



CLIMATE-RELATED FINANCIAL DISCLOSURE

Anglian Water Services Limited



INTRODUCTION

Anglian Water is one of the biggest energy users in the East of England and operates in a region that is particularly vulnerable to climate change. This has informed the development of our integrated business and sustainability strategy: Love Every Drop.

We fully support the Task Force on Climate-related Financial Disclosures (TCFD) and are committed to ensuring that our climate change disclosures align with TCFD recommendations. The maturity of our approach means that information relating to climate change can be found throughout our Annual Integrated Reports.

The Task Force defines organisations as either financial or non-financial and provides guidance as to the minimum recommended disclosures for each group. Anglian Water is similar to organisations described in the non-financial sector. As such, in reporting we have followed both the general guidance and the supplementary guidance for non-financial groups.

2018/2019 highlights

- Accepted the Government's invitation to prepare an Adaptation Report under the third round of the climate change adaptation reporting power
- Reduced the carbon emitted as a result of our operational activities by 29% as compared to our 2015 baseline
- Reduced capital carbon in the new assets we built by 58% as compared to a 2010 baseline
- Received funds in October 2018 and February 2019 from raising two green bonds totalling £450m
- Invited by the Committee on Climate Change to participate in the preparation of their next Evidence Report to support the UK's third Climate Change Risk Assessment, due in 2022
- Held a workshop with more than 25 senior leaders from across our business to reassess climate risk and agree on further action
- Implemented a new process for assessing the climate resilience of our investments
- Consultations on our Water Resources Management Plan demonstrated that the majority (71%) of our customers support investment to ensure resilience to climate change, and to future-proof our water supplies against future needs.
- Continued to provide national leadership on climate change through groups including the Prince of Wales's Corporate Leaders Group, the Prince's Accounting for Sustainability Project and the Green Construction Board.
- Signed the Clean Van Commitment and took delivery of our first batch of electric vans
- Agreed a water sector target of net zero carbon by 2030

Recommended Disclosure	References	Response
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1. Governance - the governance around climate related risks and opportunities

<p>a) Describe the Board's oversight of climate-related risks and opportunities</p>	<ul style="list-style-type: none"> • Annual Integrated Report • Strategic Direction Statement • Business Plan 2020-2025 	<p>The Company's most significant risks are recorded in its top-tier risk register, which is reviewed in detail twice a year by the Board. Climate-related risks are included within this top-tier risk register and managed through the Company's risk management and internal control systems.</p> <p>The Audit Committee reviews the effectiveness of the Company's risk management and internal control systems throughout the year to ensure its adequacy.</p> <p>Climate-related risks are managed through the Company's Climate Change Steering Group, Energy and Carbon Steering Group and Resilience Steering Group. These groups meet at least quarterly and all are chaired by Board members. Through these groups targets are set and action plans developed to ensure that climate-related risks and carbon are measured, managed and reduced.</p> <p>The Company's Finance, Treasury and Energy Policy Group also plays an important role in managing transition risks and opportunities.</p>
<p>b) Describe the management's role in assessing and managing climate-related risks and opportunities</p>	<ul style="list-style-type: none"> • Adaptation Reports 	<p>The primary role of the Climate Change Steering Group is to ensure that climate-related risks are assessed and action plans developed to address them. It also leads the production of the Company's Adaptation Reports. This group is chaired by the Director of Regulation and attended by senior managers in sustainability, operational and asset management teams.</p> <p>The climate-related risks and actions are periodically reviewed at the Company's Resilience Steering Group, which has responsibility for all aspects of resilience, not just climate resilience. This group is chaired by the Chief Executive Officer.</p> <p>The Energy and Carbon Steering Group meets monthly to develop strategy and lead the business' ambitious approach to reducing both operational and capital carbon. This group is chaired by the Director of Water Recycling.</p> <p>The Company's Finance, Treasury and Energy Policy Group includes the Company's Chief Executive Officer, Finance Director and Treasurer. They are actively involved in managing the risk of changes in relevant policy as well as the emerging green investment opportunities.</p> <p>Employees and suppliers are incentivised to deliver against climate and carbon targets using the Company's performance management and recognition systems.</p>

Recommended Disclosure	References	Response
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2.Strategy - the actual and potential impacts of climate-related risks and opportunities on our businesses, strategy, and financial planning

<p>a) Describe the climate-related risks and opportunities the organisation has identified over the short-, medium- and long-term</p>	<ul style="list-style-type: none"> • Adaptation Reports • Business Plan 2020-2025 • Strategic Direction Statement 	<p>The climate-related risks and opportunities are more fully described within the Company's previous Adaptation Reports.</p> <p>The most significant of our physical risks are water shortages and flooding. Targets and actions are in place to manage these risks over the short, medium and long term. For example, in our most recent five-year business plan we assessed these climate-related risks and recommended investment to help us achieve our long-term goal to make the East of England resilient to the risks of drought and flooding.</p> <p>The most significant climate-related opportunity is the financial efficiencies that can be unlocked by reducing carbon, including increasing the amount of renewable energy we generate on our operational sites and removing the capital carbon in the new assets we build.</p>
<p>b) Describe the impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning (includes Supplemental Guidance)</p>	<ul style="list-style-type: none"> • Adaptation Reports • Business Plan 2020-2025 • Strategic Direction Statement • Water Resources Management Plan • Water Recycling Long-Term Plan • Green Bond Report 	<p>Anglian Water is one of the biggest energy users in the East of England and operates in a region that is particularly vulnerable to climate change. This has informed the development of our integrated business and sustainability strategy: Love Every Drop.</p> <p>Climate-related risks and opportunities are included in financial plans. For example, investment plans to mitigate the risk of drought and flooding are included within our Water Resources Management Plan and our Water Recycling Long-Term Plan.</p> <p>Climate-related risks and opportunities are considered when we invest in the maintenance and enhancement of our infrastructure. We have an established process for measuring and managing carbon to deliver financial efficiencies and we also assess the climate resilience of the investments. Our approach to carbon and climate resilience was a key enabler to Anglian Water issuing the first ever public utility sector Sterling (GBP) Green Bond. in 2018 we issued our second Green Bond.</p> <p>Our business strategy recognises the need to show leadership and work in partnership to mitigate climate-related risks. Examples include our membership of the Prince of Wales's Corporate Leaders Group, the Prince's Accounting for Sustainability Project, the Green Construction Board, Water Resources East and various Lead Local Flood Authorities.</p>

Recommended Disclosure	References	Response
<p>c) Describe the resilience of the organisation's strategy, taking into consideration difference climate-related scenarios, including a 2°C or lower scenario</p> <p>(Includes Supplemental Guidance)</p>	<ul style="list-style-type: none"> • Business Plan 2020-2025 • Water Resources Management Plan • Water Recycling Long-Term Plan 	<p>Our 2020–2025 Business Plan included an independent assessment, by Arup, of our approach to resilience. This assessment demonstrated a high level of maturity.</p> <p>In 2018 we implemented an improved approach to assessing the climate resilience of investments which applied a high emissions scenario as the default.</p> <p>In our Water Resources Management Plan we have undertaken a vulnerability assessment for climate change, consistent with the Environment Agency's 2017 climate change assessment methodology.</p> <p>We continue to work closely with research establishments such as the University of East Anglia and UK Water Industry Research (UKWIR) to ensure we apply the latest science and best practice to our decision making.</p>

3. Risk management - how we identify, assesses and manage climate-related risks

<p>a) Describe the organisation's processes for identifying and assessing climate-related risks</p>	<ul style="list-style-type: none"> • Adaptation Reports • Water Resources Management Plan • Water Recycling Long-Term Plan 	<p>The Company has participated in the first two rounds of the Adaptation Reporting Power under the Climate Change Act 2008. This year we accepted the Department for Environment, Food and Rural Affairs (Defra)'s invitation to prepare an Adaptation Report under the third round. The Company will submit its next report in 2020. We have already started to review and update the risks and actions in conjunction with stakeholders from across the business, as well as external stakeholders.</p> <p>The requirement to identify and assess climate-related risk is also embedded within existing business as usual practices, for example when planning major investments and building long-term strategies such as our Water Resources Management Plan and the Water Recycling Long-Term Plan.</p>
<p>b) Describe the organisation's processes for managing climate-related risks</p>	<ul style="list-style-type: none"> • Water Resources Management Plan • Green Bond Report 	<p>The Company has a formal process for managing the delivery of its investment programme. If a climate-related risk has been identified this will be managed using the established governance. This includes demonstrating at various approval stages how the proposal will address the identified risk.</p> <p>In preparing the Water Resources Management Plan, the impact of climate change was identified and then customers and stakeholders were consulted on the Company's proposals to adapt. Most respondents believed that investment in climate change should not be delayed.</p> <p>The Company's Climate Change Steering Group oversees the Company's management of climate-related risks.</p>

Recommended Disclosure	References	Response
c) Describe how the processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	<ul style="list-style-type: none"> Annual Integrated Report 	<p>Material risks are captured within JCAD, our risk management and action tracking system, which is at the heart of our risk management and internal control systems.</p> <p>Significant climate-related risks are also identified and assessed on the Company's top-tier risk register. These risks are reviewed in detail twice a year by the Board as well to review the effectiveness of the Company's risk management and internal control systems.</p> <p>Investments delivered through the investment programme follow an established risk management process known as the 'Risk Opportunity and Value' process. This allows all risks and interventions, including those that are climate-related, to be assessed and managed in a consistent way.</p>

4. Metrics and targets – the metrics and targets used to assess and manage relevant climate-related risks and opportunities

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes	<ul style="list-style-type: none"> Adaptation Reports Greenhouse Gas Report Our Performance Portal
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(Includes Supplemental Guidance)

Anglian Water maintains a corporate risk register which captures significant risks to the business and individual business units. The risk register identifies and quantifies these risks using a common 5 by 5 matrix. The Company's top-tier risk register, which uses this approach, includes climate-related risks.

Our previous Adaptation Reports have also calculated risk as likelihood multiplied by severity on a 5 by 5 matrix.

For individual investments we have developed a process to assess their climate resilience.

A monetised cost benefit analysis is also carried out on these investments using our established Risk, Opportunity and Value process.

Our strategy and risk management process formally recognises climate change as one of our biggest challenges with a direct, or in-direct impact, on all of our performance commitments.

More detail on these metrics is available through our performance portal.

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 Greenhouse Gas emissions and related risks	<ul style="list-style-type: none"> Greenhouse Gas Report
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Our emissions are summarised below and more fully described in our externally published Greenhouse Gas Report

	2019 (Tonnes of CO2e)	2015 Baseline (Tonnes of CO2e)
Scope 1	110,898	97,627
Scope 2	181,077	315,555
Scope 3	30,226	42,153
Total annual gross emissions	322,201	455,335
Exported renewables	8,151	8,501
Green tariff	0	0
Total annual net emissions	314,050	446,834

Recommended Disclosure	References	Response
<p>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets</p>	<ul style="list-style-type: none"> • Business Plan 2020-2025 • Strategic Direction Statement • Greenhouse Gas Report 	<p>Anglian Water has short-, medium- and long-term climate related targets.</p> <p>All four of our long-term goals are intricately linked to climate change:</p> <ul style="list-style-type: none"> • Make the East of England resilient to the risks of drought and flooding • Be a carbon neutral business before 2050 • Work with others to achieve significant improvement in ecological quality across our catchments • Enable sustainable economic and housing growth in the UK's fast growing region <p>The 10 outcomes we have agreed with our customers and our aspirational Love Every Drop goals include targets to reduce our carbon emissions and adapt to the changing climate.</p> <p>Our performance in reducing carbon is reported monthly and we remain on-course to meet our targets:</p> <ul style="list-style-type: none"> • To deliver a 60% reduction in capital (embodied) carbon by 2020 from a 2010 baseline. • To exceed a 7% reduction in real terms in gross operational carbon by 2020 from a 2015 baseline.



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