

ANGLIAN WATER SERVICES SUSTAINABILITY FINANCE FRAMEWORK

DNV GL INDEPENDENT ASSESSMENT

Scope and Objectives

Anglian Water Services Ltd. and its financing subsidiary vehicle Anglian Water Services Financing plc (Anglian Water Services) is a water and sewerage company that operates in the East of England and Hartlepool. Anglian Water Services supplies water and recycling services to more than six million customers. It employs 5,000 people, looks after over 112,833 km of water and sewer pipes and 1,257 water recycling treatment works.

Anglian Water Services was the first public utility to launch a £250 million green bond in 2017 and have since continued to progress in their sustainability journey, having recently been awarded for a second time the Queen's Award for Enterprise for the Sustainable Development category.

Anglian Water Services has developed a Sustainability Finance Framework (the "Framework") under which it can raise debt (Sustainable Transactions) to support the financing and refinancing of activities of a sustainable and general corporate purpose nature, including financing capital expenditure through the current Asset Management Plan for the period 2020-25 to meet its obligations under Ofwat's seventh Asset Management Period (AMP7).

The Framework enables the issuance of:

- Use of Proceeds bonds and loans defined as green, social and/or sustainable, and
- Sustainability-linked bonds to finance general corporate purposes.

DNV GL Business Assurance Services UK Limited ("DNV GL") has been commissioned by Anglian Water Services to provide a review of the Framework against the Green Bond Principles 2018 (GBP), the Social Bond Principles 2020 (SBP), Sustainability Bond Guidelines 2018 (SBG), Green Loan Principles 2020 (GLP), as well as the Sustainability Linked-Bond Principles 2020 (SLBP). Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of bonds/loans issued under the company's Framework, the value of any investments, or the long-term environmental and/or societal benefits of the associated transactions. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

Responsibilities of the Management of Anglian Water Services and DNV GL

The management of Anglian Water Services has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform Anglian Water Services management and other interested stakeholders in the Framework as to whether the Framework is aligned with the GBP, SBP, SBG, GLP and SLBP. In our work we have relied on the information and the facts presented to us by Anglian Water Services. DNV GL is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the

information or data provided by Anglian Water Services management and used as a basis for this assessment were not correct or complete.

Basis of DNV GL’s opinion

We have adapted our eligibility assessment methodology to create Anglian Water Services-specific Sustainability Finance Framework Eligibility Assessment Protocol (henceforth referred to as “Protocol”). Our Protocol includes a set of suitable criteria that can be used to underpin DNV GL’s opinion. As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the following Principles split by type of issuance:

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds
Principle One:	Use of Proceeds. The Use of Proceeds criteria are guided by the requirement that an issuer of funding instruments under the Framework must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental & social benefits	Selection of Key Performance Indicators (KPIs). The issuer of a sustainability-linked bond should clearly communicate its overall sustainability objectives, as set out in its sustainability strategy, and how these relate to its proposed Sustainability Performance Targets (SPT). The KPI should be relevant, core and material to the issuer’s core sustainability and business strategy, measurable or quantifiable on a consistent methodological basis, externally verifiable; and able to be benchmarked externally.
Principle Two:	Process for Project Evaluation and Selection. The Project Evaluation and Selection criteria are guided by the requirements that an issuer of funding instruments under the Framework should outline the process it follows when determining eligibility of an investment using proceeds from Green, Social & Sustainability instruments, and outline any impact objectives it will consider.	Calibration of Sustainability Performance Targets (SPTs). The SPTs should be ambitious, meaningful and realistic. The target setting should be done in good faith and based on a sustainability improvement in relation to a predetermined performance target benchmark.
Principle Three:	Management of Proceeds. The Management of Proceeds criteria are guided by the requirements that a funding instrument should be tracked within the issuing organisation, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.	Bond Characteristics. The bond will need to include a financial and/or structural mechanism depending on whether the selected KPIs reach (or not) the predefined SPTs. The bond documentation should include definitions of the KPI(s) and SPT(s) and the potential variation of the SLB’s financial and/or structural characteristics. Any fallback mechanisms in case the performance against the SPTs cannot be calculated or observed in a satisfactory manner, should be explained.
Principle Four:	Reporting. The Reporting criteria are guided by the recommendation that at least annual reporting to the investors of the instrument should be made of the use of proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.	Reporting. Issuers should publish and keep readily available and easily accessible up to date information on the performance of the selected KPI(s), as well as a verification assurance report (see Principle 5) outlining the performance against the SPTs and the related impact and timing of such impact on the bond’s financial

		and/or structural characteristics, with such information to be provided to those institutions participating in the loan or to investors participating in the bond at least once per annum.
<p>Principle Five:</p>	-	<p>Verification (Post-issuance). The issuer should have its performance against its SPTs independently verified by a qualified external reviewer with relevant expertise, such as an auditor, environmental consultant and/or independent ratings agency, at least once a year. The verification of the performance against the SPTs should be made publicly available.</p>

Work undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by Anglian Water Services in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of an Anglian Water Services-specific Protocol, adapted to the purpose of the Framework assessment, as described above;
- Assessment of documentary evidence provided by Anglian Water Services on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with Anglian Water Services’ management, and review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria.

Our opinion as detailed below is a summary of these findings.

Findings and DNV GL’s opinion

DNV GL’s findings are summarised below split by type of issuance. A detailed review and list of evidences are presented within the Schedules. Please refer to Schedule 3 (page 10) for a review of the Use of Proceeds Eligibility Assessment Protocol and Schedule 4 (page 15) of the Sustainability Linked Bond Eligibility Assessment Protocol.

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds
<p>Principle One:</p>	<p>Use of Proceeds:</p> <p>Anglian Water Services intends to use the proceeds of securities issued under the Framework to finance and/or re-finance environmental and social projects, which fall under the following Eligible Sustainable Categories:</p>	<p>Selection of Key Performance Indicators (KPIs):</p> <p>Anglian Water Services has selected Carbon (Scope 1, 2 and 3 greenhouse gas (GHG) emissions (measured in tCO2 eq.).</p> <p>DNV GL confirms that Anglian Water Services’ KPI is material to the company’s overarching sustainability strategy. The rationale and process</p>

	<p>Green Eligible Categories</p> <ul style="list-style-type: none"> • Sustainable water and wastewater management • Climate change adaptation • Environmentally sustainable management of living natural resources and land use <p>Social Eligible Categories</p> <ul style="list-style-type: none"> • Affordable basic infrastructure <p>Please refer to Schedule 1 for a detailed summary.</p> <p>For each Sustainable Transaction falling under the Framework, projects will be identified and mapped against a corresponding Eligible Sustainable Category. Anglian Water Services describes in its Framework the types of project within each category and associated selection criteria in order to determine eligibility. The Eligible Sustainable Categories have also been aligned by Anglian Water Services with its AMP7 Business Plan Outcomes; these are listed in the Framework and referenced in Schedule 1 of this document.</p> <p>Anglian Water Services has committed to allocate an amount at least equivalent to the net proceeds from funds raised under the Framework to finance or refinance new or existing eligible assets and expenditures.</p> <p>DNV GL concludes that the eligible sustainable categories outlined in the Framework are consistent with the categories outlined in the GBP, SBP, the SBG and GLP.</p>	<p>for KPI selection, as well as its definition, measurability and verifiability, are deemed to be robust, reliable and in accordance with the SLBP.</p> <p>In summary, DNV GL can confirm:</p> <ul style="list-style-type: none"> • Anglian Water Services are one of the largest users of power in the east of England; • Anglian Water Services produces significant emissions through pumping water around the predominantly flat east of England, energy accounts for the largest proportion of Anglian Water Services’ carbon footprint and is a significant cost, • the management of carbon is embedded into decision making process through their PAS2080 - Carbon management in infrastructure certification; • Carbon has been a key measured and reported KPI since at least 2010. <p>In addition, the KPIs have been published historically within Anglian Water Services’ Greenhouse Gas Emissions - Annual Report (from 2010) and is calculated using the international recognised GHG Protocol, DEFRA reporting guidance and the industry specific UKWIR’s (UK Water Industry Research) Carbon accounting workbook.</p> <p>Schedule 2 provides a summary of the KPI.</p>
<p>Principle Two:</p>	<p>Process for Project Evaluation and Selection:</p> <p>Anglian Water Services’ Framework provides a clear overview of the governance process that all investments are submitted to. Anglian Water Services has confirmed that Sustainable Transactions would follow the same rigorous process and has nominated the Treasury Team, including team members with specific sustainability roles, to be in charge of evaluating the alignment of investments with the Eligible Sustainable Categories outlined in the Use of Proceeds section of the Framework.</p>	<p>Calibration of Sustainability Performance Targets (SPTs):</p> <p>Anglian Water Services’ SPT is to achieve net zero operational carbon emissions by 2030.</p> <p>DNV GL notes the exact definition of net zero operational carbon emissions by 2030 or a proposed decarbonisation trajectory are not presented within the Framework. The definition of net zero including a detailed decarbonisation trajectory to enable interim performance targets to be set will need to be agreed within the specific bond issuance documentation.</p>

	<p>Carbon-related measures will also receive additional support from two steering committees on climate change mitigation and adaptation and mitigation, as described in the Framework.</p> <p>DNV GL concludes that Anglian Water Services' Framework appropriately describes the process of project evaluation and selection and is in line with the requirements of the GBP, SBP, SBG and GLP.</p>	<p>In 2019, along with other water companies in England, Anglian Water Services agreed a series of pledges as part of a new Public Interest Commitment to show leadership at a national level. One of the pledges was to achieve net zero carbon emissions for the sector by 2030. Anglian Water Services' has a target of net zero carbon emissions by 2030 on operational carbon.</p> <p>The UK Government has a net zero emissions target by 2050, Anglian Water Services' target is to achieve this by 2030, this highlights improvements beyond what is considered 'business-as-usual'. DNV GL can also confirm, depending upon the final definition of the SPT, is it aligned with the Paris Agreement goal of keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.</p> <p>DNV GL has also reviewed the credibility of Anglian Water Services' strategy to achieve the SPTs by reviewing the draft Water UK Net Zero Routemap and concludes that this routemap demonstrates possible pathways to meeting the SPT outlined in the Framework.</p> <p>DNV GL concludes that the SPT is meaningful and relevant in the context of Anglian Water Services' broader sustainability and business strategy and represent a material improvement over a predefined timeline in line with SLBP.</p> <p>Schedule 2 provides a summary of the SPT.</p>
<p>Principle Three:</p>	<p>Management of Proceeds:</p> <p>Anglian Water Services has confirmed that the Treasury Team will be responsible for managing the Sustainable Transactions. The tracking of the proceeds will be supported by Anglian Water Services' internal tracking and accounting systems, ensuring the accuracy of information and the avoidance of double counting.</p> <p>Anglian Water Services has committed to depositing the proceeds from the Sustainable Transactions under each Eligible Sustainable Category in a capex reserve account in cash or cash equivalents, and to transfer them to a</p>	<p>Bond Characteristics:</p> <p>DNV GL confirms that the financial characteristics of securities issued under the Framework can be impacted based on KPI performance under SPTs, in line with SLBP. It is proposed, the failure of Anglian Water Services to satisfy one or several of the SPTs will trigger a Step up Margin to be applied for any Interest Period commencing on or after the interest payment date immediately following the Notification Date. In this case, the rate of interest shall be increased by the Step up Margin.</p> <p>DNV GL notes the details of any financial penalty payable to investors in any Sustainability-Linked</p>

	<p>payment account with an amount equivalent to the net proceeds assigned for allocation. In the event that proceeds are unallocated or pending the allocation of such Sustainable Transactions, an amount equal to the balance of the net proceeds in the reserve account will temporarily be invested in cash or equivalents.</p> <p>DNV GL has reviewed evidence and confirms that Anglian Water Services has committed to appropriately managing the proceeds arising from future Sustainable Transactions in line with the requirements of the GBP, SBP, SBG and GLP.</p>	<p>Bond in the event of a missed target will be set out in the offering documentation provided at the point of issuance of any Sustainability Linked Bond.</p>
<p>Principle Four:</p>	<p>Reporting:</p> <p>Anglian Water Services has committed to producing a Sustainability Finance Report to report on the allocation of proceeds on an annual basis until the proceeds are fully allocated, and as appropriate thereafter. The Sustainability Finance Report will detail the list of Eligible Projects financed, aggregated amount of allocation of the net proceeds, the balance of unallocated proceeds and the share of financing and refinancing for each Eligible Category. This will be reviewed by an independent third party.</p> <p>With regards to impact reporting, Anglian Water Services has stated it would measure, wherever feasible, the benefits of social and environmental assets and expenditures deriving from Sustainable Transactions, through a wide range of KPIs listed in the Framework, as well as externally verified greenhouse gas emissions reporting. Additionally, Anglian Water Services intends to align impact reporting with its Six Capitals process.</p> <p>DNV GL concludes that Anglian Water Services has made appropriate plans to produce reporting on the allocation and environmental and social impacts of future Sustainable Transactions, in line with the requirements of the GBP, SBP, SBG and GLP.</p>	<p>Reporting:</p> <p>Anglian Water Services has committed to KPI reporting on an annual basis which will be made available as part of Anglian Water Services' annual report and/or non-financial statement.</p> <p>DNV GL concludes that the Framework will ensure that the required information, as outlined in SLBP, will be published at an appropriate interval and kept publicly available.</p>

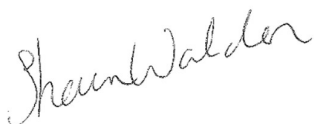
Principle Five:	N/A	<p>Verification (Post-issuance):</p> <p>Anglian Water Services has committed to reporting information such as: up-to-date information on the performance of the selected KPI, including the baseline where relevant; a verification or assurance report relating to the KPI assessing the performance against the SPT on a financial instrument performance; and any relevant information enabling investors to monitor the progress of the KPI and SPT.</p> <p>DNV GL confirms that Anglian Water Services intends to have its performance against each SPT independently verified annually in accordance with the SLBP.</p>
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On the basis of the information provided by Anglian Water Services and the work undertaken, it is DNV GL’s opinion that the Framework meets the criteria established in the Protocol and that it is aligned with:

- the stated definition of sustainability bonds/loans within the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, Social Bond Principles 2020, Green Loan Principles 2020, and
- the stated definition of sustainability-linked bonds within the sustainability Linked Bond Principles 2020, which is to *"incentivise the issuer's achievement of material, quantitative, pre-determined, ambitious, regularly monitored and externally verified sustainability (ESG) objectives through KPIs and SPTs"*, thereby providing *"an investment opportunity with transparent sustainability credentials"*.

for DNV GL Business Assurance Services UK Limited

London, 19 October 2020



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About DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers’ decisions and actions with trust and confidence.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

SCHEDULE 1: DESCRIPTION OF ACTIVITIES TO BE FINANCED UNDER THE USE OF PROCEEDS BONDS AND LOANS

ENVIRONMENTAL USE OF PROCEEDS:

ICMA Green category	AMP7-aligned Sustainable Category	Description of activities
Environmentally sustainable management of living natural resources and land use	Natural capital solutions	Natural capital solutions for phosphorus removal and water framework directive measures plus eels programme
	Improving our environment	WINEP (Water Industry National Environment Programme) obligations to improve ecological status of water bodies, both rivers and coastal
Sustainable water and wastewater management	Sustainable service (water)	Capital maintenance of the water infrastructure to prevent deterioration of service to customers and the environment
	Sustainable service (water recycling)	Capital maintenance of the water recycling infrastructure to prevent deterioration of service to customers and the environment
	Sustainable water recycling	Enhancements to the production of Nutri-bio through bioresources plants and increasing capacity of water recycling centres to match growth
	Providing safe clean water	Water quality initiatives such as replacement of lead pipes and treatment of raw water that contains agricultural pollutants such as nitrates
Climate Change Adaptation	Resilient water supplies – supply capacity measures	Supply-side measures set out in the Water Resources Management Plan (WRMP) securing supplies from climate change and growth in the region
	Resilient water supplies – demand reduction measures	Demand-side measures set out in the WRMP, including smart metering and leakage – securing supplies from climate change and growth in the region
	Community improvements	Flood risk reduction, removing persistent low pressure, connecting villages not on the network
	Resilient services	Improvements to single points of failure and security to outside threats

SOCIAL USE OF PROCEEDS:

ICMA Social category	AMP7-aligned Sustainable Category	ICMA target population to be reached	Description of activities
Affordable basic infrastructure	Sustainable Growth	Example populations will include those listed in the Social Bond Principles 2020	Accommodating new housing in the region including community surface water removal measures

SCHEDULE 2: DESCRIPTION THE KEY PERFORMANCE INDICATOR (KPI) AND SUSTAINABILITY PERFORMANCE TARGET (SPT) FOR SUSTAINABILITY LINKED BONDS

Metric	Metric	Description
Carbon	Scope 1, 2 and 3 greenhouse gas (GHG) emissions (measured in tCO2 eq.)	Net zero operational carbon emissions by 2030

SCHEDULE 3: ANGLIAN WATER SERVICES' SPECIFIC 'USE OF PROCEEDS' ELIGIBILITY ASSESSMENT PROTOCOL

1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1a	Types of Financing Framework	<p>The bond must fall in one of the following categories, as defined by the Green and Social Bond Principles:</p> <ul style="list-style-type: none"> • Use of Proceeds Bond • Use of Proceeds Revenue Bond • Project Bond • Securitized Bond <p>Green loans are defined as any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible Green Projects.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability Finance Framework 	<p>The Framework outlines the type of Use of Proceed Bonds and Loans expected to be issued under the Framework such as, but not limited to:</p> <ul style="list-style-type: none"> • Use of Proceeds Green Bonds and Loans • Use of Proceeds Social Bonds and Loans • Use of Proceeds Sustainable Bonds and Loans <p>The specific type of bond/loan will be defined at issuance stage within the bond or loan specific documentation.</p>
1b	Green/social Project Categories	<p>The cornerstone of a Use of Proceeds bond or loans is that the utilisation of the proceeds should be appropriately described in the legal documentation for the security.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability Finance Framework 	<p>We conclude that the Framework appropriately describes the proposed utilisation of proceeds and the exposure to the nominated projects and assets will be equal to or greater than the bond issuance amount.</p> <p>The specific utilisation of proceeds will be defined at issuance stage within the bond or loan specific</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
				documentation along with the proposed financing re/financing spit.
1c	Environmental benefits	All designated Green and/or Social Project categories should provide clear environmentally or socially sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.	In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services. Evidence reviewed: <ul style="list-style-type: none"> • Anglian Water Sustainability Finance Framework • Green Bond Annual Report • Anglian Water's PAS2080 - Carbon management in infrastructure certification 	The Framework outlines the expected environmental benefits that will be realised by any Bonds/Loans issued under the Framework. The evidence reviewed gives us the opinion that the categories do provide clear environmentally and socially sustainable benefits. Specific quantifiable benefits of each issuance will be reported within Anglian Water Service's Green Bond Annual Report (or equivalent).

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
2a	Investment-decision process	The issuer of a Green Bond/Loan should outline the decision-making process it follows to determine the eligibility of projects using Green/Social Bond or Loan proceeds	In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services. Evidence reviewed: <ul style="list-style-type: none"> • Anglian Water Sustainability Finance Framework • Anglian Water Green Bond documentation April 2019 	The evidence reviewed clearly outlines the decision-making process and gives us the opinion that the designated categories will meet the environmental and social sustainability objectives and that the issuer has in place policies, systems and procedures for environmental and social safeguards in order to avoid any significant negative social or environmental impacts. DNV GL reviewed the Framework and evidences from historic bond issuances and conclude that the

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
				Framework appropriately describes the process of project selection.
2b	Issuer's environmental and social and governance framework	In addition to information disclosed by an issuer on its Green Finance process, criteria and assurances, investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.	In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services. Evidence reviewed: <ul style="list-style-type: none"> • Anglian Water Sustainability Finance Framework • Anglian Water Services Limited Annual Integrated Report 2020 • Anglian Water's "Love Every Drop" strategy • Anglian Water's Greenhouse Gas Annual Emissions Report (2010 – 2020) • Anglian Water's PAS2080 - Carbon management in infrastructure certification • Green Bond Annual Report 	We conclude that, from the information provided, Anglian Water Services' approach to managing environmental sustainability is in line with the objective of issuing Green and Social Bonds and Anglian Water's material issues reflect this.

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3a	Tracking procedure	The net proceeds of a Bond/Loan should be credited to a sub-account, moved to a sub-	In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.	We conclude that, from the information provided, Anglian Water has a robust and clear tracking procedure attested to by a formal internal process.

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
		portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Green and Social Projects.	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability Finance Framework • Anglian Water Green Bond documentation April 2019, 2018 and 2017. 	
3b	Tracking procedure	So long as the Bond/Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability Finance Framework • Green Bond Annual Report 	We conclude that there is a clear process in place for the tracking of the balance taking into account disbursements.
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability Finance Framework 	We conclude that Anglian Water has in place a segregated investment portfolio consisting of cash to use as temporary investments.

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Bond or Loans proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability Finance Framework • Green Bond Annual Report 	We can confirm that Anglian Water Services’ has historically issued and has committed to continue to issue allocation reporting on an annual basis.

SCHEDULE 4: ANGLIAN WATER SERVICES' SPECIFIC SUSTAINABILITY LINKED BOND ELIGIBILITY ASSESSMENT PROTOCOL

1. Selection of Key Performance Indicators (KPIs)

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1a	KPI – material to core sustainability and business strategy	<p>The issuer's sustainability performance is measured using sustainability KPIs that can be external or internal. The KPIs should be material to the issuer's core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector and be under management's control. The KPI should be of high strategic significance to the issuer's current and/or future operations;</p> <p>It is recommended that issuers communicate clearly to investors the rationale and process according to which the KPI(s) have been selected and how the KPI(s) fit into their sustainability strategy.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability Finance Framework • Anglian Water Services Limited Annual Integrated Report 2020 • Anglian Water's "Love Every Drop" strategy • Anglian Water's Greenhouse Gas Annual Emissions Report (2010 – 2020) • Anglian Water's PAS2080 - Carbon management in infrastructure certification • Green Bond Annual Report 	<p>DNV GL confirms Anglian Water Services has selected Carbon (Scope 1, 2 and 3 greenhouse gas (GHG) emissions (measured in tCO₂ eq.).</p> <p>DNV GL confirms that Anglian Water Services' KPI is material to the company's overarching sustainability strategy. The rationale and process for KPI selection, as well as its definition, measurability and verifiability, are deemed to be robust, reliable and in accordance with the SLBP.</p> <p>DNV GL can confirm that:</p> <ul style="list-style-type: none"> • Anglian Water Services are one of the largest users of power in the east of England; • Anglian Water Services produces significant emissions through pumping water around the predominantly flat east of England, energy accounts for the largest proportion of Anglian Water Services' carbon footprint and is a significant cost, • the management of carbon is embedded into decision making process through their PAS2080 - Carbon management in infrastructure certification; • Carbon has been a key measured and reported KPI since at least 2010.

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
				The KPI is meaningful to Anglian Water Services as it addresses the significant environmental challenge required by Anglian Water Services and for Water Utilities more widely within the UK to transitioning to a low carbon economy.
1b	KPI - Measurability	<p>KPIs should be measurable or quantifiable on a consistent methodological basis; externally verifiable; and able to be benchmarked, i.e. as much as possible using an external reference or definitions to facilitate the assessment of the SPT's level of ambition.</p> <p>Issuers are encouraged, when possible, to select KPI(s) that they have already included in their previous annual reports, sustainability reports or other non-financial reporting disclosures to allow investors to evaluate historical performance of the KPIs selected. In situations where the KPIs have not been previously disclosed, issuers should, to the extent possible, provide historical externally verified KPI values covering at least the previous 3 years.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability Finance Framework • Anglian Water Services Limited Annual Integrated Report 2020 • Anglian Water's Greenhouse Gas Annual Emissions Report (2010 – 2020) • UKWIR's (UK Water Industry Research) Carbon accounting workbook. • Anglian Water's PAS2080 - Carbon management in infrastructure certification • Green Bond Annual Report 	<p>The evidence reviewed by DNV GL confirms that the KPI chosen by Anglian Water Services is quantifiable in a consistent methodological basis, verifiable and able to be benchmarked as they are applying international and nationally recognised reporting standards (GHG Protocol, DEFRA reporting guidance). They are able to also peer benchmark through the sector wide use of the UKWIR's (UK Water Industry Research) Carbon accounting workbook.</p> <p>DNV GL also confirms:</p> <ul style="list-style-type: none"> • The KPI has been published historically within Anglian Water Services' Greenhouse Gas Emissions - Annual Report (from 2010) • the scope is defined as operational carbon, <p>DNV GL does note that the definition of net zero including a detailed decarbonisation trajectory and baseline, to enable performance tracking, will need to be agreed within the specific bond issuance documentation.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1c	KPI – Clear definition	A clear definition of the KPI(s) should be provided and include the applicable scope or perimeter as well as the calculation methodology	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability Finance Framework • Anglian Water’s Greenhouse Gas Annual Emissions Report (2010 – 2020) • UKWIR’s (UK Water Industry Research) Carbon accounting workbook. 	<p>The evidence reviewed by DNV GL confirms that the KPI chosen by Anglian Water Services provides a clear scope and calculation methodology.</p> <ul style="list-style-type: none"> • The KPI has been published historically within Anglian Water Services’ Greenhouse Gas Emissions - Annual Report (from 2010), • the scope is defined as Operational carbon, • the KPI is calculated using the international recognised GHG Protocol, DEFRA reporting guidance and the industry specific UKWIR’s (UK Water Industry Research) Carbon accounting workbook. <p>DNV GL does note that the definition of net zero including a detailed decarbonisation trajectory and baseline to enable performance tracking, will need to be agreed within the specific bond issuance documentation.</p>

2. Calibration of Sustainability Performance Targets (SPTs)

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
2a	Target Setting - Meaningful	The SPTs should be ambitious, realistic and meaningful to the issuer’s business and be consistent with the issuers’ overall strategic sustainability/ESG strategy	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p>	<p>Anglian Water Services’ SPT is to achieve net zero operational carbon emissions by 2030.</p> <p>DNV GL notes the exact definition of net zero operational carbon emissions by 2030 or a proposed decarbonisation trajectory are not presented within the Framework. The definition of net zero including a detailed decarbonisation trajectory to enable interim performance targets to be set will</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
			<ul style="list-style-type: none"> • Anglian Water Sustainability Finance Framework • Anglian Water Services Limited Annual Integrated Report 2020 • Anglian Water’s “Love Every Drop” strategy • Anglian Water’s Greenhouse Gas Annual Emissions Report (2010 – 2020) • Anglian Water’s PAS2080 - Carbon management in infrastructure certification • UKWIR’s (UK Water Industry Research) Carbon accounting workbook. • draft Water UK Net Zero Routemap 	<p>need to be agreed within the specific bond issuance documentation.</p> <p>DNV GL confirms, subject to full definition of the SPT, it’s consistent with the Anglian Water Services overall strategic sustainability approach as outlined within section 1.a. The SPT is meaningful to Anglian Water Services as it addresses the significant environmental challenge required by Anglian Water Services and for Water Utilities more widely within the UK to enable a transition to a low carbon economy.</p> <p>DNV GL also reviewed the factors that support the achievement on the SPT summarised within the Framework and the draft Water UK Net Zero Routemap and concludes that the routemap demonstrates possible pathways to meeting the SPT.</p>
2b	Target Setting - Meaningful	SPTs should represent a material improvement in the respective KPIs and be beyond a “Business as Usual” trajectory; where possible be compared to a benchmark or an external reference and be determined on a predefined timeline, set before (or concurrently with) the issuance of the bond.	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • UK’s 2050 net zero target • UK water industry’s target to become net zero by 2030 • Anglian Water Sustainability Finance Framework 	<p>DNV GL confirms that the chosen SPTs represent a material improvement of the KPI.</p> <ul style="list-style-type: none"> • “Business as Usual” has been defined as the UK’s 2050 net zero target and therefore DNV GL concludes the SPT target of net zero operational carbon by 2030 is beyond a “Business as usual” trajectory, • The timelines of SPT target achievement are clearly referred to within the definition of the SPT, ie net zero operational carbon by 2030. <p>DNV GL however does note that the exact definition of net zero operational carbon emissions by 2030 or a proposed decarbonisation trajectory are not presented within the</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
			<ul style="list-style-type: none"> • Anglian Water's Greenhouse Gas Annual Emissions Report (2010 – 2020) • UKWIR's (UK Water Industry Research) Carbon accounting workbook. • draft Water UK Net Zero Routemap 	<p>Framework. The definition of net zero including a detailed decarbonisation trajectory and baseline, to enable performance tracking, will need to be agreed within the specific bond issuance documentation.</p>
2c	Target Setting – benchmarks	<p>The target setting exercise should be based on a combination of benchmarking approaches:</p> <ol style="list-style-type: none"> 1. The issuer's own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI 2. The SPTs relative positioning versus the issuer's peers where comparable or available, or versus industry or sector standards 3. Systematic reference to science-based scenarios, or absolute levels (e.g. carbon budgets) or official country/regional/international targets or to recognised Best-Available-Technologies or other proxies 	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • UK's 2050 net zero target • UK water industry's target to become net zero by 2030 • Anglian Water Sustainability Finance Framework • Anglian Water's Greenhouse Gas Annual Emissions Report (2010 – 2020) • UKWIR's (UK Water Industry Research) Carbon accounting workbook. • draft Water UK Net Zero Routemap 	<p>DNV GL confirms that the SPT target setting exercise has been based on an appropriate combination of benchmarking approaches:</p> <ul style="list-style-type: none"> • DNV GL confirms that the Framework provides a KPI and SPT performance track-record going back to 2010 as referenced within the Greenhouse Gas Annual Emissions Report • DNV GL confirms that the SPTs leans on the UK water industry's target to become net zero by 2030 demonstrating UK water utilities leadership positioning within setting climate change targets. • DNV GL concludes the SPT is also based on science based scenarios of achieving net zero with various scenarios and pathways outline with in the draft Water UK Net Zero Routemap and the UK's 2050 net zero target. <p>Depending upon the exact definition of the SPT, DNV GL can also confirm is it aligned with the Paris Agreement goal of keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
2d	Target setting – disclosures	<p>Disclosures on target setting should make clear reference to:</p> <ol style="list-style-type: none"> 1. The timelines of target achievement, the trigger event(s), and the frequency of SPTs 2. Where relevant, the verified baseline or reference point selected for improvement of KPIs as well as the rationale for that baseline or reference point to be used 3. Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place 4. Where possible and taking into account competition and confidentiality considerations, how the issuers intend to reach such SPTs 	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • UK’s 2050 net zero target • UK water industry’s target to become net zero by 2030 • Anglian Water Sustainability Finance Framework • Anglian Water’s Greenhouse Gas Annual Emissions Report (2010 – 2020) • UKWIR’s (UK Water Industry Research) Carbon accounting workbook. • draft Water UK Net Zero Routemap 	<p>DNV GL confirms that the relevant disclosures on target setting are appropriately referenced within the Framework:</p> <ul style="list-style-type: none"> • The timelines of SPT target achievement are clearly referred to within the SPT: net zero by 2030. • A required baseline will be required for tracking performance of the KPI, this will be set within the bond specific documentation. • Recalculations, if needed, will take place inline with the calculation methodology. <p>DNV GL also reviewed the factors that support the achievement on the SPT summarised within the Framework and outlined in detail within the draft Water UK Net Zero Routemap and concludes that the routemap demonstrates possible pathways to meeting the SPT.</p>

3. Bond Characteristics

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3a	Bond Characteristics – SPT Financial/structural impact	The SLB will need to include a financial and/or structural impact involving trigger event(s) based on whether the KPI(s) reach the predefined SPT(s).	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Anglian Water Sustainability Finance Framework 	<p>DNV GL reviewed the documentation and can confirm that the failure of Anglian Water to satisfy one or several of the SPTs above will trigger a Step up Margin to be applied for any Interest Period commencing on or after the interest payment date immediately following the Notification Date. In this case, the rate of interest will be increased by the Step up Margin.</p> <p>DNV GL can confirm, the details of any financial penalty payable to investors in any Sustainability-Linked Bond in the event of a missed target will be set out in the offering documentation provided at the point of issuance of any Sustainability Linked Bond.</p> <p>These details will include:</p> <ul style="list-style-type: none"> Maturity date of instrument Sustainability Key Performance Indicator (KPI) [tCO₂e] Sustainability Performance Target (SPT) Sustainability Target Observation Date(s) Financial Incentive Mechanism and Quantum (for example a coupon step-up, or payment of a premium at maturity). <p>DNV GL can confirm that the inclusion of trigger event(s) under the Framework is in line with the requirements outlined by SLBP.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3b	Bond Characteristics – Fallback mechanism	<p>Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner should be explained.</p> <p>Issuers may also consider including, where needed, language in the bond documentation to take into consideration potential exceptional events</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Anglian Water Sustainability Finance Framework 	<p>DNV GL concludes there is little risk of Anglian Water Services not being able to calculate its KPI or SPT due to the maturity of the Greenhouse Gas reporting and regulatory Frameworks within which UK water utilities operate.</p> <p>DNV GL however does note that the exact definition of net zero operational carbon emissions by 2030 or a proposed decarbonisation trajectory are not presented within the Framework. The definition of net zero including a detailed decarbonisation trajectory will need to be agreed within the specific bond issuance documentation where any fall-back mechanism should also be explained.</p>

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
4a	Reporting	<p>Issuers of SLBs should publish, and keep readily available and easily accessible:</p> <ol style="list-style-type: none"> Up-to-date information on the performance of the selected KPI(s), including baselines where relevant A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing 	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Anglian Water Sustainability Finance Framework 	<p>Anglian Water Services' has committed to reporting on the KPIs on an annual basis as part of its annual report/non-financial statement, which is verified by external auditors, and available on Anglian Water's website.</p> <p>Reporting may include:</p> <ul style="list-style-type: none"> Up-to-date information on the performance of the selected KPI, including the baseline where relevant; A verification or assurance report relative to the KPI outlining the performance against the SPT Any relevant information enabling investors to monitor the progress of the KPI

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
		<p>of such impact, on the bond's financial and/or structural characteristics</p> <p>3. Any information enabling investors to monitor the level of ambition of the SPTs</p> <p>This reporting should be published regularly, at least annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLB's financial and/or structural characteristics.</p>		<p>Information may also include when feasible and possible:</p> <ul style="list-style-type: none"> • Qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the performance/KPI on an annual basis; • Illustration of the positive sustainability impacts of the performance improvement; and/or • Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope, if relevant. <p>DNV GL concludes that the Framework will ensure that required information, as required by the SLBP, will be published in a timely manner and kept publicly available.</p>

5. Verification

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
5a	External Verification	Issuers should have its performance against each SPT for each KPI independently verified by a qualified external reviewer with relevant expertise, at least once a year and for each SPT trigger event.	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water Services.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability Finance Framework 	DNV GL confirms that Anglian Water has committed in their Framework under the section "Verification" to obtain external verification of its annual KPI performance relative to the SPT and notify in writing to the Principal Paying Agent and the Noteholders.