

Anglian Water's Independent Challenge Group

Terms of Reference (December 2025)

Purpose

The Independent Challenge Group (hereinafter ICG) is an independent expert group appointed by Anglian Water's Board, with an independent Chair. It provides expert scrutiny and assurance on Anglian Water's:

- strategic direction and delivery, including water resources, environmental improvement, social purpose and customer performance
- business planning, investments, delivery and performance against these plans
- the quality, approach and frequency of its engagement with, and the involvement of, its customers and the wider communities and stakeholders it serves
- the extent to which customer priorities are reflected in the company's decision-making
- the company's performance and delivery against targets and actions (such as those laid out in the company's Service Commitment Plan and Pollution Incident Reduction Plan), and its regulatory requirements
- monitoring and independent assessment of Anglian Water's performance on social and environmental purpose

The ICG is one of the primary ways in which the Board of Anglian Water demonstrates that the company's business plans have been subject to independent scrutiny and challenge, as required by Ofwat.

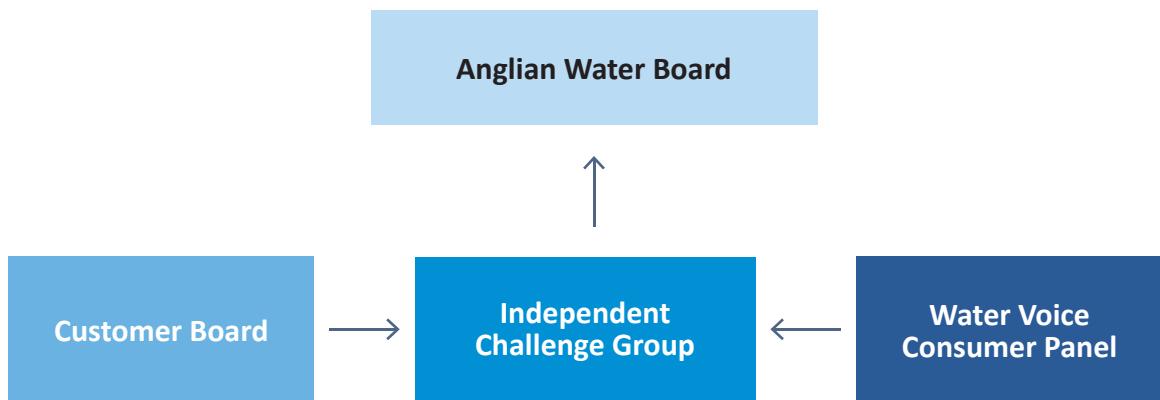
But the ICG also acts in an advisory capacity to Anglian Water's Board with respect to the long-term strategic direction of the company and the extent to which this aligns with customer and stakeholder views, over and above a narrow focus of Price Review cycles.

In essence, the ICG plays a vital role in helping to hold the company's management to account on strategic direction (rather than day-to-day operational issues or individual customer complaints).

The ICG works alongside and in partnership with the Customer Board, so that the company benefits from a blend of expert stakeholders and representation of household and non-household customers.

The ICG will also work alongside the "Water Voice" Consumer Panel that is being established by the Consumer Council for Water (CCW) as a requirement under the Water (Special Measures) Act (2025).

A crucial role of the ICG will be to receive input from both of these groups, and reflect on insights from other forms of customer engagement, along with stakeholder and expert input, to prioritise the most important areas of challenge and scrutiny, and hold the company to account through clear, consistent and constructive challenge and follow through on behalf of all customers and stakeholders.



Objectives

The ICG works independently of and in an advisory capacity to the Anglian Water Executive Committee and senior leadership to provide advice and input to the Anglian Water Board as follows:

- Offering independent scrutiny and challenge to make sure the company uses the most effective and efficient techniques for customer engagement, to develop an effective and robust strategy for engaging across all its diverse communities and customers, and to ensure clear line of sight through from insight into action, including triangulation with other factors.
- Holding Anglian Water to account for the design and delivery of business plan commitments, including but not limited to performance commitments.
- Making sure Anglian Water delivers against its promises to its customers (both current and future customers), communities and the environment and requesting explanations regarding company plans to respond to important customer concerns with a long-term perspective in mind.
- Taking account of the diversity of the Anglian Water catchment area, both in terms of its habitats and its people. The ICG will work alongside the Customer Board and the Water Voice Consumer Panel to reflect the priorities of the full range of interests across the company's area: including current and future bill payers, other members of the household, anyone who lives or works in the area (including Hartlepool) alongside community groups and tourists and travellers passing through.
- Scrutinising Anglian Water's role in delivering on its ambitions on social and environmental purpose and on the company's customer behaviour change programmes.
- Ensuring that consumer insight is gathered from a range of sources (including the Customer Board and Water Voice Consumer Panel) and is appropriately escalated to the Board.

Activities

Establish a work programme with the Board and Executive to:

- Monitor the company's performance and report on the delivery of promises under the current and previous price reviews, drawing on quarterly updates from the company and the Performance Commitment Plan
- Provide challenge on the customer engagement strategy
- Regularly review options that protect vulnerable customers on a sustainable basis
- Consider initiatives (internal and external) proven to influence customer behaviours in reducing water consumption and avoiding damage to the wastewater system
- Investigate methodologies for public engagement that progress customers from recipients of a service towards co-producers
- Probe the Pollution Incident Reduction Plan (PIRP), Long Term Delivery Strategy, water resource management plans, drainage, wastewater management plans, and other statutory plans to optimise best value outcomes for customers and the environment, with a focus on nature-based solutions and ambitions towards achieving zero emissions.

Approach

Principles guiding the activities include:

- Ensuring customer research and engagement activities draw on best practice to drive innovative approaches that demonstrate understanding of different customers' issues, wants, needs and priorities, including understanding the root cause of complaints and any emerging trends (while not addressing individual complaints)
- Ensuring that Anglian Water's research programme is seen through a comparative lens alongside Ofwat's national and standardised models being developed with CCW, including the opportunity to compare Anglian Water's performance against the performance of other companies in the water industry
- Testing that the voice of the customer is fully reflected in the company business plan and other critical plans including the Water Resources Management Plan, Long Term Delivery Strategy and Drinking Water Management Plan
- Building up an understanding of the complex trade-offs over the long term and challenge investments to make sure both current and future customers' interests are represented
- Making sure the ICG's agenda is shaped by ICG members rather than the company and that ICG members' challenge questions help to shape discussions.

Scope

The ICG will continue to focus on all household segments and non-household customers (consumers of wholesale water and waste services), including future generations.

CCW are responsible for assessing how complaints are managed. The ICG may explore themes and issues but will not deal with or respond to direct customer feedback or complaints – if received, complaints will be passed to Anglian Water for action and response and/or escalated to CCW.

Outputs

The ICG will:

- Write and submit an independent report(s), if required, for Ofwat or other appropriate regulator(s) setting out views on the quality and effectiveness of customer engagement completed and how this has been reflected in the plan(s) submitted.
- Review and publish regular independent reports on Anglian Water's performance, to be published alongside Anglian Water's Annual Report.
- Publish occasional statements or reports on specific issues.
- Record and publish minutes and a log of challenges made by the group, along with company responses.
- Publish an end-of-year report summarising ICG activities (according to guidance forthcoming from CCW and Ofwat).

Membership

The ICG should be composed of 8-10 members, with a range of expertise and subject knowledge (e.g. customer engagement and behaviour change – both for household and non-household customers, affordability and vulnerability, economics, regulated utilities, environment, infrastructure and capital delivery, technology and AI). Approximately half of these members will represent agencies or organisations including CCW, the Environment Agency, Natural England, the Drinking Water Inspectorate and others. Other members will attend meetings on a personal basis, drawing on subject expertise but representing the broader interests of Anglian Water's customer base.

This is illustrated in this indicative skills matrix:

Skills and Experience	Independent Member A	Independent Member B	Independent Member C	Organisational Member D	Organisational Member E	Organisational Member F
Customer engagement and behaviour change			✓	✓		
Affordability and vulnerability		✓		✓		
Regulated utilities	✓				✓	
Technology and AI			✓			
Infrastructure and capital delivery	✓					✓

The ICG has an independent Chair, who has no links to the company and is appointed through an open recruitment process. The Chair is a member of the Challenge Coordination Group (COG), a forum that enables ICG Chairs to share best practice and learning at a national level.

With the support of Anglian Water and Ofwat/CCW, ICG members will receive a detailed induction regarding their role, including an overview of the water sector, which will help them to carry out effective scrutiny.

Meeting frequency

Meetings will be held on a regular basis to mirror Anglian Water's Board meetings. Short meetings will be held online to facilitate attendance. Face to face meetings will be held once or twice a year at the Anglian Water headquarters in Huntingdon, with scope for site visits, when appropriate (and often jointly with the Customer Board).

Task and Finish Groups

The ICG will have the scope to create Task and Finish Groups to perform a deep dive into specific subjects in between the quarterly meetings. Each Task and Finish Group will have clear objectives and agreed timescales set by the Chair. They will report back to the full ICG.

Likely groups include:

- Customer engagement – to review materials and attend research/engagement events
- Business planning – to test that customer insight has informed the company's business plan
- Sustainability and resilience
- Affordability and vulnerability.

Relationship with Anglian Water's Board and other stakeholders

Engaging with the Anglian Water Board is critical to the success of the ICG. As a minimum it is expected:

- ICG Chair to attend Anglian Water Board meetings once a year and Chair of the Board to attend one ICG meeting.
- Open invitation to Board members to attend any ICG meeting if they wish (subject to Chair agreement).
- Anglian Water's Chief Executive to attend regular ICG meetings, whenever possible.
- Appropriate members of the Anglian Water senior executive team to attend regular ICG meetings and provide the Anglian Water Board with feedback as part of their performance updates.
- ICG Chair to attend at least one Customer Board meeting each year and Chair of Customer Board to attend at least one ICG meeting.
- ICG Chair to attend Water Voice meetings whenever possible, as an observer (on mute and with camera off, so as to not influence views in any way).
- Minutes and actions arising from ICG meetings to be added to Anglian Water Board packs as an Appendix.

Expectations of Members

Some materials shared with ICG members may be classed as commercially sensitive and company confidential. If this is the case, these materials will be clearly marked as such by Anglian Water and members will be asked not to share these papers or insights gained with any other person, organisations or within their own organisation without the express consent of the ICG Chair and/or Anglian Water.

ICG members must not speak directly to the press in relation to ICG matters, without express permission. Any approach received from the Press must be notified to the Chair and secretariat immediately.

Members must declare any potential conflict of interest to the Chair as soon as it has come to their attention. The Chair, in consultation with Anglian Water, will determine what, if any, action needs to be taken. Members may be asked to withdraw from specific discussions, if there is deemed to be a material conflict.

It is important that there is continuity of membership and attendance at meetings. Members are expected to make every best endeavour to attend all meetings and provide reason for absence to the Chair. If a member misses two consecutive meetings or fails to attend on a regular basis the Chair, at their discretion, may determine that the member should be asked to stand down from the group.

All members are expected to prepare for each meeting i.e. read materials etc, so that the meeting is focused and runs efficiently.

Members of the ICG should be offered the opportunity to attend customer research events or other customer engagement events, when possible.

Anglian Water will advise the Chair of all up and coming customer events that members can attend. It is the decision of the Chair as to who attends.

Occasionally the ICG is asked to attend non-Anglian Water specific events. All requests for attendance must be shared and approved by the ICG Chair.

Independent members will receive expenses that will cover an honorarium and the cost of travel.

Regulators and businesses that are invited to the ICG are expected to pay the cost of their member of staff attending meetings, including travel and preparation time.

Administration

Anglian Water will provide an independent secretariat for the ICG meetings and the Chair will help to organise meetings.

Anglian Water colleagues will provide materials to the ICG in a timely and accessible way to facilitate effective scrutiny.

Anglian Water will provide performance updates in a timely fashion ahead of every ICG meeting to enable members to scrutinise performance and follow trends in company performance over time.

ICG minutes and agendas will be kept independently and will be made publicly available on the Anglian Water website, once approved by the ICG.

Anglian Water will provide meeting premises and meeting links for ICG meetings and also make provision for ICG-only sessions, where required.

The ICG will compile a log of ICG challenges and keep a note of company responses.

Quorum

At least four members of the ICG should be present for meetings (not including Anglian Water representatives).