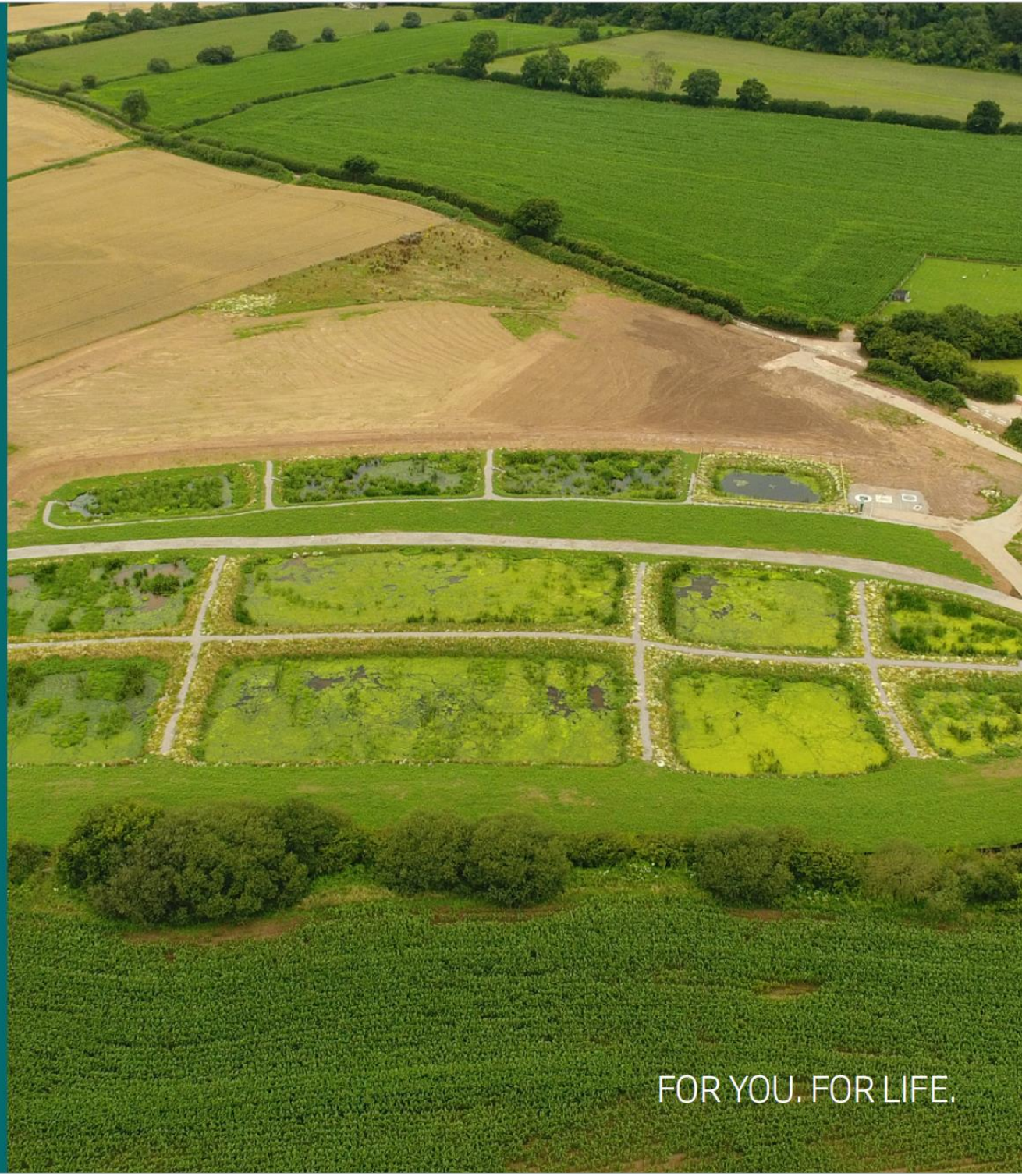
Wessex Water's

Nature related financial disclosures report 2025



Wessex Water
YTL GROUP

INTRODUCTION

Wessex Water is a long-term business committed to sustainability. Stewardship of the environment, and water in particular, is essential to the wellbeing of the communities and ecosystems of our region and is a vital component of our business. Our approach is holistic; we are acutely aware of the intricate interplay between our operations and the natural environment, and nature-related considerations are built into our strategic and business planning frameworks.

The risks which we consider include pressures on the water environment from various activities and the longer-term challenges of climate change. YTL's sole ownership of Wessex Water over the last 23 years has provided a strong foundation for us to meet these challenges.

We are committed to playing a critical role that goes beyond providing an essential public service. We aim to support the communities we serve, and to help tackle the climate and ecological emergencies we are currently facing. These aims form the core of our long-term commitment to build a sustainable future, with practical benefits for the community and the environment.

We are tackling nature-related issues through investment in infrastructure and nature-based solutions, and we see opportunities to innovate and lead in sustainable water management practices. In our business plan for 2025-30 we proposed a significant increase in investment, a substantial focus of which is to improve river health, including:

- £120m to reduce pollution incidents
- £400m to reduce storm overflow spills
- £900m to reduce nutrients loads.

Additionally, we proposed £1.3bn on strategic water resource options that will enable reduced abstraction at sensitive sites, as well as increasing supply resilience overall.

About Wessex Water and our region

We are a regional water and sewerage business serving 2.9 million customers across a 10,000 square kilometre area of the south west of England. Over 50% of our region has some form of environmental designation, including:

- more than 470 Sites of Special Scientific Interest (SSSI)
- 35 Special Areas of Conservation
- 11 Special Protection Areas
- 27 National Nature Reserves (NNR)
- more than 6,200 areas designated as Local Wildlife Sites or Regionally Important Geological Sites
- eight Areas of Outstanding Natural Beauty (covering over 30% of our region)
- two National Parks.

Our region contains 27% of the country's chalk streams. Over 40% of our region – proportionally more than any other English water company – falls within a nutrient neutrality catchment. Watercourses and land holdings in these sensitive areas are required to meet higher environmental standards, and we continue to be ambitious in seeking the best way to achieve this.

We have a duty to conserve and enhance biodiversity as laid down in successive legislation such as the Water Industry Act 1991; the Environment Act 1995; and the Natural Environment and Rural Communities Act 2000 (as amended by the Environment Act 2021). Also, via policy and guidance such as the Water Industry Code of Practice for Conservation, Access and Recreation (CAR).

This report sets out our work for the first time using the framework develop by the Task Force on Nature-related Financial Disclosures (TNFD), which covers strategy, risk and impact management, governance, and metrics and targets. Here, we explain the main nature-related risks that affect us as well as those that the natural environment faces due to the nature of our activities. Our reporting will evolve in future editions, influenced by sector-specific guidance and other developments.

Our purpose

Our purpose is to support our customers' health and wellbeing and enhance the environment and the diverse communities we serve. As an essential services business rooted in our region, we have a responsibility to address shared societal challenges of unprecedented scale and urgency. These include the climate and nature emergencies, the need for carbon neutrality, rising public expectation concerning the environment, higher living costs and long-term resilience. We are also a long-term business and aim to be a genuinely sustainable water company. As such, we are attuned to changes that will take place over several decades.

Our stakeholders rightly expect us to enhance the environment, now and in the future, and to do more to support watercourses, wildlife and public amenity. The outcomes we aim to achieve were set out in our Strategic Direction Statement and are summarised in figure 1. Increased biodiversity is one of our priority environmental outcomes alongside sustainable abstraction and excellent river and coastal water quality, both of which are underpinned by biodiversity considerations. As well as short-term objectives, we have targets for 2050 linked to each outcome, including restoring the quality of our rivers and coastal waters and eliminating all pollution incidents for which we are responsible.

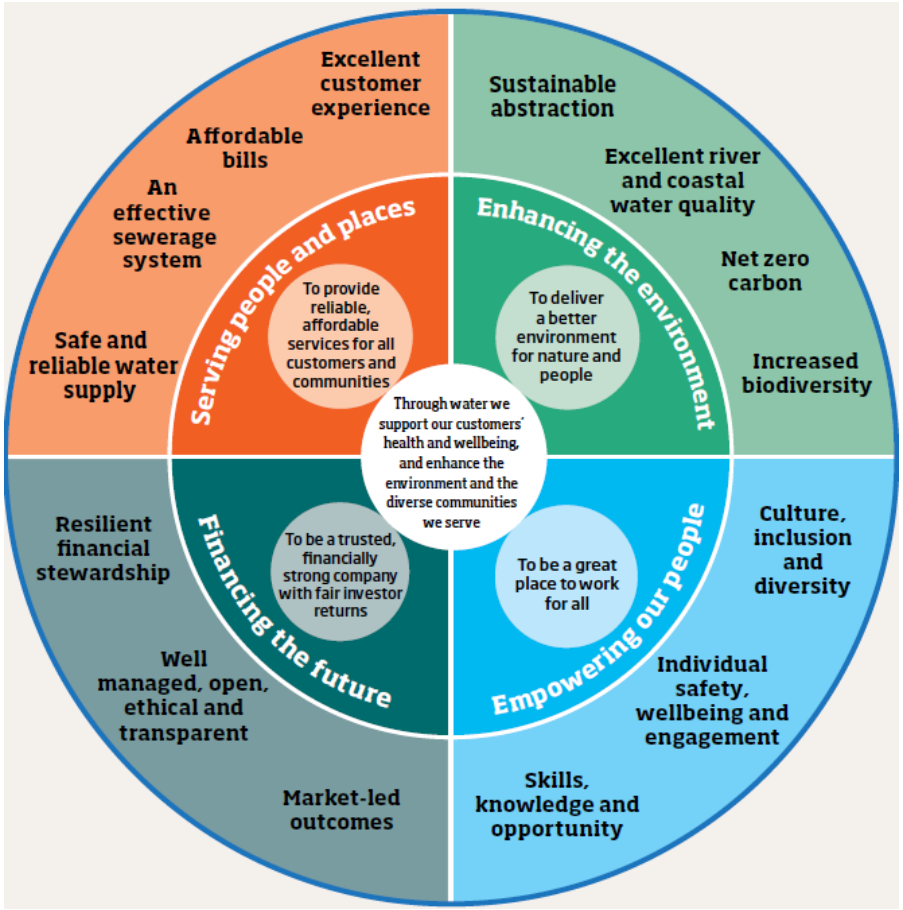
Material nature-related risks

In this report we set out how we are addressing key issues for nature, through strategic plans and management of risks. The main nature-related issues covered are:

- water quantity and flows in rivers and streams, affected by our abstraction of water for public supplies
- water quality in watercourses and coastal water, that can be affected by pollution incidents from our sewerage system and substances in treated effluent – notably nutrients such as phosphorus and nitrogen.
- The biodiversity of our landholdings, and protection of environmental features in the landscape where we are carrying out work.

For detailed explanation of these nature-related risks and how we are addressing them, please see section 3.

Figure 1 Our purpose



STRATEGIES RELATED TO NATURE

The high-level environmental outcomes of our purpose are enacted through a series of long-term strategic plans with a 25-year timescale, as well as our over-arching long-term delivery strategy. These long-term plans are translated into short and medium-term delivery through the five-year investment plan cycles.

In 2023 and 2024 we published our latest Water Resources Management Plan (WRMP), Drainage and wastewater management plan (DWMP) and our investment plans in relation to the Water Industry National Environment Programme (WINEP). As well as improving services for customers and communities, these will enhance the environment through improving rivers, securing sustainable abstraction and reducing nutrient loads, storm overflows and pollution incidents affecting watercourses. In the medium term, we expect to spend more than half of our capital investment budget for 2025-30 (circa £2bn) on delivering these environmental benefits.

Long-term delivery strategy (LTDS)
As part of our business plan for 2025-30 we produced a long-term delivery strategy (LTDS), covering 2025-2050. It indicates the key investment areas we have identified as necessary to deliver our ambitious outcome targets and associated performance commitments. It frames our business plan for 2025-30 in the context of our longer-term ambitions and the journey to our 2050 targets, as well as continuing to lead the industry in delivering for customers, communities and the environment. The LTDS and its ambition have been based on known changes that are likely to affect us. These include a set of common reference scenarios defined by Ofwat which will have a material effect on our activities in future years.

The LTDS covers the full cross-section of issues for which we must invest including management of water resources, treatment and supply of drinking water, treatment of wastewater, management of sewers and wastewater treatment, customer service and reducing greenhouse gas emissions. While improving biodiversity can be part of any of these, the LTDS also includes specific long-term proposals for enhancing the biodiversity and the natural capital of the land we own.

Water resources management plan
Our Water Resources Management Plan (WRMP) sets out how we will maintain a balance between the demand for water and the supply of water while protecting the environment for at least 25 years, and consequently maintaining sustainable levels of water abstraction. Our WRMP considers a number of factors including population growth, customer demand, pressures on the water environment and climate change impacts that may affect river flows, reservoirs and groundwater recharge. Detailed climate risk assessments are carried out for our WRMPs, taking into account the effects of changing rainfall, evaporation and temperature patterns and the impact that these may have on river flows, reservoirs, groundwater recharge, deployable output, and water demand.

In our 2019 WRMP we forecast a surplus in supplies over demand up to 2045. Since then, it has become clear that we must substantially reduce our water abstraction by 2035 to protect river ecology, particularly in our most vulnerable catchments including the Hampshire Avon. With no other interventions, we now forecast a supply-demand deficit of more than 130 Ml/d by 2079-80 under the dry year critical period scenario. To address this, our preferred plan includes reducing water demand through water efficiency visits and smart metering (which will also enable us to meet the statutory water demand reduction targets), and action to stem leakage. Details on the inherent risks of water abstraction to freshwater ecosystems, and how water abstraction is regulated and managed as a result, are provided in part 3, with details of planned investment during 2025-30.

Drainage and Wastewater Management Plan (DWMP), and the Water Industry Natural Environment Plan
Our Drainage and Wastewater Management Plan (DWMP) shows how we will extend, improve and maintain a robust and resilient drainage and wastewater system in the face of climate change, population growth and growing customer and regulator expectations. Our DWMP includes ambitious plans to protect public health and enhance the environment, creating value for the people we serve, with good value for money. The plan, using a common framework developed by the water industry and

key stakeholders, sets out the levels of investment required to achieve an effective sewerage system and deliver excellent river and coastal water quality. DWMPs also help to achieve the new and tighter requirements regarding the government's Storm Overflows Discharge Reduction Plan requirements and nutrient neutrality.

A major issue covered by our DWMP is elevated nutrient levels that cause eutrophication, which is affecting some designated sites within our region (see the section on water quality in Risk and impact management). Natural England requires all development within these catchments to be nutrient neutral. We have increased investment for nutrient neutrality and other phosphorus-related improvements, which means investment will rise from c£500m to c£1,400m by 2030. We recognise the challenges around delivering nutrient neutrality at a catchment scale but the impact of nutrient inputs occurs immediately from the point of discharge, so many mitigation and nutrient reduction outcomes will be delivered locally, eg,at a waterbody level.

Details on the inherent risks posed by the sewerage system and treated effluent for the water environment, and how the wastewater is regulated and managed as a result, are provided later in the Risk and impact management section.

Biodiversity Action Plan and land management

Our Biodiversity Action Plan (BAP) outlines our commitment to improving land management, minimising operational impacts, and supporting biodiversity partnerships. We aim to enhance biodiversity in catchments, increase the use of nature-based solutions and work in partnership to deliver our ambitions. Our goal is to double our contribution to regional biodiversity over the next 25 years and by 2050 to have undertaken habitat interventions to achieve 5,000 biodiversity units at habitat target condition. Collaboration with our regulators and stakeholders across the many engaged environmental groups in our region will be essential to successfully delivering our aims, addressing environmental concerns and implementing changes. Together, we are working towards a sustainable and biodiverse future.

We are not a large landowner: at fewer than 3,000 hectares we have the second smallest land ownership of all the water and sewerage companies in England and Wales. Of this, 290 hectares are designated as Sites of Special Scientific Interest (SSSI) and over 900 hectares are designated as either a Local Wildlife Site or a Local Geological Site. Despite our relatively modest size, we maximise opportunities for nature. We were the first UK company to publish a Biodiversity Action Plan in 1998 and more than 40% of our landholding is currently subject to conservation management. We also take part in local nature partnerships and four catchment partnerships – Bristol Avon, Dorset, Somerset and Hampshire Avon – which bring different organizations together to make environmental improvements at scale. We believe that through these strong partnerships we can implement successful change to benefit biodiversity.

Sustainable solutions for water and nature

We are playing a key role in shaping thinking on how to ensure that investment is targeted at improving the environment in the widest sense. Also, as we are not the only stakeholders in our local environment, it is important for its long-term success and preservation that we engage with all involved within our region. Consequently, in 2023 we formed a coalition – Sustainable Solutions for Water and Nature (SSWAN) – with environmental groups and stakeholders that interact with or otherwise have an interest in the water environment, to champion catchment level solutions to deliver better outcomes for nature. By facing the challenge head on, we can be ambitious, innovative and drive effective and meaningful change. We need to invest in our future – for the health of our waterways, the natural environment and for society. We need more focus on nature and our customers, and we need the necessary resources and incentives in place to encourage collaboration. Our regulatory system could be more flexible, with more of a focus on what companies achieve rather than what they do.

The SSWAN model shifts regulation towards catchment-based approaches to support cheaper, more innovative, more collaborative projects that more accurately reflect local priorities. A more cost-effective, outcomes-based approach will help build trust and restore nature, with regulation focusing on the end results, eg, is the water quality improving; is there more biodiversity; is nature thriving?

The key to this is local tailored delivery at catchment and sub-catchment level – involving participants from all sectors contributing to address water health. SSWAN proposes a four-tier regulatory framework:

- government: sets national policies and targets
- regulators: accountable for ensuring the delivery of the outcomes set by government. They would regulate outcomes in individual water catchments, with localised targets tailored to individual catchments and reflecting local needs
- catchment advisory boards: ensure the local objectives reflect local priorities, empowering local government and communities to provide tailored guidance to the regulators
- joint area teams: determine catchment-specific short and long-term outcomes, setting targets and defining the monitoring requirements for each catchment.

This new model would enable a fundamentally different way of working and has the potential to unlock innovation and improve partnership collaboration – the potential benefits are substantial.

For further information go to http://www.sswan.co.uk/.

RISK AND IMPACT MANAGEMENT

The environment is fundamental to the essential services we provide: clean drinking water, sewerage and sewage treatment. Consequently, the associated nature-related dependencies and risks are integrated into how we manage risk and our risk framework. In this section we outline the main nature-related dependencies, impacts, risks and opportunities that we face, and our responses.

WATER QUANTITY AND FLOWS IN RIVERS AND STREAMS: RISKS RELATED TO WATER ABSTRACTION

Around 75% of the water we supply to our customers comes from boreholes and springs that tap into the chalk and limestone aquifers of Wiltshire and Dorset. The quantity of water we can abstract is governed by licences issued by the Environment Agency.

The main nature-related risks

Water abstraction can change surface water flows or lower groundwater levels, which consequently affects flows to springs, wetlands, lakes, and rivers, and the ecology and habitats they support. Over-abstraction often leads to water scarcity, reduced or intermittent river flows, lowered lake and groundwater levels, the drying up of wetlands, and increased pollutant concentrations in water quality. Accompanying weather conditions are also a factor. For example, droughts lead to shorter recharge periods in groundwater and for reservoirs, resulting in lower levels and reduced yields, as well as reduced river flows which can lead to pressure to reduce abstraction to protect the freshwater environment. Higher temperatures in the summer months can result in increased daily and peak demand and larger volumes of water requiring treatment and storage.

Current responses to risks – regulation, our management and investment

The environmental impact of water abstraction is managed through licenses issued by the Environment Agency. These include daily and annual abstraction limits and, in some cases, links to flow thresholds in local watercourses. Adherence to these abstraction licences is fundamental to our own management of this issue. During dry periods with low river flows we implement stream support at 19 locations, which involves adding groundwater to maintain river levels, and support aquatic ecosystems; and we reduce abstraction rates at 20 sources when river flows fall below certain trigger thresholds. We also have an Abstraction Incentive Mechanism (AIM) in place in Mere and on the river Tarrant. This involves reducing abstraction during critical periods of low groundwater and river flows to protect the local river environment and promoting water efficiency actions in the same localities.

We work in partnership with the Environment Agency, Natural England and others to investigate sources where there are concerns that the volume of water we are licensed to take has unacceptable impacts on local watercourses, groundwater levels and the wildlife that they support. Some investigations have led to reductions in the licensed abstraction volumes or other mitigation measures being made to ensure precious habitats in our region are protected. This is an ongoing process particularly to ensure compliance with the Water Framework Directive. Seventeen sites have been investigated in 2020-25 in accordance with the WINEP. Furthermore, we engage in detailed planning and scenario analysis to forecast potential future licence changes. This includes considering various scenarios of potential licence reductions. This ensures that we are prepared for future reductions and can continue to manage our water resources responsibly.

We assess the impact that our water abstractions have on the natural environment at a catchment scale. This includes the impacts of our reservoirs and groundwater abstractions alongside those of other abstractors (including neighbouring companies) on the amount of water available in the environment. Catchment-based strategies are now a business-as-usual approach to protect our service levels and enhance the environment; often this means we are able to deal with the source of the problems not the symptoms.

Major infrastructure investment for our water supply network was dominated in the last 10 years by our integrated supply grid project,

which connected sources and water distribution system in the south of our region in Dorset to those in Wiltshire and Somerset. This scheme enabled us to reduce abstraction at environmentally sensitive sources in the upper Hampshire Avon Catchment, and improved resilience for our customers without the need to develop new water sources.

Reducing leakage across our network also helps to reduce the environmental impacts of water supply, as well as maintaining resilience. Since the mid-1990s, we have halved the quantity of water that leaks from our system, achieving a reduction of around 15% more than the industry average. Our approach includes several elements including active leakage control, which involves continuous monitoring and rapid response to detected leaks; optimising our district meter areas to detect and isolate leaks more efficiently; using advanced technologies to pinpoint leaks quickly and accurately, and replacing old and vulnerable pipes to prevent future leaks. Customer education about the importance of reporting leaks and conserving water also helps us to address leaks promptly and maintain a resilient water supply system. Through these comprehensive measures, we aim to continue reducing leakage, ensuring a sustainable and reliable water supply for our customers while protecting the environment.

We also aim to manage water demand effectively to ensure a sustainable water supply. Reducing demand is the lowest cost and potentially the quickest-to-deliver option to ensure security of supply, given water resource development schemes have a minimum 10-years lead time. Through our ambitious smart metering programme, we aim to install advanced metering infrastructure smart meters for 95% of our customers by 2035, allowing us to better target both leakage reduction and customer engagement efforts. Our Home Check programme includes visits to households to identify and fix plumbing leaks, and we extend similar services to non-household customers.

Overall, in the last decade, we invested more than £230 million to reduce abstraction by 25 megalitres per day, to preserve the unique ecology and fragile habitat of local chalk streams within our region.

Future risks and pressures; plans and investment

We pledge to ensure our abstraction remains sustainable, now and in the future, as we continue to provide for the needs of our communities. Our 2024 WRMP assessment – incorporating various scenarios and sensitivity analyses – shows that water demand will increase because of the population growing by 13% by 2050, property growth and consumption change. Climate change is also expected to result in drier summers and more extreme weather events.

We must ensure that new population growth is not met through additional abstraction, particularly in our most sensitive catchments such as the Hampshire Avon. Indeed, we must reduce abstraction where necessary from environmentally sensitive sources, particularly in our chalk catchments by 2035, to protect the river ecology. The net result will be a deficit in our supply-demand balance.

Our strategy to reduce demand in the short term is not only imperative to meet future licence reductions to provide the greatest environmental benefit but will also help offset new growth and ensure it can be met through existing abstraction. Our primary response is to progress an ambitious strategy to reduce water wastage and unnecessary water usage. We are committed to meeting our regulatory target of a 50% leakage reduction by 2050; enhancing our leakage reduction strategy by expanding our acoustic logging and smart network capabilities; and using data to improve the efficiency of our leak detection and repair processes. This will set us on the path to meeting government expectations to halve leakage and reduce personal consumption.

WATER QUALITY: RISK RELATED TO POLLUTION INCIDENTS AND CONTINUOUS DISCHARGES

We are responsible for 398 water recycling centres (WRCs) which discharge treated effluent to the environment, and 1,296 storm overflows. We are dedicated to ensuring wastewater compliance through rigorous monitoring, investment to upgrade operation of the network and treatment, and reporting of our environmental discharges.

The main nature-related risks

Pollution incidents occur when untreated sewage enters a watercourse or coastal water leading to pollution, especially during dry conditions. Aquatic life can be endangered by high biochemical oxygen demand (BOD) which depletes oxygen, and ammonia toxicity which disrupts organisms and nitrogen cycles. While wastewater pollution incidents are mainly caused by blockages in sewer pipes; they can also occur if water recycling centres are not operating correctly.

Continuous discharges of treated wastewater can also affect biodiversity in freshwater, brackish, and marine ecosystems. Of particular concern are phosphorus and nitrogen that in high concentrations can cause eutrophication, a process where waterbodies become overly enriched with nutrients. This can stimulate excessive growth of algae, especially in warm weather, which can deplete oxygen levels in the water, harming fish and other aquatic life. Phosphorus and nitrogen in the food consumed by humans arrives at water recycling centres in sewage and can also enter watercourses from agricultural runoff and stormwater overflows.

Eutrophication particularly affects some designated sites within our region: the Hampshire Avon SAC; Poole Harbour SPA / Ramsar site, the Somerset Levels & Moors Ramsar site, Chesil and the Fleet SAC / Ramsar site / SPA. Managing phosphorus levels is therefore crucial for maintaining water quality and protecting aquatic ecosystems.

The risks to wildlife from emerging pollutants in treated effluent such as pharmaceutical residues are not yet clear but are being researched worldwide.

Current responses to risks – regulation, our management and investment

Pollution incidents

The Environment Agency classifies pollution incidents. Serious pollutions (category 1 or 2) are those that lead to death of aquatic life or other high impact consequences. Historically we have had about four serious pollution incidents a year. We report these to the Environment Agency which classifies them based on severity. Most pollution incidents have a minimal impact, but we aim for zero serious pollutions. Our 2050 objectives include the complete elimination of all pollution incidents for which we are responsible.

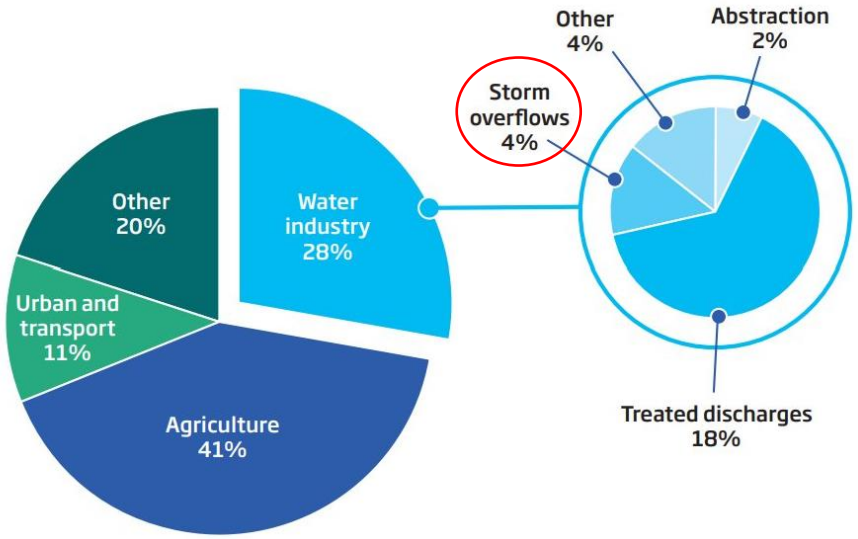
Pollution prevention has been a key area of work during 2020-25 to drive down the frequency and impact of incidents. Our data-driven Pollution Incident Reduction Plan was developed in 2020-25 to reduce incident numbers. It involves various activities that combine asset renewal and maintenance activities with customer and community engagement, including:

- adoption of innovative technologies including AI and machine learning to predict asset operation and enable smarter network use
- pollution-focused inspection, maintenance, and rehabilitation of sewers
- improvements to our water recycling inlet works, removing blockage material from sites, along with improved flow control
- network monitoring, to 250 high-priority rising mains and 3,500 sewer locations
- engagement with commercial food establishments, to improve awareness of the impact fats, oils and greases can have on their drains and the sewerage network
- customer engagement programme to encourage behavioural changes related to sewer misuse from wet wipes, and fat, oil and grease
- engaging with homeowners to identify misconnected sewers to the surface water system
- Water Guardians: training local volunteers to monitor watercourses, identify possible pollution incidents and report them to us for further investigation.

Sewer overflows and other intermittent discharges

Intermittent discharges, such as storm overflows, are assessed and upgraded according to regulations. The recent Environment Act mandates near real-time reporting of storm overflows. The Environment Agency's Catchment Data explorer shows that storm overflows are the reason for rivers not achieving good ecological status in nine cases out of 1,160, ie, 0.8% of the reasons cited (figure 2).

Figure 2. Reasons for Not Achieving Good Ecological status (RNAGs) – split by sector and activity



Nonetheless, in response to public concern and political guidance we have committed to removing all ecological harm from storm overflow discharges by 2050. During 2020-25 we have been undertaking improvements to 13 frequently spiling storm overflows. In our business plan submission for 2025-30 we included proposals for improvements to 128 of our most frequent spilling / highest impact storm overflows in alignment with new government requirements. Our planned investment towards 2050 can be viewed on the nationally collated plan.

External links:
Environment Agency Catchment Data Explorer
National Storm Overflows Plan

While traditional storage solutions such as attenuation tanks provide the most certainty in terms of effectiveness, they have a high carbon footprint. Our preference is to tackle the problem at the source, preventing rainwater from entering our combined sewers as this is the principal reason for increasing storm overflow spills. In locations where groundwater is infiltrating into our sewer network – typically during winter months – leading to prolonged but highly diluted discharges, we are in favour of implementing nature-based solutions to treat the excess flows that arrive at our WRCs.

Our Coast and Rivers Watch initiative is part of our efforts to safeguard the health and vitality of our coastal and river environments. We have installed monitors on all 1,295 storm overflows, which provide real-time data on overflow operations. This data is visible via our online interactive map, and helps stakeholders and the public stay informed about water quality and potential pollution events. We work closely with local authorities, the Environment Agency, and community groups to identify and address pollution sources. Our proactive approach includes promoting sustainable practices, organising regular beach clean-ups, and implementing innovative solutions to improve water quality.

One of the most high-profile issues facing sewage treatment currently is hydraulic capacity, and premature or excessive spills from storm overflows at WRCs. This is being addressed through catchment-based solutions and reviewing sewage pumping and overflow design. In addition, we are looking at end of pipe solutions, increasing overall hydraulic capacity of the treatment works to keep the number of spills below 10 per annum. This is being achieved using a variety of grey and nature-based solutions, through increasing storm tank capacity and wetland treatment for ground water infiltration.

Continuous discharges

Wastewater and stormwater conveyed from the sewage network is delivered to water recycling centres (WRCs) for treatment, before being returned to rivers and coastal waters. Sewage is treated through various types of physical, chemical and biological processes to remove organic matter, suspended solids and phosphorus, convert ammonia to nitrate and in some cases to nitrogen gas, and disinfection to reduce pathogen levels at sites where effluent can affect recreational water quality.

Each WRC has a permit issued by the Environment Agency detailing the acceptable levels of regulated substances in the final effluent, such as those mentioned above. We hold approximately 1,600 environmental permits for around 2,000 discharges, with permit levels guided by European regulation such as Urban Wastewater Treatment Directive,

Water Framework Directive, Bathing Water Directive, and Habitats Directives via the UK's Environmental Permitting Regulations. As part of our day-to-day operation of WRCs to maintain effluent quality and comply with permits we undertake various activities, eg,:

- sampling and analysing water quality to assess compliance
- measuring flow rates, including annual audits and certifications
- promptly reporting results, including any exceedances and any issues, to the Environment Agency
- notifying the Environment Agency of planned works.

By adhering to permits and continuously improving our processes, we strive to protect the environment and maintain high standards of wastewater management. The Environment Agency inspects our assets, producing Compliance Assessment Reports that detail their findings and any permit breaches. Environmental permits require sampling and prompt reporting of results to the Environment Agency. Failures, including sample exceedances, can result in a site being classified as failing, and significant fines.

Regarding phosphorus in particular, the main intervention has been tertiary wastewater treatment. Because of the nature of our WRCs this typically involves addition of ferric sulphate to precipitate phosphorus out of solution, and filtration to remove the resulting solid particulates. This is not the most sustainable solution, given the carbon dioxide emission associated with producing and transporting treatment chemicals. More widespread, and more stringent, levels of phosphorus removal will exacerbate this further. In some instances, the type of WRC or the permit in place allows a nature-based solution or biological phosphorus removal to be used instead.

During 2020-25 we upgraded 63 WRCs to comply with new phosphorus permits as part of the WINEP. Since 2015 we have also continued to investigate alternative and more sustainable options for meeting the outcomes required by an expanding phosphorus removal programme. These have included:

- catchment permitting: spreading the risk and avoiding excess asset redundancy by applying stretch permits across several sites within the same catchment
- constructed wetlands at WRCs to test less resource-intensive removal of phosphorus at smaller WRCs, combined with flexible permitting, as an alternative to treatment by chemical dosing
- catchment nutrient balancing: promoting sustainable agricultural practices among farmers to reduce phosphorus run-off from agricultural land and offset that which would otherwise be removed by asset solutions at WRCs.

The River Stour Phosphorus Reduction Scheme is a key example of our more innovative efforts and the environmental benefits gained. Alongside our own WRC improvements, we have been promoting agricultural practices that reduce phosphorus runoff from agricultural land and ensure that nutrients remain in the soil, improving soil health and reducing soil erosion. This helps long-term agricultural productivity while minimising environmental impact. The scheme also promotes the creation and maintenance of wildlife corridors, connecting different habitats, and fosters collaboration and knowledge exchange among farmers through regular field visits and workshops.

Environmental Performance Assessment

The Environment Agency evaluates and compares the performance of water companies annually through its Environmental Performance Assessment (EPA). This includes several environmental metrics (including permit compliance, pollution incidents, and sludge management), assigning a status from one to four stars. Our performance in the EPA can lead to penalties or rewards through incentives agreed with Ofwat. Achieving a high EPA status enables us to collaborate with the Environment Agency on innovative approaches, such as the Bristol Avon Catchment Permitting Phosphorus Scheme.

Future risks and pressures; plans and investment

We are reinforcing our commitment to healthy water quality in two ways: by reducing the impact of our own operations on rivers, and by supporting others to do the same. We will build in adaptability, so we can keep pace with changing obligations and expectations, while continuing to deliver a plan that provides excellent value for customers and communities. However, we face several delivery challenges in this area, the most prominent of which are storm overflows and nutrient reduction.

Storm overflow and pollution incident reduction

Increasing storm intensity will increase flood risk and storm overflow volumes being discharged to the environment. Wetter winters will increase the risk of seasonal groundwater inundation leading to flooding and storm overflow discharge volumes and duration. Our core plan for flooding and storm overflow improvements includes a 20% increase in design rainfall intensity for climate change. This allowance for climate change in the design and construction of our solutions is the current best practice. For our long-term delivery strategy, we have used our hydraulic computer models to predict the impacts of the more adverse, high climate change scenario (RCP 8.5).

In 2025-30 we will improve the performance of 148 storm overflows through a £550m investment programme:

- using nature-based solutions where best value
- monitoring the water quality impact of WRC and storm overflow discharges which will cost almost £100m
- increasing investment to prevent groundwater from inundating sewers and maintenance holes.

Our pollution incident reduction plan (PIRP) will remain dynamic, with decisions informed by data. Based on the evidence of our initiatives, we are focusing our pollution reduction efforts on technology-led solutions (including increased monitoring) and engagement with our customers and other stakeholders:

- network monitoring: because of the success of previous data monitoring in preventing pollution incidents, we plan to increase the number of in-sewer monitors from 3,500 by 2025 to 10,000 by 2030. We will enhance our AI-based analysis tools to include data from WRCs and sewage pumping stations (SPSs), enabling proactive responses across the region to abnormal data patterns
- our SmartWaste trial at Westbury WRC will explore using installed equipment and data from WRCs, SPSs and the sewer network to improve our ability to identify and respond to potential pollution incidents or performance issues
- our sewer burst detection tools identify issues quickly to minimise the impact of rising main bursts. We will expand pressure and flow monitors on SPSs to enhance visibility
- customer education: blockages caused by sewer misuse are the leading cause of pollution incidents. By targeting the source of these blockages through customer engagement, we will further reduce pollutions of this type.

Nutrient reduction

A significant portion of our 2025-30 spending will be used to reduce nutrient levels – chiefly phosphorus but also nitrogen – in our treated wastewater discharges. In our business plan for 2025-30 we proposed expenditure of £1.13bn over the period on this issue. This is driven by a legal duty on water companies to remove nutrients through upgrades to wastewater treatment works or catchment approaches in nutrient-heavy catchments. Of our area, 43% is covered by nutrient neutrality rules because of the sensitive nature of the receiving waters. This is a far higher proportion than for any other water company. We need to make this investment so housebuilding and growth can continue in these areas without further damaging the water environment.

Legislation requires us to use traditional treatment solutions for the most part, but we will incorporate catchment and nature-based solutions such as reedbeds and wetlands wherever possible. The total volume of nutrients removed must be equivalent to all our medium and large works reducing concentrations to 0.25mg/l for phosphorus and 10mg/l for nitrogen by 2030. We proposed both a catchment and nature-based approach to meet nutrient neutrality requirements as part of our advanced water industry environment programme submission. This was not accepted as the legislation requires improvements at specific works, to meet stringent permits which are not achievable through nature-based solutions. The quantum of WRC improvements required in 2025-30 means that many of our nature-based solutions – typically more appropriate at small, rural WRCs – are being deferred for delivery during 2030-35.

On our DWMP portal we have provided details of whether the WRC discharge has an impact on the sensitive area, alongside our current and future nutrient permit limits at all our WRCs (as per our agreed approach to delivering the AMP7 WINEP requirements). We are working with local councils, developers and other third parties in the

support of both short and long-term mitigation measures across the nutrient neutrality affected areas.

BIODIVERSITY ON LAND AND AT OUR SITES

The main nature-related risks

Biodiversity on our land is threatened by climate change and biodiversity loss at the global scale. A warmer climate with hotter, drier summers may be challenging for some species and could increase the risk of new pest or invasive non-native species incursion and habitat impacts arising from wildfires. Warmer and wetter winters may result in lower pest mortality and, through various pathways, cause changes in the composition and structure of habitats. There are also more localised issues for biodiversity, including invasive non-native species, habitat change and competing land use requirements.

Current responses to risks – our management and investment

We are not a large landowner – our total estate (which includes all our operational treatment works, reservoirs, pumping stations and other landholdings) amounts to fewer than 3,000 hectares, ranking us the second smallest landowner of all the water and sewerage companies in England and Wales. Nonetheless, our customers have told us they expect us to do even more in the face of the ecological crisis and their concerns about damage to the natural world.

Some of our sites are nationally important for the rare habitats or species they sustain and have been designated as Sites of Special Scientific Interest (SSSI). The government's current 25 Year Environment Plan sets a target to restore 75% of such protected sites to favourable conservation condition. We are committed to managing our SSSIs to ensure they can meet and maintain favourable condition. Of our SSSI landholding, 62.7% is reported by Natural England to be in 'favourable' condition with a further 25.7% in 'unfavourable recovering' condition.

The first step towards enhancing biodiversity on our sites and land is to understand their current value to the natural environment. Between 2015 and 2020 we surveyed, classified, and mapped the area habitats on our landholding on sites greater than 0.5 hectares. Following this, we were able to extrapolate the biodiversity value of our landholding, using Defra's Biodiversity Metric 3.0. This tool quantifies the value of land for wildlife, producing outputs in biodiversity units (BU). Referring to our 2015-2020 habitat data, we extrapolated the equivalent habitat type and condition as per the Biodiversity Metric for each area mapped. Our landholding was valued at 14,348 BU. Sites of less than 0.5 ha contribute only 395 BU to our overall estate value, compared to sites of greater than 0.5 ha contributing 13,952 BU. One of our flagship sites, Clatworthy reservoir, supports 1,935 BU.

During 2020-2025 we have had a company performance commitment to improve the conservation condition of our SSSIs by delivering 90 actions over the course of five years, with a target to deliver 20% of these actions each year. Activities have included the production and implementation of management plans on operational sites, liaison with tenants to secure and facilitate implementation of agri-environment agreements and securing new conservation tenancies to ensure sustainable conservation management.

Our Priority Habitats Restoration and Re-creation project aims to restore at least 15 hectares of Priority Habitat and create at least 10 hectares of Priority Habitat across our land by 2025. Three sites have been selected for improvements: Charmy Down near Bath, Bleadon Levels near Weston-super-Mare and Durleigh Reservoir near Bridgwater. At these sites, habitats being created or improved include lowland mixed deciduous woodland, lowland calcareous grassland, ponds, lowland meadows and saltmarsh. During 2023, we exceeded our restoration target by more than five hectares and achieved 6.5 hectares towards our 10-hectare creation target.

A second project seeks to maximise opportunities for 'Birds of Conservation Concern' at water recycling centre sites. The project has undertaken a high-level assessment of 50 sites to gather information, including wintering and breeding bird surveys on 15 of these sites to identify the Birds of Conservation Concern present. Subsequent habitat assessments have informed potential enhancements (such as new nesting and feeding habitats) to support these species. These enhancements will be delivered during 2024-25.

Future plans and investment

We plan to take various actions over the next 25 years to improve biodiversity on our landholding. For the next five years (2025-30), we have proposed the following:

- restoring or creating an additional 15 ha of priority habitat
- planting or restoring 10km of hedgerow
- improving the management and condition of 50 ha of woodlands
- continuing work to improve or maintain SSSIs, towards our goal of 100% being in favourable conservation status
- working towards the Ofwat Biodiversity Performance commitment, which measures the change in biodiversity value of areas within its scope
- investigating the extent of peatland on our landholding and evaluating options for peatland restoration, with a view to implementing the best management options after 2030
- creating around 200 hectares of additional habitat through implementation of schemes identified in the Water Industry National Environment Programme (WINEP)
- improving the biodiversity value of our own landholding through a combination of measures.

We will also be contributing to and supporting a national water industry project to enhance opportunities for swifts, swallows and martins across our sites. This will include improvements to at least 20 sites for these species and other Birds of Conservation Concern.

Our Biodiversity Action Plan identifies further work to be undertaken beyond our landholding in several workstreams during 2025-30. We will ensure all relevant capital schemes achieve Biodiversity Net Gain requirements where planning permission is required. In addition, we aim to ensure that all developments achieve, at a minimum, no net loss of biodiversity at a programme level.

We will be working with partners to deliver five large projects to improve water quality and biodiversity in the Hampshire Avon, Dorset Stour, Frome Headwaters, Chew Valley and the Cam and Wellow catchments. We will also be funding and working in partnership with four projects through our Partners Programme with a renewed focus on delivering enhancements for habitats and species, or implementation of the new Local Nature Recovery Strategies. We will work with:

- the Cotswolds National Landscape team on their Glorious Cotswolds Grasslands project
- Dorset Wildlife Trust as lead partners on the Dorset Wild Rivers project
- Farming and Wildlife Advisory Group on the Upper Tone 360 project
- Wessex Rivers Trust on their Healthy Headwaters (Hampshire Avon) project.

We will aim to deliver a minimum of 28 nature-based solutions to improve storm overflows alongside assessing and reporting on their performance. These include wetlands we are creating to treat groundwater-induced storm overflows, which will typically support wildlife and provide habitats on top of delivering their central water quality improvement purpose.

We will deliver more than 200 ha of habitat improvements in catchment management areas. We work with farmers in catchments to both offset nutrients but also reduce pollutants which can affect the aquifers or reservoirs we use to abstract drinking water. We work with the farmers to identify, recommend, fund, and support additional biodiversity benefits alongside the water quality measures. For example, we may pay for the creation of riparian buffers, new hedgerows to reduce erosion and improve habitat connectivity or arable reversion to grassland, to ensure the grassland is nature rich to support pollinators. As an example, at Deans Farm, near Salisbury, we will be working with landowners to identify opportunities to increase the biodiversity value of their land while delivering measures to reduce nitrate leaching into this water source.

We will implement a management plan at Blashford Lakes, which are highly protected for their habitat and population of wildfowl. We will work in partnership to implement interventions, monitor and adjust their effectiveness to enable recovery of the lakes to WFD good ecological status and the conservation objectives of the designated sites where these set more stringent requirements. This will enhance the macrophyte-dominated plant community of the lakes.

We will achieve this via an updated Biodiversity Action Plan. We will also seek to boost biodiversity as we conduct our wider activities.

In the longer term, biodiversity management approaches may become more reactive as the effects of climate change continue, presenting challenges to preserving past/present conditions and moving towards new species and ecosystems, and facilitating transition to a new ecosystem state. For example, increased temporary flooding and the need to accommodate catchment interventions to slow the flow of water from headwaters into floodplains (or reconnect floodplains to their rivers) may change how we manage land.

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GOVERNANCE OF NATURE-RELATED RISKS AND OPPORTUNITIES

Our board is responsible for our risks and through the Environment and Public Value Committee manages our principal risks regarding nature related issues. The Environment and Public Value committee advises the board on the development and delivery of the company's purpose, strategy, and values, which drive change and influence the company's environment and social purpose. The Audit and Risk Committee provides assurance and challenges the overall risk, control, and governance framework on behalf of the board including for our nature-related matters. Our governance arrangements are outlined in our Governance Report and how we meet the Ofwat Better Leadership, Transparency and Governance objectives as well as the Wates Principles. The board reviews and monitors the company's progress against numerous environmental performance commitments, including our environmental performance commitments.

Our risk framework provides the foundation for the business to anticipate threats and variability to deliver an effective service in these challenging times; understand the interrelationships and interdependencies for an integrated approach; apply preventative measures, increase resistance and reliability; and respond and recover effectively when risks materialise.

Responsibility for responding to environmental risk and opportunities is shared across the directorates and is part of our overall approach to risk and resilience. The Director of Planning, Risk and Investment manages our resilience framework through two groups: the Risk Management Group, who manage the overall risk and resilience process; and the Investment Solutions Group, who review and approve capital-based mitigations to improve our resilience. Climate change and volatility is one of the stresses identified in our resilience action plan. The effective management of risk is central to how we deliver effective and efficient services to our customers and minimise the impact we have on the environment. It is critical that we have a robust risk management framework in which material risks to the business are proactively identified, evaluated, communicated and the appropriate response defined and implemented. The company's processes are flexible to respond to changes in risk and ensure that the necessary controls and mitigation measures are put in place. Risks are defined as any event that can impede our ability to achieve our objectives. The most significant risks facing us are referred to as 'principal risks.

Our risk assessment and management policy is regularly reviewed by the board, which updates risk and tolerance levels and reviews strategic and principal risks. Risk management involves a hierarchy of reviews by operational staff, senior management, and executive directors, with the board holding ultimate responsibility. The Audit and Risk Committee assists by reviewing internal control systems and risk management processes. Monthly, operational staff and senior management assess risks, and implement mitigation plans. These operational risks feed into tactical risk registers and the corporate risk register, which includes strategic, compliance, operational, financial, health and safety, and climate change risks.

The Risk Management Group, comprising senior managers, maintains and reviews all business risks, with subject matter experts assessing risks and providing independent challenges. Additional measures are taken for risks above tolerance levels. The Risk Management Group provides monthly updates on emergent risks and submits a bi-annual summary of the corporate risk register and principal risks to the Executive Committee, which scrutinises and challenges the risks. Significant emergent risks or changes are reported to the Executive Committee and the board. The CEO submits a bi-annual risk review paper to the board, detailing the risk process, principal risks, mitigation measures, and emerging risks. The board annually reviews the risk identification and management policy and bi-annually reviews principal risks, delegating authority to the Audit and Risk Committee for oversight

of the risk management process, including audits of principal risks in the annual internal audit programme.

TARGETS, METRICS, AND HEADLINES FROM 2024-25

We set targets and use a range of metrics to manage nature-related risks and opportunities. Our performance is assessed based on the targets established by our regulatory body Ofwat, as part of a set of performance commitments which evolve with each five-year cycle. We have regularly led the water industry in the Environment Agency's Environmental Performance Assessment and have a track record of delivering outstanding environmental investigations to inform future investment for rivers, coastal waters and our landholding. The targets and metrics on the following pages include the performance commitments agreed with our regulators that are most closely related to nature and biodiversity in our region.

Sustainable abstraction

The notably dry spring of 2025 following the wet weather of 2024, has on balance left our water supply in reservoirs and aquafers at healthy levels. We do not anticipate supply issues over the summer of 2025. However, we remain mindful of the need to safeguard water supply for the years to come. Heading into summer 2025 we continue to meet our performance commitments for the abstraction incentive mechanism at both Mere and Stubhampton. Under this mechanism, we are incentivised to voluntarily reduce our abstraction from environmentally sensitive water sources when river flows are low.

We continue to encourage responsible use of water while working to decrease leakage from our supply network. We have successfully continued to reduced leakage compared to 2023-24. However, given that this Performance Commitment makes use of a three-year average which currently includes significant breakouts from 2022-23, the reduction is not immediately evident. Consumer demand, measured by per capita consumption, also using a three-year average, is now benefiting from stable data and has shown a reduction in comparison to 2023-24. These improvements will help decrease the volume of water we abstract from rivers and boreholes, with environmental benefits

We aim to reduce the average to 145 litres per day currently used by customers to 135 litres by 2030, saving bills and the environment. We will also cut leakage by another 3.5Ml/d by 2030.

Water quality in rivers, streams and coastal waters

We met all our statutory obligations under the Water Industry National Environment Programme (WINEP). We narrowly missed (397.0km) our cumulative target (399.9km) for the length of river with improved water quality.

Despite having no serious pollution incidents, the intense rainfall in September 2024 did contribute to an increase in total pollution incidents. Consequently, we anticipate a return to a two-star Environmental Performance Assessment rating from the Environment Agency. This is not where we want our performance to be -- every pollution incident, no matter how serious, is one too many, and we are determined to turn around this drop in performance. We are investing further in monitoring – going from just over 3,000 to 10,000 in-sewer monitors – to give us advanced warning of issues, as well as an enhanced maintenance programme, customer behavioural engagement, and a new 'solve at source' approach that will take a holistic attitude to managing wastewater catchments.

We lead the industry in our AI-powered smart river monitoring to protect waterways and improve water quality, and conducted trials at 12 sites and installed real-time monitoring for recreational users at two coastal, two river, and one estuarine site.

Biodiversity on land

Our focus on nature-based solutions (NbS) included:

- submitting 36 evidence packs for groundwater-influenced storm overflow trials to Defra
- pioneering an NbS Skills Bootcamp for our employees funded by the West of England Combined Authority
- submitting a £10m Ofwat Innovation Fund bid: NbS Connect.

We exceeded our target to boost biodiversity on Sites of Special Scientific Interest (SSSI)

	2024-25 target	2024-25 actual	2024-25 comments
SUSTAINABLE ABSTRACTION			
Compliance with abstraction licences	**100**	**98**	
Abstraction Incentive Mechanism (AIM): Mere (Ml/year)	**-100**	**-136**	• Both our Mere and Stubhampton source were under AIM restrictions for comparable days in 2024-25 to 2023-24, due to the wetter weather in 2024-25 (Mere: 62 days, Stubhampton: 165).
AIM: Stubhampton (Ml/year)	**-45**	**-111**	
Leakage (%) reduction	**12.8**	**4.5**	• We reduced annual average leakage but due to the rolling three-year average increased following the significant leakage breakout in 2022-23. As a result, the leakage target was not achieved this year.
WATER ENVIRONMENT QUALITY			
Treatment works compliance (%)	**100.0**	**99.7**	• 2024 saw improved compliance performance with just one numeric failure recorded compared to three in 2023. • Our investigation of failures and continuous improvement approach as well as site specific investment has seen us perform strongly in the Environment Agency's Environmental Performance Assessment, meeting target for the last five years in a sector seen by the EA as "not improving".
Pollution incidents (nr/10,000km of sewer)	**19.50**	**62.10**	• In 2024-25 we saw a significant change in the number of pollution events primarily due to more EDMs allowing us to identify more spill events. • In addition to increased monitoring, we experienced continuation of increased rainfall and which contributed to the rise in incident numbers. The region felt the effects of seven named storms in 2024 which brought with them above average rainfall and record-breaking wind speeds, leading to power outages which severely impacted our operability.
Length of river improved with water quality (WINEP) (km)	**399.9**	**397.0**	• Thirty-two schemes were delivered by the end of 2024-25, bringing the total to 397.0km of rivers with improved health and aesthetics in the AMP. • A phosphorus scheme at Ubley STW has been delayed to be completed by 22nd December 2026. As this PC relates to the WINEP as at 31st March 2019, we have missed our target by the associated 2.9km length.

Length of river improved (non-WINEP) (km)	**0**	**28.8**	• In 2023,In the calendar year 2024, 56.4 tonnes of nitrogen was saved on Poole Harbour, which equates to a length of river improved of 28.8km, as per the agreed methodology.
Avonmouth WRC WINEP requirements	**0**	**0**	• The EA agreed to an amended completion date of 31 March 2028, to provide additional Full Flow to Treatment (FFT) capacity to bring forward the AMP8-9 Dry Weather Flow (DWF) increase scheme.
Delivery of WINEP	**met**	**met**	• We met all our WINEP delivery obligations in 2023-24. • We delivered 163 outputs from investigations to guide future investment.
Working with communities to improve bathing water experience (nr projects)	**47**	**54**	• We contributed to projects at 10 additional bathing waters **– this takes the number of beaches improved to 54**. The number of beaches reported is cumulative for the five-year period.
Satisfactory sludge disposal compliance (%)	**100**	**100**	• There were no pollution incidents caused by stockpiles in 2024.
LAND-BASED WORK FOR NATURE			
Natural capital **–** improve SSSI sites **–** actions	**100**	**100**	• The actions agreed with Natural England are intended to improve the condition of SSSIs which are part of our landholding. This is a cumulative measure and relates to the percentage of actions delivered.
Working with partners to improve natural capital (nr projects)	**37**	**42**	• The projects include catchment delivery through WINEP and non-WINEP schemes, Biodiversity Action Plan partners programme, catchment partnerships and co-funded projects.

For more information

Conservation, Access and Recreation Report
Annual review
2023-24-annual-performance-report.pdf