.

Board composition

The Board is satisfied that the composition of the Board and its Committees are such that there is an appropriate balance of skills, experience, independence and knowledge of the company. The Executive and Non-Executive Directors are equal members of the Board and have collective responsibility for the company's strategy and performance. As is explained above, Independent Non-Executive Directors make up the largest single group on the Board. The Board considers that the combination of Executive and Non-Executive Directors is such that no individual or small group of individuals can dominate the Board's decision-making.

The Directors who held office during the year and up to the date of signing the financial statements were as follows:



John Hirst
Independent
Non-Executive Chairman



Paul Whittaker
Independent
Non-Executive Director



Peter Simpson
Chief Executive Officer



John Barry
Non-Executive Director



Steve Buck
Chief Financial Officer



Niall Mills
Non-Executive Director



Dame Polly Courtice
Senior Independent
Non-Executive Director



Batiste Ogier
Non-Executive Director
(appointed 24 November 2021)



Natalie Ceeney
Independent
Non-Executive Director



Duncan Symonds
Non-Executive Director



Zarin Patel
Independent
Non-Executive Director

At the date of these financial statements, in addition to the Independent Chairman John Hirst, there were four Independent Non-Executive Directors, two Executive Directors and four Non-Executive Directors. None of the Directors has a formally approved alternate.

The company's Chairman is also the Chairman of the company's ultimate parent company, AWG. The 2020 Code does not prohibit chairmanship of other companies in the Group, and on appointment as Chairman, the Board considered John Hirst (who was appointed as Chairman with effect from 1 April 2020) to be independent in judgement and character, notwithstanding the existence of his other directorships.

John Hirst is independent of investors and management and has no relationship with any of the company's shareholders, except for his chairmanship of AWG. None of the other situations listed in provision 2.3 of the 2020 Code, which might otherwise call into question independence, apply.

The independence of all the Independent Non-Executive Directors was considered by the Board at its meeting in January 2022. The Board concluded that all the Independent Non-Executive Directors remain independent of management and are not party to any business or other relationship that could materially interfere with the exercise of their independent judgement in accordance with the 2020 Code.

The Chairman and each of the Independent Non-Executive Directors have letters of appointment with the company rather than service contracts, which include the expected time commitment of the appointment. Copies of these letters can be found at anglianwater.co.uk/governance.

Where Directors have concerns about the operation of the Board or the management of the company that cannot be resolved, these would be recorded in the Board minutes, but no such concerns have been raised.

The following Director resigned from the Board during the year:



James Bryce
Non-Executive Director
(resigned 24 November 2021)

Board structure and effectiveness

Ofwat Principle: The Board of the Appointee and their committees are competent, well run, and have sufficient independent membership, ensuring they can make high-quality decisions that address diverse customer and stakeholder needs

It is the company's policy that the roles of the Chairman and Chief Executive Officer are separate, with their roles and responsibilities clearly divided. A document that clearly sets out the respective responsibilities of the Chairman and the Chief Executive Officer (which was approved by the Board) can be found at anglianwater.co.uk/governance. The Chairman's commitment to the company and to its ultimate parent company is usually six to eight days per month. His other significant commitments are disclosed in his biography on page 109. The Board considers that these commitments do not hinder his ability to discharge his responsibilities to the company effectively.

The Board has appointed Dame Polly Courtice as the Senior Independent Non-Executive Director. A document setting out the role and duties of the Senior Independent Non-Executive Director has been agreed by the Board and can be found at anglianwater.co.uk/governance.

No Director may vote on any contract or arrangement between the company and any other Anglian Water Group company if he/she is also a Director of that Anglian Water Group company.

In accordance with the relevant provisions of the Companies Act 2006, all the Directors are required to disclose details of all conflicts of interest to the Board. On appointment to the Board, all Directors are required to declare all their interests; any new interests held by Directors are considered at the start of each Board meeting and, where relevant, interests are declared prior to any substantive discussions. In addition, a further review of all Directors' interests is undertaken annually. The Board has approved a protocol for dealing with conflicts of interests, which is available on the company's website.



Available to view at anglianwater.co.uk/governance

Recommendations for appointments to the Board are made by the Nomination Committee. Appointments are made on merit and against objective criteria with due regard to skills, knowledge, experience and diversity. Non-Executive appointees are required to meet with Ofwat prior to their appointment to the Board, and are also required to demonstrate that they have sufficient time to devote to the role. The Directors' key responsibilities are set out in the table overleaf.

Board committees

The Board has an Audit Committee, a Nomination Committee and a Remuneration Committee. Final decisions on issues considered by each of these Committees are made by the Board; all decisions made during the year were unanimous.

Audit Committee

Details of the terms of reference of the Audit Committee, its membership and its activities during the year are contained in the Audit Committee Report. All members of the Audit Committee are Independent Non-Executive Directors. The Chair of the Audit Committee is Zarin Patel.

Nomination Committee

Details of the terms of reference of the Nomination Committee, its membership and its activities during the year are contained in the Nomination Committee Report. The majority of the members of the Nomination Committee are Independent Non-Executive Directors. The chair of the Nomination Committee is John Hirst.

Remuneration Committee

Details of the terms of reference of the Remuneration Committee, its membership, activities, the company's remuneration policy and the remuneration paid to Directors during the year are contained in the Directors' Remuneration Report. The majority of the members of the Remuneration Committee are independent. The chair of the Remuneration Committee is Natalie Ceeney.

The Board believes that Committees have sufficient independent membership to ensure that high-quality decisions can be made that best address diverse customer and stakeholder needs.

Board processes

The Chairman is responsible for ensuring that Directors receive timely, accurate and clear information. To ensure adequate time is available for Board discussion and to enable informed decision making, briefing papers are prepared and circulated to Directors in the week prior to scheduled Board meetings. All Non-Executive Directors are encouraged to make further enquiries as they feel appropriate of the Executive Directors and senior management. In addition, Board Committees are provided with sufficient resources and the power to co-opt such additional support as they may require from time to time to undertake their duties. The Company Secretary is available to all Directors and is responsible for information flows to the Board and advising the Board on corporate governance matters. This ensures compliance with Board procedures and applicable laws and regulations. The Board has responsibility for the appointment and removal of the Company Secretary.

Board composition and roles

Independent Chairman

John Hirst

Responsible for leading the Board and for its overall effectiveness in directing the company. Ensuring Board members are aware of, and understand, the views of key stakeholders. Helps set the tone from the top in terms of the purpose, goal, vision and values for the whole organisation. Responsible for ensuring that the Directors receive accurate, timely and clear information.

Chief Executive Officer

Peter Simpson

Responsible for the leadership and day-to-day functioning of the company, with a scope covering operations, finance, regulation, asset management, customer services, information services, human resources, corporate communications and legal.

Chief Financial Officer

Steve Buck

Supports the Chief Executive in developing and implementing strategy, and in relation to the financial and operational performance of the company.

Senior Independent Non-Executive Director

Dame Polly Courtice

Responsible for providing a sounding board for the Chairman and to serve as an intermediary for other Directors where necessary. Available to shareholders of the company if they have concerns that contact through the normal channels of Chairman, Chief Executive Officer or other Executive Directors has failed to resolve, or for which such contact is inappropriate.

Independent Non-Executive Directors

Natalie Ceeney/Zarin Patel/ Paul Whittaker

Responsible for bringing independence to the Board and its decision-making process. They particularly provide constructive challenge and strategic guidance, offer specialist advice and hold management to account.

Non-Executive Directors

John Barry/Niall Mills Batiste Ogier/Duncan Symonds*

Responsible for providing constructive challenge to the Board's decision-making processes. Further information on Mr Symonds' engagement with the workforce during the year can be found on page 74.

* Non-Executive Director responsible for engaging with the workforce

During the year, the Chairman held a meeting with the Independent Non-Executive Directors without the presence of the Executive Directors.

All new Directors receive a thorough induction programme on appointment, which includes receiving a full background information pack, making visits to operational sites (Covid-19 restrictions permitting) and receiving briefings from Executive Directors and senior managers. To ensure that there is a clear understanding of the responsibilities attached to being a Non-Executive Director in the sector, all Non-Executive Directors, including Batiste Ogier, who was appointed as a Director during the financial year, attend a pre-appointment meeting with representatives from Ofwat.

The company offers the Directors in-house training as necessary to aid their professional development and awareness of business and sector-specific issues.

In addition, the company offers to fund participation on externally provided training courses. All Directors are entitled to receive, at the company's expense, independent professional advice on any matters relating to their responsibilities as a Director.

Periodically, the Board visits different business locations to enable the Directors to meet with a range of employees, and to update and maintain their knowledge of and familiarity with the company's operations. Due to the restrictions in place because of Covid-19, the Board was unable to visit any operational sites during the financial year. However, in November 2021 an in-person event was held at the company's offices in Peterborough, which gave Directors the opportunity to listen to presentations and engage with experts from around the business who hosted a series of 'market stalls'. These 'market stalls' covered subjects including smart water networks, water recycling, environmental excellence and pollution performance (see page 69). Operational leaders within the company have received specialist health and safety training, and during the year the Directors attended a session with the training provider to further understand the impact the training had made across the business.

Information on the annual evaluation of the performance of the Board and the Chairman can be found in the Nomination Committee Report.



See the 'Nomination Committee Report' on pages 129–131

Board diversity and skills

The company’s Board offers a diverse set of skills and background, which supports the company in the delivery of its long-term strategy. To support this the Directors have completed a skills matrix. The skills and experience captured in the matrix have been aligned with the company’s key stakeholders, namely: customer, communities, employees, environment, regulators, national and local government, investors and suppliers. When completing the matrix, the Directors were asked to award themselves a score, which, when added together, allowed the Nomination Committee to consider where there were areas of lower levels of skills or experience. The Nomination Committee has used the skills matrix to inform the recruitment process for a new Independent Non-Executive Director (see page 130). This exercise has allowed the Committee to consider whether future recruitment should focus on addressing these areas and/or whether upskilling present members of the Board would be a better solution. Further information on the skills and experience of the Directors can be found in the Directors’ biographies on pages 109–111.

	Independent Chairman	Executive Directors		Independent Non-Executive Directors				Non-Executive Directors				Total
	John Hirst	Peter Simpson	Steve Buck	Natalie Ceeny	Polly Courtice	Zarin Patel	Paul Whittaker	John Barry	Batiste Ogier	Niall Mills	Duncan Symonds	
Customers	✓	✓	✓	✓	✓	✓	✓	✓	-	✓	-	✓
Environment	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	-	✓
Communities	✓	✓	-	✓	✓	-	-	-	-	✓	-	✓
Employees (including experience of health, safety and wellbeing)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Regulators	✓	✓	✓	✓	-	✓	✓	✓	✓	✓		✓
National and local government	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓
Investors/banks and ratings agencies	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Engineering (Key suppliers)	-	✓	-	-	-	-	-	-	-	✓	✓	✓
Digital/technology (Key suppliers)	✓	✓	-	✓	-	✓	-	-	-	✓	✓	✓

- ✓ some experience in this area but it has not been central to the relevant Director’s role
- ✓ significant amount of experience in this area

Board leadership and transparency

Owat Principle: The Board of the Appointee’s leadership and approach to transparency and governance engenders trust in the Appointee and ensures accountability for their actions

Board meetings

The Board held seven scheduled meetings during the year ended 31 March 2022. In addition, the Board held two scheduled meetings between 31 March 2022 and the date of signing this report, which all Directors attended. The Board received regular reports on business and financial performance, regulatory issues, health and safety performance, employee issues and the management of key business risks. The Chairs of the Audit, Nomination and Remuneration Committees also provided reports on matters discussed by those respective committees since the previous Board meeting.

Board and Committee attendance

The attendance by individual Directors at scheduled meetings of the Board and Committees during the year ended 31 March 2022 is shown in the table opposite. All decisions made by the Board during the year were unanimous.

During the year, 12 other Board meetings were held, some at short notice, to consider different matters, including: delegating authority to the Treasury function; the prospectus renewal; financing matters including bond issues and the annual renewal of the liquidity facility; a liability management exercise; equity injections and the provision of a statutory certificate to Ofcom, pursuant to which the company is permitted to install electronic equipment in the public highway.

Further meetings of the Audit, Nomination and Remuneration Committees were held on 25 May 2022. All members attended, other than Niall Mills who was unable to attend.

Board Committees are authorised to engage the services of external advisors as they deem necessary in the furtherance of their duties at the company’s expense.

Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
John Hirst**	7/7	4/4	4/4	5/5
John Barry	7/7	-	3/4	3/4
Steve Buck*	7/7	4/4	-	4/5
Natalie Ceeney	7/7	4/4	4/4	5/5
Dame Polly Courtice	7/7	-	4/4	5/5
Niall Mills	6/7	-	4/4	5/5
Batiste Ogier	3/3	-	3/3	3/3
Zarin Patel	7/7	4/4	4/4	4/4
Peter Simpson*	7/7	4/4	2/4	4/5
Duncan Symonds	7/7	-	4/4	5/5
Paul Whittaker	7/7	4/4	4/4	5/5

* Not a member of the Committees but attended by invitation.

** Not a member of the Audit Committee but attended by invitation.

Former Director who served during the year	Board	Audit Committee	Nomination Committee	Remuneration Committee
James Bryce	4/4	-	2/2	2/2

Risk management and internal control

Detailed disclosure in relation to the company’s approach to managing risk is included in the Strategic Report on pages 90-103, along with details of the company’s principal risks and an assessment of the future viability of the business.

The company also has in place systems and procedures for exercising control and managing risk in respect of financial reporting and the preparation of consolidated accounts. These include:

- The formulation and deployment of company accounting policies and procedures.
- Policies governing the maintenance of accounting records, transaction reporting and key financial control procedures.
- Monthly operational review meetings, which include, as necessary, reviews of internal financial reporting issues and financial control monitoring.
- Ongoing training and development of appropriately qualified and experienced financial reporting personnel.

For the year ended 31 March 2022, the company's internal and financial controls included the following:

- An annual process where business heads confirm the adequacy of the internal controls for their area of responsibility through a formal Statement of Responsibility, which is subsequently reviewed by the Audit Committee.
- A formal controls questionnaire completed by the business twice a year and reviewed by the Head of Integrated Assurance, with the conclusions being highlighted to the Audit Committee.
- A regular review by the Board of the top-tier risk register.
- A programme of internal audits undertaken by our quality and systems team which provide the business with assurance that our accredited quality management systems are supporting the delivery of key business objectives and performance commitments. Development of the IMS internal audit programme follows a risk-based approach. Inputs include critical business processes and current areas of focus, legal and regulatory compliance requirements, events and incidents, and management system requirements. Our Integrated Management System Framework Policy is published on our website: www.anglianwater.co.uk/siteassets/household/about-us/integrated-management-system-framework-policy-2022.pdf

- An internal audit programme, the provision of which moved during the year from being outsourced to PricewaterhouseCoopers LLP to being overseen by the newly appointed Head of Integrated Assurance. During the year there is a comprehensive review of internal controls, the findings and recommendations of which are formally reported to the Audit Committee.
- A detailed process of assurance in relation to the data submitted to Ofwat in our Annual Performance Report which follows the approach set out in the company's assurance framework (see: www.anglianwater.co.uk/siteassets/household/about-us/our-assurance-framework-2022.pdf) and which includes review by an independent assurance provider where appropriate (and in accordance with the risk-based approach set out in our framework).

Other disclosures

An explanation on the following can be found in the Strategic Report:

- the Group's structure;
- dividend policy; and
- dividends paid.

The Remuneration Committee Report explains the company's executive pay policy and how the criteria for awarding short- and long-term performance-related elements are substantially linked to stretching delivery for customers and are rigorously applied.

Compliance with the BLTG Principles and the 2020 Code

As detailed earlier in this report, the Board had incorporated the BLTG Principles (and its supporting provisions) into the 2020 Code and therefore, by reporting against compliance with the 2020 Code, the Board is also reporting against compliance with the BLTG Principles. The Board confirms that it has complied with the 2020 Code throughout the 2021/22 financial year.

This report was approved by the Board of Directors on 14 June 2022.

Claire Russell

Company Secretary

14 June 2022



Committee members

Chair

Zarin Patel

Other members

Natalie Ceeny
Paul Whittaker

Meetings

Four

[Read directors' biographies on pages 109-111](#)

Meetings also regularly attended by:

Peter Simpson, Chief Executive Officer; Steve Buck, Chief Financial Officer; members of the Anglian Water Group Limited Audit Committee; representatives of the external auditors; Wayne Young, Group Financial Controller; Phil Smith, Head of Integrated Assurance (Group Internal Audit and Risk), and Claire Russell, Company Secretary.



View the Audit Committee's terms of reference and Whistleblowing policy at anglianwater.co.uk/governance

Introductory letter

As Chair of the Audit Committee, I am pleased to present the Committee's report for the year ended 31 March 2022. These pages outline how the Committee has discharged the responsibilities delegated to it by the Board over the course of the year, and the key topics it considered in doing so. I would like to use this letter to highlight a few of the key areas the Committee has considered during the year and I hope that you find it useful in understanding our work.

During the year the Committee conducted a competitive tender process for the company's external auditor. Following this detailed process, which considered audit quality, sector experience and value for money, as well as innovation, the Committee recommended to the Board that Deloitte be reappointed as external auditor. On the completion of the 2020/21 audit, Kate Hadley replaced James Leigh as Deloitte's lead audit partner, along with a refreshed audit team.

Historically, provision of internal audit services has been undertaken by an external provider. However, during the year the delivery of internal audit services has transitioned to an in-house team led by the Head of Integrated Assurance.

My colleagues and I are fully supportive of this transition. We have reviewed progress over the course of the year and have met with Phil Smith, Head of Integrated Assurance, without other members of management present, to understand his initial insights on the company's internal control environment.

We considered the Department for Business, Energy and Industrial Strategy's consultation on restoring trust in audit and corporate governance and we welcome some of the proposed changes. We have commenced the enhancement of our internal financial reporting controls, and we intend to develop and publish our Audit and Assurance Policy within the 2023 Annual Integrated Report.

As TCFD reporting becomes mandatory this year (albeit the company has been reporting on its climate strategy for some time), the Committee reviewed the quantitative assessment of climate-related risks and ESG metrics.

I and my colleagues welcome engagement with regulators and other external bodies. During the year, the Financial Reporting Council wrote to the company following a limited scope review of the company's Annual Integrated Report and accounts to 31 March 2021.

The FRC requested clarity in relation to the company's approach to applying IFRS15 (Revenue Recognition) to the recognition of grants and contributions. Following an exchange of letters, the FRC accepted the company's treatment. The FRC also welcomed the company's proposal to expand its disclosure to help users better understand the rationale for selecting the company's accounting policy in respect of revenue recognition for such services. The accounting policy can be found in note 1e on pages 167-168 and the additional disclosure around the significant judgement on the recognition of grants and contributions on pages 174-175.

I would like to extend my thanks to Committee colleagues for their work and support during the year, particularly in relation to the audit tender process. As Independent Non-Executive Directors, my fellow Committee members and I have no hesitation in seeking a full explanation from management or the auditor on any matter we feel necessary.

Zarin Patel

Audit Committee Chair

“ These pages outline how the Committee has discharged the responsibilities delegated to it by the Board over the course of the year, and the key topics it considered in doing so. ”

Role of the Committee

The principal role of the Audit Committee is to examine matters relating to the financial affairs of the company and to provide effective oversight and governance of the company's internal control and risk management processes, which exist to identify, assess, mitigate and manage risk. Internal audit supports the Audit Committee in evaluating the design and effectiveness of internal controls and risk mitigation strategies implemented by management.

The Committee's primary functions are to:

- Monitor the integrity of the financial statements, including significant financial reporting issues and the significant accounting judgements and estimates they contain.
- Review the annual and interim results and, where requested by the Board, review the content of the Annual Integrated Report as a whole, including the mandatory disclosures on the Taskforce for Climate-related Financial Disclosures (TCFD) on pages 79–89.
- Review the Annual Performance Report to ensure it is fair, balanced and understandable, as well as reviewing significant financial returns to regulators.
- Review the integrity of the company's systems of internal control.
- Review both the company's procedures for detecting fraud and the company's systems and controls for the prevention of bribery, and receive reports arising from the whistleblowing process.

- Consider the effectiveness of the risk management systems and whether they provide reasonable levels of mitigation against material misstatement and losses.
- Review and assess the annual internal audit work plan.
- Monitor and review the effectiveness of the internal audit function and review the actions taken by management to implement the recommendations made by the internal audit function.
- Oversee the relationship with the external auditor, monitor the independence and objectivity of the external auditor and consider the effectiveness and quality of the audit process.
- Review and approve the annual internal and external audit plan.
- Monitor the provision of non-audit services by the external auditor.

Membership and attendance

The Board believes Committee members have the necessary range of financial, risk, control and commercial expertise required to provide effective challenge to management, and have competence in accounting and auditing as well as recent and relevant financial experience. Zarin Patel is a Chartered Accountant and was formerly Chief Financial Officer of the BBC. She is currently a Board Member and Chair of the Audit & Risk Committee of HM Treasury, is Chair of the Audit & Risk Committee of Pets at Home Group PLC and Chair of the Audit Committee at the National Trust. Zarin Patel is therefore considered by the Board to have recent and relevant financial experience.

Natalie Ceeney has considerable financial services experience, having worked for the Financial Ombudsman Service and been a member of HSBC's UK executive team. She is currently also a member of the Audit Committees of FCE Bank plc (Ford Credit Europe) and Liverpool Victoria Life Company Limited (LV=). Paul Whittaker held a number of regulatory roles at National Grid. All members of the Committee are considered to have competence relevant to the sector in which the company operates.

Representatives from the company's external auditor attend all or part of the Committee's meetings. Meetings are also attended by the Head of Integrated Assurance. In addition, members of the Committee met separately with representatives of the external auditor and the Head of Integrated Assurance, without management being present. The Company Secretary is Secretary to the Audit Committee.

The Committee Chair regularly holds separate one-to-one meetings with the Chief Financial Officer, the Head of Integrated Assurance and representatives from the company's external auditor outside the Committee's meetings to better understand any issues or areas for concern.

Main activities during the year

Financial reporting

- Reviewed and discussed management's reports on the final results (for the year ended 31 March 2021) and the interim results (for half-year ended 30 September 2021). As part of this process the Committee considered key issues and areas of judgement in

relation to the financial statements (including the calculation of the measured income accrual, the calculation of the bad debt provision, retirement benefit calculation, depreciation of property, plant and equipment, recognition of grants and contributions and classification of costs between operating and capital expenditure) and the integrity of the audit process. Following this robust review, the Committee recommended that the Board approve both the annual and interim results. In respect of the Annual Integrated Report 2021, the Committee recommended to the Board that the report was fair, balanced and understandable, and provided the information necessary for shareholders to assess the company's performance, business model and strategy.

- As detailed on page 124, the Committee considered the results for the year ended 31 March 2022 at its meeting in May 2022.
- Reviewed management's procedures and judgements in applying the findings of the International Financial Reporting Council's (IFRC) ruling on the treatment of implementation costs in relation to Software-as-a-Service (SaaS) contracts. In March 2022 management presented a paper to the Committee setting out the detailed review undertaken and the draft findings. The Committee reviewed the procedures undertaken and judgements made to ensure these were both robust and appropriate based on the Committee's understanding of IFRC's guidance and subsequent supporting papers from the large accountancy firms.

- Considered the company’s going concern and long-term viability statements. The Committee supported the Board in its assessment of both viability and going concern by considering whether, in the challenging but plausible risk scenarios identified, including the continuing impact of Covid-19, the company had adequate liquid resources to meet its obligations as they fell due over the next 12 months and to remain financially viable over the 10-year period to 31 March 2032. The Committee reviewed papers presented by management on its assessment of the company’s going concern and longer-term financial viability based on budgets, business plans and cash flow forecasts and the stress testing performed based on the company’s principal risks and the specific risks relating to Covid-19 and the current macro-economic environment. The Committee considered the appropriateness of the scenarios modelled, the feasibility of management to deliver any required mitigations and the level of disclosure proposed, and satisfied itself that the going concern basis of preparation is appropriate and that the company is financially viable over the duration of its assessment period.
- Reviewed the mandatory TCFD disclosures in respect of the year ended 31 March 2022.

- At the end of the year the Committee conducted a review of the effectiveness of the internal control environment and the risk management framework, supported by the Annual Statement of Responsibility as self-certified by management (further information can be found in the Risk management and internal control section below).

Regulatory and legal disclosures

- Reviewed the integrity of key regulatory and legal statements and certificates as required by the company’s Instrument of Appointment, the Water Industry Act, the Companies Act 2006 and Ofwat, including the statement as to disclosure of information to auditors, Ring-Fencing Certificate, Board statement on accuracy and completeness of data and information and the risk and compliance statement, and recommended their approval to the Board.

External audit

- Reviewed the proposed audit plan for the 2021/22 statutory audit, including key audit risks and level of materiality applied by the external auditor, audit reports from them on the financial statements and the areas of particular focus for the 2021/22 audit (further information can be found in the External auditor section below).
- Assessed the effectiveness of the external auditor (including relevant Audit Quality Reviews from the FRC) and made a recommendation to the Board on the reappointment of Deloitte as the external auditor for the financial year ended 31 March 2022.

- Agreed the statutory audit fee for the year ended 31 March 2022.
- In respect of the 2021/22 year-end statutory audit, the Committee reviewed progress made by the external auditor against the agreed audit strategy.
- Recommended to Board the commencement of the external audit tender and on the completion of the tender process recommended the appointment of Deloitte LLP to the Board (further information can be found below).

Internal audit (further information on the internal audit function can be found below)

- During the year, the Committee reviewed progress against the 2021/22 internal audit plan and agreed the scope of the internal audit plan for 2022/23.
- Reviewed and supported progress made in transitioning from an external to an in-house audit function.
- Approved the Internal Audit Charter for the creation of the in-house internal audit function. The Internal Audit Charter provides a basis for management and the Committee to use in evaluating the operations of the Group Internal Audit function.

The Committee supported the Board in its assessment of both viability and going concern by considering whether, in the challenging but plausible risk scenarios presented, the company had adequate liquid resources.

Other

- Reviewed and supported the company’s approach to cyber security and IT disaster recovery, the purpose of which was to provide an update to the Committee on enhancements made to managing these particular risks across the organisation.
- Considered and supported the proposal for enhancing and embedding an Enterprise Risk Management Framework (more information can be found on pages 90–103):
 - Introduction of Principal Risk Areas to focus on key strategic risks and consolidation of the existing top-tier risk register;
 - Development of an Enterprise Risk Management Policy to further standardise risk management across the business;
 - Introduction of risk appetite statements that are actively used in decision making; and
 - Improved and insightful risk reporting, utilising key risk indicators to proactively manage risk.
- Monitored whistleblowing allegations and the associated investigations undertaken by management (further information can be found in the Whistleblowing, anti-fraud and anti-bribery processes section below).

- Considered actual and potential material litigation.
- Reviewed the key procedures undertaken and judgements made, as well as approving an updated accounting policy.
- Considered the results of the Committee evaluation which was undertaken as part of the wider Board evaluation.

All business discussed by the Committee during the course of the year was reported to the Board.

The top-tier risk register is regularly reviewed by the Board and the Management Board. Throughout the year, the Board receives presentations or papers from Management regarding the management of key risks.

Risk management and internal control

Detailed disclosure regarding the company’s approach to assessing and managing emerging and principal risks is included in the Strategic Report (see pages 90–103), followed by details of the company’s principal risks and an assessment of the future viability of the business. The Audit Committee reviews the effectiveness of the company’s risk management and internal control systems throughout the year to ensure their effectiveness. This is achieved through a number of activities, as follows:

- Risks are managed using a comprehensive system of risk registers, which operate at a number of levels across the business. These registers are used to assess the risks, to document the existing controls in place to manage these risks, to ensure mitigation plans are established and monitored, and to establish clear ownership of each of the risks.
- The top-tier risk register is regularly reviewed by the Board and the Management Board. Throughout the year, the Board receives presentations or papers from management regarding the management of key risks.
- The Committee reviews and approves the risk-based internal audit plan each year, with regular meetings to assess progress and reprioritise audits if necessary, to review the internal auditor’s recommendations and to monitor progress in implementing those recommendations.
- The external auditor reports annually on the findings of its review of the internal control environment to the Committee.
- All control improvement recommendations are followed up by audits, the reports on which enable monitoring by the Committee.
- Each member of the Management Board is required to review and self-certify the adequacy of the internal control for their area of the business on an annual basis. The results of this review are collated by the Head of Integrated Assurance and presented to the Committee.

Whistleblowing, anti-fraud and anti-bribery processes

Whistleblowing

The Committee is responsible for reviewing the adequacy and security of the company’s arrangements for its employees, alliance partners and contractors to raise concerns, in confidence, about possible wrongdoing. The Committee is also responsible for ensuring that these arrangements support appropriate and independent investigation of such matters and that follow-up actions are undertaken where necessary. The Group has a whistleblowing process whereby an individual can, in confidence, raise a concern relating to any wrongdoing or malpractice which may have an impact on Anglian Water’s business, such as a criminal offence (e.g. fraud or bribery); a failure to comply with any legal obligations; a miscarriage of justice; danger to the health and safety of an individual or the public, and damage to the environment.

Under the policy, individuals are encouraged to raise their concerns with line management or, if this is inappropriate, to raise them with the externally facilitated helpline or confidential email address, which is managed by an independent provider, SeeHearSpeakUp.

The independent provider maintains a register of all allegations made to the helpline and, following receipt of an allegation, will notify the Group Legal Director, Group Financial Controller, Group People and Change Director and Head of Integrated Assurance (or other nominated persons where those

representatives are inappropriate) to decide whether there are grounds for further investigation. If so, allegations are then escalated to an appropriate designated person for investigation.

Under the policy, the whistleblower must be notified within 10 days of the decision to carry out an investigation or not. An official written record will be kept regarding each stage of the procedure. Wherever possible, the individual’s identity will remain confidential. However, it is inevitable that in certain circumstances, to investigate the matter properly and effectively, the source of the information may have to be revealed. Should this be the case, the individual will be told prior to their name being released and will be offered advice and support.

All whistleblowing allegations and the subsequent investigation and conclusion are reported to the Committee.

Anti-fraud and anti-bribery

The company has policies in place to address the risk of bribery and failure to prevent criminal facilitation of tax evasion and sets out mandatory standards of conduct in relation to the acceptance of gifts and corporate hospitality. All employees must comply with these policies and the Bribery Act 2010. All employees are required to complete training on these policies and an annual review of compliance against these policies and processes is undertaken. Any allegation of fraud or bribery which was raised through the whistleblowing system would be investigated and reported to the Committee, via the process described above.

Internal audit

With effect from 1 August 2021, the provision of internal audit services has been undertaken by the Head of Integrated Assurance and through the recruitment of an internal audit team, with specialist support provided by PricewaterhouseCoopers (PwC). During the year the Committee reviewed and supported progress made in transitioning to the new in-house internal audit function. This included approving the Internal Audit Charter, which provides a basis for management and the Committee to use in evaluating the operations of the Group Internal Audit function. The Head of Integrated Assurance reports jointly to the Chief Financial Officer and the Chair of the Committee. Prior to 1 August 2021, the provision of internal audit services was outsourced to PwC.

The company's internal audit plan is approved on an annual basis and progress is reviewed by the Committee during the year. The Audit Plan for 2021/22 was developed by PwC, following discussions with management. The Committee reviewed and approved the Audit Plan for 2021/22 in March 2021.

Each audit is rated by reference to the materiality of any weaknesses in governance, risk management or internal control which have been identified in the process or system that is the subject of the audit. Specific actions are agreed with management to address any weaknesses, together with a timetable for completion of actions. Internal audits carried out

during the year included Programme Benefit Monitoring, Reservoir and Dam Inspections, Compliance Monitoring, Brydon Readiness, Cyber Security, IT Disaster Recovery, Payroll Controls, Modern Slavery, Treasury Risk and Control Assurance, Sludge Management, Purchase to Pay Controls, and the Vulnerable Customer Strategy. The Committee considers the internal audit process to be effective by virtue of the active contribution of the Committee to the development of the annual internal audit plan, the regular monitoring of progress against the plan and continued discussions with the internal audit function.

The internal audit plan for 2022/23 was approved by the Committee at its meeting in March 2022. The plan is designed to review a range of principal risk areas and was developed using a number of key inputs, including the regulatory environment, major projects and programmes and assurance activity. It is structured over an 18-month timescale and will involve a range of different audit types. Some audits are designed to add greater value and insight to the organisation in real time whilst other audits focus on the delivery of improvements in efficiency and effectiveness. Audits on the plan include Asset Health Management, Net Zero Carbon plans, Pollution Reduction Management, Water Quality Compliance and governance reviews of strategic programmes including the SAP upgrade and the Strategic Pipeline Alliance.

External auditor

The Committee has primary responsibility for overseeing the relationship with Deloitte LLP (Deloitte), the external auditor, including assessing its performance and audit quality, independence and effectiveness and making a recommendation to the Board in respect of the auditor's appointment or removal. Deloitte was awarded the contract for external audit services in September 2016, following a competitive tender process. The contract was for a four-year term which could be extended for up to a further four years, either annually or for any alternative period. The initial four-year contract expired in August 2020 and was extended in March 2020 until August 2021. It was subsequently extended, after careful consideration, for a further year until August 2022.

During the 2021/22 financial year, with the agreement of the Board, the Committee undertook a tender of the external audit contract. A selection panel was established consisting of members of both the Committee (including the Chair) and the AWG Audit Committee, the Chief Financial Officer and senior representatives from the finance, procurement and legal functions. The breadth of the panel ensured that a wide range of views were taken into account and a considerable amount of financial expertise supported the Committee during the process. The tender process was also managed by procurement and supported by the legal function to ensure compliance with the Utilities Contracts Regulations 2016. The Committee received

regular updates on the progress of the tender from the Chair of the Committee. The selection panel received proposals from three of the 'Big Four' audit firms, with each proposal consisting of written tender documents followed by face-to-face presentations. When determining the award, the selection panel assessed proposals against criteria set out in the request for proposal (RFP) which included audit quality, sector experience (within both the water and wider utility sector) and value for money. Bidders were also challenged to provide innovative ways to deliver efficiency and add value. After careful consideration the Committee recommended to the Board that Deloitte be reappointed as external auditor on a four-year contract to commence from September 2023 with the option for four successive one-year extensions. The Board approved Deloitte's re-appointment on the terms detailed above at its Board meeting in March 2022.

Effectiveness of the external auditor

The Committee, on behalf of the Board, is responsible for the relationship with the auditor, and part of that role is to examine the effectiveness of the statutory audit process. At the Committee meeting in November 2021, Deloitte presented its proposed audit strategy for the 2021/22 year-end audit. Its report included the proposed scope of the audit, including its view of materiality; significant risks to the audit process and its response to these risks; and other areas of audit focus.

Meetings are held throughout the year between the Committee members and key members of the audit engagement team, without management present, to encourage open and transparent feedback.

The Committee also considered relevant Audit Quality Reviews from the FRC and monitored Deloitte's implementation of these as relevant to the audit of the company. After careful consideration the Committee approved the audit strategy. Deloitte provided an update in relation to the audit plan at the Committee's meeting in March 2022, providing an opportunity for the Committee to monitor progress.

In addition, meetings are held throughout the year between the Committee members and key members of the audit engagement team, without management present, in order to encourage open and transparent feedback by both parties. Members of the Deloitte team also meet with management at regular intervals during the annual audit process. To assess Deloitte's ongoing independence and objectivity in the audit process, the Audit Committee also reviews annually the scope and value of all non-audit-related work conducted by Deloitte on behalf of the company. Further information on non-audit services is detailed below. For the year ended 31 March 2022, the Committee was satisfied with the performance, objectivity, audit quality and independence of Deloitte as the external auditor.

External auditor independence

There are two main ways in which the Committee assesses the independence of the external auditor.

Firstly, the Committee takes into account the information provided by Deloitte as part of the statutory audit process, that the audit engagement team, and others in the firm as appropriate, were independent of the company. In addition, Deloitte confirmed that it had not identified any relationships with the company, Directors, senior management and affiliates that Deloitte considers may reasonably be thought to bear on its objectivity and independence. The audit engagement partner also rotates every five years. In line with this requirement, Kate Hadley replaced James Leigh as the lead audit partner, along with a refreshed team, on the completion of the 2020/21 audit. Ms Hadley has extensive water and wider sector experience.

Secondly, the Committee recognises that a key factor that may impair the external auditor's independence and objectivity is a lack of control over the volume and/or value of non-audit services. The fees paid during the year in respect of non-audit services largely related to non-audit related assurance services. However, if the external auditor were to provide other non-audit services they would need to comply with the policy for fees on non-audit work carried out by the external auditor, as approved by the Committee. Any request to use the external auditor to carry out non-audit work must be authorised by both the

Chief Financial Officer and the Chair of the Audit Committee. In addition, there is a limit on the level of fee that could be paid to the external auditor for non-audit work. Under the policy on fees for non-audit services, only work permitted by the Financial Reporting Council's (FRC) 'whitelist' may be undertaken by the external auditors, and the level of non-audit fees is restricted to 70 per cent or less of the average of the previous three years' audit fees.

The fees paid to the external auditor during the year are set out in note 6 to the financial statements on page 177. In addition to the fees payable in respect of the audit of the company and consolidated financial statements, other audit-related assurance services predominantly relate to regulatory reporting to Ofwat and the review of the Group's half-year results.

Taking into account the findings in relation to the effectiveness of the audit process and in relation to the independence of Deloitte, the Committee was satisfied that Deloitte continues to be independent, and free from any conflicting interest with the company.

Committee performance and effectiveness

An annual review of the Committee's performance was undertaken as part of the Board evaluation process as detailed on page 131. The Committee evaluation considered the structure of the Committee and its membership as well as considering questions around financial controls, external and internal audit. The results of the Committee evaluation were considered

at the Committee meeting in March 2022; whilst no material shortcomings in the operation of the Committee were highlighted it was agreed that further consideration could be given to the areas of risk and cyber security, as well as other selected key risk topics.

Annual Integrated Report

At the request of the Board, the Committee considers whether, in its opinion, this Annual Integrated Report (AIR), taken as a whole, is fair, balanced and understandable and whether it provides the information necessary for shareholders to assess the company's position, performance, business model and strategy. To make this assessment, the Committee considered a financial reporting update in March 2022, which included updates on certain key judgements such as energy and bad debt and certain accounting policies such as Software-as-a-Service. The Committee then received copies of the AIR during the drafting process to enable sufficient time for comment and review and to ensure overall balance and consistency. In addition, the Committee reviewed a paper presented by management which set out the requirements of TCFD as applied to the company and the proposed disclosure to be included. At the Committee meeting in May 2022, Deloitte presented the results of its audit work and presented its findings on significant risks. These were considered by the Committee (see below for more information). On the recommendation of the Committee, the Board approved the AIR and the associated Statement of Directors' Responsibilities which can be found on page 155.

Key issues in relation to the financial statements

The Committee considers a range of key issues in relation to the financial statements. These issues tend to relate to the judgements and accounting estimates management has to make in preparing the financial statements. As such, they are presented to the Committee in the form of a report prepared by management called the Key Issues and Areas of Judgement Report.

Bad debt provision: The Committee reviewed the assumptions underpinning the provision for bad debts and how this is consistent with recent debt-recovery experience, current conditions and estimates of future economic conditions. Management calculates the bad debt provision by firstly evaluating the estimated recoverability of trade receivables and records a provision based on experience, primarily cash collection history, and then adjusts, as necessary, for forward-looking factors such as a change in economic conditions. In its forward-looking review, the Committee considered management's assessment of the potential impact of macro-economic conditions, such as the cost of living crisis, on the bad debt charge based on market data and a review of post year-end cash collection rates. Further information can be found in notes 2(c) and 16 of the financial statements. Following approval from the Committee, management enhanced the methodology in relation to collection of balances greater than 48 months post due and will continue to review the level of collection of these balances over the coming year.

The Committee considers a range of key issues in relation to the financial statements. These tend to relate to the judgements and accounting estimates management has to make in preparing the statements, and are presented in the Key Issues and Areas of Judgement Report.

Measured income accrual: Estimating unbilled household income: the Committee reviewed the methodology and outcome of the estimate for measured income for the year ended 31 March 2022, which was consistent with that used in previous years. Measured income accrual is an estimation of the amount of mains water and water recycling charges unbilled at the end of the period and represents approximately 40.1 per cent of measured household revenue. While the methodology for calculating this accrual is well established, judgement is required in terms of the level of customer consumption. The value of the measured income accrual is disclosed in note 16 of the financial statements.

Retirement benefit obligations: The Group operates a defined benefit pension scheme, which was closed to future accrual on 31 March 2018. The Committee reviews the key assumptions that underpin the actuarial valuation of the scheme in accordance with IAS 19 'Employee benefits'. Further information can be found in note 2(b) of the financial statements.

Classification of costs between operating and capital expenditure: The Committee considered the policy for classifying operating and capital expenditure, and the basis on which overheads are capitalised. Further information can be found in notes 1(l) and 2(a) of the financial statements.

Depreciation of property, plant and equipment: The Committee considered the range of asset lives applied when calculating the depreciation charge. Further information can be found in note 2(a) of the financial statements.

Software-as-a-Service: The Committee received an update on the IFRS Interpretations Committee (IFRIC) ruling on the accounting for implementation costs of Software-as-a-Service.

Recognition of grants and contributions: The Committee considered the rationale for recognising the income from grants and contributions as revenue when new properties are connected to the network. As discussed, this follows a review into this judgement and the application of IFRS 15 based on the March 2021 Annual Integrated Report (AIR). More information can be found in notes 1(e) and 2(a) of the financial statements. The Committee welcomes the FRC's acceptance of the accounting policy and time taken to review our responses.

The Audit Committee notes that the review was based on our AIR and does not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into. It is, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework.

We also note that the FRC provides no assurance that our AIR is correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. The letters are written on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by the company or any third party, including but not limited to investors and shareholders.

This report was approved by the Board of Directors on 14 June 2022.

Zarin Patel

Chair of the Audit Committee

14 June 2022



Committee members

Chair

John Hirst

Other Members

John Barry

Natalie Ceeney

Dame Polly Courtice

Niall Mills

Batiste Ogier

Zarin Patel

Duncan Symonds

Paul Whittaker

Meetings

Four

➔ Read directors' biographies on [pages 109-111](#)

Meetings also regularly attended by:

Peter Simpson, Chief Executive Officer; Susannah Clements, Group People and Change Director; and Claire Russell, Company Secretary.

Composition of the committee

On 24 November 2021, Batiste Ogier replaced James Bryce as a member of the Committee. On 20 July 2021, John Barry and Natalie Ceeney were appointed as members of the Committee.

Chairman's letter

This report details the role of the Nomination Committee and the important work it has undertaken during the year, including the matters considered and steps taken by the Committee during the 2021/22 financial year.

During the 2022/23 financial year, it is expected that Paul Whittaker will stand down as an Independent Non-Executive Director, on completion of his nine-year term in office. Therefore, the Committee has begun the search and selection process for a new Independent Non-Executive Director. The membership of the Committee was also refreshed during the year, with John Barry, Natalie Ceeney and Batiste Ogier joining the Committee during the year. I welcome the broad range of professional backgrounds, skills and perspectives they bring to Committee discussions.

I view the evaluation of our Board and its Committees as an important part of corporate governance. Following on from last year's external evaluation, this year we conducted a thorough internal evaluation and I'm pleased to report the Board and its individual Directors continue to operate effectively.



Available to view at:
www.anglianwater.co.uk

- Nomination Committee terms of reference
- Diversity and Inclusion policy
- Gender Pay Gap Report

It is an important part of the Committee's role to review succession planning and the talent pool for the Board, Management Board and other senior roles to identify both talent strengths and gaps.

As such, the Committee undertook a review of talent and succession across the organisation during the year. The review also considered the diversity of the talent pipeline. During the year the Committee also considered the company's approach to inclusion and reviewed progress in the areas of developing gender and ethnic diversity across the organisation.

John Hirst

Nomination Committee Chair

Role of the Committee

The Committee's primary function is to advise the Board in relation to the appointment of Executive and Non-Executive Directors.

The duties of the Nomination Committee include:

- Reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes.

- Giving full consideration to succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the company, how to support the development of a diverse pipeline, and the skills and expertise needed on the Board in future.
- Keeping under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring its continued ability to operate effectively in the marketplace.
- Taking responsibility for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise.
- Before any appointment is made, evaluating the balance of skills, knowledge, experience and diversity on the Board and, in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment.
- Reviewing the results of the Board performance evaluation process that relate to the composition of the Board.
- Making recommendations to the Board concerning succession plans for both Executive and Independent Non-Executive Directors.

Only members of the Committee have the right to attend Committee meetings.

“ The Committee recognises that inclusion is vital to the success of the organisation, and as such, takes a close interest in the company's approach to inclusion and diversity. ”

Main activities in the year

Board and Committee changes

During the year the Committee considered a number of changes to membership of the Board and Committees and recommended to the Board that the following changes should be made:

- both John Barry and Natalie Ceeney should be appointed as members of the Nomination Committee (20 July 2021);
- both John Barry and Zarin Patel should be appointed as members of the Remuneration Committee (20 July 2021);
- Batiste Ogier should replace James Bryce on the Board and as a member of both the Nomination and Remuneration Committees (24 November 2021); and
- Natalie Ceeney should replace Paul Whittaker as Chair of the Remuneration Committee (22 March 2022).

Paul Whittaker is expected to stand down as an Independent Non-Executive Director, on or prior to the nine-year anniversary of his appointment (which will be on 14 October 2022). During the 2021/22 financial year, the Committee began a search for a new Independent Non-Executive Director to replace him. The Committee is leading the search and selection process with the support of Korn Ferry (a global executive recruitment firm, which was appointed after a competitive tendering process, and which does not have any other connection with the company or individual Directors other than supporting the recruitment of Board Directors and senior management appointments). On beginning the search process, the

Committee considered the key skills and experience required by an individual appointed to the role, with reference to the previously agreed Board skills matrix. In addition, the Committee requested that any long list should be equally split between male and female candidates, and that at least 15 per cent of the candidates should originate from a black and minority ethnic (BAME) background.

All Independent Non-Executive Directors are appointed for a fixed term of three years. The fixed term can be renewed and, consistent with best practice, would not extend beyond nine years save in exceptional circumstances. During the year, the Committee considered and recommended that Zarin Patel should be appointed for a second three-year term to 30 October 2024.

Inclusion

The Committee recognises that inclusion is vital to Anglian Water’s success, and as such, takes a close interest in the company’s approach to inclusion. During the year, the Committee had the opportunity to further understand, discuss and challenge the company’s approach to this area. The Committee reviewed the strategic framework, the company’s approach to inclusion and key inclusion achievements, and reviewed progress made in the areas of gender and ethnicity. The company’s inclusion approach aims to develop awareness and education, build and grow the company’s Inclusion Community and deliver specific interventions to move the organisation forward. Areas of achievement over the financial year included:

- 86 per cent of people agreeing that Anglian Water is an inclusive place to work;
- 65 per cent of employees sharing their ethnicity demographics, which represents an increase of 32 percentage points;
- Offering employees who practise a religion other than Christianity the option to swap Christian religious bank holidays for a religious festival from their faith (Anglian Water has been nominated as a finalist in the Water Industry Awards: Diversity & Inclusion Initiative);
- Funding British Sign Language training for 40 employees; and
- Launching a comprehensive inclusion training module which is mandatory for all employees (see page 66).

The Committee considered specific data in relation to gender and ethnicity, reviewing the gender and ethnicity split among new hires and at different levels of seniority across the business. In response to the challenges of increasing diversity, the Strength in Diversity project was launched in 2021. Its aims include:

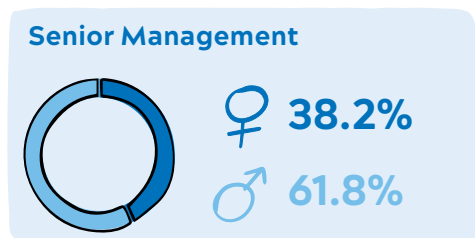
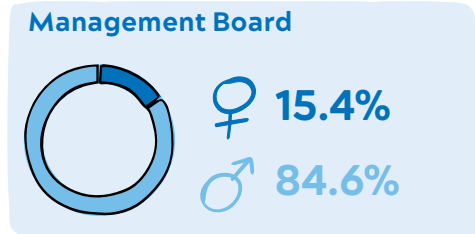
- Establishing strong long-term connections across educational settings and community groups in a small number of towns across the region;
- Building long-term talent pipelines, which will lead to a more diverse workforce in the next five to ten years;

- Applying the learnings from the company’s work in Wisbech, which centres around providing opportunities for school leavers to develop skills in a college setting, and apprenticeships; and
- Considering broader ways to support communities.

In considering the Inclusion Strategy, which it endorsed, the Committee also considered the challenges and constraints of improving inclusion and reflected that the strategy aimed to improve inclusion over the longer term.

At Board level, the Committee has not set a specific female Board member quota. However, as at 31 March 2022, 27.3% of the Board were female.

As at 31 March 2022, the gender balance of the Management Board and those employees who directly reported into Management Board members is detailed below:



Succession planning

An important role of the Committee is to review the development, succession planning and talent pool for the Board, Management Board and other senior roles to identify both talent strengths and gaps.

During the year the Committee also undertook a review of talent and succession planning across the company. The aim of the review was to give the Committee insight into how talent across the organisation was identified, in terms of those employees who were early in their careers through to those individuals with potential to be Management Board candidates. As part of the review, the Committee also considered the plans in place to support these individuals during the different stages of their development, as well as the progression opportunities available to all individuals across the business. Development opportunities include leadership training and technical development opportunities as well as a specific development programme for those considered as having potential to be a member of the Management Board.

The Committee considered the diversity of the talent pipeline, recognising both the strengths and challenges associated with this, with a focus on gender and ethnic diversity and the impact of an ageing workforce. The Committee also considered progress made against the development and performance questions contained within the Love to Listen survey, with positive increases in perceptions of diversity seen for the 2021 survey when compared to the 2020 survey.

In terms of senior roles, the Committee reviewed and supported the external recruitment process for the new Group Treasurer.

The Committee has opportunities to engage with those individuals who are part of the succession plan at Board meetings, market stall events and site visits.

Board and Committee evaluation

The Board considers the annual review of the Board, its Committees and Directors to be an essential part of good corporate governance. A thorough internal evaluation of the Board and its Committees was conducted during the year, following the external evaluation undertaken in the 2020/21 financial year.

The 2021/22 Internal Board and Committee evaluation process comprised the following stages:

1. Stage 1: evaluation design:

Questionnaires for the Board, its Committees and each individual Director were developed by the Company Secretary in consultation with the Chairman. The questionnaires were developed considering feedback from the 2020/21 external survey, the company's Corporate Governance Code and strategic matters considered by the Board during the year. Areas of focus included: boardroom behaviours and dynamics; the company's purpose and culture; the structure and processes around Board meetings; Board composition and structure, including succession; and the company's strategy.

2. Stage 2: evaluation process:

Questionnaires were sent to Board members via a secure anonymous online portal. Once completed, the responses were collated by the Company Secretary and reviewed by the Chairman. Draft reports which summarised the findings and included proposed recommendations for discussion were prepared by the Company Secretary. These reports were reviewed by relevant Board and Committee Chairs for feedback and comment before being circulated to the Board and Committee members.

3. Stage 3: discussion and decision:

The reports setting out the findings were presented and discussed at each of the relevant Board and Committee meetings in March 2022.

Overall, it was the collective view of the Directors that the Board and its Committees are operating effectively. No material shortcomings in relation to the operation of the Board and its Committees were highlighted by the evaluation. However, certain areas were identified during the review process as requiring additional focus. The following actions were among those agreed for implementation and monitoring:

- Planning for the Business Plan for the period 2025-2030;
- Continuing the work to effectively communicate the company's purpose with external stakeholders;

- Providing the Board with more visibility of the company's response to cyber risk; and
- Board members to spend more time meeting with those individuals who are identified in succession plans.

Separately, the Non-Executive Directors, under the leadership of the Senior Independent Non-Executive Director and with input from the Executive Directors, conducted an evaluation of the performance of the Chairman. No areas of concern were raised.

As part of the internal review the Chairman reviewed the responses to each Director's individual performance questionnaire and conducted one-to-one meetings where necessary. The Chairman confirms that each Director continues to make a valuable contribution to the Board and, where relevant, the Committees of the Board.

All business discussed by the Committee during the course of the year was reported to the Board.

This report was approved by the Board of Directors and signed on their behalf by

John Hirst

Chair of the Nomination Committee

14 June 2022

Chair's statement



Committee members

Chair

Natalie Ceeney

Other members

John Barry

Dame Polly Courtice

John Hirst

Niall Mills

Zarin Patel

Duncan Symonds

Paul Whittaker

Batiste Ogier

Meetings

Five

[Read Directors' biographies on page 109-111](#)

Meetings also regularly attended by:

Peter Simpson, Chief Executive Officer; Steve Buck, Chief Financial Officer; Susannah Clements, Group People and Change Director; Sally Purbrick, Head of Reward.

Composition of the committee

On 22 March 2022, Paul Whittaker stepped down as Chair of the Committee and was replaced by Natalie Ceeney. Paul Whittaker remains on the Committee.

On 24 November 2021, James Bryce stepped down as a member of the Committee and was replaced by Batiste Ogier. On 20 July 2021, John Barry and Zarin Patel were appointed as members of the Committee. Attendees do not join meetings when their own remuneration is being discussed.



I welcome the opportunity to share my first report detailing the work of the Remuneration Committee (the Committee), since taking over the role of Chair. This report gives an overview of the remuneration policy and practices for the Executive Directors and our wider workforce.

Remuneration contents list

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The year in retrospect

This has been a particularly challenging year for Anglian Water, with both internal and external factors shaping our year. Our performance, particularly against environmental targets, has not reached the level we, our customers or our other stakeholders want to see. That has inevitably shaped our approach to executive and senior management remuneration this year, as we set out below. While recognising the total commitment of the Directors and the entire workforce, we are clear that reward must be aligned to performance.

Our people

Our people are critical to bringing environmental and social prosperity to the region we serve and we believe that engaged and motivated people deliver better outcomes for customers. So we have set out to make Anglian Water a great place to work, reflecting our commitment to supporting our wider communities through the second year of the pandemic and supporting our colleagues as price inflation increased, along with the continuing challenges of Covid-19.

Our colleagues have shown remarkable fortitude and flexibility throughout the past two years, facing unprecedented weather conditions and the restrictions of Covid-19. To recognise this contribution and to support our focus on both physical and mental wellbeing, every person in the company has been awarded a 'wellbeing day' to take in the next year.

We have also seen great uncertainty in the labour market, with scarce skills and rapidly changing wage rates in certain sectors as a result of both Covid-19 and Brexit. The company has responded by supporting changes in the way that work is carried out, such as flexible working and remote working, and by ensuring salaries remain competitive.

Roles such as HGV drivers or front-line technicians have been benchmarked to ensure that the company continues to pay at the median for salaries (in line with our remuneration policy). In addition, the company continues to provide a comprehensive package of wider benefits such as pensions, life assurance and health insurance for all our people.

Following the huge success of our 'Time Out For Life' events in 2021, where more than 3,000 colleagues spent half a day focusing on our mantra of 'Happier, Healthier, Safer', the decision has been taken to make these an annual event.

Finally, recognising the increasing cost of living, the annual salary uplift payable from April 2022, which applies to all employees, including the Executive Directors, and to Non-Executive Director fees, was 4.6 per cent, which reflects CPIH in November 2021 and is consistent with the increase in average customer bills.

We have also continued to support our people, most notably through the Covid-19 Assistance Fund, set up with donations from employees, with Peter Simpson making the biggest single donation: £212,000. These awards have really helped employees as they struggled with personal financial hardship as a direct result of Covid-19. We have provided a strong wellbeing offering for our people through services including access to our Employee Assistance Programme and flexible hybrid working where role-appropriate for employees, with a particular focus on supporting those with caring responsibilities.

Chair's statement continued

Our people

61

apprentices and interns joined the business in 2021/22

83%

of our people feel proud to play a part in creating environmental and social prosperity in the region we serve*

86%

of our people agree Anglian Water is an inclusive place to work*

> 3,000

Employees attended Time Out for Life sessions in 2022

74%

of our people feel they have opportunities to learn and develop*

* Results from our internal Love to Listen survey 2022

We are the first water company in the UK to change our Articles of Association to reflect our commitment to the communities we serve. As such, I am particularly proud that our actions during the Covid-19 pandemic showed that we have continued to deliver on our purpose.

Our bonus outcomes

All colleagues in Anglian Water receive some form of bonus, with around 250 colleagues in the Leaders' Bonus Scheme and over 2,000 colleagues, mostly those who directly deliver service to customers, in the Personal Development Review (PDR) scheme. Expenditure on the PDR scheme increased this year, reflecting managers' assessment of colleagues' commitment and hard work during what has been a tough year.

The Leaders' Bonus Scheme, in common with the Deferred Bonus Plan (which applies to the Executive Directors and the 50 most senior leaders), is made up of two parts: personal objectives and what is known internally as the 'Performance Contract'. The Performance Contract is designed to deliver outcomes for customers – customer efficiency and customer delivery. As a leader becomes more senior, the performance contract represents a greater proportion of their bonus, reflecting their ability to influence the service that the organisation provides to our customers. Despite the hard work of everyone across the company, we have faced some difficult headwinds during the past 12 months. As a result of these challenging conditions (including experiencing twice the average rainfall in December 2020) our performance

for customers has been below the level that we would typically deliver. This is particularly evident in relation to environmental performance and pollution incidents. We have undertaken root and branch reviews in the areas where performance has been off-target, and are delivering targeted actions to get back on track (see 'Strategic ambitions', pages 21–24, 'Our environment and the planet', pages 45–53, and 'Our performance in context', pages 43–44).

Our Performance Contract (70 per cent of Executives' Maximum Bonus) covers a range of the issues that customers have told us are most important (see page 55). Unusually for a bonus scheme, underperformance in one area can negate overperformance in another area. Despite strong performance in relation to leakage and the Water Industry National Environment Plan (WINEP), some of the customer-focused targets included in our 2021/22 Performance Contract (such as those in relation to pollution and flooding) have not been achieved. As a result of this underperformance, no payment will be made in relation to the Customer Delivery element of our Performance Contract. All senior leaders who participate in the Deferred Bonus Plan will lose 45 per cent of their potential bonuses.

In common with the senior leaders of the organisation, Directors' bonuses were between 49.5 per cent and 51.5 per cent respectively, significantly below the levels paid in previous years. The total remuneration for the Executive Directors has reduced by 34 per cent, when compared to the previous year.

This outcome reflects, in part, the decision made in 2019 to replace an LTIP that paid out 50 per cent of bonus awards after three years with a Deferred Bonus Plan that defers 25 per cent of the payment for three years and a further 25 per cent for four years. In order to transition to this new arrangement, the maximum bonus achievable for Executive Directors was reduced by 15 per cent in 2021/22 and by 10 per cent on 2022/23. The total potential variable remuneration payable to Executive Directors in 2021/22 therefore reduced significantly.

The Directors' personal performance (30 per cent of Executives' Maximum Bonus) is linked to the performance of the Group, where stretch targets were exceeded. Further details of performance across specific measures can be found on pages 40–42.

The Remuneration Committee has also evaluated the extent to which the deferred element of the 2019 Deferred Bonus Plan (DBP) should be paid. Whilst the Committee was cognisant of the 'double jeopardy' of deducting from two schemes for the same results, the Committee felt that it was right to reduce this payment in light of our environmental performance. Our performance was not maintained in the second year of the period, and it is therefore likely we will receive a 2-star Environmental Performance Assessment rating when the results are published later this summer.

The focus now turns to making next year a great year; continuing to strive to deliver on Anglian Water's purpose to look after the things that matter – our people, our customers and the environment.

Chair's statement continued

Other key decisions

As reported in last year's Remuneration Report, a full review of Peter Simpson's remuneration was undertaken during the year. The Committee reviewed benchmark data provided by our remuneration consultants to ensure they had the relevant information to make their decision. Benchmark data was provided for the most directly comparable companies to Anglian Water, i.e.

- Similarly-sized water companies (as measured by revenue)
- UK utilities companies – a wider comparator group, within the same broad sector, comprising utility companies of a similar size to Anglian Water (as measured by revenues)
- Wider comparator group benchmarking against FTSE 250 companies (excluding financial services).

Following the review it was clear that since taking on much broader accountabilities across the Group in recent years, Peter Simpson's remuneration was below the relevant comparator market across salary, pension and maximum bonus levels. Peter's package was brought in line with the median for the comparator group, consistent with our policy for the wider workforce.

Peter Simpson's new remuneration arrangements broadly place him in a median position across the most relevant comparator companies. From 1 September 2021, Peter Simpson's base salary increased to £550,000.

As his remit extends well beyond the regulated water company, 30 per cent of his salary is charged to other parts of the Group.

Therefore, the element paid for by the water company is £385,000. Peter's fuel allowance also ceased, in line with our commitment to reach net zero carbon. In line with policy agreed by the Committee, his pension allowance decreased to 12 per cent of the base salary, to bring it in line with the wider employee base. Peter's salary was uplifted by 4.6 per cent in April, in alignment with the wider workforce, and the value of the 2022 Deferred Bonus Plan award was increased to 300 per cent, as a result of the benchmarking review above.

Looking ahead to 2022/23

Although a significant proportion of executive variable remuneration is already aligned to our purpose, with 45 per cent of executive bonus outcomes linked to ESG measures, the Committee felt we wanted to go further. As part of our annual review, we have looked externally to inform our thinking and have decided to introduce four further environmental and social measures which we believe will help us achieve our Purpose.

Whilst remuneration remains closely linked to performance for customers, the introduction of these new measures demonstrates a strong alignment between employees' reward and the delivery of our purpose. The changes this year are only a first step, and we plan to further enhance the weighting of bonuses aligned to our purpose.

Our four new ESG measures (2022/23): an additional 10% of maximum bonus



1

Capital carbon

The carbon in building and maintaining our assets.



2

Operational carbon

The carbon used in the day-to-day running of our business, including energy and transport.



3

Helping customers who are struggling to pay

The number of customers who receive financial support through our financial support schemes.



4

Biodiversity net gain

To leave the natural environment in a measurably better state than before our intervention.

A further review of ESG measures will be informed by the recent development of the BSI PAS 808 for purpose-driven organisations, which we have led (see pages 38 and 112).

This is the third year of the DBP, and it is timely to step back and review all aspects of senior and executive remuneration. As Chair of the Remuneration Committee, I have commissioned an independent group of consultants to work with me and

the Committee to review all aspects of our approach to remuneration, to ensure that our policy continues to reflect our commitment to customers and to the environment.

Natalie Ceeney

Chair of the Remuneration Committee

14 June 2022

Chair's statement continued

Q&A with Natalie Ceeney



Q What are you doing to support your workforce through the cost-of-living crisis?

A We know it's an uncertain time for everyone and we're supporting our workforce in a variety of ways. Firstly, from 1 April 2022 our employees will receive an increase of 4.6 per cent to their base pay. This increase also applies to overtime and contractual allowances such as standby and call-out. We're totally committed to paying good salaries for the work our people perform, and we go even further, reminding employees of all the support we offer them (and in some cases their families) through targeted communications, employee webinars and our standout annual 'Time Out for Life' event.

We offer extra financial support in the form of our Employee Assistance Programme, a confidential service which helps with finances and debt;

Salary Finance, which offers free financial education and salary-linked benefits; the Employee Hardship loan, which supports our people when they need it most; and our Covid-19 Employee Assistance Fund, which supports colleagues who've been financially impacted by the effects of the pandemic.

This is all over and above our extensive range of existing benefits, and we remain committed to supporting the financial, physical and mental wellbeing of everyone who works with us at Anglian Water.

Q How confident are you that there is a clear link between performance-related pay at executive and senior management level and performance for customers?

A I'm confident it's really clear: we've put performance for customers at the heart of our bonus structure for Executive Directors and senior leaders at Anglian Water. The Leaders' Bonus Scheme and the Deferred Bonus Plan are made up of two elements: personal performance and the Performance Contract (see page 139), which is specifically designed to reflect how we've delivered for customers and how efficiently we've done so.

In years where our performance for customers has surpassed both our regulatory targets and the even more stretching targets we set internally,

this translates into Directors and leaders receiving a greater percentage of their potential bonus. That's not been the case this year, and our performance hasn't met the level of service our customers and the environment deserve. In this instance it is entirely right that bonuses should be significantly lower and I am confident that the performance of AWS is reflected in the significantly lower bonus payments to Executive Directors. As we explain on page 140, some of the personal objectives of the Executive Directors relate to the performance of other Group companies (and that those companies performed well in 21/22). Anglian Water pays for 70 per cent of Peter Simpson's bonus and 60 per cent of Steve Buck's bonus.

Q What's driven your approach to rewards related to environmental performance this year?

A As we've set out elsewhere in this Remuneration Committee Report, and in the strategic report, key elements of our environmental performance in 2021/22, including on pollution and flooding, haven't reached the levels our customers, stakeholders and regulators expect from us.

We're very clear that poor performance shouldn't be rewarded. As such, our underperformance in these key areas cancels out strong performance in other areas such as leakage.

This means the performance measures element of the bonus scheme won't pay out at all this year, and all senior leaders who participate in the Deferred Bonus Plan will lose 45 per cent of their potential bonuses. The Remuneration Committee has also decided to make a deduction from the deferred element of the 2019 Deferred Bonus Plan in light of this dip in performance. More details of these decisions can be found on page 140.

Q What are your goals as Chair of Remuneration Committee?

A During my time as Chair I'm keen to build on all the great work the Committee has already done to align our reward policies for senior leaders with our purpose and strategy. Although a lot of progress has been made already, it's important that we continue to challenge our approach and learn from others. It's also important that our overall offering for our senior leaders has an appropriate level of at-risk earnings and a balance of metrics in our deferred bonus plan, reflecting the needs of all our stakeholders.

At the same time, it's crucial that we continue to make sure our reporting is always transparent for all our stakeholders' needs.

Remuneration at a glance

External advisors

To ensure that the company’s remuneration practices are in line with best practice, the Committee has appointed independent external remuneration advisors, PricewaterhouseCoopers LLP (PwC). There are no connections between our advisors and either Anglian Water Services, other Group companies or other relevant parties.

Support for the Committee

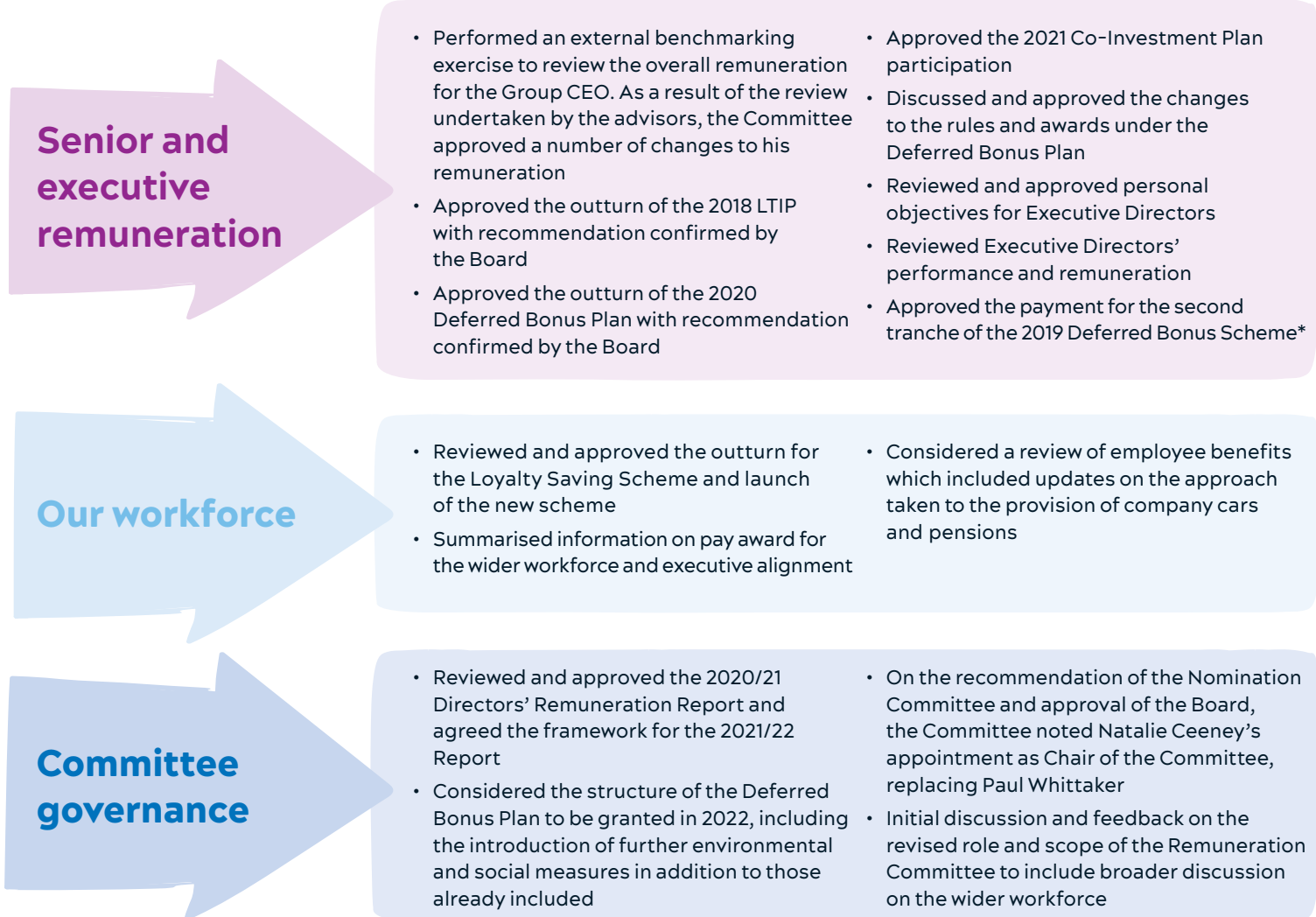
The Group CEO, Group CFO, Group People and Change Director and the Head of Reward also attend meetings, by invitation, to provide advice and respond to specific questions. Such attendances specifically excluded any matter concerning their own remuneration. The Company Secretary acts as secretary to the Committee.

Committee performance and effectiveness

An annual review of the Committee’s performance was undertaken as part of the Board evaluation process, detailed on page 131. The key findings of the evaluation relating to the Committee were discussed at a meeting of the Committee on 22 March 2022. No material shortcomings in the operation of the Committee were highlighted.

Key areas of remuneration focus in 2021/22

A summary of the matters reviewed throughout the year by the Committee is set out below:



* Draft outturn was presented to the Committee in March 2022. Final sign off was ratified once the year-end numbers were made available in May 2022.

Remuneration at a glance continued

Alignment to purpose and strategy



Policy summary

The primary objective of the remuneration policy is to ensure that competitive reward packages are offered that will attract, retain and motivate talented and experienced senior executives to run the business effectively, and to promote the success of the company.

Within these arrangements, a significant proportion of reward is based on performance against demanding targets aligned to customer outcomes.

Link to reward

 Environmental	 Social	 Governance
<ul style="list-style-type: none"> • Environmental targets embedded within Deferred Bonus Scheme • Totex measures embedded within Deferred Bonus Scheme • Electric and hybrid only choice on company car fleet and CO₂ cap for those who receive a cash allowance as alternative to a company car • Employee Cycle to Work scheme • On-site vehicle charging points • Selected a new supplier for electric fleet salary sacrifice scheme available for all employees, live May 2022 • Trial underway for use of electric fleet for commercial vehicles 	<ul style="list-style-type: none"> • Social targets embedded within Deferred Bonus Scheme • Flexible benefits offering • Gender pay reporting • Employee volunteering • Covid-19 Employee Assistance Fund • Employee Hardship Loans • Learning and development opportunities for all • Employee recognition • Response to Covid-19 to ways of working and support available • Private healthcare for all employees • Charity-giving schemes direct from payroll with employer matched contributions • Full use of apprenticeship levy • Intern programme • Double-matched contributions into company pension scheme • Mental health self-referral • Loyalty Saving Scheme 	<ul style="list-style-type: none"> • Deferral period within Deferred Bonus Scheme • Malus/clawback provisions within bonus schemes • Linkage of measures within Deferred Bonus directly to Ofwat commitments • External independent input to remuneration benchmarking • Internal presentations/ updates on gender pay to trade unions and wider workforce

Remuneration at a glance continued

Remuneration across the Group

£223 million

paid to employees

5.3%

average salary increase

100%

employees eligible for bonus

11.2%

average benefit increase

CEO remuneration

£1.305 million

total remuneration

-37%

change in remuneration

49.5%

bonus

Performance

325,000

Number of customers who are struggling to pay their bills supported by us

£150,000

for employees impacted financially as a result of Covid-19, assisted via fund

£1 million

Positive Difference Fund to support communities through Covid-19 fully disbursed, benefiting 100,000 people

664

environmental schemes delivered

9.4%*

Operational carbon saving against 2019/20 baseline

* subject to confirmation by Ofwat

£518.3 million

capital investment in the East of England

“ Throughout this year, the dedication of all my colleagues, day after day, week after week, has been a stand-out positive, and I thank them all for their commitment. ”

Peter Simpson, Chief Executive



Remuneration at a glance continued

2021 outcomes (Deferred Bonus Plan Award)

A detailed summary of performance against the stretching targets set by the Committee for the 2021 Deferred Bonus Plan Award is set out to the right. An element of the Award is linked to the achievement of personal objectives. For the element which relates to company performance, this is split as detailed below.

Customer delivery: a basket of measures delivering service to customers – 45.5 per cent

The performance commitments to our customers that contribute to this measure are listed on the right and have been consolidated into a basket of measures. Each of the performance commitments has an associated penalty and/or reward set by the regulator. This year strong performance on several areas was outweighed by under-performance on a small number of key measures (such as pollution and flooding). Therefore no payment is due under this element of the Plan.

Some of the metrics shown in the table on the right relate to internal targets which aim to deliver even better service to our customers than those set by our regulator – hence they may show as not having been met, despite having met our regulatory target.

Customer Performance Commitments	Environmental, social or both	Bonus target met?	Regulatory target met?
Abstraction incentive mechanism			
Bathing waters attaining excellent status			
Customer Measure of Experience (CMeX)			
Developer Measure of Experience (DMeX)			
External sewer flooding			
Internal sewer flooding			
Leakage			
Main repairs			
Managing void properties			
Percentage of population supplied by single supply system	N/A		
Pollution incidents			
Properties at risk of persistent low pressure			
Sewer collapses			
Smart metering delivery			
Treatment works compliance			
Unplanned outage			
Water Industry National Environment Plan (WINEP)			
Water quality compliance (CRI)			
Water quality contacts			
Water supply interruptions			

Environmental measure

Social measure

Requirement met? Yes

Requirement met? No

For C-MeX and D-MeX results, there was no penalty so recorded as target met.

Customer efficiency: A measure of financial efficiency shared with customers – 24.5 per cent

This measure relates to the ‘totex gap’, which means the gap between the amount of totex spent during the performance period and the amount allowed by Ofwat in respect of the performance period. This measure is designed to incentivise a reduction of this gap, which will benefit customers in future years, and ensure that customers’ bills stay low within this AMP.

Personal objectives – 30 per cent

In addition to the customer-focused performance measures, payments to Executive Directors were also dependent upon the achievement of personal objectives focusing on their broader roles across the Group assigned to them by the Board, and performance is assessed by the Chairman (for Peter Simpson) and the CEO (for Steve Buck). The Remuneration Committee discusses the assessment and agrees the final award. These objectives account for 30 per cent of their maximum variable remuneration, and are funded by Anglian Water Group Ltd, not by Anglian Water Services, as the objectives are targeted at strategic goals and targets which relate to the wider Group, its strategy and structure.

The Directors’ personal performance bonuses are linked to the performance of the Group, where stretch targets were exceeded. The Committee has discretion to amend company and personal objectives during the year.

Remuneration at a glance continued

When assessing performance against company and personal objectives, the Committee considers any other results or factors it deems relevant, and applies its overall judgement in recommending final bonus outcomes to the Board. The Committee did not make any adjustments to the in-year performance measures.

2019 Deferred Bonus Plan (payable 2022/23)

As reported in the 2020 Remuneration Report, following an assessment of the extent to which the relevant targets had been achieved, the Committee recommended to the Board that 70.7 per cent of corporate element of the 2019 award should be paid to all participants in the Plan including Executive Directors. Under the rules of the Plan, the second payment tranche (35 per cent of the initial award) is due for payment at the end of the second performance period which comes to an end on 31 March 2022.

In relation to the deferred elements of the award, the Committee is also entitled to reduce payments in circumstances where there have been issues in respect of service, quality, health and safety, reputation, and financial or regulatory performance. The Committee may also claw back bonus already paid where, in its judgement, there has been serious misconduct. Having considered the dip in our environmental performance during 2021/22, the Committee decided to reduce the performance outturn by 5 per cent to reflect this. The Committee felt that the level of the reduction was appropriate given the deterioration in service received by our customers and wider stakeholders. The base value of the 2019 awards under the Plan is uplifted by CPIH over the performance period. This increase is 7.27 per cent, in line with the rules of the Plan.

Achievement of personal objectives

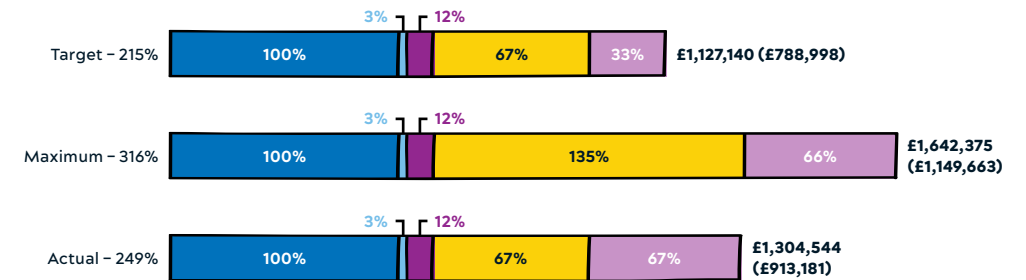
Objective	Met or not met	Objective	Met or not met
Peter Simpson		Steve Buck	
Growth of Anglian Venture Holdings	●	Group structure planning	●
Organisational benchmarking and strategy	●	Capital restructuring and simplification	●
Capital strategy and engagement with the Board	●	Organisational benchmarking	●
Long-term resilience planning	●	Growth of wider Group opportunities	●
Efficiency review	●	Developing the leadership of the Finance function	●

● Met target ● Partially met ● Missed targets

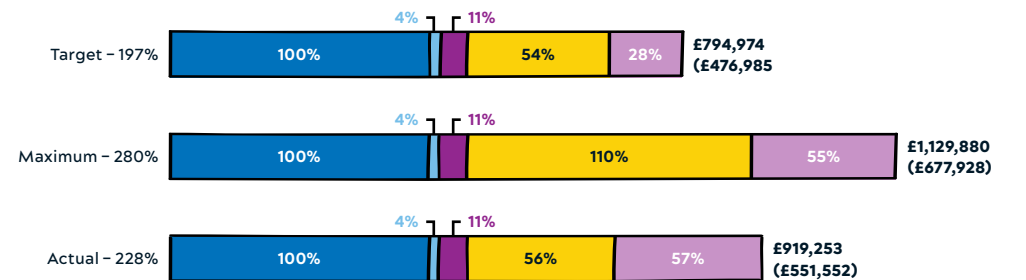
Fixed and variable remuneration outcomes for Executive Directors

The table below shows the proportion of payments related to variable and long-term performance for 2021/22. As explained above, the bonus arrangement is designed only to pay out if all the customer delivery and customer efficiency thresholds are met alongside personal performance targets. The graph therefore shows the percentage of base salary which could be earned for both target and maximum performance levels, as well as the actual outcome for 2021/2022.

Peter Simpson



Steve Buck



● Base pay ● Benefits ● Pension ● In-year variable ● Multi-year variable

Note: The figures in brackets show the amount of total remuneration costs that will be paid in 2021/22 by Anglian Water Services (AWS), with the rest paid for by other parts of the AWG Group. Seventy per cent of Peter Simpson's remuneration and 60 per cent of Steve Buck's will be paid by AWS.

Remuneration at a glance continued

Achievement of deferred bonus outcome¹

Peter Simpson	Weighting for 2021/22 (as % of maximum bonus)	Met or not met	Outcome (as % of maximum)
Customer delivery	45.50%	●	0.00%
Customer efficiency	24.50%	●	24.50%
Company total	70.00%	●	24.50%
Personal objectives	30.00%	●	25.00%
Total % award payable	100.00%		49.50%
Maximum award as % of salary	135.00%		66.83%
Maximum award payable			£682,124
Bonus paid			£337,651

Steve Buck	Weighting for 2021/22 (as % of maximum bonus)	Met or not met	Outcome (as % of maximum)
Customer delivery	45.50%	●	0.00%
Customer efficiency	24.50%	●	24.50%
Company total	70.00%	●	24.50%
Personal objectives	30.00%	●	27.00%
Total % award payable	100.00%		51.50%
Maximum award as % of salary	110.00%		56.65%
Maximum award payable			£443,190
Bonus paid			£228,243

● Met target ● Partially met ● Missed targets

Single total remuneration figure (audited)

	Base pay		Taxable benefits ¹		Pension including cash in lieu ²		Other bonuses		In-year variable (Bonus) ³		Multi-year variable (Deferred bonus)		Total remuneration		Proportion of 2021/22 remuneration paid by	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	AWS	AWG
Peter Simpson	505,277	531,365	15,829	16,466	72,559	64,074	550,000	0	540,092	337,651	390,890	354,987	2,074,647	1,304,544	913,181	391,363
Steve Buck	395,000	402,900	140,679	14,671	38,998	42,498	375,000	0	365,753	228,243	0	230,941	1,315,430	919,253	551,552	367,701
Total Executive Directors	900,277	934,265	156,508	31,137	111,557	106,572	925,000	0	905,845	565,894	390,890	585,928	3,390,077	2,223,797	1,464,733	759,064

1 Benefits include private health insurance, car allowance, private fuel and life assurance for all Executive Directors. Steve Buck's figure for 2020/21 also includes £123,815 relocation expenses that were reimbursed in line with policy agreed as part of his appointment.

2 Pension costs for Peter Simpson represent cash payments in lieu of contractual commitments as he does not save into the pension scheme. Pension costs for Steve Buck represent a mixture of cash payments in lieu of contractual commitments and company contributions into the pension scheme, paid in line with all other Anglian Water employees.

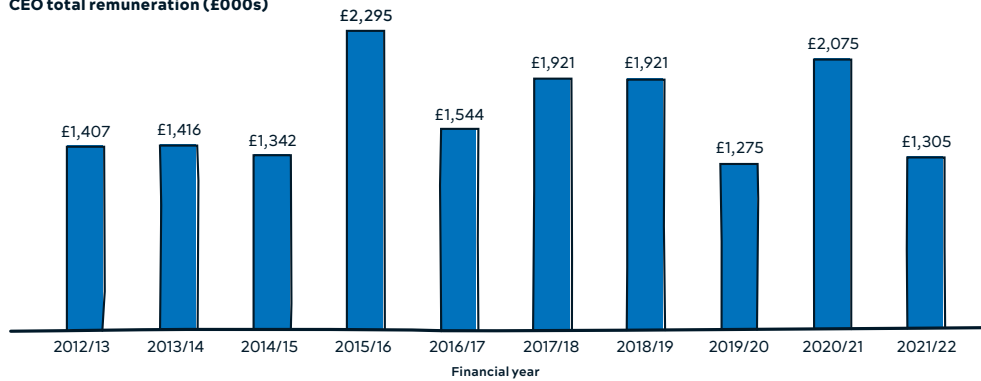
3 The in-year variable (bonus) relates to the first tranche (50 per cent) of the 2021 Deferred Bonus Plan Award. Full details can be found on pages 139–140. The multi-year variable (Deferred bonus) is the 2018 LTIP (paid in 2021) and the second tranche (35 per cent) of the 2019 Deferred Bonus Plan Award (paid in 2022).

4 Seventy per cent of Peter Simpson's remuneration and 60 per cent of Steve Buck's will be paid by AWS, with the remaining proportion paid by other parts of the AWG Group.

Remuneration at a glance continued

Change in CEO remuneration

CEO total remuneration (£000s)

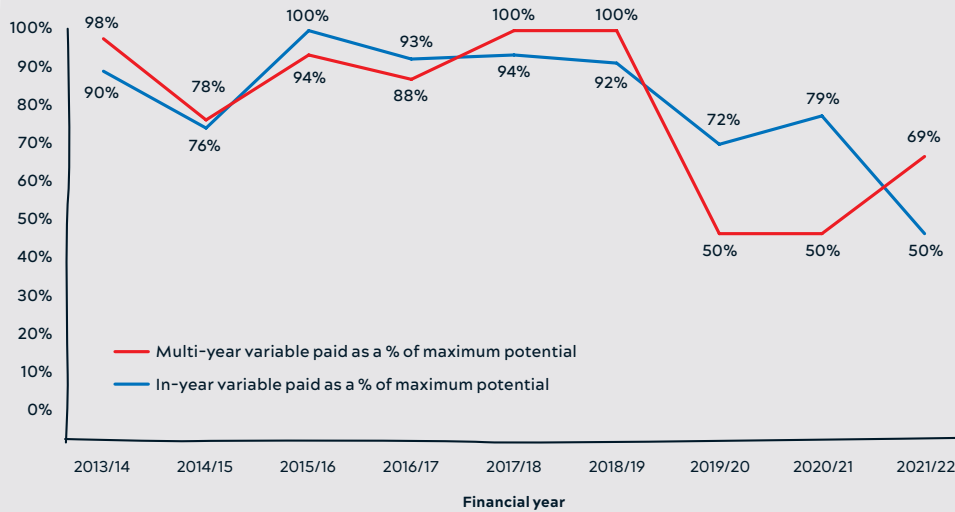


Employee remuneration, amounts paid in dividends, and capital expenditure for the years ended 31 March 2021 and 31 March 2022.

	2020/21	2021/22	% change
Remuneration paid to employees ¹	£212.4m	£223.0m	5.0
Dividend paid outside the AWS financing group net of equity injection ²	nil	£96.3m	100.0
Capital investment ³ (cash)	£424.1m	£518.3m	22.2

- 1 Remuneration paid to employees has increased by 5.0 per cent which reflects both an increase in the overall headcount and the impact of a number of salary increases to reflect development within role across the wider workforce.
- 2 A £96.3 million prior year final dividend was paid in the period (2021: £nil), reflecting the company's dividend policy having regard to Anglian Water's purpose and duties under the company's Article of Association.
- 3 Capital investment is higher in 2021/22 reflecting a strong continuation of our AMP7 investment programme during which time we will invest a record £3.0 billion.

Change in percentage of award of CEO performance-related pay



Note: The Annual Bonus and LTIP were replaced by the Deferred Bonus Scheme at the start of 2019. 2020/21 LTIP payments are based on the 2018 LTIP award which was the final award under this Plan.

Company remuneration at Anglian Water

Our remuneration elements

	Base salary	Pension	Benefits	Performance bonus	Loyalty Saving Scheme (LSS)
Executive Directors (2)	Salaries are set to attract and retain employees at all levels, considering appropriate experience, skills and competencies relative to the role. All permanent employees are paid at levels which are at least in line with those recommended by the Living Wage Foundation, with the exception of apprentices, where other arrangements are in place to ensure they are paid in line with government apprentice rates, as a minimum. The apprentice rates of pay increase every year as their skills and experience develop.	The company operates a generous matched Defined Contribution scheme for all employees. Employee contributions are double matched to a maximum of six per cent of salary, meaning that if an employee contributes six per cent, Anglian Water contributes 12 per cent. Employees are invited to understand more about their pension arrangement throughout the year as part of our focus on financial wellbeing. This also includes information on how they can choose where their funds are invested, including opportunities for investments in sustainable companies. Where employees wish to withdraw from the scheme to protect pension allowances, a cash contribution is paid as an alternative arrangement, which is reduced compared to pension contributions to reflect National Insurance due.	All employees are eligible to select a flexible benefits package to meet their needs. Following the introduction of our new role framework in 2019, the majority of our benefits offering is consistent throughout the workforce. We have a significant focus on wellbeing benefits, including but not limited to: private healthcare for all employees, with the option to purchase additional cover for family members; salary-sacrifice pension; cycle-to-work scheme and the opportunity to buy and sell annual leave. A third of our employees made a benefits selection in addition to pension during the annual window alone; the further option exists to change some benefits every month, as circumstances require.	Employees either have an award under the Deferred Bonus Plan (operated by invitation) or the Annual Performance Bonus. For both schemes, the same set of company measures is set, which aligns the performance of eligible employees to those measures which are most important to the environment, our customers and long-term value creation for our shareholders.	To encourage employees to make regular savings and aid retention, we offer the opportunity to participate in our LSS. Not only does this help employees financial wellbeing it delivers greater engagement and retention by enabling all colleagues to benefit when the company makes a positive growth in value. 800 employees enrolled in the 2021 scheme. Employees can save up to £500 each month across all three schemes at any time. Each scheme lasts for three years.
Senior management (250)				<p>All our permanent employees have the opportunity to earn a personal bonus, typically up to a maximum of eight per cent of their salary. As part of our performance management process, employees and managers discuss performance against a set of personal objectives and measures, reflecting how they demonstrate and embody the company's values. A small number of employees, typically apprentices on a formal training scheme, are not eligible for a bonus and instead receive regular increases to their salary. Around 500 employees receive a bonus based on performance across a number of measures most appropriate at a team level, in addition to their personal performance.</p>	
Employees (5,000)					

Company remuneration at Anglian Water continued

Percentage change in CEO remuneration compared with other employees

The following table shows the percentage change in the base pay, taxable benefits and annual bonus of the CEO in relation to other employees for the years 2020/21 to 2021/22, and follows the relevant guidelines. 'Other employees' are the employees of both Anglian Water Services and AWG Group Limited who have been employed for the full 2021/22 year. This group includes members of the company's Management Board.

	% change in CEO remuneration, 2020/21 vs 2021/22	% change in remuneration for other employees, 2020/21 vs 2021/22
Base pay ¹	5.2	5.3
Taxable benefits ²	4.0	11.2
Deferred/Other bonus ³	-25.6	-21.7

- For the CEO, the increase in base pay was agreed by the Remuneration Committee from September 2021 as reported on page 134. For the wider workforce, the increase reflects the company-wide increase from April 2021 of 2% plus further in-year increases as a result of development within role and impact of new starters to the company.
- The small increase in taxable benefits for the CEO is owing to the difference in fuel allowance paid in 2021/22 in comparison to 2020/21 when travel was significantly reduced due to the impact of Covid-19. For the wider workforce the increase in taxable benefits is owing to a significant increase in healthcare costs where, due to Covid-19, these doubled when compared to 2020/21 and in addition a higher volume of recognition through the company system in 2021/22.
- For the CEO and wider workforce the decrease can be explained following the payout of the company performance element of the bonus scheme being significantly lower than previous years. This impacts both the CEO and around 300 senior managers across the business whose bonus is made up of both personal and company performance. For the majority of employees across the organisation there is no change.

CEO's total remuneration in comparison to the 25th, 50th (median) and 75th percentile full-time equivalent remuneration of AWG employees effective from 31 March of each year

	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2018/19	66 to 1	50 to 1	40 to 1
2019/20	41 to 1	31 to 1	25 to 1
2020/21	65 to 1	50 to 1	40 to 1
2021/22	44 to 1	33 to 1	26 to 1

Percentile comparison for CEO and the wider workforce

	CEO	25th percentile employee	Median employee	75th percentile employee
Salary	531,365	26,984	33,930	44,323
Total pay and benefits	1,304,544	30,267	39,341	49,386

Note: Salary includes base salary, basic hours (for hourly paid individuals) and holiday pay.

The methodology used was Option A under the Corporate Governance Code, as it was deemed to be the most robust, transparent and accurate method available. The figures in the table above rely on estimated figures for the employee annual bonus figures at the time of writing. All pay elements have been used to calculate the total compensation for employees, and have been adjusted to a full-time equivalent for those who work part-time or have joined part-way through the year. An adjustment has also been made for the hourly working employees to represent full-time working.

The company believes that the median pay ratio is consistent with its overall policies relating to remuneration, and how these apply to the CEO and Anglian Water employees. In general, the pay and bonus policies that are applied across the Group show that, as employees progress into more senior roles, they become eligible for an increase in overall remuneration through eligibility for bonus schemes.

Company remuneration at Anglian Water continued

Gender and ethnicity pay gap reporting

Gender pay gap reporting legislation came into force in April 2017 and requires all UK employers with 250 or more employees to publish annual information illustrating pay differences between male and female employees.

At Anglian Water we want everyone to feel included, regardless of their background. This applies to all areas across our inclusion agenda, not simply gender. We reported our gender pay gap in November 2021, in line with statutory requirements. The data was based on figures from 5 April 2021 and showed a median gap of 12.5 per cent (last year: 11.6 per cent) and a mean gap of 7.8 per cent (last year: 5.7 per cent).

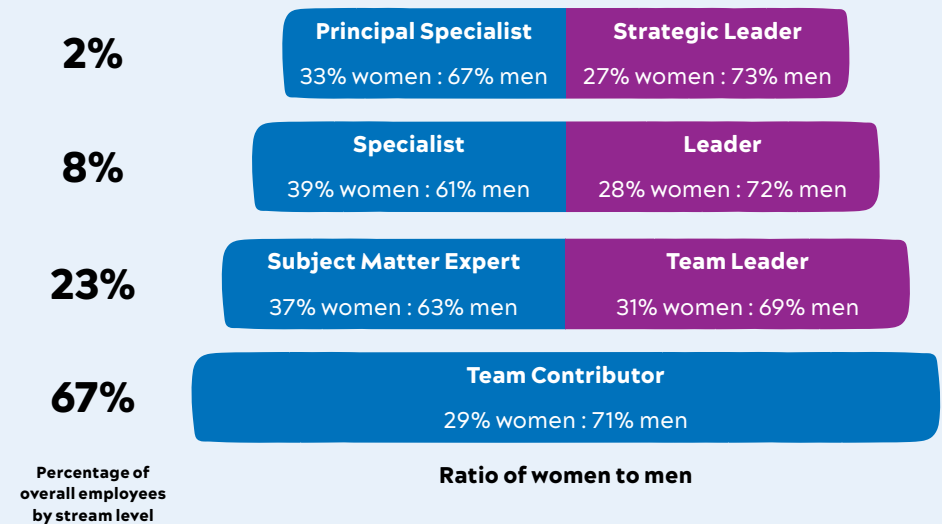
As reported in detail in our full Gender Pay Gap Report, like other companies in our sector, we have a higher proportion of men in more senior roles, and operational roles which attract premiums for 24/7 working. We are working hard to close the gap, and pleased that across our new hires we are seeing a higher proportion of women joining our wider workforce and making progress with internal succession to more senior roles.

The Committee is regularly updated on the progress being made to strengthen all areas of our diversity. Our mean gender bonus gap of 17.8 per cent is influenced not only by a higher proportion of men in senior roles, but also by more of our female employees working part-time, and men with longer service history who receive recognition payments for meeting service milestones. Our full Gender Pay Gap Report can be found on the Anglian Water website. In it Jason Tucker, our Management Board lead for gender, highlights the range of activities we carry out, from educating school children on the variety of roles the water industry can offer, to our early careers schemes and our internal talent and development programmes.

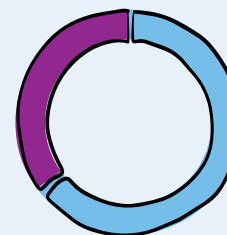
At Anglian Water, we believe that a holistic approach needs to be taken when it comes to the gender pay gap. Pay is important but cannot be judged in isolation. We are committed to being an excellent employer for our female employees throughout their career with us.

We plan to deliver our first Ethnicity Pay Gap Report later in 2022, in advance of new legislative requirements, recognising that being transparent in our data will support a more inclusive workplace.

Gender split across role framework

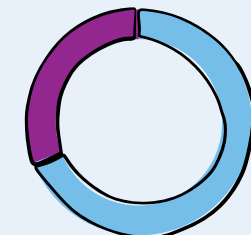


New hires



35% women 65% men

All employees



31% women 69% men

Company remuneration at Anglian Water continued

Workforce engagement

Whilst undertaking its role in setting and applying the remuneration policy for Executives, the Committee considers broader remuneration across the wider workforce. While the Committee does not directly consult with employees as part of the process of reviewing executive pay, the Committee does receive updates and feedback from various employee consultation and engagement channels, and takes these into account when reviewing executive pay. The approach to setting pay and bonus levels for Executives is consistent with that applied to the wider workforce, and seeks to appoint at median levels within a narrow salary band.

Senior management meets regularly with lead representatives from the trade unions to discuss and review relevant policies, in addition to formal consultation and negotiations where applicable. In addition to the trade unions, the company operates a number of communities, including but not limited to Open House (see page 63) and the Inclusion Community. Again, these meet frequently with both employer and company representatives, and where appropriate bring external guests and speakers to share learning and insight. This approach allows the development of new ways of working and policies built with engagement from across the workforce. A recent example includes the deployment of a new approach to performance management which has been adopted across the entire workforce, including the Executives, in 2021/22.

In line with the 2020 Code, the Board has appointed Duncan Symonds as the designated Non-Executive Director responsible for engagement with the workforce. Further information on the activities undertaken by Duncan Symonds during the year can be found in the Section 172 statement on pages 73-76.



Directors' remuneration policy

This part of the Remuneration Committee Report sets out the remuneration policy for Anglian Water Services Limited (AWS) for the year that ended 31 March 2022, and any changes for the year ending 31 March 2023.

Element and link to strategy	Operation and performance metrics	Maximum potential for 2021/22	Changes for 2022/23
A Base salary To attract and retain Executive Directors with appropriate experience, skills and competencies relative to the role.	Reflects individual experience and role. Usually reviewed annually and fixed for 12 months from 1 April. Decision influenced by: Role, experience and performance Average change in broader workforce salary Total organisational salary budgets. Salaries are benchmarked against the FTSE 250 and other comparable utility companies.	Annual increases will not exceed the general level of increases for the company's employees, except where an individual changes roles, or where benchmarking indicates that an individual's salary requires realignment to remain competitive.	Peter Simpson's and Steve Buck's salary increased in line with the wider workforce by 4.6%.
B Benefits To increase the economic security of employees, and recruit and retain employees.	Directors are entitled to private medical insurance, car allowance, private fuel and life assurance.	Peter Simpson: 3% of base salary As part of the review of the Remuneration for Peter Simpson, he ceased to receive the private fuel benefit from October 2021. Steve Buck: 3.6% of base salary	No change.

Directors' remuneration policy continued

Element and link to strategy	Operation and performance metrics	Maximum potential for 2021/22	Changes for 2022/23
<p>C Pension</p> <p>To attract and retain high-calibre individuals by providing good-quality pension arrangements.</p>	<p>AWS operates a defined contribution pension arrangement consistent across the wider workforce.</p> <p>Following the introduction of the annual and lifetime allowances, where the level of pension saving would exceed the allowances, a cash payment in lieu of company contribution to pension may be made.</p>	<p>Peter Simpson received a contribution of 12.8% of base salary up to a cap of £138,885 and a cash payment of 15% of base salary above this cap until 31 August 2021. In line with corporate governance best practice, a change was made to align his pension arrangements with the wider workforce of 12% of base pay. This amount is received in cash.</p> <p>In line with the wider workforce Steve Buck receives a total contribution of 12% of base salary, some of which he received in cash, and some of which is paid into his pension scheme.</p>	No change.

Element and link to strategy	Operation and performance metrics	Maximum potential for 2021/22	Changes for 2022/23
<p>D Deferred Bonus Scheme</p> <p>To reward achievement of annual financial and strategic business targets and delivery of personal objectives.</p>	<p>Payment determined by the Committee following the year end.</p> <p>Company targets set and reviewed annually; these comprise a basket of financial and non-financial metrics, plus personal objectives. Awards for 2021/22 are based 70% on company performance and 30% on personal objectives.</p> <p>Personal objectives relate to areas of the business over which the individual has influence.</p> <p>The Committee has the discretion to reduce bonus payouts in the event of material issues in relation to service, health and safety, quality, reputation and financial or regulatory performance.</p>	<p>Peter Simpson: 2021 Award maximum: 135% of base salary Target: 67.5% of base salary</p> <p>2019 Award maximum: 94.5% of base salary Target: 47.25% of base salary</p> <p>Steve Buck: 2021 Award maximum: 110% of base salary Target: 55% of base salary</p> <p>2019 Award maximum: 77% of base salary Target: 38.5% of base salary</p>	<p>Following the benchmarking exercise undertaken by the Committee and detailed in the Chair's statement, it was agreed that Peter Simpson's Deferred Bonus Plan Award should be increased to 300% of base salary with payment of 50% of the Award (150%) payable 12 months after the Award.</p> <p>The balance between personal performance and company performance has been reset to 25% personal and 75% company. This was to incorporate a further four environmental and social measures in addition to those already reflected in the company performance element. These are explained further on pages 134 and 148.</p>

Release of fixed and variable pay awarded in 2022/23

The tables below illustrate the balance of pay and time period of each element of the policy for Executive Directors.

	22/23	23/24	24/25	25/26
Fixed pay				
A Base salary	100%			
B Benefits	100%			
C Pension	100%			
Variable pay				
D Deferred Bonus Scheme (malus and clawback provisions apply)	50%	25%	25%	

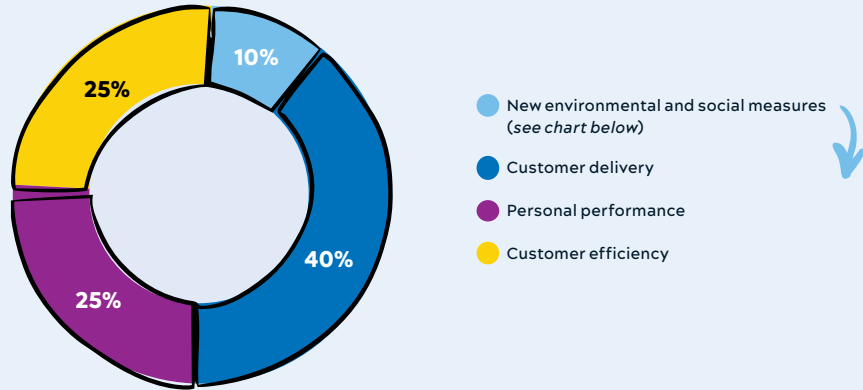
Deferred Bonus Plan to be awarded 2022/23

The chart on page 148 describes how the Deferred Bonus Plan will be implemented in 2022.

As mentioned earlier in the report, although a significant proportion of executive variable remuneration is already aligned to our purpose (which includes delivering for customers and the environment), the Committee decided to go further, increasing the overall weighting given specifically to environmental and social measures.

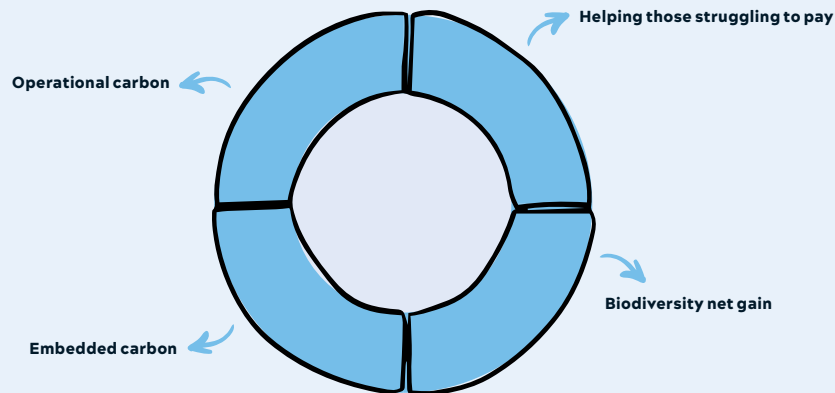
Directors' remuneration policy continued

% of maximum bonus



The four new environmental and social measures are broken down further below.

ESG measures (new for 2022/23): 10%



Operating for performance	Customer delivery (basket of measures delivering service to customers)	Customer efficiency	NEW - Environmental and social measures	Personal performance	Maximum outturn (% of salary)
Group CEO	120%	75%	30%	75%	300%
Group CFO	88%	55%	22%	55%	220%

Illustrations of application of the remuneration policy

At the end of the initial performance period, performance will be assessed and the appropriate payment relating to the first tranche (50 per cent) will be made. The remaining half will be deferred and paid out in two equal tranches, two years and three years after the first payment, and therefore three and four years after the performance period began. In addition to the initial performance criteria, these payments will also be dependent on a number of secondary performance conditions set out below:

- Our assets must be maintained in good condition;
- Good water quality must be maintained;
- The company must maintain good environmental performance;
- There must be no material damage to the reputation of the company; and
- There must be no significant deterioration in health and safety performance.

Directors' remuneration policy continued

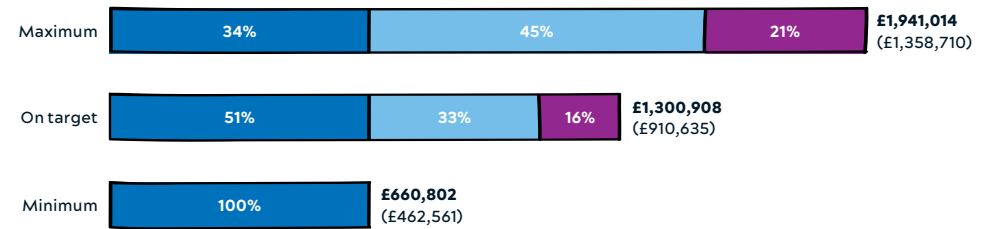
The charts opposite show the weighting as a percentage of base pay for the total potential remuneration which could be payable by AWS and AWG to the Executive Directors in various performance scenarios under the proposed remuneration policy in 2022/23.

In these charts:

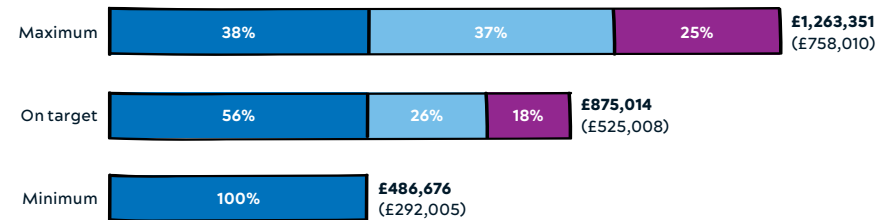
- Fixed remuneration is the minimum payable and is made up of base pay for 2022/23 plus the value of cash in lieu of pension and benefits.
- The deferred bonus is split into Year 1 (2023), Year 3 (2025) and Year 4 (2026) payments
- The 'on target' bar in the charts shows the percentage of fixed remuneration that could be earned for achieving threshold levels of performance plus the minimum threshold performance for the deferred bonus.
- Maximum performance would result in the maximum deferred bonus payment; however, this has been calculated without any allowance for CPIH. The maximum award may therefore be higher, as it will be adjusted by CPIH over the period. The maximum bars in all the charts include the Deferred Bonus award granted in 2022/23, which is due to vest in subsequent years.
- As per the scheme rules, the second tranche of the 2020 Deferred Bonus Plan award is due to vest in 2023. The payment reflected in these charts will change in line with the CPIH and will take account of performance during the Secondary Performance Period which is not known at this time.

Total maximum remuneration for 2022/23

Peter Simpson



Steve Buck



● Fixed ● In-year variable ● Multi-year variable

Note: The figures in brackets show the amount of total remuneration costs that will be paid in 2021/22 by Anglian Water Services (AWS), with the rest paid for by other parts of the AWG Group. Seventy per cent of Peter Simpson's remuneration and 60 per cent of Steve Buck's will be paid by AWS

Directors' remuneration policy continued

Policy on recruitment and loss of office

Component	Policy on recruitment	Policy on exit
General	<p>The Committee expects any new Executive Director to be engaged on terms consistent with the policy described in this report. The Committee also recognises that where it is in the interests of the company to secure the services of a particular individual, it may be necessary to take account of that individual's existing employment and/or their personal circumstances.</p> <p>In making any decision on the remuneration package for a new recruit, the Committee would seek to balance company interests with the requirements of the new recruit and would strive not to pay more than is necessary to achieve the recruitment.</p>	<p>No Executive Director has any contractual rights to compensation for loss of office, apart from payment of salary and benefits in lieu of notice, where appropriate. The Committee's policy is that, in the event of a Director's contract being terminated, poor performance will not be rewarded. When calculating any termination payment, the Committee takes into account a range of factors, including the Executive Director's obligation to mitigate their own loss.</p>
Base salary, pension and benefits	<p>Salary is paid from date of joining along with some benefits. Employees are automatically enrolled into our pension scheme following two full calendar months of service. Employees can select to join the pension scheme from the date of joining if they wish.</p>	<p>Salary, pension and benefits will be paid over the notice period. The Committee has discretion to make a payment of salary in lieu of notice.</p>
Deferred bonus plan	<p>Typically, where an eligible employee starts with the company, they will receive a reduced award based on their start date.</p>	<p>The rules of the Deferred Bonus Plan apply in respect of the deferred element of awards (including those made in 2019, 2020 and 2021) and contain provisions which allow for payment of a portion of the award where the Director is a 'Good Leaver' to reflect the Director's actual period of service in that financial year. In accordance to Plan rules the Committee has discretion to also make further payments.</p>

Service contracts

All Executive Directors appointed to the Board are currently employed on service contracts of no fixed term, with a notice period of 12 months by the company and six months by the individual. Each Executive Director is entitled to pension provision and certain contractual benefits, details of which are summarised in the policy. Each Executive Director also participates in bonus or incentive arrangements at the sole discretion of the Committee. Currently, each Executive Director participates in the Deferred Bonus Scheme which is described further in the relevant sections of this report.

	Start date as Executive Director	End date as Executive Director
Peter Simpson	18 November 2004	N/A
Steve Buck	1 August 2019	N/A

At 31 March 2022, John Barry, Niall Mills, Batiste Ogier and Duncan Symonds represent the ultimate owners of the company. Consequently, they do not have letters of appointment or service contracts, nor do they receive a fee from the company for their services.

External appointments

Executive Directors are not permitted to hold external non-executive directorships unless specifically approved by the Committee. Directors are permitted to retain the remuneration they receive in connection with any approved non-executive appointments. Neither of the Executive Directors currently hold an external non-executive directorship.

Chairman and Independent Non-Executive Directors

Terms of appointment

The Chairman and the Independent Non-Executive Directors have letters of appointment rather than service contracts. Copies of these letters of appointment are available on the Anglian Water website at anglianwater.co.uk/governance.

Directors' remuneration policy continued

Appointment and expiry of current terms for the Chair and Independent Non-Executive Directors

	Date of first appointment	Date of expiry of current terms
Polly Courtice	1 April 2015	31 March 2024
John Hirst	1 April 2015	31 March 2024
Paul Whittaker	14 October 2013	13 October 2022
Natalie Ceeney	25 April 2018	24 April 2024
Zarin Patel	31 October 2018	30 October 2024

These appointments may be terminated with six months' notice by either party. No compensation is payable to the Chairman or Non-Executive Directors if the appointment is terminated early.

Policy for determination of fees

The fees for the Independent Non-Executive Directors are reviewed by the Chairman, and any changes are approved by the Board. Under the Articles of Association of the company, increases to the fees of the Non-Executive Directors require a resolution by the shareholders of the company. Non-Executive Directors do not vote on their own remuneration.

The Chairman's fee is set by the Board, based on a recommendation from the Remuneration Committee. The Chairman is not involved in setting his own remuneration.

Element and link to strategy	Operation	Maximum potential for 2021/22	Changes for 2022/23
A Fees To attract high-calibre individuals to these roles and reflect the level of responsibility and time commitment involved.	For the Chairman and Non-Executive Directors, the Board's policy is to pay fees in line with those paid by other UK companies of a comparable size. Fees may include additional payments to Non-Executive Directors who act as Senior Independent Non-Executive Director or chair Board Committees, to reflect the significant additional responsibilities attached to these duties. The Chairman and the Non-Executive Directors do not participate in any of the company's incentive or pension schemes.	N/A	All Non-Executive Directors' fees increased by 4.6% in line with the company-wide pay deal.

Element and link to strategy	Operation	Maximum potential for 2021/22	Changes for 2022/23
B Benefits	The company covers the cost of travel between the Directors' homes and the office when carrying out duties. This includes payment of any tax due. Normal place of work is deemed to be the company's head office in Huntingdon. Travel to any other location is reimbursed as normal business travel expenses.	N/A	No change.

Single total remuneration figure for Non-Executive Directors (audited)

	Total remuneration all AWG £			2020/21 Total
	2021/22			
	Fees	Benefits ¹	Total	
John Hirst ¹	306,000	–	306,000	300,000
Stephen Billingham ²	–	–	–	150,232
Polly Courtice	72,930	–	72,930	71,500
Paul Whittaker	62,746	–	62,746	61,800
Zarin Patel	62,730	–	62,730	61,500
Natalie Ceeney	52,819	71	52,890	51,500
Total Non-Executive Directors	557,226	71	557,297	696,532

1 60 per cent of John Hirst's costs are met by Anglian Water Services Limited with the remainder paid by Anglian Water Group.

2 Stephen Billingham retired on 31 March 2020. The fees received were as part of his payment in lieu of notice.

Directors' remuneration policy continued

AWG Co-investment plan

A new Co-investment Plan (the Plan) was approved by the Remuneration Committee in May 2020 and is designed to operate annually throughout AMP7. Senior Executives are able to make one annual investment out of net deferred bonus vested in the applicable year, to a maximum of £1 million over the period. Funds are locked in for the whole AMP with Remuneration Committee discretion to waive this condition in exceptional circumstances.

Sums invested are treated as a loan in respect of which interest is payable, calculated annually and applied to the principal sum invested. The rate of interest is aligned to the total shareholder returns and may increase or decrease over the investment period.

Executive Director	Amount invested 2021/22	Total invested over AMP7 2020-2022
Peter Simpson	£493,000	£790,000

This report was approved by the Board of Directors on 14 June 2022.

Natalie Ceeney

Chair of the Remuneration Committee

14 June 2022

The Directors present their report and the audited financial statements of Anglian Water Services Limited (the company) for the year ended 31 March 2022.

Business review

The ultimate parent company of Anglian Water Services Limited is Anglian Water Group Limited, a company registered in Jersey. Anglian Water Group Limited is owned by a consortium of investors consisting of the Canada Pension Plan Investment Board, Igneo Infrastructure Partners, Infinity Investments S.A., IFM Investors and Camulodunum Investments Ltd. The company's ownership structure is detailed on pages 25–26.

The information that fulfils the requirement of the Strategic Report, including a summary of the Group's performance, future prospects, key performance indicators and principal risks and uncertainties, is included in the Strategic Report and Financial Performance sections on pages 1–106.

Corporate governance statement

During the year the company has applied the Anglian Water Services Corporate Governance Code 2020 (2020 Code). Information on the requirements of the 2020 Code and how it was applied during the year can be found in the Corporate Governance Report on pages 112–121.

Details of the corporate governance arrangements resulting from the securitisation of the company in 2002 can be found on page 113 of the Corporate Governance Report, together with the disclosures that satisfy the requirements of paragraph 13 (2) (c) (d) (f) (h) and (i) of Schedule 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, resulting from the EU Takeover Directive (DTR 7.2.6R).

Financial instruments disclosures

Details are included in note 20 of the financial statements.

Principal activities

The company provides around 1.2 billion litres of drinking water to 4.9 million people every day. The water comes from a variety of sources: reservoirs, underground reserves (aquifers) and abstraction from rivers. The company receives approximately one billion litres of used water per day from 6.4 million people and businesses, including customers who receive their water from other companies. The used water is treated to a high standard and returned to the environment via rivers or coastal outlets.

The organic waste is treated, dried and used in agriculture as a natural fertiliser. As well as providing these wholesale services, the company provides retail services to household customers within its region.

Results and dividends

The Group income statement on page 157 shows the Group's results and profit for the year. Details on dividends can be found in notes 11 and 32 of the financial statements. No dividends were paid to the ultimate shareholders in the year.

Risk management

Detailed information about the company's risk management processes, including its approach to financial risks, can be found on pages 90–103.

Health and safety

Details are included on page 62 and page 96.

Directors

Current Directors of the company are listed on pages 109–111 together with their biographical details. Details of Board changes that took place up to the date of this report are detailed on page 116.

Directors' indemnities

During the 2021/22 financial year and up until the date of the signing of the financial statements, the company has maintained Directors' and officers' liability insurance, which gives appropriate cover for legal action brought against its Directors. The company has also provided an indemnity for its Directors, which is a qualifying third-party indemnity provision for the purpose of section 234 ((2)–(6)) of the Companies Act 2006.

Political donations and expenditure

No political donations or expenditure were made during the year (2021: £nil).

Emissions

Information relating to climate-related disclosures, including carbon emissions, can be found on pages 79–89.

Future developments

The Directors expect the activities as detailed in the Strategic Report to continue for the foreseeable future without material change.

Research and development

The company has a continuing policy of undertaking market-focused research and development on process plant, biosolids treatment, sewers, water supply networks and other water- and water recycling-related matters.

Employees

Information on the company's policy on employing people with disabilities and about how employees are kept informed and consulted can be found in 'Our people & partners' on pages 61-68. Information relating to how the Directors have engaged with employees and the effect of that regard can be found in the section 172 statement on pages 73-76.

Each year since 2007, the company has offered employees the opportunity to participate in the AWG Loyalty Savings Scheme. This scheme enables employees to save on a monthly basis and then potentially benefit from the financial performance of Anglian Water at the end of the three-year savings period.

Stakeholder engagement

Details of how the Directors have engaged with customers, suppliers and other stakeholders, including those representing communities and the environment, can be found in the section 172 statement on pages 73-76.

Events occurring after the reporting period

Details of events occurring after the reporting period are included in note 32 of the Group financial statements.

Going concern

The Directors believe, after due and careful enquiry, that the company has sufficient resources to continue in operational existence for the foreseeable future and, therefore, consider it appropriate to adopt the going concern basis in preparing the 2022 financial statements. Further details of this review can be found on page 164.

Directors' disclosures to auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- a) so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- b) the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

The auditor, Deloitte, has indicated its willingness to stay in office and is deemed to be reappointed.

Approved by the Board

Claire Russell

Company Secretary

14 June 2022

Registered Office:

Anglian Water Services Limited
Lancaster House

Lancaster Way,
Ermine Business Park

Huntingdon
Cambridgeshire

PE29 6XU

Registered in England and Wales
No 2366656

The Directors are responsible for preparing the Annual Integrated Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year.

Under that law, the Directors have prepared the Group financial statements (in accordance with section 474(1) of the Companies Act 2006) under international accounting standards which are adopted for use within the United Kingdom by virtue of Chapter 2 or 3 of Part 2 of the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019. The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB. The financial statements also comply with IFRSs as issued by the IASB. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group for that period. In preparing these financial statements International Accounting Standard 1 requires that the Directors:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, and disclose with reasonable accuracy at any time the financial position of the company and the Group, and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Board of Directors sections on pages 109–111, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted for use within the United Kingdom, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report and Strategic Report contained in the Annual Integrated Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Integrated Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

Claire Russell

Company Secretary

14 June 2022

“
The Directors consider that the Annual Integrated Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.”