

Ring-Fencing Certificate

Introduction

Condition P of Anglian Water's licence requires the Company ('the Appointee') to ensure that it maintains sufficient financial and management resources to enable it to carry out its functions in a sustainable manner, and protects the Appointee from the activities of other group entities. The Appointee must, at all times, conduct the Appointed Business as if the Appointed Business were substantially the Appointee's sole business and a public limited company separate from any other business carried out by the Appointee. To enable it to carry out the Regulated Activities the Appointee must, at all times, act in a manner which is best calculated to ensure that it has in place adequate financial resources and facilities, management resources and systems of planning and internal control.

Condition P requires that Anglian Water submits to Ofwat a Ring-Fencing Certificate at the same time as it publishes its APR. When the Appointee submits its Ring-Fencing Certificate, it must submit a statement of the main factors which the Board of the Appointee has taken into account in giving its opinion for the Ring-Fencing Certificate. The Ring-Fencing Certificate should be accompanied by a report prepared by the Appointee's Auditors and addressed to Ofwat, stating whether they are aware of any inconsistencies between that Ring-Fencing Certificate and any information which the Auditors obtained in the course of their work as the Appointee's Auditors.

Anglian Water's Ring-Fencing Certificate

Financial resources and facilities

In the opinion of the Directors, Anglian Water Services Limited ("the Company") will have available to it sufficient financial resources and facilities to enable it to carry out, for the next twelve months, the Regulated Activities (including the investment programme necessary to fulfil its obligations under the appointment). Additionally, the Directors have approved a business viability statement covering the ten year period to March 2031 which is included in the Annual Performance Report.

Management resources

In the opinion of the Directors, the Company will, for the next twelve month period, have available to it management resources which are sufficient to carry out the Regulated Activities (including the investment programme necessary to fulfil the Company's obligations under the Instrument of Appointment).

Systems of planning and internal control

In the opinion of the Directors, the Company will, for the next twelve month period, have available to it systems of planning and internal control which are sufficient to carry out the Regulated Activities.

Rights and resources other than financial

In the opinion of the Directors, the Company will, for the next twelve month period, have available to it rights and resources other than financial resources which are sufficient to carry out the Regulated Activities.

Contracting

In the opinion of the Directors, all contracts entered into include all necessary provisions and requirements concerning the standard of service to be supplied to the Company, to ensure that it is able to meet all its obligations as a water and sewerage undertaker.

Material issues

The Directors have taken into consideration the ongoing effect of the Covid-19 pandemic when making this statement. Despite the potential impact that this could have on the business, in the opinion of the Directors, it will not impact the ability of the Company to ensure that it is able to meet all its obligations as a water and sewerage undertaker.

The Directors have also taken into consideration the re-determination of the Company's wholesale price controls for the period 2020-25 by the Competition and Markets Authority (CMA). The effect of the CMA's re-determination was to increase the revenues available to the Company in this period.

This Certificate was approved by the Board of Anglian Water Services Limited on 14 July 2021, a draft having been discussed by the Board meeting of 26 May 2021.

As required by the licence, our external auditor, Deloitte, has provided an accompanying report stating whether they are aware of any inconsistencies between this Certificate and any information obtained during their assurance in relation to the regulatory accounting statements and during their work as Anglian Water's Auditors.

Certified by



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Claire Russell

Company Secretary

Dated: 14 July 2021

RELEVANT FACTORS

The following main factors have been taken into account by Directors in giving this declaration:

Financial resources and facilities

- i. **Financial details** – In considering the requirements of Condition P, the Directors took financial resources and facilities to mean the cash requirements and funding arrangements needed to run the Company as follows:
 - i. The financial strength of the Company, as recorded in the statutory financial statements for the year ended 31 March 2021. Cash flow projections for the forthcoming year have been prepared and subjected to sensitivity analysis using various downside scenarios. This analysis has shown that it is reasonable to believe that facilities will be sufficient for the next twelve months;
 - ii. The Euro 10 billion global secured medium term note programme of financing implemented on 30 July 2002 by Anglian Water Services (Financing) Plc (AWSF), a subsidiary Company to, *inter alia*, provide future financing for the Company (including the investment programme necessary to fulfil the Company's obligations under the Instrument of Appointment);
 - iii. Cash and deposit balances at 31 March 2021 for the Anglian Water Services Limited Group of £285.9 million. As at March 2021 Anglian Water has access to £575.0 million of undrawn facilities (March 2020: £50.0 million), to finance working capital and capital expenditure requirements. The revolving credit facilities were entered into on a 5-year term in 2019 (initially through to 2024), with two 1-year extension options that would take the facility up to 2026. In addition, Anglian Water has access to a further £400.0 million of liquidity facilities (March 2020: £400.0 million), consisting of £279.0 million to finance debt service costs and £121.0 million to finance operating expenditure and maintenance capital expenditure in the event that the company was in an Event of Default on its debt obligations and had insufficient alternative sources of liquidity. These emergency liquidity facilities are tested for headroom and renewed annually (8th July 2021) on a 364 day basis as part of CTA covenant compliance. All bank facilities and debt capital market issuance are issued pursuant to the Global Secured Medium Term Note Programme dated 30 July 2002 between the Company, AWSF and Deutsche Trustee Company Ltd (as agent and trustee for itself and each of the finance parties). This agreement provides that any facilities drawn by AWSF will be passed directly on to the Company upon utilisation of the facility.
- ii. **Performance against the FD** – Overall the Company has performed in line with the totex allowance set out in Ofwat's FD, mainly through our innovative approaches to capex expenditure. The Company has also achieved rewards of £10 million through the performance framework.
- iii. **Credit related factors** – The Company has maintained its investment grade credit rating at a level that allows adequate access to the financial markets.
- iv. **Business plans and long-term viability** – In considering (ii) above, the Directors are mindful that there is a reliance on the accuracy of forecasting. The Company has undertaken a detailed planning and budgeting process that incorporates the period of

twelve months commencing on the date of the Certificate. The Directors have reviewed forecasting accuracy and are satisfied that it is acceptable for this purpose. In addition, the Company prepares a valuation model that includes these forecasts as well as a long-term viability statement that are both externally assured by KPMG.

Management resources

- v. In respect of the adequacy of management resources, the Directors have gained assurance from the Company's chosen business model and organisational design resulting from the ring fencing of Anglian Water Services. Robust identification and allocation of resources has been made through alignment of objectives, processes and manpower requirements.
- vi. **Management skills, experience and relevant qualifications** - The Company is managed operationally by the Management Board. The Board believes that the members of the Management Board have the appropriate mix of skills, experience and relevant qualifications to continue to run the Company effectively for the next 12 months. Details of the individuals who form the Management Board can be found on page 100 of the Annual Integrated Report 2021.
- vii. **Recruitment process, staff engagement** – The Company has a robust and fair recruitment process, using an applicant tracking system (ATS) to ensure GDPR compliance. The Company is an equal opportunities employer which aims for inclusion, diversity and fair treatment for all. The Company promotes this within its attraction strategies and job boards, throughout the application process (including detailing it within job adverts) and within its hiring manager recruitment and selection training. The Company also has an Inclusion section on its careers website. The Company values and recognises that diversity and inclusion is central to its success as an organisation and believes that the Company is better able to understand and meet the needs of its customers if the organisation reflects the communities it serves. The Company regularly engages with employees in a number of different ways, including regular consultations with trade unions and the Open House representative forum. In the annual 'Love to Listen' employee survey, carried out in September 2020, more than 6,100 employees took part, our highest ever response rate at 83%. An action plan to follow up on the survey feedback is being implemented, with updates provided through communications channels and a shorter pulse survey in April 2021 to check progress. The results of the survey, together with plans to address its findings, were brought to and discussed by the Board. Since the first UK Covid-19 lockdown in late March 2020, the majority of the Company's formerly office-based employees have been working mainly from home and the Company intends to retain much of this flexibility for the long term, anticipating a shift to a hybrid model where most colleagues blend home and office working. In this context, communication and engagement with employees has been increasingly important. The Company has developed its plans, based on input from its people, and introduced regular text, email and video communications as well as live, virtual, two-way communication channels to keep them informed on company news and changes to working practices as they have evolved in line with Government guidance on Covid-19. The Board has also recently undertaken a review of how the Company's culture is monitored through its values.

- viii. **Succession Planning for key management staff** - The Company's succession plans for its key management staff are developed by the Management Board, led by the Group Director of People and Change. The succession plans are reviewed and challenged annually by the Company's Nomination Committee (which consists of a majority of Independent Non-Executive Directors). Further information can be found on pages 120 to 122 of the Company's Annual Integrated Report 2021.
- ix. **Quality of management/staff induction and other training and development** - On joining the Company all staff attend a virtual induction day and are required to complete further online training to understand the Company's expectations and commitments. Further training ensures that all employees are Covid-19 secure when accessing Company sites and buildings. In addition, all new starters are provided with a booklet entitled '*Doing the Right Thing*'. This booklet summarises key Company policies in a clear and concise way to ensure that the Company's values and standards are clear to colleagues from their very first day. The Company offers a wide range of training and development to its employees during their careers in both operational and non-operational roles, including the externally accredited 'Licence to Operate' programme. During 2020/21 the training and development team worked in collaboration with senior leaders to ensure that during the Covid-19 pandemic no critical or essential training expired and that competence continued to be assured. The Company worked closely with its regulators and training providers and - by using a combination of extended grace periods, e-learning options, remote/virtual assessments, socially-distanced training and competency checks by Front Line Managers - ensured that operational teams are able to undertake all key tasks for the duration of Covid-19. Many employees have also taken the opportunity during the current working arrangements to use the Company's comprehensive suite of industry-leading e-learning modules and video content to learn about the critical processes that the business relies upon. Mandatory and operational learning compliance are both captured within monthly management reporting. Any significant variances to the target completion percentage are reviewed by the Management Board and followed up as appropriate. During the current financial year, the effectiveness of a number of mandatory training courses will be reviewed.
- x. **Process for ensuring diversity of perspectives** - The Company is committed to creating an environment where all employees feel included and valued in order to achieve their potential. Further information on the Company's approach to diversity and inclusion can be found on page 56 on the Company's Annual Integrated Report 2021.
- xi. **Board or management activities, reports or statements** – Both the Board (consisting of Executive Directors, Independent Non-Executive Directors and Non-Executive Directors) and Management Board meet regularly to consider and decide upon a range of operational, financial and strategic matters impacting the Company. Further information on the operation of the Board can be found in the Section 172 Statement on pages 62-65 and in the Corporate Governance Report on pages 104-113 of the Annual Integrated Report 2021. The Company publishes a range of annual and periodic reports including: Annual Integrated Report, Annual and Interim Financial Results, Annual Performance Report, Drinking Water Quality Report, Gender Pay Gap Report, Drought Modelling Report and Water Resources Management Plan.
- xii. **Independence of Board** – It is a requirement of Ofwat's Board Leadership, Transparency and Governance (BLTG) Principles that 'independent non-executive directors are the

largest single group on the Board'. The Board confirms that, at the date of this certificate, it complies with this requirement, with the Board consisting of five Independent Non-Executive Directors, four Non-Executive Directors and two Executive Directors. The Board confirms it intends to maintain this structure for the next 12 months. Further information on the structure of the Board can be found in the Governance section on pages 98-145 of the Company's Annual Integrated Report 2021.

Systems of planning and control

- xiii. **Governance procedures, risk management frameworks, oversight procedures** – In October 2020, the Board adopted the Anglian Water Services Corporate Governance Code 2020 (the 2020 Code), which incorporates Ofwat's BLTG Principles and most of the provisions contained in the 2018 UK Corporate Governance Code. Full details of the compliance against the 2020 Code is detailed in the Corporate Governance Report on pages 104-113 of the Annual Integrated Report 2021. The 2020 Code came into effect on 1 October 2020 and replaced the Anglian Water Services Limited Corporate Governance Code 2019 (the 2019 Code). The only difference between the 2019 Code and the 2020 Code is that Provision 2.4 has been updated to ensure alignment with the Company's articles of association and Ofwat's requirements for Board composition. Both the Management Board and Board regularly reviews the Company's Top Tier Risk Register and the Company has a full risk management framework in place, details of which can be found on pages 76-93 of the Company's Annual Integrated Report 2021.
- xiv. **Internal and external audit policies, processes, activities** - Deloitte was awarded the contract for external audit services in September 2016, following a competitive tender process. The contract was for a four-year term which could be extended for up to a further four years, either annually or for any alternative period. The initial four-year contract expired in September 2020 and was extended in March 2020 until September 2021. At its meeting in May 2021 the Audit Committee, after careful consideration, agreed to extend Deloitte's contract for a two-year period until September 2023. To ensure the independence of the external auditors, the Company's Audit Committee approved a new policy on fees for non-audit work with effect from 1 April 2020. Under the new policy, only work permitted under 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 per cent or less of the average of the previous three years' audit fees.
- xv. The provision of internal audit services was outsourced to PricewaterhouseCoopers (PwC) for the year ended 31 March 2021. When the contract with PwC ends on 31 July 2021, the delivery of the internal audit services will be overseen by a new internal Head of Integrated Assurance with specialist support provided by PwC. The Head of Internal Assurance reports jointly to the Chief Financial Officer and the Chair of the Audit Committee. The company's internal audit plan is approved on an annual basis and progress is reviewed by the Committee during the year. Prior to approving the internal audit plans for both the 2020/21 and 2021/22 financial years, the Committee was given the opportunity to review the plans, discuss it in detail with PwC and make amendments. In March 2020, the Committee approved the internal audit plan for 2020/21, whilst recognising the challenges the company was facing in relation to Covid-19. It was therefore agreed that there may be the need to flex the plan over the course of the financial year. The internal audit plan for 2021/22 was approved by the Committee at its meeting in March 2021. In preparing the internal audit plan, PwC met

with key personnel across the Group to obtain their views on the risks facing the Group. PwC then developed its plan based on the Group's organisational objectives, priorities and the risks that may prevent those objectives from being achieved. The plan is developed having regard to key risks and also allows for review of key activities that merit either an annual or rotational review. The Audit Committee regularly reviews internal audit reports and ensures that management has resolved or is in the process of resolving any outstanding issues or actions.

- xvi. **Systems for maintaining supply / business continuity** - the Company has robust operational and organisational resilience mitigations in place to ensure its essential services to customers can continue during events that affect the Company's assets, people or processes. These include plans and procedures, incident room facilities, workplace recovery facilities, emergency equipment stocks, card warning stocks and stocks of alternative supplies such as bottled water. All processes and plans are regularly reviewed against risks to the business, and the Company undertakes training and exercises to validate these. With regards to the Covid-19 event, the Company developed its established Business Impact Analysis onto an online platform to provide visibility and consistency across the business. This used a systematic approach to assess the criticality of activities delivered within the business and the people, buildings, equipment, partners and systems that teams need to deliver them. This information then formed a whole range of Business Continuity plans such as workplace recovery arrangements and reduced manpower plans. These plans are regularly tested and exercised with all our critical teams. Business Impact Analyses forms part of the Company's ISO 22301 Business Continuity certification for which the Company is audited annually by Lloyd's Register. In terms of its operational response, the Company has adapted its incident response processes to ensure it can respond during an incident while maintaining social distancing and continue the day-to-day operations while limiting the risk to staff and customers as much as possible. The Company continues to establish Anglian Water Force as its community of volunteers across the business who stand up during incidents in the Company's command and control structures.
- xvii. **Policies to prevent fraud and other unethical behaviour including whistleblowing** – The Company expects all employees, partners, agents and contractors to adopt a high standard of business ethics and have zero tolerance of bribery and corruption. The Company requires all employees to complete training, including on anti-bribery, maintaining a level playing field and data protection. The Company has a whistleblowing policy whereby employees can, in confidence, report on matters where they feel malpractice, criminal activities, improper or unethical behaviour is taking place. Employees can raise any concerns with 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. The independent provider maintains a register of all allegations and senior management decide whether there are grounds for further investigation. The Audit Committee receives regular reports on whistleblowing allegations reported during the year. This gives the Committee the opportunity to satisfy itself that management has undertaken appropriate investigations into any allegations.
- xviii. **Risk, compliance other assurance statements** - The Company has an extensive risk management process, with key risks regularly reviewed by the Management Board and Board. A full disclosure relating to resilience, risk management and viability is included

in the Company's Annual Integrated Report 2021 on pages 76 to 97. The Company maintains registers that demonstrate that the Company complies with the relevant sections of the Water Industry Act and its Licence. In addition, annual assurance statements from external assurance providers are included in the Annual Performance Report on pages 296-303. The Board regularly reviews the top tier risk register as well as undertaking deep dives into specific key risks and their mitigations.

Rights and resources other than financial

- xix. **Corporate missions and values** – The Company operates within its values framework, the North Star, which combines its Purpose, Mission and Values to give a common goal for all employees. Along with the Company's public interest commitment, which is enshrined in the Company's Articles of Association, the values framework provides direction and guidance across all areas of the business to support the Company to deliver its purpose and keep the business running over the coming years.
- xx. **Technology and other systems for ensuring checks and balances** - The Company has robust systems in place to ensure the management of a stage-gate approach to investment delivery, as well as a change control process for the initial allocation and subsequent re-allocation of capital and operational expenditure budgets. The Company has also worked to better integrate these systems to improve the consistency of management information and enable improved benefits decision making. In addition to the systems it has in place to manage the delivery of the investment programme, the Company also has a corporate risk tool which hosts the corporate risk register and allows risk owners to update their risks prior to Board updates.
- xxi. A wide range of technology and systems are deployed to ensure the functioning of the business, including an Enterprise Resource Planning (ERP) system, risk management system, extensive operational monitoring and control systems, field scheduling systems, employee management and customer and billing systems. The Heads of each business area are required to assess and confirm annually that the Business Unit Information Technology requirements are adequately met. The Company's internal audit programme for 2020/21 included a review of the risk of attack to corporate IT systems, including the processes and controls the Company has put in place to comply with the Network and Information Systems (NIS) Regulation. The NIS Regulation provides legal measures to protect essential services (which include the supply and distribution of drinking water) by improving the security of network and information systems which support these services.
- xxii. **Policies to encourage an integrated approach and 'systems thinking'** - The Company's management systems help ensure it meets customer commitments and deliver its outcomes. The Company's integrated management system framework sets out all its management system standards in a clear and consistent way, aligning to strategic priorities, business goals and good outcomes. Strategic and business unit plans form the basis on which Anglian Water sets and reviews its objectives, obligations and targets. These cover areas such as the following:
- *Customer* - Putting its customers first by delivering a personal, trusted and effortless experience to make Anglian Water a leading service provider in the UK.

- *Water Quality* - Protecting water quality from source to tap, providing confidence that its drinking water supply is always safe and clean.
 - *Environment* - Protecting and enhancing the air, water and land in the region served by the Company, thus sustaining and maintaining the environment.
 - *Asset Management* - Coordinating business activities to realise value from the Company's assets, reducing capital and operational carbon, while providing the services customers expect.
 - *Resilience* - Effective preparation, response and recovery arrangements to mitigate, minimise and ensure the Company can cope with the impact of disruptive events.
- xxiii. Certified Business Management Systems (BMS) have been established to reinforce the management of risks associated with many areas of the business and compliance with obligations. Areas covered by BMSs include water and water recycling operations, asset management and occupational health and safety management. Audits of compliance with the requirements of these systems are conducted internally and by third party certifiers.
- xxiv. The Company uses the integrated human resources management software system, Workday, to ensure a common approach is taken across the business in areas such as performance management, and to ensure all relevant employees undertake training on essential legal obligations, such as the Bribery Act and GDPR, and key internal policies which protect the companies' assets, such as the acceptable use of IT and the risks of cyber attack. The Heads of each business unit are required to assess and confirm annually that all the employees within their units are up-to-date with their training requirements.
- xxv. **Planning systems** - The Company has an asset management approach based on continuous planning and management of assets and investments, supported by the Company's Copperleaf C55 system, that ensures that the Company delivers efficient outcomes for customers. This is used to test all investment proposals and ensures that funds are allocated in the most efficient way to deliver benefits of greatest value to customers at the lowest whole-life cost. The approach is described in detail in the Company's PR19 Business Plan ([Our Plan 2020-25](#) pages 107-108).
- xxvi. **Assets maintenance / insurance factors** - Anglian Water is one of the leaders in the industry when it comes to Asset Management and coverage of asset information and asset models. The Company completes deterioration modelling coupled with an assessment of criticality of the Company's asset base to identify maintenance needs and completes site by site reviews to create bespoke site and catchment asset plans.
- xxvii. For AMP7 the Company has developed this approach further to complete system plans, which look further at the interactions between the Company's assets and the communities they serve. Working with Ofwat, the Company recently completed a maturity assessment of its approach to asset health and asset resilience, achieving an overall positive assessment, including a level of Leading in certain areas. The assessment highlighted areas where the Company can improve. The Company hopes to work with

Owat on the emerging PR24 strategy to ensure asset maintenance is properly funded for long term resilience.

- xxviii. The Company appoints a London Insurance Broker to facilitate the placement of its insurance programme. The broker, in conjunction with the business, will annually (or more frequently if required) undertake a review of business activity combined with an assessment of the corporate risk profile, to determine the key threats to the business and its ability to meet its overall corporate objectives. This process, combined with a review of historic business losses and overall loss trends in the wider insurance market, determines how these financial risk exposures can be transferred to the insurance market. The Company will, via its appointed Brokers, ensure it has met its statutory obligations to procure certain insurance policies and then, combined with approval from the Board, seek to place all other policies to the required limits to ensure key assets are protected against significant loss.

Contracting

- xxix. **Position/ status of key contracts in place** - The Company's Delivery Investment Programme key alliance Tier 1 & 2 contracts are sourced in compliance with EU procurement regulations and signed by all shareholders. The contracts are differentiated by the degree of integration and alignment and the opportunity for longer-term collaboration with financially sustainable contractors. They adopt an appropriate works allocation to assure no material infringements to the Company's covenants are incurred and these are assured monthly through Company procedures.
- xxx. As key contractors within the investment programme, the alliances follow the following principles:
- Commercial arrangements align partners' return with the Final Determination
 - Targets and arrangements incentivise innovation and performance.
 - Stretching targets are set around affordability, outcome performance, a carbon challenge and time to deliver.
 - A strong focus on culture and behaviour exists across all of the Alliances, leading to greater collaboration and a constant exchange of best practice.
 - Engagement with the partners is at programme / portfolio level rather than project level, enabling far greater degrees of efficiencies through governance procedures.
 - Common supply chain frameworks are developed, providing scale benefits and more effective supplier management.
- xxxi. Adherence to these principles creates a greater level of cost efficiency, shared resourcing, and exchange of best practice and is assured through Self Assurance Contacts embedded into the alliances.
- xxxii. The terms of contracts awarded by the Company to independent third parties for the provision of certain services and operations are issued in compliance with the Utilities Contract Regulations 2006 and or 2015 (as applicable at the time of tender), and other

appropriate UK regulations and EC Directives for the procurement of such outsourced services.

- xxxiii. The Company currently sources a proportion of services from external sources such as:
- water main repairs.
 - sewer repairs.
 - facilities management.
- xxxiv. The Company has no intention to materially extend its outsourcing beyond current levels in the twelve months following the date of this certificate.
- xxxv. The Company also complies with the requirements of the licence conditions and guidance issued by Ofwat in respect of cross-subsidies between the Appointee and any Associated Company.
- xxxvi. **No Guarantees or Cross-Default Obligations have been given without Ofwat's written consent.**
- xxxvii. The terms of contracts with all Associated Companies include service levels and appropriate terms and conditions and have been reviewed by the Company's Auditors as part of their annual audit. Any conflicts of interest for individual Directors must be disclosed under the Company's Article of Association. 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.

Material Issues or Circumstances

- xxxviii. **Coronavirus/Covid-19** - The Company's Covid-19 response has been strong, reflecting its business resilience planning processes. Most of the Company's office-based workforce worked effectively from home for all of the year while the introduction of special operating protocols enabled field-based employees successfully to deliver service while safeguarding the health of themselves, our customers and other stakeholders. By working collaboratively with the wider industry the Company was able to source PPE and necessary materials. Early in the pandemic the Company was able to access a quick drawdown of £600m in order to ensure cashflow was maintained against a challenging backdrop. The drawdown was repaid during the year once concerns over cashflow impacts had eased.
- xxxix. **Referral of Ofwat PR19 Final Determination to the Competition and Markets Authority** - In the opinion of the Directors the Final Determination awarded by Ofwat in December 2019 was insufficient to enable the Company to deliver the ambitious plans that the Company put forward to safeguard the long-term resilience of water supplies in the face of climate change and rapid population growth in the East of England. Accordingly, it asked Ofwat to refer to its determination to the Competition and Markets Authority (CMA). The CMA issued its final redetermination in March 2021. The CMA agreed with many aspects of the Company's case and, *inter alia*, determined a 24bps increase in the weighted average cost of capital, allowed over £100m of additional totex, removed the gearing outperformance sharing mechanism and reset the pay-as-you-go (PAYG) ratio.

Collectively, the changes made by the CMA closed the gap considerably with the Company's plan and significantly improved the ability of the Company to deliver its obligations.

- xi. **The 'Mother of all Storms'** - In 2020/21 the Company faced a set of circumstances which, by common consent, collectively made it the most challenging year in the Company's history. Those challenges included:
- The Covid-19 pandemic, which meant a large proportion of the Company's workforce working from home for most of the year and others operating special working arrangements to protect their health and that of the Company's customers
 - The warm and sunny weather in early spring when the majority of the Company's customers were confined to home because of Covid-19, which led to extraordinary levels of demand for water
 - The wettest winter for decades, which required the Company to keep open its Incident Room for three months, respond to five months' of normal incoming work in just seven weeks and deploy twice the number of tankers than are usually used for a wet weather incident.
 - The diversion of senior management time and other resources to promote the Company's case at the CMA and assist the CMA in its re-determination
 - The end of the Brexit transition period on 31 December 2020.
- xli. The Board notes that despite this extraordinary combination of shocks the Company not only managed to deliver its regulatory activities but exceeded a number of its targets and continued to make progress on a number of its long-term goals. Its observation of how the Company was able to thrive in such a challenging year is a major factor in supporting the assertions of its Ring-fencing Certificate.