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Statement of directors' responsibilities

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



Dear Stakeholder

I am pleased to present the Corporate Governance Report for the year ended 31 March 2024. This report provides you with a more detailed look at the Board's approach to governance and its key areas of focus this year.

As I referenced in my Chair's welcome, this is my first Annual Integrated Report and I am delighted to have joined Anglian Water. As I covered in my welcome, 2023/24 was a year of strong financial performance and continued support from our

shareholders. I've relished getting to know the business, meeting our people and understanding our plans. To deepen my knowledge and see our operations in action, I have spent time visiting several different sites – along with some of my fellow non-executive directors – and speaking to our operational teams. One thing that really stands out, is the unwavering commitment of our people when it comes to doing the right thing. Since I joined Anglian Water I have also engaged closely with senior representatives from the Government and our regulators, such as Ofwat, the Environment Agency and the Drinking Water Inspectorate.

Transparency and governance

This report details our compliance against the Anglian Water Services Corporate Governance Code 2020. As described in more detail in this report, the 2020 Code incorporates both Ofwat's Board Leadership, Transparency and Governance Principles (which are incorporated into the Company's Licence) and most of the provisions contained in the 2018 UK Corporate Governance Code. During the year, we considered the changes required to implement the FRC's 2024 Corporate Governance Code. Steps are underway to ensure that we can adapt our own Corporate Governance Code to reflect these changes.

Engagement with stakeholders

As discussed elsewhere in this report, including the Section 172 statement (see page 84), our relationship with our stakeholders is extremely important. During the year, we have worked closely with our regulators, customers and

communities, to develop our plans for AMP8 (2025-2030) and our Long Term Delivery Strategy to 2050, both of which were submitted to Ofwat in October 2023.

Board Committees

As ever, our Board continues to be supported by the work of our committees: Audit, Nomination and Remuneration, whose reports you can read from pages 137-174.

Board events

This year, as a Board, we have welcomed the opportunity to meet with many colleagues across the business, at various site visits and market stall events. These events give us, as Directors, the opportunity to engage with experts from around the business. In December 2023, Directors were able to meet with the employees responsible for delivering the Company's pollution reduction programme. There were interactive presentations, focused on the impact of technology on pollution reduction, management systems and the impact of people and culture on the reduction programme. In March 2024, we held a Board meeting at Heigham Water Treatment Works. During our time there, the Board undertook a full tour of the site.

Board changes

Following the announcement by Peter Simpson of his intention to retire, the Nomination Committee commenced the search for a new Chief Executive Officer. Following a thorough

search and selection process, we announced the appointment of Mark Thurston on 23 May 2024. Mark will join the organisation on 1 July 2024 and will be appointed as Chief Executive Officer on 5 August 2024. Further information can be found in the Nomination Committee report, on page 144.

At the end of the financial year, the Board appointed Kath Durrant as an Independent Non-Executive Director. I welcome Kath's strong remuneration experience to the Board. She will take over from Natalie Ceeney as Chair of the Remuneration Committee in June. During her time as Chair of the Remuneration Committee, Natalie has been instrumental in strengthening our governance processes around remuneration decisions. Over the course of the next financial year, we are looking to appoint two new independent non-executive directors and, during the year, a new Board Diversity Policy was approved to support these appointments.

Annual Performance Report

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

Dr Ros Rivaz
Chair

10 June 2024

Anglian Water Services Management Board

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

Peter Simpson
Chief Executive Officer

Tony Donnelly
Interim Chief Financial Officer

Amanda Bridger
Group People Director

Brian Ebdon
Director of Strategic Planning and Performance

Claire Russell
Group Legal Director/Company Secretary

Dr Robin Price
Director of Quality and Environment

Emily Timmins
Director of Water Recycling Services

Emma Staples
Interim Director of Corporate Affairs

Ian Rule
Director of Water Services

Jason Tucker
Director of Strategic Delivery and Commercial Assurance

Pete Holland
Director of Customer and Wholesale Services

Richard Eadie
AWS Finance Director

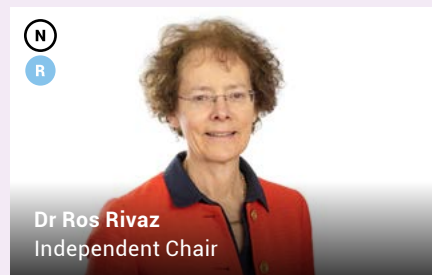
Sian Thomas
Director of Strategic Asset Management

Susannah Clements
Group Organisation Development Director

A Audit **R** Remuneration **N** Nomination

○ Denotes Committee Chair

Independent Chair



Dr Ros Rivaz
Independent Chair

Appointed

- Chair and Chair of the Nomination Committee in January 2024
- Chair Designate in November 2023

Skills, competencies and experience

Ros has a wide range of experience in executive and non-executive roles in blue chip companies, predominantly in highly-regulated and high-hazard environments, both in the UK and internationally.

Ros was previously chief operating officer of Smith & Nephew plc and held senior management positions in global companies including Exxon, Diageo, ICI and Tate & Lyle Group.

She was chair of the Nuclear Decommissioning Authority from September 2020 to August 2023. Ros has also held a range of other board roles with private and listed companies, including ConvaTec plc, Boparan Holdings, RPC Group plc, Ceva Logistics and Rexam plc.

Ros plays important roles in the charity sector and academia. She was deputy chair of the Council of the University of Southampton for ten years and was a non-executive director of the 'Your-Life' initiative, which was a Government-led, industry-sponsored campaign, to increase take up of maths and physics among 14 to 16 year olds.

Other roles

Ros is senior independent director and chair of the remuneration committee at Computacenter plc, lead independent director at Aperam SA and independent non-executive director at Victrex plc. Ros is also on the board of the community interest company Eton Community CIC.

Independent Non-Executive Directors



Zarin Patel
Senior Independent Non-Executive Director

Appointed

- Senior Independent Non-Executive Director in January 2024
- Chair of the Audit Committee in April 2020
- Independent Non-Executive Director in October 2018

Skills, competencies and experience

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

She was an independent member of the audit & risk committee of John Lewis Partnership plc until April 2021 and the senior independent director of Post Office Limited until March 2023.

Other roles

Zarin is currently Senior Independent Director of Pets at Home Group plc, where she is also chair of the audit & risk committee, and a non-executive director of Hays plc, where she is also chair of the risk & audit committee. She is also non-executive director on the board of HM Treasury and chairs its audit & risk committee. She also sits on the board of trustees of the National Trust and chairs its audit committee.



Natalie Ceeney
Independent Non-Executive Director

Appointed

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

Skills, competencies and experience

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

Other roles

Natalie is currently chair of Cash Access UK Limited and an independent non-executive director of Openreach Limited. She is an independent non-executive director and chair of the remuneration committee at both Spire Healthcare Group plc and Liverpool Victoria Financial Services Limited (LV=). At LV= Natalie is also senior independent director.

Independent Non-Executive Directors



Appointed

- Independent Non-Executive Director March 2024

Skills, competencies and experience

Kath has more than 30 years' Human Resources experience, with a strong operational and strategic track record, gained at a number of large global manufacturing companies. As well as working at GlaxoSmithKline plc and AstraZeneca plc she has served as the group human resources (HR) director of Rolls-Royce plc, and was most recently Group HR director of Ferguson plc and chief HR officer of CRH plc. She served as a non-executive director and chair of the remuneration committee of Renishaw plc from 2015 to 2018 and of Calisen plc from 2020 to 2021.

Other roles

Kath is a senior independent director and chair of the remuneration committee at SIG plc, independent non-executive director and chair of the remuneration committee at Vesuvius plc and non-executive director of Essentra plc.



Appointed

- Chair of the Nomination Committee from April 2023 to January 2024
- Senior Independent Non-Executive Director from April 2020 to January 2024
- Independent Non-Executive Director in April 2015

Skills, competencies and experience

As the founder director of the University of Cambridge Institute for Sustainability Leadership (CISL) from 1989 to 2021, Polly has extensive experience working with global businesses as an ambassador for best practice in sustainability. In 2016, Polly was made a Dame Commander of the Order of the British Empire (DBE) for services to sustainability leadership and in 2008, she was made a Lieutenant of the Victorian Order (LVO). Polly was awarded the 2015 Bright Award for Environmental Sustainability from Stanford University Law School, was recognised with a Lifetime Achievement Award from Ethical Corporation in 2016 and was awarded an honorary doctorate from UiT – The Norwegian University of the Arctic – in 2022.

Other roles

Polly is Emeritus director and senior ambassador of CISL and chair of the Faculty Board of Engineering at the University of Cambridge. She is a member of the supervisory board of Mercedes-Benz AG and a board member of BSI. She is a sustainability adviser to Terra Firma Capital Management Ltd. She is also Deputy Lieutenant for Cambridgeshire and is a trustee of Cambridge Past, Present and Future (CPPF).



Appointed

- Independent Non-Executive Director November 2022

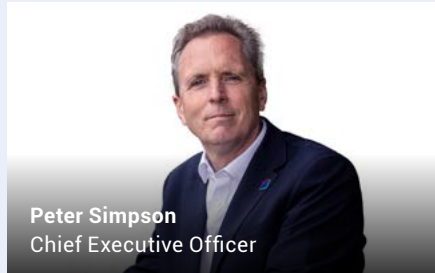
Skills, competencies and experience

Alistair joined SSE plc (Southern Electric) in 1997 and has been chief executive since 2013. He has held a range of senior roles across multiple business areas within the SSE Group. Prior to joining the board in 2002 as energy supply director, Alistair was director of corporate finance and business development. In 2010, he became generation and supply director, before becoming deputy chief executive in 2012. Alistair is a chartered accountant, a fellow of the Energy Institute, a former vice president of Eurelectric and former Director of Energy UK.

Prior to joining SSE plc, Alistair worked for HSBC and National Westminster Bank in corporate finance and business development roles, in London and New York.



Executive Directors



Peter Simpson
Chief Executive Officer

Appointed

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

Skills, competencies and experience

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

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



Tony Donnelly
Interim Chief Financial Officer

Appointed

- Interim Chief Financial Officer November 2023

Skills, competencies and experience

Tony has been leading and supporting businesses in the water industry and related infrastructure sectors for over 30 years, focusing on strategy, business development and finance. He has a proven track record of growing innovative businesses and helping them meet sustainability targets, through water and energy conservation and proactive asset management.

Between 2014 and 2023, Tony was Managing Director of Anglian Venture Holdings Limited, the management and investment vehicle for the Anglian Water Group's commercial businesses across the UK and Ireland.

Tony's aim is to inspire teams to innovate, collaborate and grow together, to overcome the greatest of challenges and succeed in achieving business goals.

Tony is a Chartered Management Accountant.



Peter Simpson at our Climate for Change event, hosted in collaboration with the Corporate Leaders Group, in 2023.

Non-Executive Directors



Appointed

- Non-Executive Director in November 2020

Skills, competencies and experience

John is a Chartered Accountant and now serves on a number of boards in the infrastructure sector. He was a founding member of 3i's infrastructure business in 2005 and served as a director of 3i Infrastructure. Thereafter he was a managing director of First Reserve Corporation, where he was one of the founders of First Reserve's energy infrastructure business. During his time at First Reserve, he oversaw numerous investments into the energy sector, including energy from waste, wind and solar power plants, gas-fired power plants, utilities and oil and gas midstream, as well as energy backup. John holds a BSc (Hons) in Physics from the University of Southampton.

John has been a director of Anglian Water Group Limited since February 2018.

Other roles

John is non-executive chairman of Cory Group, a non-executive director of North Sea Midstream Partners and an independent member of the investment committee for SUSI Infrastructure Partners Energy Transition Fund as well as for the MML Capital Infrastructure Fund.



Appointed

- Non-Executive Director in October 2022

Skills, competencies and experience

Alex is a managing director of Igneo Infrastructure Partners, based in London. Alex joined Igneo Infrastructure Partners in 2015, prior to which he spent over 15 years in European investment banking at HSBC, Dresdner Kleinwort Benson and CSFB.

Alex holds a Dipl. Engineering from the National Technical University of Athens and an MBA from Manchester Business School.

Alex is an alternate director of Anglian Water Group Limited.



Appointed

- Non-Executive Director in November 2021

Skills, competencies and experience

Batiste is a managing director within CPP Investments' Real Assets Team, where he specialises in Infrastructure and Renewable Energy investing. Prior to joining CPP Investments in 2019, Batiste was a director at First State Investments, specialising in European infrastructure. During his career, Batiste has overseen multiple investments across water, gas, electricity, transport, communications, wind and solar sectors. He first joined the Board of Anglian Water as an alternate director in 2014.

Batiste studied as an undergraduate at Kings College London, London School of Economics and Sciences-Po Paris and is a Fellow Chartered Accountant (ICAEW).

Batiste is a director of Anglian Water Group Limited.

Other roles

Batiste is a director of Servicios Medio Ambiente Holding, S.A.U. He is also a member of CPP Investments' European Credit Committee.



Appointed

- Non-Executive Director in January 2024

Skills, competencies and experience

Albena is an executive director at the Infrastructure Investment team of IFM Investors. At IFM, Albena is responsible for the sourcing, execution and management of infrastructure investments across Europe, as well as the development of key industrial relationships and energy transition initiatives. At IFM, Albena has served on the board of the Veolia Poland Group companies and serves as chair of IFM Investors Netherlands BV.

Before joining IFM, Albena led the M&A Advisory team for energy at ABN AMRO Bank. Prior to that, she was a managing director at Advent International, one of the largest global investment funds, and senior investment manager with ABN AMRO Capital. Throughout her investment career, Albena has served as a non-executive director on multiple boards and board committees in a range of industries and geographies.

Albena is a director of Anglian Water Group Limited.

Principles of corporate governance

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

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

UK Corporate Governance Code 2024 (the 2024 UK Code)

In January 2024, the Financial Reporting Council published the 2024 Code, which will apply to financial years beginning on or after 1 January 2025. The Board and Audit Committee have been keeping developments around the Government's consultation on 'Restoring Trust in Audit and Corporate Governance' under close review. On publication of the 2024 UK Code, the Board and Audit Committee considered the changes and the next steps to drive compliance. In keeping with our commitment to the highest standards of governance, the Board intends, prior to 1 January 2025, to update the 2020 Code, to reflect the changes in the 2024 UK Code.

Company purpose, values and culture

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

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

As part of the change to the Articles of Association the Board has also made an explicit commitment to consider, as part of its decision-making process:

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

Our Articles of Association require the directors to adopt a Statement of Responsible Business Principles (the SRBP) and – to the extent not covered in the non-financial information and sustainability statement (see page 87) – explain any steps that have been taken to ensure that the business of the Company has been carried out in accordance with the SRBP. In 2023, the Board agreed, again, that the SRBP should take the form of Business in the Community's (BITC) Responsible Business Tracker®. The Company conducted an assessment using the Responsible Business Tracker® in 2023, scoring 87% against a cohort average of 48% (see page 35). In addition, the collaborative project with the British Standards Institution to develop a Publicly Available Specification (PAS) for Embedding Purpose in Organisations has now concluded and the final standard BSI PAS 808 'Purpose-Driven Organisations – Worldviews, principles and behaviours for delivering sustainability' was launched in July 2022.

In addition to continuing to use the BITC Responsible Business Tracker® to monitor progress, in 2023 the Company undertook a pilot maturity assessment against the principals and behaviours outlined in PAS 808. The assessment against PAS 808 was undertaken by BSI and is outlined on page 35 and a summary report is published on our website. This approach will be repeated in 2024.

The Company's Purpose is one part of our business model, page 11, which also includes the Company's ambitions and values. The Board is committed to the implementation of the Company's business model.

To ensure that colleagues understand the standards expected of them, the Company provides all new starters with a booklet entitled 'Doing the Right Thing'. The booklet summarises key Company policies, in a clear and concise way, to ensure that Anglian Water's values and standards are clear to colleagues from their very first day. Doing the Right Thing is available on the Company's website at anglianwater.co.uk/governance. Further information can be found on pages 67-75.

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

The Board regularly reviews the Company's culture – taking an active interest in our Love to Listen survey feedback and follow-up action and reviewing our culture dashboard. The dashboard comprises a range of cultural indicators that are tracked over time, such as the latest participation figures for wellbeing and inclusion events, the number of employees taking new opportunities internally and regular exit feedback.

Corporate governance arrangements resulting from the Aligned Debt Programme

As we note on page 25, in 2002, the Company established a debt programme that underpins all of its borrowing (including bonds and private placement). All of this borrowing is based on a single set of contractual provisions (a covenant package) and a shared security arrangement that binds all debt providers. The debt programme is 'structured' in that the AWSFG (described on page 25) is separated and ring-fenced; provides security (to the extent allowed by the regulatory framework); and has built-in protections (such as cash management regimes and contractual standstill provisions). The comprehensive package of commitments – or covenants – is contained in a single document that applies to all debt providers, called the Common Terms Agreement or 'CTA'. The debt providers are bound by an intercreditor arrangement, contained in a document called the Security Trust and Intercreditor Deed or 'STID'.

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

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

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

The commitments, or covenants, which are a feature of the Company's Aligned Debt Programme, help to de-risk the business because the Company undertakes that it will only carry on a regulated water business and that it will conduct this business in a prudent manner.

These covenants include:

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

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

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



The composition of the Board and its role in relation to the Company's strategy

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

The Board is ultimately responsible for the strategy, and overseeing the performance of, the Company. As explained in our Business Model on page 11, the Company has developed four key goals for 2020–2025 (AMP7), which are:

- 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**



These goals are designed to be consistent with the Company's long-term strategy (which takes the form of a 25-year Strategic Direction Statement, approved by the Board in 2017) which sets out four long-term ambitions which are to:

-  make the East of England resilient to the risks of drought and flooding;
-  enable sustainable economic and housing growth in the UK's fastest growing region;
-  work with others to achieve significant improvement in ecological quality across our catchments; and
-  by 2030, be a net zero carbon business and reduce the carbon in building and managing our assets by 70%.

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

Anglian Water's investors are represented on our Board. However, independent non-executive directors form the largest single group on the Board. All directors are required under our Articles of Association to take decisions in good faith, and in a way that is most likely to promote the purpose of the Company. When making

decisions, directors must have regard (among other matters) to the interests of and impact on the Company's key stakeholders (including customers, employees, suppliers, communities and the environment) as well as the interests of shareholders. Further information can be found in the Section 172 statement on pages 84–86.

The Board acts independently and in the best interests of the Company as a whole whilst considering the views of shareholders in its deliberations. Anglian Water values the particular contribution of the investor representatives who sit on the Anglian Water Board.

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

The investor representatives who sit on the AWS Board are also members of the AWG Board. Therefore, the substantive debate on all matters takes place in the course of AWS Board meetings. It follows that, where AWG Board approval is required, the AWG Board is effectively asked to endorse a decision already taken in principle by the AWS Board. The close liaison between the two Boards, and the fact that investor views are considered by the AWS Board, means that the AWG Board has never rejected a recommendation made by AWS directors. However, the formal requirement for AWG Board approval means that these matters are made visible to the AWG Board. This is particularly important where additional equity funding might be required in order to implement a strategy proposed by the AWS Board. For example, a material increase in the size of the Company's

capital programme at PR24 would necessarily entail the injection of equity. Provisions in the AWG Investors' Agreement ensure that AWS directors will not take any action which would cause Anglian Water to breach either the terms of its Licence or any of the Company's obligations under the Water Industry Act.

The decisions requiring formal approval by the AWG Board include:

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

During the 2023/24 financial year, the following matters required approval by the AWG Board under the terms of the governance matrix:

- the Business Plan for the period 2025 to 2030, prior to its submission to Ofwat;
- the appointment of new directors and changes to committee membership;
- remuneration matters, including the granting of new awards under the Deferred Bonus Plan, the vesting of awards under the Deferred Bonus Plan, the Chair's fee and directors' pay increases;
- the £100 million investment to tackle spills and pollutions;
- the procurement strategy for a number of high-value contracts; and
- the revised Treasury Policy.

Board composition

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

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



Dr Ros Rivaz
Independent Non-Executive Chair
(appointed as Chair Designate on 21 November 2023 and as Chair on 25 January 2024)



Zarin Patel
Senior Independent Non-Executive Director



Peter Simpson
Chief Executive Officer



Alistair Phillips-Davies
Independent Non-Executive Director



Tony Donnelly
Interim Chief Financial Officer
(appointed 23 November 2023)



John Barry
Non-Executive Director



Dame Polly Courtice
Senior Independent Non-Executive Director



Albena Vassileva
Non-Executive Director
(appointed 23 January 2024)



Natalie Ceeney
Independent Non-Executive Director



Alex Nassuphis
Non-Executive Director
(appointed 28 September 2022)



Kath Durrant
Independent Non-Executive Director
(appointed 26 March 2024)



Batiste Ogier
Non-Executive Director

The following directors resigned from the Board during the year:



Steve Buck
Chief Financial Officer
(resigned 21 November 2023)



John Hirst
Independent Non-Executive Chairman
(resigned 24 January 2024)



Colin Matthews
Independent Non-Executive Director
(resigned 22 November 2023)



Deepu Chintameneni
Non-Executive Director
(resigned 14 December 2023)

At the date of these financial statements, in addition to the Independent Chair Dr Ros Rivaz, there were five independent non-executive directors, two executive directors and four non-executive directors. None of the directors has a formally approved alternate.

The Company's Chair is also the Chair of the Company's ultimate parent company, AWG. The 2020 Code does not prohibit chairship of other companies in the group.

Dr Ros Rivaz is independent of investors and management and has no relationship with any of the Company's shareholders, except for her Chairship of AWG. None of the other situations listed in provision 2.3 of the 2020 Code, which might otherwise call into question independence, apply. The Board therefore considers Dr Rivaz (who was appointed as Chair with effect from 25 January 2024) to be independent in judgement and character, notwithstanding the existence of her other directorships. Dr Rivaz is also a non-executive director of Computacenter plc, a subsidiary of which, in 2021, entered into a non-exclusive framework agreement with Anglian Water. However, the financial spend under the framework has not been material and Dr Rivaz does not have any direct or indirect involvement in the framework agreement.

The independence of all the independent non-executive directors was considered by the Board at its meeting in January 2024. The Board concluded that all the independent non-executive directors remain independent of management and are not party to any business or other relationship that could materially interfere with the exercise of their independent judgement, in accordance with the 2020 Code. Alistair Phillips-Davies is chief executive officer of SSE plc (SSE). A subsidiary of SSE supplies electricity and gas to the Company. However, this relationship would only be a barrier to independence if it could be classed as 'material'.

When considering the independence of Alistair Phillips-Davies, the Board reviewed the details of the contracts in place, including their value, and whether they could be considered material. The Board noted that all of the contracts were tendered and commenced prior to Alistair Phillips-Davies' appointment and concluded that Alistair Phillips-Davies remained independent. If a conflict did arise, it would be dealt with via the Board protocol for dealing with conflicts of interest, [a copy of which can be found here](#). The Board further considered Dame Polly Courtice's independence its meeting in March 2024 and considered her still to be independent, notwithstanding her nine-year term in office. The Company gave Ofwat advance notice of Dame Polly Courtice's continued appointment beyond here nine-year term in office and no concerns were raised by the economic regulator.

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

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

Board structure and effectiveness

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

It is the Company's policy that the roles of the Chair and Chief Executive Officer are separate, with their roles and responsibilities clearly divided. A document that clearly sets out the respective responsibilities of the Chair and the Chief Executive Officer (which was approved by the Board) can be found at [anglianwater.co.uk/governance](#). The Chair's commitment to the Company and to its ultimate parent company is usually six to eight days per month. Her other significant commitments are disclosed in her biography on page 124. The Board considers that these commitments do not hinder her ability to discharge her responsibilities to the Company effectively.

During the year Zarin Patel replaced Dame Polly Courtice as the Senior Independent Non-Executive Director. A document setting out the role and duties of the Senior Independent

Non-Executive Director has been agreed by the Board and can be found at [anglianwater.co.uk/governance](#).

No director may vote on any contract or arrangement between the Company and any other Anglian Water group company if he/she is also a director of that Anglian Water group company. In accordance with the relevant provisions of the Companies Act 2006, all of the directors are required to disclose details of all conflicts of interest to the Board.

On appointment to the Board, all directors are required to declare all their interests; any new interests held by directors are considered at the start of each Board meeting and, where relevant, interests are declared prior to any substantive discussions. In addition, a further review of all directors' interests is undertaken annually.

The Board has approved a protocol for dealing with conflicts of interests, which is available at [anglianwater.co.uk/governance](#).

Recommendations for appointments to the Board are made by the Nomination Committee. Appointments are made on merit and against objective criteria, with due regard to skills, knowledge, experience and diversity. During the year a new Board Diversity Policy was approved and the Board Skills Matrix was refreshed (see page 134). Non-executive appointees are required to meet with Ofwat prior to their appointment to the Board and are also required to demonstrate that they have sufficient time to devote to the role. The directors' key responsibilities are set out in the table overleaf.

Board Committees

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

Audit Committee

Details of the terms of reference of the Audit Committee, its membership and its activities during the year, are contained in the Audit Committee report on pages 137-143. All members of the Audit Committee are independent non-executive directors. The Chair of the Audit Committee is Zarin Patel.

Nomination Committee

Details of the terms of reference of the Nomination Committee, its membership and its activities during the year, are contained in the Nomination Committee Report on pages 144-147. The majority of the members of the Nomination Committee are independent non-executive directors. The chair of the Nomination Committee is Dr Ros Rivaz.

Remuneration Committee

Details of the terms of reference of the Remuneration Committee, its membership, activities, the Company's remuneration policy and the remuneration paid to directors during the year are contained in the Directors' Remuneration Report on pages 148-174. The majority of the members of the Remuneration Committee are independent. The chair of the Remuneration Committee is Natalie Ceeney.

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

Board processes

The Chair is responsible for ensuring that directors receive timely, accurate and clear information. To ensure adequate time is available for Board discussion and to enable informed decision making, briefing papers are prepared and circulated to directors in the week prior to scheduled Board meetings. During the year, the format of Board papers was further enhanced, to provide clarity to the Board around what the expected Board requirement was arising out of each paper, impacted risk areas, its link to the Company's long-term strategy and impacted stakeholders.

All non-executive directors are encouraged to make further enquiries as they feel appropriate of the executive directors and senior management. In addition, Board committees are provided with sufficient resources and the power to co-opt such additional support as they may require, from time to time, to undertake their duties. The Company Secretary is available to all directors and is responsible for information flows to the Board and advising the Board on corporate governance matters. This ensures compliance with Board procedures and applicable laws and regulations. The Board has responsibility for the appointment and removal of the Company Secretary.

Board composition and roles

Independent Chair

Dr Ros Rivaz

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

Chief Executive Officer

Peter Simpson

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

Interim Chief Financial Officer

Tony Donnelly

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

Senior Independent Non-Executive Director

Zarin Patel

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

Independent Non-Executive Directors

Natalie Ceeney/Polly Courtice/Kath Durrant/Alistair Phillips-Davies

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

Non-Executive Directors

John Barry*/Alex Nassuphis/ Batiste Ogier/ Albena Vassileva

Responsible for providing constructive challenge to the Board's decision-making processes.

*Non-Executive Director responsible for engaging with the workforce.

During the year, the Chair held a meeting with the independent non-executive directors without the presence of the executive directors.

All new directors receive a thorough induction programme on appointment, which includes receiving a full background information pack, making visits to operational sites and receiving briefings from executive directors and senior managers. To ensure that there is a clear understanding of the responsibilities attached to being a non-executive director in the sector, all non-executive directors, including the three non-executive directors who were appointed as directors during the financial year, attended a pre-appointment meeting with representatives from Ofwat.

Induction of the new Chair

Dr Ros Rivaz joined the Board on 21 November 2024 as an Independent Non-Executive Director and Chair Designate, and became Chair on 25 January 2024.

Ahead of her induction, Dr Ros Rivaz received an induction pack with key reference materials, to support her understanding of the Group, including the Long Term Delivery Strategy, the Business Plan for the period 2025-2030, the most recent Annual Integrated Report, committee terms of reference, information on Risk, the Market Abuse Regulations and the Articles of Association.

Dr Ros Rivaz also held a number of induction meetings with key personnel, including the incumbent chairman, the Chief Executive Officer, the Chief Financial Officer, other members of the Management Board and senior managers from the Treasury, Safety, Technology and Regulation teams.

Dr Ros Rivaz also met a number of key stakeholders, including representatives from the Group's shareholders, Ofwat and the Environment Agency.

Furthermore, Dr Ros Rivaz has attended multiple site visits including to the Strategic Pipeline Alliance, Water Treatment Centres, Water Recycling Centres, the Operational Management Centre and the laboratories.

Dr Rivaz also attended the Senior Leaders' Event in January 2024.

The Company offers the directors in-house training, as necessary, to aid their professional development and awareness of business and sector-specific issues. In addition, directors have access to the Company's online training portal, to enable them to complete training courses on: Inclusion, the Competition Act compliance, Data Protection, Anti-Bribery and Modern Slavery.

The Company also offers to fund participation on externally-provided training courses. All directors are entitled to receive, at the Company's expense, independent professional advice, on any matters relating to their responsibilities as a director.

Periodically, the Board visits different business locations, to enable the directors to meet with a range of employees and to update and maintain their knowledge of and familiarity with the Company's operations. The March 2024, Board meeting was held at Heigham Water Treatment Works. As part of the meeting, the directors undertook a tour of the site. In addition, two 'market stalls' events were held during the year, which gave the directors the opportunity to listen to presentations and engage with experts from around the business. The June event focused on the development of the Business Plan for the period 2025-2030 (which was submitted to Ofwat in October 2023). Directors were able to engage with subject matter experts in relation to the development of key areas of the Business Plan, such as the balance of risk and return, capital delivery and the WINEP. In December 2023, directors met with the employees responsible for delivering the Company's pollution reduction programme. There were presentations on the impact of technology on pollution reduction, management systems and the impact of people and culture on the reduction programme.

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

Board diversity and skills

The Company's Board offers a diverse set of skills and backgrounds, which support the Company in the delivery of its long-term strategy. During the 2023/24 financial year, the Board developed a revised Board skills matrix, to support the appointment of additional independent non-executive directors (see page 146).

When completing the matrix, the directors were asked to award themselves a score, which – when added together – allowed the Nomination Committee to consider where there were areas of lower levels of skills or experience. The Nomination Committee has used the skills matrix to inform the recruitment process for new independent non-executive directors (see page 146).

This exercise has allowed the Committee to consider whether future recruitment should focus on addressing these areas and/or whether upskilling present members of the Board would be a better solution. Further information on the skills and experience of the directors can be found in the directors' biographies on pages 124-127. The skills matrix is regularly reviewed and updated as appropriate.

	Independent Chair	Executive Directors		Independent Non-Executive Directors				Non-Executive Directors			
	Ros Rivaz	Peter Simpson	Tony Donnelly	Polly Courtice	Kath Durrant	Zarin Patel	Alistair Phillips-Davies	John Barry	Alex Nassuphis	Batiste Ogier	Albena Vassileva
Audit and Business Risk		✓	✓			✓	✓	✓	✓	✓	✓
Treasury and Corporate Finance		✓	✓			✓	✓	✓	✓	✓	✓
Infrastructure Delivery/Large Capital Programmes	✓	✓	✓				✓	✓			✓
Digital Technology/Cyber	✓	✓	✓		✓	✓	✓		✓	✓	✓
Health and Safety/Operational Risk	✓	✓	✓		✓	✓	✓				
Remuneration/Reward/Employee Engagement	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Government/Public Affairs	✓	✓	✓	✓		✓	✓			✓	✓
Environment and Sustainability including Climate Change	✓	✓	✓	✓	✓	✓	✓		✓		✓
Regulation and Utilities	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
Customer Behaviour and Expectations	✓	✓	✓	✓	✓	✓	✓	✓			✓

- ✓ Some experience and/or expertise in this area but it has not been central to the relevant Director's role.
- ✓ Significant amount of experience and/or expertise in this area.

Board leadership and transparency

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

Board meetings

The Board held nine scheduled meetings during the year ended 31 March 2024. In addition, the Board held two further scheduled meetings between 31 March 2024 and the date of signing this report. All directors attended these meetings other than Dame Polly Courtice, who was unable to attend the meeting held in April 2024.

The Board received regular reports on business and financial performance, regulatory issues, health and safety performance, employee issues and the management of key business risks. The Chairs of the Audit, Nomination and Remuneration committees also provided reports on matters discussed by those respective committees since the previous Board meeting.

Board and Committee attendance

The attendance by individual directors at scheduled meetings of the Board and Committees during the year ended 31 March 2024 is shown in the table opposite. All decisions made by the Board during the year were unanimous.

During the year, other Board meetings were held – some at short notice – to consider different matters, including: approving the dividend policy, year-end related approvals and matters relating to the Business Plan for the period 2025 to 2030.

Further meetings of the Audit and Remuneration Committees were held on 5 June 2024, which all committee members attended.

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

Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
Ros Rivaz**	3/3	2/2	4/4	2/2
John Barry	9/9	–	8/10	6/10
Natalie Ceeney	8/9	4/5	9/10	9/10
Dame Polly Courtice	9/9	1/1	10/10	9/10
Tony Donnelly*	2/2	1/1	2/3	1/3
Kath Durrant	1/1	–	1/1	1/1
Alex Nassuphis	9/9	–	10/10	9/10
Batiste Ogier	8/9	–	9/10	7/10
Zarin Patel	9/9	5/5	9/10	9/10
Alistair Phillips-Davies	7/9	–	6/10	7/10
Peter Simpson*	9/9	5/5	7/10	7/10
Albena Vassileva	2/2	–	3/3	2/2

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

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

Former directors who served during the year	Board	Audit Committee	Nomination Committee	Remuneration Committee
Steve Buck*	7/7	4/4	–	5/7
Deepu Chintamaneni	7/7	–	7/7	6/7
John Hirst**	8/8	4/4	8/8	8/8
Colin Matthews	7/7	4/4	–	–

Risk management and internal control

Detailed disclosure regarding the Company's risk management approach, risk appetite and principal, as well as emerging risks, is included in the Strategic Report (see pages 105-118). The Company also has in place systems and procedures for exercising control and managing risk, in respect of financial reporting and the preparation of consolidated accounts. These include:

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

For the year ended 31 March 2024, the Company's internal and financial controls included the following:

- An annual process, where business heads confirm the adequacy of the internal controls for their area of responsibility, through a formal Statement of Responsibility, which is subsequently reviewed by the Audit Committee.
- A regular review by the Board of the Company's Principal Risks and the mitigations that are in place.
- A programme of internal-assurance visits, undertaken by our quality and systems team, which provide the business with assurance that our accredited quality management

systems are supporting the delivery of key business objectives and Performance Commitments.

- Development of the internal audit programme takes into account the Company's Principal Risks as well as organisational objectives and priorities. Inputs include critical business processes and current areas of focus, legal and regulatory compliance requirements, events and incidents, and management system requirements. The Company's Integrated Management System Framework Policy is published on our website.
- An internal audit programme, which is led by the Head of Internal Audit, with support provided by external specialists, as necessary. During the year there is a comprehensive review of internal controls, the findings and recommendations of which are formally reported to the Audit Committee.
- A detailed process of assurance in relation to the data submitted to Ofwat in our Annual Performance Report, which follows the approach set out in the Company's assurance [framework](#) and which includes review by an independent assurance provider where appropriate (and in accordance with the risk-based approach set out in our framework).

A review is underway to ensure the annual assurance process is fit for purpose, with the aim to update the process for the year ended 31 March 2025.

The Board, in conjunction with the Audit Committee, assessed the effectiveness of the risk management and internal controls in place across the Company, including in relation to whistleblowing procedures, and determined that the Company's systems had operated effectively throughout the year. Read more on page 137 in the Audit Committee report.

Other disclosures

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

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

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

Compliance with the BLTG Principles and the 2020 Code

As detailed earlier in this report, the Board had incorporated the BLTG Principles (and its supporting provisions) into the 2020 Code and therefore, by reporting against compliance with the 2020 Code, the Board is also reporting against compliance with the BLTG Principles. The Board confirms that it has complied with the 2020 Code throughout the 2023/24 financial year, with the following exception: Due to a number of forthcoming changes in the membership of the Anglian Water Board, the Board decided to defer the external Board evaluation from the 2023/24 financial year to the first half of the 2024/25 financial year (provision 3.6), as this would allow the evaluation process to capture feedback from newly-appointed Board members. In addition, Dame Polly Courtice reached the end of her nine-year term in office on 31 March 2024 and has agreed to continue to serve on the Board, while the search continues for a replacement independent non-executive director. The Company gave Ofwat advance notice of these areas of non-compliance and no concerns were raised by the economic regulator.

This report was approved by the Board of Directors on 10 June 2024.

Claire Russell
Company Secretary

10 June 2024





Committee members

Chair

Zarín Patel

Other members

Natalie Ceeney
Dame Polly Courtice

Meetings

Five

Meetings also regularly attended by:

Peter Simpson, Chief Executive Officer; Steve Buck, Chief Financial Officer (until 22 November 2023), Tony Donnelly, Interim Chief Financial Officer (from 23 November 2023); members of the Anglian Water Group Limited Audit Committee*; representatives of the external auditors; Wayne Young, Group Financial Controller; Tori Coombe Head of Internal Audit; and Claire Russell, Company Secretary

* members of the AWG Audit Committee include representatives from the Group's ultimate investors, who have significant infrastructure and utility experience. This experience gives greater strength and depth to Committee meeting discussions.

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

Chair's letter

As Chair of the Audit Committee, I am pleased to present the Committee's report for the year ended 31 March 2024. These pages outline how the Committee has discharged the responsibilities delegated to it by the Board over the course of the year and the key topics it considered in doing so. I would like to use this letter to highlight a few of the key areas the Committee has considered during the year. I hope you find it useful in understanding our work.

The Committee continues to monitor the integrity of the Company's financial information, as well as focusing on the Company's climate-related disclosures.

We continue to support our maturing approach to risk management, reviewing proposed improvements to risk management and assurance processes, to align Anglian Water to the enhancements contained within the FRC's 2024 Corporate Governance Code. In June 2024, the Committee's Terms of Reference were amended to enhance the Committee's responsibilities around risk frameworks, processes and controls.

To ensure compliance with the Economic Crime and Corporate Transparency Act, we have kept the Company's actions under close review. We continue to support the Company's whistleblowing processes and, this year, recommended the updated Whistleblowing Policy to the Board for approval.

During the year, we approved the internal audit plan and received updates on progress against the plan on a quarterly basis – challenging management's actions where appropriate. As a Committee we have been extremely supportive of the expansion of the Internal Audit Team, which adds greater depth to our internal audit capabilities. The Committee has been closely involved with the internal audits of some of our major projects, such as the Strategic Pipeline Alliance and SAP implementation.

During the year, Colin Matthews stepped down from the Committee. When he resigned from the Board, he was replaced on the Committee by Dame Polly Courtice, who has extensive experience of the Company, having served on the Board since 2015.

I would like to extend my thanks to my Committee colleagues for their work and support throughout the year. As independent non-executive directors, my fellow Committee members and I have no hesitation in seeking a full explanation from management or Deloitte LLP, the Company's external auditor, on any matter we feel necessary.

Zarín Patel

Audit Committee Chair



Role of the Committee

The Committee's roles and responsibilities are covered in its terms of reference, which are available at anglianwater.co.uk/governance. These terms of reference were last reviewed in March 2022. The principal role of the Audit Committee is to examine matters relating to the financial affairs of the Company and to provide effective oversight and governance of the Company's internal control and risk management processes, which exist to identify, assess, mitigate and manage risk. Internal audit supports the Committee in evaluating the design and effectiveness of internal controls and risk mitigation strategies, implemented by management.

The Committee's primary functions are to:

- Monitor the integrity of the financial statements, including significant financial reporting issues and the significant accounting judgements and estimates they contain.
- Review the annual and interim results and, where requested by the Board, review the content of the Annual Integrated Report as a whole, including the mandatory disclosures on the Taskforce for Climate-related Financial Disclosures (TCFD) on pages 91 to 103.
- Review the Annual Performance Report, to ensure it is fair, balanced and understandable, as well as reviewing significant financial returns to regulators and associated covenant certificates.
- Review and approve the statement concerning internal control and viability, to be included in the Annual Integrated Report.
- Review the integrity of the Company's systems of internal control.
- Review both the Company's procedures for detecting fraud and the Company's systems and controls for the prevention of bribery. And receive reports arising from the whistleblowing process.
- Consider the effectiveness of the risk-management systems and whether they provide reasonable levels of mitigation against material misstatement and losses.
- Review and approve the annual internal audit work plan.
- Monitor and review the effectiveness of the Internal Audit function and review the actions taken by management to implement the recommendations made by the Internal Audit function.
- Oversee the relationship with the external auditor, monitor the independence and objectivity of the external auditor and consider the effectiveness and quality of the audit process.
- Review and approve the annual internal and external audit plan.
- Monitor the provision of non-audit services by the external auditor.

Membership and attendance

The Committee held five meetings during the year. The meeting attendance table is shown on page 135. The Committee Chair regularly holds separate one-to-one meetings with the Chief Financial Officer, the Head of Internal Audit and representatives from the Company's external auditor, outside the Committee's meetings, to better understand any issues or areas for concern. The Committee meets without management present and meets privately with the Head of Internal Audit and external auditor on a regular basis.

Details of the Committee members' skills, experience and qualifications can be found in the biographies on pages 124-127. The Board believes Committee members have the necessary range of financial, risk, control and commercial expertise required, to provide effective challenge to management; as well as competence in accounting and auditing and recent and relevant financial experience. Zarin Patel is considered, by the Board, to have recent and relevant financial experience: she is

a Chartered Accountant and was formerly Chief Financial Officer of the BBC. Zarin is currently chair of the audit & risk committees of HM Treasury, Pets at Home Group PLC, and Hays plc and is also chair of the audit committee at the National Trust. Natalie Ceeney has considerable financial-services experience, having worked for the Financial Ombudsman Service and having been a member of HSBC's UK executive team. She is also currently a member of the audit and risk committee of Liverpool Victoria Life Company Limited (LV=). Dame Polly Courtice joined the Committee during the year and has served as an Independent Non-Executive Director since 2015. She has extensive experience working with a range of global and UK-based institutions, as well as serving as a non-executive director for a number of commercial and not-for-profit organisations. All members of the Committee are considered to have competence relevant to the sector in which the Company operates. The Company Secretary is Secretary to the Audit Committee.



Summary of key Committee activities during the year

Financial reporting

- Reviewed the final results for the year ended 31 March 2023 and interim results for the half-year ended 30 September 2024 (see below).
- Considered the Company's going concern and long-term viability statements (see pages 119-121).
- Considered key issues and areas of judgement, in relation to the financial statements (see page 140), as well as the integrity of the external audit process.
- Reviewed the mandatory TCFD disclosures for inclusion in the Annual Integrated Report.
- Received an update on the progress made over the Capital Commissioning process and associated accounting implications.
- Reviewed the capability and resourcing level of the Finance function, to ensure it was appropriately skilled for the future.

External audit

(Further information on page 140)

- Reviewed the proposed audit plan for the 2023/24 statutory audit, including key audit risks and level of materiality applied by the external auditor.
- Considered audit reports from the external auditor on the financial statements and the areas of particular focus for the audit.
- Assessed the quality and effectiveness of the external auditor. Following this assessment, the Committee made a recommendation to the Board on the reappointment of Deloitte LLP as the external auditor for the financial year ended 31 March 2024.
- Agreed the statutory audit fee for the year ended 31 March 2024.
- In respect of the 2024 year-end statutory audit, the Committee reviewed progress made by the external auditor against the agreed audit strategy.

Regulatory and legal disclosures

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

Assurance

- Received an update on the Company's current assurance framework, including the three lines of defence and integrated management systems. Considered the opportunities to develop the Company's approach to assurance further, going forward into AMP8.

Risk

- Following the introduction of the Financial Reporting Council's (FRC) 2024 Corporate Governance Code, considered and supported the proposed enhancements to risk management and assurance practices (see page 141).
- Conducted a review of the effectiveness of the internal control environment and the risk management framework, supported by the Annual Statement of Responsibility, as self-certified by management (see page 141).
- Reviewed and supported the Company's approach to IT risk, including cyber security, identity and access management security and the SAP evolution programme.

Internal audit

(Further information on page 142)

- Reviewed progress against the 2023/24 internal audit plan and agreed the scope of the internal audit plan for 2024/25.
- Where areas of improvement are identified during the internal audit process, the Committee closely reviews implementation of associated action plans.
- Received an update on the Global Internal Audit Standards and agreed that an external quality assessment against the Standards would be undertaken.
- Approved changes to the Internal Audit Charter.
- Reviewed the results of the initial internal audit of the Strategic Pipeline Alliance and subsequently reviewed the progress of the actions, through a follow up internal audit.

Other

- Monitored whistleblowing allegations and the associated investigations undertaken by management. Considered the Company's response to the Ofwat whistleblowing consultation. Reviewed the updated Whistleblowing Policy, prior to its approval by the Board (see page 142).
- Reviewed the Anti-Fraud Policy, prior to its approval by the Board. Considered updates on developing compliance against the Economic Crime and Transparency Act (see page 143).
- Considered actual and potential material litigation.
- Reviewed feedback and insights on the 2023 AIR and agreed areas of improvement in respect of the 2024 AIR.

Review of financial statements

The Committee reviews the financial statements of the Company and assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. In order to assist with this review, the Committee requested that management present detailed papers, explaining and substantiating the basis for the Group's accounting policies and key areas of judgement and estimation. The Committee also recognises the importance of the views of the external auditor and consequently made enquiries, to ensure that suitably-robust challenges and audit procedures had been performed on these judgements during the course of the audit. There were no significant differences between management and the external auditor. Having reviewed management's papers and considered the procedures and findings of the external auditor, the Committee is satisfied that the judgements are reasonable and that suitable accounting policies have been adopted and disclosed in the accounts.

Significant matters and judgements for the year ended 31 March 2024

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

Details of Committee review	Reference to financial statements
<p>Area of focus – Bad debt provision</p> <p>The Committee reviewed the assumptions underpinning the provision for bad debts and how this is consistent with recent debt-recovery experience, current conditions and estimates of future economic conditions. Management calculates the bad debt provision by firstly evaluating the estimated recoverability of trade receivables. A provision is recorded, based on experience, primarily cash collection history and then adjusts, as necessary, for forward-looking factors such as a change in economic conditions. In its forward-looking review, the Committee considered management's assessment of the potential impact of macroeconomic conditions – such as the cost-of-living crisis – on the bad debt charge, based on market data and a review of post year-end cash-collection rates. Given the level of sensitivity to changes in assumptions, the Committee concluded this was not a key judgement or estimate.</p>	Notes 1(p), 2(c) and 13
<p>Area of focus – Measured income accrual</p> <p>Estimating unbilled household income: the Committee reviewed the methodology and outcome of the estimate for measured income for the year ended 31 March 2024, which was consistent with that used in previous years. Measured income accrual is an estimation of the amount of mains water and water recycling charges unbilled at the end of the period and represents approximately 39.9% (2023: 36.8%) of measured household revenue. While the methodology for calculating this accrual is well established, judgement is required in terms of the level of customer consumption. Given the level of sensitivity to changes in assumptions, the Committee concluded this was not a key judgement or estimate</p>	Notes 1w, 2b and 19
<p>Area of focus – Retirement benefit obligations</p> <p>The Group operates a defined benefit pension scheme, which was closed to future accrual on 31 March 2018. The Committee reviews the key assumptions that underpin the actuarial valuation of the scheme, in accordance with IAS 19 'Employee benefits'.</p>	Notes 1(w), 2(b) and 19
<p>Area of focus – Classification of costs between operating and capital expenditure</p> <p>The Committee considered the policy for classifying operating and capital expenditure and the basis on which overheads are capitalised.</p>	Notes 1(l), 2(a) and 11
<p>Area of focus – Depreciation of property, plant and equipment</p> <p>The Committee considered the range of asset lives applied, when calculating the depreciation charge. In addition the Committee reviewed the assumptions used to applied assets commissioned but still to be transferred out of Assets Under Construction.</p>	Notes 1(l), 2a and 11
<p>Area of focus – Recognition of grants and contributions</p> <p>The Committee considered the rationale for recognising the income from grants and contributions as revenue, when new properties are connected to the network. As discussed, this follows a review into this judgement and the application of IFRS 15 based on the March 2021 Annual Integrated Report.</p>	Notes 1(e), 2a and 4
<p>Area of focus – Climate Change</p> <p>The Committee reviewed the paper, prepared by management, setting out the actions taken by the Company to identify and mitigate risks arising from climate change, including via the Water Resources Management Plan, the Drainage and Wastewater Management Plan and the Business Plan for 2025-2030. The Committee also reviewed the updates that have been made to the Company's climate-related disclosures, in response to the FRC's thematic review, published in September 2023.</p>	See Our approach to the climate and nature crises pages 89 to 90 and Note 2 of the financial statements for more information.

Going concern and viability statement

The Committee supported the Board in its assessment of both viability and going concern, by considering whether — in the challenging but plausible risk scenarios identified — the Company had adequate liquid resources to meet its obligations, as they fell due over the next 12 months, and to remain financially viable over the 10-year period to 31 March 2034. The Committee reviewed papers, presented by management, on its assessment of the Company's going concern and longer-term financial viability, based on budgets, business plans and cash-flow forecasts and the stress testing performed, based on the Company's principal risks and the current macroeconomic environment, including the potential impacts of climate change. The Committee considered the appropriateness of the scenarios modelled, the feasibility of management to deliver any required mitigations and the level of disclosure proposed and satisfied itself that the going-concern basis of preparation is appropriate. The Committee carefully considered the assumptions underpinning the viability statement, particularly the uncertainty at this early stage of Price Review process. The Committee satisfied itself that the Company is financially viable over the duration of its assessment period.

Annual Integrated Report

At the request of the Board, the Committee considers whether, in its opinion, the AIR (taken as a whole) is fair, balanced and understandable and whether it provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. To make this assessment, the Committee followed the process detailed below:

- 1 In March 2024, the Committee considered a review of the 2023 AIR — including feedback from Deloitte, which incorporated guidance issued by the Financial Reporting Council — and agreed a series of actions to improve the 2024 AIR.
- 2 The preparation of the AIR is led by a small team of senior management. Senior management reviews the content of the AIR, as a whole, to ensure accuracy. The new Chair was closely involved in the drafting of key messaging.
- 3 Members of the Board and the Committee review the AIR during the drafting process and each Committee Chair reviews and inputs into their specific reports. By facilitating input at an early stage, there is adequate time for review and amendments.
- 4 The external auditor presents the results of its audit work and work on significant risks that were considered by the Committee.
- 5 On the recommendation of the Committee, the Board approved the AIR and the associated Statement of Directors' Responsibilities, which can be found on page 177.

Risk management, internal control and internal audit

Risk management

Detailed disclosures regarding the Company's approach to maintaining a resilient business, risk management methodology, risk appetite and principal risks are included in the Strategic Report (see pages 105 to 118), followed by an assessment of the future viability of the business. The Board has overall responsibility for setting risk appetite and ensuring that there is an effective risk management framework in place. At the March meeting, the Committee considered and supported proposed enhancements to the Company's risk management and assurance processes, to support the introduction of the FRC's 2024 Corporate Governance Code. The Committee will focus on ensuring that frameworks, processes and controls are working as intended by:

- Commissioning internal audit reviews on both risks and controls, to ensure that the Board has a sufficient basis on which to make its annual declaration on the effectiveness of risk management and material controls.
- Overseeing the framework for assessing the effectiveness of internal control systems, in relation to material controls (including, but not limited to, approving the scope and prioritisation of the internal audit programme).
- Following approval by the Board of the Risk Management Policy, reviewing the effectiveness of the risk management framework and associated policies.
- Oversight of the management of the effectiveness of material controls in relation to a specific set of 'non-operational' risks (including undertaking deep dives as needed) including:

- a. financial risks (including fraud/bribery etc.);
- b. legal risks (including data protection and litigation);
- c. IT risks (including cyber).

- Recommending actions that might be needed to improve the effectiveness of material controls, in relation to the above risks.
- Reporting to the Board on its discussions/ conclusions.

The committee reviews the effectiveness of the Company's risk management and internal control systems throughout the year, to ensure their effectiveness. This is achieved through a number of activities, as follows:

- Risks are managed, using a comprehensive system of risk registers, which operate at a number of levels across the business. These registers are used to assess the risks, to document the existing controls in place to manage these risks, to ensure mitigation plans are established and monitored and to establish clear ownership of each of the risks.
- The Company's Principal Risks are regularly reviewed by the Board and the Management Board. Throughout the year, the Board receives presentations or papers from management, regarding the management of key risks.
- The Committee reviews and approves the risk-based internal audit plan each year, with regular meetings to assess progress and reprioritise audits if necessary, to review the Head of Internal Audit's recommendations and to monitor progress in implementing those recommendations.
- The external auditor reports annually on the findings of its review of the internal control environment to the Committee.

- All control-improvement recommendations are followed up by audits, the reports on which enable monitoring by the Committee.
- Each member of the Management Board is required to review and self-certify the adequacy of the internal control for their area of the business on an annual basis. The results of this review are presented to the Committee.
- An internal control system can provide reasonable, but not absolute, assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Committee is pleased to confirm that it was able to provide the Board with assurance that the Group's internal control systems and risk management processes are effective and operating as required.

Internal audit

The Internal Audit function is an integral part of the Company's internal control framework. With effect from 1 August 2021, the provision of internal audit services has been undertaken by an internal audit team, with support provided by external specialists, as necessary. The work undertaken by the Internal Audit function provides key insights into the practices, processes, systems and controls of the Company. As such, the Internal Audit plan is approved on an annual basis, at the March Committee meeting. The Head of Internal Audit then provides a detailed update on progress against the plan to the Committee, at least four times a year. This update provides insight into the results of the audits, including management plans in place to address any actions.

Each audit is rated, by reference to the materiality of any weaknesses in governance, risk management or internal control that have been identified in the process or system that is the subject of the audit. Specific actions are agreed with management, to address any weaknesses,

together with a timetable for completion of actions. The Committee receives a summary of all completed audits. However, if an audit receives a classification other than 'satisfactory' or 'satisfactory with exceptions', the Committee receives the full audit report, reviews the associated actions, tracks progress and requests management to attend Committee meetings and address audit actions, where necessary. Internal audits carried out during the year included:

- Carbon Net Zero Governance
- Fraud Risk Assessment
- Pollution Incident Reduction Plan
- Customer Data Security
- Business Impact Assessments and Continuity
- Sludge Treatment Compliance
- Critical National Infrastructure Management
- OSM Sampling Programme
- Supply Chain Sanctions
- Statement of Responsibilities
- Abstraction Licence Compliance
- Reputation Management
- ODI Governance
- Key Financial Controls
- Financial Spreadsheet Controls
- Water Recycling Operational Logistics
- Strategic Pipeline Alliance follow-up audit

The Committee considers the control environment to be effective, by virtue of the active contribution of the Committee to the development of the annual internal audit plan, the regular monitoring of progress against the plan and continued discussions with the Internal Audit function and comparison to best practice.

The Internal Audit plan for 2024/25 is aimed at providing depth and quality assurance, taking into account the primary risk and business areas, discussions with management, organisational objectives and priorities. The 2024/25 Internal Audit plan includes 26 audits, which is significantly more than the 2023/24 plan enabled, due to an increase in headcount in the Internal Audit team. The 2024/25 Internal Audit plan has flexibility, to take account of any work required on an ad-hoc basis. A review will take place halfway through the financial year, to ensure it remains current and fit for purpose. Included in the plan are areas where significant expenditure occurs, as well as operational compliance work. Audits on the 2024/25 Internal Audit plan include:

- Biosolids Quality and Assurance
- WINEP Delivery Compliance
- Non-household Metering
- Operational Technology
- IMS Second Line Assurance Review
- Contract Management
- Corporate Credit Card Usage
- Recruitment and Onboarding
- Treasury
- Pollution Incident Handling
- Storm Overflow Reporting
- Customer Incident Management
- Customer Data Contact Centre
- Health and Safety
- Warehouse Resilience
- Payroll
- Commercial and Delivery Assurance
- Integration of the Strategic Pipeline Alliance

- Water Quality Sampling Programme
- Task Force on Climate Related Disclosures
- Legal Register Change Implementation
- Key Financial Controls
- Working Hours Regulation Compliance
- Lincolnshire and Fens Reservoirs

Whistleblowing, anti-fraud and anti-bribery processes

Whistleblowing

The Board has delegated responsibility to the Committee for reviewing the adequacy of the arrangements that are in place to enable the Company's employees, alliance partners and contractors to raise concerns, in confidence, about possible wrongdoing.

During the year the Committee reviewed the Company's updated Whistleblowing Policy and Procedures and recommended its approval to the Board in January 2024. The Committee is also responsible for ensuring that these arrangements support appropriate and independent investigation of such matters and that follow-up actions are undertaken, where necessary. The Group has a whistleblowing process, whereby an individual can, in confidence, raise a concern relating to any wrongdoing or malpractice which may have an impact on Anglian Water's business, such as a criminal offence (e.g. fraud or bribery); a failure to comply with any legal obligations; a miscarriage of justice; danger to the health and safety of an individual or the public; and damage to the environment.

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

The independent provider maintains a register of all allegations made to the helpline and – following receipt of an allegation – will notify the Group Legal Director, Group People Director, Group Financial Controller, Head of Employee Relations and Head of Internal Audit (or other nominated persons, where those representatives are inappropriate) to decide whether there are grounds for further investigation.

If further investigation is warranted, allegations are then escalated to an appropriate designated person for investigation.

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

Employees are regularly reminded how they can raise a whistleblowing concern. All whistleblowing allegations and the subsequent investigation and conclusion are reported to the Committee.

At its meeting in November 2023, the Committee also reviewed the approach taken to whistleblowing and the Company's suppliers. Under the recently-launched Supply Chain Code of Conduct, the Company encourages members of its supply chain to use the Company's whistleblowing helpline to report concerns that cannot be resolved via their local whistleblowing processes.

During the year, the Committee considered the Company's response to Ofwat's sector-wide information request on whistleblowing practices,

as well as Ofwat's consultation entitled 'Driving Better Company Performance Through Clear and Effective Whistleblowing Practices'. In May 2023, the Company provided a detailed response to Ofwat's sector-wide information request on the Company's whistleblowing practices.

Anti-fraud and anti-bribery

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

Ahead of the introduction of the Economic Crime and Corporate Transparency Act, an internal audit was undertaken to assess how the Company was managing fraud risk. Following the audit, PwC's specialist fraud team supported the completion of a fraud risk assessment. Workshops were held to identify a range of fraud risks and the process is underway to map the Company's existing controls against these risks, to identify any gaps and the residual risk. At its meeting in November 2023, the Committee reviewed the new Anti-Fraud policy and recommended its approval to the Board.

External auditor

The Committee has primary responsibility for overseeing the relationship with Deloitte LLP, the external auditor, including assessing its performance and audit quality, independence and effectiveness and making a recommendation to the Board in respect of the auditor's appointment

or removal. The Committee also reviewed Deloitte's Audit Quality Review Findings and ensured that any relevant recommendations were appropriately actioned. Deloitte was awarded the contract for external audit services in September 2016, following a competitive tender process. Following a tender process during 2021/22, the Committee recommended to the Board that Deloitte be reappointed as external auditor, on a four-year contract, to commence from September 2023, with the option for four, successive one-year extensions. The Board approved Deloitte's reappointment, on the terms detailed above, at its Board meeting in March 2023.

External auditor independence

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

Firstly, the Committee takes into account the information provided by Deloitte, as part of the statutory audit process, that the audit engagement team and others in the firm (as appropriate) were independent of the Company. In addition, Deloitte confirmed that it had not identified any relationships with the Company, directors, senior management and affiliates that Deloitte considers may reasonably be thought to bear on its objectivity and independence. The audit engagement partner also rotates every five years. Kate Hadley has held the position of audit engagement partner since 2021 and will serve for a maximum of five audit cycles. Ms Hadley has extensive water and wider-sector experience.

Secondly, the Committee recognises that a key factor that may impair the external auditor's independence and objectivity, is a lack of control over the volume and/or value of non-audit services. The fees paid during the year, in respect of non-audit services, largely related to non-audit-related assurance services. However, if the external auditor were to provide other

non-audit services, they would need to comply with the policy for fees on non-audit work carried out by the external auditor, as approved by the Committee. Any request to use the external auditor to carry out non-audit work must be authorised by both the Chief Financial Officer and the Committee Chair. In addition, there is a limit on the level of fee that could be paid to the external auditor for non-audit work. Under the policy on fees for non-audit services, only work permitted by the FRC's 'whitelist' may be undertaken by the external auditors. And the level of non-audit fees is restricted to 70%, or less, of the average of the previous three years' audit fees.

The fees paid to the external auditor during the year are set out in Note 6 to the Financial statements, on page 196. Audit-related assurance services predominantly relate to regulatory reporting to Ofwat, review of the Group's half-year results and other agreed-upon procedures throughout the year.

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

Committee performance and effectiveness

As detailed on page 147 of the Nomination Committee report, due to the considerable recent and upcoming Board changes, the Board decided to postpone the external Board and Committee evaluation until the 2024/25 financial year.

This report was approved by the Board of Directors on 10 June 2024.

Zarin Patel
Chair of the Audit Committee

10 June 2024



Committee members

Chair

Dr Ros Rivaz

Other members

John Barry

Natalie Ceeney

Dame Polly Courtice

Kath Durrant

Alex Nassuphis

Batiste Ogier

Zarin Patel

Alistair Phillips-Davies

Albena Vassileva

Meetings

10

Meetings also regularly attended by:

Chief Executive Officer, Group People Director and the Company Secretary

Available to view at: anglianwater.co.uk

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

Chair's letter

The Committee has had a busy year overseeing several Board changes, as is typical at this natural changeover point between AMPs. This included making recommendations to the Board in relation to the appointment of a new Chair, Senior Independent Non-Executive Director, Independent Non-Executive Director and Interim Chief Financial Officer.

Executive Directors

Following the departure of Steve Buck and the announcement by Peter Simpson of his intention to retire, the Committee commenced the search for a new Chief Executive Officer. After a thorough search and selection process, we announced the appointment of Mark Thurston on 23 May 2024. Mark will join the organisation on 1 July 2024 and will be appointed as Chief Executive Officer on 5 August 2024. I am very much looking forward to working with Mark and would like to say thank you to Peter for his dedication to the role.

The Board will now commence the search for a new Chief Financial Officer, with Interim Chief Financial Officer, Tony Donnelly providing in-depth knowledge, commercial experience and continuity until that appointment.

Independent Non-Executive Directors

To support the recruitment of new independent non-executive directors, a new Board Diversity Policy was approved.

I am delighted to announce the appointment of Kath Durrant as Independent Non-Executive Director. Kath will replace Natalie Ceeney as Chair of the Remuneration Committee on 11 June 2024. Kath is a very capable and respected expert in this field and across a range of businesses and sectors and will be well-placed to continue the journey of our critical Remuneration Committee.

Natalie Ceeney has been instrumental in helping to instil governance, consistent with the Corporate Governance Code, around our remuneration decisions. She has helped traverse a challenging operational environment, cost-of-living crisis and scrutiny of both remuneration and the sector, while showing compassion for customers and our people and ensuring that enhancing business performance was at the heart of her leadership and counsel.

Colin Mathews stepped down as Independent Non-Executive Director in November 2023. Colin's understanding of infrastructure supported the Board during his tenure and he leaves with our thanks.

The Company is continuing the search for two additional independent non-executive directors, to join the Board over the course of the 2024/25 financial year.

Dame Polly Courtice, who has served as a steadfast Independent Non-Executive Director for nine years, four of these as Senior Independent Non-Executive Director, will remain on the Board until we appoint a successor. Our deepest thanks go to Polly for her breadth of oversight and sustainability leadership throughout this time.

Non-Executive Directors

Thanks goes to Deepu Chintamaneni, who resigned as a member of the Committee in December 2023. Albena Vassileva was appointed as a member of the Committee as a representative for IFM.

Management Board

As a Committee, we continue to take a close interest in succession for both the Board and Management Board and are pleased to note the extensive career development opportunities offered across the organisation, as well as the high-calibre appointments in key roles such as engineering and finance. As part of my induction, I was delighted to be able to meet colleagues at the Company's Senior Leaders' Event in January 2024, as well as attending a Young Professional Community session.

Board evaluation

I consider Board evaluation to be an essential part of good corporate governance. However, due to the significant number of changes the Board is currently undergoing, the Board has decided to delay its external evaluation until later in the 2024/25 financial year. More information is available on page 147. We will report back, in full, on the results of the external evaluation in next year's Annual Integrated Report.

Dr Ros Rivaz

Nomination Committee Chair

Composition of the Committee

14 December 2023 – Deepu Chintamaneni resigned as a member of the Committee.

23 January 2024 – Albena Vassileva was appointed as a member of the Committee.

24 January 2024 – John Hirst resigned from the Committee.

25 January 2024 – Ros Rivaz was appointed as Chair of the Committee.

24 April 2024 – Kath Durrant was appointed as a member of the Committee.

Role of the Committee

The Committee's primary function is to advise the Board, in relation to the appointment of executive and non-executive directors.

The duties of the Nomination Committee include:

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

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

Main activities in the year

Board and Committee changes

During the year and up to the date of this report, the Committee considered a number of changes to the membership of the Board and committees and recommended to the Board that the following appointments should be made:

- Dame Polly Courtice should replace John Hirst as Chair of the Committee, with effect from 26 April 2023;
- Dr Ros Rivaz should be appointed as Chair Designate and a member of the Committee, with effect from 21 November 2023. Dr Rivaz replaced John Hirst as Chair on 25 January 2024 (at which point she also became Chair of the Committee);
- Tony Donnelly should be appointed as Interim Chief Financial Officer, with effect from 23 November 2023, to replace Steve Buck;
- Zarin Patel should be appointed as the Senior Independent Non-Executive Director, to replace Dame Polly Courtice, with effect from 23 January 2024;
- Albena Vassileva should be appointed as a member of both the Nomination and Remuneration committees, with effect from 23 January 2024;
- Dr Ros Rivaz should be appointed as a member of the Remuneration Committee on 25 January 2024;
- Kath Durrant should be appointed as an Independent Non-Executive Director and a member of the Remuneration Committee, with effect from 26 March 2024; and
- Kath Durrant should be appointed as a member of the Nomination Committee, with effect from 24 April 2024 and as Chair of the Remuneration Committee with effect from 11 June 2024.

Chair search and appointment

As disclosed in last year's Annual Integrated Report, John Hirst stepped down as Chair in January 2024, prior to what would have been his nine-year term of office in March 2024. Detailed below are the steps undertaken to find his successor.

- 1 In order to lead the process to find his successor, Dame Polly Courtice, Senior Independent Non-Executive Director, replaced John Hirst as Chair of the Committee in April 2023.
- 2 After a formal tender process, Korn Ferry, a global organisational consulting firm, was appointed to support the Committee with the search and selection process. (Korn Ferry does not have any other connection with the Company, or individual directors, other than supporting the recruitment of Board directors and senior management appointments).
- 3 Dame Polly Courtice, supported by the Group People Director, worked closely with each Committee member to develop a role description and candidate profile. Korn Ferry prepared a long list of candidates and was specifically requested by the Committee to ensure that it comprised a diverse range of candidates, including female candidates and those from ethnic minority backgrounds.
- 4 The Committee narrowed down an extensive long-list to a short-list of candidates, who were each interviewed by a sub-Committee. These candidates were also given the opportunity to meet with the exiting Chair and Chief Executive Officer. Following this comprehensive assessment and interview process, feedback was discussed at each stage, based on the previously agreed role description and candidate profile.
- 5 The sub-Committee selected two candidates from the short-list to meet with the remaining Committee members. Following the conclusion of the interview process and detailed Committee discussions, the Committee identified Dr Ros Rivaz as the preferred candidate, given her extensive leadership experience in blue-chip companies, particularly in regulated industries. Further to the Committee's recommendation and the approval of both the Company's Board and the Board of Anglian Water Group Limited, Dr Rivaz was appointed as an Independent Non-Executive Director and Chair Designate with effect from 21 November 2023 and as Chair from 25 January 2024. Dr Rivaz was considered to be independent on appointment.

Independent non-executive director search and selection

Given the tenure of the longer-serving directors and recent Board changes, during the year the Committee commenced a search and selection process to find three additional independent non-executive directors. The Committee reviewed and updated the Board skills matrix prior to commencing the search for these independent non-executive directors (see page 134). The Committee recognised the need to enhance the Board's remuneration, accounting and infrastructure capabilities. The Committee appointed Egon Zehnder (a global organisational consulting and leadership advisory firm, which does not have any other connection with the company or individual directors, other than supporting the recruitment of Board directors and senior management appointments), to support the search and selection process. A sub-Committee interviewed a number of potential candidates. On completion of these interviews, the sub-Committee reported back to the Committee. Following the Committee's recommendation, the Board approved the appointment of Kath Durrant as an Independent Non-Executive Director to the Board, with effect from 26 March 2024. Kath Durrant has extensive HR and remuneration experience; more information can be found in her biography on page 125. It is expected that two further independent non-executive directors will be appointed during the 2024/25 financial year.

All independent non-executive directors are appointed for a fixed term of three years. The fixed term can be renewed and, consistent with best practice, would not be extended beyond nine years, save in exceptional circumstances. Dame Polly Courtice reached her nine-year term in office on 31 March 2024. On the Committee's recommendation, the Board resolved to extend Dame Polly Courtice's term of appointment for a short period, to facilitate the recruitment of at least one additional independent non-executive directors. Dame Polly Courtice continues to be

regarded as independent, notwithstanding her nine-year term in office. In April 2024, Natalie Ceeney completed her second three-year term in office. On the Committee's recommendation, the Board resolved to extend Natalie Ceeney's appointment until 12 June 2024. On her resignation from the Board, the Committee recommended to the Board that Kath Durrant be appointed as Remuneration Committee Chair.

Executive director search and selection

On 3 August 2023, the Company announced that Steve Buck, Chief Financial Officer, had resigned. After completing a handover, Steve Buck left the business on 23 November 2023. A search and selection process is underway, supported by Egon Zehnder. However, recognising the importance of the role and the likely time it would take to find a suitable candidate, in November 2023, the Committee recommended to the Board that Tony Donnelly be appointed as Interim Chief Financial Officer. As well as being a Chartered Management Accountant, Tony Donnelly had been Managing Director of the Anglian Venture Holdings Limited for over a decade. It was therefore the Committee's view that Tony Donnelly had the appropriate skills and experience to undertake the role.

On 31 October 2023, the Company announced that Peter Simpson, Chief Executive Officer, intended to retire. Peter Simpson is continuing in office until his successor is appointed and will support a smooth transition, following the appointment. The Committee commenced the process for the recruitment of Peter Simpson's successor by developing key selection criteria and a recruitment strategy and appointed Korn Ferry to support the recruitment process. A sub-Committee, consisting of the Chair, Senior Independent Non-Executive Director and two non-executive directors interviewed potential candidates. The sub-Committee regularly reported to the Committee and to the Board. On conclusion of the selection process, the Nomination Committee recommended to the Board that Mark Thurston be appointed as Peter

Simpson's successor. The Committee considered that Mark Thurston's substantial experience across major infrastructure, with a focus on health and safety, makes him well placed to lead the Company into AMP8. The Board supported the view of the Committee and on 20 May 2024, announced Mark Thurston's appointment. Mark Thurston will join the Company on 1 July 2024 and will be appointed to the Board on 5 August 2024, at which point he will also succeed Peter Simpson as Chief Executive Officer.

Inclusion

The Committee recognises that inclusion is vital to Anglian Water's success and, as such, takes a keen interest in the Company's approach on this matter. The Company's inclusion approach aims to keep Anglian Water as an inclusive place to work, where everyone feels valued. In April, the Committee had the opportunity to understand the progress made against inclusion metrics, to consider the development to support planned AMP8 growth, by attracting and retaining more diverse talent, to understand the successes and further discuss the ongoing challenges around inclusion. Areas of achievement over the financial year included:

- Increase in the number of colleagues who engage in inclusion activities from 230 to 481 at March 2024;
- Increase in the gender mix of new hires from 35% female to 41% female at March 2024;
- Increase of 6%, on the prior year, of external candidates from Ethnically Diverse Communities applying for jobs;
- Publication of the company's second Ethnicity Pay Gap Report;
- One of The Times Top 50 Employers for Gender Equality; and
- Achieved Disability Confident Employer (Level 2).

Work continues to improve ethnic diversity across the organisation and actions undertaken include:

- Continue to ask employees to voluntarily disclose their ethnicity.
- Being a signatory of Business in the Community's Race at Work Charter and working to implement their seven key actions, to improve the quality of opportunity.
- The Company's Strength in Diversity initiative works with schools, community groups and job seekers in target towns, to support them to enter the workplace.

Further activity is undertaken to support an overall diverse workplace, with a specific focus on gender, including:

- Changes to our recruitment process, putting supportive policies in place and ensuring access to internal career development opportunities. These have had a positive impact on attracting and retaining women to a predominantly male-dominated industry.
- Engaging with primary and secondary students across the region to support them in engaging with STEM subjects, alongside supporting them with employability skills and routes into work.

During the year a new Board Diversity Policy was approved, which is available at anglianwater.co.uk/governance. This policy sets out Anglian Water's approach to diversity, which will inform the composition and recruitment of members of the Board. The Board will strive as a minimum to have a Board which:

1. Comprises at least 40% women.
2. At least one of the Chair, Chief Executive Officer, Chief Financial Officer or Senior Independent Director will be a woman.
3. At least one member of the Board will be from an ethnic minority background.

Pursuant to this policy, the company makes the following disclosures. As at 31 March 2024*:

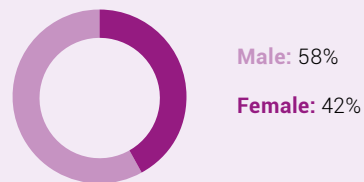
- 50% of the directors were female. Of the independent non-executive directors appointed by the company, 83% are female. Four of the directors are appointed by the Company's ultimate investors, of which one is female;
 - The senior independent director is female; and
 - One director is from a minority ethnic background.
- * There have been no changes to Board composition since 31 March 2024 and the date of this report.

As at 31 March 2024, the gender balance of the Management Board and those employees who directly reported into Management Board members is detailed below:

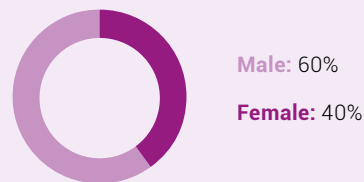
Board



Management Board



Senior Management



Succession planning

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

During the year, the Committee undertook a review of how Anglian Water is developing its talent, to ensure it will be able to meet the challenges of AMP8. The Committee considered the 'Fit for AMP8 Framework', which has three overarching objectives:

- To build a legacy
- Embrace the opportunity
- Predictable service delivery

The review focused on the retention and development of talent across the Company, as well as reviewing succession planning more broadly. The review enabled the Committee to understand and challenge the proposed approach to ensuring the Company could meet the challenges of AMP8. The discussions covered areas including: new hires and existing talent within capital delivery; financial control and digital data and technology; approaches to skills development; early career development opportunities; and development programmes for senior leaders, including members of the Management Board.

The Committee has opportunities to engage with those individuals who are part of the succession plan at Board meetings, market stall events and site visits. During the year, the Board also held a session with the Chief Executive Officer (without management present), during which Peter Simpson discussed options for further developing members of the Management Board.

Board and Committee evaluation

The Board considers the annual review of the Board, its committees and directors, to be an essential part of good corporate governance. An internal evaluation was undertaken during the 2021/22 and 2022/23 financial years. Therefore, under the terms of the 2020 Code, normally an external evaluation would have taken place over the course of the 2023/24 financial year. However, considering the considerable recent and upcoming Board changes, the Board decided to postpone the external Board and Committee evaluation to the 2024/25 financial year. By delaying the external evaluation, the Board believes it will achieve more value and insight

from new Board members, once they have had an opportunity to spend time learning about the organisation and the Board. The Company Secretary wrote to Ofwat advising the regulator of the proposal to delay the external evaluation and no objections were raised.

In advance of the external evaluation taking place, a thorough tender process was undertaken. Proposals were sought from a number of different external evaluation providers. After a review of the proposals, the Board resolved to appoint Christopher Saul Associates to facilitate the external evaluation. Christopher Saul Associates has no other connection to Anglian Water. The evaluation will take the form of both exit interviews with recently departed directors and one-to-one interviews with current directors. Full details of the results of the external evaluation will be included in the 2025 Annual Integrated Report.

The Board also considers it to be important to keep the actions arising out of the evaluation process under regular review. Therefore, during the year, the Board reviewed the progress made against the actions which had arisen following the 2022/23 Board and Committee evaluation, to ensure progress was on track.

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

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

Dr Ros Rivaz
Chair of the Nomination Committee

10 June 2024

Remuneration Committee report: Chair's statement

Committee members

Chair

Natalie Ceeney

Other members

Ros Rivaz (Chair), John Barry, Polly Courtice, Kath Durrant, Alex Nassuphis, Batiste Ogier, Zarin Patel, Alistair Phillips-Davies, Alben Vassileva

Meetings

Ten

Meetings also regularly attended by:

Peter Simpson, Chief Executive Officer; Steve Buck (until November 2023), Chief Financial Officer, Tony Donnelly (from November 2023), Interim Chief Financial Officer; Susannah Clements, Group Organisation Development Director; Amanda Bridger, Group People Director (from January 2024); Claire Russell, Company Secretary; and John Lee, FIT Remuneration Consultant

Composition of the Committee

24 January 2024 – Alben Vassileva was appointed as a member of the Committee to replace Deepu Chintamaneni, who resigned on 14 December 2023.

25 January 2024 – Ros Rivaz replaced John Hirst as a member of the Committee.

26 March 2024 – Kath Durrant was appointed as a member of the Committee.

Neither members nor attendees join meetings when their own remuneration is being discussed.



“The Remuneration Committee is fully aware of the role that our business plays in society, both as an essential public service and as a regional monopoly. We set stretching targets for our executives and wider workforce, which means that pay and reward mirror company performance for all of our stakeholders. We also have a robust discretion framework, which means that we can, and do, override formulaic outcomes where they don't feel right and don't mirror the experience of our customers and stakeholders.”

Natalie Ceeney

Remuneration contents list

- 148** Chair's statement
- 158** Remuneration at a glance
- 165** Company remuneration at Anglian Water
- 169** Directors' remuneration policy

I welcome the opportunity to share the Remuneration Committee (the Committee) report for 2023/24, in what will be my final year as Committee Chair, as I step down from the Board after six years. On behalf of the Committee, I am pleased to provide an overview of both executive director and wider workforce remuneration for the financial year ended 31 March 2024.

Over the next few pages, I set out how our performance as a Company, in 2023/24, has affected remuneration outcomes and how we are actively addressing stakeholder expectations in our approach for executive pay, for the benefit of our customers, colleagues, communities and shareholders alike.

Executive pay is firmly in the spotlight across the water sector. Remuneration decisions can often appear opaque. And when pollution incidents dominate headlines, some people question why bonuses are paid at all. Anglian Water and the Committee recognise the levels of concern around executive remuneration and have taken significant steps this year, not just to review our processes and outcomes, but also to make them clearer. I hope that this expanded report is seen as a step forward and demonstrates that we are listening.

Our year in retrospect

This has been a turbulent year for the water industry as a whole and Anglian Water is no exception.

The second half of 2023/24 was the wettest period on record. Ten named storms severely stretched our operational resources, as they battled persistent flooding, storms and high groundwater levels during autumn and winter – when we experienced the wettest February on record, with 308% more rainfall than the long-term average. Unsurprisingly, 70% of all our storm overflow spills happened in the final three months of 2023, as our infrastructure struggled to cope with flooding. But we have much to be proud of concerning our response. Our teams showed their commitment to our customers, as they worked around the clock for many weeks, to alleviate the consequences of the rain and storms and still provide clean, safe drinking water across the region. And despite widespread flooding in our region, we had the lowest average number of spills in the industry.

We have set our bonus metrics, through our 'AWS Performance Contract' (Performance Contract), to reflect the priorities of customers as a whole: safe, clean drinking water; reducing leakage; keeping bills down; looking after the environment; protecting the most vulnerable in society; and responding to climate change. It is fair to say that performance this year, despite excellent operational responses to key weather events and enhanced capital delivery, has not yielded the results that we would wish. A significant improvement plan was put in place midway through the 2023/24 year, with our investors agreeing to £100 million of increased investment – to help us tackle pollutions and spills.

But it takes time for investment to flow through to results for customers and for the environment. On a simply formulaic calculation of performance, relative to our AWS Performance Contract metrics, just 34.3% of the bonus was payable. While this outturn is, on many levels, disappointing, it is reassuring to the Committee that the Performance Contract focuses on the right measures and is well aligned to the customer experience, leading to a significant reduction in the overall outturn.

We recognise that a key target – and the focus of significant public attention – is that of reducing serious pollution incidents. Our target was to achieve the glidepath-to-zero pollutions, set out by the Environment Agency. For 2023, the glidepath target was no more than four serious pollutions (which we define as Category 1 or Category 2, by way of environmental impact). Unfortunately, we did not achieve that goal. We had no Category 1 pollutions (the most serious kind). However, despite a marked improvement in the second half of the year - as the results from our reinvestment began to be seen - we had 11 Category 2 pollution events in 2023. For this reason, our Chief Executive, Peter Simpson, informed the Board in Spring 2024 that he felt unable to accept a bonus for the year, even if one was awarded. It is a mark of how seriously Peter has taken this issue, that he has decided to not just waive the annual element of the bonus, but to also forego the deferred elements that would be due in future. Peter has also refused to accept a bonus for his separate objectives and duties at the Group level.

The Committee acknowledged Peter's decision and recognised that the performance outcome was not the desired one. It agreed that, while the outcome was not a result of a lack of commitment or strategic will, it was still not the result that met either the Board or customer expectations.

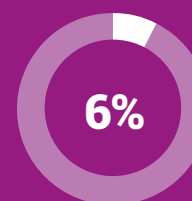
As part of the normal year-end process, the Committee would normally make a recommendation to the AWG Board about the level of payment against Peter's personal objectives, which relate to the achievement of Group objectives and duties. Given that Peter waived his entire bonus, the Committee did not assess what the outturn for these elements might be.

2023/24 Bonus outcomes

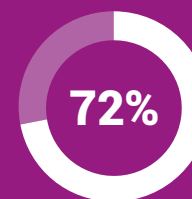
Virtually all colleagues in Anglian Water are eligible for some form of bonus, with the exception of some early-careers colleagues, who are on training programmes – such as apprentices. We seek to use our bonus scheme to focus everyone on certain common goals, creating alignment across the organisation and also because we believe that a bonus incentivises employees to deliver more for our customers.

For team members below management level, we simplified our bonus structure to cover just three core areas, with a pay award of up to 5% of pay. For 2023/24, these three areas were 1) pollutions, 2) customer service ratings (CMEx), and 3) budget achievement. The performance award to staff below management level will be 3.36% (out of a maximum of 5%) as, although the pollutions measures were missed, the teams delivered well on budget management and customer service.

For our managers and leaders (around 570 people), we use a more wide-ranging scorecard (the AWS Performance Contract), which contains a basket of measures, all of which have been determined by the regulator, or by the Board, to be of high importance to our customers and to the environment. The Performance Contract is grouped into four headings: Environment (35% of the maximum bonus), Customer Delivery (30%), Customer Efficiency (30%) and the BITC Responsible Business Tracker®, which we use to benchmark our progress towards achieving our Purpose (5%).



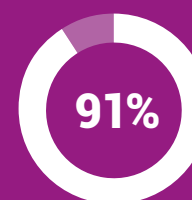
Company-wide salary increase, effective April 2024.



of employees took advantage of our flexible benefits platform in 2024/25, up from 61% last year.



of our people agree Anglian Water is an inclusive place to work. (2022: 86%)



of employees are contributing to the Company pension plan.

81+

apprentices, graduates and interns will join the business. 24% of our early careers employees are female.



28,899

'moments of recognition' via the GEM system, awarded from one staff member to another.

1,300+

employees attended financial wellbeing workshops.

974

employees saving monthly, via the loyalty saving scheme.

£600,000

of additional salary increases for in-year development, for over 300 roles. This is a 50% increase in employees affected by salary increases in year.



This Performance Contract is the basis for the bonus payment to our most senior staff, along with personal objectives, which detail specific areas of delivery, relevant to their role. The value of the bonus payment that different employees receive depends upon their role, seniority and other factors. As a leader becomes more senior, the Performance Contract represents a greater proportion of their bonus, reflecting their ability to influence the service that the organisation provides to our customers. A detailed table of these measures and our performance against them for 2023/24, can be seen on page 156. This year, the financial targets were revisited during the year — with senior leaders requesting a revised budget, given the circumstances during the first four months of the year. This revised budget was agreed and has been applied to the Performance Contract for those below Management Board level. However, the Management Board and executive directors retained the original target, which is the outturn detailed in this report.

We recognise the need to protect customers' bills, by only rewarding success. Therefore, as for executive directors, the Performance Contract element of all leaders' bonuses is reduced, if targets are not fully met.

Page 156 sets out details of the formulaic outturn of the AWS Performance Contract, which ended the year at 34.3% of the maximum opportunity. This is a reduction of 22%, compared to the 2022/23 outturn of 46.7%. But, as is detailed below, the formulaic outturn is only a starting point for a more robust discussion about individual and Company performance.

Assessing performance in the round

In determining remuneration, the Committee ensures that performance is assessed in the round, through a variety of lenses, considering a full range of stakeholder perspectives. The Committee conducts a thorough assessment, to determine whether the 'formulaic outcome' is appropriate, both at a company-wide level and for individuals. Our formal 'discretion framework', showing the range of factors that we consider, is shown on page 153. We are publishing this, for the first time, to enable all of our stakeholders to understand the elements that the Committee takes into account when considering remuneration.

The Committee's discretion can be extensive. With a wide range of measures — from customer service levels and budget management to leakage, drinking water quality and pollutions — the Committee needs to set specific targets against different elements of performance, to produce the initial, formulaic calculation. In Anglian Water's case, for example, explicit environmental targets account for 35% (42% for 2024/25) of our Performance Contract (although we should note that many of our other targets also have environmental benefits, with over 50% of our targets being related to environmental performance). However, the Committee's ability to apply discretion is not limited to that initial percentage — it can cover the whole of the bonus. It is within the remit of the Committee to completely eliminate a bonus, for an individual or group of individuals, if we deem it appropriate. It is also within the remit of the Committee to claw back bonuses from past years, if serious new events come to light.

For the 2023/24 remuneration review, the Committee considered a range of inputs, including risks that we have managed (or which have materialised) over the past year, such as pollutions, health and safety events, workforce engagement and the calibre of the leadership team, as well as reputational issues and media

interest, the experience of customers and investors and external assessments of our performance (such as from external bodies including Ofwat, the DWI and EA). For specific events, the Committee took advice on the level of culpability of the Company and individuals, to understand whether management failures were the cause of the issue.

For our management team (excluding executive directors), the Committee determined that we would stand by the formulaic outturn, as we felt that the formulaic outturn was actually a fair representation of the deserved reward. We had taken care to structure the measures at the start of the year, to reflect what mattered for customers. As we had failed to achieve some key targets, the outturn of the scheme was low and, in fact, represents one of the lowest outturns the Company has ever achieved. The Committee also reflected that the business has a number of new leaders in place in areas where there has been underperformance and that those leaders are putting in place strategies to improve underlying performance. In the circumstances, the Committee concluded that these leaders should not be penalised twice for past failings. Overall, the level of stretch for our management team has grown significantly over the past year and the team has stepped up well, to address the new challenges. Where we have had areas of poor performance, they have been tackled and we have brought in new leadership to fill gaps. As noted earlier, the levels below the Management Board were judged on a revised set of financial targets, as agreed with the Board.

For our executive directors, the decision of our Chief Executive Officer (CEO), Peter Simpson, to waive any potential bonus, made the discussion on discretion somewhat irrelevant, as we knew by the time we met as a Committee that the answer was 'no bonus'. However, we still prepared the full analysis, to ensure that we did not need to claw back any past bonuses and to assess the performance of the organisation, more widely, against the performance targets.

Our former Chief Financial Officer (CFO) resigned during the year and was not, therefore, eligible to be considered for a bonus and our Interim CFO, Tony Donnelly, joined Anglian Water Services on secondment from the Group in November 2023. We put in place a simple bonus arrangement to cover the period from November 2023 to 31 March 2024, which was to award a one-off bonus against a series of personal targets, for the four months of the year that remained. The Committee determined that he had achieved 95% of those targets. As Tony joined the Anglian Water Services business in November 2023, the Committee decided that it would be inappropriate to apply any downward discretion to his remuneration, given that he was new to the business (previously working in an unregulated Group subsidiary) and not in post for most of the year. For 2024/25, Tony Donnelly will be on the standard executive director remuneration terms, while we seek a permanent CFO.

"While we've had many successes this year, we have fallen short on one measure that matters immensely to our customers — serious pollutions. Progress has been made, but we have not met our commitment and for that reason, Peter Simpson did not feel that it was right to take his annual bonus this year"

Natalie Ceeney

Our people

The intense scrutiny of water companies has continued this year, especially in light of the submitted business plans, detailing investment for the 2025-2030 period, and as a result of public concern about the environment. The cost-of-living crisis has also caused personal hardship for some of our people, as well as making some roles more challenging as we seek to support customers who are also struggling to pay. These factors have had a direct impact on the people who work in the sector in general and for Anglian Water specifically, with individuals reporting abuse and negativity when carrying out their day-to-day activities. The organisation has been working hard to support all our 6,000+ employees through this period.

Our people are critical to bringing our Purpose to life and delivering environmental and social prosperity to the region we serve. We believe that engaged and motivated colleagues also deliver better outcomes for customers. Therefore, we have set out to make Anglian Water a great place to work and a place where people can grow their careers and thrive.

We have worked hard to bring in talented people at all levels and grow people's skills so they can develop their careers. The fact that our CEO, Peter Simpson, started at the Company as a graduate trainee helps our people see personal growth and promotion as a realistic ambition.

Our apprenticeship retention after ten years is a very impressive 84% and graduate retention over five years is 89%, demonstrating our successful track record in early careers.

While the sector has been under intense scrutiny, our colleagues have shown remarkable commitment and fortitude, responding ably to a barrage of operational and economic headwinds this year. We recognise the impact that the intense spotlight has on morale, so we have continued to respond with actions to support our people.

Anglian Water and the Trade Unions met to agree a pay increase for all employees early in the new year. Following extensive, constructive-but-challenging negotiations, an agreement was reached for a two-year pay deal, which included other benefits, in addition to a 6% uplift for 2024/25 and a commitment to a pay rise of 1% above November CPIH for 2025/26.

Along with this competitive pay increase, we have also invested an additional £600,000 in pay-progression awards for 308 colleagues in key positions, to ensure they continue to feel valued as they develop their skills and capabilities.

To reiterate the financial wellbeing support available for all our people, we ran a series of webinars and events to highlight the support that our people can access. By sharing regular information – such as, details of the salary finance products we provide, childcare schemes available, help with budgeting, salary sacrifice options, pensions and Company benefits – we have made sure that the right support and tools are in place to empower our colleagues to take

control of their finances in the best way for them. As part of the pay deal we also made significant improvements in our maternity, paternity and adoption policies, by doubling paid time off.

We also increased the holiday allowances for our more junior people, to a starting point of 25 days.

We have also reviewed and streamlined the application process for our hardship loan, to help our people access the scheme more easily. And we've given training to line managers, to help them support team members who might be experiencing hardship.

In Autumn 2024, we will be launching a Company charity, to support people connected with the Company who are struggling financially, or who have faced financial hardship through unexpected circumstances. The charity will be able to make grants to people or organisations across our region, to support them through difficult times. The initial sum that will be available is the residue of a donation made by Peter Simpson, our Chief Executive, during COVID, which was used to alleviate unexpected financial impacts caused by the pandemic. In the future, employees will be able to donate to the charity using our charitable giving process, which already sees £78,793 donated to good causes, each year, by our people.



Our remuneration approach

Our approach to remuneration is to ensure that all of our people are rewarded and incentivised to deliver what matters for our customers, our communities, our stakeholders and the environment – both in the current year, and for future years.

We operate a Performance Contract for all of our 570 managers and leaders, which focuses everyone on common goals. The targets in this contract cover a wide number of issues that matter to our stakeholders, with 35% focused on environmental measures, 30% on customer delivery, 30% on customer efficiency and 5% on being a responsible business, as assessed by BITC.

For the year ahead, following feedback from our stakeholders, the Performance Contract will be split, with 30% focused on customer efficiency, 42% on environmental measures, 23% on customer delivery and 5% on being a responsible business.

For our wider workforce, we incentivise virtually all of our people on a simpler set of metrics, to cover just three core areas, with a pay award of up to 5% of pay. For 2023/24, these three areas were pollutions, customer service ratings (CMeX) and living within our budget.

The bonus scheme (driven by the Performance Contract) forms the basis of the award to the executive directors, for their performance over the past year. The job of the Remuneration Committee is to assess what the 'formulaic outturn' of the Company's reward scheme is and to consider whether discretion is applied, upwards or downwards.

For our senior leaders, we consider: the mathematical calculation of the reward scheme; their performance against personal objectives; and whether there is a case to apply discretion. This determines the level of any bonus payment. As a Committee, we have the ability to reduce (or increase) bonuses, including removing all bonus payments.

In a business where issues can arise some years after the event, it is important to incentivise and reward senior leaders – not just for what they deliver this year, but also for what happens in subsequent years. In the water sector, we build infrastructure and deliver services that need to last for a long time and deliver the outcomes we want. Therefore, we need to have the ability to assess whether bonuses awarded to executives at the time they were made were really warranted, in the light of subsequent events.

For executive directors, we structure the bonus so that only half of the award is paid immediately, with payment of the other half being deferred in accordance with the rules of our 'Deferred Bonus Plan' (DBP). We can then assess, in the years following the award, whether performance in the year in question delivered as it should have done. This allows the Remuneration Committee to adjust payments downwards if we see performance that, had we known about it at the time, would have led to a lower bonus. This ability to adjust is real and we have made downward adjustments in each of the last three years. In addition, we have the power (under the rules of the DBP) to exercise 'malus and clawback' for a period of three years after payments, in respect of these deferred bonuses, if we see a material issue come to light in subsequent years. We keep these provisions under review and strengthen them as appropriate.

Finally, this Remuneration Report concerns the regulated water business, Anglian Water Services (AWS). A number of key staff, including the executive directors, also have roles within the wider Anglian Group. The Group includes companies that undertake a range of commercial activities, for example, providing services in Ireland. For this reason, 30% of the Chief Executive Officer's and 40% of the Chief Financial Officer's remuneration (including bonuses), are paid by Anglian Water Group and not by AWS or customers. The total bonus has been determined by a single Remuneration Committee, to ensure no duplication. The Remuneration Committee decides on the percentage of the AWS variable pay that should be paid and makes a recommendation to AWG about the percentage of variable pay, relevant to the Group element of the executive directors' package.

This year we have made a change in how we report these figures, as this has caused confusion in the past. This Remuneration Report details the remuneration earned for services to, and paid for by Anglian Water Services Limited. Remuneration earned for services to, and paid for by Anglian Water Group Limited is detailed in the Anglian Water Group Limited accounts, available on the Anglian Water Group website.



How we apply discretion

Stages to consider:

- | | | | | | | |
|--|--|--|--|---|--|--|
| <p>1 Formulaic outturn from scorecard</p> | <p>2 Any major environmental incidents in year/come to light in year?</p> | <p>3 Any major health and safety/culture/conduct incidents come to light in year?</p> | <p>4 Is the bonus outcome aligned with outcomes for customers, communities and the environment?</p> | <p>5 Is the bonus outcome aligned with outcomes for investors?</p> | <p>6 Are there any other one-off or exceptional events to consider?</p> | <p>7 Consider overall outcome</p> |
|--|--|--|--|---|--|--|

To determine:

<p>What is the mathematically calculated outturn?</p>	<p>Should the formulaic bonus be changed as a result of environmental incidents, either as a whole or for an individual? (Consider all aspects of performance including EA EPA rating on pollutions, drinking water quality, leakage etc.)</p>	<p>Should the formulaic bonus be changed as a result of H&S/culture incidents, either as a whole or for an individual?</p>	<p>Should the formulaic bonus be changed as a result of misalignment with the experience of our customers?</p>	<p>Should the formulaic bonus be changed as a result of misalignment with the experience of our investors?</p>	<p>Should the formulaic bonus be changed as a result of a one-off or exceptional event, either for the Company or for an individual?</p>	<p>What should the bonus outcome be for the scheme and for individuals, after all of these considerations?</p>
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For RemCom to consider:

- | | | | | | |
|---|--|--|---|--|---|
| <ul style="list-style-type: none"> Starting point for discussion | <ul style="list-style-type: none"> What incidents have occurred? What were the circumstances of the event? Were there any external events beyond the company's control? How culpable was the company/the leadership for the incident? | <ul style="list-style-type: none"> Was the asset appropriately maintained (within agreed capital constraints)? How effective was the Company's response (for customers and the environment)? Did this effectively mitigate harm? | <ul style="list-style-type: none"> Stepping back and considering, in the round, does this bonus outcome feel 'right', given the experience of our customers and the environment? | <ul style="list-style-type: none"> Stepping back and considering, in the round, does this bonus outcome feel 'right' given the experience of our investors? | <ul style="list-style-type: none"> Are there other events or factors that should lead to the bonus outcome being changed? (Include feedback from other committee chairs, from the risk and audit function.) |
|---|--|--|---|--|---|

Business highlights in 2023/24

Strong performance has been achieved in a range of areas that are important to customers:

- Excellent **drinking water quality**.
- Progress on **storm overflow spills**, with the lowest spill average and lowest spill duration in the sector.
- Record help for **vulnerable customers**.
- Submitted our **2025-2030 Business Plan** to Ofwat, with a proposed investment of £9 billion in our region.
- **Strong financial performance**, with revenue of £1.6 billion (up 8.8%) and Operating Profit of £431 million (up 1.7%).

Delivering on customer priorities

Securing water supplies and providing safe, clean drinking water have always been at the top of our customers' priorities. This year we maintained excellent drinking water quality and achieved our best-ever result, with a score of 0.86 (2022/23: 1.01). Our Customer Measure of Experience (CMEx) position improved this year, with us achieving 5th place in the Water and Sewage Company table and 7th overall, putting us firmly in reward territory. In 2024/25 we have pledged a £70 million package of support, to help customers struggling to pay. This builds on a £136.9 million package over the last 12 months, which helped 389,371 customers. Anglian Water bills will continue to be one of the lowest utility bills for the majority of customers, averaging £1.45 per day.

Deferred Bonus Plan (DBP) outcomes from previous years

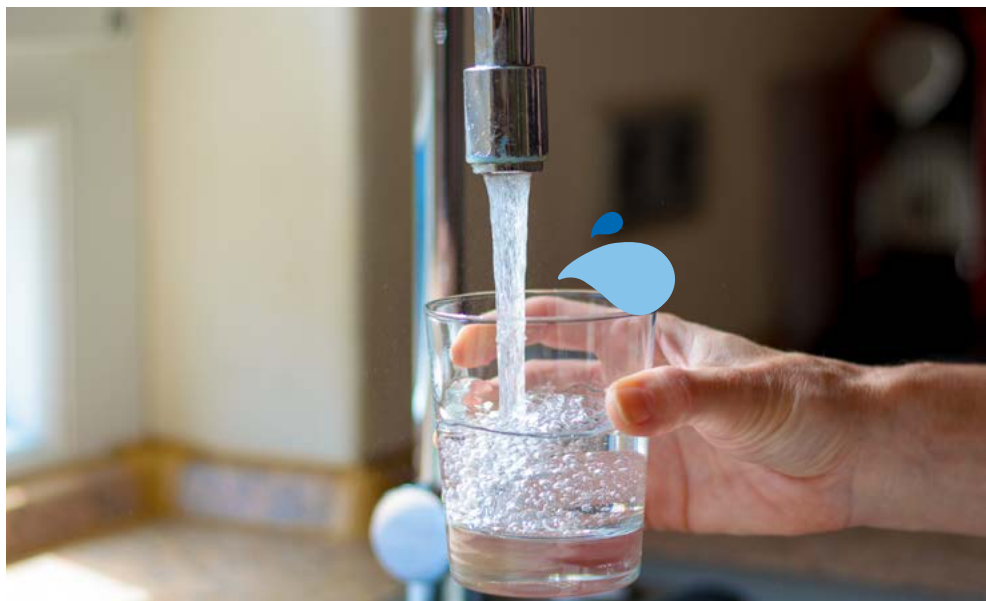
As detailed elsewhere, Anglian Water does not operate a separate LTIP, but awards one bonus, half of which is deferred and is payable in two equal portions – two and three years after the initial payment. This DBP, which has been operating since 2019, provides the Committee with the ability to reduce and recover sums paid for past awards, should they deem it appropriate. This is important, to ensure that leaders consider the long-term impact of policies and investments, given that it can take many years for the positive or negative impact of decisions to translate into customer or environmental impact.

Deferred payments from 2020 and 2021 are scheduled for payment in July 2024. Therefore, the Committee has evaluated the extent to which these deferred elements should be paid. Following an assessment of performance against the targets set, the Committee recommended to the Board that no reduction be applied to both the 2020 and 2021 deferred bonus payments. The Committee noted that the value of the awards for those years had already been reduced – as a result of other performance issues – and therefore the sums deferred already reflected the relevant performance outcomes.

Alongside other companies in the sector, we are currently under investigation by Ofwat, regarding discharges from certain water recycling centres. We have cooperated fully and await the results of this investigation. We do not believe it is necessary to reflect the fact there is an investigation in the calculation of remuneration this year, while the outcome of the investigation is still pending. The structure of our DBP is designed precisely to ensure we have the means to recover monies in future years, should the Committee deem it necessary, once the investigation is concluded.

Achieving full monitoring of storm overflows was a core objective for the business and the Committee determined last year that it would support customer and regulatory confidence in the Company, if achievement of this important target was visibly and directly tied to the CEO's award. Part of the CEO's 2022/23 bonus award was therefore deferred into the 2023 year and would only become payable if 100% storm overflow monitoring was achieved by 31 December 2023. This target was achieved by December and the deferred amount paid in January. For this reason, despite Peter Simpson waiving his bonus for 2023/24, a sum of £108,000 will show as a bonus figure for the year, because – under accounting treatment – this is necessary, as it was judged by an additional test in this financial year.

The CFO, Steve Buck, left the Company in November and forfeited his right to a bonus, as well as to deferred payments from past awards.



Looking ahead to 2024/25

As a purpose-driven company, we want to continue rewarding our people when they do the right thing – delivering for our customers and the environment. Equally, retaining the best talent to meet the challenges we are facing now and into the future is vital, to achieve the best outcomes for our region. We have taken this into consideration for our 2024/25 remuneration plans and have sought to strike a fair balance between driving performance outcomes – allowing us to attract and retain excellent people – alongside ensuring any failures to deliver are not rewarded.

A 6% pay increase has been awarded to all colleagues, including the CEO and Interim CFO, with effect from 1 April 2024. Colleagues will also benefit from improved maternity and paternity provisions. And our more junior colleagues will benefit from an increase in holiday allowance, as we seek to align all benefits across the Company.

We are also introducing new performance conditions for the AWS Performance Contract (which is linked to the majority of the AWS executive bonus payment) and will continue to take a holistic view when measuring and awarding bonuses. The new performance measures increase the percentage of the bonus that is tied to environmental measures, specifically serious pollutions (Category 1 and Category 2), internal and external flooding and storm overflows. We have also increased the weighting for storm overflow spills from 5% to 10% of the Performance Contract, increased the weighting for serious pollutions from 5% to 10% of the Performance Contract, plus we've introduced a new measure of Treatment Works Compliance, which will account for 3% of the Performance Contract.

As we start this financial year, we have recruited Mark Thurston to be our new Chief Executive Officer. Mark brings a wealth of experience in significant, capital project development, as well as his experience as a Chief Executive on projects that are critical to the delivery of national infrastructure. We will also, subsequently, be looking to recruit a permanent Chief Financial Officer. As we seek to ensure that we can remunerate talented leaders who have the requisite experience, we are reappraising the remuneration package that will attract and retain such an individual, while balancing the expectations of our stakeholders.

We are also revisiting our remuneration policy, to ensure that it is appropriate for the new AMP – specifically, reviewing our malus and clawback provisions (which are already strong) to ensure these are suitable for the latest developments in remuneration thinking. We have commissioned our remuneration advisors, FIT, to work with our Group People Director and the Remuneration Committee, to propose a new set of short and long-term incentives that align the executive's interests with the expectations of our customers, regulators and the wider stakeholder group. It is clear that the future of the water sector will need to be different from the past, both in terms of increased focus on environmental metrics and also with a higher focus on capital delivery of new projects (rather than operational delivery). Our remuneration approach, therefore, needs to develop in line with the business strategy that Mark and his senior team will be building.

While remuneration remains closely linked to performance for customers, the further changes to the measures in this year's award demonstrate a strong alignment between reward for employees and the delivery of our Purpose. Our 2023/24 targets were stretching – in relation

to the rest of the industry – and also reflected the priorities expressed by Ofwat in our AMP settlement. Our 2024/25 targets take even more account of the need to focus on pollution events and environmental performance in the way we reward our staff.

Having been a director of Anglian Water Services for over six years, I am now stepping down from the Board and handing over the Remuneration Committee Chair to Kath Durrant, who has been working alongside me for the past few months, to ensure a comprehensive handover. Kath is an experienced director with strong remuneration expertise and I am confident that she will take the Committee's work forward very effectively.

My final words go to Peter Simpson. Peter has been Chief Executive of Anglian Water for nearly 11 years and, under his leadership, the Company has improved its performance significantly.

Peter is one of the most capable and values-driven leaders I have ever had the pleasure to work with. It is a mark of his integrity that, in his final full year, he has asked that he be awarded no bonus at all, despite strong performance in some areas of the business and despite leaving the organisation in better shape at the end of 2023/24 than at the start of the year.

He will leave behind a very strong leadership team, with an ambitious agenda for the future. We all recognise that there is a lot to do across the industry to meet the needs and expectations of customers, regulators and the environment, but I am confident that Peter is leaving a strong legacy for others to build upon.

Natalie Ceeney

10 June 2024



Performance Contract 2023/24 and 2024/25

Customer efficiency



Delivery for the environment



Delivery for customers



Responsible business evaluation



	Year 4 weightings	Bonus target met	Outturn	Year 5 weightings
Customer efficiency				
Total expenditure	15%	X	0%	15%
Operating cashflow	15%	X	0%	
Pre-financing cashflow				15%
Sub-total	30%			30%
Delivery for the environment				
CSO spills	5%	X	0%	10%
Total pollutions (indexed for sewer length)	5%	X	0%	
Category 1 pollutions				5%
Category 2 pollutions				5%
Treatment Works Compliance				3%
Internal sewer flooding	2.5%	X	0%	2%
External sewer flooding	2.5%	X	0%	2%
Leakage	5%	Partial	3%	3%
Biodiversity net gain	5%	✓	5%	2%
Operational carbon	2.50%	X	0%	2%
Capital carbon	2.50%	✓	2.5%	2%
WINEP delivery	10%	X	0%	6%
Sub-total	40%		10.5%	42%
Delivery for customers				
CMeX position	10%	Partial	6%	7%
DMeX position	5%	✓	5%	2%
Helping those struggling to pay	2.5%	✓	2.5%	2%
PSR participation	2.5%	✓	2.5%	2%
CRI	5%	Partial	2.8%	10%
Sub-total	25%		18.8%	23%
Responsible business evaluation				
BITC Responsible Business Tracker ®	5%	✓	5%	5%
Total			34.3%	

Fully paid
 Partially paid – % declared in above table
 Not paid

Q&A with Natalie Ceeney



Q. How do you ensure that you are not paying bonuses for failure?

A. Ensuring that our remuneration structure incentivises the right behaviour and doesn't reward the wrong behaviour is core to our job as a Committee. Water companies are complex businesses and there are many things we need to get right, including those that are most obvious to customers – such as pollution events, drinking water quality, leakage and customer satisfaction. This includes measures that customers may not see immediately, but which are important for the longer term, such as managing within our budget, managing key new projects effectively, developing robust future plans, working with local stakeholders to progress joint environmental projects etc. For this reason we set a 'basket' of measures for our senior leaders at the start of the year, which seek to measure all of the key things that matter.

However, sometimes new issues arise, or something dramatic happens, which means that the 'formulaic outturn' doesn't lead to an

answer that feels sensible. For this reason, we – like all Remuneration Committees – actively consider 'discretion', whereby we can adjust the formulaic outturn to something that better reflects actual performance.

Q. How do you ensure that salaries aren't too high?

A. It is always very tempting to look at senior leaders in any sector and question their salaries. Companies that employ thousands of people and manage critical national infrastructure do tend to pay their leaders many times the national average wage. But the reality is that, like all jobs, there is a 'going rate' for the job and a limited talent pool, so if we underpay against the market, we won't get good enough people to run our companies.

The Remuneration Committee is entirely comprised of non-executive directors, with a wide range of experience. We are not employees of the Company, but make independent decisions. We employ external experts – in our case FIT, the remuneration specialists – to benchmark the market and question our approach. We consider what people doing similar roles in other industries are paid. And when we hire, we also test the market. But we consistently find that if we price our roles at below the market rate, we attract less-capable candidates and lose some of our best people to other companies, who can pay them more. We have just recruited a new CEO, Mark Thurston and we have agreed to pay him a base salary of £504,000 from the water company which represents 70% of his overall salary. We have also agreed to variable pay of a maximum of

200% of salary, with an on-target amount of 140% across AWS and AWG. We did this after extensive benchmarking and discussion. We want to remunerate our CEO fairly and to get the balance between fixed and variable pay right.

Our job as a remuneration committee is to ensure that our pay structure (base pay, benefits and bonuses) attracts and retains the right people to deliver against our customer objectives. We don't seek to be top payers – and in fact we, and most of the water sector, discount our salaries significantly below what equivalent companies in the listed sector would pay (our size would make us a FTSE 100 entity if we were listed).

Q. Should you just stop all bonuses if there is a pollution event?

A. Our remuneration approach means that if there was a very serious pollution, particularly one we could have prevented, or which was handled badly by the management team, we have the right to stop all bonuses. For that reason, we scrutinise, carefully, the end-of-year bonus plan, to see whether there is any reason to cancel bonuses. We have, in past years, reduced bonuses because of pollution events. Pollution events form part of the performance contract and we have increased the percentage of the bonus payable on this important measure, so bonuses are automatically reduced if targets are missed.

But if we implemented a blanket ban on bonuses in the event of pollution events, we believe it would do more harm than good to our customers. Firstly, one of the key principles of any pay system is that it needs to feel fair. Automatically penalising staff for something that might be completely out of their control does not feel 'fair'. Secondly, our bonus targets incentivise our managers to hit a wide range of targets, including

leakage, drinking water quality, customer satisfaction etc. and if, early in a year, it was clear that there would be no bonuses due to a pollution event, we would have few levers to keep everyone focused on other targets. And finally, our leaders have choices of employers and many could take up similar jobs in other utilities, outside of the water sector. If bonuses are, in effect, banned in the water sector, then we risk losing our best people to other employers and would struggle to recruit the leaders we need in order to deliver for our customers.

Q. What do you see as the future for executive remuneration at Anglian Water?

A. There has been significant scrutiny of the packages of water company executives in the past year, with bonuses (i.e. variable pay) coming in for particular criticism. In our appointment of a new CEO, we have been mindful of the need to balance transparency and to take on board the views of our stakeholders. We need to remain competitive in a market where variable pay is the norm. Variable pay means that individuals are rewarded when they achieve the targets set for them and a high base salary is not paid, regardless of performance. We have therefore taken two actions. Firstly, we are retaining a bonus structure, but reducing the maximum amount (from 300% to 200% of salary). Secondly we are also being much clearer in our Annual Integrated Report about the measures that apply and the elements that are paid for by the Water Company. Additionally, we are reviewing the design of the bonus scheme, to ensure that it reflects the challenges of AMP8. It is my firm belief that a remuneration committee – comprised of independent directors – which has the information available to them to make fact-based decisions, is the best way to set senior pay.

Remuneration at a glance

External advisors

To ensure the Anglian Water's remuneration practices are in line with best practice, the Committee undertook a review of its independent external remuneration advisors and FIT Remuneration Consultants were, and remain, engaged to undertake additional independent benchmarking and insight on executive pay. Specifically, they took the lead role in a review of the DBP, to ensure it aligned reward for Executives with achievement of stretched company performance for key customer and environmental initiatives. FIT, which has no further connection to the Company or wider Group, remains onboard, supporting with our review of the DBP ahead of AMP8 and structuring our executive director remuneration packages.

Support for the Committee

In addition to the external consultants, the CEO, CFO, Group People Director, Group Organisation Development Director and Company Secretary also attend meetings, by invitation, to provide advice and respond to specific questions. Such attendance specifically excludes any matter concerning their own remuneration. The Company Secretary acts as secretary to the Committee.

Committee performance and effectiveness

As detailed on page 144 of the Nomination Committee Report, due to the considerable recent and upcoming board changes, the Board decided to postpone the external Board and Committee evaluation until the 2024/25 financial year.

Key areas of Remuneration Committee focus in 2023/24

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

Executive and senior remuneration

- Approved the outturn of the Performance Contract for 2023/2024.
- Approved the outturn of the 2022 DBP, with recommendation confirmed by the Board.
- Confirmed that there will not be a Co-Invest scheme moving forward.
- Reviewed and approved personal objectives for executive directors.
- Reviewed executive directors' performance and remuneration.
- Reviewed the equal pay audit and ethnicity pay gap report.
- Commissioned a report from external advisors to deliver the remuneration for the new Chief Executive Officer.
- Responded to the Ofwat communication on the Executive Bonus consultation, in collaboration with Water UK.
- Considered the draft outturn of the secondary performance conditions for the second tranche of the 2021 DBP and third tranche of the 2020 DBP. Final sign off was ratified once the year-end numbers were made available in May 2024.

Our workforce

- Reviewed and approved the outturn for the Loyalty Saving Scheme and approved a change in strategy moving forwards.
- Supported Management in reviewing employee benefits, ensuring we're providing a diverse and inclusive portfolio of benefits.
- Launch of a new Company-wide bonus, linked to the Company Purpose in 2023/24.

Committee governance

- Agreed a new discretion framework.
- Reviewed and approved the 2023/24 Directors' Remuneration Report and agreed the framework for 2024/25 Report.
- Considered the structure of the Deferred Bonus Plan to be granted in 2024, including the amendment of weightings, to ensure the effects of environmental performance were adequately reflected.

Alignment to Purpose and strategy



Remuneration in 2023/24

£257m

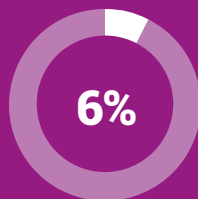
Paid to employees.
(2022/23: £255m)



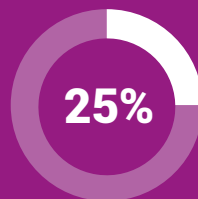
Employees are eligible for bonus. Those not eligible may, for example, be on an early-career pathway, such as an apprenticeship.
(2022/23: 98%)

£945,403

Total AWS CEO remuneration. (2022/23: £974,000)



Salary increase.
(2022/23: 7.7%)



Increase in uptake of our health benefits.
(2022/23: 3.9% average increase in benefits)

Performance in 2023/24

389,371

Customers supported this year with financial assistance.
(2022/23: 334,483)

£136.9m

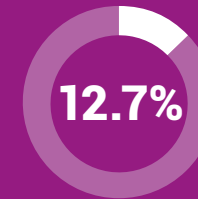
Support package helping customers and colleagues in 2023/24.
(2022/23: £42 million)

100%

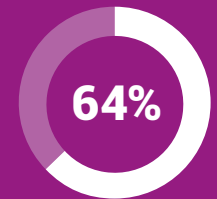
Of our storm overflows are now monitored, a year ahead of the government target.

The Times Top 50

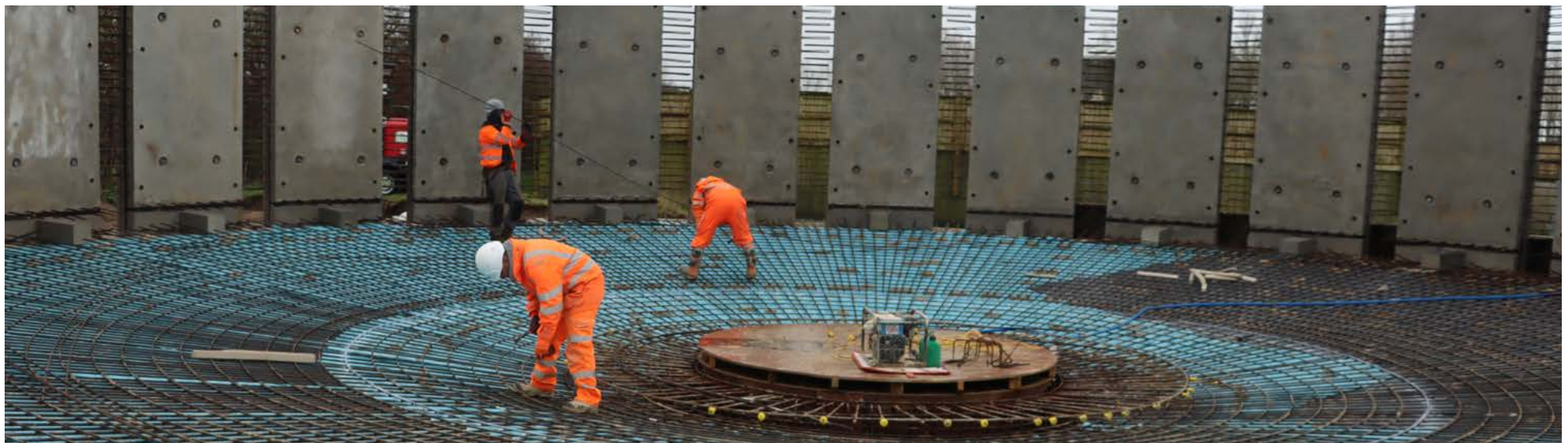
Employers for Gender Equality 2023.



Customers on Priority Services Register versus a national average of c. 5-6%.
(2022/23: 11.4%)



Capital carbon saving, against 2010 baseline.



Policy summary

The primary objective of the remuneration policy is to ensure competitive reward packages are offered that will attract, retain and motivate talented and experienced senior executives to run the business effectively, in the best long-term interest of all stakeholders and to promote the success of the Company.

Within these arrangements, a significant proportion of reward is based on performance against demanding targets, aligned to customer outcomes and only paid when targets are met.

ESG embedded in our reward framework for all employees

The reward framework for our workforce reflects our wider business, which places ESG at the heart of our decision making. This is mirrored in reward elements, such as the Performance Contract, alongside standard reward policies and benefits, for instance private healthcare for all employees, double-matched contributions into our company pension scheme and the Payroll Giving charity scheme available to our people. We publish annual reports that provide an update on our social progress, such as this year's Gender Pay Gap report and our Ethnicity Pay Gap report.



Deferred Bonus Plan 2023/24 at a glance

Below is a summary of the stretching targets set by the Committee for the 2023/24 Performance Contract, showing links to the environmental and social aspects of our Purpose.

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

🍃 Environmental measure
 💧 Social measure

AWS and AWG contributions to bonus payments

Our CEO and CFO both work for the Anglian Water Group as a whole, spending most of their time with Anglian Water Services Limited (the regulated entity), but also managing a range of other services, including those in Ireland and in our non-regulated businesses. As a result, the remuneration paid to our CEO and CFO is split between the Group and Anglian Water Services, in proportion to an agreed formula, representing their time. The agreed allocation is for Anglian Water Services (the regulated entity) to pay for 70% of the CEO's salary and potential bonus and 60% of the CFO's salary and potential bonus, with the rest being paid for by the Group. Each proportion of the bonus is evaluated separately, against the objectives appropriate for each organisation. This year, Peter Simpson's deferred bonus from 2023 will not be paid for from revenue by customers.

2023/24 Outcomes for the Deferred Bonus Plan

The AWS portion of the 2023/24 DBP award for the CFO and CEO is directly linked to Company performance. Referred to as the Performance Contract, this consolidates the various performance commitments. This Performance Contract forms part of the bonus schemes for the majority of the AWS employees, aligning the goals of our people to delivering for customers. Accordingly, it reflects the elements that customers have told us are most important to them.

In summary, while a number of customer and environmental initiatives were achieved, there was underperformance on other initiatives, such as pollutions. This underperformance is recognised in the outturn of the Performance Contract for 2023/24, resulting in only 34.3% of the AWS Performance Contract being awarded.

Given the position on serious pollutions, while positive changes have occurred, Peter Simpson, CEO, has decided to waive his bonus linked to the 2023/24 Performance Contract of AWS.

Executive director's personal objectives for the group

In addition to their customer-focused performance measures and accountabilities for the regulated water company, AWS payments to the executive directors were also dependent upon the achievement of personal objectives that reflect their broader duties across the Anglian Water Group. Typically, Anglian Water Group pays for 30% of the remuneration for the CEO and 40% for the CFO.

Performance outcomes relating to personal objectives for Executive Directors

Despite not taking a Performance Contract related bonus for 2023/24, the CEO's objectives are outlined below, for information only:

Peter Simpson Achievement of personal objectives – 30%	Met or Not Met
Strategy development, including building a business plan that meets the needs of our region	✓✓
Financial strategy and growth planning	✓
Group AMP8 effectiveness and cost efficiency plan	✓
Developing succession and continuity into AMP8	✓✓
Growth of subsidiary, non-appointed businesses	✓✓

✓✓ Met target
✓ Partially met
✗ Missed target

Tony Donnelly Achievement of personal objectives – 100% of interim bonus	Met or Not Met
Long-term Group strategy development including planning for AMP8	✓✓
Ensure the probity and financial delivery of key programmes, ensuring financial targets are met	✓
Debt and Capital Management, maintaining a strong financial reputation	✓✓
Group cost-effectiveness review, ensuring excellent cost control for AMP8	✓✓
Developing financial leadership – smooth transition to new structures	✓✓
Growth of subsidiary, non-appointed businesses	✓✓

✓✓ Met target
✓ Partially met
✗ Missed target

Single total remuneration figure (audited)

The table below outlines the remuneration for the executive directors, relating to AWS. Remuneration relating to the wider Group is reflected and reported in the AWG accounts, which are published on the AWG website. As per last year, the Board has agreed that the 2023/24 first DBP payment, illustrated below, will not be paid for out of income from customer bills. Neither will the deferred bonus from 2023.

	Base pay		Taxable benefits		Pension, including cash in lieu	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
Peter Simpson	402,710	433,718	10,734	10,837	42,478	45,748
Steve Buck ¹	252,859	174,332	8,398	11,238	28,015	19,540
Tony Donnelly ²		78,981		2,783		7,433
Total Executive Directors	655,569	687,031	19,132	24,858	70,493	72,721

	Deferred bonus from 2023 (3)	First DBP payment		Second and third DBP payment		Total remuneration	
	2024	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
Peter Simpson	108,000	211,423	0	306,524	347,100	973,869	945,403
Steve Buck ¹		155,298	0		0	444,570	205,110
Tony Donnelly ²			95,000		0		184,197
Total Executive Directors	108,000	366,721	95,000	306,524	347,100	1,418,439	1,334,710

1 Steve Buck stepped down as an Executive Director on 22 November 2023

2 Tony Donnelly joined the Board as an Executive Director on 23 November 2023

3 This deferred bonus from 2023 was not paid for out of customer bills.

Total remuneration increase in 2023/24:

The AWS remuneration for the CEO reduced by 3%. Excluding the deferred element from 2023, the total remuneration for the CEO has reduced by 14%.

Bonus overview 2022/23:

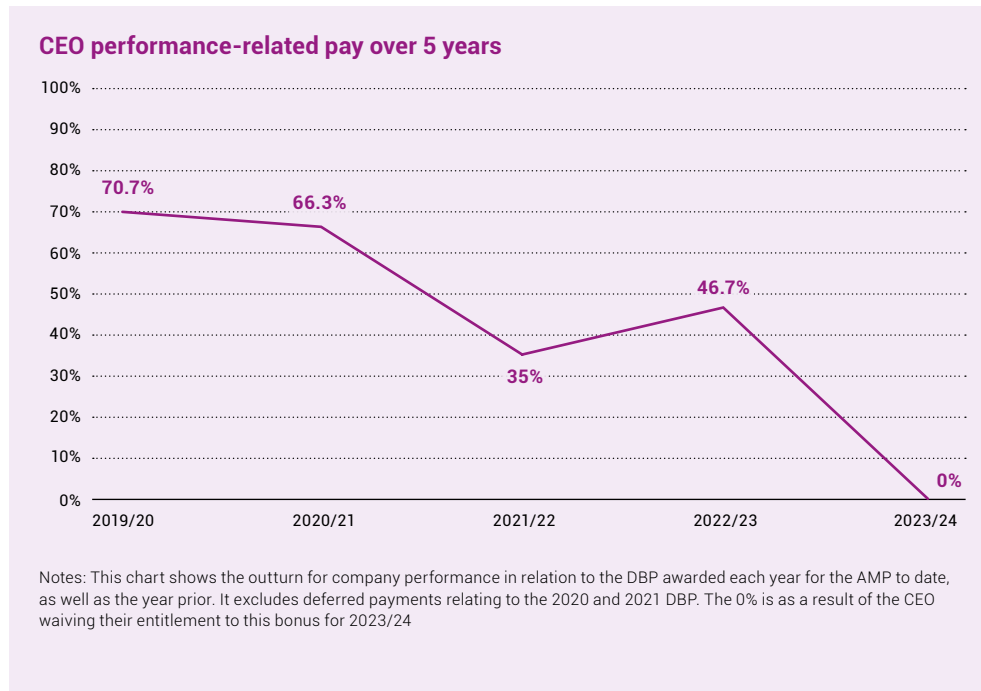
The bonus paid to Peter Simpson in January 2024, which was deferred from the 2022/23 bonus with extra performance conditions, was not paid for out of customer bills.

Change in CEO total remuneration over AMP7 (2020–2024) compared to other employees

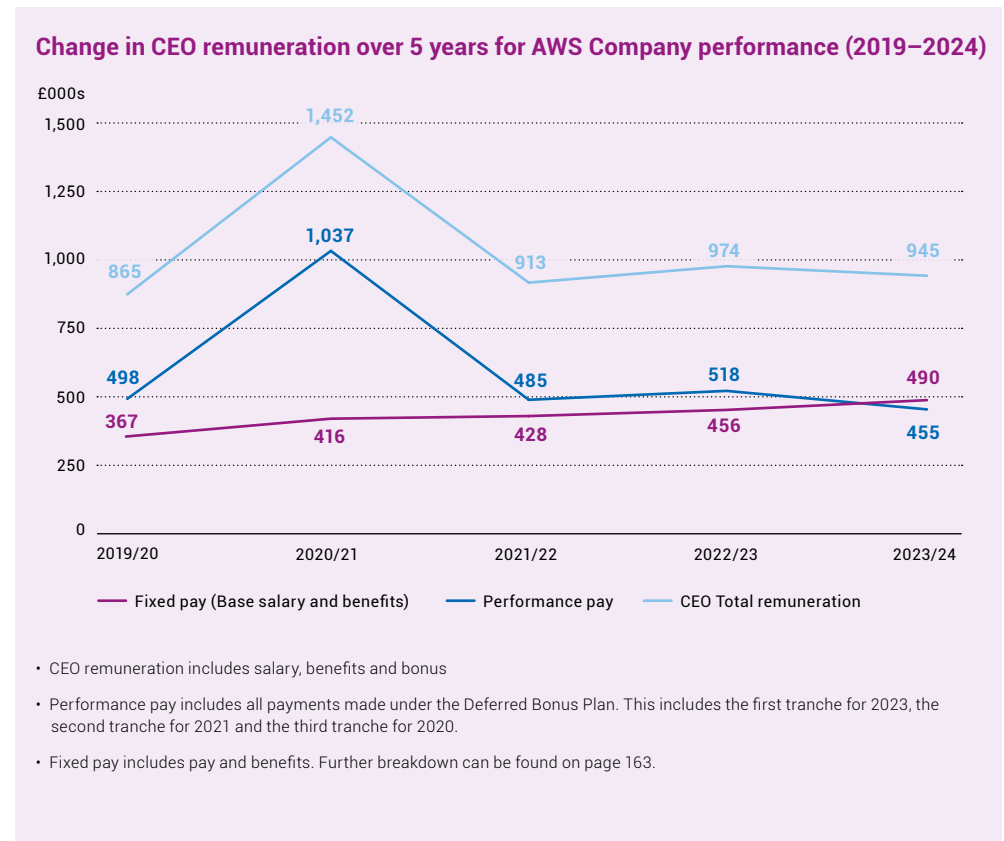
Executive remuneration throughout AMP7 has been set to link closely with what matters for our customers, with a high percentage of total remuneration linked to performance-related outcomes. When performance has been achieved, bonuses have been paid; where performance targets have not been achieved, payments have been reduced, in some cases to zero.

Change in percentage of bonus awarded for AWS Company performance

The table below shows the percentage payout for Company performance against the AWS performance measures in the DBP. Where the Committee used its discretion and made deductions these have been reflected accordingly.



The table below shows the remuneration for the CEO, including fixed and performance pay relating to AWS company performance over five years, including the AMP to date.



Company remuneration at Anglian Water

Our remuneration elements

Base salary	Pension	Benefits	Performance bonus
Executive directors and senior management			
<p>Salaries are set to attract and retain employees at all levels, considering appropriate experience, skills and competencies, relative to the role. All permanent employees are paid at levels that are at least in line with those recommended by the Living Wage Foundation, with the exception of apprentices, where other arrangements are in place to ensure they are paid in line with the government apprentice rates, as a minimum. The apprentice rates of pay increase every year as their skills and experience develop.</p>	<p>The Company operates a generous matched Defined Contribution scheme for all employees. Employee contributions are double-matched, to a maximum of 6% of salary, meaning that if an employee contributes 6%, Anglian Water contributes 12%. Employees are invited to understand more about their pension arrangement throughout the year, as part of our focus on financial wellbeing. This also includes information on how they can choose where their funds are invested, including opportunities for investments in sustainable companies. Where employees wish to withdraw from the scheme, to protect pension allowances, a cash contribution is paid as an alternative arrangement, which is reduced compared to pension contributions, to reflect national insurance due.</p>	<p>All employees are eligible to select a flexible benefits package to meet their needs. Following the introduction of our new role framework in 2019, the majority of our benefits offering is consistent throughout the workforce. We have a significant focus on wellbeing benefits, including but not limited to: private healthcare for all employees, with the option to purchase additional cover for family members; salary-sacrifice pension; cycle-to-work scheme; and the opportunity to buy and sell annual leave. 61% of employees reviewed their benefits during the annual window alone. The further option exists to change some benefits every month, as circumstances require.</p>	<p>Employees either have an award under the DBP (operated by invitation) or the Annual Performance Bonus. For both schemes, the same set of company measures is set, which align the performance of eligible employees to those measures that are most important to the environment, our customers and long-term value creation for our shareholders.</p>
Employees			
<p>All our permanent employees who are not executive directors or senior management have the opportunity to earn a Company Performance Award, typically up to a maximum of 5% of their salary. Our Performance Contract underpins the outturn applicable, however for 2023/24 and 2024/25, there is a guaranteed 3% minimum outturn, while we transition away from personal bonus payments. A small number of employees, typically apprentices on a formal training scheme, are not eligible for a bonus and instead receive regular increases to their salary.</p>			



CEO's total remuneration in comparison to the 25th, 50th (median) and 75th percentile full-time-equivalent remuneration of AWS employees, effective from 31 March each year¹

	25 th percentile pay ratio	Median pay ratio	75 th percentile pay ratio
2020/21	65 to 1	50 to 1	40 to 1
2021/22	44 to 1	33 to 1	26 to 1
2022/23	46 to 1	34 to 1	27 to 1
2023/24	26 to 1	19 to 1	14 to 1

Percentile comparison for CEO and the wider workforce

	CEO	25 th percentile employee	Median employee	75 th percentile employee
Salary ²	433,718	29,434	38,489	48,346
Total pay and benefits	945,403	36,740	50,547	65,222

¹ 2023/24 is a representation of Anglian Water Services only and not representative of Anglian Water Group, in contrast to prior years. This reduction is also partly as a result of Peter Simpson's decision to waive his Anglian Water Services Bonus for 2023.

² Salary includes base salary, basic hours (for hourly paid individuals) and holiday pay.

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

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

Gender pay gap

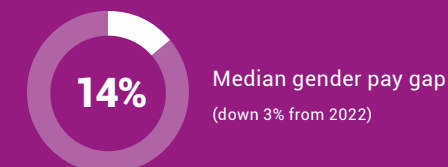
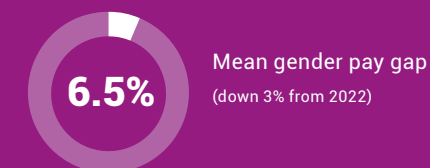
We want everyone to feel included, regardless of their background. This applies to all areas across our inclusion agenda, not only gender.

As reported in detail in our full Gender Pay Gap Report 2023, our workforce composition – as of April 2023 – was 33.5% women, 66.3% men and 0.2% other. Our mean gender pay gap for the period was 6.5%, a reduction of 3.0% from 2022%, while our median gender pay gap was 14.0%, down 3.0% from 16.4% in 2022.

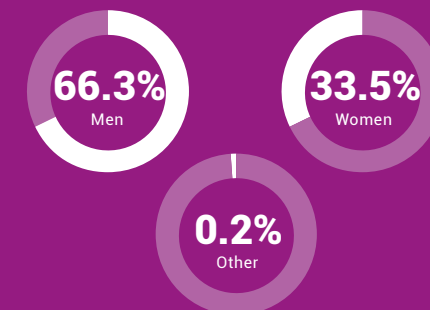
Although there has been improvement to our gender pay and bonus gaps in the last year, significant change will only be possible once there is a substantial shift in gender balance at all levels of the business. As outlined on page 167, we have a multi-stage, long-term plan to shift the balance towards greater inclusion.



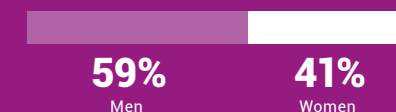
What is our gender pay gap for 2023?



Gender split across Anglian Water employees:



New hires in 2023 gender split:



Senior hires in 2023 gender split:



Steps we're taking steps to address our gender pay gap include:

- Setting annual and mid-term (to 2025) targets, to improve gender equity across the business.
- Ensuring pay and reward processes are transparent and free from bias. Our reward team monitors pay according to gender, investigating any gaps in excess of 5%.

- Working to address and eradicate bias at each stage of internal and external recruitment, including advertising placement, imagery, wording of job descriptions and gender composition of interview panels.
- Encouraging young women to apply for our apprenticeship and graduate programmes, through dedicated outreach programmes and recruitment drives .
- Ensuring we're an attractive employer for women and minority genders, of all ages and stages. We offer enhanced maternity and adoption leave, shared parental leave, paternity leave, flexible working and part-time working. This is underpinned by a suite of supportive policies, such as pregnancy loss, transgender and transition and domestic abuse policies.

As a result of our efforts, we're seeing more women hired across the business:

- In 2022/23, 41% of new hires were women, exceeding our target of 36%.
- 39% of senior manager positions are now held by women in 2023/24, exceeding our target of 36%. This is an improvement from our 35% baseline for both, when we first set targets in 2021.
- We've seen an increase in the number of women employed in STEM-related roles: 39% in 2023 (13% in 2022).



We are pleased to see the focus and initiatives to improve the gender balance of our business have been recognised externally, with Anglian Water named as one of the Times Top 50 Employers for Gender Equality 2023 and one of the 'Top 10 Best Performing Private Companies' in the FTSE Women Leaders Review 2024.



For more information please see our [Gender Pay Gap Report 2023](#).

Ethnicity pay gap

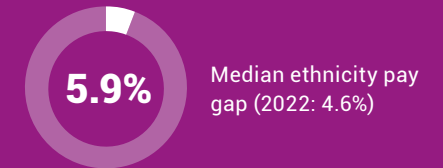
We published our second Ethnicity Pay Gap Report in April 2024, as part of our ongoing commitment to transparency and improving the diversity of our employees.

Unlike gender pay gap reporting, ethnicity pay gap reporting is completed on a voluntary basis. This year the number of employees who self-reported their identity rose to 73% (2022: 70%), which gave us a slight increase on the available reporting data. As a result, our data is increasingly representative of our actual ethnically-diverse population and more employees overall have been included in the reported figures. However, the ethnicity of the remaining 27% of our employees is still outstanding and for this reason, we believe the actual figures may differ.

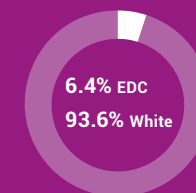
This year we have seen a slight increase in our reported pay gap figures, compared to 2022. As this is only our second reporting year, it is too early to say whether the fluctuation is related to the increased level of recorded ethnicity, however this is something we will be monitoring in future years.

In calculating our ethnicity pay gap, we have used the same principles that are applied to statutory gender pay gap reporting. The ethnicity pay gap shows the difference in the average pay between people from Ethnically Diverse Communities (EDC), which includes people who are black, asian and mixed race, compared to white employees (including those that identify as white other).

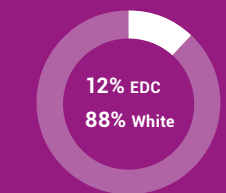
What is our ethnicity pay gap for 2023?



Overall ethnicity split across Anglian Water employees (excluding blanks):



Overall ethnicity in our region according to the 2021 Census:



(2022: 95.2% white, 4.8% EDC)

Ethnicity split of new hires in 2023:



Ethnicity split of senior hires in 2023:



Steps we're taking to close the ethnicity pay gap

We're working to build an organisation that is diverse and inclusive, with equality and representation at all levels. We're taking the following actions to improve ethnic diversity in our workforce:

Actively recruiting for a diverse workforce and setting diversity hire targets.

Target	Target for 2023/24	2023/24 Outcome	End of AMP7 target (2025)
Increase the percentage of new hires from ethnically diverse communities (EDCs) to better reflect the wider demographic of our region	To increase new EDC hires by 5% in 2023, bringing the total number of EDC hires to 14% (in 2022 new hires from EDC was 9%)	10%	By the end of 2025 we want 20% of all new hires to be from EDCs
Increase the number of senior positions held by people from EDCs, reflecting our broader employee percentage (4.8%)	To increase the number of senior positions held by employees from EDCs to 4% (in 2022 3% of roles were held by employees from EDCs)	5%	By the end of 2025 we want 8% of senior positions held by employees from EDCs

In addition we are:

- Introducing independent volunteers, to review and constructively challenge conscious and unconscious bias anywhere in the recruitment process – from the writing of adverts, all the way through to offer stage.
- Piloting mandatory independent panel member on interview panels, with the sole purpose of challenging bias for the hiring of specific roles (typically in operations).
- Changing the way we recruit graduates and apprentices, focusing on the skills and behaviours that really matter. We've also improved our in-person assessments, to make sure they're fair and create welcoming environments, where everyone can shine.
- Working to address and eradicate bias at each stage of internal and external recruitment, including advertising placement, imagery, wording of job descriptions and gender composition of interview panels.
- Directing hiring managers to undertake unconscious bias training as part of our Recruitment and Interviewing Skills training course.
- Strongly recommending to hiring managers to make interview panels diverse.
- Closely monitoring the ethnicity split at application stage, as well as at various stages within the assessment and selection pipeline (particularly for early careers), to ensure we are attracting from as wide a talent pool as possible.
- Publishing key policies on our careers' website, including our maternity leave policy, flexible working policy, shared parental leave policy and transgender and transition policy.

For more information please see our [Ethnicity Pay Gap Report 2023](#).

Workforce engagement

While undertaking its role in setting and applying the remuneration policy for Executives, the Committee considers broader remuneration across the wider workforce. The Committee receives regular updates and feedback from various employee consultation and engagement channels, alongside summaries of activities across the wider workforce throughout the year. It takes this information into account, to ensure the approach to setting pay and bonus levels for Executives is consistent with that applied to the wider workforce.

Senior management meets regularly with lead representatives from the trade unions, to discuss and review relevant policies, in addition to formal consultation and negotiations, where applicable. In addition to the trade unions, Anglian Water operates a number of communities, including but not limited to our regular workforce engagement event, Open House and the Inclusion Community.

These communities meet frequently, with invitations sent to all employees. This approach allows us to discover and build new ways of working, alongside the development of policies, created with engagement from across the workforce.



“We operate a number of workforce communities that allow us to discover and build new ways of working, alongside the development of policies – created with engagement from across the workforce.”

New performance-rating system and alignment of employee and executive director bonus measures

We continue to listen to our people and act on their feedback. In 2022/23 our employee survey, Love to Listen, showed that people felt the reward system could be improved to make it fairer and more consistent across teams. In response, we developed a new system, simplifying performance rating levels, which was introduced in this year.

We also introduced our Company Purpose award, bringing the majority of our people together under one scheme and aligning the reward for our wider workforce to a selection of the same measures as executives. The Purpose award rewards colleagues for working collaboratively, to drive company performance. Each year, an appropriate set of measures will be agreed as a consolidation of our top priorities, aligned to our Purpose. For 2023/24 these measures included delivering for our customers, measured through our CMeX rating, pollution performance and through Totex – ensuring all employees contribute to our financial performance and resilience. A minimum of 3% bonus, up to a maximum of 5%, was guaranteed for 2023/24. Full details of the measures and targets can be found on page 152.

ISO for employee health and wellbeing

This year Anglian Water was re-accredited for the international standard for health and wellbeing, ISO 45003: Psychological health and safety at work. This reflects our ongoing commitment to prioritise our people, creating an environment where they feel safe and supported to be themselves and perform to their best.

Pay progression and role benchmarking

Formal pay progression frameworks are in place across a wide number of roles across the Company, from contact-centre agents, to field-based engineers – typically where we have a large number of employees performing the same role. We now have pay progression frameworks in place for more than 45 roles, which provide structure and progression opportunities to more than 2,000 colleagues.

To ensure our roles are remunerated fairly and in accordance with the wider market, the Reward team benchmarked and evaluated over 400 roles in 2023/24.

Directors' remuneration policy

This part of the Remuneration Committee report sets out the remuneration policy for Anglian Water Services Limited (AWS), for the year that ended 31 March 2023 and any changes for the year ending 31 March 2024. This policy is currently under review and, once agreed, will be implemented with immediate effect.

Element and link to strategy	Operation and performance metrics	Maximum potential for 2024/25	Changes for 2024/25
A Base salary			
To attract and retain executive directors with appropriate experience, skills and competencies, relative to the role.	Reflects individual experience and role. Usually reviewed annually and fixed for 12 months, from 1 April. Decision influenced by: <ul style="list-style-type: none"> • Role, experience and performance. • Average change in broader workforce salary. • Total organisational salary budgets. • Salaries are independently benchmarked against the FTSE 250 and other comparable utility companies. 	Annual increases will not exceed the general level of increases for the Company's employees, except where an individual changes roles, or where benchmarking indicates that an individual's salary requires realignment to remain competitive.	The Policy is currently under review and therefore no changes are currently applicable.
B Benefits			
To increase the economic security of employees and recruit and retain employees.	Directors are entitled to private medical insurance, car allowance and life assurance. Directors are also entitled the same benefits received by the wider workforce.	Peter Simpson: 2.5% of base salary Tony Donnelly (from Nov 2023): 3.52% of base salary	The Policy is currently under review and therefore no changes are currently applicable.

Element and link to strategy	Operation and performance metrics	Maximum potential for 2024/25	Changes for 2024/25
C Pension			
To attract and retain high-calibre individuals, by providing good-quality pension arrangements.	<p>AWS operates a defined contribution pension arrangement, consistent across the wider workforce.</p> <p>Following the introduction of the annual and lifetime allowances, where the level of pension saving would exceed the allowances, a cash payment in lieu of company contribution to pension may be made.</p>	<p>In line with corporate governance best-practice, both Executive Directors' pension arrangements align to the wider workforce of 12% of base pay.</p> <p>Peter Simpson: This amount is received in cash.</p> <p>Tony Donnelly: This amount is received in cash.</p>	The Policy is currently under review and therefore no changes are currently applicable.

Element and link to strategy	Operation and performance metrics	Maximum potential for 2024/25	Changes for 2024/25
D Deferred Bonus Plan			
To reward achievement of annual financial and strategic business targets and delivery of personal objectives aligned to AWG Group targets, outside Anglian Water Services.	<p>Payment determined by the Committee following the year end.</p> <p>The plan includes deferral of 50% of the award value until three and four years from the initial grant.</p> <p>Company targets are set and reviewed annually; these comprise a number of key financial and non-financial metrics to deliver customer and environmental outcomes, plus personal objectives aligned to AWG Group activities. Awards for 2023/24 were based on 70% company performance and 30% on AWG Group personal objectives, which is funded by AWG Group.</p> <p>Personal objectives relate to areas of the business over which the individual has influence.</p> <p>The Committee has the discretion to reduce, remove or recover bonus payouts in the event of material issues, including, but not limited to, those in relation to service, health and safety, quality, reputation and financial or regulatory performance.</p>	<p>Peter Simpson: 2024/25 Award maximum: 150% of base salary</p> <p>Multi Year Award (deferred elements) maximum: 49.7% of base salary</p> <p>Tony Donnelly 2024/25 Award maximum: 110% of base salary</p>	The Policy is currently under review and therefore no changes are currently applicable.

Deferred Bonus Plan

Following the independent review of executive remuneration by FIT Consultants last year, it was agreed that the overall structure of the total remuneration remained appropriate, in terms of both quantum and structure (i.e. fixed, versus performance-linked pay, covering both short and long-term measures). As in previous years, the Committee considered whether performance conditions remain appropriate and also whether the weightings associated with key measures were aligned with stakeholder expectations. In line with the remuneration policy, the Committee is clear that targets should be stretching to incentivise outperformance and payment must not be made where threshold-performance standards have not been met. Having discussed various proposals across a number of meetings, the Committee determined that each measure will be allocated a threshold target, where no bonus will be paid if this level is not achieved. In addition, a stretch target has been set, against which the Committee can assess performance at the end of the year.

Illustration of application of the remuneration policy

For the 2023 award, at the end of the first performance period (31 March 2024), performance will be assessed and the appropriate payment relating to the first tranche of the DBP (50%) will be made, as per the table to the right. The Committee has the ability to apply discretion and to take into account both financial and non-financial performance during the performance period, together with any other relevant circumstances that justify a reduction in the value of the award. The remaining half will be deferred and paid out in two equal tranches, three years and four years after the date of award. In addition to the initial performance criteria, these payments will also be dependent on a number of secondary performance conditions:

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

Deferred Bonus Plan payment release

The table below illustrate the payment releases for executive directors, in relation to each scheme year.

Tranche Payment Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Scheme Year										
2019		1		2	3					
2020			1		2	3				
2021				1		2	3			
2022					1		2	3		
2023						1		2	3	
2024							1		2	3

● Paid ● 1 Tranche one paid ● 2 Tranche two paid ● 3 Tranche three paid

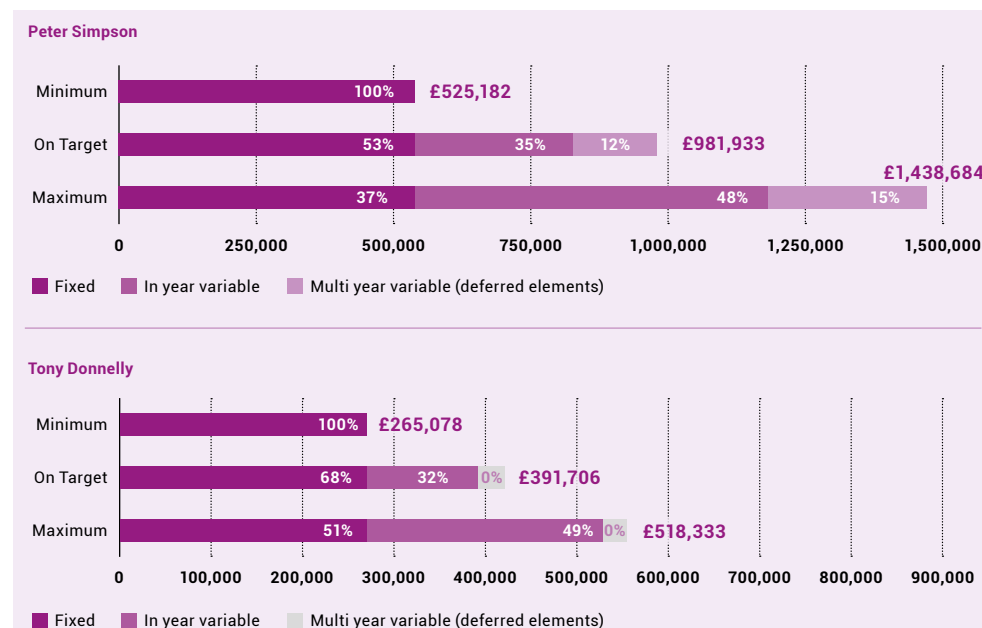
Total maximum AWS remuneration for 2024/25

The charts opposite show the weighting, as a percentage of base pay, for the total potential remuneration that could be payable by AWS to the executive directors in various performance scenarios, under the remuneration policy in 2023/24. These numbers represent 70% of Peter Simpson’s maximum remuneration and 60% of Tony Donnelly’s.

In these charts:

- Fixed remuneration is the minimum payable and is made up of base pay for 2024/25, plus the value of cash in lieu of pension and benefits.
- Payments due in relation to the 2024 DBP Award are split into three, with the first payment being made one year after the Award (in 2025), the second payment being made in 2027 and the third payment being made in 2028.
- The ‘On Target’ bar in the charts shows the percentage of fixed remuneration that could be earned for achieving threshold levels of performance, plus the minimum performance for the deferred bonus.
- Maximum performance would result in the maximum DBP payment; however, this has been calculated without any allowance for uplift within the scheme rules. The maximum payment may therefore be higher as it will, if appropriate, be uplifted over the period. The maximum bars in the charts opposite show the deferred bonus award granted in 2024.
- As per the scheme rules, the final tranche of the 2021 DBP award and the second tranche of the 2022 award are due to vest in 2025. The payment reflected in these charts may increase as a result of the application of interest and will take account of performance during the Secondary Performance Period, which is not known at this time.
- Peter Simpson will be retiring from the Company during the 2024/25 financial year. His remuneration is shown for the whole year in these charts, but it will be pro-rated when he steps down later in the year. When he steps down from the Board in August 2024, he will remain employed for a further six months, supporting the new CEO and providing advice. He will not receive compensation for loss of office, but as a retiree he will be treated as a good leaver in the Deferred Bonus Scheme. His bonus for 2024/25 will be pro-rated.
- The incoming Chief Executive Officer, Mark Thurston, will join the Company in July 2024 and be appointed to the Board on 5 August 2024. His base salary will be £504,000, representing 70% of his overall salary, the balance of which will be paid as remuneration by Anglian Water Group. He will receive an On Target bonus of 140% of salary, with a maximum of 200% of salary. Mark Thurston will join the Company after this report has gone to print and the details of the remuneration that he receives in 2024/25 will be published in the Annual Integrated Report for 2025 in the usual way.

Total maximum remuneration for 2024/25 funded by AWS



Note: The table shows the amount of total remuneration costs that will be paid in 2023/24 by AWS.

The disclosure of fixed remuneration is inclusive of salary, pension and benefits.

* For Peter Simpson, this equates to £459,741.80 salary, £55,169.02 pension and £10,270.93 in benefits.

* Tony Donnelly does not have a multi-year variable, due to being appointed to post mid 2023/24.

* For Tony Donnelly, this equates to £230,232 salary, £27,628 pension and £7,218 benefits. He does not currently have an AWS multi-year variable, due to being appointed to post in November 2023.

To recognise the interim nature of the appointment – and that Tony Donnelly is relinquishing significant bonus opportunities to take up the post – AWG has agreed to pay him an additional, non-pensionable allowance of £20,833 a month. This allowance will be paid for by AWG and not by AWS and therefore is not funded by customers.

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

Service contracts

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

	Start date as Executive Director	End date as Executive Director
Peter Simpson	18 November 2004	N/A
Steve Buck	1 August 2019	22 November 2023
Tony Donnelly	23 November 2023	N/A

At 31 March 2024, John Barry, Alben Vassileva, Alex Nassuphis and Batiste Ogier represent the ultimate owners of the Company. Consequently, they do not have letters of appointment or service contracts, nor do they receive a fee from the Company for their services.

External appointments

Executive directors are not permitted to hold external non-executive directorships, unless specifically approved by the Committee. Directors are permitted to retain the remuneration they receive in connection with any approved non-executive appointments. None of the executive directors who served throughout the year held external non-executive directorships.

Independent Chair and independent non-executive directors' terms of appointment

The Chair and the independent non-executive directors have letters of appointment, rather than service contracts. Copies of these letters of appointment are available on the Anglian Water website at anglianwater.co.uk/governance.

Appointment and expiry of current terms for the Independent Chair and independent non-executive directors

	Date of first appointment	Date of expiry of current terms
Natalie Ceeney	25 April 2018	12 June 2024
Polly Courtice	1 April 2015	N/A
Zarin Patel	31 October 2018	30 October 2024
Alistair Phillips-Davies	23 November 2022	22 November 2025
Ros Rivaz	21 November 2023	20 November 2026
Kath Durrant	26 March 2024	25 March 2027

These appointments may be terminated with six months' notice, by either party. No compensation is payable to the Chair or non-executive directors if the appointment is terminated early.

Dame Polly Courtice reached her nine-year term in office on 31 March 2024. On the Committee's recommendation, the Board resolved to extend Dame Polly Courtice's term of appointment for a short period, to facilitate the recruitment of at least one additional Independent Non-Executive Director. Dame Polly continues to be regarded as independent, notwithstanding her nine-year term in office. The Company informed Ofwat that Dame Polly would remain in office following the nine-year anniversary of her appointment and the economic regulator did not raise any concerns. In April 2024, Natalie Ceeney completed her second three-year term in office. On the Committee's recommendation, the Board resolved to extend Natalie Ceeney's appointment until 12 June 2024.

Policy for determination of fees

The fees for the independent non-executive directors are reviewed by the Chair and any changes are approved by the Board. Under the Articles of Association of the Company, increases to the fees of the non-executive directors require a resolution by the shareholders of the Company. Non-executive directors do not vote on their own remuneration.

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

Element and link to strategy	Operation	Maximum potential for 2024/25	Changes for 2024/25
A Fees To attract high-calibre individuals to these roles and reflect the level of responsibility and time commitment involved.	<p>For the Chair and non-executive directors, the Board's policy is to pay fees in line with those paid by other UK companies of a comparable size.</p> <p>Fees may include additional payments to non-executive directors, who act as Senior Independent non-executive director (SID) or chair Board Committees, to reflect the significant additional responsibilities attached to these duties.</p> <p>The Chair and the non-executive directors do not participate in any of the Company's incentive or pension schemes.</p>	N/A	It was agreed that the base fee for Non-Executive Directors should be increased, with an additional fee for each Committee chairship/SID role.
B Benefits	The Company covers the cost of travel between the directors' homes and the office, when carrying out duties. This includes payment of any tax due. Normal place of work is deemed to be the Company's head office in Huntingdon. Travel to any other location is reimbursed as normal business travel expenses.	N/A	No change.

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

	Total fees all AWG £		
	2023/24		
	Fees	Mileage and expenses	Total
John Hirst	287,268.20	330.00	287,598.20
Ros Rivaz ¹	151,515.17	2,504.44	154,019.61
Natalie Ceeney	71,012.76	627.77	71,640.53
Kath Durrant ²	984.13	-	984.13
Polly Courtice	77,562.92	-	77,562.92
Zarin Patel	73,285.49	200.00	73,485.49
Alistair (Paul) Phillips-Davies	59,177.28	-	59,177.28
Colin Matthews	38,106.58	-	38,106.58
Total Non-Executive Directors	758,912.53	3662.21	762,574.74

¹ 60% of Dr Ros Rivaz's remuneration is met by Anglian Water Services, with the remainder paid by Anglian Water Group.

² Kath Durrant joined the Board in March 2024.

This report was approved by the Board of Directors on 10 June 2024.

Natalie Ceeney

Chair of the Remuneration Committee

10 June 2024

Directors' report for the year ended 31 March 2024

The directors present their report and the audited financial statements of Anglian Water Services Limited (the Company) for the year ended 31 March 2024.

Business review

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

The information that fulfils the requirement of the Strategic report, including a summary of the Group's performance, future prospects, key performance indicators and principal risks and uncertainties, is included in the Strategic report and Financial Performance sections on pages 31-121.

Corporate governance statement

During the year, the Company has applied the Anglian Water Services Corporate Governance Code 2020 (2020 Code). Information on the requirements of the 2020 Code and how it was applied during the year can be found in the Corporate Governance report on pages 122-136.

Details of the corporate governance arrangements resulting from the securitisation of the Company in 2002 can be found on page 129 of the Corporate Governance report, together with the disclosures that satisfy the requirements of paragraph 13 (2) (c) (d) (f) (h) and (i) of Schedule 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, resulting from the EU Takeover Directive (DTR 7.2.6R).

Financial instruments disclosures

Details are included in note 20 of the financial statements.

Principal activities

The Company provides around 1.2 billion litres of drinking water to 5.1 million people every day. The water comes from a variety of sources: reservoirs, underground reserves (aquifers) and abstraction from rivers. The company receives approximately 1.4 billion litres of used water per day, from 6.6 million people and businesses, including customers who receive their water from other companies. The used water is treated to a high standard and returned to the environment via rivers or coastal outlets. The organic waste is treated, dried and used in agriculture as a natural fertiliser.

In addition to providing services to household customers, the Company also provides wholesale services to retailers within its region.

Results and dividends

The Group income statement on page 180 shows the Group's results and profit for the year. Details on dividends can be found in notes 9 and 28 of the financial statements.

Risk management

Detailed information about the Company's risk management processes, including its approach to financial risks, can be found on pages 105-118.

Health and safety

Details are included on page 69 and page 111.

Directors

Current directors of the company are listed on pages 124-127, together with their biographical details. Details of Board changes that took place up to the date of this report are detailed on page 123.

Directors' indemnities

During the 2023/24 financial year and up until the date of the signing of the financial statements, the Company has maintained directors' and officers' liability insurance, which gives appropriate cover for legal action brought against its directors. The Company has also provided an indemnity for its directors, which is a qualifying third-party indemnity provision for the purpose of section 234 (2-6) of the Companies Act 2006.

Political donations and expenditure

No political donations or expenditure were made during the year (2023: £nil).

Emissions

Information pertaining to climate-related disclosures, including carbon emissions, can be found on pages 91-103.

Future developments

The directors expect the activities, as detailed in the Strategic report, to continue for the foreseeable future without material change.

Research and development

In 2023, the Company maintained its commitment to innovation through collaborative academic and market-focused research and development. Its research and development projects have significantly advanced the Company's innovation strategy in key areas such as biosolids and the circular economy, carbon neutrality and energy resilience, next-generation water treatment networks, drought, climate change, river quality, and monitoring. Collaborative efforts with top universities, industry memberships, and other water industry partners have substantially strengthened our research capabilities and yielded outcomes that advance both our company and the broader water industry knowledge.

Employees

Information on people and partners is on page 67. The Company's policy on employing people with disabilities is in the People section page 73. Information relating to how the directors have engaged with employees, and the role and impact of these engagements, can be found in the section 172 statement on pages 84-86.

Employees are kept informed of changes in the business and general financial and economic factors influencing the company. This is achieved through a systematic approach to employee communication, which includes regular briefings, presentations and electronic mailings. Weekly Newstream emails provide employees with a round-up of important news across the company. The Company's intranet is also an extensive source of information. The Company's Open House forum is a chance for employees to; hear directly from members of the Management Board and senior leaders about the business; receive progress updates; and ask any questions. The sessions take place every quarter, from different sites across the region, with employees also able to join remotely. These are recorded, so employees can watch them at a later date.

Each year since 2007, the Company has offered employees the opportunity to participate in the AWG Loyalty Savings Scheme. This scheme enables employees to save on a monthly basis and then potentially benefit from the financial performance of Anglian Water at the end of the three-year savings period. The decision has been taken not to offer the scheme in 2024.

Stakeholder engagement

Details of how the directors have engaged with customers, suppliers and other stakeholders, including those representing communities and the environment, can be found in the section 172 statement on pages 84-86.

Events occurring after the reporting period

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

Going concern

The directors believe, after due and careful enquiry, that the company has sufficient resources to continue in operational existence for the foreseeable future and, therefore, consider it appropriate to adopt the going concern basis in preparing the 2023/24 financial statements. Further details of this review can be found on page 141.

Directors' disclosures to auditors

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

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

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

Auditor

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

Approved by the Board

Claire Russell
Company Secretary
10 June 2024

Registered office:

Anglian Water Services Limited
Lancaster House
Lancaster Way
Ermine Business Park
Huntingdon
Cambridgeshire
PE29 6XU
Registered in England and Wales
No 2366656

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

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

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

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Each of the Directors, whose names and functions are listed in the Board of Directors sections on pages 124-127, confirm that, to the best of their knowledge:

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

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

Claire Russell
Company Secretary
10 June 2024

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