

ANGLIAN WATER SUSTAINABILITY-LINKED BOND FRAMEWORK AND INAUGURAL BOND

DNV ELIGIBILITY ASSESSMENT

Scope and Objectives

Anglian Water Group is a water and sewerage company that operates in the East of England and Hartlepool. It supplies water and recycling services to more than six million customers, employs 5,000 people, looks after over 112,833 km of water and sewer pipes and 1,257 water recycling treatment works. Anglian Water Group 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 Group including its entities (including Anglian Water (Osprey) Financing PLC, as well as Anglian Water Financing Plc) (hereafter "Anglian Water"), has developed a Sustainability-Linked Bond Framework ("Framework") under which it will be able to issue Sustainability-Linked Bonds or private placements ("SLB"). This assessment also covers the inaugural SLB issuance.

Anglian Water has identified two material Key Performance Indicators (KPIs) and associated Sustainability Performance Targets (SPT) whereby it commits to future sustainability improvements within a predefined timeline:

- KPI 1: Net Operational Carbon emissions expressed in tonnes of CO₂ equivalent
- KPI 2: Capital Carbon emissions expressed in percentage (%) of emissions avoided in tonnes of CO₂ equivalent

Anglian Water will assess its sustainability performance against the following Sustainability Performance Targets (SPTs):

- SPT 1a: 30% reduction in Net Operational Carbon emissions by 31st March 2025 – from 2018/2019 base year
- SPT 1b: Net zero on Net Operational Carbon emissions by 31st March 2030 – from a 2018/2019 base year
- SPT 2a: 65% of Capital Carbon emissions avoided by 31st March 2025 - from AMP7 2010 baseline level
- SPT 2b: 70% of Capital Carbon emissions avoided by 31st March 2030 – from AMP8 2010 baseline level

DNV Business Assurance Services UK Limited ("DNV") has been commissioned by Anglian Water to provide a review of the Framework against 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 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 and DNV

The management of Anglian Water has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform Anglian Water management and other interested stakeholders in the Framework as to whether the Framework is aligned with the SLBP. In our work we have relied on the information and the facts presented to us by Anglian Water. DNV 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 shall not be held liable if any of the information or data provided by Anglian Water management and used as a basis for this assessment were not correct or complete.

Basis of DNV's opinion

We have adapted our eligibility assessment methodology to create an Anglian Water-specific Sustainability-Linked Bond Framework Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion. As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the following Principles:

- **Principle One: 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 (SPTs). 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: 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: Bond Characteristics.** The bond will need to include a financial and/or structural impact depending on whether the selected KPIs reach (or not) the predefined SPTs. The bond documentation needs to require the 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 SPTs cannot be calculated or observed in a satisfactory manner, should be explained.
- **Principle Four: 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 outlining the performance against the SPT(s) 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 investors participating in the bond at least once per annum.
- **Principle Five: 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 SPT(s) should be made publicly available.

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 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-specific Protocol, adapted to the purpose of the Framework assessment, as described above;
- Assessment of documentary evidence provided by Anglian Water 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's 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's opinion

DNV's summary findings are listed below, with further detail provided in [Schedule 2](#).

1. Principle One: Selection of Key Performance Indicators (KPIs).

Within the Framework, Anglian Water has selected two material KPIs whereby it commits to future sustainability improvements:

- KPI 1: Net Operational Carbon emissions expressed in tonnes of CO₂ equivalent
- KPI 2: Capital Carbon emissions expressed in % of emissions avoided in tonnes of CO₂ equivalent

KPI 1 is a core component of Anglian Water's commitment to reaching net zero carbon emissions by 2030. This is an objective shared with all water companies in England, and set out in 2019 as part of the Water UK Public Interest Commitment to show leadership at a national level.

The KPI is defined as operational emissions (Scope 1, 2 and some Scope 3 relevant to core outsourced activities) of which Anglian Water has operational control. Scope 1 emissions include the burning of fossil fuels, processes and fugitive emissions (e.g. Nitrous oxide and methane from water recycling/sludge treatment) and emissions from owned or leased vehicles. Scope 2 emissions include purchased grid electricity. Scope 3 emissions include business travel, outsourced activities within their regulatory boundary and Transmission & Distribution losses. The KPI includes the export of surplus renewable generation and purchase of Renewable Energy Guarantees of Origin (REGO) backed green tariff electricity. Any residual emissions are counterbalanced by an equivalent sequestration of gases from the atmosphere. This fully aligns with the definition with the Water UK Routemap to Net Zero 2030, where emissions will be less than or equal to mitigation activities.

Anglian Water has also presented a clear decarbonisation hierarchy.

The KPI is calculated using the UK Water Industry Research (UKWIR) Carbon Accounting Workbook.

The workbook has been in place since 2004 and is updated annually to reflect the needs of the industry, including changes in carbon accounting practices. Data is then compiled within the Carbon Accounting Workbook to provide scope 1, 2 and 3 emissions. The carbon data has historically been externally verified by a suitable provider as part of Anglian Water's regulatory reporting requirements.

KPI 2 recognises that Anglian Water is responsible for considerable capital carbon within their distribution and treatment assets. Anglian Water recognises that there is a causal link between carbon reduction and lower costs and has used carbon reduction as a means of driving efficient investment which is a key part of Anglian Water's wider strategy.

KPI 2 is defined as the emissions associated with the creation of assets (from cradle to as built), this is Anglian Water's carbon footprint as a result of the construction projects undertaken, covering the extraction, transportation and processing of raw materials and from site construction activities required to create or maintain a built asset, or part thereof, expressed as equivalent emissions of carbon dioxide. The calculation method is through the development of a series of capital carbon models using best available data from the University of Bath Inventory of Carbon and Energy, Defra and CSSM workbook. Baselines at scheme level are calculated within the investment optimization tool Copperleaf C55. Anglian Water's approach to measuring capital carbon follows the guidance of the UKWRI framework for accounting for embodied carbon in water industry assets 12/CL/01/15. The

entire process is governed by Anglian Water through its certified PAS2080 Carbon Management in Infrastructure system.

Based on the work undertaken, DNV can confirm that both KPIs are relevant, core and material to the company's overarching sustainability strategy and included within the Bond documentation. The rationale and process for KPI selection, as well as its definition, measurability and verifiability are clearly defined, and are deemed to be robust, reliable and in accordance with the SLBP.

2. Principle Two: Calibration of Sustainability Performance Targets (SPTs).

Aligned with the two KPIs outlined above, Anglian Water has set the following SPTs:

- SPT 1a: 30% reduction in Net Operational Carbon emissions by 31st March 2025 – from 2018/2019 base year
- SPT 1b: Net zero on Net Operational Carbon emissions by 31st March 2030 – from a 2018/2019 base year
- SPT 2a: 65% of Capital Carbon emissions avoided by 31st March 2025 - from AMP7 2010 baseline level
- SPT 2b: 70% of Capital Carbon emissions avoided by 31st March 2030 – from AMP8 2010 baseline level

SPT 1a and 1b ("SPT 1") is aligned with Anglian Water's commitment to reaching net zero carbon emissions by 2030 while SPT 2a and 2b ("SPT 2") addresses the considerable capital carbon within Anglian Water's distribution and treatment assets and is aligned with the 2030 target of 70% reduction against 2010 baseline. DNV has assessed both SPTs and can confirm they are science-based with clear definitions and aligned with the Paris Agreement goal of limiting global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

Within the Framework. Anglian Water has clearly presented three years of historical data for SPT 1 and SPT2. Both SPTs have clearly defined baseline (SPT 1: 2018/19, SPT 2: 2010) and target dates (31st March 2025 and 31st March 2030). Anglian Water has also presented a clear re-baselining policy defining when baseline recalculations are triggered.

Anglian Water has also presented clear evidence justifying the selection of the respective percentage reduction targets. DNV can also confirm the targets are in line or leading when compared to peers and has reviewed the evidence demonstrating the above "Business as Usual" trajectory. Anglian Water has also clearly outlined the factors that support and pose a risk to the achievement of the targets and presented a clear but challenging route map to SPT achievement. DNV can confirm the SPTs are included within the Bond documentation.

Based on the evidence reviewed, DNV can confirm that the SPTs represent a material improvement in the respective KPIs and are beyond a "Business as Usual" trajectory, are consistent with Anglian water's overall strategic sustainability strategy, set on a predefined timeline and refer to science in line with the SLBP.

3. Principle Three: Bond Characteristics

DNV confirms the failure of Anglian Water to satisfy [one or several] of the SPTs above will trigger a Step up Margin, as defined in the offering documentation, 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.

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. These details will include:

- Maturity date of instrument
 - Sustainability Key Performance Indicators (KPIs)
 - Sustainability Performance Targets (SPTs)
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- Sustainability Target Observation Date(s)
- Financial Incentive Mechanism and Quantum (for example a coupon step-up, or payment of a premium at maturity).

DNV confirm the Bond Characteristics are appropriately set out in the Bond documentation.

Anglian Water has also presented a clear re-baselining policy defining when baseline recalculations are triggered.

DNV can confirm Anglian Water's commitment to the bond characteristics is in line with the requirements of the SLBP.

4. Principle Four: Reporting:

DNV can confirm Anglian Water has committed to reporting their KPIs on an annual basis as part of its annual report/non-financial statement, which is verified by external auditors, and available on its website. Reporting may include:

- Up-to-date information on the performance of the selected KPI, including the baseline where relevant.
- A verification assurance report relative to the KPI outlining the performance against the SPT and the related impact, and timing of such impact, on a financial instrument performance; and
- Any relevant information enabling investors to monitor the progress of the KPI

Information may also include when feasible and possible:

- 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.

DNV can confirm Anglian Water's commitment to reporting is in line with the requirements of the SLBP.

5. Principle Five: Verification.

Anglian Water has obtained a second party opinion by way of this assessment, confirming the alignment with the five components of the SLB. Anglian Water's performance of each KPI according to each corresponding SPT will be verified by the External Verifier on an annual basis as part of the annual report. In addition, the performance of the KPIs as of 2025 against each corresponding SPT will be notified in writing by Anglian Water to the Principal Paying Agent and the Noteholders.

DNV can confirm Anglian Water's commitment to verification is in line with the requirements of the SLBP.

On the basis of the information provided by Anglian Water and the work undertaken, it is DNV's opinion that the Framework and inaugural bond meets the criteria established in the Protocol and that it is aligned with 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 Business Assurance Services UK Limited

London, XXXX June 2020



WHEN TRUST MATTERS

A handwritten signature in black ink that reads "Shaun Walden".

Shaun Walden

Principal Consultant and Project Director
DNV – Business Assurance

A handwritten signature in black ink that reads "Souvik Ghosh".

Souvik Ghosh

Principal Consultant and Reviewer
DNV – Business Assurance

About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV 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 THE KEY PERFORMANCE INDICATOR (KPI) AND SUSTAINABILITY PERFORMANCE TARGET (SPT) FOR SUSTAINABILITY LINKED BONDS

KEY PERFORMANCE INDICATOR	SUSTAINABILITY PERFORMANCE TARGET
<p>KPI 1: Net Operational Carbon emissions expressed in tonnes of CO2 equivalent</p>	<p>SPT 1a: 30% reduction in Net Operational Carbon emissions by 31st March 2025 – from 2018/2019 base year</p> <p>SPT 1b: Net zero on Net Operational Carbon emissions by 31st March 2030 – from a 2018/2019 base year</p>
<p>KPI 2: Capital Carbon emissions expressed in % of emissions avoided in tonnes of CO2 equivalent</p>	<p>SPT 2a: 65% of Capital Carbon emissions avoided by 31st March 2025 - from AMP7 2010 baseline level</p> <p>SPT 2b: 70% of Capital Carbon emissions avoided by 31st March 2030 – from AMP8 2010 baseline level</p>

SCHEDULE 2: ANGLIAN WATER’ SPECIFIC SUSTAINABILITY LINKED BOND ELIGIBILITY ASSESSMENT PROTOCOL

1. Selection of Key Performance Indicators (KPIs)

Ref.	Criteria	Requirements	Work Undertaken	DNV 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.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability-Linked Bond Framework May 2021 • Anglian Water 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>Anglian Water has selected two material KPIs whereby it commits to future sustainability improvements:</p> <ul style="list-style-type: none"> • KPI 1: Net Operational Carbon emissions expressed in tonnes of CO₂ equivalent • KPI 2: Capital Carbon emissions expressed in % of emissions avoided in tonnes of CO₂ equivalent <p>Both KPIs are a core component of Anglian Water’s commitment to reaching net zero carbon emissions by 2030. This is an objective shared with all water companies in England and set out in 2019 as part of the Water UK Public Interest Commitment. In Addition, DNV can confirm that:</p> <ul style="list-style-type: none"> • Anglian Water are one of the largest users of power in the east of England; • Anglian Water produces significant emissions through pumping water around the predominantly flat east of England, energy accounts for the largest proportion of Anglian Water’ 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 Findings
				<p>The KPIs are material to Anglian Water as it addresses the significant environmental challenge required by Anglian Water and for Water Utilities more widely within the UK to transitioning to a low carbon economy.</p>
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.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability-Linked Bond Framework May 2021 • 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 	<p>DNV can confirm KPI 1 is calculated using the UKWIR (UK Water Industry Research) Carbon Accounting Workbook. The workbook has been in place since 2004 and is updated annually to reflect the needs of the industry, including changes in carbon accounting practices. Data is then compiled within the Carbon Accounting Workbook to provide scope 1, 2 and 3 emissions. The carbon data has historically been externally verified by a suitable provider as part of Anglian Water's regulatory reporting requirements.</p> <p>KPI 2 calculation approach is through the development of a series of capital carbon models using best available data from the University of Bath Inventory of Carbon and Energy, Defra and CSSM workbook. Baselines at scheme level are calculated within the investment optimization tool Copperleaf C55. Anglian Water's approach to measuring capital carbon follows the guidance of the UKWRI framework for accounting for embodied carbon in water industry assets 12/CL/01/15. The entire process is governed by Anglian Water through its certified PAS2080 Carbon Management in Infrastructure system.</p> <p>These standardised approaches enable the KPIs to be measurable and quantifiable on a consistent methodological basis, externally verifiable and able to be benchmarked.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV 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.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability-Linked Bond Framework May 2021 • Anglian Water’s Greenhouse Gas Annual Emissions Report (2010 – 2020) • UKWIR’s (UK Water Industry Research) Carbon accounting workbook. • Carbon Management System Governance v 2.0 with reference links • 301799-RPT-Modelling_Approach-Final-RevB 	<p>KPI 1 is defined as operational emissions (Scope 1, 2 and some Scope 3 relevant to core outsourced activities) of which Anglian Water has operational control.</p> <p>Scope 1 emissions include the burning of fossil fuels, process and fugitive emissions (e.g. Nitrous oxide and methane from water recycling/sludge treatment) and emissions from owned or leased vehicles. Scope 2 emissions include purchased grid electricity. Scope 3 emissions include business travel, outsourced activities within their regulatory boundary and Transmission & Distribution losses. The definition includes the export of surplus renewable generation and purchase of Renewable Energy Guarantees of Origin (REGO) backed green tariff electricity. Any residual emissions are counterbalanced by an equivalent sequestration of gases from the atmosphere, Anglian Water will apply the following hierarchy: Insets (trees, grassland, seagrass); Regional offsets (soil sequestration); National, international offsets (carbon offset credits). This fully aligns with the definition with the Water UK Routemap to Net Zero 2030, where emissions will be less than or equal to mitigation activities.</p> <p>Anglian Water has also presented a clear decarbonisation hierarchy of:</p> <ul style="list-style-type: none"> • Reducing/avoiding GHG emissions • Avoiding emissions from grid electricity through the use of green electricity procurement and renewable energy (backed by REGOs) • Tackling any residual and difficult to avoid/remove emissions, such as process emissions by removing such emissions through removal measures within our boundary (e.g. trees)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> Tackling our residual emissions through investing in credible offset credits in their region, the UK territory and where not commercially or technically possible in the international offset credit markets. <p>KPI 2 is defined as the emissions associated with the creation of an assets (from cradle to as built), including use of materials, transport and labour in constructing and maintaining infrastructure emitted as a result of construction projects undertaken.</p> <p>Measurement is through the development of a series of capital carbon models using best available data from the University of Bath Inventory of Carbon and Energy, Defra and CSSM workbook. Baselines at scheme level are calculated within the investment optimization tool C55. Anglian Water’s approach to measuring capital carbon follows the guidance of the UKWRI framework for accounting for embodied carbon in water industry assets 12/CL/01/15. The entire process is governed by Anglian Water through its certified PAS2080 Carbon Management in Infrastructure system.</p>

2. Calibration of Sustainability Performance Targets (SPTs)

Ref.	Criteria	Requirements	Work Undertaken	DNV 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	In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.	Aligned with the two KPIs, Anglian Water has set the following SPTs:

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
			<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability-Linked Bond Framework May 2021 • Net Zero Carbon Strategy Pack May 21 • 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. 	<ul style="list-style-type: none"> • SPT 1a: 30% reduction in Net Operational Carbon emissions by 31st March 2025 – from 2018/2019 base year • SPT 1b: Net zero on Net Operational Carbon emissions by 31st March 2030 – from a 2018/2019 base year • SPT 2a: 65% of Capital Carbon emissions avoided by 31st March 2025 - from AMP7 2010 baseline level • SPT 2b: 70% of Capital Carbon emissions avoided by 31st March 2030 – from AMP8 2010 baseline level <p>SPT 1 is aligned with Anglian Water’s commitment to reaching net zero carbon emissions by 2030.</p> <p>The target is stretching as Anglian Water needs to meet the demand of a growing population and increasing stringent regulation in water and wastewater treatment both resulting in an increase in energy consumption.</p> <p>Anglian Water are working on increasing renewable energy capacity; however this has revealed both commercial and technological challenges. Anglian Water are also aiming to reduce emissions of their fleet but charging points infrastructure and technologies for HGV trucks remains to be further developed. Anglian Water also depend on scientific data to measure and technologies to reduce process emissions with actions under way to improve these.</p> <p>SPT 2 addresses the considerable capital carbon within their distribution and treatment assets. Anglian Water has been a pioneer in measurement and reduction of capital carbon in the</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>water industry and has already tackled all the significant carbon hotspots, which brought significant reductions. Reducing capital carbon footprint is increasingly challenging due to the greater proportion of the baseline in harder to reduce infrastructure schemes, such as in water infrastructure which are below ground assets.</p> <p>DNV can confirm, both SPTs are science-based with clear definitions and firmly aligned with the Paris Agreement goal of limiting global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.</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.</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-Linked Bond Framework May 2021 • Net Zero Carbon Strategy Pack May 21 • Anglian Water's Greenhouse Gas Annual Emissions Report (2010 - 2020) • UKWIR's (UK Water Industry Research) Carbon accounting workbook. 	<p>Anglian Water has presented clear evidence justifying the selection of the respective percentage reduction targets as summarised above and both targets have clear predefined timelines.</p> <p>DNV can also confirm the targets are in line or leading when compared to peers and has reviewed the evidence demonstrating the above "Business as Usual" trajectory.</p> <p>Anglian Water has also clearly outlined the factors that support and pose a risk to the achievement of the targets and presented a clear but challenging route map to SPT achievement.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
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.</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-Linked Bond Framework May 2021 • Net Zero Carbon Strategy Pack May 21 • Anglian Water’s Greenhouse Gas Annual Emissions Report (2010 – 2020) • UKWIR’s (UK Water Industry Research) Carbon accounting workbook. 	<p>Within the Framework. Anglian Water has clearly presented three years of historical data for SPT 1 and SPT 2.</p> <p>DNV can also confirm the targets are in line or leading when compared to peers where public information is available and in line with the water industry Water UK Public Interest Commitment.</p> <p>DNV has independently assessed both SPTs and can confirm they are science-based with clear definitions and firmly aligned with the Paris Agreement goal of limiting global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.</p>
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 	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • UK’s 2050 net zero target 	<p>DNV can confirm, both SPTs have clearly defined baseline (SPT 1: 2018/19, SPT 2: 2010) and target dates (31st March 2025 and 31st March 2030).</p> <p>Anglian Water has also presented a clear re-baselining policy defining when baseline recalculations are triggered. Anglian Water has committed to adjusting their base year emissions</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>selected for improvement of KPIs as well as the rationale for that baseline or Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place</p> <ol style="list-style-type: none"> 3. reference point to be used 4. Where possible and taking into account competition and confidentiality considerations, how the issuers intend to reach such SPTs 	<ul style="list-style-type: none"> • UK water industry’s target to become net zero by 2030 • Anglian Water Sustainability-Linked Bond Framework May 2021 • Net Zero Carbon Strategy Pack May 21 • Anglian Water’s Greenhouse Gas Annual Emissions Report (2010 – 2020) • UKWIR’s (UK Water Industry Research) Carbon accounting workbook. 	<p>inventory to account for significant changes if the changes drive an increase/decrease in emissions of greater than 5%.</p> <p>Significant changes may include:</p> <ul style="list-style-type: none"> • Structural changes that significantly impact base year GHG emissions and may trigger the adjustment of the baseline include acquisitions, divestitures or mergers. When significant structural changes occur in the middle of a year, the current and baseline year will be recalculated for the entire year. In the event of an acquisition, in order to ensure that full and accurate data are available, recalculation will be carried out within one year after the structural change has occurred. • Methodology changes that significantly impact base year GHG emissions and may trigger the adjustment of the baseline include updated emission factors, improved data access or updated calculation methods or protocols • In case of a data error, or if a number of cumulative errors that together are significant <p>Baseline adjustments will occur at the end of each fiscal year if Anglian Water identify any changes described above that have occurred in the reporting period which may require the issuer to recalculate the base year.</p> <p>Anglian Water has also clearly outlined the factors that support and pose a risk to the achievement of the targets and presented a clear but challenging route map to SPT achievement.</p>

3. Bond Characteristics

Ref.	Criteria	Requirements	Work Undertaken	DNV 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.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability-Linked Bond Framework May 2021 • Aquifer Termsheet - Draft - 07.06 -v2 • [Draft] Aquifer_MidCo Prospectus-1 	<p>DNV confirms the failure of Anglian Water to satisfy [one or several] of the SPTs above will trigger a Step up Margin, as defined in the offering documentation, 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>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. These details will include:</p> <ul style="list-style-type: none"> • Maturity date of instrument • Sustainability Key Performance Indicators (KPIs) • Sustainability Performance Targets (SPTs) • Sustainability Target Observation Date(s) • Financial Incentive Mechanism and Quantum (for example a coupon step-up, or payment of a premium at maturity). <p>The Bond documentation for the inaugural Bond issuance contains the required KPI/SPT, trigger events and Step-up Margin.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV 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.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability-Linked Bond Framework May 2021 	<p>Given the maturity of the KPIs and SPTs and their associated methodologies and Anglian Water’s detailed recalculation policy. DNV believes there is little to no risk that the KPIs will not be calculated appropriately into the future.</p>

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Reporting	<p>Issuers of SLBs should publish, and keep readily available and easily accessible:</p> <ol style="list-style-type: none"> 1. Up-to-date information on the performance of the selected KPI(s), including baselines where relevant 2. A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the 	<p>In addition to reviewing the evidence below, we had several detailed discussions with Anglian Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability-Linked Bond Framework May 2021 	<p>Anglian Water 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 <p>Information may also include when feasible and possible:</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>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>		<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.

5. Verification

Ref.	Criteria	Requirements	Work Undertaken	DNV 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.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Anglian Water Sustainability-Linked Bond Framework May 2021 	DNV 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.