

Anchored by purpose: Building a resilient future

Anglian Water Services Limited
Annual Integrated Report 2024

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Supplementary reporting



Price Review 2024 (PR24)

This executive summary provides an overview of our business plan for the regulatory period 2025-2030, known as AMP8.



Our Service Commitment Plan

This plan responds to Ofwat's 2022/23 assessment of water company performance. This report focuses on performance across nine commitments.



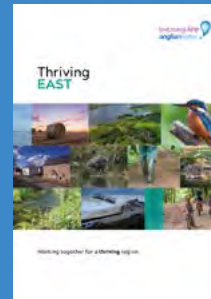
A year of progress on river health

This report provides an annual update against our Get River Positive commitments and other environmental performance measures related to river health.



Pollution Incident Reduction Plan (PIRP)

Our PIRP sets out the actions we are taking between 2023 and 2025 to improve our pollutions performance.



Thriving East

Thriving East is research, commissioned with Capital Economics, on the region served by Anglian Water.



Sustainable Finance Impact Report (SFIR)

Our SFIR charts progress against our Key Performance Indicators tied to sustainable investments.

Our values are integral to delivering our Purpose.

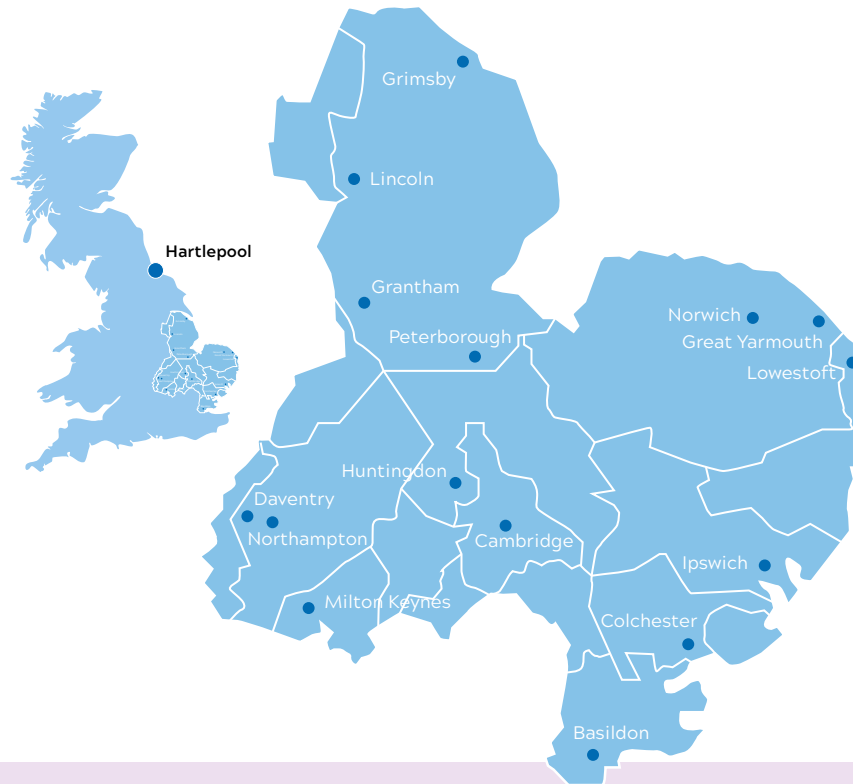
Together we...



Do the right thing



Our Purpose is to bring environmental and social prosperity to the region we serve through our commitment to **Love Every Drop.**



With the British Standards Institution, we led the development of a new Publicly Available Specification for embedding purpose in organisations, PAS:808 2022. We are the first company being assessed against the standard, using it to inform our ongoing work to put our Purpose and environmental, social and governance considerations at the heart of everything we do. Read more in Holding Ourselves to Account, pages 35-36.



Our Purpose and values underpin how we create value for our stakeholders:

Environment and planet

Customers and communities

People and partners

Shareholders

Investors, banks and rating agencies

Regulators

National and local government



Annual performance at a glance

Financial performance

Revenue up £132m (+9%) to
£1,626m
(2022/23: £1,495m)

Operating profit up £7m (+2%) to
£431m (2022/23: £424m)

Operating cash flow up £56m (+8%) to
£767m (2022/23: £711m)

£37.6m
in Ofwat-related penalty
(2022: £22m)

All funding in place to complete our AMP7 (2020-2025) plan.

Investing in the future

Highest-ever
annual investment in
our capital programme at
£963m
for 2023/24, totaling £2.7
billion for the AMP, to date
(2022/23: £725m)

One of the largest
Water Industry National
Environment Programme
(WINEP) in our
industry, worth
£811m
between 2020-2025

£9bn
worth of investment – our
biggest yet – proposed
in our business plan for
AMP8 (2025-2030)

Delivering on our Purpose: Environmental performance

Record wet weather
and high ground
water levels resulted
in flooding across
parts of our region.
We have established
9 multi-agency
groups in response

**Industry leading
on average spills**
per storm overflow
(Anglian Water: 22,
industry average: 33)
(2022 average: 15)



compliance on Abstraction Licences
(2022/23: 99%)

11 serious pollutions
(2022: 11)

182
megalitres per day lost to
leaks – our lowest ever
three-year rolling average
(2022/23: 182)

262,621
smart meters installed
(2022/23: 233,365)

Per Capita Consumption
132 litres a day
(2022/23: 138)

Delivering on our Purpose: Social performance

389,000
customers received support
this year through our financial
support schemes
(2022/23: 334,000 customers)

£1.35
average customer charges per
day. We continue to be among
the lowest utility bills for the
majority of customers
(2022/23: £1.24)

12.7%
of customers are on our
Priority Services Register,
well ahead of target and the
industry average of 8%
(2022/23: 11.4%)

Customer Measure of Experience (CMeX) improving (7th in
industry) alongside Developer (4th) and retailer satisfaction
(2022/23: CMeX 10th, DMeX 9th)

100%
score for purpose and values in
Business in the Community's (BITC)
Responsible Business Tracker®
(2023: Overall score 87%, 2022: 80%)



Recognition for our commitment to build
a diverse and inclusive organisation

Purpose at our core



Welcome to Anglian Water's 2023/24 Annual Integrated Report. It covers a year of strong financial performance, unstinting support from our shareholders, submission of our stretching AMP8 plan to Ofwat and an unprecedented level of help for vulnerable customers. This all comes against a backdrop of sector instability, operational challenges – driven by climate change – and a continued cost-of-living crisis.

But before delving into the financial insights, challenges and achievements outlined in this report, I want to take a moment to express my heartfelt gratitude for the welcome I've received since joining Anglian Water.

I began my role as Chair Designate in November 2023, assuming the role of Chair in January 2024. I took over the reins from John Hirst, who held the post from April 2020, having been on the Board since 2015, first as a non-executive director and then Audit Chair. During his Board tenure, Anglian Water successfully navigated a global pandemic, put in place its biggest ever customer support programme, drove shareholder funded initiatives like Get River Positive and submitted its most ambitious business plan. On behalf of everyone at Anglian Water, I would like to thank John for his dedication and achievements.



Committed and passionate people

In the short time I've been in post, I've been inspired by the commitment, resilience and passion that defines the spirit of Anglian Water. I am thrilled to be part of a company that is steadfast in taking real action to deliver on its purpose.

I've relished getting to know the business, meeting our people and understanding our plans. It's so important to me to see our colleagues and operations in action. I have spent time visiting many different sites, speaking to our operational teams and hearing more about their hard work. One thing that really stands out, is the unwavering commitment, right across the business, to doing the right thing.

This commitment is underpinned by strong company values and our six capitals model for decision-making. Our reporting suite facilitates transparency with all stakeholders, who can clearly see how we are delivering against the goals we have set ourselves. We will continue to provide as much information as possible, in the interests of being open and transparent, including building a purpose dashboard, to look at our impact across delivering environmental and social prosperity for our region.

It's so important, as a purpose-driven organisation, that we are well placed to attract great talent and retain our valuable, experienced people. This will ensure we deliver our future plans. This year has been our biggest to date for apprentice and graduate recruitment and we have made positive changes throughout the business to ensure we are a best-in-class (as endorsed by the Times in its Top 50 employers list) and inclusive employer – something I feel proud to be associated with. To read more on what we are doing to continue to attract and retain talent into the future, see Our Stakeholders – People, pages 67-75.

Looking back

This year, and indeed for much of this AMP, the East of England has been on the front line of climate change, with the region and our operations facing the dual challenges of drought and extreme flooding. As the largest and flattest geographical region in the UK, coupled with our unique soil types, we must work hard to adapt to a changing climate, now and in our plans for the future.

We've been doing this while also enhancing progress – at a rapid rate – on nature-based solutions, which are a key part of our future vision. We are committed to providing vital services to our customers and meeting the demands of our ever-growing population and

doing so in a way that benefits, wildlife, the environment and local communities too. Of all the nature-based solutions proposed between 2025-2030, across the whole industry, more than two-thirds of the green areas created will be in the East of England.

Importantly, we have continued to invest in and deliver on what our customers value most – a resilient supply of safe, clean water – and the areas that will have the biggest positive impact on the environment.

However, despite leading the industry on spills – a result of enormous effort across the business – we are disappointed that our overall performance did not meet the levels we aspire to and that our customers rightly expect, particularly around pollutions.

In 2023, we contributed to 11 Category 2 pollutions in our region. I know everybody associated with the business agrees with me that this is completely unacceptable and is resolved to turn that performance around. We always knew improvements would take time. Although our pollution lead measures are showing progress, we acknowledge there is much more to be done.

That said, this year has been a year of turnaround. We've invested more, with £100 million of additional support from our shareholders, specifically to tackle spills and pollutions over the coming year. We have also made high-calibre appointments within Anglian Water to reinforce key portfolios, including engineering and finance appointments, to enable us to concentrate on critical processes, which are already yielding positive results. As you'll see in the Chief Executive's statement, these changes are making the business more resilient.

Read more about the plans to tackle pollutions from our Chief Executive on page 8 and in Our stakeholders – Environment, pages 44-53.

Strong balance sheet

Our owners are long-term, patient shareholders, who continue to provide resolute support for the business. At the beginning of 2024, our shareholders agreed £350 million of additional investment to support delivery of our Strategic Interconnector Grid and to accelerate work on our pollutions performance. This is over and above the level agreed by Ofwat.

We've also seen an increase in our Regulatory Capital Value (RCV) in the past 12 months, something that underpins our resilient financial future. This commitment from shareholders cannot be understated, especially during a period of market uncertainty for the water industry.

But it's not just shareholders, investors and rating agencies who recognise our robust financial performance – our position was also recognised by Ofwat in its 2023 financial resilience report, where we received the highest rating possible. The regulator described Anglian Water as being "...underpinned by a strong and robust financial platform¹."

Customer commitments

Supporting customers is inherent to our Purpose and built into the very fabric of our business.

We do not shy away from acknowledging there is more to do to rebuild trust with customers, as expectations on our sector have, quite rightly, evolved.

I am pleased to note that, despite the challenging wet weather in the latter half of the year and the impact this had on operations, we have successfully improved scores across our Customer Measure of Experience (CMeX), Developer Measure of Experience (DMeX) and retailer satisfaction. Added to this, our strong track record of supporting vulnerable customers continues. We helped more than 350,000 people last year and, as industry leaders on the Priority Services Register (PSR), we've met our target a year ahead of time.

¹ [Ofwat Monitoring Financial Resilience Report 2022-23](#)

Stakeholder engagement

Relationships with our regulators are critical. Understandably, during this time of intense public scrutiny, they are focussed on ensuring companies act appropriately in light of their performance.

We continue to have constructive conversations with our regulators, to share how we're committed to meeting our Ofwat-set performance commitments and other regulatory targets. We're also transparent about the areas where we are not performing, as we should be, while clearly laying out our plans for improvement.

Alongside this, we have continued to build strong, collaborative relationships with other stakeholders, like non-governmental organisations and our partner organisations, all of which help ensure the right outcomes for our customers, communities and the environment.

Long-term strategy: support from our Board and shareholders

Our [Business Plan](#) for 2025-2030 (AMP8), submitted in October 2023, is the next step in our long-term strategy. It places huge emphasis on the necessary adaptations to climate change and anticipated population growth in the East of England. The scale is double that of AMP7 (2020-2025) and, in line with Ofwat's guiding principles and governance framework, it forms part of our long-term and adaptive approach.

Sitting alongside our plan is our Long Term Delivery Strategy (LTDS), where we have used a range of themes and potential opportunities to chart our path of progress to 2050. Our AMP8 plan is the next stepping stone in that 25-year road map. We believe we've created a balanced plan – one which is deliverable, financeable and, crucially, with one of the lowest-proposed bill rises in the industry.

We and our shareholders recognise that raising bills in the current economic climate is challenging, so alongside keeping bill rises down,

we have increased the level of help for those who struggle to pay. This is important. We've also introduced a new Medical Needs Discount – funded by our shareholders – to provide direct financial support to those with specific medical needs that create a higher water dependency.

Water is the lifeblood of our region. It allows businesses to grow, environments to flourish and communities get on with day-to-day life.

Importantly, our plan was built on what our region needs. We ran an extensive programme of work, which involved a deep-dive into the unique challenges faced by the diverse landscapes, businesses and people in our region, underpinned by stakeholder and customer engagement. Therefore, we can be absolutely confident that what we've proposed will, over the long-term, deliver what our region wants and needs to navigate the challenges and opportunities of economic and population growth, while also managing the impact of climate change.



Thanks to Peter Simpson

Finally, I want to say thank you to our outgoing Chief Executive, Peter Simpson, who will retire from Anglian Water later this year. Peter joined the business in 1989 and was appointed as CEO in October 2013.

Peter is a staunch environmentalist, who has long campaigned for improvements and nature-based solutions, while having a laser focus on building a resilient future for this dry region. In 2014 he convened Water Resources East (WRE), a multi-sector water resource planning strategy for the East of England, understanding that the challenge of balancing water resources is collective. He has overseen the creation of our @one Alliance, a trailblazing model that has been operating for 15 years and is now replicated across the world.

His unwavering commitment to ensuring we do everything within our power to protect and enhance our environment and to enrich our communities, saw him lead the business to become the first utility to change its Articles of Association in 2019. This means we have embedded purpose and locked public interest into the fabric of the business.

Crucially, Peter has ensured that our Purpose is defined by concrete action. Our Community Recovery Plan, our commitment to social prosperity and huge infrastructure projects – like our strategic pipeline, multiple reservoir schemes, reducing abstraction, Get River Positive and the Future Fens: Integrated Adaptation initiative are all testimony to Peter's defining legacy. This work will ensure taps keep flowing, communities thrive and environments flourish now and for future generations.

His dedication to his role was also recognised in 2017 and 2019, when he came first in Glassdoor's Employees' Choice Awards for Top CEOs in

the UK², with his commitment to the company mission, transparent leadership and his ability to engage and motivate his team being highlighted. And that's no surprise. It's clear from speaking to people across the entire business, and indeed the wider sector, that Peter is one of the most inspirational and loved leaders I've ever had the pleasure to work alongside. In his typical visionary style, he has quite consciously built a strong talent base around him, which will ensure a seamless transition when our new Chief Executive, Mark Thurston, takes up the baton.

Looking to the future

I am excited to be leading Anglian Water forward into our biggest investment cycle to date and into what will undoubtedly be a vital AMP.

I am delighted that Mark Thurston will be joining Anglian Water as Chief Executive Officer to help us do just that. He has substantial experience across major infrastructure, with a focus on health and safety, and is expertly placed to lead Anglian Water as we deliver our biggest ever business plan. His diverse experience in the challenges of delivering infrastructure, while protecting and enhancing the natural environment, fits squarely with Anglian Water's long-term ambitions. Mark's distinguished track record in leadership and his major projects expertise will be huge assets for Anglian Water, creating value for all our stakeholders through this crucial next phase.

Mark will join the business on 1 July 2024 and will be appointed to the board of both Anglian Water Services and Anglian Water Group Limited on 5 August, at which point he will succeed Peter Simpson as Chief Executive Officer to the business, ensuring a smooth leadership transition. There have been other changes to our Board in the year. See more in the Nomination Committee report, page 144.

It has been a tremendous honour working with Peter and under his leadership. 2023/24 has been a momentous year of turnaround and 2024/25 will see us continue our hard work against the ongoing challenges.

I am confident that, with the strong foothold created this year, a talented team of people at the helm and with the strength of our alliance partners, we will deliver the right outcomes for the environment and for all our stakeholders.

Dr Ros Rivaz
Chair

10 June 2024



Our Chief Executive, Peter Simpson and Chair, Dr Ros Rivaz visit our Strategic Pipeline Alliance site

² <https://www.glassdoor.co.uk/employers/blog/top-ceos-2019/>

Building resilience through a challenging year

This year's Annual Integrated Report marks my tenth, and last, as Chief Executive of Anglian Water. It has been a huge honour to work with such a dedicated team of people and to see the difference we've made, collectively, across our region.

We're in a period of intense and rightful scrutiny of the water industry and I fully acknowledge that we have work to do to regain customer trust. However, after more than 30 years in this incredible sector, I believe it's also important not to lose sight of the remarkable outcomes we've achieved over that time.

For starters, with the backing of our shareholders, Anglian Water has increased total expenditure more than three-fold – from less than £3 billion in AMP1, to over £9 billion for AMP8. This year, we've invested £963 million in our capital programme – our highest investment yet – and £2.7 billion for the AMP to date.

These investments have enabled us to safeguard our water resources and lead the way on investing in water resilience for decades, way before it was first included in the Water Act. Given our status as one of the driest regions in the UK, that laser focus on water resilience has resulted in several drought schemes, to futureproof our region. We are home to one of the fastest-growing populations and play a critical role in food production, so ensuring our water supply meets increasing demand is non-negotiable.



Alongside this, we have made one of the industry's biggest commitments to reducing abstraction. Abstraction relates to the water we take from the environment, which we reduced by 80 million litres per day between 2015-2020. By 2025, we are committed to capping abstraction to historic peak levels, and going even further by 2030, reducing levels by an additional 174 megalitres a day. Abstraction gets little or no media attention, but I wholeheartedly believe the single biggest thing we can do to protect the environment is to leave more water in it.

We now abstract less water than any other company and, coupled with our efforts to build resilience, these intergenerational projects will be the legacy of Anglian Water's commitment to keeping taps flowing and the economy thriving in the region.

Our ability to deliver major infrastructure schemes, such as our Strategic Interconnector Grid, is thanks to the creation of our @one Alliance model. Established in 2004, it is testament to our forward-thinking, innovative outlook and our willingness to challenge the status quo. This collaborative approach has not only enhanced efficiency, but has also fostered a culture of partnership and shared success. With relationships now 20 years in the making, we're in an unparalleled position to deliver on our upcoming business plan and the large uptick in capital investment this will bring. Read more about our AMP8 business plan on page 13.

Furthermore, we've transformed bathing water quality across the East of England and reduced phosphorous by 90% – something we're pledging to go further on in the next five years.

I'm also proud of the business' unwavering commitment to customers and affordability. Despite industry challenges, we've managed to keep our bills low, rising by little more than 10% since privatisation (excluding inflation). Our support for customers in vulnerable circumstances is industry-leading and has helped hundreds of thousands of people since the launch of our vulnerability strategy in 2018.

Our focus on supporting customers and providing a top-tier service is demonstrated through our improved CMeX, DMeX and Retailer satisfaction scores this year. Additionally, an independent survey – run by the Consumer Council for Water across Water and Sewage Companies – showed positive and above average scores for our service.

As a business, we are committed to our Purpose, something that carries us through both the good and the challenging times – the latter of which this year's report elucidates. Given the headwinds we have experienced this year, it's encouraging to see the latest results from the Business in the Community's Responsible Business Tracker®, where we received a score of 100% for purpose and values this year.

Furthermore, in 2022, we led (with the British Standards Institution) the development of a new Publicly Available Specification for embedding purpose in organisations (PAS 808:2022). As the first company to be assessed against the standard, this year, we were confirmed as an organisation with purpose-driven principles fully embedded.

In a strong financial position

Given wider industry factors, I want to take this opportunity to reassure customers that as a business, we remain financially robust and our shareholders continue to support our investment plans both in the near and long term. During this period of market uncertainty, this unwavering support from our investors cannot be understated.

The last 12 months saw strong financial performance, with revenue of £1.6 billion (up 9%) and Operating Profit of £431 million (up 2%). We also made £963 million of Capital Investment, significantly in excess of our operating profit, partly funded by our ultimate owners.

→ See **The year in context** on pages 14-24.

→ See **Our environment** on pages 44-53.

With the upcoming year marking the final year of this AMP, I'm also pleased to confirm all funds are in place to complete our AMP7 plan, including the funding necessary to complete the final £1 billion of capital investment in our asset base during 2024/25.

However, given the prolonged wet weather conditions, we did not meet the tightening performance commitment levels we and our customers expect. Furthermore, we have had to rephase delivery of our Strategic Interconnector Grid. This has resulted in a year-end penalty of £37.6 million for our Ofwat Outcome Delivery Incentive (ODI) targets. You can see the full breakdown of our performance on pages 37-43.



Anwick Water Recycling Centre under water, the source of one of our Category 2 pollutions.

Image credit: Paul Barham, Maintenance Support Technician

The impact of record wet weather

This year's record wet weather has tested our performance. Between October 2023 and March 2024, England witnessed its wettest period on record. In February alone, parts of our region received 300% more rainfall than the average for this time of year. As a result, our performance was impacted.

70% of our storm spills occurred during the last three months of the year. Despite the record wet weather, we achieved the lowest average spills per overflow in the industry: with an average of 22 spills per Event Duration Monitor, compared to an industry average of 33. We continued to surrender storm overflow permits too, as we move towards a future where overflows are no longer required.

Thousands of schemes have been delivered this AMP, which have made the removal of overflows possible. For example, in areas like Woodbridge - where we've invested in storm tanks - the number of spills has halved. Over the past year, we delivered eight storm storage capacity schemes, totalling 4,343m³ of storage.

"While we've had many successes this year, I recognise 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 I do not feel that it is right for me to take my annual bonus this year."

In terms of pollutions performance, we had zero Category 1 pollutions – the most serious kind. However, we finished the year on 11 Category 2 pollutions. Hydraulic loading into our system contributed significantly to our performance

during the wet period. However, this is an issue we cannot solve alone and we must work with other parties responsible for managing the drainage system, to mitigate flood risk. This year, we've set up nine multi-agency groups in hotspot areas. Read more about why we need a wider approach to water management on pages 15-19.

Overall, we are starting to see positive and sustainable improvements across our pollutions performance – a result of the actions outlined in our Pollution Incident Reduction Plan (PIRP). For example, we had 13% less pollutions compared to 2021, when we also experienced prolonged wet weather. And many of our lead metrics are showing signs of improvement. This includes: reduced risk of failure on our pumping station assets (despite pumping twice as long, in hours,

compared to last year); keeping sludge in our Water Recycling Centres at an all-time low; and blockages reducing 10% on 2022's measures – our best performance this AMP, to date.

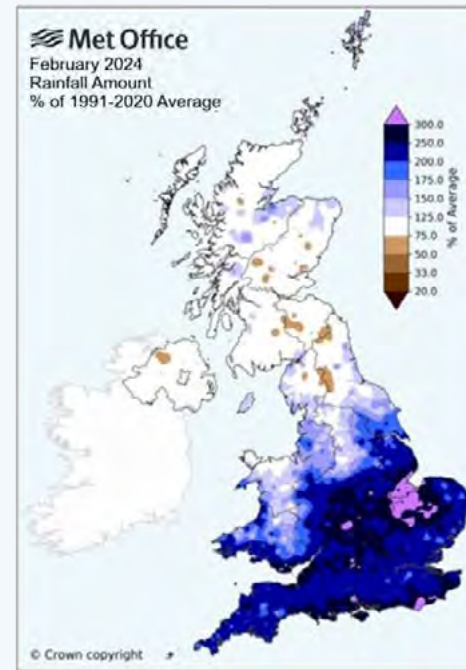
These improvements, in spite of the weather, are down to the vast amount of work taking place on the Water Recycling side of the business – including improvements across our operations and processes and the investment in new technologies, which is giving us much better sight of our performance. While our plans are being implemented at pace, we are realistic that it will take time to translate into results.

We remain confident that we are on track to deliver the outcomes our customers want to see, with additional investment targeted to where it will deliver the greatest benefit.

As we work to get back to our previous track record of a three-star (plus) Environmental Performance Assessment rating, our shareholders have agreed £100 million, to accelerate our work to improve performance on spills and pollutions in 2024.

We must also acknowledge the changing environment we're operating in. We are delivering the final year of a business plan that we committed to in 2019. That plan delivered on customer priorities at that time. Since then, there has been a seismic shift in customer expectations and public perception, particularly around pollutions and spills. As we look to the long-term, our ambitions are to reach zero serious pollutions, zero spills and to work towards achieving a four-star EPA rating. This is a fundamental aspect of our Long Term Delivery Strategy.

Alongside this, we'll continue to invest in drinking water quality and building resilience in our water network – which, despite the media headlines, remains our customers' number one priority³.



Rainfall averages in February 2024. Source: Met Office

³ <https://www.anglianwater.co.uk/SysSiteAssets/household/about-us/pr24/summary-of-our-plan.pdf>

Investing in a growing region

2023 was a pivotal year – the year in which we announced our business plan for AMP8 (2025–2030). This will cover the construction of two new reservoirs, alongside completing and extending our Strategic Interconnector Pipeline network further, to build drought resilience and environmental protection.

Improving river health in the region we serve is also a key focus area which will continue into AMP8. Since 2020, we have improved 550km of rivers in our region through our Water Industry National Environment Programme (WINEP) investments. This year, we invested over £100 million through our WINEP⁴.

And, through Get River Positive, launched in 2022, we are demonstrating the true power of partnership working. In 2023, we completed the allocation of £7 million of shareholder funding and generated over £9 million in match funding. This investment has been directed towards projects that commit to delivering long-term benefits for our region's rivers and will act as a springboard as we move into 2024. Find out more in Our stakeholders – Environment, pages 44–53.

Unwavering commitment to customers

We are aware it continues to be a financially challenging time for many. We continue to look for new ways to support customers who are struggling. Over the last 12 months, we have provided a support package of £136.9 million for vulnerable customers, which means we can help even more people in a way that is tailored to their individual circumstances.

Support available ranges from discounted tariffs on water bills, of up to 50% for eligible customers, to temporary payment plans and direct support through the Anglian Water Assistance Fund,

which is designed to help cover the cost of bills when people are going through a challenging time. Our AMP8 plans will build further on this, increasing our support for customers at risk of water poverty. As well as being our biggest plan yet, customers and affordability remain front and centre. From 2025 onwards, in an industry-first, we will launch a new Medical Needs Discount to provide financial aid to those with specific medical needs. This will be funded entirely by our long-term shareholders, so it comes at zero extra cost to any customer. Furthermore, and as we look ahead to AMP8, Anglian Water bills will continue to be among the lowest utility bills for the majority of customers.

Supporting our people

All of the hard work and progress demonstrated throughout this report is made possible through our people and our partners. And their safety, health and happiness is at the heart of everything we do. We review our Health and Safety performance in the round, including alliance members, framework contractors and Anglian Water staff – approximately 9,500 people. In recent years, our health and safety measures have broadly been improving. And this year, we were pleased to see this continue with the results from our directly-employed workforce. However, we were disappointed to see an increase in Category 1 events and reportable accidents in our overall results.

We are working hard to turn this around, with plans across the whole business, including our alliances and contractors, to identify and address the issues. This includes investing in further health and safety capital maintenance, doubling down on leadership and behaviours and undertaking detailed reviews of operational risks. Our alliance partners share our laser focus on ensuring health and safety remains our first priority, as we ramp up investment and delivery into AMP8.

Despite the headline figures, service strike rates and near misses are showing improvements.

I'm also proud to report we were awarded a RoSPA Gold Medal Award for our health and safety performance in 2023, our eighth consecutive gold and 18th consecutive year of recognition. This prestigious award highlights our continued commitment to taking health, safety and wellbeing seriously across the organisation. One example is our 'Get Trucking Fit' programme, which has been shortlisted at the 2024 Water Industry Awards. This 12-week programme was developed in response to high levels of sickness absence within the Water Recycling Operational Logistics team, specifically our lorry drivers. The scheme was tailored for this high-risk group and focused on a 1:1 diet and exercise programme, aimed at influencing healthy behaviours and creating sustainable change for participants.

More broadly, this year's Time Out for Life proved as popular as ever, with more than 4,900 of our employees and partners taking part. We continue to reward and recognise our people when they exhibit behaviours linked to Health, Safety and Wellbeing. This year we have launched a new recognition platform called 'Thank You – we love what you do', to further facilitate this.

We remain committed to ensuring that our workplace is an inclusive environment for everybody. This year, we have improved the gender and ethnicity balance across all levels of our organisation. In 2023, we were named as one of the Times Top 50 Employers for Gender Equality and as one of the 'Top 10 Best Performing Private Companies' in the FTSE Women Leaders Review 2024.

Succession

As announced in October 2023, I will retire from Anglian Water in August this year. It is with great pleasure and my full support that Mark Thurston has been appointed as Chief Executive Officer Designate and will officially take over the role from 5 August. With Mark having joined the business at the start of July, we will be able to ensure a smooth transition in leadership. To this end, I shall also remain as a strategic advisor to the business. Mark's initial focus will be progressing the determination of our business plan, after which I know he will be keen to get out and meet stakeholders and colleagues.

A final thank you

As this marks my final Annual Report, I wanted to say a huge and heartfelt thank you to all of the employees of Anglian Water and our wider network.

Recent years have seen us face into unprecedented challenges, but despite everything, our people continue to do the right thing. In 2022, during the extreme heat, we were one of the only regions to avoid a hosepipe ban – testament to the remarkable work of our people to build resilience. This year is yet another example, with teams working through extreme wet weather, while at the same time upgrading our systems to keep pace with changing expectations. Throughout it all, it is our people who have made it possible to weather these storms.

The dedication of all my colleagues, day after day, week after week, has been a feature of my career. I thank them all for their commitment.

Peter Simpson
Chief Executive

10 June 2024

⁴ This also includes investment that is contributing towards the delivery of 2024/25 obligations, which haven't yet been signed-off with our regulators.

1 What drives us

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



→ Read more about the relationships with our stakeholders on pages 44-83.

3 Our long-term ambitions

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

- Make the East of England resilient to the risks of drought and flooding**
- Enable sustainable economic and housing growth** in the UK's fastest-growing region
- By 2030, be a net zero carbon business and reduce the carbon used in building and maintaining our assets by 70%**
- Work with others to achieve significant improvement in ecological quality** across our catchments

→ Read more in our [Net Zero strategy](#)

→ Read more about our [ambitions and progress](#) on pages 12-13.

4 Our goals for 2020–2025

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

What will help us get there?

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

5 How we make decisions

We balance our six capitals to shape investment decisions

- Natural
- Financial
- Social
- Intellectual
- People
- Manufactured

→ Read more about how six capitals are embedded within our Purpose framework on pages 35-36.


6 SUSTAINABLE DEVELOPMENT GOALS

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

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

Our Strategic Direction Statement

We take a long-term approach in pursuit of our Purpose, underpinned by our 25-year Strategic Direction Statement (SDS). Our SDS was first developed in 2007. In 2017, following consultation with customers, we co-created four ambitions, to deliver social and environmental prosperity in the region we serve. Reviewed in 2023, our SDS and associated ambitions remain right for our business and our customers and will inform our journey over the next 25 years. Examples of how we are delivering against our SDS are included throughout the report.





Resilient to the risk of drought and flood

By 2050:

- All of our customers will have at least two sources of water supply
- Our customers will never experience internal or external sewer flooding
- Surface water will be prevented from entering our waste water network
- Integrated, multi-sector water management systems will be embedded within smart cities
- Two new strategic reservoirs will supply 625,000 new properties across our region

UN SDG target in action:

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


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

By 2050:

- Pollutions and spills are consigned to history
- River health will be continuously monitored
- Our region will be regarded as an international exemplar for the use of nature-based solutions
- Environmentally damaging substances will be eliminated at source

UN SDG target in action:

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




A carbon neutral business

By 2050:

- We will focus on eliminating waste and the root causes, leading to a reduced chemical energy use in our management of the water cycle
- Our treatment processes will not emit greenhouse gases, such as methane and nitrous oxide
- We'll have moved beyond net zero and become a carbon-positive business, reducing rather than contributing to the UK's emissions

UN SDG target in action:

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




Enabling sustainable economic and housing growth

By 2050:

- We will have the capacity to support all customers at risk of water poverty
- The region will have the capacity to support the water demands for new businesses
- Planning requirements will mean all new housing and commercial developments are built to deliver international best practice on water efficiency
- Coastal and inland bathing water locations will be thriving, due to their excellent water quality

UN SDG target in action:

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



Delivering more for our region

To build a plan that is based on what the region we serve needs, in 2023, we commissioned research with Capital Economics, using independent data to analyse socio-economic, climate and geographic factors. The research, *Thriving East*, highlights the fundamental link between water, climate change, the unique geography of the region and how this threatens both economic and social prosperity.

Key insights include:

- We operate in one of the driest and hottest parts of the country. The Met Office predicts that by 2040, rainfall in the region will average 2.14mm per day, significantly below the national average of 2.85mm. In Cambridgeshire, the challenge is even more acute, with projected rainfall of just 1.9mm in 2040.
- Almost 30% of the region is low lying, particularly near the coast. Inland, drought-parched land is vulnerable to flooding from intense rainfall events. About 1.2% of properties in the East are at high risk from flooding, above the national average of 0.9%.
- The total population in England is projected to rise by 8% over the next twenty years. In our region alone, we're set to welcome around 720,000 more people. The long-term challenge is sustaining the pace of housing development – to meet the needs of a fast-growing population – and ensuring infrastructure is in place to facilitate demand.
- We have the highest level of water consumption from business and industry in the country. 15% of all water taken from the environment is used for non-household supply.

The *Thriving Index* shines a light on the complexity of the challenges that exist across the counties and sub-regions served by Anglian Water. Our plan sets out a shared vision for our region, but we can't achieve it alone. We know that water companies will need to do things differently, but we also need new models of collaboration with government, regulators and our stakeholders. The 2024 Price Review can help put us on the path to achieving this by:

1. Ensuring a fair balance of risk and reward so that investors see the UK water sector as a "fair bet", where companies who innovate and do the right thing are supported.
2. Focusing on making vital assets resilient to the challenges of the future. Infrastructure maintenance and renewal should be done on the basis of cutting-edge forecasts of the impacts of a changing climate, not backwards-looking assessments of what was spent in the past.
3. Ensuring infrastructure development keeps pace with the expanding needs of our region's growing population. Alongside development of two new reservoirs and expansion of our interconnector pipeline, this also means growing capacity at our Water Recycling Centres to accommodate over 200,000 new people and 100,000 new properties over the next five years.



Our plan for AMP8 (2025-2030), shared with Ofwat in October 2023, will see a significant step up in investment, in line with our long-term ambitions. We have proposed an investment programme valued at over £9 billion, which is designed to deliver environmental enhancements and mitigate the impacts of climate change – particularly across climate vulnerable assets, as well as unlock social and economic growth in our region. We will achieve all of this while keeping bill rises to a minimum.

Our business plan for 2025-2030*

By 2030 we will:

- Support **all customers** at risk of water poverty
- Double our investment in the environment to **£4bn** to enable nature recovery
- Use nature-based solutions, to create an area **the size of 100 football pitches** of treatment wetlands, along with **52 new Sustainable urban Drainage schemes**. Of all the nature-based solutions proposed in AMP8 across the whole industry, more than two-thirds will be in the East of England
- Invest **£476m** to accommodate housing growth, with **700,000** more people expected to live here in the next 20 years
- Reduce per capita consumption to **124 litres** per person per day, while again reducing leakage to new industry-leading levels
- Achieve a **70%** reduction in capital carbon against our 2010 baseline
- Plan for **two new reservoirs**, with our Strategic Pipeline network extended to build further drought resilience and environmental protection
- Increase capacity of our waste water network by **112 Olympic-sized swimming pools**, reducing the risk of pollutions and spills
- Launch a new **Medical Needs Discount**, an industry first, to provide financial aid to those with specific medical needs, at zero extra cost to any customer
- Renew **695km** of vulnerable pipes, to futureproof our water mains and sewers against climate impacts

* At the time of reporting, we are awaiting final determination from Ofwat.

The year in context

Financial performance

We have continued our strong financial performance over the last 12 months, resulting in an increase in operating profit of £7 million, compared to March 2023.

The year also saw our highest-ever annual investment in our capital programme – over £960 million was invested in schemes that will build resilience and support environmental improvements. With 2024/25 marking the last year of AMP7, we are going into the year in a strong financial position, with all funding in place to complete our plans to 2025, including the finance necessary to complete the final £1 billion of capital investment in our asset base during 2024/25.

However, operational performance continues to be challenging. The flooding this year impacted us across a range of measures. This has resulted in a year-end penalty of £37.6 million for our Ofwat-related performance commitments.

Over the past year, public scrutiny of the water sector has intensified – making national media headlines – with much of the public discourse centred on financial stability and environmental protection. We remain one of the most financially secure companies in the water industry. This was recognised by Ofwat in their most recent assessment of company performance and financial resilience, where we were an upper-quartile performer and top four Water and Sewerage Company⁵.

Our ultimate shareholders are long-term investors who are committed to our Purpose, to bring environmental and social prosperity to the

⁵ <https://www.ofwat.gov.uk/regulated-companies/company-obligations/outcomes/water-company-performance-report-2022-23/>

region. Our shareholders agreed £350 million of additional investment, to support delivery of our Strategic Interconnector Grid and to accelerate work on our pollutions performance. This is over and above the level agreed by Ofwat.

Their unwavering support, both in the near and long term, has meant we've been able to invest over and above our operating profit and in support of our customers.

While the wider macroeconomic environment is in a slightly more stable position than this time last year, we know that the cost-of-living impact remains challenging for our customers.

Over the last 12 months, we have provided a support package of £136.9 million for vulnerable customers, which means we can help even more people in a way that is tailored to their individual circumstances. This brings the total support package to around £246 million since 2020. This will increase to over £300 million across this AMP.

Anglian Water bills will continue to be among the lowest in the industry, averaging £1.35 per day this year and £1.57 per day by 2030. Read more about how we have supported customers this year in Our stakeholders – Customers and communities, pages 54-66.



The wet weather and its impact on pollutions, flooding and spills

Between October 2023 and March 2024, England witnessed its wettest period on record⁶. Five named storms impacted our region directly, reaching a peak in March 2024. We declared a company-wide incident and deployed our comprehensive plan, using a J-Cell military planning method. This brought together expertise from across our business to manage high demand, doubled the operations of our pumping stations, delivered priority responses to incidents and used tankers to take away some of the excess water.

Despite our comprehensive response, our operations were impacted. However, lead measures, particularly on pollutions and spills, are showing signs of improvement.

Our spills performance through this period has been strong. We came close to our self-imposed average target of 20 spills per Event Duration Monitor (EDM). Despite the record weather, our average spill per EDM was 22. To put this in context, the last time we had this level of rainfall (in 2019), we averaged 35 spills per overflow and we had fewer monitors installed. We know this is an important area to be addressed for customers and we are investing significantly to reduce spills.

A recent report from the Office for Environmental Protection (OEP)⁷ highlighted that storm overflows are not the main cause of environmental harm and other industries need similar levels of investment to make ecological improvements to rivers.

⁶ <https://www.gov.uk/government/publications/water-situation-national-monthly-reports-for-england-2024/water-situation-march-2024-summary>

⁷ <https://www.theoep.org.uk/report/oep-finds-deeply-concerning-issues-how-laws-place-protect-englands-rivers-lakes-and-coastal>

During the 2023 calendar year, we had 11 serious pollution incidents (Category 2). Many were caused by hydraulic overloading from the wet weather. Considering we also had 11 serious pollutions in 2022 (an exceptionally dry year), this indicates that our performance is stabilising.

While no spill to the environment is acceptable, our lead measures are showing improvements, demonstrating that the investment and action taken in line with our Pollution Incident Reduction Plan are paying off:

- We had 13% less pollutions compared to 2021, another year where we experienced prolonged wet weather.
- We have had no serious incidents on our networks since October 2023 - the start of the wettest period. Despite our networks being inundated, this demonstrates investments to better monitor our assets are working, moving us from a firefighting to a predictive response. By contrast, in 2021, 11 serious pollutions were on our networks.
- We've reduced the risk of failure on our pumping station assets (despite pumping twice as long in hours compared to last year).
- Sludge in our Water Recycling Centres (WRCs) is at an all-time low. Historically, this was the leading cause of WRC incidents and highly volatile under extreme weather conditions.
- Blockages have reduced 10% on 2022's measures, marking our best performance this AMP to date.
- In 2024, no treatment works have failed their compliance, marking our best performance this AMP to date.

Addressing the bigger issue: wider water management

We're operating a network that was built at a time when there were fewer customers and fewer products that cause blockages going into our sewers. There was also more green space to absorb rainfall and a more stable climate. The duality of extreme heat and rainfall, in successive years, cannot be viewed in isolation, but as part of a broader pattern, resulting from climate change. Our water environment is at the forefront of this change, with more frequent extreme and localised rainfall events and shifting weather patterns pushing the drainage system beyond what it was designed to do. We need a system that can meet these changing needs, alongside places and communities that are resilient to extreme events.

Our long-term aspiration is to achieve zero sewage escapes from our network. However, reaching this goal requires a fundamental rethink of how water is managed. Anglian Water can address two areas: maintaining and upgrading sewers; and slowing flow from properties. Our network and pumping stations are currently designed based on the size of population centres, with extra capacity built in to manage excess flow.

Despite operating to maximum capacity and as designed, this year our sewers suffered from hydraulic overload: with more water than places to store it. For example, during Storm Babet we had more than 200% of the rainfall average for the time of year. During heavy rainfall like we experienced this year, one roof generates the same volume of water as 100 homes would use in a day. In a small town of 5,000 homes, this is like instantly connecting 500,000 homes to the sewer system. If other parts of the drainage system are not working as they should, this number can multiply rapidly.

Furthermore, a small number of our sites were entirely submerged with water and temporarily inoperable, even in locations with flood defences.

Managing flooding requires action from partners and other stakeholders who own and manage different assets. For example: the Highways Agency, to ensure culverts are draining roads properly; local councils, to manage their assets and look after the wellbeing and needs of the community; the Environment Agency, to maintain rivers and watercourses; and Lead Flood Authorities, who have an overall strategic responsibility for flood risk. See pages 18-19.

Furthermore, the areas within our control will not be enough to resolve the issues longer term. Constructing more grey infrastructure isn't always the right thing to do. Upgrading sewers is disruptive to communities and the frequency of storms is increasing with climate change.

Although wet conditions affected the entire Anglian Water region, some areas experienced this more acutely. For example, there were 24 incidents attributed to hydraulic overload in Norfolk alone. Building on the work we can do, we are collaborating with key stakeholders in hotspot areas to build resilience. This year, nine multi-agency flooding groups were established.

We want to use more green solutions, such as Sustainable Drainage Systems (SuDS) and installing reed beds, to allow us to control water flow without the need for carbon-intensive infrastructure. Co-funding and co-delivering solutions is essential. Over the year, we have engaged with stakeholders at a hyper-local level, empowering and enabling them to become part of the solution. For example, we are working with Parish councils, encouraging them to support on a range of measures, like working with riparian owners to clear ditches and helping to rectify misconnections. We will also need to work better with customers, to manage surface water from properties.



Anwick Water Recycling Centre under water.

Image credit: Paul Barham, Maintenance Support Technician

Dealing with lesser-known flooding from groundwater

Saturated soil and exceptionally high groundwater levels across our region meant that high volumes of excess rainwater were carried into already full-to-bursting rivers, ditches and storage, resulting in widespread and prolonged internal and external flooding.

High groundwater levels are where the levels of water rise within the rock or soil underground. When these water levels rise and reach ground level, water starts to seep through to the surface and flooding occurs. Groundwater flooding is much slower than river flooding. It can happen days, weeks or even months after heavy or prolonged rainfall – and can last for weeks or even months⁸.

High groundwater levels typically lead to flooding, by hydraulically overloading the network through inundation (from the top e.g. manhole openings) and infiltration (from the bottom, through pipe gaps).

This is why our resealing programme is an important part of our response to tackle flooding. However, the open nature of the sewerage system means we must work with others to deal with groundwater and surface water in other ways too.

In light of the wet weather events witnessed this year, in the short-term, our biggest opportunity is to keep the majority of clean water out of the sewerage system. Unfortunately, there are no quick wins, but we are making progress on some of our lead measures and partnering with others responsible for the wider drainage system.



Removing the automatic right to connect

We have been lobbying, for many years, to influence the implementation of Schedule 3 of the Flood and Water Management Act, to ensure new developments adopt sustainable drainage systems and lose the automatic right to connect to the existing sewer system. There is a need for scale and coordination across sectors.

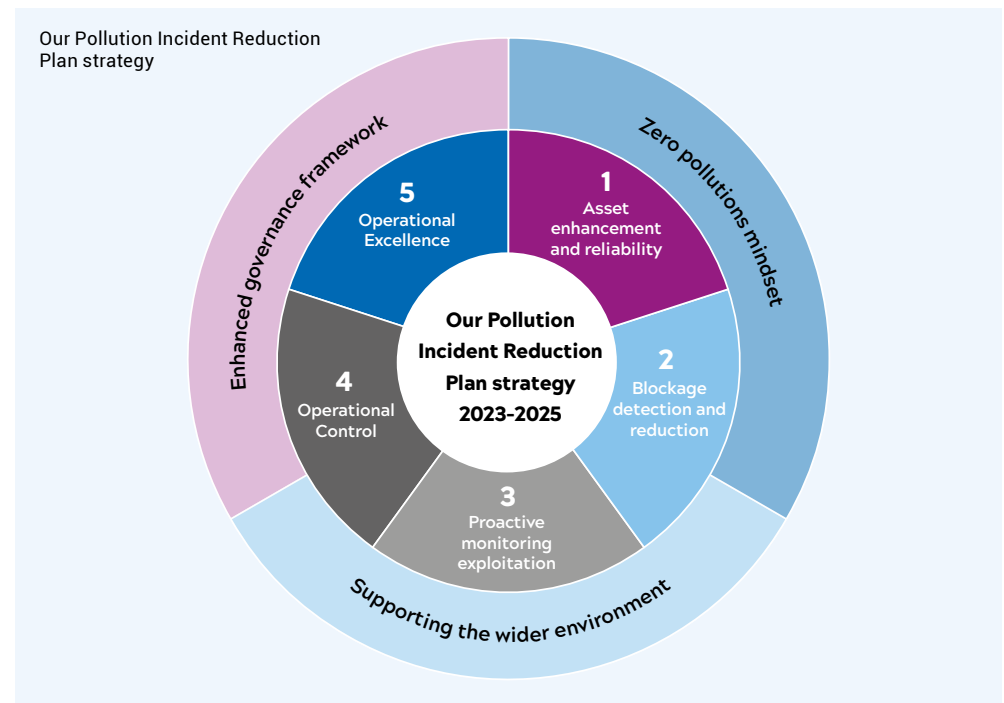
Tackling the challenge in the region we serve

We have been clear that no spill to the environment is acceptable. However, we must also acknowledge the unique features in our region that contribute to the challenges we face.

We operate in a drained, flat landscape – full of long, narrow watercourses, smaller often unmapped channels and ditches and assets spread across a vast rural area. These types of man-made, fenland drainage channels are different to typical watercourses, because they are slow moving and, in some cases, may have no water in them at all. This can mean a discharge is completely undiluted and not able to disperse as it would in a typical watercourse. This results in us being more likely to receive a higher pollution categorisation from the Environment Agency.

89% of our region is considered rural and many of our assets cross farmland. This can leave us vulnerable to diffuse pollutions and to accidental damage to our pressurised sewer mains that run under farmland. It also poses additional challenges in detecting issues on our non-telemetered assets.

Our Pollution Impact Reduction Plan (PIRP) 2023-25, outlines the significant changes we have made to address these issues, underpinned by a substantial data and analytics programme. We have a huge raft of investment underway, to ensure that the assets within our control are performing as they should. More on our strategy can be seen in our [PIRP](#).



⁸ [What is groundwater flooding? – Creating a better place \(blog.gov.uk\)](#)

How storm overflows play an important role during flooding

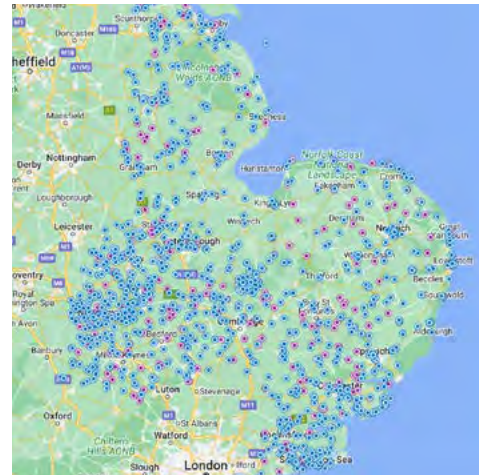
Storm overflows act as a safety valve, allowing excess water into rivers and the sea, to prevent sewers overflowing during periods of heavy or prolonged rainfall or snow melt. They protect homes and businesses from flooding. Without them, this excess storm water would back up through toilets, drains and manholes. Because of the job that they do, we know the majority of what comes out of them is rainwater.

- One third of our overflows is installed on our sewer network.
- One third is on our pumping stations.
- One third is on our Water Recycling Centres.

Sewers have not been built like this for decades, but each of our storm overflows is permitted to operate in this way (under certain conditions) by the Environment Agency (EA), as they provide an important function within the sewer system. Our spill data is shared with the EA as part of an annual data return.

As we work towards zero escapes, our long-term ambition is to surrender all storm overflows, rendering them inactive by 2050. Between 2022 and 2023, we surrendered 131 storm overflow permits. Between 2020 and 2025, we will stop operating 10% of our total overflows.

We are monitoring spills to target improvements. This year, we achieved 100% coverage of Event Duration Monitors (EDMs) on the storm overflows across our region. The data from our EDMs enables us to be as open and transparent as possible and feeds into our interactive, real-time map, which went live in April 2024. Our map shows where our storm overflow monitors are located, how often they spill and the length of time they have been spilling.



Support from our shareholders

Our shareholders fully support our zero pollution and ultimate spills goals. Their additional £100 million will cover:

• £22 million on blockage prevention, including dual manhole investigation, repair and cleaning on our public sewers in the top 100 catchments, to target 4,400 blockages.

• £21 million on rising mains, including mitigation on 54 rising mains and pressure monitoring on all assets with a history of bursts and pollutions.

• £16 million on increasing capacity of our systems, including lining and sealing works, investigation and removal of groundwater, 20 new tankers and eight new jetters.

• £31 million on Water Recycling Centres and pumping station asset health, including enhanced sludge management, tackling complex risks on our pumping stations and water recycling centres.

And increasing resource, including hiring 130 new roles and implementing new training.

This brings the total amount invested this year to nearly half a billion.



Emily Timmins, Director of Water Recycling:
 “Our mission is to safeguard our customers and the environment and I can see our lead metrics changing. We know changes in systems and processes alone won’t move the dial – we need to invest more in our asset base. Our £100 million investment goes right to the heart of capital maintenance on our base assets. I couldn’t be more proud that we’ve been backed by our shareholders. It shows a huge amount of trust.”

Anwick Water Recycling Centre under water. Image credit: Paul Barham, Maintenance Support Technician

The multiple parties responsible for drainage

1

Internal Drainage Boards (IDB) are responsible for managing water levels in low-lying areas and reducing the flood risk for both rural and urban communities. This includes protecting businesses and infrastructure, for example, operating sluices to manage the levels in main rivers. Each IDB is a public body that manages water levels in an area, known as an internal drainage district. There are 112 in England.

4

Lead Local Flood Authorities (usually county and district councils) are responsible for managing the risks of flooding from surface water, ground water and small rivers and streams.

5

The Environment Agency (EA) deals with any flooding from main rivers and is responsible for sea defences. The EA issues flood warnings and provides information on areas at risk of river and coastal flooding, through flood risk maps.

2

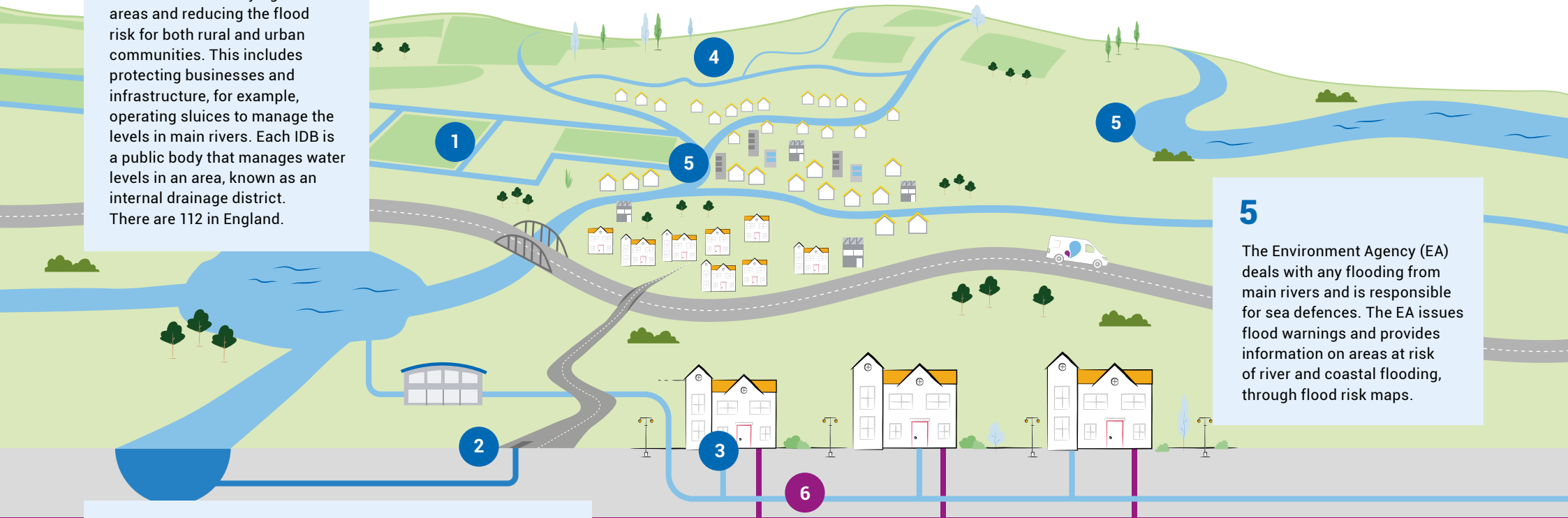
The Highways Agency takes care of the surface water pipes that remove rainwater from roads, pavements and gullies. Broken culverts can mean this water does not run away as it should. Many culverts and pipes that run under roads, paths and highways are privately owned. Highways England is responsible for motorways and major trunk roads. Local authorities or national park authorities are responsible for other roads.

3

Customers look after sewers that service their property, within the property boundary. This includes the drainage pipes located under a house, garden or driveway. Riparian owners are those who own land or property next to a river, stream or ditch. Owners are responsible for maintaining the waterway, but also for protecting their own property from flooding.

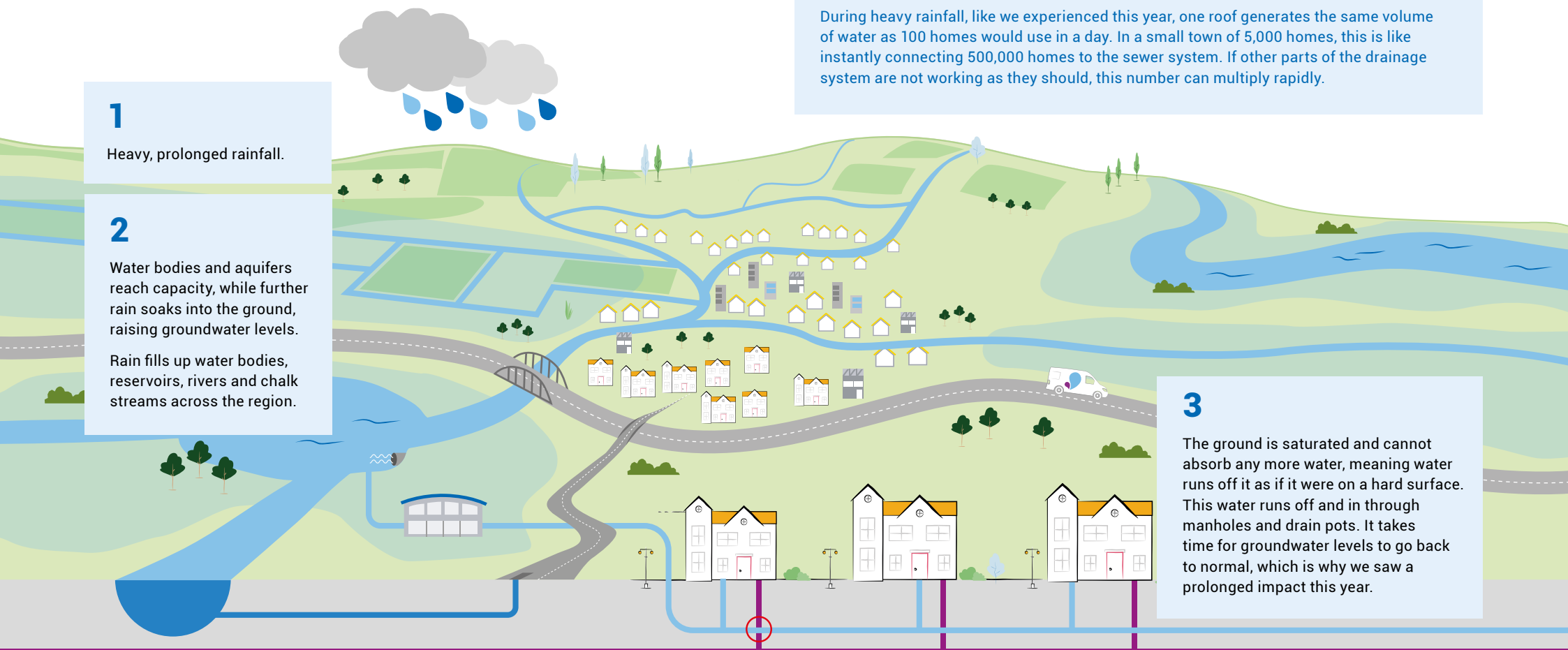
6

Anglian Water is responsible for all sewer pipes and some surface water pipes, which take rainwater away from homes.



What happens during prolonged wet weather

During heavy rainfall, like we experienced this year, one roof generates the same volume of water as 100 homes would use in a day. In a small town of 5,000 homes, this is like instantly connecting 500,000 homes to the sewer system. If other parts of the drainage system are not working as they should, this number can multiply rapidly.



1
Heavy, prolonged rainfall.

2
Water bodies and aquifers reach capacity, while further rain soaks into the ground, raising groundwater levels. Rain fills up water bodies, reservoirs, rivers and chalk streams across the region.

3
The ground is saturated and cannot absorb any more water, meaning water runs off it as if it were on a hard surface. This water runs off and in through manholes and drain pots. It takes time for groundwater levels to go back to normal, which is why we saw a prolonged impact this year.

7
Storm overflows are triggered to prevent flooding. Without overflows, this excess storm water would back up through toilets, drains and manholes. Because of the job that they do, the majority of what comes out of them is rainwater.

6
The Right to Connect can mean additional surface water enters our foul sewers. Water companies are unable to challenge the Right to Connect. We will continue to work with developers and local planning authorities to manage this in the most sustainable way.

Misconnections to our foul sewers can mean we are taking in excess water that our assets weren't designed to take.

5
Customers' homes and gardens may be impacted by flooding or loss of services (toilets/drains) because of something we call hydraulic overload – because water has nowhere to go except our sewers.

4
Sewers are not designed to be sealed systems, as they need to move with ground movements. This means water can get in through inundation (with water coming in from the top) and infiltration (water getting into the bottom of our pipes). When the amount of water in our systems exceeds capacity, it can escape, resulting in pollutions.

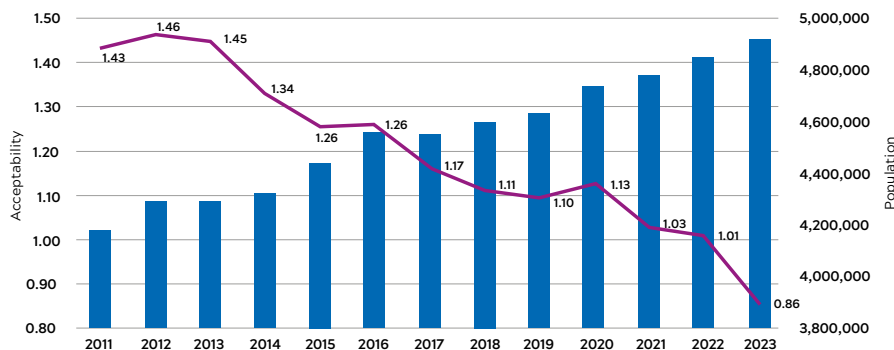
Delivering our customers' number one priority: safe, reliable drinking water

Metric	23/24 Target	23/24 provisional outcome
Acceptability	0.85	0.86
ERI	15	109
CRI	1.5	3.57

Our customer research repeatedly tells us that their main priority is the delivery of safe, reliable drinking water. This year, we built on our lowest-ever acceptability score. Acceptability scores are based on the number of customer contacts about the appearance, taste or smell of their water, per thousand people served. We narrowly missed our 0.85 target, achieving 0.86 (1.01 in 2022). This is our best score to date and indicative of an improving trend over the past decade.

Below is a summary of our Water Quality Contacts (also known as acceptability) performance between 2011 and 2023. The bars represent population and the curve is our year end performance, which shows a positive downward trend over the past ten years.

Water Quality Contacts performance since 2011



Our provisional Compliance Risk Index (CRI) and Event Risk Index (ERI) scores demonstrate how we manage water quality. At the time of reporting, these figures are awaiting confirmation from the Drinking Water Inspectorate (DWI).

Our provisional CRI score is 3.57. We have missed our Ofwat target of 1.5. We comply with very strict regulations on drinking water quality, which means we report each failure to our regulator, the DWI. We also carry out full investigations on each failing sample. Overall, 99.95% of our samples passed this year. We have a plan to address any failures identified on our assets and have installed enhanced water quality monitoring on 90% of our 25 highest-risk sites. We are proactively running flow cytometry on all regulatory final water and storage point water samples via our laboratory, enabling us to develop a more accurate picture of risk. Furthermore, some failing samples were found to be from bacteria on customer taps, not in their drinking water. Poor tap hygiene is usually the most common culprit for this.

ERI scores consider the type of event, population impacted and duration of the event. Our provisional ERI score this year is 109 –

above Ofwat's target of 15 and a provisional industry average of 1,958. This year's ERI score was impacted by a one-off event at Heigham, Norwich. When taps were run for a long time, for example when filling a bathtub, the water had a slight colour. The event was a result of the wet weather, which can negatively impact the quality of the water we take out of rivers and reservoirs. To tackle this, we are changing our abstraction regimes to protect customers from discolouration events. We're also working with our catchment team to support positive catchment management. Throughout this time, our water met all regulatory microbiological and chemical standards.

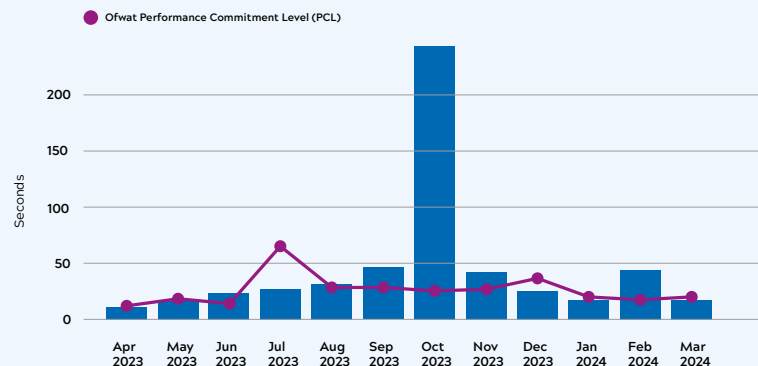
Water supply interruptions

We work hard to ensure customers experience uninterrupted water availability and to minimise the length of time their service is interrupted, in line with our performance commitment level, set by Ofwat. This year, two events resulted in us being off target for this measure, with an average time of nine minutes eight seconds where customers were off water. In October, Storm Babet brought heavy rains and flooding to parts of Suffolk and Norfolk, which resulted in an event where one of our assets was flooded. However, as illustrated in the graph below, we maintained a steady service of supply to customers, staying close to our Ofwat target throughout the year.

To reduce our supply interruption times and mitigate the impact on our customers, we are using technology to monitor drops in pressure on our mains – a key indicator of a leak or water supply interruption. High-frequency pressure loggers are now covering over 80% of our district metered areas. These loggers provide us with real-time data, giving us a more granular view so we can target interventions. For example, the loggers mean we can spot pressure fluctuations that may be impacting the life of a main and remove or reduce this issue.

Separately, we are using industry-leading, climate-modelling tools to identify high-risk water main assets in our region that are vulnerable to changing climate conditions. Read more in Our stakeholders – Environment, pages 44-53.

Interruptions to supply April 2023-March 2024



Key infrastructure for current and future customers

Rephasing delivery of our strategic interconnecting pipeline

Timescales for the delivery of our strategic interconnecting pipeline, being delivered by our Strategic Pipeline Alliance (SPA), are being rephased. It will now be completed during the next AMP cycle, rather than within the AMP7 performance commitment (by 2025) as originally planned. We continue to have constructive conversations with our regulators regarding the rephasing, to ensure we meet the associated environmental and performance commitment obligations.

Two new reservoirs

There have been no new major reservoirs built in the past three decades. We've always taken a long-term view to water resilience. Last year, we announced plans to build two new reservoirs – one in Lincolnshire and another in Cambridgeshire. The Water Resources East (WRE) regional plan identifies the new reservoirs as key to ensuring the region we serve has enough water in the future. However, many of the investments we are making today will take time to have a cumulative benefit. For example, our new reservoirs and water transfers won't deliver significant benefits until 2036 onwards.



CMeX, DMeX and Retailer satisfaction

Since we started this AMP, there has been a societal shift in attitudes towards large corporates, climate change and specifically, intensified scrutiny on the water sector. Customer service has been a major focus area throughout this year and we are seeing that show through our improving CMeX, DMeX and retailer satisfaction scores. For CMeX, we moved from 10th place in 2022/23 to 7th place this year. For DMeX, we jumped from 9th place to 4th. We also outperformed our retailer satisfaction measure. Ensuring our domestic, retailer and their business customers receive a consistent top-quality service, continues to be a key focus. Read more about the improvements in Our stakeholders – Customers and communities, pages 54-66.

Customer satisfaction

An independent survey run by the Consumer Council for Water across Water and Sewage Companies (WaSC), shows encouraging and above-average scores for our service. Of those surveyed, 94% were satisfied with the colour and appearance of tap water and 90% were satisfied with the taste and smell, against WaSC averages of 91% and 84%, respectively. Furthermore, 64% agreed that our charges were fair, compared to an WaSC industry average of 55%.

Supporting vulnerable customers

In 2023, inflation rates began to slow, but the rising cost of living continues to be felt. This is why we built on our package of support, which helped 344,483 customers in 2022/23, to help 389,371 customers in 2023/24. Customer charges this year averaged £493 per year, or £1.35 per day. Next year, our proposed £70 million package of customer support will support an estimated 420,000 customers. Since 2020, we've provided over £200 million in customer support.

New Ofwat licence condition

In February 2024, Ofwat introduced a new customer-focused licence condition, which contains principles for customer care that all water companies in England and Wales must meet. We have outlined how we are meeting these principles in Our stakeholders – Customers and communities, pages 54-66.

Health and Safety for our people

This year there was an increase in Category 1 events, with 13 this year compared to 3 in 2022/23. The accident frequency rate also increased to 0.10, compared with 0.07 in 2022/23, although across the AMP there is an overall improvement. However, we are rightly concerned with this result and have redoubled our efforts. We continue to have a laser focus on safety at Anglian Water. Given the sheer size of the programme we have to deliver in AMP8, we will work especially closely with our alliance partners.

Actions include targeting key business areas with significant improvement plans, investing in capital maintenance on high-risk sites and addressing leadership and behaviours at all levels of the organisation.

We're committed to doing the right thing across our business and safety is no exception. We have an independent whistleblowing process in place, to make sure that anyone who has any concerns has a route to raise them and have them investigated. This year we issued a company-wide survey, to gather detailed insight into how confident our people feel that we support them in protecting the environment, working safely and doing the right thing. The findings of this survey are helping us identify any areas where additional support is needed. To read more about health and safety and the steps we've taken to address performance this year, see Our stakeholders – People, pages 67-75.

Inclusion

We remain committed to ensuring that our workplace is an inclusive environment for everybody. We're committed to improving diversity at all levels of our organisation. In 2023 our efforts were recognised, and we were named as one of the Times Top 50 Employers for Gender Equality 2023 and as one of the 'Top 10 Best Performing Private Companies' in the 2024 FTSE Women Leaders Review.

Jaywick prosecution

In April 2023 we were prosecuted for an historic incident at Jaywick Water Recycling Centre and were fined £2.65 million. We considered that the fine was disproportionate, given the judge found that there was no harmful impact on the environment. We were also concerned that the level of fine would set an inappropriate precedent and we therefore decided to challenge the decision. This resulted in the fine being reduced to £300,000 on appeal.

Environment Agency investigations

Ofwat and the Environment Agency launched industry-wide investigations in 2021 into compliance with conditions of environmental permits. Ofwat's focus is potential non-compliance with legislation and with licence conditions. In December 2023, Ofwat issued a press release explaining that it had notified Northumbrian Water, Thames Water and Yorkshire Water of its provisional findings, in light of the evidence that had been gathered. Ofwat stated it was continuing to progress three further wastewater enforcement cases, opened as part of its investigation (including the case against Anglian Water). The EA's investigation – referred to as Operation Standard – is also ongoing. We have provided comprehensive information to both regulators and continue to engage positively with them.

Taking action on near and long-term factors

Future demand for water

The region we operate in is one of the driest and hottest parts of the country. Climate change is also impacting rainfall patterns, which will have a consequence on the availability and quality of water resources. We have always taken a long-term view to managing water resources. Our Water Resources Management Plan (WRMP) sets out how we will manage water supply and demand in our region, looking ahead 25 years. Our WRMP19 plan focused on our twin-track approach; investments in new water infrastructure, such as our interconnecting pipeline and new reservoirs; and reducing leaks and encouraging water-wise behaviours, with our customers and businesses.

Our WRMP24 (2025-2050), awaiting approval by Defra, will see us take a three-tiered approach. This will see us further

build on demand management and utilise existing sources of supply, build two new raw water storage reservoirs and have an adaptive approach, using desalination, so we can react to changing circumstances. Our WRMP24 accounts for new challenges, such as increased resilience to enhanced drought. It also provides a long-term strategy for environmental improvement, focusing on the abstraction reductions needed to improve river flows.

Furthermore, we have the highest level of water consumption from business and industry in the country, with 15% of all water taken from the environment used for non-household supply. Development of green industries and wider economic growth will require a significant increase in water availability, to meet rising demand.

In 2023, we saw a large increase in requests for water for business and commercial use. The risk of a lack of available water resources could undermine industrial development and decarbonisation. Regional water resource plans set out how current and future needs can be met. Collaboration between regulators, the Government and industry is needed, to identify how these needs can be efficiently and equitably delivered.

WRMP24's strategy to balance water needs over the next 25 years



Cyber security

Cyber security is a critical risk factor that is governed via two top-tier-risks entries. We mitigate our cyber risks through the deployment and operation of a wide range of controls, covering people, technology and processes. These controls are designed to decrease the likelihood of successful attacks and increase our ability to respond and recover from them, creating what is known as 'cyber resilience'.

Understanding our threat landscape is a key focus. The impact of geopolitical tensions around the world, such as the Russian invasion of Ukraine and the conflict in the Middle East, have created an adverse impact on our risk posture, as hostile nation states increased their activities. We have observed more frequent attacks on Operational Technology and Critical National Infrastructure providers around the world, as well as two significant issues impacting UK-based water companies. This deteriorating threat landscape is assessed and factored into our approaches and plans.

Standing still in our investment and focus on cyber is not an option. We continue to mature our approach to managing cyber security risk, by publishing an updated strategy based on internationally recognised frameworks, such as the Network and Information Systems Regulation

(NIST) and Cyber Assessment Framework (NIS CAF). We proactively identify our areas of exposure, investigate how to best manage and treat the risks and provide a well-governed, structured approach to the management of residual risk.

Our cyber security function delivers in-depth protective security services, through a hybrid delivery model. This combines in-house cyber professionals with an outsourced 24/7 Managed Security Service Provider (MSSP) service, provided by Airbus. This year sees the culmination of five years of effort to deploy our new security architecture across our critical water assets, delivering enhanced cyber controls and the opportunity, to unlock significant business value through increased and secure connectivity.

Key challenges to our long-term cyber success include: addressing issues such as technology debt, the complexity of our technology landscape, operating model and culture change. We are working to ensure earlier engagement in the design of new services, particularly as we expand our capital programme and introduce broader asset connectivity in AMP8.

Energy and inflation

With our population set to grow more than any other region in England, we are investing in building more assets to process extra sewage, store more rainwater, increase water supplies and deliver a pipeline to move water freely around the region. All of this work requires energy.

Furthermore, the prolonged wet weather and the extra water that required processing this year, meant that we felt the impact of increased energy prices. This is due to the prior year energy prices being locked-in, ahead of the war in Ukraine. The current year reflects the significant cost increases since then. Our proactive energy-hedging approach enabled us to have flexibility in the most volatile and expensive market periods.

As we operate in a flat region — and with more people coming to live here — we are reliant on energy to pump water across our region. This year, we consumed the highest volume of renewables ever: from the solar assets connected to our sites alone, we saved £1.5 million against market prices for electricity.

We have entered into two corporate Power Purchase Agreements (PPA), which are fixed-price agreements over the long-term, to provide some stability in a volatile energy market. We have completed two PPAs, one with SSE and another with Squeaky Clean Energy. These agreements support an increase in renewable energy consumption and the development of renewable assets.

Heightened market demand for renewable energy has also impacted our operational carbon emissions. Renewables are undoubtedly growing in the UK, but as more, large consumers have chosen to procure renewables directly, the proportion of renewables remaining in the 'residual' grid mix for standard-grid electricity has declined. This increases the carbon emissions associated with all the grid electricity we consume that isn't directly from renewables. It's important to emphasise that, while the emissions from standard grid electricity are outside of our control, we have increased our consumption from directly procured renewable energy from 25% to 28%.

Deliverability

With our enhancement costs doubling — and as large-scale asset investment ramps up across our sector — additional pressure on shared supply chains will continue. The National Infrastructure Commission (NIC) calculates that £12 billion of investment will be needed in water, every year, between 2025-2030, followed by maintenance of around £8 billion per year from 2030-2055.

Unprecedented transformation of our company and our sector, with core digital technologies such as the Internet of Things, digital twins, artificial intelligence and advanced sensing, will be fundamental to delivery. We have made smart decisions about the technology we will use and given the pace of change, choosing solutions that can have the greatest impact on our assets and ways of working over the long-term. More generally, our approach to future business planning is to identify solutions that will have a rapid impact, but are not at risk of becoming redundant in the future.

To unlock further funding opportunities, we will also need a step change in our approach, with more cross-sector collaboration and systems-focused, outcomes-based approaches, to create the right solutions to these shared issues, while keeping costs low for customers.

We will continue to build on the strengths of our alliancing model. Having an established alliance means we have a varied, collective understanding of what it takes to deliver such a large programme of work. We will continue the capability we have built up over many years, so we're ready to deliver more over successive AMPs. In 2024, we not only welcomed back all previous partners, we also welcomed a new full partner, Binnies, to our @one Alliance, ready for 2025. Within the sector, we were an early adopter of the alliancing model to deliver our capital programmes. Since the @one Alliance's inauguration in 2005, our approach has been held up as an exemplar as part of the Government's Construction Playbook.

Supply chain and labour pressures

In AMP8, we are proposing £9 billion of investment in the region. The sheer scale of our investment will create over 7,000 jobs, as we look to meet the challenges identified both in the short and long term. To get ready for AMP8, we have a Strategic Workforce Plan, which encompasses our work to support over 800 apprentices into green jobs, with an increased focus on digital skills and a retirement plan to accommodate our ageing workforce. Read more in Our stakeholders – People, pages 67-75.

Reduction in landbank for available biosolids

We recycle the biosolids produced as part of our sludge treatment process to agricultural land, as an alternative to the use of artificial fertiliser. The landbank available for recycling this material has progressively reduced in recent years, principally due to tighter nutrient legislation in agriculture. With less overall landbank available, we've faced an increase in competition from other organic materials,

including biosolids from our neighbouring water companies. Fertiliser prices have also fallen over the last year, which has meant we've had to reduce our biosolids pricing to maintain demand and ensure we have sufficient land available for our production.

We anticipate that the landbank available for biosolids recycling will reduce further in future, so our bioresources strategy for 2025-2050 includes exploring and developing alternative recycling options. We're working with Firefly Green Fuels,

a spinoff from Green Fuels Research and Haltermann Carless, to provide biosolids for an exciting new project: sustainable aviation fuel. We're taking part in an initial pilot programme, providing biosolids that will be turned into jet fuel for Wizz Air. The use of sustainable aviation fuel saves more than 90% of the whole life carbon emissions of fossil fuels. It also avoids the need for us to rely on landbank for biosolids recycling. Read more about this trailblazing project in Our stakeholders – Partners, pages 76-79.



**Near and long-term factors:
Population Growth**



The East of England is home to 15% of England's population and four of the fastest-growing cities Cambridge, Peterborough, Milton Keynes and Northampton. By 2043, over 700,000 more people are projected to live in this region. The long-term challenge is sustaining the pace of housing development for the fast-growing population and ensuring infrastructure is in place to facilitate demand.

Every new home and business needs clean water at the turn of a tap and effective wastewater disposal. We must put in place the necessary infrastructure, to protect the environment from further abstraction, while still facilitating growth. Where and when new housing is proposed poses a particular challenge for us. For example, rapid growth in a village or small town can be just as challenging to manage as growth in a big city, such as Milton Keynes.

We continue to work in partnership with central and local government, to support sustainable economic and housing growth in the region. As an example, we are proposing to relocate our Cambridge Waste Water Treatment Plant, to enable the regeneration of North East Cambridge. The relocation will make way for more than 5,600 new homes, one million square feet of commercial space and thousands of new jobs.

Delivering against evolving expectations

We are an industry under scrutiny. Customer, stakeholder and regulator expectations have evolved. While we welcome government targets for our sector to do more, to maintain the level of service we offer now, we will need to invest significantly more into our operations. This is due to both the challenging nature of our region and the impact of a changing climate.

Our ambition is to offer a better service than we do today, while seeking to minimise the cost for our customers. However, the high level of environmental ambition we are striving for comes at a cost. As an example, we will face a large increase in pumping costs – associated with our strategic pipeline that's designed to move water freely around our region – and greater chemical and sludge handling costs, from our considerably larger phosphate removal programme.

Our Purpose will continue to guide us, to ensure each decision ladders up to delivering environmental and social prosperity in the region.

Adapting to uncertainty

The environment we are operating in continues to be ambiguous. To help manage this, we've included uncertainty mechanisms in our plan. Depending on Ofwat's Final Determination and other political and regulatory changes, we may need to adjust our priorities. But we will keep our focus on delivering against our long-term ambitions. We will work with our regulators, to understand the consequences of any new of changing requirements.

For example, we are seeing a bigger focus on 'forever' chemicals. Our AMP8 plan proposes investment in eliminating environmentally damaging substances that are used in our water treatment processes. This is part of a wider issue that we cannot solve at source, so we are contributing to industry-wide research, to inform future planning rounds.

To flex in the face of a changing future, we have considered a range of plausible future opportunities. Innovation and technology were identified as key areas of opportunity in our double materiality audit, as enablers for delivering on challenges such as climate change, service affordability and managing the risk of environmental pollution.

Our Research and Innovation team leads much of our research and development work, investing around £30 million per year into research and projects. One of the team's current projects is the Ofwat-funded Triple Carbon Reduction project, which is exploring how to reduce process emissions. These are our biggest source of emissions after electricity. Other key areas are reducing energy consumption in water recycling and in the production of hydrogen. There is the potential to make significant carbon reductions in relation to hydrogen, but there is uncertainty surrounding how this new model may work. This project will increase understanding of how hydrogen could play a role in the future. Read more about our innovative, climate-related projects in our Task Force on Climate-related Financial Disclosure (TCFD) report, pages 91-103.

Anglian Water Services Limited is a private company limited by shares

Ownership and company structure

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

Overview of our corporate structure

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

The complete holding company structure is presented on page 26 and the principal companies in the structure are explained below.

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

The Group's financing strategy for AMP7 has reduced AWS gearing, in order to enhance and protect its current solid investment-grade credit ratings. This enables AWS to borrow at lower rates, to support the investments our customers have asked us to make.

AWG Group companies

Aigrette Financing Limited, Osprey Investco Limited, Osprey Acquisitions Limited and their UK financing subsidiaries have borrowed funds externally during AMP7, in order to increase the Group's equity investment in AWS.

AWG Parent Co Limited and AWG Group Limited are holding companies that were set up when AWG was a listed group. Both companies are wholly-owned subsidiaries, are registered in the UK and are UK tax resident.

Anglian Water Services Financing Group companies

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

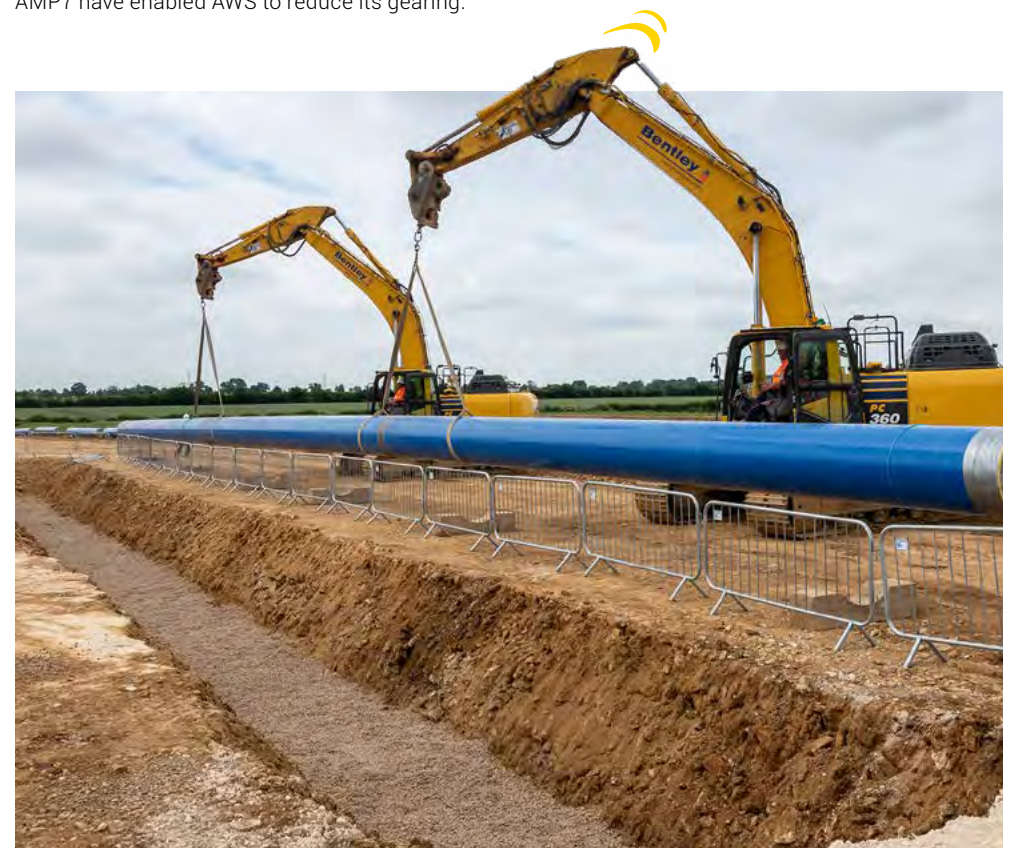
This makes us an attractive investment prospect for bond holders, which means we've been able to keep financing costs lower, ultimately benefiting our customers in the form of lower bills.

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

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

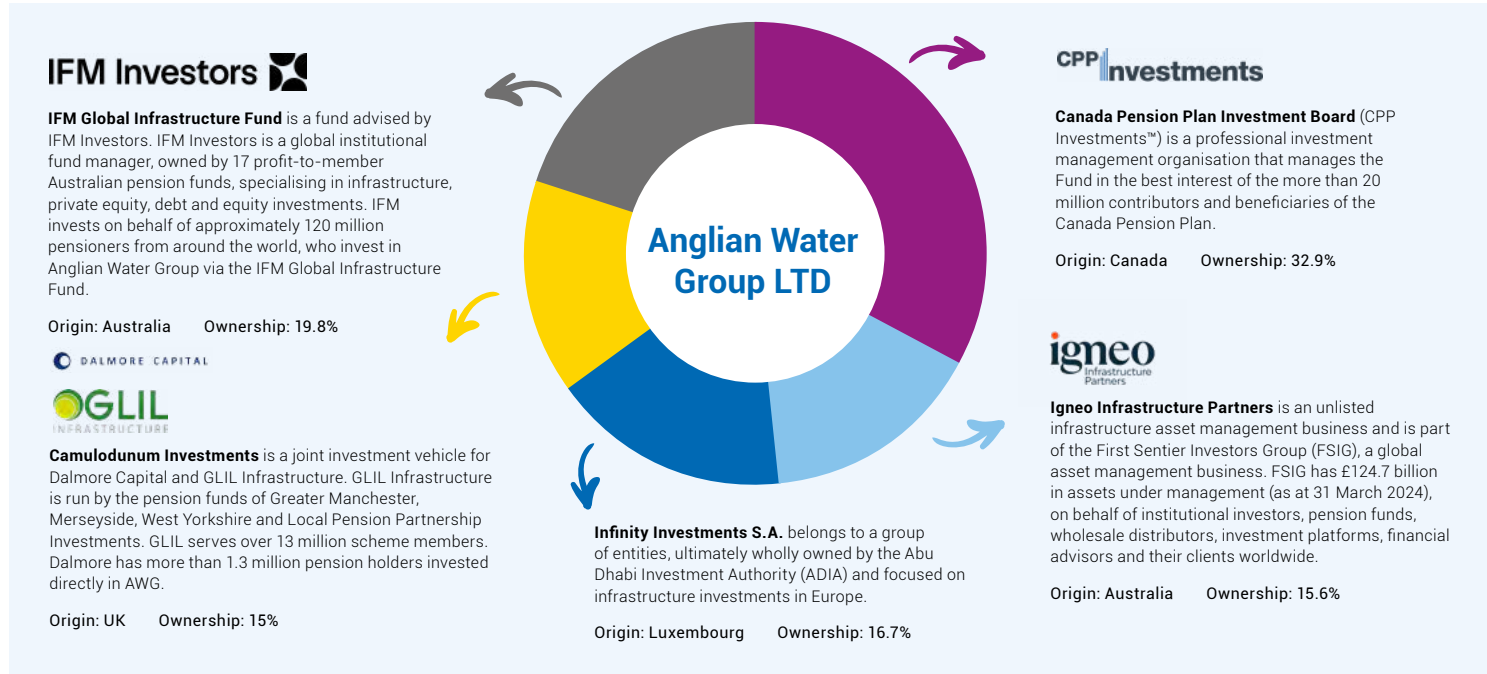
The Group's equity injections into AWS during AMP7 have enabled AWS to reduce its gearing.

Anglian Water Services Financing Plc is the financing company that raises money on behalf of Anglian Water Services Limited. Funds raised by this company underpin our investment in the region's water and water recycling services.

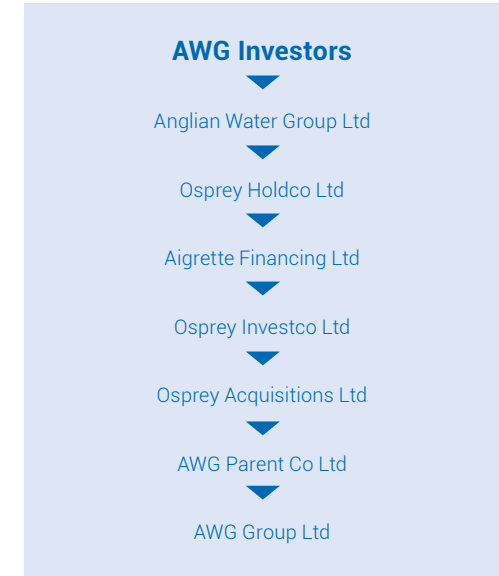


The laying of the Lincoln to Ipswich section of our Strategic Interconnector Pipeline

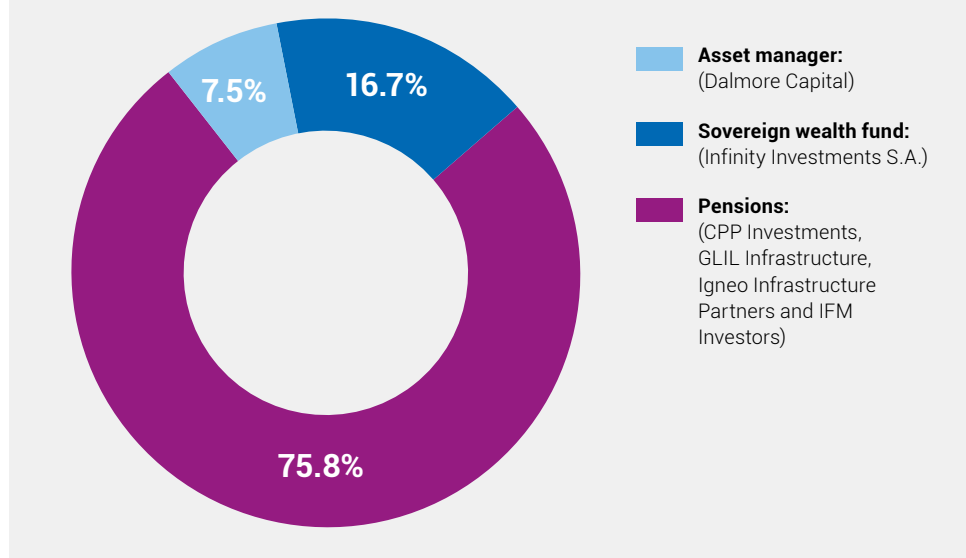
Details of AWG's ownership consortium



AWG's complete holding company structure



Details of beneficial ownership of AWG by investor type



Anglian Water Services Financing Group (AWSFG)

Direct subsidiary

¹ Collectively known as the Anglian Water Services Group, for which consolidated accounts are prepared.

Why delivering a sustainable return is crucial to delivering our Purpose

As a monopoly provider of essential public services, it is essential to always be striving to have the trust and confidence of our customers, while providing fair returns to our shareholders.

Balancing regulatory funding and attracting investment

The money we can raise from bills, along with how much we're allowed to invest in our service, is decided, every five years, through Ofwat's price-setting process and set out in our Final Determination.

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

- Increasing efficiency – running the business more cost-effectively than was funded at the time of the Final Determination; and
- Any rewards for meeting our Performance Commitment targets.

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

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

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

We have to provide investors with a reasonable return on their investment, in exchange for the risks they carry. During the past financial year,

a number of risks have crystallised – including high energy prices. Investors have borne the cost of dealing with these risks. The costs have, therefore, not been passed on to customers. We also believe that in years where we deliver excellent performance, this should be reflected in higher profits. In contrast, this year, dividends have been reduced, to reflect performance. However, profits can also rise or fall due to factors not directly related to performance – for instance, interest rate levels, or unexpected new legal obligations.

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

However, the driving factors behind high inflation mean the true picture is far more complicated⁹. The current high inflation (CPIH, or Consumer Price Index including Housing) is driven, in part, by high energy prices¹⁰. CPIH is calculated by using the change in cost of a range of items (basket of goods), plus the cost of owning and maintaining a home.

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

See Financial performance report on pages 31–34.

See Our Stakeholders – Shareholders on page 82.

⁹ [Consumer price indices, a brief guide – Office for National Statistics](#)

¹⁰ [Inflation and price indices – Office for National Statistics \(ons.gov.uk\)](#)



Dividends

The board has an approved dividend [policy](#), under which dividend payments take account of a range of factors, including service delivery for customers and the environment, current and future investment needs and financial resilience over the longer term.

In line with this dividend policy, the Board has proposed to make an interim dividend payment, amounting to £88.6 million. The base dividend has been adjusted for a total of £51.1 million in deductions, to reflect service delivery for customers and the environment.

A £79.9 million prior year final dividend was paid in the period (2023: £169.0 million in relation to financial year 2022), reflecting the company's dividend policy. A deduction was made to the base dividend of £26.0 million, to reflect performance in 2022/23.

These dividends were paid against a backdrop of an equity injection of £1,165.0 million in 2021 and results in a net equity injection for the AMP of £731.4 million. Through these capital injections, the company continues to benefit from the strong support of shareholders.

Tax

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

We have one of the largest levels of private investment in the region and have invested over £2.7 billion since 2020, as part of our five-year plan to 2025. This is central to underpinning the growth of the regional economy.

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

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

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

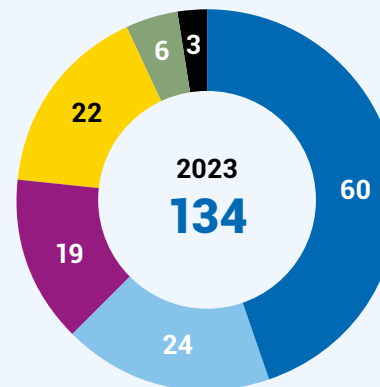
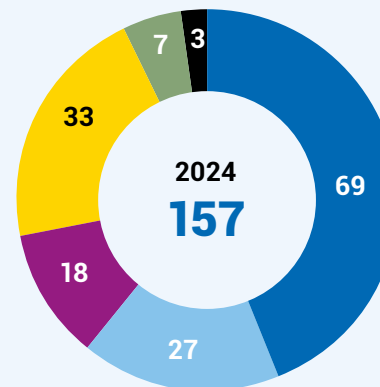
An open and constructive approach

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

Tax planning and compliance

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

Tax incurred directly (Figures in £ million)



- Business rates
- Employer's NIC
- Abstraction licences
- Environmental taxes
- Payment for losses
- Fuel excise duty
- Other

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

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

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

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

Relationships with tax authorities

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

Tax, risk management and governance

We have a comprehensive, multi-layered risk management system, which comprises risk registers for all areas of the business (see Risk Management, pages 105-118). These registers are subject to both internal and external review. We have a specialist tax team that identifies, assesses and manages tax risks and accounts for them appropriately. We implement risk-management measures – including controls over compliance processes – and monitor their effectiveness.

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

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

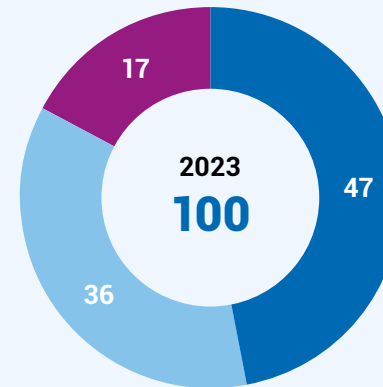
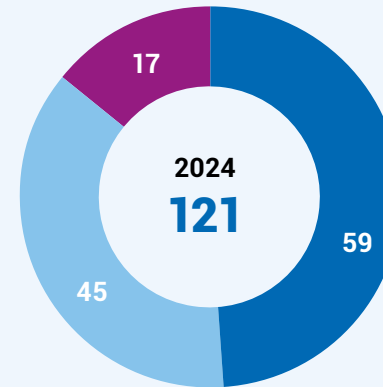
Our tax contribution

Our total tax contribution for the year extends significantly beyond the liability for corporation tax. Total tax paid or collected in the year to 31 March 2024, amounted to £278 million (2023: £234 million), of which £121 million was collected on behalf of the authorities for value-added tax (VAT) (£59 million) and employee payroll taxes (£62 million).

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

- Business rates of £69 million, paid to local authorities. This is a direct cost to Anglian Water and reduces profit before tax.
- Employment taxes of £89 million, including £62 million of employee Pay As You Earn (PAYE) and National Insurance Contributions (NICs) collected from salaries paid. In addition, employer NICs of £27 million were charged – approximately 72% of operating costs – reducing profit before tax, with 28% capitalised to fixed assets.
- VAT of £59 million, collected and paid to HMRC. VAT has no material impact on profit before tax.
- Abstraction licences and direct discharges of £18 million. This is a direct cost to Anglian Water and reduces profit before tax.
- Fuel excise duty of £7 million, related to transport costs and charged to operating costs, reducing profit before tax.
- Environmental taxes of £33 million, charged to operating costs, reducing profit before tax.

Taxes collected (Figures in £ million)



- VAT
- Employee PAYE
- Employee NIC



Sustainable financing and green bonds

Sustainable finance covers investments that meet Environmental, Social and Governance (ESG) standards and ensures funds are used to pay for projects that drive sustainable growth. For us, any sustainable finance we raise is tied to projects that protect or enhance the environment, or that help us deliver social prosperity, in line with our Purpose.

Green Bonds are any type of bond where the proceeds will be exclusively applied to finance or refinance (in part or full) to new or existing eligible green projects aligned with Green Bond Principles.

The investments we've financed using our former framework through our Green Bonds contribute to five environmental objectives: climate change mitigation; climate change adaptation; biodiversity conservation; pollution prevention and control; and natural resources conservation.

Green Bonds financed in line with our latest framework, updated in February 2024, will contribute to four new eligible sustainable categories: sustainable water and wastewater management; terrestrial and aquatic biodiversity; renewable energy; and affordable basic infrastructure.

Since 2017, we have raised £3.8 billion in green finance. Our first £250 million, eight-year bond will mature in August 2025, with a return of 1.625% to investors.

Throughout this year, we've raised £1.2 billion of funds across several debt transactions. Investors have financed a wide range of investments, under different portfolios. In August 2023, we closed out a £860 million dual-tranche bond, which will be used to fund both WINEP and our Strategic Interconnector Grid.

This builds on our first sustainability-linked Bond for £300 million, issued in 2021/22 and tied to achieving our net zero 2030 targets and 2025

interim targets. This means the interest rates payable for the debt are tied to the company achieving its net zero targets. This means that if we fail to achieve our ambitious 2025 transitional carbon goals, we will pay a higher rate of interest for the debt. The investments made through the Green Bonds issued to date are expected to support a 64% reduction from our 2010 capital carbon baseline in this financial year. Our most recent [Sustainable Finance Impact Report \(2023\)](#) charts progress against our Key Performance Indicators (KPIs). We have assessed the sensitivity to these KPIs and do not consider them to have a material impact on the financial statements.

Our WINEP (2020–2025) will be financed almost entirely with sustainable finance. Our £25.5 million-equivalent private placement has been fully allocated within the year, with the funds being used to pay for schemes within WINEP.

This AMP, we have issued a total of £2.8 billion of funds through green finance.

External validation

We have a track record of securing external validation of our ESG impact and business resilience.

This year, we received a CDP score of A-. The CDP score is an important global measure of our response to climate change and is a key metric, used by stakeholders, to assess a company's environmental performance. In 2022 we received a score of B.

In 2024, we also maintained our AA rating in the MSCI ESG Ratings assessment - the second highest ranking, for the third year running.

Sustainable Finance Framework

Our Sustainable Finance Framework was updated and published in 2024. Assessed by DNV, our framework supports the financing of water and water recycling projects that demonstrate our environmentally sustainable management of natural resources and land use, as well as how we're adapting to climate change.

In our previous framework, launched in 2020, the eligible categories reflected our business plan outcomes for AMP7 (2020-2025). For this framework update, we have introduced a new set of ambitious and bespoke KPIs, to align our Sustainable Finance Programme with our long-term ambitions.

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

Looking ahead

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



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

Financial results

The financial results are summarised in the table below:

	2024 Total £m	2023 Total £m
Revenue (excluding grants and contributions)	1,528.8	1,388.9
Grants and contributions	97.8	106.0
Other operating income	15.8	16.0
Operating costs	(784.2)	(678.0)
Loss allowance for expected credit loss	(38.7)	(30.1)
EBITDA ¹	819.5	802.8
Depreciation and amortisation	(388.6)	(379.1)
Operating profit	430.9	423.7
Interest (excluding indexation)	(187.6)	(169.7)
Indexation charge	(359.9)	(561.4)
Finance income	44.9	20.6
Adjusted loss before tax ^(see note 6)	(71.7)	(286.8)
Fair value gains on derivatives	204.9	645.3
Profit before tax on a statutory basis	133.2	358.5
Tax	(31.2)	(90.2)
Profit after tax	102.0	268.3

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

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

Revenue

This year, revenue, excluding grants and contributions, was £1,528.8 million (2023: £1,388.9 million), or an increase of £139.9 million (10.1%). The net increase in revenue is as a result of the following factors:

- The price increase for customers, following the regulatory pricing formula, resulting in a £165.4 million increase. This is reflected in an average increase of 10.7% in dual-service bills.
- A net decrease in demand of £5.8 million. Household consumption is down £8.0 million, reflecting a cooler, wetter summer, compared with the prior year. Non-household consumption is up £2.2 million, as we move back towards pre-COVID 19 levels of consumption.
- A decrease of £12.0 million, relating to discounts for the LITE tariff, funded from prior year cross-subsidy contributions.
- Other offsetting movements in revenue of £7.7 million.

Grants and contributions

Grants and contributions represent the cash and asset contributions made principally by property developers and local authorities, for connecting new property developments to the water and sewerage network and for work on existing infrastructure that was needed to accommodate development.

Following strong growth in the housing market and construction sector within our region during the prior year, as a result of the cost of living crisis, 2023/24 has seen decline in this activity. This has resulted in a reduction in grants and contribution income of £8.2 million to £97.8 million.

Other operating income

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

Operating costs (including loss allowance for expected credit losses)

Operating costs increased by £114.8 million, to £822.9 million (16.2%). This was principally due to inflation and power cost increases. The previous year was hedged, prior to the spike in prices, following the Russian invasion of Ukraine. These movements are explained in the table below:

	Total £m
Prior period	708.1
In-year movements:	
Funded by Final Determination (FD)	
Inflation	37.8
Weather-related costs	
Unwind of drought-related expenditure	(12.6)
Increase in cost due to impact of wet winter weather	9.3
Power	68.4
Rates	5.1
Loss allowance for expected credit losses	8.6
Other significant items	
Regulatory licence fees	1.5
Other	(3.3)
Total increase	114.8
March 2024	822.9

Inflation

The inflationary increases in our cost base formed part of the Final Determination and are therefore, while subject to a timing delay, funded through the inflationary increases in revenues.

Weather-related

The first six months of the prior year saw very little rainfall and as a result we saw exceptionally hard and dry ground conditions which can cause pipes to move and split. As a consequence of this, in the prior year, we experienced increased costs, particularly around leakage.

Relatively benign weather conditions were present for the first half of 2023/24, however these gave way to extremely wet weather, leading to flooding, in the second half of the year, which put pressure on our water recycling operations.

As a result, we saw a reduction of the drought-related expenditure, with increased costs associated with the impact of the extremely wet weather.

Power

The increase in power is due to the prior year energy prices being locked-in ahead of the war in Ukraine, whereas the current year reflects the significant cost increases since then. Our proactive energy hedging approach enabled us to have flexibility in the most volatile and expensive market periods.

Rates

A refund was received as a result of a rates review in the second half of 2022/23. Our rates charge is therefore higher in the current year.

Loss allowance for expected credit losses

The increase is primarily a result of the increase in revenue seen in the year. Our cash collection performance remains strong, despite a slight reduction on the prior year, due to the wider economic conditions.

Other significant items

These include a £1.5 million increase in the Ofwat licence fee, with the balance relating to a range of individual, small offsetting items.

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is defined in note 6 and is the profit from continuing operations, before interest, tax, depreciation and amortisation. This has increased by 2.1% to £819.5 million, which is consistent with the effect of the increases described above.

Depreciation and amortisation

Depreciation and amortisation is up 2.5%, to £388.6 million, primarily as a result of higher fixed-asset balances, as we construct and commission assets in line with our capital investment programme.

Operating profit

Operating profit has increased by 1.7%, to £430.9 million, which is consistent with the increase in EBITDA, partially offset by the increase in depreciation.

Financing costs and profit before tax

Adjusted net finance costs (excluding fair value gains on financial instruments) were £207.9 million lower than the prior year, at £502.6 million. This is primarily a result of the non-cash impact of lower inflation on index-linked debt, which decreased by £201.5 million, to £359.9 million, and an increase in finance income on our deposits, due to higher market rates.

Fair-value gains in the period, which are unrealised, non-cash items, are the result of decreases in derivative liability positions, primarily driven by forecast increases in interest rates and decreases in inflation curves. Fair-valuation movements on derivative valuations can be volatile, depending on the market-rates forecast at the time of reporting and do not have a crystallised economic impact to the business, until the time of actual cash-flow fixing.

The business is funded, based on its embedded cost of debt and relative performance against the iBoxx index. As a result, these non-cash, fair-value gains and losses do not impact the immediate commercial performance of the business. Ofwat obligations or shareholder distributions during AMP7.

Taxation

The tax charge for the period comprises:

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Current tax:		
In respect of the current period	(47.3)	(25.4)
Adjustments in respect of prior periods	(0.4)	0.7
Total current tax credit	(47.7)	(24.7)
Deferred tax:		
Origination and reversal of temporary differences	82.8	113.0
Adjustments in respect of previous periods	(3.9)	1.9
Total deferred tax charge	78.9	114.9
Total tax charge on profit on continuing operations	31.2	90.2

Compared to the same period in the previous year, the total tax charge has decreased by £59.0 million, from a charge of £90.2 million, to a charge of £31.2 million. This is primarily due to the lower gains on derivative movements in the current year.

In addition to the £31.2 million tax charge on the income statement, there is a credit of £8.4 million (2023: credit of £35.5 million) in the statement of other comprehensive income, in relation to tax on actuarial losses on pension schemes and fair-value losses on cash flow hedges.

Distributions to the Parent Company

The directors have proposed an interim dividend for the 2023/24 financial year of £88.6 million, to be paid in June 2024. This dividend is in line with the Company's [dividend policy](#). The base dividend was adjusted for a total £51.1 million deduction, to reflect service delivery for customers and the environment. There are no plans for this dividend to be paid to the ultimate shareholders of Anglian Water Group Limited.

A £79.9 million prior-year final dividend was paid in the period. The base dividend was adjusted for a total of £26.0 million deduction to reflect service delivery for customers and the environment.

These dividends were paid against a backdrop of an equity injection of £1,165.0 million in 2021 and result in a net equity injection for the AMP of £731.4 million. Through these capital injections, the company continues to benefit from the strong support of shareholders.

Continuing to deliver our AMP7 capital investment programme

2023/24 was the fourth year in the five year AMP7 investment programme. Over the five years to 2025, Anglian Water will invest a record £3 billion, through its capital investment programme. This spend will help to achieve AMP7 commitments and includes significant investments, to ensure the region is resilient to the impacts of drought, climate change and population growth, alongside the largest ever programme of schemes delivering environmental protection.

Delivery against this investment programme remains strong, with gross annual capital expenditure across the appointed business increasing from £725 million in 2022/23, to £963 million in 2023/24 (£340 million on capital maintenance, £623 million on capital enhancement).

Financial needs and resources

At 31 March 2024, Anglian Water had borrowings net of cash of £6,976.9 million (excluding the fair value of derivative financials instruments) – an increase of £729.0 million from 31 March 2023. The increase in net borrowings primarily reflects accretion on index-linked debt, capital expenditure and interest payments.

During the period there were new issuances of £300 million 5.875% fixed rate 2031, £560 million 6.0% fixed rate 2039, JPY 8.5 billion 1.917% fixed rate 2034, £375 million 5.75% fixed rate 2043 and a £100 million CPI 2040. These new issuances were partially used to repay £200 million 6.875% fixed rate 2023, \$170 million 3.84% fixed rate 2023, £93 million 3.537% fixed rate 2023 and £83.5 million EIB debt repayments.

Liquidity

The Company's objective is to maintain flexibility, diversification and continuity of funding, through access to different markets and debt instruments. At 31 March 2024, Anglian Water held cash, deposits and current asset investments of £1,004.4 million (March 2023: £633.1 million). The increase in cash amounts held, is reflective of higher new-debt issuances than debt repayments and capital expenditure in the period.

As at March 2024, Anglian Water has access to £1,025.0 million of undrawn facilities (March 2023: £975.0 million) to finance working capital and capital expenditure requirements. In addition, Anglian Water has access to a further £425.0 million of liquidity facilities (March 2023: £375.0 million), consisting of £294.0 million to finance debt service costs and £131.0 million to finance operating expenditure and maintenance capital expenditure, in the event that the company was in an Event of Default on its debt obligations and had insufficient alternative sources of liquidity.

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

Interest rates

The Company's policy, as agreed by the Board, is to achieve a balanced mix of funding to inflation-linked, fixed and floating rates of interest. At 31 March 2024, taking into account interest rate swaps, 60.5% (March 2023: 66.6%) of the company's borrowings were at rates indexed to inflation, 28.4% (March 2023: 26.2%) were at fixed rates and 11.1% (March 2023: 7.2%) were at floating rates. At 31 March 2024, the proportion of inflation debt to regulated capital value was 47.3% (March 2023: 47.9%).

Pension funding

At 31 March 2024, the closed defined benefit scheme had an IAS 19 accounting pension surplus (before deferred tax) of £30.7 million, compared to £51.1 million at 31 March 2023. This decrease in surplus reflects a decrease in the scheme's liabilities, resulting from an increase in the corporate bond rate used to discount those liabilities on an accounting basis, compared to a greater decrease in our assets which are hedging-gilt-based liabilities.

Annual Performance Report

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



Holding ourselves to account

Our position, as a supplier of an essential public service, presents us with both the opportunity and the responsibility, to do more for the region and communities we serve. It's essential that we run our business in a responsible and transparent way, in line with our Purpose.

We are conscious of the weight of responsibility we bear to deliver safe, clean water and recycle it effectively and to protect and enhance our environment and enrich our communities. That responsibility drove us in 2019 to become the first utility to embed our purpose into our Articles of Association, locking public interest into the fabric of our business and the decisions we make each day.

We are committed to:

- acting in the public interest. We recognise our wider role, in the communities we serve, beyond providing fresh clean drinking water and protecting the natural environment we operate in;
- making sure customer bills are fair, affordable and that they offer value for money. And demonstrating we are responsible with customer money;
- ensuring our profits are fair, not excessive and that we pay our fair share of tax.

These principles are woven through our business, through our defined Purpose, which is underpinned by our company values and our six capitals model for decision making. Our Group Chief Sustainability Officer works with and challenges our Board, ensuring decisions are guided by our Purpose framework. Purpose-related criteria are embedded across all of our bonus structures. Find out more in our Remuneration Committee report pages 148-174.

Externally validating our Purpose and ESG work

Along with the British Standards Institution (BSI), we led the development of a new Publicly Available Specification (PAS) in 2022, for embedding purpose in organisations (PAS 808:2022 Purpose-Driven Organisations, Worldviews, Principles and Behaviours). The new PAS has been sponsored by the UK Government.

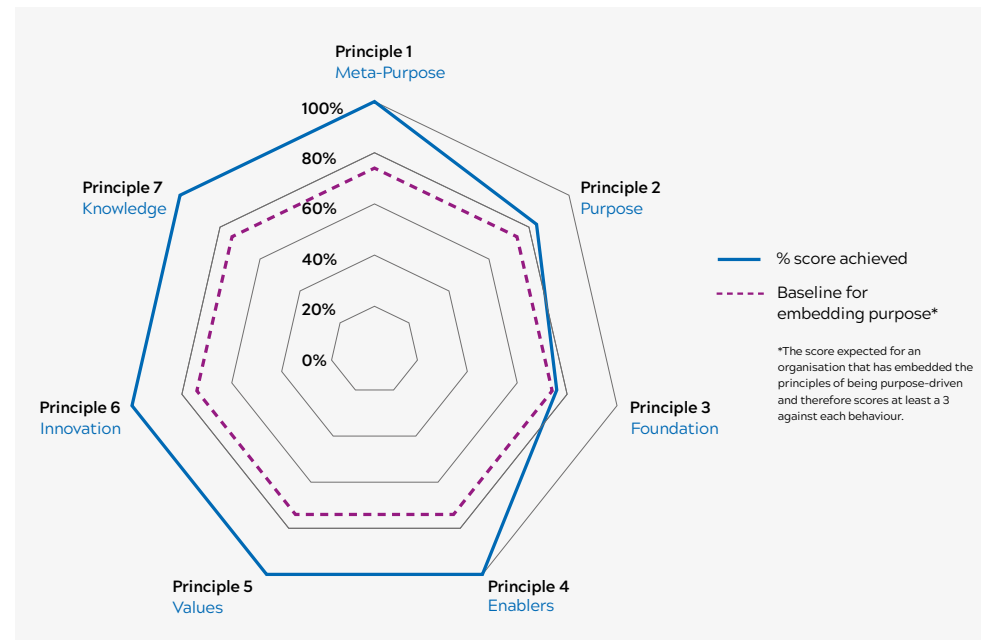
One year on, we were the first company to be assessed against PAS 808 by BSI. As part of the initial pilot, BSI are taking forward our assessment and using it to develop a framework that can be used by other companies.

In 2023, BSI ran a nine-day (non-certified), organisational-wide assessment of Anglian

Water to the PAS. The assessment explored the extent to which the worldviews, principles and behaviours on purpose are embedded in the organisation. The full results of this assessment will be published on our website.

Matt Page, Managing Director UK & Ireland, Assurance at BSI said: "Achieving verification to this standard and embedding organisational purpose driven strategies has the potential to bring wide-ranging benefits to Anglian Water, including having a discernible impact on the internal culture and bottom line, as well as the ability to attract the best talent. Anglian Water should be proud of their work to achieve verification and of the action they have taken to put purpose at the heart of everything they do."

How Anglian Water is performing against each principle, as a percentage of the maximum possible score



BITC's Responsible Business Tracker®

When we embedded our Purpose into our Articles of Association in 2019, we committed to assessing ourselves against a set of responsible business principles, including Business in the Community's (BITC) Responsible Business Tracker®. The Tracker assesses our work against principles, underpinned by the UN's Sustainable Development Goals. We use the feedback from the Tracker to agree future areas of focus. Following feedback last year, we continued to make progress on our sustainable procurement approach and diversity and inclusion work – both of which saw improvements in this year's results. See more in our Nomination Committee report on pages 144-147.

"Anglian Water continues to be one of the highest-scoring participants and demonstrates best practice across most of the issue areas." Kay Supra, Relationship Manager, BITC.

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

87%
Anglian Water's score

48%
Cohort average

91%
Cohort maximum

Welcoming scrutiny

In 2023, we experienced a number of external headwinds and our performance didn't meet our expectations in some areas. As a responsible business, it's important to use these events as opportunities to learn and improve.

Customers can find out more about our progress against key topics through our up-to-date reporting suite. As a further act of transparency, we are currently exploring new ways to report our absolute impact in delivering environmental and social prosperity for our region.

We regularly communicate with our customers and key stakeholders, to ensure we are delivering against their expectations. Anglian Water's Independent Challenge Group (ICG) is a group of independent experts and regulators, with an independent Chair, Craig Bennett, Chief Executive of the Wildlife Trust. The ICG challenges us, to ensure we are delivering on customer priorities. Over the past year, the ICG has provided scrutiny on the quality of our engagement with customers and our wider communities and on whether our actions reflect their priorities, alongside contributing to the development of our AMP8 business plan.

In 2022, we re-established our Customer Board, where we facilitate an open, two-way discussion between customers and our Management Board. Recent discussions have included deep dives into our long-term delivery strategy, which looks at our key focus areas to 2050. In 2022, our river health panel – made up of a broad spectrum of academic and river experts – was established. We have regular meetings with this expert panel.

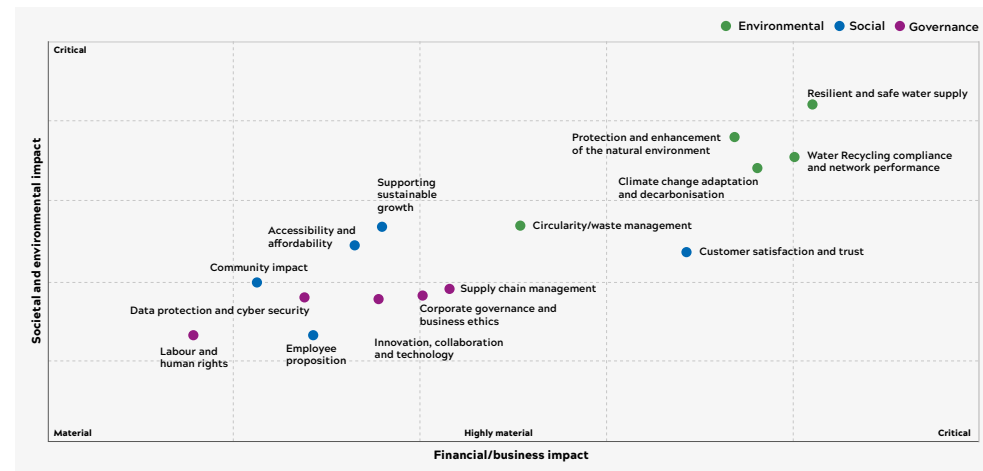
[Find out more about stakeholder engagement in our Section 172 statement](#) pages 84-86.

Double materiality

In 2023, with Corporate Citizenship (now SLR Consulting), we ran a formal double materiality assessment, which examines the ESG topics most relevant to Anglian Water. Our materiality assessment involved a process of identifying and prioritising material sustainability topics that are critical to Anglian Water's long-term success. This built on other materiality exercises completed by the business.

The assessment identified key opportunities, risks and challenges. We will continue to focus on areas where we can make improvements. For example, innovation, collaboration and technology were identified as key areas of opportunity, to help us face into the complex challenges experienced by the industry, such as the impact of climate change, service affordability and managing the risk of environmental pollution.

Anglian Water's Double Materiality Matrix (2023)



Sustainability Centre of Excellence

We have steering groups throughout the business that discuss emerging trends and opportunities and consider new ways of working to address our key risks – for example those outlined in our Taskforce for Climate-related Financial Disclosures (TCFD) report, pages 91-103.

These groups include our Sustainability Centre of Excellence, which acts as a consultative and collaborative forum for those leading on sustainability and purpose throughout the organisation, to maximise impact and increase transparency.

In addition to PAS 808 and the BITC Responsible Business Tracker®, we are assessed on our ESG performance by other leading organisations. This includes:



GRESB

This year we achieved a 5* rating in GRESB Infrastructure Asset Benchmark.



CDP

CDP works with market forces to motivate companies to disclose their impacts on the environment and natural resources and to take action to reduce negative impacts. This year, we received an A- rating in the Climate Change disclosure, which is in the Leadership band.

Performance Commitments dashboard

To measure our progress towards our 2020–2025 outcomes, we set targets as part of our business planning process with our regulator Ofwat.

Known as Performance Commitments or Performance Commitment Levels (PCLs), these are summarised below, with information on how we monitor our progress, how we've performed this year and whether rewards or penalties are attached to each commitment. Most common PCLs are the same for companies whose systems are mainly in England or Wales.

This year is the fourth of our current five year regulatory cycle (AMP7, 2020-2025). While we have achieved strong performance in many areas, we have not reached our targets across all PCLs. An explanation is given in each section. Our net outcome for 2023/24 is -£37.57 million. We received £4.58 million* in reward and £42.15 million* penalties.

Despite the many challenges we've faced this year, we've seen strong performance across a number of areas, most notably, Customer and Developer measures of experience, Priority Services Register and Water Quality Contacts. We've continued to invest in what matters most to our customers – drinking water quality – alongside future-proofing water supplies to protect the environment by creating our vast, interconnecting network of pipelines through our Strategic Interconnector Grid; preparing for two new reservoirs; and making progress against Get River Positive.

Furthermore, we are making extensive use of new monitoring technologies to help us manage our assets and asset performance. We are seeing sustainable improvements as a result. Harnessing data on our performance also gives us richer insights, enabling us to prevent potential issues. Greater insight is enabling us to make more effective interventions, with clear benefits to customers and the environment.

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

Supply meets demand

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Leakage	A percentage reduction in the amount of water lost to leakage across the region in megalitres per day (Ml/d). One megalitre is a million litres.	6.2% reduction (against a 2019/20 baseline)	6.2% reduction (against a 2019/20 baseline)	12.4% reduction (against a 2019/20 baseline)	-£8.40 million
Per capita consumption (PCC)	A percentage reduction in the average water consumption per household per day for properties in our region.	2.5% increase	2.2% reduction	4.5% reduction	n/a
Smart metering delivery	The number of smart water meters that are installed at customer properties.	543,686	806,307	877,118	n/a
Internal interconnector delivery	The number of megalitres per day extra capacity delivered to ensure that customers in the region have sufficient water in the future.	6.5 Ml/d	8.9 Ml/d	0 Ml/d	n/a
Elsham DPC (Underperformance)	Measures the progress in implementing a direct procurement process for customers, to support the appointment of a competitively-appointed provider to construct and finance the Elsham treatment works and transfer scheme.	n/a	n/a	n/a	n/a
Elsham DPC (Outperformance)		n/a	n/a	n/a	n/a

Leakage: This year we achieved an in-year leakage result of 182.1 megalitres a day, our lowest three-year-rolling average ever recorded (a 6.2% reduction from the 2017-2020 three-year baseline period). In calculating our 2023/24 figures, we needed to make an adjustment to our 2022/23 numbers because of a minor error in the coding we used to calculate non-household consumption. This means we've incurred an extra £1.9 million penalty for year three (2022/23). We have notified Ofwat and an adjustment has been made to our penalty, which will be shared back with customers in next year's bills.

Per capita consumption: We achieved in-year performance of 132.0 litres per person per day – a reduction of over six litres a day, compared to 2022/23 (138.4). This reduction is underpinned by our large-scale roll out of smart meters.

Smart metering delivery: We have a target to install over 1 million smart meters by the end of this AMP. We fitted 262,621 smart meters over the past year, bringing the total number of installations since 2020 to 806,307. In June 2023, we were given funding to install a further 60,000 smart meters under Defra's Accelerated Infrastructure Delivery programme. Those smart meters are in addition to the numbers quoted above. We plan to fit the additional 60,000 smart meters in 2024/25.

Internal interconnector delivery: Timescales for the delivery of our Strategic Interconnector Grid, being delivered by our Strategic Pipeline Alliance (SPA), are being rephased. A number of external factors have worked against us: COVID-19, the war in Ukraine, inflation and, more recently, some of the wettest weather on record. It will now be completed during AMP8 (2025-2030), rather than by the end of 2025, as originally planned within the AMP7 Performance Commitment. Delivery by the end of 2025 was a hugely ambitious timeframe for such a complex and important infrastructure programme.

Delighted customers

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Customer Measure of Experience (CMeX)	Customer survey conducted for Ofwat, called CMeX, which assesses the experience the company provides to residential customers.	78.8/100, putting us in 10th place	77.5, putting us in 7th place	This is a comparative measure – we aim to perform in the top 25% of companies (4th position or higher)	£0.86 million
Developer Measure of Experience (DMeX)	Survey conducted for Ofwat, called DMeX, which assesses the experience the company provides to developer services customers who build new homes.	87.3/100, putting us in 9th place	91.22, putting us in 4th place	This is a comparative measure – we aim to perform in the top 25% of companies (4th position or higher)	£2.15 million
Properties at risk of persistent low pressure	Number of properties that are affected by persistent low pressure. Persistent low water pressure is an ongoing low pressure problem rather than short-term low pressure caused by a water mains burst or unusual peak in demand for water.	53	65	150	£0.54 million
Internal sewer flooding	The number of times that properties are flooded internally per 10,000 customer connections to the sewer.	1.69	2.27	1.44	–£9.08 million
External sewer flooding	The number of times that properties are flooded externally.	4,673	6,564	4041	–£9.38 million
Non-household retailer satisfaction	This measure assesses the service provided by the company to non-household retailers.	86.7	81.3	78.0	n/a
Water supply interruptions	Average length of supply interruptions per property (for interruptions over three hours).	14m 35s	9m 8s	5m 23s	–£4.30 million

Customer Measure of Experience (CMeX): We finished 7th in the industry, and 5th in the Water and Sewerage Companies table (WaSCs). We're one of only a small handful of companies bucking the trend and improving our scores, by sharing our stories around reducing pollutions and focusing on the environment.

Developer Measure of Experience (DMeX): With our improving qualitative score and our quantitative performance contributing to our overall score, we ended the year in 4th place, our highest year-end position this AMP. The score is a significant improvement on 2022/23, jumping up five places and putting us in reward. Our success this year can be put down to collaboration across each of our workstreams, building new and developing existing relationships, sharing best practice and technical experience, with the customer at the forefront.

Properties at risk of persistent low pressure: The number of reportable properties on the register is 65. This is well within the PCL of 150 properties. During the year, 19 properties were added to the register and we removed seven properties as a result of capital works, such as installing a booster pump or switching the supply for a property to a different zone.

Internal and External sewer flooding: Saturated ground and high groundwater levels across our region have meant that high volumes of excess rainwater were carried into already full-to-bursting rivers, ditches and storage, resulting in widespread and prolonged internal and external flooding. Throughout this year, we've doubled the operations of our pumping stations compared to usual levels to manage excess rainwater. And, as we head into the last year of this AMP, we have developed a new, multi-agency approach to prevent flooding impacts. Read more in Year in Context pages 14-19.

Non-household retailer satisfaction: This year we have outperformed our Retailer Satisfaction commitment. The metric is comprised of three parts. The first, the Retailer Net Promoter Score, is a 64-point positive rating. The second, Market Performance Standards, measures how quickly and accurately we update our data in the Non-Household Market, where we achieved a score of 97.45%. Finally, for Operational Performance Standards, we achieved a score of 82.52%. This is our most challenging area of total performance and we are focusing our efforts to improve all metering-related activities.

Water supply interruptions: Two significant events in October resulted in us being off target, with customers being off water for an average time of nine minutes eight seconds. In October, Storm Babet brought heavy rains and flooding to parts of Suffolk and Norfolk. During Storm Babet, one event was a result of one of our assets being flooded during the storm. Aside from these events, we maintained a steady service of supply to customers, staying close to our Ofwat target throughout the year. We are committed to delivering a good service for our customers and are investing in technology to monitor pressure on our network, so we can pinpoint and reduce risk.

Fair charges, fair returns

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Managing void properties	The percentage of properties that are falsely identified as void properties. This means that they are occupied and should be charged by the company.	0.10	0.08	0.30	£1.04 million
Value for money	A survey of customers by the Consumer Council for Water about the value for money provided by the company.	81% agree we provide value for money	77% agree we provide value for money	82% agree we provide good value for money	n/a

Managing void properties: This is the percentage of properties that are falsely identified as void properties. This means that they are occupied and should be charged. The Ofwat target was 0.30% and we out-turned at 0.08%, resulting in an reward of £1 million. The performance shows the continuing impact of the considerable work we put in to identify false voids. Activities in the year have included reviewing all properties void for more than four months, reviewing water consumption data, sharing data with water-only companies, using bureau and land registry data, making doorstep visits and sending letters and emails.

Safe, clean water

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Water quality (Compliance Risk Index)	This is the key measure used by the Drinking Water Inspectorate to determine our overall compliance with stringent regulatory drinking water standards.	2.92	3.57*	0.000	-£1.63 million
Water quality contacts	The number of complaints from customers about water quality, per thousand people served.	1.01	0.86	0.85	-£0.03 million
Event Risk Index	This assessment looks at the company's approach to risk mitigation of water quality events.	2.771	109.415*	15.000	n/a

Water quality contacts: This year, we built on our best-ever 'acceptability' score, achieving 0.86, narrowly missing our 0.85 target. Acceptability scores are based on the number of customer contacts about the appearance, taste or smell of their water per thousand people served. This remains our best performance to date and is indicative of an improving trend over the past decade. More on page 20.

Compliance Risk Index*: Our Compliance Risk Index (CRI) score demonstrates how we manage water quality. Our provisional CRI score is 3.57. We have missed our Ofwat target. We expect our water quality performance to continue to be strong, relative to our peers, when looking at the provisional Drinking Water Inspectorate (DWI) results. We comply with very strict regulations on drinking water quality, which means we report each of these failures to the DWI. We also carry out full investigations on each failing sample. Overall, 99.95% of our samples passed this year. We have a plan to address failures on our assets, such as through installing enhanced water quality monitoring at 25 of our highest-risk sites (90% are now installed). As an additional step, we are proactively running flow cytometry on all regulatory final water and storage point water samples via our laboratory, enabling us to develop a more accurate picture of risk. Some failing samples were found to be from bacteria on customers' taps, not in their drinking water. Poor tap hygiene is usually the most common culprit for this.

Value for money: We have scored highest in the industry for value for money for our sewerage service, with 78% of customers agreeing that they were 'satisfied' or 'very satisfied', when asked by Consumer Council for Water about our services. We also scored highly for our water services, with our score of 76% being only one point off the top score of 77% and ahead of the industry average of 69%. Our weighted average score is 77%. Despite the overall downward trend across the industry, we have maintained a strong position, as we regularly engage with customers on value for money.

Event Risk Index*: ERI scores consider the type of event, population impacted and duration of the event. Our provisional ERI score in 2023 is 109 – above Ofwat's target of 15 and a provisional industry average of 1,958. This year's ERI score was impacted by a one-off event at Heigham, Norwich. When taps were run for a long time, for example when filling a bathtub, the water had a slight colour. The event was a result of the wet weather, which can negatively impact the quality of the water we take out of rivers and reservoirs. To tackle this, we are changing our abstraction regimes, protecting our customers from such events. And, to prevent this from happening in future, we're working with our catchment team to support positive catchment management. Throughout this time, our water met all regulatory microbiological and chemical standards.

* At the time of reporting, these figures are provisional and awaiting confirmation from the Environment Agency and the Drinking Water Inspectorate.

Resilient business

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Risk of severe restrictions in drought	The percentage of properties at risk of service restrictions in the event of a 1-in-200-year drought.	5.2%	5.2%	21.8%	n/a
Risk of sewer flooding in a storm	The percentage of properties that we serve that are at risk of sewer flooding during an extreme wet weather event.	0.74%	0.75%	9.75%	n/a
Percentage of population supplied by single supply system	Percentage of population served by a single supply system. Our goal is to increase the number of properties supplied by more than one water treatment works, so that if something goes wrong at one works, our customers' water supplies are protected.	22.3%	22.3%	20.0%	£0
Cyber security	Percentage of risks mitigated against the cyber threat to operational technology (OT) and to comply with the network and information systems (NIS) regulations.	Ongoing	Ongoing	100% by 2025	n/a

Risk of severe restrictions in drought: The percentage of the population we serve that would experience severe supply restrictions during a drought is 5.2%, based on 25-year prediction modelling. This result has not changed from the previous year.

Risk of sewer flooding in a storm: This measure is based on modelling that predicts the likelihood of flooding in our network in a 1-in-50 year storm. Targeted investment on assets, such as storm tanks and sustainable drainage solutions, is helping improve sewer capacity.

Percentage of population supplied by a single supply system: This measure is linked to the delivery of our Strategic Interconnector Grid which, on completion, will provide more than 80% of customers with a dual supply system. We have re-profiled delivery based on supply chain issues earlier in the AMP, with the project now expected to complete in AMP8 (2025-2030).

A smaller footprint

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Operational carbon	Percentage reduction in carbon emissions from day-to-day operations, compared to a 2019/20 baseline.	6.0%	-1.6%	8%	n/a
Capital carbon	Percentage reduction in carbon emissions from construction activity measured in tonnes of CO ² equivalent compared to a 2010 baseline.	63.2%	64.2%	64.0%	n/a

Operational carbon: Our operational carbon target of 10% reduction is phased over the AMP. This year we have missed our target. As more large consumers have chosen to procure renewables directly, the proportion of renewables remaining in the 'residual' grid mix for standard grid electricity has declined. This increases the carbon emissions associated with all the grid electricity we consume that isn't directly from renewables. It's important to emphasise that, while the emissions from standard grid electricity are outside of our control, we have increased our consumption from renewable energy from 25% to 28%. We continue to switch to more renewables – with an aim to power 45% of our electricity requirement from renewable sources by 2025.

Flourishing environment

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Pollution incidents	Number of pollution incidents due to escapes from our sewerage network, per 10,000 km of sewer network.	33.36	40.16*	22.40	-£7.90 million
Bathing waters attaining 'Excellent' status	Number of recognised bathing waters in our region rated 'Excellent' (based on standards set by the European Bathing Water Directive).	32	29	35	n/a
Abstraction Incentive Mechanism	An incentive to reduce the water we take from sensitive rivers or wetlands during very dry periods.	17 MI	29 MI	-87 MI	-£0.06 million
WINEP	The progress of the company in delivering its agreed Water Industry National Environment Programme (WINEP) schemes in a timely manner.	1,399	1,533*	1,577	-£0.62 million
WINEP delivery		Not met	Not met	Met	n/a
Natural capital	This measures progress towards meeting improvements in natural capital within our region.	Fail	Fail	On track	n/a
Regional collaboration	This measures progress towards the development of a regional approach to assessing and considering natural capital.	On track	On track	On track	n/a
Sludge treatment capacity	This measures progress towards delivering additional sludge treatment capacity.	0.0	0.0	100% by 2025	n/a

Pollution incidents*: In 2023, we had c.40 pollutions per 10,000km of sewer network. We are disappointed with our performance as it does not reflect the hard work taking place across the business. The investment and action taken in line with our Pollution Incident Reduction Plan are paying off: our lead measures on pollutions and spills are showing improvements. Read more on page 14, Year in Context.

Bathing waters attaining 'Excellent' status: There are currently 51 designated bathing sites across the Anglian Water region. In 2023, 29 of our bathing waters attained 'Excellent' status, compared to 32 in 2022. Four beaches moved from Excellent to Good. We have investigated the reasons behind declining water quality and we are working with Local Authorities and the Environment Agency to better understand these reasons and where future improvements can be made. Where bathing water quality has been impacted by spills from our assets this year, as a result of the prolonged wet weather, we will prioritise WINEP spill reduction schemes in these areas to make improvements.

Water Industry National Environment Programme (WINEP): Since 2020, we have delivered 1,533 obligations through WINEP. The Performance Commitment is based on figures originally proposed in 2019, which have since been re-profiled. Against the revised profile agreed for 2023/24, we missed three schemes, which, although physically delivered, did not pass Environment Agency inspections, due to operational issues. These issues have now been resolved. Our focus over the next year is to conclude our WINEP obligations for AMP7. We will conclude almost 500 obligations, the majority of which relate to sustainable abstraction and reducing nutrients in the water we return to the environment.

Abstraction Incentive Mechanism: In 2023/24, we had limited opportunities for active Abstraction Incentive Mechanism management, owing to the high rainfall during 2023. Read more on our approach to abstraction in Our Stakeholders – Environment, on page 51.

Sludge treatment capacity: We are enhancing our capacity to treat bioresources and have planned a scheme to do so at Whitlingham Sludge Treatment Centre near Norwich. Designs are complete and work has started on site. The scheme is scheduled to be complete by March 2025.

Natural capital: The Natural Capital Impact Performance Commitment captures the improvements we have made through four sub-measures. The ground water quality, surface water quality and biodiversity sub-measures are all on-track but the water quantity sub-measure remains behind target. This is due to the ongoing impact of the COVID-19 pandemic on demand. All sub-measures must be on track to meet the PCL.

* At the time of reporting, these figures are provisional and awaiting confirmation from the Environment Agency and the Drinking Water Inspectorate.

Positive impact on communities

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Priority services for customers in vulnerable circumstances	The percentage of customers recorded as requiring priority services, due to being in vulnerable circumstances, and the percentage of people contacted to ensure records are kept up to date.	11.4% reach 62.4% actual contact 100% attempted contact	12.7% reach 56.2% actual contact 96.9% attempted contact	9.5% reach 35% actual contact 90% attempted contact	n/a
Customers aware of the PSR	Percentage of customers made aware of our Priority Services Register (PSR) and how they can benefit from being on it.	61.8%	63.4%	61.0%	n/a
Helping those struggling to pay	The number of customers who are struggling to pay their water bill and who receive financial support through one of the company's financial support schemes.	344,483	389,371	296,618	n/a
Community investment	The percentage increase in the number of people directly reached or supported by community investment programmes, through which the company adds social value (compared to 2020/21).	104%	81.4%	3.5%	n/a
Customer trust	The improvement in company score for a survey of customers by the Consumer Council for Water about the trust that customers place in the company.	0.09	0.08	0.03	n/a
BSI Standard for Inclusive Service	To maintain certification for the British Standard for Inclusive Service Provision (BS 18477).	Maintained	Maintained	Maintained	n/a
Partnership working on pluvial and fluvial flood risk	Investments delivered working in partnership with other organisations to protect infrastructure from flooding.	49	61	92 by 2025	n/a

Priority services for customers in vulnerable circumstances: We are significantly ahead of target on all areas relating to our support for vulnerable customers, including, most notably, take-up of our Priority Services Register (PSR), which has already met the full AMP target. We have 12.7% of customers signed up to the PSR, against a national industry average of 8%.

Customers aware of the PSR: This year we exceeded our end-of-year performance, with 63.4% of customers aware of priority services, compared to our target of 61%. This is a result of our extensive customer engagement strategy and proactive signposting of priority services.

Helping those struggling to pay: This year we exceeded our target of 296,618 by over 90,000, providing financial support to 389,371 customers.

Community investment: This year there was a 81% increase in the number of people we directly reached or supported through our community investment activities (compared to 2020/21), which add social value to our communities. We have exceeded our target of 3.5%. In total, an estimated 51,826 people were directly reached or supported by Anglian Water and our Alliance partners.

Customer Trust: Levels of customer trust in water companies fell in 2023. However, trust in Anglian Water was higher than the average for the industry and we have outperformed this year's PCL.

Partnership working on pluvial and fluvial flood risk: This PCL encourages us to work with partner organisations, to protect our waste water treatment sites and water recycling network from pluvial, fluvial and coastal flooding. Our PCL is to complete 92 schemes by the end of 2024/25. We completed 12 schemes in 2023/24, which brings our total number of completed schemes for the AMP to 61.

BSI Standard for Inclusive Service: This year we have maintained our certification for inclusive service, by achieving the more-stretching international standard (ISO), which has replaced the British standard (BSI).

Investing for tomorrow

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Mains repairs	Number of repairs made to water mains, per 1,000 km of total water mains.	173.2	123.0	134.2	£0
Unplanned outage	Percentage of maximum water treatment works output unavailable during the year.	1.91%	2.05%	2.34%	£0
Sewer collapses	Number of sewer collapses, per 1,000 km of sewers.	5.19	5.43	5.50	£0
Treatment works compliance	Percentage of water and sewage treatment works meeting permits for the quality of water discharged to the environment.	98.6%	98.4%*	100%	-£0.75 million
Reactive mains bursts	Reactive bursts are those that are identified and reported by a customer or third party, before they are identified by the company.	5,140	3,444	3,063	n/a

Mains repair: We have improved our performance against this measure this year.

Sewer collapses: There were 308 sewer collapses in 2023/24 compared to 259 in 2022/23. This measure also includes 114 reactive burst rising mains (which has reduced compared to the prior year). This brings the total for this year to 422, which, for the PCL, is divided by the total length of sewer (77,780km), resulting in a rate of 5.43. This is an increase in total, compared to 2022/23. However, we remain within target. The decrease in burst rising mains this year is due to our proactive sewer monitoring alerts within our network, which inform us of rising mains that are operating under higher-than-normal pressure and allow us to reduce the pressure before they burst.

Treatment works compliance*: Our compliance was 98.4% in 2023 compared to 98.6% in 2022. This is classified as Amber in the EPA and continues to be a significant area of focus. In 2022 we had 12 failing works and in 2023 we had 13, with prolonged wet weather putting pressure on our systems at the end of the year.

Unplanned Outage: Our unplanned outage figure showed a small increase, compared to 2022/23 (1.91%). Of the 38 contributing events, three contributed to over half the score. A number of capital investments have been completed in that time, which will reduce the number of future outages.

* At the time of reporting, these figures are provisional and awaiting confirmation from the Environment Agency and the Drinking Water Inspectorate.



Our environment

Underpinned by our Purpose, protecting and enhancing our region's environment is critical to securing long-term resilience for our water supplies, effective drought management and ensuring our blue and green spaces thrive.

Over
550km

of rivers improved since 2020 due to WINEP investments

The physical forms of our rivers need to look drastically different to accommodate the more extreme floods and droughts we're experiencing from climate change. In collaboration with our partners, we're supporting the restoration of the original meanders of rivers across our region, correcting centuries of modifications, to deliver wider benefits. At Holkham, on the River Stiffkey, we're supporting the Norfolk Rivers Trust transform the river back to its original state, reconnect it to the floodplain, reduce sediment build up and facilitate natural flood management. This, in turn, will support biodiversity. This work is being delivered via our grant of £7 million from our shareholders via Get River Positive.

The intrinsic relationship that water has with a flourishing environment means we address our impact in a myriad of ways; from managing water resources to prevent future drought and protecting the 49 Sites of Special Scientific Interest (SSSIs) we are responsible for in our region, to delivering nature-based solutions, alongside others, to deliver benefits at landscape scale.

We must address our impact in the context of the region we serve. The East of England is water stressed, prone to flooding, has a rapidly growing population and a high number of water-intensive businesses. In line with our Purpose, our Strategic Direction Statement provides us with a framework and long-term aspirations.

This year, our performance across key environmental metrics was impacted by the wet weather. But we can't view these events in isolation. According to the Global Water Monitor, the frequency and intensity of rainfall events and flooding across the world is increasing. At the same time, globally, we've witnessed more droughts and flash floods. In the UK, 2022 was the hottest, driest year on record and 2023 was dominated by prolonged rainfall. We must increase our resilience to the climate challenge. More on our approach to climate change can be seen on page 89.

In this report, our environmental impact is best viewed through the lens of our main business operations – clean water and water recycling.

Clean water covers the drinking water we supply to customers and the management of this vital resource. Water recycling encompasses the used water we recycle and return safely to the environment, as well as our management of waste.



Our Strategic Direction Statement and associated four ambitions provide us with a framework and long-term aspirations to deliver environmental prosperity.

Managing our impact through water recycling

This year, our region felt the impact of prolonged rainfall. According to the Met Office, 1,695mm of rain fell from October 2022 to March 2024, the highest amount recorded for any 18-month period in England. The wet weather has directly impacted our performance this year, particularly for measures such as flooding, pollutions and spills.

However, given the extent and severity of the wet weather and groundwater flooding, we have seen promising signs on our lead measures, showing the actions we are taking as part of our Pollution Incident Reduction Plan (PIRP) are making a difference. Our long-term aspiration is to achieve zero sewage escapes from our network. However, reaching this goal requires a fundamental rethink of how water is managed. More on this in Year in Context, pages 14-19.

Multi-agency approaches to flooding

Almost 30% of the region we serve is low-lying, particularly near the coast. Inland, drought-parched land is vulnerable to flooding from intense rainfall events.

Prolonged rainfall this year impacted our region. We have taken action, to ensure our assets are resilient. Over the past year, we have completed 4,039 metres of sewer-lining work in 13 villages, to prevent entry of groundwater. We have also completed surface water removal schemes in five villages, mainly through rectifying misconnections, where either the foul sewer has been incorrectly plumbed into the surface water sewer or vice versa.

Co-funding and co-delivering solutions, to improve water management more widely, is essential. This year, we have established nine Multi-Agency Groups (MAG) in hotspot areas.

We are joining forces with local councils, the Environment Agency, Highway Authorities and Lead Local Flood Authorities, to develop catchment-level responses to flooding. Collectively, the aim of these groups is to enhance preparedness, response, and recovery efforts, related to prolonged wet weather periods to minimise risks to communities, infrastructure and the environment.

One example is the Norfolk Strategic Flood Alliance (NSFA) which was brought together in 2021, to support a catchment-based approach to protect Norfolk communities and infrastructure against the risks of inland and coastal flooding, as well as drought. This year, Anglian Water's Rob Kelly joined the NSFA on a secondment. In his role, he will support and engage with communities and stakeholder where they will test the operational response to flooding.

Rob said: "The flooding issues faced across Norfolk are complex and difficult to solve; if they were easy they would have been done already. The key to managing this well is listening to what people need and communicating effectively. What is also apparent, is just how important maintenance is at a system level with joined up catchment-based approaches. The 2021 floods and subsequent months of recovery can be learned from. Teams from all corners of Norfolk came together quickly in a crisis and worked together. We now need the same energy. Through the NSFA, we have the opportunity to deliver differently. I have already seen the green shoots of recovery, with people working well in the catchments I've visited with multi-agency teams. By working together, we stand a chance of improving the lives of the people of Norfolk."

Another key area is Southend seafront, which often suffers from surface water flooding after heavy rain. In partnership with Southend City Council, we're investing £500,000, alongside the Department for Levelling Up and the Regional Flood and Coastal Committee, in a £2 million project, to 'green' Southend seafront and futureproof against flooding. The scheme is set to be the first large-scale, sustainable water management initiative in Southend, aiming to create an integrated, climate-resilient environment. Currently, the rain falls on hard-standing areas and flows into our combined sewer system. The new scheme will remove 438 cubic meters of surface water from our combined systems, which, in turn, will reduce storm spills¹¹.

Green infrastructure such as nature-based solutions and Sustainable Drainage Schemes

(SuDS) are our preferred method for increasing resilience. Of all the nature-based solutions proposed in AMP8 across the whole industry, more than two-thirds of the green areas created will be in the East of England. This includes SuDS and treatment wetlands covering around 54 hectares.

Overall, we maintain a long-term view to improve resilience to flooding in our region. For example, our planned investments – such as our two new reservoirs – will contribute to flood alleviation in the longer term, but the benefits won't be realised in this decade. Our AMP8 plan is critical to ensure we can enhance the network in the way that's needed. This includes a doubling of our enhancement costs – our biggest investment yet – to ensure our infrastructure is fit for purpose.



The proposals for Southend Seafront. Credit: Southend City Council

¹¹ <https://www.southend.gov.uk/news/article/3075/have-your-say-on-exciting-new-plans-for-city-beach>

Supporting Grimston

Since 2012, we've invested £1.5 million in Grimston to manage infiltration and surface-water inundation. Following flooding issues during winter, where we faced ten times more surface water than our sewer capacity was designed for, we have a plan to reduce both infiltration and inundation across the network.

A key part of this work is to remove surface and ground water from entering our network in the first place. Once it enters our network, it can become contaminated – despite being very dilute. Under these extreme conditions, the EA permits us to release some of this water into surrounding watercourses to reduce flooding. This has a very minimal environmental impact. However, we decided not to take this course of action, as we believe it was not the right thing to do. Instead, we focused on removing surface water through tankering.

The case at Grimston demonstrates that building a bigger sewer is not the silver bullet for flooding issues. Having a bigger sewer, but less water flowing through it under normal (drier) conditions, would result in issues with septicity, pumping and the water recycling process. The balance is to find solutions that remove the ground and surface water from the network. We have a number of investments planned for this year, including installing 30 SuDS pods (which operate similarly to water butts in capturing surface water), relining sewers, sealing manholes and more, across the wider catchment. Over the next year to 2025, we will be spending around £650,000 on this work.

Alongside the Environment Agency, Norfolk County Council and other key stakeholders, Grimston will be a pathfinder study. We are putting together a plan for further improvements and a wider investigation has commenced to find where the rain and groundwater is getting into our network, so we can prevent it and keep rainwater out of the sewer network in the first place. Our work at Grimston is just one example of our multi-agency response to flooding.



Using data on our network for prevention and investigation

Our PIRP outlines the actions we are taking to improve our network and sewerage operations. While our performance was impacted by the severe wet weather, we are seeing encouraging signs from our lead measures, demonstrating that our interventions are making progress.

Following a wet weather spell in early 2021, we have renewed our focus on measuring performance and root causes, to be better prepared for the impact on our assets. For example, despite increasing demands on tankering, we did not see a detrimental impact on our sludge management. The level of sludge held in our Water Recycling Centres (WRCs) is being kept at low levels, despite the challenges caused by the flooding. And we have worked hard throughout 2023, to address performance at our Water Recycling Centres, with no failing works this year. We have also had no serious incidents on our networks since October 2023 - the start of the wettest period. Despite our networks being inundated, this demonstrates investments to better monitor our assets are working, moving us from a firefighting to a predictive response. In contrast, in 2021 - an equivalent wet year - we had 11 serious pollutions on our networks.

We have also seen a reduction in pollutions caused by blockages. Our 2023 total pollution data shows a 20% reduction in pollutions caused by blockages, compared to 2022 levels. Blockages on our foul sewer network have reduced to their lowest levels in five years and we have seen a year-on-year reduction of more than 10%. This is indicative of the start of a high-level trend into sustainable pollution reduction.

Reducing blockages is underpinned by our substantial data and analytics programme. We operate 76,000km of sewer pipes in our region. Our Network Risk Tool enables us to visualise and manage high-risk areas across our sewer network. This informs our Dynamic

Sewer Visualisation (DSV) programme, where we are installing monitors across our highest-risk sewers, to help us detect that a blockage is forming, so we can clear it before it causes an impact. We now have approximately 22,000 monitors installed across 11,000km of our highest-risk sewers.

Our monitors are moving us towards a 'prevent and investigate' approach. Using predictive analytics, our DSV monitors have continued to self-learn on our network, informing our blockage-reduction activity. Coupled with additional sewer and wet well cleansing work on our foul sewers, we were able to detect and clear 462 blockages building up. Overall, our proactive blockage prediction increased by 271% in 2023.

Harnessing data on our assets means we now have a more comprehensive understanding of our pollutions performance across our network than ever before. And our self-reporting has increased to 89%, moving us to a green position on the Environment Agency's Environmental Performance Assessment.

Using satellite technology to detect sewage escapes

We have been using satellite technology to address leakage across our water network and are now trialling the technology on our sewer network. The patented ASTERRA technology uses satellite radar imaging to identify liquid in the soil around our pipes. It is able to differentiate between ground water and sewage that may have escaped from our assets. This can give us an indication of a potential burst or leak on a rising main. Working closely with ASTERRA and Suez, our aim is to run imaging across 9,300km of gravity sewers and rising mains. This will enable us to identify high-risk areas.

Working with FSEs to Keep it Clear

Our programme to clear blockages is supported by our 'Keep it Clear' campaign, which educates the public on their role in keeping sewers clear. We clear over 40,000 blockages every single year, caused by wrongly flushed items, as well as a build-up of fats, oils and greases. This equates to one blockage every five minutes – of which 80% are avoidable. To prevent blockages at source, we work with environmental compliance experts ECAS to identify Food Serving Establishments (FSEs) that can cause blockages by disposing of cooking fats down the drain. This year, to date, an estimated 1,633 tonnes of fat, oil and grease was diverted from sewers as a result of our outreach work.

Hyper-local targeting in Bletchley, Milton Keynes

Over the past year in Bletchley, Milton Keynes, there have been two serious pollutions, 32 flooding incidents and 103 blockages. There are 229 FSEs in Bletchley, some of which are contributing to the problem by allowing fats, oils, grease and food debris to escape into the local sewer network. Through our partnership with ECAS, we are working with 60 (26%) of FSEs in this area, encouraging positive behaviour change. As a result of our proactive work, we have reduced blockages in the area by 40%.



Storm spills

Our vision for 2050 is that storm overflows are no longer required. We've already made improvements to the way we operate storm overflows and have reduced the number of storm overflows in our network.

Our average spills per overflow went up from 15 in 2022 (an unusually dry year) to 22 in 2023. To put this in context, in 2019, an equally wet year, we had average of 35 spills per overflow. Less than 2% of our pollutions were caused by storm overflows operating in dry weather this year.

Between 2022 and 2023, we surrendered 131 storm overflow permits – meaning we will stop operating these overflows on our network indefinitely. Had we not surrendered these permits, our average number of spills per overflow would have been 20 this year, instead of 22. This is due to having fewer overflows to divide our total spill rate across.

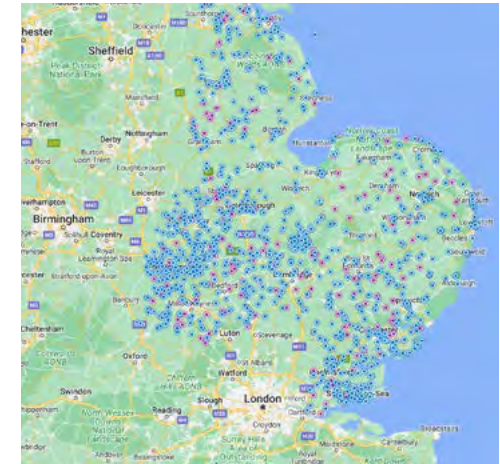
Surrendering permits remains the right thing to do. Between 2020 and 2025, we will stop operating 157 storm overflows, which represents 10% of our total.

However, as our region continues to grow and our climate becomes more volatile, we are investing further in storm storage capacity. This year, we invested over £100 million through our WINEP. This also includes investment that is contributing towards the delivery of 2024/25 obligations, which haven't yet been signed-off with our regulators. This has enabled delivery of 1,533 schemes since 2020, many of which have been related to improving our water recycling assets, including the delivery of eight increased capacity schemes, totalling 4,343m³ of storage.

100% EDM coverage

We now have 100% Event Duration Monitor (EDM) coverage on all of our storm overflows – equating to 1,432 monitors. EDMs enable us to be as open and as transparent as possible about spills across our region. Our interactive, real-time map went live in April 2024 and shows where our storm overflow monitors are located. It provides data on the location and intensity of the spill. This informs people in our region, when they're making decisions on undertaking activities on their local river. We have provided this information on coastal bathing waters as part of our BeachAware system for several years, which feeds into the Surfers Against Sewage live map.

Our real-time storm overflow map



Attractive beaches and clean bathing waters

Our ambition is for the majority of our customers to live within one hour of a designated bathing water site. There are currently 51 designated bathing sites across the Anglian Water region: 48 coastal sites, one estuarine site and two inland sites. 17 sites have Blue Flags and a further 20 have Seaside Awards, supporting the tourism economies of coastal towns.

2023 bathing water classifications			
Excellent	Good	Sufficient	Poor
30	17	2	2

This year, 92% of our coastal bathing waters were classified as 'Good' or 'Excellent'. Two were classed as 'Poor'. Investigations carried out, to date, suggest water quality issues at these bathing waters are linked to diffuse pollution sources, which are outside of our

control. Further investigations are planned from 2025 onwards.

Our 2023 classifications contain three new inland bathing waters. Now that they have been designated, we can unlock investment to support improvements. This year, three further waters in our region – the River Stour in Suffolk, the River Cam in Cambridgeshire and Manningtree Beach in Essex – were confirmed by Defra to become designated bathing water sites. We have also carried out a sampling programme along the River Cam and at two sites along the River Stour.



Get River Positive

There are many complex factors at play when it comes to river health. Improvements will take time, investment and collaboration. Through our 'Get River Positive' (GRP) initiative, launched in 2022, we are leading on a range of multi-sector projects. We have allocated £7 million of shareholder funding to 53 collaborative projects, which has generated £9 million in match-funding. Through these partnerships, we are achieving far more than any single player could alone.

These projects vary from river restoration and creating digital ecological twins, to unlocking more opportunities for bathing waters. We work with a range of beneficiaries – from the agricultural community to landowners and local citizen scientists.

An example is our work on the River Deben, where we are supporting the community to achieve inland bathing water status, establishing a farm cluster group to support regenerative agriculture opportunities and supporting improvements to ecological health, through investments to reduce the level of phosphate and storm spills.

A key focus of GRP is reducing our impact on river health in our region. With none of England's river stretches in good overall ecological or chemical health¹², we must address the root causes. According to data from the Environment Agency, water companies are responsible, on average, for 25% of the Reasons for Not Achieving Good Status (RNAGs). In our region, it's 18% – but this is still too high.

We have permits to release treated water into the environment at levels determined by the Environment Agency. However, these discharges may contain elevated nutrient levels, which is why we are prioritising reducing nutrients and chemicals in our permitted releases.

By the end of 2025, our phosphorus programme will improve river health across 104 waterbodies, including 165 confirmed, probable, or suspected RNAGs. At WRCs with new or existing permit limits for phosphorus, we will have reduced levels entering rivers and streams in our region by 53% on 2020 levels. By 2030, we are forecasting a further phosphorus reduction of 50%¹³.

We're working hard to reduce our impact, surrendering storm overflow permits and improving our water recycling processes. Our Water Industry National Environment Programme (WINEP) saw the majority of our £100 million investments covering wastewater this year, such as installing more monitors on our network and improving storm overflow sites.

We are focused on improving the water we return to the environment, however, reducing abstraction is one of the biggest things we can do for ecological health. It means we can leave more water in environmentally sensitive sites – such as chalk streams – especially as demand for water grows.

Another key area we're making progress on is restoring the original meanders of rivers across our region. This means correcting centuries of modifications, which were made to manage flow to support farms and industry, as well as to provide transport benefits. At Holkham, on the River Stiffkey, we're supporting the Norfolk Rivers Trust transform the river back to its original state, reconnect it to the floodplain, reduce sediment build up and facilitate natural flood management. Evidence suggests that physical forms of rivers need to look drastically different, to accommodate the more extreme floods and droughts we're experiencing as a result of climate change and deliver biodiversity benefits, while boosting carbon storage.

¹² <https://therivertrust.org/rivers-report-2024>

¹³ anglianwater.co.uk/siteassets/household/about-us/pr24/pr24-data-tables-anh-resubmission.xlsx



Our Get River Positive pledges

Commitment 1	Commitment 2	Commitment 3	Commitment 4	Commitment 5
Ensure storm overflows, sewage treatment works and abstraction do not harm rivers	Create more opportunities for everyone to enjoy our region's rivers	Support others to improve and care for rivers	Enhance our rivers and create new habitats so wildlife can thrive	Be open and transparent about our performance and our plans

Managing waste and carbon

Over the past two years, we have been developing our circular economy strategy. We have benchmarked ourselves against industry peers and have worked closely with Business In The Community, using their maturity tool to highlight areas of focus. We are currently at Level 2, classified as 'Improving' in terms of our circular economy maturity. We're now using the tool to develop practical steps to further improve our overall circular economy performance.

Sewage sludge treatment and recycling is an area of high circular economy maturity, with the biogas and biosolids produced fully recycled, making the overall process circular in nature.

We've long recognised the value of biosolids as an environmental product – primarily as an alternative to the use of phosphate fertilisers, a finite resource which can have an adverse impact on drinking water quality when applied to land. Biosolids, on the other hand, provides a sustainable slow release form of phosphate over the cropping cycle.

We promoted the development of the Biosolids Assurance Scheme (BAS) and then became the first water company to achieve certification in 2015. We've maintained certification following independent audits ever since. We treat in excess of 150,000 dry tonnes of sludge through our sludge treatment processes across 12 sites each year. All of our sludge production is treated to the BAS standard, which is UKAS accredited, to produce biosolids which is applied to circa 20,000 hectares of agricultural land across our region each year.

The production and use of biogas at our Sludge Treatment Centres (STC) drives down our reliance on fossil fuels, helping us to be circular in nature. Our STC's treat sewage sludge through a process known as enhanced anaerobic digestion. This process maximises the production of biogas which we use to power our

fleet of Combined Heat & Power (CHP) engines, to generate renewable electricity. Much of the electricity produced is used on site, with any excess exported to the electricity grid, reducing the overall cost to customers in all cases. This year we've generated just under 105GWh of electricity – around enough for 38,000 average UK households for an entire year!

Our CHP engines also generate heat through their normal operation, which we re-use as part of the sludge treatment process. The recovery of waste heat and use meant that we saved an estimated £8 million in fossil fuel use in the year too.

We also have six workshops across the region where we refurbish assets such as pumps, allowing them to operate over a longer period, with the benefit of reducing cost and embodied carbon. Extending asset life through effective maintenance and refurbishment are effective approaches to improve circular economy performance.

Our focus areas to drive further improvements include; promoting waste as an opportunity, driving behavioural change, extending asset life, working with and enhancing the natural environment and collaborating with our suppliers. We're developing targets to drive performance in these key areas, towards our long-term vision of zero waste.

Over the past year we produced 176 tonnes of hazardous waste and 1,961,160 tonnes of non-hazardous waste. 98.22% was diverted from landfill – this includes the quantity reused, recycled or incinerated.

In terms of carbon, this year, we missed our Ofwat operational carbon target, but hit our capital carbon reduction target of 64% (achieving 64.2%). We remain on track with the actions outlined in our net zero roadmap to power our operations with 100% renewable energy by 2030. Read more in our Climate-related financial disclosure, pages 91-103.



Our biosolids spreading operation

The fundamental link between clean water and a thriving environment

The water side of our operations also plays a huge role in protecting the environment.

Every day we supply around 1.2 billion litres of drinking water, to millions of customers, via 140 water treatment works and over 37,000 kilometres of water mains.

The water side of our operations covers abstraction of raw water – that is, the water we take out of the environment to put into supply. Leaving more water in the environment is one of the best ways we can support ecological health. With the region we serve being home to many areas significant for biodiversity, including some of the country's most precious chalkstreams and rivers, we must manage our supply and demand carefully.

While many of the actions we took in 2023 related to flood mitigation, we have maintained a watchful eye on drought for many years too. The region we operate in is one of the driest and



hottest parts of the country, making it the second most challenged nationally in terms of climate change¹⁴. Climate change is also impacting rainfall patterns, which will have consequences on the availability and quality of water resources.

In 2023, our abstraction increased slightly as we looked to refill our reservoirs, which were low as a result of the 2022 drought. The wet weather experienced during 2023 enabled us to abstract surplus water to top up supplies. This does not cause environmental harm and is part of responsible water management.

Over the drier period in the summer, we supported local rivers with a total of 629 million litres of water. This helps to maintain flow during drier and hotter periods.

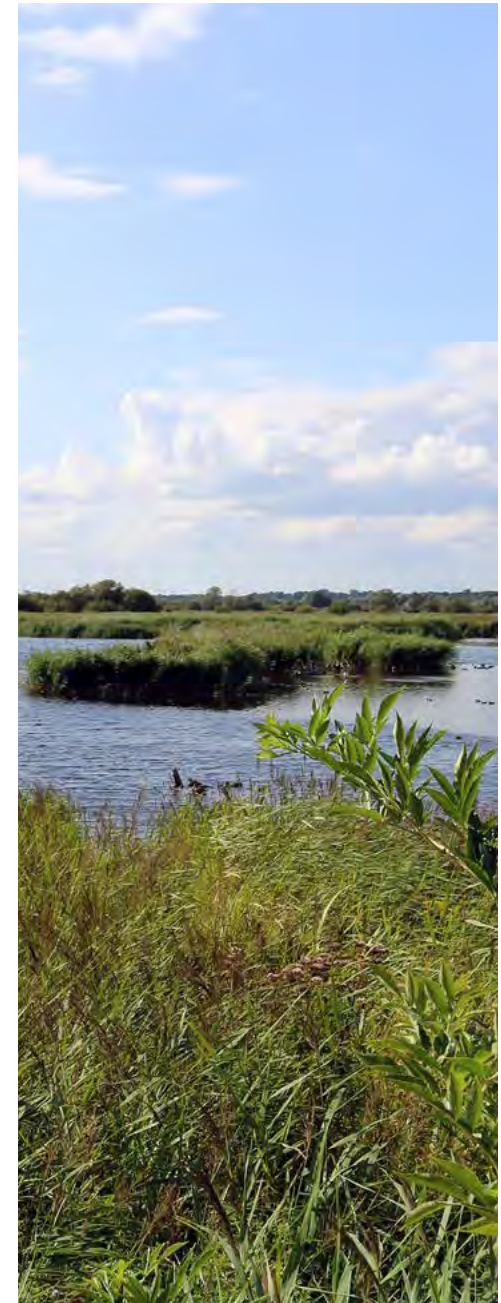
We have always taken a long-term view to managing water resources. Our Water Resources Management Plan (WRMP) sets out how we will manage water supply and demand in our region, looking ahead 25 years. Our WRMP19 plan (2020-2045) focused on our twin-track approach; investments in new water infrastructure, alongside reducing leaks and encouraging water-wise behaviours with customers and businesses.

Our WRMP24 (2025-2050), awaiting approval by Defra, will see us take a three-tiered approach. This will see us further our demand management and utilise existing sources of supply, the construction of two new raw water storage reservoirs and encompasses our adaptive approach, using desalination, so we can react to changing circumstances.

We currently take groundwater from 425 boreholes and surface water from eight reservoirs plus nine rivers. We know that, if not managed carefully, these abstractions can have a detrimental impact on the environment. We continue to work with our stakeholders on further reductions.

This year, we were able to stop abstracting at a site in the Norfolk Broads, following the earlier than expected completion of our Norwich supply pipeline into the Broads. In 2020, the Environment Agency and Natural England concluded that our abstraction at Ludham could adversely impact Catfield Fen – an SSSI and Special Area of Conservation. In March 2021, we completed work on a £9 million scheme, to maintain water supplies to 3,000 homes by connecting Ludham to sources in Norwich. This enabled us to close the borehole at Ludham.

Since we stopped abstracting at this site, water levels have increased, allowing more alkaline, nutrient-rich water into the Fen. We have also closed two further abstraction sources at Ruston and Witton, following the completion of a major infrastructure scheme, which will provide an alternative source of supply to the 6,000 customers in the local area. Discussions are ongoing with the Environment Agency to determine what further assessments are needed in the Broads. We are also supporting other abstractors in the Ant Valley, including agriculture, to create new sources for irrigation.



¹⁴ [thriving-east-report-final.pdf \(anglianwater.co.uk\)](https://www.anglianwater.co.uk/thriving-east-report-final.pdf)

New infrastructure to meet growing demand

Our interconnecting pipeline will see us, alongside our Strategic Pipeline Alliance (SPA) partners, create a network of hundreds of kilometres of interconnecting pipelines to move water more freely around the region. In September 2023, we began construction of the Bexwell Pumping Station, which is being built to support the new network. Once operational, this will distribute water down the pipeline towards the southern part of the region, where the water is needed most. This new pumping station will be crucial, housing eight pumps overall, as well as incorporating an existing reservoir.

We also have plans for two new reservoirs in our region – one in Lincolnshire and another in the Fens, the latter in partnership with Cambridge Water. We envisage commencing construction around 2030. These projects represent significant, transformative investments for our region. Each reservoir will store 55mm³ of water, with 50mm³ of useable volume.

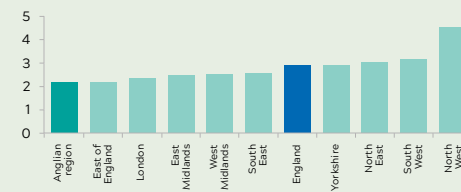
With no new reservoirs being constructed since the 1990s¹⁵, there is a pressing need for new water storage. The problem is particularly acute in our region, as the East of England is one of the driest parts of the UK. The Met Office predicts that by 2040, rainfall in the region will average 2.14mm per day, significantly below the national average of 2.85mm. In Cambridgeshire the challenge is even more acute, with projected rainfall of just 1.9mm in 2040.

In the case of the Fens reservoir, it will ensure that during times of high rainfall, water that would otherwise be surplus will be abstracted from local sources and pumped to the reservoir. This water will then be

treated and split equally into Anglian Water and Cambridge Water’s supplies, via new underground pipes and service reservoirs. The scheme will provide a total output of approximately 87 megalitres a day. The consultation for our updated proposals for the associated infrastructure began in May 2024.

Anglian Water’s Major Infrastructure Projects Director, Mark Malcolm said: “Our vision goes beyond building a reservoir. This project represents a significant investment in England’s water infrastructure and an opportunity to deliver lasting benefits. We want to create a place where water, people and nature can come together. The reservoir will celebrate the Cambridgeshire Fens for the local people, who know this landscape so well. As a new focus for economic growth, it will help improve lifestyles and social prosperity, with exciting new opportunities for recreation and engagement with nature.”

Rainfall precipitation projections (mm per day, 2023-2040 average)

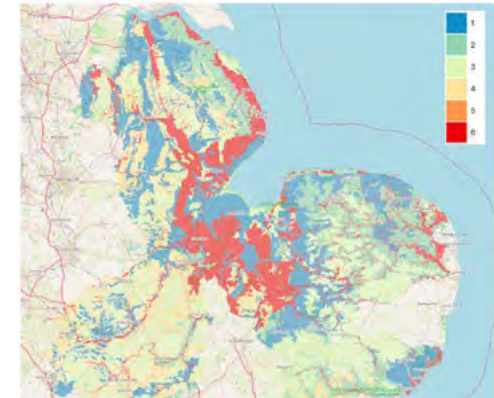


Proposed site for the Fens Reservoir

Driving down leaks and improving resilience to climate change

We own, operate and maintain a vast array of physical assets; from reservoirs, pipelines and tanks; to pumps, treatment plants and control systems. The replacement value of these assets amounts to over £67 billion in today’s prices¹⁶. Ensuring we understand asset health and the potential consequences of failure, helps us to prioritise activity and target investments. With 20% of our pipelines creating 80% of our burst mains, we’re proposing a programme to renew the 8,241km of climate vulnerable water mains that need to run for decades in our region.

Climate-modelling tools are helping us identify high-risk water main assets in our region that are vulnerable to these changing climate conditions. These are water mains of a smaller diameter – made of various rigid materials, with socket-type joints – and are located in shrinkable soil types, susceptible to climate-induced ground movement. These high shrink-swell soil types are prevalent in large parts of our operating area, including major population centres such as Peterborough and Milton Keynes.



Shrink-swell classification over the Anglian Water (water supply) area. Sources: Infrastructure data © Anglian Water. Soils data © Cranfield University and for the Controller of HMSO, 2019.

Decades of investment have helped us achieve our long-standing track record on leakage from our own pipework, through finding and fixing leaks. This year, we have used satellite technology to survey 10,000km of rural distribution and trunk mains, to identify and prioritise sections of pipe for proactive leak detection and mitigation.

This financial year, this technology has saved over 320,000 litres of water that would have been lost to leaks – this is enough to supply 1,000 homes a day.



And, through our roll out of smart meters, we are supporting our customers to better understand and reduce their usage and spot leaks too. This year, we identified 136,000 continuous flows at both domestic and non-domestic properties over the year, and made 114,500 follow-ups with customers. This year, we fitted 262,621 smart meters, bringing the total number of installations for the AMP to 806,307. This number is due to reach just over 1 million by 2025 and 2 million by 2030.

¹⁵ [Timeline and specifications of £2.2bn Fenlands reservoir revealed as planning progresses | New Civil Engineer](#)

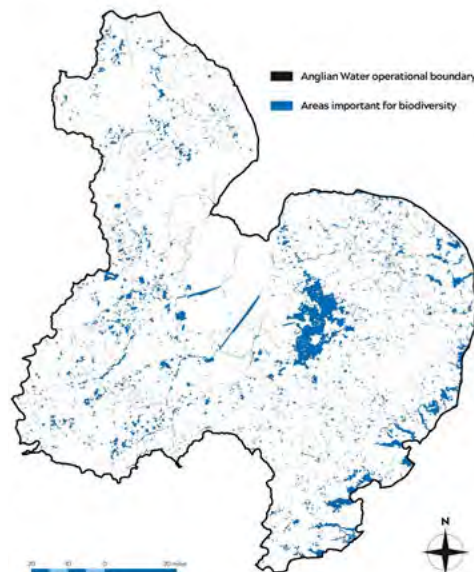
¹⁶ <https://www.anglianwater.co.uk/siteassets/household/about-us/pr24/ANH38-Asset-systems-resilience-appraisal.pdf>

Biodiversity Net Gain

We have a responsibility to protect the precious habitats and species in our region and support biodiversity. Biodiversity Net Gain is one way we are enhancing natural capital in the region. It encompasses our approach to development and land management, which aims to leave the natural environment in a measurably better state than beforehand.

We are committed to delivering a 10% net gain across capital schemes and land management activities, where we may have a material impact on biodiversity. In 2023/24, we delivered a Biodiversity Net Gain of 92%.

A map showing areas important for biodiversity in the Anglian water region (excluding Hartlepool)



The information on this map is based on data currently recorded but the position must be regarded as approximate. The plan is produced by Anglian Water Services Ltd from Ordnance Survey Crown Copyright.

Creating more habitats for nightingales at Offord Woodland

In 2018, the University of East Anglia undertook an assessment of Anglian Water’s land assets. The assessment identified an opportunity at Offord Woodland, a species poor plantation adjacent to our abstraction point for Grafham Water, to help create and enhance habitats to support nightingales. Nightingales are a fast-declining species – in the UK, they have declined by 90% in the last 40 years and are a Bird of Conservation Concern.

Work is underway to create habitats to encourage nightingales, as well as other species, to live, feed and breed on site. This will include thinning out the plantation woodland, enhancing diversity by planting 4,000 saplings of different species, and creating four ponds and woodland wildflower rides. We expect to deliver an impressive 69.4% net gain at the woodland by replacing the existing plantation woodland – which was identified as being in ‘poor’ condition – with mixed scrub in ‘good’ condition and through the creation of non-priority habitat ponds.

Rutland Osprey conservation project sees 250th chick fledge

In 1847, a gamekeeper in Somerset shot one of the last breeding pairs of Ospreys in England. After 150 years of Ospreys being regionally extinct, in 2001, we partnered with the Leicestershire and Rutland Wildlife Trust to launch the Rutland Osprey Project. This ambitious reintroduction programme aimed to bring the birds back to England. Since then our Ospreys have flourished. In 2023, we reached a significant milestone: the successful fledging of our 250th Osprey chick. This is thanks to the hard work and dedication of the conservation team, who undertake recording and monitoring, nest checking and maintenance and bird ringing.



Get River Positive funding is supporting the reintroduction of beavers as natural flood defences. Archie Ruggles-Brise is championing a nature-first approach on Spains Hall Estate, north Essex. He masterminded a beaver and natural-flood-management project, through the reintroduction of Eurasian beavers into a fenced enclosure in 2019, to combat village flooding – the first project of its kind in East Anglia.

Since then, the beavers have used their natural engineering skills, to transform a woodland into a thriving wetland. The dams, which the beavers have created from locally felled trees, sticks, stones and mud, have played a crucial role in reducing flood risk in the area, by slowing down the river flow and diverting it through new channels and wetlands.

In 2022, alongside the Environment Agency, the Anglian Eastern Regional Flood and Coastal Committee (RFCC), Essex County Council and Essex and Suffolk Water, we supported the reintroduction of a second Eurasian beaver family, to help protect an additional stretch of Finchingfield Brook.

We are supporting two additional beaver projects – one in Rushden Lakes and another in Suffolk – where we are also supporting the creation of a wetland.

In January 2024, Storm Henk brought damaging winds and heavy rain to southern and central parts of England. Archie’s drone footage shows the benefits of the beaver dams in action. He said: “The two pairs of beavers were released into two 50-acre areas in March 2023, so it’s still early days, but there are beaver dams. The water in the stream is being forced out onto the floodplain earlier – and for longer than it would without them. This is one of the many ways we are pushing the boundaries of what can be done on private land.”

Our customers and communities

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

£200m

In the last two years of this AMP, we will provide more than £200 million in customer support (£136.9 million in 2023/24 and £42 million in 2024/25).



Our customer service performance in 2023/24

As part of an industry that's under constant media scrutiny, we understand the importance of listening to our customers and meeting their needs head on. That's why, for us, delivering exceptional customer service is not just a goal, but the Anglian Water way of life.

This year, we've focused on enhancing our services, all with one goal in mind: Making Today Great for our customers. We're committed to doing everything we can, to ensure that every experience with us is nothing short of excellent.

Improving the services we provide

Updating MyAccount

This year, we've been working with our customers to implement a new version of MyAccount. Everything, from submitting meter readings, to paying bills and looking at water usage, will be quicker and easier for our customers on the new version, which will, in turn, improve the customer experience.

New 'Where's My Tech' service

'Where's My Tech' is a technician-tracking feature that provides customers with real-time updates on the status of their service appointments, with enhanced transparency to keep them better informed throughout the service process.



Essex and Suffolk Water billing change

From January 2024, we started to change the way customers in Essex and Suffolk pay their water and sewerage charges, by combining their bills into one.

Historically, these customers were billed by us for sewerage and by Essex & Suffolk Water for their water. They will now start to receive one, combined bill from Essex & Suffolk Water, improving the customer experience and ensuring they have a single point of contact going forward.

New smart system for our Contact Centres

We're implementing brand new, modern capabilities for our contact centres and customer relationship management. These are fundamental building blocks to delivering great service to our customers. The Modern Contact Centre Project is replacing our previous platform, consolidating a number of our systems into one. The project will also implement smart routing, which will help our customers get to where they need to be faster, through the communications channel of their preference.

New connections to our network

This year 50,468 connections were made to either our water, water recycling networks or both. Our developer customers continue to benefit from choice through self-lay providers or new appointment and variations. The number of new connections were impacted by a suppressed market from the increase in interest rates, which have since stabilised. The impacts of rising inflation also affected market confidence, with developers effectively managing existing sites and new projects while balancing economic conditions.

What's coming up in 2024/25:

Seasonal tariff trial
In January 2024, we announced new seasonal tariffs with groups of customers in Lincoln and Norwich.

We're working with these communities to encourage water saving in and out of seasons where we use more water at home and in the garden. Our aim is to inspire customers to play their part, by using less water resources, helping us protect the environment together.

Our seasonal tariffs were carefully crafted, so that discounted charges in the colder months offset higher charges during summer. Using around the same amount of water each month will, on average, cost the same as it would on our existing Standard tariff – putting customers in control of what they use and helping them to potentially save on their bill.



Making it easier for customers to pay their bills

In 2023/24 we introduced the ability for customers to pay their bills online, using ApplePay and GooglePay. From 2024/25 customers will be able to pay their bills, free of charge, at the Post Office – in addition to existing counter payment outlets, such as at Barclays, PayPoint and Hartelpool Cash Office.



Supporting customers through the ongoing cost-of-living crisis

We understand that it continues to be a challenging time for many people, which is why we're also always looking for new ways to support customers who are struggling. Over the last 12 months, we have provided a support package of £136.9 million for vulnerable customers, which means we can help even more people in a way that is tailored to their individual circumstances. This brings the total support package to around £246 million since 2020. This will increase to over £300 million across this AMP.

The support on offer includes: discounted tariffs on water bills – of up to 50% for eligible customers; temporary payment plans; forgiveness schemes (where we match customer payments); and payment breaks in certain circumstances. It also includes direct support through the Anglian Water Assistance Fund, which is specially designed to help cover the cost of bills when people are going through the most challenging of times.

Supporting vulnerable customers

We're proud to report that we have again met our Priority Services Register (PSR) Performance Commitment target, with more than



(2022/23: 11.4% on the register or 334,483 people)

Every year we continue to identify and support more than

1,300 customers each week, through our dedicated teams. We provide an inclusive and flexible approach to address vulnerability, to better meet the diverse range of our customers' needs.



Affordability support

This year, we exceeded our Ofwat affordability target of 296,617 by nearly 93,000, having supported 389,371 customers in 2023/24.

(2022/23: 344,483 versus a target of 292,577).

Customers benefit from a range of affordability support, including Payment Breaks, Concessionary Tariffs, Forgiveness Schemes and Temporary Instalment Plans.

This year we awarded £82 million of Debt Relief to customers struggling to pay their bills. We've also awarded a further £0.78 million from the Anglian Water Assistance Fund and matched £0.88 million of payments made by customers through our Back on Track Scheme.

Through our WaterCare service, we have performed 86,879 Extra Care Assessments, resulting in us signposting 5,238 customers to £6.8 million of state benefits they may be able to claim (average of £1,200 per customer). (2022/23: 63,149 Extra Care Assessments resulted in us signposting 6,535 customers to £2.6 million of state benefits).

Trial: free leak repairs for financially vulnerable customers



In February 2024, we launched a trial to fix leaks for vulnerable customers who had recently had a smart meter installed, which resulted in a leak being identified. Many of these customers either don't have the skills to fix their leaks, or the finances available to pay for a repair.

Our team was able to visit and repair many leaks on the same day, or within a few days – with 60% of leaks coming from toilets. The customer feedback, so far, has told us we're on the right track, with one team member reporting:

"The customer was so happy with Anglian Water that he cried. The property we were visiting was his disabled daughter's house. He didn't believe we would find leaks with the new smart meter and is overwhelmed by us fixing all the leaks they had in the property."



Listening to our customers

Understanding what our customers want is key to our business. We have four key customer groups we regularly meet with, who we ask for feedback on wide-ranging issues, from bill changes and business priorities to executive pay. In total, these groups engaged with more than 100,000 customers in 2023/24.

We have over
1 million
 direct customer contacts a year,
387 customer panels and
100,000
 responses to our customer feedback surveys. Our customers are valued stakeholders, whose input is critical to our plans – now and into the future.

In preparation for our AMP8 proposals, we carried out almost 35,000 in-depth engagements with our household customers and over 2,500 engagements with our non-household customers. We also issue key climate-related plans, including our Drought Plan, Water Resources Management Plan, Climate Change Adaptation Report and Drainage and Waste Water Management Plan, for public consultation, incorporating and reflecting customer feedback.

Real-time customer insight is driving decision making across the business

This year we have kicked off a project to build upon our existing customer engagement channels, centralising feedback, to give greater visibility and access across the business than ever before. Customer opinions are constantly evolving. Our new approach is ensuring real-time insights are easily available across the organisation. As a result, we'll be further embedding the voice of customers across the organisation, to continue informing decision making in all aspects of our business – from big-picture decisions, such as reservoirs, to more granular ones like lead-pipe replacements.



“I love being part of the panel, it gives me the opportunity to feel that I have some input into how Anglian Water operates”

Looking to the future: Tackling water poverty in AMP8

We're always exploring new ways to help vulnerable customers and their families with the cost-of-living. Thanks to our customers, we've been able to go even further to help.

Our social tariff, LITE, provides discounts to customers – of up to 50% off their bill – funded by a cross-subsidy, paid by other customers (previously £12 a year). As part of our ongoing efforts to ensure that our services remain both acceptable and affordable, we embarked on a journey to engage our customers in meaningful conversations on the additional support they might fund. We talked through; what we do now to help customers budget for their bills, what's driving future bill increases; and what future affordability issues could arise. These discussions went beyond the typical scope of surveys – we delved into their willingness to contribute more and be a part of the positive change we are fostering in our region.

On the back of these discussions, customers were willing to elevate the cross-subsidy to an extraordinary £24 a year, resulting in around £70 million in direct support each year of the upcoming AMP. This demonstrates our customers' commitment to help the most vulnerable in our region and an appreciation of the targeted work we do to help those in our community needing support.



Customer bills in 2024/25

From 1 April 2024, the average bill will rise by about 8%. The change in how much customers will pay this year is being driven by several factors, including rising inflation rates and the need to invest in the future.

This year, we're investing more than £930 million, to help prepare our region to meet the significant challenges of a changing climate and a growing population.

This includes more than £18 million on finding and fixing leaks, more than £170 million to reduce pollution and £19.5 million to reduce flooding.

We also understand that it's still a challenging time for many of our customers, which is why we're launching a £70 million support package, to help 420,000 customers who are struggling to pay their bills in 2024/25.

Anglian Water bills will continue to be among the lowest utility bills for the majority of customers, averaging £1.45 per day (2023/24: £1.35 per day).



Funding long-term projects

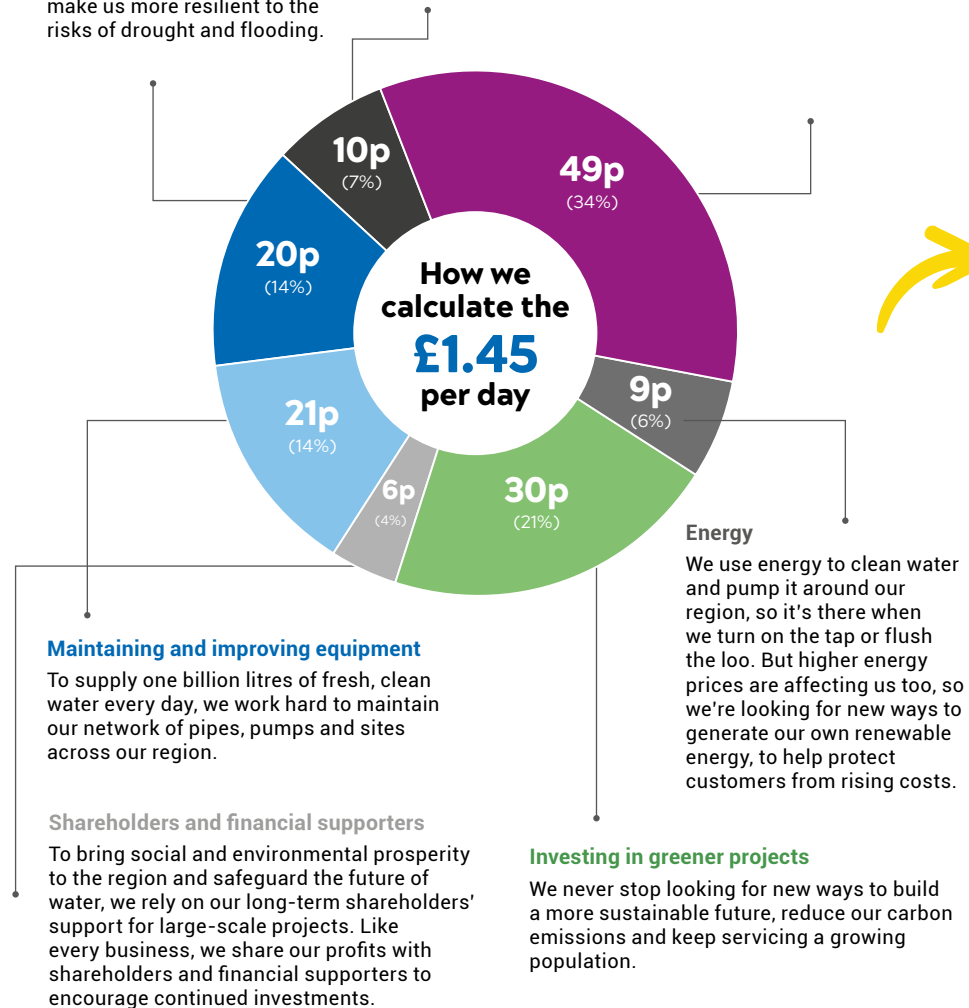
Ongoing investment in existing projects, including building over 300km of connecting pipeline to supply water to some of the driest parts of our region, helping make us more resilient to the risks of drought and flooding.

Taxes, rates and licences

Like other businesses, we pay taxes and set licence fees to supply water to our customers.

People and materials

A large part of bills covers our running costs. We're proud to pay all of our people a Real Living Wage.



Maintaining and improving equipment

To supply one billion litres of fresh, clean water every day, we work hard to maintain our network of pipes, pumps and sites across our region.

Shareholders and financial supporters

To bring social and environmental prosperity to the region and safeguard the future of water, we rely on our long-term shareholders' support for large-scale projects. Like every business, we share our profits with shareholders and financial supporters to encourage continued investments.

Investing in greener projects

We never stop looking for new ways to build a more sustainable future, reduce our carbon emissions and keep servicing a growing population.

Energy

We use energy to clean water and pump it around our region, so it's there when we turn on the tap or flush the loo. But higher energy prices are affecting us too, so we're looking for new ways to generate our own renewable energy, to help protect customers from rising costs.

Read more about how we're delivering on customers' priorities:

Delivering safe, clean drinking water: Year in Context on page 14, Performance Commitments Dashboard on page 37.

Drinking Water Quality: Year in Context on page 20, Performance Commitments Dashboard on page 39.

Long-term planning, to secure water supplies for the future: Year in Context on page 22, Our stakeholders: Environment on pages 44-53.

Improving river quality and reducing pollutions: Year in Context pages 14-24, Performance Commitments Dashboard pages 37-43.

Internal and external sewer flooding: Year in Context, pages 14-24.

Water supply interruptions: Year in Context, page 14-24.

Customer service (CMEx and DMEx): Year in Context on page 21, Performance Commitment Outcomes, page 38.

Key achievements this year:

BSI Kitemark for Customer Vulnerability

In 2023, we became one of the first companies in the world to receive the brand-new BSI Inclusive Service Kitemark for Customer Vulnerability, BS ISO 22458: Inclusive Service Standard.



The 'refunds' mentioned in the media will automatically be taken off bill increases.

Customer-focused licence condition: our commitment

In February 2024, Ofwat introduced a new customer-focused licence condition. This condition will ensure that water companies in England and Wales provide a high standard of care and support to their customers, particularly those who need extra help.

We have made a number of changes to ensure we are meeting the condition and have worked closely with the Consumer Council for Water (CCW), to refine and update our existing processes and procedures. Our response has taken into account sector-level learnings alongside feedback from our customers. We are confident that we are meeting the principles outlined by Ofwat.

Key changes made to our business include:

- Changing our website to create a new 'one stop shop' for customers – making it easier to find the information they need for everyday enquiries and during an incident. This includes updating our Core Customer Information document, in line with the new guidance and taking into account a review by CCW.
- Reviewing and refining the way we handle incidents as a result of feedback from Ofwat, CCW, our customers and our partners. In particular, we have changed the platform we use to communicate with customers, which enables us to communicate swiftly and clearly, avoiding duplicate messages.

The following pages outline each of the new principles and how we're meeting them.



Key terms we use in this section and what they mean:

An event:

is something that may occur as part of our day-to-day operations that we need to respond to. An example might be a piece of equipment breaking down, which needs coordinated support by local teams to fix. If an event takes place that causes a large-scale interruption, or the impact will take place over a long duration, it will change to be classified as an incident.

Regardless of classification or scale, we recognise anything that causes disruption to our customers requires a swift response and resolution.

An incident:

is when an event or occurrence causes a large-scale interruption, or where the impact will take place over a long duration. Incidents affect our customers (e.g., a loss of water supply to their homes) and/or have an environmental impact (such as a mains burst, which floods the surrounding area).

The Priority Service Register (PSR):

is our service that provides free, practical support for people with a wide range of needs. This can include those with sight, hearing, or mobility difficulties, people who are pregnant, or parents with babies under 12 months. Support might include reading a customer's meter (if they find this difficult), or sending out bills in other formats. In an incident, customers on the PSR register receive enhanced support and contact from our teams, to ensure they receive the care they need.

Watercare:

is the umbrella name for the extra support we provide to customers, including the PSR and Extra Care Support. Extra Care Support helps customers that are in financial difficulty, with things like discounted tariffs or personalised payment plans and much more.

Principle 1: The company is proactive in its communications, so that its customers receive the right information, at the right time, including during incidents.



What we do every day

We make sure we send customers the right information, at the right time, for everyday matters. Typically this relates to:

- Annual billing communications, including promoting our affordability assistance programme and Priority Service Register (PSR). Customers receive communications on bills, with letters sent in the post, via email and through our website.
- Instances where we've identified unusually large changes in bills, payment amounts or dumb meter consumption (in these situations, we typically contact customers over the phone or via email, to discuss and potentially investigate further).
- Sending customers smart meter updates, including monthly water usage comparisons, or proactive communications to advise of a potential leak identified on their property.

We support engagement and awareness of customer communications, proactively, through:

- Organic and paid social media.
- Radio and television ads.
- Customer emails and newsletters.
- Webpage promotions, through our partners (including charities, local government, councils and NHS Trusts).
- Branding on our vans and trucks.

Coming up:

We are currently running a new trial, proactively offering customers on social tariffs a free repair of leaks (see page 56).

Planned supply interruptions:

There are times when we might need to temporarily turn off a customer's water, to do essential planned work. We let customers know in advance when works are taking place, how long their water will be off for and when it will be restored. For interruptions that we know will be longer than four hours, we give customers written notice, at least 48 hours in advance. If we don't get water back on within the time we've said, we'll automatically credit the customer's account with £30. Our promise to our customers is outlined [here](#).

What we do during incidents

We make sure we send customers the right information, at the right time, when an incident occurs.

To do this, we've embedded customer communications throughout all our internal incident-response structures and ways of working. We keep customers updated regularly, throughout the incident and afterwards.

During an incident, we contact customers by SMS and email, with clear information on what the incident is, what we are doing to fix it, any actions they need to take and an expected resolution time.

Our PSR team proactively contacts customers on the register (usually with a phone call), to offer additional support where required. See Principle 5 for examples of the type of support we provide PSR customers.

We have a 'single source of the truth' webpage — anglianwater.co.uk/check — which is kept up to date on developments as an incident progresses.



Principle 2: The company makes it easy for its customers to contact it and provides easy to access contact information.



What we do every day

To make it easy for customers to get in touch we have:

- More than 12 different channels for customers to contact us through, including over the phone, WhatsApp, email, live chat, in writing and in person (for our Hartlepool customers and at key events).
- A free call back service.
- A new 'one stop shop' webpage, with all our key customer information in one place.
- A revised [Core Customer Information document](#), which has been updated and republished on our website.
- We clearly signpost our contact details on all our bills and letters as standard.

For customers that require additional communication support, we have:

- Interpreters Live, to offer British Sign Language and alternate sign language interpretation.
- Text Relay.
- Multi-language options online, for bills and communications (such as on WhatsApp, where we have communicated with customers in a wide variety of languages).
- A dedicated bereavement phone line and 'tell us once' service.
- Google Translate.
- Braille, large print, audio and coloured bills.

On our website we have:

- Our online MyAccount service available in 127 languages.
- ReciteMe functionality throughout, which allows users to modify the site depending on their accessibility needs.

Our MyAccount app is available in eight different languages, with additional language options being added in Autumn 2024.



What we do during incidents

We post the details of all issues and incidents on anglianwater.co.uk/check, where we have a live map. Customers can input their postcode to see the latest information. If a customer can't see information on an issue, they can let us know online or by calling 03457 145 145.

We update anglianwater.co.uk/check with the latest information from our teams on the ground, so customers are always kept up to date.

Our customer service team members are kept up to date with the status of all incidents, so they can respond to any queries that might be received through regular contact channels.

For large-scale incidents, we deploy a Customer Support Unit to the heart of impacted communities, to ensure we give appropriate face-to-face support to affected customers.



Principle 3: The company provides appropriate support for its customers when things go wrong and helps to put things right.



What we do every day

When things go wrong we provide:

- A dedicated 24 hour phone line. This is available every single day of the year.
- A Monday to Sunday WhatsApp channel for customers to get in touch.
- A dedicated complaint/case handler to give customers a single point of contact.
- Help and advice on our website with what to do in an emergency, such as frozen, burst or leaking pipes.

We monitor our performance on how we support customers when things go wrong through:

- Customer sentiment and satisfaction tracking for learning and insight.
- Customer champion group.
- Online customer panel.

Internally, we identify and implement service improvements through:

- Regular complaint working groups to drive out service issues.
- Service improvement groups across various areas of the business.
- A customer leadership board, prioritising change initiatives

To make things right after an incident or issue, we have guaranteed standards that outline how we compensate our customers. These are outlined in our Core Customer Information document.

We're working on:

- A trial of free internal or external pipe repair for customers on our social tariff.

What we do during incidents

One of the first things we do, even before an incident is declared, is to understand which customers are impacted. We request data from the PSR team, so we can identify, understand and meet the full array of customer needs. We start to plan and prioritise PSR customers and groups within the impacted area who may require additional help – such as schools, care homes and hospitals.

As soon as we escalate from an event to an incident, we draw in more resources from across the business, to manage the situation and minimise the impact on our customers. Part of this additional resource includes people from our communications and engagement teams (including a PSR Manager), to ensure customers are kept well-informed.

During an incident, we work as hard as we can to get everything back to normal for customers, as soon as possible. If we're unable to get things sorted within 12 hours, we'll provide an alternative water supply. This could include diverting water from elsewhere in the network, sending tankers to pump water directly into the pipes that supply homes, or delivering bottled water to customers.

Where there is a large issue, affecting a lot of people, or there's a 'boil' or 'do not drink' notice in place, we set up a Customer Support

Unit and hubs for customers to collect bottled water from. For PSR customers who have a water-dependent medical condition, or mobility issues, we'll deliver bottled water straight to their door. We work with local councils to find the best spots to set up our bottled water hubs, so customers can get to them easily, whether on foot or by car. As soon as we know where they'll be and what hours they'll be open, we send customers the details by email and text and post the information on our website.

In addition:

- If a customer is internally flooded from a sewer, we aim to attend the property within 2 hours.
- We cancel sewer charges if a customer needs to be vacated due to flooding, or if they are on our 'worst served' register.



Principle 4: The company learns from its own past experiences and shares these with relevant stakeholders. The company also learns from relevant stakeholders' experiences and demonstrates continual improvement to prevent foreseeable harm to its customers.



What we do every day

We work with our peers to improve services across the water sector and attend:

- Industry complaint working groups.
- Events and seminars for sharing best practice.

We work with CCW:

- Lessons learnt exercises are carried out routinely. We take what we have learnt and work with CCW to change and improve our processes.
- We seek CCW input to customer communications and change (for example our seasonal tariff trial and annual billing).
- We attend regular meetings for challenge and advice.

We listen to our customers (and make changes as a result) through:

- Our online customer community.
- Customer champions.
- Customer board.
- Tracking customer sentiment and satisfaction and identifying service improvement opportunities.

We work with our partners:

- We work with more than 100 partners, including with energy suppliers, Fire and Rescue services and financial institutions.
- We utilise partners to review, enhance and critique our services (for example we engaged Scope to review our recently updated MyAccount platform).
- We work with partners to train and upskill our people – one recent example is the charity Plain Numbers, who provided training on how best to communicate with customers who struggle with numbers. In the past, we've created training videos on how best to communicate with deaf customers or customers with Dementia.
- We work with our partners, to leverage external data sources and data sharing, to provide a seamless experience for customers who need it. One example is the 'Tell us Once' service for bereaved customers. This service allows the customer to inform just one provider, who then shares the information across key partners, reducing the number of times a customer needs to notify providers.

What we do during incidents

We have a robust process in place to identify and learn from every incident. As part of the broader incident-management community in the water sector, we routinely engage with local partners and other water companies. This is part of a national platinum incident management structure, to share learnings and experiences, plan for emerging risks with the potential to impact the sector and to develop best practice.

We also engage and consult with CCW on how we manage incidents. In addition to the interactions outlined in 'What we do every day', representatives from our Operational Resilience and Customer Communications teams attend CCW Incident Workshops. These help us to better understand the spectrum of incidents across the industry and how they impact customers, with a view to share best practice and understand how and where we can improve our customer service.



Principle 5: The company understands the needs of its customers and provides appropriate support, including appropriate support for customers in vulnerable circumstances and including, during and following incidents.



What we do every day

Under our WaterCare service, we provide ExtraCare Support, alongside the Priority Services Register.

Through the PSR, we offer tailored, practical help and support, depending on the needs of each customer.

Day-to-day this might involve tailoring the way we communicate with a customer to reflect their communication needs, such as providing coloured bills, or communicating through their chosen language via WhatsApp.

When we are aware of an upcoming interruption to our service, we identify and get in touch with affected PSR customers as a priority, to understand what support we might need to give them and ensure they have as much time as possible to prepare.

Customers can easily sign up to the PSR through their MyAccount online, by calling 03457 919 155, or by completing our quick and easy 'Priority Services' form.

Our draft Customer Vulnerability Strategy is also available on our website.

As outlined in principle two, we have a wide variety of accessible ways vulnerable customers can get in touch with us.

As outlined in principles 3 and 4, we engage with our customers through a number of groups, to help us understand their needs and hear their feedback continually.

As outlined in principle 6, we have a comprehensive package of support for customers who are struggling with their finances.

More generally, to ensure we are offering the highest level of customer support, we:

- Are ISO 22458: Customer Vulnerability certificated.
- Utilise external data sources and data sharing.
- Have over 100 active partnerships.
- Have a dedicated partnership team.
- Offer a self-serve facility for customers to register and update their PSR needs in real time.
- Provide Dementia friends and other bespoke partnership training to our customer facing teams, such as Plain Numbers training.

What we do during incidents

When there's an interruption to water supply, our team will contact everyone in the area on our Priority Services Register to check they're okay. Where a lack of water could have a significant impact for customers who are on the Register (for a medical condition or mobility issues), we deliver bottled water directly to their door. We'll always do this for any interruption over 12 hours, but will also look to do it for shorter periods where it's needed.

Following feedback on how we manage this process, we now proactively let the customers know who will be delivering the bottle water and why.



Principle 6: As part of meeting principle 5 above, the company provides support for its customers who are struggling to pay and for customers in debt.



What we do every day

We have a comprehensive package of support for customers that are struggling to pay. Over AMP7 we will provide more than £300 million in affordability support to customers who need it.

Through WaterCare we offer:

- Discounted tariffs, including WaterSure, LITE, extraLITE and Aquacare Plus.
- Income maximisation.
- Forgiveness schemes.
- Extended lowest-bill guarantee.
- Medical Needs Discount for eligible customers.
- Increased free payment outlets and channels.
- Real-time, self-service account updates – generate a bill, tailored bill periods, scheduled billing, refund request, apply for DWP payments, amend payment amounts, dates or methods.
- The ability to see water usage versus cost, with water and money saving tips and water efficiency devices.

- Smart meter constant flow alerts.
- Targeted support for leakage repairs (currently being trialled – see page 56).
- Seasonal tariffs (currently being trialled – see page 55).

In AMP8 we are planning to provide direct financial support to all customers in water poverty, alongside introducing a new Medical Needs Discount for customers struggling to pay.

What we do during incidents

Not applicable.



Communities

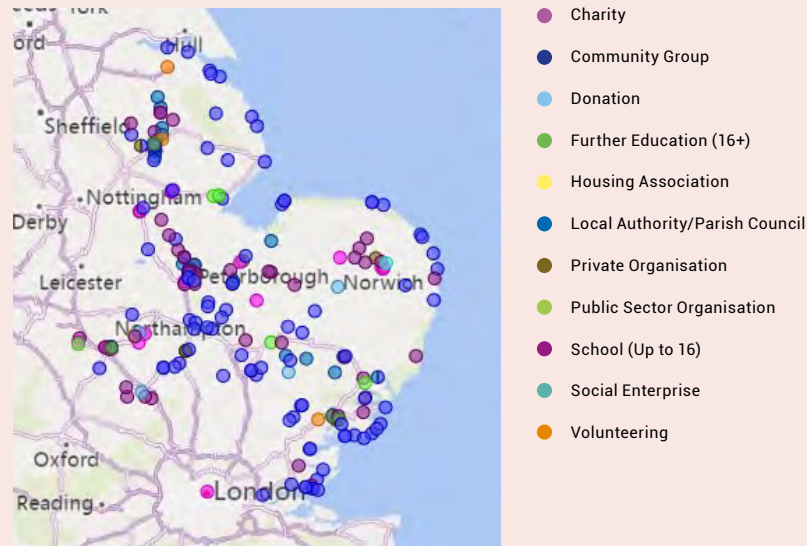
Contributing social value to the community we serve

More than 51,000 people were directly reached or supported by our community investment activities this year, including activities by our Alliance partners in the course of their work with us.

Mapping our impact across the region we serve

Supporting our customers and bringing social prosperity to the region we serve is central to our Purpose. And we have many teams involved in outreach and community activities across Anglian Water. To help ensure we're making the most of our efforts, this year we created a community mapping tool, which is helping us understand our activities in each area better.

As a result, we can identify where there are gaps in activities, or hotspots with high activity. This is enabling us to spread our resources and support across our region better, to deliver maximum impact.



Supporting social mobility in our region

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

Launched in 2022, SID has helped us engage with the local community, at multiple touchpoints, to break down the barriers experienced by marginalised groups entering the workforce.

We have prioritised delivering practical actions, such as work experience, interview training and supporting the development of employability skills, to make a positive difference and help improve social mobility for people in our community.

This year we have expanded the programme to include:

Working with prisons and ex-offenders to improve employability skills:

This year we have visited prisons in Peterborough, Norwich, Lincoln, Boston and Northampton, attending job fairs, holding employability sessions and building relationships with new sites to plan for future employability sessions.

Working with the Department for Work and Pensions:

This year we've built on our partnership, to continue offering CV and careers advice sessions at Job Centres in our region. In Peterborough, we are supporting DWP's 'Peterborough for Jobs' campaign, which aims to reduce unemployment in younger groups, through holding employability skills and mock interviews with young people.

Offering support to schools

We've been engaging with local schools and colleges in Milton Keynes and Bedford, inviting school students to an insight day at our Cotton Valley works. This helped them understand more about our business and the opportunities provided by our apprenticeship and graduate programmes.



Looking to the future

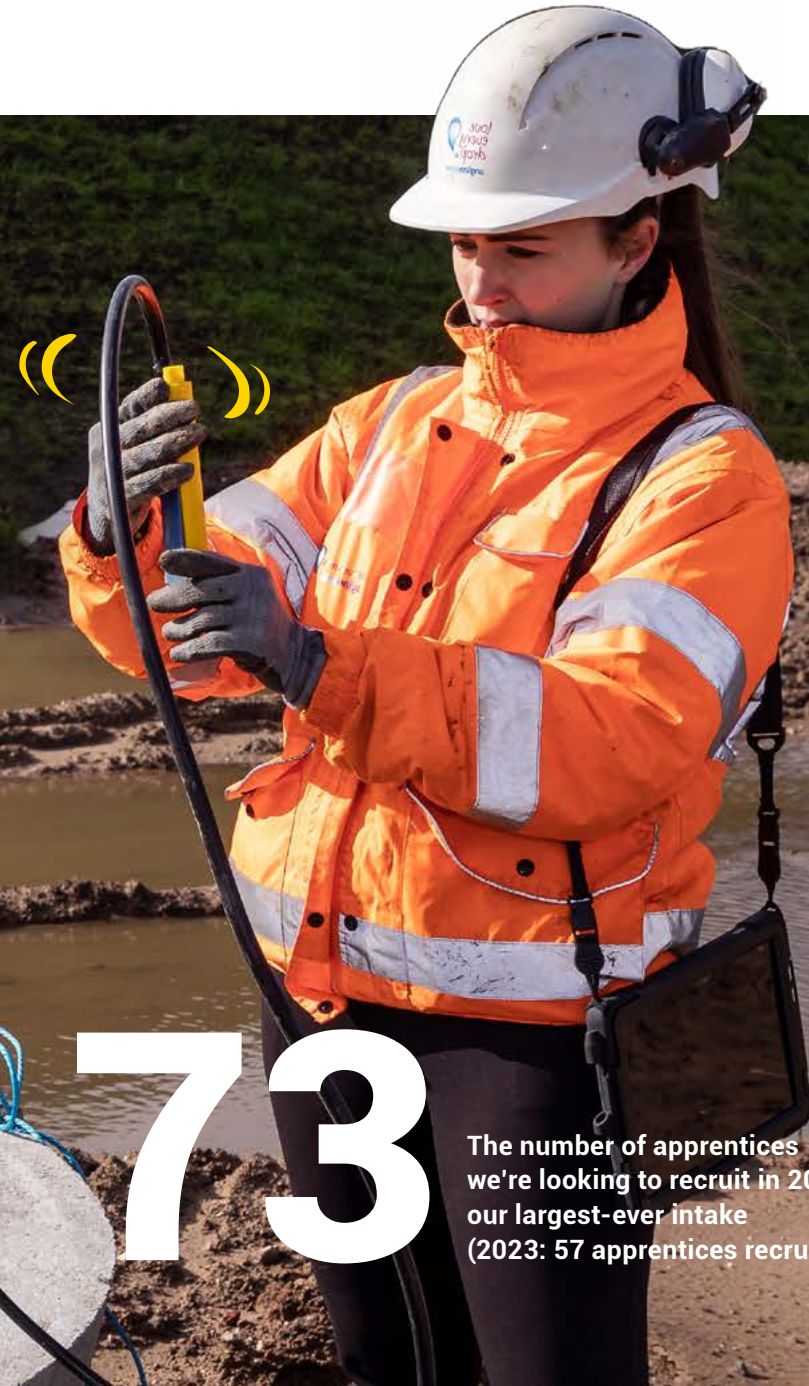
In 2024/25 we are developing a Society Strategy, to support our efforts to make a positive impact in the communities we serve.

Our people

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

An apprenticeship with us is all about exploring new opportunities and rethinking how things are done.

That's why we've revamped our recruitment process this year, in response to changes in the wider jobs market. Working closely with our front line managers, we've made changes to how we select apprentices. Instead of just looking at grades, we've focused on the skills and behaviours that really matter. We've also improved our in-person assessments to create a fair and welcoming environment, where everyone can shine. This approach not only helps us find the right people for our teams, but also gives everyone a fair chance, no matter their background.



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The number of apprentices we're looking to recruit in 2024; our largest-ever intake (2023: 57 apprentices recruited).

Securing our workforce in AMP8 and beyond

Our proposed AMP8 business plan will see us deliver £9 billion of essential investment in the East of England and create over 7,000 jobs, to meet the unique challenges facing our fast-growing and climate-stressed region.

We cannot deliver our ambitious plan without a great team of people. We are developing a Strategic Workforce Plan, to ensure we have a sustainable workforce across our organisation and the alliances that support us to deliver on our ambitions.

Over the next AMP, we will support over 800 apprentices, many of them into green jobs. We have set up Training Schools, which recruit candidates based on behaviours rather than technical ability. This opens up opportunities to a wider range of candidates; for example, ex-armed forces personnel, ex-offenders, the long-term unemployed and those ready for a career change.

The Anglian Water Alliances already have a range of activities to help us attract the right people from the diverse community we serve. For example, the Collaborative Skills Programme sponsors full-time courses in Construction and Engineering at four colleges in some of our most deprived communities. Through this programme, there is an offer to go into apprenticeships within our Alliance organisations.

Plans are also proceeding for a £4 million 'net zero training centre' at the College of West Anglia in Wisbech. Anglian Water Services and all its alliance partners are contributing £2 million – the full amount of corporate sponsorship – to get this off the ground and deliver a range of outputs relating to modern green skills.

This long-term planning for future workforce resources, in collaboration with our alliance partners, not only creates a sustainable pipeline of talent but also aligns with our Purpose, to deliver social prosperity across our region.

Our community education team is critical to the success of these endeavours. This year they engaged with more than 28,000 people across the region, acting as a positive influence for young people to engage with STEM subjects, alongside developing an understanding of Anglian Water's role in the environment and encouraging behaviour change.

Case study: Collaborative role design for our older workforce

We have more than 900 individuals aged 56 and above in our organisation – around 16%. Employees in this age group have on average 17 years' length of service, and a collective 17,000 years' worth of experience. That's why we're committed to retaining their valuable skills and helping them pass on their extensive knowledge to the next generation. This year we've been working with older operational colleagues, to hear their views on how we can co-create roles that allow them to continue working if they want to. We have existing flexible options, such as job sharing, part-time roles, or moving to different positions within Anglian Water. By working together, we're creating a retirement framework that respects our experienced workers and ensures a smooth transfer of knowledge.



Health and safety metrics

	2018 /2019	2019 /2020	2020 /2021	2021 /2022	2022 /2023	2023 /2024
Category 1 events¹						
• Reporting of Injuries, Diseases and Dangerous Occurrences Regulation (RIDDOR) reportable specified injury accidents						
• RIDDOR reportable non-worker/member of the public accidents	5	4	7	7	3	13
• RIDDOR reportable (potentially life-limiting) occupational diseases						
• Fatalities						
Accident frequency rate (AFR)						
• The number of reportable accidents in every 100,000 hours worked. Our AFR includes data from our own employees and our contractors.	0.12	0.08	0.13	0.13	0.07	0.10
Sickness absence – target 5 days						
• The average number of working days lost, per employee, due to sickness	4.60	4.54	3.77 ²	5.82 ²	5.04	4.96

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

³ Our Health and Safety figures cover alliance members, framework contractors, and Anglian Water staff – approximately 9,500 people.

We are committed to continuous improvement, to protect our people, enhance our working environments and to help everyone lead safer, happier and healthier lives.

This year, there has been an overall increase in Category 1 events, with 13, compared to three in 2022/23. The accident frequency rate also increased to 0.10, compared with 0.07 in 2022/23 – although across the AMP there is an overall improvement. We have also achieved good results with our directly employed workforce. However, we are rightly concerned with this year’s overall results and have redoubled our efforts to ensure we are engaging with our people across the business and alliances, to address the root causes.

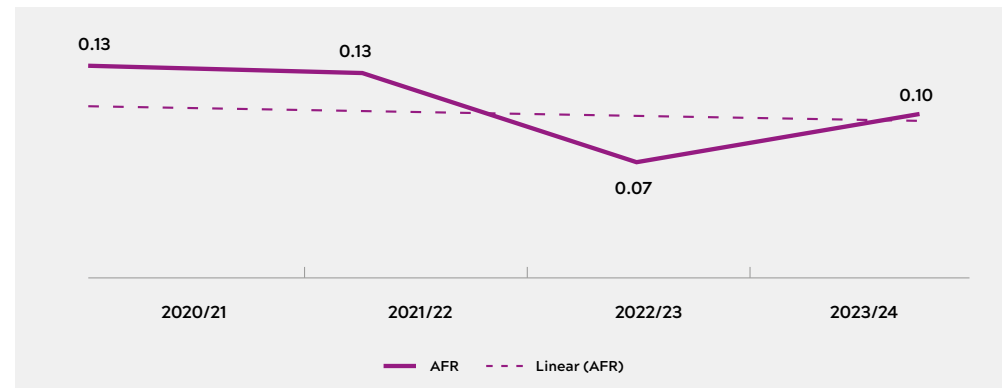
Our actions include targeting key business areas with significant improvement plans, investing in capital maintenance on high-risk sites and addressing leadership and behaviours at all levels of the organisation.

Specifically, we are addressing performance through:

Ongoing training and development, such as new, mandatory, company-wide Process Safety training. This will help all our people understand their role in protecting our people and the environment from the potential hazards associated with the equipment, chemicals and activities we carry out, as part of our operations. We also continue to roll out Madeline Abas Health and Safety Leadership Development training across the business.

Working with alliances and partners, to ensure we are all aligned to the same standards. This is being delivered through stand-downs, events and new processes, to ensure there is a clear understanding of safety compliance, with the correct policies and procedures being followed.

Accident Frequency Rates over AMP7 to date



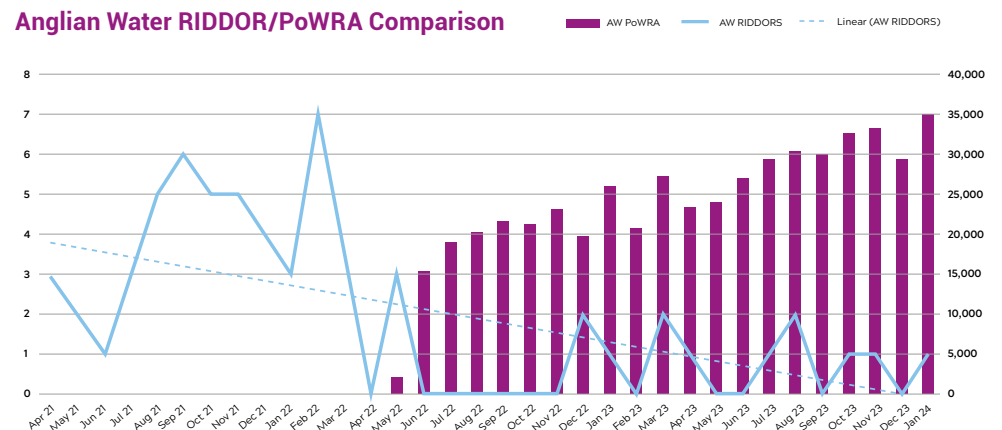
Improving functionality and reporting in our Safe and Well app

Anglian Water’s Point of Work Risk Assessments (PoWRA) ensures when jobs are paused, support and guidance is sought from line managers, ensuring appropriate controls are in place. This is driving a greater understanding of potential on-site safety issues throughout the business.

The above chart shows a significant reduction in task-related, RIDDOR-reportable accidents since the introduction of the Safe and Well app for Anglian Water employees.

This year, we’ve added a new digital Site Specific Task Risk Assessment (SSTRA), to assess possible safety issues caused by additional hazards, such as adverse weather conditions, time of day, lighting conditions, or the location of site.

More than 358,000 PoWRA assessments were undertaken in 2023/24.



Addressing situational accidents

through a focus on behavioural safety and site improvements, to help reduce slips trips and falls. Ageing asset failures have been identified as associated with serious near misses, so we are focusing on maintenance and equipment checks.

Using technology to drive improvements

In collaboration with our partners, we have developed 'people plant interface', which is driving health and safety improvements through the use of human-form-recognition cameras on specified mobile-plant equipment.

Promoting positive safety behaviours across the organisation

We've kept our attention on behavioural safety through our Safer LIFE campaign, which focuses on the behaviours and choices we all make on a day-to-day basis. We also run Safer LIFE orientations, with over 7,000 people having taken part since these began in 2022 (including from our supply chain partners). Our in-person LIFE Fest 2023 event was attended by more than 1,500 people and focused on mental and physical wellbeing, as well as behavioural safety. This received positive feedback from attendees.

"The live interactive session was very well done and thought-provoking. A reminder that five minutes just taking stock can save a tragedy that none of us want to experience. I've no doubt this session will help save any number of incidents across the industry."



Our people and culture

Pay update

Anglian Water and the Trade Unions have reached an agreement for a proposed pay deal for the years 2024/25 and 2025/26. All parties believe this wide-ranging and future-proofed deal reflects the incredibly hard work of all our people. We've responded to feedback and are giving people the ability to make longer-term financial plans and commitments.

For the financial year 2024/25:

- All eligible employees will receive a base pay uplift of 6%. This increase will also apply to overtime and contractual allowances, such as standby and callout; for clarity this is a consolidated uplift.
- An agreement to permanently increase Team Contributor, Work Technician and Water Recycling Operational Logistics Drivers Annual Leave, to a starting point of 25 days (for new and existing employees). The Annual Leave policy will be updated to reflect the changes.
- Permanent enhancements to our family-friendly benefits; doubling our current paid time off for maternity, paternity and adoption. The policies will be updated to reflect the changes.

For the financial year 2025/26:

- A base pay increase, based on the November 2024 Consumer Price Index including Housing costs (CPIH) rate, plus 1%. (The rate is published in December 2024.) The increase will also apply to overtime and contractual allowances, such as standby and callout; for clarity this will also be a consolidated uplift. For example, if CPIH in November 2024 is 4%, the pay award from 2025/26 will be 5%.

Pay progression and role benchmarking

Our three-year centralised project to review pay progression across the business was completed this year. The project took a data-led approach, prioritising roles where we could achieve the biggest benefit and parity, followed by roles with high turnover and roles where employees haven't seen much salary progression in recent years.

Completed pay progression frameworks are now in place for more than 45 roles, which provides 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 has benchmarked and evaluated over 400 roles in 2023/24.

New recognition framework

In response to feedback from this year's Love to Listen employee survey (see page 72), we are launching a new recognition platform called 'Thank You - we love what you do'. 'Thank You' will continue to reward and recognise our people when they exhibit behaviours and actions linked to our values. This will include recognising commitments to Health, Safety and Wellbeing, Customer Service and protecting the environment. Importantly, the platform will include our Alliances and Anglian Venture Holdings (AVH), to increase the opportunity for all our people to be recognised, celebrated and rewarded for working together.

Employee wellbeing

Wellbeing webinars

In 2023, more than 3,800 of our people attended over 1,350 hours of wellbeing webinars on a wide variety of topics.

To build on our success, this year we have published a full schedule of webinars aligned to the needs of our people, with quarterly themes enabling colleagues to easily navigate the content and plan their attendance.

Health Assessments

In 2023/24 we introduced mini health assessments at our main office locations, in collaboration with our facilities management partner, EMCOR UK. Our health checks are designed to assess the risks of potential medical conditions that could develop, spot any warning signs and share guidance on how to make changes and lower any risks. In the last year, we have completed approximately 800 assessments.

Time out for LIFE 2024

Time out for LIFE, our largest health, safety and wellbeing online event, was held for the fourth year in 2024. Approximately 9,000 employees had access to the event. This year we had our highest-ever number of participants, with 4,900 employees joining us to make time for LIFE. We saw wellbeing scores improve considerably as a result of joining the event, with the most significant changes in above average (41% increase) and excellent (95% increase) ratings (2022/23: 32% and 39% respectively).

Bespoke health interventions for our people: 'Get Trucking Fit'

We developed a bespoke, 12-week health programme in response to high levels of sickness absence within the Water Recycling Operational Logistics (WROL) team. This group had a sickness absence rate of 12 Days Lost per Employee (DLPE), significantly higher than the business average target of five DLPE. A number of health issues were also reported across the team, further driving the need for a timely health intervention.

The key objectives of our initiative were; to help improve the team's health and wellbeing – going beyond our standard LIFE health and safety programme; to deliver a targeted intervention to improve team health; and by extension, to ensure the safe operation of our HGVs.

The programme was specifically designed for this high-risk group and focused on a 1:1 diet and exercise programme, aimed at influencing healthy behaviours and creating sustainable change for those participating in the programme. Members of the group were provided with a variety of tools, guides and workout videos to support them through their journey, alongside personal, 1:1 coaching throughout the programme.



Our 'Get Trucking Fit' programme has been shortlisted at the 2024 Water Industry Awards.



Positive comments from programme participants:

"Overall, I'm feeling positive I can make it work this time."

"The support we received from the trainers was great and through the programme I've brought more fruit and veg into my daily diet."

Employee satisfaction in 2023

Our Love to Listen employee survey revealed that, despite a challenging year, employee engagement has held steady; improving by one point to 72% (2022: 71%). People continue to enjoy their jobs and working with their team. They also continue to appreciate our flexible, inclusive culture, wellbeing support and benefits.

Our people told us they feel well supported by their managers and understand how they contribute to our strategic goals. Connection to our Purpose remains strong with 79% of people feeling proud to play a part in creating environmental and social prosperity in our region (2022: 81%), although we can see confidence dipping slightly as a result of the intense public and media pressure on water companies.

Areas identified for action this year include:

Improving collaboration across teams

We continue to engage our people in opportunities to collaborate, including introducing a 'Back to the Frontline' scheme

enabling them to spend time with frontline colleagues to better understand other parts of the business and how we connect.

Fair performance and reward

In line with feedback, we have introduced our new 'Thank you – we love what you do' framework, giving managers more ways to celebrate great performance and behaviours and enabling colleagues to recognise great work from peers, including, for the first time, all of our alliances.

We are also working with operational teams to design and test new models for out-of-hours working, with the aim of strengthening business resilience while also supporting the wellbeing of our people.

Improving the use of data and technology

We have achieved good strides in making the best use of technology in recent years and are now focusing on system and data connectivity across the business, to ensure we are effectively leveraging insights business-wide.

Ensuring our people feel empowered to speak up

Doing the right thing is one of our core values, and with the water industry in the public spotlight, it's more important than ever that we hold ourselves to account.

In March we held a short 'Pulse' survey to ask our people if we are providing an environment that supports them to do the right thing, with trusted routes to safely speak out on anything they are not comfortable with.

Of the 1,582 colleagues who completed the survey, 93% said they believe we take safety seriously and encourage people to take the time needed to work safely, while 83% said they were encouraged to report honest metrics and results regardless of whether they show positive or negative progress.

If people saw anything that wasn't right, 90% said they feel empowered to stop an unsafe act, while 82% said they feel their manager listens and acts on their ideas and concerns. Furthermore, 83% said they would know how to report something through our whistleblowing service.

Many respondents gave us constructive ideas to further improve awareness and support for people to safely speak out, which we'll act on in 2024/25.



"I have never come across a company like Anglian Water who take the environment, water quality, construction and design risks and impact to customers so seriously."

"Whistleblowing is well shared and I believe anything raised would be considered and acted upon."

Investing in our people

In 2023/24 the total investment in developing our people was in excess of £4 million.

1,046 of our people have undertaken License to Operate or Advance License to Operate training since 2020, which develops the full range of skills and knowledge technicians need to be compliant, confident and competent in their roles.

1,528 of our people have completed personal development, management or leadership eLearning in the last 12 months, to support their development and performance.

1,108 of our people have attended Insights Discovery workshops, building self-awareness, developing better relationships and improving team performance.



The gender split across our leadership programmes in 2023 was 46% women and 54% men (overall gender make up of our business: men 66%, women 33%, 0.2% other)

Love to Listen 2023: What our people told us

7,265 colleagues shared their views (83% response rate). (2022: 6,901)

72% overall engagement (2022: 71%)

79% feel proud to play a part in creating environmental and social prosperity in the region we serve (2022: 81%)

85% feel their manager listens and responds to their ideas and concerns (2022: 84%)

86% have a clear understanding of our business goals (2022: 86%)

87% agree there is a strong emphasis on great customer service (2022: 85%)

86% feel this is an inclusive place to work (2022: 86%)

Best things about working here:

- Our people
- Our Purpose
- Flexible, inclusive culture
- Wellbeing support
- Benefits package

Top things to improve:

- Cross-team collaboration
- Reward
- Data and technology

Apprentices and graduates: our future workforce

We're changing the way we recruit graduates and apprentices, in response to the changing expectations of candidates and the wider jobs market, with an emphasis on attracting women, minority genders and people from ethnically diverse backgrounds.

We are mindful of the challenges some of our apprentices and graduates might face when attending interviews. Whether that's having to rely on a bus service to get to the assessment centre on time, facing anxiety, or challenges linked to neurodivergence, or a lack confidence in their skills.

As noted on page 67, we've moved towards candidate selection based on skills and behaviours rather than grades and we've updated the way we run our in-person assessments.

We are also addressing the social mobility challenges that graduates and apprentices can face. We've implemented support to help, including:

- Reimbursing travel costs to in-person assessments, regardless of the outcome.
- Starting assessment times later in the morning (so people can meet other commitments or to work around public transport)
- Providing candidates at Assessment Centres with the interview questions in advance, to have an opportunity to present themselves in the best way possible,
- Offering discounted driving lessons for Graduates and Apprentices in post. We're working to provide a salary sacrifice option for driving lessons.

In 2023/24 we're looking to recruit 73 apprentices – our highest-ever number – alongside seven graduates.

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

Key achievements:

We were named in the Job Crowd's Top UK Companies to Work for List¹⁷, ranking fourth by Graduates and fifth by Apprentices. We were also ranked second in the 'Energy and Utilities' category for both apprentices and graduates. We ranked number one for 'Career Progression' across all industries in 2023.



Apprenticeship retention at Anglian Water after 10 years is 84%, compared with the national average apprentice retention after one year of 54% (source: Department of Education). Graduate retention at Anglian Water is 89% over five years.



¹⁷ [Top companies to work for | TheJobCrowd](#)

Recruitment and retention

We are dedicated to building a diverse and skilled team that aligns with our values and Purpose.

As a result we're always exploring, monitoring recruitment and candidate trends and making changes where needed. This year we have continued to put inclusion at the heart of our efforts, with key changes including:

Addressing unconscious bias in recruitment:

- Many roles now require a mixed gender panel to attend interviews to challenge conscious and unconscious bias. In addition, we regularly promote unconscious bias training for managers, with mixed gender interview panels emphasised as the preferred standard.

In line with our Business Disability Forum membership we are implementing inclusive hiring:

- We're trialling providing interview questions to candidates in advance, to support their interview preparation. This helps those who may suffer from anxiety due to mental health conditions or who are neurodivergent.
- We've introduced updated neurodiversity e-learning for team members and managers, with a prompt for managers to refresh their training before interviewing.
- We're working with our internal Ability Network, to gain deeper insights on building trust with our internal or external disabled candidates.

We are currently working on our application for Disability Level Confident 3 – Disability Confident Leader. We are championing Disability Confident with businesses and organisations within the community and our supply chain, to encourage them to join the scheme. Our use of the Disability Confident scheme has also been reflected in

company policies; our Supporting Attendance Policy Procedure covers disability, reasonable adjustments, return to work and sickness and absence. The policy is briefed to all Managers and the Employee Relations and Occupational Health teams support employees and managers where needed.

Working with veterans from the Armed Forces:

We are supporting our current veterans and their internal network, while progressing external relationships and gaining insight into how we can support those from the forces, guiding them on the opportunities that we have available while they look for a new career.

Working closely with ex-offenders: attending prisons in our region:

See more in our Customers and Communities section, page 66.

Anglian Water Force

Anglian Water Force (AWF) is the community of people across our business who support us to resolve incidents quickly, helping minimise the impact to our customers. Now in its second year, AWF has helped us respond to 16 incidents throughout 2023/24, including severe flooding, summer demand and water quality.

Employee engagement with Anglian Water Force continues to improve, with more than 3,600 people across the business assigned roles and eligible to support – that's 75% (2022: 65.5%). This year we held 49 training and exercise sessions for over 450 people.

Inclusion

At Anglian Water, inclusion means creating a culture where everyone feels heard and valued.

Our inclusion strategy covers three strands:

Key actions undertaken in 2023/24

1. Developing awareness and education

Raising awareness of key topics, recognising and celebrating diversity and educating our people.

- Updated neurodiversity training for line managers and team members.
- New internal Lighthouse (intranet) neurodiversity page and line manager guidance.
- Reverse mentoring programme between ethnically diverse and white colleagues continued throughout Anglian Water.
- Sponsored Lincoln Pride 2023.

2. Build and grow our Inclusion community

Together, we will continue to grow the community as a safe place to share, engage and be allies, fully supported by our management board.

- This year we created five employee support groups: the Pride Family for LGBTQIA+, the Ability Network for Disability, a race and ethnicity group, Embrace, the Young Professionals Community and the Women in Construction and Alliances network.
- Inclusion Week 2023 and monthly Inclusion events. This year we doubled signups for Inclusion events.


3. Making changes to move our organisation forward

Together we will embed Inclusion within our policies and practices, and we will create interventions to remove barriers


- New inclusive hiring targets implemented.
- New diversity and inclusion interview panel volunteers launched (see page 73).
- Strength in Diversity work continues with an emphasis on social mobility (see Customers and Communities on page 66).
- Achieved a 20% improvement on our Business Disability Forum self-assessment score.

Improving representation of women, minority genders and ethnically diverse communities in our organisation


We're working to build a diverse organisation that is inclusive, with equality and representation at all levels.



41%



33%



39%

This year, with 41% of all new hires being female, we exceeded our target of 36% female hires, and for 36% of senior manager positions to be held by women (39% actual). By the end of 2025 this target rises to 38% for each.

Since we launched our updated Inclusion Strategy in 2020, the gender split of our 6,100+ strong workforce has shifted by 2% (from 31% to 33%), reflecting our efforts to attract and retain more women.

Since 2020, 39% of employees that were promoted to a higher level role were women, while the percentage of the female workforce promoted company-wide since 2020 is 4% compared to 3% of the male workforce.

Ethnicity

This was the second year of reporting on our Ethnicity Pay Gap. We've achieved an increase in the available data on employee ethnicity, which has brought with it an enhanced understanding of areas where we need to improve. As predicted, the increased data insight has resulted in a slight increase in the pay gap. We recognise there is work to be done to achieve accurate figures. We've seen encouraging improvements in the ethnicity split across the pay quartiles and role frameworks.

In 2023 we were delighted to receive recognition for our work on increasing inclusion and diversity throughout the business. Our Strength in Diversity project (page 66) was named Diversity and Inclusion Initiative of the Year at the Water Industry Awards 2023 and we also won the Institute of Water award for Commitment to Inclusion and Diversity 2023.

To read more about how we are working to improve the gender and ethnicity composition of our workforce, see our Remuneration Committee Report on page 148.



Inclusion Performance against targets in 2023/24

Measure	Target	2023/24 Outcome	+/- from 2022/23
Our people			
Our people agree that we are an inclusive employer	87%	86%	no change
Number of workforce engaged in inclusion activities	322	481	+41%
New hires			
% of female/minority gender hires	36%	41%	+5%
Reflect the gender of the UK STEM workforce	11% (the UK average)	39%	+29%
Reflect the ethnicity of our region	20% (previously 18%)	20%	+1%
Representation in senior leadership			
Gender equality in senior positions	36% female	39%	+3%
Senior positions mirror the ethnicity representation of our broader employee base	6% excluding 'white other'	5%	-1%
Benchmarking and external acknowledgement			
Achieving external benchmarking of inclusion practices	Achieve Disability Confident Employer Status	We met this target in November 2023	n/a
Business in the Community Tracker® score for Diversity and Inclusion	65% (Cohort average of 46%)	79%	+14%



Key external recognition for inclusion this year:

Disability Confident Employer 2023



Ranked number five on the 'Top 10 Best Performing Private Companies' in the FTSE Women Leaders Review



Times Top 50 Employer for Gender Equality 2023



Water Industry Awards Diversity and Inclusion Initiative of the Year 2023



Best Employer for Women finalist



Our partners

We do more and go further together

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

Forging new connections and collaborating to create a positive impact in our region is embedded in how we do business.



We have a diverse range of partners spanning the breadth of Anglian Water. Some examples include:

Corporate	Charities and the community	Academia and education	Alliances	Industry	Governmental Local Authorities and Councils	Non-governmental Organisations

Strategic Alliances

In March 2024, Anglian Water and its @one Alliance officially signed the @one Alliance AMP8 contract, to deliver a £2.6 billion package of investment throughout AMP8: a momentous achievement, which marks the beginning of our transition into the next AMP.

The new contract will see the @one Alliance double its output, from a record breaking £1.3 billion to an even larger £2.6 billion programme.

Working with our alliances, to drive cost efficiencies for customers in AMP8

For our AMP8 Business Plan, by far the biggest and most ambitious in our region's history, we challenged all our supply chain and construction partners to find more efficient ways of working together. We were able to decrease the total cost of our proposed business plan from £10 billion to £9 billion, c.10%. While Ofwat is still reviewing our plan, this could translate into a reduction of customer bills by 2.7%. There are huge benefits to the alliancing model as each partner brings their own specialisation allowing the alliance to deliver schemes efficiently, safely and with huge capital carbon reductions.



For AMP8, all existing @one Alliance partners, Anglian Water, Balfour Beatty, Barhale, Mott MacDonald Bentley (MMB), MWH Treatment, SKANSKA and Sweco have recommitted to the Alliance for AMP8 (2025-2030) and to help deliver the new programme. Binnies will be joining the Alliance full time for AMP8 after being a reserve partner since 2005.

The @one Alliance was established in 2005 to deliver Anglian Water's capital delivery programme across the East of England. We were an early adopter of the alliancing model in the water sector, which has now been recognised as a Gold Standard part of the Government's Construction Playbook.

Our industry-leading alliancing model is held in high regard in the infrastructure industry with other major organisations keen to learn more about alliancing in order to replicate our success, and other water companies beginning to set up their own alliances.

A key aspect of this continued success has been the focus on health, safety and wellbeing while embedding performance incentives for efficiency, carbon reduction and innovation.

Throughout AMP7 the @one Alliance has delivered over £1.3 billion worth of work, over 50% of Anglian Water's capital delivery programme and has delivered over 800 schemes including, storm tanks, phosphorous removal and sewer rehabilitation in order to maintain and improve our region's water mains and sewage network.

Customers and communities

Our partnerships with community groups and charities help us connect with and support our customers.

Customer service partnerships helped us reach more than four million customers in 2023/24.

Our partnership team engage with more than 100 charities and community groups each year, with a focus on engaging with customers that need support. This work is critical to improve awareness of our Priority Service Register and the financial assistance available through our WaterCare service, more on page 58.

One example of this type of partnership, is our co-funding of Scope's Disability Energy Service with Water Advice. This is a specialist support service that helps reduce costs and improve services for disabled people. This year the service has supported 8,883 disabled people and identified estimated annual savings for customers of £3.46 million.

Partnerships are also key when it comes to engaging harder-to-reach communities. This year we worked with The Bread and Butter Thing, an affordable mobile food club, offering low-cost weekly shopping bags for people on low incomes.

Working together we have been able to build relationships with some of our most disengaged, rural customers, who face loneliness and financial strain.

Our most successful sessions have been held at Old Leake Community Centre, where we joined forces with The Bread and Butter Thing and Community Centre staff.

During shopping bag collection times, our team engaged with service users to distribute leaflets and offer in-person advice.

While on-site, we were able to look into account queries, complete tariff checks and organise call backs for Extra Care Assessments. This very human approach allowed us to build a trusting relationship with those who attended.

As a result, since January 2023, we have seen a 200% increase in the uptake of Extra Care Assessments within the PE29 area. We've built trust with the residents of Old Leake, who are much more aware of all the ways we can support them. They have a better understanding of their bills and can make an educated choice on switching to a meter versus staying on a Rateable Value bill.

We're committed to rolling out this partnership across our region, supporting those who need it most.



The lady from Anglian Water gave out leaflets and advised people to ring them. I did - not expecting much! But she has cut my bill in HALF each month. Thank you to all involved in this community project. Such a wonderful thing you're all doing. Xx

19w Like Reply



Author
Old Leake Community Centre
that is fantastic 😊
you're not the only person to say this!
We are so pleased 😊 so far everyone who has given us feedback about Anglian Water has had their bill cut in half - it's amazing! 💜

19w Like Reply



Non-governmental Organisations

Working with others to improve and care for rivers

Through our Get River Positive programme we work with a range of organisations, to galvanise collective action, to improve and care for rivers. In 2023, we committed to 53 projects, working in partnership with the likes of Norfolk Rivers Trust, Doddington Hall, Microsoft, Avnade, North Essex Farm Cluster, East Mercia Rivers Trust, Water Resources East, Wildlife Trust BCN and River Lark Catchment Partnership.

In the East of England, the agricultural economic contribution is roughly twice the national average. We work closely with farmers and landowners to address the risk of diffuse pollutions.

In the past year, through our Farm Innovation Grant, Cover Crop Grant and Farmer Training Grant, we've:

- Supported 66 farmers deliver projects on soil health, nutrient management, pesticide management and precision technology.
- Helped 100 farmers plant over 1,000 hectares of cover crops to protect soils and retain nutrients.
- Provided 243 days of training to 32 farm businesses covering over 57,000 hectares.

Furthermore, we are funding 11 farm clusters across our region. These clusters bring together farmers and landowners and encourage collaborative work to deliver greater benefits for soil, water and wildlife.

One example is the Upper Deben Farm Cluster, formed in 2023.

We are supporting the Cluster with funding for a full-time facilitator for the group. This will help them grow, with a view to them becoming self-sustaining after two years. Within the funded period, the Cluster will focus on baselining and mapping existing resources, habitats and features, to provide a view on the current ecological health of the Deben. A website will be created to increase their ability to promote the group and its activities, enabling knowledge sharing with local landowners. Events will be hosted in the area, with the first exploring nature-based, landscape-scale regeneration opportunities and the following sessions covering themes such as Integrated Pest Management, Water Management and Soil Health.

“Effective cover crop management is key to our soil health programme, and Anglian Water’s help through the Farm Innovation Grant has been vital to pursue our plans – it has enabled us to invest in equipment and techniques which would otherwise have been beyond our reach, significantly accelerating our ability to improve our soils, capture nutrients, combat erosion, build resilience into our system and improve water quality on the farm.”
Henry Reynolds, Managing Director, Reynolds Precision Ltd.



Corporate

Cementing our strong supplier relationships

Suppliers play a fundamental role in the successful delivery of our capital programmes and will be crucial to help us deliver on our AMP8 plans.

We've built strong relationships with our supply chain over many years. And as we get fit for AMP8, it's vital that we nurture those relationships, differentiating ourselves from the wider water sector. As we embark on our biggest enhancement programme yet, we're committed to educating our suppliers about the opportunities the coming AMP affords.

In February 2024, we held a Supply Chain Event in Peterborough. This saw over 400 people attend from across our supply chain, partners and colleagues. We showcased our plans, the opportunities on offer, and discussed how we can collaborate to deliver together.

Peter Simpson, Chief Executive, opened the event, closely followed by Steven Lynch from Eastern Powerhouse, who talked about the opportunities in Eastern England. Lila Thompson from British Water took to the stage to answer the question 'Why the water industry?'; an important topic to address given the current media landscape. In partnership with Microsoft we also showcased the innovation achieved through the creation of our environmental digital twin.

We had positive feedback from attendees, with one supplier commenting:

“I now understand the direction Anglian Water is heading and how that will impact us. It was great learning about what the company is doing to improve delivery across the region”.



Industry

Creating sustainable aviation fuel using biosolids from wastewater treatment

Project Firefly is a collaboration between Anglian Water and Firefly Green Fuels, a spin-off from Green Fuels Research, who won c.£2 million from the Department for Transport's Green Fuels, Green Skies competition and Haltermann Carless to create sustainable aviation fuel from treated biosolids.

The project will take digested sludge (biosolids) from wastewater treatment and, by applying pressure and heat using a process called Hydrothermal Liquefaction (HTL), convert the organics fraction of biosolids into Sustainable Aviation Fuel (SAF). The first-of-its-kind refinery is planned to be commercially operational at Haltermann Carless' Harwich refinery by 2029. Firefly Green Fuels has secured a £5 million investment from Wizz Air along with a long term SAF offtake agreement.

With the UK Government announcing a SAF blend mandate increasing to 10% by 2030 and 22% by 2040, there is a huge market for SAF. This provides a solid foundation for the Firefly project, which is both an innovative and circular economy concept. Existing solutions for SAF production are also uncompetitive, with the current price to wing being two to six times the cost of fossil jet fuel.

From our perspective, the Firefly concept could provide an important alternative outlet for bioresources. The phosphorus fraction could still be captured following the Hydrothermal Liquefaction process through

separation of the biochar component. This ensures we can continue to provide value as an alternative to artificial fertiliser. If rolled out nationally, the Firefly concept has the potential to process more than c.3.6 million tonnes of biosolids, to produce 200,000 tonnes of SAF annually.



Predicting network vulnerabilities using AI: Safe Smart Systems

Safe Smart Systems (SSS) is Anglian Water's largest project funded by the Ofwat Innovation Fund. The project is using artificial intelligence and mathematical optimisation to build an automated system that will identify, predict and manage vulnerabilities in our network. In addition to improving long-term operational resilience, SSS will improve visibility of our network and enable our colleagues to work more proactively, to identify and resolve issues before they reach the customer. Ultimately this will provide a more efficient service, while also reducing water wastage (and associated carbon) from issues such as leakage.

What sets this project apart, is the scale of collaboration involved. Including Anglian Water and lead delivery partner Jacobs, we are working with an additional 27 companies from across the water and technology sectors, as well as academia and suppliers. At the end of this project, we will be producing an industry playbook to service as a guide for organisations hoping to develop and implement Safe Smart

Systems. By working across sectors, we can ensure our solutions and learnings are transferable and adaptable.

As of March 2024, we transitioned into Phase 3 of the project, the build and verification phase. We are currently training and testing algorithms to ensure they are ready for implementation. We have identified specific sites for physical implementation of our sensors, within the Ely and Newmarket area. Plans for construction delivery are underway. We are also exploring how our system might fit into a real-life operational setting: how this new way of working will align with our current processes and what opportunities might arise from the wider business for our system.

Safe Smart Systems is just one example of how embracing smart solutions could allow the industry to operate in a more joined-up way than has ever been possible before.

In December 2023, Anglian Water was awarded 'Innovation of the Year' at the Utility Week Awards for its work on the Safe Smart Systems project with Jacobs.



Pictured: Celebrations for the SSS project team and partners at the Utility Week Awards

National and local government

Strong relationships with our political stakeholders enables us to ensure that we best serve communities and economies within the region.

Thriving East launch

In November, we launched our [Thriving East](#) report, which provided a deep dive into the unique challenges faced by the diverse landscapes, businesses and people living in our region. The report shed light on the challenges across each of regional county on climate change, economy and society, sustainable growth and nature and environment.

To launch the report, we hosted a Parliamentary event which was attended by over 100 stakeholders, including East of England All Party Parliamentary Group Co-chairs Daniel Zeichner MP and Peter Aldous MP. While acknowledging the challenges facing the industry, Members of Parliament (MPs) valued the report's insights and supported our ambitious investment plans.

On the back Thriving East, we ran a substantial engagement programme with key political stakeholders, including members from Cambridgeshire, Norfolk and Suffolk Chambers of Commerce, which we used to shape the outcomes of our AMP8 business plan. This ensured our plans will meet the needs of the communities they serve.



Daniel Zeichner MP, Dr Ros Rivaz (Chair), Michelle Sacks Chief Executive of Huntingdonshire District Council, and Peter Simpson (CEO)

Improving understanding

Over the past year, we met a total of 1,396 political stakeholders. This included 121 MPs and Peers, 65 County Councillors, 223 District Councillors, 149 Parish Councillors and 186 Council Officers. Many of our conversations included discussion of our Storm Overflow reduction plans and plans for wider investment in the region, including [Get River Positive](#).

Our stakeholder engagement was particularly important during heavy rainfall and flooding incidents, where it was imperative to ensure key local representatives were kept up to date.

Opposition engagement

With 2024 being a General Election year, we know election campaigns will significantly amplify the political interest we've seen over the past two years. We have actively engaged with prospective Parliamentary candidates in our region, as well as sitting MPs.

In June 2023, we hosted Labour's Shadow Water Minister Ruth Jones in Grafham, which was her first meeting with a water company since becoming Minister. This served as an opportunity to discuss key topics, such as water resource security. We have also developed strong relationships with other Shadow Ministers Seema Malhotra and Emma Hardy, through which we have helped develop Labour's thinking on developing solutions for issues such as flooding and unflushables, alongside sharing our Purpose model.

Chambers of Commerce

One of our long-term ambitions is to enable sustainable economic and housing growth in the region we serve. We are a member of several regional Chambers of Commerce, including Cambridgeshire, Essex, Lincolnshire, Norfolk, Rutland and Suffolk. Being an active, funding member of these key, regional business bodies, provides us with valuable insight into the local challenges and needs of businesses, as well as opportunities to work alongside and partner with Chambers.

We worked collaboratively with Essex & Suffolk Water to deliver a Water Summit in Suffolk. This brought together, for the first time, the water industry, local councils and regional businesses to discuss solutions on topics such as water resources, water efficiency and sustainable growth. Another key discussion area was policy change, to help water companies better support business growth through future Water Resources Management Plans.

Response to flooding

Flooding across our region from October 2023 to March 2024 generated a significant uplift in stakeholder engagement. We worked with over 350 enquiries from MPs, councillors and other stakeholders. While also working closely with our operational colleagues who were supporting customers in flood-hit areas, who were often in desperate situations.

We were also able to share key information with MPs and other stakeholders, covering topics including; the need for better multi-agency collaboration for effective flood risk management; and how legislation needs to change to improve flood response (see pages 14-19).

We attended several community meetings with MPs, local authorities and communities, demonstrating our commitment to the flood hit areas. We also shared weekly updates with MPs in flooding hot-spot locations.

In 2024, we began working with key agencies and local councils, as part of our wider multi-agency response. Together, we're creating a plan for further improvements, as well as investigating key hotspots. See Our stakeholders – Environment, pages 44-53.

Regulators

As a regulated business, we strive for an open and constructive working relationships with Ofwat, the Environment Agency (EA), the Drinking Water Inspectorate (DWI), the Consumer Council for Water (CCW) and the Office for Environmental Protection (OEP).

Ofwat

Throughout the year, we continued to engage with Ofwat through face-to-face discussions, industry forums, working groups and written submissions.

Following the submission of our PR24 plan in October 2023 Ofwat is assessing our proposal ahead of publication of their draft determination later this year. We regularly engage with their teams and via formal Ofwat channels on Price Reviews. We continue to engage more generally on wider issues with Ofwat, including regular meetings, at all levels, in both organisations and alongside other regulators such as the EA and DWI.

Over the last year, we have hosted several meetings with various representatives of Ofwat including; the Ofwat Chair, Ian Coucher in May 2023; Helen Campbell, Ofwat's Senior Director for Sector Performance in January 2024; and Chris Walters, Senior Director of the Price Review. Chris Walters visited Woodcroft Road, Etton, one of our Strategic Pipeline Alliance (SPA) sites in February 2024. During this visit, Chris met Peter Simpson and other senior managers, who brought to life the scale and complexity of the SPA programme.

These meetings provided an opportunity to discuss topics such as, the delivery of our plans for AMP8, our approach to asset management and the role of network modelling and digital enablers, to improve operational and network management.

This year we also responded to Ofwat's new customer-focused license condition, which was introduced in February 2024. A summary of our response can be found in Our stakeholders – Customers and communities, on pages 54-66.

Environment Agency (EA)

We have continued to work with the EA on a wide variety of topics - from strategic objectives and funding allocations, through to monitoring river health and when events, such as spills, occur.

The EA is currently in consultation for Guidance Document 16_02, which details how it will assess and record incidents that are self-reported by water companies, with proposed changes to take place from 2026. The new guidance proposes the removal of Category 4 when categorising pollution events. A Category 4 event includes no actual harm, but the risk of Category 3 includes harm. We are providing feedback as part of the consultation process. We continue to cooperate fully with the EA, being transparent and responsive to all requests for information and site access.

Drinking Water Inspectorate (DWI)

To ensure all our customers can access safe, clean drinking water, both now and in the future, we regularly meet the DWI to review issues that could impact water quality in our region. We also report annually to the Inspectorate, to enable them to review our performance against the rest of the sector. These results are published by the Chief Inspector in the summer.

Our meetings with the DWI ensure there is an open and transparent flow of information, with meetings ranging from regular monthly telephone calls to frequent liaison meetings with our Principal Inspector and their team. In parallel, we also have meetings to review progress on recommendations from the DWI.

Alongside our industry peers, we attend an annual summer event, where the DWI's Chief Inspector report is presented.

These meetings, and our engagement at various levels within the DWI, ensure we are providing them with the most up-to-date information on the quality of the water, any issues we have encountered, alongside our plans for the future.

Consumer Council for Water (CCW)

We engage and consult with CCW across the full spectrum of customer services, including how we manage incidents. In addition to routine interactions, we attend CCW Incident Workshops, with a view to share best practice and where we can improve our customer service. The workshops help us to understand the spectrum of incidents across the industry better, as well as how these impact our customers.

Office for Environmental Protection (OEP)

We continue to engage with the Office for Environmental Protection on our environmental commitments, such as Get River Positive. We have attended meetings with the OEP, including one hosted by the Norfolk Rivers Trust, where we discussed ongoing activity, our river health commitments and the Advanced Water Industry National Environment Programme (A-WINEP).

Shareholders

Our shareholders have made a long-term commitment to our organisation and have a shared interest in, and responsibility for, its success. They have been instrumental in helping build our AMP8 plan and supporting our work to drive down pollutions. Their engagement with our strategy, plans and performance is vital to our future success.

Both the Anglian Water Services Limited (AWS) and parent company, Anglian Water Group (AWG) Boards include shareholder non-executive director (NED) representatives. They bring with them a broad range of skills and experience.

This year, our shareholders agreed £350 million of additional investment to support the delivery of our Strategic Interconnector Grid and to accelerate work on our pollutions. This is over and above the level agreed by Ofwat. It includes £100 million to help improve spills and pollution performance.

We engaged extensively with our shareholders as we shaped our AMP8 plan. Working together, we rigorously challenged both the scope and cost of investment, to ensure our plan is efficient, delivers a service improvement and keeps bills to a minimum. Our shareholders fully support the unprecedented level of help included, to make bill increases that result from our plan affordable for those who struggle to pay. Specifically, this is funding a new Medical Needs Discount, which provides direct financial support to those with specific medical needs that create a higher water dependency.

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

Our external shareholders did not receive a dividend from 2017 until 2022, choosing to prioritise instead, the long-term needs of the business and our customers.

Engagement

Strong relationships and delivering regular updates to our investors is vital. This year, we held a series of dedicated events aimed at our shareholder audience:

- Company Board meetings, where non-executive directors participate in discussions and decisions about Anglian Water.
- Meetings of the AWG Board (chiefly comprising representatives of our shareholders), which regularly considers and has input into matters of importance to Anglian Water.
- Regular one-to-one meetings between each shareholder group, our Chief Executive, Chief Financial Officer and other members of our senior teams.
- A series of workshops held in the build-up to our AMP8 plan submission, to ensure their input was fully reflected in the plan.

- In December 2023 we welcomed shareholders and their colleagues to a pollution deep-dive workshop at our office in Peterborough. The objective of the event was to demonstrate the breadth of our pollutions plans, how robust they are and how they are already beginning to make a difference.
- We also provided written reports, including interim and preliminary results at half-year and year-end, our Annual Integrated Report and the annual Sustainable Finance Impact Report.

What they tell us

Our shareholders value the regular engagement with the Board and senior management. They also benefit hugely from the opportunity to engage with teams from across the business and gain a deeper understanding of how we're delivering on our commitments.

Further information on the AWS Directors can be found in the biographies on pages 124-127.



Members of our executive Board at our Water Treatment Works, Heigham, Norwich

Debt investors, banks and ratings agencies

The delivery of our investment programme relies on the funding provided by investors and banks and the assessments made by the rating agencies.

Raising finance

We have one of the largest levels of private investment in the region and have invested over £2.7 billion since 2020, as part of our five-year plan to 2025.

Our investments cover protecting and enhancing the environment, protecting communities from extremes of weather, building resilience to flooding and drought and supporting sustainable economic growth, by unlocking development opportunities and securing water resources for the long-term future.

Our plans are realised through our WINEP, which will see us make improvements and enhancements worth £811 million¹⁸ in this region.

Our WINEP is one of the largest investment programmes in the industry. Many of these investments are financed through our Green Bonds, and contribute to five environmental objectives: climate change mitigation; climate change adaptation; biodiversity conservation; pollution prevention and control; and conservation of natural resources.

Throughout this year, we've raised £1.2 billion million across several debt transactions, such as the £860 million dual-tranche bond launched in August 2023. Investors have financed a wide range of investments under different portfolios, which you can read more about in our [Sustainable Finance Impact Report](#).

Engagement

Engagement is vital to understand an investor's requirements, while demonstrating our long-term sustainable plans and helping them understand what makes Anglian Water a sound investment. We have developed a structured engagement programme, which consists of regular updates and events and meetings between subject-matter experts and investors to facilitate an in-depth understanding of our business.

In October 2023, we held an event at our Wing Water Treatment Works. Over 70 investors, banks and rating agencies attended. During the day, we provided an update on our PR24 business plan and the investments proposed for AMP8. We also hosted interactive market stalls, themed around the four pillars of our Strategic Direction Statement (see page 12 for more information), and provided a site tour of the treatment works, delivered by our on-site experts.

As a result of feedback, we've worked more closely with investors this year to ensure we are supplying up-to-date information on how their investments are being used across sustainable projects.

We understand that our investors are seeking granular information to share with their stakeholders, such as pension funds, on Environmental, Social and Governance (ESG) commitments. We are able to provide a wealth of information for them to pass on.

ESG ratings

We have a track record of securing external validation of our ESG impact and business resilience.

In 2024, we maintained our AA rating in the MSCI ESG Ratings assessment - the second-highest ranking, for the third year running. MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers.

We also received a CDP score of A-, a global measure of how we are responding to climate change.



Investors visit our Wing Water Treatment Works in October 2023

¹⁸ [aws-preliminary-announcement-31-march-23.pdf\(anglianwater.co.uk\)](#)

Section 172 statement

Engaging with our stakeholders

In July 2019, with the approval of our Board and shareholders, we became the first major utility company to enshrine purpose into the way the business is run, by amending our Articles of Association. This amendment means we've enshrined, for the long-term, the principles set out in section 172 of the Companies Act 2006 – making us accountable for delivering on our long-standing commitment to working in the public interest (see page 35).

Section 172(2) states that, where the purposes of a company consist of purposes other than, or in addition to, benefiting the company's shareholders, the section 172 duties will take effect, as if the reference to promoting the success of the company for the benefit of shareholders were a reference to achieving those alternative purposes. Anglian Water's Purpose

(as set out in our Articles of Association) is to conduct its business and operations for the benefit of members, while delivering long-term value for its customers, the region and the communities it serves, seeking positive outcomes for the environment and society. It follows that the directors of Anglian Water have a duty to act in a way that can be considered as most likely to promote the company Purpose. The section 172 duties, to which the directors are subject, must therefore be considered in the context of this Anglian Water Purpose.

The disclosures, set out on pages 84-86, demonstrate how the Board must show regard to the matters set out in Section 172(1) (a) to (f), which are now enshrined in Anglian Water's Articles of Association and include cross-references to other sections of the report for further information.

Board engagement with stakeholders

Our Board has set out to define discrete stakeholder groups, but it recognises that, in many cases, they have complementary interests and shared priorities. On occasion, their concerns may even conflict with one another. The Board's duty in reviewing, challenging and shaping plans and setting strategic direction, is to consider and balance the impact of its decisions on a wide range of stakeholders. More information on our business model, including how we use six capitals thinking to shape decisions and measure outcomes, can be found on pages 35-36. Information on our key stakeholders can be found throughout this report and below.

We have developed an annual stakeholder engagement strategy, which is approved by the Board. This is designed to demonstrate

how Anglian Water is delivering on its Purpose and to increase the breadth and depth of understanding of the value that Anglian Water delivers. The Board regularly engages in the delivery of the stakeholder strategy.

In November 2023, members of the Board attended the launch event for the Thriving East report at Westminster. See page 80 for more information.

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

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

Making long-term decisions

Anglian Water's long-term strategy is driven by our 25-year Strategic Direction Statement (SDS). Our SDS was first published in 2007 and was refreshed in November 2017. The SDS was most recently reviewed by the Board early in AMP7 and the updated version now covers the period 2020-2045. The four key ambitions set out in our SDS are shown in our business model, see page 12.

Much of the Board's focus over the financial year 2023/24, related to the development of Anglian Water's PR24 Business Plan for the period 2025-2030 and the associated Long Term Delivery Strategy (LTDS). Further information on the Board's stakeholder engagement, in relation to both the PR24 Business Plan and LTDS, can be found in the case study on page 85. The LTDS is aligned with our existing strategic frameworks – as well as the Government's long-term objectives – to create a coherent strategy to 2050.

In August 2023, we published the revised draft of our Water Resources Management Plan (WRMP), which sets out how we will maintain a sustainable and secure supply of drinking water for our customers, over the period 2025-2050. The WRMP considers the challenges that our region faces, allowing Anglian Water to implement an affordable, sustainable pathway that can provide benefit to our customers, society and the environment. The Board oversaw and scrutinised the development of the revised draft WRMP and also provided assurance that Anglian Water had met its obligations in developing the WRMP: namely that it is the best-value plan for managing and developing water resources – based on sound and robust evidence and costing processes – which also enables us to continue to meet our obligations to supply water, protect the environment and provide societal benefit.

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

The Board has also approved Anglian Water's long-term viability statement (see pages 119-121), within which the directors have assessed the Company's prospects over the next ten years.



Having regard to employees' interests

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

In October 2023, the annual Love to Listen survey was undertaken, with the aim of seeking and acting on the views of our employees. The results of the survey, together with plans to address its findings, were discussed by the Board. In line with the Anglian Water Services Corporate Governance Code 2020, the Board has appointed John Barry as the non-executive Director responsible for engaging with the workforce.

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

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

Further information on how the Board and management engage with employees – and the impact of that engagement – can be found on pages 67-75.

The Board, stakeholder engagement and the development of our PR24 Business Plan and LTDS

Engagement with customers and communities is fundamental to the development of our strategy and plans.

The Board-approved PR24 Business Plan and LTDS were submitted to Ofwat in October 2023. The Board has been engaged throughout the business planning process for both the PR24 Business Plan and the LTDS, as far back as March 2021, when the Board approved the overall strategy for the period 2025-2030 (AMP8). Since then, the Board has regularly reviewed and challenged all aspects of the PR24 Business Plan's development. In September 2021, the Board agreed it was important to adopt a multi-AMP focus, to ensure the need for investment would be balanced against the challenges facing bill payers. At its meeting in May 2022, the Board confirmed the importance of ensuring the PR24 Business Plan aligned with what customers valued most and noted the involvement of the company's Independent Challenge Group (the ICG is a group of independent subject experts and regulators, who scrutinise and challenge Anglian Water's business plans, to make sure they reflect customers' priorities).

In September 2022, the Board hosted a 'market stall' event, attended by the CEO of Ofwat. The session provided an opportunity to demonstrate how Anglian Water was focused on improving environmental outcomes, while keeping bills affordable.

To understand the perspective of our customers, some directors attended customer engagement events and ICG meetings. Alex Nassuphis attended the ICG's Affordability and Acceptability Qualitative session in April 2023. In July 2023, the whole Board met Craig Bennett, the Chair of the ICG. This meeting allowed Mr Bennett to detail the work undertaken by the ICG in challenging Anglian Water's position in respect of key aspects of the Company's PR24 Business Plan, including the LTDS, water resources, affordability and customer engagement.

Between May and July 2023, nine deep-dive sessions were held with individual Directors, covering key elements of the PR24 Business Plan and LTDS. The purpose of these sessions was to allow the Directors to consider and challenge specific aspects of the PR24 Business Plan in greater detail. These sessions were each led by an independent non-executive director, selected based on their skills, to ensure an appropriate level of challenge. For example, Zarin Patel led the sessions on the PR24 financials, given her role as Chair of the Audit Committee.



The Board approved both the PR24 Business Plan and LTDS at its meeting in September 2023. The Board is confident that both represent the best option for our customers and stakeholders.

Fostering business relationships with suppliers, customers and others

Our most important supply chain relationships are with our alliance partners, who play a crucial role in the delivery of our infrastructure and services. The Board receives an update on the progress of the capital investment programme at each Board meeting. This update provides an opportunity for the directors to review and challenge progress across the different delivery routes. During the year, the Board also received and considered – in detail – a number of updates on the progress of the Strategic Pipeline Alliance (SPA), which is tasked with the delivering hundreds of kilometres of new, interconnecting pipelines.

Under Anglian Water's Scheme of Delegation, the Board must approve the approach to the award of contracts with suppliers, above a certain value. This ensures that there is the appropriate level of oversight of these key contracts. During the year, the Board approved procurement strategies for operational technology delivery and consultancy services, the management of recreation services and grounds maintenance. Each year, the Board also approves Anglian Water's Modern Slavery and Human Trafficking Statement, which details the steps we have undertaken to ensure that slavery and human trafficking are not taking place in any part of the business, or within Anglian Water's supply chain.

The Board also engages with our different regulators including Ofwat, the Environment Agency (EA) and the Drinking Water Inspectorate (DWI). As part of her induction programme, Dr Ros Rivaz has met the Chairs of both Ofwat and the Environment Agency.

Another important stakeholder group is debt investors, banks and rating agencies.

Engagement is key to understanding their requirements, demonstrating our long-term sustainable vision and helping them to understand what makes Anglian Water a sound investment. Engagement occurs through dedicated investor events – held at least twice a year, to coincide with the company's results announcements – and additional events including the one that took place in October 2023 (see page 83 for more information).

Impact on community and environment

The environment is at the heart of our Purpose and our SDS is fully aligned with the Government's own 25-year Environment Plan. In July 2021, we published our Net Zero Strategy to 2030. This route map, which was fully supported by the Board, sets out how we aim to reach net zero carbon emissions by 2030. As referred to above, the Board approved both the revised draft WRMP and the DWMP during the year. The Board regularly considers environmental matters, including abstraction, compliance against the EA's Environmental Performance Assessment, the progress of our WINEP, the water resource position and pollution reduction schemes.

Throughout the year, the Board has monitored the progress of both Ofwat's and the Environment Agency's investigations into sewage-treatment-works compliance. The Board has also supported the continued focus on reducing storm spills, together with the deployment of smart technology and machine learning, at pace, to help predict and prevent pollutions. See page 17.

Our Purpose requires us to consider the impact of our operations on our communities. The Board receives regular updates on stakeholder engagement activities.

Maintaining high standards of business conduct

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

Anglian Water also holds itself to account against a set of Responsible Business Principles, which are approved by the Board. See Holding ourselves to account: pages 35-36.

Acting fairly between members

The Anglian Water Group is owned by a consortium of five, long-term investors, representing millions of long-term pension holders in the UK and overseas. These shareholders are represented on the Board of our ultimate parent company Anglian Water Group Limited. There are also shareholder representatives on the Anglian Water Board. In this way, we ensure that we treat all shareholders fairly and that their views are heard when making key decisions. These directors bring with them a broad range of skills and experience. This is extremely valuable during Board discussions. Our shareholders have made a long-term commitment to our organisation and have a shared interest in, and responsibility for, its success. As the ultimate owners of the business are the source of equity investment – not the group – it's vital that we engage them in strategic planning and share our progress and results with them.

Further information on our Company structure and ownership can be found on pages 25-26 and in Board biographies on pages 124-127.

Responding to stakeholder concerns

The Board has always taken an intense interest in Anglian Water's environmental performance. Over the last couple of years, the Board has recognised that – as a business with a stated Purpose to bring environmental and social prosperity to the region we serve – pollution performance has been disappointing for all stakeholders.

Following the development of the Pollution Reduction Programme 2023-2025 (the PIRP), the Board has met regularly with Emily Timmins, Director of Water Recycling, to understand and challenge progress made against the PIRP. In November 2023, the Board challenged Emily to further develop additional investment opportunities, which would be likely to have a beneficial impact on Anglian Water's pollution performance.

At its meeting in January 2024, the Board closely considered the detailed investment case to drive pollution reduction. The Board recognised that there were multiple benefits to investing in pollution reduction, including reputational improvements, a more positive relationship with regulators and reduced penalties. Therefore, after careful consideration, the Board approved the first tranche of £50 million (from a total commitment of £100 million) from our shareholders, to tackle pollutions and storm spills. This investment will deliver schemes, such as creating more capacity in sewers across the region and increasing storm water storage at water recycling centres, so they can deal with events like the intense rainfall we witnessed this year.

The statements below reflect our commitment to, and management of, employees, communities, the environment, human rights and anti-bribery and anti-corruption in the last 12 months, as required by sections 414CA and 414CB of the Companies Act 2006.

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



Environmental and climate matters

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

Relevant policies, documents or reports that govern our approach:

- Articles of Association
- Strategic Direction Statement
- Integrated Management System Framework Policy
- Water Resources Management Plan
- Drought Plan
- Water Recycling Long-Term Plan
- Drainage and Wastewater Management Plan
- Pollution Incident Reduction Plan
- Climate Change Adaptation Report
- Net Zero Strategy 2030

Sections within the Annual Integrated Report where you can read more about our current activities and risk management:

- Chair's Welcome: pages 5-7
- Chief Executive's Statement: pages 8-10
- The year in context: pages 14-24
- Our strategic ambitions: page 12
- Holding ourselves to account: pages 35-36
- Responsible financing: Sustainable finance: pages 27-30
- Climate-related (CR) financial disclosures: pages 91-103
- (a) governance arrangements, pages 92-93

(b) how CR risks and opportunities are identified, assessed and managed, page 101

(c) how processes for identifying, assessing and managing CR risks are integrated within the company's overall risk-management framework, page 101

(d) description of: (i) principal CR risks and opportunities, pages 94-97; (ii) time periods to which these are assessed, pages 94-97

(e) actual and potential impacts of the principal CR risks and opportunities on the business model and strategy, pages 94-97

(f) resilience of the business model and strategy, taking into consideration different CR scenarios, pages 94-100

(g) targets used to manage CR risks and realise CR opportunities and performance against targets, pages 94-101

(h) KPIs used to assess targets above and calculations on which these are based, pages 101-102

- Our stakeholders: Environment: pages 44-53
- Section 172 statement: pages 84-86
- Climate-related financial disclosures, pages 91-103
- Principal risks: pages 108-116

Employees

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

Relevant policies, documents or reports that govern our approach:

- Values Framework
- Doing the Right Thing – Code of Conduct
- Inclusion Plan
- Health and Safety Policy
- Dignity at Work Policy and Procedure
- Personal Relationships at Work Policy
- Gender Pay Gap report
- Whistleblowing Policy and Procedure
- Ethnicity Pay Gap report
- Board Diversity Policy

Sections within the Annual Integrated Report where you can read more about our current activities and risk management:

- Chair's welcome: pages 5-7
- Chief Executive's statement: pages 8-10
- Our stakeholders: People: pages 67-75
- Section 172 statement: pages 84-86
- Corporate Governance report: pages 128-136
- Nomination Committee report: pages 144-147
- Remuneration Committee report: pages 148-174

Human rights

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

Relevant policies, documents or reports that govern our approach:

- Doing the Right Thing – Code of Conduct
- Dignity at Work Code of Conduct
- Data Protection Policy
- Data Retention Policy
- Customer Privacy Notice
- Modern Slavery and Human Trafficking Statement
- Human Rights Policy

Sections within the Annual Integrated Report where you can read more about our current activities and risk management:

- Our stakeholders: pages 44-83
- Nomination Committee report: pages 144-147



Social matters

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

Relevant policies, documents or reports that govern our approach:

- Anglian Water Articles of Association
- Anglian Water Strategic Direction Statement
- Social Contract
- Employee Volunteering Guidelines – Love to Help

Sections within the Annual Integrated Report where you can read more about our current activities and risk management:

- Chair's welcome: pages 5-7
- Chief Executive's statement, pages 8-10
- The year in context: pages 14-24
- Our strategic ambitions: page 12
- Holding ourselves to account: pages 35-36
- Our Stakeholders: Customers and communities: pages 54-66
- Section 172 statement: pages 84-86

Anti-corruption and bribery

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

Relevant policies, documents or reports that govern our approach:

- Doing the Right Thing – Code of Conduct
- Anti-Bribery Policy
- Anti-Fraud Policy
- Corporate Hospitality Policy
- Whistleblowing Policy
- Board protocol for dealing with conflicts of interest
- Tax and transparency Policy

Sections within the Annual Integrated Report where you can read more about our current activities and risk management:

- Principal Risks: Legal: page 116
- Audit Committee Report: pages 137-143

Description of the business model

Relevant policies, documents or reports that govern our approach:

- Our business model: page 11

Sections within the Annual Integrated Report where you can read more about our current activities and risk management:

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

Non-financial key performance indicators

Relevant policies, documents or reports that govern our approach:

- Non-financial performance, measured against a set of commitments agreed with Ofwat
- Health and Safety measures and targets
- Environmental Performance Assessment

Sections within the Annual Integrated Report where you can read more about our current activities and risk management:

- Delivering our outcomes: Performance Commitments Dashboard: pages 37-43
- Our Stakeholders: People: pages 67-75
- Our Stakeholders: Partners: pages 76-79

Description of principal risks and impact of business activity

Description of principal risks and impact of business activity:

Relevant policies, documents or reports that govern our approach:

- The year in context: pages 14-24
- Risk management: pages 105-118

Sections within the Annual Integrated Report where you can read more about our current activities and risk management:

- Risk management: pages 105-108
- Principal risks: pages 108-116
- Business long-term viability statement: pages 119-121



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

Our approach to the climate and nature crises

Climate change is no longer a future threat. The impact is being felt globally, across sectors and ecosystems, today. Water is a primary factor; across the world, we are witnessing more flooding, increased risk of drought and rising sea levels¹⁹. And, as populations grow, there is a higher demand for water, which requires more transportation and energy-intensive pumping. Competing demands for water can impact biodiversity and wildlife, alongside extreme weather events, which can detriment water quality. Sustainable water management is key to building resilience in the face of the climate and nature crisis.

At Anglian Water, we manage water resources in a region that is water scarce and vulnerable to climate change. It also has many precious environmental sites to protect, a growing population and a sizeable agricultural economy that relies on water to feed the nation. In addition to supplying fresh, clean drinking water and recycling wastewater, we must think about water in its widest context. Water underpins economies and businesses, it impacts the quality of green and blue spaces and is a key enabler for housing growth, particularly in our fast-growing region.

The intrinsic relationship that we have with nature and the environment means we address the challenge through various strategies.

Geographically, our region is the driest in the UK, while heavy rainfall and rising sea levels increase the risk of flooding across our large coastal areas. The flat landscape we operate in means we must use energy to pump water around the region and – with our population set to grow by 720,000 over the next two decades – there is a demand for low-carbon alternatives. Treating water also requires carbon and energy.

So, we must seek innovative ways to reduce the need for carbon-intensive, chemical processes and instead opt for nature-based solutions.

Extreme weather can also put stress on our infrastructure, impacting our day-to-day operations. For example, much of the land is drained and rich in soils that are highly shrinkable, often chemically aggressive and structurally unstable. Extreme temperatures can lead to shrinking and expanding soils of this kind, exacerbating ground movements, which can increase failures of water distribution mains. Building climate resilience across our assets is key.

The region we serve is also home to many of the country's most precious chalkstreams and rivers. Improving river health is a key focus area and we are leading on a range of multi-sector projects that will benefit entire landscapes. Around the world, 85% of wetlands – which act as carbon sinks – have disappeared²⁰. We have a responsibility to reverse the decline on nature too.



¹⁹ unwater.org/water-facts/water-and-climate-change

²⁰ un.org/en/climatechange/science/climate-issues/biodiversity

Addressing these complex challenges now – and in the long-term – is crucial and requires us to be adaptable. To stand still, as our climate changes and population grows over the next 25 years, will require unprecedented transformation of our company and our sector.

At Anglian Water, we have long known about the impact of climate change and have been taking action to manage our key climate change risks since the 1990s. In 2007, we set four long-term ambitions – all of which relate to climate change – to guide our forward planning. Refreshed in 2017, our Strategic Direction Statement and the four ambitions remain fit for purpose and inform our long-term planning to 2050.



We have several strategies and plans to build resilience against climate change:

- Drainage and Wastewater Management Plan (DWMP)
- Water Resources Management Plan (WRMP)
- Drought plan
- Net Zero 2030 strategy
- Long Term Delivery Strategy (LTDS)
- Pollution Incident Reduction Plan (PIRP)
- Asset System Resilience Appraisal (ASRAP)
- Our 2020 Climate Change adaptation report



This section houses our key climate and nature disclosures:

Transition risks
Our transition risks are included in a number of our relevant strategies.

Task Force for Climate-related Financial Disclosures (TCFD)
Our climate-related risks and opportunities are disclosed under the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD). We continue to improve our climate-related disclosures, year on year. Find out more on page 91.

Nature-related disclosures
As stewards of a natural resource, we rely on – and have the potential to impact – the natural environment. This means managing the impacts, dependencies, risks and opportunities we have in relation to nature is not only the right thing to do, but fundamental to our business. Find out more on page 104.

Making information about climate-related risks and opportunities available to our stakeholders.

Since 2017, we've made disclosures under the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD), adopting them well ahead of their mandatory introduction in 2022. We continue to improve our climate-related disclosures year-on-year and our approach is consistent with all 11 TCFD recommendations.

Introduction

As a water company, we have an intrinsic relationship with the environment – the health of the environment both influences and is impacted by our operations. And our environment is changing, as a result of rising global temperatures. This relationship has driven a range of climate-related commitments and targets.

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

Highlights

- A-CDP Score, demonstrating we are implementing **best practice towards environmental stewardship**
- £1.2 billion raised green bonds in the year and a total of £3.8 billion of **sustainable financing since 2017**
- Delivering in line with our ambition to achieve **net zero operational carbon emissions by 2030**
- On track to achieve a **70% reduction in capital carbon by 2030**
- Platinum certified by Achilles Carbon Reduce, **signalling 10+ consecutive years of carbon reductions**



Governance	
Page	Further references
92	<ul style="list-style-type: none"> → See organised structure on page 92 → See climate-related governance on page 92-93

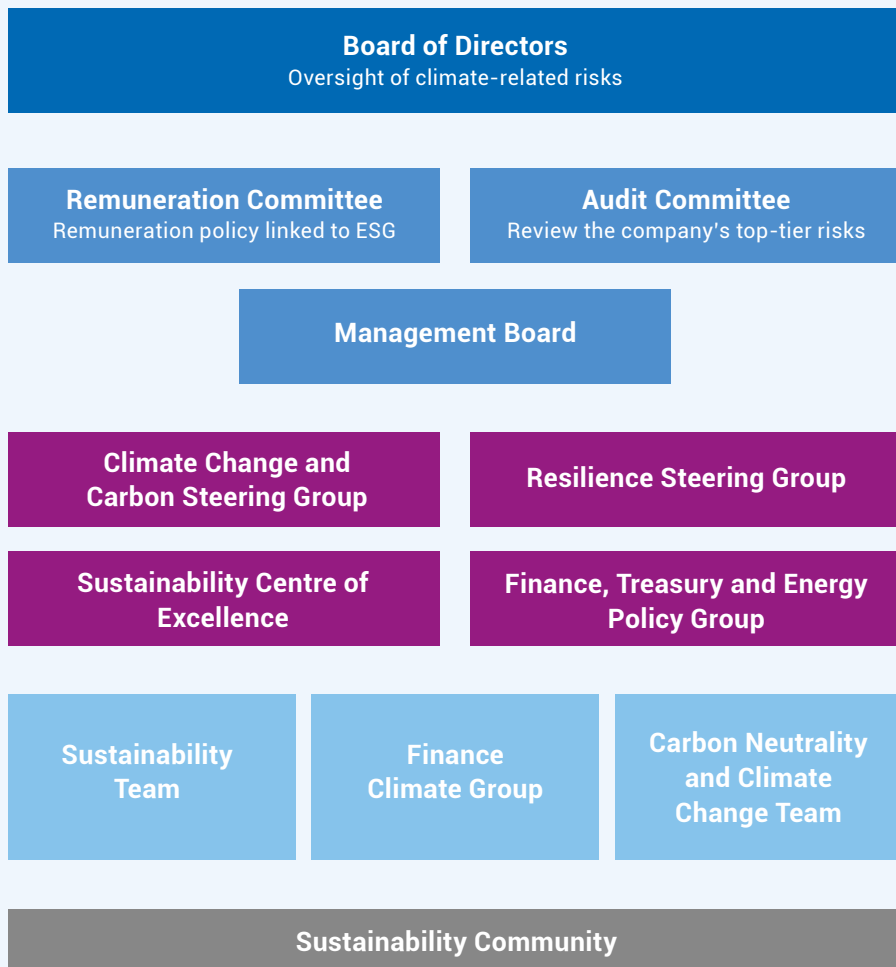
Strategy	
Page	Further references
94	<ul style="list-style-type: none"> → See our approach to climate-related strategy on page 98

Risk management	
Page	Further references
101	<ul style="list-style-type: none"> → See climate-related risk management on page 101 → See our approach to risk on page 105 → See our principal risks on page 108

Metrics and targets	
Page	Further references
101	<ul style="list-style-type: none"> → See our climate-related metrics and targets on pages 101-102 → See our greenhouse-gas performance on page 102 ↳ Net Zero Carbon 2030 Routemap

Climate-related governance

Where we manage climate risks and opportunities



Board oversight

The Anglian Water Services (AWS) Board retains overall oversight of climate-related risks and opportunities. The Board discusses climate-related issues, for example reviewing our draft Water Resources Management Plan. Climate-related risks are included within the company's top-tier risk register and managed through risk management and internal control systems. In 2017, the Board led the business to become one of the first utilities to raise finance through a Green Bond, due to the governance structure we have in place.

The Board drives and oversees our climate-related commitments including:

- Anglian Water's Climate Change Adaptation Report
- Anglian Water's commitment to achieve net zero carbon by 2030: our Chief Executive, Peter Simpson was co-sponsor of the sector-wide Water UK commitment. Our net zero 2030 commitment covers our Scope 1 and 2 emissions, together with those Scope 3 emissions we're required to report on. The Board monitors progress.
- In addition, we've also committed to reducing our capital carbon emissions – Scope 3 emissions that arise, as a consequence of building and maintaining our assets – by 70%, against a 2010 baseline by 2030.

Leadership

As a founding member of the UK Corporate Leaders Group (the Corporate Leaders Group, run by the University of Cambridge Institute for Sustainability Leadership), Peter Simpson has championed business action on climate change for many years. He was co-Chair of the Institute between 2020/21 and again in 2022/23. Our Senior Independent Non-Executive Director, Dame Polly Courtice, is Emeritus Director and Senior Ambassador of the Cambridge Institute of Sustainability Leadership. Peter works with Business in the Community (BITC), as Chair of the East of England Leadership Team. He also sits on the WaterAid Board of Trustees.

The role of the Audit Committee

The Audit Committee plays a key role in monitoring the company's financial reporting, reviewing the material financial judgements and assessing the internal control environment, ensuring information is accurate, timely, reliable and compliant. The Committee provides effective oversight of both financial and non-financial disclosures, including climate-related financial disclosures. Climate change is an area of focus as described on page 138. The Committee approves our annual internal audit plan, driving areas of focus. The Committee also bi-annually reviews the top-tier risk register. More on Risk can be found on pages 105-118.

The role of the Remuneration Committee

The Remuneration Committee plays a key role in ensuring that climate change, and other Environmental, Social and Governance issues are considered at the top of the organisation. A portion of variable executive remuneration is already aligned to our purpose and selected ESG measures. These measures include our performance as a business in operational and embedded carbon. See pages 148-174 for the Remuneration Report for more detail.

The role of management

Management Board

The Management Board meets three times a month to discuss issues, many of which relate to climate change. The Management Board consists of our Chief Executive, along with key decision makers, who chair many of the groups below.

Climate and Carbon Steering Group

The Climate and Carbon Steering Group is responsible for progress against climate change mitigation and adaptation.

The group meets monthly, to discuss specific themes, including our proposed AMP8 (2025-2030) net zero investment plans, which include a focus on renewable energy generation, reducing fugitive emissions at 17 of our largest sites and moving towards lower carbon HGVs. The group is chaired by a member of the Management Board, with two other Management Board members attending, to ensure integration with the overall business strategy. Updates are provided to the Management Board when required, for example on our net zero carbon trajectory.

This group has been integral to the development of our climate adaptation investment plans for 2025-2030, our future Climate Change Adaptation Report and progress against our 2030 carbon commitments.

The Resilience Steering Group

The Resilience Steering Group, chaired by the Chief Executive, is responsible for assessing and improving Anglian Water's resilience. Anglian Water has introduced six capitals thinking and integrated them into the governance process for projects within the organisation, so that all six capitals – natural, financial, social, manufacturing, people and intellectual – are considered when making investment decisions.

Finance, Treasury and Energy Policy Group

The Finance, Treasury and Energy Policy Group also plays an important role in managing transition risks and opportunities. Chaired by our Chief Financial Officer, the group leads on raising sustainable finance and identifying sustainable projects, such as renewable energy generation. The group's members include the Chief Financial Officer, the Group Treasurer, other Management Board Directors and the Head of Carbon Neutrality.

The groups above lead on the management of climate-related risk. Other organisational groups play an important role in developing climate-related approaches.

Six Capitals Steering Group

The Six Capitals Steering Group has developed a methodology, to assign values to measures across each of the six capitals and their contributing factors, allowing for project appraisals to consider value in the broadest possible sense. Anglian Water has developed a methodology for capturing and reporting on this data, allowing for reports on performance against the six capitals to be included in a wider Purpose dashboard, which will be reported to the Board on a regular basis. The Six Capitals Steering Group has been subsumed by the Sustainability Centre of Excellence.

Finance Climate Group

The Finance Climate Group's purpose is to coordinate, collate and share best practice on financial planning and reporting, with regards to sustainability, carbon and climate change issues. The group has improved the link between finance

functions and those delivering climate solutions around the business. Our Chief Financial Officer attends once a year, for an update on progress and prioritisation.

Sustainability Community and Sustainability Centre of Excellence

Anglian Water's Sustainability Community allows Anglian Water employees and alliance partners to engage with sustainability-related activities. This ensures that input into the climate change, carbon and sustainability agenda is open to all. This community aims to harness these ideas and the widespread commitment to sustainability across Anglian Water and our partners.

Headed by the Chief Sustainability Officer, our Sustainability Centre of Excellence is a consultative and collaborative forum, for those leading on sustainability and Purpose throughout the organisation, to maximise impact and increase transparency.

Engaging with our customers

We are constantly engaging with customers, with over

1 million
direct customer contacts a year

387
customer panels

100,000
responses to our customer
feedback surveys

Our customers are valued stakeholders, who we consult with on our key plans.

In preparation for our AMP8 proposals, we carried out almost 35,000 in-depth engagements with our household customers and over 2,500 engagements with our non-household customers.

We also issue key climate-related plans for public consultation – including our Drought Plan, Water Resources Management Plan, Climate Change Adaptation Report and Drainage and Waste Water Management Plan – and we incorporate and reflect the feedback we receive.

Customer feedback channels include the ICG, our online community and our Customer Board:

Anglian Water's Independent Challenge Group (ICG): A group of independent subject experts and regulators – with an Independent Chair – that scrutinises and challenges Anglian Water's business plans, to make sure they reflect customers' priorities. Replacing the previous Customer Engagement Forum in 2022, the ICG constructively challenges Anglian Water on:

- the quality of its engagement with customers and the wider communities and stakeholders it serves;
- the extent to which customer priorities are reflected in what the company does; and
- the company's delivery against those priorities.

Our online community is formed of 500 customers, whose views we seek weekly on a wide range of topics.

Our Customer Board comprises a representative selection of members from the online community, to provide further guidance and directly feed in customers' views.

Climate-related strategy

Climate-related risks, opportunities and impact

As stated in our Climate Change Adaptation Report (published in 2020, with an updated version due by the end of 2024) – and more recently confirmed in our Thriving East research – climate change in our region will lead to less rainfall in summer and wetter weather in winter. We have been focused on building resilience for years and expect the more extreme weather conditions we've witnessed in recent years to continue.

Organisational resilience and scenario planning

Anglian Water's overall resilience to climate-related risk is addressed through various strategies and plans, as outlined in our approach to climate change page 89. As an example, climate change will have an impact on available water resources. Our long-term strategy to manage supply and demand is outlined in our Water Resources Management Plan. Successive plans have ensured a safe, secure supply of water to our customers' taps. New water treatment works, the laying of strategic pipelines to take surplus water to areas in deficit and improving the connectivity of our region have contributed to resilience.

Our Long Term Delivery Strategy contains our adaptive approach, to 2050. As we look to 2050, our strategy will mitigate the impacts of challenges like climate change, population growth and new regulations, to ensure there is no deterioration in the service we provide to customers. Key focus areas include: demand reduction; new water supply infrastructure; ensuring that our water recycling systems protect the environment from harm; a circular economy approach to all waste streams; and a significant step change in the use of nature-based solutions, to solve water security issues.

Our five-year investment periods (short-term) and associated Ofwat Performance Commitment Levels (PCL) are set in the context of a much longer timeframe – in line with our Purpose and Strategic Direction Statement. Anything between five and 25 years is defined as medium term. Long term is defined as 25 years+. In the table below, the metrics cited are our Ofwat PCLs. These are a subset of a wider range of performance measures, which ladder up to our long-term ambitions.

Identifying risks and climate-related opportunities

Our governance structure enables us to identify climate-related opportunities across the organisation. These opportunities are centralised and reviewed within the Climate and Carbon Steering Group and outlined below:

Key risks

Key risk	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
<p>Negative impact on our supply/demand balance (physical)</p> <p>S M L</p>	<p>Hotter, drier summers increasing drought severity and frequency, combined with forecast population growth.</p>	<p>On our customers:</p> <ul style="list-style-type: none"> • Increase in interruptions to supply • Low water pressure issues • Drought restrictions more commonplace <p>On our business:</p> <ul style="list-style-type: none"> • Impact on our financial penalty/reward position • Increase in operating costs, to deal with periods of drought • Increase in capital investment required 	<p>We maintain a 25-year Water Resources Management Plan (WRMP), which quantifies the need and recommends investment – to maintain the supply/demand balance to avoid water shortages in the context of drought and population growth (see page 77). This 25-year plan is refreshed every five years, to incorporate short, medium and long-term actions.</p> <p>We have recently completed a study into climate vulnerable mains. This covers mains that are vulnerable to bursts, as a consequence of drought-induced soil shrinkage. This study highlights the pressing need to make vital assets resilient and fit for the future.</p> <p>A study is underway to investigate the impact of extreme summer temperatures on our assets, so we can develop resilience strategies.</p>	<p>The most relevant Ofwat PCLs for this key risk are:</p> <ul style="list-style-type: none"> • Leakage • Per Capita Consumption • Unplanned Outage • Percentage of population supplied by a single supply • Abstraction Incentive mechanism • Properties at risk of persistent low pressure • Smart metering delivery • Internal interconnector delivery • Risk of severe restrictions in a drought • Natural capital impact 	<p>Our WRMP shows that by 2050, as a direct result of climate change and drought resilience, there will be an 80Ml/d reduction in the water available to us. This is part of the total deficit of 593Ml/d, for which our plan contains multiple proposed investments of over £1 billion (with climate change a key consideration), to meet the total shortfall in water availability. For more detail on our WRMP please see our report.</p> <p>In our Long Term Delivery Strategy, submitted as part of our PR24 business plan, we propose to invest £1.64 billion by 2060, to mitigate the premature failure of our climate vulnerable mains, £184 million of this would be invested within AMP8. This will renew 668km in AMP8, as part of a multi-AMP programme of removing 75% of our 8,241km of climate vulnerable mains by 2060.</p>

S short-term (0-5 years) **M** medium-term (5-25 years) **L** long-term (25+ years)

Key risk	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
<p>Negative impact on our customers and the environment, including one off events (Physical)</p> <p>(S) (M) (L)</p>	<p>Increased frequency of periods of heavy rainfall combined with wetter, warmer winters.</p>	<p>On customers:</p> <ul style="list-style-type: none"> Internal and external sewer flooding and impact on customers' homes Increase in interruptions to supply <p>On business:</p> <ul style="list-style-type: none"> Impact on our financial penalty/reward position as well as environmental penalties Increase in operating costs to deal with heavy rainfall and associated flooding Increase in capital investment required 	<p>As set out in our Drainage and Wastewater Management Plan (DWMP), the next 25 years will increase hydraulic flooding risk in many catchments in the East of England due to more intense rainfall resulting from climate change, especially as 28% of our region being below sea level.</p> <p>Our long-term approach to addressing hydraulic flooding is informed by our 25-year approach to risk reduction and mitigation as outlined in our DWMP strategic planning framework. The DWMP presents a catchment-level long-term strategy for addressing flooding over a 25-year planning horizon and recognises that hydraulic flood risk is the collective responsibility of a wide number of stakeholders including the water industry. This approach delivers over a short, medium and long-term timeframe.</p>	<p>The most relevant Ofwat PCLs for this key risk are:</p> <ul style="list-style-type: none"> Water supply interruptions Unplanned outage Internal sewer flooding Pollution incidents Treatment work compliance External sewer flooding Bathing waters attaining excellent status WINEP Partnership working on pluvial and fluvial flood risk Risk of sewer flooding in a storm 	<p>In our PR24 business plan, we are proposing capital investment over the next five years of c.£61 million to help mitigate the risk of flooding of properties. This investment is required to enhance our sewerage system to reduce the risk to properties and external areas of flooding from sewers. For more detailed information, please refer to section 7 here.</p>
<p>One off events which impact ability to operate (Physical)</p> <p>(S) (M) (L)</p>	<p>Increased severity and frequency of storms.</p>	<p>On customers:</p> <ul style="list-style-type: none"> Increase in interruptions to supply Impact on leakage due to freeze-thaw process <p>On business:</p> <ul style="list-style-type: none"> Physical damage to assets and infrastructure impacting ability to operate in an area Increase in operating costs during and after the event Increase in capital investment following the event 	<p>We manage these risks with business continuity and meticulous emergency response planning. We have well-rehearsed policies, plans and procedures to ensure we minimise any risk to customers and the environment. This allows us to react to incidents in the short term as we plan for the medium and longer-term timeframes.</p>	<p>The most relevant Ofwat PCLs for this key risk are:</p> <ul style="list-style-type: none"> Leakage Mains Repairs Reactive mains bursts Water supply interruptions Unplanned outage Internal sewer flooding Pollution incidents Treatment work compliance External sewer flooding, Bathing waters attaining excellent status, WINEP, Partnership working on pluvial and fluvial flood risk, Risk of sewer flooding in a storm. 	<p>In the longer term, the cost of response is included within the two itemised above.</p> <p>Building in robust resilience allows us to quickly adapt to disruptions, maintain continuous business operations and safeguard our people, our customers and our assets. Incident preparedness through to response and recovery remains core to ensuring our business remains resilient. This is supported by our Anglian Water Force members who are our trained incident response community.</p>

(S) short-term (0-5 years) (M) medium-term (5-25 years) (L) long-term (25+ years)

Key transitional risks

Key transitional risks	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
<p>The pace of grid decarbonisation</p> <p>(S) (M)</p>	<p>Future energy policy direction, affecting future electricity markets.</p> <p>Premiums for green electricity.</p> <p>Grid pricing mechanisms.</p> <p>Planning challenges for onshore wind and solar PV.</p>	<p>Changes in the pace of grid decarbonisation will impact the magnitude of our residual emissions, as well as the cost effectiveness of future energy efficiency measures.</p> <p>Uncertainty in the future financial balance between the cost of investing in energy efficiency and the cost of low-carbon energy.</p>	<p>Continued wider market engagement, to better understand future grid electricity tariff scenarios, especially green electricity and sleeving, to have a more informed electricity procurement strategy.</p> <p>Continued engagement with our solar investors, EPC contractors and district network operators, to ensure solar portfolios are delivered.</p> <p>Monitoring of planned solar investments in our region (outside our own land), to identify and benefit from annual solar generation by 2030 and beyond.</p> <p>Continued engagement with local authorities, to monitor planning risks for onshore wind in our region.</p> <p>Encouraging staff to challenge and report areas where energy efficiency can be improved.</p>	<p>The most relevant Ofwat PCLs for this key risk are:</p> <ul style="list-style-type: none"> Operational carbon Capital carbon 	<p>Demand for green energy has been rising in recent years, with both domestic and non-domestic customers driving this increase. For companies to report on the amount of green energy they have procured and used from the grid, they need to demonstrate that the energy used has been generated from renewable sources. Renewable Energy Guarantees of Origin (REGO) certificates are obtained to show this.</p> <p>As more companies choose to procure green energy from the grid, the increase in demand is reflected in the price of REGOs. Spot trading prices increased from c. £0.20-£0.30 per REGO in the late 2010s, to a peak of c. £25 per REGO in September 2023. The market is still experiencing volatility and it's expected that this will continue into the future.</p> <p>During the year, we have signed two corporate purchase power agreements (see page 23), to procure renewable energy directly from generators via the grid and to reduce our reliance upon standard "brown" grid energy, where the generation mix is dominated by fossil fuels.</p>
<p>Societal and legislative views on environment and Net Zero carbon</p> <p>(S) (M) (L)</p>	<p>Increased media interest and changing public attitudes to environmental issues may increase focus on improved environmental policies.</p> <p>Changing Government tax income may lead to a focus on carbon as a mechanism to raise tax income.</p>	<p>Potential for increased investment in environmental protection schemes.</p> <p>As an energy-intensive sector and, with GHG emissions associated with water treatment, potential for increased costs.</p>	<p>The delivery of infrastructure affords the opportunity to deliver other positive environmental outcomes – for example nature-based solutions and through our partnership work, such as Future Fens.</p> <p>Strong relationship with delivery partners, to deliver low carbon solutions, as seen through our historic and ongoing commitment to reducing the capital carbon in our assets.</p> <p>Regular engagement with the UK Government, regulators and other stakeholders to shape policy outcomes.</p>	<p>The most relevant Ofwat PCLs for this key risk are:</p> <ul style="list-style-type: none"> Operational carbon Capital carbon 	<p>Customers, quite rightly, want us to ensure a sensible balance between ambition, affordability and intergenerational fairness. While necessary increases to investment will raise bills in the long-term, we have tested our proposals with customers and stakeholders, to make sure they reflect the things that matter most to them and that they represent the best value for our region.</p> <p>For those customers who are struggling to pay we have a wide range of support available, in the year we have helped 389,371 customers through a £136.9 million support package. We will continue to provide such support into the future.</p>
<p>Investment levels required</p> <p>(S) (M) (L)</p>	<p>Higher levels of investment required to meet more stringent environmental standards, improve resilience, adapt to climate change and meet long-term targets.</p> <p>The current regulatory model means that such investment will ultimately be funded through customer bills.</p>	<p>Increase to how much customers will have to pay, with has the potential to affect affordability for those struggling financially.</p>	<p>Taking affordability into account, as part of the planning and investment process – through customer consultation and macro-economic analysis.</p> <p>Assisting the most vulnerable customers, through a range of packages.</p> <p>Carefully planning investments, to deliver optimum outcomes, while keeping costs to a minimum.</p>	<p>The most relevant Ofwat PCLs for this key risk are:</p> <ul style="list-style-type: none"> Abstraction incentive mechanism Bathing waters attaining excellent status Smart metering delivery Internal interconnector delivery Partnership working Priority services register Value for money 	<p>Following consultation with our customers and other key stakeholders, our PR24 Business Plan contains proposed investments – in relation to Net Zero – of £152 million in AMP8. The LTDS contains proposed investments over the longer term. This reflects the wider societal priorities and identification of the need to invest in the environment for long-term prosperity.</p>
<p>Nitrous Oxide Emissions</p> <p>(S) (M) (L)</p>	<p>Uncertainty over the emissions factor for Nitrous Oxide emissions.</p>	<p>Potential increase in reported Nitrous Oxide emissions, resulting in an increase in overall reported CO₂e emissions.</p>	<p>The historic mechanism for calculating Nitrous Oxide emissions from waste water treatment is under review in the UK and internationally. Monitoring is underway in Anglian Water and the wider UK water sector, to understand the robustness of the current emissions calculation methodology. Following the completion of this research, a decision will be taken as to the accuracy of the current methodology and if the current emissions factor should change. Our PR24 business plan contains proposed investments in various Nitrous Oxide reduction approaches, which will deliver over 5,000 tCO₂e by 2030.</p>	<p>The most relevant Ofwat PCL for this key risk is:</p> <ul style="list-style-type: none"> Operational carbon 	<p>Our PR24 business plan contains £17 million of proposed enhancement investments, in various Nitrous Oxide reduction approaches. This investment will reduce emissions and provide valuable learnings that can be applied to our various sites, such that reductions can be achieved in the most cost-effective way. If the Nitrous Oxide emissions factor increases, the investment improves in tonnes CO₂e saved/£ invested, but the size of reported emissions increases. Our LTDS contains details of investments required in 2030 and beyond.</p>

Key opportunities

Key opportunity	Drivers	Impact on Business	Strategy to realise opportunity	Related metrics and targets
Spend to save programme (S) (M)	Increased cost of energy.	<ul style="list-style-type: none"> Reduction in operating costs Reduction in operational and capital carbon Reduction in energy consumption Reduction in reliance on grid power, increasing grid resilience 	We have a dedicated initiative to identify opportunities to reduce energy, carbon and cost. Funding is made available for this initiative, providing it pays back in five years or less. We also consider investments that may pay back over a longer period of time.	The most relevant Ofwat PCL for this key opportunity is Operational Carbon.
Correlation of reducing, carbon reduces cost (S) (M)	Need to reduce carbon footprint and align with our net zero target.	<ul style="list-style-type: none"> Reduction in capital investment required on projects Reduction in operational and capital carbon 	Our strategy is consistent with the international standard for capital carbon management, PAS 2080 – we assisted BSI in development of this standard. PAS 2080 aims to achieve a systematic process for infrastructure delivery, in which carbon management – under the direct control of the value chain – is the main focus.	The most relevant Ofwat PCL for this key opportunity is Capital Carbon.
Uptake of renewable energy (S) (M) (L)	The rising cost of grid power and the increasing appetite for renewable power.	<ul style="list-style-type: none"> Reduction in operating costs Increase in green-energy consumption Reduction in the energy required to be imported and opportunities to export 	Investment in the optimisation of our combined heat and power (CHP) programme, biomethane programme and solar photovoltaic installations at our sites. Long-term renewable energy procurement.	The most relevant Ofwat PCL for this key opportunity is Operational Carbon.

Financial impact

Historically, we have ring-fenced an element of the Opex budget centrally, to ensure this is available when we incur additional costs as a result of weather events. In light of the weather extremes experienced in recent years, this ring-fenced budget was increased for the year to March 2024.

We had very little rainfall in 2022, resulting in dry ground conditions. This impacted our leakage performance and we experienced increased costs as a result. We had stable weather for the first half of 2023/24, however, the last six months gave way to extremely wet weather, which put pressure on our water recycling operations and impacted us across pollutions, spills and flooding. In cost terms, this translated in additional operating costs of £9.3 million. This was offset by the unwind of the prior year drought-related costs not being repeated (£12.6 million).

Furthermore, we have not reached our regulatory targets for some key measures. As a result, we are in a penalty of £37.6 million. Read more about our Ofwat-related performance commitments on page 37.

The impact of climate change is incorporated into our key assumptions and significant judgements on pages 193-194. This discusses the risks in relation to our water mains network, in conjunction with our proposed investment for climate vulnerable mains – as highlighted in the risks table above.

Green finance

We have developed a Sustainability-Linked Finance Framework, to issue finance instruments tied to our sustainability objectives, including carbon reductions. The investments made through the Green Bonds issued to date are expected to support a 63% reduction from the company's 2010 capital carbon baseline.



Greenhouse Gas Report

Our annual Greenhouse Gas Report charts the decline in intensity factors used to indicate the decarbonisation of our services. Where relevant, we have also aligned with industry best practice for emissions measurement and reporting. Since 2010, this approach has been verified by CEMARS, as being measured, managed and reduced in accordance with ISO 14064. Our strategy for operational carbon reduction has been verified against ISO 14064 since 2010. And in 2021, we were awarded Platinum status on Achilles Carbon Reduce.

Transition to Net Zero

By 2030 we aim to be a net zero carbon business. This is defined as net zero emissions where we have operational control as set out in our [Net Zero Carbon Routemap 2030](#). This means we will reduce our carbon emissions through, for example, the consumption of renewable electricity, transitioning away from fossil fuel vehicles and reducing our energy consumption. In 2030 we will likely have some residual emissions, for example from process emissions from waste water treatment and Heavy Goods Vehicles, which will be offset through carbon offsetting mechanisms.

Our Net Zero 2030 Strategy contains more detail on the risks associated with transitioning to a net zero carbon business. Overall, we have a comprehensive approach to climate change, of which our transition risks form a key part. Key documents outlining our plans include our: Net Zero 2030 Strategy; Water Resources Management Plan; Drainage and Wastewater Management Plan; Strategic Direction Statement; Climate Change Adaptation Report; and Long Term Delivery Strategy.

Drainage and Wastewater Management Plan

This year, building on our experience of assessing flood risk, we undertook our most detailed flood-risk assessment ever for our [Drainage and Wastewater Management Plan \(DWMP\)](#).

We followed a three step process:

Step one used a range of climate change scenarios, including UKCP18 RCP2.6 and RCP 8.5, four time horizons (2025, 2030, 2035 and 2050) and six storm return periods (1:30, 1:75, 1:100, 1:250, 1:500 and 1:1,000). This identified the likelihood of flooding at our sites.

Step two established priority sites, based on risk and consequence.

Step three developed solutions that would protect our assets for submission as part of our PR24 business plan.

The results clearly show the impact of climate change as we look ahead to 2050. Using the RCP8.5 scenario (broadly equivalent to a 4 degree C temperature rise), we can see that fluvial flood risk (when a river bursts its banks) reduces slightly, while pluvial flooding (when heavy rainfall overwhelms the ability of the ground to absorb or drain water) increases slightly.

The likely cause of this is that base river flows may be lower in summer, due to reduced rainfall, while more intense summer storms will increase the risk of surface water flooding. This analysis allows us to take a more nuanced view of our risk, enabling us to make informed decisions about the risk of flooding and take an adaptive approach to investment, where required.

Water Resources Management Plan

We develop a [Water Resources Management Plan \(WRMP\)](#) every five years, setting out how we plan to manage water supplies in our region, to meet current and future needs, over a 25-year period. Our WRMP24 is our biggest and boldest yet – it includes: two new reservoirs; a reuse scheme; transfers; and a demand management strategy, underpinned by our ambitious smart metering roll out.

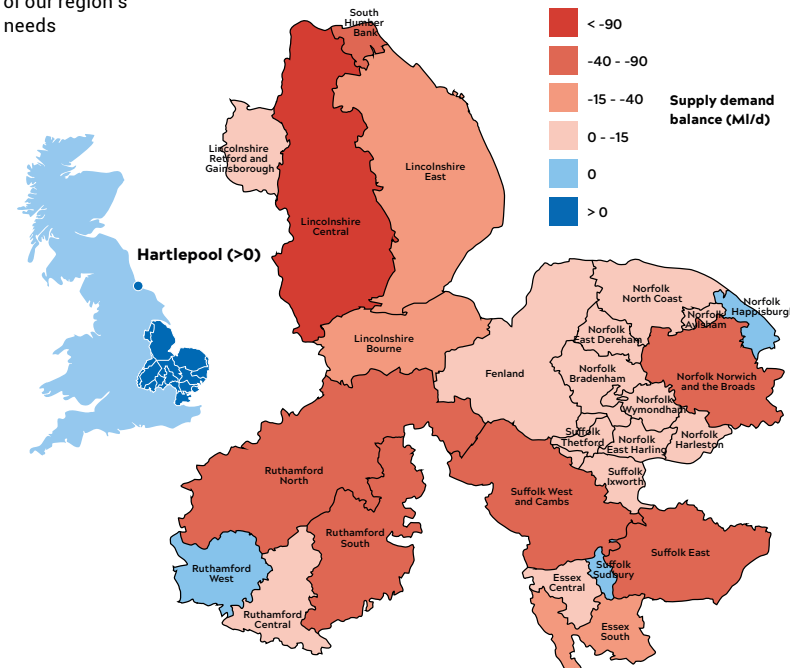
In preparing our WRMP, we conducted a rigorous climate change assessment (Tier 3 in the Water Resources Planning Guideline supporting guidance) for our whole system.

We used climate change projections, based on UKCP18, through 12 bias-corrected Regional Climate Model (RCM) factors for RCP8.5. This modelling was carried out for each Water Resources Zone (WRZ) within our system

The results of the climate change scenario analysis identified that two of our 28 WRZ are particularly vulnerable to climate change and that there would be a material impact on the supply demand balance in another five WRZs. Climate change impacts were combined with other factors, such as growth, to understand the total impact on the supply/demand balance in each WRZ. This has helped inform better resilience strategies for the WRZs.

The diagram below, taken from our WRMP shows the scale of our region's water needs by 2050. Climate change is a key driver to the supply demand balance in areas such as South Essex, Lincolnshire Central and East Suffolk.

Scale of our region's water needs



Addressing climate-related supply challenges

We began engaging with our supply chain on climate change in 2007, when we invited our key partners to HRH The Prince of Wales' first Mayday Summit. Since then, we've worked with our design and construction partners to reduce capital carbon by more than 64%.

In 2023, we brought our value chain together, to discuss climate change resilience and adaptation and our journey to net zero carbon. The event opened with a keynote speech from Chris Stark, the then Chief Executive of the Climate Change Committee. A number of collaborative workstreams were taken forward after the event.

We're focused on reducing the carbon associated with the materials used to build our assets. In 2016 we became the first organisation to be verified against PAS 2080, the world's first standard for managing carbon in infrastructure. Designed to drive best practice in managing carbon across the supply chain, in 2023 PAS 2080 was revised. We have been verified against this revised standard.

An example of value-chain collaboration is our Ofwat funded research project to better understand Whole Life Carbon – that is the carbon associated with constructing, operating, maintaining and managing the end of life of our assets. Whole Life Carbon will integrate carbon and cost models into a single digital approach, enabling users to consider options that avoid construction of new assets, through re-using existing infrastructure, or selecting lower-carbon materials. The project has already identified future opportunities to combine carbon and climate resilience.



In 2023, the Anglian Water @one Alliance was awarded the Saint Gobain's Sustainability Leadership Award. Saint Gobain designs, manufactures and distributes materials and services for the construction and industrial markets. The @one Alliance team has collaborated with Saint Gobain, to use the UK's first 100% recycled ductile iron pipe from Saint Gobain's new low-carbon electric arc furnace.



Water UK Carbon Network

In November 2023, we were instrumental in restarting the Water UK Carbon Network, which is co-chaired by our Head of Carbon Neutrality. This group meets monthly, to share best practice, knowledge and developments among carbon practitioners who are shaping net zero policy and strategy, from a water sector perspective.



Alongside working with our supply chain, we are partnering across sectors to build climate resilience. In 2021 the Climate Change Committee assessed infrastructure interdependencies as having a low-quality plan and found that infrastructure owners were making slower progress than needed to manage risk.

Our assets operate in an interrelated infrastructure system. We are reliant on the power network for electricity, the telecoms network for communications and the road system for access. In turn, the power and telecoms networks are in some cases reliant on the water network. A failure in one of these elements of the system can lead to cascade failure, where other elements of this linked infrastructure network fail as a consequence. Extreme weather events can cause this failure.

Since 2021, we've partnered with British Telecom and UK Power Networks on a project, led by the National Digital Twin programme (NDTp) and Connected Places Catapult, known as the Climate Resilience Demonstrator (CReDo).

Initially funded by BEIS and Innovate UK – and now having secured innovation funding from both Ofwat and Ofgem – CReDo is combining datasets from Anglian Water, BT and UKPN into one system model, to develop a cross-sector picture of extreme weather events. In bringing together data and insights across sectorial and organisational boundaries, the project shows how we can

collaborate on a national network of connected digital twins, to create resilient infrastructure.

The project originally focused on the impacts of extreme flooding and creating a working model for effective data sharing between the partners. In 2023, the project expanded to investigate extreme heat events. Funded by the Ofwat Water Breakthrough challenge, the second phase of the project examines the potential impact of such extreme heat scenarios on the wider infrastructure network. The CReDo team now has a working digital twin, which provides a greater understanding of the interconnectedness of the networks, along with an increased understanding of how more extreme climate events could impact this system of systems. The next phase is preparing the digital twin architecture, to scale the working model to become UK-wide. We're also considering other future scenarios, including extreme wind and storm events and involving more asset owners, to cover infrastructure such as roads.

“By understanding the interconnectedness of our collective networks, we are greatly improving asset resilience in the face of extreme weather challenges and are putting in place effective mitigations to prevent potential failure.”

Richard Buckingham, Climate Change and Carbon Manager at Anglian Water.

Innovating to reduce carbon emissions

Our Research & Innovation Team invests around £30 million per year in ground-breaking research and projects. This includes the Ofwat funded Triple Carbon Reduction project, which is exploring how to reduce process emissions – after electricity, these are our biggest source of emissions. The project is also looking at reducing energy consumption in water recycling and producing hydrogen, with hydrogen having the potential to result in significant carbon reductions. Currently, there is uncertainty surrounding how this new model may work. This project will increase understanding of how hydrogen could play a role in the future.

As part of Ofwat's Water Breakthrough Challenge, we are leading on seven projects and have secured £20.4 million in Ofwat Innovation funding, to create solutions to our industry's biggest challenges, including process emissions.

In December 2023, Ofwat visited the Cambridge Water Recycling Centre in Milton to hear about the Triple Carbon Reduction project. The project aims to evidence a step change reduction in greenhouse gas emissions and electricity used in the water treatment process, which could significantly reduce the amount of emissions created. The project uses renewable energy powered hydrolysis, to produce hydrogen and oxygen from water. The hydrogen is collected to be used as a fuel, while the oxygen is used to replace traditional aeration. The results of this trial will feed into the development of our hydrogen strategy over the coming years.

Michael Taylor, Innovation Integration Manager at Anglian Water said: "The Ofwat Innovation Fund has allowed us to have genuine ambition in taking big strides towards a transformed water sector.

"The Triple Carbon Reduction project is a great example of a complex innovation tackling barriers in technologies, processes, systems and markets, in parallel. The collective approach, at this scale, wouldn't be possible without support from the Ofwat Innovation Fund. I cannot wait to see what is possible, through our continued collaboration on mobilising transformational projects."

Although still in the early stages, two projects funded via the Ofwat innovation fund have now been through their full lifecycle and are delivering benefits via changes to our investment planning, early stage capital delivery processes and operational strategies.



Generating renewable energy

The vast majority of our operational emissions are associated with the electricity used to pump, treat and recycle water. One of the opportunities for reducing our emissions – and our costs – is to generate renewable energy from our sewage sludge, and to generate renewable power on our sites from wind and solar. Not only does generating renewable energy reduce our impact on the environment, it also mitigates the transition risk associated with changes in policy and cost linked to decarbonising the UK's electricity.

Since 2004, we have grown our fleet of combined heat and power generation sites. We have ten sites producing 100-120GWh per annum, subject to asset performance. We generate around 13GWh from three wind turbines installed at Tetney Newton Marsh and March Water Recycling Centres. In terms of solar, our partners operate solar arrays across 15 operational sites, generating around 17GWh per annum – of which we consume approximately 15GWh.

The past year also saw the advancement of our activities in the procurement of corporate Power Purchase Agreements. Supported by framework partners appointed in early 2023, we have procured 71.6GWh from accredited renewable energy installations in and around our region. Further CPPA supply contracts are forecast to commence in 2024/25.

Our aspiration is that, by 2030, we will use 100% renewable energy, with 25% of our electricity being delivered from renewable sources generated at our own sites. We're also working towards upgrading three sludge treatment centres to export biogas to the grid.



Energy efficiency

As well as generating our own renewable energy, we're also pursuing other opportunities to reduce our carbon emissions and reduce costs. These include an energy efficiency Spend-to-Save programme, designing carbon out of the new assets we build and reducing travel emissions.

This programme was launched in 2006 and delivered savings of more than £10 million within four years.

We continue to reduce energy consumption across the business, targeting 13 GWh in reductions by 2024/25.

Climate-related risk management

Identifying and assessing climate-related risks

We outline our 13 principal risks on page 108-116. Climate change is a consideration in each. Identification of current and emerging climate risks, including risks presented through implementation of change, is undertaken as part of our embedded risk processes. Our process utilises expert judgement, historical data, external data and forward-looking analysis. We use scenarios to inform our future direction.

The assessment and management of climate-related risks is consistent with the approach used to manage risk throughout the business. Climate-related risks were identified and assessed during the production of our latest Climate Change Adaptation Report. Climate risks are also identified and managed through the preparation of long-term plans and the delivery of individual investments. We review the current risk level, as well as how our controls provide confidence and assurance around our management of that risk.



Our Long Term Delivery Strategy (LTDS) sets out how we will achieve our future vision, with our core pathway outlining the investments we expect to make to 2050. We have used Ofwat's common reference scenarios – technology, demand, climate change and abstraction reduction – to test our future plans. And we have looked to the future through a variety of lenses – including digital, innovation, partnership-working and place-based approaches – to ensure we have considered every possible solution. This enables us to create a core pathway and a set of alternative routes, in the event circumstances change.

Managing climate-related risks

The management of climate-related risks is consistent with our approach to manage risk throughout the business. More in our Risk section on pages 105-118.

Integrating climate-related risk into overall risk strategy

Our approach to climate-related risks is fully integrated within our overall risk strategy, as outlined on page 94.

Within this system, we define what constitutes substantial financial and strategic impact to the business. A critical impact at Anglian Water is defined in the risk register as being greater than £25 million, while a significant impact is between £10 million and £25 million.

Climate-related metrics and targets

We've developed a process to assess and manage the climate resilience of our investments.

Our Six Capitals Framework is used to consider the broadest value we can create through investment decisions. And our approach has been externally validated by sustainability consultants, Route 2. These metrics have been incorporated into our value framework – which attributes a notional financial value to elements such as biodiversity and amenity value – and into our risk, opportunity and value tools and process. Investments are then assessed for climate resilience, operational carbon performance and capital carbon performance, throughout the process.

As an organisation, our belief is that reducing carbon results in cost reductions, whereas previously, it was seen as an additional expense or burden. This mindset shift, alongside ambitious targets (65% capital carbon reduction

target by 2025 and 70% by 2030, against a baseline of 2010), which are underpinned by a rigorous process – verified to PAS 2080, have proven much more effective in driving down emissions.

This is most clearly seen in the delivery of our five year plans, in accordance with PAS 2080.

The data collected on our carbon-versus-cost saving, can be used to estimate an implicit financial value for a tonne of carbon.

The Performance Commitments section, pages 37-43, contains a set of metrics and targets we are using to understand progress against climate-related risk. Performance against these metrics is set out annually, in our Annual Performance Report. Our Climate Change Adaptation Report also includes other key metrics we use to measure and mitigate our impact. An updated report will be published in 2024.



Scope 1, Scope 2 and relevant Scope 3 Greenhouse Gas Emissions (GHG)

Metrics and targets

This table meets the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations.

	Units	2022/23	2023/24	Inclusions
Energy consumption used to calculate emissions kWh	kWh	1,073,538,749	1,069,978,529	Electricity, gas, fuels combusted on site (fossil fuels and biogas), transport (company cars, fleet vehicles, personal and hire cars on business use) plus liquid fuels consumed on site
SCOPE 1 – Gas and fuel oil consumption	Tonnes CO ₂ e	10,541	10,945	Fossil fuel combusted, natural gas and biogas
SCOPE 1 – Process and fugitive emissions	Tonnes CO ₂ e	85,859	84,780	Water and waste water treatment, biogas
SCOPE 1 – Owned transport	Tonnes CO ₂ e	21,904	21,759	Fleet vehicles and company cars
SCOPE 1 – Total	Tonnes CO ₂ e	118,304	117,483	
SCOPE 2 – Purchased electricity	Tonnes CO ₂ e	121,994	134,597	Grid electricity – location-based electric for vehicles
SCOPE 2 – Total	Tonnes CO ₂ e	121,994	134,597	
SCOPE 3 – Business travel	Tonnes CO ₂ e	621	740	Private cars, public transport
SCOPE 3 – Outsourced transport	Tonnes CO ₂ e	13,144	18,434	Outsourced tankers
SCOPE 3 – Purchased electricity	Tonnes CO ₂ e	11,154	11,632	Transmission and distribution
SCOPE 3 – Total significant	Tonnes CO ₂ e	24,920	30,806	We have not included commuting, capital carbon and emissions from use of water in customers' homes
TOTAL ANNUAL GROSS EMISSIONS	Tonnes CO ₂ e	265,219	282,886	
Exported renewables	Tonnes CO ₂ e	-6,334	-6,549	Exported renewables REGO certified
Green tariff	Tonnes CO ₂ e	0		
TOTAL ANNUAL NET EMISSIONS	Tonnes CO ₂ e	258,884	276,337	
INTENSITY RATIO – water treated	Kg CO ₂ e per Ml	192.48	191.99	
INTENSITY RATIO – recycled water	Kg CO ₂ e per Ml	409.54	454.7	
INTENSITY RATIO – recycled water	Kg CO ₂ e per Ml	227.79	236.1	Full flow to treatment

Methodology: Emissions have been calculated using Carbon Accounting Workbook v18 (2024), an industry standard reporting tool. We have followed the 2020 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2023 to calculate the above disclosures. There have been no methodological changes in the way emissions have been calculated in financial year 2023–2024 against 2022–23.

The reporting boundary covers the emissions within the regulated activity of Anglian Water Services Ltd, where we have operational control, i.e. all Scope 1 emissions, all Scope 2 emissions and Scope 3 emissions of outsourced transport, business travel and transmission and distribution losses.

The numbers reported have been verified by Achilles Carbon Reduce (powered by Toitū) Scheme (formerly CEMARS) as being measured, managed and reduced in accordance with ISO 14064-1. This verification process has been followed since 2011.

We aim to be a net zero carbon business by 2030. This is defined as net zero emissions where we have operational control as set out in our Net Zero Carbon Routemap 2030.

Energy consumption has increased slightly in 2023/24 over 2022/23 primarily because of the very wet weather and the subsequent increased pumping required to pump higher volumes of wastewater. This was somewhat offset by lower water demand and pumping requirements for water supply, including abstracting raw water from rivers into impounding reservoirs.

Organisational targets to manage climate-related risks and opportunities

Our key short to medium-term, climate-related targets are as set out below. We frequently monitor and forecast our position towards our net zero commitment. The below targets are in addition to our Performance Commitments:

- Be a net zero carbon business by 2030 (emissions where we have operational control and as set out in our Net Zero Carbon 2030 Routemap);
- Deliver a 65% reduction in capital carbon by 2025, against our 2010 baseline;
- Deliver a 70% reduction in capital carbon by 2030, against our 2010 baseline;
- Deliver a 10% reduction in operational carbon by 2025, against a 2020 baseline; and
- Between 2020 and 2025, ensure that a climate change resilience assessment is completed for all relevant investments.

Operational carbon is the carbon emitted as a consequence of the day-to-day operations of our business – energy use, process emissions from the water recycling process, emissions from our vehicle fleet, etc. Capital carbon is the carbon emitted as consequence of the manufacture and installation of assets we construct, for example, our new strategic pipeline or a new treatment facility.

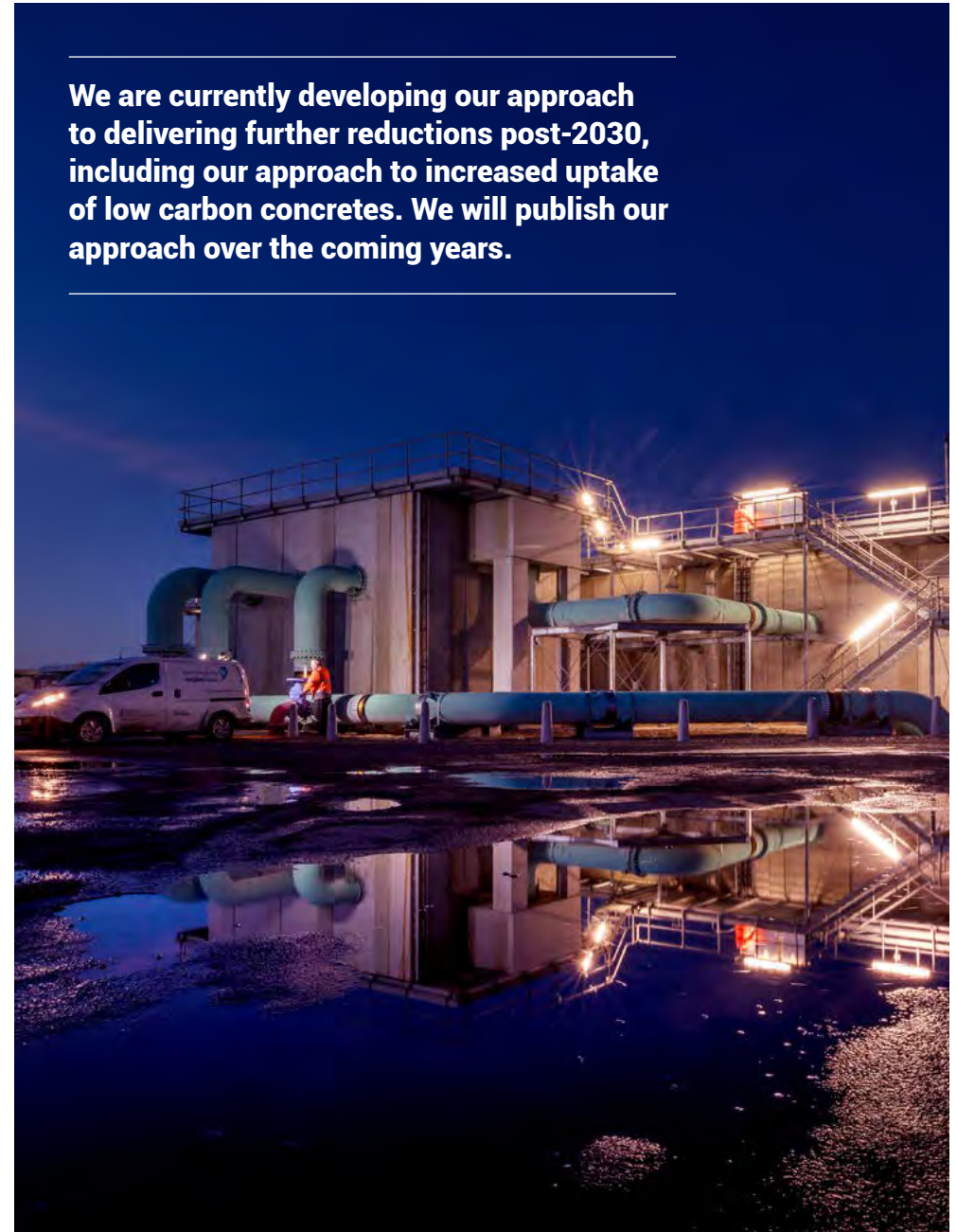
From 2022/23, a proportion of senior leader remuneration is linked to performance against these climate-related targets: 2.5% of senior leader bonuses is linked to the achievement of our annual net zero carbon performance target and 2.5% is linked to the achievement of our annual capital carbon performance target. See more in our Remuneration report on page 148.

Our longer-term, climate-related targets are in line with our Purpose and Strategic Direction Statement to 2050:



In terms of our carbon emissions, we intend to:

- Develop a strategy to further reduce our capital carbon beyond 70% post 2030.
- By 2050, our ambition is to move beyond net zero and become a carbon positive business – reducing, rather than contributing to, the UK's emissions.
- Develop a hydrogen strategy to best understand how we could generate hydrogen, use any oxygen generated from hydrolysis and understand how our HGV fleet could be powered using hydrogen.



Our nature-related disclosures

As stewards of a natural resource, we rely on and impact the natural environment. Water underpins ecosystems, nourishes biodiversity and continues to shape our natural environment. This means managing the impacts, dependencies, risks and opportunities we have in relation to nature is not only the right thing to do, but fundamental to our business.

Being in a heavily-regulated industry also means there is a substantial overlap in our current reporting of nature-related issues and voluntary nature-related disclosure standards such as TNFD (Taskforce on Nature-related Financial Disclosures). In addition to the existing environmental reporting in this report, we are in the process of preparing a nature-related disclosure, drawing insight from the TNFD recommendations and other disclosure frameworks. We'll share more on this later this year and will continue to review and enhance our nature-related reporting, as standards evolve.

Key strategic plans which address nature-related issues

- Strategic Direction Statement
- Long Term Delivery Strategy
- PR24 Business Plan
- Pollution Incident Reduction Plan
- Water Resources Management Plan
- Drainage and Wastewater Management Plan
- Drought Plan
- Bioresources Strategy



Navigate to the relevant sections of our report, across the following four pillars: Governance, Strategy, Risk and impact management, Metrics and targets.

Governance

Page	
92	→ Our management of nature uses a similar governance process to that of climate, drawing on many of the same governance groups and principles.
84	→ We set out our stakeholder considerations and engagement in our Section 172 Statement.
80	→ Our nature-related advocacy can be found within 'National and local government' in our Stakeholder section.
87	→ Relevant policies, documents or reports that govern our approach to Human Rights, can be found in our non-financial and sustainability information.

Strategy

Page	
44	→ We cover our broad impacts and dependences on nature in the Environment section of this report.
14	→ 'Our year in context' sets out our response to key nature-related dependencies and impacts during the reporting year, including flooding, pollutions and spills, plus our key infrastructure projects.
110	→ The business' key environmental risks are summarised within our Principal risks under 'Environment'.
11	→ Nature considerations are integrated into our business model and strategic direction through our six capitals approach to decision making.
77	→ In this part of the report, we cover how we engage with our alliances and wider supply chain.

Risk and impact management

Page	
101	→ As with our climate-related risks, our approach to identifying, assessing and managing nature-related risks is aligned and integrated within our overall risk strategy, as described in our TCFD disclosure.
105	→ The business' risk management approach is set out in more detail in the Risk Management section of this report.

Metrics and targets

Page	
37	→ Many of our performance commitments help us assess and manage nature-related impacts and dependencies. These, along with information on how we monitor our progress and how we have performed against our targets during the reporting year, are detailed in 'Delivering our outcomes'.

Maintaining a resilient business and managing our risks

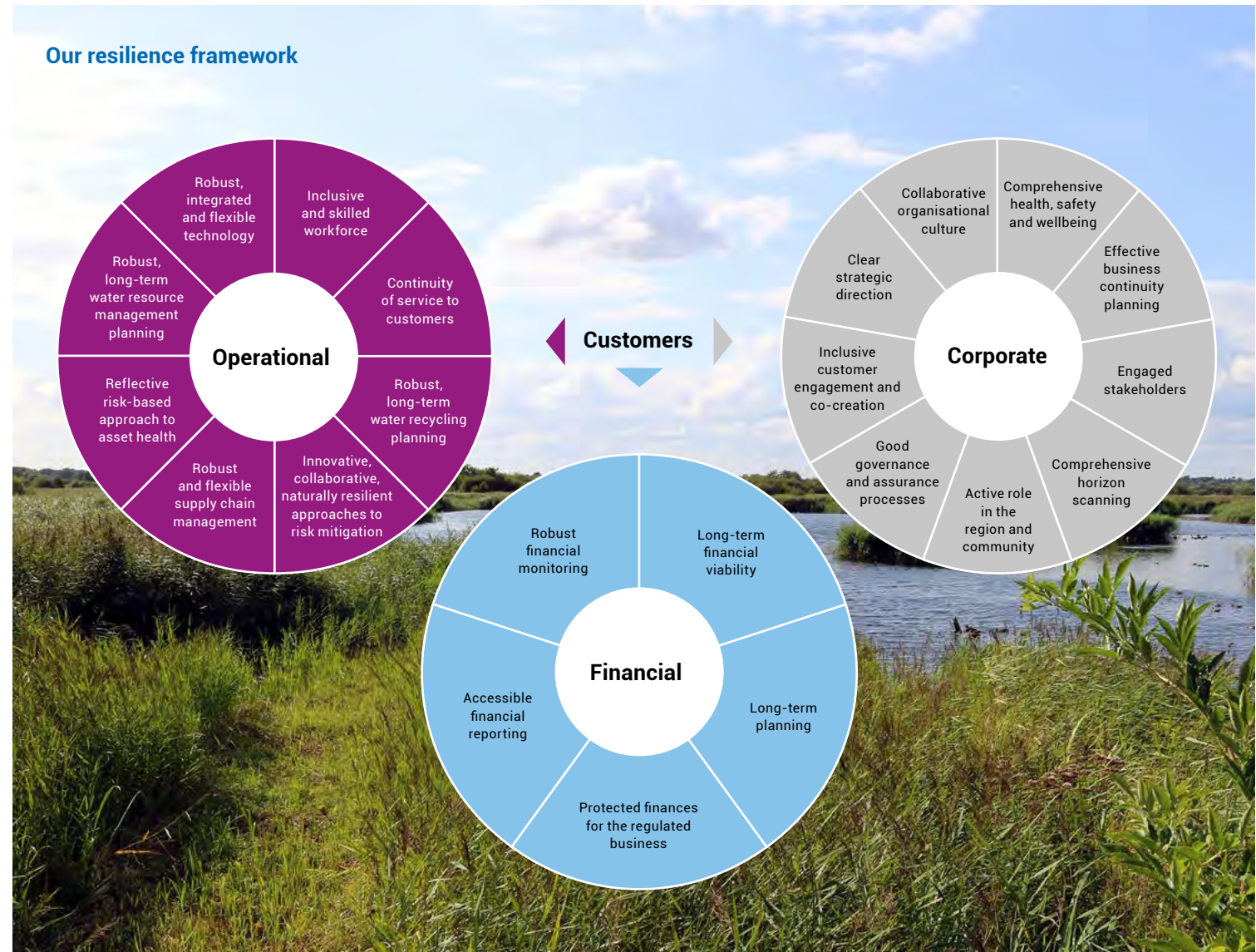
Our long-term Strategic Direction Statement underpins our Purpose, to bring environmental and social prosperity to the region we serve, through our commitment to Love Every Drop.

Integrating resilience throughout our business is an integral part of our operational and organisational planning and delivery. It ensures that we are delivering on our Purpose and that we secure long-term resilience, in relation to water supplies and water recycling services.

Resilience is the ability to cope with and recover from disruption and to anticipate trends and variability, in order to maintain services. Building in robust resilience allows us to quickly adapt to disruptions, maintain continuous business operations and safeguard our people, our customers and our assets.

At Anglian Water, resilience is considered and managed, through three specific lenses:

- **Corporate resilience:** having organisational governance, accountability and assurance processes that help the company to avoid, cope with and recover from disruption. These should also enable the anticipation of trends and variability in business operations.
- **Financial resilience:** an organisation's ability to avoid, cope with and recover from disruption to its finances.
- **Operational resilience:** having organisational infrastructure, and the skills to run that infrastructure, that means the company can avoid, cope with and recover from any disruption to its ability to provide critical services to customers.



Over the past year, the economic, geopolitical and environmental climate has continued to be challenging. Alongside recovering from the lasting impacts of a global pandemic, we have also responded to: the consequences of the Russia/Ukraine conflict on our supply chains; risks of power loss from rota disconnections over the winter period; and challenges to our chemical supply chains, including impacts from events in the Red Sea. We also faced extreme weather. Recovering from the drought in 2022, we then faced persistent, record-breaking rainfall throughout the winter of 2023/24, with surface-water flooding and rising groundwater levels overwhelming many parts of our region.

To ensure operational and organisational resilience and maintain our water and water recycling services to our customers throughout, we have:

- Aligned our corporate governance.
- Embedded our holistic organisational incident management structure throughout the business, by adopting the fundamental elements from the military J-cell approach. This provides visibility of emerging and present threats, with a clear management structure through our silver and gold command. This ensures tactical and strategic leadership, to maintain business resilience in times of stress.
- Maintained a whole scale, cross business, trained Incident Community to respond to major incidents.
- Developed our extensive emergency plans, with a focus on resilience in the provision of services to customers.
- Continued to develop and review Business Impact Assessments, to support planning and prioritisation of resources in times of critical stress.

- Built in interdependency mapping in relation to chemicals, supplies and our assets.
- Supported our differing customer profiles, whether that's businesses in our communities, vulnerable and priority customers, or our non-household customers.
- Integrated a robust training and exercising programme, to enhance operational and organisational resilience.

Over the past year, we have run just over 40 exercises, to stress test multiple plans, scenarios and interdependencies. While this is a decrease from last year, we opted for larger-scale exercises, to test multiple scenarios and ensure exercises were contextually relevant. This tested our ability to respond to concurrent, linked incidents.

These exercises have been part of a multi-agency collaboration with our regulators, Local Resilience Forums, Police (CTSA) and other water companies. Incident preparedness, through to response and recovery, remain core to ensuring our business remains resilient. This is supported by our Anglian Water Force members: our trained incident response community. Over the past year, we have continued to roll out our company-wide initiative to assign all employees secondary incident response roles. To date, we have just over 3,500 employees trained and ready to respond. We take a leading role with other UK water companies through two national Water UK collaboration groups, Platinum Incident Management (PIM) and National Incident Management (NIM), which meets to plan for and respond to events and situations to ensure the industry is resilient, as well as the Security and Emergency Planning Network (SEPN) and the Alternative Water Working Group (AWWG). As part of industry collaboration, PIM and NIM have stood up and will remain in place, to provide holistic water industry resilience.

We are proud to maintain our ISO 22301 certification, the international standard in business continuity management, which gives assurance that our processes – across Operational Resilience – provide a high level of business resilience.

We continue to ensure security is a fundamental part of our resilience strategy. Our approach is holistic, across personnel, cyber and physical security, to ensure resilience in relation to our employees, customers and assets. Our security standards are maintained, audited and stress tested across current and new operational assets and meet the requirements in the Protective Security Guidance (PSG), under the Security and Emergency Measures Direction (SEMD).

Risk management is a key part of resilience and central to the achievement of our strategic priorities. We approach this in several ways:

- At a global level, we consider the potential mega-trends, to ensure these are on our horizon, when planning for future resilience.
- We use the National Risk Register, to identify national risks that could impact our business.
- We use an all-hazards approach and challenge ourselves to ensure we take an end-to-end systems approach to the current risks. This helps ensure preparedness for the shocks and stresses we may face.
- We engage with customers to aid their understanding of the challenges we face and our understanding of their priorities.
- We continue to update our processes and procedures, in line with the requirements of the Security and Emergency Measures Direction (SEMD) 2022 legislative change, which requires us to maintain a water supply and/or sewerage system in the interests of national security, or to mitigate the effects of any civil emergency that may occur.

We manage risk across our business through a number of formal and informal processes. These risk management processes sit within our overall governance framework, which includes clear accountabilities, delegated authority limits and well-defined policies and procedures that govern employee conduct.

Risk management

Managing risk in line with our strategy

Our management team, with oversight from the Anglian Water Services (AWS) Board, is responsible for developing our strategy. Our strategic planning process aims to ensure we have developed clear objectives and targets and identified the actions needed to deliver on our commitments, including the management of risk.

Risk management approach

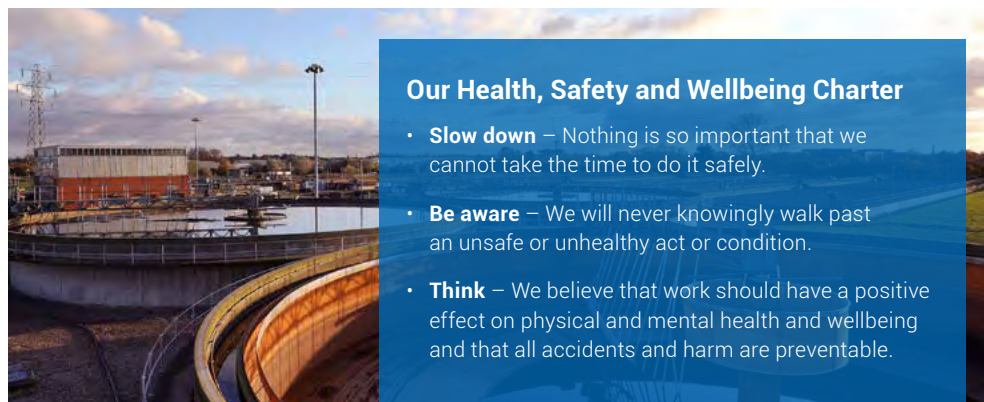
We have an established risk management process in place with defined 'Principal Risk Areas' and we regularly review risk-appetite statements. Our top tier and business stream risks are aligned to our Principal Risk areas and are enabled by our risk management process and supporting activities.

Our risk management framework enables the identification, assessment and effective management of business risks, both individually and in aggregation. The consequences and likelihood of these risks are determined and ranked using a scoring matrix, aligned to our risk appetite. This ensures that a consistent approach is taken when assessing overall impact to Anglian Water and our customers.

Our management system framework policy

Our Purpose is to bring social and environmental prosperity to the region we serve through our commitment to Love Every Drop.

Quality	Protecting water from source to source, providing assurance that our drinking water and recycled water is always safe and clean.
Environment	We care about protecting, restoring and enhancing the environment for positive effect: all environmental harm is preventable.
Asset	Positively exploiting the lifecycle of our assets, to maximise value and reduce our capital and operational carbon footprint.
Resilience	Effective planning and preparation, to manage and mitigate the impact of any disruptive event, so we can respond rapidly, continue operations and recover.
Customer	Provide an inclusive service for all our customers, delivering a personal, trusted and effortless experience.



Our Health, Safety and Wellbeing Charter

- **Slow down** – Nothing is so important that we cannot take the time to do it safely.
- **Be aware** – We will never knowingly walk past an unsafe or unhealthy act or condition.
- **Think** – We believe that work should have a positive effect on physical and mental health and wellbeing and that all accidents and harm are preventable.

In addition to our Health, Safety and Wellbeing Charter and our new Environmental Charter, we have defined management-system arrangements for chosen standards, assessment schemes and specifications.

Our Integrated Management System (IMS) unifies our management system processes into a single framework, aligned with our Purpose, values and behaviours. The regular reviews undertaken by the IMS team throughout year are an important source of second-line assurance.

We recognise the importance of robust management systems and their role in the ongoing success and sustainability of our business.

We are committed to:

- Directors leading and being accountable for achieving intended business outcomes.
- Delivering excellent drinking water quality.
- Zero pollutions mindset, while protecting and enhancing the quality of the recycled water that we treat and return to the environment.
- Maintaining our laboratory's UKAS accreditation.
- Identifying and managing our risks.
- Making the most of our employees' knowledge and experience, by recognising the contribution they make.
- Continually improving the efficiency and effectiveness of our operating processes and this management system framework.

Complying with relevant legislation, regulations and other business needs including requirements of:

- PAS 808 Purpose Driven Organisations
- ISO 9001 Quality Management

- ISO 14001 Environmental Management
- ISO 17024 & CMS (Competence Management Systems)
- ISO 22301 Business Resilience (Continuity)
- ISO 22458 Inclusive Service and Customer Vulnerability
- ISO 45001 & ISO 45003 Health, Safety and Wellbeing
- ISO 55001 Asset Management
- PAS 2080 Carbon Management
- MCERTS Environment Agency Monitoring Scheme

We will:

- Take account of the needs of our stakeholders and interested parties.
- Live by our Purpose, values, and behaviours.
- Communicate and promote strategic priorities, business goals and good outcomes throughout our business and to the alliances that work with us.
- Effectively manage our assets, to deliver optimal whole-life value.
- Assess the aspects of our operational activities and their potential impact on the environment.
- Undertake business-impact analysis, to determine critical products or services and ensure that robust arrangements are in place to manage them in the event of any disruption.
- Maintain and protect data, to meet our obligations. And have reliable, accurate and complete, auditable information on our assets, performance and business activities.

Risk appetite

Risk appetite defines the opportunities and associated risks that Anglian Water is willing to accept, in the pursuit of achieving its strategic objectives. These statements are used to drive risk-aware decision making, by key business stakeholders.

We consider risks in relation to our strategic priorities and align these to our Principal Risk Areas. Underpinning each statement is a series of risk-appetite thresholds. These assist in providing a view on whether we are operating within our appetite, or whether additional risk mitigation may be required.

Anglian Water is exposed to a variety of uncertainties that could have a material adverse effect or impact on our financial condition, our operational performance, our business resilience and/or our reputation.

We have a structured approach to risk assessment, with the Board reviewing and challenging management's assessment of risk and seeking assurance that appropriate mitigation measures are in place to manage principal risks in the context of our obligations to keep employees safe and provide an essential and efficient service to customers. The Board's assessment of risk determines what level of risk it is willing to accept, which helps senior management to understand the mitigating activities required to control risk likelihood and impact to acceptable levels.

For principal risks, we review the current risk level and how our controls provide confidence and assurance around our management of that risk. Where a gap exists between our current position and our mitigated aspiration, we instigate new or revised actions to close or reduce any risk gap.

Peer review and discussion at the Board or Management Board form the basis for establishing our overall principal-risk status. There may be occasions when a higher level of risk is acceptable, but this is only in cases where the risks are well understood and can be demonstrably managed. The Board regularly reviews Anglian Water's internal controls and risk management processes, to support its decision making.

Principal risks

The Board has a responsibility to disclose "significant failings and weaknesses, or areas of concern that have not been resolved by year end". The Board's interpretation of this requirement is that there is a need to disclose any control failure or omission that, if unchecked, has the potential to result in significant financial, operational, or reputational damage to the business.

We carefully assess the principal risks facing us. These risks centre around the criticality of our infrastructure, the importance of our customers and our people, climate change and the environment, health and safety in our service delivery, cyber security and our ability to finance our business appropriately. These are reported regularly to the Board, as set out below.

In addition to the principal risks, we also actively manage several low-level, business-stream risks, which feed into our principal risks. Principal risks are assessed by considering a combination of factors, including emerging risks and external threats.

We carry out horizon scanning annually, to identify any emerging risks that may impact the business. The scope, speed, impact and interdependence of risks are growing – creating further complexity, meaning we are also having to manage multiple events at a time.

The past year we have continued to experience unprecedented levels of change and disruption, both in the UK and globally. Anglian Water has faced significant challenges, due to complex and interrelated issues, including global instability from ongoing conflicts and increased tensions in the seas. Energy costs, although decreasing, remain volatile and we continue to see impacts from the ongoing cost-of-living crisis. Additionally, our region has been affected by extreme weather events, such as consistent, high levels of rainfall. Our risk profile has changed as a result. In response to our evolving risk profile, we have implemented additional controls and mitigating measures, to address and stabilise our risk position.

Principal risk	Current risk profile	Trend	Predicted Outlook	Business outcome
1. Customer proposition	Yellow	↔	↔	Delighted customers
2. Environment	Orange	↑	↔	Flourishing environment
3. Water supply and quality	Orange	↔	↔	Safe, clean water
4. Health and safety	Yellow	↑	↔	Our people: healthier, happier, safer
5. People	Orange	↔	↓	Our people: healthier, happier, safer
6. Technology	Yellow	↔	↔	Resilient business/Investing for tomorrow
7. Finance	Orange	↔	↔	Fair charges, fair returns/ Investing for tomorrow
8. Reputation	Red	↑	↑	Delighted customers
9. Asset infrastructure	Orange	↔	↔	Investing for tomorrow
10. Business resilience	Yellow	↔	↔	Resilient business
11. Commercial and third-party	Orange	↔	↔	Business resilience
12. Strategic execution	Orange	↔	↔	Investing for tomorrow
13. Legislation	Yellow	↔	↔	Resilient business

Risk profiles

- High risk
- Medium risk
- Medium – Low Risk
- Low risk

Risk movement

- ↔ No change
- ↑ Risk increasing
- ↓ Risk decreasing

1 Customer proposition

“” Delighted customers

Strategic goal:

“To make life better for our customers, every single day.”

Risk description

The risk of being unable to improve and maintain the levels of customer service necessary to deliver what our customers tell us they want. Inability to support customers with vulnerability or affordability challenges, or to deliver on our social Purpose.

Key driver(s)

The requirement to meet CMeX (Customer Measure of Experience), DMeX (Developer Measure of Experience) as set by Ofwat. And the continued customer-affordability challenges, as a result of the rising cost of living, which could impact our risk of failing to achieve financial sustainability.

To mitigate this risk:

- We conduct customer satisfaction and experience surveys, publish the results and identify and act upon areas for improvement.
- We have a clear complaints process to identify and address expressions of dissatisfaction.
- We test the accessibility of our services with a wide range of demographics.

- We are certified to the ISO 22458 Inclusive Service Provision Framework, to help identify and assist vulnerable customers
- We are deploying agile methodologies and ways of working. to focus and prioritise our efforts to the best of our ability and to deliver value, as soon as possible, to customers.

Opportunity:

Use our customer service feedback to look for new ways to meet everyday challenges to make life better for our customers.



2 Environment



Strategic goal:

“To create a sustainable future for our region.”

Risk description

The probability and consequence of damaging the environment through business activities and/or incidents. This could be through deficiencies in waste management, waste transport, waste treatment and disposal, breaching abstraction licences, unintended pollutions, construction activities or an overall failure to be net zero by 2030.

Key driver(s)

Extreme weather events and gradual changes in climate, as well as environmental degradation, such as air, water and land pollution. Water stress and biodiversity loss, plus other factors, including behaviours and use like wet wipes and fats, oils and grease (FOG), failing assets or control systems.

To mitigate this risk:

- Our clear business Purpose is to “To bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop”. We are committed to doing everything we can to protect and enhance our environment.
- We have pledged to Get River Positive by 2030. As part of this we’ve joined forces with Severn Trent and together we will strive to do no harm to UK rivers and do everything we can to ensure they can thrive. We have five, key commitments

that set out the overarching framework for protecting and revitalising rivers, to ensure storm overflows and sewage treatment works do not harm rivers and to make improvements that result in 90% of people in our region living less than one hour away from a designated bathing site.

- Our investment plans are targeted, to be resilient to drought and flooding, e.g., the Strategic Pipeline Alliance (SPA) and plans for future reservoirs.
- We have an established water-sector route map and organisational strategy, to deliver on our aim to be net zero by 2030, mitigating climate change.
- We tackle biodiversity loss through active management of biodiversity assets on our sites. 99% of our SSSIs are in favourable condition and we have a biodiversity net gain policy to address unavoidable biodiversity loss on our land, through the construction programme.
- We undertake ecological surveys and impact assessments, where required, to avoid and mitigate biodiversity impacts.
- We are prioritising low-carbon, nature-based solutions – where possible – to meet our needs, while enhancing the environment.

- We have strong management systems, controls and governance in place for managing our abstraction licence compliance, with a formal lessons-learnt process and tactical response groups in place.
- We have a well-established Pollution Incident Reduction Plan (PIRP), spanning 2023 to 2025, which details all reduction and control activities that are underway and provides regular progress updates to the Environment Agency.
- All incidents and associated response, mitigation and preventative actions are reported to, and monitored by, our operational performance cells and senior management.
- We have invested in new technology for remote monitoring of discharges, which has been installed at key points on the network, both inland and on the coast.
- We regularly meet our regulators to review performance, share best practice, set future environmental strategy and drive improvements.
- We work with regulators, stakeholders and the water industry, to regularly review and update the Biosolids Assurance Scheme (BAS) – the national standard for recycling biosolids products to agricultural land, to ensure it remains appropriate for the future.

Opportunity

Use new learning and technical developments to collaborate and to be industry-leading in driving environmental change; promoting Anglian Water as a trusted custodian of the environment and public health.

Collaborate with others at a catchment-scale, to deliver solutions that meet the needs of all stakeholders.

Use enhanced Root Cause Analysis and analysis of themes, to ensure that any mitigation or improvement activities and controls are aligned to actual cause, whether systemic management system changes, or locally driven mitigation.

3 Water quality and supply



Strategic goal:
"To make life better for our customers, every single day."

Risk description

The risk that we are unable to provide a reliable source of water to customers when they need it, in line with quality standards.

Key driver(s)

The speed at which the climate changes and the population grows, together with our region being the driest in the UK, could see this risk materialising sooner than we had planned.

To mitigate this risk, we have:

- skilled and trained employees operating our water assets;
- a mature planning approach for drinking water safety, which meets regulatory requirements;
- robust policies and standards for water supply hygiene;
- regular routine testing on water quality;
- investment to maintain and improve water quality;
- regular internal and external audits;
- detailed emergency and business-continuity response plans;
- a 25-year statutory Water Resource Management Plan, funded and delivered in five year Asset Management Period plans;

- a five-year statutory Drought Plan;
- monthly monitoring in place for our water resources;
- regular discussions with the Environment Agency, in relation to water supplies;
- regular discussion and liaison with the Drinking Water Inspectorate, in relation to near and long-term water-quality provision and risk;
- robust asset management planning and investment assured ISO 55001; and
- planned investment from 2025, to improve our resilience to climate change by renewing our highest-risk climate vulnerable mains.

Opportunity

Exploit new digital technologies for water and water recycling solutions, to enable us to better monitor, manage and ultimately reduce consumption of key inputs – such as power, water and chemicals – with real-time data.

Work across the industry, to deliver winning solutions and drive wider benefits, beyond cost efficiencies.

Use Ofwat's Adaptive Planning to help us monitor performance against a range of scenarios, which can be adopted depending on future circumstances.

4 Health and safety



Strategic goal:
"To deliver our identified business priorities."

Risk description

The risk that we endanger the health, safety and physical wellbeing of our people, operating partners, or members of the public.

We recognise the importance of robust management systems and their role in the ongoing success of our business.

Key driver(s)

Stretched resources and pressure to reduce costs could lead to less focus on following procedures, processes and maintenance.

To mitigate this risk:

- the Management Board reviews health and safety performance and associated actions. Health and safety performance reports developed and published for business unit leadership teams to manage health and safety;
- all accidents and incidents are investigated and remedial actions tracked;
- we have an established Health and Safety Charter and Policy;
- health and safety is embedded in our culture and processes, via training and raising awareness. For example, the health and safety leadership programme for all operational front line managers and senior leaders;

- ISO 45001 management system monitors performance, with regular reviews undertaken by BSI as well as through internal audit; and

- safety management is reviewed regularly, to ensure that it is suitable and sufficient to manage the hazards we have in our undertakings. We regularly engage and consult with employees on health, safety and wellbeing. Health, behavioural safety and wellbeing initiatives are run throughout the year through our LIFE programme.

Opportunity

Work with our employees and alliances, to drive positive behaviours – built around trust – for health, safety and wellbeing. Collaboration with alliance partners, to improve safety around high-risk tasks like People Plant Interface and breaking ground.

5 People

 Our people, healthier, happier, safer

Strategic goal:

“To deliver our identified business priorities.”

Risk description

The risk that we do not have enough skilled or capable people to run our business and deliver on our goals. The engagement and wellbeing of our colleagues and the creation of an inclusive workforce are central to our culture.

Key driver(s)

The growth of the business, the challenging labour market, an aging workforce, low morale or lack of engagement as we continue to experience cost-of-living pressures and high inflation, alongside global instability, could lead to failure to attract sufficiently skilled people, an increase in attrition and a decrease in the wellbeing of our people.

To mitigate this risk, we:

- have a suite of people policies in place that are routinely reviewed and updated as appropriate;
- review recruitment and retention activities, including remuneration, reward and incentivisation tools;
- monitor and effectively manage and support absence;
- undertake engagement surveys, with improvement actions identified and implemented;

- have identified and regularly review essential skills, roles and business activities;
- have established business continuity plans, to cater for low-likelihood and high-impact incidents;
- provide a comprehensive range of wellbeing benefits and activities; and
- continue our aspiration to be an inclusive workforce and representative of the community we serve.

Opportunity

To engage and listen to our colleagues, continuously improve our skills and capabilities and retain our most talented people, to help us achieve our goals. To create and deliver a strategic workforce plan to ensure the deliverability of our future business priorities.

6 Technology

 Resilient business  Investing for tomorrow

Strategic goal:

“To deliver our identified business priorities.”

Risk description

The risk to our operations of technology failing to be available, secure, reliable and to perform as expected, and/or failure to capitalise on new and emerging technologies.

Key driver(s)

The last year has seen the cyber threat to UK CNI sectors increase, driven by a worsening adversarial geopolitical environment; the rise of state-aligned groups; and an increase in more aggressive cyber activity. The Russia/Ukraine war continues to heighten the UK asymmetric threat; while the Israel/Hamas conflict in Gaza has increased instability in the Middle East, which has also fed into the levels of aggressive cyber activity noted in the last six months.

The last year has also seen an increase in cyber attacks – primarily ransomware-based – against UK utility companies, as targeted, larger entities continue to increase their defensive cyber posture. As cyber security measures have been improved throughout industry, it has been noted that cyber-attack levels have increased against the supply chain and this will continue.

To mitigate these risks we:

- continue to lead the digital transformation of our business through the move to

cloud-based services, reducing legacy technology and our on-premises technology footprint. As part of this, more best practice standards are being employed and governance is being strengthened;

- are adopting the National Institute of Standards and Technology Cyber Security Framework (NIST-CSF) as our guiding cyber security standard. This standard is globally recognised and utilised across a wide variety of sectors. Advice and guidance from the National Cyber Security Centre aligns to NIST-CSF; and
- we have an ongoing employee cyber-awareness and education campaign, which includes regular phishing tests.

Opportunity:

We will continue to take advantage of new technologies, particularly those that are cloud-based, as they become available, to help us become more agile and resilient.

Within the confines of budgetary constraints, we will continue to invest in technology and cyber security to strengthen our resilience. Our updated Cyber Security Strategy, aligned with NIST-CSF best practice, will help in the overall improvement, recognition and management of technology risks.

7 Financial

 Fair charges, fair returns  Resilient business

8 Reputation

 Delighted customers

Strategic goal:

“To deliver our AMP7 Final Determination.”

Risk description

The risk that we fail to appropriately finance our business in either the short or the long term.

Key driver(s)

Economic conditions affecting the availability or pricing of funding from debt markets. Failure to deliver our Totex programme either through overspending or missing outcomes, impacting our potential for earning financial rewards, which allow us to invest for the future. Inability to maintain stable credit ratings.

To mitigate this risk:

- we use revenue from our customers, together with the proceeds of new debt raised, to finance the Totex programme;
- we use a range of investment and debt instruments to finance our regulatory capital value;
- we ensure access to a diversified source of debt across a range of maturities, to minimise the refinancing risk;

- we hold regular senior level meetings with banks, rating agencies and bond holders; and
- we have robust treasury, liquidity and energy and covenant policies, which are internally monitored through our Finance, Treasury and Energy Policy Group.

Opportunity

Maintaining a strong credit rating, liquidity levels and an attractive environmental, social and governance (ESG) profile will allow us access to a broad range of financial markets, optimising our financing costs.

Strategic goal:

“To deliver our identified business priorities.”

Risk description

The potential for negative publicity, public perception, or events that have an adverse impact on our reputation.

Key driver(s)

The changing expectations of external (and internal) stakeholders, principally when communicated to us through public forums – such as the traditional media and now frequently amplified via social media.

To mitigate this risk:

- reputational risk is managed as part of our Group Strategy and Planning;
- our risk assessment process examines the likelihood and impact of events that could cause reputational damage;
- we have a communications strategy, executed by a highly-competent team, that promotes (both internally and externally) our Purpose, vision and our performance;

- we constantly seek to secure lateral endorsement and support from stakeholders and other third parties, who become willing to advocate on our behalf; and
- we have well-rehearsed contingency plans and accompanying communications strategies for when things don't quite go right.

Opportunity

Using our insight and data to make sure communications are relevant, effective and engaging for our different audiences, promoting our industry's reputation and protecting our brand.

9 Asset infrastructure



10 Business resilience



Strategic goal:

"To create a sustainable future for our region."

Strategic goal:

"To create a sustainable future for our region."

Risk description

The risk of failing to plan, build, maintain and decommission assets reliably and efficiently to meet the service expectations of our customers.

Key driver(s)

Our significant and ageing asset base, which includes large tunnels, reservoirs and a distribution/collection network that serves a customer wide base, together with the changing regulatory and environmental landscape.

To mitigate this, we:

- have strategic alliances in place to deliver capital programmes, to assure continuation of services to our customers;
- have an established investment and corporate governance process, which operates for projects led by senior management, with independent assurance;
- have cross-business governance bodies that align to business strategy;
- have a detailed knowledge and understanding of our critical assets;
- have detailed and defined minimum asset standards to reduce risk;

- work with industry bodies to review the regulatory framework in relation to asset health, to further address long-term risks;
- have built/allocated and trained a robust support team to ensure that, in the event of incidents, we have strength and depth within the team to reach early resolution and recovery; and
- continue to drive (into new asset solutions) the learning and long-term view for asset health and maintenance, to avoid unnecessary asset risk.

Opportunity

Trial and implement new technologies and innovation, to improve our water-treatment processes and network operations, such as leakage detection and pressure monitoring.

Use efficiency gains on analytical data, reporting and innovation, to take advantage of analytical and digital capabilities and support a reduction in process costs, while reducing inefficiencies.

Use the Totex outcomes framework and engage with the Ofwat Innovation Fund, to drive up performance and facilitate the innovation that customers need.

Risk description

The risk of failing to embed capabilities, processes, behaviours and systems that allow us to continue to carry out our Purpose. A failure to prepare for operational risks and be resilient against them.

Key driver(s)

Operational risks can arise within all areas of the business and can manifest themselves through inadequate or failed internal processes or systems, human error or from external events.

Our approach to ensure we have robust business resilient processes in place is to:

- proactively mitigate potential customer and environmental harm, regulatory or legal censure and financial and reputational impacts;
- regularly review our processes and systems, including prevention and detection processes, to ensure we can absorb and/or adapt to internal or external events; and
- proactively carry out and review team-specific business impact assessments across the company, to understand risk at a granular level.

Opportunity

Use data analytics to exploit the development of our smart networks and smart metering, to utilise an untapped level of data to help increase resilience and service to customers.

11 Commercial and third party



Strategic goal:
"To deliver our identified business priorities."

Risk description

The risk of loss, failure or over-dependency on one or more of our key suppliers (including alliances), which may interrupt the services that they provide.

Key driver(s)

The rising expectations of customers, increasing regulation and rapidly evolving technology.

To mitigate this, we:

- closely manage our supply chain, given our alliance and partnership model, which supports the delivery of our core services;
- monitor the long-term sustainability of key suppliers, considering wider macro-economic pressures;
- operate a strong control environment, through the delivery of our procurement and supply chain operating model, which is focused on delivering active monitoring of critical suppliers and partnerships.

Opportunity

Engagement and monitoring of our key suppliers, to build on our success, optimising our value chain and enhancing our capabilities, through the use of transformational technologies.

12 Strategic execution



Strategic goal:
"To deliver our identified business priorities."

Risk description

Failure to inadequately translate the strategy from high-level ambition to specific action, to appropriately adapt the strategy when conditions change, to deliver change to time, cost and quality and to realise the benefits on completion.

Key driver(s)

Internal and external developments, such as the supply chain challenges, the energy crisis, the cost of rising inflation and public/media sentiment, together with changing laws and regulations across the water industry, could all have an impact on our ability to finance or deliver our strategic goals.

To manage our risks, we have taken the following steps:

- we agree monitor and manage performance against the Board-approved plan and targets;
- the Board leads the annual strategy and five-year planning process, which considers our performance, competitor positioning and strategic opportunities; and
- we identify and manage emerging risks, using established governance processes and forums.

Opportunity

Use the experience and expertise across the business, to design and deliver projects more efficiently and to deliver effective, customer-centric solutions and taking new opportunities when they arise.

13 Legal



Strategic goal:
"To deliver our identified business priorities."

Risk description

The risk of financial or reputational loss, resulting from a failure to comply with applicable legal obligations (including a lack of knowledge or misunderstanding of how the law applies to our business).

Risk of failure to maintain a suitable and sufficient framework to manage data protection legislative obligations.

Key driver(s)

The changing legal and regulatory landscape.

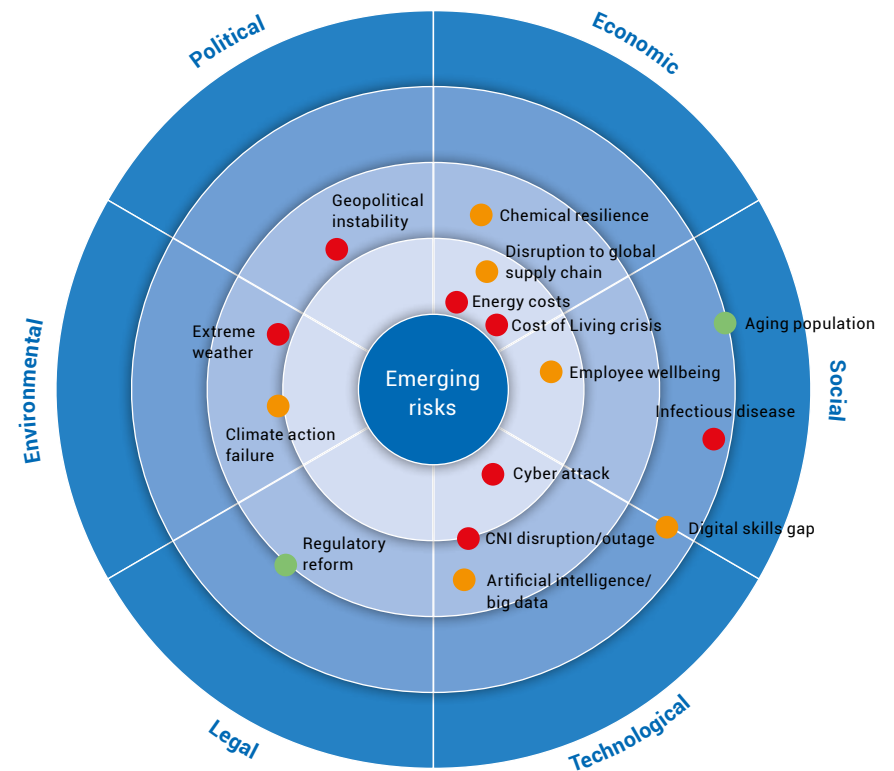
To mitigate this risk, we:

- have documented policies, processes and guidelines, covering a range of Legal scenarios, with our Legal team on hand to support the business to manage legal risk;
- employ specialist lawyers, who can advise on the business interpretation and implications of relevant legislation and other legal obligations;
- maintain a panel of external lawyers, who are available to support the business in relation to a range of legal issues (for example, complex litigation);

- have internal mechanisms (including a whistleblowing process and independent provider) to ensure that any breaches of legislation are identified, reported and investigated in a timely manner (including reporting to relevant regulators where necessary);
- ensure that all relevant employees undertake appropriate training, so they have a sufficient understanding of key legislation (including the Data Protection Act 2019, the Bribery Act 2010 and the Competition Act 1998);
- track changes in legislation via our legal register and communicate developments to relevant business units.

Emerging risks

We define an emerging risk as new risk, or a familiar risk in a new or unfamiliar context (re-emerging), which is changing in nature and where the likelihood and impact is not widely understood. These risks are more likely to have a longer-term impact. However, there is potential for the velocity to significantly increase within a shorter time frame and affect our performance. Anglian Water continually scans the horizon for emerging risks.



Time horizon

- 0-5 years
- 0-10 years
- 10-25 years
- >25 years

Velocity indicator

- Very quick
- Quick
- Low

Emerging Risks continued

Summary	Impacted principal risks															
<p>Energy costs</p> <p>Consumers have seen a reduction in energy costs leading into 2024. However the market remains volatile, due to geopolitical tensions causing disruption to supply chains, changes in demand and oil price fluctuations.</p>	<table border="1"> <tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr> <tr><td>11</td><td>12</td><td>13</td><td></td><td></td></tr> </table>	1	2	3	4	5	6	7	8	9	10	11	12	13		
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<p>Cost of living</p> <p>The UK continues to feel pressure from the increased cost-of-living, which is putting significant strain on household wallets. Low-income families have already been hit the hardest by increasing household bills and food prices and are the most likely to have seen both their financial circumstances and their health deteriorate. Local-cost pressures and supply challenges are not set to ease anytime soon, with a lot of pressure still on the economy.</p>	<table border="1"> <tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr> <tr><td>11</td><td>12</td><td>13</td><td></td><td></td></tr> </table>	1	2	3	4	5	6	7	8	9	10	11	12	13		
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<p>Cyber-attack</p> <p>Geopolitical instability has heightened the risk of cyber attacks. Also, as businesses move their data and infrastructure to the cloud and increase reliance on third-party software applications and service providers, they are significantly increasing the risk of cyber attacks and breaches from third parties.</p>	<table border="1"> <tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr> <tr><td>11</td><td>12</td><td>13</td><td></td><td></td></tr> </table>	1	2	3	4	5	6	7	8	9	10	11	12	13		
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<p>Cyber attack on Critical National Infrastructure</p> <p>Geopolitical tensions are heightening the risk of large scale cyber-attacks. The threat of attacks is heightened for critical national infrastructures, such as water supply systems, energy companies and transport networks.</p>	<table border="1"> <tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr> <tr><td>11</td><td>12</td><td>13</td><td></td><td></td></tr> </table>	1	2	3	4	5	6	7	8	9	10	11	12	13		
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| 4 Health and safety | 11 Commercial and third party |
| 5 People | 12 Strategic execution |
| 6 Technology | 13 Legal |
| 7 Financial | |

Summary	Impacted principal risks															
<p>Employee wellbeing</p> <p>According to the ONS, there are over 2.8 million workers out of the labour force due to long term sickness, which will mean employers will continue to face challenges during 2024. The cost-of-living crisis may see employees struggling to manage the threat of financial security and this could provoke direct feelings of anxiety and worsening mental health.</p>	<table border="1"> <tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr> <tr><td>11</td><td>12</td><td>13</td><td></td><td></td></tr> </table>	1	2	3	4	5	6	7	8	9	10	11	12	13		
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<p>Disruptions in global supply chains</p> <p>Ongoing, new conflicts and oceanic geopolitical conflict is adding further pressures and disruption to supply chains.</p>	<table border="1"> <tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr> <tr><td>11</td><td>12</td><td>13</td><td></td><td></td></tr> </table>	1	2	3	4	5	6	7	8	9	10	11	12	13		
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<p>Climate action failure</p> <p>We face the reputational impact of not being seen to contribute towards the mitigation of climate change via the achievement of net zero emissions by 2030.</p>	<table border="1"> <tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr> <tr><td>11</td><td>12</td><td>13</td><td></td><td></td></tr> </table>	1	2	3	4	5	6	7	8	9	10	11	12	13		
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<p>Chemical resilience</p> <p>The chemical industry has been a major contributor to businesses and global trade growth for decades. The industry has been hit hard by recent trade barriers, increased levels of protectionism and the COVID-19 pandemic. With current global instability, the need for a resilient supply chain in the chemical industry has never been greater.</p>	<table border="1"> <tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td></tr> <tr><td>11</td><td>12</td><td>13</td><td></td><td></td></tr> </table>	1	2	3	4	5	6	7	8	9	10	11	12	13		
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Summary

Impacted principal risks

Artificial intelligence/big data

Data is increasingly being used to provide meaningful insights for companies, to support key decision making. The fast-paced evolution of generative AI tools, alongside the opportunities it brings, raises concerns around lack of transparency, over reliance, bias and discrimination, vulnerability attacks, lack of human oversight, high cost and privacy concerns. This, coupled with the digital skills gap/shortage, increases the risk.

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Extreme weather

Meteorologists warn extreme weather is set to continue in the UK. And the risk of failing to deal with the impact of extreme and/or unpredictable weather events on our assets and infrastructure is increasing.

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Shortage of skilled workers/digital skills gap

There is currently a shortage of skilled workers, at a time of high demand for labour. With the increasing use of technology, it is reported that over the next 10-20 years, 90% of all jobs will require some form of digital skill.

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Geopolitical instability

Geopolitical shocks continue to impact globally in 2024 with overarching themes such as ongoing on emerging conflicts, energy security, supply chain disruptions, resource shortages, and a heightened risk of cybersecurity threats. The upcoming elections, could create an uncertain political environment, regarding future policies and regulations.

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Summary

Impacted principal risks

Infectious diseases

Infectious diseases continue to be a global risk. This risk has been increasing over the last 20 years and every year the risk increases further.

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Regulatory reform

The upcoming elections and possibility of a different governmental leadership creates uncertainty regarding future policies and regulations. There could be potential regulatory reform to the number of regulators governing the water industry, or a merger. We could see the introduction of financial penalties for accountable individuals, bigger fines, or criminal proceedings for failing to meeting regulatory requirements/expectations.

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Aging population

According to the World Health Organisation, in the next 25 years, the number of people older than 85 will double to 2.6 million. A rise in the elderly population will place greater pressure on public finances, as a relatively smaller working-age population supports growing spending on health, social care, and pensions. An aging population could lead to a shortage of workers and push up wages, causing wage inflation.

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Long-term viability statement

Background

The directors are responsible for ensuring the resilience or viability of the Group's water and water recycling services to meet the needs of its customers in the long term. This means the Group must be able to avoid, manage and recover from disruptions to its operations and finances.

The directors' review of the longer-term prospects and viability of the Group is an extension of our business planning process, which includes financial forecasting, a robust risk management assessment, regular budget reviews and scenario planning. This activity is strengthened by a culture throughout the Group of review and challenge. Our vision and business strategy aim to make sure that our operations are resilient and our finances are sustainable and robust.

As part of Anglian Water's approach to defining risk appetite, each year the directors review our specific risk tolerance levels and consider whether our decision-making behaviours over the past year have been consistent with these risk levels. The directors confirmed that the Group's behaviours over the past year had been in line with our risk appetite.

Look-forward period

As one of the 10 regional Water and Sewerage services companies operating in the UK, Anglian Water's prices are set by the industry regulator Ofwat for five-year Asset Management Plan (AMP) periods, which support the Group's underlying costs. This provides the basis for future tariffs, revenues, costs and cash flows over the current AMP (April 2020 to March 2025).

Assessment of prospects

The directors have assessed Anglian Water's financial prospects over the next 10 years from April 2024 to March 2034. A 10-year period has been chosen to ensure that our business plan for the current AMP does not impact on the longer-term viability of the Group:

- The first year takes us to the end of the current AMP, for which there is reasonable certainty and clarity, with a stretching five-year plan to deliver in line with the CMA Final Determination for AMP7.
- The next nine years of the period are outside final outcome of the following five-year price reviews, PR24 and PR29, for which uncertainty exists. Our assumptions for AMP8 align to the AMP8 forecasts that we submitted in our PR24 Business Plan and future AMPs are consistent with this.
- The Board considered whether there are specific, foreseeable risk events relating to the principal risks that are likely to materialise within a 10-year period, and which might be substantial enough to affect the Group's viability and therefore should be taken into account when setting the assessment period. These events were modelled appropriately within our downside scenarios.
- The Board has considered the impact of the wider activities of other Group companies and transactions and of the overall Group structure.
- The Board considers the maturity profiles of debt and the availability of new finance over 10 years as part of its review of financial modelling and forecasting, as well as considering the credit ratings of the debt.

- Finally, we take note of the Water Industry Act, which requires Ofwat to ensure that water companies can (in particular through securing reasonable returns on their capital) finance the proper carrying out of their statutory duties.

Principal risks

We have set out the details of the principal risks facing the Group on pages 108-116, described in relation to our ability to deliver our 10-year outcomes. We identify our principal risks through a robust assessment that includes a continuous cycle of bottom-up reporting and review, and top-down feedback and horizon scanning. Through this assessment, priorities are elevated appropriately and transparently. This process is described in more detail on pages 105-108.

The directors regularly review business plans that show projected cash flows for the current AMP period, and long-term cash flow modelling projections which extend into AMP8 and beyond.

This includes reviewing the expected outcome relating to the principal risks with this impact included in our business plans.

Stress testing the business plan

In reviewing its financial viability, Anglian Water considers the stringent covenant tests required under its securitised structure to provide comfort to our bondholders that our business is viable to the end of the current AMP period and beyond, and to ensure the availability of debt to finance Anglian Water's investment programme. At each regulatory price review and throughout the AMP, the Board satisfies itself that the agreed five-year business plans ensure adequate covenant headroom throughout the AMP period and beyond. This includes extensive downside scenario testing at both Anglian Water and Group level from severe, plausible and reasonable scenarios chosen because they pose the greatest risk to the business.



The following scenarios have been used individually and in combination to model the impact on the overall performance of the business, the ability of the business to service its debt and the impact on its credit rating:

Principal risk	Scenario	Impact modelled	Potential mitigations required	Principal risk	Scenario	Impact modelled	Potential mitigations required
<ul style="list-style-type: none"> • People • Technology • Financial • Asset infrastructure • Business resilience • Commercial and third party • Strategic execution 	Material Totex underperformance against the Final Determination allowance	Overspend of 10% across an AMP CAPEX overspend of 5% OPEX overspend of 5%	No mitigations required No mitigations required No mitigations required	<ul style="list-style-type: none"> • Financial • Reputation • Strategic execution 	Cost of debt increases	2% above base level assumptions across an AMP	No mitigations required
<ul style="list-style-type: none"> • Customer proposition • Environment • People • Reputation • Asset infrastructure • Business resilience • Strategic execution 	Material Outcome Delivery Incentive (ODI) penalties	Up to £144 million per year	Mitigations required	<ul style="list-style-type: none"> • Customer proposition • Financial • Asset infrastructure • Commercial and third party 	Significant inflation fluctuations 2% below base level for each AMP	1% above and below base level assumptions for each AMP No mitigations required	No mitigations required
<ul style="list-style-type: none"> • Environment • Water supply and quality • Health and safety • People • Reputation • Legal • Regulatory 	Regulatory fines and legal penalties	Up to 6% of turnover applied in a single year	Mitigations required	<ul style="list-style-type: none"> • Customer proposition • Environment • People • Technology • Financial • Reputation • Asset infrastructure • Business resilience • Commercial and third party • Strategic execution 	Combined scenario based on Totex underperformance for a whole AMP, along with a significant ODI penalty and a revenue penalty	Overspend of 10% across an AMP, combined with an ODI penalty of 1.5% of RORE in each year plus a financial penalty of 1% of revenue in a single year	Mitigations required
<ul style="list-style-type: none"> • Financial 	Unfunded pension liabilities	Up to £15 million applied per annum	No mitigations required	<ul style="list-style-type: none"> • Customer proposition • Financial • Asset infrastructure • Commercial and third party • Reputation • Strategic execution 	Combined scenario based on low inflation and high cost of debt	Inflation 2% below base level for the AMP combined with cost of debt 2% above base level assumptions across an AMP	No mitigations required
<ul style="list-style-type: none"> • Customer proposition • Financial • Business resilience 	Risks associated with the disruption caused by cost-of-living crisis, potential reductions in revenue collection	Up to 5% decrease in cash collection 20% increase in bad debt	Mitigations required No mitigations required	<ul style="list-style-type: none"> • Customer proposition • Environment • People • Technology • Financial • Reputation • Asset infrastructure • Business resilience • Commercial and third party • Strategic execution 	Combined scenario based on low inflation, an OPEX cost shock plus a significant ODI penalty	Inflation 1% below base for the AMP combined with 2.5% OPEX cost shock in AMP7 and a £50 million ODI penalty in each year	Mitigations required
<ul style="list-style-type: none"> • Financial • Reputation • Strategic execution 	The potential impact of credit rating agencies downgrading the debt for any companies in the Group	2% increase in cost of new debt	No mitigations required				

In deciding on appropriate downside scenarios and corresponding stress tests, management have considered the required modelling set out by Ofwat as part of the financial resilience testing for PR24. Management have taken the view that where the PR24 scenarios were more severe it would be prudent to align to these, this also provides consistency with our PR24 Business Plan submission.

Management have also considered the current business performance, in particular in respect to Totex overspend and ODI penalties, and how this impacts on the range of potential downside scenarios that could occur in future. In addition to the performance of the business, management have considered the performance of the sector in relation to increasing frequency of penalties and fines ensuring the downside testing provides an appropriate level of prudence. Finally, management has considered the potential impacts from a failure of a competitor company and how this may impact of the availability and cost of financing our operations.

As part of our stress tests for the downside scenarios we have considered the potential impacts of cost shocks resulting from climate change. Such cost shocks include the 'Beast from the East' extreme cold weather event, followed by a rapid thaw, experienced in early 2018, and the extreme wet weather events experienced in our region during the past six months.

The cost impacts of these events (including longer term recovery impacts such as leakage reduction), were in the order of £7 million for 'Beast from the East' and £3 million for each extreme wet weather event. During the current year, as a result of the severe wet weather experienced, we have seen costs increase by £9.3 million. Our modelled downside scenarios include cost shocks equal to experiencing several of these events in continuous years across the

AMP; we are therefore confident that we can withstand the financial impacts of extreme weather events, predicted to increase as a result of climate change.

In April 2019, Ofwat issued Information Notice IN 19/07, setting out its expectations for companies in issuing long-term viability statements. In our Annual Performance Report (available on the Anglian Water Services website), we will provide additional detail on the processes and assumptions underpinning our long-term viability statement and demonstrate our compliance with IN 19/07.

Mitigating actions

For each sensitivity and combined scenario, we identify (where required) the appropriate mitigations against the potential risks. In the event that the situations used for stress testing were to result in an unacceptable level of deterioration in the Group's financial metrics, management's principal actions would include further reducing the level of shareholder distributions, potential shareholder equity injections, reviewing the financing structure and identifying further opportunities to reduce the Group's cost base or reduce financing costs.

Evidence of the shareholders' support for equity injections is provided by the equity injections made in October 2018 of £22.0 million, April 2021 of £110.0 million and July 2021 of £1,065.0 million.

As a further mitigation, we have a significant portfolio of insurance cover in place, to provide protection against many catastrophic scenarios, such as dam failure, pluvial and fluvial flood, terrorism and public and employer's liability. There would still be a short-term liquidity impact from such events, due to the time it would take between incurring the expenditure and recovering

this through the insurance claim. However, it is an important consideration in terms of medium-term liquidity. The Board formally reviews the output of the stress testing twice a year.

Benefits of the securitised structure

The highly-covenanted nature of our financing arrangements (often described as a whole business securitisation) enhances our financial resilience, by imposing a rigorous governance framework. This requires continuous monitoring and reporting of our financial and operating performance by senior management, through a well-established business process, to ensure compliance with our financing arrangements. This provides an additional layer of control over how we transact with our stakeholders, including suppliers, business partners, customers, shareholders and lenders, compared to the regulatory frameworks by which we are governed.

Assurance

Robust internal assurance is provided by the Board reviewing and challenging the selected stress-test scenarios and the risk mitigation strategies. The Directors also obtain annual independent third-party assurance on the integrity of the long-term cash flow model, which underpins the financial projections. In addition, our external auditor, Deloitte, reviews this viability statement and the outputs of our stress testing as part of its normal audit procedures. It considers whether these are consistent with the Directors' conclusion, with respect to business viability, and if the processes undertaken are sufficient to support the statements made.

Directors' statement

In making this statement, the directors have assumed that funding for capital expenditure in the form of capital markets or bank debt will be available in all reasonable market conditions. They have also considered the impact of the Group structure, intra-Group transactions and any other Group activities, on the viability of the regulated business.

Anglian Water Services is an efficient company with a history of outperformance. The directors can be satisfied that the business: has a reasonable expectation of being able to continue in operation and meet its liabilities, as they fall due, at least to March 2034; and is financially resilient, in the face of severe but plausible downside shocks that reflect the current and potential future regulatory environment.

This is based on: the reasonable certainty of its future revenue stream; the strength of the balance sheet (in particular the substantial cash balance and strong net assets); the availability of undrawn debt facilities, in the unlikely event that debt markets were temporarily restricted; and by reviewing the business plans and strategic models, combined with the robust risk management process and mitigations described above.

Given the range of scenarios tested above the director's view is that the Draft Determination, due to be issued in July, will not impact the Company's long-term viability.

This Strategic Report was approved by the Board of Directors and signed on its behalf by

Claire Russell
Company Secretary
10 June 2023



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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

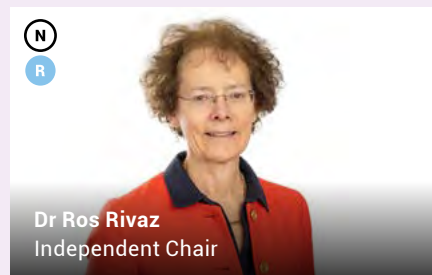
Sian Thomas
Director of Strategic Asset Management

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

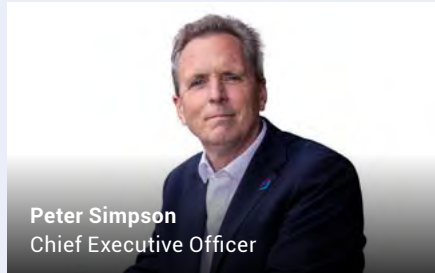
Skills, competencies and experience

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.

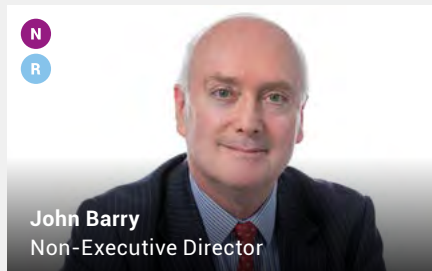
Tony's aim is to inspire teams to innovate, collaborate and grow together, to overcome the greatest of challenges and succeed in achieving business goals.

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



John Barry
Non-Executive Director

Appointed

- Non-Executive Director in November 2020

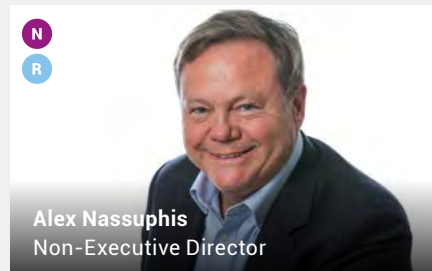
Skills, competencies and experience

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.



Alex Nassuphis
Non-Executive Director

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.



Batiste Ogier
Non-Executive Director

Appointed

- Non-Executive Director in November 2021

Skills, competencies and experience

Batiste is a managing director within CPP Investments' Real Assets Team, where he specialises in Infrastructure and Renewable Energy investing. Prior to joining CPP Investments in 2019, Batiste was a director at First State Investments, 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.



Albena Vassileva
Non-Executive Director

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](https://www.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	External audit	Regulatory and legal disclosures	Risk
<ul style="list-style-type: none"> 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. 	<p>(Further information on page 140)</p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. <p>Assurance</p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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		Other	
<p>(Further information on page 142)</p> <ul style="list-style-type: none"> 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. 		<ul style="list-style-type: none"> 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. <ul style="list-style-type: none"> 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*:

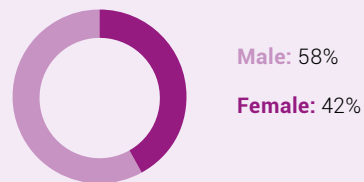
- 50% of the directors were female. Of the independent non-executive directors appointed by the company, 83% are female. Four of the directors are appointed by the Company's ultimate investors, of which one is female;
 - The senior independent director is female; and
 - One director is from a minority 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:

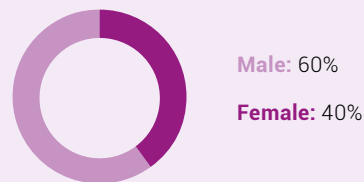
Board



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.

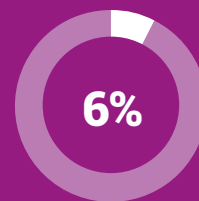
As part of the normal year-end process, the Committee would normally make a recommendation to the AWG Board about the level of payment against Peter's personal objectives, which relate to the achievement of Group objectives and duties. Given that Peter waived his entire bonus, the Committee did not assess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

2023/24 Bonus outcomes

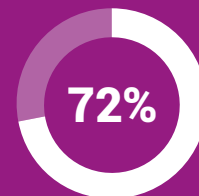
Virtually all colleagues in Anglian Water are eligible for some form of bonus, with the exception of some early-careers colleagues, who are on training programmes – such as apprentices. We seek to use our bonus scheme to focus everyone on certain common goals, creating alignment across the organisation 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.

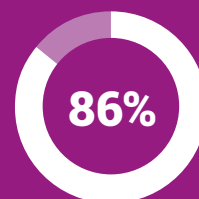
For our managers and leaders (around 570 people), we use a more wide-ranging scorecard (the AWS Performance Contract), which contains a basket of measures, all of which have been determined by the regulator, or by the Board, to be of high importance to our customers and to the environment. The Performance 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%).



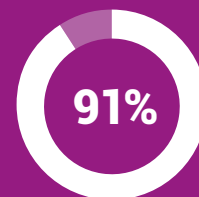
Company-wide salary increase, effective April 2024.



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

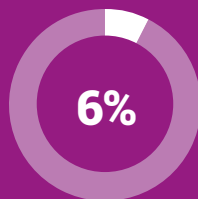
Paid to employees.
(2022/23: £255m)



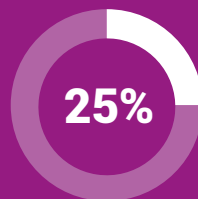
Employees are eligible for bonus. Those not eligible may, for example, be on an early-career pathway, such as an apprenticeship.
(2022/23: 98%)

£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

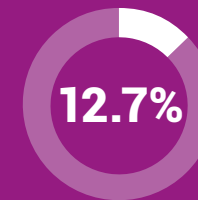
Support package helping customers and colleagues in 2023/24.
(2022/23: £42 million)

100%

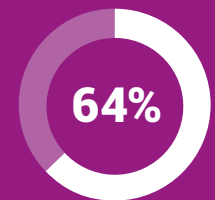
Of our storm overflows are now monitored, a year ahead of the government target.

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

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:

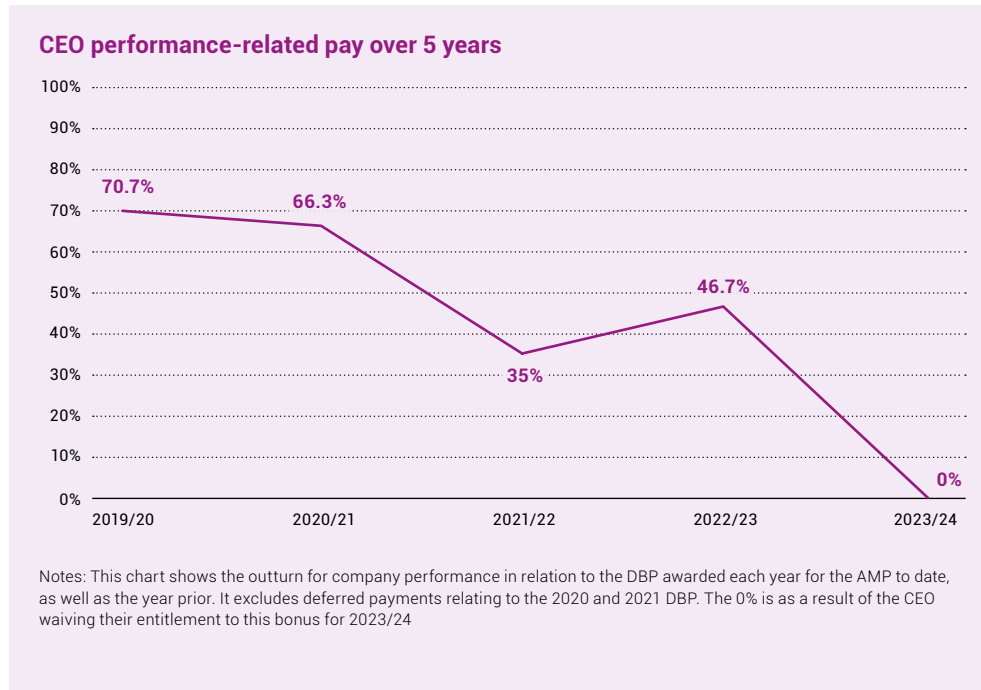
The bonus paid to Peter Simpson in January 2024, which was deferred from the 2022/23 bonus with extra performance conditions, was not paid for out of customer bills.

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

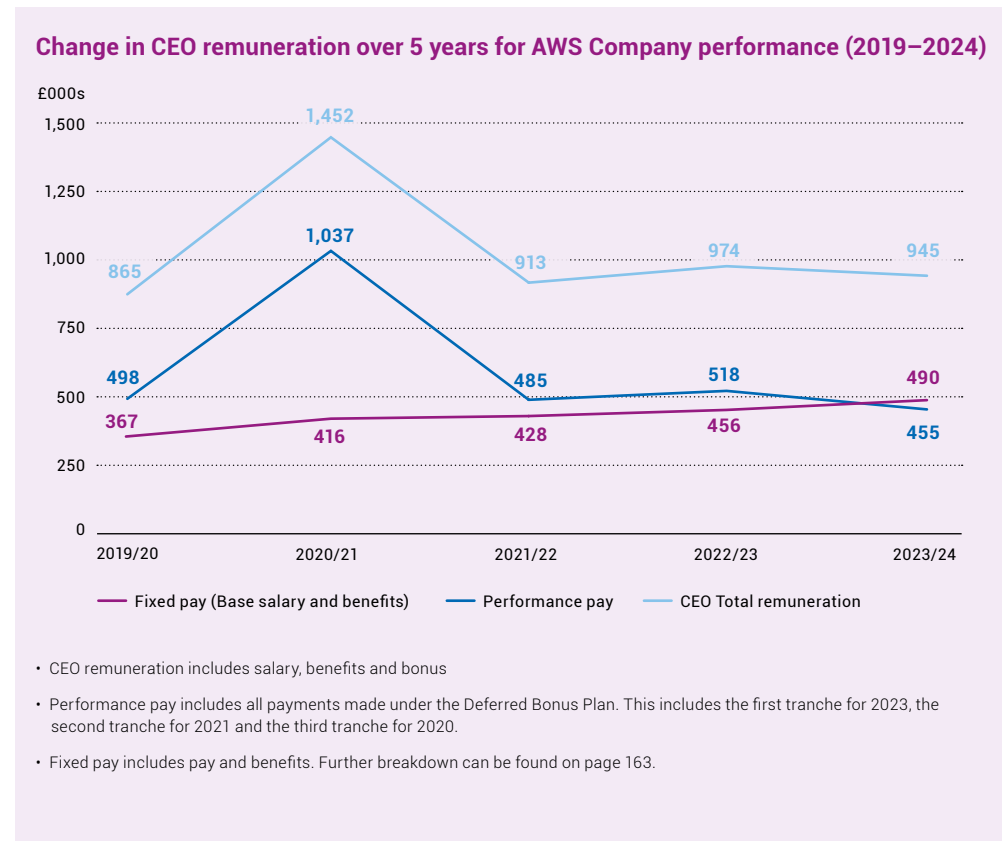
Executive remuneration throughout AMP7 has been set to link closely with what matters for our customers, with a high percentage of total remuneration linked to performance-related outcomes. When performance has been achieved, bonuses have been paid; where performance targets have not been achieved, payments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

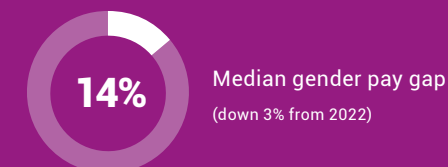
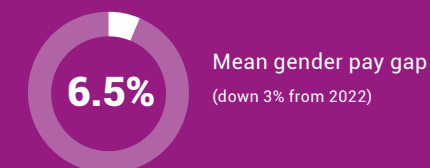
We want everyone to feel included, regardless of their background. This applies to all areas across our inclusion agenda, not only gender.

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.

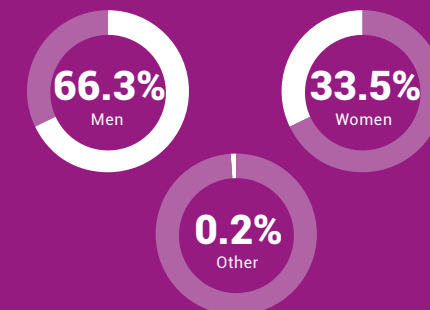
Although there has been improvement to our gender pay and bonus gaps in the last year, significant change will only be possible once there is a substantial shift in gender balance at all levels of the business. As outlined on page 167, we have a multi-stage, long-term plan to shift the balance towards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



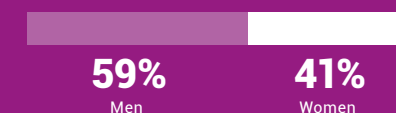
What is our gender pay gap for 2023?



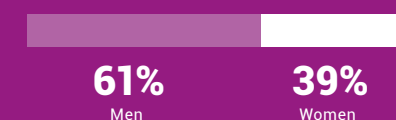
Gender split across Anglian Water employees:



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

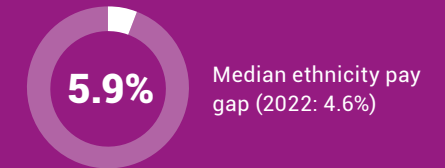
We published our second Ethnicity Pay Gap Report in April 2024, as part of our ongoing commitment to transparency and improving the diversity of our employees.

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.

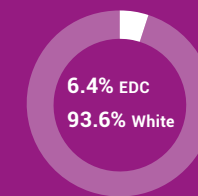
This year we have seen a slight increase in our reported pay gap figures, compared to 2022. As this is only our second reporting year, it is too early to say whether the fluctuation is related to the increased level of recorded ethnicity, however this is something we will be monitoring in future years.

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).

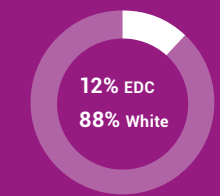
What is our ethnicity pay gap for 2023?



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.	<p>Reflects individual experience and role. Usually reviewed annually and fixed for 12 months, from 1 April. Decision influenced by:</p> <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.	<p>Directors are entitled to private medical insurance, car allowance and life assurance.</p> <p>Directors are also entitled the same benefits received by the wider workforce.</p>	<p>Peter Simpson: 2.5% of base salary</p> <p>Tony Donnelly (from Nov 2023): 3.52% of base salary</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
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

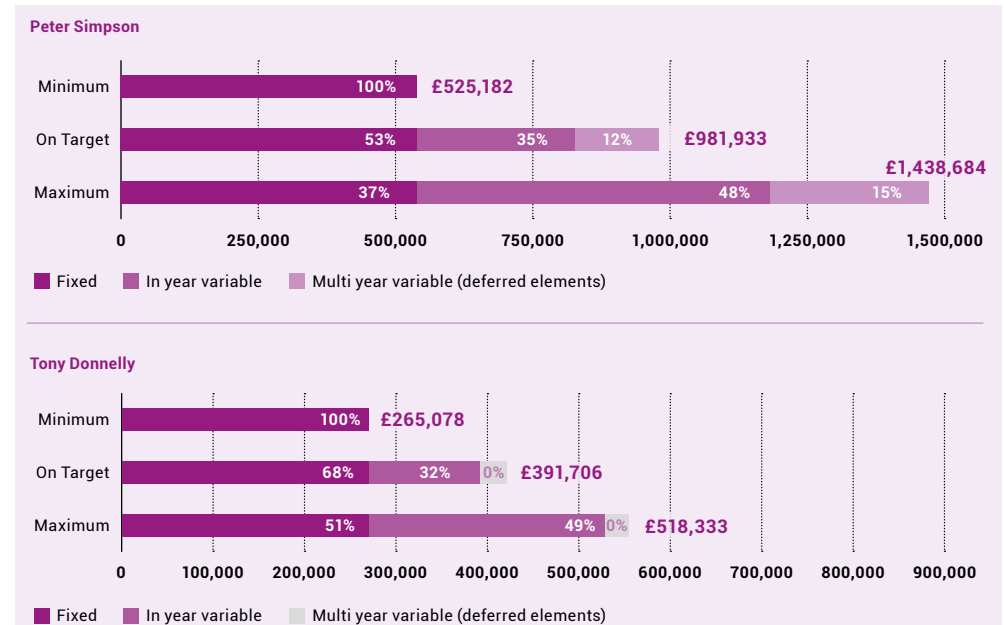
Total maximum AWS remuneration for 2024/25

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.

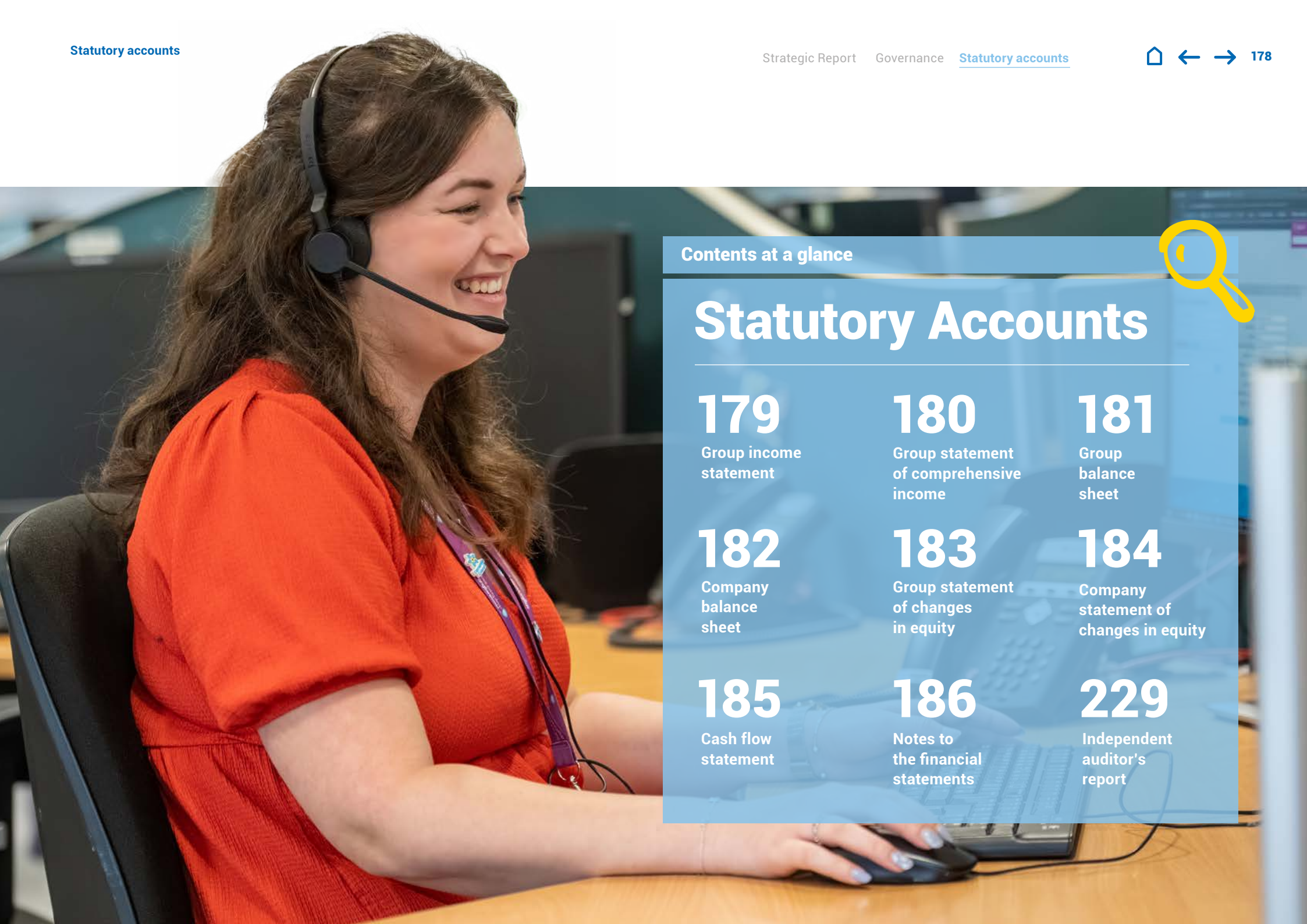
Each of the Directors, whose names and functions are listed in the Board of Directors sections on pages 124-127, confirm that, to the best of their knowledge:

- 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.



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Consolidated financial statements for the year ended 31 March 2024

Notes	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
4 Revenue	1,626.6	1,494.9
Other operating income	15.8	16.0
5 Operating costs		
5 Operating costs before depreciation, amortisation and loss allowance for expected credit losses	(784.2)	(678.0)
Depreciation and amortisation	(388.6)	(379.1)
Loss allowance for expected credit losses	(38.7)	(30.1)
Total operating costs	(1,211.5)	(1,087.2)
Operating profit	430.9	423.7
Finance costs	(547.5)	(731.0)
Finance income, including fair value gains on derivative financial instruments	249.8	665.9
6 Net finance costs	(297.7)	(65.1)
Profit before tax from continuing operations		
Loss before fair value gains on derivative financial instruments ¹	(71.7)	(286.7)
Fair value gain on derivative financial instruments	204.9	645.3
Profit before tax from continuing operations	133.2	358.6
7 Tax charge	(31.2)	(90.2)
Profit for the year from continuing operations	102.0	268.4

¹ As defined in note 27.

Notes 1 to 28 are an integral part of these financial statements.

Notes		Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
	Profit for the year	102.0	268.3
	Other comprehensive expense		
	Items that will not be reclassified to income statement		
19	Actuarial losses on retirement benefit surplus	(25.8)	(141.2)
7	Income tax on items that will not be reclassified	6.5	35.3
		(19.3)	(105.9)
	Items that may be reclassified subsequently to income statement		
21	(Losses)/gains on cash flow hedges recognised in equity	(36.5)	27.9
21	(Losses)/gains on cost of hedge relationships	(2.7)	1.8
21	Gains/(losses) on cash flow hedges transferred to income statement	32.3	(31.1)
7	Income tax on items that may be reclassified	1.9	0.2
		(5.0)	(1.2)
	Other comprehensive expense for the year, net of tax	(24.3)	(107.1)
	Total comprehensive income for the year	77.7	161.2

Notes	At 31 March 2024 £m	At 31 March 2023 £m	
Non-current assets			
10	Intangible assets	256.6	253.9
11	Property, plant and equipment	11,414.7	10,704.3
17	Derivative financial instruments	233.1	194.4
19	Retirement benefit surplus	61.5	84.1
		11,965.9	11,236.7
Current assets			
	Inventories	17.9	20.6
13	Trade and other receivables	621.4	564.7
14	Investments – cash deposits	530.0	298.0
14	Cash and cash equivalents	474.4	335.1
17	Derivative financial instruments	0.9	55.8
		1,644.6	1,274.2
Total assets			
		13,610.5	12,510.9
Current liabilities			
15	Trade and other payables	(717.2)	(676.7)
	Current tax liabilities	(76.2)	(123.9)
16	Borrowings	(453.8)	(584.3)
17	Derivative financial instruments	(92.8)	(53.4)
	Provisions	(4.4)	(6.8)
		(1,344.4)	(1,445.1)
Net current assets/(liabilities)			
		300.2	(170.9)

Notes	At 31 March 2024 £m	At 31 March 2023 £m	
Non-current liabilities			
16	Borrowings	(7,527.5)	(6,296.7)
17	Derivative financial instruments	(796.5)	(893.8)
18	Deferred tax liabilities	(1,601.8)	(1,531.3)
19	Retirement benefit deficit	(30.8)	(33.0)
	Provisions	(5.5)	(4.8)
		(9,962.1)	(8,759.6)
Total liabilities			
		(11,306.5)	(10,204.7)
Net assets			
		2,304.0	2,306.2
Capital and reserves			
20	Share capital	32.0	32.0
	Share premium	1,165.0	1,165.0
	Retained earnings	1,092.5	1,089.7
21	Hedging reserve	14.9	17.8
21	Cost of hedging reserve	(0.4)	1.7
Total equity			
		2,304.0	2,306.2

Notes 1 to 28 are an integral part of these financial statements. The financial statements were approved by the Board of Directors on 10 June 2024 and signed on its behalf by:

Peter Simpson
Chief Executive

Anthony Donnelly
Chief Financial Officer

Notes	At 31 March 2024 £m	At 31 March 2023 £m	
Non-current assets			
10	Intangible assets	256.6	253.9
11	Property, plant and equipment	11,414.7	10,704.3
17	Derivative financial instruments	233.1	194.4
19	Retirement benefit surplus	61.5	84.1
		11,965.9	11,236.7
Current assets			
	Inventories	17.9	20.6
13	Trade and other receivables	621.4	564.7
14	Investments – cash deposits	530.0	298.0
14	Cash and cash equivalents	472.1	328.4
17	Derivative financial instruments	0.9	55.8
		1,642.3	1,267.5
Total assets			
		13,608.2	12,504.2
Current liabilities			
15	Trade and other payables	(766.8)	(720.1)
	Current tax liabilities	(76.2)	(123.9)
16	Borrowings	(453.8)	(584.3)
17	Derivative financial instruments	(92.8)	(53.4)
	Provisions	(4.4)	(6.8)
		(1,394.0)	(1,488.5)
Net current assets/(liabilities)			
		248.3	(221.0)

Notes	At 31 March 2024 £m	At 31 March 2023 £m	
Non-current liabilities			
16	Borrowings	(7,527.5)	(6,296.7)
17	Derivative financial instruments	(796.5)	(893.8)
18	Deferred tax liabilities	(1,601.8)	(1,531.3)
19	Retirement benefit deficit	(30.8)	(33.0)
	Provisions	(5.5)	(4.8)
		(9,962.1)	(8,759.6)
Total liabilities			
		(11,356.1)	(10,248.1)
Net assets			
		2,252.1	2,256.1
Capital and reserves			
20	Share capital	32.0	32.0
	Share premium	1,165.0	1,165.0
	Retained earnings	1,040.6	1,039.6
21	Hedging reserve	14.9	17.8
21	Cost of hedging reserve	(0.4)	1.7
Total equity			
		2,252.1	2,256.1

The Company has not presented its own income statement as permitted by section 408 of the Companies Act 2006. The Company's profit for the year was £100.2 million (2023: loss of £267.4 million).

Notes 1 to 28 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 10 June 2024 and signed on its behalf by:

Peter Simpson
Chief Executive

Anthony Donnelly
Chief Financial Officer

Notes	Stated Capital £m	Share Premium £m	Retained earnings £m	Hedging reserve £m	Cost of hedging reserve £m	Total equity £m
At 1 April 2022	32.0	1,165.0	1,096.3	20.4	0.3	2,314.0
Profit for the year	-	-	268.3	-	-	268.3
Other comprehensive income/(expense)	-	-	-	-	-	-
19 Actuarial losses on retirement benefit obligations	-	-	(141.2)	-	-	(141.2)
7 Income tax charge on items that will not be reclassified	-	-	35.3	-	-	35.3
21 Gains on cash flow hedges	-	-	-	27.9	-	27.9
21 Gains on cost of hedge relationships	-	-	-	-	1.8	1.8
21 Amounts on cash flow hedges transferred to income statement	-	-	-	(31.1)	-	(31.1)
7 Deferred tax movement on hedging reserves	-	-	-	0.6	(0.4)	0.2
	-	-	(105.9)	(2.6)	1.4	(107.1)
Total comprehensive income/(expense)	-	-	162.4	(2.6)	1.4	161.2
Dividends	-	-	(169.0)	-	-	(169.0)
At 31 March 2023	32.0	1,165.0	1,089.7	17.8	1.7	2,306.2

Notes	Stated Capital £m	Share Premium £m	Retained earnings £m	Hedging reserve £m	Cost of hedging reserve £m	Total equity £m
Profit for the year	-	-	102.0	-	-	102.0
Other comprehensive income/(expense)	-	-	-	-	-	-
19 Actuarial losses on retirement benefit obligations	-	-	(25.8)	-	-	(25.8)
7 Income tax charge on items that will not be reclassified	-	-	6.5	-	-	6.5
21 Losses on cash flow hedges	-	-	-	(36.5)	-	(36.5)
21 Losses on cost of hedge relationships	-	-	-	-	(2.7)	(2.7)
21 Amounts on cash flow hedges transferred to income statement	-	-	-	32.3	-	32.3
7 Deferred tax movement on hedging reserves	-	-	-	1.3	0.6	1.9
	-	-	(19.3)	(2.9)	(2.1)	(24.3)
Total comprehensive income/(expense)	-	-	82.7	(2.9)	(2.1)	77.7
Dividends	-	-	(79.9)	-	-	(79.9)
At 31 March 2024	32.0	1,165.0	1,092.5	14.9	(0.4)	2,304.0

Notes	Share Capital £m	Share Premium £m	Retained earnings £m	Hedging reserve £m	Cost of hedging reserve £m	Total equity £m
At 1 April 2022	32.0	1,165.0	1,047.1	20.4	0.3	2,264.8
Profit for the year	-	-	267.4	-	-	267.4
Other comprehensive income/(expense)	-	-	-	-	-	-
19 Actuarial losses on retirement benefit obligations	-	-	(141.2)	-	-	(141.2)
7 Income tax charge on items that will not be reclassified	-	-	35.3	-	-	35.3
21 Gains on cash flow hedges	-	-	-	27.9	-	27.9
21 Gains on cost of hedge relationships	-	-	-	-	1.8	1.8
21 Amounts on cash flow hedges transferred to income statement	-	-	-	(31.1)	-	(31.1)
7 Deferred tax movement on hedging reserves	-	-	-	0.6	(0.4)	0.2
	-	-	(105.9)	(2.6)	1.4	(107.1)
Total comprehensive income/(expense)	-	-	161.5	(2.6)	1.4	160.3
Dividends	-	-	(169.0)	-	-	(169.0)
At 31 March 2023	32.0	1,165.0	1,039.6	17.8	1.7	2,256.1

Notes	Share Capital £m	Share Premium £m	Retained earnings £m	Hedging reserve £m	Cost of hedging reserve £m	Total equity £m
Profit for the year	-	-	100.2	-	-	100.2
Other comprehensive income/(expense)	-	-	-	-	-	-
19 Actuarial gains on retirement benefit obligations	-	-	(25.8)	-	-	(25.8)
7 Income tax charge on items that will not be reclassified	-	-	6.5	-	-	6.5
21 Losses on cash flow hedges	-	-	-	(36.5)	-	(36.5)
21 Losses on cost of hedge relationships	-	-	-	-	(2.7)	(2.7)
21 Amounts on cash flow hedges transferred to income statement	-	-	-	32.3	-	32.3
7 Deferred tax movement on hedging reserves	-	-	-	1.3	0.6	1.9
	-	-	(19.3)	(2.9)	(2.1)	(24.3)
Total comprehensive income/(expense)	-	-	80.9	(2.9)	(2.1)	75.9
Dividends	-	-	(79.9)	-	-	(79.9)
At 31 March 2024	32.0	1,165.0	1,040.6	14.9	(0.4)	2,252.1

Notes	Group		Company	
	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Operating activities				
Operating profit	430.9	423.7	430.9	423.7
Adjustments for:				
Depreciation and amortisation	388.6	379.1	388.6	379.1
Assets adopted for £nil consideration	(48.2)	(46.0)	(48.2)	(46.0)
Profit on disposal of property, plant and equipment	(1.5)	(3.9)	(1.5)	(3.9)
Difference between pension charge and cash contributions	(3.2)	(24.5)	(3.2)	(24.5)
Net movement in provisions	(1.6)	(0.1)	(1.6)	(0.1)
Working capital:				
Decrease/(increase) in inventories	2.7	(3.7)	2.7	(3.7)
Increase in trade and other receivables	(62.8)	(48.0)	(62.8)	(48.0)
Increase in trade and other payables ¹	62.2	34.3	68.4	31.4
Net cash flows from operating activities	767.1	710.9	773.3	708.0
Investing activities				
Purchase of property, plant and equipment	(942.9)	(588.6)	(942.9)	(588.6)
Purchase of intangible assets	(51.4)	(75.8)	(51.4)	(75.8)
Proceeds from disposal of property, plant and equipment	2.0	4.4	2.0	4.4
Interest received	42.5	16.0	40.7	15.0
(Increase)/decrease in investments – cash deposits	(232.0)	94.0	(232.0)	94.0
Net cash used in investing activities	(1,181.8)	(550.0)	(1,183.6)	(551.0)

Notes	Group		Company	
	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Financing activities				
Interest paid	(224.3)	(200.6)	(224.3)	(200.6)
Debt issue costs paid	(15.2)	(0.7)	(15.2)	(0.7)
Interest paid on leases	(1.1)	(0.9)	(1.1)	(0.9)
Proceeds from amounts borrowed	1,379.5	740.8	1,379.5	740.8
Repayment of amounts borrowed	(487.1)	(668.8)	(487.1)	(668.8)
Repayment of principal on derivatives	(11.5)	-	(11.5)	-
Repayment of principal on leases	(6.4)	(5.3)	(6.4)	(5.2)
Dividends paid	(79.9)	(169.0)	(79.9)	(169.0)
Net cash from/(used in) financing activities	554.0	(304.5)	554.0	(304.4)
Net increase/(decrease) in cash and cash equivalents	139.3	(143.6)	143.7	(147.4)
Cash and cash equivalents at 1 April	335.1	478.7	328.4	475.8
Cash and cash equivalents at 31 March	474.4	335.1	472.1	328.4

¹ Excluding movement in capital creditors which is presented in investing activities.

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all of the years presented and are applicable to both Group and Company.

a) Basis of accounting

The Group and Company financial statements have been prepared (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 Group financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB and the Company financial statements have been prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value. The preparation in financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

Adjusted profit before tax excludes the fair value gains and losses arising on derivative financial instruments and energy derivatives that the group holds as economic hedges. These introduce volatility into the accounts due to the present value of future cash flows, which management believes is not representative of the underlying operational performance of the business. Alternative performance measures are defined in note 27.

b) Basis of preparation

The Anglian Water Services Group (the "Group") financial statements comprise a consolidation of the financial statements of Anglian Water Services Limited (the "Company") and its subsidiary, Anglian Water Services Financing Plc, at 31 March 2024. Inter-company sales and profit are eliminated fully on consolidation.

Going concern

The directors have undertaken a detailed review to assess the liquidity requirements of the Group compared against the cash and borrowing facilities available to the group, as detailed below.

The directors have considered the potential impacts of the current market volatility and uncertainties within the sector in relation to proposed PR24 Business Plan to Ofwat, and on-going investigations.

The base forecast, which has been updated for the latest internal and external information has been subjected to a range of severe but plausible downside scenarios as noted below. These forecasts include the additional £350 million Totex over and above what was allowed by Ofwat.

Anglian Water Services Limited has a single debt platform (sometimes known as a "common terms" or "CTA" debt platform) that has been structured so as to align with, and enhance, the regulatory protections contained in the Water Industry Act 1991 and Anglian Water's Licence (an "Aligned Debt Programme"). Aligned Debt Programmes operate on a single covenant package and shared security and intercreditor arrangement that binds all debt providers.

The CTA introduces two terms, a Trigger Event and an Event of Default. The intention of a Trigger Event is that it is an early warning event designed to reinforce credit worthiness and to protect the Company and its finance creditors from an Event of Default occurring and consequently it is not considered to be a going concern event. It does not enable creditors to destabilise the Company through enforcing their security.

We have identified three stretching scenarios to stress test our base forecast. These scenarios, low, medium and severe focus on the impact of the cost-of-living crisis and higher unemployment, the impacts of lower inflation and higher interest rates, as well as specific risks to the business, such as cyber-attacks or increased costs/reduced revenue due to adverse weather events.

In assessing Going Concern the directors have considered a number of perspectives, including liquidity and debt covenants and tested these against both the base scenario and the three downside scenarios.

- Liquidity – AWS holds sufficient liquidity to cover the going concern period even under the most severe downside scenario. There is no requirement for the business to raise further debt in the period and therefore the volatile market conditions have limited impact.
- Debt covenants – The business has significant headroom against Default Events (where class A interest cover ratio is less than 1.6:1) under its securitised covenants with no plausible scenario identified that would cause an Event of Default.

While certain worst-case scenarios indicate the potential for a Trigger Event, the directors do not consider this possibility to constitute a material uncertainty related to going concern. As noted, a Trigger Event is not considered a going concern event and whilst it would result in dividend lock-up and prevent the business from raising new debt we have sufficient liquidity during the going concern period in this event even when including planned debt repayments.

In October the business submitted its PR24 Business Plan for consideration by Ofwat. Whilst this substantially falls outside of the going concern period it is worth noting that the plan submitted is financeable and financially resilient to downside stress tests performed.

In addition to the impact of current volatility in debt markets on interest rates the directors have considered the ability of the Company to raise debt and note that there is no requirement to do so in the Going Concern period.

Based on the above, the directors believe that the business has sufficient liquidity to meet its liabilities as they fall due.

1. Accounting policies continued

b) Basis of preparation continued

For these reasons, the directors believe it appropriate to continue to adopt the going concern basis in preparing the financial statements.

New Standards, amendments and interpretations effective or adopted for the first time this period

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

c) Foreign currencies

The Group's consolidated financial statements are presented in British pound sterling, which is also the parent company's functional currency individual transactions denominated in foreign currencies are translated into local currency at the actual exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into local currency at the rates ruling at the balance sheet date. Profits and losses on both individual foreign currency transactions during the period and monetary assets and liabilities are dealt with in the income statement except for transactions where hedge accounting has been applied in accordance with IFRS 9 'Financial instruments'.

d) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

e) Revenue recognition

Revenue is recognised to reflect the transfer of goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services.

Principal source of income

The Group's principal source of income is from customers in respect of the provision of water and water recycling services within Anglian Water, the Group's regulated water and sewerage company, at a price determined annually by its regulatory tariffs.

The majority of Anglian Water's household customers have meters, but there are a significant number who are not metered. This is relevant to how the Group recognises the income over the year, since the unmeasured customers are billed at a flat rate based on the rateable value of the property, which reflects their right to an ongoing supply of water, while measured customers are billed in line with their usage, which tends to be seasonal.

Under IFRS 15, the performance obligation for measured customers has been assessed as the provision of water and sewerage services, and the performance obligation is met as water is supplied to the property. Accordingly, for the variable element, revenue is recognised as water is supplied, based on volumes supplied at the relevant reporting date.

Related non-volumetric, or standing, charges reflect our obligation to stand-ready to deliver water, as is the case with unmeasured supply (see below), and is accounted for accordingly.

In respect of unmeasured customers, the performance obligation has been assessed as standing ready to provide water and sewerage services when required by our customers, and accordingly revenue is recognised under IFRS 15 as the stand-ready obligation is fulfilled over time. Accordingly, revenue from unmeasured customers is recognised on a time basis under IFRS 15.

Non-household revenue is charged and recognised on the basis of volumes supplied, based on data submitted by the market operator.

Secondary source of income

A secondary source of income for Anglian Water is from grants and contributions in respect of new connections for water and/or sewerage services. Judgement is required when applying IFRS 15 'Revenue from contracts with customers' in determining the customer and the performance obligations to that customer. Specifically, judgement is required as to whether the income is in relation to the provision of the connection to the Group's infrastructure, allowing the completion of the construction of the property and it to be approved for sale, or to facilitate the ongoing provision of water and wastewater services to the properties in question. Please see note 2 for further details.

The significant components of grants and contributions, and their treatment, are as follows:

i New connection charges

The Group considers the performance obligation to be satisfied on making the connection. Income for new connection charges is therefore recognised as the connection is completed;

ii Self-lay, requisitions and adoption fees

Revenue recognition is consistent with new connection charges (see (i) above);

iii Fair value of assets adopted for Enil consideration

These are principally sewers and pumping stations that a developer has constructed and then contributed to the Group, on a Enil consideration basis, in exchange for being relieved of any future liability. Income is recognised on adoption based on the fair value of the asset adopted;

iv Infrastructure charges

Infrastructure charges are a developer's contribution to fund network reinforcement by the Group. While these charges are a contribution to reinforcement of the network, they have to be paid by the developer as a condition of obtaining connection to the network and, as such, the Group's performance obligation is satisfied by making the connection. As such, the income is recognised as the connection is made;

1. Accounting policies continued

e) Revenue recognition continued

v Diversions

Diversions arise where a highways agency, or other authority, reimburses the Group for the majority of the costs incurred in diverting assets that represent an obstruction to the construction or upgrade of roads and railway lines. There is no performance obligation to the agency/authority beyond completing the diversion, therefore income is recognised immediately on completion.

Non-appointed activities

The Group also provides additional services which are not categorised as a regulatory appointed activity. These relate to non-water / wastewater services and for use of land for water supply beyond duties imposed by regulation. Activities largely relate to the provision of property searches, referrals for connecting customers to insurance providers, processing of septic tank waste from households not connected to main sewers and from the use of our reservoirs for recreational activity. Revenue is recognised in line with the delivery of each performance obligation which is at a point in time as there is no ongoing obligation past the transaction date.

Other sources of revenue

i Other operating income

The principal sources of other operating income are from the generation of power, the sale of biosolids to farms, rents received and other minor income associated with operating activities.

f) Research and development

Research expenditure is charged to profit and loss in the period in which it is incurred. Expenditure relating to development projects is capitalised as equipment or intangible assets and is written off over the expected useful life of the asset.

g) Exceptional items

Exceptional items are one-off items that individually or, if of a similar type, in aggregate need to be disclosed by virtue of their size or nature to enable a reader of the financial statements to understand the results for a particular period.

h) Operating profit

Operating profit is stated after charging operational expenses but before finance income and finance costs.

i) Taxation

Current income tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates enacted or substantially enacted by the balance sheet date and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

j) Dividends

Dividends are recognised as a liability in the period in which they are approved or committed. A corresponding amount is recognised directly in equity.

k) Intangible assets

Other intangible assets represent computer software and internally generated assets which mainly comprise capitalised development expenditure.

Other intangible assets are shown at cost less subsequent amortisation and any impairment. Amortisation of intangible assets is calculated on a straight-line basis over their estimated useful lives, which are primarily three to 10 years.

Software-as-a-service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of the costs incurred relate to the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of, and the recognition criteria for, an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

1. Accounting policies continued

l) Property, plant and equipment

Property, plant and equipment comprises:

- Land and buildings – comprising land and non-operational buildings.
- Infrastructure assets – comprising a network of systems consisting of mains and sewers, impounding and pumped raw water storage reservoirs, sludge pipelines and sea outfall.
- Operational assets – comprising structures at sites used for water and wastewater treatment, pumping or storage, where not classed as infrastructure, along with associated fixed plant.
- Vehicles, mobile plant and equipment.
- Assets under construction.

All property, plant and equipment is shown at cost less subsequent depreciation and any impairment. Cost includes expenditure directly attributable to the acquisition or construction of the items.

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement as incurred.

Freehold land is not depreciated, nor are assets in the course of construction until commissioned. Depreciation of other assets is calculated at rates expected to write off the cost less the estimated residual value of the relevant assets on a straight-line basis over their estimated useful lives, which are primarily as follows:

Non-operational buildings	15–80 years
Infrastructure assets – water	50–120 years
Infrastructure assets – water recycling	50–160 years
Operational assets	30–80 years
Fixed plant, including meters	12–40 years
Vehicles, mobile plant and equipment	3–10 years

Items of property, plant and equipment that have no further operational use are treated as having been decommissioned and are written off immediately to profit or loss. In addition, property, plant and equipment is assessed for impairment, in accordance with IAS 36 'Impairment of Assets', if events or changes in circumstances indicate that the carrying value may not be recoverable.

m) Leased assets

The Group assesses whether a contract is, or contains a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases for individual assets with a value of less than £5,000). For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of the probability in exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

1. Accounting policies continued

n) Investments – cash deposits

After initial recognition at fair value, financial investments are held at amortised cost. This is based on the business' practice of acquiring financial assets to collect their contractual cash flows and the simple nature of the investments made, which consist solely of principle payments and interest on the principle outstanding.

o) Inventories

Raw materials are stated at cost less any provision necessary to recognise damage and obsolescence. Work in progress is valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

p) Financial assets and liabilities

Financial assets and liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument. Financial assets are classified as at fair value through profit and loss; fair value through other comprehensive income or amortised cost depending on the group's intention in regard to the collection of contractual cash flows (or sale) and whether the financial assets cash flows relate solely to the payment of principal and interest on principal outstanding.

The Expected Credit Loss (ECL) model requires the group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets, therefore this is no longer dependent on the group first identifying a credit loss event. This requires consideration of a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- where credit risk is low or has not increased significantly since recognition ('Stage 1');
- where it has increased significantly since initial recognition ('Stage 2'); and
- where the financial asset is credit impaired (Stage 3).

'12-month expected credit losses' are recognised for Stage 1 while 'lifetime expected credit losses' are recognised for Stage 2.

Expected credit losses are defined as the weighted average of credit losses with the respective risk of default occurring as the weights.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Group manages credit risk exposures through a comprehensive counterparty credit risk policy. See the financial instruments disclosures for further details.

q) Trade receivables

Trade receivables are initially recognised at their transaction price.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the trade receivable.

In calculating the expected loss, the Group applies expected recovery rates, based on actual historical cash performance and forward-looking information.

The Group assesses impairment of trade receivables on a collective basis and where they possess shared credit risk characteristics they have been grouped; these groups are residential, non-household and developer services, and other customers.

In particular, existing or forecast adverse changes in financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations is taken into account when assessing whether credit risk has increased significantly since initial recognition.

Debt is only written off after all available economic options for collecting the debt have been exhausted and the debt has been deemed to be uncollectable or is subject to a settlement agreement or forgiveness scheme. This may be because it is, unrealistic, impractical, inefficient or uneconomic to collect the debt.

Situations where this may arise and where debt may be written off are as follows:

- Where the customer has absconded and attempts to trace the customers whereabouts prove unsuccessful;
- Where the customer has died without leaving an estate or has left an insufficient estate on which to levy execution;
- Where the debt is subject to insolvency proceedings and there are insufficient funds to settle the debt;
- Where the value and/or age of debt make it uneconomic to pursue;
- Where debt becomes statute barred.

We also write off debts following a settlement arrangement on an outstanding balance and for eligible customers on our debt forgiveness scheme (Back on Track) as part of payment matching.

Debt that is still subject to enforcement activity is not written off unless it becomes uneconomic to pursue.

1. Accounting policies continued

r) Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturity dates of three months or less, and outstanding bank overdrafts.

Other short-term deposits with a tenor of more than three months are classified as investments – cash deposits.

s) Trade and other payables

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are non-interest bearing and are normally settled at the end of the following month. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

t) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

u) Derivative financial instruments

Derivative instruments are used for hedging purposes in line with the Group's risk management policy and no speculative trading in financial instruments is undertaken.

Derivatives are initially recognised at fair value and subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. The impact of the Master Netting Agreements on the Group's financial position is disclosed in note 17. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group designates certain derivatives as either a fair value or cash flow hedge in accordance with IFRS 9 'Financial Instruments'. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with how the hedge aligns with the Group's risk management strategy. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument is effective in offsetting changes in the fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the group actually hedges and the quantity of the hedging instrument that the group actually uses to hedge that quantity of hedged item.

The Group rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

In some hedge relationships the Group excludes, from the designation, the currency basis spread of cross currency hedging instruments. In such cases the fair value change of the currency basis element of the cross currency interest rate swap is recognised in other comprehensive income and accumulated in the cost of hedging reserve and reclassified from equity to profit or loss on a straight-line basis over the term of the hedging relationship. The treatment for the currency basis element is optional and the option is applied on an individual hedge basis.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss (FVTPL).

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

1. Accounting policies continued

u) Derivative financial instruments continued

i Fair value hedge

Changes in the fair value of derivatives designated and qualifying as fair value hedges are recorded in the income statement within 'fair value gains/(losses) on derivative financial instruments', together with changes in the fair value of the hedged asset or liability attributable to the hedged risk.

If a fair value hedge is discontinued, the hedged item is not adjusted for any subsequent movements in the hedged risk. The cumulative amount of fair value adjustment on the hedge item at the point of discontinuation is then amortised to profit or loss over the remaining life of the original hedge based on a recalculated effective interest rate.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

ii Cash flow hedge

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'fair value gains/(losses) on derivative financial instruments'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for example, in the periods when interest income or expense is recognised, or when the forecast hedged cost takes place).

When a cash flow hedge is discontinued, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

iii Derivatives that do not qualify for hedge accounting

Certain derivative instruments, principally index-linked swaps, do not qualify for hedge accounting. Such derivatives are classified at fair value through profit and loss, and changes in fair value are recognised immediately in the income statement.

v) Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

w) Retirement benefit obligations

i Defined benefit schemes

For defined benefit schemes, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The current service cost, which is the increase in the present value of the liabilities of the group's defined benefit pension schemes expected to arise from employee service in the period, is charged to operating costs. The net interest on the schemes' net assets/(liabilities) is included in other finance charges. Actuarial gains and losses are recognised in the statement of comprehensive income.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the balance sheet.

ii Defined contribution schemes

The cost of defined contribution schemes is charged to the income statement in the period in which the contributions become payable.

2. Key sources of estimation uncertainty and critical accounting judgements

In preparing these consolidated financial statements, the Directors have made judgements, estimates and assumptions that affect the application of the group's accounting policies, which are described in note 1, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

2. Key sources of estimation uncertainty and critical accounting judgements continued

Climate change

A key consideration, but not one which the Group views as representing a material estimation uncertainty or judgement, is climate change. The risks associated are long-term in nature, and whilst they are likely to have a material impact on future investment requirements, which will be fully funded through the regulatory pricing structure, we deem there is no material impact on the carrying amount of assets or liabilities recognised in the financial statements. Based on the nature of this funding, and the impact it may have on strategy, there is the potential for this to change future treatment, as such, we are aware of the ever-changing risks associated to climate change and will continue to regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

For further detail, see strategic ambitions, risk and Taskforce for Climate-related Financial Disclosure sections of the Annual Report.

Climate change is embedded into everything we do and the risks associated are fully integrated in our strategy and our long-term strategy effectively identifies, manages and mitigates these key risks.

In assessing the impact of climate change we have considered not just the impact on our asset base as a result of no action but also the impact of our 2030 net zero route map has been incorporated into our normal assessment of asset UEL. Nothing has been identified within our net zero plan which has the potential to impact on our existing assets base or their net book values. We have also set out the risks posed by climate change and how we will address them in our latest Adaptation Report.

As a result of the impact of severe weather events there is the risk of impairment to our assets. There have been no such adjustments in the current financial year this therefore supporting our current UEL policy. This will be kept continuously under review to ensure appropriate treatment.

Area of Higher Risk

Infrastructure assets within property plant and equipment, specifically in relation to the water mains network are at higher risk. These have a net book value of £3,126.9 million and an associated annual depreciation charge of £33.9 million (£3,091.0 million, £32.8 million 31 March 2023). The impact of climate change on these assets is highly dependent on several factors, including but not limited to, the geology of the region these assets go through and the material they are made from.

As part of our PR24 submission we have put forwarded an investment to renew 668km of climate vulnerable mains in AMP8 as part of a multi-AMP programme of removing 75% of our 8,241km of climate vulnerable main by 2060. The Group's intention is to accelerate the depreciation on these assets once certainty is given over funding in the Final Determination. No adjustment has been made in the current year financial statements as our current funding arrangements would be to repair rather than replace, therefore recording such costs within the income statement.

a) Critical accounting judgements

The areas where the most critical judgements have been applied are as follows:

i Capitalised expenditure

Additions to intangible assets, and to property, plant and equipment, include £158.6 million (2023: £132.5 million) of own work capitalised. Judgement is made to ensure these costs relate to relevant assets and that future economic benefit will flow to the group.

ii Asset lives

The property, plant and equipment used in the group is primarily the infrastructure and operational assets of the regulated water business. Infrastructure and operational assets have estimated useful lives of between 30 and 160 years and the depreciation charge is clearly sensitive to the lives allocated to the various types of asset. Asset lives are reviewed regularly and changed where necessary to reflect the current view on their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets.

iii Recognition of grants and contributions

a) Income from connections to the water and wastewater network

The Group receives income from developers for new connections to the water and wastewater networks either in the form of cash or infrastructure assets. The significant components are as follows:

- 1) New connection charges £13.4 million (2023: £14.2 million) – developer request for the provision of new connections to the network.
- 2) Infrastructure charges £11.4 million (2023: £18.6 million) – developers' contribution to offsite network reinforcement as permitted by the Water Industry Act.
- 3) Self-lay, requisitions and adoption fees £10.9 million (2023: £7.1 million) – providing the developer with assistance in the construction of assets which enable the development to be connected to the network.
- 4) Adopted assets at nil consideration £48.2 million (2023: £46.0 million) – developer contributes assets on a nil consideration basis that have been installed on a new development.

Judgement is required when applying IFRS 15 'Revenue from contracts with customers' in determining the customer and the performance obligations to that customer. Specifically, judgement is required as to whether the income is in relation to the provision of the connection to the Group's infrastructure, allowing the completion of the construction of the property and it to be approved for sale, or to facilitate the ongoing provision of water and wastewater services to the properties in question.

2. Key sources of estimation uncertainty and critical accounting judgements continued

a) Critical accounting judgements continued

For 1 and 2 above, all communication is between ourselves and the developer/site owner and the agreement is signed by said developer/site owner. The agreements set out components of the charge and what is to be delivered. Our conclusion is therefore that the developer is the customer and our obligation to the developer is met when properties are connected to the network, and

Therefore this is considered the relevant trigger for income recognition. We believe the ongoing obligation to maintain the connection to the property is a separate contract with the property owner (in most cases the household customer) and separate from the contract with the developer.

For 3 and 4, it is the developer who constructs and transfers the asset, and therefore similar to the above, the agreement is between ourselves and the developer. The occupants of the properties served are unaware of the transaction and indifferent to who is maintaining the asset, they receive no benefit from the transaction.

Our obligation is to inspect and adopt the assets. As such, the Group considers that the ongoing obligation to maintain the assets is a separate contract with the property owner (in most cases the household customer) and separate from the contract with the developer. Therefore, revenue from these streams should be recognised at a point in time when the contract with the developer is fulfilled; on connection, completion, or adoption.

Our obligations to maintain and reinforce our infrastructure do not constitute performance obligations as these are imposed on us by the regulator. A performance obligation involves a transfer of control of benefit from the seller to the customer; however, maintenance and reinforcement of the infrastructure does not transfer any benefit outside of Anglian Water, because the assets being maintained or reinforced are Anglian Water's own assets. The promise to the customer is to provide water/sewerage services, the promise to the developer is to provide a connection and there is no performance obligation in respect of upkeep of the assets.

b) Diversions

The Group also receives income from various authorities which is reimbursing the cost of diverting assets due to them presenting an obstruction to the construction or upgrade of infrastructure such as roads or rail. Diversion income within the year amounted to £13.9 million (2023: £6.8 million).

A similar revenue recognition approach is taken with diversions. The obligation here is that we divert the sewer or water main at the request of the relevant authority or agency, and our obligation is fully met once the diversion is completed, and therefore the contribution is fully recognised as revenue at that point in time.

b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the group. Such changes are reflected in the assumptions when they occur.

The key area involving estimation is discussed below.

i Retirement benefit actuarial assumptions

The Company operates one defined benefit scheme (which is closed to new members and future accrual), a defined contribution scheme and an unfunded arrangement for former employees. Under IAS 19 'Employee Benefits' the Company has recognised an actuarial loss of £36.9 million (2023: gain of £141.2 million) in respect of the defined benefit scheme which affects other comprehensive income and net assets. The actuarial valuation of the scheme liabilities is reliant on key assumptions which include: the discount rate, salary inflation and life expectancy. The main assumptions and associated sensitivities are set out in note 19 of the financial statements.

c) Other area involving estimation

i Expected credit loss on trade receivables

IFRS 9 requires that historical loss rates are adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

Management apply judgement when determining impact of the wider economy on future cash collection (macro-economic).

The extent to which future cash collections will be impacted by macro-economic trends is uncertain. Management have estimated the potential impact through scenario analysis considering the correlation between cash collection rates against a combination of unemployment rates and real household disposable income (RHDI). Office for Budget Responsibility, Office of National Statistics and Bank of England forecasts for these measures have then been utilised to forecast changes in future cash collection rates.

The Bank of England forecast at February 2024 now predicts unemployment to peak at 5%, and The Office for Budget Responsibility forecast for RHDI predicts a peak of £22.0k per person- in the medium term. Based on management's calculations, this is consistent with predictions at March 2023 and the additional provision required against bills raised to the balance sheet date has remained broadly the same, at £6.0m.

2. Key sources of estimation uncertainty and critical accounting judgements continued

c) Other area involving estimation continued

Sensitivity of +/- 1% for employment and £1k per person for RHD1 has been modelled to assess the impact on the figure. +/- 1 has been used as this reflects a reasonable market movement based on historical and forecast data. Unemployment shows a range of -13.3 million to +8.0 million and RHD1 shows a range of -11.8 million to +13.8 million when applying the sensitivity. This therefore gives a range from a low of £13.3 million to a high of £13.8 million.

ii Measured income accrual

For Anglian Water the measured income accrual is an estimation of the amount of main water and wastewater charges unbilled at the year end. The accrual is estimated using a defined methodology based upon weighted average water consumption by tariff, which is calculated based upon historical billing information. The calculation is sensitive to estimated consumption for measured domestic customers. For 2023/24 the average consumption for measured household customers was 96 cubic meters, a fall or rise of two cubic metres (2%) in average annual consumption will reduce or increase revenue by approximately £14.2 million respectively.

iii Level 3 derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to inflation and interest rate risk in line with the company's risk management policy. Level 3 derivative financial instruments comprise CPI-linked inflation swaps which are traded based on a spread to liquid RPI inflation markets often referred to as 'the wedge'. As the market for CPI swaps is still developing, the wedge is not currently observable in a liquid market and as such these swaps have been classified as level 3 instruments. The impact (on a post-tax basis) on the income statement of reasonably possible changes in the CPI inflation rate assumptions used in valuing instruments classified as level 3 can be found in note 17.

3. Segmental information

The directors believe that the whole of the Group's activities constitute a single class of business.

The Group's revenue is wholly generated from within the United Kingdom.

4. Revenue

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Water and water recycling services:		
Anglian Water		
Household – measured	961.0	859.9
Household – unmeasured	239.8	223.7
Non-household – measured	290.8	260.6
Grants and contributions	97.8	106.0
Other	37.2	44.7
	1,626.6	1,494.9

Included in Grants and contributions are adopted assets of £48.2 million (2023: £46.0 million) which are non-cash.

Other includes £25.6 million (2023: £25.9 million) of revenue related to non-appointed business activities.

The above analysis excludes other operating income and finance income (note 6).

The Group derives its revenue from contracts with customers for the transfer of goods and services at a point in time in the above revenue categories, with the exception of Household – unmeasured which is recorded on a straight-line basis throughout the year, see our accounting policy in note 1 for further details.

Revenue recognised which exceeds the amounts billed is recorded as a contract asset while payments received prior to delivering the service is recorded as a contract liability. Refer below for the movement in contract assets and liabilities:

	Group and Company	
	2024 £m	2023 £m
Contract liability		
At 1 April	(345.5)	(338.3)
Revenue recognised	1,200.8	1,083.6
Cash received in advance	(1,185.6)	(1,090.8)
At 31 March	(330.3)	(345.5)
Contract asset		
At 1 April	331.5	310.0
Revenue recognised	1,2751.8	1,120.5
Amounts billed	(1,176.8)	(1,099.0)
At 31 March	406.5	331.5

5. Operating costs

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Raw materials and consumables	37.0	37.3
Staff costs	310.3	280.2
Research and development	7.5	7.9
Contribution to Anglian Water Assistance Fund	0.8	1.5
Short-term lease costs	2.9	3.2
Hired and contracted services	279.2	261.5
Rates	69.5	59.1
Power	165.4	89.7
Regulatory fees	29.7	32.7
Insurance	10.8	10.8
Vehicles and fuel	17.7	16.8
Other expenses	13.5	13.7
Own work capitalised	(158.6)	(132.5)
Profit on disposal of property, plant and equipment ¹	(1.5)	(3.9)
Operating costs before depreciation, amortisation and loss allowance for expected credit losses	784.2	678.0
Depreciation of property, plant and equipment	333.1	332.7
Amortisation of intangible assets	55.5	46.4
Depreciation and amortisation	388.6	379.1
Loss allowance for expected credit losses	38.7	30.1
Operating costs	1,211.5	1,087.2

¹ The profit on disposal of property, plant and equipment relates to various sales of surplus land and assets.

During the year the Group obtained the following services from the Company's Auditor:

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Fees payable to the Company's Auditor for the audit of the consolidated financial statements	0.4	0.3
Fees payable to the Company's Auditor for the audit of the subsidiaries	0.1	0.1
Fees payable to the Company's Auditor for other services		
Non-audit services	0.4	0.3
	0.9	0.7

The Company's auditor for the year ended 31 March 2023 and 31 March 2024 was Deloitte LLP. 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.

6. Net finance costs

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Finance costs		
Interest expense on bank loans and overdrafts	(12.8)	(4.4)
Interest expense on other loans including financing expenses	(241.8)	(202.0)
Indexation ³	(359.9)	(561.4)
Amortisation of debt issue costs	(2.9)	(3.2)
Interest on leases	(1.1)	(0.9)
Unwinding of discount on provision	(0.1)	0.1
Total finance costs	(618.6)	(771.8)
Less: amounts capitalised on qualifying assets	71.1	40.8
	(547.5)	(731.0)
Finance income		
Interest income on short-term bank deposits	42.5	16.0
Defined benefit pension scheme interest	2.4	4.5
	44.9	20.6
Fair value gains/(losses) on derivative financial instruments		
Hedge ineffectiveness on cash flow hedges ¹	1.9	0.3
Derivative financial instruments not designated as hedges	207.8	654.2
Recycling of de-designated cash flow hedge relationship ²	(4.8)	(9.2)
	204.9	645.3
Finance income, including fair value gains on derivative financial instruments	249.8	665.9
Net finance costs	(297.7)	(65.1)

¹ Hedge ineffectiveness on fair value hedges comprises fair value losses on hedging instruments of £22.5 million (2023: loss of £35.2 million), offset by fair value gains of £24.4 million on hedged risks (2023: gains of £35.5 million).

² Please refer to note 21 for breakdown of hedging reserve.

³ Indexation comprise of £229.9 million in borrowings (2023: £363.0 million) and £130.0 million in derivatives (2023: £198.4 million).

7. Taxation

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Current tax:		
In respect of the current period	(47.3)	(25.4)
Adjustments in respect of prior periods	(0.4)	0.7
Total current tax credit	(47.7)	(24.7)
Deferred tax:		
Origination and reversal of temporary differences	82.8	113.0
Adjustments in respect of previous periods	(3.9)	1.9
Total deferred tax charge	78.9	114.9
Total tax charge on loss on continuing operations	31.2	90.2

The current tax credit for both years reflects receipts from other Group companies for losses surrendered to those Group companies. The tax losses arise mainly because capital allowances exceed the depreciation charged in the accounts, as well as some income not being taxable and the availability of tax relief on pension contributions paid in the year. This is offset by disallowable costs and interest.

The deferred tax charge for this year mainly reflects capital allowances claimed in excess of the depreciation charge, a charge on the fair value gains on derivatives, offset by a credit on losses carried forward to future years.

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

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

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework, followed by detailed guidance released in March 2022, that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. The United Kingdom substantively enacted the tax legislation related to the top-up tax on 20 June 2023 in the Finance Act and the legislation is effective in the UK for periods commencing on or after 1 January 2024. In addition, amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules' were endorsed by the UK Endorsement Board on 19 July 2023 and the exception from recognition and disclosures of deferred taxes in this regard as required by IAS 12.4A has been taken. The legislation is not expected to have a significant impact on the financial statements.

The tax charge on the Group's profit before tax differs from the notional amount calculated by applying the rate of UK corporation tax of 25% (2023: 19%) to the profit before tax from continuing operations as follows:

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Profit before tax from continuing operations	133.2	358.5
Profit before tax from continuing operations at the standard rate of corporation tax in the UK of 25% (2023: 19%)	33.3	68.1
Effects of recurring items:		
Depreciation and losses on assets not eligible for tax relief	1.2	1.0
Disallowable expenditure	1.0	0.6
	35.5	69.7
Effects of non-recurring items:		
Effects of capital allowance super deduction	-	(10.8)
Effects of differences between rates of current and deferred tax	-	28.7
Adjustments in respect of prior periods	(4.3)	2.6
Tax charge for the year	31.2	90.2

7. Taxation continued

In addition to the tax charged to the income statement, the following amounts of tax relating to components of other comprehensive income were recognised:

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Deferred tax:		
Defined benefit pension schemes	(6.5)	(35.3)
Cash flow hedges	(1.9)	(0.2)
Total deferred tax credit	(8.4)	(35.5)
Total tax credit recognised in other comprehensive income	(8.4)	(35.5)

8. Employee information and Directors' emoluments

a) Employee information

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Wages and salaries	260.8	233.5
Social security costs	26.2	25.1
Pension costs – defined contribution	23.2	21.5
Pension costs – defined benefit	0.1	0.1
	310.3	280.2

Staff costs for the year ended 31 March 2024 in the table above are shown inclusive of £75.9 million (2023: £101.2 million) of costs that have been capitalised, as shown within 'own work capitalised' in note 5.

Average monthly number of full-time equivalent persons (including Executive Directors) employed by the Group:

	Year ended 31 March 2024	Year ended 31 March 2023
Water Services	1,395	1,331
Water Recycling Services	1,598	1,517
Customer Services	539	524
Asset Management and Other	1,999	1,923
	5,531	5,295

Group employees are employed by the Company thus has the same number of employees as the Group.

b) Directors' emoluments

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Aggregate emoluments	1,335	1,335

Aggregate emoluments of the directors comprise salaries, taxable benefits, cash payments in lieu of company pension contributions and amounts payable under annual bonus schemes. No retirement benefits are accrued for directors (2023: no directors) under a defined benefit pension scheme. Retirement benefits are accruing to two directors (2023: two directors) under a defined contribution pension scheme. In addition to the aggregate emoluments above, certain directors receive emoluments from other Anglian Water Group Limited Group undertakings.

c) Highest paid Director

More detailed disclosures of the directors' remuneration can be found in the Remuneration Committee report on pages 148-174.

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Aggregate emoluments	945	974

9. Dividends

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Paid by the Group:		
Previous year final dividend	79.9	169.0
	79.9	169.0

During the year ended 31 March 2024, dividends of £79.9 million (£2.50 per share) were paid by the Company to its immediate parent undertaking, Anglian Water Services UK Parent Co Limited (2023: £169.0 million at £5.28 per share). See note 28 for details of dividends declared after the year end.

10. Intangible assets

	Group and Company			Total £m
	Computer Software £m	Other intangibles £m	Intangible assets under construction £m	
Cost				
At 1 April 2023	417.4	146.0	121.6	685.0
Additions	-	-	58.2	58.2
Transfers on Commissioning	19.2	22.2	(41.4)	-
Disposals	-	(115.2)	-	(115.2)
At 31 March 2024	436.6	53.0	138.4	628.0
At April 2022	370.9	142.7	101.4	615.0
Additions	-	-	82.3	82.3
Transfers on Commissioning	58.8	3.3	(62.1)	-
Disposals	(12.3)	-	-	(12.3)
At 31 March 2023	417.4	146.0	121.6	685.0
Accumulated amortisation				
At 1 April 2023	(300.6)	(130.5)	-	(431.1)
Charge for the year	(44.7)	(10.8)	-	(55.5)
Disposals	-	115.2	-	115.2
At 31 March 2024	(345.3)	(26.1)	-	(371.4)
At 1 April 2022	(281.3)	(115.7)	-	(397.0)
Charge for the year	(31.6)	(14.8)	-	(46.4)
Disposals	12.3	-	-	12.3
At 31 March 2023	(300.6)	(130.5)	-	(431.1)
Net book amount				
At 31 March 2024	91.3	26.9	138.4	256.6
At 31 March 2023	116.8	15.5	121.6	253.9

For increased clarity, and for consistency with note 11, Property, plant and equipment, the above table has been reformatted this year to separate out intangible assets in the course of construction. Of those intangible assets under construction, £98.7 million (2023: £65.4 million) relates to software systems under development and £39.7 million (2023: £56.1 million) to internally generated assets.

Included in this intangible asset under construction balance is £74.0 million (2023: £43.5 million) in relation to our SAP replacement project which is now expected to go live in 2025.

Other intangible assets mainly comprise capitalised development expenditure.

Included within additions above is £6.8 million (2023: £6.4 million) of interest that has been capitalised on qualifying assets, at an average rate of 9.5% (2023: 8.6%).

Intangible assets with a cost of £115.2 million and a net book value of nil were disposed during the year (2023: £12.3 million, nil net book value). The 2024 retirement mostly represented a house-keeping exercise, where fully depreciated data-models and other similar assets were retired from our fixed asset register.

The other intangible assets mainly comprise capitalised development expenditure.

11. Property, plant and equipment

	Group and Company					Total £m
	Land and buildings £m	Infrastructure assets £m	Operational assets £m	Vehicles, mobile plant and equipment £m	Assets under construction £m	
Cost						
At 1 April 2023	95.3	7,446.5	6,728.2	1,126.8	854.8	16,251.6
Additions	-	-	-	-	1,044.0	1,044.0
Transfers on commissioning	1.5	255.3	275.6	140.7	(673.1)	-
Disposals	(0.3)	-	(34.5)	(34.8)	-	(69.6)
At 31 March 2024	96.5	7,701.8	6,969.3	1,232.7	1,225.7	17,226.0
At 1 April 2022	90.8	7,282.1	6,507.4	1,046.3	637.4	15,564.0
Additions	-	-	-	-	733.4	733.4
Transfers on commissioning	4.9	164.4	233.7	113.0	(516.0)	-
Disposals	(0.4)	-	(12.9)	(32.5)	-	(45.8)
At 31 March 2023	95.3	7,446.5	6,728.2	1,126.8	854.8	16,251.6
Accumulated depreciation						
At 1 April 2023	(21.3)	(963.0)	(3,865.0)	(698.0)	-	(5,547.3)
Charge for the year	(4.0)	(62.6)	(200.8)	(65.7)	-	(333.1)
Disposals	0.3	-	34.4	34.4	-	69.1
At 31 March 2024	(25.0)	(1,025.6)	(4,031.4)	(729.3)	-	(5,811.3)
At 1 April 2022	(17.7)	(900.3)	(3,674.6)	(667.3)	-	(5,259.9)
Charge for the year	(4.0)	(62.7)	(202.9)	(63.1)	-	(332.7)
Disposals	0.4	-	12.5	32.4	-	45.3
At 31 March 2023	(21.3)	(963.0)	(3,865.0)	(698.0)	-	(5,547.3)
Net book amount						
At 31 March 2024	71.5	6,676.2	2,937.9	503.4	1,225.7	11,414.7
At 31 March 2023	74.0	6,483.5	2,863.2	428.8	854.8	10,704.3

11. Property, plant and equipment continued

Property, plant and equipment at 31 March 2024 includes land of £31.4 million (2023: £30.2 million) which is not subject to depreciation. Included within additions above is £64.3 million (2023: £34.4 million) of interest that has been capitalised on qualifying assets, at an average rate of 9.5% (2023: 8.6%).

Right-of-use assets held under leases

Included within the amounts shown above are the following amounts in relation to right-of-use assets held under leases:

	Group and Company				Total £m
	Land and buildings £m	Infra- structure assets £m	Operational assets £m	Vehicles, mobile plant and equipment £m	
At 31 March 2024					
Opening net book value	25.0	4.9	35.6	9.1	74.6
Additions	-	-	-	3.6	3.6
Disposals	(0.1)	-	-	(3.7)	(3.8)
Depreciation charge	(3.1)	(0.1)	(1.2)	(3.1)	(7.5)
Depreciation on disposals	0.1	-	-	3.7	3.8
Net book value	21.9	4.8	34.4	9.6	70.7
At 31 March 2023					
Opening net book value	28.2	4.9	36.9	5.4	75.4
Additions	0.1	-	-	6.0	6.1
Disposals	-	-	-	(0.2)	(0.2)
Depreciation charge	(3.3)	-	(1.3)	(2.3)	(6.9)
Depreciation on disposals	-	-	-	0.2	0.2
Net book value	25.0	4.9	35.6	9.1	74.6

12. Investments

Investments in subsidiaries are held at cost less, where appropriate, provisions for impairment, if there are any indications that the carrying value may not be recoverable.

The sole subsidiary undertaking is Anglian Water Services Financing Plc, whose principal activity is that of a financing company. The value of the investment is £12,502. It is 100% owned, all in ordinary shares, and is registered, incorporated and operating in the UK at 31 March 2024. The address of its registered office is Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.

The directors are of the opinion that the value of the investments is supported by the underlying assets.

13. Trade and other receivables

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
Trade receivables	383.8	438.4	383.8	438.4
Loss allowance for expected credit losses	(212.1)	(258.1)	(212.1)	(258.1)
Net trade receivables	171.7	180.3	171.7	180.3
Amounts receivable from group undertakings	0.9	1.0	0.9	1.0
Other amounts receivable	30.1	40.3	30.1	40.3
Prepayments	12.2	11.6	12.2	11.6
Accrued income	406.5	331.5	406.5	331.5
	621.4	564.7	621.4	564.7

Other amounts receivable includes £20.5 million VAT debtor (2023: £18.8 million) and various other sundry debtors.

Accrued income as at 31 March 2024 includes water and water recycling income not yet billed of £405.0 million (2023: £331.5 million).

Of the trade receivables, £376.2 million (2023: £427.3 million) relates to residential customers, £1.4 million (2023: £0.7 million) relates to non-household retailer balances, and the remaining balance of £6.2 million (2023: £10.4 million) relates to developer services and other receivables. The majority of non-household customers are billed in arrears and are therefore included within accrued income above.

There is no fixed payment date for amounts owed by Group undertakings and no interest is applied. Amounts are payable on demand.

The Group manages its risk from trading through the effective management of customer relationships. Concentrations of credit risk with respect to household trade receivables are limited due to the Anglian Water customer base consisting of a large number of unrelated households. The Water Industry Act 1991 (as amended by the Water Industry Act 1999) prohibits the disconnection of a water supply and the limiting of supply with the intention of enforcing payment for certain premises including domestic dwellings. However, allowance is made by the water regulator in the price limits at each price review for a proportion of debt deemed to be irrecoverable. The Directors believe there is no further credit risk provision required in excess of the allowance for doubtful receivables.

Following the introduction of market reform on 1 April 2017, the provision of water and wastewater services to non-household customers was transferred to a relatively small number of licenced retailers. Anglian Water bills the retailers on a monthly basis, and they are contractually obliged to pay in full within one month and therefore the credit risk is limited to one month's revenue relating to non-household customers.

13. Trade and other receivables continued

The principal retailer that Anglian Water transacts with is Wave Ltd, with £nil receivables (2023: £nil) and £13.4 million of income accrued at 31 March 2024 (2023: £8.3 million).

The movement on the expected credit loss provision, all of which relates to trade receivables, was as follows:

	Group and Company	
	2024 £m	2023 £m
At 1 April	258.1	236.4
Loss allowance for expected credit losses	38.7	30.1
Amounts written off during the year	(84.9)	(8.6)
Amounts recovered during the year	0.2	0.2
At 31 March	212.1	258.1

The following table details the risk profile of trade receivables and accrued income based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments. The majority of non-household customers are billed in arrears and are therefore included within accrued income.

	Group and company			
	Expected loss rate %	Gross carrying amount £m	Loss allowance	Net carrying amount £m
At 31 March 2024				
Not past due	1.4%	444.5	(6.2)	438.3
Up to 1 year past due	34.8%	99.9	(34.8)	65.1
Up to 2 years past due	53.9%	57.0	(30.7)	26.3
Up to 3 years past due	58.9%	47.5	(28.0)	19.5
Up to 4 years past due	72.8%	39.7	(28.9)	10.8
Up to 5 years past due	71.5%	35.8	(25.6)	10.2
Up to 6 years past due	81.8%	30.2	(24.7)	5.5
More than 7 years past due	100.0%	35.7	(35.7)	-
Miscellaneous loss allowance adjustments			2.5	2.5
		790.3	(212.1)	578.2

Group and company

	Expected loss rate %	Gross carrying amount £m	Loss allowance	Net carrying amount £m
At 31 March 2023				
Not past due	1.0%	362.8	(3.8)	359.0
Up to 1 year past due	29.9%	101.6	(30.4)	71.2
Up to 2 years past due	46.6%	59.0	(27.5)	31.5
Up to 3 years past due	60.9%	47.0	(28.6)	18.4
Up to 4 years past due	64.7%	41.6	(26.9)	14.7
Up to 5 years past due	75.6%	36.1	(27.3)	8.8
Up to 6 years past due	78.5%	30.3	(23.8)	6.5
More than 7 years past due	100.0%	91.5	(91.5)	-
Miscellaneous loss allowance adjustments			1.7	1.7
		769.9	(258.1)	511.8

14. Analysis of net debt

Group	Current assets		Liabilities from financing activities			Net debt Total £m
	Cash and cash equivalents ¹ £m	Investments – cash deposits £m	Borrowings £m	Derivative financial instruments ² £m	Total liabilities from financing activities £m	
At 1 April 2023	335.1	298.0	(6,881.0)	(697.7)	(7,578.7)	(6,945.6)
Cash flows						
Interest paid	(224.3)	-	-	-	-	(224.3)
Issue costs paid	(15.2)	-	15.8	-	15.8	0.6
Interest on leases	(1.1)	-	-	-	-	(1.1)
Increase in amounts borrowed	1,379.5	-	(1,379.5)	-	(1,379.5)	-
Repayment of amounts borrowed	(487.1)	-	487.1	-	487.1	-
Repayment of principal on derivatives	(11.5)	-	-	11.5	11.5	-
Repayment of principal on leases	(6.4)	-	6.4	-	6.4	-
Non-financing cash flows ³	(494.6)	232.0	-	-	-	(262.6)
	139.3	232.0	(870.2)	11.5	(858.7)	(487.4)
Movement in interest accrual on debt	-	-	(31.2)	-	(31.2)	(31.2)
New lease agreements	-	-	(4.0)	-	(4.0)	(4.0)
Amortisation of issue costs	-	-	(2.9)	-	(2.9)	(2.9)
Indexation of borrowings and Inflation swaps	-	-	(229.9)	(130.0)	(359.9)	(359.9)
Foreign exchange gains and losses	-	-	49.0	(49.0)	-	-
Fair value gains and losses	-	-	(11.1)	231.2	220.1	220.1
At 31 March 2024	474.4	530.0	(7,981.3)	(634.0)	(8,615.3)	(7,610.9)
Net debt at 31 March 2024 comprises:						
Non-current assets	-	-	-	231.5	231.5	231.5
Current assets	474.4	530.0	-	-	-	1,004.4
Current liabilities	-	-	(453.8)	(79.6)	(533.4)	(533.4)
Non-current liabilities	-	-	(7,527.5)	(785.9)	(8,313.4)	(8,313.4)
	474.4	530.0	(7,981.3)	(634.0)	(8,615.3)	(7,610.9)

Group

	Current assets		Liabilities from financing activities			Net debt Total £m
	Cash and cash equivalents ¹ £m	Investments – cash deposits £m	Borrowings £m	Derivative financial instruments ² £m	Total liabilities from financing activities £m	
At 1 April 2022	478.7	392.0	(6,492.0)	(1,162.0)	(7,654.0)	(6,783.3)
Cash flows						
Interest paid	(200.6)	-	27.6	(3.5)	24.1	(176.5)
Issue costs paid	(0.7)	-	1.0	-	1.0	0.3
Interest on leases	(0.9)	-	-	-	-	(0.9)
Increase in amounts borrowed	740.8	-	(740.8)	-	(740.8)	-
Repayment of amounts borrowed	(668.8)	-	668.8	-	668.8	-
Repayment of principal on derivatives	(5.3)	-	5.3	-	5.3	-
Repayment of principal on leases	(8.1)	(94.0)	-	-	-	(102.1)
Non-financing cash flows ³	(143.6)	(94.0)	(38.1)	(3.5)	(41.6)	(279.2)
	139.3	232.0	(870.2)	11.5	(858.7)	(487.4)
Movement in interest accrual on debt	-	-	4.9	-	4.9	4.9
New lease agreements	-	-	(5.9)	-	(5.9)	(5.9)
Amortisation of issue costs	-	-	(3.2)	-	(3.2)	(3.2)
Indexation of borrowings and RPI swaps	-	-	(363.0)	(198.4)	(561.4)	(561.4)
Fair value gains and foreign exchanges	-	-	16.3	666.2	682.5	682.5
At 31 March 2023	335.1	298.0	(6,881.0)	(697.7)	(7,578.7)	(6,945.6)

¹ Included within cash and cash equivalents is £6.5 million (2023: £7.6 million) of cash which is ring fenced to be used to fund projects awarded by Ofwat in relation to their innovation fund;

² Derivative financial instruments exclude the liability of £21.4 million (2023: asset of £0.7 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt;

³ Non-financing cash flows comprise: net cash flows from operating activities of £767.1 million (2023: £710.9 million), less net cash used in investing activities of £1,181.8 million (2023: £550.0 million) and dividends paid of £79.9 million (2023: £169.0 million).

14. Analysis of net debt continued

Energy hedges, excluded from net debt, are included within derivative financial instruments as follows:

	Group and Company	
	2024 £m	2023 £m
Non-current assets	1.5	11.5
Current assets	0.9	18.4
Current liabilities	(13.2)	(21.9)
Non-current liabilities	(10.6)	(7.3)
	(21.4)	0.7

	Company					
	Current assets		Liabilities from financing activities			Total liabilities from financing activities £m
	Cash and cash equivalents ¹ £m	Investments – cash deposits £m	Borrowings £m	Derivative financial instruments ² £m		
At 1 April 2023	328.4	298.0	(6,880.9)	(697.7)	(7,578.6)	(6,952.2)
Cash flows						
Interest paid	(224.3)	-	-	-	-	(224.3)
Issue costs paid	(15.2)	-	15.8	-	15.8	0.6
Interest on leases	(1.1)	-	-	-	-	(1.1)
Increase in amounts borrowed	1,379.5	-	(1,379.5)	-	(1,379.5)	-
Repayment of amounts borrowed	(487.1)	-	487.1	-	487.1	-
Repayment of principal on derivatives	(11.5)	-	-	11.5	11.5	-
Repayment of principal on leases	(6.4)	-	6.4	-	6.4	-
Non-financing cash flows ³	(490.2)	232.0	-	-	-	(258.2)
	143.7	232.0	(870.2)	11.5	(858.7)	(483.0)
Movement in interest accrual on debt	-	-	(31.3)	-	(31.3)	(31.3)
New lease agreements	-	-	(4.0)	-	(4.0)	(4.0)
Amortisation of issue costs	-	-	(2.9)	-	(2.9)	(2.9)
Indexation of borrowings and RPI swaps	-	-	(229.9)	(130.0)	(359.9)	(359.9)
Foreign exchange gains and losses	-	-	49.0	(49.0)	-	-
Fair value gains and losses	-	-	(11.1)	231.3	220.2	220.2
At 31 March 2024	472.1	530.0	(7,981.3)	(633.9)	(8,615.2)	(7,613.1)
Net debt at 31 March 2024 comprises:						
Non-current assets	-	-	-	231.6	231.6	231.6
Current assets	472.1	530.0	-	-	-	1,002.1
Current liabilities	-	-	(453.8)	(79.6)	(533.4)	(533.4)
Non-current liabilities	-	-	(7,527.5)	(785.9)	(8,313.4)	(8,313.4)
	472.1	530.0	(7,981.3)	(633.9)	(8,615.2)	(7,613.1)

14. Analysis of net debt continued

	Company					
	Current assets		Liabilities from financing activities			Net debt Total £m
	Cash and cash equivalents ¹ £m	Investments – cash deposits £m	Borrowings £m	Derivative financial instruments ² £m	Total liabilities from financing activities £m	
At 1 April 2022						
Cash flows						
Interest paid	(200.6)	-	27.6	(3.5)	24.1	(176.5)
Issue costs paid	(0.7)	-	1.0	-	1.0	0.3
Interest on leases	(0.9)	-	-	-	-	(0.9)
Increase in amounts borrowed	740.8	-	(740.8)	-	(740.8)	-
Repayment of amounts borrowed	(668.8)	-	668.8	-	668.8	-
Repayment of principal on derivatives	-	-	-	-	-	-
Repayment of principal on leases	(5.2)	-	5.2	-	5.2	-
Non-financing cash flows ³	(12.0)	(94.0)	-	-	-	(106.0)
	(147.4)	(94.0)	(38.2)	(3.5)	(41.7)	(283.1)
Movement in interest accrual on debt	-	-	4.9	-	4.9	4.9
New lease agreements	-	-	(5.7)	-	(5.7)	(5.7)
Amortisation of issue costs	-	-	(3.2)	-	(3.2)	(3.2)
Indexation of borrowings and RPI swaps	-	-	(363.0)	(198.4)	(561.4)	(561.4)
Fair value gains and foreign exchange	-	-	16.3	666.2	682.5	682.5
At 31 March 2023	328.4	298.0	(6,880.9)	(697.7)	(7,578.6)	(6,952.2)

¹ Included within cash and cash equivalents is £6.5 million (2023: £7.6 million) of cash which is ring fenced to be used to fund projects awarded by Ofwat in relation to their innovation fund;

² Derivative financial instruments exclude the liability of £21.4 million (2023: asset of £0.7 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt;

³ Non-financing cash flows comprise: net cash flows from operating activities of £773.3 million (2023: £708.0 million), less net cash used in investing activities of £1,183.6 million (2023: £551.0 million) and dividends paid of £79.9 million (2023: £169.0 million).

15. Trade and other payables

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
Trade payables	45.6	31.4	45.6	31.4
Capital creditors	157.1	189.5	157.1	189.5
Receipts in advance	371.0	345.5	371.0	345.5
Amounts owed to group undertakings	0.7	1.0	50.4	44.3
Other taxes and social security	-	6.4	-	6.4
Accruals and deferred income	126.7	89.7	126.7	89.8
Other payables	16.0	13.2	16.0	13.2
	717.2	676.7	766.8	720.1

Receipts in advance includes £330.3 million (2023: £301.7 million) relating to payments on account in advance of work being completed.

Accruals and deferred income is made up of £119.7 million accruals (2023: £82.5 million) with the remainder attributable to the deferred income.

Amounts relating to capital creditors and accruals have been separately presented in the above table to aid consistency with the presentation required by Ofwat in the Annual Performance Report of Anglian Water Services Limited.

The directors consider that the carrying values of trade and other payables are not materially different from their fair values.

There is no fixed payment date for amounts owed to group undertakings and no interest is applied. Amounts are payable on demand.

16. Loans and other borrowings

	Group		Company			Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m		2024 £m	2023 £m	2024 £m	2023 £m
£200 million 6.875% fixed rate 2023	-	208.4	-	208.4	Sub-total brought forward	4,025.7	4,157.7	4,025.7	4,158.2
US\$170 million 3.84% fixed rate 2023	-	138.8	-	138.8	£50 million 2.05% RPI index-linked 2033	78.4	74.8	78.4	74.8
£93 million 3.537% fixed rate 2023	-	94.5	-	94.5	£25 million 6.875% fixed rate 2034	25.1	25.0	25.1	25.0
£75 million 3.666% RPI index-linked 2024	163.4	149.4	163.4	149.4	JPY 8.5 billion 1.917% fixed rate 2034	44.2	-	44.2	-
£100 million 1.588% fixed rate 2024	100.4	100.4	100.4	100.4	£402 million 2.4% RPI index-linked 2035	541.1	496.8	541.1	496.8
£250 million 1.625% fixed rate 2025	240.2	233.8	240.2	233.8	£50 million 1.76% fixed rate 2035	50.0	50.0	50.0	50.0
£200 million 4.5% fixed rate 2026	196.3	194.8	196.3	194.8	£26.1 million 0.01% CPI index-linked 2035 - 1	34.7	33.4	34.7	33.4
£55 million 2.93% fixed rate fixed rate 2026	55.5	55.5	55.5	55.5	£26.1 million 0.01% CPI index-linked 2035 - 2	34.5	33.2	34.5	33.2
US\$150 million 3.29% fixed rate 2026	115.6	118.4	115.6	118.4	£35 million 2.14% fixed rate 2036	25.8	26.3	25.8	26.1
£20 million 2.93% fixed rate 2026	20.1	20.1	20.1	20.1	£40 million 2.14% fixed rate 2036	29.5	29.9	29.5	29.9
US\$35 million 1.16% fixed rate 2026	25.3	25.6	25.3	25.6	£242 million 6.07% fixed rate 2037	247.8	247.7	247.8	247.8
£75 million EIB amortising 0.53% RPI index-linked 2027	35.8	45.6	35.8	45.6	£24 million 6.07% fixed rate 2037	24.6	24.6	24.6	24.6
£75 million EIB amortising 0.79% RPI index-linked 2027	35.8	45.6	35.8	45.6	£560 million 6.0% fixed rate 2039	578.6	-	578.6	-
£200 million 2.6225% fixed rate 2027	193.5	191.7	193.5	191.7	£65 million amortising 0.835% CPI index-linked 2040	78.9	75.9	78.9	75.9
£250 million 4.5% fixed rate 2027	253.9	253.6	253.9	253.6	£100 million 2.427% CPI index-linked 2040	99.6	-	99.6	-
£150 million EIB amortising 0% RPI index-linked 2028	92.8	110.5	92.8	110.5	£100 million amortising 3.017% CPIH index-linked 2040	107.3	103.0	107.3	103.0
£73.3 million 4.394% fixed rate 2028	67.4	66.2	67.4	66.2	JPY 7 billion 0.85% fixed rate 2040	25.8	32.6	25.8	32.6
£200 million 6.625% fixed rate 2029	202.8	202.7	202.8	202.8	£35 million 1.141% RPI index-linked 2042	53.7	51.1	53.7	51.1
£85 million 2.88% fixed rate 2029	85.0	84.9	85.0	84.9	£110 million floating rate 2043	110.5	110.4	110.5	110.4
US\$53 million 4.27% fixed rate 2029	42.1	43.0	42.1	43.0	£375 million 5.75% fixed rate 2043	372.6	-	372.6	-
£65 million EIB amortising 0.41% RPI index-linked 2029	48.8	55.8	48.8	55.8	£130 million 2.262% RPI index-linked 2045	223.7	213.2	223.7	213.2
£65 million 2.87% fixed rate 2029	65.6	65.5	65.6	65.5	£50 million 1.7% RPI index-linked 2046 - 1	97.1	88.9	97.1	88.9
£125 million EIB amortising 0.1% RPI index-linked 2029	102.0	114.9	102.0	114.9	£50 million 1.7% RPI index-linked 2046 - 2	96.0	89.0	96.0	89.0
£300 million 2.75% fixed rate 2029	301.2	300.4	301.2	300.8	£60 million 1.7903% RPI index-linked 2049	117.0	107.7	117.0	107.7
£75 million floating rate 2029	76.1	75.6	76.1	75.6	£50 million 1.52% RPI index-linked 2055	90.4	81.0	90.4	81.0
£60 million EIB amortising 0.01% RPI index-linked 2030	53.2	59.1	53.2	59.1	£40 million 1.7164% RPI index-linked 2056	78.0	72.1	78.0	72.1
£246 million 6.293% fixed rate 2030	251.4	250.3	251.4	250.3	£50 million 1.6777% RPI index-linked 2056	97.5	90.1	97.5	90.1
£25 million 3.0% fixed rate 2031	25.0	25.0	25.0	25.0	£50 million 1.3825% RPI index-linked 2056	96.2	89.3	96.2	89.3
£35 million floating rate fixed rate 2031	34.8	34.8	34.8	34.8	£100 million wrapped floating rate 2057	100.9	100.6	100.9	100.6
£300 million 5.875% fixed rate 2031	311.4	-	311.4	-	£100 million 1.3784% RPI index-linked 2057	192.5	178.7	192.5	178.7
£200 million wrapped 3.07% RPI index-linked 2032	433.5	396.6	433.5	396.6	£75 million 1.449% RPI index-linked 2062	135.5	121.1	135.5	121.1
£60 million wrapped 3.07% RPI index-linked 2032	116.9	111.5	116.9	111.5	IFRS 16 leases	33.6	36.4	33.6	36.0
C\$ 350 million 4.525% fixed rate 2032	204.1	209.1	204.1	209.1	RCF £550 million	(1.8)	(1.7)	(1.8)	(1.7)
£75 million floating rate 2032	75.8	75.6	75.8	75.6	Sub-total carried forward	7,981.6	6,881.5	7,981.6	6,881.5
Sub-total carried forward	4,025.7	4,157.7	4,025.7	4,158.2					

16. Loans and other borrowings continued

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
Sub-total carried forward	7,981.6	6,881.5	7,981.6	6,881.5
RCF £375 million	(0.4)	(0.7)	(0.4)	(0.7)
RCF £50 million bilateral - 1	(0.1)	(0.1)	(0.1)	(0.1)
RCF £50 million bilateral - 2	(0.1)	-	(0.1)	-
Liquidity facilities	0.3	0.3	0.3	0.3
Total loans and other borrowings	7,981.3	6,881.0	7,981.3	6,881.0
Included in:				
Current liabilities	453.8	584.3	453.8	584.3
Non-current liabilities	7,527.5	6,296.7	7,527.5	6,296.7
Of which are leases:				
Current liabilities	5.4	5.4	5.4	5.4
Non-current liabilities	28.2	31.0	28.2	31.0

The value of the capital and interest elements of the index-linked loans is linked to movements in inflation. The increase in the capital value of index-linked loans during the year of £229.9 million (2023: £363.0 million) has been taken to the income statement as part of interest payable.

These loans are shown net of issue costs and premiums of £26.9 million (2023: £14.1 million). The issue costs and premiums are amortised at the effective interest rate based on the carrying amount of debt over the life of the underlying instruments.

A security agreement dated 30 July 2002 between Anglian Water Services Financing Plc, Anglian Water Services Limited, Anglian Water Services Overseas Holdings Limited, Anglian Water Services Holdings Limited and Deutsche Trustee Company Limited (as Agent and Trustee for itself and each of the Finance Parties to the Global Secured Medium Term Note Programme) created a fixed and floating charge over the assets of Anglian Water Services Limited to the extent permissible under the Water Industry Act 1991. In addition, there is a fixed charge over the issued share capital of Anglian Water Services Financing Plc, Anglian Water Services Limited and Anglian Water Services UK Parent Limited. At 31 March 2024, this charge applies to £7,947.7 million (2023: £6,845.0 million) of the debt listed above. With the exception of issue costs capitalised and leases, all of the company's borrowings are payable to Anglian Water Services Financing Plc, but on terms set out above.

Loans and other borrowing liabilities disclosed within borrowings on the balance sheet are the only instruments designated as fair value hedge items by the group. The table below details the impact of fair value hedge adjustments on the instruments subject to fair value hedge accounting:

The table below details the impact of fair value hedge adjustments on the instruments subject to fair value hedge accounting:

	Group and Company			
	Carrying value £m	Proportion hedged %	Accumulated hedge adjustment ¹ £m	Discounted hedge adjustment £m
At 31 March 2024				
£250 million 1.625% fixed rate 2025	240.2	100	11.8	-
£200 million 4.5% fixed rate 2026	196.3	50	4.1	-
US\$150 million 3.29% fixed rate 2026	115.6	76	4.5	-
US\$35 million 1.16% fixed rate 2026	25.3	100	2.3	-
£200 million 2.6225% fixed rate 2027	193.5	41	7.3	-
£73.3 million 4.394% fixed rate 2028	67.4	100	7.4	-
£246 million 6.293% fixed rate 2030	251.4	20	3.9	-
£35 million 2.14% fixed rate 2036	25.8	100	9.3	-
£40 million 2.14% fixed rate 2036	29.5	100	10.6	-
JPY 7 billion 0.85% fixed rate 2040	25.8	100	10.6	-
	1,170.8		71.9	-
At 31 March 2023				
US\$170 million 3.84% private placements 2023	138.8	94	1.4	-
£250 million Green Bond 1.625% 2025	233.8	100	17.8	-
£200 million 4.5% fixed rate 2026	194.8	50	5.3	-
US\$150 million 3.29% private placements 2026	118.4	76	4.5	-
US\$35 million 1.16% private placements 2026	25.6	100	2.6	-
£200 million 2.6225% fixed rate 2027	191.7	41	8.9	-
£73.3 million 4.394% private placements 2028	66.2	100	8.6	-
£246 million 6.293% fixed rate 2030	250.3	20	4.8	-
£35 million 2.14% fixed rate 2036	26.3	100	9.0	-
£40 million 2.14% fixed rate 2036	29.9	100	10.2	-
JPY 7 billion 0.85% fixed rate 2040	32.6	100	9.9	-
	1,308.4		83.0	-

¹ The accumulated hedge adjustment noted above is included within the carrying value of each instrument. The movement in the accumulated hedge adjustment is shown within fair value gains on derivative financial instruments in the income statement.

17. Financial instruments

Financial assets by category

	Group				Total £m
	Assets at fair value through profit and loss £m	Derivatives used for hedging £m	Assets at amortised cost and cash equivalents £m	Investments at amortised cost £m	
At 31 March 2024					
Investments					
Current – cash deposits	-	-	-	530.0	530.0
Cash and cash equivalents					
Current	-	-	474.4	-	474.4
Trade and other receivables					
Current	-	-	588.7	-	588.7
Derivative financial instruments					
Current	-	0.9	-	-	0.9
Non-current	216.9	16.2	-	-	233.1
	216.9	17.1	1,063.1	530.0	1,827.1
At 31 March 2023					
Investments					
Current – cash deposits	-	-	-	298.0	298.0
Cash and cash equivalents					
Current	-	-	335.1	-	335.1
Trade and other receivables					
Current	-	-	553.1	-	553.1
Derivative financial instruments					
Current	7.9	47.9	-	-	55.8
Non-current	129.1	65.3	-	-	194.4
	137.0	113.2	888.2	298.0	1,436.4

Trade and other receivables above exclude prepayments and VAT.

	Company				Total £m
	Assets at fair value through profit and loss £m	Derivatives used for hedging £m	Assets at amortised cost and cash equivalents £m	Investments at amortised cost £m	
At 31 March 2024					
Investments					
Current – cash deposits	-	-	-	530.0	530.0
Cash and cash equivalents					
Current	-	-	472.1	-	472.1
Trade and other receivables					
Current	-	-	588.7	-	588.7
Derivative financial instruments					
Current	-	0.9	-	-	0.9
Non-current	216.9	16.2	-	-	233.1
	216.9	17.1	1,060.8	530.0	1,824.8
At 31 March 2023					
Investments					
Current – cash deposits	-	-	-	298.0	298.0
Cash and cash equivalents					
Current	-	-	328.4	-	328.4
Trade and other receivables					
Current	-	-	553.1	-	553.1
Derivative financial instruments					
Current	7.9	47.9	-	-	55.8
Non-current	129.1	65.3	-	-	194.4
	137.0	113.2	881.5	298.0	1,429.7

Trade and other receivables above exclude prepayments and VAT.

17. Financial instruments continued

Financial liabilities by category continued

	Group			Total £m
	Liabilities at fair value through profit and loss £m	Derivatives used for hedging £m	Other liabilities held at amortised cost £m	
At 31 March 2024				
Borrowings				
Current	-	-	453.8	453.8
Non-current	-	-	7,527.5	7,527.5
Trade and other payables				
Current	-	-	339.1	339.1
Derivative financial instruments				
Current	79.6	13.2	-	92.8
Non-current	689.9	106.6	-	796.5
	769.5	119.8	8,320.4	9,209.7
At 31 March 2023				
Borrowings				
Current	-	-	584.3	584.3
Non-current	-	-	6,296.7	6,296.7
Trade and other payables				
Current	-	-	324.8	324.8
Derivative financial instruments				
Current	24.6	28.8	-	53.4
Non-current	807.7	86.1	-	893.8
	832.3	114.9	7,205.8	8,153.0

Trade and other payables above exclude receipts in advance, other taxes and deferred income.

Company

	Liabilities at fair value through profit and loss £m	Derivatives used for hedging £m	Other liabilities held at amortised cost £m	Total £m
	At 31 March 2024			
Borrowings				
Current	-	-	453.8	453.8
Non-current	-	-	7,527.5	7,527.5
Trade and other payables				
Current	-	-	388.8	388.8
Derivative financial instruments				
Current	79.6	13.2	-	92.8
Non-current	689.9	106.6	-	796.5
	769.5	119.8	8,370.1	9,259.4
At 31 March 2023				
Borrowings				
Current	-	-	584.3	584.3
Non-current	-	-	6,296.7	6,296.7
Trade and other payables				
Current	-	-	368.2	368.2
Derivative financial instruments				
Current	24.6	28.8	-	53.4
Non-current	807.7	86.1	-	893.8
	832.3	114.9	7,249.2	8,196.4

Trade and other payables above exclude receipts in advance, other taxes and deferred income.

17. Financial instruments continued

Derivative financial instruments

	Group and Company			
	2024		2023	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Designated as cash flow hedges				
Interest rate swaps	-	(0.2)	31.3	(0.6)
Cross currency interest rate swaps	7.1	(19.4)	16.0	(6.2)
Energy swaps	2.4	(23.8)	29.9	(29.2)
	9.5	(43.4)	77.2	(36.0)
Designated as fair value hedges				
Interest rate swaps	-	(54.8)	0.9	(64.1)
Cross currency interest rate swaps	7.6	(21.6)	35.1	(14.8)
	7.6	(76.4)	36.0	(78.9)
Derivative financial instruments designated as hedges	17.1	(119.8)	113.2	(114.9)
Derivative financial instruments not designated as hedges				
Interest rate swaps	69.1	(80.2)	0.4	(104.9)
RPI swaps	129.3	(484.3)	121.9	(505.0)
CPI swaps	18.5	(205.0)	14.7	(222.4)
Total derivative financial instruments	234.0	(889.3)	250.2	(947.2)
Derivative financial instruments can be analysed as follows:				
Current	0.9	(92.8)	55.8	(53.4)
Non-current	233.1	(796.5)	194.4	(893.8)
	234.0	(889.3)	250.2	(947.2)

At 31 March 2024, the fixed interest rates vary from 1.70% to 5.86%, floating rates vary from SONIA plus 11.20 bps to SONIA plus 326.36 bps, RPI-linked interest rates vary from 1.27% to 2.97% plus RPI and CPI-linked interest rates vary from negative 1.21% plus CPI to 1.69% plus CPI. Gains and losses recognised in other comprehensive income and accumulated in the cash flow hedge reserve on interest rate and cross-currency interest rate swap contracts will be continuously released to the income statement within finance costs in line with the repayment of the related borrowings. Gains and losses recognised in other comprehensive income and accumulated in the cash flow hedge reserve on energy hedges will be released to the income statement within operating costs in line with the expiry of the power season to which the gains and losses relate.

In accordance with IFRS 9, the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. There were no amounts recorded in the income statement for gains or losses on embedded derivatives for the year ended 31 March 2024 (2023: £nil).

Leases

The minimum lease payments in respect of all leases fall due as follows:

	Group and Company	
	2024 £m	2023 £m
Within one year	6.4	6.5
Between two and five years	20.0	21.2
After five years	14.9	17.0
	41.3	44.7
Future finance charges on leases	(7.7)	(8.3)
Present value of lease liabilities	33.6	36.4

17. Financial instruments continued

Fair value of financial assets and liabilities

	Group		Group	
	2024	2023	2024	2023
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Cash and cash equivalents	474.4	474.4	335.1	335.1
Current asset investments – cash deposits	530.0	530.0	298.0	298.0
Borrowings				
Current	(453.8)	(451.9)	(584.3)	(586.4)
Non-current	(7,527.5)	(7,545.5)	(6,296.7)	(6,785.9)
Interest and cross currency interest rate swaps – assets				
Current	-	-	30.0	30.0
Non-current	83.8	83.8	53.7	53.7
Interest and cross currency interest rate swaps – liabilities				
Current	(1.1)	(1.1)	(10.7)	(10.7)
Non-current	(175.1)	(175.1)	(179.9)	(179.9)
RPI swaps – assets				
Current	-	-	1.9	1.9
Non-current	129.3	129.3	120.0	120.0
RPI swaps – liabilities				
Current	(78.5)	(78.5)	(20.3)	(20.3)
Non-current	(405.8)	(405.8)	(484.7)	(484.7)
CPI swaps – assets				
Current	-	-	5.5	5.5
Non-current	18.5	18.5	9.2	9.2
CPI swaps – liabilities				
Current	-	-	(0.5)	(0.5)
Non-current	(205.0)	(205.0)	(221.9)	(221.9)
Net debt	(7,610.8)	(7,626.9)	(6,945.6)	(7,436.9)
Energy derivatives – assets				
Current	0.9	0.9	18.4	18.4
Non-current	1.5	1.5	11.5	11.5
Energy derivatives – liabilities				
Current	(13.2)	(13.2)	(21.9)	(21.9)
Non-current	(10.6)	(10.6)	(7.3)	(7.3)
	(7,632.2)	(7,648.3)	(6,944.9)	(7,436.2)

	Company		Company	
	2024	2023	2024	2023
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Cash and cash equivalents	472.1	472.1	328.4	328.4
Current asset investments – cash deposits	530.0	530.0	298.0	298.0
Borrowings				
Current	(453.8)	(451.9)	(584.3)	(586.4)
Non-current	(7,527.5)	(7,545.5)	(6,296.7)	(6,785.9)
Interest and cross currency interest rate swaps – assets				
Current	-	-	30.0	30.0
Non-current	83.8	83.8	53.7	53.7
Interest and cross currency interest rate swaps – liabilities				
Current	(1.1)	(1.1)	(10.7)	(10.7)
Non-current	(175.1)	(175.1)	(179.9)	(179.9)
RPI swaps – assets				
Current	-	-	1.9	1.9
Non-current	129.3	129.3	120.0	120.0
RPI swaps – liabilities				
Current	(78.5)	(78.5)	(20.3)	(20.3)
Non-current	(405.8)	(405.8)	(484.7)	(484.7)
CPI swaps – assets				
Current	-	-	5.5	5.5
Non-current	18.5	18.5	9.2	9.2
CPI swaps – liabilities				
Current	-	-	(0.5)	(0.5)
Non-current	(205.0)	(205.0)	(221.9)	(221.9)
Net debt	(7,613.1)	(7,629.2)	(6,952.3)	(7,443.6)
Energy derivatives – assets				
Current	0.9	0.9	18.4	18.4
Non-current	1.5	1.5	11.5	11.5
Energy derivatives – liabilities				
Current	(13.2)	(13.2)	(21.9)	(21.9)
Non-current	(10.6)	(10.6)	(7.3)	(7.3)
	(7,634.5)	(7,650.6)	(6,951.6)	(7,442.9)

17. Financial instruments continued

Fair value of financial assets and liabilities continued

The fair value of loans and other borrowings represents the market value of publicly traded debt instruments or, if in respect of debt not publicly traded, the cost which the Group would incur if it elected to transfer these borrowings, calculated by discounting future cash flows at prevailing rates including credit spreads experienced on publicly traded debt instruments.

The fair value of interest rate derivative financial instruments is determined using discounted cash flow methodology with reference to discounted estimated future cash flows using observable yield curves. The fair value of cross-currency interest rate derivatives is determined using discounted cash flow methodology, with the foreign currency legs calculated with reference to observable foreign interest rate yield curves and the foreign exchange rate as at 31 March. The fair value of the group's energy derivatives is calculated using discounted cash flow analysis, with reference to observable market energy prices at 31 March.

Fair values of other non-current investments, non-current trade and other receivables and non-current trade and other payables have been estimated as being materially equal to carrying value.

Derivative transactions expose the group to credit risk against the counterparties concerned. The group has credit protection measures in place within agreements which provide protection in the event of counterparty rating downgrade or default. The group only enters into derivative transactions with banks of high credit standing (as measured by reputable rating agencies) and also seeks to diversify exposure such that concentration with individual banks is avoided.

In accordance with IFRS 13 'Fair Value Measurement', the financial instruments carried at fair value on the balance sheet have been classified as either level 2 or level 3 for fair valuation purposes. Both classifications are valued by reference to valuation techniques using observable inputs other than quoted prices in active markets. Level 2 instruments were valued using discounted cash flow method based on observable inputs. The fair value is then adjusted for credit risk. The level 3 instrument valuation relates to CPI-linked transactions where inputs are obtained from a less liquid market. In both cases, valuations have been obtained by discounting the estimated future cash flows at a rate that reflects credit risk.

There have been no transfers between level 1, level 2 and level 3 fair value measurements in the year. The group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer occurred.

Level 3 derivative financial instruments

Level 3 derivative financial instruments comprise CPI-linked inflation swaps which are traded based on a spread to liquid RPI inflation markets often referred to as 'the wedge'. As the market for CPI swaps is still developing, the wedge is not currently observable in a liquid market and as such these swaps have been classified as level 3 instruments.

Movements in the year to 31 March 2024 for assets and liabilities measured at fair value using level 3 valuation inputs are presented below:

	Group and Company	
	2024 £m	2023 £m
At 1 April	(207.7)	(322.7)
Net (losses)/gains for the period	(3.5)	94.4
Settlements	24.6	20.6
At 31 March	(186.6)	(207.7)

Gains and losses in the period are recognised in the income statement. The impact (on a post-tax basis) on the income statement of reasonably possible changes in the CPI inflation rate assumptions used in valuing instruments classified as level 3 within the fair value hierarchy are as follows:

The impact (on a post-tax basis) on the income statement of reasonably possible changes in the CPI inflation rate assumptions used in valuing instruments classified as level 3 within the fair value hierarchy are as follows:

	Group and Company	
	2024 £m	2023 £m
Gain/(loss)		
1% increase in inflation rates	(124.9)	(143.6)
1% decrease in inflation rates	108.7	122.1

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, one % has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

Control of treasury

The treasury team, which reports directly to the Chief Financial Officer, substantially manages the financing, including debt, interest costs and foreign exchange for the group. Treasury policy continues to be focused on the efficient and effective management of cash and financial resources within the group. The activities of the treasury function include the following:

- ensure that lenders' covenants are met;
- secure funds through a balanced approach to financial markets and maturities;
- manage interest rates to minimise financial exposures and minimise interest costs;
- invest temporary surplus cash to best advantage at minimal financial risk;

17. Financial instruments continued

Control of treasury continued

- maintain an excellent reputation with providers of finance and rating agencies;
- enhance control of financial resources;
- monitor counterparty credit exposure.

Financing structure

The Group's regulated water and water recycling business, Anglian Water Services Limited, is funded predominately by debt in the form of long-term bonds and other debt instruments through its financing subsidiary Anglian Water Services Financing Plc. At 31 March 2024, Anglian Water's net debt to capital value ratio (net debt as defined in the Common Terms Agreement expressed as a percentage of Anglian Water's regulated capital value) was 68.8% (2023: 65.6%).

Borrowing covenants

The Group's borrowings are raised by Anglian Water Services Financing Plc. The Treasury function monitors compliance against all financial obligations and it is the Group's policy to manage the balance sheet so as to ensure operation within covenant restrictions. There were no covenant breaches in the year. Please refer to compliance certificate sent to security trustee and uploaded on our website¹ for detailed covenants.

Management of financial risk

Financial risks faced by the group include funding, interest rate, contractual, currency, liquidity and credit risks. The group regularly reviews these risks and has approved written policies covering treasury strategy and the use of financial instruments to manage risks.

A Finance, Treasury and Energy Policy Group, including the Chief Financial Officer and the Group Treasurer, meets monthly with the specific remit of reviewing treasury matters. Relevant treasury matters are reported to the board.

The Group aims to meet its funding requirements primarily through accessing a range of financial markets such as public bond markets, private placements, bank loans and finance leases. Surplus cash is invested in short-term bank deposits, commercial paper, certificates of deposit, treasury bills and AAA rated money funds.

The Group also enters into derivative transactions (comprising currency, index-linked, interest rate and energy swaps) to economically manage the interest, currency and commodity risks to which the group is exposed.

a) Market risk

i) Foreign currency

The Group has currency exposures resulting from debt raised in currencies other than sterling and very small purchases in foreign currencies. The group's foreign exchange policy allows for a range of hedge instruments, including forward foreign exchange, swaps and options, to hedge such exposures. All hedges are undertaken for commercial reasons with the objective of minimising the impact of exchange rate fluctuations on net assets and profits. The group has no material unhedged monetary assets and liabilities denominated in a currency different from the local currency of the particular operation, and has no material net exposure to movements in currency rates.

Where exposures arise out of debt issuances in currencies other than sterling, this risk is hedged using cross currency interest rate swaps on the date the debt issuance is contracted. The group assesses the economic relationship by comparing the currency cash flows on the underlying debt item with the currency cash flows on the hedge instrument to ensure an exact offset of the specific foreign currency flows of the debt is achieved. This results in a notional hedge ratio of one for all foreign currency hedge relationships. Both cash flow hedge accounting and fair value hedge accounting are applied to manage foreign currency risks as appropriate and detailed below.

	Group and Company			Total m
	Within one year m	Between one and five years m	Between five and 25 years m	
At 31 March 2024				
Foreign currency borrowings – hedged item				
JPY	-	-	22,500.0	22,500.0
USD	-	238.0	-	238.0
CAD	-	-	350.0	350.0
Cross currency interest rate swap – cashflow hedge				
JPY	-	-	(15,500.0)	(15,500.0)
USD	-	(89.0)	-	(89.0)
CAD	-	-	(350.0)	(350.0)
Cross currency interest rate swap – fair value hedge				
JPY	-	-	(7,000.0)	(7,000.0)
USD	-	(149.0)	-	(149.0)

¹ [Our reports \(awg.com\)](https://www.awg.com)

17. Financial instruments continued

a) Market risk continued

	Group and Company			Total m
	Within one year m	Between one and five years m	Between five and 25 years m	
Net currency exposure	-	-	-	-
Weighted average spot rate				
JPY	-	-	154.4	-
USD	-	1.4	-	-
CAD	-	-	1.6	-
At 31 March 2023				
Foreign currency borrowings – hedged item				
JPY	-	-	14,000.0	14,000.0
USD	170.0	185.0	53.0	408.0
CAD	-	-	350.0	350.0
Cross currency interest rate swap – cashflow hedge				
JPY	-	-	(7,000.0)	(7,000.0)
USD	(10.8)	(36.0)	(53.0)	(99.8)
CAD	-	-	(350.0)	(350.0)
Cross currency interest rate swap – fair value hedge				
JPY	-	-	(7,000.0)	(7,000.0)
USD	(159.2)	(149.0)	-	(308.2)
Net currency exposure	-	-	-	-
Weighted average spot rate				
JPY	-	-	138.3	-
USD	1.5	1.4	1.3	-
CAD	-	-	1.6	-

Hedge ineffectiveness on currency hedging primarily results from situations where we have taken the economic decision (in line with Treasury policy) to change our fixed and floating portfolio mix. Where this has required existing hedged positions to be changed, the existing hedge is de-designated and the replacement hedge will generate effectiveness. This ineffectiveness represents the difference between the amortisation of the effective balance of the hedge on the date of de-designation (released on a straight line basis) and the dynamic change in the value of the derivative as it trends to zero. In addition, ineffectiveness can result from counterparty credit risk (which is present in the derivative but cannot be modelled as part of the hedged risk).

Fair valuation movements related to foreign currency basis which forms part of the pricing of cross currency interest rate swaps are treated as a cost of hedging for all foreign currency hedge designations within the Group. As such, it is excluded from hedge relationships and is only a source of ineffectiveness where hedge accounting has been interrupted.

The changes in fair value of foreign currency basis spread accumulated in the cash flow hedge reserve, are amortised to profit or loss on a rational basis over the term of the hedging relationship.

ii) Interest rate and inflation rate risk

The Group's policy for the management of interest rate risk is to achieve a balanced mix of funding at indexed (to RPI or CPI), fixed and floating rates of interest. To guard against the adverse movements in interest rates having a detrimental impact on the business and to enable covenanted obligations and credit ratings to be met, the overall underlying debt portfolio is maintained at between 45 and 55% of RCV for index-linked debt and between 5% and 15% for floating rate debt, with the remaining being fixed rate. Within these hedging levels, the group endeavours to obtain the finest rates (lowest borrowing and finest depositing rates) consistent with ensuring that the relevant treasury objectives are met in full, i.e. the provision of adequate finance for Anglian Water Services Group at all times and maintaining security of principal on investments.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk, which is partially offset by cash held at variable rates. Borrowings issued at fixed rate expose the group to fair value interest rate risk. Treasury manages its interest rate risk by monitoring market rates in relation to the debt (and investment) portfolios, analysing the effect of likely movements in interest rates and taking action as deemed appropriate, within the hedging limits outlined above.

The table below summarises the impact of derivatives on interest rate and inflation risks within the debt portfolio:

17. Financial instruments continued

a) Market risk continued

ii) Interest rate and inflation rate risk continued

	Group and Company			
	Debt position £m	Swap impact £m	Post swap position £m	Effective interest rate %
At 31 March 2024				
Fixed	(4,270.4)	1,921.6	(2,348.8)	5.9
Floating	(395.0)	(539.3)	(934.3)	6.3
Index-linked	(3,319.3)	(1,735.9)	(5,055.2)	8.8
Leases	(24.1)	-	(24.1)	2.7
	(8,008.8)	(353.6)	(8,362.4)	
At 31 March 2023				
Fixed	(3,393.6)	1,505.0	(1,888.6)	5.1
Floating	(395.0)	(122.8)	(517.8)	4.2
Index-linked	(3,073.0)	(1,722.1)	(4,795.1)	14.1
Leases	(27.1)	-	(27.1)	2.6
	(6,888.7)	(339.9)	(7,228.6)	

Where exposures arising out of debt issuances are swapped this risk is hedged using cross currency interest rate swaps, interest rate swaps or inflation swaps. The group assesses the economic relationship by comparing the cash flows on the underlying debt instrument with the offsetting cash flows on the hedge to ensure an exact offset of the specified notional value of the debt is achieved. This results in a notional hedge ratio of one for all interest rate hedge relationships. Both cash flow hedge accounting and fair value hedge accounting are applied as appropriate. Derivatives that do not qualify for hedge accounting primarily consist of those relationships which swap debt into inflation. The table below outlines the Group's exposures to interest rates from derivative swaps in isolation (excluding offsetting debt instrument cashflows).

	Group and Company					Interest rate (weighted average)	
	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	Mark to market £m	payable	receivable
At 31 March 2024							
Interest rate swaps							
Floating to fixed	-	99.0	250.0	-	(22.3)	4.2	5.3
Floating from fixed	75.0	729.5	645.0	-	(46.5)	6.0	3.4
Fixed to fixed	-	316.2	515.1	-	6.2	3.0	2.5
Inflation swaps							
Floating to RPI	150.0	-	225.0	190.9	(358.4)	3.2	5.7
Fixed to CPI	-	-	565.9	100.0	(157.5)	1.0	3.6
Floating to CPI	-	-	150.4	-	(29.1)	1.0	5.5
Cross currency swaps							
JPY	-	-	145.8	-	(30.4)	4.9	1.3
USD	-	169.8	-	-	14.3	5.0	3.2
CAD	-	-	224.8	-	(10.1)	3.8	4.5
Total	225.0	1,314.5	2,722.0	290.9	(633.8)		
At 31 March 2023							
Interest rate swaps							
Floating to fixed	-	99.0	450.0	-	1.3	2.8	2.3
Floating from fixed	-	731.2	148.3	-	(76.1)	2.8	1.8
Fixed to fixed	-	218.8	362.5	-	(54.3)	3.5	1.7
Inflation swaps							
Floating to RPI	-	150.0	225.0	190.9	(391.1)	3.5	3.0
Fixed to CPI	-	-	565.9	100.0	(165.1)	0.9	3.6
Floating to CPI	-	-	150.4	-	(42.5)	0.8	2.8
Cross currency swaps							
JPY	-	-	101.2	-	(16.7)	3.2	0.9
USD	110.5	129.7	40.1	-	47.0	3.4	3.5
CAD	-	-	224.8	-	(0.3)	3.8	4.5
Total	110.5	1,328.7	2,268.2	290.9	(697.8)		

We follow critical terms match approach for assessing hedge effectiveness. Hedge ineffectiveness can result from counterparty credit risk (which is present in the derivative but not in the hedged risk). The maturity profile of Interest rate swaps in a cash flow hedge or fair value hedge relationship are given below.

17. Financial instruments continued

a) Market risk continued

ii) Interest rate and inflation rate risk continued

	Group and Company					Interest rate (weighted average)	
	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	Mark to market £m	payable	receivable
	At 31 March 2024						
Interest rate swaps							
Floating to fixed – Cash flow hedge	-	25.0	-	-	(0.2)	4.1	5.2
Fixed to floating – Fair Value hedge	-	554.5	75.0	-	(54.8)	5.6	1.8
						payable	receivable
At 31 March 2023							
Interest rate swaps							
Floating to fixed – Cash flow hedge	-	25.0	250.0	-	30.8	1.8	2.3
Fixed to floating – Fair Value hedge	-	481.2	148.3	-	(63.1)	2.9	1.8

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging derivatives. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift.

The sensitivity of the group's profits and equity, including the impact on derivative financial instruments, to potential changes in interest rates at 31 March is as follows:

	Group and Company	
	2024 £m	2023 £m
Increase/(decrease) in equity		
1% increase in interest rates	0.3	15.2
1% decrease in interest rates	(0.2)	(17.0)
Increase/(decrease) in profit before tax		
1% increase in interest rates	71.8	169.0
1% decrease in interest rates	(90.3)	(217.8)

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, one percent has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change.

The following assumptions were made in calculating the interest rate sensitivity analysis:

- cash flow and fair value hedge relationships remain effective;
- the main fair value sensitivity to interest rates is in relation to inflation-linked derivatives;
- cash flow sensitivity is calculated on floating interest rate net debt; and
- all other factors are held constant.

Debt instruments

The following analysis shows the impact of a 1% change in RPI and a 1% change in CPI over the 12-month period to the reporting date on index-linked debt instruments.

The finance cost of the group's index-linked debt instruments and derivatives varies with changes in inflation rather than interest rates. These instruments form an economic hedge with the group's revenues and regulatory assets, which are linked to RPI and CPI-H inflation.

Inflation risk is reported monthly to the Finance, Treasury and Energy Policy Group, which manages inflation risk by identifying opportunities to amend the economic hedge currently in place where deemed necessary.

The sensitivity at 31 March of the Group's profit before tax to changes in RPI and CPI on debt and derivative instruments is set out in the following tables:

17. Financial instruments continued

a) Market risk continued

ii) Interest rate and inflation rate risk continued

	Group and Company	
	2024 £m	2023 £m
Increase/(decrease) in profit before tax		
1% increase in inflation	(28.1)	(22.8)
1% decrease in inflation	28.1	22.8

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, 1% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

RPI-linked derivatives

The fair values of the Group's RPI-linked derivatives are based on estimated future cash flows, discounted to the reporting date, and these will be impacted by an increase or decrease in RPI rates as shown in the following table. The sensitivity to CPI rates has been included in the level 3 disclosure and as such has not been repeated.

	Group and Company	
	2024 £m	2023 £m
Increase/(decrease) in profit before tax		
1% increase in RPI	(137.1)	(143.2)
1% decrease in RPI	112.5	132.3

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, 1% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long-term.

iii) Commodity price risk

The Group recovers its electricity costs through revenue, set in real terms by Ofwat, to cover costs for each five-year regulatory pricing period. To the extent that electricity prices remain floating over this period, this exposes the group to volatility in its operating cash flow. The Group's policy is to manage this risk either through forward purchases to fix the cost of future blocks of electricity with the contracted energy supplier, through the purchase of wholesale electricity swaps with financial counterparties, or through direct generation. Where swap contracts are utilised, the group designates all the swaps in cash flow hedge relationships.

	Group and Company			Mark to market £m
	Within one year MW	Between one and five years MW	Between five and 25 years MW	
At 31 March 2024				
Electricity swap	77.2	51.0	-	(21.4)
At 31 March 2023				
Electricity swap	92.7	85.5	4.0	0.7

Hedge ineffectiveness primarily results from counterparty credit risk (which is present in the derivative but cannot be modelled as part of the hedged risk). There is no hedge ineffectiveness on any of our swap contracts.

A 10% increase/decrease in commodity prices would have the following impact:

	Group and Company	
	2024 £m	2023 £m
Increase/(decrease) in equity		
10% increase in original prices	3.7	10.3
10% decrease in original prices	(3.7)	(10.3)

10% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change.

b) Credit risk

Credit risk arises principally from trading and treasury activities. From a trading perspective, the Group has no significant concentrations of credit risk due to minimising the risk through the effective management of customer relationships and through the collateralisation inherent in the licensing of business retail activities. The Group's largest trade receivable balance is in Anglian Water Services Limited, whose operating licence prevents the disconnection of water supply to domestic customers even where bills are unpaid. Irrecoverable debt is taken into consideration as part of the price review process by Ofwat, and therefore no additional provision is considered necessary in excess of the provision for doubtful debts included in note 13.

Placements of cash on deposit expose the group to credit risk against the counterparties concerned. The Group has credit protection measures in place within agreements that provide protection in the event of counterparty rating downgrade or default. The group only places cash deposits with banks of upper investment grade (as measured by reputable rating agencies) and also seeks to diversify exposure such that concentration with individual banks is avoided. The credit rating applied to all counterparties is reviewed monthly and on an ongoing basis.

17. Financial instruments continued

b) Credit risk continued

All cash and cash deposits are held with institutions with a minimum of two short-term ratings of P1/A1/F1 or higher, or in the case of money market funds with a minimum of two ratings of Aaam MR1+/AAAm/AAAmmf or higher.

In the case of derivatives, the following table sets out the Group's financial assets and liabilities and the impact of any enforceable master netting arrangements.

Financial assets and liabilities on different transactions are only reported net if the transactions are with the same counterparty, a legal right of offset exists and the cash flows are intended to be settled on a net basis. Amounts that do not meet the criteria for offsetting on the balance sheet but could be settled net in the event of default of either party have been reflected in the offsetting column below.

Group policy requires that transactions are only executed with counterparties which are both (a) from the lending group and (b) rated at least A- (long-term) or A1 (short-term) by Standard & Poor's, Moody's or Fitch.

	Group and Company			
	Gross carrying amounts £m	Net amount presented in the balance sheet £m	Offsetting not presented in the balance sheet £m	Net amount £m
At 31 March 2024				
Derivative financial assets	234.0	234.0	(12.4)	221.6
Derivative financial liabilities	(889.3)	(889.3)	12.4	(876.9)
At 31 March 2023				
Derivative financial assets	250.2	250.2	(93.1)	157.1
Derivative financial liabilities	(947.2)	(947.2)	93.1	(854.1)

Gross amounts offset represent equal and opposite transactions with the same counterparties and same terms on which no settlements are paid. Offsetting not presented in the balance sheet reflects the extent to which derivative assets and liabilities could be offset with the same counterparty in the event of counterparty default.

At 31 March 2024, the maximum exposure to credit risk for the Group is represented by the carrying amount of each financial asset in the group balance sheet:

	Group	
	2024 £m	2023 £m
Cash and cash equivalents	474.4	335.1
Trade and other receivables	617.4	564.7
Investments – cash deposits	530.0	298.0
Derivative financial assets	234.0	250.2
Company		
	2024 £m	2023 £m
Cash and cash equivalents	472.1	328.4
Trade and other receivables	617.4	564.7
Investments – cash deposits	530.0	298.0
Derivative financial assets	234.0	250.2

Note 2c details the assessment made for the expected credit losses for trade and other receivables. None of the other financial assets are credit impaired.

The Company, as part of the Anglian Water Services Financing Group, guarantees unconditionally and irrevocably all the borrowings and derivatives of Anglian Water Services Financing Plc, which at 31 March 2024 amounted to 8,911.9 million (2023: 8,080.1 million). The borrowings of Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited are also guaranteed unconditionally and irrevocably by the Company. Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited had no outstanding indebtedness at 31 March 2024 (2023: £nil)

During the period to 31 March 2024, there has been no change to the Group's position from that disclosed in the 31 March 2023 consolidated financial statements.

c) Capital risk management

The prime responsibility of the Group's treasury function is the efficient and effective management of financial resources within the group, i.e. the provision of adequate finance and liquidity at all times while maintaining security of principal. This involves focus on efficiency, quality and effective control to improve cash flow certainty and profitability. The treasury function will actively seek opportunities to raise debt, to reduce the cost of funding and the cost of hedging interest rate and foreign exchange risk while maintaining a risk-averse position in its liquidity management and in its control of currency and interest rate exposures. The Group does not have externally imposed capital requirements.

Recognising the level of gearing in the Group, and the long-term nature of the group's asset base, the group is primarily funded from the debt capital markets. It is the Group's policy to maintain sufficient cash and/or borrowing facilities to meet short-term commitments and to provide working capital support/flexibility in treasury operations in the event of short-term difficulties in the capital markets.

17. Financial instruments continued

c) Capital risk management continued

The Treasury team actively maintain a good financial reputation with rating agencies, investors, lenders and other creditors, and aims to maintain the relevant key financial ratios used by the credit rating agencies to determine the respective credit ratings.

The Group's objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments. Daily cash management is undertaken to calculate cash position and dealing requirements, and weekly and monthly cash forecasts are prepared to demonstrate short/medium-term liquidity, covenant compliance and to inform investment strategy. Regular meetings are held with cash forecasters to understand cash variances and challenge latest forecasts. Consolidated cash forecasts are presented to the Finance, Treasury and Energy Policy Group on a monthly basis.

The Group maintains sufficient liquidity to cover 12 months' working capital requirements, and the non-regulated businesses are run on a cash-positive basis.

The Group has the following undrawn committed borrowing facilities available at 31 March 2024 in respect of which all conditions precedent had been met at that date:

	Group and Company	
	2024 £m	2023 £m
Expires:		
Within one year	600.0	375.0
Between two and five years	850.0	975.0
	1,450.0	1,350.0

The Group's borrowing facilities of £1,450.0 million (2023: £1350.0 million) comprise Class A debt service reserve facilities totalling £294.0 million provided by HSBC Bank Plc, Sumitomo Mitsui Banking Corporation and Assured Guaranty; a £131.0 million operating and capital maintenance expenditure reserve facility provided by Barclays Bank Plc, BNP Paribas Plc, Lloyds TSB Bank Plc and Bank of Nova Scotia; two syndicated loan facilities totalling £925.0 million for working capital and capital expenditure requirements managed by Barclays Bank Plc in the role of facility agent and syndicated to a pool of relationship banks; a bilateral facility of £50 million with MUFG Bank and a bilateral facility of £50.0 million with Bank of China Limited for general corporate purposes.

The table below analyses the Group's financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payable.

d) Liquidity risk

	Group				Total £m
	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	
At 31 March 2024					
Trade and other payables	(339.1)	-	-	-	(339.1)
Borrowings	(583.6)	(2,836.9)	(8,240.2)	(2,665.8)	(14,326.5)
Derivative financial instruments (net settled)	(77.5)	(217.8)	(854.4)	(240.2)	(1,389.9)
Derivative financial instruments (gross settled outflow)	(22.0)	(250.2)	(472.3)	-	(744.5)
Derivative financial instruments (gross settled inflow)	16.8	245.0	366.3	-	628.1
Leases	(6.4)	(20.0)	(11.3)	(3.6)	(41.3)
	(1,011.8)	(3,079.9)	(9,211.9)	(2,909.6)	(16,213.2)
At 31 March 2023					
Trade and other payables	(331.2)	-	-	-	(331.2)
Borrowings	(719.7)	(2,439.5)	(6,488.5)	(2,802.3)	(12,450.0)
Derivative financial instruments (net settled)	(11.7)	(403.8)	(776.7)	(194.2)	(1,386.4)
Derivative financial instruments (gross settled outflow)	(131.5)	(189.7)	(444.0)	-	(765.2)
Derivative financial instruments (gross settled inflow)	159.5	209.0	391.8	-	760.3
Leases	(6.5)	(21.2)	(13.3)	(3.7)	(44.7)
	(1,041.1)	(2,845.2)	(7,330.7)	(3,000.2)	(14,217.2)

17. Financial instruments continued

d) Liquidity risk continued

We have used spot FX rates and forward interest rates to calculate undiscounted cashflows.

	Company				
	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	Total £m
At 31 March 2024					
Trade and other payables	(388.8)	-	-	-	(388.8)
Borrowings	(583.6)	(2,836.9)	(8,240.2)	(2,665.8)	(14,326.5)
Derivative financial instruments (net settled)	(77.5)	(217.8)	(854.4)	(240.2)	(1,389.9)
Derivative financial instruments (gross settled outflow)	(22.0)	(250.2)	(472.3)	-	(744.5)
Derivative financial instruments (gross settled inflow)	16.8	245.0	366.3	-	628.1
Leases	(6.4)	(20.0)	(11.3)	(3.6)	(41.3)
	(1,061.5)	(3,079.9)	(9,211.9)	(2,909.6)	(16,262.9)
At 31 March 2023					
Trade and other payables	(374.6)	-	-	-	(374.6)
Borrowings	(719.7)	(2,439.5)	(6,488.5)	(2,802.3)	(12,450.0)
Derivative financial instruments (net settled)	(11.7)	(403.8)	(776.7)	(194.2)	(1,386.4)
Derivative financial instruments (gross settled outflow)	(131.5)	(189.7)	(444.0)	-	(765.2)
Derivative financial instruments (gross settled inflow)	159.5	209.0	391.8	-	760.3
Leases	(6.5)	(21.2)	(13.3)	(3.7)	(44.7)
	(1,084.5)	(2,845.2)	(7,330.7)	(3,000.2)	(14,260.6)

18. Deferred tax

	Group and Company					Total £m
	Accelerated tax depreciation £m	Financial instruments £m	Retirement benefit obligation £m	Tax losses carried forward £m	Other £m	
At 1 April 2023	1,838.2	(68.0)	12.8	(244.3)	(7.4)	1,531.3
Charged/(credited) directly to income statement	139.2	51.2	1.4	(112.2)	(0.7)	78.9
Charged directly to other comprehensive income	-	(1.9)	(6.5)	-	-	(8.4)
At 31 March 2024	1,977.4	(18.7)	7.7	(356.5)	(8.1)	1,601.8
At 1 April 2022	1,667.0	(229.2)	41.4	(18.8)	(8.5)	1,451.9
Charged/(credited) directly to income statement	171.2	161.4	6.7	(225.5)	1.1	114.9
Charged directly to other comprehensive income	-	(0.2)	(35.3)	-	-	(35.5)
At 31 March 2023	1,838.2	(68.0)	12.8	(244.3)	(7.4)	1,531.3

Deferred tax assets and liabilities have been offset in accordance with IAS 12 'Income Taxes'.

19. Net retirement benefit surplus

Pension arrangements for the majority of the Company's UK employees are of the funded defined benefit type through the AWG Pension Scheme ("AWGPS") Main section and Hartlepool section (a defined benefit scheme for the employees of the former Hartlepool Water Limited, where the pension scheme was transferred on 1 April 2000 which is now a section of the AWGPS). The defined benefit pension arrangements are closed to new pension accrual with effect from 31 March 2018.

The Company also manages an unfunded pension arrangement which has been valued by independent actuaries to take account of the requirements of IAS19 as at 31 March 2024. The provision for unfunded pension obligations relates to the cost of enhancements of former employees, over and above their entitlement in the company's pension schemes. The majority of these employees ceased their employment following redundancy programmes principally between 10 and 20 years ago. These pension enhancements are payable until the death of these former employees (or their dependants) and payments are expected to be made over approximately 25 years.

The assets and liabilities relating to the defined benefit scheme for the employees of the former Hartlepool Water Limited are held in a segregated section of the AWGPS. Hartlepool Water Limited was acquired in July 1997, with trade and assets transferred to Anglian Water on 1 April 2000. However, as the Trustees assess the funding requirements of the Hartlepool section separately from the rest of AWGPS, the Hartlepool section has been separately disclosed in the tables below.

19. Net retirement benefit surplus continued

On 23 May 2022 a buy-out of the Hartlepool section was completed resulting in a settlement of liabilities. However, we note there are still some residual assets in the section.

Within these schemes, employees are entitled to retirement benefits based on their final salary and length of service at the time of leaving, or closure of, the schemes, payable on attainment of retirement age (or earlier death).

On 31 March 2018, following a period of consultation with representatives of all employees, the defined benefit sections of the AWGPS (including the Hartlepool section) were closed for future accruals. From 1 April 2018 all employees now have the option to participate in a new high quality defined contribution scheme which offers an equitable scheme with more flexible benefits.

Full valuations as at 31 March 2020 have been completed for the AWGPS Main and Hartlepool sections, the results of which have been used as a basis for the IAS 19 'Employee Benefits' disclosures as at 31 March 2024.

The Group has a plan in place with the scheme's trustees to address the funding deficit for the Main Section of the AWGPS by 2026, through a series of annual deficit recovery contributions.

During the year, the Group contributed £nil (2023: £21.7 million) deficit reduction payments. There were no deficit reduction payments (2023: none) for the Hartlepool Section due to the funding position on the funding basis at the 31 March 2020 valuation.

In the year to 31 March 2025 employers' contributions are expected to be £nil.

The approximate weighted average duration of all defined benefit obligations for AWGPS is 14 years.

There is one defined contribution scheme which operates predominantly in the UK, and contributions to this scheme amounted to £22.5 million (2023: £20.1 million). There is £nil outstanding balance on the defined contribution scheme at year end (2023: £nil).

Court Ruling

A High Court legal ruling in June 2023 (Virgin Media Limited v NTL Pension Trustees II Limited) decided that certain rule amendments between 1997 and 2016 contracted out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. If the ruling stands it will form part of case law and will be applied across other pension schemes. The judgement is subject to appeal with a hearing scheduled for 25 June 2024.

The lawyers for the IMI 2024 Deferred Fund (the Fund), Squire Patton Boggs, in conjunction with the Fund administrators, Wills Towers Watson Ltd, are currently carrying out a review of the past amending deeds. The risk of potential impact remains and continues to be assessed.

a) Principal actuarial assumptions

The liabilities of the Group's pension schemes have been valued using the projected unit method and using the following assumptions:

	Group and Company	
	2024 % pa	2023 % pa
Discount rate	4.8	4.7
Inflation rate		
RPI	3.3	3.4
CPI	2.9	2.9
Increases to deferred benefits during deferment		
RPI	3.3	3.4
CPI	2.9	2.9
Increases to inflation related pensions in payment¹		
RPI	3.2	3.2
CPI	2.9	2.9
	Years	Years
Longevity at age 65 for current pensioners		
Men	21.5 ³	21.9 ³
Women	24.1 ³	24.4 ³
Longevity at age 65 for future pensioners²		
Men	22.8	23.2
Women	25.5	25.8

¹ For RPI pension increases capped at 5% per annum;

² The life expectancy shown for future pensioners is for those reaching 65 in 2044;

19. Net retirement benefit surplus continued

b) Sensitivity analysis

The following table sets out the sensitivity of the liabilities within the schemes to changes in the financial and demographic assumptions.

	Group and Company				
	Change in assumption	AWGPS £m	Hartlepool £m	Unfunded pensions £m	Total £m
At 31 March 2024					
Discount rate	+/- 0.5 % pa	-62/69	-	-1/2	-63/71
Rate of RPI inflation	+/- 0.5 % pa	62/-57	-	2/-1	64/-58
Life expectancy	+/- 1 year	33/-29	-	1/-1	34/-30
At 31 March 2023					
Discount rate	+/- 0.5 % pa	-68/76	-	-2/2	-70/78
Rate of RPI inflation	+/- 0.5 % pa	57/-56	-	2/-1	59/-57
Life expectancy	+/- 1 year	32/-33	-	1/-1	33/-34

Changes to market conditions that influence the assumptions above may also have an impact on the value of the schemes' investment holdings. The extent to which these are managed is discussed in section (c) below. The sensitivities in the table above have been calculated by changing the key assumption and leaving all others fixed, with the exception of the RPI inflation assumption, which has a corresponding impact on Consumer Prices Index ('CPI') inflation, pension increases and salary increases due to the way the assumptions are derived. These changes in assumptions represent a reasonable alternative range, as well as a useful benchmark change.

c) Risk and risk management

The Group's defined benefit pension schemes, in common with the majority of such schemes in the UK, have a number of areas of risk. These areas of risk, and the ways in which the Group manages them, are set out below.

The risks are considered below from both a funding perspective (which drives the cash commitments of the group) and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Asset volatility

For the purpose of setting the contribution requirements, the calculation of the value of the liabilities uses a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio. Under IAS 19, the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields.

The schemes hold a proportion of their assets in return-seeking funds. The return on these assets may be volatile and are not correlated to the value of the liabilities. This means that the deficit may be volatile in the shorter term, which may lead to an increase in the contribution requirements and an increase in the net defined benefit liability recorded on the balance sheet.

The Group believes that return-seeking assets offer an appropriate level of return over the long-term for the level of risk that is taken. The schemes' other assets are well diversified by investing in a range of asset classes including government bonds and corporate bonds. The allocation to growth assets is monitored to ensure it remains appropriate given the schemes' long-term objectives.

Change in bond yields

A fall in bond yields increases the value placed on the liabilities for reporting purposes and for setting the group's contribution requirements. However, in this scenario the schemes' investment in corporate and government bonds and liability-driven investments is expected to increase and therefore offset some of the increase in the value placed on the liabilities.

Price inflation

The majority of the schemes' benefit obligations are linked to inflation and higher out-turn inflation will lead to a higher benefit obligation (although in most cases caps on the level of inflationary increases are in place to protect the plan against extreme inflation). A significant proportion of the schemes' assets do not provide a direct hedge against changes in inflation as they are either fixed-interest in nature (corporate bonds and government bonds), or have an indirect link to inflation (equities).

Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member and, as such, the schemes' liabilities are sensitive to these assumptions. This is particularly significant where the longer duration and inflation-linked nature of the payments result in higher sensitivity to changes in life expectancy. The schemes do not contain a hedge against increases in future life expectancy.

19. Net retirement benefit surplus continued

d) Amounts recognised in comprehensive income

	Group and Company			
	AWGPS £m	Hartlepool £m	Unfunded pensions £m	Total £m
2024				
Amounts (charged)/credited to finance costs				
Interest income on scheme assets	48.7	-	-	48.7
Interest cost on scheme liabilities	(44.8)	-	(1.5)	(46.3)
Net interest income/(expense)	3.9	-	(1.5)	2.4
Amounts credited/(charged) to the income statement	3.9	-	(1.5)	2.4
Amounts (charged)/credited to other comprehensive income				
Return on plan assets (excluding amounts included in net interest)	(51.6)	0.5	-	(51.1)
Actuarial gains/(losses) arising from:				
Changes in financial assumptions	33.3	-	0.9	34.2
Experience adjustments	(8.7)	-	(0.2)	(8.9)
Net (charge)/credit to other comprehensive income	(27.0)	0.5	0.7	(25.8)
2023				
Amounts (charged)/credited to finance costs				
Interest income on scheme assets	41.0	0.2	-	41.2
Interest cost on scheme liabilities	(35.5)	(0.1)	(1.1)	(36.7)
Net interest income/(expense)	5.5	0.1	(1.1)	4.5
Amounts credited/(charged) to the income statement	5.5	0.1	(1.1)	4.5
Amounts (charged)/credited to other comprehensive income				
Return on plan assets (excluding amounts included in net interest)	(492.8)	(3.3)	-	(496.1)
Actuarial gains/(losses) arising from:				
Changes in financial assumptions	416.3	2.3	9.5	428.1
Experience adjustments	(70.9)	-	(2.3)	(73.2)
Net (charge)/credit to other comprehensive income	(147.4)	(1.0)	7.2	(141.2)

e) Amounts recognised in the balance sheet

	Group and Company			Total £m
	AWGPS £m	Hartlepool £m	Unfunded pensions £m	
2024				
Equities	83.9	-	-	83.9
Corporate bonds	309.3	-	-	309.3
Government bonds	758.8	-	-	758.8
Property	31.6	-	-	31.6
Alternatives	69.4	0.7	-	70.1
Pooled LDI investments (with def of LDI)	71.4	-	-	71.4
Derivatives	(25.1)	-	-	(25.1)
Repurchases	(403.4)	-	-	(403.4)
Cash and cash equivalents	111.4	0.4	-	111.8
Total assets	1,007.3	1.1	-	1,008.4
Present value of scheme liabilities	(946.9)	-	(30.8)	(977.7)
Net pension deficit	60.4	1.1	(30.8)	30.7
Comprising:				
Pension schemes with a net surplus, included in non-current assets	60.4	1.1	-	61.5
Pension schemes with a net deficit, included in non-current liabilities	-	-	(30.8)	(30.8)
	60.4	1.1	(30.8)	30.7

19. Net retirement benefit surplus continued

e) Amounts recognised in the balance sheet continued

	Group and Company			
	AWGPS £m	Hartlepool £m	Unfunded pensions £m	Total £m
2023				
Equities	79.7	-	-	79.7
Corporate bonds	281.9	-	-	281.9
Government bonds	1,081.1	0.6	-	1,081.7
Property	63.6	-	-	63.6
Alternatives	78.4	-	-	78.4
Pooled LDI investments (with def of LDI)	69.3	-	-	69.3
Derivatives	(47.8)	-	-	(47.8)
Repurchases	(692.8)	-	-	(692.8)
Cash and cash equivalents	147.2	-	-	147.2
Total assets	1,060.6	0.6	-	1,061.2
Present value of scheme liabilities	(977.1)	-	(33.0)	(1,010.1)
Net pension deficit	83.5	0.6	(33.0)	51.1
Comprising:				
Pension schemes with a net surplus, included in non-current assets	83.5	0.6	-	84.1
Pension schemes with a net deficit, included in non-current liabilities	-	-	(33.0)	(33.0)
	83.5	0.6	(33.0)	51.1

The scheme assets do not include any of the group's own financial instruments, nor any property occupied by, nor other assets used by, the Group. Most of the assets have quoted prices in active markets, but there are corporate bonds, alternative investments and insurance contracts, which are unquoted amounting to £98.8 million (2023: £235.0 million).

f) Reconciliation of fair value of scheme assets

	Group and Company			
	AWGPS £m	Hartlepool £m	Unfunded pensions £m	Total £m
At 1 April 2023	1,060.6	0.6	-	1,061.2
Interest income on scheme assets	48.7	-	-	48.7
Employers' contributions	-	-	2.9	2.9
Benefits paid	(50.4)	-	(2.9)	(53.3)
Return on plan assets (excluding interest income)	(51.6)	0.5	-	(51.1)
At 31 March 2024	1,007.3	1.1	-	1,008.4
At 1 April 2022	1,548.0	18.6	-	1,566.6
Interest income on scheme assets	41.0	0.2	-	41.2
Employers' contributions	21.8	-	2.7	24.5
Benefits paid	(57.4)	(0.2)	(2.7)	(60.3)
Bulk transfer	-	(14.7)	-	(14.7)
Return on plan assets (excluding interest income)	(492.8)	(3.3)	-	(496.1)
At 31 March 2023	1,060.6	0.6	-	1,061.2

g) Reconciliation of scheme liabilities

	Group and Company			
	AWGPS £m	Hartlepool £m	Unfunded pensions £m	Total £m
At 1 April 2023	(977.1)	-	(33.0)	(1,010.1)
Interest cost on scheme liabilities	(44.8)	-	(1.4)	(46.2)
Benefits paid	50.4	-	2.9	53.3
Actuarial losses	24.6	-	0.7	25.3
At 31 March 2024	(946.9)	-	(30.8)	(977.7)
At 1 April 2022	(1,344.4)	(17.0)	(41.8)	(1,403.2)
Interest cost on scheme liabilities	(35.5)	(0.1)	(1.1)	(36.7)
Benefits paid	57.4	0.1	2.7	60.2
Gain on curtailments/settlements	-	14.7	-	14.7
Actuarial losses	345.4	2.3	7.2	354.9
At 31 March 2023	(977.1)	-	(33.0)	(1,010.1)

20. Share capital and premium

	Group and Company	
	2024 £m	2023 £m
Share capital		
Authorised, issued and fully paid		
32 million ordinary shares of £1 each	32.0	32.0

21. Hedging reserve

	Group	
	2024 £m	2023 £m
At 1 April	17.8	20.4
Losses on cash flow energy hedges	(50.2)	(32.9)
Amounts transferred to the income statement	27.5	49.7
Losses on cash flow hedges	(0.9)	(40.0)
Amounts transferred to the income statement from discontinuation of cash flow hedges	4.8	8.9
Exchange movement on hedging instruments related to debt in cash flow hedges	14.6	11.1
Deferred tax movement on cash flow hedges	1.3	0.6
At 31 March	14.9	17.8

Cost of hedging reserve

	Group	
	2024 £m	2023 £m
At 1 April	1.7	0.3
(Losses)/gains on hedge relationships	(2.7)	1.8
Deferred tax movement on hedge relationships	0.6	(0.4)
At 31 March	(0.4)	1.7

The hedging reserve represents the cumulative effective portion of gains and losses arising on the change in fair value of hedging instruments, excluding those fair value movements identified as costs of hedging within the specific hedge relationship. The cost of hedging reserve captures the movement in the fair value of the cost of hedging component.

The table below provides additional information in relation to the annual movements and cumulative closing positions on the cash flow hedge reserves.

	Group		Cumulative reserves			
	Annual movements		Total hedge reserves continuing	Total hedge reserves discontinued	Deferred tax on hedge reserves	Total hedge reserves
	Hedged item gain/(loss) £m	Hedge ineffectiveness gain/(loss) £m	£m	£m	£m	£m
At 31 March 2024						
Cash flow hedge of interest rate risk	(75.2)	-	3.1	16.0	(4.6)	14.5

At 31 March 2023						
	Hedged item gain/(loss) £m	Hedge ineffectiveness gain/(loss) £m	Total hedge reserves continuing £m	Total hedge reserves discontinued £m	Deferred tax on hedge reserves £m	Total hedge reserves £m
Cash flow hedge of interest rate risk	(26.1)	-	65.2	(39.2)	(6.5)	19.5

22. Capital commitments

The Group has a substantial long-term investment programme within Anglian Water, which includes expenditure to meet regulatory requirements, shortfalls in performance and condition, and to provide for new demand and growth. The commitments shown below reflect the value outstanding of orders placed at 31 March 2024.

	Group	
	2024 £m	2023 £m
Property, plant and equipment	305.8	215.8
Intangible assets	58.6	26.3
	364.4	242.1

23. Lease arrangements

The Group leases various items of property, plant and equipment. Right-of-use assets are included within property, plant and equipment on the balance sheet, further details can be found in note 11. Lease liabilities are included within borrowings on the balance sheet, further details can be found in note 16.

	Group	
	2024 £m	2023 £m
Additions to right-of-use assets	3.6	6.1
Depreciation charge for right-of-use assets	(7.5)	(6.9)
Carrying amount of right-of-use assets	70.7	74.6
Interest expense on lease liabilities	(1.1)	(0.9)
Expense relating to short-term leases	2.9	3.2
Total cash outflow for leases comprising interest and capital payments	(7.5)	(6.2)
Reconciliation of lease liability		
Contractual undiscounted cash flows	41.3	44.7
Effect of discounting	(7.7)	(8.3)
Lease liability	33.6	36.4

A maturity analysis of lease liabilities is included within note 17d.

The Group leases certain items of plant and equipment, as well as vehicles, under short-term leases. At 31 March 2024, the group had £0.4 million (2023: £0.1 million) outstanding commitments in respect of future minimum lease payments under non-cancellable short-term leases. The Group does not typically lease low value assets and therefore no material costs were incurred individually or in aggregate in relation to such assets.

Leases recognised as debt under IFRS 16 can be analysed as follows:

	Group		
	Interest £m	IFRS debt £m	Permitted indebtedness £m
At 31 March 2024			
Vehicles operating leases	0.4	9.6	-
Property operating leases	0.6	24.0	24.0
At 31 March 2023			
Vehicles operating leases	0.2	8.9	-
Property operating leases	0.7	27.1	27.1

Permitted indebtedness is a category of debt within the Group which captures leases previously considered as operating leases which do not qualify as secured creditors. All interest has been paid/ (received) in the year. There are no material lease payments with variable payment features.

24. Contingencies

In April 2020, circa 100 property search companies served proceedings on all the Water and Sewerage Undertakers ("WASCs") in England and Wales, including Anglian Water Services Limited ("Anglian Water"), seeking damages on the basis that information which the search companies had requested should have been provided free of charge or for a nominal fee pursuant to the Environmental Information Regulations ("EIR"). In common with its co-defendants, Anglian Water has filed a robust defence. A first stage trial took place during November and December 2023 during which the court heard arguments focusing on the extent to which the information requested by the Claimants fell within the scope of the EIR. The court also heard evidence regarding the extent to which the information was made available. Judgement is still awaited. This is an industry-wide issue and at this stage the Directors consider, based on current legal advice, that the claim is unlikely to succeed and, in any event, would not be material to the financial standing of the Company.

Ofwat and the Environment Agency ("EA") launched industry-wide investigations in 2021 into compliance with conditions of environmental permits. Ofwat's focus is potential non-compliance with legislation and with license conditions (referred to as the Flow to Full Treatment investigation). In December 2023, Ofwat issued a press release explaining that it had notified Northumbrian Water, Thames Water and Yorkshire Water of its provisional findings in light of the evidence that had been gathered and that it was continuing to progress three further wastewater enforcement cases opened as part of its investigation (including the case against Anglian Water). The EA's investigation (referred to as Operation Standard) is also ongoing. The Company has provided comprehensive information to both regulators and continues to engage positively with them.

In December 2023, Professor Carolyn Roberts (acting as proposed the Proposed Class Representative) issued proceedings against Anglian Water alleging that the company has abused (and continues to abuse) its dominant position, in breach of section 18 of the Competition Act 1998. Parallel proceedings have been issued against five other WASCs. Professor Roberts alleges that the WASCs have provided misleading information to the EA and to Ofwat with the result that Ofwat has allowed companies to charge customers higher prices for sewerage services than would otherwise have been permitted. As it is proposed to progress the claim as a class action in the Competition Appeal Tribunal on behalf of all relevant customers, the claim will need to be certificated before it can proceed to a substantive trial. The Directors consider that this application of the Competition Act is extremely novel and that there are a number of significant hurdles which must be overcome by the Claimant in connection with this litigation. Accordingly, there is no basis to conclude that the claim will be successful. There is also material overlap between this claim and Ofwat's and the EA's investigations (referred to above).

As is normal for a company of this size and nature, it is subject to a number of other claims, disputes and litigation. The directors consider an appropriate position has been taken in reflecting such items in these financial statements.

25. Ultimate parent undertaking and controlling party

Anglian Water Services Limited is incorporated and domiciled in the UK.

The Company's immediate parent undertaking is Anglian Water Services UK Parent Co Limited, a company registered in England and Wales.

The directors consider Anglian Water Group Limited, a company registered in Jersey, to be the ultimate parent undertaking. Anglian Water Group Limited is itself owned and ultimately controlled by a consortium of investors consisting of Canada Pension Plan Investment Board (CPP Investments™), IFM Global Infrastructure Fund, Camulodunum Investments, First Sentier Investors and Infinity Investments S.A.

Osprey Acquisitions Limited is the parent company of the smallest group to consolidate the financial statements of the company, and Anglian Water Group Limited is the parent company of the largest group to consolidate the financial statements of the company. Copies of the Anglian Water Group Limited financial statements and Osprey Acquisitions Limited's financial statements can be obtained from the Company Secretary at the registered address: Anglian Water Services Limited, Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.

26. Related party transactions

a) Transactions with shareholders

The consortium of investors owning Anglian Water Group Limited are considered to be related parties of the company as they each have the ability to influence the financial and operating policies of both the company and the Group.

During the year to 31 March 2024, there were no transactions, (2023: £nil) with the shareholders.

b) Remuneration of key management personnel

Key management personnel comprise all the directors and members of the Management Board during the year. The remuneration of directors is included within the amounts disclosed below. Further information about the directors' remuneration is provided in the Remuneration Committee report on pages 148-174.

	Group	
	2024 £m	2023 £m
Short-term employee benefits	5.8	5.4
Post-employment benefits	0.3	0.4
	6.1	5.8

c) Parent company

The Company's related party transactions are summarised below:

	2024 £m	2023 £m
Sale of goods/services to		
Fellow subsidiaries of Anglian Water Group Limited	0.2	0.2
Purchase of goods/services from		
Fellow subsidiaries of Anglian Water Group Limited	9.7	8.9
Management fees paid to		
Subsidiaries	0.4	0.4
Interest charged by		
Subsidiaries	615.3	765.1
Dividends paid to		
Parent company	79.9	169.0

	Group	
	2024 £m	2023 £m
Trade and other receivables due from		
Fellow subsidiaries of Anglian Water Group Limited	0.9	1.0
Trade and other payables due to		
Subsidiaries	49.6	43.4
Fellow subsidiaries of Anglian Water Group Limited	0.7	1.0
Loans and other borrowings due to		
Subsidiaries	8,046.5	6,942.0

27. Alternative performance measures

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

a) EBITDA

Calculated as profit before net finance costs, tax, depreciation, and amortisation to give a measure of the Company's overall financial performance. Each element of this APM is shown on the face of the income statement.

	Group	
	2024 £m	2023 £m
EBITDA	819.5	802.8
Net finance costs	(297.7)	(65.2)
Tax charge	(31.2)	(90.2)
Depreciation and amortisation	(388.6)	(379.1)
Profit for the period	102.0	268.3

b) Adjusted finance costs

Calculated as net finance costs excluding fair value gains on derivative financial instruments. These fair value gains are volatile, non-cash movements that distort the actual underlying economic performance.

	Group	
	2024 £m	2023 £m
Net Finance costs excluding fair value gains on derivative financial instruments	(502.6)	(710.5)
Fair value gains on derivative financial instruments	204.9	645.3
Net Finance costs, including fair value gains on derivative financial instruments	(297.7)	(65.2)

c) Adjusted profit before tax/Profit before fair value gains

Calculated as profit before tax excluding fair value gains/(losses) on derivative financial instruments. The calculation is shown on the face of the income statement. These fair value gains/(losses) are volatile, non-cash movements that distort the actual underlying economic performance.

	Group	
	2024 £m	2023 £m
Adjusted profit before tax/Profit before fair value gains	(71.7)	(286.8)
Tax charge	(31.2)	(90.2)
Fair value gains on derivative financial instruments	204.9	645.3
Profit for the period	102.0	268.3

27. Alternative performance measures continued

d) Adjusted net debt

Adjusted net debt comprises borrowings, net cash and cash equivalents, and derivative financial instruments (excluding those in respect of fair value energy hedges). This measure is used because it provides additional useful information in respect of the financing of the business.

See note 16 and below.

	Group	
	2024 £m	2023 £m
Net cash and cash equivalents	474.4	335.1
Current asset investments	530.0	298.0
Borrowings	(7,981.3)	(6,881.0)
Net debt excluding derivatives	(6,976.9)	(6,247.9)
Derivatives	(655.3)	(697.0)
Less: energy derivatives	21.3	(0.7)
Adjusted net debt	(7,610.9)	(6,945.6)

e) Interest cover

Interest cover is the ability of the Company to pay interest of on its outstanding debt out of operating cash flows. The table below shows the operating cash value less RCV depreciation, compared to the net interest paid during the year to show the interest cover.

	Group	
	2024 £m	2023 £m
Operating cash	767.1	710.9
RCV run off	(475.2)	(423.5)
	291.9	287.4
Interest cash	(181.8)	(184.6)
Net interest income excluded under CTA	(2.5)	(0.6)
	(184.3)	(185.2)
Interest cover ratio	1.6	1.6

f) Capital investment

Capital investment is the total property, plant, and equipment, and intangibles additions less capitalised interest, adopted assets, and capital additions in the non-appointed business. This is used as a measure to help us monitor how we are achieving our Business Plan commitments.

	Group	
	2024 £m	2023 £m
Property, plant and equipment additions	1,044.0	733.4
Intangible assets addition	58.2	82.3
Capitalised interest	(71.0)	(40.8)
Adopted assets	(48.2)	(46.0)
Non-appointed business	(1.3)	(1.4)
Items shown as stock	(18.3)	(2.5)
Capital investment	963.4	725.0

g) Free cash flow

Free cash flow is used in determining cash conversion and is calculated as cash from operating activities, less net interest of cash deposits, less capital maintenance.

	Group	
	2024 £m	2023 £m
Operating cash	767.1	710.9
Interest on cash	(181.8)	(184.6)
Less: Net interest income excluded under CTA	(2.5)	(0.6)
Capital maintenance	(341.0)	(326.2)
Free cash flow	241.8	199.5

28. Events after the balance sheet date

On 10 June 2024, the Board agreed to recommend an interim dividend for of £88.6 million (£2.77 per share) to the Company's sole member, which is to be paid on 14 June 2024.

Other than the above there have been no events between the balance sheet date, and the date on which the financial statements were approved by the Board, which would require adjustment to the financial statements or any additional disclosures.

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Anglian Water Services Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2024 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the group income statement;
- the group statement of comprehensive income;
- the group and parent company balance sheets;
- the group and parent company statements of changes in equity;
- the group and parent company cash flow statements; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.





2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 5 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <p>Bad debt provisioning; and</p> <p>Derivative accounting</p> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none">  Newly identified  Increased level of risk  Similar level of risk  Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £25.3m (2023: £23.7m) which was determined on the basis of 3% of EBITDA (2023: 3% of EBITDA).
Scoping	The group comprises Anglian Water Services Limited (the regulated water and water recycling business) and its only subsidiary company Anglian Water Services Financing Plc (the Group's financing entity). We performed full scope audit procedures, which accounted for 100% of the Group's net assets and 100% of the Group's EBITDA.
Significant changes in our approach	No significant changes were noted to the key audit matters or our overall audit approach as compared to the prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Testing key controls over the cashflow forecasting and going concern assessment;
- Understanding Management's process to model the impact of going concern and agreeing relevant data points in the model to supporting documentation;
- Assessing the sophistication of the model used to prepare the forecasts, testing of the clerical accuracy of those forecasts and assessing the historical accuracy of forecasts prepared by Management;
- Assessing the assumptions used in establishing Management's base case, including comparison of key assumptions to plans for the remainder of the Asset Management Period ("AMP") 7, the submitted AMP 8 business plan and independent data sources where relevant;
- Evaluating liquidity, including in the scenario where future financing is restricted;
- Evaluating the external financing to establish and assess the covenant requirements attached to this financing;
- Confirming the availability of committed undrawn borrowing facilities, of which £850m expire in over two years as set out in note 17c;
- Recalculating and assessing the amount of headroom in the forecasts (liquidity and covenants) and recalculating compliance with covenants during the year ended 31 March 2024;
- Evaluating the sensitivity analysis including downside risks prepared by Management in the context of operational performance challenges, additional spend on capital projects, cyber risks and the broader socio-economic conditions; and
- Assessing the appropriateness of the disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Bad debt provisioning

Key audit matter description

As at 31 March 2024, the group and the parent company have an expected credit loss provision was £212.1m (2023: £258.1m), all in respect of trade receivables.

For the year ended 31 March 2024, the bad debt charge was £38.7m (2023: £30.1m). The higher bad debt charge reflects the increase in revenue in the year along with a slight reduction in cash collection experience, albeit cash collection was consistent with the collection experience in 2018 to 2021 which is the period used by management to evaluate the expected credit loss.

A proportion of the group's customers do not or cannot pay their water bills, which results in the need for a provision to be made for the risk of non-payment of the customer balance. The bad debt provision is material, a key area of estimation uncertainty within the group and an area of scrutiny by Ofwat.

Provisions are made against the group's trade receivables based on historical cash collection rates. A top-up to the provision is recorded to reflect expected deterioration in future cash collection compared to historical cash collection rates as a result of the anticipated impact of macro-economic uncertainties on customers' ability to pay bills, such as the cost-of-living crisis and reduction to real disposable household income.

The key audit matter, which is also a potential fraud risk, is focused on the estimation of the household bad debt provision, including whether the experience of cash collection in historical periods provides an appropriate expectation of future credit losses under IFRS 9 'Financial Instruments'.

The bad debt provision as at 31 March 2024 includes a forward looking macro-economic overlay provision of £5.7m (2023: £6.9m) to reflect that future cash collection may not be consistent with historical cash collection trends. Management determined this top-up provision considering a range of external data points, including the correlation between unemployment rates, real disposable household income and cash collections.

The Audit Committee have considered this as a key issue, and it is disclosed in the Audit Committee Report on page 137. It is also included as an area involving estimation in note 2 to the financial statements, and the relevant accounting policy adopted is disclosed in note 1(q). The closing bad debt provision as at 31 March 2024 is disclosed in note 13 and the year-on-year bad debt charge is discussed in the Financial Performance report on page 32.

5.1. Bad debt provisioning

How the scope of our audit responded to the key audit matter

In response to this matter, we have performed the following procedures:

- obtained an understanding of relevant controls within the bad debt provision estimation process;
- utilised data analytics to perform a recalculation of debtor ageing to verify the accuracy of information within the aged debt report in order to assess whether customers are accurately categorised based on information within the group's financial reporting system;
- challenged the base bad debt provision by agreeing the recoverability assumptions to cash collection rates and tested the mechanical accuracy of the calculation;
- assessed whether any discrepancies exist between the provision recognised and that supported by other macro-economic indicators that may impact the ability of customers to make payments;
- assessed whether the provision has been calculated in line with the policy of the group and with IFRS 9 'Financial Instruments'; and
- assessed the accuracy and completeness of the cash collection trends used in the provision rate calculation by reconciling billing and SAP data and tested a sample of cash collections both during the year and post period end.

Key observations

Based on the work performed above, we are satisfied that the bad debt provision is reasonable and in accordance with the requirements of IFRS 9.

5.2. Derivative accounting

Key audit matter description

The group and the parent company have a total net derivative liability of £655.3m (2023: £697.0m), disclosed in note 17 to the financial statements, including interest rate swaps, index-linked swaps, cross currency swaps and contracts to fix energy prices.

IFRS 9 'Financial Instruments' requires derivatives to be accounted for at fair value with movements recognised as profit or loss, unless designated as hedge relationships. Where possible, management have elected to apply hedge accounting.

We identified a key audit matter relating to the valuation of derivatives and the related credit risk adjustments, which can be both complex and judgemental. We have focused in particular on the risk of error arising on the valuation of the index-linked swaps due to their complexity.

The relevant accounting policy adopted is disclosed in note 1(u).

How the scope of our audit responded to the key audit matter

In response to this matter, we have performed the following procedures involving our financial instruments specialists where appropriate:

- obtained an understanding of, and tested, relevant controls around the valuation techniques used in determining the fair value of derivatives;
- independent recalculation of a sample of complex derivative financial instruments valuations, including an assessment of the credit risk adjustment;
- inspected the hedge documentation and tested hedge effectiveness against the criteria documented; and
- assessed banking agreements and the application of hedge accounting under IFRS 9 in relation to new debt instruments and debt repayments.

Additionally we have reviewed the disclosures required by IFRS 7 'Financial Instruments: Disclosures' and IFRS 13 'Fair Value Measurement' to assess whether they are compliant with the standard and observed industry practice.

Key observations

We are satisfied that derivative financial instruments have been accounted for appropriately and that the valuations adopted are reasonable.

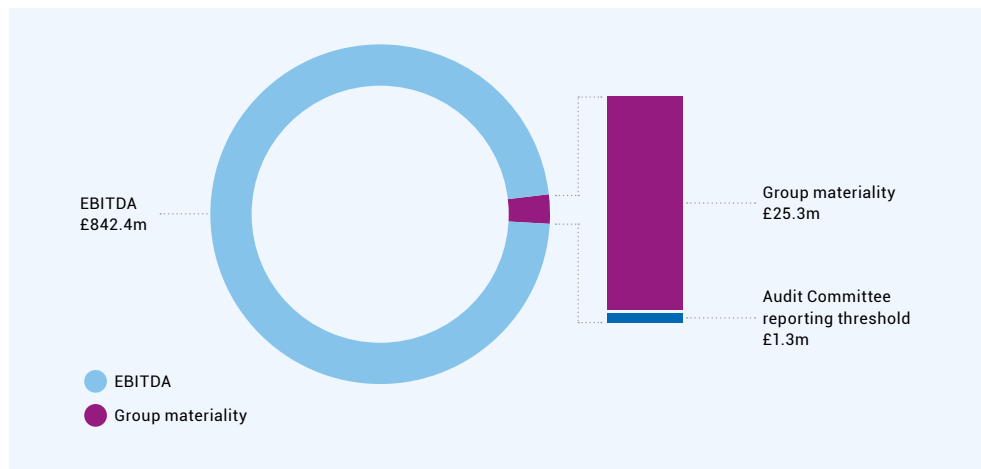
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£25.3m (2023: £23.7m)	£25.2m (2023: £23.6m)
Basis for determining materiality	In both years, we considered 3% of EBITDA as a benchmark for determining materiality. As aggregation risk is mitigated by our auditing 100% of the group's net assets, revenue and profits, the parent company materiality was set at £0.1m (2023: £0.1m) lower than group materiality.	
Rationale for the benchmark applied	<p>We have used EBITDA as the benchmark for materiality as this is deemed a key driver of business value, is a critical component of the financial statements and is a focus for users of the financial statements. EBITDA is disclosed on page 32 in the Financial Performance Report, and reconciled to the statutory profit after tax in note 27a.</p> <p>The substantial majority of the group's operations are carried out by the parent company.</p>	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	65% (2023: 70%) of group materiality	65% (2023: 70%) of parent company materiality
Basis and rationale for determining performance materiality	<p>We decreased the performance materiality in response to the increased engagement risk arising from the public scrutiny and increased risk associated with the water sector. We also considered the following factors that were consistent with the prior year;</p> <ul style="list-style-type: none"> the group's control environment and functioning of the key business operations; changes to the business, turnover of management and key accounting personnel during the year; and the level of corrected and uncorrected misstatements identified in previous periods. 	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the committee all audit differences in excess of £1.3m (2023: £1.1m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

Anglian Water Services Limited and Anglian Water Services Financing Plc were subject to full-scope audits and together account for 100% (2023: 100%) of the group's net assets and EBITDA. All procedures were carried out directly by the Group audit team.

7.2. Our consideration of the control environment

Our work in relation to the group's internal control environment involved testing of the group's key reporting system. With the involvement of our IT specialists, we tested relevant General Information Technology Controls (GITCs) within the group's key reporting system, including the access controls, change management controls and controls around segregation of duties. We identified control weaknesses in the environment of a service provider and performed substantive audit procedures which responded to the risks presented.

We also tested the relevant controls within the household revenue, capital expenditure, certain aspects of treasury and operating expenses business processes, which are supported by the group's key reporting system.

7.3. Our consideration of climate-related risks

As a part of our audit procedures, we have obtained Management's climate-related risk assessment and held discussions with Management to understand the process of identifying climate-related risks and opportunities, the determination of mitigating actions and the impact on the Group's financial statements. Management embed climate related risks within each principal risk as described on page 101. Management considered climate change in their preparation of the Strategic Direction Statement and the Water Resources Management Plan as described on pages 89 to 92. The risks identified do not have an impact on our key audit matters in the current year. Management have determined that the impact of climate related risks on the financial statements for the year is not material, as described in note 2 to the financial statements.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction. Our procedures included reading disclosures included in the Strategic Report from page 89 to 103, as well considering whether they are materially consistent with the financial statements and our knowledge obtained in the audit. We involved climate change and sustainability specialists in assessing these disclosures.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard

9. Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the internal audit function and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, financial instruments, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the areas of bad debt provisioning and classification of costs as capital expenditure. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Environment Agency regulations, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the licence conditions imposed by The Water Services Regulation Authority (Ofwat).

11.2. Audit response to risks identified

As a result of performing the above, the key audit matter relating to bad debt provisioning was identified as a potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the procedures addressing the key audit matter above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of Management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and Ofwat;
- in addressing the risk of fraud in respect of the inappropriate capitalisation of costs, testing a sample of capital projects by agreeing the costs incurred to third-party documentation and assessing the appropriateness of the classification in accordance with the capitalisation policy; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' Report.

13. Opinion on other matter prescribed by our engagement letter

In our opinion, the part of the Director's Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the company a quoted company.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by Board of Directors on 1 September 2016 to audit the financial statements for the year ending 31 March 2017 and we were reappointed in subsequent financial periods, including following a formal tender in 2021. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eight years, covering the years ending 31 March 2017 to 31 March 2024.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kate Hadley (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor
Birmingham, United Kingdom

10 June 2024



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