



Governance

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

Dear Stakeholder

I present the Corporate Governance Report for the year ended 31 March 2023. 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 year has been a challenging one with two climate change-related events as well as the macroeconomic difficulties faced in common with other businesses. Never has it been more apparent that being guided by our purpose and committing to resilience – both financial and operational – has been the right decision. Although our position at year end is not where we want it to be, it could have been far more severe were it not for the swift operational action, adaptation and control achieved through our committed people. Nonetheless, we have underperformed against some key targets, and this has been reflected in our Executive Directors and Senior Management remuneration as we set out in the Remuneration Committee report on pages 127 to 155.

Transparency and governance

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

Board Committees

As ever, our Board continues to be supported by the work of our Committees: Audit, Nomination and Remuneration, whose reports you can read on pages 116, 123 and 127.

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 July, we focused on how the company is driving its purpose through its long-term people strategy, meeting with the employees responsible for delivering the company's people development programmes as well as engaging with those individuals who had benefited from such programmes (including graduates and apprentices). A further market stall event took place in September with the purpose of focusing on issues relevant to AMP8 planning and I was delighted that representatives from Ofwat, including their CEO, David Black, attended this session.

Board changes

The Board has seen a number of changes this year with both Colin Matthews and Alistair Phillips-Davies joining the Board in November and I welcome the new perspective their appointments bring. I will be stepping down as Chair at the end of this financial year, on completion of my nine-year term in office. The search for my successor has commenced, led by Dame Polly Courtice, the Senior Independent Director. Further information can be found in the Nomination Committee Report on page 124.



Annual Performance Report

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

John Hirst, CBE

Chair

7 June 2023

Anglian Water Services Management Board

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

Peter Simpson
Chief Executive Officer

Steve Buck
Chief Financial Officer

Susannah Clements
Group People and Change Director

Brian Ebdon
Director of Strategic Planning and Performance

Pete Holland
Director of Customer and Wholesale Services

Dr Robin Price
Director of Quality and Environment

Ian Rule
Director of Water Services

Claire Russell
Group Legal Director/Company Secretary

Emily Timmins
Director of Water Recycling Services

Jason Tucker
Director of Strategic Delivery and Commercial Assurance

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

Independent Chair



Appointed

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

Skills, competencies and experience

John has a wealth of experience leading and transforming complex organisations. He was Chief Executive of the Met Office from 2007 to 2014 and was Group Chief Executive of Premier Farnell plc, a FTSE 250 electronics distribution company, between 1998 and 2005. His early career was with ICI, beginning in finance before progressing into various leadership roles and serving on the group executive team as Chief Executive of the speciality chemicals division. He also served as a Non-Executive Director and Chair of the Audit Committee of Hammerson plc between 2004 and 2014, was a Non-Executive Director of Ultra Electronics between 2015 and 2019 and was Chair of the National Oceanography Centre between 2018 and 2022. He is a Fellow of the Institute of Chartered Accountants and a member of the Association of Corporate Treasurers.

Other roles

John is Chair of the British Standards Institution (BSI) and SMI Drug Discovery Limited. He is also a Director of IMIS Global Limited. John is Chair of SUDEP Action.

Independent Non-Executive Directors



Appointed

- Chair of Nomination Committee April 2023
- Senior Independent Non-Executive Director in April 2020
- Independent Non-Executive Director in April 2015

Skills, competencies and experience

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

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 advisor to Terra Firma Capital Management Ltd, and is Deputy Lieutenant for Cambridgeshire.



Appointed

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

Skills, competencies and experience

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

Other roles

Natalie is currently 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



Colin Matthews, CBE FEng
Independent Non-Executive
Director

Appointed

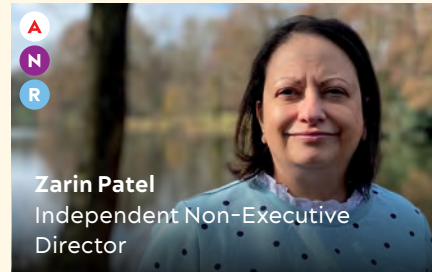
- Independent Non-Executive Director in November 2023

Skills, competencies and experience

During his executive career Colin held engineering and leadership roles across a range of businesses, including Lucas, the American General Electric Company, British Airways and Transco. Subsequently he was Chief Executive of Hays plc, then Severn Trent plc and then, from 2008 to 2014, BAA/Heathrow Airport.

Between November 2017 and December 2022 Colin was Chair of EDF Energy Holdings Limited. He has also been Chair of Renewi plc and government owned Highways England Company Limited, as well as previously holding non-executive positions at Mondi plc and Johnson Matthey plc.

Colin holds an MA in Engineering, an MBA and is a Fellow of the Royal Academy of Engineering.



Zarin Patel
Independent Non-Executive
Director

Appointed

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

Skills, competencies and experience

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

She was an independent member of the Audit & Risk Committee of John Lewis Partnership plc until April 2021 and the Senior Independent Director of Post Office Limited until March 2023.

Other roles

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



Alistair Phillips-Davies
Independent Non-Executive
Director

Appointed

- Independent Non-Executive Director in 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 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 he 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

Appointed

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

Skills, competencies and experience

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

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



Steve Buck
Chief Financial Officer

Appointed

- CFO of Anglian Water Group in August 2019

Skills, competencies and experience

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

Between 2008 and 2017 Steve held a number of positions within Centrica including Group Head, Finance and Transformation. Prior to this, he held a number of roles in Thames Water.

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

Non-Executive Directors



John Barry
Non-Executive Director

Appointed

- Non-Executive Director in November 2020

Skills, competencies and experience

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

Other roles

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

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



Deepu Chintamaneni
Non-Executive Director

Appointed

- Non-Executive Director in March 2023

Skills, competencies and experience

Deepu is an Executive Director at IFM Investors where she is responsible for the origination and execution of infrastructure transactions as well as asset management of IFM Investors' existing European investments. She has played a key role in a number of acquisitions by IFM Investors in Europe, including the acquisition of GlasfaserPlus, Mótoll, Vienna Airport and Manchester Airports Group.

Prior to IFM Investors, Deepu worked at Citigroup in the infrastructure finance and advisory team in New York. She has a master's degree from Stanford University.

Other roles

Deepu is an Advisory Board member of GlasfaserPlus in Germany.

Deepu has been a Non-Executive Director of Anglian Water Group Limited since March 2023.

Non-Executive Directors



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 investment banking with 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.

Other roles

Alex is an Independent Non-Executive Director of EYDAP S.A. (EYDAP:ATH, Greece) and is an alternate Non-Executive Director of Anglian Water Group Limited.



Appointed

- Non-Executive Director in November 2021

Skills, competencies and experience

Batiste is Head of Infrastructure Investments (Europe) at CPP Investments. During his career, Batiste has overseen multiple investments across water, gas, electricity, transport, communication, wind and solar sectors.

Batiste is a Fellow of the Institute of Chartered Accountants in England and Wales (ICEAW).

Other roles

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

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



Chief Executive Peter Simpson at a treatment wetland with partners and colleagues.

Principles of corporate governance

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

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

Anglian Water is committed to the highest standards of corporate governance. Find out more on our website, [anglianwater.co.uk/governance](https://www.anglianwater.co.uk/governance)

Company purpose, values and culture

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

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

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

Our Articles of Association require the Directors to adopt a Statement of Responsible Business Principles (the SRBP) and, to the extent not covered in the non-financial information statement, explain any steps that have been taken to ensure that the business of the company has been carried out in accordance with the SRBP. In 2022, 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 2022, scoring 80% against a cohort average of 46% (see page 18) and a utilities sector average of 64%. 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; see page 19 for further information.

From 2023 the company intends to hold itself to account in relation to the principles set out in this PAS but will also continue to use the BITC Responsible Business Tracker® to monitor progress. The assessment approach to PAS 808 is outlined on page 19 and once completed will be published on our website.

The company's purpose is one part of our business model, page 9, 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 page 67.

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

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 21, 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 21) is separated and ring-fenced; provides security (to the extent allowed by the regulatory framework); and has built-in protections (such as cash management regimes and contractual standstill provisions). The comprehensive package of commitments – or covenants – is contained in a single document that applies to all debt providers, called the Common Terms Agreement or 'CTA'. The debt providers are bound by an intercreditor arrangement contained in a document called the Security Trust and Intercreditor Deed or 'STID'.

The company's debt programme has been designed to align with, and enhance, the regulatory protections contained in the Water Industry Act 1991 and the company's Licence (an Aligned Debt Programme) in order to support and enhance Anglian Water's credit rating.

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

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



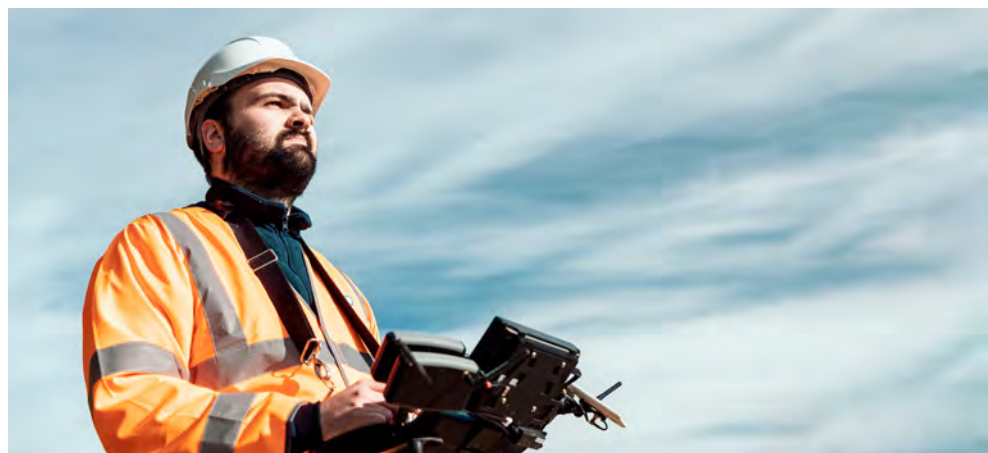
The commitments, or covenants, which are a feature of the company's Aligned Debt Programmes help to de-risk the business. The company undertakes that it will only carry on a regulated water business and that it will conduct this business in a prudent manner. These covenants include:

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

- (e) A requirement to maintain and hold all required IP rights.
- (f) An obligation to act in accordance with 'Good Industry Practice' in all areas of the business.

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

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



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

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

The Board is ultimately responsible for the strategy, and overseeing the performance of, the company. As explained in our Business Model on page 9, the company has developed four key goals for 2020–2025 (AMP7), which are:

- | | |
|--|--|
| 1 To make life better for our customers, every single day | 2 To deliver our 2020–2025 Final Determination |
| 3 To deliver our identified business priorities | 4 To create a sustainable future for our region |

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

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

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

Anglian Water's investors are represented on our Board. However, Independent Non-Executive Directors form the largest single group on the Board. All Directors are required under our Articles of Association to take decisions in good faith, and in a way that is most likely to promote the purpose of the company. When making decisions, Directors must have regard (among other matters) to the interests of and impact on the company's key stakeholders (including customers, employees, suppliers, communities and the environment) as well as the interests of shareholders. Further information can be found in the Section 172 Statement on pages 65 to 68.

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 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 2022/23 financial year, the following matters required approval by the AWG Board under the terms of the governance matrix:

- remuneration matters, including the granting of new awards under the Deferred Bonus Plan, the vesting of awards under the Deferred Bonus Plan and Directors' pay increases;
- the procurement strategy for a number of high-value contracts;
- the appointment of new Non-Executive Directors and changes to Committee membership; and
- the formation of the AWS Finance & Administration Committee.

Board composition

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

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



John Hirst
Independent
Non-Executive Chair



Peter Simpson
Chief Executive Officer



Steve Buck
Chief Financial Officer



Dame Polly Courtice
Senior Independent
Non-Executive Director



Natalie Ceeney
Independent
Non-Executive Director



Colin Matthews
Independent
Non-Executive Director
(appointed 23 November 2022)



Zarin Patel
Independent
Non-Executive Director



Alistair Phillips-Davies
Independent
Non-Executive Director
(appointed 23 November 2022)



John Barry
Non-Executive Director



Deepu Chintamaneni
Non-Executive Director
(appointed 22 March 2023)



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



Batiste Ogier
Non-Executive Director

The following Directors resigned from the Board during the year:



Niall Mills
Non-Executive Director
(resigned 28 September 2022)



Duncan Symonds
Non-Executive Director
(resigned 22 March 2023)



Paul Whittaker
Independent
Non-Executive Director
(resigned 13 October 2022)

At the date of these financial statements, in addition to the Independent Chair John Hirst, 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, and on appointment as Chair, the Board considered John Hirst (who was appointed as Chair with effect from 1 April 2020) to be independent in judgement and character, notwithstanding the existence of his other directorships.

John Hirst is independent of investors and management and has no relationship with any of the company's shareholders, except for his 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 independence of all the Independent Non-Executive Directors was considered by the Board at its meeting in January 2023. 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 at anglianwater.co.uk/governance

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 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 (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. His other significant commitments are disclosed in his biography on page 102. The Board considers that these commitments do not hinder his ability to discharge his responsibilities to the company effectively.

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

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

On appointment to the Board, all Directors are required to declare all their interests; any new interests held by Directors are considered at the start of each Board meeting and, where relevant, interests are declared prior to any substantive discussions. In addition, a further review of all Directors' interests is undertaken annually. The Board has approved a protocol for dealing with conflicts of interests, which is available at anglianwater.co.uk/governance

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

Board Committees

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

Audit Committee

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

Nomination Committee

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

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 127 to 155. 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. 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

John Hirst

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

Chief Executive Officer

Peter Simpson

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

Chief Financial Officer

Steve Buck

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

Senior Independent Non-Executive Director

Dame Polly Courtice

Responsible for providing a sounding board for the 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/Colin Matthews/Zarin Patel/Alistair Phillips-Davies

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

Non-Executive Directors

John Barry*/Deepu Chintamaneni/Alex Nassuphis/ Batiste Ogier

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 four Non-Executive Directors who were appointed as Directors during the financial year, attended a pre-appointment meeting with representatives from Ofwat.

The company offers the Directors in-house training as necessary to aid their professional development and awareness of business and sector-specific issues. During the year the Directors received external training on the Market Abuse Regulations. In addition, Directors were given 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. During the year, a number of Directors attended different site visits including to Wing Water Treatment Works, Grafham Water Treatment Works and Milton Water Recycling Centre. In addition, three '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 July event focused on how the company is driving its purpose through its long-term people strategy. Directors were able to meet with the employees responsible for delivering the company's people development programmes as well as to engage with those individuals who had benefited from such programmes (including graduates and apprentices). A further 'market stall' event took place in September and was attended by members of the Ofwat team (including Ofwat's Chief Executive, David Black). This event gave attendees the opportunity to engage with and discuss in detail issues relevant to planning for AMP8 (including Supporting our Customers/Ensuring affordability for all, Leveraging Partnerships for Value, Enhancing the Environment, Digital solutions and innovation and Planning and Investing for the Long Term). A third market stall event took place in March 2023 and focused on key components of the PR24 Business Plan.

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 background, which supports the company in the delivery of its long-term strategy. To support this the Directors have completed a skills matrix. The skills and experience captured in the matrix have been aligned with the company’s key stakeholders, namely: customers, communities, employees, environment, regulators, national and local government, investors and suppliers.

When completing the matrix, the Directors were asked to award themselves a score, which, when added together, allowed the Nomination Committee to consider where there were areas of lower levels of skills or experience. The Nomination Committee has used the skills matrix to inform the recruitment process for new Independent Non-Executive Directors (see page 124).

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 102 to 105.

	Independent Chair	Executive Directors		Independent Non-Executive Directors					Non-Executive Directors				Total
	John Hirst	Peter Simpson	Steve Buck	Natalie Ceeney	Polly Courtice	Colin Matthews	Zarin Patel	Alistair Phillips-Davies	John Barry	Deepu Chintamaneni	Alex Nassuphis	Batiste Ogier	
Customers	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	✓
Environment	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	-	✓	✓
Communities	✓	✓	-	✓	✓	✓	-	✓	-	-	✓	-	✓
Employees (including experience of health, safety and wellbeing)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Regulators	✓	✓	✓	✓	-	✓	✓	✓	✓	-	✓	✓	✓
National and local government	✓	✓	✓	✓	✓	✓	✓	✓	-	-	✓	✓	✓
Investors/banks and ratings agencies	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Engineering (Key suppliers)	-	✓	-	-	-	✓	-	✓	-	✓	✓	-	✓
Digital/technology (Key suppliers)	✓	✓	-	✓	-	✓	✓	✓	-	✓	✓	-	✓

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

Board leadership and transparency

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 seven scheduled meetings during the year ended 31 March 2023. In addition, the Board held two scheduled meetings between 31 March 2023 and the date of signing this report, which all Directors attended, other than Alistair Phillips-Davies was unable to attend the Board meeting in May 2023. 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 2023 is shown in the table opposite. All decisions made by the Board during the year were unanimous.

During the year, 12 other Board meetings were held, some at short notice, to consider different matters, including: delegating authority to the Treasury function for certain treasury matters; the provision of a statutory certificate to Ofcom pursuant to which the company is permitted to install electronic equipment in the public highway, and financing matters including bond issues, banking mandates, a letter of credit and the annual renewal of the liquidity facility.

Further meetings of the Audit, Nomination and Remuneration Committees were held on 22/23 May 2023, which all Committee members attended, other than Alistair Phillips-Davies. Further meetings of the Audit and Remuneration Committees were held on 5 June 2023 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
John Hirst**	7/7	3/3	4/4	6/6
John Barry	7/7	-	4/4	6/6
Steve Buck*	6/7	3/3	-	4/6
Natalie Ceeney	7/7	3/3	4/4	6/6
Deepu Chintamaneni	1/1	-	1/1	1/1
Dame Polly Courtice	6/7	-	3/4	6/6
Colin Matthews	2/3	1/2	-	-
Alex Nassuphis	3/3	-	2/2	4/4
Batiste Ogier	7/7	-	4/4	6/6
Zarin Patel	7/7	3/3	3/4	4/6
Alistair Phillips-Davies	3/3	-	2/2	2/2
Peter Simpson*	7/7	3/3	4/4	6/6

* 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
Niall Mills	4/4	-	0/1	0/2
Duncan Symonds	4/6	-	1/3	2/5
Paul Whittaker	4/4	1/1	1/1	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 83 to 95). 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 2023, 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 top-tier risk register.
- A programme of internal audits undertaken by our quality and systems team which provide the business with assurance that our accredited quality management systems are supporting the delivery of key business objectives and performance commitments. Development of the internal audit programme takes into account the top tier risk register 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 (see: www.anglianwater.co.uk/siteassets/household/about-us/our-assurance-framework-2022-new.pdf) and which includes review by an independent assurance provider where appropriate (and in accordance with the risk-based approach set out in our framework).

Other disclosures

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

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

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

Compliance with the BLTG Principles and the 2020 Code

As detailed earlier in this report, the Board had incorporated the BLTG Principles (and its supporting provisions) into the 2020 Code and therefore, by reporting against compliance with the 2020 Code, the Board is also reporting against compliance with the BLTG Principles. The Board confirms that it has complied with the 2020 Code throughout the 2022/23 financial year with the following exception: between 13 October 2022 (the date Paul Whittaker resigned) and 23 November 2022 (the date of appointment for both Colin Matthews and Alistair Phillips-Davies) Independent Non-Executive Directors were not the single largest group on the Board (provision 2.4). The company gave Ofwat advance notice of this short period of non-compliance and no concerns were raised by the economic regulator.

This report was approved by the Board of Directors on 7 June 2023.

Claire Russell

Company Secretary

7 June 2023



Committee members

Chair
Zarin Patel

Other members
Natalie Ceeny
Colin Matthews

Meetings
Three

Meetings also regularly attended by:

Peter Simpson, Chief Executive Officer; Steve Buck, Chief Financial Officer; members of the Anglian Water Group Limited Audit Committee; representatives of the external auditors; Wayne Young, Group Financial Controller; Tori Coombe Head of Internal Audit; Ellie King, Group Risk Manager; and Claire Russell, Company Secretary



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

“

As a Committee we are fully supportive of the Government's plans to restore trust in audit and corporate 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 2023. These pages outline how the Committee has discharged the responsibilities delegated to it by the Board over the course of the year, and the key topics it considered in doing so. I would like to use this letter to highlight a few of the key areas the Committee has considered during the year, and I hope that you find it useful in understanding our work.

The Committee continues to monitor the integrity of the company's financial information as well as focusing and supporting the company's evolving approach to risk management and ensuring that its internal controls remain robust and suitable.

As a Committee we are fully supportive of the Government's plans to restore trust in audit and corporate governance. As such, it takes a keen interest in the plans the company is putting in place to ensure compliance within the appropriate timeframes. The Committee will also ensure that the Financial Reporting Council's proposed new minimum standards for audit committees will be complied with.

During the year, we approved the internal audit plan and received updates on progress against the plan at each meeting, challenging management's actions where appropriate.

During the year, Paul Whittaker stepped down from the Committee, when he resigned from the Board on completion of his nine-year term. He was replaced on the Committee by Colin Matthews, who has extensive experience both as an executive and non-executive director and I welcome Colin's expertise on the Committee.

I would like to extend my thanks to Committee colleagues for their work and support during 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 on any matter we feel necessary.

Zarin 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 www.anglianwater.co.uk/governance. These terms of reference were most recently 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 71 to 82.

- Review the Annual Performance Report to ensure it is fair, balanced and understandable, as well as reviewing significant financial returns to regulators.
- Review the integrity of the company's systems of internal control.
- Review both the company's procedures for detecting fraud and the company's systems and controls for the prevention of bribery, and receive reports arising from the whistleblowing process.
- Consider the effectiveness of the risk management systems and whether they provide reasonable levels of mitigation against material misstatement and losses.
- Review and assess the annual internal audit work plan.
- Monitor and review the effectiveness of the internal audit function and review the actions taken by management to implement the recommendations made by the internal audit function.
- Oversee the relationship with the external auditor, monitor the independence and objectivity of the external auditor and consider the effectiveness and quality of the audit process.
- Review and approve the annual internal and external audit plan.
- Monitor the provision of non-audit services by the external auditor.

Membership and attendance

The Committee held three meetings during the year. The meeting attendance table is shown on page 114. The Committee Chair regularly holds separate one-to-one meetings with the Chief Financial Officer, the Head of Internal Audit, the Group Risk Manager 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, Group Risk Manager and external auditor on a regular basis.

Details of the Committee members' skills, experience and qualifications can be found in the biographies on pages 102 to 105. The Board believes Committee members have the necessary range of financial, risk, control and commercial expertise required to provide effective challenge to management and have competence in accounting and auditing as well as recent and relevant financial experience. Zarin Patel is 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.

She is currently a Chair of the Audit & Risk Committee of HM Treasury, is Chair of the Audit & Risk Committee of Pets at Home Group PLC, Chair of the Audit Committee at the National Trust and a member of Hays plc Audit Committee. Natalie Ceeney has considerable financial services experience, having worked for the Financial Ombudsman Service and been a member of HSBC's UK executive team. She is currently also a member of the Audit and Risk Committee of Liverpool Victoria Life Company Limited (LV=). Colin Matthews, who joined the Committee during the year, has extensive experience working both as an Executive Director and Non-Executive Directors across a range of listed and non-listed companies. 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

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

Financial reporting	External audit (further information on page 124)	Risk	Other
<ul style="list-style-type: none"> Reviewed the final results for the year ended 31 March 2022 and interim results for the half-year ended 30 September 2022 (see below). Considered the company’s going concern and long-term viability statements (see pages 96 to 99). Considered key issues and areas of judgement in relation to the financial statements (see page 119) and the integrity of the audit process. Reviewed the mandatory TCFD disclosures for inclusion in the Annual Integrated Report. Reviewed the processes in place to ensure that there was sufficient control over the Capital Commissioning process and associated accounting implications. 	<ul style="list-style-type: none"> Reviewed the proposed audit plan for the 2022/23 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 and Deloitte’s response to the Audit Quality Review Findings. Following this assessment, the Committee made a recommendation to the Board on the reappointment of Deloitte as the external auditor for the financial year ended 31 March 2023. Agreed the statutory audit fee for the year ended 31 March 2023. In respect of the 2023 year-end statutory audit, the Committee reviewed progress made by the external auditor against the agreed audit strategy. 	<ul style="list-style-type: none"> Considered the risk appetite statements and thresholds for each of the principal risk areas and recommended approval by the Board. 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 120). Considered key treasury risks. Reviewed and supported the company’s approach to IT risk, including cyber security. 	<ul style="list-style-type: none"> Monitored whistleblowing allegations and the associated investigations undertaken by management (see page 121). Considered actual and potential material litigation. Considered the results of the Committee evaluation which was undertaken as part of the wider Board evaluation. Considered the company’s readiness to meet the requirements set out in the Government’s proposals to “Restore Trust in Audit and Corporate Governance”. Reviewed feedback and insights on the 2022 AIR and agreed areas of improvement in respect of the 2023 AIR.
<p>Internal audit (further information on page 120)</p> <ul style="list-style-type: none"> Reviewed progress against the 2022/23 internal audit plan and agreed the scope of the internal audit plan for 2023/24. Where areas of improvement are identified during the internal audit process, the Committee closely reviews implementation of associated action plans. 	<p>Regulatory and legal disclosures</p> <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, including the statement as to disclosure of information to auditors, Ring-Fencing Certificate, Board statement on accuracy and completeness of data and information and the risk and compliance statement, and recommended their approval to the Board. 	<p>Review of financial statements</p> <p>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.</p>	<p>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.</p>

Significant matters and judgements for the year ended 31 March 2023

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
Area of focus – Bad debt provision	
The Committee reviewed the assumptions underpinning the provision for bad debts and how this is consistent with recent debt-recovery experience, current conditions and estimates of future economic conditions. Management calculates the bad debt provision by firstly evaluating the estimated recoverability of trade receivables and records a provision based on experience, primarily cash collection history, and then adjusts, as necessary, for forward-looking factors such as a change in economic conditions. In its forward-looking review, the Committee considered management’s assessment of the potential impact of 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.	Notes 2(c) and 16
Area of focus – Measured income accrual	
Estimating unbilled household income: the Committee reviewed the methodology and outcome of the estimate for measured income for the year ended 31 March 2023, 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 37.7% 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.	Note 17
Area of focus – Retirement benefit obligations	
The group operates a defined benefit pension scheme, which was closed to future accrual on 31 March 2018. The Committee reviews the key assumptions that underpin the actuarial valuation of the scheme in accordance with IAS 19 ‘Employee benefits’.	Notes 1(v), 2(b) and 22

Details of Committee review	Reference to financial statements
Area of focus – Classification of costs between operating and capital expenditure	
The Committee considered the policy for classifying operating and capital expenditure, and the basis on which overheads are capitalised.	Notes 1(l) and 2(a)
Area of focus – Depreciation of property, plant and equipment	
The Committee considered the range of asset lives applied when calculating the depreciation charge. In addition the Committee reviewed the assumptions used in determining the amount of depreciation applied to assets not yet commissioned.	Notes 1 (l) and 12
Area of focus – Recognition of grants and contributions	
The Committee considered the rationale for recognising the income from grants and contributions as revenue when new properties are connected to the network. As discussed, this follows a review into this judgement and the application of IFRS 15 based on the March 2021 AIR.	Notes 1(e) and 2a
Area of focus – Climate Change	
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 and the related impacts on the financial statements including the disclosure to be presented in the AIR.	See Climate-related Financial Disclosures from page 71 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 2033. 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 preparing business plans for future AMP periods and 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:

<p>1</p> <p>In January 2023, Committee Chair met with key members of management to agree key messages in respect of the AIR.</p>	<p>2</p> <p>In March 2023 the Committee considered a review of the 2022 AIR including feedback from Deloitte, the FRC and Ofwat and agreed a series of actions to improve the 2023 AIR.</p>	<p>3</p> <p>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.</p>
<p>4</p> <p>The Committee reviews 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.</p>	<p>5</p> <p>The external auditor presents the results of its audit work and work on significant risks which were considered by the Committee.</p>	<p>6</p> <p>On the recommendation of the Committee, the Board approved the AIR and the associated Statement of Directors’ Responsibilities which can be found on page 158.</p>

Risk management, internal control and internal audit

Risk management

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 83 to 95), 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. The Committee assists the Board with risk management, particularly with regard to the monitoring of financial risks, internal control, risk management systems and the alignment of the internal audit plan with key risks. At the March meeting, the Committee reviewed the approach to risk appetite and the risk appetite statements associated with each of the company’s Principal Risk Areas. On conclusion of the review, the Committee recommended the risk appetite statements to the Board for approval.

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

- Risks are managed using a comprehensive system of risk registers, which operate at a number of levels across the business. These registers are used to assess the risks, to document the existing controls in place to manage these risks, to ensure mitigation plans are established and monitored, and to establish clear ownership of each of the risks.
- The top-tier risk register is regularly reviewed by the Board and the Management Board. Throughout the year, the Board receives presentations or papers from management regarding the management of key risks.
- The Committee reviews and approves the risk-based internal audit plan each year, with regular meetings to assess progress and reprioritise audits if necessary, to review the 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.

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 at each Committee meeting. 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 which have been identified in the process or system that is the subject of the audit. Specific actions are agreed with management to address any weaknesses, together with a timetable for completion of actions. If an audit receives a classification other than that of '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 Key Financial Controls, Chemical Stock Management, Water Quality Compliance, Asset Health Data Management, Capacity Management, Cyber Security, Developer Charges, ESG Governance, Regulation Governance and Cost Programme. 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 2023/24 is aimed at providing depth and quality assurance where it matters to the company, taking into account the top tier risk register, discussions with management, organisational objectives and priorities. Some audits are designed to add greater value and insight to the organisation in real time whilst other audits focus on the delivery of improvements in efficiency and effectiveness. Audits on the 2023/24 internal audit plan include Critical Asset Management, Abstraction Licence and Sludge Treatment Compliance, Supply Chain Sanctions, Operator Self Monitoring Sampling Programme, Business Impact Assessments and Continuity, Financial Spreadsheet Controls, Key Financial Controls and Fraud Effectiveness, Data Security, Recycling Environmental Services, ODI Governance, Weather Event Planning, Reputation Management and a project assurance review of the Cambridge Relocation Project.

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

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

The independent provider maintains a register of all allegations made to the helpline and, following receipt of an allegation, will notify the Chief Financial Officer, Group Legal Director, Group People and Change Director, 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 so, allegations are then escalated to an appropriate designated person for investigation.

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

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

Anti-fraud and anti-bribery

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

As part of proposed BEIS Reforms, the company is undertaking a governance, risk and controls review in relation to fraud. As an initial step, all controls have been reviewed and categorised against a standard risk taxonomy, which has enabled senior management to identify those controls which mitigate against the risk of both internal and external fraud.

External auditor

The Committee has primary responsibility for overseeing the relationship with Deloitte LLP (Deloitte), the external auditor, including assessing its performance and audit quality, independence and effectiveness and making a recommendation to the Board in respect of the auditor's appointment or removal. 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 2022.

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 Chair of the Audit Committee. In addition, there is a limit on the level of fee that could be paid to the external auditor for non-audit work. Under the policy on fees for non-audit services, only work permitted by the Financial Reporting Council's (FRC) 'whitelist' may be undertaken by the external auditors, and the level of non-audit fees is restricted to 70% 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 179. In addition to the fees payable in respect of the audit of the company and consolidated financial statements, other audit-related assurance services predominantly relate to regulatory reporting to Ofwat and the review of the group's half-year results.

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

Committee performance and effectiveness

An annual review of the Committee's performance was undertaken as part of the Board evaluation process as detailed on page 126. The Committee evaluation considered the structure of the Committee and its membership as well as considering questions around financial controls, external and internal audit. The results of the Committee evaluation were considered at the Committee meeting in March 2023; whilst no material shortcomings in the operation of the Committee were highlighted it was agreed that there was further scope to simplify and streamline Committee packs and papers.

This report was approved by the Board of Directors on 7 June 2023.

Zarin Patel

Chair of the Audit Committee

7 June 2023



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

Committee members

Chair
Dame Polly Courtice

Other members
John Barry
Natalie Ceeney
Deepu Chintamaneni
John Hirst
Alex Nassuphis
Batiste Ogier
Zarin Patel
Alistair Phillips-Davies

Meetings
Four

Meetings also regularly attended by:

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



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

Chair’s letter

This report details the role of the Nomination Committee and the important work it has undertaken during the year, including the matters considered and steps taken by the Committee during the 2022/23 financial year.

During the 2022/23 financial year Paul Whittaker stood down from the Board, on completion of his nine-year term in office. Therefore, during the year the Committee conducted a thorough search and selection process to further enhance the Board. On the completion of the process, the Committee recommended to the Board that two further Independent Non-Executive Directors, Colin Matthews and Alistair Phillips-Davies, be appointed to the Board.

On appointment, Alistair Phillips-Davies was appointed to the Nomination Committee and the membership was further refreshed by the appointment of Deepu Chintamaneni and Alex Nassuphis during the year. I welcome the broad range of professional backgrounds, skills and perspectives they bring to Committee discussions.

At the end of the current financial year both the Chair of the company, John Hirst, and I will be stepping down on the completion of our nine-year terms in office. The Committee has therefore commenced the search and selection process for a new Chair. A new Senior Independent Director will also be appointed prior to the end of 2023/24 financial year.

To ensure compliance with corporate governance best practice I replaced John Hirst as Chair of the Committee in April 2023, and I will lead the search and selection process for a new Chair.

It is an important part of the Committee’s role to review succession planning and the talent pool for the Board, Management Board and other senior roles to identify both talent strengths and gaps. As such, I was delighted to be able to meet so many members of the company’s talent pipeline from apprentices and graduates to potential board successors at the ‘Our Future Workforce’ event which was hosted by the company in July. Other Committee members and I were impressed by the different development opportunities available to employees and how the company recognises the importance of building a career in a purpose and values-driven organisation.

Dame Polly Courtice
Nomination Committee Chair

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

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

Composition of the Committee

On 28 September 2022, Alex Nassuphis replaced Niall Mills as a member of the Committee. On 13 October 2022, Paul Whittaker resigned as a member of the Committee. On 23 November 2022, Alistair Phillips-Davies was appointed as a member of the Committee. On 23 March 2023, Deepu Chintamaneni replaced Duncan Symonds as a member of the Committee. On 26 April 2023, Dame Polly Courtice replaced John Hirst as Chair 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, 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 membership of the Board and Committees and recommended to the Board that the following appointments should be made:

- Alex Nassuphis should be appointed as a member of both the Nomination and Remuneration Committees with effect from 28 September 2022;
- Colin Matthews and Alistair Phillips-Davies should be appointed as Independent Non-Executive Directors with effect from 23 November 2022;
- Alistair Phillips-Davies should be appointed as a member of both the Nomination and Remuneration Committees on his appointment to the Board;
- Colin Matthews should be appointed as a member of the Audit Committee on his appointment to the Board;

- Deepu Chintamaneni should be appointed as a member of both the Nomination and Remuneration Committees with effect from 23 March 2023; and
- Dame Polly Courtice should replace John Hirst as Chair of the Nomination Committee with effect from 26 April 2023.

In October 2022, Paul Whittaker stood down as an Independent Non-Executive Director, on the completion of his nine-year term in office. Therefore, during the 2021/22 financial year, the Committee began a search for a new Independent Non-Executive Director to replace him. The Committee led the search and selection process with the support of Korn Ferry (a global executive recruitment firm, which was appointed after a competitive tendering process, and which does not have any other connection with the company or individual Directors other than supporting the recruitment of Board Directors and senior management appointments). On beginning the search process, the Committee considered the key skills and experience required by an individual appointed to the role, with reference to the previously agreed Board skills matrix. The Committee considered and agreed a specification for the role and delegated the initial selection process to a sub-committee which consisted of four members of the Committee, including the Chair.

Once interviews with short-listed candidates had been completed, the sub-committee reported back to the Committee and recommended that, due to the strength of the candidates available and considering that both the company Chair and Senior Independent Director (SID) would be stepping down at the end of the 2023/24 financial year, two candidates should be appointed. Following the Committee's recommendation, the Board approved the appointment of both Colin Matthews and Alistair Phillips-Davies to the Board with effect from 23 November 2022.

It is expected that the company Chair will step-down at the end of the 2023/24 financial year. Therefore, the search and selection process has commenced to find his successor. The Committee has agreed that the process will be led by the SID, who will chair a small sub-committee and be supported by the Group People and Change Director and Korn Ferry. Initially, the sub-committee will be responsible for preparing and agreeing with the whole Board the specification for the new Chair, to ensure it accurately reflects the company's priorities. Both the Board and Committee will receive regular updates on the recruitment process.

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.

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 to inclusion. The company’s inclusion approach aims to develop awareness and education, build and grow the company’s Inclusion Community and deliver specific interventions to move the organisation forward. During the year, the Committee had the opportunity to further understand, discuss and challenge this approach. The Committee reviewed progress in respect of a range of initiatives designed to increase the diversity of the company’s workforce as well as progress in respect of agreed inclusion metrics. In addition, they considered and offered insight into the planned inclusion activity for the year and recognised the challenges of increasing inclusion. Areas of achievement over the financial year included:

- Increase in the gender mix of new hires from 35% at March 2022 to 39% in March 2023;
- Launching a pilot initiative in Peterborough to support the recruitment of more individuals from Ethically Diverse Communities (EDC). In 2022, recruitment from EDC in Peterborough increased to 16% (2021: 6%);
- Publication of the company’s first Ethnicity Pay Gap Report;
- 70% of employees sharing their ethnicity demographics, which represents an increase of five percentage points on 2022;

- Achieving Disability Confident Status in November 2022; and
- Sharing the company’s commitment and actions to make its recruitment process more inclusive as part of the Business in the Community’s Opening Doors campaign to East of England based companies.

Although the company is making good progress in increasing its gender mix throughout the organisation, increasing the number of people from EDC in the workforce remains challenging. Therefore, during 2022, the company updated its recruitment training to include more content on diverse hiring, partnered with new diversity job boards and installed a translation and disability tool on its recruitment website, to enable candidates to customise their recruitment journey. During 2023, recruitment training is being developed further to incorporate findings from the company’s Strength in Diversity Initiative and there are plans to undertake further cross-industry collaboration. The Committee endorsed and supported the actions undertaken to further create a more inclusive workplace.

The Financial Conduct Authority has made changes to the rules that apply to listed companies which require disclosure against the following targets:

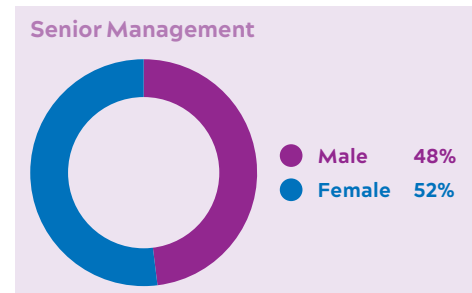
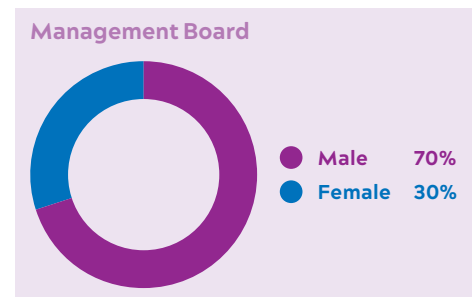
- At least 40% of the board must be women;
- At least one of the senior board positions (Chair, CEO, SID or CFO) must be a woman; and
- At least one member of the board must be from a non-White ethnic minority background.

The company makes the following disclosures on a voluntary basis. As at 31 March 2023*:

- 33% of the Directors were female. However, 50% of the Independent Non-Executive Directors appointed by the company are female. Four of the Directors are appointed by the company’s ultimate investors, of which one is female;
- The SID is female; and
- Two Directors are from a minority ethnic background.

* There have been no changes to Board composition since 31 March 2023 and the date of this report.

As at 31 March 2023, the gender balance of the Management Board and those employees who directly reported into Management Board members is detailed below:



Succession planning

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

During the year, the Committee undertook a specific review of how talent was retained and developed across the company as well as a broader review of succession planning. Both reviews enabled the Committee to understand how individuals at all levels within the company’s talent pipeline are encouraged to develop their careers with the company. Opportunities include operational qualifications such as the company’s Licence to Operate scheme as well as externally supported qualifications. The Committee particularly focused on how the company retained and developed those individuals identified as having the potential to succeed Board and Management Board members. During the financial year there were changes to both the Management Board and the wider senior leadership team, and the review gave the Committee the opportunity to understand how individual development plans had supported and aided these senior leadership promotions. As part of the review, the Committee also considered the plans in place to support these individuals during the different stages of their development, as well as the progression opportunities available to all individuals across the business. The Committee also reviewed and supported a thorough external recruitment process for the new Group Treasurer. Fraser Campbell was appointed as Group Treasurer in November 2022.

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 Committee members attended ‘Our Future Workforce’ market stall event, which provided an opportunity for them to meet with employees who are delivering the company’s award-winning people development programmes as well as hearing from employees who have benefited from the opportunities on offer. This event also gave Committee members the opportunity to further understand how the company’s inclusion work drives its culture.

Board and Committee evaluation

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

Although a review is undertaken on an annual basis, the Board considers it to be important to keep the actions arising out of the review process under regular review. Therefore, during the year the Board reviewed the progress made against the actions which had arisen following the 2021/22 Board and Committee evaluation to ensure progress was on track.

The 2022/23 Internal Board and Committee evaluation process comprised the following stages:

1. Stage 1: evaluation design:

Questionnaires for the Board, its Committees and each individual Director were developed by the Company Secretary in consultation with the Chair. The questionnaires were developed considering feedback from the 2021/22 evaluation, the company’s Corporate Governance Code and strategic matters considered by the Board during the year. Areas of focus included: boardroom behaviours and dynamics; the company’s purpose and culture; the structure and processes around Board meetings; Board composition and structure, including succession; and the company’s strategy.

2. Stage 2: evaluation process:

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

3. Stage 3: discussion and decision:

The reports setting out the findings were presented and discussed at each of the relevant Board and Committee meetings in March 2023.

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

- Continue to prepare and plan for the Business Plan for the period 2025–2030;
- Continue to closely focus on key operational challenges, as such at its meeting in April 2023 the Board had the opportunity to consider a number of strategic priorities;
- Continue the work to effectively communicate the company’s purpose with key stakeholders;
- Further develop the company’s approach to the management of risk; and
- Continue to spend more time meeting with those individuals who are identified in succession plans.

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

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

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

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

Dame Polly Courtice

Chair of the Nomination Committee

7 June 2023

Chair's statement



Committee members

Chair

Natalie Ceeney

Other members

John Hirst (AWG Chair)

John Barry

Deepu Chintamaneni

Polly Courtice

Alex Nassuphis

Batiste Ogier

Zarin Patel

Alistair Phillips-Davies

Meetings

Six

Meetings also regularly attended by:

Peter Simpson, Chief Executive Officer; Steve Buck, Chief Financial Officer; Susannah Clements, Group People and Change Director; Sally Purbrick, Head of Reward; Claire Russell, Company Secretary; and a Director of Reward, PwC

“

I welcome the opportunity to share the Remuneration Committee Report for 2022/23. This has been a year of unprecedented challenge for our sector and business, but also one where the commitment and calibre of our people has shone. This report gives an overview of the remuneration policy and practices for Executive Directors and our wider workforce.”

The year in retrospect

With the increasing impact of climate change, a cost of living crisis, significant inflation, and rising public concern about investment in the water sector, this has not been an easy year for the business.

Water companies have been in the media and public spotlight like never before, as the importance of the water infrastructure and the levels of investment needed have become more apparent. It won't be a surprise that the remuneration of the senior leaders of water companies has also been under intense scrutiny. Whatever the rights and wrongs of the arguments playing out in public, such attention has a direct impact on Anglian Water's people. What will be less apparent to most is the impact on staff at all levels who have felt judged for their choice of sector. At the same time, the cost of living crisis has really taken effect.

Composition of the Committee

On 28 September 2022, Alex Nassuphis replaced Niall Mills as a member of the Committee.

On 13 October 2022, Paul Whittaker resigned as a member of the Committee.

On 23 November 2022, Alistair Phillips-Davies was appointed as a member of the Committee.

All our people across the organisation, and their levels of pay, have therefore been of significant focus to both the Board and the Remuneration Committee over the past year.

As a Committee, we recognise customer expectations are changing and, in response to customer feedback, we have decided to alter how we pay for Executive bonuses earned this year to ensure our customers will not foot the bill as detailed on page 129. The Committee has also applied discretion in light of these changing expectations.

Our people

Our people are critical to bringing environmental and social prosperity to the region we serve. We firmly believe that engaged and motivated colleagues also deliver better outcomes for

Remuneration contents list

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customers. Accordingly, we have set out to make Anglian Water a great place to work, reflecting our commitment to supporting our people and wider communities through the cost of living crisis, in the same way we did through the Covid-19 pandemic.

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 this intense spotlight can have on morale, so with both the mental and financial wellbeing of our people front of mind, we have taken a number of actions.

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

Chair’s statement continued

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

Along with this competitive pay increase, we have also invested an additional £400,000 in role progression pay awards for 200 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 reminded colleagues of our excellent range of financial support schemes such as 0% interest employee hardship loans, our Covid-19 employee assistance fund (which remained open until 31 March 2023), our Loyalty Savings Scheme and Salary Finance advance pay.

By sharing regular information, such as detail 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.

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.

For our colleagues who are also Anglian Water customers, we offer an extra helping hand if they are facing hardship, just as we do for other customers. To find out how we have supported our customers through the cost of living crisis see pages 46 to 52.

To overcome any perceived stigma or shame for colleagues seeking help, we created a new confidential application process to encourage more people get the help they need.

Our hugely successful Talk Money Week in October 2022 included a range of webinars offering support and advice to deal with the cost of living challenges. More than 2,000 of our people attended, with 85% saying they felt more in control of their financial wellbeing afterwards.

Ensuring our people are fairly rewarded and well supported is always at the centre of our remuneration discussions, and we continue to monitor the cost of living pressures closely.

Our bonus outcomes

All colleagues in Anglian Water are eligible for some form of bonus, with the majority receiving between 3% and 8% bonus on top of their base salary. This is based on a personal year-end performance rating, reflecting their commitment and hard work in what has been a tough year and challenging AMP so far.

7.7%
company-wide salary increase.

96%
of employees are contributing to the company pension plan.

£400,000
of additional salary increases for in-year development for 200 roles.

20,540
‘moments of recognition’ via the GEM system awarded from one staff member to another.

78
apprentices, graduates and interns joined the business. 18% of our apprentices and 75% of our graduates were women.

61%
of employees visited our new benefits platform when launched in February.

2,000+
employees attended financial wellbeing workshops.

2,419
employees saving monthly via the loyalty saving scheme.

86%
of our people agree Anglian Water is an inclusive place to work.



Chair's statement continued

The 'AWS Performance Contract' consolidates the various performance commitments into a basket of measures aimed at driving better outcomes for customers. The Performance Contract is grouped under three headings: Customer Delivery (53.3%), Customer Efficiency (33.4%) and Environmental and Social initiatives (13.3%). This Performance Contract is the basis for the bonus payment for 520 of our most senior staff. The value of the bonus payment that different employees receive depends upon their role, grade 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 the organisation provides to our customers.

We recognise the need to protect customers' bills by only rewarding success therefore, as for Executive Directors, the Performance Contract part of all leaders' bonuses is reduced if targets are not met.

The structure of Executive reward

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 return' of the company's reward scheme is, and consider whether discretion is applied, upwards or downwards.

For Executive Directors 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.

However, 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 what happens in subsequent years.

In the water sector, we build infrastructure and deliver services which 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. In addition, we have the power under the rules of the DBP to exercise 'malus and clawback' even after these deferred bonuses have been paid out if we see a material issue come to light in subsequent years.

This structure is different from the long-term incentive plans (or LTIPs) used by many other companies, but we believe it is the most appropriate structure for the Anglian Water Services business.

Anglian Water made a change from a traditional LTIP scheme to the DBP in 2019. As a result, for the first two years of the new DBP, the Directors received the first half of their bonus, with only one payment for previous years.

This year (2022/23) is the first year in which two of deferred amounts become payable (being the final tranche of the bonus awarded in 2019 and the second tranche of the bonus awarded in 2020). It therefore means the total pay Executive Directors received in 2022/23 is higher than in the past two years because these elements of their original bonuses are now paying out.

This does not represent a higher bonus opportunity. Instead, it shows that to help ease the DBP in, Executive Directors forewent parts of their bonuses in the last two years.

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 which undertake a range of commercial activities, for example providing services in Ireland. For this reason 30% of the Chief Executive'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 is determined by a single Remuneration Committee to ensure no duplication and then the costs are split between the different companies.



Chair's statement continued

Business highlights in 2022/23

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

- **Excellent drinking water quality**
- **Reduced storm overflow spills**
- **Record help for vulnerable customers**
- **Secure water supplies with no drought permits and no hosepipe ban**
- **Excellent bathing water quality**
- **Reduced carbon**
- **Biodiversity net gain of 281%**
- **Strong financial discipline on Totex and kept customer bills low**

Delivering on customer priorities

Securing water supplies and providing safe, clean drinking water has always been at the top of our customers' priorities (see page 12). As well as demonstrating our resilience through the drought and minimising impact on customers, we maintained excellent drinking water quality and achieved what we expect to be a sector-leading result. Our provisional Event Risk Index score and lowest-ever water quality contacts are evidence of the robust operational management and compliance we have in place, especially given the peak volumes of water put into supply every day during the heatwave, and the number of weather-related operational issues the business had to respond to. See page 13.

Additional rigour

Providing additional rigour to remuneration governance, this year the Committee introduced a new data-driven audit risk report to inform its views on bonus outcomes at the end of the performance period. This includes a view of any emerging risks and issues, and an assessment of whether short-term outcomes have been achieved at the expense of longer-term investment objectives. It ensures that the Committee can take into consideration all aspects of the company's performance when awarding pay, not only those elements which were included in the remuneration targets at the start of the year.

Our company performance reflected in bonuses

We have set our Performance Contract to reflect the priorities of customers: safe clean drinking water, reducing leakage, keeping bills down, looking after the environment, protecting the most vulnerable in society and responding to climate change. On a number of the Customer Delivery measures we have not done as well as we would wish, and therefore that element of the bonus has not been awarded. On other measures we have delivered outperformance, and we believe it is right that these elements of the bonus contract are honoured.

As referenced, many people across Anglian Water have these measures in their bonuses and have worked tirelessly this year to achieve for customers.

As a principle, we believe where there is outperformance, or upper quartile performance, we should reward it.

Reflecting this, we have awarded the bonus against two sets of measures – our Customer Efficiency (Totex) measure and our Environmental and Social measure.

Our Customer Efficiency measure covers Totex (capital and operational expenditure), and is important because it determines whether we are investing enough for customers or whether we are overspending (which puts customer bills up).

In a tough year, we performed well against our targets, investing record sums in long-term infrastructure (£725 million in 2022/23) but managing within our total budget, driving efficiency to do so.

Our Environmental and Social measure is also important. Our carbon targets are part of our challenging net zero commitment. Biodiversity Net Gain demonstrates how we are not just restoring, but enhancing the environment as part of our capital delivery programme, and our measure of how many customers we help who are struggling to pay is a key part of our commitment to support people through the cost of living crisis and help the most vulnerable in society.

We are rightly proud of our achievements in these areas, and therefore these elements of the bonus will be awarded.

The Customer Delivery element of the Performance Contract, however, will not pay out. This is the largest element of the Performance Contract, and contains a number of metrics including leakage and pollutions. For some of these we performed above target, and in some we expect to be industry-leading. However, we did not perform sufficiently well against all, which is why this part of the bonus will not be awarded. See page 140 for details of the company's performance against its Outcome Delivery Incentive metrics.

Chair's statement continued

Our Performance Contract



Customer Delivery:
53.3% – not awarded



Customer Efficiency:
33.4% – awarded



Environmental and Social initiatives: 13.3% – awarded

Total payable bonus for AWS performance:

46.7% of maximum

Deferred Bonus Plan outcomes from previous years

The DBP operating since 2019 provides the Committee with the ability to reduce and recover sums paid for past awards should they deem it appropriate in light of recent performance.

Deferred payments from 2019 and 2020 are scheduled for payment in 2022/23. 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 a reduction of 10% be applied to both the 2019 and 2020 deferred bonus payments, reflecting prior years' Compliance Risk Index, environmental reflecting prior years' performance on Compliance Risk Index, environmental performance and sewage treatment. The Board agreed to this reduction.

This brings the payable bonus relating to the AWS Performance Contract element of the 2019 DBP award down to 67.2%. The Performance Contract element of the 2020 award has been reduced to 66.3%. A schedule of Deferred Bonus Plan payments is available on page 150.

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

Consolidated bonus outcomes for Executive Directors in 2022/23

Having determined the 'formulaic outturn', the Remuneration Committee considered at length whether the two Executive Directors, our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), should be paid according to this formula, or whether discretion should be used to reduce the award.

In its discussions, the Committee was very aware of the public concern regarding water company performance and remuneration of senior Executives. There are stakeholders arguing vocally that no water company leaders should receive bonuses. At the same time, the job of Executive Directors of a company is to act in a way which promotes the success of the company for the long term. This means we need to be able to recruit and retain talented leaders who might otherwise work elsewhere, and to be fair in the way we reward our people. Each company will decide what is right for their staff, based on their performance – and not all companies are the same.

One of the benefits of a diverse Board is that we have a range of different views to bring to these discussions, and I can assure our customers and stakeholders that we considered all of these perspectives extremely carefully.

The Remuneration Committee agreed that a 'formulaic performance outturn' for the CEO would result in a 46.7% payout of the AWS Performance Contract element of his bonus (representing 75% of his total bonus opportunity) and 85% payout on the personal objectives part of his bonus (representing 25% of his bonus opportunity). In total, this would represent 56.3% of his maximum bonus being paid.

However, the Committee also agreed that, in the light of underperformance on some key elements of the company's performance (particularly pollution events), they would exercise 'downwards discretion' to bring this total percentage down to 47.5% bonus eligibility, by reducing his personal objectives award to 50% of the maximum available.

There was significant debate around this, with the Committee agreeing that the CEO was a very able leader who had achieved the vast majority of his objectives. However, our overriding rationale for the Committee's decision was that the CEO remuneration needed to align to the experience of the company's wider stakeholder group, regardless of his personal performance.

Chair's statement continued

Furthermore, the Committee agreed the personal element of the bonus the CEO would otherwise receive in 2023, as well as being reduced to 50%, would not be paid. Instead, a new award of the same amount would only be paid once a key target was met, namely achieving full monitoring of all storm overflows by 31 December, 2023. This therefore reduces the immediate bonus payment to the CEO to 35% of the maximum.

Achieving full monitoring of storm overflows is a core objective for the business, and the Committee determined 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.

The adjustments applied by the Committee this year have seen the total bonus payable to the CEO for the 2022/23 DBP reduced from a maximum of £1,725,900 to £604,065 with £302,033 paid this year, and the remainder held back for later tranches.

For the CFO, the Remuneration Committee determined that the same formulaic outturn would result in the same 46.7% payout on the corporate performance element of his bonus (representing 75% of his total bonus opportunity) and 83% payout on the personal objectives part of his bonus (representing 25% of his opportunity). In total, this would represent 55.8% of his maximum bonus being paid.

The Committee decided not to exercise downwards discretion on the grounds that the operational aspects of the company's performance are not under the CFO's control.

The CFO's maximum of £927,153 was reduced to a payment of £517,660, with £258,830 paid this year, and the remainder held back for future tranches.

This year, in light of the concerns expressed by some stakeholders, the Remuneration Committee recommended to the Board that the payment due to the Executive Directors in respect of the 2022 DBP award should not be paid for out of income from customer bills, and the Board accepted this recommendation.



Chair's statement continued

The performance conditions for next year (2023/24) are:



Environment

35%

(including pollutions, leakage, storm overflow spills, biodiversity net gain and carbon, both operational and embedded carbon)



Customer Delivery

30%

(including CMeX, internal flooding, external flooding, DMeX, and vulnerable customer support)



Customer Efficiency and Resilience

30%

(Totex, operating cash flow)



BITC Responsible Business Tracker

5%

(based on the rating we achieve for the year)

Looking ahead to 2023/24

As a purpose-driven company, we want to continue rewarding our people when they do the right thing and deliver 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 2023/24 remuneration plans, and have sought to strike a fair balance between driving performance outcomes, alongside ensuring any failures to deliver are not rewarded.

As a result, we are introducing new performance conditions for the AWS Performance Contract in 2023/24 and will continue to take a holistic view when measuring and awarding bonuses.

Each measure will be assessed independently and no payment will be made unless a threshold target is achieved. A stretch target will also be determined for each condition which, if achieved, the full bonus for the measure will be awarded.

Whilst remuneration remains closely linked to performance for customers, the further changes to the measures in this year's award demonstrates a strong alignment between reward for employees and the delivery of our purpose. Our 2023/24 targets are stretching in relation to the rest of the industry and also reflect the priorities expressed by Ofwat.

In summary, we have listened to stakeholders, customers and regulators and taken action to reflect their feedback.

Natalie Ceeney

Chair of the Remuneration Committee

8 June 2023

Chair's statement continued

Q&A with Natalie Ceeney



Q How can you justify your approach to reward in light of your environmental performance?

A Executive pay is always contentious, and when a company or industry is in the spotlight it becomes even more so. But the answer is rarely as simple as 'cut the pay'. Water companies need to attract and retain talented people at all levels, and if one company, or one sector, pays people less than they can earn for a similar job elsewhere, they are likely to lose good people. As a company we must balance the need to meet public and customer expectations about pay with the need to reward staff fairly, and be able to recruit and retain talent to run the company well.

We operate in a competitive market for talent at all levels, from field-based engineers to software engineers, finance professionals and managers. We therefore aim to pay our staff within the range of what they could get elsewhere – never at the top, but also, given we are one of the larger water companies, not at the bottom either.

We regularly benchmark our pay, particularly for our most senior executives, to ensure we keep pay in the right range.

We also believe some of our senior staff's pay should be put 'at risk' and be paid based on performance. In other words, to achieve the salary level they expect, they need to hit stretching targets. This means we can balance fixed base salaries with variable pay, and decide at the end of the year how much variable pay to award. 'Bonuses' are therefore not just about performance above and beyond expectations, but about releasing pay when targets are met. It can appear politically attractive to 'stop bonuses' if anything ever goes wrong, but the reality is such an approach could require us to raise people's base pay as a result, so people were still paid on a level with the wider market. This is something we have reflected in our feedback to Ofwat's consultation.

It is true we have not reached the standards expected by our customers and ourselves in some key areas of our work, and in particular on pollution events. For that reason, we have reduced bonuses significantly for our staff and Executives alike this year. But water companies are complex businesses, and while we haven't done as well as we would want in some areas, we have done extremely well or hit targets in others. We're strong performers in areas such as water resource management, leakage, storm overflow reduction and providing help for vulnerable customers.

We strongly believe that where our people have outperformed our targets, or the sector, this outperformance should be recognised and rewarded.

That's why this year, we stand by our decision to award part of the bonus. However, we have also taken alternative steps regarding who pays for the bonus to reflect public opinion and to ensure that the bonuses are not paid for out of income from customer bills.

Getting the balance right is never easy, and reaching this year's conclusions on pay and reward has taken a lot of debate and soul searching.

Q What is your approach to the future remuneration for Executives?

A With the sector in the spotlight, and remuneration contentious, we understand why Ofwat has launched its consultation on executive remuneration. We have listened carefully to the proposals and responded (in April 2023) outlining the rigorous conditions and processes we already have in place as a Committee, which we believe demonstrate that we are already working in a way which is consistent with Ofwat's desired approach for the future.

We have been very thoughtful about how best to drive performance through our pay mechanisms, and take our responsibilities very seriously in this regard.

Our rigorous application of the 'pay at risk' approach led to a significantly reduced bonus in 2021/22, as we did not achieve the results we had aimed for. Last year, we reduced the quantum of the deferred bonus as a result of the company's performance, and we have taken a similarly rigorous approach this year – applying our conditions and claw back options where it is absolutely right to do so.

As we have demonstrated, both as a company and a Remuneration Committee, we agree variable pay should be a reward for strong performance. We believe that variable pay (as opposed to just a guaranteed base salary) is a powerful mechanism for driving performance, not just at the executive levels of the organisation but throughout our company.

To ensure that complex businesses such as water companies are delivering for all stakeholders, it is necessary to ensure they have strong capable leadership. This requires remuneration packages to be competitive with those of other potential employers. So while bonuses should be a reward for success, there are real dangers in seeking to impose a wholly different standard within the water industry than elsewhere. It is imperative the water industry continues to attract colleagues at all levels of the highest calibre to ensure these systemically critical and complex businesses are run well, now and in future.

In our response to Ofwat, we agreed that the key to transparency and understanding is being clearer about what bonuses are paid for out of income from customer bills and what is paid for from other revenues and group businesses. We have taken steps to set this out in more detail in this year's remuneration report on page 138.

We take remuneration extremely seriously and hope the information and context we have provided will ensure any rule changes made by Ofwat in future are in the long-term interests of the sector, and create positive long-term outcomes for customers and the environment.

Remuneration at a glance

External advisors

To ensure the company’s remuneration practices are in line with best practice, the Committee undertook a review of its independent external remuneration advisors and reappointed PricewaterhouseCoopers LLP (PwC) as their main advisor for ongoing support. A senior representative from PwC agrees areas of focus with the Chair of the Committee and attends all meetings. PwC also provides specialist internal audit support and advisory services to the group. In addition to PwC, FIT Remuneration Consultants were also engaged to undertake additional independent benchmarking and insight on executive pay. Specifically, they took the lead role in a review of the Deferred Bonus Plan to ensure it aligned reward for Executives with achievement of stretched company performance for key customer and environmental initiatives.

Support for the Committee

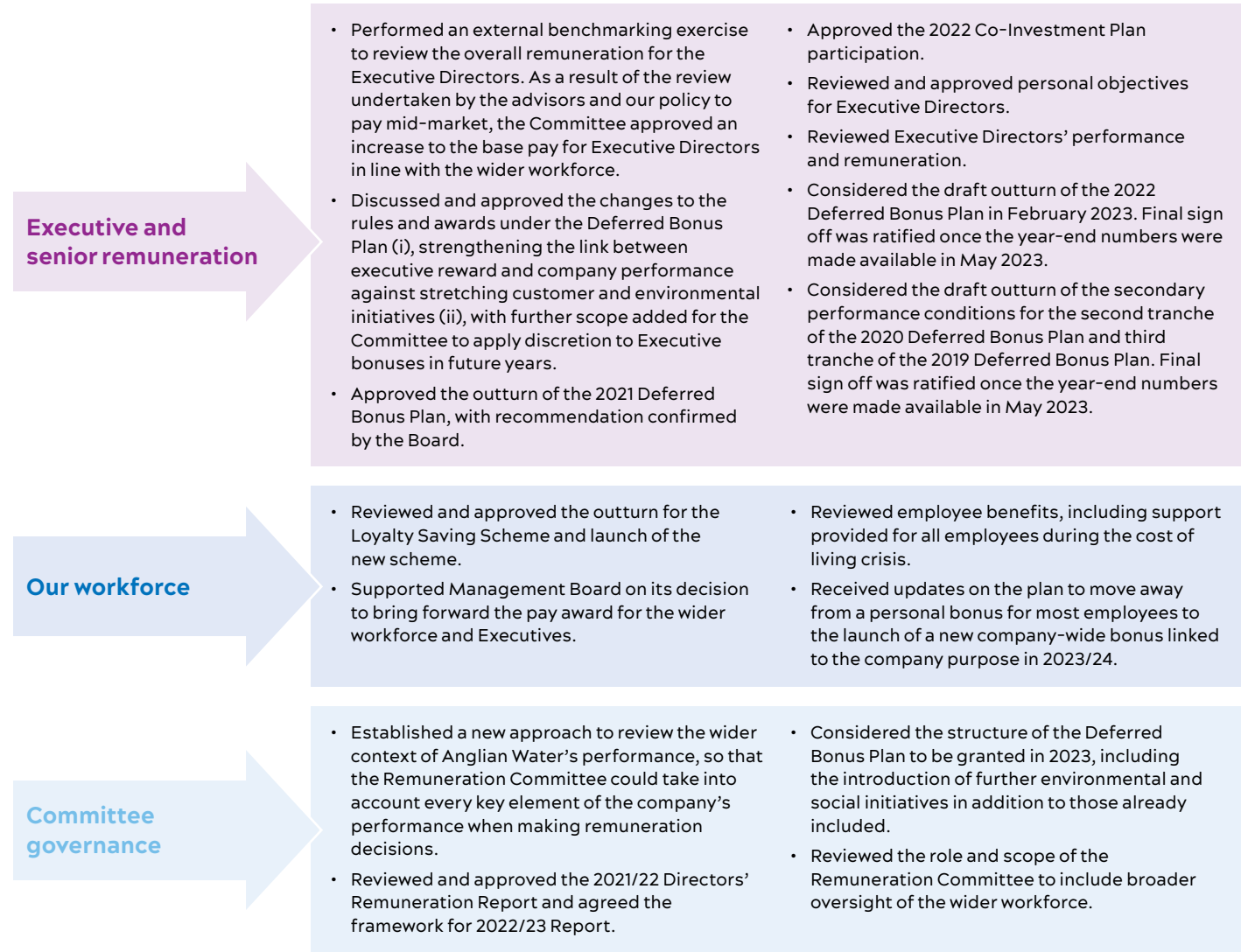
In addition to the external advisors, the CEO, CFO, Group People and Change Director, and the Head of Reward also attend meetings, by invitation, to provide advice and respond to specific questions. Such attendances specifically excluded any matter concerning their own remuneration. The Company Secretary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

Committee performance and effectiveness

An annual review of the Committee’s performance was undertaken as part of the Board evaluation process, detailed on page 108 to 111. The key findings of the evaluation were discussed at a meeting of the Committee on 23 March 2023. No material shortcomings in the operation of the Committee were highlighted.

Key areas of Remuneration Committee focus in 2022/23

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



Remuneration at a glance continued

Alignment to purpose and strategy



Delivering our purpose

We were the first water company in the UK to change our Articles of Association in 2019 to reflect our commitment to deliver long-term value to our customers, the region and the communities we serve, seeking positive outcomes for the environment and society. Put simply, this means the Committee must take account of the wider impact Anglian Water has had on all its stakeholders, including the environment, when awarding performance-related bonuses to the Executive Directors, and when setting targets and incentivising future performance.



Remuneration at a glance continued

Remuneration in 2022/23

£255 million

Paid to employees.

7.7%

Salary increase.

100%

Employees eligible for bonus.

3.9%

Average benefit increase.

Total AWS CEO remuneration

£974,000

Total remuneration – AWS related.

-16.5%

Change in remuneration funded by AWS compared to 2021/22.

The 2022 DBP award will not be paid for out of income from customer bills



Performance

330,000+

Customers supported this year through financial assistance and our vulnerable customer support.

Times Top 50

Employer for Gender Equality.

£135 million

Support package to help customers and colleagues through the cost of living crisis in 2023/24.

£725 million

Our biggest-ever year of capital investment.

11.4%

Customers on Priority Services Register versus a national average of circa 5%.

63%

Capital carbon saving against 2010 baseline.

“

I see our people working hard behind the scenes every day, coming to work to improve the environment and serve customers. To do so in the face of such unrelenting scrutiny on us and on our sector shows real dedication, and I thank them for their commitment to make us a better business and achieve all we aspire to for this region.”

Peter Simpson
Chief Executive

Remuneration at a glance continued

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, 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 yearly reports updating on our social progress, such as this year’s Gender Pay Gap report, and more recently, our Ethnicity Pay Gap report. For more information see page 145 to 147.

Deferred Bonus Plan 2022/23 at a glance

A detailed summary of the stretching targets set by the Committee for the 2022/23 Deferred Bonus Plan is set out below, showing linkage to the environmental and social aspects of our purpose and whether or not they were met.

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

Environmental measure	Requirement met? Yes
Social measure	Requirement met? No

For CMeX and DMeX results, there was no penalty so recorded as target met.

AWS and AWG contributions to bonus payments

As outlined earlier, the 2022/23 DBP award will not be paid for out of income from customer bills.

Traditionally, Anglian Water Services (AWS) pays for the majority (70% for the CEO and 60% for the CFO) and therefore for this element of the award, the conditions that need to be met are directly linked to performance of AWS.

The remaining part is paid for by Anglian Water group (AWG) (30% for the CEO and 40% for the CFO), and is therefore linked to performance outcomes of the group’s subsidiary companies, and overarching group objectives.

Due to the structure of the Deferred Bonus Plan, AWS customers only ever pay for 60% or 70% of the bonus awarded via this incentive scheme.

In light of the concerns expressed by some stakeholders, the Remuneration Committee recommended to the Board that the payment due to the Executive Directors in respect of the 2022/23 DBP award should not be paid for out of income from customer bills, and the Board accepted this recommendation.

Remuneration at a glance continued

2022/23 outcomes for the Deferred Bonus Plan

The AWS portion of the 2022/23 Deferred Bonus Plan award 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 around 500 of the most senior staff and managers, 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. It is made up of three key initiatives as outlined to the right.

In summary, whilst a number of environmental initiatives were achieved, such as abstraction compliance, WINEP delivery, and storm overflow spill reduction, there was underperformance on other initiatives, such as pollutions. This underperformance means the entirety of the Customer Delivery measure has not been awarded.

The Committee agreed that performance for Customer Efficiency (which relates to Total Expenditure), and Environmental and Social Initiatives were both met in full, accounting for 33.4% and 13.3% of the Performance Contract, meaning therefore only 46.7% of the AWS Performance Contract will be awarded.

Customer Delivery



Measuring company performance against our ODI targets including:

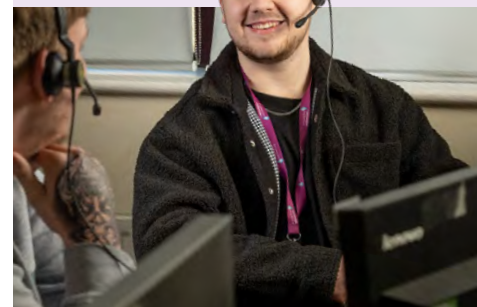
- CMeX position (a key industry measure of customer service that positions us relative to other water companies)
- Internal flooding (the number of times properties are flooded internally per 10,000 customer connections to the sewer)
- Pollutions (reducing the number of pollution incidents from our sewer network)
- Leakage (reducing the amount of water lost throughout our region everyday to leaks)
- DMeX position (an industry measure which assesses the experience the company provides to developers who build new homes, and positions us relative to other water companies)
- Vulnerable customer support (the percentage of vulnerable customers on our Priority Services Register)



Customer Efficiency



- Total Expenditure (TOTEX) performance (a measure of performance based on whether we are underinvesting or overspending compared with the amount allowed by Ofwat. This measure is important as an incentive, as hitting the target ensures we are investing at the correct level and making good on our promise of investment and bills to customers)



Environmental and Social initiatives



- Reduction in capital carbon (the carbon we create in building or maintaining our assets)
- Reduction in operational carbon (the carbon used in the day-to-day running of our business, including energy and transport)
- Biodiversity net gain (leaving the natural environment in a measurably better state than before our intervention)
- Helping customers struggling to pay (the number of customers who receive financial support from us)



Remuneration at a glance continued

Performance outcomes for 2022/23 Deferred Bonus Plan

The tables below show the maximum CEO and CFO bonus relating to AWS company performance for the 2022/23 DBP broken down over the three measures, Customer Efficiency, Customer Delivery, and Environmental and Social initiatives, alongside personal performance relating to group targets. The bonus payable in 2022/23 is the first tranche representing half of the maximum, with the further 50% payable in later years. It is this first tranche that is represented below.

Achievement of deferred bonus outcomes

	Met or Not Met	Weighting for 2022/23 (as % of maximum bonus)	Outcome (as % of maximum)
CEO Peter Simpson			
AWS Performance Contract			
Customer Delivery	✗	40%	0%
Customer Efficiency	✓	25%	25%
Environmental and Social initiatives	✓	10%	10%
Total	—	75%	35%
Personal Objectives	—	25%	0%
Total % award payable		100%	35.0%
Maximum award as % of salary	—	150%	52.5%
Bonus payable in 2022/23			£302,033

✓ Met target
 — Partially met
 ✗ Missed target

Achievement of deferred bonus outcomes

	Met or Not Met	Weighting for 2022/23 (as % of maximum bonus)	Outcome (as % of maximum)
CFO Steve Buck			
AWS Performance Contract			
Customer Delivery	✗	40%	0%
Customer Efficiency	✓	25%	25%
Environmental and Social initiatives	✓	10%	10%
Total	—	75%	35%
Personal Objectives	—	25%	20.8%
Total % award payable		100%	55.8%
Maximum award as % of salary	—	110%	61.4%
Bonus payable in 2022/23			£258,830

✓ Met target
 — Partially met
 ✗ Missed target

Remuneration at a glance continued

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 would pay for 30% of the remuneration for the CEO and 40% for the CFO. In light of the concerns expressed by some stakeholders, the Remuneration Committee recommended to the Board that the payment due to the Executive Directors in respect of the 2022/23 DBP award should not be paid for out of income from customer bills, and the Board accepted this recommendation.

Performance outcomes relating to personal objectives for Executive Directors

At the start of the year, stretching personal objectives were agreed by the Committee and set by the Board to reflect additional group duties. Peter Simpson’s performance was assessed by the Chair (John Hirst) and Steve Buck’s performance was assessed by the CEO (Peter Simpson). The Committee discussed the assessments and agreed the final outcomes detailed in the table below.

The tables below show the maximum bonus relating to personal performance relating to group targets. The bonus payable in 2022/23 is the first tranche representing half of the maximum with the remaining 50% payable in later years.

Performance outcomes for 2022/23 Deferred Bonus Plan – Personal performance

Peter Simpson	Met or Not Met	Weighting for 2022/23 (as % of maximum bonus)	Outcome (as % of maximum)	£ Payable
Achievement of personal objectives – 25%				
Long-term group strategy development	✓			
Financial strategy and growth planning	✓			
Development of the AWG brand and external relationships	✓			
Developing leadership and succession	—			
Growth of subsidiary, non-appointed businesses	✓			
Total % award payable prior to deduction		25%	21.3%	£183,377
Deduction by the Committee ¹		—	8.8%	–£75,508
Total payment due following deduction		25%	12.5%	£107,869
Decision by the Committee to reduce to zero ²		—	12.5%	£107,869
Total payable		25%	0%	£0

1 The CEO bonus was reduced in light of specific operational underperformance, such as pollutions.
 2 In addition to applying a deduction, the Committee also decided to withhold the personal element of the bonus due for payment totalling £107,869. Instead a new award of the same amount will only be paid once a key target is met, namely achieving full monitoring of storm overflows by 31 December, 2023.

✓ Met target — Partially met ✗ Missed target

Performance outcomes for 2022/23 Deferred Bonus Plan – Personal performance

Steve Buck	Met or Not Met	Weighting for 2022/23 (as % of maximum bonus)	Outcome (as % of maximum)	£ Payable
Achievement of personal objectives – 25%				
Long-term group strategy development	✓			
Financial strategy and growth planning	✓			
Capital restructuring and simplification	✓			
Group cost effectiveness review	✓			
Developing financial leadership & succession	—			
Strong financial controls	✓			
Growth of subsidiary, non-appointed businesses	✓			
Total payable		25%	20.8%	£96,578¹

1 This amount is included in the Bonus Payable total on the ‘Achievement of deferred bonus outcomes’ table on page 140.

✓ Met target — Partially met ✗ Missed target

Remuneration at a glance continued

Single total remuneration figure (audited)

The table below outlines all remuneration for the Executive Directors, encompassing AWS and the wider group. The 2022/23 first DBP payment illustrated below will not be paid for out of income from customer bills.

	Base pay		Taxable benefits ¹		Pension including cash in lieu ²	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
Peter Simpson	531,365	575,300	16,466	15,335	64,074	60,683
Steve Buck	402,900	421,433	14,671	13,997	42,498	46,692
Total Executive Directors	934,265	996,733	31,137	29,332	106,572	107,375

	First DBP payment ³		Second and Third DBP payment ⁴		Total remuneration	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
Peter Simpson	337,651	302,033	354,987	437,891	1,304,543	1,391,241
Steve Buck	228,243	258,830	230,941	292,361	919,253	1,033,313
Total Executive Directors	565,894	560,863	585,928	730,252	2,223,796	2,424,554

1 Benefits include private health insurance, car allowance and life assurance for all Executive Directors. Steve Buck's total remuneration in 2020/21 included assistance with relocation costs of £123,815 paid within that year. Subsequently in 2022/23 HMRC has reimbursed stamp duty to the value £37,934 which Steve has repaid to Anglian Water Services. This adjustment has not been included in the above numbers as it relates to 2020/21.

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

3 The AWS bonus awarded to Executives for the 2022 DBP award will not be paid for out of income from customer bills.

The First DBP payment relates to the first portion (50%) of the 2022/23 Deferred Bonus Plan Award. The Second or Third DBP payment is the third portion (15%) of the 2019/20 Deferred Bonus Plan Award (paid in 2023) plus the second portion (25%) of the 2020/21 Deferred Bonus Plan Award.

4 In most years 70% of Peter Simpson's remuneration and 60% of Steve Buck's is paid by AWS, with the remaining proportion paid by other parts of the group. In light of the concerns expressed by some stakeholders, the Remuneration Committee recommended to the Board that the payment due to the Executive Directors in respect of the 2022 DBP award should not be paid for out of income from customer bills, and the Board accepted this recommendation.

Total remuneration increase in 2022/23:

The AWS remuneration for the CEO reduced by 16.5% this year. Overall, the CEO has seen a total increase of 6.6%.

The overall increase in remuneration for the CEO is the result of a pay increase in 2020/21 which takes full effect this year, a bonus increase which is paid as a percentage of base pay, and finally the impact of three years of Deferred Bonus Plan payments unwinding in this one year.

Bonus overview 2022/23:

Peter Simpson earned a bonus of £302,033 in 2022/23, which will not be paid for out of income from customer bills. This represents 35% of this year's maximum bonus award.

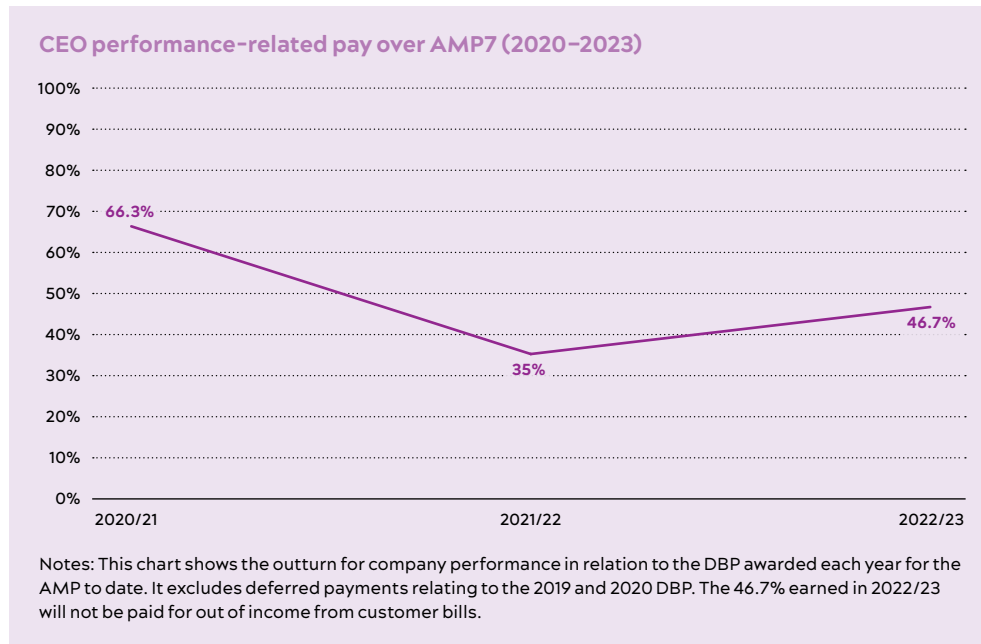
Remuneration at a glance continued

Change in CEO total remuneration over AMP7 (2020–2023) compared to other employees

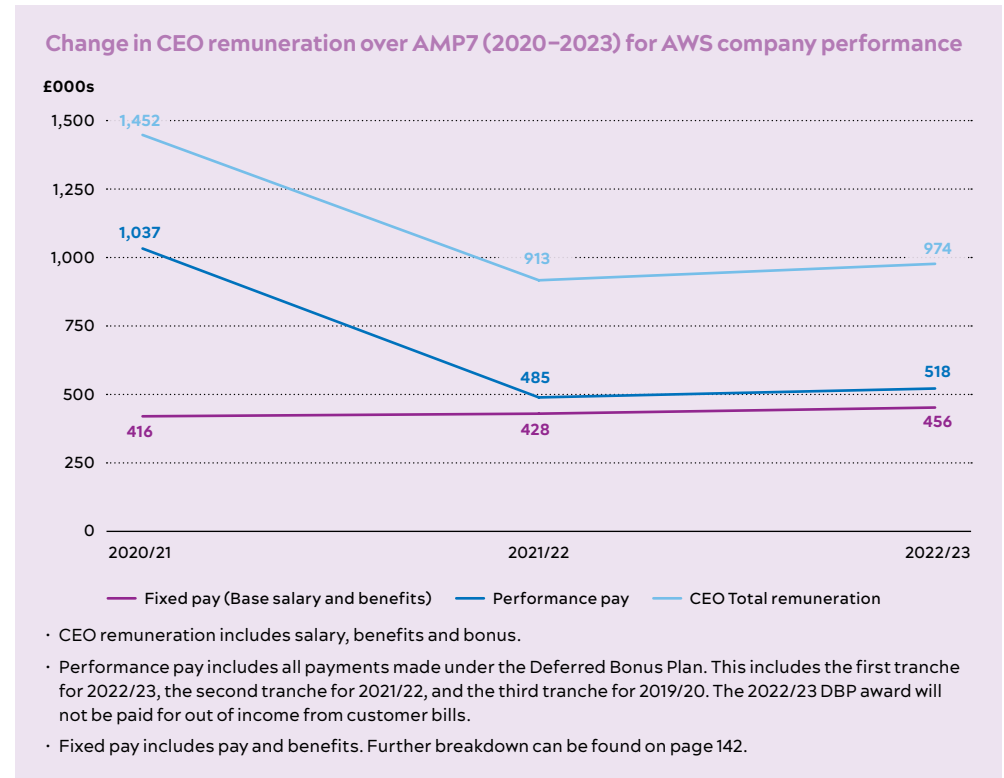
Executive remuneration throughout AMP7 has been set to link closely with what matters for our customers, with a high percentage of total remuneration linked to performance-related outcomes. When performance has been achieved, bonuses have been paid; where performance targets have not been achieved, payments 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 Deferred Bonus Plan. 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 the AMP to date.



Company remuneration at Anglian Water

Our remuneration elements

	Base salary	Pension	Benefits	Performance bonus	Loyalty Saving Scheme
Executive Directors	Salaries are set to attract and retain employees at all levels, considering appropriate experience, skills and competencies relative to the role. All permanent employees are paid at levels which are at least in line with those recommended by the Living Wage Foundation, with the exception of apprentices, where other arrangements are in place to ensure they are paid in line with government apprentice rates, as a minimum. The apprentice rates of pay increase every year as their skills and experience develop.	The company operates a generous matched Defined Contribution scheme for all employees. Employee contributions are double-matched to a maximum of 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.	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.	Employees either have an award under the Deferred Bonus Plan (operated by invitation) or the Annual Performance Bonus. For both schemes, the same set of company measures is set, which aligns the performance of eligible employees to those measures which are most important to the environment, our customers and long-term value creation for our shareholders.	To encourage employees to make regular savings and aid retention, we offer the opportunity to participate in our Loyalty Saving Scheme. Not only does this help employees financial wellbeing, it delivers greater engagement and retention by enabling all colleagues to benefit when the company makes a positive growth in value. Around 800 employees enrol annually in the scheme, with 2,400 contributing in active schemes at any given time. Employees can save up to £500 each month across all three schemes at any time. Each scheme lasts for three years.
Senior management				<p>All our permanent employees have the opportunity to earn a personal bonus, typically up to a maximum of 8% of their salary. As part of our performance management process, employees and managers discuss performance against a set of personal objectives and measures, reflecting how they demonstrate and embody the company’s values. A small number of employees, typically apprentices on a formal training scheme, are not eligible for a bonus and instead receive regular increases to their salary. Around 500 employees receive a bonus based on performance across a number of measures most appropriate at a team level, in addition to their personal performance.</p>	
Employees					

Company remuneration at Anglian Water continued

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

	25th percentile pay ratio	Median pay ratio	75th 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

Percentile comparison for CEO and the wider workforce

	CEO	25th percentile employee	Median employee	75th percentile employee
Salary	575,300	28,255	39,111	47,960
Total pay and benefits	1,391,241	29,943	40,540	51,210

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

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

The company believes that the median pay ratio is consistent with its overall policies relating to remuneration, and how these apply to the CEO and Anglian Water employees. In general, the pay and bonus policies 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

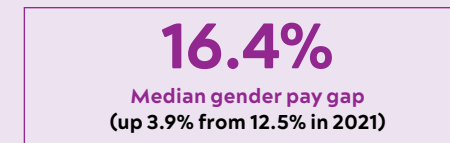
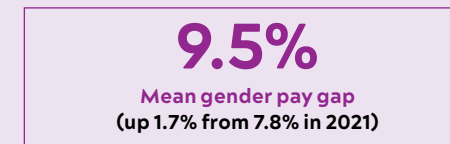
We want everyone to feel included, regardless of their background. This applies to all areas across our inclusion agenda, not only gender.

As reported in detail in our full Gender Pay Gap Report 2022, our workforce composition as of April 2022 was 32% women and 68% men. Our mean gender pay gap for the period was 9.5%, while our median gender pay gap was 16.4%, showing a slight increase on our 2021 figures.

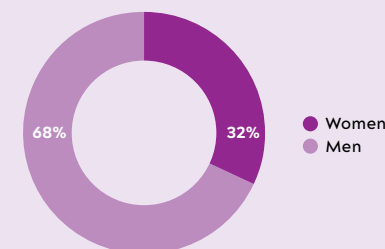
Like other companies in our sector, we have a very low attrition rate, with many male employees spending their entire working career with us. This impacts the opportunity for a significant change in the headline composition of our people in the short term, and it also continues to impact our gender pay gap. The increase this year was also affected by nationwide challenges throughout 2021/22 such as the shortage of Large Goods Vehicle (LGV) drivers, for whom we reviewed our offering and increased pay to retain people in these critical roles – 93% of which are filled by men.

Despite recruiting a higher number of women (42% in 2022, versus 35% in 2021), many of those new appointments were in more junior (or part-time) positions. And while around 1,600 of our employees are in technical roles with skills-linked pay progression, just 17% of women fill these posts.

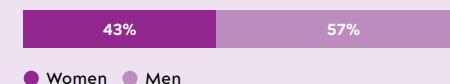
What is our gender pay gap for 2022?



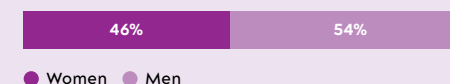
Gender split across Anglian Water employees:



New hires in 2022 gender split:



Senior hires in 2022 gender split:



Company remuneration at Anglian Water continued

We're taking steps to address our gender pay gap

These include:

- Setting short-term (annual) and mid-term (to 2025) targets to improve gender equity across the business
 - For 2023 we are targeting 36% of new hires to be women, and 36% of senior manager positions to be held by women. By the end of 2025, both targets rise to 38%
- Addressing gender bias (unconscious or otherwise) in each stage of recruitment across the business, including placement and presentation of advertising, imagery, wording of job descriptions and encouraging a mix of genders for interview panels
- Ensuring we are an attractive employer for women, with supportive policies and procedures such as enhanced maternity leave, shared parental leave, flexible working and part-time working
- Actively encouraging young women to apply for our apprenticeship and graduate programmes through dedicated outreach and recruitment drives with schools, colleges and universities
- 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%

As a result of our efforts we're seeing more women hired across the business. In 2022:

- 43% of new hires were women
- 46% of senior hires were women, which will help improve our gender pay gap figures in 2023
- 13% of women who joined our business are in STEM-related roles
- We have seen an increase in the overall number of women graduates joining our business, from 33% in 2021 to 71% in 2022, helping grow our future senior talent pool
- The number of women apprentices increased from 10% in 2021 to 24% in 2022
- In 2022, 71% of our graduates and 18% of our apprentices were women

We are pleased to see the focus and initiatives to improve the gender balance of our business has been recognised externally, with Anglian Water named as one of the Times Top 50 Employers for Gender Equality 2023.



Ethnicity pay gap

Although not yet a statutory requirement, we published our first-ever Ethnicity Pay Gap Report in February 2023 as part of our commitment to transparency and improvement.

Unlike gender pay gap reporting, ethnicity pay gap reporting is completed on a voluntary basis and therefore there is limited data available to allow us to compare ourselves to other organisations. Similarly, due to the self-reporting of ethnicity, the employee data we have available to report on only accounts for 70% who have voluntarily disclosed their ethnicity. In 2022/23 the mean ethnicity pay gap was 6.1% and the median was 4.6%.

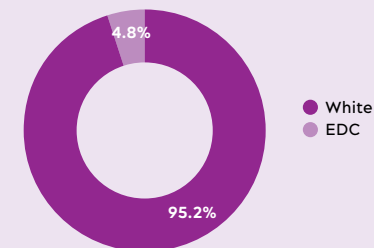
We continue to engage with our people and encourage them to share their ethnic identity so we can have greater clarity on the demographic of our workforce in future years. Accordingly, the true figures for the median and mean ethnicity pay gap may differ slightly.

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).

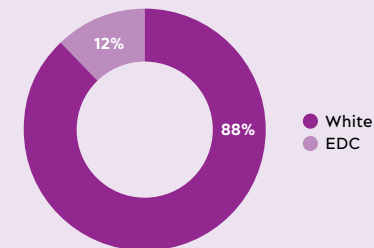
What is our gender pay gap for 2022?



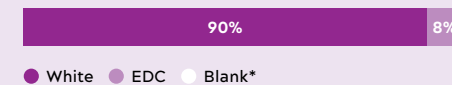
Overall ethnicity split across Anglian Water employees:



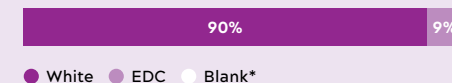
Overall ethnicity split in our region according to the 2021 Census:



Ethnicity split of new hires in 2022:



Ethnicity split of senior hires in 2022:



* did not disclose ethnicity.

Company remuneration at Anglian Water continued

Steps we're taking to close the ethnicity pay gap

We want to close our ethnicity pay gap and increase the diversity of our employees at Anglian Water, so we are taking the following action in 2023/24:

- Actively recruiting for a diverse workforce and setting diversity hire targets
- Making changes to our recruitment advertising strategy, such as:
 - Changing where we advertise to ensure our roles are seen by a range of potential candidates
 - Ensuring our imagery represents people from a variety of backgrounds.
 - Using web accessibility and translation software (Recite me) to ensure our careers site is accessible
- Directing hiring managers to undertake unconscious bias training as part of our Recruitment and Interviewing Skills training course and requesting that wherever possible interview panels include a diverse mix of ethnicities and genders
- Closely monitoring the ethnicity split at application 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, such as our flexible working policy, parental leave policy and transgender and transition policy

Workforce engagement

Whilst 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 (more than 600 employees attended the most recent event). This approach allows us to discover and build new ways of working, alongside the development of policies built with engagement from across the workforce.



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

Company remuneration at Anglian Water continued

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. This year 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 have developed a new system, simplifying performance rating levels.

We've also announced for 2023/24 a new company purpose award, which brings the majority of our people together under one scheme, and aligns the reward of our wider workforce to a selection of the same measures as Executives. The award replaces the previous bonus arrangements rewarding employees individually for their personal performance and instead is designed to reward colleagues for working collaboratively together 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 include delivering for our customers, measured through our CMeX rating, pollutions 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% has been guaranteed for the year ahead as we transition to the new bonus arrangements. Full details of the measures and targets can be found on page 150.

New ISO for employee health and wellbeing

This year, Anglian Water became the first UK water company to achieve the international standard for health and wellbeing, achieving ISO 45003 certification – Psychological health and safety at work. The new ISO shows we clearly prioritise our people, creating an environment where our they feel safe and supported to be themselves and perform to their best.

New pay progression frameworks

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. The frameworks ensure we continue to reward our employees fairly and consistently in alignment with the external market. In 2022, we introduced a further 16 frameworks and invested an additional £400,000 of salary costs across 200 employees to recognise their development.

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.

Element and link to strategy	Operation and performance metrics	Maximum potential for 2022/23	Changes for 2023/24
A Base salary			
To attract and retain Executive Directors with appropriate experience, skills and competencies relative to the role.	Reflects individual experience and role. Usually reviewed annually and fixed for 12 months from 1 April. Decision influenced by: <ul style="list-style-type: none"> • Role, experience and performance • Average change in broader workforce salary • Total organisational salary budgets • Salaries are independently benchmarked against the FTSE 250 and other comparable utility companies 	Annual increases will not exceed the general level of increases for the company's employees, except where an individual changes roles, or where benchmarking indicates that an individual's salary requires realignment to remain competitive.	Peter Simpson's and Steve Buck's salary increased in line with the wider workforce by 7.7% from April 2023. The increase for the wider workforce was paid early in February 2023.
B Benefits			
To increase the economic security of employees, and recruit and retain employees.	Directors are entitled to private medical insurance, car allowance and life assurance. Directors are also entitled the same benefits received by the wider workforce.	Peter Simpson: 2.7% of base salary Steve Buck: 3.3% of base salary	As part of the implementation of a CO ₂ cap on emissions for all company cars and those who receive a cash allowance in lieu of a car, both Peter Simpson and Steve Buck continue to receive a cash allowance as they each confirmed compliance with the company-wide policy.

Directors' remuneration policy continued

Element and link to strategy	Operation and performance metrics	Maximum potential for 2022/23	Changes for 2023/24
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>Steve Buck receives part of his pension arrangements in cash, and part paid into his pension scheme.</p>	No change to policy, however with the change to the lifetime and annual allowances, both Executive Directors, in line with the wider workforce, may wish to change at any time the balance between pension contributions and cash.

Element and link to strategy	Operation and performance metrics	Maximum potential for 2022/23	Changes for 2023/24
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 of 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 2022/23 were based on 75% company performance and 25% on AWG Group personal objectives which are 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: 2022/23 Award maximum: 150% of base salary 2020 Award maximum: 67.5% of base salary 2019 Award maximum: 40.5% of base salary</p> <p>Steve Buck: 2022/23 Award maximum: 110% of base salary 2020 Award maximum: 55% of base salary 2019 Award maximum: 33% of base salary</p>	The weightings on personal objectives and company performance have been adjusted to 30% personal and 70% company. This allows for an appropriate weighting for Group accountabilities outside of the regulated water company. In light of the concerns expressed by some stakeholders, the Remuneration Committee recommended to the Board that the payment due to the Executive Directors in respect of the 2022 DBP award should not be paid for out of income from customer bills, and the Board accepted this recommendation.

Company remuneration at Anglian Water continued

Deferred Bonus Plan to be awarded in 2023/24

Following the independent review of executive remuneration by FIT Consultants earlier in the 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.

Release of fixed and variable pay awarded

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

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Fixed Pay									
Salary and Benefits					●				
Variable Pay									
Deferred Bonus Award – 2019	●	● 1	● 1	● 1	● 2	● 3			
Deferred Bonus Award – 2020		● 1	● 1	● 2	● 3				
Deferred Bonus Award – 2021			● 1	● 2	● 3	● 3			
Deferred Bonus Award – 2022 ¹				● 1	● 2	● 3	● 3		
Deferred Bonus Award – 2023					● 1	● 2	● 3	● 3	

1 As stated earlier, in addition to the deferral of 50% of the bonuses to be paid in later year, a new bonus award of £216,000 relating to delivery of targets for monitoring of storm overflows will be introduced for the CEO. 50% will be paid should the targets be met in 2023/24 with the remaining 50% paid in tranches in 2025 and 2026.

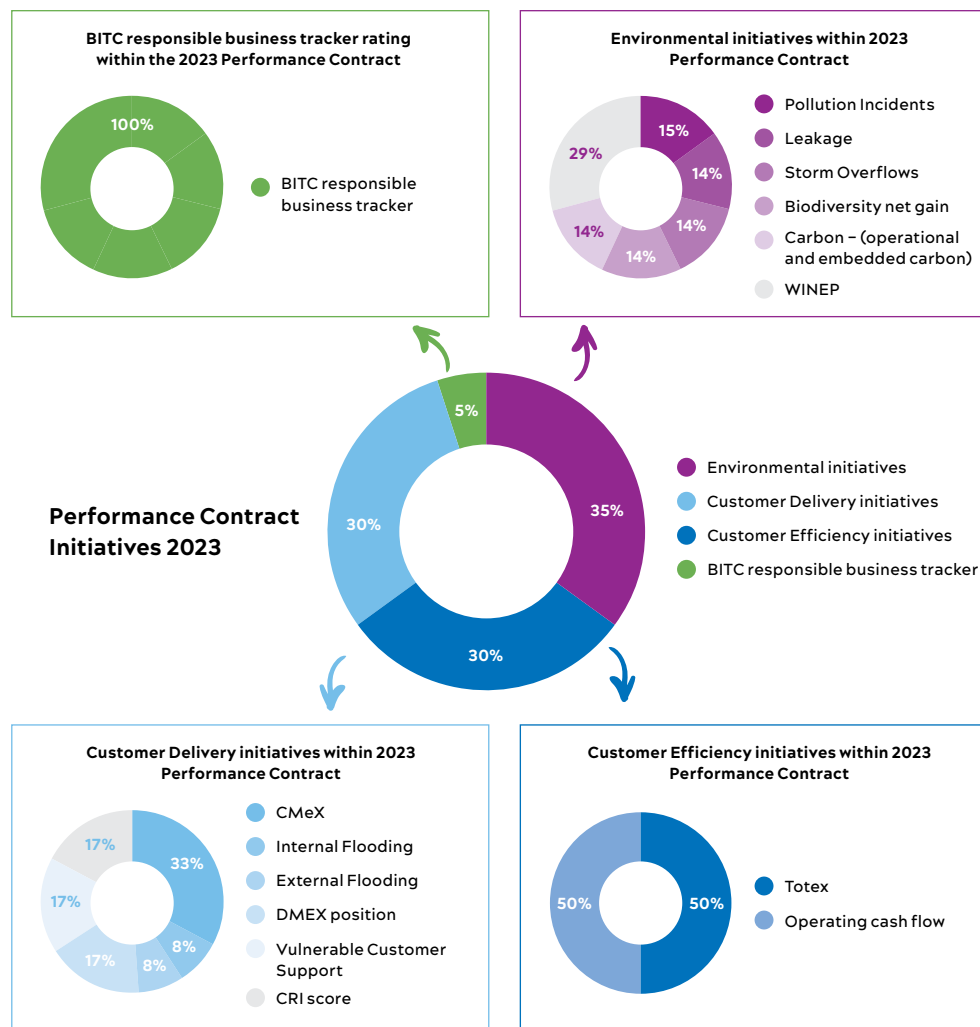
● Grant of award ● Subsequent performance periods
● Paid 1 Tranche one paid 2 Tranche two paid 3 Tranche three paid

Deferred Bonus Plan to be awarded 2023/24

The chart below describes how the AWS portion of the Deferred Bonus Plan will be implemented in 2023/24.

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

% of maximum bonus relating to Performance Contract



Company remuneration at Anglian Water continued

Illustration of application of the remuneration policy

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 on page 150. 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 which 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

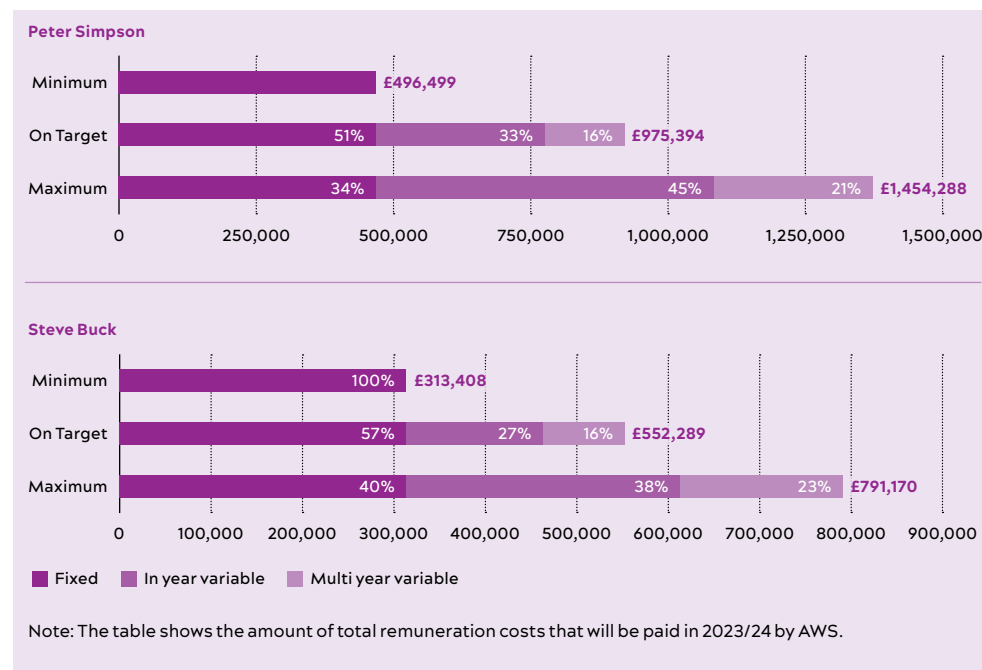
Total maximum AWS remuneration for 2023/24

The charts opposite show the weighting as a percentage of base pay for the total potential remuneration which could be payable by AWS to the Executive Directors in various performance scenarios under the remuneration policy in 2023/24.

In these charts:

- Fixed remuneration is the minimum payable and is made up of base pay for 2023/24 plus the value of cash in lieu of pension and benefits
- Payments due in relation to the 2022/23 Deferred Bonus Plan Award are split into Year 1 (2023/24), Year 3 (2025/26) and Year 4 (2026/27) payments
- The 'on target' bar in the charts shows the percentage of fixed remuneration that could be earned for achieving threshold levels of performance plus the minimum threshold performance for the deferred bonus
- Maximum performance would result in the maximum deferred bonus payment; however, this has been calculated without any allowance for 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 all the charts include the Deferred Bonus award granted in 2023/24, which is due to vest in subsequent years
- As per the scheme rules, the final tranche of the 2020/21 Deferred Bonus Plan and the second tranche of the 2021/22 award is due to vest in 2023/24. The payment reflected in these charts will change in line with CPIH and will take account of performance during the Secondary Performance Period, which is not known at this time

Total maximum remuneration for 2023/24 funded by AWS



Company remuneration at Anglian Water continued

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

Company remuneration at Anglian Water continued

Service contracts

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

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

At 31 March 2023, John Barry, Deepu Chintamaneni, 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. Neither of the Executive Directors currently hold an external Non-Executive Directorship.

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
John Hirst	1 April 2015	31 March 2024
Natalie Ceeney	25 April 2018	24 April 2024
Polly Courtice	1 April 2015	31 March 2024
Colin Matthews	23 November 2022	22 November 2025
Zarin Patel	31 October 2018	30 October 2024
Alistair Phillips-Davies	23 November 2022	22 November 2025

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.

Company remuneration at Anglian Water continued

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 his own remuneration.

Element and link to strategy	Operation	Maximum potential for 2022/23	Changes for 2023/24
A Fees To attract high-calibre individuals to these roles and reflect the level of responsibility and time commitment involved.	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. Fees may include additional payments to Non-Executive Directors who act as Senior Independent Non-Executive Director or chair Board Committees, to reflect the significant additional responsibilities attached to these duties. The Chair and the Non-Executive Directors do not participate in any of the company's incentive or pension schemes.	N/A	Following an external benchmarking exercise by PwC it was agreed that all Non-Executive Directors' fees increased by 7.7% from April 2023 in line with the company-wide pay deal.
B Benefits	The company covers the cost of travel between the Directors' homes and the office when carrying out duties. This includes payment of any tax due. Normal place of work is deemed to be the company's head office in Huntingdon. Travel to any other location is reimbursed as normal business travel expenses.	N/A	No change.

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

	Total fees all AWG £			2021/22
	2022/23			
	Fees	Benefits	Total	
John Hirst ¹	320,076	315	320,391	306,000
Alistair Phillips-Davies ²	19,583	-	19,583	-
Colin Matthews ²	19,583	125	19,711	-
Natalie Ceeney	65,935	527	66,462	52,890
Paul Whittaker ³	29,435	-	29,435	62,746
Polly Courtice	65,935	-	65,935	72,930
Zarin Patel	65,935	-	65,935	62,730
Total Non-Executive Directors	586,482	967	587,449	557,297

1 60% of John Hirst's remuneration is met by Anglian Water Services with the remainder paid by Anglian Water Group.

2 Colin Matthews and Alistair Phillips-Davies were appointed on 23 November 2022.

3 Paul Whittaker stepped down from the Board on 13 October 2022, on completion of his nine-year term in office.

Company remuneration at Anglian Water continued**AWG Co-investment plan**

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

Sums invested are treated as a loan in that interest is payable, calculated annually and applied to the principal sum invested. The rate of interest is aligned to the total shareholder returns and may increase or decrease over the investment period. The cost of the interest paid is funded by AWG Group Ltd

Executive Director	Amount invested 2022/23	Total invested over AMP7 2020-2023
Peter Simpson	£210,000	£1,000,000

This report was approved by the Board of Directors on 8 June 2023.

Natalie Ceeney

Chair of the Remuneration Committee

8 June 2023

The Directors present **their report and the audited financial statements** of Anglian Water Services Limited (the company) for the year ended 31 March 2023.

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 20 and 21.

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 26 to 99.

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 106 to 115.

Details of the corporate governance arrangements resulting from the securitisation of the company in 2002 can be found on page 107 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 5.0 million people every day. The water comes from a variety of sources: reservoirs, underground reserves (aquifers) and abstraction from rivers. The company receives approximately one billion litres of used water per day from 6.5 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 160 shows the Group's results and profit for the year. Details on dividends can be found in notes 11 and 32 of the financial statements.

Risk management

Detailed information about the company's risk management processes, including its approach to financial risks, can be found on pages 83 to 95.

Health and safety

Details are included on page 55 and page 87.

Directors

Current Directors of the company are listed on pages 102 to 105 together with their biographical details. Details of Board changes that took place up to the date of this report are detailed on page 110.

Directors' indemnities

During the 2022/23 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 (2022: £nil).

Emissions

Information relating to climate-related disclosures, including carbon emissions, can be found on pages 71 to 82.

Future developments

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

Research and development

The company has a continuing policy of undertaking market-focused and company-specific research on matters such as, biosolids treatment, sewers, water supply networks, emerging contaminants and other water- and water recycling-related matters.

Employees

Information on people and partners, page 54. The company's policy on employing people with disabilities and about how employees are kept informed and consulted can be found in our People section, page 53. Information relating to how the Directors have engaged with employees and the effect of that regard can be found in the section 172 statement on pages 65 to 68.

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

Stakeholder engagement

Details of how the Directors have engaged with customers, suppliers and other stakeholders, including those representing communities and the environment, can be found in the section 172 statement on pages 65 to 68.

Events occurring after the reporting period

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

Going concern

The Directors believe, after due and careful enquiry, that the company has sufficient resources to continue in operational existence for the foreseeable future and, therefore, consider it appropriate to adopt the going concern basis in preparing the 2022/23 financial statements. Further details of this review can be found on page 122.

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

7 June 2023

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 102 to 105, 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

7 June 2023

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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.