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Location: Claerwen Dam, Elan Valley

Dŵr Cymru Welsh Water

Annual Investor Review

July 2022

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Agenda

- Welcome and opening remarks Alastair Lyons, Chair of the Board
- Operational performance Peter Perry, Chief Executive
- Financial results YE 31 March 2022 Mike Davis, Chief Financial Officer
- Balance sheet and financing Alan Carr, Treasurer
- Closing remarks Alastair Lyons, Chair of the Board

A scenic view of a reservoir at sunset. The sun is low on the horizon, casting a golden glow across the sky and reflecting on the water. In the foreground, the bow of a boat is visible, with a motor and oars. Several other boats are scattered across the water in the distance. The overall atmosphere is calm and serene.

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Welcome and opening remarks

Alastair Lyons, Chair of the Board

Location: Llyn Brenig reservoir

Contents

Operational performance	Page 6
Financial results for year ended 31 March 2022	Page 17
Balance sheet and financing	Page 23
Q&A	Page 28
Appendices	Page 29

A scenic landscape of a reservoir at sunset. The sky is a gradient of blue and orange, with the sun low on the horizon. The water is calm, reflecting the sky and the dark silhouette of a mountain range in the background. The foreground shows dark, silhouetted vegetation.

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Operational performance

Location: Llyn Celyn Reservoir

Covid-19 and Inflationary Pressures

Solid performance during the year despite the impact of Covid-19 and increased costs

- The business continued to proactively respond to the challenges of the Covid 19 pandemic, with the health and safety of all staff being a priority while continuing to provide this vital service. The business did experience significant strain with a spike in colleague short term absences in January 22 as the Omicron variant took hold. However the long-established Crisis Management Team ensured no disruption to front line services.
- A consequence of Covid-19 was a trend towards “staycations”, especially in Wales, which placed unprecedented demand on water and wastewater services (up 20%) requiring emergency support measures, such as waste tankering, to ensure resilience in vulnerable areas.
- Supply chain issues caused by Covid 19 supplier issues, EU exit and geo-political developments, particularly affected chemical supplies and energy costs. However, power hedging and a growing natural economic hedge (from increased self-generation) protected the business significantly against the full impact of energy price increases.
- Underlying operating costs of £343 million were £14 million higher than the same period last year reflecting inflationary pressures, partially offset by ongoing cost efficiency initiatives. Costs were broadly in line with 2021 in real terms.

Rising Inflation and the CPI Basket

- The business is naturally hedged against the risk of inflation, however rapidly rising inflation in the short term is problematic due to the timing lag of recovery.
- The CPI increase to revenues allowed by the regulator is calculated against a wide basket of goods and services, whereas the cost inflationary impact on the business exceeds this CPI basket measure as it is heavily weighted towards chemical and energy costs.

Resilient performance despite headwinds

Strong Customer Service Performance



- Measures of customer service introduced by Ofwat for AMP7 (2020-2025). C-MeX now the primary customer satisfaction measure for household customers. Water companies ranked annually based on quarterly scores.
- C-MeX – a single score combining two Ofwat surveys:
 - i. Customer Experience Survey – a customer satisfaction survey from a random sample of each water company’s customers; and
 - ii. Customer Service Survey – a customer satisfaction survey amongst a random sample of customers that have contacted each water company
- Performance payments: up to 6% of residential retail revenues awarded annually for companies that are above the ‘industry average’ score.
- Welsh Water can earn up to £3 million if we out-perform this average.
- A further incentive of up to 6% (£3 million equivalent for Welsh Water) is also awarded to the top 3 companies based on a combination of complaints performance, UK Customer Satisfaction Index (UKCSI) and C-MeX ranking at financial year end

Overall C-MeX Score						
	2020/21 Year End	2021/22 Q1	2021/22 Q2	2021/22 Q3	2021/22 Q4	2021/22 Year End
Company Score	85.15	83.38	82.81	83.41	81.87	82.93
Industry Average	81.62	79.92	79.69	79.50	79.25	79.60
Ranking	4th	2nd	6th	5th	6th	5th

Based on 2021/22 Year End performance for C-MeX – Reward of £1.6m

UK Customer Satisfaction Index – July 2022



	Jul-22 UKCSI	Jul-21 UKCSI	Y-O-Y Change
UK all-sector average	78.4	77.4	1.0
Utilities	74.1	73.5	0.6
UK Power Networks	86.5	78.6	7.9
M & S Energy	84.1	77.9	6.2
The Co-operative Energy	82.4	70.7	11.7
Utility Warehouse	80.9	74.0	6.9
Dwr Cymru (Welsh Water)	80.4	79.5	0.9
Octopus Energy	80.2	83.1	-2.9
Northern Ireland Water	79.6	72.7	6.9
Northumbrian Water	79.5	76.7	2.8
Wessex Water	79.3	73.8	5.5
Bristol Water	79.0	77.2	1.8
Essex and Suffolk Water	78.8	71.8	7.0
Scottish Water	78.8	83.5	-4.7
Anglian Water	78.5	74.1	4.4
United Utilities (water)	78.2	75.1	3.1
Utilita	77.8	76.6	1.2
South Staffordshire Water	76.6	70.1	6.5
Severn Trent Water	76.6	76.3	0.3
Yorkshire Water	76.4	78.3	-1.9
South East Water	76.0	73.6	2.4
Scottish Gas	75.7	74.7	1.0
Power NI	75.7	74.7	1.0
Affinity Water	74.9	74.8	0.1
Bulb	74.4	77.5	-3.1
OVO Energy	72.3	75.5	-3.2
South West Water	72.1	71.9	0.2
British Gas	72.0	72.0	0.0
EDF Energy	71.4	71.7	-0.3
npower	71.1	66.6	4.5
Thames Water	70.9	71.6	-0.7
Shell Energy	70.7	74.2	-3.5
Scottish Power	70.0	68.1	1.9
E.ON (energy)	69.6	71.4	-1.8
Scottish and Southern Energy (SSE)	67.4	68.8	-1.4
Scottish and Southern Electricity Networks	67.4	N/A	N/A
Southern Water	65.7	69.7	-4.0

Currently leading the UK Water Sector for Customer Satisfaction

ODI (Outcome Delivery Incentive) Performance



- Overall final ODI penalty/reward for 2021/22 is expected to be a penalty of c. £8.9m (2020-21: £4.5m).
- The main components of this are:
 - Compliance Risk Index measure saw 49 water quality compliance failures (32 in 20/21).
 - Water supply interruptions averaged over 16 minutes against Ofwat target of just over 6 minutes.
 - £1.6m reward for C-Mex, rated 5th in the sector.
 - Business Customer Satisfaction core of 4.4 out of 5.
 - Acceptability of Water: 2.44 contacts per 1,000 people (2020-21: 2.7): fewer contacts from customers on the appearance, taste or odour of water.
 - 98.32% compliance at Wastewater Treatment Works (2020-21: 99.66%).
 - Sewer collapses per 1,000km of sewer 2021-22: 6.71 (2020-21: 7.69).
 - Internal Flooding incidents: 1.36 per 10,000 sewer connections (2.05 in Financing 2020-21).
 - We are currently undertaking an extensive review of the components that feed into the leakage reporting process which will take several months to complete.

	ODI Reward/Penalty	2020-21 Actual	2021-22 Internal BP Target	2021-22 Actual £ 'm
Wt1	Water Quality Compliance (CRI) (%)	(1.1)	(0.4)	(3.7)
Wt2	Water supply interruptions (mm:secs)	(2.8)	(2.6)	(6.1)
Wt3	Acceptability of drinking water (contacts per 1,000 population)	(1.1)	(1.4)	(0.9)
Wt4	Mains Repairs (per 1,000km of main)	(0.1)	0.0	0.0
En1	Treatment works compliance %	0.0	0.0	(0.5)
En3	Pollution incidents (per 10,000km of Sewer)	0.5	0.0	0.1
En4	Leakage (M/d)	0.1	0.0	0.0
En6	Km of river improved	0.0	0.1	0.0
En7	Bioresources product quality %	0.5	0.0	0.5
Ft4	Surface water removed from sewers (m3)	(0.1)	0.0	(0.1)
Ft10	Community Education	(0.1)	0.0	(0.1)
Ft11	Visitors to recreational facilities	(0.5)	0.0	0.2
Sv1	C-MeX - Company Measure	2.0	2.0	1.6
Sv2	D-MeX	(0.4)	0.0	(0.1)
Sv4	Business customer satisfaction	(0.1)	(0.1)	(0.1)
Rt1	Internal sewer flooding (per 10,000 sewer connections)	(1.6)	0.1	1.2
Rt2	External Sewer Flooding (per 10,000 sewer connections)	0.7	0.0	(0.9)
Rt3	Sewer Collapses (per 1,000 Km of sewers)	(0.1)	0.0	0.0
Rt4	Total Complaints (per 10,000 connections)	(0.1)	(0.0)	0.0
Bl4	Unbilled properties (Voids) %	(0.3)	0	0.05
	Total	(4.5)	(2.3)	(8.9)

Delivered high-quality services to our customers against challenging AMP7 non-financial targets

Long-term approach to sustainability and the environment

*“It’s our ambition to become a world class, resilient and sustainable water service for the benefit of future generations.”**

DCWW established the ESG Committee in June 2021:

- Chaired by non-Exec Director, comprises two non-Execs, Chair, CEO and CFO.
- drives the ESG strategy and ensures that it is at the heart of everything that the company does.
- ESG Strategy launched in February 2022, setting out the key objectives and robust KPIs.
- The Committee reviews performance against KPIs and oversees corporate reporting to ensure compliance with TCFD disclosures.

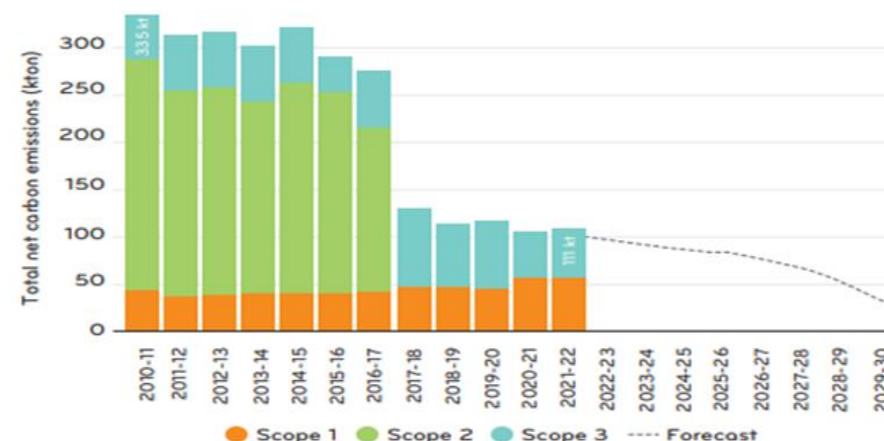
External ESG ratings:

- Formal ESG rating sought from Fitch later in 2022.
- Moody’s score for DCWW is CIS-1 (positive impact)
- S&P’s ESG credit indicators are E2/S2/G2 (neutral impact).

Board-level focus on achieving positive environmental, social and governance outcomes

Environment: carbon emission reduction

- Target of net zero total emissions by 2040,
- a faster rate than that required to limit global temperature rise to 1.5°C (the Science Based Targets rate).
- Significant investments in renewable power generation (hydro, wind and solar) and bio-methane production.
- Buy only REGO-backed electricity.
- These investments have resulted in:
 - 67% cut in total emissions since 2010-11,
 - generate 24% of our own electricity and 100% of our own green natural gas.
- DCWW reports using the UKWIR Carbon Accounting Workbook (since AMP5).
- Audited externally by Achilles under CEMARS, ISO 14064-1 accredited.



One of the lowest emitters of carbon dioxide per MI of water and wastewater treated in the UK

Environment: Improving river water quality and controlling phosphate pollution

- £101m of funding in AMP7 for investment in Combined Storm Overflows (CSOs) to improve water quality. Initiatives include:
 - working with local authorities to reduce the storm water in public spaces that permeates CSOs
 - Nitrous oxide monitors installed at the largest treatment sites.
- Multi-sector approach to remove phosphates, with Government, Regulators, local Nutrient Management Boards and farmers. £95m allocated for rivers mostly in Special Areas of Conservation such as the River Wye and Usk.
- Working with the regulators on their investigations into amounts of sewage treated at waste water treatment works (Pass Forward Flow).
- the leakage repair programme completed 100 repairs in the year, saving 25m litres per day
- 40% of Welsh rivers meet 'good' ecology quality targets (England 16%).
- Enhancing biodiversity through tree planting schemes, peatland restoration, wetland partnerships, etc, budgeting £80m on research and innovation.



We continue our approach of transparency of performance and proactive improvement

Capital investment in infrastructure

£334m was invested in infrastructure in 2021-22 (2020-21: £353m) including such projects as:

- Dam upgrades to bring them into compliance with latest safety standards,
- New waste treatment plants at Llanelli and Gowerton to reduce storm flows and spillage,
- new reservoir at Bewdley Bank, Herefordshire, adding capacity of 34 million litres of storage,
- Replacing trunk water mains to improve both resilience and water acceptability.
- Major investments in renewable technology including treatment works with advanced anaerobic digestion facilities at Five Fords (Wrexham), Cardiff East and Cog Moors (Vale of Glamorgan).



We deliver against our commitments, ensure resilience and maintain our asset base

Social initiatives

- Supported over 144,000 customers with financial assistance, committing a further £12m in 2022-23 (up to £60m over AMP7),
- C-MEX measure of customer service rated DCWW fifth in the sector despite challenges of extra demand (staycations, end of Covid etc) and weather incidents in 2021. Improving performance now seen during 2022.
- Progress on Wellbeing Commitments on track, aligned to and measured against the goals of the Wellbeing of Future Generations (Wales) Act.
- Enhanced recreational and educational attractions at visitor centres (Llys-y-Fran, Pembrokeshire reopened in the year, a £5m scheme). Cardiff scheme due for 2023 completion. Welcomed over 843,000 visitors in the year.
- Diversity and Inclusion embedded in 5 year HR Strategy. Monitor ethnicity and report on gender pay gap, and engagement with partners including Stonewall and WISE.
- Health and Safety is closely monitored by the Board, achieved reductions in injuries and sickness days in 2022, with focus on mental health from this year.
- Awarded the RoSPA Gold Medal again in 2022.



HelpU



Our wider purpose – supporting our colleagues, customers and communities

Governance highlights

- Well-established, robust compliance framework, with defined structure and scrutiny
- Compliance with the UK Corporate Governance Code
- Set a responsible and transparent long-term operational strategy, including the ESG Strategy and Framework.
- Developing best practice in TCFD reporting to formalise and integrate assessment of climate-related factors across the business.
- a significant element of Board remuneration is linked to ESG KPIs such as leakage, pollution and customer service.



We follow the UK Corporate Governance Code and work to ensure good governance



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Financial results for the year ended 31 March 2022

Location: Bolton Hill

Group cash flow and net debt

Year ended (£m)	March 2022	March 2021	Variance %
Revenue	810	778	4%
Operational expenditure	(343)	(329)	4%
EBITDA (before IRE and exceptional costs)	467	449	4%
Exceptional costs	4	(33)	
Net interest payable (incl. indexation, excl. capitalisation)	(182)	(145)	
Operational cash flows	289	271	
Capital expenditure (net of grants and contributions)	(334)	(353)	
Net working capital movements	(66)	(13)	
Increase in net debt	(111)	(95)	

Strong, stable operational cashflow with a substantial regulated capital programme

Group operational expenditure

Year ended 31 March	2022 £m	2021 £m
Employee costs	98	100
Power	57	45
Chemicals, materials, vehicles, plant & property costs	37	35
Bought-in services and other costs	37	38
Doubtful debts	24	21
Rates	26	27
Water & sewerage contractors	22	19
Regulators' charges	17	16
IT contracts	13	14
Other costs	12	14
Underlying operational expenditure	343	329
Exceptional items	(4)	33
Total operating expenditure	339	362

- Underlying opex, excluding exceptional items, is broadly in line with 2021 in real terms
- Significant inflationary pressure has been mitigated by:
 - the employee cost of living award was fixed at 2% for 2021/22,
 - forward-purchased most of our electricity and gas requirements, together with self-generation, and
 - detailed focus on cost-control throughout the business
- Exceptional items reflect the release of a COVID-related bad debt provision which is no longer required. The charge in 2021 comprised a variety of additional COVID-related costs

Partial mitigation of inflation pressure and underlying opex in line with 2021

PR24 and planning for AMP8

2022

Jan – Ofwat consultations

Including 'collaborative approach in Wales'

July – Ofwat draft methodology

Including common performance measures, approach to costs

Dec – Ofwat final methodology

Including Ofwat view on cost of capital, performance targets, ODIs, base costs

2023

May – Early submissions?

PCs
Cost adjustment claims

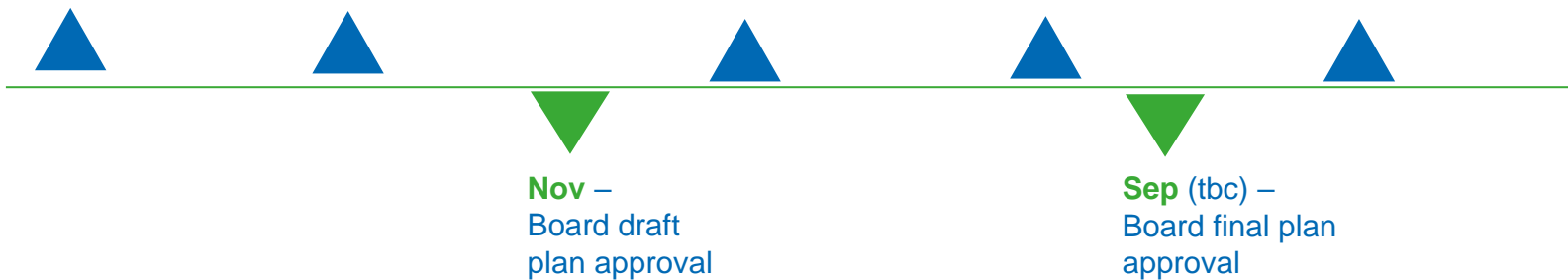
Oct – Business plan submission

And long-term delivery strategies



2024

Spring/Summer – Draft determination
December – Final determinations



The PR24 Forum



- Collaborative approach: unique to Wales - all stakeholders feed into the plan together
- Chaired by Welsh Government



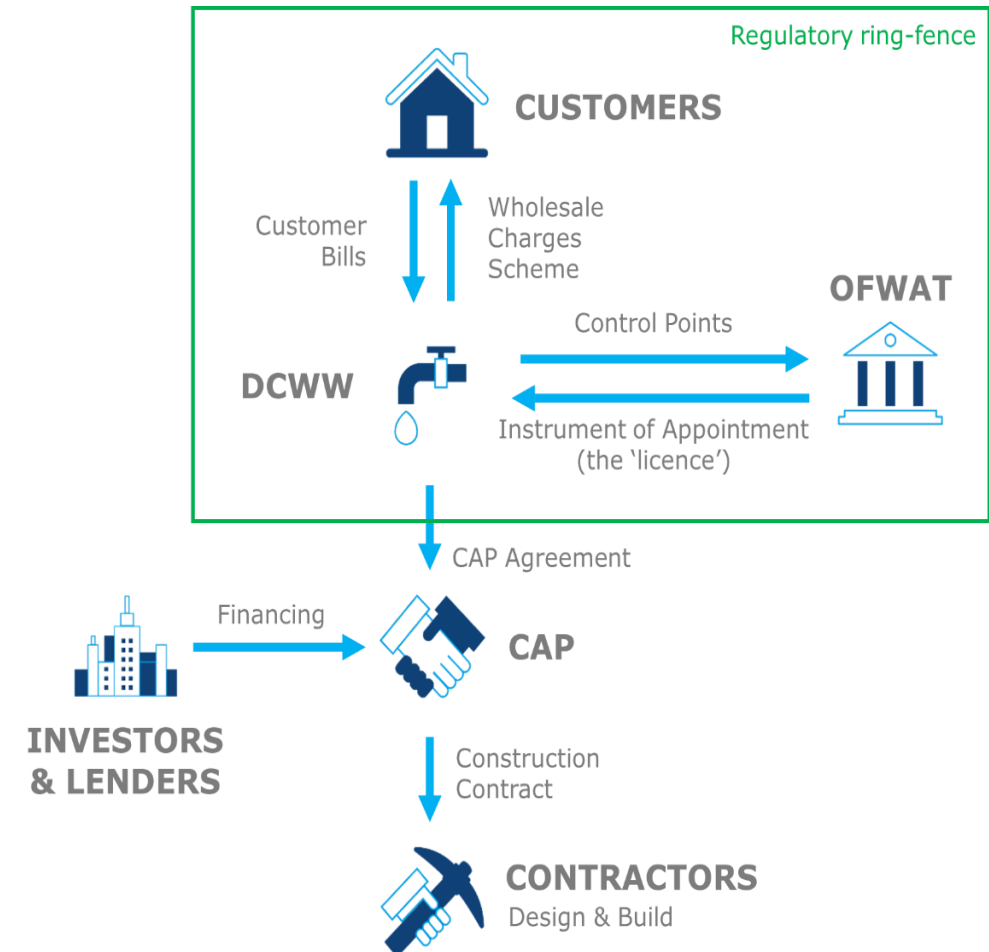
Direct Procurement for Customers (DPC) Update

The Cwm Taff Water Supply Strategy

- Construction of a new WTW near Merthyr Tydfil with capacity to produce 180 Mld plus associated network connections.
- Decommissioning of 3 existing water treatment works at Pontsticill, Llywnon and Cantref
- External delivery of Design, Build and Finance. Operations and Maintenance retained by DCC.
- AMP7 (by 2025) - conclusion of procurement
- AMP8 (by 2030) – majority of construction
- AMP9 onwards – Water in Service and Operations.

Timetable

- Ofwat expected to review and approve the procurement documents including CAP agreement by Q1 2023
- STID Proposal launch following Ofwat approval
- Projected direct cost of £350-400m at 2022 prices.
- Final outturn costs for the project expected to increase above £500m once risk, uncertainty and inflation are priced in by the CAP.



* **CAP: Competitively Appointed Provider**



Balance sheet and financing

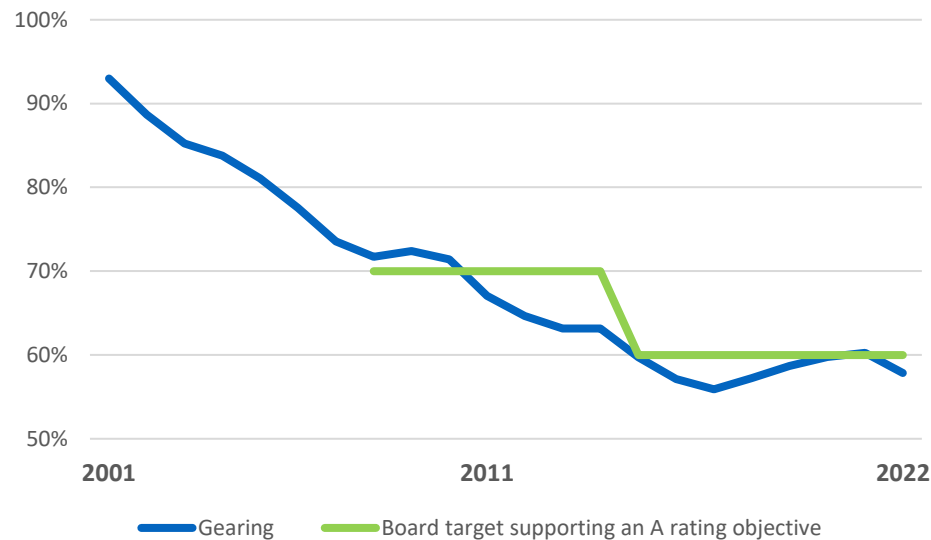
Location: Elan Valley

Maintaining strong financial discipline

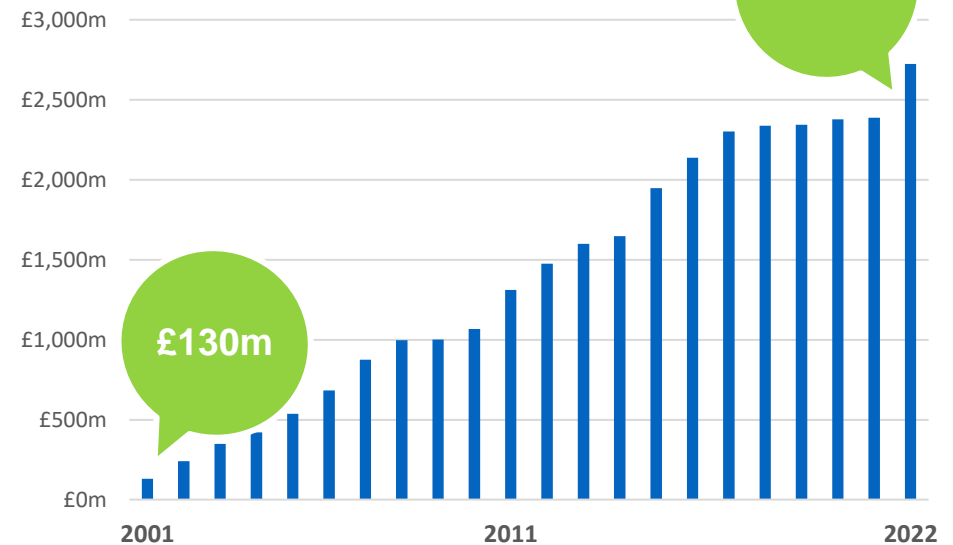
- Conservative group leverage target (~60%)

- Significant customer equity/reserves (£2.7bn as at 31/03/2022)

Gearing (RAR)



Customer Equity / Reserves



Net Debt & Regulatory Gearing

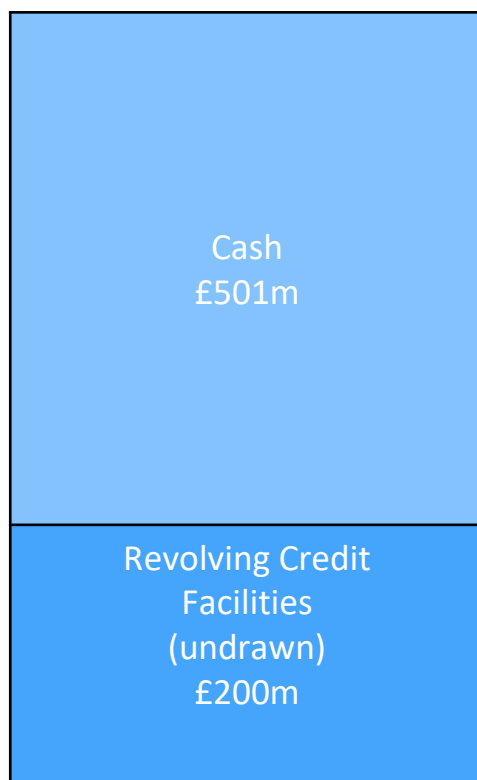
(£m)	31 Mar 2022	31 Mar 2021	31 Mar 2020
Regulatory Capital Value	6,460	6,010	5,906
Net debt per investor report	(3,736)	(3,622)	(3,528)
Financial reserves	2,724	2,388	2,378
Gearing	58%	60%	60%

Interest Cover Ratio & Covenant Headroom

- Interest Cover Ratio (ICR) of 4.0x as at 31 March 2022 (versus trigger level of <2.0x)
- Headroom above CTA trigger levels by 100% (£250m net income) on ICR and 32% (£2.1bn RCV) on Gearing

Resilience supported by substantial liquidity

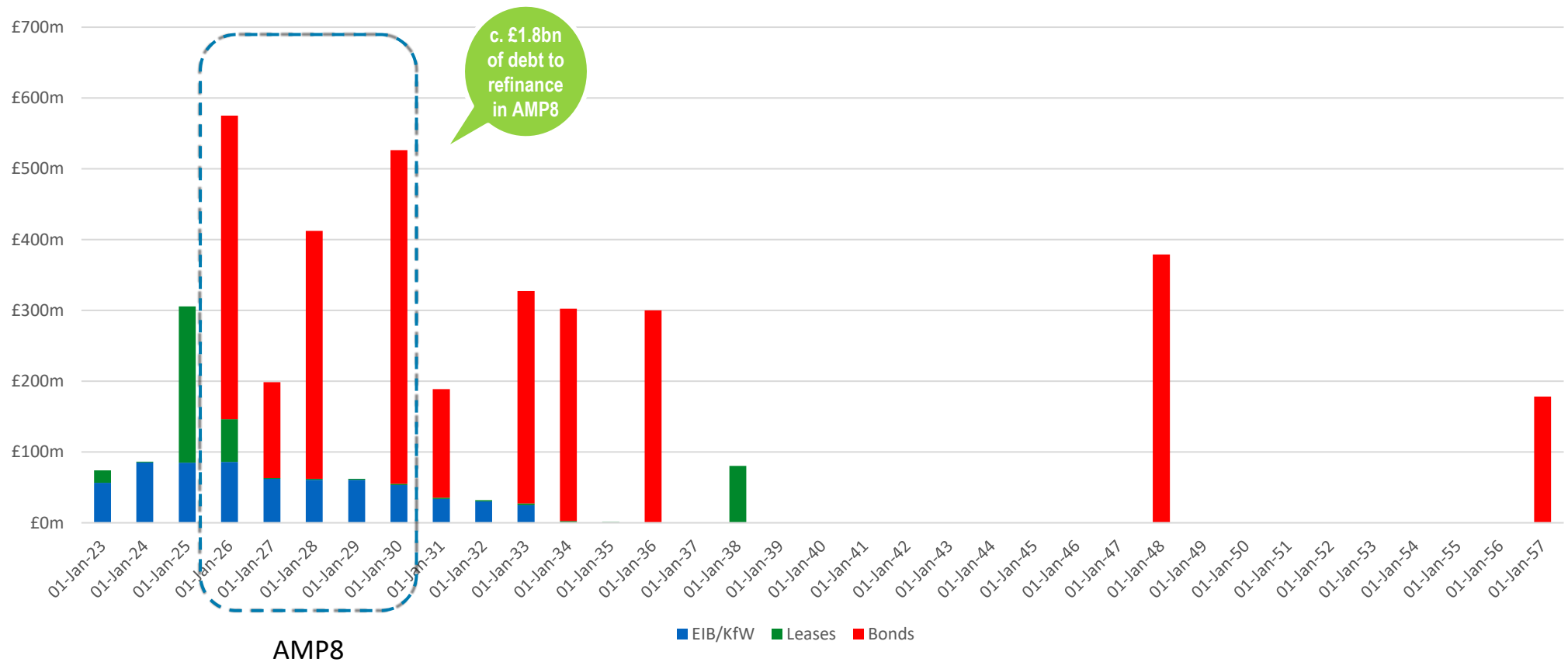
Liquidity as at 31 March 2022
£701m



- £300m C4 (junior) bonds issued 9 April 2021
- RCFs totalling £200m available until 2023, utilising one-year extension options
- Prudent investment policy for surplus cash:
 - deposit maturities limited to maximum of three months
 - diversified list of counterparties,
 - with a focus on strong bank and MMF credit quality

Strong liquidity position with financing needs met out to 2024/25

Debt maturity profile



Note: leases assumed terminated at earliest break points

No significant new debt expected to be required until AMP8

In Summary

- Operational Performance in 2021/22 remained strong despite continuing pandemic and weather related challenges. Overall net ODI penalties of c. £8.9m
- Performance for C-MeX ranked 5th in the sector: Primary Ofwat customer satisfaction measure
- Tackling CSO and phosphate issues with targeted capex and multi-stakeholder initiatives.
- Gearing reduced to 58% and £700m of liquidity
- Capital programme on track to deliver against AMP7 total expenditure
- 144,000 customers receiving financial assistance
- ESG Committee established, with zero-carbon targeted by 2040.
- 24% of power self-generated and the rest from sustainable sources.



Q&A

Location: Pontsticill reservoir



glas

Appendices

Location: Llyn Brienne Reservoir spillway

Financing: capital structure as at 31 March 2022

Rating	Class	Type	Interest rate %	Expected maturity	(£m)
AA/A1/A (Assured Guaranty wrap)	A1	Fixed/RPI swap	6.015/2.196	2028	350
	A4	RPI	3.514	2030	472
	A5	LPI	3.512	2031	153
	A6	Fixed/RPI swap	4.473/1.35	2057	100
A-/A3/A	B3	RPI	4.377	2026	229
	B4	LPI	4.375	2027	135
	B5	RPI	1.375	2057	78
	B6	RPI	1.859	2048	379
	B7	Fixed	2.500	2036	300
	B8	Fixed/RPI swap	1.375/-1.691	2033	300
BBB/Baa2/BBB+	C3	Fixed/RPI swap	1.625/-1.585	2026	200
	C4	Fixed/RPI swap	2.375/-1.149	2034	300
Bonds					2,996
Finance leases					395
European Investment Bank and KfW					637
Gross debt					4,029
Accrued interest					37
Cash ¹					(515)
Net debt					3,551

¹ Includes £14m cash held at GCHC group level (outside of the whole business securitisation)

Debt characteristics

Gross debt as at 31 March 2022 (£m)	Fixed	Index-linked	Floating	Total	
Finance leases	-	379	17	395	10%
Bonds	300	2,696	-	2,996	74%
EIB/KfW	-	239	398	637	16%
	300	3,314	415	4,029	100%
Swaps - floating to fixed	192	-	(192)	-	
Swaps - floating to index-linked	-	7	(7)	-	
Gross debt	492	3,321	216	4,029	
	12%	82%	5%	100%	

- Cash balances offset residual exposure to floating rate risk

Fair value movements on swaps

Derivatives as at (£m)	31 Mar 2022	31 Mar 2021	Movement
Floating to fixed rate interest rate swaps	(58)	(85)	27
Index-linked swaps	(576)	(404)	(172)
Energy swaps	39	8	31
Total fair value (IFRS 9)	(595)	(481)	(114)

Notes:

1. Swap contracts are with Barclays, BNP Paribas, HSBC, Lloyds and NatWest Markets
2. None of the swap contracts has break clauses or accretion paydowns

Energy consumption and costs

Wholesale price increase

+250%

Driven by:

- Gas storage issues EU
- Invasion of Ukraine
- Banning of Russian Gas & Oil

80-85% of cost increase mitigated

Through:

- Renewable energy generation
- Hedging strategy
- Power Purchase Agreements
- Bespoke supply contract



Ofwat ODI's (Outcome Delivery Incentives) Performance Commitments with Reward/Penalties for 2020/21 to 2021/22

C – Calendar year			2021/22 Outturn	2020/21 Outturn	2021/22 FD Target (Final Determination)	2021/22 Vs FD Target	Penalty or Reward 2021/22 (£m)	Cumulative Penalty or Reward for AMP (2020/21 to 2021/22) (£m)
Wt1	Water Quality Compliance (CRI) (%)	c	9.85	4.17	0	X	-3.660	-4.719
Wt2	Water supply interruptions (min:secs)		16:12	11:05	06:08	X	-6.139	-8.935
Wt4	Mains repairs		136.6	140.2	137.0	✓	0.000	-0.133
En1	Treatment works compliance %	c	98.32	99.66	100	X	-0.476	-0.476
En3	Pollution incidents (per 10,000km of Sewer)	c	23.17	21.46	23.74	✓	0.101	0.644
En4	Leakage (% reduction) – 3 year average		5.2	2.2	4.2	-	0.000*	0.114
En5	Per capita consumption (% reduction) – 3 year average		-8.9	-5.2	2.0	X	0.000**	0.000**
Rt1	Internal sewer flooding (per 10,000km sewer connections)		1.36	2.05	1.63	✓	1.154	-0.427
Rt3	Sewer collapses (per 1,000km sewer)		6.71	7.69	7.20	✓	0.000	-0.069
Sv1	C-MeX – Company Measure		82.93	85.15			1.600	3.618
Sv2	D-MeX		83.94	82.69			-0.139	-0.492

FD – Final Determination C – Calendar year			2021/22 Outturn	2020/21 Outturn	2021/22 FD Target (Final Determination)	2021/22 Vs FD Target	Penalty or Reward 2021/22 (£m)	Cumulative Penalty or Reward for AMP (2020/21 to 2021/22) (£m)
Wt3	Acceptability of drinking water (contacts per 1,000 population)	c	2.44	2.70	2.07	X	-0.891	-1.998
En7	Bioresources product quality %		99.2	96.1	97.3	✓	0.454	0.908
Ft4	Surface water removed from sewers (m3)		0	38,473	141,900	X	-0.050	-0.100
Ft10	Community education		45,655	5,834	72,000	X	-0.105	-0.217
Ft11	Visitors to recreational facilities		842,701	294,763	675,000	✓	0.168	-0.362
Rt2	External sewer flooding on customer property (per 10,000km sewer connections)		26.27	25.82	25.29	X	-0.881	-0.221
Rt4	Total complaints (per 10,000 connections)		28.2	122.1	86.5 / UQ	✓	0.000***	-0.054
Sv4	Business customer satisfaction		4.4	4.4	4.5	X	-0.125	-0.250
Bl4	Unbilled properties (Voids) %		3.78	4.03	3.80	✓	0.052	-0.288
Total							-8.936	-13.457

* We are currently undertaking an extensive review of the components that feed into the leakage reporting process which will take several months to complete. We have reported our 2021/22 performance on a like for like basis with that followed in the 2020/21 APR. Ofwat are aware of the review and we will be providing regular progress updates. As a result of this review, we have not claimed the Outcome Delivery Incentive reward of £0.257m which would be applicable based on our 2021/22 performance of 5.2%; we have used the override function within the Ofwat ODI model to reflect this. We have submitted the Ofwat tables accordingly and not recorded either Yes or No within the performance commitment level met column.

**Ofwat issued a change in November 2021, to all 17 water companies Outcomes performance commitments, which instructed that the timing of any underperformance or outperformance payments are claimed at the end of the AMP period i.e. 2024/25 and not yearly.

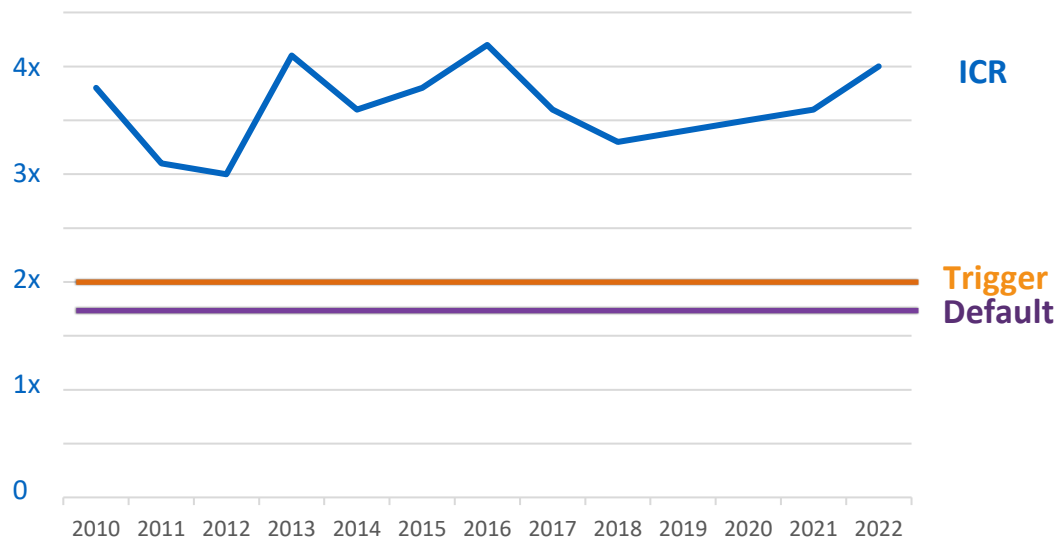
*** As the CCWater reporting requirements have changed, with regards to the removal of chase contacts being allocated to non-written complaint volumes, discussions with Ofwat have taken place and it has been agreed to report the total number of complaints in line with the Final Determination and CCW's 2021/22 guidance (i.e. removing chase contacts). As the target and performance level are not aligned, an outperformance payment will not be claimed.



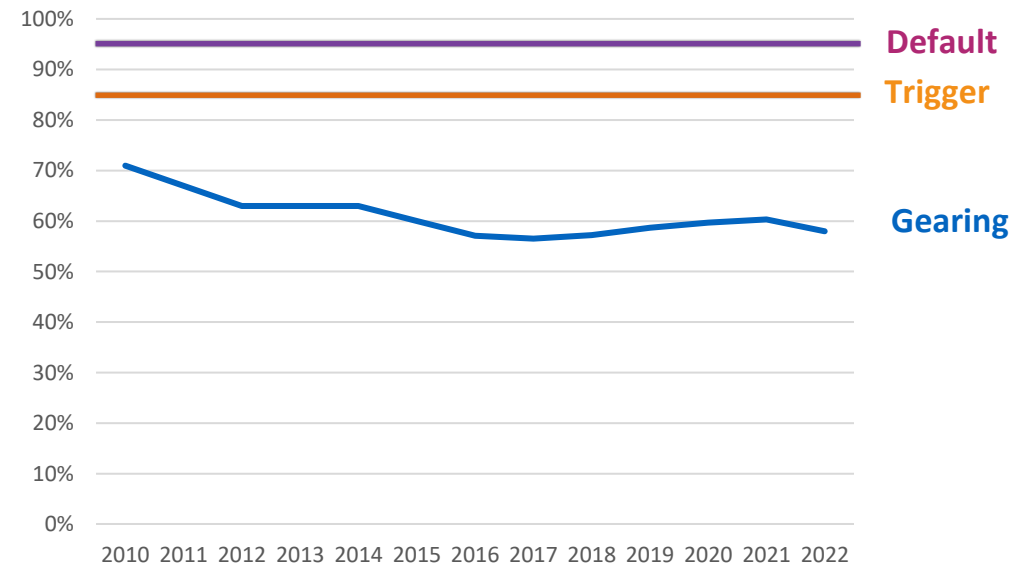
Stringent investor protections

- Comprehensive protections provided to investors through the Whole Business Securitisation (WBS) structure
- Tightened by reducing the Gearing Trigger Event covenant to 85% (from 90%)
- ICR of 4.0x and gearing of 58% as at 31st March 2022

Interest cover ratios (ICR)



Gearing (RAR)



- 100% headroom over trigger (4.0x versus 2.0x)
- Operating cash flows would need to deteriorate by £250m to hit trigger

- 32% headroom over trigger (58% versus 85%)
- RCV would need to be £2.1bn lower to hit trigger; or
- Net debt would need to rise by £1.8bn

Significant headroom over trigger event default levels

Covenant package

Normal business Operating within covenant package	Trigger event step-in period One or more financial or operational 'trigger' covenants breached	Default standstill period One or more events of default occur and continue	Special administration
No creditor involvement	<p>No customer dividends</p> <p>Option to commission independent review</p>	<p>Majority of secured claims frozen</p> <p>18 month opportunity to remedy situation or find a buyer for Welsh Water</p> <p>Liquidity facilities keep senior debt whole</p> <p>Security over shares of Welsh Water and holding Group can be enforced</p>	<p>Regulator applies to court to appoint a Special Administrative Receiver (SAR) to run business</p> <p>SAR acts in interest of creditors and customers</p>
Financial covenants:			
	<ul style="list-style-type: none"> • Senior ICR: <2.0 • Senior PMIC: <1.0 • Gearing Ratio: >85% 	<ul style="list-style-type: none"> • Senior ICR: <1.6 • Senior PMIC: N/A • Gearing Ratio: >95% 	