Anglian Water Services Limited

Annual Integrated Report 2023

Leading with purpose: navigating today's challenges with tomorrow's vision

love every drop
anglianwater

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The Queen's Awards for Enterprise: Sustainable Development 2020

Proud to be one of The Times Top 50 Employers for Gender Equality 2023

More information

Throughout this report we have included links to related content and additional information either within this PDF or on our website anglianwater.co.uk

Our **purpose**

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

Underpinned by our **values.** Together we…

Build trust | **Do the right thing** | **Are always exploring**

> “If you have the right environment internally, everyone can be empowered to put purpose into practice in the decisions they’re making and in the roles they play day to day.”
>
> **Peter Simpson**
> Chief Executive

We **create value** for our **stakeholders**

- **Environment**
- **Customers**
- **Communities**
- **Investors**
- **Partners**
- **Colleagues**

→ Read more about how in **our stakeholder sections on page 39.**

Our purpose guides us as one of the **East of England’s biggest investors in the environment.**

We make a significant contribution to the region’s economy. **We employ more than 5,000 people and support employment** for thousands more colleagues through our long-standing capital delivery partners and contractors.

Led by our purpose

80%
BITC Responsible Business tracker score versus a utility sector average of 64%.

281%
biodiversity net gain delivered through our extensive capital programme.

334,000
vulnerable customers supported this year and £135 million committed to help more in 2023/24.

£811m
environmental enhancement between 2020–2025, including £200 million to tackle storm spills.

Named a **Times Top 50 Employer** for **Gender Equality 2023.**

Proud to be one of The Times Top 50 Employers for Gender Equality 2023

£725m
record year of Capex investment delivered as part of a £3 billion plan between 2020 and 2025.

Operational highlights

Lowest leakage level
achieved in FY22. This year, we have improved on that industry-leading position.

54% reduction
in storm spill duration to an industry-leading low.

Best ever acceptability
levels for drinking water quality, and strong Event Risk Index score demonstrating operational control.

94% of our coastal bathing waters rated Good or Excellent.

Outstanding health and safety performance.

2023 RoSPA Gold Medal

100%
compliance on our annual drinking water abstraction licences.

Financial highlights

£1,495m
Revenue
+7% (2022: £1,400m)

£424m
Operating profit
-4% (2022: £441m)

163%
capital investment as a percentage of operating profit.

5.3%
Dividend yield. Earnings as a percentage of Equity RCV (2022: 3.8%)

£1.6bn
green finance raised since the start of this AMP.

AA rating
in MSCI's 2023 ESG rating.

Key terms

RCV – Regulated Capital Value.

AMP – Asset Management Plan. We are currently in year three of AMP7, running from 2020–2025.

Totex – Total expenditure. This includes our Capital Expenditure (capex) and Operational Expenditure (opex).

Purpose is at the heart of everything we do

→ For my **introduction to Governance**, see page 101.

Welcome to our 2023 Annual Integrated Report, the midpoint of this Asset Management Plan period which has been unprecedented, defined by its volatility and headwinds at a global, national and local level.

In the years I have spent as Chair and on Anglian Water's Board, we have never experienced two climate change-related events in a single year, let alone the other macroeconomic challenges we faced in common with other businesses. Never has it been more apparent that being guided by our purpose and committed to resilience – both financial and operational – has been the right long-term decision for this business.

Weathering the storm with purpose

Our purpose, which locks public interest into our constitution, has kept us striving for the greatest outcomes in this difficult year. We hold ourselves to account against this purpose, and it is in this spirit we openly acknowledge some areas of performance are not yet at the level we or our customers expect. We have listened to the concerns raised about pollutions and the need to upgrade aging Victorian infrastructure and made firm commitments to act on those issues. Where we are not performing to the standard we expect, we have plans in place to redress that, more on which is detailed in this report.

However, it is also true that we have outperformed or achieved sector-leading results in many areas. Our colleagues, and their expertise, have helped us weather the challenges of the year against difficult odds and we are justly proud of these triumphs over adversity. For example, our lowest-ever level of leakage places us head and shoulders above the industry; we've helped more than 330,000 customers through hardship and vulnerable circumstances, met our stretching capital and embodied carbon targets, made great strides on our environmental commitments through Get River Positive, performed well on water quality indexes, and protected water resources across the region by avoiding drought permits, which meant we did not need a hosepipe ban.

I am particularly proud of the levels of investment we have made in this region. It has been our largest ever year of capital expenditure at £725 million.

The fact we have maintained this amidst a war in Europe and the resulting supply chain shockwaves speaks to the strong capital alliances, risk management and resilient financial foundations we have in place.

It also evidences our ability to deliver the anticipated surge in investment needed in future Asset Management Plan (AMP) periods – and indeed the remainder of this AMP, as we continue to invest on an even larger scale to meet the myriad of challenges faced in this region.

Importantly, we have continued our laser focus on controlling costs. A strong financial discipline ensured we met our 'Totex' target, which is a key comparator for success across the industry. We are proud to have accomplished this every year this AMP, in what is such a sizeable investment period. In doing so, we are making good on our promise to keep customer bills at the level agreed and build the future infrastructure pledged to the region – not short-changing or overspending.

Committed to customers

Amidst the cost of living crisis, we have demonstrated leadership in many of the areas our customers told us were important. Taking swift, leading and comprehensive action, we announced a record £135 million package of support to help customers in hardship this coming year. Having also achieved an ISO standard for vulnerable customers, we are one of just two water companies providing such rigour behind our care for those in need.

Alongside stepping up on support, we continue to progress the other things our customers care about: our Water Industry National Environment Plan (WINEP) worth £811 million is one of the industry's largest and will deliver significant environmental benefits in our region. Initiatives include reducing the amount of water we take from the environment and building additional storm capacity to further reduce spills. Our consistent industry-leading low leakage levels, smart meter programme and groundbreaking interconnecting pipeline will all maintain the resilient footing we have built over years, securing supplies for generations to come, just as our customers asked us to.

Addressing pollutions

Although we have reduced serious pollutions, our overall performance remains stubbornly similar to last year. As a Board, we understand and hear what our customers are saying, and I cannot deny our disappointment with this result. It is my absolute focus to bring about the transformation we want to see and to put us back on the glidepath to zero harm from our assets, working with regulators, shareholders and partners to make this a reality.

Our performance is also frustrating given the focus and effort of the business. It is at odds with the great progress we have made in addressing other key issues for customers, such as reducing storm overflow spills through our Get River Positive commitment, where we have achieved the lowest spills in the sector. The five pledges that underpin Get River Positive not only compel us to resolve our impact on the health of rivers, but to work with others to reduce their impact too. See more on page 44.

Shareholder support

Our owners are long-term shareholders who have provided resolute support for the business this year just as they have previously. They represent the very definition of patient capital, having taken their first dividend since 2017 in the summer of 2022. See our Dividend Policy on page 23.

We are grateful for their continued support, which has allowed us to invest at pace and scale.

A fair return for shareholders is fundamental to the long-term viability of our business and enabling sustained investment to deliver environmental and social prosperity in this region.

In line with our purpose, we have set dividends to reflect performance and build financial resilience. This takes account of the excellent achievements in many areas but it has also been adjusted where performance has not met the standard we expect, balancing the needs of all our stakeholders to attract continued investment for this region.

Just as our shareholders have been unwavering in their support for the business, our people have been unshakeable in a year that has tested the business like never before.

Thanks and recognition

Without the action and dedication of our committed people, our year-end position could have been very different. Knowing these efforts have been recognised and endorsed by others is welcome. Our shortlisting for Company of the Year at the Water Industry Awards 2023 is one of the sector's most prestigious accolades, and our inclusion in the Times Top 50 for Gender Equality is standout recognition in a fiercely competitive field.

Looking ahead

Given the force of the headwinds faced this year, our relative position in the sector shows we have handled these well, drawing on a reservoir of experience and consistent investment that has allowed us to outperform others. I am grateful to shareholders, colleagues and partners, all of whom have enabled us to faithfully deliver on what matters most to our customers and the environment, respond to change and ensure our impact on this region remains positive.

As we look to the year ahead, we are pragmatic about the challenges and work needed to bring about the improvements we want to see. We also have much success to build on, and with the dedication of our people and the continued support of shareholders, I know we can achieve great outcomes, as we strive to create social and environmental prosperity for the East of England.

John Hirst, CBE
Chair

Navigating **today's challenges** with **purpose**

In the past three years, challenge has been brought to life in a truly unprecedented way; a pandemic, a global war, a supply chain crisis, rising inflation, a cost of living and energy crisis, increasing public scrutiny of the sector, and severe weather events driven by climate change. Throughout, we have listened to our customers and remained true to our purpose and values.

Alongside these broader issues, our region faces its own very specific set of challenges: extensive population growth, low rainfall, susceptibility to climate change, slow-moving rivers and intensive agriculture, all combine to create a unique, beautiful, yet challenging environment.

But these are not news to us. We've been carefully planning and investing over decades to make sure we're on the front foot when it comes to addressing issues and harnessing opportunities. Our long-term, strategic view has made Anglian Water the operationally and financially resilient business it is today: resilient by design and hard work, not by happenstance.

With this in mind, this Annual Integrated Report for 2022/23 illustrates a year of intense market volatility, with the war in Ukraine, inflation, intense public scrutiny and other factors coming to bear, where our hard-earned wins have been juxtaposed with challenges old and new.

In the face of these pressures, we acted quickly, building on our strong foundations. For example, drawing on our alliance partners and strength in our supply chain, we have secured the steel needed for our strategic pipeline – a vital investment to help secure a sustainable future of water in our region. We have also maintained a strong financial discipline by keeping within our final determination from the regulator, carefully managing rising costs such as energy, to remain efficient and prevent these being passed onto customers through bills.

Looking after all our customers, especially with the cost of living crisis intensifying on the back of rising inflation, was of utmost importance to us. We've supported a record 334,000 vulnerable customers already, achieved a specific ISO standard for our support for the most vulnerable in society, and pledged £135 million to help even more people in the year ahead.

In addition, climate change in our region has never been more evident than this year when we saw two 'Red' weather warnings from the Met Office – extreme heat and drought over summer, and a rapid freeze-thaw in December. This created a barrage of operational challenges, but our long-standing and leading track record on leakage, water efficiency and building infrastructure for resilience, enabled us to withstand the year well. We kept water flowing, avoided a hosepipe ban and protected nature by staying within the amount we are licensed to safely take out of the environment.

> **"This was a record year for capital investment, with £725 million ploughed, part of a £3 billion plan for the region. This makes us one of the biggest private investors in the East of England and one of the biggest contributors to the region's environment."**

→ See **The year in context** on pages 10 to 16.
→ See **Our environment** on pages 39 to 45.

We hear what our customers are saying

We still have a lot more to do, though. We didn't achieve all of our Outcome Delivery Incentive (ODI) targets this year, largely as a result of extreme heatwave and drought, which led to record soil moisture deficits versus the rest of the country. These impacts principally affected three ODIs – Burst Mains, Interruptions to Supply and Leakage, making up the majority of the £22 million penalty incurred, more on which is detailed in Performance Commitments on page 31.

We listen to our customers and stakeholders, putting their feedback at the heart of our decisions. Customers have consistently told us they want us to be resilient to climate change, take care of the environment, keep taps flowing, look after the most vulnerable and invest for the future, and we have delivered in these areas.

Securing water supplies and providing safe, clean drinking water has always been at the top of the list for customer priorities on page 12. In addition to demonstrating our resilience through the drought, we also achieved a stand-out performance on drinking water quality contacts. Our lowest-ever number of customer acceptability complaints, compliance improvement and Event Risk Index score are strong indicators of our robust operational management and compliance. These are exceptional results given the volume of water put into supply through the heatwave, and the year of climate-related operational issues we've had to respond to.

We have also been listening and working hard to address customer concerns regarding the sewerage infrastructure in this country, especially related to pollutions and storm overflows. While we have been active, society's expectations have leapt, and we need to go further again to address these concerns for customers.

We have made some excellent inroads this year, reducing average spills to the lowest level in the industry (see page 43). That achievement has been made possible by adding 11,000 cubic metres of additional storm capacity across 40 sites this past year – part of the progress on our pathway to invest £200 million to tackle storm overflows this Asset Management Plan (AMP) period. This focused investment forms part of our Water Industry National Environment Programme (WINEP) – one of the largest in our industry, worth £811 million, which has also supported a fantastic 94% of our coastal bathing waters to be rated as good or excellent this year.

Our commitment to protect the environment was brought to life by our efforts in Statton Cross, Wellingborough, this February when hairline fractures were found in the original sewer pipe. We constructed an 800 metre replacement in just nine days (see page 14) preventing a potentially serious pollution and demonstrating the extreme steps we will take to safeguard the environment.

Serious pollutions reduced this year but we are restless for progress and committed to going further and faster. Our pollution reduction plan is progressing well, where we're installing sewer monitors across 11,000km of our high and medium-risk network and embedding predictive analytics and machine learning that will give us the insight to asset health we need. See more on pages 14 and 39. However, we also know more investment is required for our infrastructure, which is why we have announced plans for more than £1 billion investment in upgrading our sewerage system in the next AMP from 2025–2030.

Acting more broadly on river health, our bold Get River Positive initiative, launched in March 2022, has in its first year seen us reduce storm spills. Built on our biggest environment programme, WINEP, we've also seen the successful designation for three out of the four new inland bathing waters announced this year and are working with more partners than ever which will help achieve a host of benefits as Get River Positive progresses. See more on page 44.

The commitments that underpin this programme have now been adopted by the rest of the sector and go far beyond taking care of our own assets. By forming enduring partnerships, we aim to reduce the 17% of reasons rivers are not achieving 'Good' status (RNAGs) to zero by 2030, whilst supporting other sectors to reduce their impact on river health too.

Scrutiny an opportunity for open debate

Public scrutiny of the sector has intensified this year, placing the industry in the spotlight more than ever before. We firmly believe this brings opportunity, in particular, to foster a better public debate on critical environmental issues such as abstraction reduction. With support from Defra and the Environment Agency, we're demonstrating the importance of more holistic environmental measures as we head into our next regulatory Price Review, PR24.

Good ecological status

Operating in the driest part of the country with the fastest-growing population, we have also committed to reduce the amount of water we take from nature by more than any other water company.

The reason being, one of the best ways to protect the environment is to reduce the amount of water we take from it. That means driving down leakage, encouraging customers to use less, investing in drought resilience like our reservoirs and interconnecting pipeline, and not resorting to drought permits.

These are the core pillars to our supply and demand strategy, the cornerstone of our 25-year Water Resources Management Plan, published this year. It is an ambitious plan where drought permits do not feature, and by 2030 we will have increased drought resilience to a 1-in-500-year event, more than doubling our existing 1-in-200-year resilience.

By leading on reducing abstraction, last AMP we left an extra 80 million litres a day in the environment. By the end of this AMP, we will have left a further 85 million litres in environmentally sensitive sites. This represents 5.6% of the amount we put into supply every day – a significant contribution to a flourishing environment. Building up to that point, our rapid roll out of smart meters means nearly one in four homes now has one fitted. Together with our water saving campaign, including weather-triggered advertising, we have helped customers become some of the most water efficient in the country and achieved our best-ever per capita consumption result.

This, along with our long-standing leakage record, has required enormous effort, but has afforded us a strong position during the drought. In turn, this has provided significant environmental protection in this region.

Investing today to improve tomorrow

Our sector is facing unparalleled demand for investment in both the near and long-term future. As we prepare for the next five-year AMP period, 2025–2030, our industry is at a pivotal point to lay the groundwork for future generations. We are at a point in time where, if we don't make the changes we need to see today, it will be to the detriment of the next generation.

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

Between 2020 and 2025, we will invest more than £3 billion in the region, with £1.7 billion already invested AMP-to-date, making us one of the biggest private investors in the East of England and one of the biggest contributors to the region's environment. Our consistency in delivering back-to-back record periods of capital investment, which this year topped £725 million, provides assurance we can scale up and deliver the anticipated uptick in capital infrastructure, too.

The strength and maturity of our capital alliance partnerships is evident having successfully completed such a large year of capital delivery. I am particularly proud of the outstanding health and safety performance achieved during this mammoth year, reinforced by our achievement of a RoSPA Gold Award and an ISO for Psychological Wellbeing of employees.

Holding ourselves to account

As a monopoly provider of a service which is fundamental to society, we are conscious of the weight of responsibility we bear, not simply to deliver fresh, clean water and to recycle it safely, but to protect and enhance our environment and to enrich our communities. That responsibility drove us to become the first utility to change our Articles of Association in 2019, embedding purpose and locking public interest into the fabric of our business. In 2022, we acted as lead sponsor with the British Standards Institution to create a new Publicly Available Specification for embedding purpose in organisations. One year on, we are holding ourselves to account against this specification; using it to inform our ongoing work to put our purpose and environmental, social and governance consideration at the heart of everything we do. See more on page 18.

Thank you

In what has been an exceptionally trying year, I want to thank my 5,000 plus colleagues for their commitment come rain or shine, and all the extremes either side. In addition to our fantastic operational response, our teams are working hard behind the scenes to make us an even better business. This has been reflected in another haul of awards and commendations recognising the ground-breaking innovations we are pioneering across our industry.

In the same year, our people have also faced scrutiny with a spotlight on the whole sector. Their dedication tells me we can continue to deliver on our aspirations for this region and for our customers.

I also want to thank our shareholders, investors and alliance partners. They have made it possible to deliver some of the biggest and most complex infrastructure projects in the sector, putting us on the glidepath to provide long-term environmental and social prosperity in the East of England.

And finally, I want to show my gratitude to customers for their understanding of the specific challenges in this region and their efforts to use less water during this record hot, dry year. In doing so, they have protected the environment, one drop at a time.

Together with the support of all our stakeholders, we are facing into the challenges ahead, investing with our purpose front of mind to help the East of England thrive and deliver value back to this region.

Peter Simpson
Chief Executive

1

What drives us

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

2

We deliver value for our stakeholders

Environment	Customers and communities	People and partners	
Shareholders	Investors, banks and ratings agencies	Regulators	National and local government

→ Read more about the relationships with **our stakeholders** on pages 39 to 64.

3

Our long-term ambitions

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

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

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

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

→ Read more in our net zero roadmap

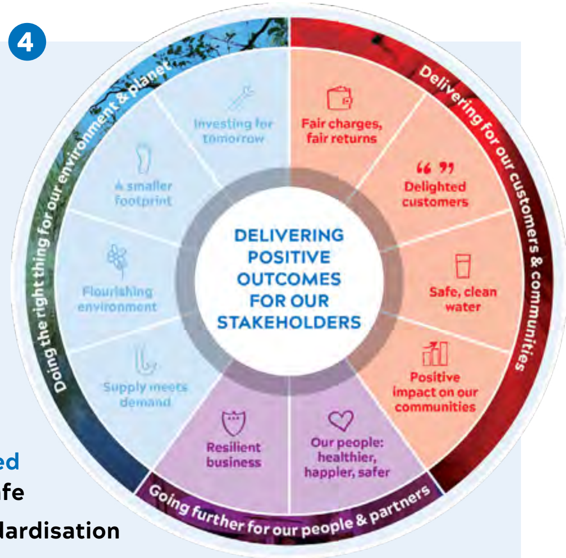
Work with others to achieve significant improvement in ecological quality across our catchments

→ Read more about **our ambitions and progress** on page 17.

4

Our goals for 2020–2025

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



What will help us get there?

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

5

How we make decisions

We balance our six capitals to shape investment decisions

Natural	Social	People
Financial	Intellectual	Manufactured

→ Read more about how six capitals are embedded within **our purpose framework** on pages 18 and 19.

6

SUSTAINABLE DEVELOPMENT GOALS

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

→ Find out more at anglianwater.co.uk/UN-SDGs

The year in context

It has been a year of complex, interconnected challenges. Political turmoil and global conflict has given rise to soaring energy prices, supply chain issues and inflation, resulting in one of the deepest cost of living crisis in the UK for a generation.

We have been impacted on multiple fronts. A year of climate-related events brought extreme heat and drought in summer, combined with a freeze-thaw event in December. Both were classified as Red warning events by the Met Office, which had consequences for our operations and led to a year-end penalty. More on our Outcome Delivery Incentives (ODIs) is detailed on page 31.

Overall though, our performance reflects we are on the front foot and continue to build an ever-more resilient business.

One of the best ways to understand our performance is measuring us relative to other water companies, who have experienced many of the same pressures this year. Ofwat's most recent assessment of company performance and financial resilience (Figure 1 below) shows we are an upper quartile performer and top four water and sewerage company.

Over the following pages we set out our market context, highlighting the in-year impacts, steps takes to mitigate these, and our relative performance.

Figure 1: Ofwat's Company Performance and Financial Resilience, 2021/22

	Lagging	Average	Leading
Standard	Welsh South West	**Anglian** United Utilities Wessex	Severn Trent
Elevated concern	Northumbrian		
Action required	Southern Thames Yorkshire		

Source: Ofwat Company Performance and Financial Resilience reports 2021/22.

Our region in context

Research shows the region we serve is the most challenged in the country. On the frontline of a changing climate, it's the driest, receiving a third less rainfall than elsewhere in the UK, illustrated by the record soil moisture deficits seen this summer. Meanwhile, a rapidly growing population – faster than London – means nearly one million additional people will live here by 2040. Ensuring we can balance the amount of water available against demand, now and in the future, fundamentally underpins the regional economy.

The region is also flat and low-lying with 28% of land below sea level, making it prone to flooding, meaning we must invest in both flooding and drought, at both ends of the climate change spectrum.

Home to nearly half of the UK's Grade 1 and 2 agricultural land and dubbed the 'breadbasket of Britain', 25% of the nation's cereal crop is produced here in the East of England. This land use means we must partner closely with agriculture to protect our shared environment, but also that our plans to provide water security are intrinsically linked to food security.

As the largest water and water recycling company in England and Wales by geographic area, we have a large number of small, dispersed population centres spread across the flat, drained landscape that dominates. Rivers move slowly through intensively farmed land, presenting significant challenges for river health and pollution.

Furthermore, our extensive network of small-diameter sewers, which would stretch around the world twice, are at greater threat from blockages. As we can't use gravity to our advantage, sewage needs to be pumped over vast distances, meaning collectively, we manage more related assets than any other UK wastewater company. As a result, we have to bear the additional associated energy costs.

The East of England is one of only three areas that makes a net positive contribution to the Exchequer, reflecting the industry and commercial centres across our region. However, we also have areas of high deprivation and low social prosperity. We are seeking to address this in many ways, guided by our purpose. See more on pages 46 to 52.

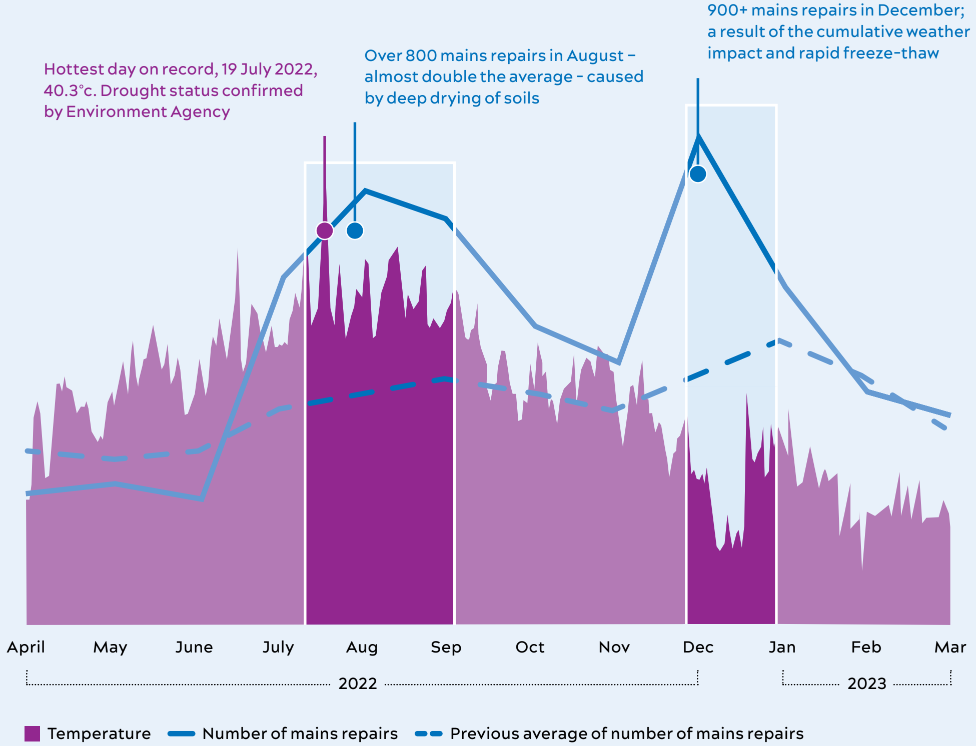
Impact of climate change

Following the wettest winter on record in 2021, this summer's drought was born out of the driest summer on record since 1995 and the highest daily temperatures since records began. Nonetheless, we met the demand for water without needing to resort to drought permits or orders.

December brought a second red Met Office weather warning for frost, which was followed by a rapid thaw with a 21 degree swing in temperature. A combination of record-breaking heat, low rainfall and greater than normal sunshine hours resulted in a record soil moisture deficit too (see graph opposite).

Both weather events coincided with a spike in burst mains, requiring operational effort to minimise the impacts on customers and preserve water lost to leaks.

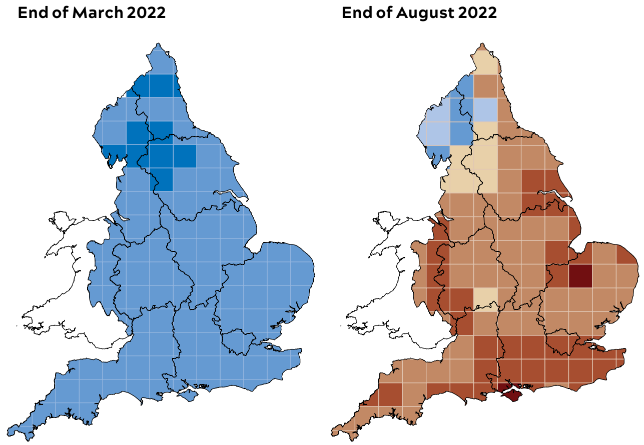
Figure 2: The impact of extreme weather on our water mains



Responding with resilience

Anglian Water was one of the only companies that did not need to resort to drought permits and implement a hosepipe ban this year. Achieving 100% compliance for our annual drinking water abstraction licences meant we did not place additional stress on our environment. Instead we protected it by keeping within the amount we are licensed to safely take from rivers and watercourses. This is possible due to years of consistent investment on supply options and reducing demand for water through low leakage and water-wise customers.

Figure 3: Soil moisture deficit shown across the UK during the 2022 drought

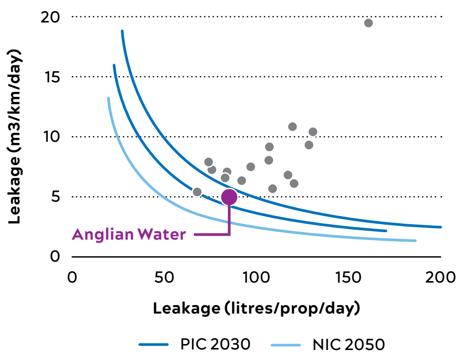


Deep drying of the region's soils over the summer meant it was one of the most impacted, as shown in the graphs (left). Source: Met Office.

Leading on leakage

Historic investment in leakage has seen us achieve our lowest-ever leakage level this year. At 179.5 megalitres per day (Ml/d), this represents a 38% reduction in leakage since privatisation, and we are confident will yet again be an industry-leading result. For the past 13 years we have outperformed the sector with leakage levels half the national average. This strong position helped us keep water flowing through the drought.

Figure 4: Water companies leakage levels against Public Interest Commitment (PIC) and National Infrastructure Commission (NIC) targets



In summer, we invested to increase the number of leakage repair teams by a third, taking us to more than 100 repair crews, and diverted other teams to critical bursts, which enabled us to minimise water lost as quickly as possible. Retaining the additional teams also helped us weather the subsequent freeze-thaw in December.

Read more about our frontline teams who worked through the prolonged heatwave to find and fix leaks and minimise impact on customers, on page 57.

We narrowly missed our ODI target, which was on course prior to the run of extreme weather and therefore does not reflect our long-standing position as industry leaders.

Driving down consumption

Our customers are some of the most water efficient in the country, and this year Per Capita Consumption (PCC) across our region has reduced by around 5%. Part of a consistently improving downward trend, customers are using around 20 litres less each day than four years ago.

All year round we encourage our customers to consider their water usage and make positive changes. In tandem with our smart meter roll out and the successful release of our smart meter App, we used social media to deliver the right messages at the right time. For example, weather adverts triggered according to the temperature served up tailored content for the greatest impact.

As it got hotter, our messaging ramped up and supported customers with helpful tips to make water smart choices while still keeping cool.

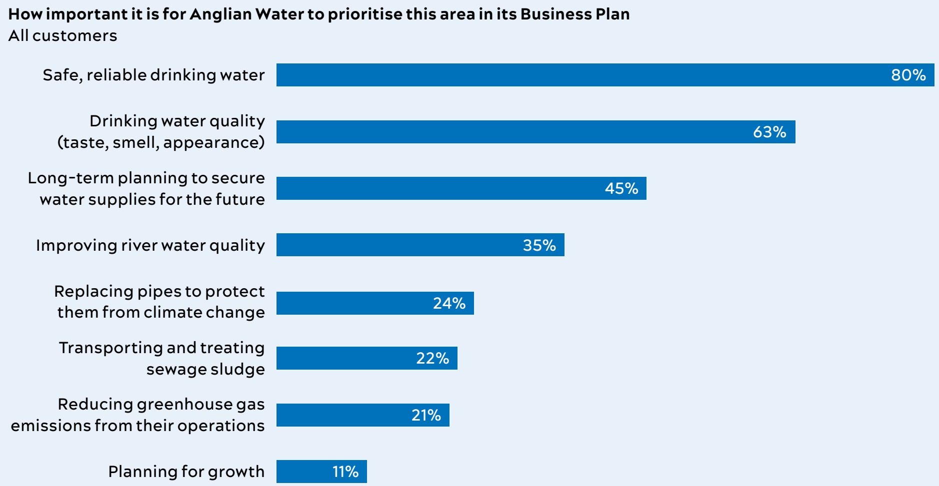
Examples of our weather-triggered marketing communications during the heatwave

Delivering on customer priorities

Customers want safe, clean water, for us to secure resources for the future in the face of climate change, to take care of the environment and to support the most vulnerable in society. See Figure 5 below.

These are the areas we have prioritised with investment, based on what customers have told us matter most, and the benefit of that long-term investment has been visible this year.

Figure 5: Customer Priorities 2022/23



Base: All customers (n=433)

Drinking water

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

This year we put 1.2 billion litres of water into supply every single day, peaking at around 1.5 billion litres during the heatwave. Throughout, we maintained excellent water quality. Our provisional Compliance Risk Index (CRI) and Event Risk Index (ERI) scores demonstrate the robust processes and controls we have in place to manage water quality, especially given the operationally challenging year.

The provisional CRI score of 2.92 (against an Ofwat target of 0) is almost half the industry average of 5. Our provisional ERI score of 2.77 (against an Ofwat target of 15) is also one of our best-ever scores. In addition, we also achieved our lowest-ever ‘acceptability’ score of 1.01, which is based on the number of customer contacts about the appearance, taste or smell of their water per thousand people served. Mobilisation of our customer-facing incident team, Anglian Water Force, and swift actions taken by our operational management centre and engineers, helped minimise customer impact from operational issues. Event Risk Index scores consider the type of event, population impacted and duration of the event.

Figure 6: Event Risk Index score 2022/23

Anglian Water	2.77
Industry average	833
Ofwat target	15

Sector reputation

Our sector continues to make national headlines, with much of the public discourse and attention on environmental protection. We listen to our customers and act on their priorities and are also taking steps to enhance stakeholders’ understanding of our environmental commitments.

This year, we reinstated our Customer Board, giving customers the opportunity to provide direct feedback to our Chief Executive and Management Board. In March 2023, we held our first river health expert scrutiny panel. Made up of academics and thought leaders, the expert panel oversees our Get River Positive strategy, challenging our work and identifying research opportunities for further improvement.

Storm overflows

In response to the changing expectations of customers, we are channelling our efforts to reduce storm spills, reduce pollutions and restore river health.

Storm overflow spills make up just 0.3% of the water and sewage we process every year. The Environment Agency has also reported that overflows are responsible for between just 1% and 4% of environmentalharm.

One year since launching our Get River Positive commitments, and as part of a £200 million investment programme between 2020 and 2025, we have achieved the lowest average storm spills in the industry at 15 versus an industry average of 29.

Spill duration has also more than halved, and we have increased the number of inland bathing waters in our region, with three of the four latest designations in the East of England. Read more about the progress against our Get River Positive pledges on page 44.

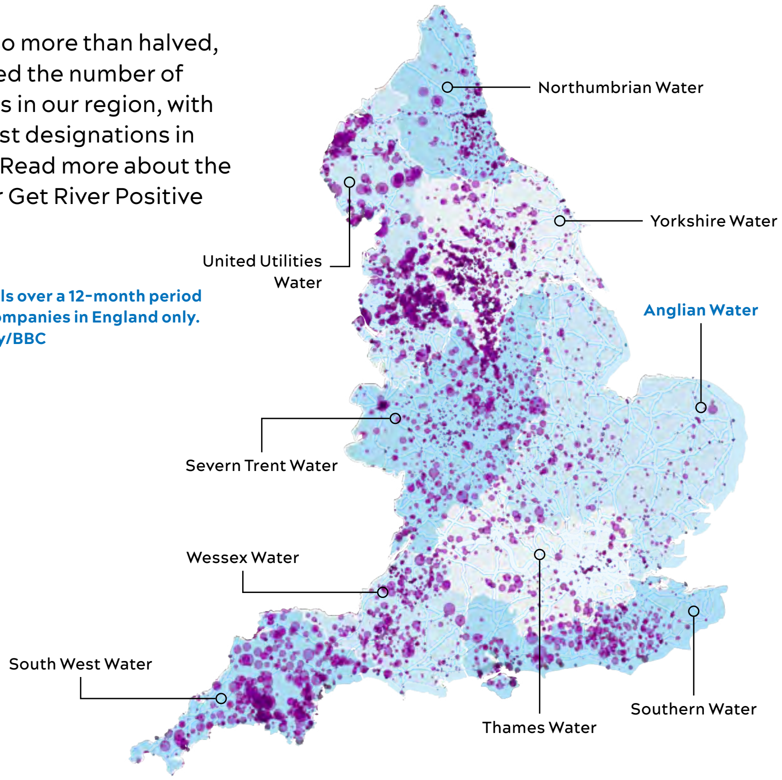


Figure 7: Storm overflow spills over a 12-month period from Water and Sewerage companies in England only. Source: Environment Agency/BBC

Bathing water quality

At privatisation, blue flag bathing waters were unheard of and the UK was referred to as the ‘dirty man of Europe’. This year, 94% of coastal bathing waters in our region are good or excellent. To bring about these improvements, we have invested to tackle misconnected homes and highway drains, agricultural and urban run-off, as well as addressing issues with our own assets to support our coastal towns and their thriving tourism economies.

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

Figure 8: Bathing Water performance

Excellent	32
Good	13
Total % rated Excellent or Good	94%

Action on pollutions

Protecting, restoring and improving our region's environment is at the heart of our business, and we take this responsibility incredibly seriously.

We were extremely disappointed to drop to a two-star Environmental Performance Assessment rating last year.

In response, we have made significant changes to our business and how we work, including bringing in a new Director of Water Recycling and setting up a Quality and Environment Directorate. We know there is no room for complacency. Improving our pollutions performance is an absolute priority.

This year, our self-reporting has continued to improve. Importantly, we made gains on our comparative pollutions performance but this has been offset by our decision to retrospectively report incidents in light of our new monitoring capabilities. We are one of a few companies to take a national lead on this.

The progress we are making on our Pollution Incident Reduction Plan will give us greater insight on asset health but we know it will take time for the cumulative benefit to feed through to these results.

We are committed to creating a flourishing environment and delivering on the expectations of customers and stakeholders to transform river health across the region. See more on pages 39 to 45.

This commitment to protect the environment could not have been more apparent in Statton Cross, Wellingborough in February, where our team constructed an 800 metre above-ground replacement, which avoided a potentially serious pollution event, pictured below.

Overground sewer constructed in nine days to avoid pollution in Wellingborough.

Achieving more for less with partnerships

We are partnering with others, leveraging match funding and delivering nature-based solutions more cost-efficiently than we could ever do alone. This maximises the benefit achievable while keeping bills low.

Between 2020 and 2025 we will have attracted an enormous £112 million from our flooding partnerships, meaning our cost contribution to achieve these shared outcomes is reduced to just 14%. See page 60.

Prospective legal proceedings

In February 2023, the company received a letter from solicitors, Leigh Day, who have been instructed by Professor Carolyn Roberts. Professor Roberts intends to act as the class representative for a proposed class comprising consumers of Anglian Water.

Leigh Day assert that, since April 2017, customers have been charged for treating wastewater and discharging it safely into the environment in circumstances where wastewater has, in fact, been discharged in breach of permit without having been adequately treated.

Leigh Day suggest that the company has breached the provisions of Chapter II of the Competition Act 1998. The legal basis of the claim is extremely novel and relies upon arguments to the effect that misleading a regulator can amount to an abuse of dominance and/or that the company has charged unfair and excessive prices. The regulatory pricing mechanism, which determines how much we are allowed to charge customers, has specific measures in place to compensate customers for poor performance via a reduction in future bills.

Jaywick prosecution

In April 2023 we were prosecuted for an historic incident at Jaywick Water Recycling Centre. We were fined £2.65 million. We accept that fines should be proportionate to the environmental impact. However, on this occasion, the judge found that there was no harmful impact on the environment. We consider that the fine was disproportionate to the harm resulting from the incident.

Near and long-term risks

Meeting future demand for water

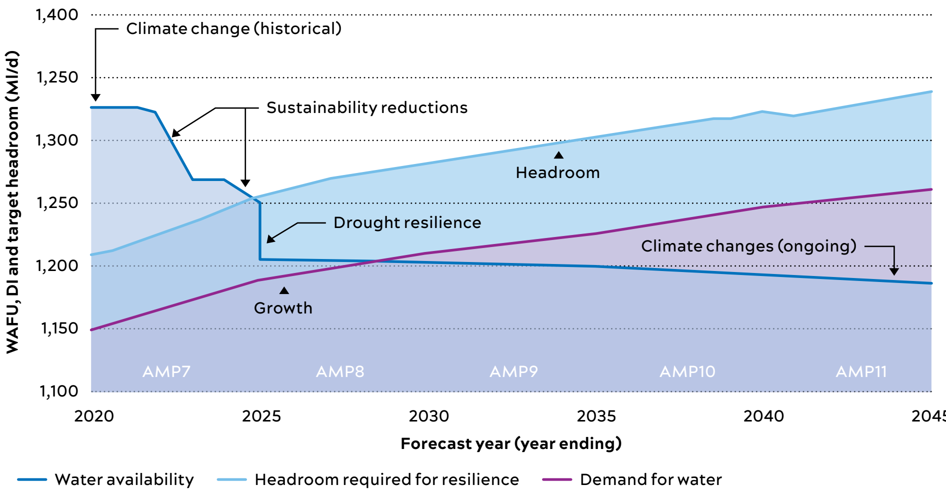
The amount of water we have available in future is reducing due to climate change, the need for greater environmental protection, and the increasing population. In order to protect sensitive environments such as chalk streams, we must leave more water in the environment over the long term. Our 25-year Draft Water Resources Management Plan (DWRMP), published this year, sets out how we will balance supply with demand and ensure we have enough water for future generations.

Vital infrastructure is already underway to bridge the deficit. As well as announcing plans for two new reservoirs to store more water, and our strategic pipeline, we have also made sector-leading commitments to reduce abstraction.

By 2025 our investment in this area will mean we leave an extra 85 million litres in environmentally sensitive sites. This represents 5.6% of the amount we put into supply every day.

We have maintained a watchful eye on reservoirs and groundwater levels through the winter refill period. Although December to February was very dry, rainfall in the latter part of the season has helped levels recover in most places. We are closely monitoring North Norfolk, which is largely groundwater fed, and has not received the same rainfall as the rest of the region. It brings into sharp focus the importance of our strategic interconnecting pipeline, which will help balance water deficits across the region.

Figure 9: Our supply and demand forecast to 2045



Near and long-term risks

Inflation and the cost of living crisis

Inflation peaking at 11.1% along with a dramatically rising cost of debt in recent years has put additional pressure on some households. Guided by our purpose, this year we have supported more than 330,000 customers through the cost of living crisis. See page 47.

Customer charges for 2023/24 will increase by 10.7% or £47.77 per year on average due to rising inflation (4.6% CPIH) but also to fund the extensive capital programme we have planned. The charges remain in line with the bill curve agreed in our Business Plan and brings the average customer bill to £493 per year or £1.35 per day, hand-in-hand with our biggest-ever package of support for vulnerable customers.

Inflation has also impacted our operational costs. The need to pump water and sewage across our flat landscape means we are one of the largest energy users in the East of England.

By purchasing energy in advance, we were well placed for the current year before the most substantial price hikes occurred. We are now fully hedged until the end of 2024/25 and continue to undertake activities to diversify our energy sources.

The hedged prices secured are materially below the government cap and therefore, as with furlough rates relief available during the Covid pandemic, we have not had to make use of Government support for energy price rises.

Near and long-term risks

Population growth

Our region's population is growing, faster than anywhere else in the UK. We are supporting councils to locate growth in sustainable locations which minimise the need to construct new infrastructure and reduce carbon.

We have long-believed in Sustainable urban Drainage Systems (SuDS) as a nature-based solution and we are leading a £6 million Ofwat Innovation Project to develop a framework to demonstrate how nature-based solutions can drastically reduce the water and carbon footprint of new housing developments.

Our Accelerated Infrastructure Delivery Plan will also help unlock growth in critical areas by reducing nutrient-loading on rivers.

Near and long-term risks

Skills and labour shortages

A labour and skills shortage has followed Brexit, combined with heightened competition for talent in the aftermath of the pandemic and the move to flexible working impacting certain professions.

During the nationwide HGV driver shortage, we proposed a talent retention package to maintain normal operations.

Recruitment of engineers continues to be a focus area as we plan for the forthcoming AMP for 2025–2030, where we expect our requirement for new capital infrastructure to increase too.

We continue our outreach efforts to promote careers in STEM whilst recruiting and retaining a diverse and effective workforce in collaboration with our long-standing capital delivery partners. Read more about our approach to retaining talent in our Remuneration Report, from page 127.

Near and long-term risks

Supply chain pressures

The economic volatility heightened by the war in Ukraine has led to supply chain pressures, rising costs of raw materials and services, particularly steel, chemicals and energy. The increase in costs has outstripped the increase in revenue from customer bills, meaning we are managing an already tight budget in the face of escalating pressures.

However, with the right controls in place across our supply chain, we have been able to mitigate many of the issues, identifying alternative suppliers or de-risking where an alternative is not available.

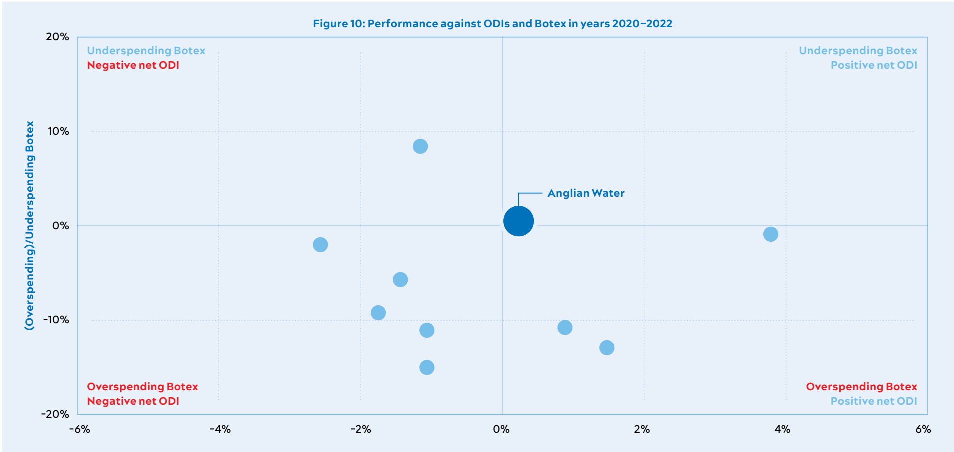
In the case of our strategic pipeline, with our partners, we have secured 100% of our steel supplies earlier than typically necessary, minimising supply chain pressures on our critical water grid. We expect these supply challenges to continue into 2023 and the remainder of the AMP. See our Risk report on page 83.

This year we successfully completed our single biggest year of capital investment at £725 million, significantly above our operating profit. We have ploughed in £1.7 billion so far this AMP, part of a multibillion pound investment in the region by 2025.

Efficient capital delivery sits in tandem with cost control, which is why we view Totex performance as a strong indicator of financial discipline, offering comparison across the sector. We have met our Totex target consistently this AMP.

Figure 10 below shows our Botex position relative to the industry. It means we are well-placed to ramp up and deliver on the surge in investment anticipated in future. Botex is capital maintenance and operational expenditure and provides a useful in-year indicator of Totex.

Our health and safety performance in this record year of capital delivery also demonstrates focus and control at scale, and a safety-first culture. See page 54.



Note: Botex is expenditure to operate and maintain our assets to a fixed service performance level.

Our approach to risk

Our full corporate risk register which captures significant risks to the business and individual business units is set out in our Risk section on page 83.

The top tier risk register includes climate-related risks which are demonstrated in more detail throughout our TCFD report on page 71.

Our long-term **strategic ambitions** are shaped to deliver on **our purpose** and drive us to **achieve more, for everyone.**

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

- The construction of our new strategic pipeline will move surplus water from some of our wettest regions to our driest. Read more on page 41.
- We've announced plans for two new reservoirs.
- Our smart metering programme is helping customers better understand their water usage; our customers are some of the most efficient in the country.
- Our flood partnerships will have attracted £112 million of additional third-party funding this AMP.

UN SDG target in action:

13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

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

- We're expecting 175,000 new homes to be built in this region by 2025.
- We're in the process of gaining planning approval for a new Greater Cambridge wastewater treatment facility, enabling the creation of a new low-carbon city district in North East Cambridge.
- Our nutrient removal schemes on our water recycling centres at Fakenham, Dereham and Whitlingham will enable Norfolk County Council to approve approximately 15,000 homes.
- Find out more about how we're driving growth in our Green Recovery plan, here.

UN SDG target in action:

9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human wellbeing, with a focus on affordable and equitable access for all.

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

- We've achieved a 63% reduction in capital (embodied) carbon against a 2010 baseline and a 6% reduction in operational carbon against a 2018 baseline.
- We're leading five projects as part of Ofwat's Water Breakthrough Challenge; many are focused on reducing carbon emissions across our sector.
- Our pioneering nature-based solutions remove the need for carbon intensive infrastructure. Read more on page 45.

UN SDG target in action:

9.4. Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

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

- This year we've reduced storm overflow spills by half, meeting our 2025 target early. While we have improved, society's expectations have leapt, which is why we have pledged £1 billion for upgrades next AMP (2025–2030).
- Our Get River Positive initiative to revitalise rivers by 2030 drives us to partner with others at landscape-scale. Read more on page 44.
- We are collaborating to create the world's first ecological digital twin to help scale and trial ecological solutions in a virtual setting. Read more on page 45.

UN SDG target in action:

6.6. Protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.

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

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

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

We express this to our colleagues, customers and other stakeholders through our defined purpose, which is underpinned by our company values and six capitals model for decision-making. Our people are rewarded for demonstrating behaviours in line with our purpose and values, see Responsible Financing on pages 22 to 25.

In 2022, we experienced a number of external headwinds, and our performance didn't meet our expectations in some areas. As a responsible business, it's important to use these events as opportunities to learn and improve.

"It's easy to be purposeful during the good times, but it's what carries you through the hard times too."

Andy Brown, Group Chief Sustainability Officer

For example, after a disappointing Environmental Performance Assessment in 2021, we launched Get River Positive and our zero tolerance pollutions strategy, driving a step change in our approach to pollutions.

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

Similarly, as the cost of living started to rise we announced an additional package of £65 million to help our customers struggling to pay their bills, and in November doubled that package to £135 million to support customers through 2023/24. We also addressed the financial implications on our workforce too, see page 55.

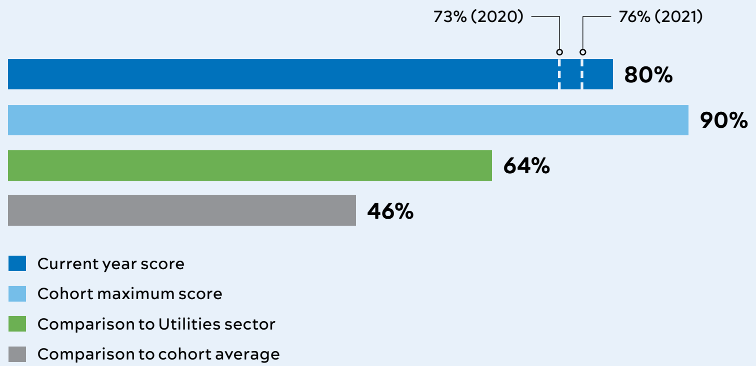
BITC's Responsible Business Tracker®

When we embedded our purpose into our Articles of Association in 2019, we committed to assessing ourselves against a set of responsible business principles, including Business in the Community's (BITC) Responsible Business Tracker®. The Tracker assesses our work against principles, underpinned by the UN's Sustainable Development Goals.

We use the feedback from the Tracker to agree future areas of focus. Following our annual feedback last year, we progressed a number of sustainable procurement projects and initiatives. We continued to make progress on our diversity and inclusion work, and biodiversity – both of which saw improvements in this year's results. See more in our Nomination Committee report from page 123.

We were pleased to receive a score of 100% for purpose and values.

2022 BITC Tracker® score



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

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

Validating our purpose

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

Launched in July 2022, it is the bar by which we will hold ourselves to account, reporting against it to continue to embed our purpose in all we do. We have started by conducting an initial assessment against the seven principles, considering to what extent we demonstrate the behaviours associated with each principle.

Based on this initial assessment, we have developed a maturity matrix. We expect this to evolve as we continue the process, engaging with our internal Sustainability Centre of Excellence, Customer Board, Independent Challenge Group, and an external validation specialist.

PAS 808 Maturity Matrix

We continue to work with an external validation specialist by piloting a PAS 808 certification scheme. We will publish the outcomes of this audit, later in the year, as part of our commitment to hold ourselves to account.

Here's a first look of how well we think we integrate the principles of a Purpose-Driven Organisation into our policies, processes and culture*.

		Principles	Never	Limited	Moderate	Embedded
Wellbeing ends – principles for the reason the organisation exists	1	Long-term wellbeing for all people and planet is the ultimate goal and all people and planet are the ultimate beneficiaries				✓
	2	The purpose, achieved in the right way (means and method), is the strategic and accountability anchor			✓	
Healthy means – principles for classifying, protecting and enhancing the means to achieve the purpose	3	A fair and adequate contribution to the health of the means is non-negotiable			✓	
	4	The value network is understood, cared for, integrated with and aligned			✓	
Wise and ethical method – principles for the manner in which the purpose is achieved	5	Stated values are authentic, legitimate and lived				✓
	6	There is boldness towards the ends and precaution towards the means			✓	
	7	The best evidence is sought and relied on			✓	

Never No examples of integration
Limited Some examples of integration
Moderate Regular examples of integration
Embedded Fully integrated into policies, processes and culture

* This Maturity Matrix is an internal self-assessment against PAS 808. Our scores are subject to change as we develop our approach further and as a result of external verification.

Scrutiny

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

Anglian Water Services Limited is a private company limited by shares

Ownership and company structure

Anglian Water Services Limited (AWS) is the principal subsidiary of Anglian Water Group Limited (AWG). The AWG Board consists of six investor representatives, the Chief Executive, the Chief Financial Officer and an independent Non-Executive Chair.

Overview of our corporate structure

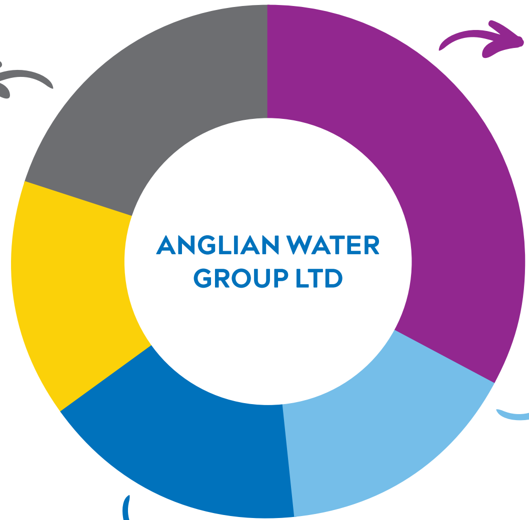
AWG is owned by a consortium of committed, long-term investors representing millions of individual pension holders. Details of the consortium, along with details of beneficial ownership of AWG by investor type, are shown below.

The complete holding company structure is presented in the diagram on page 21 and the principal companies in the structure are explained below.

When AWG was acquired by investors in 2006, it became the ultimate parent company of the group. It is a Jersey-registered company, but it is UK tax resident and, as such, is liable for tax in the UK. All companies in the AWG group holding structure are UK tax resident and liable for tax in the UK. Osprey Holdco Limited has issued debt that is held by our shareholders in proportion to their respective shareholdings, and they are entitled to receive an interest payment on the debt annually.

The aim of the group's financing strategy for AMP7 has been to reduce AWS gearing in order to enhance and protect its current solid investment-grade credit ratings, enabling AWS to borrow at lower rates to support the investments that customers have asked us to make. Earlier in AMP7, three new UK companies (Aigrette Financing Limited, Osprey Investco Limited and Aigrette Financing (Issuer) Plc) were inserted into the company structure to help deliver the AMP7 financing strategy.

The insertion of these companies resulted in a two-tier financing structure sitting above AWS in the AWG group and enabled the group to increase its equity investment in AWS.



IFM Global Infrastructure Fund is a fund advised by IFM Investors. IFM Investors is a global institutional fund manager owned by 17 profit-to-member Australian pension funds, specialising in infrastructure, private equity, debt and equity investments. IFM invests on behalf of approximately 120 million pensioners from around the world.

Origin: Australia **Ownership: 19.8%**

Canada Pension Plan Investment Board (CPP Investments™) is a professional investment management organisation that manages the Fund in the best interest of the more than 20 million contributors and beneficiaries of the Canada Pension Plan.

Origin: Canada **Ownership: 32.9%**

Igneo Infrastructure Partners is an unlisted infrastructure asset management business and is part of the First Sentier Investors Group (FSIG), a global asset management business. FSIG has US$148 billion in assets under management (as at 31 March 2023) on behalf of institutional investors, pension funds, wholesale distributors, investment platforms, financial advisors and their clients worldwide.

Origin: Australia **Ownership: 15.6%**

Camulodunum Investments is a joint investment vehicle for Dalmore Capital and GLIL Infrastructure. GLIL Infrastructure is run by the pension funds of Greater Manchester, Merseyside, West Yorkshire and Local Pension Partnership Investments. GLIL serves over 12 million scheme members. Dalmore has more than 1.3 million pension holders invested directly in AWG.

Origin: UK **Ownership: 15%**

Infinity Investments S.A. belongs to a group of entities ultimately wholly owned by the Abu Dhabi Investment Authority (ADIA) and focuses on infrastructure investments in Europe.

Origin: Luxembourg **Ownership: 16.7%**

AWG Group companies

Aigrette Financing Limited and its UK subsidiary Aigrette Financing (Issuer) Plc have borrowed funds externally in order to increase the equity investment in AWS.

Osprey Investco Limited, Osprey Acquisitions Limited and Osprey Acquisitions Limited's subsidiary, Anglian Water (Osprey) Financing Plc, together comprise AWG's 'midco' financing group. The 'midco' financing group has also borrowed funds externally during AMP7 to increase the equity investment in AWS.

AWG Parent Co Limited and AWG Group Limited are holding companies that were set up when AWG was a listed group.

Both companies are wholly owned subsidiaries, are registered in the UK and are UK tax resident. During the 2022/23 financial year, AWG (UK) Holdings Limited (which was used to be the immediate parent of AWG Group Limited) was removed from the holding structure.

Anglian Water Services Financing Group companies

Anglian Water Services Holdings Limited was put in place in 2002, when Anglian Water's covenanted and ring-fenced debt structure was established. This group of companies (referred to as the Anglian Water Services Financing Group, or AWSFG) protects customers and our bond holders from risk associated with other non-regulated Anglian Water Group companies outside of the ring fence.

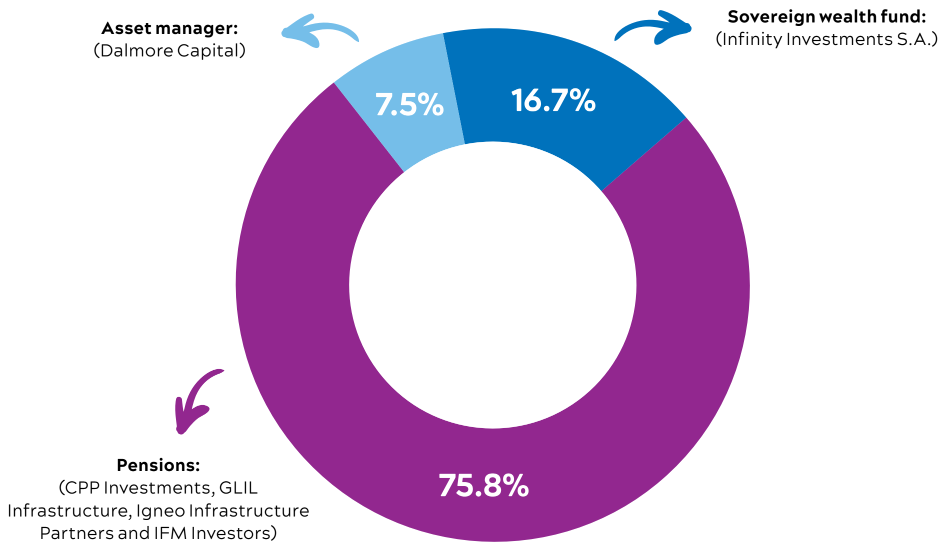
This makes us an attractive investment prospect for bond holders, which means we're able to keep financing costs lower, ultimately benefiting our customers in the form of lower bills.

Anglian Water Services UK Parent Co Limited is a second holding company in the ring-fenced structure, also providing protection for customers and investors from the risks of other non-regulated group companies. All companies within the AWSFG are UK-registered and UK tax resident companies.

Anglian Water Services Limited is the regulated entity that trades as Anglian Water, managing our water and water recycling network and serving almost seven million customers. It is the part of the business that most people think of as 'Anglian Water'.

AWS has reduced its gearing with the funds received as equity investments under the Group's enhanced financing structure.

Anglian Water Services Financing Plc is the financing company that raises money on behalf of Anglian Water Services Limited. We need a plc to raise debt in the UK public bond market. Funds raised by this company underpin our investment in the region's water and water recycling services.



Why profit is crucial to deliver on our purpose

As a monopoly provider of essential public services, it is imperative to maintain the **trust and confidence of our customers** while providing **fair returns to our shareholders.**

Balancing regulatory funding and attracting investment

The money we can raise from bills, along with how much we're allowed to invest in our service, is decided every five years through Ofwat's price-setting process and set out in our Final Determination. Any regulated wholesale revenue raised over and above the agreed amount is returned to customers through something called the revenue correction mechanism.

Any profits, and returns to investors, that we make in excess of those derived from allowed pricing come from:

- increasing efficiency – running the business more cost-effectively than was funded at the time of the Final Determination; and
- any rewards for meeting our performance commitment targets.

Efficiencies are either reinvested to improve service for customers or shared with customers, helping to keep bills down.

In addition, our focus on sustainable savings that can be maintained over the long term will help reduce our cost base in 2020–2025.

Profits are essential to attract private investment, which in turn enables us to spread the cost of improving and extending our assets over their operational life, similar to a mortgage. In this way, tomorrow's customers pay for tomorrow's use of the asset.

We have to provide investors with a reasonable return on their investment in exchange for the risks they carry. During the past financial year, a number of risks have crystallised including high energy prices. Investors have borne the cost of dealing with these risks, which have therefore not been passed on to customers.

We also believe that in years where we deliver excellent performance, this should be reflected in higher profits. In contrast, this year, dividends have been reduced down to reflect performance. However, profits can also rise or fall due to factors not directly related to performance – for instance, the level of interest rates or unexpected new legal obligations.

Ofwat sets allowed returns at a fixed rate plus inflation. This means that when inflation is at a significantly lower rate than assumed at a price determination, this can adversely affect our finances.

However, the driving factors behind that high inflation mean the true picture is far more complicated. The current high inflation (CPIH, or Consumer Price Index including Housing) is driven in part by high energy prices. CPIH is calculated by using the change in costs of a range of items (basket of goods), plus the cost of owning and maintaining a home.

As a high consumer of energy, our business is more exposed to energy prices than is reflected in the CPIH basket, and we have to manage this though our hedging strategy.

"Being a purposeful business means creating value for society; having a long-term interest in people and planet. Business is part of society, but it has felt separate when there has been, traditionally, a single-minded push for profit over the years – ignoring any negatives the business created. Profit is critical. It's a necessary condition to continue, but for purpose-led organisations, it's not the primary goal – it's an outcome of creating value for society."

Sarah Gillard
CEO, A Blueprint for Better Business, who worked with Anglian Water and BSI on the development of the new PAS 808.

→ See **Financial performance report** on pages 26 to 30.
→ See **Shareholders** on page 62.

Dividends

The Board has an approved dividend policy, under which dividend payments take account of a range of matters including service delivery for customers and the environment, current and future investment needs and financial resilience over the longer term.

In line with this dividend policy, the Board have proposed to pay a final dividend amounting to £79.9 million. The base dividend has been adjusted for a total of £26.0 million deduction to reflect service delivery for customers and the environment.

A £169.0 million prior year final dividend was paid in the period (2022: £96.3 million in relation to financial year 2021), reflecting the company's dividend policy. A deduction was made to the base dividend of £9.0 million to reflect performance in 2021/22.

These dividends were paid against a backdrop of an equity injection of £1,165.0 million in the prior period and results in a net equity injection for the AMP of £899.7 million. Through these capital injections the company continues to benefit from the strong support of shareholders.

Tax

Anglian Water complies with all relevant tax laws. We support moves towards greater transparency that increase understanding of tax systems and the building of public trust. We make significant contributions to the Exchequer each year. Our taxable profits are less than the profits shown in our accounts, but our effective rate of corporation tax is in line with the statutory rate of corporation tax. This is because of the huge amount of investment we make into our region and the HM Revenue & Customs (HMRC) rules on interest payments and capital allowances designed to encourage that investment.

We have one of the largest levels of private investment in the region and have invested over £1.7 billion since 2020 as part of our five-year plan to 2025. This is central to underpinning the growth of the regional economy.

Our Water Industry National Environment Programme (WINEP), one of the biggest in our industry, is set to deliver £811 million worth of environmental benefits during this period. That investment is largely paid for by borrowing, and we pay interest on that borrowing. HMRC rules say companies only pay corporation tax on the profits they have remaining after any interest payments are made.

Our taxable profits are also reduced by capital allowances, which the government grants us to encourage infrastructure investment. Accounting profits are reduced by depreciation – the fall in the value of equipment and plant due to wear and tear over their useful life. HMRC does not take account of depreciation when it comes to determining taxable profits. Instead, it grants companies capital allowances. These encourage investment by letting a company recoup the cost of an asset at a faster rate than depreciation.

We have one of the largest levels of private investment in the region and have invested over £1.7 billion since 2020 as part of our five-year plan to 2025.

This also means some of our corporation tax liabilities are deferred until later. The corporation tax is not avoided, it is simply deferred. All this encourages investment and allows us to make a real contribution to infrastructure development, environmental protection and customer engagement in our region.

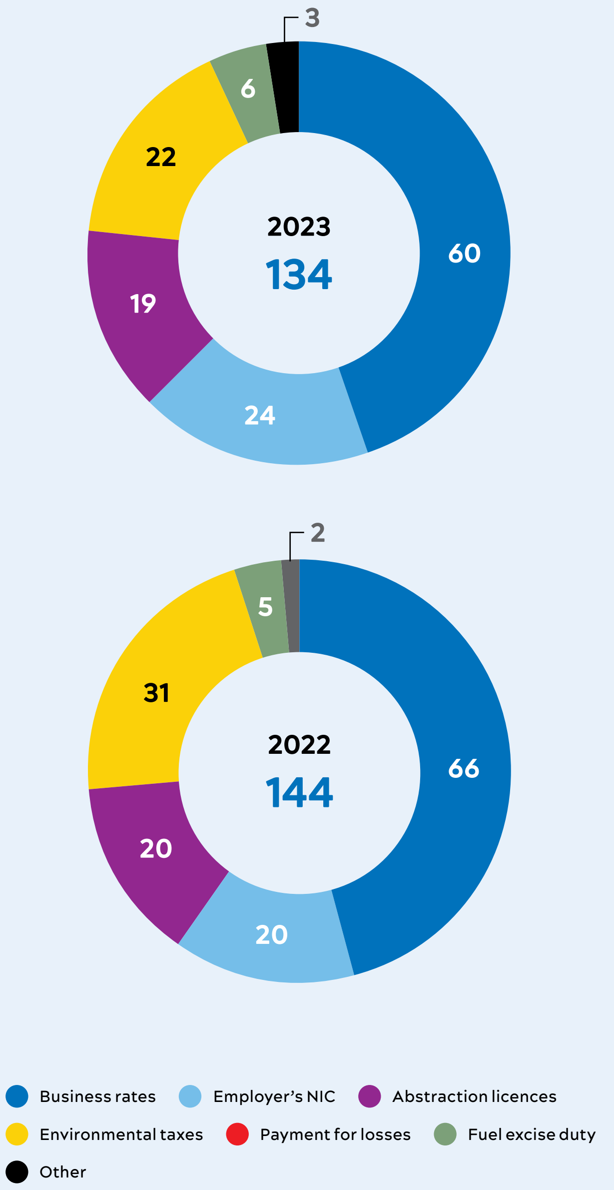
An open and constructive approach

Our commitments on tax are underpinned by the Anglian Water Group tax strategy, which is based on a number of principles.

Tax planning and compliance

We engage in efficient tax planning that supports our business and reflects commercial and economic activity. We're registered for tax in the UK and do not engage in artificial tax arrangements.

Tax incurred directly (Figures in £ million)



We conduct transactions between Anglian Water group companies on an arm's-length basis and in accordance with both current Organisation for Economic Co-operation and Development (OECD) principles and regulatory accounting guidelines.

We adhere to relevant tax laws and we seek to minimise the risk of uncertainty or disputes. We do this because it helps keep customer bills low, which is a guiding principle in everything we do.

We believe we are compliant with UK tax legislation and pay the right taxes at the right time. Tax incentives and exemptions are sometimes implemented by governments and fiscal authorities in order to support investment, employment and economic development. Where they exist, we seek to apply them in the manner intended.

Due consideration is given to the group's reputation, brand, and corporate and social responsibilities when seeking to apply tax incentives, as well as the applicable legal and fiduciary duties of Directors and employees of the group, and forms part of the overall decision-making and risk assessment process.

Relationships with tax authorities

We are committed to the principles of openness and transparency in our approach to dealing with tax authorities. All dealings with the tax authorities and other relevant bodies are conducted in a collaborative, courteous and timely manner. Our aim is to strive for early agreement on disputed matters and to achieve certainty wherever possible.

Tax, risk management and governance

We have a comprehensive, multi-layered risk management system, which consists of risk registers for all areas of the business, see Risk Section on pages 83 to 96. These registers are subject to both internal and external review. We have a specialist tax team who identify, assess and manage tax risks and account for them appropriately. We implement risk management measures, including controls over compliance processes and monitor their effectiveness.

On a periodic basis, the Board reviews how tax risks are managed, monitored and assured, and any mitigations in place. In this way the Board provides governance and oversight of significant risks.

Where there is uncertainty as to the application or interpretation of tax law, appropriate written advice that takes into account the facts and risks may be taken from third-party advisors to support the decision-making process.

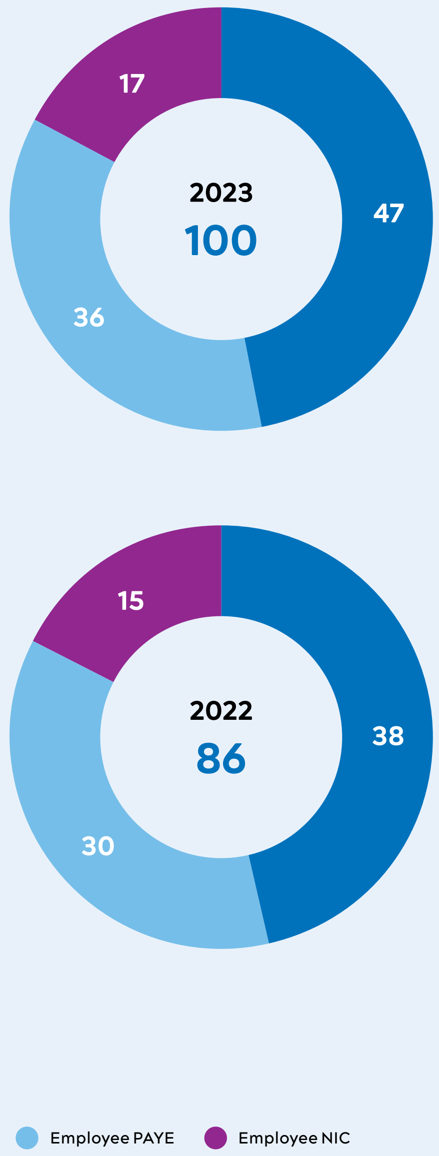
Our tax contribution

Our total tax contribution for the year extends significantly beyond the liability for corporation tax. Total tax paid or collected in the year to 31 March 2023 amounted to £234 million (2022: £230 million), of which £100 million was collected on behalf of the authorities for value-added tax (VAT) comprising (£47 million) and employee payroll taxes (£53 million).

The most significant taxes involved, together with their profit impact, were:

- Business rates of £60 million paid to local authorities. This is a direct cost to Anglian Water and reduces profit before tax.
- Employment taxes of £77 million, including £53 million of employee Pay As You Earn (PAYE) and National Insurance Contributions (NICs) collected from salaries paid. In addition, employer NICs of £24 million were charged approximately 72% to operating costs, reducing profit before tax, with 28% capitalised to fixed assets.
- VAT of £47 million collected and paid to HMRC. VAT has no material impact on profit before tax.
- Abstraction licences and direct discharges of £19 million. This is a direct cost to Anglian Water and reduces profit before tax.
- Fuel excise duty of £6 million related to transport costs and charged to operating costs, reducing profit before tax.
- Environmental taxes of £22 million charged to operating costs, reducing profit before tax.

Taxes collected (Figures in £ million)



Sustainable financing and green bonds

Investor appetite for sustainable financing is strong.

In 2022, more than $1.5 trillion in sustainable debt instruments were issued globally, bringing the total market to over $5.8 trillion.

Green finance

In 2022, the total global sustainable debt market reached over $5.8 trillion[1]. Social and sustainability bonds together reached a record $294 billion[1] in issuance in 2022. What was, until recently, a niche market has reached the mainstream, with data showing investor appetite for sustainable financing remains strong.

For us, sustainable finance is business as usual. We were an early adopter of sustainable funding instruments, pioneering the use of Green Bond funding in 2017, when we became the first European utility to launch a sterling Green Bond.

Since 2017, we have raised £2.6 billion in green financing versus the UK Government, who have raised £18 billion for all UK plc[2]. Our first £250 million, eight-year bond will mature in August 2025, with a return to investors of 1.625%.

In 2022, we were the first UK company to issue a £225 million corporate green bond in the Canadian 'maple' bond market, to fund our drought resilience project being delivered by our Strategic Pipeline Alliance (SPA). The investments we've financed through our Green Bonds contribute to five environmental objectives: climate change mitigation; climate change adaptation; biodiversity conservation; pollution prevention and control; and natural resources conservation.

Throughout this year, we've raised £740.1 million of funds across a number of debt transactions. Investors have financed a wide range of investments under different portfolios. This builds on the company's first Sustainability-Linked Bond for £300 million issued in 2021/22, tied to achieving our net zero 2030 targets and 2025 interim targets. This means that the interest rates payable for the debt are tied to the company achieving its net zero targets: if we fail to achieve our ambitious 2025 transitional carbon goals, we will pay a higher rate of interest for the debt. The investments made through the Green Bonds issued to date are expected to result in a 63% reduction from the company's 2010 capital carbon baseline.

Our Water Industry National Environment Programme (WINEP) for 2020–2025 will be financed almost entirely with sustainable finance. Our £25.5 million equivalent private placement to fund many schemes within WINEP are underway now, including the protection of wildlife and restoring chalk streams, which are a vital part of the local ecosystem. Further funding is planned for the forthcoming financial year to cover the bulk of the spending required for the WINEP programme.

In total this AMP, we have issued £1.6 billion of funds through green finance, and we plan to fund our entire remaining capital programme to 2025 using sustainable funding instruments. All Anglian Water Services debt was raised as sustainable finance over the past year, and we're planning to continue to do so for the remainder of our debt raising this AMP.

External validation

We have a track record of securing external validation of our ESG impact and business resilience. This year, we maintained our AA rating in MSCI's 2023 ESG rating – the second-highest ranking for the second year running. The measurement assesses a company's resilience to long-term ESG risks. Our approach to corporate governance and business ethics practices was hailed as globally leading.

Our Sustainability-linked Bond Framework, which was reviewed by DNV as a second layer of assurance, governs our approach to sustainability-linked debt such as the bond issuance described here, as well as private placements and debt facilities.

Looking ahead

As part of Anglian Water's commitment to sustainability, the funds we have received from investors as green bonds are invested in sustainable investments until they are allocated to project spend and withdrawn from the account. The sustainable investment programme at Anglian Water is new and rapidly expanding – we are seeking new opportunities to ensure 100% of investments from the ring-fenced account are sustainable investments. We are pleased to increase our impact through these innovative new products.

1 Bloomberg New Energy Finance.

2 www.gov.uk/government/publications/uk-government-green-financing

The financial results have been prepared in accordance with International Financial Reporting Standards (IFRS)

Financial results

The financial results are summarised in the table below:

	2023 Total £m	2022 Total £m
Revenue (excluding grants and contributions)	1,388.9	1,299.7
Grants and contributions	106.0	100.1
Operating costs	(678.0)	(612.5)
Charge for bad and doubtful debts	(30.1)	(11.1)
Other operating income	16.0	12.3
EBITDA[1]	802.8	788.5
Depreciation and amortisation	(379.1)	(347.7)
Operating profit	423.7	440.8
Finance income	20.6	1.8
Finance costs[2]	(731.1)	(460.1)
Adjusted loss before tax[1]	(286.8)	(17.5)
Finance costs – fair value gains/(losses) on financial derivatives[2]	645.3	(115.1)
Profit/(loss) before tax on a statutory basis	358.5	(132.6)
Tax	(90.2)	(310.2)
Profit/(loss) after tax	268.3	(442.8)

1 As defined in note 30 financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures. The group uses such measures for performance analysis because they provide additional useful information on the performance and position of the group. Since the group defines its own alternative performance measures, these might not be directly comparable to other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements, and have been consistently applied within each year presented in these financial statements.

2 In order to show pre-tax performance based on management's view of an underlying basis, the fair value gains and losses on financial derivatives have been shown separately in the table because these are volatile non-cash movements that distort the actual underlying economic performance.

Revenue

Revenue, excluding grants and contributions, for the year was £1,388.9 million (2022: £1,299.7 million), an increase of £89.2 million (6.9%) on last year. The increase in revenue is as a result of the following factors:

- The price increase for customers following the regulatory pricing formula, £87.7 million increase.
- A net decrease in demand of £13.4 million. Household consumption is down £21.8 million and non-household consumption up £8.4 million as we move back towards pre-Covid-19 levels of consumption.
- Increase in revenue of £8.4 million as a result of increase in customer numbers.
- Other increases in revenue of £6.5 million.

Grants and contributions represent the cash and asset contributions made principally by property developers and local authorities for connecting new property developments to the water and sewerage network, and for work on existing infrastructure needed to accommodate development. Over the year, these have increased by £5.9 million to £106.0 million. This is driven by the strong housing market and construction sector in our region.

Ofwat's price setting process, set out in our Final Determination, sets the level of customer bills and therefore how much is available to invest in our services.

Other operating income

Other operating income comprises primarily external income from power generation, bio-solid sales to farms, rents received and various other non-core activities; this was consistent with prior years.

Operating costs (including charges for bad and doubtful debts)

Operating costs including charges for bad and doubtful debt for the year increased by £84.5 million (13.6%) to £708.1 million. This increase is explained in the table below:

	Total £m
Prior period	623.6
In year movements:	
Funded by Final Determination (FD)	
Inflation	53.2
Capitalisation of replacement infrastructure assets	(9.1)
Weather related	
Investment in leakage to recover from hot weather and freeze-thaw	13.9
Bad debt provision	
Increase in base bad debt charge	6.3
Prior year reassessment of provision	6.0
Prior year change in macroeconomic outlook	6.6
Power	
Benefit of proactive hedging	(4.2)
Other significant items	
Fuel in excess of inflation	3.7
Chemicals in excess of inflation	9.4
Business rates	(10.1)
Other	8.8
Total increase	84.5
March 2023	708.1

Inflation

The inflationary increases formed part of the Final Determination and are therefore funded through the inflationary increases in revenues.

Capitalisation of replacement infrastructure assets

In order to improve efficiency, there was a change in the way we deliver boundary box and external meter chamber replacement in the second half of last year. As a result of the change in delivery, which has moved from individual jobs to a scheme of work, the cost of the scheme is above our de minimis threshold for capitalisation, resulting in the costs being treated as capital expenditure rather than operational. In addition, this year we have also expanded this process to include manhole covers and network fittings.

Weather related

The impacts of climate change are fundamental to our business and our climate-related financial disclosures can be found as an appendix to the paper presented to the Committee. As a result of the hot summer, the Board agreed to invest £13.9 million with a view to maintaining our industry-leading leakage position as we sought to recover from a number of weather-related events throughout the year.

The first six months of the year saw very little rainfall and as a result we saw exceptionally dry ground conditions. This was then compounded by two extremely cold spells in winter both followed by a rapid rise in temperatures. Fluctuations like this lead to ground movements which affect infrastructure such as pipes and valves, causing leaks, bursts and failure, resulting in additional costs to repair.

Bad debt provision

The increase in bad debt charge is primarily a result of three factors set out below but we continue to see stable cash collection with our base bad debt charge over the long term reducing as a percentage of revenue.

- An increase in our base bad debt charge of £6.3 million, partly a result of the increase in our revenue and partly due to a return to more typical levels after an exceptionally strong performance in the prior year.
- The prior year reassessment of provision in our debt over 48 months old, which resulted in a one off £6.0 million provision release in the prior year, as a result of continued positive collection in combination with a change to our write-off policy in April 2020.
- In addition, we estimate the impact of future macroeconomic factors on our collection performance as required by IFRS 9. In March 2022 we released £6.6 million of this provision as the projected impact of Covid-19 on unemployment subsided, thus reducing the charge in that year. The latest forecasts for unemployment are broadly the same as that at March 2022 and therefore we have maintained the same overlay provision as at March 2022, thus having no impact on the income statement. Further details can be found in note 2.

Power

Our OPEX reconciliation in the above table splits out the impact of inflation and as we operate a robust hedging strategy our energy costs rose slower than inflation in the year thus presenting as a real terms reduction. This strategy meant that we had locked in our energy prices prior to the start of the year and the war in Ukraine. As such our weighted average hedged price for the year was £58/MWh compared to an average day ahead price for the year of £187/MWh.

Other significant items

Other significant items primarily relate to costs that have risen above average inflation, such as fuel and chemicals.

In addition, following a rates review we received a refund of £10.1 million in the year.

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is defined in note 30 and is the profit from continuing operations before interest, tax, depreciation and amortisation. This has increased by 1.8% to £802.8 million, which is consistent with the effect of the increases described above.

Depreciation and amortisation

Depreciation and amortisation is up 9.0% to £379.1 million, primarily as a result of higher fixed asset balances as we construct and commission assets in line with our capital investment programme.

Operating profit

Operating profit has decreased by 3.9% to £423.7 million. Whilst there have been significant inflationary costs pressures due to the mismatch in timing with revenue, our proactive energy hedging policy protected the business. In addition, the Board committed to invest £13.9 million with a view to ensuring we maintained our industry-leading leakage position as we sought to recover from a number of weather-related events throughout the year.

Financing costs and profit before tax

Adjusted net finance costs, which are finance income net of finance costs before fair value gains and losses on financial instruments, increased from £458.3 million in 2022 to £710.5 million in 2023. This was primarily the result of the non-cash impact of higher inflation on index-linked debt which increased by £306.4 million to £561.4 million. This increase was due to an increase in year-on-year average Retail Price Index (RPI) from 5.8% to 12.8% and year-on-year average Consumer Price Index (CPI) from 4.0% to 10.0%. We have both RPI-linked debt and CPI-linked debt to hedge the Regulated Capital Value (RCV). Finance income was £16.0 million, up £14.6 million as we benefited from these higher interest rates on our cash balances.

There was a fair value gain of £645.3 million on derivative financial instruments in 2023, compared to a loss of £115.1 million in 2022. The fair value gains in the current year are predominantly non-cash in nature and have no material effect on the underlying commercial operations of the business and have only partially reversed fair value losses experienced over the past 10-years in a falling interest rate environment. The driving factors for the gain in 2023 were primarily due to decreases in the average levels of forward inflation expectations, in combination with the rise in forward interest rates (decreasing the discounted present value of derivatives). During the period, forward inflation decreased by circa 90 basis points and forward interest rates increased by 200 basis points across the curves.

Taxation

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Current tax:		
In respect of the current period	(25.4)	(13.6)
Adjustments in respect of prior periods	0.7	(5.1)
Total current tax credit	(24.7)	(18.7)
Deferred tax:		
Origination and reversal of temporary differences	113.0	(25.9)
Adjustments in respect of previous periods	1.9	1.2
Increase in corporation tax rate	–	353.6
Total deferred tax charge	114.9	328.9
Total tax charge on profit on continuing operations	90.2	310.2

We are one of the largest private investors in infrastructure in our region, having invested over £1 billion in the last two years. The Government actively encourages infrastructure investment and grants us capital allowances, which defer some of our corporation tax liabilities until a later period. Our customers directly benefit from the deferral as it helps to keep their bills lower.

Total tax paid or collected in the year to 31 March 2023, other than corporation tax, amounted to £234 million (2022: £231 million), of which £100 million was collected on behalf of the authorities for value added tax (VAT) and employee payroll taxes. All of our taxes are paid as they become due.

Current and deferred tax

The current tax credit for the year was £24.7 million (2022: £18.7 million). The deferred tax charge has decreased by £214.0 million from £328.9 million in 2022 to £114.9 million this year.

The current tax credit for both years reflects receipts from other group companies for losses surrendered to those group companies. The tax losses arise mainly because capital allowances exceed the depreciation charged in the accounts, as well as some income not being taxable and the availability of tax relief on pension contributions paid in the year. This is offset by disallowable costs and interest. In the prior year there is also a one-off credit arising on a change of accounting treatment.

The deferred tax charge for this year mainly reflects capital allowances claimed in excess of the depreciation charge, a charge on the fair value gains on derivatives, offset by a credit on losses carried forward to future years. The prior year charge mainly reflects the effect of a corporation tax rate from 19% to 25% that comes into effect on 1 April 2023 but was legislated for in the Finance Bill 2021, capital allowances claimed in excess of the depreciation charge in the accounts offset by a credit on losses carried forward to future years.

The Finance Bill 2021 also introduced increased tax relief for capital expenditure incurred in the period up to 1 April 2023. This has increased the deferred tax charge in this year.

The current and deferred tax adjustments in respect of previous periods for both years relate mainly to the agreement of prior year tax computations.

The amounts included for tax liabilities in the financial statements include estimates and judgements. If the computations subsequently submitted to HMRC include different amounts then these differences are reflected as an adjustment in respect of prior years in the subsequent financial statements.

In addition to the £90.2 million tax charge on the income statement, there is a credit of £35.5 million (2022: charge of £40.7 million) in the statement of other comprehensive income in relation to tax on actuarial losses/(gains) on pension schemes and fair value gains on cash flow hedges.

Distributions available to the ultimate investors

In line with the approved dividend policy, the Board have proposed to pay a final dividend amounting to £79.9 million payable on 15 June 2023. The dividend has been adjusted with a £26 million deduction to reflect aspects of underperformance against ODIs, including the ODI penalty incurred. A £169.0 million prior year final dividend was paid in the period (2022: £96.3 million in relation to financial year 2021), reflecting the Company's dividend policy. A deduction was made to the base dividend of £9 million to reflect performance in 2021/22.

This dividend will be paid against a backdrop of an equity injection of £1,165.0 million in the prior period and results in a net equity injection for the AMP of £899.7 million. Through these capital injections the company continues to benefit from the strong support of shareholders.

Continuing to deliver our AMP7 capital investment programme

2022/23 is the third year in the five-year AMP7 investment programme. Over the five years to 2025, we will invest a record £3 billion through our capital investment programme. This spend will help us achieve our Business Plan commitments and includes significant investments to ensure our region is resilient to the impacts of drought, climate change and population growth, alongside our largest ever programme of schemes delivering environmental protection.

Delivery against this investment programme remains strong with gross annual capital expenditure on an accruals basis across the appointed business increasing from £635 million in 2021/22 to £725 million in 2022/23 (£326 million on capital maintenance, £399 million on capital enhancement).

This is broadly in line with management expectations and is particularly pleasing given the significant increase in the size of the programme compared to AMP6, in addition to the supply chain impacts from the war in Ukraine and other macroeconomic factors.

This has resulted in a £436.1 million increase in property, plant and equipment and intangible assets, net of depreciation.

Financial needs and resources

During the year to March 2023, Anglian Water raised new debt of £740.8 million. This comprised the following new issuances:

- 10-year Canadian Maple Bond amounting to circa $350.0 million which was swapped to a sterling equivalent of £224.8 million;
- £100 million 18-year CPIH linked bond. This was the first CPIH linked issuance by Anglian Water;
- £150 million drawdown on NatWest facility; and
- £266 million US private placement.

Repayments of £668.7 million were made in respect of maturing debt, which consisted of a £250 million 5.837% fixed rate debt, £15 million 1.37% index-linked private placement, £31.9 million 4% private placement, £22.3 million 4% private placement, amortising payments on EIB index-linked debt and £266.5 million early settlement of accretion due on 2.4% ILLS 2035 note.

At 31 March 2023, excluding derivatives, Anglian Water had borrowings net of cash of £6,247.9 million, an increase of £626.6 million over the prior year. Net borrowings comprised a mixture of fixed, index-linked and variable-rate debt of £6,845.1 million, leases of £36.4 million and cash and deposits of £633.1 million. Net debt increased as a result of indexation on debt as described above combined with our continuing capital investment programme. The increase in net borrowings, excluding the fair value of derivatives, primarily reflects the higher accretion on index-linked debt.

At 31 March 2023, Anglian Water had a derivative financial instrument liability of £697.7 million (excluding energy derivative assets of £0.7 million), down from £1,162.0 million in 2022 (excluding energy derivative assets of £73.4 million).

The business generated cash from operations of £710.9 million in the year (2022: £749.9 million). The decrease primarily reflects short-term timing differences on working capital more than offsetting improvements in relation to EBITDA described above.

Liquidity

The company's objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments. At 31 March 2023, Anglian Water held cash, deposits and current asset investments of £633.1 million (2022: £870.7 million). The decrease in cash amounts held is reflective of the higher debt repayments than new debt issuances in the period, the payment of the March 2022 final dividend and also the net of operational and residual investing and financing cash flows.

As at March 2023 Anglian Water has access to £975.0 million of undrawn facilities (March 2022: £600 million), to finance working capital and capital expenditure requirements.

In addition, Anglian Water has access to a further £375.0 million of liquidity facilities (March 2021: £375.0 million), consisting of £244.0 million to finance debt service costs and £131.0 million to finance operating expenditure and maintenance capital expenditure in the event that the company was in an Event of Default on its debt obligations and had insufficient alternative sources of liquidity. See note 1 for further commentary over the liquidity requirements of the Group in relation to going concern.

All bank facilities and debt capital market issuance are issued pursuant to the Global Secured Medium-Term Note Programme dated 30 July 2002 between the company, AWSF and Deutsche Trustee Company Ltd (as agent and trustee for itself and each of the finance parties). This agreement provides that any facilities drawn by AWSF will be passed directly on to the company upon utilisation of the facility.

Interest rates

The company's policy, as agreed by the Board, is to achieve a balanced mix of funding to inflation-linked, fixed and floating rates of interest. At the year end, taking into account interest rate swaps, 66.6% (March 2022: 68.9%) of the company's borrowings were at rates indexed to inflation, 26.2% (March 2022: 25.1%) were at fixed rates and 7.2% (March 2022: 6.0%) were at floating rates. At 31 March 2023, the proportion of inflation debt to regulated capital value was 47.9% (2022: 51.4%).

Pension funding

At 31 March 2023, the closed defined benefit scheme had an IAS 19 accounting pension surplus (before deferred tax) of £51.1 million, compared to £163.4 million at 31 March 2022. This decrease in surplus reflects a decrease in the scheme's liabilities resulting from an increase in the corporate bond rate used to discount those liabilities on an accounting basis compared to a greater decrease in our assets which are hedging gilt-based liabilities.

Annual Performance Report

Under Condition F of its Licence, Anglian Water is obliged to provide the Water Services Regulation Authority, Ofwat, with additional accounting information to that contained in the statutory financial statements. This information is presented in the Annual Performance Report, a copy of which is available on the Anglian Water Services website anglianwater.co.uk/our-reports

Performance commitments

Ofwat uses a set of performance commitments, referred to as Outcome Delivery Incentives (ODIs), to measure our progress through the Asset Management Plan (AMP) period. These performance commitments are summarised below, with information on how we monitor our progress, how we've performed this year and whether rewards or penalties are attached to each[1].

Operations were significantly impacted by the extreme weather over the year leading to record soil moisture deficits. This principally affected three ODIs – Burst Mains, Interruptions to Supply and Leakage – and accounted for the majority of the total penalty.

1 Please note, the total is calculated in 2017/18 prices and does not match the sum of the individual performance commitment rewards and penalties due to rounding.

Against some measures, such as pollutions, we have not met the high standards we set for ourselves. In others, like leakage, we find ourselves at the forefront of our sector but still in penalty, when others with higher levels of leakage may not be in the same position.

Overall, we have performed well in a number of areas that are of utmost importance to our customers, such as drinking water quality (Compliance Risk Index, Event Risk Index and water quality contacts), water efficiency (Per Capita Consumption), leakage, environmental protection (abstraction, bathing water quality and WINEP delivery), carbon reduction, and helping the most vulnerable in society with additional support, while keeping bills affordable and providing good value for money (Totex).

Resilient business

What are we measuring?	How are we measuring it?	Prior year performance (2021/22)	Current year performance (2022/23)	Current year target (2022/23)	Reward or penalty outcome for 2022/23
Risk of severe restrictions in drought	The percentage of properties at risk of service restrictions in the event of a 1-in-200-year drought.	5.2%	5.2%	22.0%	n/a
Risk of sewer flooding in a storm	The percentage of properties that we serve that are at risk of sewer flooding during an extreme wet weather event.	0.75%	0.74%	9.75%	n/a
Percentage of population supplied by single supply system	Percentage of population served by a single supply system. Our goal is to reduce the number of properties served by a single supply system, so that if something goes wrong at one works, our customers' water supplies are protected.	22.7%	22.3%	21.8%	£0
Cyber security	Percentage of risks mitigated against the cyber threat to operational technology (OT) and to comply with the network and information systems (NIS) regulations.	Ongoing	Ongoing	100% by 2025	n/a

Risk of severe restrictions in drought: Our twin-track strategy to balance supply and demand, plus decades of investment in resilience, was evidenced this year when we did not need a temporary usage ban (commonly referred to as a hosepipe ban) during the drought. Our progress in building a more integrated and resilient network is clear, given the record soil moisture deficits and peak temperatures seen in this region through the year. See also 'Supply meets demand' performance commitments.

Risk of sewer flooding in a storm: This measure is based on modelling that predicts the likelihood of flooding in our network in a 1-in-50 year storm. Targeted investment such as £100 million for storm tanks and sustainable drainage solutions (between 2020 and 2025) has helped increased storm capacity. See more on page 43.

Percentage of population supplied by a single supply system: This measure is linked to the delivery of our strategic interconnector grid (see more on page 33) which, on completion, will provide more than 80% of customers with a dual supply system. We have reprofiled delivery based on supply chain issues earlier in the AMP, but the project remains on track.

Cyber security: We have adopted appropriate processes and controls to protect our systems, staff and customers across our information technology and operational technology services. We use a hybrid delivery model of in-house cyber professionals and outsourced 24/7 Managed Security Services, managed by Airbus. We operate a programme of continual improvement and risk reduction with the oversight of the Audit Committee. Our progress is ongoing.

A smaller footprint

What are we measuring?	How are we measuring it?	Prior year performance (2021/22)	Current year performance (2022/23)	Current year target (2022/23)	Reward or penalty outcome for 2022/23
Operational carbon	Percentage reduction in carbon emissions from day-to-day operations compared to a 2019/20 baseline.	9.4%	6%	6%	n/a
Capital carbon	Percentage reduction in carbon emissions from construction activity measured in tonnes of CO_2 equivalent compared to a 2010 baseline.	63.1%	63.2%	63.0%	n/a

Capital and operational carbon: Our operational carbon target of 10% reduction is phased over the AMP. Last year was an exceptional result of 9.4% against a target of 4%. This year we have met our 6% target. We continue to work in line with carbon reduction approaches.

Supply meets demand

What are we measuring?	How are we measuring it?	Prior year performance (2021/22)	Current year performance (2022/23)	Current year target (2022/23)	Reward or penalty outcome for 2022/23
Leakage	A percentage reduction in the amount of water lost to leakage across the region in megalitres per day (Ml/d). One megalitre is a million litres.	6.1% reduction	7.5% reduction	8.5% reduction	-£1.33 million
Per capita consumption (PCC)	A percentage reduction in the average water consumption per household per day for properties in our region, on a three year rolling average.	3.4% increase	2.5% increase[2]	3.2% reduction	n/a
Smart metering delivery	The number of smart water meters that are installed at customer properties.	310,321	543,686	657,838	n/a
Internal interconnector delivery	The number of megalitres per day extra capacity delivered to ensure that customers in the region have sufficient water in the future.	1.5Ml/d	6.5 Ml/d	0 Ml/d	n/a

Leakage: For the first time since 2010, we missed our regulated leakage target owing to the weather impacts both in summer and winter. At 179.5 Ml/d, our three year rolling leakage continues to improve and is now 7.5% below 2019/20 levels and builds on our industry-leading leakage performance last year. This year we find ourselves in an ODI penalty while also being sector-leading. See more on pages 11 and 41.

Smart metering delivery: We are rolling out smart meters at a rapid rate – an average of 4,500 installations every week. Since the start of the AMP, we've installed more than 543,000 smart meters, 233,365 this year alone. Smart meters improve accuracy, allowing us to assess leaks using real, measured data. This leads to more robust reporting and more efficient targeting of leak detection activities, as current leakage calculation methods rely on assumptions and allowances for customer night usage. The installation programme has been affected slightly by issues with microprocessor availability, which has delayed deliveries of smart meters and caused us to miss the in-year target. We remain on course to complete installations in one million homes by 2025.

Per capita consumption (PCC): Provisional PCC figures show a reduction of around 5% on a single-year basis to 129.3 litres down from 136 litres in 2021/22. This is a significant reduction on the 146.9 litres in 2020/21, when the Covid pandemic saw water usage increase as a result of more hand-washing and people staying at home. This is our best-ever annual score on the single-year measure since it was introduced by Ofwat in 2017/18. The three-year rolling average which we have to report on for this performance commitment is still impacted by higher usage following the Covid pandemic. Customers have been supported to use less water through behavioural change campaigns, smart metering and our associated 'My Account' app. In addition, smart meters have helped pinpoint 93,000 customer-side leaks, saving customers water and money.

Internal interconnector delivery: Delivered through our partners that make up the Strategic Pipeline Alliance, our new interconnecting pipeline will bring water from areas where there is a natural surplus, leaving more water in environmentally sensitive areas. Efforts to overcome supply chain challenges mean we are now 100% purchased on steel and have planning permission granted for about two-thirds of the route, giving us confidence of delivery.

2 Our current year performance is subject to finalisation.

Flourishing environment

What are we measuring?	How are we measuring it?	Prior year performance (2021/22)	Current year performance (2022/23)	Current year target (2022/23)	Reward or penalty outcome for 2022/23
Pollution incidents	Number of pollution incidents due to escapes from our sewerage network per 10,000 km of sewer network.	33.75	33.36	23.00	-£4.61 million
Bathing waters attaining 'Excellent' status	Number of recognised bathing waters in our region rated 'Excellent' (based on standards set by the European Bathing Water Directive).	32	32	34	n/a
Abstraction Incentive Mechanism	An incentive to reduce the water we take from sensitive rivers or wetlands during very dry periods.	-376 Ml	17 Ml	-87 Ml	-£0.05 million
WINEP	The progress of the company in delivering its agreed Water Industry National Environment Programme (WINEP) schemes in a timely manner.	1,184	1,399	1,126	+£2.24 million
WINEP delivery		Met	Not met	Met	n/a
Natural capital	This measures progress towards meeting improvements in natural capital within our region.	Fail	Fail	On track	n/a
Regional collaboration	This measures progress towards the development of a regional approach to assessing and considering natural capital.	On track	On track	On track	n/a
Sludge treatment capacity	This measures progress towards delivering additional sludge treatment capacity.	0%	0%	100% by 2025	n/a

Pollution incidents: Serious pollutions reduced this year from 14 in 2021/22 to 11, but we remain significantly off target. While classified as 'serious', none of the pollution incidents in the period resulted in the death of fish. Following close review, we know the very narrow watercourses, owing to the heavily drained nature of our region, create an increased vulnerability for serious pollutions. This is something we are looking to address. Our Category 1–3 pollutions per 10,000km sewer totalled at 33.36. In 2021/22, the total was similar at 33.75. Our performance remains off target and improving our pollutions performance is an absolute priority. This year, our self-reporting has continued to improve. The progress we are making on our Pollution Incident Reduction Plan will give us greater insight on asset health, but it will take time for the cumulative benefit to feed through to our results. See more on pages 11 and 43.

Bathing waters attaining 'Excellent' status: 94% of our coastal bathing waters were rated as 'Excellent' or 'Good': 32 were rated as 'Excellent', eligible for Blue Flag status, 13 were rated as good, two as sufficient, and one poor. Investigations at the poor site have ruled out our assets as the cause. Despite being a strong result equal to last year, a decline in Norfolk bathing water quality has caused us to miss the in-year target. A recent 'Source Apportionment' study found our assets are not the primary cause for this decline. See more on page 44.

Abstraction Incentive Mechanism: The Abstraction Incentive Mechanism exists to encourage additional, temporary reduction in abstraction at four particular sites and in dry conditions, when this is operationally feasible. This year we were able to make reductions at two sites, with no change at a third site.

At a fourth site we did not have an opportunity to reduce abstraction as a neighbouring source was out of service, and we therefore missed our target this year. This measure is unrelated to our 100% compliance on annual abstraction licences, which, cited elsewhere in the report, was important to safeguard the environment through the drought. At the same time we are proceeding at pace with our strategic pipeline, which will enable us to reduce abstraction by 31,025 Ml per year, the largest commitment on abstraction reduction in the industry, as outlined in our Water Resources Management Plan.

Water Industry National Environment Programme (WINEP): Our WINEP is one of the biggest environmental programmes in the sector, worth £811 million between 2020–2025. So far, more than 300 schemes have been delivered early. We have worked hard again this year to deliver another significant tranche of obligations ahead of schedule. This includes our work to investigate and remediate storm spills, and deliver nine flow-to-full-treatment (FFT) schemes this year, four of which were delivered early.

Natural Capital: This performance commitment captures improvements across four sub-measures; water quantity, ground water quality, surface water quality and biodiversity. We must be on track across all four to be on target. This year, we were ahead of target on biodiversity net gain and surface water quality, and on target for ground water quality. However, on water quantity, which tracks the rolling three-year average for the total volume of water put into supply in relation to our regional population, was higher than the target, owed to household water use being higher than predicted, although we are now seeing that reduce.

Delighted customers

What are we measuring?	How are we measuring it?	Prior year performance (2021/22)	Current year performance (2022/23)	Current year target (2022/23)	Reward or penalty outcome for 2022/23
Customer Measure of Experience (CMeX)	Customer survey conducted for Ofwat called CMeX which assesses the experience the company provides to residential customers.	80.4/100, putting us in 9th place	78.8/100, putting us in 10th place	This is a comparative measure – we aim to perform in the top 25% of companies (4th position or higher)	-£0.29 million
Developer Measure of Experience (DMeX)	Survey conducted for Ofwat called DMeX which assesses the experience the company provides to developer services customers who build new homes.	87.54/100, putting us in 7th place	87.3/100, putting us in 9th place	This is a comparative measure – we aim to perform in the top 25% of companies (4th position or higher)	£0
Properties at risk of persistent low pressure	Number of properties that are affected by persistent low pressure. Persistent low water pressure is an ongoing low pressure problem rather than short-term low pressure caused by a water mains burst or unusual peak in demand for water.	58	53	150	+£0.6 million
Internal sewer flooding	The number of times that properties are flooded internally per 10,000 customer connections to the sewer.	1.73	1.69	1.58	-£1.2 million
External sewer flooding	The number of times that properties are flooded externally.	4,181	4,673	4,091	-£2.4 million
Non-household retailer satisfaction	This measure assesses the service provided by the company to non-household retailers.	90.2	86.7	76.9	n/a
Water supply interruptions	Average length of supply interruptions per property (for interruptions over three hours).	9m 47s	14m 35s	5m 45s	-£10.13 million

Customer Measure of Experience (CMeX): Disappointingly, we have slipped to 10th place in the CMeX ranking this year, which is just below the average position for the industry. This means we will incur a penalty of around £0.3 million. Customers preferences are changing, with a growing desire to interact and transact digitally. To deliver this, we have consciously allowed our digital channels to grow, making the experiences as effortless for customers as possible. Due to the varying survey and contact channels used and the known differences in satisfaction rates, the current CMeX methodology favours non-digital contacts, such as a phone call. Due to the range of digital channels we offer, more than 60% of our contacts are now via a digital channel. As a result our CMeX score is disproportionately lower than if the volume of our digital contacts was less. We stand by our decision to respond to customer feedback and act on what they have told us is important. We are pleased to be working with the industry and Ofwat to identify what changes may be needed for CMeX to adapt to the changing customer demand.

Developer Measure of Experience (DMeX): We are the median company (9th) this year, meaning we receive no penalty or reward.

Internal and External sewer flooding: The self-cleansing nature of sewer pipes means a dry year can also lead to more blockages and flooding. The drought, coupled with the scale and features of our sewer network, created the perfect conditions for blockages to accumulate in many locations. As a result, we did not meet our target and will incur a penalty. We are working on combatting this by enhancing our jetting programme and through our Dynamic Sewer Visualisation programme. See more on page 43.

Water supply interruptions: A significant proportion of our total penalty this year is a result of our interruptions to supply. Almost half of the score for the year was incurred during the summer heatwave and drought period. As customers are on water 99.99% of the time, their willingness to invest bill money in this area has been and remains low. Read more about how our teams worked through extreme temperatures to minimise customer impact on page 50.

Properties at persistent risk of low pressure: We have continued to reduce the number of properties at risk of persistent low pressure, removing five properties from our low pressure register this year. A combination of investment and operational investigations means we are ahead of target for 2022/23.

Fair charges, fair returns

What are we measuring?	How are we measuring it?	Prior year performance (2021/22)	Current year performance (2022/23)	Current year target (2022/23)	Reward or penalty outcome for 2022/23
Managing void properties	The percentage of properties that are falsely identified as void properties. This means that they are occupied and should be charged by the company.	0.12	0.10	0.35	+£1.18 million reward
Value for money	A survey of customers by the Consumer Council for Water about the value for money provided by the company.	77% agree we provide good value for money	81% agree we provide value formoney	81% agree we provide good value for money	n/a

Value for money: We regularly engage with our customers on key issues such as value for money. This year, we reinstated our customer Board, which facilitates two-way conversations on our performance, where we have explained how we are maximising bill-payers' money to deliver environmental and social benefits within the region.

The average Anglian Water customer bill is £1.35 per day, pegged down by our efforts to keep bills low. Since privatisation, our bills have risen little more than 10% (excluding inflation), against an industry average increase of 40%. Where we have needed to increase charges, we have matched this with a strong package of support for vulnerable customers. We maintain the fairest way to bill our customers is to charge for what they use, and 83% of customers do so, based on meter readings, aiding water efficiency.

Safe, clean water

What are we measuring?	How are we measuring it?	Prior year performance (2021/22)	Current year performance (2022/23)	Current year target (2022/23)	Reward or penalty outcome for 2022/23
Water quality (Compliance Risk Index)	This is the key measure used by the Drinking Water Inspectorate to determine our overall compliance with stringent regulatory drinking water standards.	4.04	2.92[2]	0.00	-£1.1 million
Water quality contacts	The number of complaints from customers about water quality per thousand people served.	1.03	1.01	0.93	-£0.2 million
Event Risk Index	This assessment looks at the company's approach to risk mitigation of water quality events.	0.972	2.77[2]	15	n/a

Compliance Risk Index: This year our provisional Compliance Risk Index score is 2.92. Whilst we missed our target and we aren't where we want to be, our 2022/23 score reflects a 29% improvement on 2021/22. Furthermore, our score is well ahead of the 2022/23 provisional industry average of 5. This reflects the success of our improvement programmes targeted in the areas of coliform and E.coli detections at Water Treatment Works' finals and storage points, and taste and odour detections at customers' taps.

Event Risk Index: Our provisional score for 2022/23 of 2.77 is well within our target and significantly below the provisional industry average. It reflects our robust processes to minimise impact on customers during planned work and our reactive response.

Water quality contacts: This is our best-ever result. Although we have narrowly missed the ODI, in the face of the operational challenges this year, to receive such a low level of complaints demonstrates our robust processes to minimise customer impact.

2 Our current year performance is subject to finalisation.

Positive impact on communities

What are we measuring?	How are we measuring it?	Prior year performance (2021/22)	Current year performance (2022/23)	Current year target (2022/23)	Reward or penalty outcome for 2022/23
Priority services for customers in vulnerable circumstances	The percentage of customers recorded as requiring priority services due to being in vulnerable circumstances and the percentage of people contacted to ensure records are kept up to date.	9.6% reach 62% actual contact 100% attempted contact	11.4% reach 62.4% actual contact 100% attempted contact	6.1% reach 35% actual contact 90% attempted contact	n/a
Customers aware of the PSR	Percentage of customers made aware of our Priority Services Register (PSR) and how they can benefit from being on it.	52.5%	61.8%	56.5%	n/a
Helping those struggling to pay	The number of customers who are struggling to pay their water bill and who receive financial support through one of the company's financial support schemes.	324,750	344,483	292,577	n/a
Community investment	The percentage increase in community investment programmes through which the company adds social value to its communities (compared to 2020/21).	137.5%	104%	2.0%	n/a
Customer trust	The improvement in company score for a survey of customers by the Consumer Council for Water about the trust that customers place in the company.	0.34	0.09	0.02	n/a
BSI Standard for Inclusive Service	To maintain certification for the British Standard for Inclusive Service Provision (BS 18477).	Maintained	Maintained	Maintained	n/a
Partnership working on pluvial and fluvial flood risk	Investments delivered working in partnership with other organisations to protect infrastructure from flooding.	35	49	92 by 2025	n/a

Priority services for customers in vulnerable circumstances: We are significantly ahead of target on all areas relating to our support for vulnerable customers, including, most notably, take-up of our Priority Services Register, which has already met the full AMP target. Now, 11.4% of customers are signed-up to the PSR against a national average of 5%.

Helping those struggling to pay: We supported in excess of 330,000 customers with a £65 million cost-of-living package, and announced £135 million in support for 2023/24. See more on pages 46 to 52.

Community Investment: In our pursuit to bring social prosperity to our region, in 2022/23, we directly reached or supported an estimated 58,267 people through our community investment activities, delivered by ourselves and through our Alliance partners. Our ODI target is 2%, we outperformed, achieving 104%.

Partnership working on pluvial and fluvial flood risk: Our flood partnership approach has resulted in 49 outputs being achieved collaboratively so far this AMP. One example is our continued engagement through the Norfolk Strategic Flood Alliance, supporting a catchment-based approach to protect Norfolk communities and infrastructure against the risks of inland and coastal flooding, as well as drought. Our work is one part of the puzzle to deliver an ambitious multi-agency approach that reduces risk, rather than focusing on response. Our partnership match-funding and outputs delivered increase sharply in years four and five of this AMP, so we are confident we remain on track to meet our commitment of 92 outputs.

Investing for tomorrow

What are we measuring?	How are we measuring it?	Prior year performance (2021/22)	Current year performance (2022/23)	Current year target (2022/23)	Reward or penalty outcome for 2022/23
Mains repairs	Number of repairs made to water mains per 1,000 km of total water mains.	122.2	173.2	136.2	-£4.4 million
Unplanned outage	Percentage of maximum water treatment works output unavailable during the year.	1.72%	1.91%	2.34%	Met (penalty applied if unmet)
Sewer collapses	Number of sewer collapses per 1,000 km of sewers.	5.44	5.2[3]	5.50	Met (penalty applied if unmet)
Treatment works compliance	Percentage of water and sewage treatment works meeting permits for the quality of water discharged to the environment.	98.22%	98.57%	100%	-£0.6 million
Reactive mains bursts	Reactive bursts are those that are identified and reported by a customer or third-party before they are identified by the company.	3,322	5,140	3,063	n/a

Main repairs (and reactive mains bursts): Climate-related events in both summer and winter impacted burst mains performance. In our heavily drained region with clay and other soil types, underground assets are particularly susceptible to ground movement, especially in dramatically changing environments experienced this year. Our teams worked hard to minimise the impact on customers, and deploying our Anglian Water Force incident teams where needed. In Ely, the only community that was significantly impacted through the whole period, we were praised by customers for our quick response. Our records show that December 2022 saw our highest ever burst main repairs recorded since 2011/12.

Treatment works compliance: Our compliance improved from 98.2% (2021) to 98.6% in 2022 and we recorded fewer failing treatment works. This continues to be a significant area of focus.

Sewer collapses: This is a measure of the health of our water recycling network. We have delivered an improved level of performance this year by focusing our investment on our highest risk sewers and rising mains.

Unplanned outages: These are a measure of the health of our water treatment assets. It is the percentage of capacity (peak week production capacity) unavailable throughout the year. We have maintained a low level of outage this year.

3 Our current year performance is subject to finalisation.

Our environment

Protecting and enhancing our region's environment could not be more fundamental to our business. It is critical to securing long-term resilience for our water supplies and is underpinned by our purpose.

281%
biodiversity net gain delivered (2022: 302%)

94%
of our coastal bathing waters are rated 'good' or 'excellent' (2022: 94%)

£811m
of environmental enhancement being delivered between 2020–2025 (2015–2020: £360m)

99%
of our Special Sites of Scientific Interest in a favourable condition (2022: 99%)

11,000m^3
of additional capacity helped achieve the lowest average number of spills in the industry

63.2%
reduction in capital carbon against 2010 baseline (2022: 63.1%)

No hosepipe ban needed
despite the summer drought, showing excellent demand management and resilience

Our environment continued

Our region is the most challenged in the UK – water stressed, on the front line of climate change, a rapidly growing population and with many special habitats such as the Broads national park to protect. This is why we have one of the largest Water Industry National Environment Programmes (WINEP) in our industry, worth £811 million. Coupled with our extensive investment strategies to reduce abstraction, reduce leakage, increase supply, build resilience to drought and reduce demand from customers, it makes us one of the biggest investors in the East of England's environment.

This year we've ploughed £93 million into 224 schemes, including making improvements to bathing water quality, increasing the capacity of water recycling centres to treat more sewage and installing more storm tanks at water recycling centres to reduce storm overflow spills, which we reduced to our lowest level yet.

In addition, we've committed to Get River Positive by 2030 with five bold pledges to make rivers the healthiest they can be, setting a benchmark for the industry. Through the initiative, we are investing in and convening partners across our region to improve river health.

We've had substantially fewer storm spills this year, with one of the best results in the industry, which is evidence of our commitment to take action on customer priorities and that we are focused on the right areas. But we need to work harder to ensure no environmental harm is caused by our assets.

This year we fell short of our ambitions for pollutions. Whilst we have taken action to bring about improvements, our total number of pollutions remain similar to last year, see page 43.

In July 2022, our new Director of Water Recycling, Emily Timmins, was appointed to bring about the change we want to see. Sitting on our Management Board, Emily has implemented predictive analytics and machine learning at pace that will give us the insight we need on asset performance. The early data gives us confidence we are on the right track, but we also know it will take time to see the cumulative impact of these actions transpire into results. Recognising the need to go further and faster still, we are working hard to get back on the glidepath to zero serious pollutions and zero harm from our assets.

In addition, we have delivered several environmental benefits over the year; from leakage reductions, abstraction compliance, progressing our Get River Positive pledges and achieving biodiversity net gain of 281%.

"Although we are two years ahead of our storm overflow spill target, we regard any spill as unacceptable. We need to go further, so, we're bringing in smart technology and machine learning at pace to help predict and prevent pollutions."

Emily Timmins
Director of Water Recycling

We went further still to protect the environment this summer during the drought.

1,653 megalitres

put directly into environmentally sensitive river systems across our region during 2022, supporting the environment during times of low flow.

We deliberately reduced abstraction at our Wansford abstraction point, enabling farmers to continue irrigating their crops through the hot, dry summer, safeguarding food production, as well as supporting downstream RSPB nature reserves and fisheries.

100%

compliance on our annual drinking water abstraction licences. This meant we avoided additional stress on the environment during the drought.

99.7%

of the water we receive is processed, treated and returned to rivers as it should be.

No hosepipe ban

needed during 2022's exceptionally hot, dry summer. Despite record soil moisture deficits in our region, we did not need to deploy a Temporary Use Ban. This was made possible through years of consistent investment on supply options and reducing demand through low leakage. We supported our customers throughout the summer to make water smart decisions to protect the environment.

Our environment continued

Managing supply and demand

Reducing the amount of water we take from the environment is one of the greatest things we can do to protect it. Our twin-track approach to reduce demand and increase supply has enabled us to build resilience over decades, which meant during this summer's drought we avoided the need for drought permits, despite record soil moisture deficits in this part of the country. Nonetheless, we have a growing population to serve and we're building a ground-breaking interconnected pipeline, amongst other infrastructure, to bring in water from more sustainable sources.

Strategic pipeline builds resilience

Together with our Strategic Pipeline Alliance (SPA) partners: Costain, Farrans, Jacobs and Mott MacDonald Bentley, we're delivering the biggest infrastructure programme in Anglian Water's history. Our pipeline will be key to moving water around the region to improve resilience to drought and keeping fresh, clean water flowing to homes and businesses.

The new network – hundreds of kilometres of interconnecting pipelines – will allow us to move water from areas where there is a surplus to areas where there is not – protecting vulnerable habitats by allowing us to reduce abstraction in sensitive environments.

Starting at Elsham in North Lincolnshire, the pipeline will end near Colchester, in Essex, and Ipswich, in Suffolk – making it as long as the M1 motorway.

Commissioning of the 12.5km Norwich to Wymondham section is now complete. The next section to be commissioned is the 34 kilometres linking Lincoln and Grantham. Planning permission has now been granted for the route of the 70-kilometre stretch between Bexwell and Bury St Edmunds, meaning permission is now in place for about two-thirds of the route.

Record low leakage

To ensure there is enough water to serve the growing population in this region, in addition to building new infrastructure, decades of investment have helped us to achieve our long-standing track record on leakage. In response to the operational challenges this summer, **we invested to boost the number of leakage teams by a third. More than 100 leakage repair crews and all leakage resource was diverted to emerging, critical bursts which enabled us to minimise water lost as quickly as possible.**

Retaining the additional resource also helped us weather the subsequent freeze-thaw in December. The huge swing in temperatures led to significant ground movement and a spate of bursts that added 60 megalitres of water loss to our leakage total. The additional repair teams recovered the loss in six weeks.

544,000+ smart meters fitted

Smart meters support customers to understand and reduce their usage and help us identify leaks. Helping customers look after their domestic plumbing is a fundamental part of our forward plan to reduce demand for water.

We're on track to reach our 2025 target to install smart meters in 1.1 million homes. Since 2020, we've installed over 544,000 smart meters in what is one of the most ambitious roll-outs in the industry, with approximately 4,500 weekly installations, around one in four homes now has a smart meter. Our entire smart meter programme will be complete by 2030.

High penetration of smart meters gives us access to an unprecedented scale of data, with 12 million reads a day. This enables us to differentiate between customer use and leaks at a granular level. For example, in one District Metered Area, we saw higher night flow across many properties during spring – potentially indicative of a leak. This change in use coincided with the month of Ramadan.

The data enabled us to recognise this was normal night-time usage for this community, and we did not need to send a technician to investigate.

Our smart meters helped us identify 104,589 properties with continuous flow last year, of which 12,964 were identified and fixed directly by customers. We supported customers to fix a further 93,074 leaks. This resulted in 25 Ml/d of leakage or plumbing loss being resolved.

Our focus on metering over decades has resulted in our customers being some of the most water efficient in the country. Our MyAccount app provides smart meter updates, enabling customers to monitor their water usage, see comparisons to similar households and stay more in control of their bill.

Innovation in action: Flora growth helps identify leaks during drought

We've used drone technology to detect leaks for a number of years. This has helped us reduce leaks even further throughout 2022. During the hot summer and drought, our quick-thinking teams repurposed the drones to spot flora growth amongst the arid landscape, which helped us to identify leaks in a new way.

Our environment continued

Encouraging customers to Love Every Drop

Our behaviour change programmes also support customers to think differently about water. We continually encourage our customers to consider their water usage and make positive changes. For example, during the drought, we ran a seasonal campaign to help customers save water, which reached 2.9 million people on our social media channels alone. Our 'shorter shower' campaign focused on helping customers to reduce their energy bills as well as water consumption. This tied in with our wider cost of living campaign, which aimed to raise customer awareness of our cost of living affordability schemes. As part of the campaign, 6,000 Anglian Water bathroom kits have been sent out since January 2023.

Sustainable solutions to flooding

Keeping rainwater out of our sewers using nature-based solutions is one way we are reducing the risk of flooding and reducing storm overflow spills. It is why we are accelerating our programme of Sustainable urban Drainage Systems (SuDS). SuDS are a great solution for urban areas, combining drainage materials, plants and soil to help retain water and allow it to soak away naturally.

We've been working in partnership with developers and local councils to help deliver more than 100 SuDS projects since 2012. This past year, we have worked alongside the department for education helping fund SuDS in schools, which typically have expanses of impermeable surfaces, like playgrounds. This has made schools more resilient to extreme weather, as well as teaching young people about flood risk and sustainability.

Due to the Government's recent announcement to implement Schedule 3 of the Flood and Water Management Act, SuDS will become mandatory for new developments. This is an issue we have campaigned on for a long time, and the resulting change in policy will help us manage flood risk and storm overflow discharges in future.

We are also funding an increasing number of nature-based solutions, including a beaver release near Finchingfield in Essex. These beavers have already started to create dams in the upper catchment which slows flow and reduces the flood risk to the middle and lower catchments. This was previously an area which suffered from flooding but now, thanks to nature's engineers, the risk has been significantly reduced.

Water on tap for generations to come

We have announced plans for two new reservoirs – one in Lincolnshire, and another in The Cambridgeshire Fens in partnership with Cambridge Water.

The Fens is one of the UK's areas most exposed to climate change impacts; on the frontline of rising sea levels, it's at growing risk of severe tidal flooding. It is also the driest part of the country, with water shortages a real and increasing risk. As home to more than half of the UK's most fertile land, agriculture here provides a fifth of the nation's crops and a third of its vegetables. Prolonged drought would pose enormous challenges to food production.

The reservoirs will serve multiple purposes beyond water supply security. Designed with greater outcomes in mind, they will also alleviate flood risk, support agricultural irrigation to provide food security, provide amenity and help to regenerate this part of the Fens, which has patterns of rural poverty and deprivation. Find out how we are supporting adaptation in the Fens, here.

Grafham Water in Huntingdonshire was built in 1965 and will be joined by the new new reservoirs proposed.

Our environment continued

Reducing pollutions

Our self-reporting of pollutions continued to improve in 2022/23. Importantly, we have made gains on our year-on-year comparative pollutions performance, however this has been offset by our decision to retrospectively report incidents in light of our new monitoring capabilities. We are one of a few companies to take a national lead on this.

Having looked closely at the drivers for pollutions and interrogating the unique features of our region in relation to these, we have been able to determine key areas of focus. For example, the narrow watercourses that are symbolic of our heavily drained region mean pollutions can travel greater distances and we need to address this. Similarly, the high proportion of rural communities in our region (90% rural, 10% urban) means we have many unmonitored remote locations across our asset base. This is now an area of focus. The rural nature of our region also means third-party damage to our assets is a primary factor and we are prioritising working with local stakeholders to bring about improvements.

We recognise we have more work to do, and having completed a detailed analysis, our Pollution Incident Reduction Plan is heavily geared towards specific asset types and protecting sensitive environments, as well as operational control, predictive analytics and operational excellence.

Our Dynamic Sewer Visualisation Programme will see us install more than 20,000 sewer monitors that provide coverage over 11,000km of our high and medium risk sewer network.

This is supported by our routine cleansing and jetting programme to prevent repeat blockages.

We're also using a new system, Storm Harvester, which uses machine learning to tell us how our sewer network is performing. Overlaid with weather forecasting data, the system alerts us when flow is up or down, with our analysts able to quickly identify whether flow is related to a weather event or a potential blockage and intervene accordingly.

Data is collected from each sewer monitor once a day for a period of three months. During this time, Storm Harvester assesses the typical pattern of the sewer level. When the level in the sewer deviates from what is expected, an alert is raised. As well as helping to prevent pollutions, the system is self-learning, so we expect the initial results to improve. This is just one of the ways in which we are using new technologies to reduce pollutions.

Supporting customers to 'Keep it Clear'

Blockages account for almost 40% of pollution incidents on our sewer networks. Installing monitors will help us detect a blockage forming so that we can clear it before it causes an impact.

We clear over 40,000 blockages every single year, caused by wrongly flushed items, as well as a build-up of fats, oils and greases. This equates to one blockage every five minutes – of which 80% are avoidable. Our partnership with ECAS to reduce the impact of food serving establishments has now been widened to domestic customers.

Furthermore, whilst we welcome calls to remove plastic from wet wipes, this will not necessarily stop them from blocking our sewers. Our ongoing 'Keep it Clear' campaign, which educates our customers on what is fine to flush (the three Ps - Pee, Poo and Paper), reached approximately threemillion customers in the last year.

Storm overflows

Storm overflows are designed to act as relief valves when the sewerage system is at risk of being overwhelmed, for example during heavy downpours when a lot of rainwater runs into drains and the sewers over a short period. Storm overflows are several decades old and removing them completely would be complicated, disruptive and expensive, with an estimated price tag of £600 billion to effectively re-plumb major towns and cities across the UK.

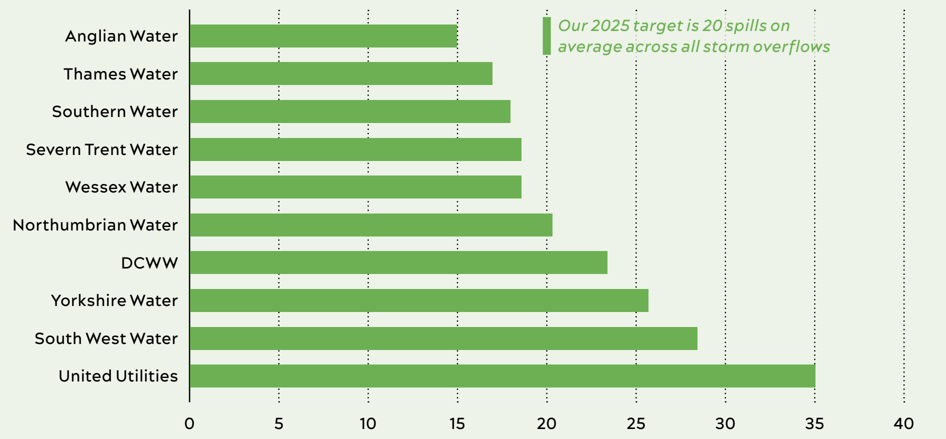
Since privatisation we have revoked the permits for 13% of our overflows, but we understand society wants us to go further. We have pledged to reduce spills to an average of 20 by 2025 and eliminate harm from storm overflows by 2030.

This year we met our 2025 target to reduce spills, with an average of 15 spills per overflow – the lowest in the industry which averaged 29.

We recognise one year of performance ahead of target does not mean the job is complete, but the progress and positive downward trajectory is clear. More than 86% of our storm overflows are fitted with Event Duration Monitors, and we will have full coverage by the end of the year, well before government's target.

We have made substantial improvements to our sewer network to reach this point, installing over 100 storm tanks this AMP, many of them ahead of schedule.

Average number of spills per monitored storm overflow



Our environment continued

In the past year, we've increased storm capacity at 40 sites adding over 11,000m³ of storm storage volume to the network.

Furthermore, we have launched an interactive map on our website showing where our storm overflows are located and data about how often they spilled in 2022. We are working to provide near real-time spill data by the end of 2023.

Biodiversity net gain

Recognising the responsibility we have to contribute to nature recovery, we are committed to deliver 10% biodiversity net gain across our capital schemes and land management activities where there is a material impact on biodiversity.

Over the past year, we delivered 281% net gain. Many of the enhancements were delivered via our @one Alliance, and through our land management activities.

Three new bathing waters

In April 2023 Defra announced four new inland bathing water designations, three of which were in our region. Our two bathing sites at Rutland Water received official designation along with a stretch of the River Deben near Woodbridge, where we carried out river water quality sampling to support the application. We continue to work with local river groups, swimming clubs, town councils and local authorities to support more applications for next year.

Coastal waters

Our ambition is for the majority of our customers to live within one hour of a designated bathing water site. Our Coastal Water Protection Team has safeguarded the quality of our region's bathing waters with stakeholder engagement, targeted investigations and investment this year as part of our WINEP investment programme.

This year 94% of our coastal bathing waters were good or excellent; 32 excellent and 13 rated good. 17 sites have Blue Flags and a further 20 have Seaside Awards which supports the tourism economies of those coastal towns, and is determined by the range of facilities on offer at those locations as well as the high quality of the bathing waters.

The introduction of PerFormic Acid (PFA) dosing at Southwold Water Recycling Centre in 2021/22 tied in with an improvement in the bathing water classification at Southwold the Denes beach from 'Sufficient' to 'Good'. The PFA trial continued this year and resulted in a further improvement to achieve the 'Excellent' classification. This is the first time this beach has achieved the highest classification and demonstrates the potential of PFA as a low carbon, environmentally friendly and cost-effective alternative to ultraviolet treatment.

The one 'Poor' location in our region, Heacham, has been thoroughly investigated with no link found between the decline in bathing water quality and our assets. A recent 'Source Apportionment' study identified birds feeding on the mudflats on the Wash as the largest source of bacteria impacting the bathing water quality.

Get River Positive

Our Get River Positive (GRP) initiative is underpinned by five pledges to protect and revitalise rivers, setting the standard for the industry. In the Anglian Water region we are responsible for 17.9% of the reasons rivers are not achieving good ecological status (RNAGs) – a number that is reducing as we continue our investment and improvements.

Commitment 1
Ensure storm overflows, sewage treatment works and abstraction do not harm rivers

Commitment 2
Create more opportunities for everyone to enjoy our region's rivers

Commitment 3
Support others to improve and care for rivers

Commitment 4
Enhance our rivers and create new habitats so wildlife can thrive

Commitment 5
Be open and transparent about our performance and our plans

Since launching in March 2022 we have progressed many actions; establishing the Rivers Trust Strategic Partnership, unlocking funding for a wetland on the River Stiffkey, partnering with global leaders like Microsoft and Avanade, convening an expert scrutiny panel to hold us to account, and launching our interactive storm overflow spill map. Shareholders reinvested £7 million to fund GRP and accelerate river health improvements over two years. We continue to progress our commitments, seeking match-funding from partners to leverage more capital and have an even bigger, collective impact.

Our environment continued

In these instances, our Coastal Team will work with local stakeholders to see what action can be taken.

Wherever there is a negative change in quality, we will investigate and wherever our assets are found to be linked, investment and remedial works are planned to ensure quality remains protected or improved.

99% favourable SSSIs

Part of our role in supporting the environment in the East of England is the management of 49 designated sites of special scientific interest (SSSIs). We are proud of our track record in this area, with 99% of our sites considered to be in favourable condition against a national average of just 38.23%.

Our commitment to net zero

In 2021, we made a commitment to reach net zero carbon by 2030. Our decarbonisation journey first began in 2010, when we set out to halve capital (embodied) and operational carbon. With committed leadership and a determined supply chain, by 2022/23 we'd reduced capital carbon, the carbon embodied in our assets, by more than 63.2% from our original 2010 baseline, and reduced operational emissions, the carbon used in running the business day-to-day, by 6% against a 2018 baseline. Our decarbonisation principles include offsetting unavoidable emissions through sequestration in our region, using nature-based solutions. Our approach to offsetting will see us prioritise credible schemes within our region or in the UK.

Where we cannot viably offset in the UK, we may invest in the international offset credit markets. Read more in our TCFD report, page 71 to 82, and in our net zero roadmap.

In our carbon reduction journey we're pioneering low-emission innovations, such as the UK's first all-electric sewage jetting van. The five-year project saw us work with engineers from Rioned and car manufacturer, Maxus, to develop the jetter. We believe it is the first of its kind and size in the UK. Used for cleaning sewer blockages, the four-tonne electric jetter is silent even while operational, allowing us to minimise disruption and noise during late night call-outs.

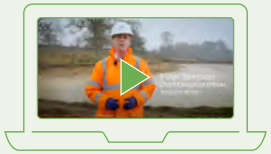
Wendling Beck Environment Project

The Wendling Beck Environment Project (WBEP) is a pioneering habitat creation, nature restoration and regenerative farming project covering almost 2,000 acres of farmland and chalk stream in the heart of Norfolk. The aim of the project is to create a blueprint to help farmers, landowners, environmental NGOs, and private companies across the UK evolve the way land is used, towards a model that is more environmentally and financially resilient.

Over the year, we invited Ofwat, Natural England and Defra to visit the project, which is a true exemplar of partnership working, demonstrating our commitment to outcomes-based environmental regulation and working in partnership with others. We also confirmed plans to plant two hectares of woodland with local charities Dereham Cancer Care and Mid Norfolk Mencap.

World's first ecological digital twin

We are creating the world's first ecological digital twin, in partnership with Microsoft and Avanade, based on the River Stiffkey catchment. Once complete, the digital twin will offer the ability to scale and trial ecological solutions, enabling new ideas and ways of working to be tested.



Video: More about Get River Positive

> **"Not only is this work hugely beneficial for water quality in the River Wensum, which is fed by precious, rare chalk streams, it will also help improve soil and air quality in the area."**
>
> **Chris Gerrard,** Catchment and Biodiversity Manager, Anglian Water

Innovation in action: Revolutionising pipeline commissioning

In a first for the UK water industry, with our Strategic Pipeline Alliance (SPA) partners, we developed an innovative new technique to clean the newly laid water pipe to food hygiene standards without using vast amounts of water. Known as Low Water Commissioning, we used it to flush the first section of the new network, a 12.5km pipeline in Norfolk.

A 700mm diameter pipe around a kilometre long would need around 380,000 litres of water to clean it by traditional means – a method and volume simply not tenable given the scale of our pipeline. Low Water Commissioning uses just 15% of the water in comparison by using compressed, dry, and clean air to drive slugs of water between swabs to clean and disinfect the pipes.

£65m
cost of living support package in 2022/23 (2022: £32.2m)

334,000+
vulnerable customers supported (2022: 277,418)

11.4%
of customers in our region now on PSR register against national average of 5% (2022: 9.6%)

£2m+
distributed to customers through the Household Support Fund (new for 2022)

£2.6m
of additional benefits identified for our customers (2022: £1.7m)

2.77
Our Event Risk Index score in 2022/23 (2022: 0.972)

Our **customers** and **communities**

The cost of living crisis has meant more customers and communities across the region are in vulnerable circumstances than ever before. We're doing everything we can to offer practical support and a listening ear.

Customers and Communities continued

Our purpose drives us to **deliver outstanding service and support to our customers.** Internally, our purpose is brought to life through our 'Make Today Great' strategy, underpinned by our values – empowering employees to make a difference for customers at every interaction.

Our cost of living crisis support

Throughout the cost of living crisis we have helped customers stay on top of household finances.

This year our tailored affordability support package for customers totalled more than £65 million (and will be doubled in 2023/24), helping more than 334,000 customers with discounts, temporary payment plans, debt support schemes, payment breaks and hardship funds.

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

We utilise every avenue to reach people in need of support before they fall into arrears, including working with the Department for Work and Pensions and Housing Associations to proactively identify customers in hardship. Using this data, we have been able to automatically passport more than 13,600 customers onto our financial support schemes.

Our trained Extra Care teams help customers create personalised plans to pay their bills and utilise our industry-first, all-in-one benefits assessment calculator to point customers towards additional cost-of-living assistance.

This year we conducted 63,149 Extra Care assessments, supporting 6,535 customers by identifying more than £2.6million pounds of unclaimed benefits, helping them maximise their income.

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

"Chloe helped me lower my monthly cost on water charges by listening to my situation, not being judgemental and offering some support to help me out. I felt like she made my year by being able to lower costs for me. It will really help me so much."

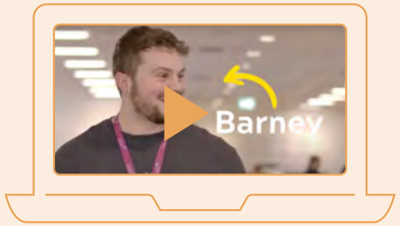
Feedback from one of our customers

63,149

Extra Care assessments conducted.

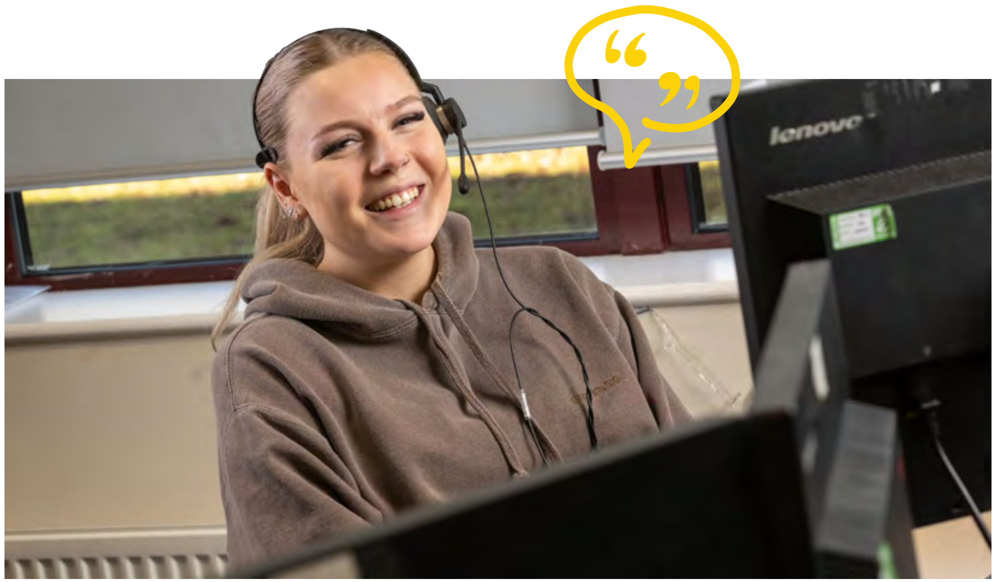
£2.6m

The amount our Extra Care team has helped identify in additional benefits for customers this year.



WATCH VIDEO: Barney

Our Extra Care team includes people like Barney, who knows what it takes to push through tough times and come out stronger on the other side.



Customers and Communities continued

We're always exploring **new ways to support our customers**. This was reflected this year when we partnered with local councils in our region to distribute more than £2 million from the Government's Household Support Fund to people experiencing financial hardship.

Priority Services Register

Our Priority Services Register (PSR) enables our teams to support customers with additional needs, which can be anything from sight, hearing, learning or mobility difficulties, to having a baby under 12 months old. The service also provides support to customers with long or short-term medical needs should there be any interruption to their water supply. We offer services from reading meters, to sending bills in other formats. However, many customers aren't aware they qualify for this service and we've been on a mission to redress that balance. We proactively get in touch with our PSR customers every two years at least, to check in and see if there's anything else we can help with.

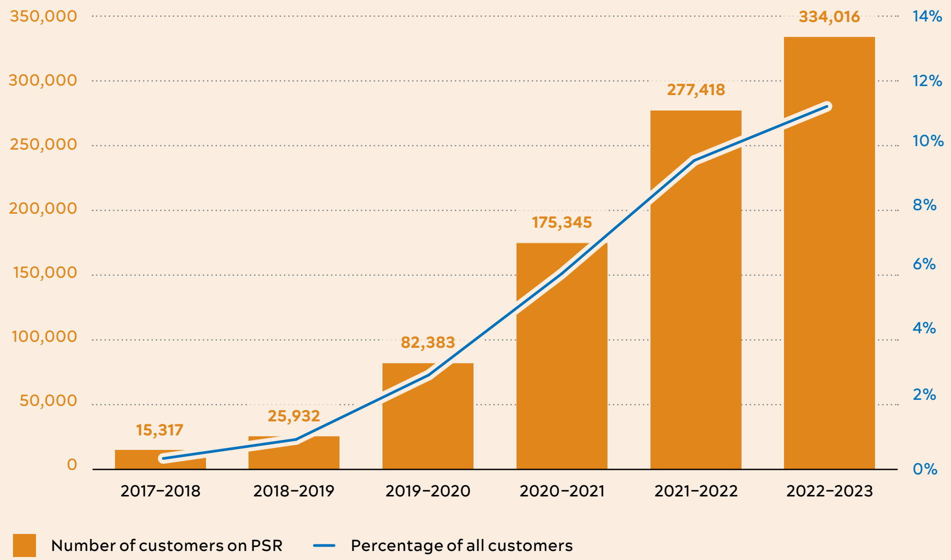
"Lulu was so lovely, and helped me so much without judging or being abrupt, which is how normal companies are if you ring with problems due to financial issues. Times are so difficult and having someone who is kind, understanding and finds a solution to people's financial problems is virtually impossible nowadays, but Lulu did. What a great asset to your company, thank you."

Feedback from one of our customers

Recognised for our vulnerable customer support

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

Customers on the Priority Services Register since 2018



We have significantly increased the number of customers on our Priority Services Register since the launch of our customer vulnerability strategy in 2018. At that time, we had 0.6% of customers, around 15,000 people, on the register. Today we have more than 11.4% of customers on our register, around 334,000 people. Many have also been helped with our cost of living financial support package.

We are proud to report PSR registrations now comprise 11.4% of our customers, putting us streets ahead of our end-of-year target of 6.1%, and our competitors, who are averaging around 5–6%. We have also surpassed Ofwat's 2025 target of reaching 7% of households.

We continue to identify and support more than 1,400 customers each week through our PSR team and remain committed to helping vulnerable customers in our community in line with our purpose.

We have a dedicated customer partnerships team who help us form relationships with organisations that support specific community groups and those who are more challenging to reach, for example, those who are vulnerable and/or disabled. To read more about the work they do, see page 59.

Customers and Communities continued

Fair charges for customers in 2022/23

Our customers want services that provide value for money, are fair and affordable. Our Business Plan for 2020–2025, created following engagement with more than half a million customers and stakeholders, includes a significant increase in investment in the services that matter most to customers and prepare our region to meet the challenges of a rapidly changing climate and growing population.

From 1 April 2023, customers will pay, on average, £1.35 per day for all water and sewerage services. Below is a breakdown of how we spend that money.

Safe clean water for our region

We have recorded our best ever year for customer contacts about the appearance, taste and odour of their water. While we narrowly missed our very challenging ODI performance commitment, set at 0.93 complaints per 1,000 customers, this year's performance is exceptional considering the climate-related operational impacts experienced.

At 1.01 customer contacts per 1,000 customers (compared with 1.03 customer contacts per 1,000 in 2021) this is a strong performance.

Drinking water quality

This year the provisional Compliance Risk Index (CRI) score is 2.92. Whilst not quite meeting our Ofwat set target, we saw a 29% improvement compared to 2021 (4.04 in 2021). This reflects progress in our improvement programmes targeted in the areas of coliform and E.coli detections at Water Treatment Works' final water testing points and storage points, and taste and odour detections at customers' taps.

1.01

Number of customer contacts per 1,000 customers about the quality of theirdrinking water (1.03 in 2021/22).

Our provisional Event Risk Index (ERI) score for 2022 is 2.77 which is within our Ofwat set target of 15. This score reflects our robust processes to minimise impacts to customers during planned work and our reactive response, and is an impressive score given the year of climate-related operational impacts.

Water quality audit

One technical audit was carried out by the Drinking Water Inspectorate (DWI) as part of its risk-based audit programme relating to the regulation 28 risk assessment returns. The audit outcome was 'Generally Satisfactory', with a single recommendation to be followed up in 2023.

Throughout 2022/23, we reviewed and strengthened our approach to assuring compliance with the requirements of regulation 31 'Application and introduction of substances and products' to ensure our policies and procedures remain industry-leading. We also introduced a new Laboratory Information Management System (LIM) to enhance the management of both processes and data within the laboratory and for reporting to the wider business and stakeholders.

29%

The improvement in our CRI score compared with 2021/22.

Customers and Communities continued

Make Today Great

We're proud of our great customer service. In 2022/23 we surveyed more than 70,000 customers, with over 90% saying they were very satisfied with our service.

However, the comparative customer measure of experience score (CMeX), as measured by Ofwat, was 78.77/100, placing us seventh among our water and sewerage company peers, 10th overall (see page 35). This is not the position we strive to be in and we are using insight to inform our improvement plans. We listen to thousands of customers every year and use this feedback to make improvements, while continuing with our internal Make Today Great campaign to improve the service for customers.

7.5 million+

digital interactions this year, with customers using online services to update their accounts, report service issues or book appointments, up 24.7% on 2020/21, to over 70% of total contacts.

Inclusive service

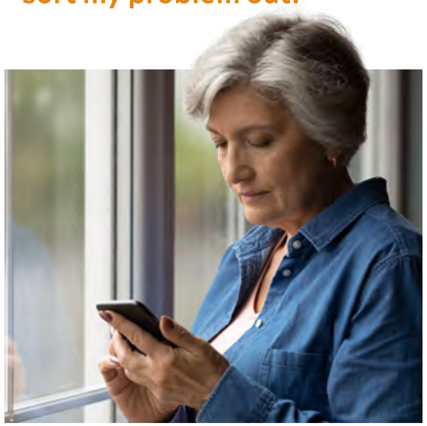
This year, in addition to achieving the new ISO for Customer Vulnerability (22458), we maintained our certification for the British Standard for Inclusive Service Provision.

To meet customers' evolving needs, we've launched our new WhatsApp service, which is achieving a 94% first time resolution.

Unlike a traditional chatbot, our WhatsApp service has a real person behind it, allowing customers to respond at their convenience. This service is inclusive and provides an easy channel for customers to communicate with us. We've been able to support customers whose first language is not English, as well as those with speech or hearing difficulties.

One customer said of the WhatsApp service:

"I have had a stroke which has affected my speech. Without this way of communicating, I would not have been able to sort my problem out."



Supporting our communities on the ground

In addition to diversifying our communications channels to meet our customers' needs, our people went to great lengths to Make Today Great for our communities through the summer.

Working through the prolonged hot spell, they responded to high work volumes generated by the extreme conditions and record temperatures.

Our people are dedicated to helping customers whatever the weather, as evidenced by our growing Anglian Water Force community – our Incident Response team made up of a huge number of employees in different roles to support during incidents.

This was the year Anglian Water Force was rolled out to all Anglian Water employees, with the aim of creating a much larger community of people who can support during an incident.

We had six incidents this year where we activated our Anglian Water Force, ranging from the drawn-out summer issues to power outages affecting key supply sites. Many used the summer demand as an opportunity to support their communities. Our people covered an average of 88% of the shifts available.

Customers and Communities continued

"We're Here To Help"

We operate five customer contact centres within our region, each of which is a critical part of our organisation.

> **"Many other call centres measure handle time, however we've removed that metric. It's not about how quickly we come up with solutions, more that we find the right one, and nor do we want to rush vulnerable people."**
>
> **Jane Taylor**, Head of Customer Services

Our aim is to understand our customers' needs from their first interaction with us, reducing the need for call-backs. For example, this year, we have created a team of multi-functional agents who provide a one-stop shop, dealing with anything from a bill query to a blocked manhole.

This year, our main contact centre teams have undertaken specialist vulnerability training to help identify and manage vulnerable customers.

To raise customer awareness of our cost of living affordability schemes in 2022/23, we ran an extensive multi-channel marketing campaign reaching millions of people with clear messaging about the help we offer.

97%

of our customer-facing staff agreed that 'where I work, there is a strong emphasis on delivering great service to our customers'.

Our cost-of-living emails saw a record open rate of 67% – well ahead of the 31.3% benchmark, and across the campaign we saw traffic to our online support pages increase by 80%. We also sent out letters alongside our printed bills to people who don't engage digitally to promote ways we can help.

This year our home-mover email campaign, which welcomes new customers when they move into the area, was recognised as an example of best practice, winning the 'Most impactful campaign of the year by a B2C business' award at the DotDigital 'Dotties'.

The judges were impressed by the high levels of engagement with home-movers, as well as the dynamic way we used content and different touchpoints to tailor messages to customers throughout their first 90 days in their new home. This campaign saw open rates of 73.4% (2021/22), well ahead of the average of 11%.

80%

increase in the traffic to our cost of living support web pages in 2022/23, as part of our efforts to raise customer awareness of the support we offer.

Customers and Communities continued

Contributing social value to the community we serve

More than 58,000 people were directly reached or supported by our community investment activities this year, including activities by our Alliance partners in the course of their work for us.

Our forthcoming Community Investment Report, to be published in July 2023, outlines the work we've undertaken throughout the year.

Strength in diversity

Our Strength in Diversity programme seeks to diversify our business by targeting specific towns in our region and working with schools, community groups and jobseekers to support them into work.

In 2022 we launched our programme in Peterborough, which has a high population of Black and Asian residents in relation to our wider region. As part of the programme, we have attended jobs fairs, run employability workshops, hosted a Women in STEM Day for Peterborough schools and invited 18 pupils to take part in a work experience activity.

We have seen great results from the programme to date. This year we saw an increase of 16% in new hires in Peterborough from Ethnically Diverse Communities, an increase from 10% in 2021. This far exceeds our target of 2% by 2024, and we are continuing the programme while also monitoring our progress to ensure this promising trend continues.

We have extended our activities to Milton Keynes and Bedford, and our Education team is focusing its outreach in these areas to support this important work.

2,200

books were donated by our Strategic Pipeline Alliance to 11 schools along the various routes of the new water network in partnership with reading charity, Bookmark. In addition, some of our people have volunteered to work alongside children as reading buddies and help create 'story corners' to give youngsters a space to read.

"We're delighted with our new books. It will help our children build their enthusiasm for reading and develop a better understanding of the environment around them, in particular the importance of fresh, clean water."

Alma McGonigle
Headteacher of Nova Primary Academy

21 years of RiverCare

Last year we proudly celebrated the 21st anniversary of our partnership with Keep Britain Tidy. As the sole funders of the RiverCare and BeachCare programme, we empower community-led volunteer groups to look after their local environment and waterways.

The programme now supports 50 community groups with over 1,000 volunteers across the region that help us keep rivers litter-free and undertake work to enhance biodiversity.

RiverCare and BeachCare participant feedback:

97%

of volunteers said that being part of the programme gave them a greater appreciation of their local watercourse or beach.

94%

said that their group was addressing a real need in their area.

98%

said that volunteering helped them feel more connected with their local community.

Our people

Everything we achieve as a business is through our people and our partners. Their safety, health and happiness is at the heart of everything we do. Together, we build trust, we do the right thing and we are always exploring.

46%

reduction in our accident frequency rate (2022: 0.07, 2021: 0.13)

4,500

attended our Time Out for Life event (See page 55)

✓ Achieved Disability Confident Employer status in November 2022

✓ Achieved ISO 45003 certification – Psychological health and safety at work

85%

of our people said they felt more in control of their financial wellbeing after attending our Talk Money Week sessions (See page 55)

86%

of our people believe we are an inclusive place to work (See page 57)

Times Top 50 Employer for Gender Equality

RoSPA Gold Award 7th consecutive year

Our people

Health and safety

Keeping our people safe and well is at the heart of our culture. Our safety performance has improved this year, with a reduction of 25% in serious accidents and near misses across the organisation compared with the same period in 2021. Our accident frequency rate has also significantly improved by 46% to 0.07, compared with 0.13 last year.

Our approach to health and safety was recognised with a prestigious RoSPA Gold Award for the seventh year in a row. We also received a RoSPA Fleet Safety Gold Medal for the fifth year in a row for managing occupational road risk, alongside a RoSPA Commended in the Safe@Work-Safe@Home Trophy. This commendation recognises how we have demonstrated innovation in promoting safety and protecting our employees in their lives outside of the workplace, in the home and in local communities.

We also successfully maintained our ISO 45001 accreditation for Health and Safety Management through a robust audit process from BSI.

We've continued to focus on behavioural safety through our Safe LIFE campaign, which focuses on the behaviours and choices we all make on a day-to-day basis.

We ran a virtual 'stand-down' event which saw more than 400 people attending. Our in-person LIFE Fest event was attended by more than 1,200 people. Both events focused on mental and physical wellbeing as well as behavioural safety, and received positive feedback from attendees.

This year we have utilised technology to increase safety engagement, launching a risk assessment app to help keep our people safe at the front line. Over 190,000 assessments have already been completed on the app. We also built a new action tracking system to help managers manage health and safety actions and near misses.

Health and safety leadership training continues to be rolled out with a positive impact across the business as a result.

Health and safety Metrics

	2018 /2019	2019 /2020	2020 /2021	2021 /2022	2022 /2023
Category 1 events[1]					
• Reporting of Injuries, Diseases and Dangerous Occurrences Regulation (RIDDOR) reportable specified injury accidents • RIDDOR reportable non-worker/member of the public accidents • RIDDOR reportable (potentially life-limiting) occupational diseases • Fatalities	5	4	7	7	3
Accident frequency rate (AFR)					
• The number of reportable accidents in every 100,000 hours worked. Our AFR includes data from our own employees and our contractors	0.12	0.08	0.13	0.13	0.07
Sick absence – target 5 days					
• The average number of working days lost per employee due to sickness	4.60	4.54	3.77[2]	5.82[2]	5.04

1 In 2019 we made changes to the way we report on more serious events. To ensure we have a more objective and refined way of reporting and measuring performance, we revised the event types that are now classified as Category 1 events. To ensure consistency of reporting, we have revised the previous years' Category 1 figures in line with the current reporting criteria so that we're comparing like for like.

2 These figures exclude self-isolation and shielding due to Covid-19.

This year we were proud to achieve the ISO 45003 certification for psychological health and safety at work. This is the first global standard on managing psychological health in the workplace and reflects our efforts to create a working environment where our people feel safe and supported to be themselves.

Our people continued

7.7%

Consolidated wage increase for our people

In order to provide comprehensive support for our people as the cost of living crisis took hold, Anglian Water and the Trade Unions met early to agree a pay increase for all employees including the Executive Directors and for Non-Executive Director fees. This was in addition to the 4.6% pay increase applied in April 2022. All eligible employees received a further uplift of 7.7% of their salary but by introducing the pay increase early – effective from February 2023 rather than April, as is typical – the pay increase was spread over 14 months instead of just 12, increasing its value and making it available for employees sooner.

We agreed that this early pay rise should not apply to Executive Directors or Non-Executive Director fees, which were adjusted, by 7.7%, in April 2023.

To read more about remuneration updates for our workforce in 2022/23 see our Remuneration Report on page 127.

Prioritising employee wellbeing

Time Out for LIFE is our biggest-ever programme of health, safety and wellbeing online events, with everyone in Anglian Water and our capital delivery alliances invited to take part. This year approximately 9,000 employees had access to the event, and we were delighted that more than 4,500 joined us. This was the third consecutive year that we have run the event for our people, with 98% of attendees saying it was a benefit to them (97% in 2022).

5,500+

Our 'Talk Money Week' saw us focus on financial wellbeing, with 85% of our people saying they felt more in control of their financial wellbeing after attending.

Developing future talent

Our early careers programmes for graduates, apprentices and interns helps us build our workforce of the future.

We have made full use of our allocation of the Government apprenticeship levy, with a focus on areas where employment opportunities have been limited.

In 2022/23 we employed 63 apprentices, our highest-ever number, alongside eight graduates.

Our Graduate programme has been running since 2004 and continues to offer positions focusing on leadership across vital areas of our business, including environment, customer service and management of assets, alongside project management and engineering.

Early careers and women

We have a long-term strategy to improve the gender and ethnicity balance of our workforce to better reflect the community we serve.

This year we have seen a jump in the number of women graduates joining our business, from 33% in 2021 to 75% in 2022. The number of women apprentices in our business has increased too, from 10% to 24%. We also had an even gender split in our intake of interns (50:50), a positive trend we want to see continue.

To read more about how we are working to improve the gender and ethnicity composition of our workforce, see our Remuneration Report on page 127.

"Apprentices and graduates have long been the lifeblood of Anglian Water. We are dedicated to making our early careers programmes a really attractive option so we can build a vibrant and diverse future workforce."

Peter Simpson,
Chief Executive

Our people continued

Recruitment

We continue to refine and update our attraction and selection process, with an emphasis on putting inclusion at the heart of our efforts. In the past year we have made several changes to reflect this, including:

- Installing Recite Me, a translation and accessibility tool, on our careers site, allowing candidates to customise the website to meet their needs
- Partnering with new diversity job boards, covering eight different demographics including ethnicity, neurodiversity, over 50s, disability and the LGBTQ+ community
- Updating our recruitment and selection hiring manager training, adding more content on the importance of diverse hiring, making interview adjustments for candidate's health conditions (where shared) and addressing unconscious bias
- Connecting with ex-servicewomen and men from the military through British Forces Resettlement Services, Forces Transition Group and Forces Family Jobs

Inclusion and diversity

We want to ensure Anglian Water is a safe, welcoming environment for everyone, and continue to implement our Inclusion strategy, which is now in its third year.

In 2022 we launched our first-ever mandatory inclusion training. The aim of this course is to help our people better understand inclusion and feel more comfortable talking about inclusion to improve relationships with our colleagues, customers and stakeholders. More than 90% of our people have completed the training to date.

We have also set targets to improve gender equality in our business. These are short- (yearly) and mid-term (to 2025) targets which are signed off by our management board. In 2023 our target is for 36% of new hires to be women, and for 36% of senior manager positions to be held by women. By the end of 2025 this target raises to 38% for each.

Supporting our disabled workforce

In 2022 we made it our goal to become a Disability Confident Employer. Over the course of the year we implemented several new initiatives and changes across our organisation to improve the support we give disabled people. This included updating our Supporting Attendance Policy Procedure, which covers disability, reasonable adjustments, return to work and sickness and absence. The policy is briefed to all Managers and the Employee Relations and Occupational Health teams support employees and managers where needed.

As a result of our efforts, we were proud to achieve Disability Confident Employer status in November 2022.

We are now working towards attaining our Disability Confident Leader status. Being part of the Disability Confident scheme has helped to give us valuable direction and guidance to ensure we are inclusive to all people with disabilities.

We also set up an internal disability working group this year for people with disabilities or physical or mental health conditions. The group collaborates to create and implement new services for our people, discuss benefits and challenges experienced day-to-day and work together to find new solutions.

Volunteering in our region

The link between volunteering and wellbeing is clear. When we are helping others, we forge stronger links with our communities and support our own wellbeing, whilst making a difference to our customers and the environment. It's another way we can live our purpose and Make Today Great for the communities we serve.

That is why our Love to Help employee volunteering programme empowers our people to get behind a cause they are passionate about. We offer to match the time an employee spends volunteering in their own time with up to 30 hours per year of work time to do more volunteering, in addition to our company-wide offer of one Local Action Volunteering Day each year.

In 2022 we exceeded our target, with 46% of senior hires being women

In February 2023 we published our first-ever Ethnicity Pay Gap report, which although not a statutory requirement, is something we strongly believe is the right thing to do and have set targets to improve against. To read more about our Ethnicity and Gender Pay Gap reports, see our Remuneration Report on page 127.

"Without Love to Help, I wouldn't have been able to help the school as much as I did. I feel really lucky that Anglian Water is so supportive and it shows their commitment to local communities."

James Wood, Project Manager Information Services

Our people continued

Love to Listen

Our annual Love to Listen survey, in 2022, showed that despite the challenges of the past year and scrutiny on the sector, our people remain highly engaged, have a strong connection to our purpose and feel well supported. This year saw the highest-ever response rate, with more than 6,900 respondents.

→ To read more about how we engage with our employees see our Section 172 Statement on page 65.

Highlights of Love to Listen include:

86%
of our people say we are an inclusive place to work regardless of gender, age, race, disability, religion or sexual orientation, and 84% say they are treated with dignity and respect at work (2021/22: 86%).

81%
of our people say they are proud to play a part in creating environmental and social prosperity in the region we serve (2021/22: 83%).

86%
of our people say they have a clear understanding of the goals of the business (2021/22: 86%).

85%
of our people say there is a strong emphasis on delivering great service to our customers (2021/22: 87%).

Anglian Water Force – teamwork in action

This year we expanded our incident response community, Anglian Water Force, to assist operations whenever additional support is needed. Each employee now has a dedicated role to adopt in the event of an operational emergency.

Anglian Water Force was instrumental in supporting the freeze-thaw incident in December 2022, leading to a significant operational incident affecting our water network.

At the peak of the incident, our teams dealt with over 220 burst mains across the region.

Our operational preparedness, combined with the Anglian Water Force community, meant we were able to deal with leaks swiftly, minimising both water loss and the impact on customers.

It speaks volumes about the dedication of our people across the entire organisation. This was also reflected in the feedback from our customers:

Anonymous
Thank you **Anglian Water – Love Every Drop** you have done a great job in trying circumstances. It's easy to keep up to date with what's going on and your response to provide water has been fantastic. Well done and thank you.
Love **Reply** 11h

"Whenever we have an incident of this nature, the knowledge, skill and sheer commitment of our teams shines through. We've seen colleagues from across the business step up to support our frontline colleagues through roles in the incident room and at our bottled water hubs. Their input, energy and willingness to get stuck in made all the difference during that week. Thank you."

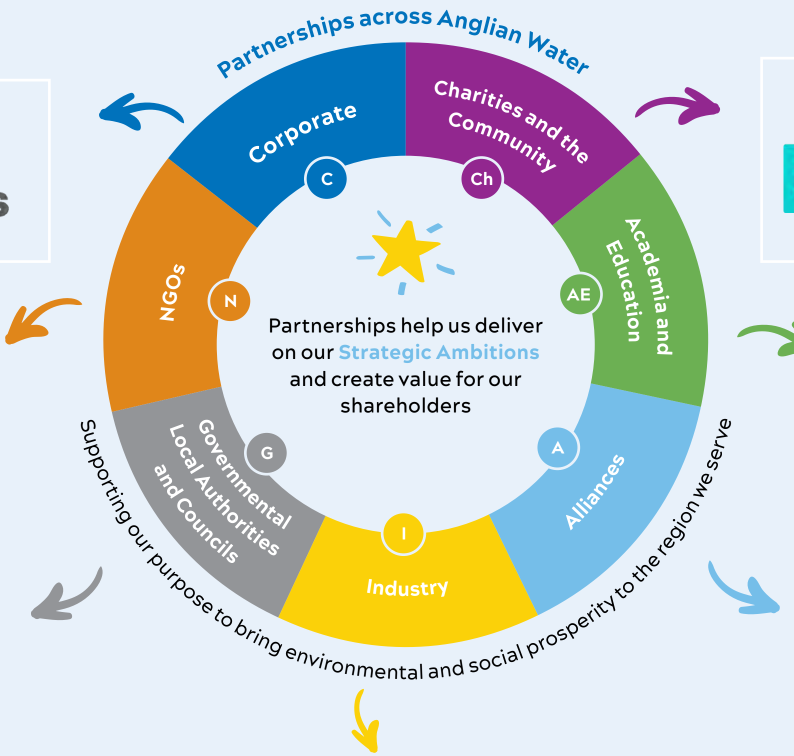
Ian Rule, Director of Water Services

Our partners

We do more and go further with our Partners

Partnering with others is vital to deliver on our purpose to bring environmental and social prosperity to our region. Crucially, partners help us broaden our impact, solve cross-sector issues and leverage additional funding. By working together we can achieve far more, and at no extra cost to our customers.

Forging new connections and collaborating to create a positive impact in our region is embedded in how we do business. We have a diverse range of partners spanning the breadth of Anglian Water. Below is a small snapshot.



Microsoft
NSFA
CLGs

SCOPE Equality for disabled people
Supported by Macmillan Cancer Support
Supported by Kidney Care UK
Carers First

Norfolk Rivers Trust
Natural England
The Rivers Trust

University of East Anglia
The College of West Anglia
University of Southampton

defra
Department for Work & Pensions

@one
Bentley MMB Mott MacDonald Bentley
Costain

WRE Water Resources East
Ofwat
Water UK

Our partners continued

Supporting customers in vulnerable circumstances

Our relationships with local authorities in our region played a pivotal role in supporting customers through the cost of living crisis this year with the distribution of the Government's Household Support Fund.

Working in partnership with six local authorities, we identified eligible customers and proactively distributed Household Support Funding directly to their Anglian Water account.

Reaching people experiencing financial hardship can be challenging for local authorities, however our established relationships with customers meant we could identify and assist them directly – without them needing to apply for funds. In total, we distributed more than £2 million to almost 8,000 customers across our region, at no extra cost to our business.

In addition, our partnerships with community groups and charities help us connect with and support our customers. Over the past year we've reached 1.1 million customers through partner relationships, many from traditionally harder to reach communities.

We conducted research with Scope, the UK's leading pan-disability charity, to help us better understand the needs of our disabled customers. This piece of research has heavily influenced our partnership strategy, identifying customer groups which have the lowest awareness of Priority Services (customers with communication needs) as well as the customer group with the greatest need (customers who are water-dependent).

We currently partner with 16 national and local organisations that support people living with disabilities. In addition, we co-funded Scope's Disability Energy Service with Water Advice, a specialist support service which helps reduce costs and improve services for disabled people. This year the service has supported 3,316 disabled people in our region and identified estimated annual savings for customers of £511,163.

Customer services partnerships helped us reach more than 1.1 million customers.

Partnerships have transformed the way we support our disabled customers. We make changes as a result of their feedback and work collaboratively with them to commission customer research and solicit feedback from local focus groups.

In June 2022 we undertook research to understand whether introducing coloured bills would help visually-impaired customers, in addition to our existing Braille and audio services. We worked with five local charities in our region; Hartlepool Vision Support, CamSight, Lincs Sensory Services, Macular Society and the Northampton Association for the Blind, who held focus groups with visually-impaired customers, covering everything from the font size used to overall format and colour preferences.

The feedback we received from the organisations and customers was constructive and positive. Customers told us they were pleased to be involved in the shaping of the service. As a result of the feedback, we launched a fully customised service in December last year to positive reception. Customers can now speak with our dedicated Priority Services Register team, who have been trained to help them identify the best coloured bill choice and update the customer's records as a result.

"It really means a lot that a company is asking what we think, instead of assuming they know all the time."

Ch G N

Key

AE Academia and Education | A Alliances | Ch Charities | C Corporate
I Industry | G Government | N NGOs

Our partners continued

Flood partnership funding: greater outcomes at no extra costs to customers

We aim to have a bigger impact by working with others. We have pioneered a multi-sector approach to resilience against flood and drought through the National Resilience Taskforce, the national Water Resources Long-Term Planning Framework and Water Resources East.

Together, we can better understand the impact and risk of flooding across our region and develop mitigating solutions.

For example, the Norfolk Strategic Flood Alliance was brought together in 2021 to strengthen Norfolk's resilience to flooding. Through this, we're supporting a catchment-based approach to protect Norfolk communities and infrastructure against the risks of inland and coastal flooding, as well as drought. Our work is one part of the puzzle to deliver an ambitious multi-agency approach that reduces risk, rather than focusing on response.

Furthermore, through partnerships, we can harness the strengths of other organisations to make the case for legislative change. This year, positive policy announcements took forward issues we have campaigned on for many years, including the Government's plans to implement Schedule 3 of the Flood and Water Management Act. This move will make Sustainable Urban Drainage Schemes mandatory to new developments, helping to manage flood risk and storm overflow discharges.

Partnerships also help us unlock funding, delivering projects at less cost to customers. This year, we will have invested £3 million into our flooding partnerships, leveraging £20 million match-funding in return.

Between 2020 and 2025, we will have attracted £112 million into our flood reduction partnerships, meaning our cost contribution to achieve these shared outcomes is reduced to just 14%.

Ch G N I

Unlocking the power of partnerships in Stiffkey

Building on the fantastic work of the Norfolk Rivers Trust (NRT) in Stiffkey, we pledged £1 million towards an Integrated Constructed Wetland which is providing a sustainable, low-carbon, natural wastewater treatment system that will boost biodiversity and support the four chalk stream catchments in that area.

Water companies, on average, are responsible for 27% of the reasons rivers are not achieving good ecological status (RNAGs). See more in the 'Reasons for poor river health' table, (left). In the Anglian Water region, we are responsible for 17.9% of RNAGs, a number that's reducing as we continue our investment and improvements. Several issues affect the river quality in Stiffkey; from water recycling centre effluent, intensive agriculture, to sediment run-off and septic tanks, meaning it is rated at 'moderate' ecological status.

By feeding our investment into NRT's funding model, it has enabled them to attract additional funding and partners, including the Government's Green Recovery Challenge Fund, the Norfolk Coast Partnership, the Environment Agency, the WWF/Finish partnership, and the Coca-Cola Foundation.

The wetland takes treated used water from our Water Recycling Centre, filtering it further before it enters the stream. As a nature-based solution, the wetland will also enhance local biodiversity, through the creation of a richer, varied habitat. The aim is to deliver a water environment improvement plan at a total catchment scale, with benefits to people and nature too.

In addition to our £600,000 initial investment in Get River Positive initiatives, we were able to leverage a further £1.6 million of partnership funding from a diverse range of sources.

Ch G N I C AE

Reasons for poor river health

Agriculture and Rural Management	40%
Water Industry	**27%**
Urban Development and Transport	11%
Local and Central Government	5%
Public (e.g. Misconnected Plumbing)	4%
Industry	3%
Mining and Quarrying	3%
Under investigation	2%
No specific Sector	1%

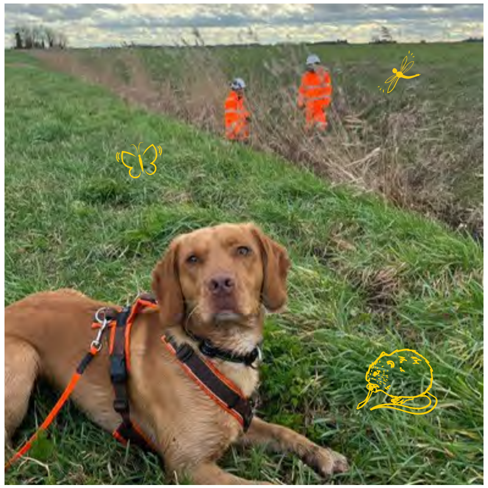
Source: The Environment Agency Catchment Data for England, August 2022.

Our partners continued

Leaving an environmental and social legacy through our Strategic Pipeline Alliance

Since 2015, we have taken a constructive new approach to project partnerships and set a new benchmark for collaborative working, through our capital alliances. Our established partnership collaborations drive an integrated approach to project delivery. Our Strategic Pipeline Alliance (SPA) partners include Costain, Farrans, Jacobs and Mott MacDonald Bentley.

Our Strategic Pipeline Alliance has been critical to delivering on vital infrastructure, such as our interconnected pipeline, which will enable us to move water from areas with a natural surplus, to drier, more environmentally sensitive areas. This supports our long-term demand management strategy, futureproofing our region from the impacts of climate change.



Wildlife detection dogs help locate endangered water voles along a section of the network, to protect wildlife.

The pipeline is the biggest infrastructure project in Anglian Water's history and will improve the region's resilience to drought and keep fresh, clean water flowing into homes and businesses.

The 12.5km section from Norwich to Wymondham is now complete. A 34km section linking Lincoln and Grantham is due to be commissioned in 2023. Planning permission has now been granted for the 70km stretch between Bexwell and Bury St Edmunds, meaning permission is now in place for about two-thirds of the route.

We've delivered a series of social and environmental projects to support communities and wildlife along the pipeline route including:

- Donating more than 2,000 books to 11 primary schools with Bookmark Reading Charity
- Planting thousands of trees to boost biodiversity
- Building special 'commuter' fences to help bats and provide tiny homes for dormice
- Using sniffer dogs to help locate endangered water voles
- Donating life-saving defibrillators to surrounding villages

Ch I

We believe that the power of collaboration is the only way to tackle the huge challenges related to water.

Ofwat Innovation Fund

The Ofwat Innovation Fund was established to build innovation capacity in the water sector and fast-track innovation through collaboration and partnership working.

Since its launch we have led on five projects, receiving more than £17.3 million in funding. We have also contributed to a further 13 projects as a supporting partner, which have received almost £21 million in funding.

Ofwat Innovation Fund

Enabling Whole Life Carbon in Design was one of the first projects to secure funding and was completed in May 2023.

Led by Anglian Water and our @One Alliance, the project joins together minds and resources from Welsh Water, Affinity Water, Sweco, Skanska and others to create an industry blueprint for calculating the true cost of carbon in the design process.

Whole Life Carbon builds on our existing successful approach through the PAS 2080 carbon standard, which we helped develop. It does so by integrating carbon and cost management and creating engaging visualisations of performance to identify carbon hotspots. Read more in our TCFD report on page 71.

The Whole Life Carbon project is worth a total of £233,600 – a combination of money awarded from Ofwat, and a contribution made by Anglian Water and our @One alliance.

I A G

Shareholders

Sharing our vision to secure long-term resilience in the region, our shareholders agree that we need to invest in protecting the environment now, rather than leaving it to future generations.

Over the past six years our ultimate shareholders have taken only one dividend payment, forgoing five years of returns between 2017 and 2022, choosing instead to reinvest. This endorses the changes we made to enshrine environmental and social purpose at the heart of our business through our Articles of Association. In the same period they have injected £1.165 billion to improve the financial resilience of the business.

Shareholders have also played their part by picking up the bill for the rising cost of energy, so this was not passed on through customer bills, and reinvesting £7 million over two years (2022 and 2023) to accelerate our Get River Positive programme.

This year we hosted three shareholder events. In July 2022, we showcased our plans to build our workforce for the future, looking into our long-term people strategy and resourcing plans to enable us to deliver on our purpose.

In September, we invited our equity investors alongside our regulator, Ofwat, to Grafham Water Treatment Works, where we illustrated how our long-term plan aligns with the upcoming price review, PR24.

We continue to foster engagement between our shareholders and the teams responsible for delivering our next five-year Business Plan.

Investors, banks & rating agencies

Over 100 of our key stakeholders joined us at our Capital Markets Day in September, where we provided investors, banks and rating agencies with a performance update.

Held on site at Milton Water Recycling Centre in Cambridge, the event provided a trading update as well as sharing our latest progress in protecting and enhancing the environment, securing future water supplies and building business resilience.

Guests joined a tour of our Water Recycling site, helping them understand the treatment process, how we measure environmental water quality and deal with ‘unflushables’, all in pursuit of a flourishing environment. We also showcased progress on our plans for innovation, community and green recovery.

Feedback from an attendee of our Capital Markets Day

“It was interesting to see Anglian Water’s future plans and where they are investing in new technologies and futureproofing the business to improve the environment and region. Despite negative press and industry challenges, it’s clear the company wants to do the right thing and is doing it! This is also evidenced by the approach to customers and billing.”

ESG: MSCI rating

We maintained our AA rating in MSCI’s 2023 ESG rating – the second-highest ranking – for the second year running. The measurement assesses a company’s resilience to long-term ESG risks.

£1.6 billion

green finance raised since the start of this AMP.

Regulators

We strive for open and constructive working relationships with our regulators. The roles of economic and environmental regulation are critical to enabling sustainable long-term investment to deliver environmental outcomes for the region.

Ofwat

Developing our Business Plan for the forthcoming price review, PR24, has been our main area of focus ahead of the October submission deadline. We have engaged with Ofwat through various industry forums, working groups, written submissions and face-to-face discussion.

In September, we invited Ofwat's senior leadership team to our Grafham Water Treatment Works to learn more about how our long-term plan aligns with the four ambitions set out for PR24, and our projects and processes, including our flood partnership approach (page 60), Get River Positive commitments (page 44), customer and vulnerability support (page 47) and training and development.

A separate visit brought Ofwat's Chair, Iain Coucher, to our treatment wetland in Ingoldisthorpe and wetland project in Wendling Beck. Both are good examples of partnership working and demonstrate the benefits of an outcomes-based approach to environmental regulation.

In April, we were invited by Ofwat and Water UK to showcase our achievements in improving river water quality, particularly our Get River Positive programme over the last 12 months. Read more here.

Environment Agency

This year, we engaged with the Environment Agency (EA) on a range of topics, including the reform of WINEP for the forthcoming AMP period.

We submitted our Advanced WINEP proposals alongside our full WINEP submissions to both the EA and Ofwat. This outlines our plans, where we wish to go further and require regulation to support us to achieve more for the environment and customers.

We worked with the EA in relation to water resources, including the publication of our draft Water Resources Management Plan 2024 and in addressing ongoing challenges in relation to abstraction reform across the East of England.

This included the submission of an Imperative Reasons of Overriding Public Interest case under the Habitats Directive to extend our abstraction from a groundwater source in the Ant Valley to align with the delivery of a major infrastructure scheme. The case was jointly submitted with the EA to the Secretary of State, and was accepted on 29 July 2022.

Through the National Drought Group, we engaged with the EA and the wider industry on the prolonged dry weather and extreme temperatures.

Drinking Water Inspectorate

We regularly liaise with the Drinking Water Inspectorate (DWI) to review water quality compliance. DWI's quarterly risk based technical audits, and additional audits on our Lead strategy and Regulation 28 reporting were deemed satisfactory.

Over the past year we reviewed and strengthened our approach to assuring compliance with the requirements of regulation 31 'Application and introduction of substances and products' to ensure our policies and procedures remain industry-leading.

In 2022, we introduced a new Laboratory Information Management System (LIMS) to enhance themanagement of both processes and data within the laboratory and for reporting purposes.

Our relationship with the DWI also covers Network Information Systems Regulations and more recently, the Security and Emergency Measures Directive. In April, we submitted proposals for both, alongside our water quality proposals for PR24.

Consumer Council for Water

We meet monthly with the Consumer Council for Water (CCW). This year, we've discussed pricing changes, using CCW as a soundboard on our customer communication strategy. We also discussed the support we offer our financially vulnerable customers, taking on board suggestions made in their affordability review.

Over the past year, we took part in various industry workshops on on topics including, water supply interruptions, low pressure, sewer flooding and affordability amongst others, using these conversations to adapt our services where needed.

We continue to update CCW with our latest customer performance and complaints, wider company plans and initiatives and seek feedback on any potential service changes we may be planning.

Office for Environmental Protection

We continue to engage with the Office for Environmental Protection on our environmental commitments such as Get River Positive.

National & local government

Engagement with local government helps us to understand our customers' priorities and hear what is most important. Our business priorities are shaped by these conversations.

Successful policy changes

This year, we have seen positive policy announcements which take forward issues that we have been campaigning on for many years.

In January, the Government announced plans to implement Schedule 3 of the Flood and Water Management Act. The move will make Sustainable Drainage Systems mandatory for new developments, helping to manage flood risk and storm overflow discharges. We have been campaigning for this change for over a decade.

In September, Defra launched a consultation on mandatory water efficiency labelling, a significant step forward in supporting water efficiency.

The new labelling scheme is proposed to come into force in 2025.

We have also campaigned for change on Fleur Anderson's Bill to ban wet wipes. The Government's Plan for Water, launched in April, includes measures to ban plastic in wet wipes (subject to consultation) and specifically mentioned support for Water UK's 'Bin the Wipe' campaign. We await the second reading of the Bill and continue to champion it with regional stakeholders. We have written to regional MPs asking to ask them to vote in favour, and to Fleur Anderson to echo our support and share statistics on blockages. In addition, we have responded to the Defra consultation on single use plastics, mentioning wet wipes.

Labour engagement

As co-Chair of the UK Corporate Leaders Group (CLG), our Chief Executive Peter Simpson met with Sir Keir Starmer and Ed Miliband to discuss Labour's plans for encouraging investment in net zero.

Climate for change event

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

Regional Engagement

We hosted 34 site visits at our local Water Recycling Centres, with over 400 face-to-face stakeholder interactions. We attended two local authority scrutiny committee meetings to discuss river water quality, flooding and other matters.

Improving understanding amongst key stakeholders

In February, Thérèse Coffey, Secretary of State for Environment, Food and Rural Affairs, visited our Cliff Quay water recycling centre during National Apprenticeship week. During Therese's visit, we discussed a range of issues including farming rules for water, demand management and our proposed new reservoirs.

Nutrient neutrality is being addressed through an amendment to the Levelling Up and Regeneration Bill.

Employees visit 10 Downing Street to discuss nutrient neutrality and the Levelling Up and Regeneration Bill.

The amendment places new duties on water companies to address nutrient issues, but in its current form, risks restricting companies to traditional engineering solutions, ruling out nature-based solutions which could have wider benefits. We have been invited to Number 10 to discuss the issue with the Prime Minister's team.

In March we held an event at Westminster to showcase our work on Get River Positive, one year on since launch.

Section 172 statement

Engaging with our stakeholders

In July 2019, with the approval of our Board and shareholders, we became the first major utility company to amend our Articles of Association to enshrine, for the long-term, the principles set out in section 172 of the Companies Act 2006 and our long-standing commitment to working in the public interest (see page 69).

Section 172(2) states that, where the purposes of a company consist of purposes other than, or in addition to, benefiting the company's shareholders, the section 172 duties will take effect as if the reference to promoting the success of the company for the benefit of shareholders were a reference to achieving those alternative purposes. Anglian Water's purpose (as set out in its Articles of Association) is to conduct its business and operations for the benefit of members, while delivering long-term value for its customers, the region and the communities it serves, seeking positive outcomes for the environment and society. It follows that the Directors of Anglian Water have a duty to act in a way they consider would be most likely to promote the purpose of the company. The section 172 duties to which the Directors are subject must therefore be considered in the context of this overarching purpose.

The disclosures set out on pages 65 to 68 demonstrate how the Board has had regard to the matters set out in Section 172(1) (a) to (f), which are now enshrined in Anglian Water's Articles of Association, and include cross-references to other sections of the report for further information.

Making long-term decisions

The company's long-term strategy is driven by our 25-year Strategic Direction Statement (SDS), first published in 2007 and refreshed in November 2017, when the Board reviewed and approved an updated version covering 2020–2045. The four key ambitions within our SDS are shown in our business model in our business model, see page 9. We have a statutory obligation to produce a Water Resource Management Plan (WRMP). During the year, we published our draft WRMP for the period 2025–2050 for consultation. This plan sets out how we will manage the water supplies in our region to meet our future needs, ensuring our customers remain on resilient water supplies and preventing deterioration to the environment. The Board oversaw and scrutinised the development of the plan and provided assurance that the company has met its obligations in developing the WRMP and that it is the best value plan, based on sound and robust evidence and costing processes.

Board engagement with stakeholders

Our Board has set out to define discrete stakeholder groups, but it recognises that in many cases they have complementary interests and shared priorities. On occasion, their concerns may even conflict with one another. The Board's duty, in reviewing, challenging and shaping plans, and setting strategic direction, is to consider and balance the impact of its decisions on a wide range of stakeholders. More information on our business model, including how we use six capitals thinking to shape decisions and measure outcomes, can be found on page 9, while information on our key stakeholders can be found throughout this strategic report and below.

We've developed an annual stakeholder engagement strategy, approved by the Board and designed both to demonstrate how we're delivering on our purpose and to increase the breadth and depth of understanding of the value Anglian Water delivers. The Board regularly engages in the delivery of the stakeholder strategy.

There are some issues which are of such importance that the Board judges that it should engage directly with relevant stakeholders. However, much of our engagement happens at an operational level.

Where the Board has not engaged directly with stakeholders, it receives regular reports from management, so that the Directors can understand and take account of the key issues to which they must have regard.

Similarly, we're required to produce a Drainage and Wastewater Management Plan (DWMP) to set out how we will manage and recycle water in our region over the next 25 years. The draft DWMP was published in June 2022 for consultation and the final DWMP was published in May 2023. In it, we address the triple challenge we face from our rapidly changing climate, a fast-growing population, and the need to protect our region's precious chalk streams and rivers. Again, the Board had oversight of the DWMP and gave assurance that the resulting plan is the best value plan for customers and the environment and is based on robust evidence and costing processes.

During the year the Board also considered the development of the company's Long-term Delivery Strategy (LTDS), which will be aligned with our existing strategic frameworks including the WRMP, DWMP and our Water Industry National Environment Plan (WINEP) as well as the Government's long-term objectives, in order to create a coherent strategy to 2050.

Our Board has also approved our long-term viability statement (see pages 96 to 101) within which the Directors have assessed Anglian Water's prospects over the next 10 years.

Having regard to employees' interests

The welfare and development of our employees, and the company's culture and values, are key areas of focus for the Board and its committees, and employee-related issues are covered at every Board meeting. Areas considered by the Board range from health, safety and wellbeing to inclusion, employee engagement and succession planning. The Board meets with the Head of Safety on a quarterly basis, which enables the Board to monitor key safety trends and to challenge performance where appropriate.

In September 2022, we conducted our Love to Listen survey to seek and act on the views of our employees. The results of the survey, together with plans to address its findings, were discussed by the Board.

In line with the Anglian Water Services Corporate Governance Code 2020, the Board has appointed John Barry as the Non-Executive Director responsible for engaging with the workforce.

Anglian Water offers 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 the company at the end of the three-year savings period.

During the year three 'market stalls' events were held which gave the Directors and employees the opportunity to engage with each other and discuss in detail a variety of important matters affecting the company.

Further information on how the Board and management engage with employees, and the impact of that engagement, can be found on pages 53 to 57.

Fostering business relationships with suppliers, customers and others

Engagement with customers and communities is fundamental to the development of our strategy and plans. The Board oversaw all aspects of the planning process for our Business Plan for 2020–2025, including the customer engagement strategy, and is already fully engaged with the planning process for the Business Plan for 2025–2030. During the year the Board approved certain actions to mitigate the increase in customer bills including concessionary tariffs, and instalment plans see case study on page 67.

The overall package of support totalled £135 million. Further information on how we engaged with customers can be found on pages 46 to 52.

Our most important supply chain relationships are with our alliance partners, who play a crucial role in the delivery of our infrastructure and services. The Board receives an update into the capital investment programmes at each Board meeting. This update provides an opportunity for the Directors to review and challenge progress across the different investment programmes.

In addition, under Anglian Water's Scheme of Delegation, the Board must approve contracts with suppliers above a certain value; this ensures that there is the appropriate level of oversight of these key contracts. During the year the Board approved procurement strategies for the renewable assets' framework and polymers. Each year the Board also approves Anglian Water's Modern Slavery and Human Trafficking Statement, which details the steps that we have undertaken to ensure that slavery and human trafficking is not taking place in any part of the business or within Anglian Water's supply chain.

The Board also engages with our different regulators including Ofwat, the Environment Agency and the Drinking Water Inspectorate. In September 2022, the Board and members of Ofwat's senior leadership team, including Chief Executive, David Black, attended an event at Grafham Water which gave attendees the opportunity to engage with and discuss in detail issues relevant for planning for AMP8.

Another important stakeholder group are our debt investors, banks and rating agencies. Engagement is key to understand their requirements, demonstrate our long-term sustainable vision and help them to understand what makes Anglian Water a sound investment. Engagement occurs through dedicated investor events held at least twice a year to coincide with the company's results announcements and additional events such as the Capital Markets Day which took place in September 2022 (see page 62 for more information).

Impact on community and environment

The environment is at the heart of our purpose, and our SDS is fully aligned with the government's own 25-year Environment Plan. In July 2021, we published our net zero strategy to 2030. This routemap, which was fully supported by the Board, sets out how we aim to reach net zero carbon emissions by 2030. As referred to above, the Board considered both the draft WRMP and DRMP (see case studies on page 68) during the year. The Board regularly considers environmental matters, including abstraction, compliance against the EA's Environmental Performance Assessment, the progress of our WINEP, the water resource position and pollution reduction schemes. During the year, the Board considered updates on the water resources situation both at a regional and national level and the proposed WINEP for the period 2025–2030. Further information on these can be found on pages 39 to 45.

Throughout the year the Board has monitored the progress of both Ofwat's and the Environment Agency's investigations into sewage treatment works compliance. The Board has also supported the continued focus on reducing storm spills together with the deployment of smart technology and machine learning at pace to help predict and prevent pollutions. See page 43.

Our purpose requires us to consider the impact of our operations on our communities. The Board receives regular updates on stakeholder engagement activities. During the year the Board authorised the submission of the Development Consent Order planning application to the Planning Inspectorate in the relation to the Cambridge Waste Water Treatment Plan Relocation Project.

Maintaining high standards of business conduct

We seek to maintain high standards in all that we do as a business. We have robust risk management and internal control processes, both of which are reviewed by the Board or the relevant Board committee. Our code of conduct, 'Doing the Right Thing', applies to all employees and sets out what is expected from our people in different situations.

Anglian Water also holds itself to account against a set of Responsible Business Principles which are approved by the Board (see pages 18 and 106).

Acting fairly between members

The Anglian Water Group is owned by a consortium of five long-term investors representing millions of long-term pension holders both in the UK and overseas. These shareholders are represented on the Board of our ultimate parent company Anglian Water Group Limited. There are also shareholder representatives on the Anglian Water Board. In this way we ensure that we treat all shareholders fairly and that their views are heard when making key decisions. These Directors bring with them a broad range of skills and experience which is extremely valuable during Board discussions. Our shareholders have made a long-term commitment to our organisation and have a shared interest in and responsibility for its success. It's vital, therefore, that we engage them in strategic planning and share our progress and results with them.

Further information on our company structure and ownership can be found on pages 20 and 21, and in Board biographies on pages 102 to 105.

Bill Impact Mitigation

We know that the cost of living crisis is making life more difficult for our customers. During the year under review, our Board considered its impact on our most vulnerable customers and what the business could do to support them with their water bills.

Stakeholder engagement

We conducted customer surveys to understand the impact of the cost of living crisis, which indicated that households were focusing on budgeting in order to ensure they could pay all utility bills.

The company worked closely with the Consumer Council for Water (CCW) to develop its communication strategy.

We collaborated with certain not-for-profit organisations to explore how we could support them, supporting our customers with financial difficulties.

Stakeholder considerations

The Board considered the potential to abate the company's allowed revenue. However, doing so would potentially place pressure on the headroom to the company's critical banking covenants, risking the company's financial resilience.

The Board then considered the mitigations put in place by management and delivered by the company's Extra Care team, which included a package of budgeting support for customers, concessionary tariffs, and instalment plans (the Base Package). The Extra Care team has helped vulnerable customers across our region to identify the range of benefits available to them by working with trusted partners in the not-for-profit sector.

Emphasis was also put on the importance of water efficiency in communication with customers and providing support for this.

Outcome

The Board considered the help provided to vulnerable customers and what more the company could do in pursuit of its purpose, whilst also ensuring the financial resilience of the company in compliance with its licence conditions. The Directors concluded:

- The company should continue to maximise the support available within its existing Base Package and to work with the CCW to ensure the quality and clarity of our customer communications around bill increases and water efficiency;
- The company should provide staff to support our trusted not-for-profit partners, to help advise vulnerable people in our region; and
- An overall package of support totalling £135 million was approved for Anglian Water to deliver.

Approval of the Drainage and Wastewater Management Plan (DWMP)

Covering the period 2025–2050, our DWMP is a collaborative long-term strategic plan which sets out our plans for how we will manage and recycle water in the region over the next 25 years. The DWMP addresses the triple challenge the region faces from a rapidly changing climate, a fast-growing population, and the need to protect the region's precious chalk streams and rivers.

Stakeholder engagement

Engagement with stakeholders commenced in early 2020, when we captured stakeholders' ambitions in the Strategic Context, our outline of the DWMP aims, which is published on our website.

Stakeholders, including county and district councils, the Environment Agency, River and Wildlife Trust and Natural England worked with us to identify catchment risks. We completed catchment workshops with stakeholders to understand risks, opportunities and identify any partnership working opportunities.

We engaged with our customers through our online community and independent focus groups. We held two consultation periods on our draft plans.

Stakeholder considerations

Customer and other stakeholder preferences were reflected in the DWMP discussed and agreed at senior management level by our Board.

We understand how important natural solutions are to our stakeholders and the DWMP promotes the use of these solutions particularly through addressing surface water removal.

The DWMP protects the environment through improvement to our discharges to meet the Storm Overflow Discharge Reduction Plan.

The DWMP aligns with our other strategic plans such as the Water Resources Management Plan as well as Get River Positive. It also aligns with external plans such as the River Basin Management Plan.

Outcome

The Board considered whether the DWMP planning process, as defined by the planning framework and guiding principles, had been followed and applied. The Board also had to consider whether the DWMP had been appropriately assured.

On approving the DWMP and associated assurance statement, the Board had to balance our purpose, stakeholder preferences, affordability and risk. The DWMP was accepted as being the best value plan to manage the risks over the next 25 years.

Approval of the Draft Water Resources Management Plan (WRMP)

Our region is the driest area in England and over the past decade has had the highest level of population growth in the United Kingdom, so we must manage the water we have carefully. A key part of planning ahead and adapting to the challenges we face is our Water Resource Management Plan (WRMP) which we produce every five years. Our latest plan WRMP24, is at draft stage and sets out how we will manage the water supplies in our region to meet current and future needs over the period 2025 to 2050.

Stakeholder engagement

Engagement with stakeholders has been central to shaping, informing and challenging the draft WRMP. We worked closely with regional planning groups (RPGs) Water Resources East and Water Resources North. The RPGs coordinate stakeholders with an active interest in water resources and produce a regional plan.

We liaised closely with key regulators including the Environment Agency, Ofwat and the Drinking Water Inspectorate. We also worked closely with our customers through our Online Community to understand their priorities and views.

Stakeholder considerations

Customer and other stakeholder preferences were reflected in the draft WRMP discussed and agreed at senior management level by our Board.

Customers told us we should focus on utilising the resources we already have, so we are focusing on our demand management strategy around smart metering, leakage efficiencies and water efficiency, as well as increasing our capacity to move water around our region. The majority of our customers also agree that metering is a fair way to pay for water. This has helped to inform our compulsory metering strategy, while shaping how we will help vulnerable customers. Customers are also clear about new resources options, favouring reservoirs and reuse above desalination.

Outcome

The Board considered whether the draft WRMP met the obligations set out in the relevant guidelines, reflected the appropriate Regional Plans and is the best value plan for managing and developing water resources so that we can continue to meet our obligations to supply water, protect the environment, whilst looking to provide societal benefit.

On approving the draft WRMP and associated assurance statement, the Board was confident that it had challenged management and helped shape the development of the draft WRMP and that it had regard to the views of stakeholders through the engagement carried out.

Our Articles of Association requires us to publish the information contained in **a non-financial information statement** (as defined in section 414CB of the Companies Act 2006).

We integrate this information throughout this report; the information is designed to help you find key elements on non-financial matters. Links to policies, standards and relevant documents can be found at anglianwater.co.uk

Environmental matters

Our commitment to protecting and enhancing our environment is enshrined in the Articles of Association of Anglian Water through our stated purpose: To bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop.

Policies, standards and relevant documents that govern our approach

- Articles of Association
- Love Every Drop outcomes
- Strategic Direction Statement
- Water Resources Management Plan
- Drought Plan
- Water Recycling Long-Term Plan
- Climate Change Adaptation Report
- Drainage and Wastewater Management Plan
- Pollution Incident Response Plan

Current activities and risk management

- Chair's welcome **pages 4 and 5**
- Chief Executive's statement **pages 6 to 8**
- The Year in context: **pages 10 to 16**
- Our strategic ambitions **page 17**
- Holding ourselves to account **pages 18 and 19**
- Responsible financing: Sustainable finance **pages 22 to 25**
- Our stakeholders: our environment **pages 39 to 45**
- Section 172 statement **pages 65 to 68**
- Climate-related financial disclosures **pages 71 to 82**
- Principal risks **pages 83 to 95**

Employees

Our approach to our employees is guided by the values that drive our continued progress: Together, we build trust; we do the right thing; we are always exploring.

Policies, standards and relevant documents that govern our approach

- Values framework
- Doing the right thing – code of conduct
- Diversity and inclusion plan
- Health and Safety policy
- Dignity at work code of conduct
- Relationships at work policy
- Gender pay gap report
- Whistleblowing policy
- Ethnicity pay gap report

Current activities and risk management

- Chair's welcome **pages 4 and 5**
- Chief Executive's statement **pages 6 to 8**
- Our stakeholders: our people **pages 53 to 57**
- Section 172 statement **pages 65 to 68**
- Corporate Governance Report **pages 101 to 115**
- Audit Committee Report **pages 116 to 122**
- Remuneration Committee Report **pages 127 and 155**

Human rights

Our policies and processes are underpinned by our values, in particular: we do the right thing.

Policies, standards and relevant documents that govern our approach

- Doing the right thing – code of behaviour
- Dignity at work code of conduct
- Data protection policy
- Information retention policy
- Privacy policy
- Modern slavery and human trafficking statement
- Human Rights Policy

Current activities and risk management

- Our stakeholders **pages 39 to 64**
- Nomination Committee Report **pages 123 to 126**

We integrate this information throughout this report; the table below is designed to help you find key elements on non-financial matters. Links to policies, standards and relevant documents can be found at anglianwater.co.uk

Social matters

Our commitment to serving our customers and our communities is enshrined in the Articles of Association of Anglian Water through our stated purpose: To bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop.

Policies, standards and relevant documents that govern our approach

- Anglian Water Articles of Association
- Public Interest Commitment
- Social Contract
- Employee volunteering guidelines – Love to Help
- Anglian Water Strategic Direction Statement

Current activities and risk management

- Chair's welcome **pages 4 and 5**
- Chief Executive's statement **pages 6 to 8**
- Anglian Water in context: challenges and opportunities **pages 10 to 16**
- Our strategic ambitions **pages 17**
- Holding ourselves to account **pages 18 and 19**
- Our stakeholders: our customers & communities **pages 46 to 52**
- Section 172 statement **pages 65 to 68**

Anti-corruption and bribery

Our policies and processes are underpinned by our values, in particular: we do the right thing.

Policies, standards and relevant documents that govern our approach

- Doing the right thing – code of conduct
- Anti-bribery policy
- Corporate hospitality policy
- Whistleblowing policy

Current activities and risk management

- Principal risks: no. 13: Legal
- Audit Committee Report **pages 116 to 122**

Description of principal risks and impact of business activity

Policies, standards and relevant documents that govern our approach

- Anglian Water year in review: **pages 10 to 16**

Current activities and risk management

- Risk management **pages 83 to 86**
- Principal risks **pages 86 to 95**
- Business long-term viability statement **pages 96 to 99**

Description of the business model

Policies, standards and relevant documents that govern our approach

- Our business model **page 9**

Current activities and risk management

- Board statement of company direction and performance, Annual Performance Report (available at anglianwater.co.uk/about-us/our-reports)

Non-financial key performance indicators

Policies, standards and relevant documents that govern our approach

- Non-financial performance measured against a set of commitments agreed with Ofwat
- Health and safety measures and targets
- Environmental performance assessment

Current activities and risk management

- Delivering our outcomes: performance Commitments dashboard **pages 31 to 38**
- Our people **pages 53 to 57**
- Our partners **pages 58 to 61**

A copy of our code of conduct ('Doing the Right Thing'), together with our Whistleblowing policy, our Anti-bribery policy and our current Modern Slavery and Human Trafficking statement can be found on our website at anglianwater.co.uk Our customer privacy notice can be found at anglianwater.co.uk/about-us/legal/privacy-notice

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

That is why, since 2017, we've made disclosures under the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD), adopting them well ahead of their mandatory introduction.

We continue to improve our climate-related disclosures year-on-year as we keep abreast of the latest requirements and best practice. We believe that our approach is consistent with 10 of the 11 TCFD recommendations.

The area we will continue to work on for 2023/24 is: Strategy, Part B – Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning. This is specifically around our plans for transitioning to a low-carbon economy and the quantification of future financial impacts.

Introduction

Sustainability is at the heart of everything we do – our company purpose is to bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop – and we fundamentally understand the links between the provision of water supply and water recycling services and the environment.

This understanding that the health of the environment both influences, and is impacted by, our operations has driven our successful adoption of a host of climate-related commitments and targets over many years. Our approach is set out throughout this section of the report.

Our Annual Integrated Report complies with the requirement of LR 9.8.6R by including climate-related financial disclosures.

Highlights

- **Named by the Financial Times and Statista as a 2023 European Climate Leader**
- **£490.8 million green bonds raised in the year, and a total of £2.6 billion of sustainable financing since 2017**
- **On track to achieve net zero operational carbon emissions by 2030**
- **On track to achieve a 70% reduction in capital carbon by 2030**
- **Platinum certified by Achilles Carbon Reduce (formerly CEMARS), signalling 10+ consecutive years of carbon reductions**

Governance

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

Page	Further references
→ page 72	→ See organisational structure on page 72 → See climate-related governance on page 72 to 74

Strategy

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

Page	Further references
→ page 74	→ See climate-related strategy on page 74 Water Resources Management Plan Water Recycling Long-Term Plan Sustainable Finance Impact Report 2023 Strategic Direction Statement Climate Change Adaptation Report Net Zero Carbon Routemap → See CReDo on page 78

Risk management

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

Page	Further references
→ page 80	→ See climate-related risk management on page 80 → See our approach to risk on page 80 → See our principal risks on page 80

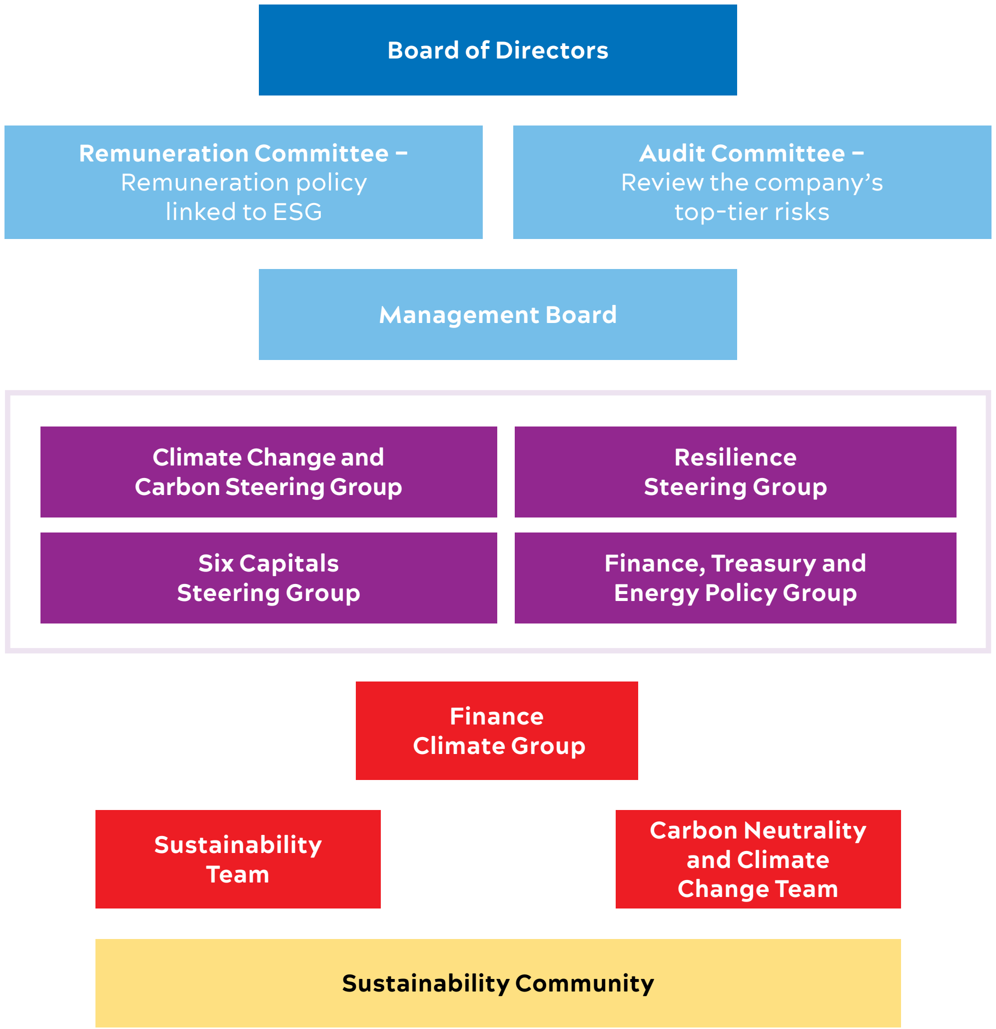
Metrics & targets

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

Page	Further references
→ page 80	→ See our climate-related metrics and targets on page 81 → See our greenhouse gas performance on page 81 Net Zero Carbon 2030 Routemap Climate Change Adaptation Report

Climate-related governance

Where we manage climate risks and opportunities



Board oversight

The Anglian Water Services (AWS) Board retains overall oversight of climate-related risks and opportunities. In the course of its meetings, the Board discussed climate-related issues where relevant, for example reviewing the draft Water Resources Management Plan and dealing with demand issues during the dry, hot summer. Climate-related risks are included within the company's top-tier risk register and managed through risk management and internal control systems. The Board led the business to be one of the first utilities to raise finance through a Green Bond, in 2017, which the business was able to do due to the governance structure we have in place as an organisation.

In December 2020, Anglian Water published its latest Climate Change Adaptation Report, which was driven and overseen by the Board.

The Board has also driven and supported the commitment for the company to be net zero carbon by 2030; indeed, our Chief Executive Peter Simpson was co-sponsor of the sector-wide Water UK commitment (www.water.org.uk/routemap2030/).

This net zero 2030 commitment covers our Scope 1 and 2 emissions, together with those Scope 3 emissions we're required to report. The Board monitors progress through review of performance commitments, as do the committees noted below.

In addition, we've also committed to reducing our capital carbon emissions – those Scope 3 emissions arising as a consequence of building and maintaining our assets – by 70% against a 2010 baseline by 2030. We're currently developing our strategy to further reduce these emissions post 2030.

Peter Simpson is co-chair of the UK Corporate Leaders Group (CLG UK), part of the University of Cambridge Institute for Sustainability Leadership, while our Senior Independent Non-Executive Director, Dame Polly Courtice, is the Institute's Founding Director and now Emeritus Director. CLG UK provides a strong voice to support UK leadership on climate change and draws together business leaders from a wide range of sectors. Many AWS Board members sit on external bodies such as Business in the Community (BITC), where Peter Simpson chairs the East of England Leadership Team. In May 2022 Peter Simpson was included in the ENDS Report power list of the 100 most influential environmental professionals in the UK.

The role of the Audit Committee

The Audit Committee plays a key role in monitoring the integrity of the company's financial reporting, reviewing the material financial judgements and assessing the internal control environment. The Committee provides effective oversight of both financial and non-financial disclosures, including climate-related financial disclosures. The Committee receives presentations or papers from senior management, including the Group Risk Manager, regarding the management of key risks, including the overall review of the top-tier risk register, which is formally presented bi-annually. The Committee also approves our annual internal audit plan and can drive areas of focus.

The role of the Remuneration Committee

The Remuneration Committee plays a key role in ensuring that climate change, and other Environmental, Social and Governance issues are considered at the top of the organisation.

A portion of variable executive remuneration is already aligned to our purpose and selected ESG measures. These measures include our performance as a business in operational and embedded carbon. See page 138 of the Remuneration Report for more detail.

The role of management

During the year we have appointed our first Group Chief Sustainability Officer role. This new role will challenge our Board, ensuring decisions are guided by our purpose framework.

In general, the Management Board meets three times each month and discusses issues impacting climate change. These meetings are often shaped by the agendas and outcomes of the groups specified below. The Management Board consists of our Chief Executive and Chief Financial Officer along with key decision makers within the organisation (see page 102), who chair many of the groups discussed below.

These groups are made up of key subject matter experts and representatives are drawn from across the business. Some members sit on multiple groups to ensure effective coordination and cooperation.

The members have annual objectives related to climate change. These groups are chaired by a member of the Management Board; through them, targets are set and action plans developed to ensure climate-related risks and carbon are measured, managed and reduced.

The Climate and Carbon Steering Group has been created by combining the Carbon Neutrality Steering Group and the Climate Change Steering Group. By creating a single group all employees responsible for climate change mitigation and adaptation are present. We believe that this group will better deliver insight into and progress against climate change mitigation and adaptation.

This new group meets monthly with time set aside for 'deep dives' into specific themes, such as electric vehicle strategy and process emissions reductions. The group is chaired by a member of the Management Board and two other Management Board members attend ensuring that this group is integrated with the overall strategy of the business. Updates are provided to the Management Board when required, for example our Net Zero Carbon 2030 performance update. Strategy documents are currently being developed in line with our net zero 2030 targets. These will be reviewed by this group to ensure consistency in approach and measurement against plans.

This group will be integral to the development of our climate adaptation investment plans for the next AMP period, as well as the preparation of our next Climate Change Adaptation Report to be submitted to government and progress against our 2030 carbon commitments to the Management and AWS Boards.

The Resilience Steering Group, chaired by the Chief Executive, is responsible for assessing and improving Anglian Water's resilience to shocks and stresses (e.g. acute and chronic risks). Anglian Water has introduced six capitals thinking (see Business model, page 9, and Holding ourselves to account, pages 18 and 19) and integrated them in the governance process for all project appraisals in the organisation, so that all six capitals – natural, financial, social, manufacturing, people and intellectual – are considered when making decisions between available options.

In addition to the groups above, which take the principal role in managing climate-related risk, other groups also play an important role in developing climate-related approaches.

The Six Capitals Steering Group has developed a methodology to assign values to measures across each of the six capitals and their contributing factors, allowing for project appraisals to consider value in the broadest possible sense.

Anglian Water has developed a methodology for capturing and reporting on this data, allowing for reports on performance against the six capitals to be included in a wider purpose dashboard that can/will be reported to the Board on a regular basis.

The Finance, Treasury and Energy Policy Group also plays an important role in managing transition risks and opportunities and is chaired by our Chief Financial Officer. Through this group, options are discussed around raising sustainable finance and potential projects aimed at generating our own energy (such as a recent solar initiative at Grafham, which went on to be approved by the Board). The group's members include the Chief Financial Officer, the Group Treasurer, other Management Board Directors and the Head of Carbon Neutrality.

The Finance Climate Groups' purpose is to create a central team within finance to coordinate, collate and share best practice on financial planning and reporting with regards to sustainability, carbon and climate-change issues. The group has improved the link between finance functions, and those delivering climate solutions around the business, through ensuring appropriate representation across the different areas. The group prioritises the finance sustainability projects to enable finance and the business to achieve its goals. Our Chief Financial Officer is invited to attend once a year to update on progress and prioritisation.

Anglian Water also launched a Sustainability Community to allow Anglian Water employees and alliance partners to engage with sustainability-related activities, ask questions and seek feedback from experts on ideas and initiatives. This community ensures engagement with and input into the climate change, carbon and sustainability agenda is open to all; while we have a structure in place for managing and monitoring climate-related issues we're aware that ideas to address these issues can come from a host of sources. This community aims to harness these ideas and the widespread commitment to sustainability across Anglian Water and our partners, so that the collective knowledge of our whole organisation is maximised.

Following the success of the Sustainability Community, which is open to all our people, in the current year we launched the Sustainability Centre of Excellence. This is a consultative and collaborative forum for those leading on sustainability and purpose through the organisation to identify synergies, maximise impact and increase transparency.

Climate-related strategy

Climate-related risks, opportunities and impact

As stated in our latest Adaptation Report (published in 2020), climate change in our region will lead to less rainfall in summer and wetter weather in winter. Drier summers and a limited capacity to store an increase in winter rainfall means that there will be less water available through the year. Climate change is also likely to increase the demand for water among both household and non-household customers in a drier, warmer climate. Left unmanaged, this combination of reducing supply and increasing demand results in one of our most significant climate-related risks. We have been assessing the impact of climate change on water resources since the 1990s. We have seen more extremes in weather conditions over recent years and this is a trend we expect to continue. Our next Climate Adaptation Report is due to be published in 2024.

Our governance structure has allowed us to identify climate-related opportunities in various forums across the organisation. These are centralised and reviewed within the Climate and Carbon Steering Group.

Climate-related strategy continued

Climate-related risks, opportunities and impact

S Short-term
M Medium-term
L Long-term

Key risk	Drivers	Potential impact	Response to risk
Negative impact on our supply/demand balance and our ability to serve customers S M L	Hotter, drier summers increasing drought severity and frequency combined with forecast population growth	On customers: • Increase in interruptions to supply • Low water-pressure issues • Drought restrictions more commonplace On business: • Impact on our financial penalty/reward position • Increase in operating costs to deal with periods of drought • Increase in capital investment required	We maintain a 25-year Water Resources Management Plan (WRMP) which quantifies the need and recommends investment to maintain the supply/demand balance to avoid water shortages in the context of drought and population growth (see page 77). This 25-year plan is refreshed every five years to incorporate short, medium and long-term actions, the next is due for publication later in 2023. This approach therefore delivers over a short, medium and long-term timeframe. We have recently completed a study into climate vulnerable mains. This covers mains which are vulnerable to bursts as a consequence of drought induced soil shrinkage. An investment programme will be developed. We are embarking on a study investigating the impact of extreme summer temperatures on our assets to develop resilience strategies.
Negative impact on our customers and the environment caused by failure to cope with impact of increased precipitation S M L	Increased frequency of periods of heavy rainfall combined with wetter, warmer winters	On customers: • Internal and external sewer flooding and impact on customers' homes • Increase in interruptions to supply On business: • Impact on our financial penalty/reward position as well as environmental penalties • Increase in operating costs to deal with heavy rainfall and associated flooding • Increase in capital investment required	We maintain a 25-year Water Recycling Long-Term Plan (WRLTP) which assesses the risks to our water recycling infrastructure and promotes the use of sustainable and innovative solutions (see page 77). This 25-year plan is refreshed every five years, the next is due for publication later in 2023. This approach delivers over a short, medium and long-term timeframe.
One-off events which impact ability to operate S M L	Increased severity and frequency of storms	On customers: • Increase in interruptions to supply • Impact on leakage due to freeze-thaw process On business: • Physical damage to assets and infrastructure impacting ability to operate in an area • Increase in operating costs during and after the event • Increase in capital investment following the event	We manage these risks with business continuity and meticulous emergency response planning. We have well-rehearsed policies, plans and procedures to ensure we minimise any risk to customers and the environment. This allows us to react to incidents in the short term while we plan for the medium and longer-term timeframes.

Climate-related strategy continued

S Short-term
M Medium-term
L Long-term

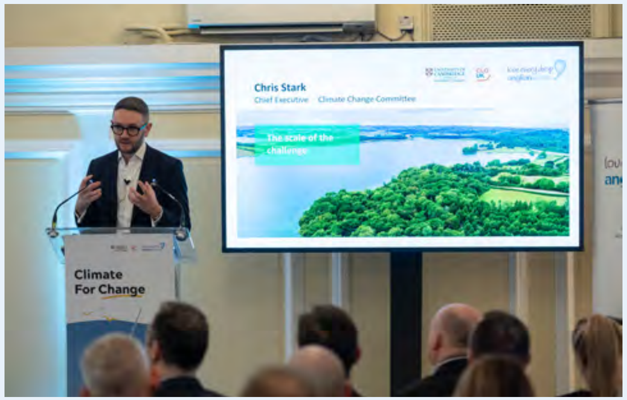
Climate-related risks, opportunities and impact

Key opportunities	Drivers	Impact on business	Strategy to realise opportunity
Energy consumption reduction programme S M	Increased cost of energy	• Reduced operating costs • Reduction in operational and capital carbon • Reduced energy consumption • Reduced reliance on grid power thus increasing grid resilience	We have a dedicated initiative to identify opportunities to reduce energy, carbon and cost. Funding is made available for this initiative, providing it pays back in five years or fewer. We also consider investments which may pay back over a longer period of time.
Correlation of reducing, carbon reduces cost S M	Need to reduce carbon footprint and alignment with our net zero targets	• Reduced capital investment required on projects • Reduction in operational and capital carbon	Our strategy is consistent with the international standard for capital carbon management, PAS 2080, with which we assisted BSI in its development. PAS 2080 aims to achieve a systematic process for infrastructure delivery in which carbon management under the direct control of the value chain is the main focus.
Uptake of renewable energy S M L	The rising cost of grid power and the increasing appetite for renewable power	• Reduced operating costs • Increase in green energy consumption • Reduction in energy required to be imported and opportunities to export	Investment in the optimisation of our combined heat and power (CHP) programme, biomethane programme and solar photovoltaic installations at our sites.

Our investment periods cover five years and we have therefore used a five-year horizon to define short term. The development of these five-year investment plans is undertaken in the context of a much longer timeframe. For example, the WRMP is a 25-year plan and our net zero carbon commitment published in 2021 is to 2030, therefore, anything between five and 25 years defined medium term. Anything longer than 25 years is defined as long term.

Impacts are variable across the geography of our region and approaches are developed in this context. For example, our Strategic Pipeline Alliance (SPA) Project was developed to transport water from the north of the Anglian Water region where there are Water Resource Zones (WRZ) in surplus, to the south where there are WRZ in deficit, improving water resilience to the whole region.

We also consider customer smart meter penetration and leakage rates as opportunities to drive reduced water consumption.



Climate for Change event

In February 2023 we brought our value chain together to discuss climate change resilience, climate change adaptation and our journey to net zero carbon. Our 'Climate for Change' event, hosted in collaboration with the Corporate Leaders Group, had over 100 attendees. Chris Stark, Chief Executive of the Committee for Climate Change kicked off the day.

Climate-related strategy continued

Financial impact

During the year, climate-related weather events have resulted in a negative financial impact on the business. The Board committed to invest £13.9 million to maintain our industry-leading leakage position as we sought to recover from a number of weather extremes throughout the year. The first six months of the year saw very little rainfall and as a result, we saw exceptionally dry ground conditions. This was then compounded by two freezing cold spells in winter, followed by a rapid rise in temperatures. Rapid freeze-thaw conditions led to ground movements that interfere with our infrastructure.

These weather events also negatively impacted our performance commitments. The overall penalty in the year totalled £22 million, the adverse weather experienced within the year largely contributed to this. See more in our Performance Commitments Dashboard, pages 31 to 38 which discusses our Ofwat targeted performance commitments.

Organisational resilience and scenario planning

Anglian Water's overall resilience to climate-related risk is addressed in a host of ways, but most specifically through our Water Resources Management Plan (WRMP), Water Recycling Long-Term Plan (WRLTP) and Strategic Direction Statement. The forthcoming Drainage and Waste Water Management Plan, to be published later in 2023, will provide further key strategic input.

We also publish a Climate Change Adaptation Report (CCAR), have developed and published a Net Zero Carbon 2030 Routemap, and have developed robust and long-standing partnerships with our supply chain to address climate resilience and low carbon delivery. For the detailed scenario analysis, refer to the linked documents.

For detailed analysis and conclusion, refer to the long-term viability statement on pages 96 to 99.

Water Resources Management Plan (WRMP)

In preparing our current 25-year WRMP we used climate-related scenario analysis. The approach is consistent with the Environment Agency's 2017 methodology for 'Estimating impacts of climate change on water supply'. In producing our supply forecast we used the 11 Spatially Coherent Projections (SCPs) in UK Climate Projection 09 (UKCP09) for each high, medium and low scenario. Our next WRMP is due for publication later in 2023.

The results of the climate change scenario analysis identified that two of our 28 Water Resource Zones (WRZ) were particularly vulnerable to climate change, and that there would be a material impact on the supply demand balance in another five WRZs due to climate change. These supply demand impacts were combined with other impacts such as growth to understand the total impact on the supply demand balance in each WRZ. This has helped inform better resilience strategies for the WRZs.

Water Recycling Long-Term Plan (WRLTP)

As described in our current 25-year WRLTP, climate change scenarios form part of our hydraulic modelling standards for assessing growth risk to service from our water recycling infrastructure.

We used UKCP09 high emission scenarios for 2025, 2045 and 2065 to support the assessment of climate risk in our investment programme, which included up to a 20% increase in rainfall. These time horizons were chosen to allow engineers to align climate change with the design life of the solution. For example, a pumping station may only be viable for 20 years, while a pipeline will typically have a much longer design life.

The WRLTP describes how the inherent uncertainties in planning for growth and climate change necessitated the use of scenario planning. In response, we've taken a risk-based approach to developing an appropriate investment strategy at Anglian Water. We've followed a Bronze, Silver, Gold risk-based process to assess risk of detriment and to prioritise investment for over a thousand catchments and Water Recycling Centres (WRCs), to give us an integrated long-term strategy.

This approach gives an understanding of the level of risk climate change may present and solutions were costed and benefit-assessed at high level, including natural capital assessment of sustainable urban drainage solutions (SuDs). The solution of greatest cost benefit was promoted for investment in the period 2020–2025. These solutions help us deliver against our long-term goals, including the ambitions to make the East of England resilient to the impacts of flooding and to enable sustainable economic and housing growth.

Climate-related strategy continued

Addressing climate-related supply challenges

South Essex was one of the Water Resource Zones identified as being at risk of water supply and demand issues, as a result of climate change. Anglian Water has started to build a new network of hundreds of kilometres of vast interconnected pipelines. This huge infrastructure project – our biggest to date – will, by 2025, enable us to transfer water from areas where there is surplus (Lincolnshire) to the South Essex WRZ and other areas where deficits have been identified.

Strategic Direction Statement

Our Strategic Direction Statement (SDS), first published in 2007 and refreshed in 2017, sets out our long-term goals 'to be a net zero carbon business by 2030' and 'to make the East of England resilient to the risks of drought and flooding'.

Our annual Greenhouse Gas Report charts the decline in intensity factors used to indicate the decarbonisation of our services. Our strategy is described in more detail in the SDS, and our Climate Change Adaptation Report describes how climate change is embedded into everything we do. We're also leading the way in green financing. Since 2017, we have raised £2.6 billion in green financing, since we became the first European utility company to issue a sterling Green Bond in 2017.

The investments made through the Green Bonds issued to date are expected to support a 63% reduction from the company's 2010 capital carbon baseline.

Engaging with our value chain

Our engagement with our supply chain on climate change was launched back in 2007 when we invited our key partners to HRH The Prince of Wales' first Mayday Summit. Since then, we've worked with our design and construction partners to reduce capital carbon by more than 63%.

In February 2023 we brought our value chain together to discuss climate change resilience, climate change adaptation and our journey to net zero carbon. Our 'Climate for Change' event had over 100 attendees with Chris Stark, Chief Executive of the Committee for Climate Change, kicking off the day with a 'call to arms'. As a result of the event, a number of collaborative workstreams will be taken forward. Collaboration is an enabler to the complexities of adapting to climate change.

An example of value chain collaboration is our Ofwat-funded research project to better understand Whole Life Carbon – that is the carbon associated with constructing, operating, maintaining and the end of life of our assets. Whole Life Carbon will integrate carbon and cost models into a single digital approach, enabling users to consider options to avoid constructing new assets through re-using existing infrastructure

Partnering to deliver Climate Resilience Demonstrator (CReDo)

We understand that our assets operate in an interrelated infrastructure system. We are reliant on the power network for electricity, the telecoms network for communications and the road system for access. In turn, the power and telecoms network are in some cases reliant on the water network. A failure in one of these elements of the system can lead to cascade failure, where other elements of this linked infrastructure network fail as a consequence. Extreme weather events can cause this failure. In 2021 the Climate Change Committee assessed infrastructure interdependencies as having a low-quality plan and that infrastructure owners were making slower progress than needed to manage risk.

In an effort to better understand these interdependencies in the context of a changing climate, we participated in the ground-breaking Climate Resilience Demonstrator (CReDo) project with a number of organisations including the Centre for Digital Built Britain, the National Digital Twin Programme, the Connected Places Catapult, UK Power Networks and BT.

Showcased at COP26, the project involved asset owners sharing asset data which was then synthesised with geographic information system (GIS) data to understand how assets are linked in a geographic area. A flooding scenario was then run to understand failures within the system.

The CReDo project gave important insight into how interrelated assets fail and how organisations can effectively share data and cooperate to develop holistic climate resilience solutions at an infrastructure system level. Ofwat and Ofgem funding has been secured to develop the next phase of CReDo. We are leading a project to understand the impacts of extreme and prolonged heat on the resilience of our assets which will enable effective planning in adapting to the future.

Video: CReDo – Increasing climate resilience through cross-sector data sharing in a connected digital twin

Climate-related strategy continued

or selecting lower carbon materials. The project has already identified future opportunities to combine carbon and climate resilience. This is just one example out of five that we are leading on, as part of Ofwat's Water Breakthrough Challenge, where we have secured £17.3 million in Ofwat Innovation funding to create solutions to our industry's biggest challenges.

In 2016 we became the first organisation to be verified against PAS 2080, which is the world's first standard for managing carbon in infrastructure. Designed to drive best practice in managing carbon across the supply chain, in 2023 PAS 2080 was revised. We aim to be verified against this revised standard later this year.

Engaging with our customers

We regularly engage with customers through a variety of channels to seek their views on our approach to addressing climate change. Customer channels include:

- The Customer Engagement Forum (CEF). Set up in 2011, the CEF has an ongoing role in challenging us on how we engage with customers and monitors how we perform on commitments. Its members come from a wide range of backgrounds to represent the interests of household and business customers, communities, the environment and the economy;
- Our online community of 500 customers, whose views we seek weekly on a wide range of topics; and
- Our Customer Board, which comprises a representative selection of members from the online community to provide further guidance and directly feed in customers' views.

Our Business Plan for 2020–2025 saw us engage with circa 500,000 customers; the majority told us they want us to invest in resilience to climate change now, rather than in the future.

We also issue key climate-related plans, including our Drought Plan, Water Resources Management Plan, Climate Change Adaptation Report and Drainage and Waste Water Management Plan, for public consultation, incorporating and reflecting their feedback before plans are formally published.

Innovating to reduce carbon emissions

We have recently reorganised how we deliver innovation through our business. The Innovation Discovery Team leads much of our research and development work. Reporting to our Chief Engineer, it invests about £2.5 million per year into ground-breaking research and projects. One of the team's current projects is the Ofwat-funded Triple Carbon Reduction project, exploring how to reduce process emissions which, after electricity, is our biggest source of emissions, alongside reducing energy consumption in water recycling and producing hydrogen.

Hydrogen has the potential to result in significant carbon reductions, but there is uncertainty surrounding how this new model may work. This project will increase understanding of how hydrogen could play a role in the future.

Generating renewable energy

The vast majority of our operational emissions are associated with the electricity used to pump, treat and recycle water. One of the opportunities for reducing our emissions – and our costs – is to generate renewable energy from our sewage sludge, and to generate renewable power on our sites from wind and solar. Not only does generating renewable energy reduce our impact on the environment, it also mitigates the transition risk associated with changes in policy and cost linked to decarbonising the UK's electricity.

In 2004 we had only two sites with combined heat and power engines (CHP) producing less than 8GWh per annum. We now have ten sites producing more than 113GWh per annum. In 2012 we installed our first wind turbines and in 2016 we installed our first solar arrays.

We're now committed to increasing the renewable energy we produce to 40% of our consumption by 2025. See page 81 for our progress this year.

Energy efficiency

As well as generating our own renewable energy, we're also pursuing other opportunities to reduce our carbon emissions and reduce costs. This includes an energy efficiency 'spend-to-save' programme, designing carbon out of the new assets we build and reducing travel emissions. This programme was launched in 2006 and delivered savings of more than £10 million within four years. We have now embarked on our 20GWh challenge – attempting to generate energy consumption savings across the business.

Working in partnership

To reduce the climate-related risks we face from drought and flooding, we're partnering with other stakeholders to better manage our limited water and financial resources. For example, we've identified opportunities to enter into funding partnerships to deliver a single cost-effective flooding scheme to protect the assets of multiple stakeholders. Every five years we publish a statutory WRMP and a Drought Plan to set out the investment and interventions required to minimise the risk of a drought. We also prepare investment plans for flooding every five years.

By 2025, we expect our investment and interventions to have reduced the risk of severe restrictions in a 1-in-200-year drought so that it is approaching zero, and to have reached a position where fewer than 10% of our customers are at risk of sewer flooding in a storm (1-in-50-year storm).

Climate-related risk management

Identifying and assessing climate-related risks

On pages 89 to 95, we outline our 13 principal risks. Climate change is a consideration in each. Identification of current and emerging climate risks, including risks presented through implementation of change, is undertaken as part of our embedded risk processes. Our process utilises expert judgement, historical data, external data and forward-looking analysis. We use scenarios to inform our future direction. The development of adaptive planning, which is part of our PR24 planning process, will define a number of climate scenarios with alternative and adaptive pathways which can be adopted as the climate changes. Through monitoring of performance against a pre-defined set of decision points, tipping points and thresholds, our adaptive plan becomes dynamic and iterative.

The assessment and management of climate-related risks is consistent with the approach used to manage risk throughout the business. Climate-related risks were identified and assessed during the production of our latest Climate Change Adaptation Report. Climate risks are also identified and managed through the preparation of long-term plans and the delivery of individual investments. We review the current risk level and how our controls provide confidence and assurance around our management of that risk.

Managing climate-related risks

The management of climate-related risks is consistent with out approach to manage risk throughout the business, more in our Risk section on pages 83 to 95.

In preparing the WRMP, we identified the impact of climate change, and then customers and stakeholders were consulted on our proposals for adaptation. Most respondents shared our view that investment in climate change should not be delayed. Our latest WRMP is currently under review following a similar stakeholder engagement strategy.

In addition, we're undertaking research into customer views of climate change adaptation approaches as part of our PR24 (2025–2030) investment process.

Integrating climate-related risk into overall risk strategy

Our approach to climate-related risks are fully integrated within our overall risk strategy, as discussed on page 88.

Within this system, we define what constitutes substantial financial and strategic impact to the business. A significant impact at Anglian Water is defined in the risk register as being greater than £25 million, while a major impact is between £10 million and £25 million.

Climate-related metrics and targets

We've developed a process to assess, manage and mitigate the climate resilience of individual investments. Climate resilience is included within the Six Capitals Framework, which includes both resilience to changing weather patterns as a consequence of climate change and carbon impacts. These carbon impacts are operational and capital.

A monetised cost benefit analysis is also carried out on these investments, using our well-established Risk, Opportunity and Value (ROV) process. Investments are then assessed for climate resilience, operational carbon performance and capital carbon performance through each design gateway as the design iterates.

Anglian Water has previously used an internal price of carbon to see if it could advance carbon reduction. This proved of limited value. We transformed the thinking of the organisation to recognise that reducing carbon does reduce cost.

Setting this expectation alongside ambitious carbon targets (65% capital carbon reduction target by 2025 and 70% by 2030 against a baseline of 2010) and a rigorous process verified to PAS 2080 has proven much more effective.

The recognition that reducing carbon reduces costs is used to drive behaviour change and deliver financial efficiencies throughout the organisation. This is most clearly seen in the delivery of our five year plans, in accordance with PAS 2080.

The data collected on our carbon versus cost saving can be used to estimate an implicit financial value for a tonne of carbon.

The Performance Commitments section, pages 31 to 38, contains a set of metrics and targets we are using to understand progress against climate-related risk. Performance against these metrics is set out annually in our Annual Performance Report. Our Climate Change Adaptation Report also includes discussion on key metrics, of which an updated report will be published in 2024.

Climate-related metrics and targets continued

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

Metrics and targets

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

	Units	2021/22	2022/23	Inclusions
Energy consumption used to calculate emissions kWh	kWh	1,047,019,565	1,073,538,749	Electricity, gas, fuels combusted on site (fossil fuels and biogas), transport (company cars, fleet vehicles, personal and hire cars on business use) plus liquid fuels consumed on site
SCOPE 1 – Gas and fuel oil consumption	Tonnes CO_2e	11,936	10,541	Fossil fuel combusted, natural gas and biogas
SCOPE 1 – Process and fugitive emissions	Tonnes CO_2e	81,601	85,859	Water and waste water treatment, biogas
SCOPE 1 – Owned transport	Tonnes CO_2e	20,854	21,904	Fleet vehicles and company cars
SCOPE 1 – Total	Tonnes CO_2e	114,390	118,304	
SCOPE 2 – Purchased electricity	Tonnes CO_2e	134,894	121,994	Grid electricity – location-based electric for vehicles
SCOPE 2 – Total	Tonnes CO_2e	134,894	121,994	
SCOPE 3 – Business travel	Tonnes CO_2e	306	621	Private cars, public transport
SCOPE 3 – Outsourced transport	Tonnes CO_2e	12,834	13,144	Outsourced tankers
SCOPE 3 – Purchased electricity	Tonnes CO_2e	11,937	11,154	Transmission & distribution
SCOPE 3 – Total significant	Tonnes CO_2e	25,077	24,920	We have not included commuting, capital carbon and emissions from use of water in customers' homes
TOTAL ANNUAL GROSS EMISSIONS	Tonnes CO_2e	274,362	265,219	
Exported renewables	Tonnes CO_2e	-4,946	-6,334	Exported renewables REGO certified
Green tariff	Tonnes CO_2e	0	0	
TOTAL ANNUAL NET EMISSIONS	Tonnes CO_2e	269,416	258,884	
INTENSITY RATIO – water treated	Kg CO_2e per Ml	203.73	192.48	
INTENSITY RATIO – recycled water	Kg CO_2e per Ml	425.20	409.54	
INTENSITY RATIO – recycled water	Kg CO_2e per Ml	232.61	227.79	Full flow to treatment

Methodology: Emissions have been calculated using Carbon Accounting Workbook v17 (2023) an industry standard reporting tool. We have followed the 2020 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2023 to calculate the above disclosures. There have been no methodological changes in the way emissions have been calculated in financial year 2022–2023 against 2021–22.

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

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

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

Climate-related metrics and targets continued

Energy consumption has increased slightly in 2022/23 over 2021/22 primarily because of an increased population and subsequent water supplied. This has led to an increase in wastewater treated, which increases our process and fugitive emissions. Emissions from electricity purchased have reduced whilst further emissions reductions have been achieved through increased export of renewables. Consequently, gross emissions have reduced 3.9% in 2022/23 against 2021/22.

Organisational targets to manage climate-related risks and opportunities

Our key short to medium term climate-related targets are as set out below. We are currently implementing changes to the way we structure and document our position against our net zero commitment to ensure we have the appropriate processes in place to achieve our target. These are in addition to our performance commitments. See more in our Remuneration Report on page 127.

- Be a net zero carbon business by 2030 (emissions where we have operational control and as set out in our Net Zero Carbon 2030 Routemap);
- Deliver a 65% reduction in capital carbon by 2025 against our 2010 baseline;
- Deliver a 70% reduction in capital carbon by 2030 against our 2010 baseline;
- Deliver a 10% reduction in operational carbon by 2025 against a 2020 baseline; and
- Between 2020 and 2025 ensure that a climate change resilience assessment is completed for all relevant investments.

Operational carbon is the carbon emitted as a consequence of the day-to-day operations of our business – energy use, process emissions from the water recycling process, emissions from our vehicle fleet, etc. Capital carbon is the carbon emitted as consequence of the manufacture and installation of assets we construct, for example, our new strategic pipeline or, a new treatment facility. From 2022/23, a proportion of senior leader remuneration is linked to performance against these climate-related targets: 2.5% of senior leaders' bonuses are linked to the achievement of our annual net zero carbon performance target and 2.5% is linked to the achievement of our annual capital carbon performance target.

Our longer-term climate-related targets are as follows:

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

We are making progress in these areas. and have below set out the actions underway. Our Water Resources Management Plan (WRMP) and Drainage and Water Management Plan (DWMP), set out our approach to dealing with both drought and flooding over the next 25 years in our region. The plan also covers how we can enable sustainable economic and housing growth in our region whilst protecting the environment.

We are also participating in the Climate Resilience Demonstrator (CReDo) project, where asset data from Anglian Water, UK Power Networks and British Telecom have been synthesised using a digital twin approach to understand how these assets are connected. For a specific area, a flooding scenario has been run to best understand asset failure in the context of an interconnected and interdependent infrastructure network.

This project has demonstrated that the validity of this approach and CReDo is moving forward with two workstreams: increasing the geographical area and asset types within the digital twin and using an extreme prolonged heat scenario to understand asset failure.

Our target is to reduce capital carbon by 70% by 2030 against our 2010 baseline. We are currently developing our approach to delivering further reductions post-2030, including our approach to increased uptake of low carbon concretes. We will publish our approach over the coming years.

We are currently engaged in a 'Triple Carbon Reduction' innovation project which uses renewable energy-powered hydrolysis to produce hydrogen and oxygen from water. The hydrogen is collected to be used as a fuel whilst the oxygen is used to replace traditional aeration, delivering efficiency gains. The results of this trial will feed into the development of our hydrogen strategy over the coming years.

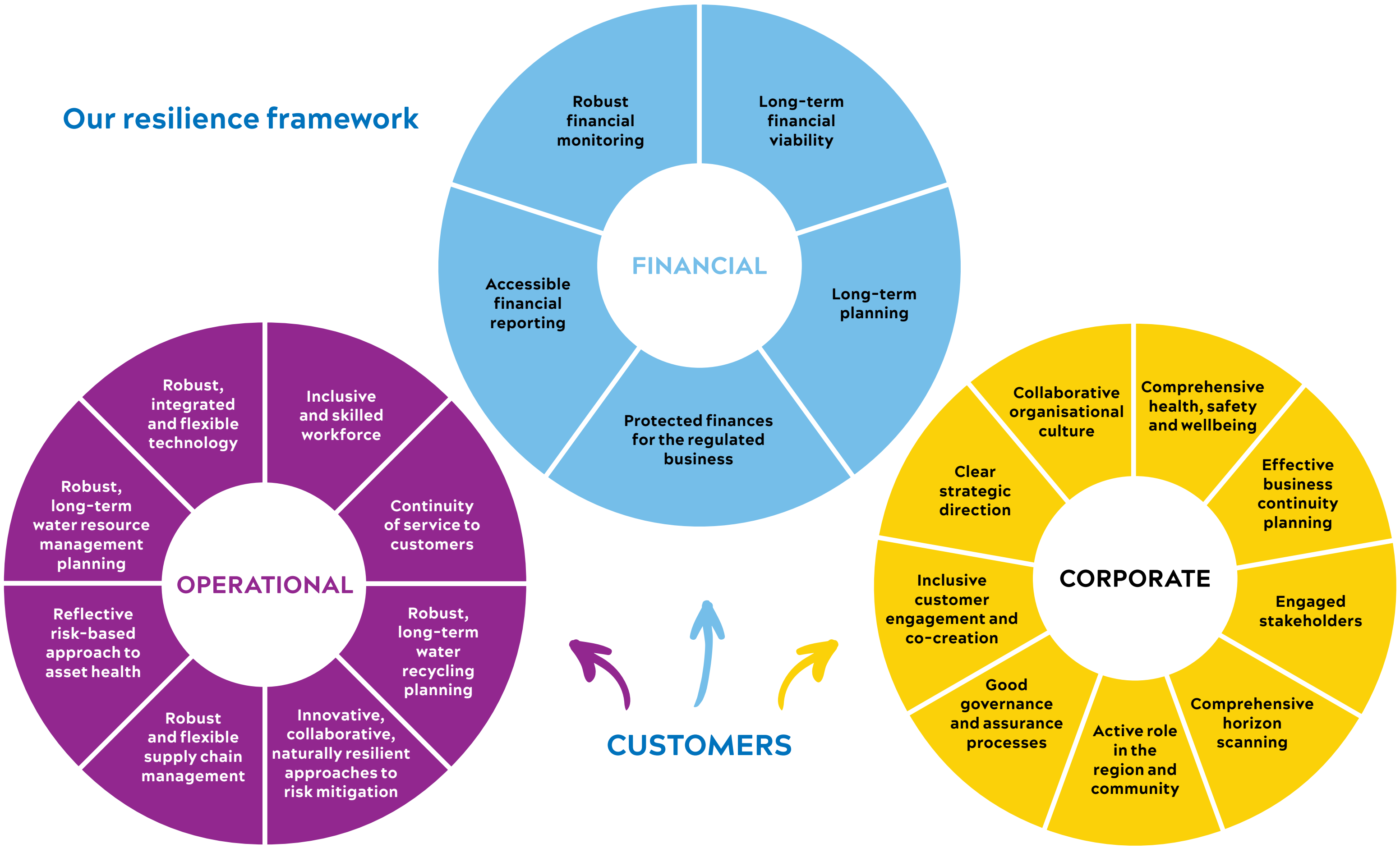
Maintaining a **resilient business** and **managing our risks**

Our long-term Strategic Direction Statement underpins our purpose to bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop. Integrating resilience throughout our business is an integral part of our operational and organisational planning and delivery to ensure we can meet our purpose and secure long-term resilience surrounding water supplies and water recycling services.

Resilience is the ability to cope with, and recover from, disruption and anticipate trends and variability in order to maintain services for people and protect the natural environment now and in the future. Building in robust resilience allows us to quickly adapt to disruptions, maintain continuous business operations and safeguard our people, our customers and our assets.

- **Corporate resilience:** the ability of an organisation's governance, accountability and assurance processes to help avoid, cope with and recover from disruption and to anticipate trends and variability in its business operations.
- **Financial resilience:** an organisation's ability to avoid, cope with and recover from disruption to its finances.
- **Operational resilience:** the ability of an organisation's infrastructure, and the skills to run that infrastructure, to avoid, cope with and recover from disruption in its ability to provide critical services to customers.

Our resilience framework



Over the past year, the economic, geopolitical and environmental climate has continued to be challenging. Whilst recovering from the lasting impacts of coronavirus, we have also responded to the consequences of the Russia/Ukraine conflict on our supply chains, risks of rota disconnections over the winter period, challenges to our chemical supply chains, and continued our water and water recycling services to our customers throughout the extremes of weather; heat in the summer and freeze-thaw in the winter.

To ensure operational and organisational resilience throughout these shocks and stressors we have:

- Aligned our corporate governance.
- Embedded our holistic organisational incident management structure through the business by taking the fundamental elements from the military J-cell approach; this provides visibility of emerging and present threats with a clear management structure through our silver and gold command to provide tactical and strategic leadership to ensure the business remains resilient.
- Developed our extensive emergency plans focusing on resilient services to customers.
- Built in interdependency mapping surrounding chemicals, supplies and our assets.
- Supported our differing customer profiles, whether that's businesses in our communities, vulnerable and priority customers, or our non-household customers.
- Integrated a robust training and exercising programme to enhance operational and organisational resilience. Over the past year we have run just over 60 exercises stress testing multiple plans, scenarios and interdependencies. These exercises have been a multi-agency collaboration with our regulators, Local Resilience Forums, Police (CTSA) and other water companies.

Incident preparedness through to response and recovery remains core to ensuring our business remains resilient. This is supported by our Anglian Water Force members who are our trained incident response community. Over the past year, we have rolled out a new company-wide initiative to assign all employees a secondary incident response role. So far, we have just over 3,000 employees trained and ready to respond during core hours.

We take a leading role with other UK water companies through two national Water UK collaboration groups, Platinum Incident Management (PIM) and National Incident Management (NIM), which meets to plan for and respond to events and situations to ensure the industry is resilient. As part of this industry collaboration, PIM and NIM have stood up and will remain in place to provide holistic water industry resilience.

We are proud to maintain our ISO 22301 certification, the international standard in business continuity management, which gives assurance that our processes provide a high level of business resilience.

We continue to ensure security is a fundamental part of our resilience strategy. Our personnel, cyber and physical security takes a holistic approach to ensure resilience across our employees, customers and assets. Our security standards are maintained, audited and stress tested across current and new operational assets and meet the requirements in the Protective Security Guidance (PSG) under the Security and Emergency Measures Direction (SEMD).

Risk management is a key part of resilience and central to the achievement of our strategic priorities, and we approach this in several ways:

- At a global level, we consider what are the potential megatrends, to ensure these are on our horizon when planning for future resilience.
- We use the National Risk Register to identify national risks that could impact our business.
- We use an all-hazards approach and challenge ourselves to ensure we look at an end-to-end systems approach to the current risks and ensure preparedness for the shocks and stresses we may face.
- We engage with customers to help their understanding of the challenges we face and our understanding of their priorities.
- We continue to update our processes and procedures in line with the requirements of the Security and Emergency Measures Direction (SEMD) 2022 legislative change, which requires us to maintain a water supply and/or sewerage system in the interests of national security or to mitigate the effects of any civil emergency which may occur.

We manage risk across our business through a number of formal and informal processes. These risk management processes sit within our overall governance framework, which includes clear accountabilities, delegated authority limits and well-defined policies and procedures that govern employee conduct.

Managing risk in line with our strategy

Our management team, with oversight from the Anglian Water Services (AWS) Board, is responsible for developing our strategy. Our strategic planning process aims to ensure we have developed clear objectives and targets, and identified the actions needed to deliver on our commitments, including the management of risk.

Risk management approach

We have an established Risk Management process in place. During 2022 into 2023 we have updated our Principal Risk Areas and reviewed and updated our risk appetite statements. Our top tier and business stream risks are aligned to our Principal Risk areas and are enabled by our risk management process and supporting activities.

Our risk management framework enables the identification, assessment and effective management of business risks, both individually and in aggregation. The consequences and likelihood of these risks are determined and ranked using a scoring matrix aligned to our risk appetite. This ensures that a consistent approach is taken when assessing overall impact to Anglian Water and our customers.

Our management system framework policy

Our purpose is to bring social and environmental prosperity to the region we serve through our commitment to Love Every Drop.

QUALITY

Protecting water quality from source to source, providing confidence that our drinking water and recycled water is always safe and clean.

ENVIRONMENT

Safeguarding and enhancing the air, water and land where we live to sustain and maintain a flourishing environment.

ASSET MANAGEMENT

Exploiting the whole life cycle of our assets to maximise value andreduce our capital and operational carbon footprint.

RESILIENCE

Effective planning and preparation to manage and mitigate the impact of any disruptive event so we can successfully respond and recover.

CUSTOMER

To make life better for our customers every single day, by delivering a personal, trusted and effortless experience.

Our Health and Safety Charter

- **Slow down** – Nothing is so important that we cannot take the time to do it safely.
- **Be aware** – We will never knowingly walk past an unsafe or unhealthy act or condition.
- **Think** – We believe that work should have a positive effect on physical and mental health and wellbeing, and that all accidents and harm are preventable.

Chief Executive Policy Statement April 2021:

We recognise the importance of robust management systems and their role in the ongoing success of our business.

In addition to our Health and Safety Charter and Policy, we have defined arrangements for managing quality, environmental, asset management, business resilience and customer service activities.

This Integrated Management System framework sets out all our management system standards in a clear and consistent way aligning to strategic priorities, business goals and good outcomes.

Strategic and business unit plans form the basis on which we set and review our objectives, obligations and targets.

We're committed to:

- Directors leading and being responsible for achieving the intended outcomes by keeping our promise to customers.
- Delivering excellent drinking water quality.
- Preventing pollution while protecting and enhancing the quality of the recycled water that we treat and return to the environment.
- Maintaining our laboratory's UKAS accreditation.
- Complying with relevant legislation, regulations and other needs including the requirements and standards of:
  - ISO 45001 Health and Safety Management
  - ISO 9001 Quality Management
  - ISO 14001 Environmental Management
  - ISO 55001 Asset Management
  - ISO 22301 Business Continuity
  - ISO 37001 Anti-Bribery
  - BS 18477 Customer Vulnerability
  - PAS 2080/EU ETS Carbon Management
- Making the most of our employees' knowledge and experience by recognising the contribution that they make.
- Continually improving the efficiency and effectiveness of our operating processes and this management systemframework.

Risk appetite

Risk appetite defines the opportunities and associated risks which Anglian Water is willing to accept in the pursuit of achieving its strategic objectives. These statements are used to drive risk-aware decision-making by key business stakeholders.

We consider risks aligned to our Principal Risk Areas and strategic priorities. Underpinning each statement is a series of Risk Appetite thresholds which, during 2023, are being refined. These assist in providing a view as to whether we are operating within our appetite, or whether additional risk mitigation may be required.

Anglian Water is exposed to a variety of uncertainties that could have a material adverse effect or impact on our financial condition, our operational performance, our business resilience and our reputation.

We have a structured approach to risk assessment, with the Board reviewing and challenging management's assessment of risk, together with the mitigation measures in place to manage principal risks in the context of our obligations to keep employees safe and provide an essential and efficient service to customers. The Board's assessment of risk determines what level of risk it is willing to accept, which helps senior management to understand the mitigating activities required to control risk likelihood and impact to acceptable levels.

For principal risks, we review the current risk level and how our controls provide confidence and assurance around our management of that risk. Where a gap exists between our current position and our mitigated aspiration, we instigate new or revised actions to close or reduce any risk gap.

Peer review and discussion at the Board or Management Board form the basis for establishing our overall principal risk status. There may be occasions when a higher level of risk is acceptable, but this is generally in cases where the risks are well understood and can be demonstrably managed. The Board regularly reviews Anglian Water's internal controls and risk management processes to support its decision-making.

Principal risks

The Board has a responsibility to disclose 'significant failings and weaknesses or areas of concern that have not been resolved by year end'. The Board's interpretation of this requirement is that there is a need to disclose any control failure or omission that, if unchecked, has the potential to result in significant financial, operational or reputational damage to the business.

We carefully assess the principal risks facing us. These risks centre around the criticality of our infrastructure; the importance of our customers and our people, climate change and the environment, health and safety in our service delivery, cyber security, and our ability to finance our business appropriately, and are reported regularly to the Board, as set out below.

In addition to the principal risks, we also actively manage several low-level business stream risks which feed into our principal risks. Principal risks are assessed considering a combination of factors including emerging risks and external threats.

Principal risk	Current risk profile	Trend	Predicted Outlook	Business outcome
1. Customer proposition		↑	↔	Delighted customers
2. Environment		↔	↔	Flourishing environment
3. Water supply and quality		↔	↔	Safe, clean water
4. Health and safety		↓	↔	Our people: healthier, happier, safer
5. People		↔	↔	Our people: healthier, happier, safer
6. Technology		↔	↔	Resilient business, Investing for tomorrow
7. Finance		↔	↔	Fair charges, fair returns/Investing for tomorrow
8. Reputation		↑	↔	Delighted customers
9. Asset infrastructure		↔	↔	Investing for tomorrow
10. Business resilience		↔	↔	Resilient business
11. Commercial and third-party		↔	↔	Business resilience
12. Strategic execution		↔	↔	Investing for tomorrow
13. Legislation		↔	↔	Resilient business

Risk profiles

- High risk
- Medium risk
- Medium – Low Risk
- Low risk

Risk movement

- ↔ No change
- ↑ Risk increasing
- ↓ Risk decreasing

1 Customer proposition

Delighted customers

Strategic goal:

"To make life better for our customers, every single day."

Risk description:

The risk that we are unable to improve and maintain the levels of customer service necessary to deliver what our customers tell us they want. Inability to support customers with vulnerability or affordability challenges, or to deliver on our social purpose.

Key driver(s):

The requirement to meet CMeX (Customer Measure of Experience), DMeX (Developer Measure of Experience) as set by Ofwat, and the continued customer affordability challenges as a result of the rising cost of living which could impact our risk of failing to achieve financial sustainability.

Risk management & mitigation

To mitigate this risk, we:

- conduct customer satisfaction and experience surveys, publish the results and identify and act upon areas for improvement. With results being published and areas of improvement identified and acted upon;
- have a clear complaints process to identify and address expressions of dissatisfaction;
- test the accessibility of our services with a wide range of demographics;
- are certified customers; to the ISO 22458 Inclusive Service Provision Framework to help identify and assist vulnerable customers; and
- are deploying Agile methodologies and ways of working to focus and prioritise our efforts to the best of our ability and deliver value soonest to customers.

Opportunity:

Use our customer service feedback to look for new ways to meet everyday challenges to make life better for our customers.

2 Environment

Flourishing environment

Strategic goal:

"To create a sustainable future for our region."

Risk description:

The probability and consequence of damaging the environment through business activities and/or incidents. This could be through deficiencies in waste management, waste transport, waste treatment and disposal, breaching abstraction licences and unintended pollutions or our construction activities or our overall failure to be net zero by 2030.

Key driver(s):

Extreme weather events and gradual changes in climate, as well as environmental degradation, such as air, water and land pollution, water stress and biodiversity loss.

Risk management & mitigation

To mitigate this risk:

- our investment plans are targeted to reduce drought and flooding;
- we have an established route map to deliver our aim to be net zero by 2030;
- mitigating the impacts of climate change;
- all incidents and associated response, mitigation and preventative actions are reported to and monitored by our Pollutions Task Force, Escaped Sewage Cell, and senior management;
- we have invested in new technology for remote monitoring of discharges which has been installed at key points on the network, both inland and coastal; and
- we have implemented the Biosolids Assurance Scheme (BAS), the national quality scheme for recycling of biosolid products.

Opportunity:

Use new learning and technical developments to collaborate and to be industry-leading in driving environmental change, promoting Anglian Water as a trusted custodian of the environment and public health.

3 Water quality and supply

Safe, clean water

Strategic goal:

"To make life better for our customers, every single day."

Risk description:

The risk that we are unable to provide a reliable source of water to customers when they need it in line with quality standards.

Key driver(s):

The speed at which the climate changes and the population grows, together with our region being the driest in the UK, could see this risk materialising sooner than we had planned.

Risk management & mitigation

To mitigate this risk, we have:

- skilled and trained employees operate our water assets;
- a mature drinking water safety planning approach that meets regulatory requirements;
- robust policies and standards for water supply hygiene;
- regular routine testing on water quality;
- investment to maintain and improve water quality;
- regular internal and external audits;
- detailed emergency and business continuity response plans;
- a five-year statutory Water Resources Management Plan (WRMP);
- a five-year statutory Drought Plan;
- monthly monitoring in place for our water resources; and
- regular discussions with the Environment Agency in relation to water supplies.

Opportunity:

Exploit new digital technologies for water and water recycling solutions to enable us to better monitor, manage and ultimately reduce consumption of key inputs such as power, water and chemicals with real time data.

Work across the industry to deliver winning solutions and drive wider benefits beyond cost efficiencies.

Use Ofwat's Adaptive Planning to help us monitor performance against a range of scenarios which can be adopted depending on future circumstances.

4 Health and safety

Our people, healthier, happier, safer

Strategic goal:

"To deliver our identified business priorities."

Risk description:

The risk that we endanger the health, safety and physical wellbeing of our people, operating partners or members of the public.

We recognise the importance of robust management systems and their role in the ongoing success of our business.

Key driver(s):

Stretched resources and pressure to reduce costs could lead to less focus on following procedures, processes and maintenance.

Risk management & mitigation

To mitigate this risk:

- the Management Board reviews health and safety performance and associated actions;
- all accidents and incidents are investigated, and remedial actions tracked;
- we have an established Health and Safety Charter and Policy;
- health and safety is embedded in our culture and processes via training and raising awareness;
- ISO 45001 management system monitors performance with six-monthly reviews undertaken by Lloyd's Register as well as through internal audit; and
- safety management is reviewed regularly to ensure that it is suitable and sufficient to manage the hazards we have in our undertakings.

Opportunity:

Work with our employees and alliances to drive positive behaviours built around trust for health, safety and wellbeing.

5 People

Our people, healthier, happier, safer

Strategic goal:

"To deliver our identified business priorities."

Risk description:

The risk that we do not have enough skilled or capable people to run our business and deliver on our goals. The engagement and wellbeing of our colleagues, and the creation of an inclusive workforce, are central to our culture.

Key driver(s):

The challenging labour market, low morale or lack of engagement as we continue to recover from Covid-19, coupled with rising inflation, could lead to an increase in attrition and a decrease in the wellbeing of our people.

Risk management & mitigation

To mitigate this risk, we:

- have a suite of people policies in place which are routinely reviewed and updated as appropriate;
- review recruitment and retention activities, including remuneration, reward and incentivisation tools;
- monitor absence;
- undertake engagement surveys, with actions to improve identified and implemented;
- have identified and regularly review essential skills, roles and business activities;
- have established business continuity plans to cater for low likelihood and high impact incidents; and
- provide a comprehensive range of wellbeing benefits and activities.

Opportunity:

To engage and listen to our colleagues, continuously improve our skills and capabilities and retain our most talented people to help us achieve our goals.

6 Technology

Resilient business Investing for tomorrow

Strategic goal:

"To deliver our identified business priorities."

Risk description:

The risk to our operations of technology failing to be available, secure, reliable and to perform as expected, or we fail to capitalise on new and emerging technologies.

Key driver(s):

Heightened cyber threat as a result of the war between Russia and Ukraine has the potential to weaken our security defences, particularly in the face of public Russian threats to the UK for its leading role in the support for Ukraine; in addition, any Chinese military action against Taiwan will likely further heighten the cyber threat in the run up to and during any conflict, as well as severely impacting the world market for computer chips, resulting in supply capacity being hugely reduced. The speed at which new technologies are evolving could mean that we are not keeping pace with our industry or customer expectations.

Risk management & mitigation

To manage this risk, we:

- are leading a digital transformation of our business, enabling us to become fit for the future by building our success on solid foundations and providing dependable, resilient, secure information technology and operational technology services;
- have implemented, and are maturing the use of the National Cyber Security Centre's '10 Steps' framework to enhance our control environment; and
- have an ongoing awareness and education campaign to modify employees' behaviours towards cyber risk.

Opportunity:

Take advantage of new technologies, particularly those that are cloud-based, as they become available to help us become more agile and resilient.

Investment in technology and cyber security will help to strengthen our resilience and approach to managing incidents in the future. Our updated Information Security framework, aligned with best practice developed by the NCSC, will help in the overall improvement, recognition and management of IT risks.

7 Financial

Delighted customers

Strategic goal:

"To deliver our AMP7 Final Determination."

Risk description:

The risk that we fail to appropriately finance our business in either the short or the long term.

Key driver(s):

Economic conditions affecting the availability or pricing of funding from debt markets. Failure to deliver our Totex programme to target either through overspending or missing outcomes, impacting our potential for earning financial rewards which allow us to invest for the future. Inability to maintain stable credit ratings.

Risk management & mitigation

To mitigate this risk:

- revenue from our customers, together with the proceeds of new debt raised, finances the Totex programme;
- we use a range of investment and debt instruments to finance our regulatory capital value;
- we ensure access to a diversified source of debt across a range of maturities to minimise the refinancing risk;
- we hold regular senior level meetings with banks, rating agencies and bond holders; and
- we have robust treasury, liquidity and energy and covenant policies which are internally monitored through our Finance, Treasury and Energy Policy Group.

Opportunity:

Maintaining a strong credit rating, liquidity levels and an attractive environmental, social and governance (ESG) profile will allow us access to a broad range of financial markets, optimising our financing costs.

8 Reputation

Delighted customers

Strategic goal:

"To deliver our identified business priorities."

Risk description:

The potential for negative publicity, public perception, or events to have an adverse impact on our reputation.

Key driver(s):

The changing expectations of external (and internal) stakeholders, principally when communicated to us through public forums such as the traditional media, and now frequently amplified via social media.

Risk management & mitigation

To manage this risk:

- reputational risk is managed as part of our Group Strategy and Planning;
- our risk assessment process examines the likelihood and impact of events that could cause reputational damage;
- we have a communications strategy, executed by a highly competent team, that promotes (both internally and externally) our purpose, vision, and our performance;
- we constantly seek to secure lateral endorsement and support from stakeholders and other third parties who become willing to advocate on our behalf; and
- we have well-rehearsed contingency plans and accompanying communications strategies for when things don't quite go right.

Opportunity:

Using our insight and data to make sure communications are relevant, effective and engaging for our different audiences, promoting our industry's reputation and protecting our brand.

9 Asset infrastructure

Investing for tomorrow

Strategic goal:

"To create a sustainable future for our region."

Risk description:

The risk of failing to plan, build, maintain and decommission assets reliably and efficiently to meet the service expectations of our customers.

Key driver(s):

Our significant and aging asset base, which ranges from large tunnels and reservoirs to small pumping stations serving two or three homes, together with the changing regulatory and environmental landscape.

Risk management & mitigation

To mitigate this risk, we:

- have strategic alliances in place to deliver capital programmes to assure continuation of services to our customers;
- have an established investment and corporate governance process which operates for projects led by senior management with independent assurance;
- have cross-business governance bodies that align to business strategy;
- have a detailed knowledge and understanding of our critical assets; and
- work with industry bodies to review the regulatory framework in relation to asset health, to further address long-term risks.

Opportunity:

Trial and implement new technologies and innovation to improve our water treatment processes and network operations, such as leakage detection.

Use efficiency gains on analytical data, reporting and innovation to take advantage of analytical and digital capabilities to support a reduction in process costs and reduce inefficiencies.

Use the Totex outcomes framework and engage with the Ofwat Innovation Fund to drive up performance and facilitate the innovation customers need.

10 Business resilience

Resilient business

Strategic goal:

"To create a sustainable future for our region."

Risk description:

The risk of failing to embed capabilities, processes, behaviours and systems which allow us to continue to carry out our purpose. A failure to prepare for operational risks and be resilient against them.

Key driver(s):

Operational risks can arise within all areas of the business and can manifest themselves through inadequate or failed internal processes or systems, human error or from external events.

Risk management & mitigation

Our approach to ensure we have robust business resilient processes in place is to:

- proactively mitigate potential customer and environmental harm, regulatory or legal censure and financial and reputational impacts;
- regularly review our processes and systems, including prevention and detection processes, to ensure we can absorb and/or adapt to internal or external events.

Opportunity:

Use data analytics to exploit the development of our smart networks and smart metering to bring an untapped level of data to increase resilience and service to customers.

11 Commercial and third-party

Resilient business

Strategic goal:

"To deliver our identified business priorities."

Risk description:

The risk of loss, failure or over-dependency on one or more of our key suppliers (including alliances) which may interrupt the services that they provide.

Key driver(s):

The rising expectations of customers, increasing regulation and rapidly evolving technology.

Risk management & mitigation

To mitigate this risk, we:

- closely manage our supply chain, given our alliance and partnership model which supports the delivery of our core services;
- monitor the long-term sustainability of key suppliers, considering wider macroeconomic pressures; and
- operate a strong control environment through the delivery of our procurement and supply chain operating model, which is focused on delivering active monitoring of critical suppliers and partnerships.

Opportunity:

Engagement and monitoring of our key suppliers to build on our success, optimising our value chain and enhancing our capabilities through the use of transformational technologies.

12 Strategic execution

Investing for tomorrow

Strategic goal:

"To deliver our identified business priorities."

Risk description:

Failure to inadequately translate the strategy from high-level ambition to specific action, to appropriately adapt the strategy when conditions change, to deliver change to time, cost and quality and to realise the benefits on completion.

Key driver(s):

Internal and external developments such as the supply chain challenges, the energy crisis, the cost of rising inflation and public/media sentiment, together with changing laws and regulations across the water industry, could all have an impact on our ability to finance or deliver our strategic goals.

Risk management & mitigation

To manage our risks, we have taken the following steps:

- we agree to monitor and manage performance against the Board-approved plan and targets;
- the Board leads the annual strategy and five-year planning process which considers our performance, competitor positioning and strategic opportunities; and
- we identify and manage emerging risks using established governance processes and forums.

Opportunity:

Use the experience and expertise across the business to design and deliver projects more efficiently and effectively delivering customer-centric solutions and taking new opportunities when they arise.

13 Legal

Resilient business

Strategic goal:

"To deliver our identified business priorities."

Risk description:

The risk of financial or reputational loss resulting from lack of knowledge (or misunderstanding) of how the law applies to our business, or operating with a reckless indifference to the law and how it applies.

Risk of failure to maintain a suitable and sufficient framework to manage data protection legislative obligations.

Key driver(s):

The changing legal and regulatory landscape.

Risk management & mitigation

To mitigate this risk, we:

- maintain a constructive and open relationship with our regulators and have a strong culture of delivering on our commitments to our customers;
- have documented policies, processes and guidelines covering a range of Legal scenarios with our Legal team on hand to support the business to manage legal risk; and
- have an internal mechanism to ensure that any breaches are identified, reported and investigated in a timely manner.

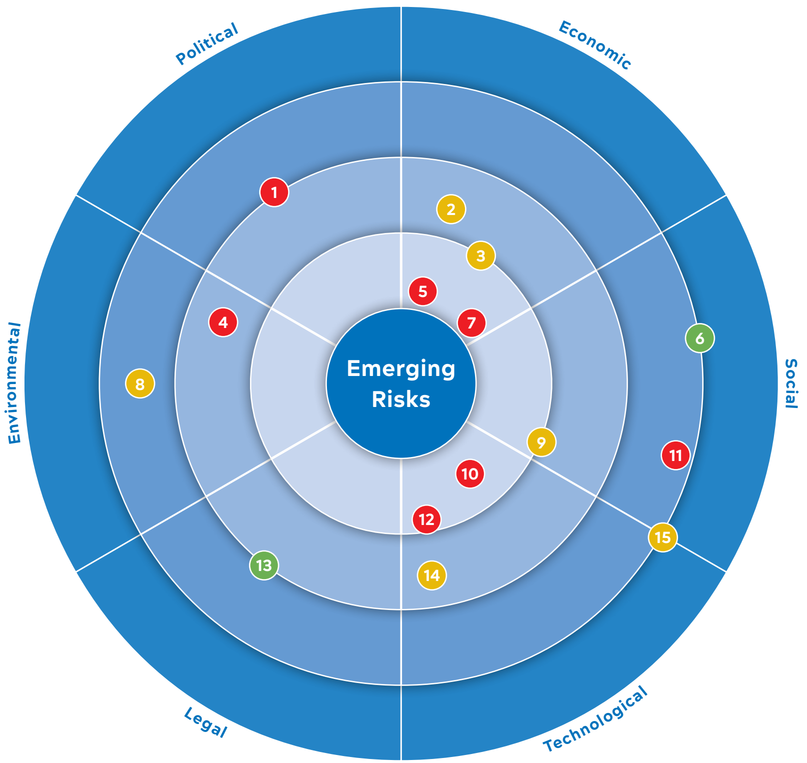
Opportunity:

Engagement and monitoring of our key suppliers to build on our success, optimising our value chain and enhancing our capabilities through the use of transformational technologies.

Emerging risks

We define emerging risks as a new risk, or a familiar risk in a new or unfamiliar context (re-emerging) which is changing in nature, and where the likelihood and impact is not widely understood. These risks are more likely to have a longer-term impact; however, there is potential for the velocity to significantly increase within a shorter time frame and affect our performance.

Hover over a number to read the risk description



Time Horizon

0–5 years 5–10 years 10–25 years >25 years

Velocity Indicator

Very Quick Quick Slow

Emerging Risks continued

Summary	Impacted principal risks
Energy costs	
Gas and electricity prices have continued to rise rapidly through 2022 into early 2023, with consumer prices due to increase again by 20% in April 2023. Energy costs continue to put immense pressures on households and businesses. Whilst wholesale energy prices have now fallen from their summer 2022 peaks there is a substantial lag before these feed through to consumers with the energy crisis expected to last until at least 2024.	1, 5, 7, 10, 11
Cost of living	
The UK remains in the grip of a cost-of-living crisis that is putting significant strain on household wallets. Low-income families have already been hit the hardest by soaring energy bills and food prices and are the most likely to have seen both their financial circumstances and their health deteriorate. Local cost pressures and supply challenges are not set to ease anytime soon with a lot of pressure still on the economy.	1, 5, 7, 10
Cyber-attack	
As businesses move their data and infrastructure to the cloud and increase reliance on third-party software applications and service providers, they are significantly increasing the risk of cyber-attacks and breaches from third parties.	3, 6, 7, 10, 11
Cyber-attack on Critical National Infrastructure	
The war in Ukraine and wider geopolitical tensions are shaping the landscape, heightening the risk of a large-scale cyber-attack. The war has brought the existential threat of attacks on vital services such as water supply systems, energy companies and transport networks into stark reality as Russian-affiliated groups set their sights on the CNI of Ukraine and its allies.	6, 7, 10

Summary	Impacted principal risks
Employee wellbeing	
Many employees are seeing their bills rising, real pay falling and their health worsening. The year ahead will be marred by recession, the cost of living crisis, labour strikes and the war in Ukraine. According to ONS there are over 2.5 million workers out of the labour force due to long-term sickness which will mean employers will continue to face challenges during 2023. The cost of living crisis may see employees not turning on the heating, ignoring health issues or being unable to afford to travel to medical appointments, this will ultimately impact their health. The threat to financial security will provoke direct feelings of anxiety and worsening mental health.	5, 7, 10
Disruptions in global supply chains	
The recent macroeconomic turmoil and the war in Ukraine has increased vulnerability, triggering shortages and price increases in energy, food and certain raw materials. The conflict has added further pressures to supply chains already struggling with post pandemic disruption, such as shortages in semiconductors, which have yet to fully recover. Disruption to supply chain operations are set to stay in 2023.	7, 10, 11
Climate action failure	
We face the reputational impact of not being seen to contribute towards the mitigation of climate change via achievement of net zero emissions by 2030.	2, 3, 7, 12
Chemical resilience	
The chemical industry has been a major contributor to businesses and global trade growth for decades. The industry has been hit hard by recent trade barriers, increased levels of protectionism and the Covid-19 pandemic. The need for a resilient supply chain in the chemical industry has never been greater.	2, 3, 10, 11

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Emerging Risks continued

Summary	Impacted principal risks
Artificial intelligence/Big data	
Artificial intelligence (AI) is becoming increasingly popular. Raising concerns around lack of transparency, over reliance on AI, bias and discrimination, vulnerability attacks, lack of human oversight, high cost and privacy concerns. Big Data is being leveraged to provide meaningful insights help water companies understand trends in land use and climate that influences key decisions about planning and adaptive and responsive water systems.	3, 6, 12
Extreme weather	
The UK is forecast to be facing another year of heatwaves, storms, floods, and big freezes as meteorologists warn extreme weather is set to continue; the risk of failing to deal with the impact of extreme and/or unpredictable weather events on our assets and infrastructure is increasing.	1, 2, 7, 9, 10
Shortage of skilled workers/digital skills gap	
A consequence of the pandemic and rising wage inflation is a shortage of skilled workforce at a time of high demand for labour and some workers choosing to take early retirement. Over the next 10–20 years it is reported that 90% of all jobs will require some form of digital skill with those most likely to need support falling into three groups; young or about to start their careers, the unemployed who need skills to find work and the retired or over seventy-fives.	3, 6, 7, 10, 12

Summary	Impacted principal risks
Geopolitical instability	
The Russia-Ukraine war and other geopolitical shocks will continue to impact the global economy during 2023. The five overarching themes being unresolved conflict, energy security, easing supply chain disruptions that will remain vulnerable to labour and resource shortages, transitioning labour markets as demand overruns supply and likely recessions in both Europe and North America.	7, 10, 11
Infectious diseases	
As the world continues to battle the deadly coronavirus pandemic, 'infectious diseases' continues to be a global risk. This risk has been increasing over the last 20 years and every year the risk increases more.	5, 7, 10
Regulatory reform	
Potential regulatory reform/changes to the number of regulators governing the water industry, or a merger. The introduction of financial penalties on accountable individuals, bigger fines or criminal proceedings for not meeting regulatory requirements/expectations.	2, 3, 5, 7, 10
Aging population	
According to the World Health Organization, in the next 25 years the number of people older than eighty-five will double to 2.6 million. A rise in the elderly population will place greater pressure on public finances as a relatively smaller working-age population supports growing spending on health, social care and pensions. An aging population could lead to a shortage of workers and hence push up wages causing wage inflation.	5, 7, 10

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Background

The Directors are responsible for ensuring the resilience or viability of the group's water and water recycling services to meet the needs of its customers in the long term. This means the group must be able to avoid, manage and recover from disruptions to its operations and finances.

The Directors' review of the longer-term prospects and viability of the group is an extension of our business planning process, which includes financial forecasting, a robust risk management assessment, regular budget reviews and scenario planning. This activity is strengthened by a culture throughout the group of review and challenge. Our vision and business strategy aim to make sure that our operations are resilient and our finances are sustainable and robust.

As part of Anglian Water's approach to defining risk appetite, each year the Directors review our specific risk tolerance levels and consider whether our decision-making behaviours over the past year have been consistent with these risk levels. The Directors confirmed that the group's behaviours over the past year had been in line with our risk appetite.

Look-forward period

As one of the 10 regional water and sewerage services companies operating in the UK, Anglian Water's prices are set by the industry regulator Ofwat for five-year Asset Management Plan (AMP) periods, which support the group's underlying costs. This provides the basis for future tariffs, revenues, costs and cash flows over the current AMP (April 2020 to March 2025).

Assessment of prospects

The Directors have assessed Anglian Water's financial prospects over the next 10 years from April 2023 to March 2033. A 10-year period has been chosen to ensure that our Business Plan for the current AMP does not impact on the longer-term viability of the group:

- The first two years takes us to the end of the current AMP, for which there is reasonable certainty and clarity, with a stretching five-year plan to deliver in line with the CMA Final Determination for AMP7.
- The next eight years of the period are outside the current AMP and therefore subject to the final outcome of the following five-year price reviews, PR24 and PR29, for which uncertainty exists. Our assumptions for AMP8 align to the AMP8 forecasts that we plan to submit in our PR24 Business Plan.
- The Board considered whether there are specific, foreseeable risk events relating to the principal risks that are likely to materialise within a 10-year period, and which might be substantial enough to affect the group's viability and therefore should be taken into account when setting the assessment period. These events were modelled appropriately within our downside scenarios.
- The Board has considered the impact of the wider activities of other group companies and transactions and of the overall group structure.
- The Board considers the maturity profiles of debt and the availability of new finance over 10 years as part of its review of financial modelling and forecasting, as well as considering the credit ratings of the debt.
- Finally, we take note of the Water Industry Act, which requires Ofwat to ensure that water companies can (in particular through securing reasonable returns on their capital) finance the proper carrying out of their statutory duties.

Principal risks

We have set out the details of the principal risks facing the group on pages 83 to 95, described in relation to our ability to deliver our 10-year outcomes. We identify our principal risks through a robust assessment that includes a continuous cycle of bottom-up reporting and review, and top-down feedback and horizon scanning. Through this assessment, priorities are elevated appropriately and transparently. This process is described in more detail on pages 83 to 86.

The Directors regularly review business plans that show projected cash flows for the current AMP period, and long-term cash flow modelling projections which extend into AMP8 and beyond. This includes reviewing the expected outcome relating to the principal risks with this impact included in our business plans.

Stress testing the Business Plan

In reviewing its financial viability, Anglian Water considers the stringent covenant tests required under its securitised structure to provide comfort to our bondholders that our business is viable to the end of the current AMP period and beyond, and to ensure the availability of debt to finance Anglian Water's investment programme. At each regulatory price review and throughout the AMP, the Board satisfies itself that the agreed five-year business plans ensure adequate covenant headroom throughout the AMP period and beyond. This includes extensive downside scenario testing at both Anglian Water and group level from severe, plausible and reasonable scenarios chosen because they pose the greatest risk to the business.

The following scenarios have been used individually and in combination to model the impact on the overall performance of the business, the ability of the business to service its debt and the impact on its credit rating.

The table below sets out, for each if the scenario, whether the impact modelled would require the business to implement mitigating actions to avoid a Trigger event, as described in the going concern assessment in note 1 of the Financial Statements, or in the case of the business maintaining sufficient headroom, no mitigations are required.

Principal risk	Scenario	Impact modelled	Potential mitigations required
• People • Technology • Financial • Asset infrastructure • Business resilience • Commercial & third-party • Strategic execution	Material Totex underperformance against the Final Determination allowance	Overspend of 10% across an AMP	No mitigations required
		CAPEX overspend of 5%	No mitigations required
		OPEX overspend of 5%	No mitigations required
• Customer proposition • Environment • People • Reputation • Asset infrastructure • Business resilience • Strategic execution	Material Outcome Delivery Incentive (ODI) penalties	Up to £105 million applied in years four and five	No mitigations required
• Environment • Water supply and quality • Health and safety • People • Reputation • Legal	Regulatory fines and legal penalties	Up to 6% of turnover applied in a single year	Mitigations required
• Financial	Unfunded pension liabilities	Up to £15 million applied per annum	No mitigations required
• Customer proposition • Financial • Business resilience	Risks associated with the disruption caused by cost of living crisis, potential reductions in revenue collection	Up to 5% decrease in cash collection	Mitigations required
		20% increase in bad debt	No mitigations required
• Financial • Reputation • Strategic execution	The potential impact of credit rating agencies downgrading the debt for any companies in the Group	2% increase in cost of new debt	No mitigations required
• Financial • Reputation • Strategic execution	Cost of debt increases	2% above base level assumptions across an AMP	No mitigations required
• Customer proposition • Financial • Asset infrastructure • Commercial & third-party	Significant inflation fluctuations	1% above and below base level assumptions for each AMP	No mitigations required
		2% below base level for each AMP	No mitigations required
• Customer proposition • Environment • People • Technology • Financial • Reputation • Asset infrastructure • Business resilience • Commercial & third-party • Strategic execution	Combined scenario based on Totex underperformance for a whole AMP, along with a significant ODI penalty and a revenue penalty	Overspend of 10% across an AMP, combined with an ODI penalty of 1.5% of RORE in year four and five plus a financial penalty of 1% of revenue in year four	No mitigations required
• Customer proposition • Financial • Asset infrastructure • Commercial & third-party • Reputation • Strategic execution	Combined scenario based on low inflation and high cost of debt	Inflation 2% below base level for the AMP combined with cost of debt 2% above base level assumptions across an AMP	No mitigations required

Principal risk	Scenario	Impact modelled	Potential mitigations required
• Customer proposition • Environment • People • Technology • Financial • Reputation • Asset infrastructure • Business resilience • Commercial & third-party • Strategic execution	Combined scenario based on low inflation, an OPEX cost shock plus a significant ODI penalty	Inflation 1% below base for the AMP combined with 2.5% OPEX cost shock in AMP7 and a £50 million ODI penalty in year four	No mitigations required

In deciding on appropriate downside scenarios and corresponding stress tests, management have considered the required modelling set out by Ofwat as part of the financial resilience testing for PR24. Management have taken the view that where the PR24 scenarios were more severe it would be prudent to align to these, this also provides consistency with our PR24 Business Plan submission.

As part of our stress tests for the downside scenarios we have considered the potential impacts of cost shocks resulting from climate change. Such cost shocks include the 'Beast from the East' extreme cold weather event, followed by a rapid thaw, experienced in early 2018, and the extreme wet weather events experienced in our region in the summer of 2019 and winter of 2020/21.

The cost impacts of these events (including longer-term recovery impacts such as leakage reduction), were in the order of £7 million for 'Beast from the East' and £3 million for each extreme wet weather event. During the current year, as a result of a number of weather-related incidents, the Board agreed to investing £13.9 million with a view to maintaining our industry-leading leakage position. Our modelled downside scenarios include cost shocks equal to experiencing several of these events in continuous years across the AMP; we are therefore confident that we can withstand the financial impacts of extreme weather events, predicted to increase as a result of climate change.

Mitigating actions

For each sensitivity and combined scenario, we identify, where required, the appropriate mitigations against the potential risks. In the event that the situations used for stress testing were to result in an unacceptable level of deterioration in the group's financial metrics, management's principal actions would include further reducing the level of shareholder distributions, potential shareholder equity injections, reviewing the financing structure and identifying further opportunities to reduce the group's cost base or reduce financing costs.

Evidence of the shareholders' support for equity injections is provided by the equity injections made in October 2018 of £22.0 million, April 2021 of £110.0 million and July 2021 of £1,065.0 million, although ongoing support would require equity returns sufficient to attract the significant levels of new capital investment.

As a further mitigation we have a significant portfolio of insurance cover in place to provide protection against many catastrophic scenarios such as dam failure, pluvial and fluvial flood, terrorism and public and employer's liability. There would still be a short-term liquidity impact from such events due to the time it would take between incurring the expenditure and recovering this through the insurance claim; however, it is an important consideration in terms of medium-term liquidity. The Board formally reviews the output of the stress testing twice a year.

Benefits of the securitised structure

The highly covenanted nature of our financing arrangements (often described as a whole business securitisation) enhances our financial resilience by imposing a rigorous governance framework. This requires continuous monitoring and reporting of our financial and operating performance by senior management, through a well-established business process, to ensure compliance with our financing arrangements, and provides an additional layer of control over how we transact with our stakeholders, including suppliers, business partners, customers, shareholders and lenders, compared to the regulatory frameworks by which we are governed.

Assurance

Robust internal assurance is provided by the Board reviewing and challenging the stress test scenarios selected and the risk mitigation strategies. The Directors also obtain annual independent third-party assurance on the integrity of the long-term cash flow model which underpins the financial projections.

Directors' statement

In making this statement, the Directors have assumed that funding for capital expenditure in the form of capital markets or bank debt will be available in all reasonable market conditions. They have also considered the impact of the group structure, intra-group transactions and any other group activities on the viability of the regulated business.

In addition, the Directors have made assumptions about the ability to attract equity investment into the sector to fund the required capital investment.

This viability statement assumes that Ofwat will maintain sufficient financeability as required by the Water Industry Act, including an equity return sufficient to attract the significant levels of new capital investment in AMP8 and AMP9.

Anglian Water Services is an efficient company with a history of both operational and financial outperformance. The Directors can be satisfied that the business has a reasonable expectation of being able to continue in operation and meet its liabilities as they fall due at least to March 2033, and is financially resilient in the face of severe but plausible downside shocks.

This is based on the reasonable certainty of its future revenue stream and an acceptable PR24 determination that meets the requirement to maintain sufficient financeability as required by the Water Industry Act, the strength of the balance sheet (in particular the substantial cash balance and strong net assets), the availability of undrawn debt facilities in the unlikely event that debt markets were temporarily restricted, and by reviewing the business plans and strategic models, combined with the robust risk management process and mitigations described above.

This Strategic Report was approved by the Board of Directors and signed on its behalf by

Claire Russell
Company Secretary

7 June 2023