



## WHAT I'VE LEARNT

# EVERYTHING WE DO IS GREEN

AS SUSTAINABLE FINANCE GAINS GROUND,  
JANE PILCHER EXPLAINS ANGLIAN WATER'S  
APPROACH TO GREEN FUNDRAISING

Since 2010, Anglian Water has put environmental and water conservation initiatives at the centre of its activities. The utility operates in a water-stressed area – 25% of the region is under sea level and the eastern counties are growing in economic and population terms – so cutting back on extraction and managing demand is both a governance and public interest issue.

Fast forward to 2017 and Anglian Water's treasury team had successfully listed the company's inaugural green bond on the London Stock Exchange's green bond segment. The £250m issuance attracted wide support and a coupon of 1.625%, and achieved a pricing of Libor plus 63bps. Anglian Water also won *The Treasurer's* first Deals of the Year Green Finance Award.

It made complete sense to align Anglian Water's fundraising approach with its 'Love Every Drop' sustainability strategy, says Jane Pilcher, group treasurer. "A number of banks were talking to me about green bonds. As they talked to me it resonated with all the issues we were focusing on," she says.

With sustainability at the heart of the business, all of Anglian Water's capital

expenditure qualifies for funding raised via a green bond. The company has pledged to be carbon-neutral by 2050, for instance, and has committed to environmental projects ranging from wetland conservation to flood resilience.

### Governance

The utility's first task was to seek third-party accreditation for the approach and methodology behind those projects. "Every project goes through the same governance framework. Unless it saves money for customers and saves carbon for the environment, it doesn't get done. That is the baseline we measure against and there is a clear governance statement on that," she says.

Anglian's treasury team was very much conductor of the orchestra in the fundraising, she says, with support from elsewhere in the business, such as corporate communications, asset management and finance functions. That partnership has been critical in terms of ensuring investors and other stakeholders are comfortable that Anglian uses the funds raised for environmental purposes. And as well as the financing itself, treasury has responsibility for managing the cash, ensuring bond proceeds are deployed in

the general payments account as the monies are spent on the assets within the green portfolio. Investor reports are published with Anglian Water's statutory results, presenting an overview of funds spent and carbon saved.

From a technical perspective, there has been a lot of good learning for the treasury team, says Pilcher. "Anglian Water has a significant amount of debt outstanding in the capital markets. We wanted to demonstrate our environmental credentials and we have now significantly widened our investor base and achieved European participation, unusual for a sterling bond. Having that wider investor participation will help to provide more liquidity on our bonds going forward."

### Communication

Communication around agreed aims and spending is crucial in the highly regulated water industry. "We do a lot of reporting to satisfy our customers that we are meeting the outcomes we have agreed with them, and going forward we will make sure some of the case studies and examples used are ones where we used the funds from the green bond," says Pilcher.

Another key area has been stakeholder governance,

she says. Anglian Water was mentioned in the government's Clean Growth Strategy and its 25-year Environment Plan. Recognition at that level has been very satisfying, particularly when set against the usually negative tone of commentary around the water industry, she says, with the communication effort and profile-building aspects giving Anglian Water's treasury team a considerable fillip. ↕

### KEY LESSONS

1. Be very open in your communication. "Spending time with our head of communications has been very helpful. Treasury now has a seat at the table and our profile has been raised," says Pilcher.
2. Persevere – setting up the fundraising and the reporting around expenditure was very hard work and took time, but was central to the whole process.
3. Above all, pay attention to how and what you're measuring. Actually finding out what investors want and being clear about delivery has been key.