

Wessex Water's Annual review summary 2022-23

Delivering for our customers, community and environment



Wessex Water
YTL GROUP

FOR YOU. FOR LIFE.



Welcome

to Delivering for our customers, community and environment

This is one of the documents we publish as part of our annual review. It explains what we have delivered in relation to our purpose. The report includes progress against our key outcomes, including our regulatory performance commitments, as well as an overview of the financial accounts for the year.

The other documents we publish are:

Annual report and accounts

Our statutory year end is 30 June, which is reflected in our latest annual report and financial statements filed at Companies House.

Our annual report and accounts, also known as the non-statutory financial accounts, are prepared for the financial year to 31 March.

Annual performance report

This reconciles the non-statutory financial accounts with the regulatory accounting statements required by Ofwat. The report also gives detailed information on expenditure, costs and performance, including in relation to our outcomes and performance commitments.

All these documents are available on our website: wessexwater.co.uk

You can compare our performance against other water companies at www.discoverwater.co.uk



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Our purpose is,
*'To support our customers'
health and wellbeing, and
enhance the environment
and the diverse
communities we serve'.*

About us

We are a regional water and sewerage business serving 2.9 million customers across the south west of England.

We are recognised by our regulators as one of the leading water and sewerage companies in England and Wales.

We play a critical role that goes beyond providing an essential public service. We aim to help tackle the climate emergency, support the communities we serve and contribute to the growth of the UK economy.

These aims form the core of our long-term commitment to build a sustainable future with the support of our customers, communities, employees and stakeholders.

Our long-term plan for delivery of our purpose is set out in our Strategic Direction Statement, published on our website [here](#). The statement sets out our vision and ambitions though to 2050, to give all of our stakeholders trust and confidence that we intend to rise to unprecedented challenges, now and in the future.

At its heart are eight outcomes that our customers and stakeholders have told us are their priorities.

- safe and reliable water supply
- an effective sewerage system
- affordable bills
- excellent customer experience
- sustainable abstraction
- excellent river and coastal water quality
- net zero carbon
- increased biodiversity.

Our eight outcomes are underpinned by six enablers centred around strong financing and governance, and empowered people, that we need to embed in our business over the long term.

These are:

Culture, inclusion, and diversity: we will have an inclusive workforce that reflects the cultures and diversity of the region we serve.

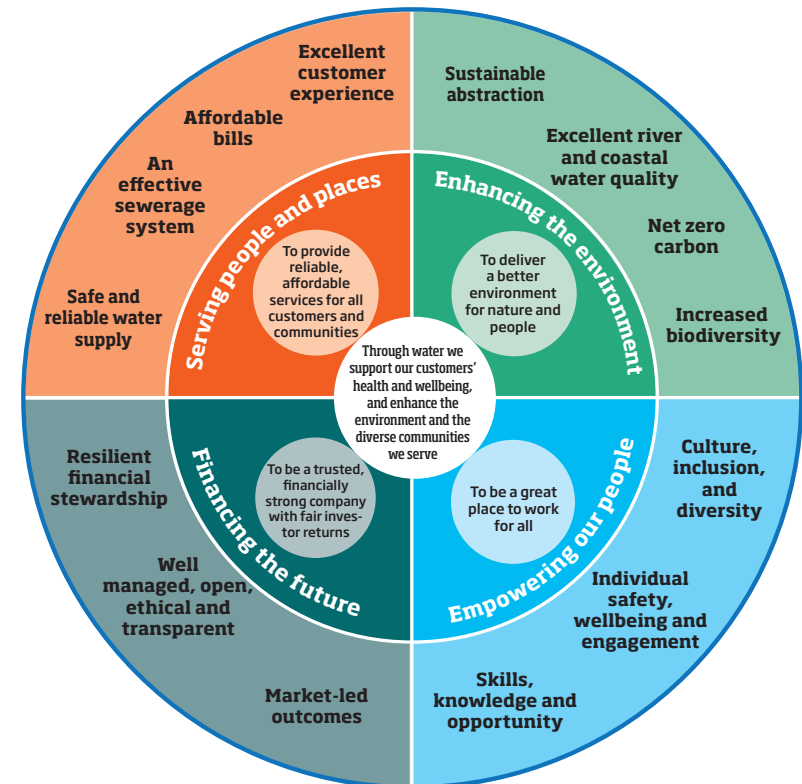
Individual safety, wellbeing, and engagement: our colleagues will be safe at work, proud to work for us and fully engaged in their roles.

Skills, knowledge and opportunity: our colleagues will have all the skills and knowledge they need to confidently carry out their roles.

Market-led outcomes: we will harness the power of markets to drive the most efficient solutions.

Resilient financial stewardship: we will demonstrate long-term financial stability.

Well managed, open, ethical and transparent: we will prove that we are honest and ethical in the way we conduct our business.



Chairman's foreword

YTL has now owned Wessex Water for over 20 years, making us the longest single owner of a UK water and sewerage company. We have a demonstrable track record of responsible ownership and of making Wessex Water one of the best performers in the sector. Nevertheless, unprecedented criticism from the public, media and politicians about the state of rivers and the impact of storm overflows has challenged us to fundamentally re-assess our investment programme and priorities.

The entire water industry in this country failed to recognise early enough that the legacy of storm overflows is simply unacceptable in the 21st century, and we were no exception. So let me say very clearly: I get it, my Board and everyone in Wessex Water gets it. Overflows must be either treated or eliminated, and as quickly as possible. Fixing storm overflows is a top priority and will remain so until we have dealt with the problem. Our Chief Executive sets out in his foreword to this annual report the steps we have already taken and our proposals for the future.

However, I must be clear that, unfortunately, there are no quick fixes; solving this problem will take many years of sustained effort and investment. It is also vital that the solutions we employ stand the test of time, against a background of climate emergency and changing rainfall patterns. So wherever possible we will use nature-based treatment or, even better, the separation of surface water from the sewerage network.

Our changing climate impacts all aspects of the Wessex Water business. This last year saw unprecedented droughts across large parts of Europe, including the worst drought in the UK since 1976. So the Board was pleased that our investment over several years in developing a regional water supply grid, together with halving leakage from our 12,116 kilometres of pipes, meant that we had no need to seek any restrictions on the use of water across the Wessex Water region.

The high quality of our customer service was again recognised, both in the Ofwat league tables and in our excellent Trustpilot score. We are also the best rated water and sewerage company in the Institute of Customer Services national league table of companies from all sectors. Compliance with stringent standards for drinking water, as reported by the DWI, also showed us as the best performer.

However, we were extremely disappointed that we failed to maintain our record on environmental performance. We have undertaken a detailed root cause analysis, made Director and management changes, and established a separate compliance directorate with Board level leadership. The Board is determined to do whatever it takes to restore our industry-leading position. As a result of last year's results, no director has received any of the 30% bonus potential relating to environmental performance.

Our financial health has always been, and remains, robust. We maintain stable and prudent gearing, a simple financial structure and a solid credit rating. We only pay shareholder dividends and executive bonuses when they are warranted by performance and would not harm our financial resilience. We have also put in place a Sustainable Financing Framework, which provides opportunities for investors to ally with us in delivering tangible environmental and social benefits, for nature and customers.

The impact of high levels of inflation has increased the number of customers finding it difficult to pay their bills, so we have widened the affordability support we provide, and made it faster and easier to access. We now have almost 60,000 customers benefiting from this assistance.



Tan Sri (Sir) Francis Yeoh KBE Chairman

As I write this foreword, we are preparing to submit our business plan for the five years beginning 1 April 2025. This will be a challenging time, given the significant increase in statutory and regulatory improvements we will be required to make. Current projections suggest that investment will need to increase at least threefold from current levels, with consequent impact on customers and investors.

This brings me to the role of investors in this vital sector. Experience across the world shows that the availability of public finance is seldom able to keep pace with investment needs - indeed that was the main rationale for water privatisation in the UK. I was delighted that YTL Corporation was recently named as the UK-Malaysia Business of the Year because of our commitment to invest in the UK. We stand ready to invest into Wessex Water, for a fair return, to help finance the much enlarged investment programme. The cost of efficient investment is closely linked to regulatory and political risk, so the greater the certainty, the more attractive the sector will be to investors.

The high standing of our Wessex Water business depends on its people, so I want to pay tribute to all of them for their hard work, perseverance, and dedication through difficult times. I also want to thank our outstanding non-executives who play such a vital role in holding the executives to account and in guiding the strategic direction of the Wessex Water business.

I thank the Lord Jesus for His constant grace and guidance and pray that we will be able to rise to the challenges we face.



Tan Sri (Sir) Francis Yeoh KBE
Chairman

Chief Executive's review

As our Chairman, Sir Francis Yeoh, makes clear in his foreword, we fully understand public concerns about river health and, in particular, storm overflows; and we are committed to doing more, doing it faster and transparently reporting progress.

Storm overflows are the legacy of over 100 years, when sewerage systems were built using the same pipe to carry both sewage and rainwater, with overflows designed to protect property from flooding during very heavy rain. Wessex Water has 1,300 overflows on our 35,089 kilometres of sewers and we have been steadily eliminating or improving these, but not fast enough. We have already increased investment and are currently spending £3 million per month – at no additional cost to customers – to make a 25% reduction in the operation of storm overflows by 2025, from the 2020 level.

After 2025, we are proposing a threefold increase in investment to £9 million per month, with the aim of fully treating or eliminating any discharge from storm overflows by 2050. It is simply not possible to reach that goal in the shorter timescales many would like. The solutions we choose must also be sustainable for the long-term, taking into account the impact of climate change. So, wherever possible, we will separate surface water from sewage flows or use nature-based treatment solutions. We will continue to report transparently on the operation of overflows and our progress towards treatment or elimination, so that we can rightfully be held to account.

The consequences of climate change were also clearly demonstrated during last year, which was one of the driest on record. We implemented our well-rehearsed drought plans during the summer and succeeded in avoiding any restrictions to supply – maintaining our 47-year unbroken record of no restrictions. But to keep pace with the changing climate, we need to continue our drive to further reduce leakage, and to work with customers to help them use less water, as well as planning for additional water storage for the longer term.

Climate change also means lower flows for longer periods in many of our rivers and watercourses. This, coupled with a growing population and new houses, means that the level of nutrients is too high, resulting in excessive growth of algae and consequent damage to the water environment. Because of this, Natural England are imposing tough new standards for the level of nutrients and requiring any new development to be nutrient-neutral. The new standards will affect almost half the

Wessex Water region and will be the largest driver of our investment programme from 2025.

This has been a tough year for many of our customers, with extremely high energy prices and food bills fuelled by high inflation. As a provider of an essential service, we made it a priority to mobilise support for our customers and communities who needed it most. We did this by expanding our industry-leading Tailored Assistance Programme of affordability help, making it easier and quicker for customers to access the help they need.

We will continue to champion innovation and markets to drive down costs and, as a result, bills. In particular, we are seeking to implement nature-based solutions and partnerships, which would have multiple benefits in keeping costs down, having a lower carbon footprint, supporting nature recovery and improving resilience.

Robust risk management is essential to our business so we regularly horizon-scan to identify material risks that could impact our ability to deliver the services on which our region depends. We have a systematic company-wide approach under which risk management reviews progress through a hierarchy of expert colleagues, senior managers and executive directors, overseen by a dedicated Risk Management Group that meets quarterly and reports to the Board.

Throughout the last year, as in every year, we strived to be the top performing water company in all aspects of our services. We remain the best company on customer satisfaction, water supply quality and resilience, but our environmental performance, as rated by the Environment Agency, fell to two stars – following many years where we had been the leading performer. We have undertaken a root-cause review out of which a pollution reduction plan has been developed to enable us to regain our industry leading position.

During the year, we undertook an extensive consultation programme with customers, listening to their views to help us understand what matters to them most and what they expect from us.

We are determined that we will meet their expectations.



Colin Skellett
Chief Executive



Colin Skellett Chief Executive

Serving people and places

To provide reliable, affordable services for all customers and communities

| OUTCOMES | Target 2050 | Actual 22/23 | Previous year | Progress |
|---|-------------|--------------|---------------|----------|
| Safe and reliable water supply | | | | |
| Water supply interruptions (mm: ss) | 0:00 | 04:10 | 04:12 | ↑ |
| Compliance risk index score | 0:00 | 1.04 | 0.37 | ↓ |
| An effective sewerage system | | | | |
| Sewer flooding impact score | 264 | 496 | 533 | ↑ |
| Affordable bills | | | | |
| Percentage of customers spending more than 5% of their disposable income on their water bill* | 0% | 6.5% | 6.5% | ↔ |
| Excellent customer experience | | | | |
| Position in the UK Customer Satisfaction Index | Top 10 | 93rd | 221st | ↑ |

*Based on the March 2021 CEPA report - <https://www.water.org.uk/wp-content/uploads/2021/04/Quantitative-analysis-of-water-poverty-in-England-and-Wales.pdf>.



Overview

It is our duty to provide safe, reliable and affordable water and wastewater services to all our customers, and to protect the environment in which they live.

Last year was testing. Drought and unprecedented heat in the summer required careful operational management. Meanwhile, our customers faced a rapidly accelerating cost of living which inevitably squeezed their budgets. This made affordability difficult for many, but particularly for those in vulnerable circumstances.

Against that challenging backdrop, we remained among the best in the water industry in terms of drinking water quality and managed to improve our performance on supply interruptions and sewer flooding.

We devoted a lot of attention to our range of support packages, which are collectively called our tailored assistance programme (**tap**), to help our customers afford their bills through very difficult times. We made a number of changes to **tap** to enable quicker and easier access and to make it available to more people.

Over the years, we have forged a reputation as a top performer on customer service and were the top water company in the latest UK Customer Satisfaction Index (UKCSI) survey. We are also excited to be piloting a brand-new engagement scheme, Community Connectors, through which we aim to transform how we work with communities in our area. We are identifying shared priorities which we can deliver together.

However, we were extremely disappointed that we failed to maintain our record on environmental performance. The Board is determined to do whatever it takes to restore our industry-leading position.

Our journey

2022 marks another milestone on our journey towards our long-term ambitions for people and places.

In our strategic direction statement, which sets out our aims for 2050, we are targeting:

- 100% water quality compliance
- zero water supply interruptions of longer than three hours
- halving the impact of sewer flooding
- zero water poverty - no one will spend more than 5% of their disposable income on water
- being a top 10 customer service provider across all companies in the UK.

In the following pages we set out how we have performed against our current regulatory performance commitments for serving people and places.



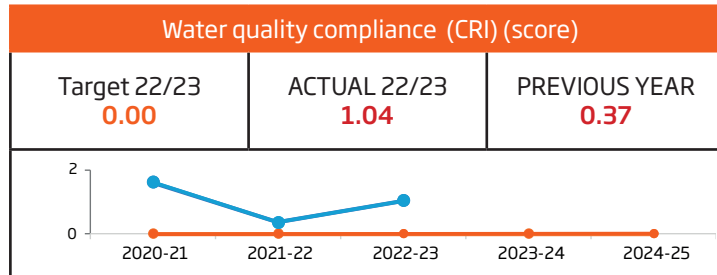
Supporting the health and wellbeing of our customers and communities is core to our purpose.

Safe and reliable water supply

Drinking water quality

2022 was a challenging year for water companies in terms of drinking water quality compliance. The exceptionally hot, dry summer led to a prolonged period where water temperatures were higher than normal. We had to manage supplies flexibly to ensure there was always enough high-quality water available for customers.

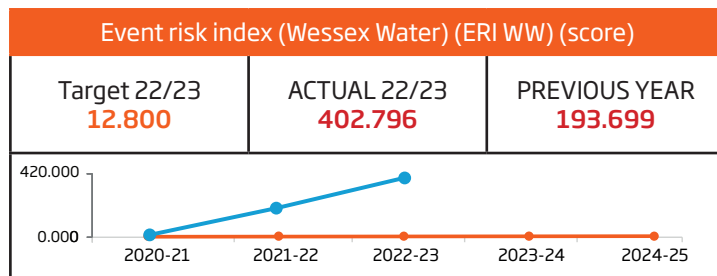
The Drinking Water Inspectorate (DWI) measures drinking water quality compliance using two main metrics: the Compliance Risk Index (CRI) and the Event Risk Index (ERI). We will not receive our confirmed scores from the DWI until summer 2023 but we have calculated our provisional scores.



We anticipate a CRI score of 1.039 for 2022, a deterioration from our 2021 score of 0.366. The increase in our score is attributable to the detection of a single coliform at one of our biggest treatment centres.

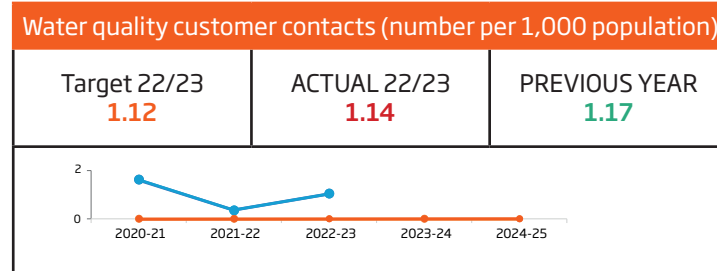
We ensure we learn from every sample failure, putting in place actions to prevent recurrence, to ensure our CRI remains as low as possible.

We expect to remain among the best performing water companies; the provisional industry average score is significantly worse at around 5.

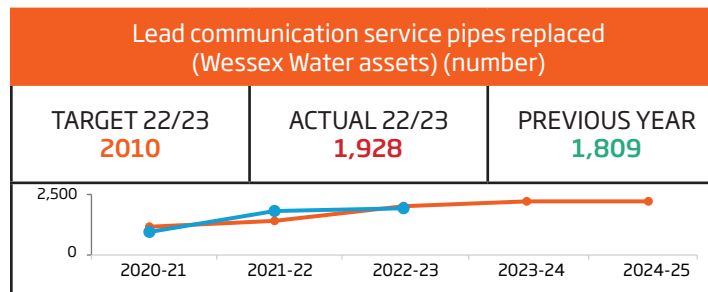


Our provisional ERI score is 402.796, up from 193.699 in 2021 and our poorest performance since the metric was introduced in 2017. Although less than the half of the provisional industry average score of 833.148, this is very disappointing. Potentially, this is attributable to a change in the DWI's approach to risk, which is shown by the 30% increase in the average industry ERI score from the previous year.

Of our provisional ERI score, 89% came from just two events. One of them involved detection of a specific pesticide which takes a long time to identify, which in turn caused a long duration event and pushed our score up by >200, demonstrating the volatility of the index.

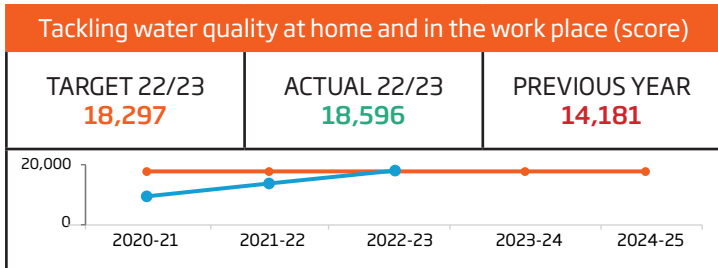


Despite the challenges, complaints from customers about the taste, odour or appearance of their water fell for the fourth consecutive year. We received 1,525 contacts from 1.4 million customers, the lowest level ever - down from 1,559 in 2021 and 1,904 in 2020. This translates to a rate of 1.14 contacts per 1,000 customers.



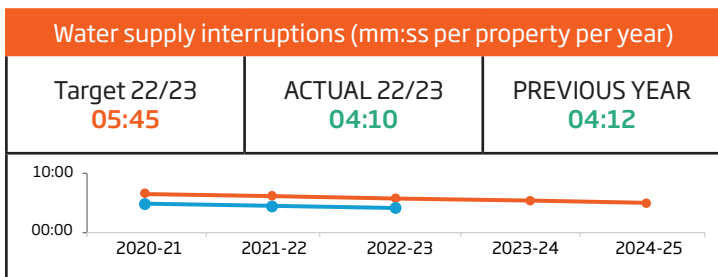
Although we were slightly below our target for lead communication pipes replaced for this year, we are ahead of our cumulative target.



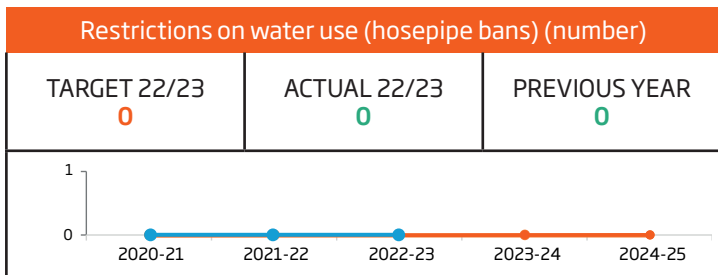


We are pleased to have met our target on tackling water quality at home and in the workplace, where activity saw a return to pre-Covid levels.

Supply interruptions



We achieved our best ever performance on interruptions to supply, which edged further down to an average of 4 minutes 10 seconds per property from 4 minutes 12 seconds in 2021.

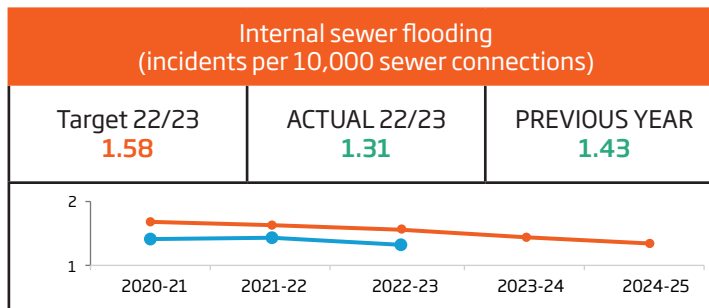


We did not need to impose any usage restrictions on our customers, even during the drought.

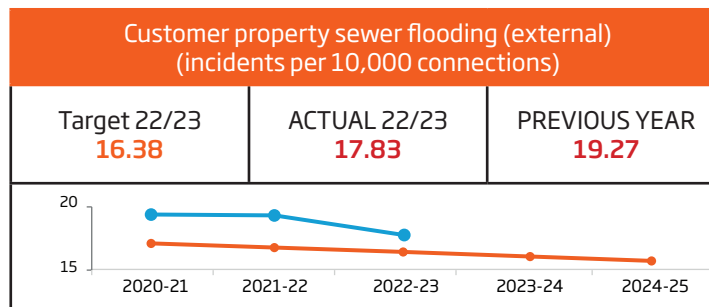
An effective sewerage system

Sewer flooding

Any escape of sewage into homes or gardens is an escape too many.



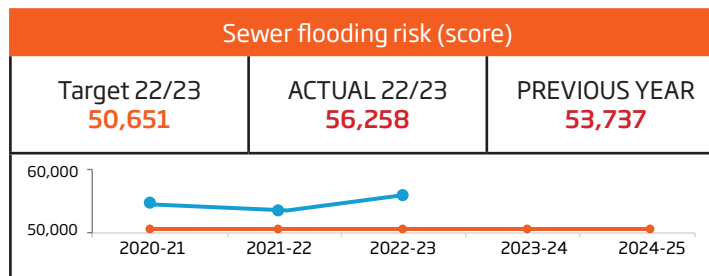
Last year we secured a fall in the number of internal sewer flooding incidents (inside properties) from 182 in 2021 to 168 in 2022, a rate of 1.31 incidents per 10,000 sewer connections.



External sewer flooding incidents (outside properties) fell from 2,460 in 2021 to 2,295 in 2022, a rate of 17.83 incidents per 10,000 sewer connections. We are disappointed not to have met our target.

We welcome the news that the government intends to ban plastics in wet wipes. 90% of external sewer flooding incidents and 85% of internal sewer flooding incidents were a result of sewer blockages, with wipes the single biggest cause of those blockages.

We anticipate that the ban, once implemented, will significantly reduce the number of customers blighted by sewer flooding. We also hope it raises public awareness more generally about the need to stop flushing away unflushable items.



Wet wipes removed from a sewer in Highbridge, Somerset in March 2023.

We did not achieve our target on the sewer flooding risk measure, which assesses the probability and impact of flooding incidents. Performance was affected by the high levels of rainfall with the wettest March for over 40 years.

| North Bristol Sewer Scheme - Trym catchment (months) | | |
|--|-------------------|----------------------|
| TARGET 22/23 0 | ACTUAL 22/23 0 | PREVIOUS YEAR n/a |

The North Bristol Sewer Scheme is designed to reduce overflows, flooding incidents and pollution risk whilst building capacity for future population growth and potential climate change. The target relates to the number of months delay on delivery of the scheme. We are on track and have met our target.

Affordable bills

Financial vulnerability

Water must be affordable for everyone, all of the time. We offer our customers extensive financial and debt support through a range of schemes and low-rate tariffs under our tailored assistance programme (**tap**).

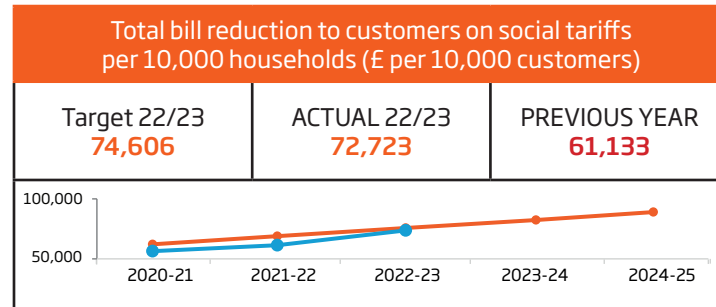
We increased this in 2022 as customer incomes were increasingly squeezed by inflation and the high cost of living. We are tripling the numbers on our financial support schemes over the next couple of years, making help much easier and quicker to access, auto-enrolling customers on to discounted tariffs where we can, and injecting additional funding into the debt advice sector to build extra capacity.

We made the following changes in the past year.

- Worked to fast track up to another 60,000 customers on to our Assist social tariff, so they can benefit from discounts of up to 90% on their water bills more quickly and easily.
- Worked with the Department of Work and Pensions to automatically apply a 20% discount to the bills of up to 55,000 low-income pensioners. Overall, more than 23,900 low-income pensioners received around £60 off their bill.
- Set up data shares with local councils to auto-enroll customers on to help schemes.
- Promoted our schemes using a variety of communication channels, and using imagery and wording customers have said will best encourage them to get in touch. We also built new partnerships with organisations to increase take-up.
- Simplified the application process for our schemes based on

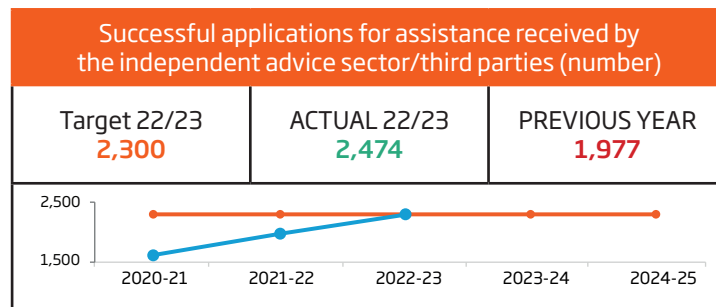
feedback from customers through focus groups.

- Injected an additional £160,000 from out-performance into the debt advice sector, funding seven new projects across our region to directly increase capacity.
- Ran a large pilot with debt advice organisation Money Wellness to directly refer our customers to them through a web portal. With consent, we are also able to receive customer data return and support them with the right scheme.



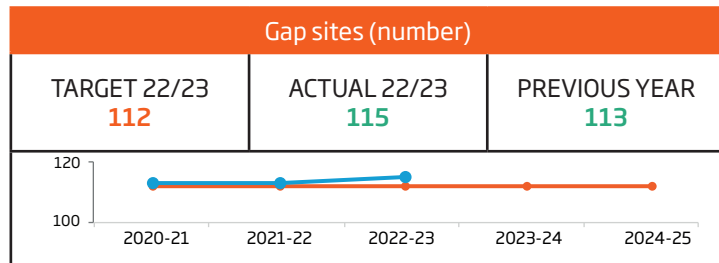
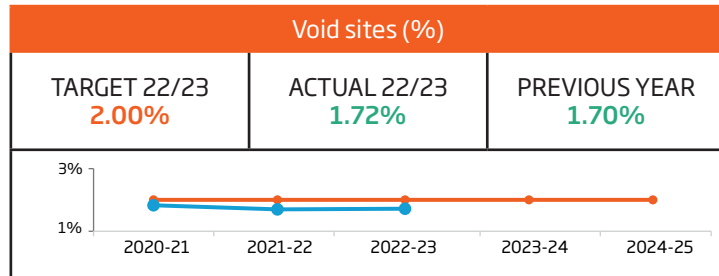
We did not meet our target for the value of the bill reduction to customers on social tariffs. This is calculated by assessing the difference between the bill a customer would have paid under standard charges and the bill they actually paid under the social tariff. Performance is linked to the level of inflation and the number of customers on social tariffs - Assist, Watersure and the discount for low income pensioners.

The total number of customers benefiting from our social tariffs increased during 2022-23. More than 18,300 customers received discounts of up to 90% through Assist. But a scheme to automatically apply the discount for low income pensioners was implemented later than we anticipated, which impacted our performance. We expect to meet our target next year.



The North Bristol Sewer Scheme is designed to reduce overflows and flooding incidents.

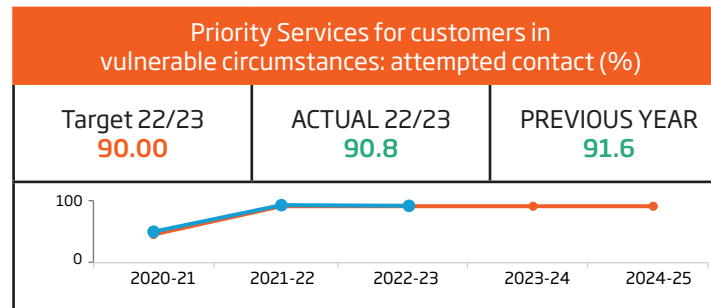
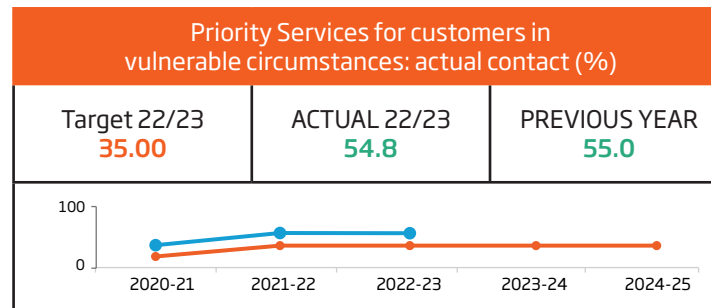
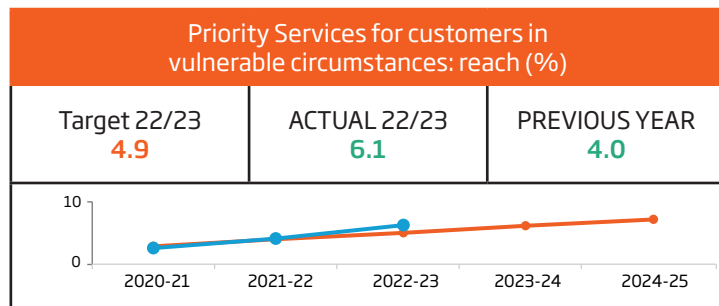
We are pleased that the number of applications to our financial support schemes from funded advice agencies met our ambitions for the first time, following work to increase the number of partners we work with. We beat our target of 2,300 with a figure of 2,474 successful applications this year.



We have met our target for both void and gap sites, which are designed to help ensure we bill customers fairly.

Wider vulnerability

While financial vulnerability has been a particular concern this year, we have maintained our commitment to providing a tailored and inclusive service to all customers, whatever their age, physical health, mental health, literacy level, language skills or personal challenges. Our vulnerability strategy, Every Customer Matters, provides details on how we approach this.



In 2022, we added just under 27,000 customers to our Priority Services Register, meaning 6.1% of households are now signed up. This exceeds our target reach not only for 2023 but also for 2024.



We once again retained the British Standard for Inclusive Service Provision and the Customer Service Excellence award.

To deliver our commitment to inclusive and tailored service, we give our staff the tools and training they need to deal with complex customer situations. This year we invested further in specialist training for colleagues, including deaf awareness iLearn, Speakeasy presentation, and a Virtual Dementia Tour Bus, where employees had the opportunity to experience what it can be like living with dementia. We also introduced tailored feedback survey questions for Priority Service customers.



In 2022, we added just under 27,000 customers to our Priority Services Register, meaning 6.1% of households are now signed up.

Another vital element of our approach is working in partnership. We greatly value the insights of around 300 partners who help us support our vulnerable customers, and we are always looking at ways to work more effectively with them and to develop new relationships. Some recent examples include:

- asking disability charity Scope to review the accessibility of our bills, which resulted in us making changes to the language and colours we use
- co-funding a project with Bristol Water and our two energy distribution networks for the Royal Association for the Deaf to signpost or register customers for Priority Services and/or affordability support through promotional literature, social media, community outreach events and home visits.

We have more activities planned for 2023-24 to ensure water is affordable and accessible for everyone. These include in-depth training with Age UK and UK Kidney Care exploring data sharing with more councils and the fire service to auto-enroll customers on to help schemes; and launching a new online eligibility calculator to enable customers to find the right affordability scheme for them.

We will also continue to work with the Consumer Council for Water (CCW) and the rest of the water industry to provide options to the government regarding the introduction of a single social tariff.

Excellent customer experience

Service and satisfaction

We are extremely proud of our customer experience record. We assess our performance using a number of different metrics.

We are targeting being a top 10 company in the all-sector UK Customer Satisfaction Index (UKCSI) by 2050. We are the top water company in the latest UKCSI survey.

| C-Mex (score) | | |
|---------------|--------------|---------------|
| TARGET 22/23 | ACTUAL 22/23 | PREVIOUS YEAR |
| - | 82.99 | 84.82 |

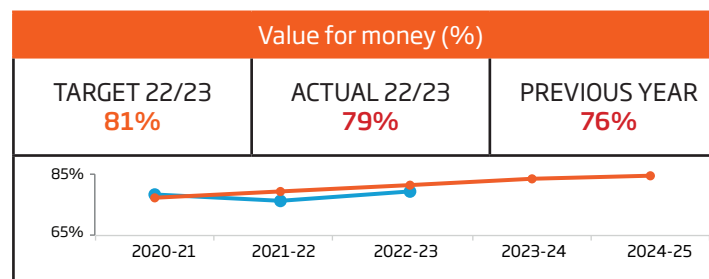
In 2022, we again delivered very strong performance in the water sector customer satisfaction metric (C-MeX) coming third overall. This was in part a product of our dedicated Customer Experience

Group, continually reviewing C-MeX performance and feedback from customers in order to drive continuous improvement.

| D-Mex (score) | | |
|---------------|--------------|---------------|
| TARGET 22/23 | ACTUAL 22/23 | PREVIOUS YEAR |
| - | 89.89 | 89.65 |

We improved our performance in the water sector developer services measure of experience (D-Mex). Our score of 89.89 was fifth overall.

In addition, 87% of customers told us they are satisfied with our service. This is a slight fall from 2021 (92%) but remains very high given that extreme weather affected our response times and there was negative media coverage about the wider water sector in the year.



79% of our customers said our service was good or very good value for money; a higher proportion than in 2021 but still below our target.

In 2022, we again received the Customer Service Excellence award and retained the Service Mark with distinction from the Institute of Customer Service, one of only 20 companies in the country to hold the accreditation.

Our average Trustpilot rating for 2022 was 4.6 stars out of 5, and 86% of reviewers gave us the top possible rating of five stars.



We are extremely proud of our customer experience record. We again delivered very strong performance in the water sector customer satisfaction metric (C-MeX).

Communicating with customers

We provide a variety of ways to get in touch with us, so customers can use whichever option suits them best. The number opting for self-service, text messaging and web chat continues to grow, and 164,000 customers are now signed up to eBilling.

In 2022 we made further improvements to our self-service options, enhancing our tool to allow customers to report a problem online. We plan further improvements next year, including enhancing the tracking of jobs and introducing single sign on for all digital projects, which will enable customers to update their contact details easily and facilitate more relevant and targeted communications.

This year we also focused on improving how we proactively communicate with customers during a high-impact event, such as a burst water main. We have taken a multi-channel approach and become more joined up in our communications across text, web and live chat. We plan to further enhance our contact management system for managing high-impact incidents in 2023-24 to:

- improve the incident reporting journey for the customer
- provide more personalised incident updates
- increase customers' ability to self-serve information to reduce contact and customer effort.

We ensure our colleagues are trained to look after customers well. This year we introduced a new Going The Extra Mile refresher training course and ran an in-house Every Word Matters course to help colleagues improve their written style. Other new initiatives included introducing a customer service training passport and an iLearn module on the legal Guaranteed Standards Scheme and our enhanced Wessex Water Promise.

Complaints

We have further improved on our 2021 complaints performance, registering 2,744 complaints, a 28% fall on last year. We remain committed to doing even better and continue to implement all the improvements outlined in our best practice Complaints Action Plan – for example, by extending our promise to pay compensation for a late response to a complaint received via any channel, rather than limiting this to written complaints as set out in law.

CCW has recognised our all-round high performance regarding complaints. Its latest complaints report noted: "Wessex Water

was the only water and sewerage company to achieve good performance in written complaints and better than average performance in complaint handling. It is encouraging to see that the company built on previous good performance by reducing written complaints by almost a third and it remains the best performing WaSC for this measure." We are delighted to share our insights and support CCW and Ofwat with their national work to improve the end-to-end complaint journey for water customers across the country.

More widely, we proactively support open learning by seeking to share the benefit of our experience with others, and by listening to insights that others have to share. Some examples from 2022 include:

- hosting or attending best practice visits with companies from outside the water sector, such as UK Power Networks
- sharing best practice with other water companies
- working with CCW on its Ending Sewer Flooding Misery campaign, which involved both sharing our best practice insights and adopting CCW's minimum standards for supporting customers who have to deal with the horror of a sewer flooding incident.

Acting on feedback

In 2020 we introduced a customer feedback strategy, which enables us to gather views on our service, rapidly spot any dissatisfied customers, and ensure continuous improvement to our processes, policies, systems and training. We continued work to refine the strategy in 2022.

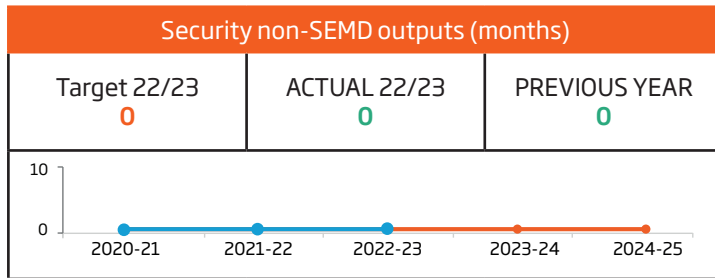
For instance, under the guidance of our Customer Experience Group, we reviewed several key journeys from the perspective of a variety of customer personas – such as what it is like to experience internal and external sewer flooding. We developed improved feedback dashboards and better root cause analysis reporting. We are working to explore the use of AI to analyse verbatim feedback from customers.

We also introduced a feedback card with a quick-scan QR code to capture views when we carry out work such as mains rehabilitation. This is not linked to customer contact but it is valuable for us to understand how the wider community perceives our activities.



We held roadshows to ask our customers what they want from us in the future and what they think of our plans.

Cyber security



We are working to deliver improved cyber security to enhance customer protection. Performance is measured in months of delay in delivery of specific packages of work. To date we have implemented three specific packages of work: cultural awareness and upskilling; security incident and event monitoring; and a 24/7 cyber security operations centre. We have delivered the outputs required for this year.

Business customers

We provide wholesale water and wastewater services to business customers. Since 2017, all non-household water users have been able to shop around for a retailer to provide billing and customer services.

This year we scored 86% in the operational performance standards, the market measure of customer service. The transition to a new IT system and the operational challenges of the 2022 drought had an impact on our overall score, which fell in comparison to last year.

Building stronger communities

After two years of Covid disruption, we were delighted to fully reconnect with our customers and communities in 2022-23 through events, volunteering, recreation and innovative engagement activities.

Community Connectors

In April 2022, we launched a brand new, place-based engagement scheme, Community Connectors, through which we aim to transform how we work with communities in our area.

We are piloting the idea in two places, Chippenham and Bridport, for two years. The aim is to identify, in partnership with the local communities in each place, shared goals for the future that we

could work together to achieve. We will award gold, silver and bronze Watermark accreditation to recognise environmental and water saving achievements where agreed goals are reached. So far, in each area we have:

- conducted face-to-face customer research to collate baseline data
- appointed a Community Connector manager and established local advisory groups with representation from councils, Citizens Advice, catchment and environmental groups, and others
- run workshops to agree common goals
- established panels to award funding for projects to meet agreed outcomes.

Two primary concerns have surfaced from the communities: climate change and the sharp rise in the cost of living.

The next steps will be to agree the work Wessex Water can do to address these concerns and support the goals – for instance, providing Home Check services and installing water butts – and to select local projects to fund and community actions to support.

The pilots run to April 2024, but an interim report is available.

If the approach proves successful in Chippenham and Bridport, we will expand the programme to other communities across our region, to co-create and co-deliver shared outcomes for 2025-30 and beyond.

Charity and volunteering

Water Force, our staff volunteering programme, really thrived this year – 541 colleagues, more than 22% of our whole workforce, took part, donating 3,148 hours of work to 26 different local charities. Activities included beach cleans in Dorset and Somerset, Christmas tree recycling collections for hospices, gardening support for therapy gardens, packing Christmas parcels for food banks and the Salvation Army, animal sanctuary support, and work for the Bristol Avon Rivers Trust and the Dorset, Avon, Wiltshire and Somerset Wildlife Trusts.

Our Water Guardians – local volunteers who monitor watercourses and funded by us in partnership with the Somerset, Dorset and Wiltshire Wildlife Trusts – also continued their good work. Among other things, they report possible pollutions, litter pick and record wildlife sightings.



We launched a brand new, place-based engagement scheme, Community Connectors, through which we aim to transform how we work with communities in our area.

The charitable Wessex Water Foundation spent just over £800,000 in 2022-23 supporting thousands of people and environmental initiatives across the south-west.

Every year, the Foundation distributes £225,000 of core funding to Citizens Advice Bureau and £70,000 to five key environmental partners. This year, in recognition of the cost-of-living crisis, we provided an extra £160,000 to our debt advice partners. And as part of the Community Connectors launch, £66,360 of new funding was devoted to supporting community-led projects in Chippenham and Bridport.

The Wessex Water Foundation also delivered two community funding rounds in 2022:

- the Environment Fund awarded more than £72,000 to help 63 community groups make improvements to their local environment. Some great examples include £1,500 awards to the Birch Collective in Bristol to reclaim derelict allotments to create a wildlife-friendly orchard, and to the Seed of Hope social enterprise in Somerset to install rainwater harvesting in its therapeutic community garden for those with mental health problems
- the Community Fund awarded £176,000 to 67 charitable and community groups to support a variety of activities which aim to improve the lives of people throughout the south west. Examples include £3,000 for the Love Glastonbury charity to fund a community fridge and £2,825 for Westbury-based charity Crosspoint, to provide debt advice.

Wellbeing and recreation

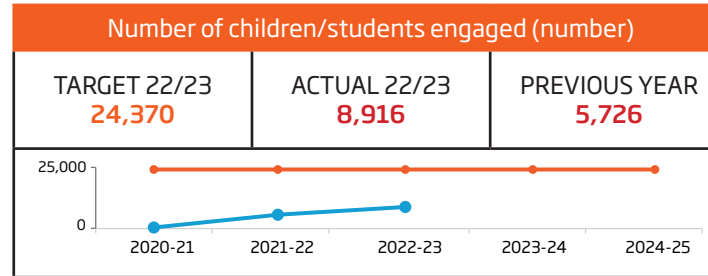
In 2022 we completed the installation of 24 new drinking water refill units across the region. The units are well used, providing free water to thirsty people on the go and preventing more than 245,000 single-use plastic bottles going to landfill every year.

We were also able to provide free drinking water at local sporting events again. We provided water stations at runs across our region, including Cancer Research UK's Race for Life and the Bath Half Marathon, hydrating over 16,000 athletes and eliminating more than 20,000 single-use plastic bottles from landfill.

We are working to make our Clatworthy and Sutton Bingham reservoir sites more accessible, engaging and educational. During summer 2022, we completed adaptations to provide wheelchair accessible routes at the sites. We are improving signage and

information to better explain how the reservoirs provide security of water supply and valuable homes for wildlife – and what visitors can do to support both missions. We also hosted multiple education and engagement events through the summer and school holidays at the sites.

Spreading the word



Our team of education advisers were able to return to in-person schools visits and outreach this year. Numbers have been limited until now, mainly due to Covid.

We engaged with 8,916 young people, providing curriculum focused content. This is an increase compared to last year but continues to be below our target as highlighted. We are working to increase the numbers we engage with as part of this measure.

In addition, we hosted Around the Bend tours of our water recycling centres, where hundreds of customers learned about the sewage treatment process and what not to flush down the loo.

We also took the opportunity to talk to customers about sewer misuse and water efficiency when we attended the summer county shows in Gillingham and Shaftesbury, Dorset and Somerset.



Around the Bend tours of our water recycling centres where hundreds of customers learned about the sewage treatment process and what not to flush down the loo.



CASE STUDY

Developing a simplified application process for support schemes

In May 2021 CCW published recommendations and actions for water companies in their independent review of water affordability.

One of the proposed actions was that all water companies should operate a simple application process that covers all their support schemes, including affordability and Priority Services.

CCW wanted to understand how this could be done so we agreed to conduct a pilot to co-design an application process with customers and expert stakeholders. We worked with Blue Marble research using a two-stage approach.

Stage 1

Understand customers lived experiences and the current application process.

This included a desk-top review, in-depth interviews and group discussions with customers and stakeholders.

Stage 2

Co-design simple application processes.

We held an event to assess and co-design a variety of application options and understand customers' views on different support scheme names Wessex Water staff, stakeholders and customers.

The pilot was really successful, and we published a set of principles for the design, language, images and process that other water companies can apply to their current application process. The insight will also inform the development of the application process for the single water affordability discount scheme.

Key recommendations from the pilot follow.

Reducing barriers to customers when applying for support schemes

Communications

- Visuals should be relevant and relatable
- Text should be succinct and informative
- Language should be simple and easy to understand
- Clearly outline resources

Application process

- Be flexible by having a choice of channels to apply
- Provide transparent information about the range of schemes
- Provide a well-structured, but limited range of support schemes
- A single application process to apply for all schemes
- Limit the number of stages in the process
- Quick and easy as possible
- Make it easy to provide evidence if required
- Limit the involvement of third parties
- Integrate the Priority Services Register (PSR) application within the application process for schemes

Adopting the principles

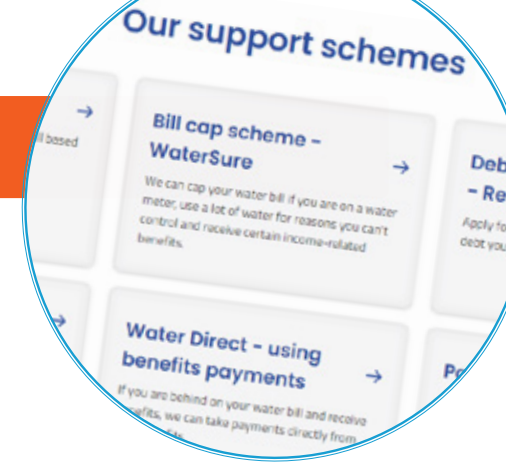
To improve our current application process, we have reviewed our imagery and language:

- on our website
- in literature
- on social media
- and in our broader advertising.

We have created an eligibility calculator on our website to direct customers to the right scheme for them. And we are building Priority Services information into all our online self-service forms.

Common descriptions of schemes and tariffs are now in place across all water companies which helps customers and debt advice agencies alike. For example, they can now find the matching scheme for any water company when searching on a website.

You can find the full report on the resource page of our PartnerHub [partnerhub.wessexwater.co.uk](https://www.wessexwater.co.uk/partnerhub)



Enhancing the environment

To deliver a better environment for nature and people

| OUTCOMES | Target 2050 | Actual 22/23 | Previous year | Progress |
|---|-------------------------|--------------|---------------|----------|
| Sustainable abstraction | | | | |
| Compliance with abstraction licences | 100% | 98% | 97% | ↑ |
| Excellent river and coastal water quality | | | | |
| Number of pollution incidents | 0 | 110 | 72 | ↓ |
| Total tonnes of phosphorus removed from rivers and coastal waters per day | * | 1.7 | 1.4 | ↑ |
| Total tonnes of nitrogen removed from rivers and coastal waters per day | * | 3.7 | 4.1 | ↓ |
| Net zero carbon | | | | |
| Total ktCO ₂ e per year (operational) | 0** | 104 | 106 | ↑ |
| Increased biodiversity | | | | |
| Number of biodiversity units | Double our contribution | 613 | 613 | ↔ |

*Target will depend on what is required, which we cannot forecast.

**Zero target is 2040 for net zero carbon



Overview

Our performance against our commitments to enhance the environment was mixed. We made improvements in some areas, but failed to advance in others. We are taking urgent steps to improve our record across all our environmental activities.

This is particularly true of our pollution performance, which deteriorated significantly. There were some relevant contextual factors. The rollout of our monitoring programme increased our ability to identify pollutions. Moreover, the dry summer and subsequent low river levels meant discharges were not as diluted as in normal conditions and the environmental impact was greater. We are resolute in our intention to regain our industry-leading position on environmental performance, including through greater use of intelligent monitoring.

More widely, 2022 demonstrated the extent to which weather affects our business and the water environment. The shadow of the severe drought of the summer can be seen in many aspects of our performance.

The dry weather benefited our storm overflow discharge rates, with discharge hours falling 45% from 2020. That was very welcome, but we are working on robust plans to reduce and ultimately eliminate spills whatever the weather, chiefly by separating rainwater from sewerage infrastructure. We are making innovative use of data to give water users near real-time information on discharges and water quality.

Leakage increased as the ground around pipes dried. Conversely, awareness of the drought stimulated customers to engage with our water saving messages, lowering average per capita consumption across the year to pre-Covid levels. We beat our performance commitment target for the volume of water saved through water efficiency activities.

Thankfully, we head into 2023-24 with our water resources recovered. We worked hard in 2022 making robust preparations for the future. It was a milestone year for water resources planning, with the publication of both our own draft Water Resources Management Plan and the first ever water resource plan for the West Country region. Our operational carbon emissions continued to fall and our work to boost biodiversity on our landholdings continued apace.

Our journey

The tumultuous weather of 2022 and its obvious short-term impacts make it clear that our climate is changing with significant consequences. A long-term view is much needed as we work to enhance the environment.

In our strategic direction statement, which sets out our aims for 2050, we are targeting:

- never harming the health of the water environment through our abstraction
- restoring the quality of our rivers and coastal waters
- being a net zero carbon business (by 2040)
- doubling our contribution to the region's biodiversity.

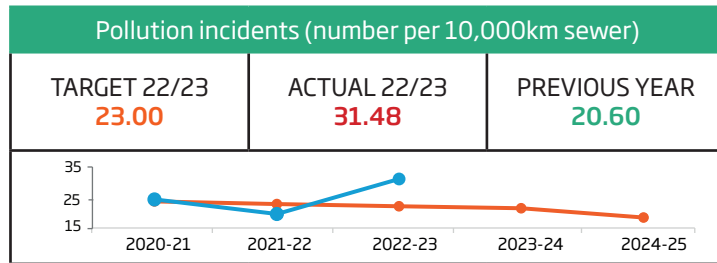
In the following pages we set out how we have performed against our current regulatory performance commitments for enhancing the environment.

Our aim is to continue to restore the quality of our rivers and coastal waters.



Excellent river and coastal water quality

Pollution incidents



We are extremely disappointed with our 2022 pollution performance. Having reduced pollutions to 72 in 2021, this year we recorded 110 incidents, a rate of 31 per 10,000km of sewer. Of these, 105 had a minor or short-lived impact on the environment, but five were more serious. We regret that we achieved only a two-star rating in the Environment Agency's Environmental Performance Assessment.

The drought conditions experienced in 2022 and the increase in Event Duration Monitoring (EDM) contributed to the increase in pollution incidents. The dry summer and subsequent low river levels provided little dilution effect compared to normal conditions.

Coupled with the pre-existing environmental stress due to drought conditions, this meant more incidents had an impact on the environment than in normal years. In addition, monitors installed under the EDM programme identified pollution incidents that the company were not previously aware of.

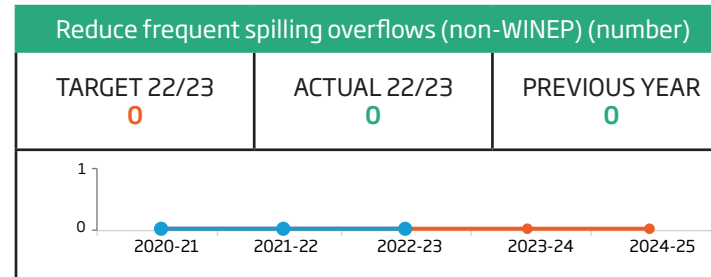
We are determined to improve. Our intelligent sewer monitoring system, which predicts problems before they occur, is now in place at all our storm overflows. We have a plan to install monitors at many locations near waterbodies so we can reach and clear blockages before sewage escapes, causing water pollution.

Storm overflows

Responding to public concern, we have committed to eliminating all storm overflow discharges by 2050.

The number of hours our storm overflows discharged this year fell by 45% - from 238,049 hours in 2020 to 129,957 in 2022. This was despite a 27% increase in monitor coverage and largely because of the dry weather.

We reported operational data from 91% of our 1,300 overflows, and 100% will be monitored by the end of 2023. We are also preparing to provide near real-time data regarding when all our overflows operate; currently this is available at 79 sites near bathing, shellfish and amenity waters.



As part of our work to reduce the number of overflows, we currently have 93 improvement projects in progress and many more to come. However, we are clear that a traditional response - building more storage - would be short-sighted and have unintended consequences, not least of which would be the massive carbon cost of pouring quantities of concrete and pumping and treating more rainwater.

We are prioritising diversion of rainwater from combined sewers and working on the associated legislative and regulatory hurdles, as well as a delivery path. We plan to deliver a number of improvements using nature-based solutions, including reed beds, which deliver wider environment benefits - [Storm Overflows Improvement Plan](#).

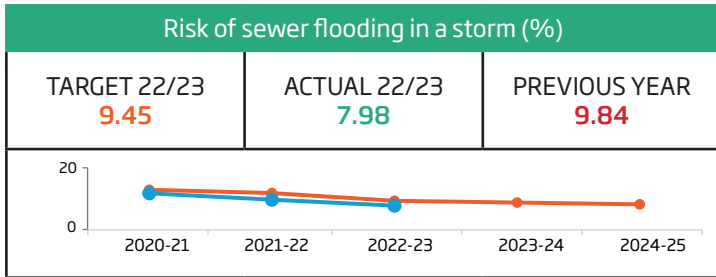
In the meantime, monitoring data from the Environment Agency's Catchment Data Explorer shows storm overflows contribute just 0.8% (9/1,074) of the reasons why rivers in our area are not achieving good ecological status.



Our catchment team work alongside farmers to help manage their land.

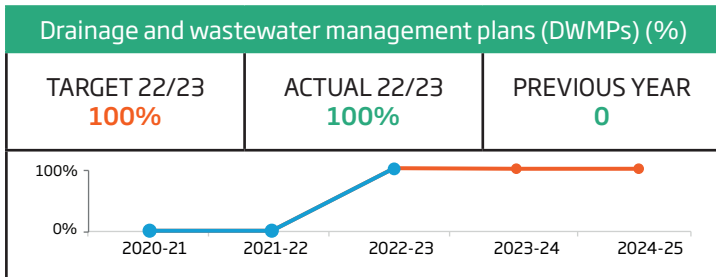
Planning for the future

We have a number of measures that will deliver benefits over the long term.

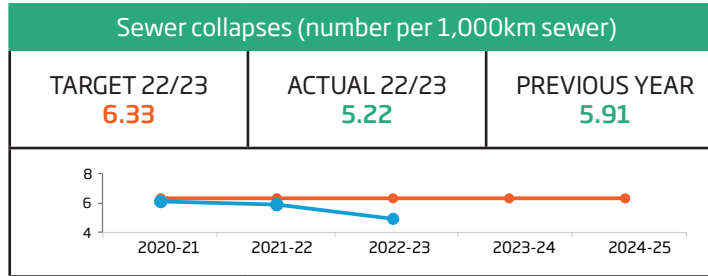


The risk of sewer flooding in a storm measure relates to our understanding of flood risk in our region. We can use this knowledge to develop strategies to reduce the risk of sewer flooding over the long term.

The percentage of the population at risk is lower than our target. This reflects improvements in our understanding of risk delivered through better model coverage.



In May 2023 we published our drainage and wastewater management plan (DWMP) on our website, providing a strategic long-term plan for our network - [Drainage and Wastewater Management Plan](#).



We are pleased to have met our target on reducing sewer collapses for the third year in a row. The measure is designed to ensure that the overall asset health of the below-ground wastewater assets is maintained and improved for the benefit of current and future generations.

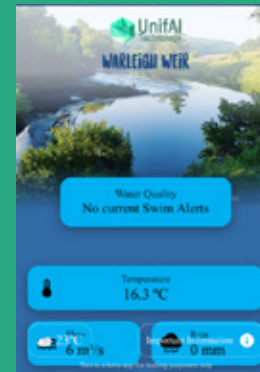


Near real-time water quality information for wild swimmers

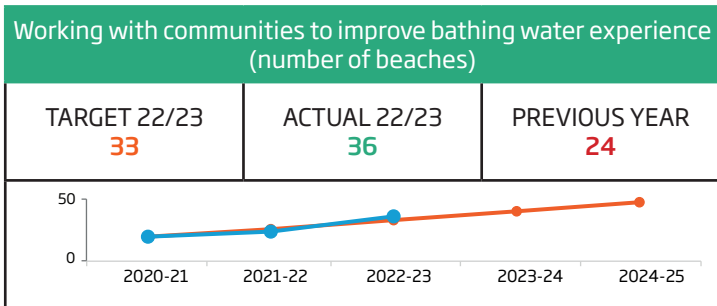
Wild swimmers at Warleigh Weir near Bath are now benefiting from our pioneering water quality app.

The app applies artificial intelligence to water sampling data to make accurate predictions about bacteria levels in the River Avon, so swimmers have better information about the risks before they enter the water.

It also provides useful information about water temperature, water flow and rainfall. The app is live and proving very successful and we are now rolling the technology out to other locations. See [Warleigh Weir](#).

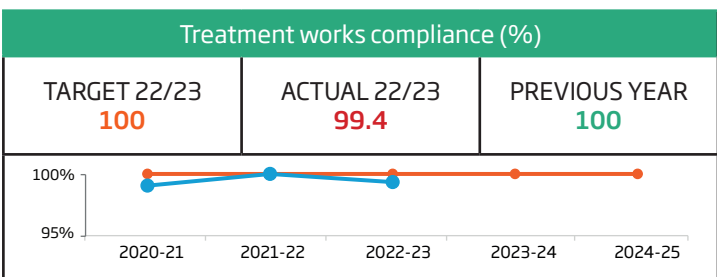


Wild swimmers at Warleigh Weir near Bath are now benefiting from our pioneering water quality app.



Under this measure we are incentivised to work with local communities and stakeholders to improve the amenity value of beaches with bathing waters. We have made improvements at 36 beaches, exceeding the target of 33.

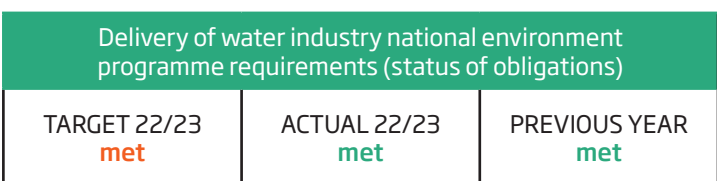
Discharge compliance



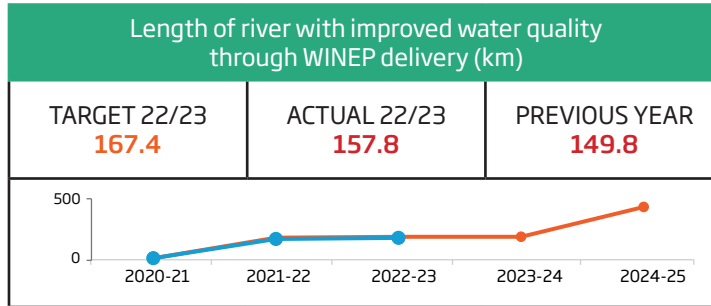
Water discharge compliance from our 18 water treatment and 290 water recycling centres remained very high at 99.4%. But, this was below our 100% target with two sites failing in the year. We have implemented process improvements to restore and maintain compliance at the specific sites.

We are also working to make improvements to our systems that will benefit compliance across all sites in our region. We are part way through a programme to roll out flowmeters and will report on our flow compliance in future years.

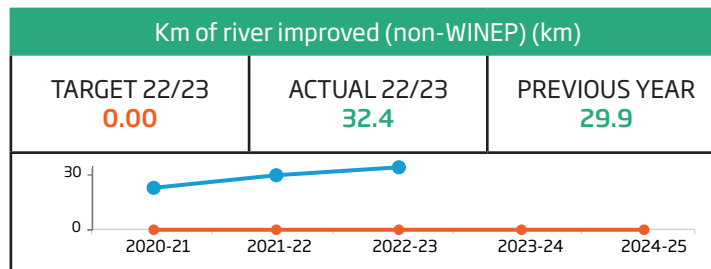
Water quality



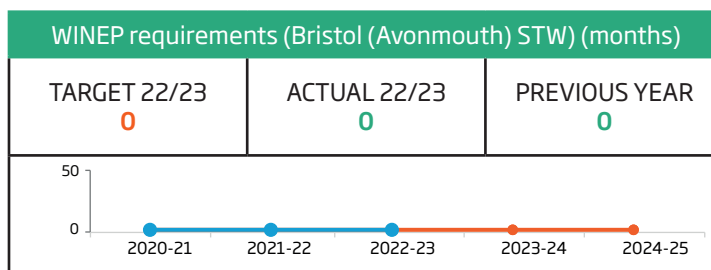
We develop the Water Industry National Environment Programme (WINEP) in collaboration with our regulators. It identifies specific environmental measures that we need to take to meet legislation. We have met all our obligations for this year.



Although we delivered our WINEP obligations for this year, we have not met our cumulative target for the length of river with improved water quality. This relates to one project, where we have agreed an extended date with the Environment Agency. This change is not reflected in the Ofwat target, which relates to the WINEP as at 31 March 2019. This project will be delivered next year. We therefore expect to meet or exceed our target next year.



We have exceeded our target in this measure, which relates to removal of nutrients (nitrogen and phosphorus).

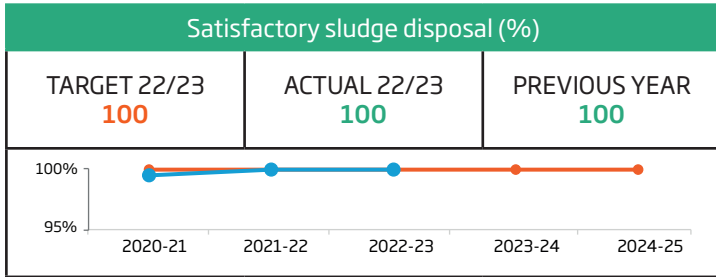


This measure is related to a scheme to increase treatment capacity at our largest works in Bristol, which is due to be completed in March 2028. The target is expressed in terms of the number of months the scheme is delayed, where zero indicates no delay. For more information please see [Bristol's water recycling centre](#).



We worked with local communities to improve the amenity value of 36 beaches with bathing waters.

Bioresources



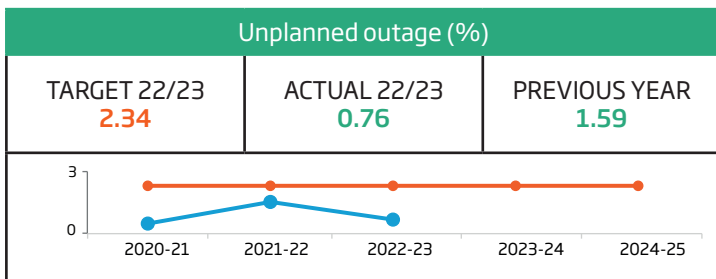
We have maintained our performance on disposal of sludge to land with 100% compliance. However, we expect the availability of the landbank to reduce over the coming years due to changes in environmental regulations and other pressures. As part of our long-term delivery strategy, we are exploring alternatives to secure our ability to satisfactorily disposal of all our sludge.

Sustainable abstraction

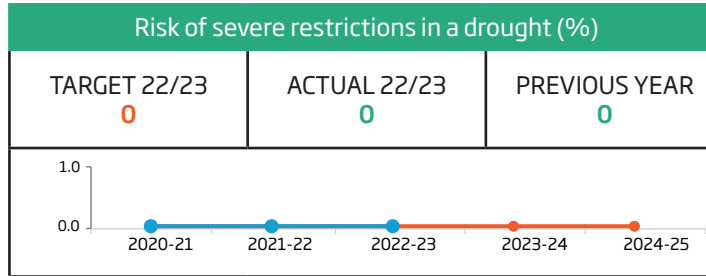
Water supply

The unprecedented heat of 2022, combined with the second driest year on record in our region, made for the most challenging conditions we have faced since 1976. Demand soared as reservoir and groundwater levels plummeted and drought followed.

We coped successfully with these extreme conditions, maintaining supplies to all customers, avoiding any usage restrictions, and maintaining flow support to several vulnerable streams and rivers.

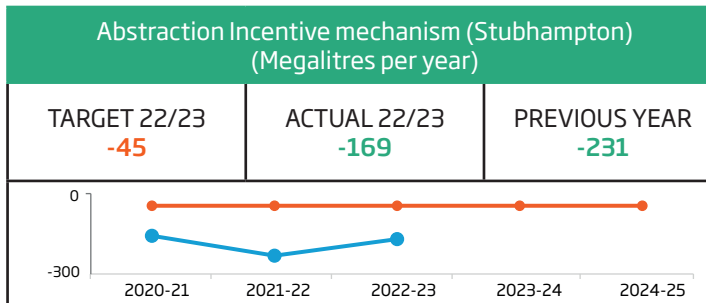
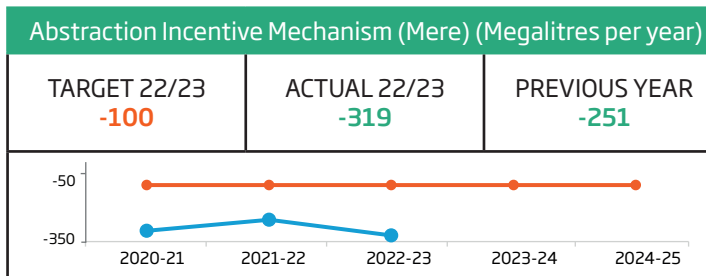


Our performance on unplanned outage in 2022-23 is a decrease on 2021-22 and is well within our target.



We have assessed that 0% of the population would be at risk of severe restrictions in a drought, which is consistent with our target.

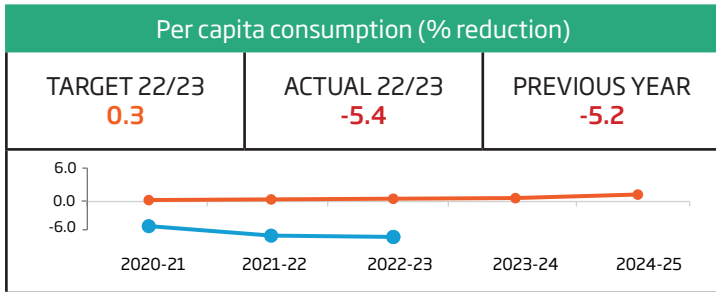
Conditions eased through autumn and winter and we saw good reservoir and groundwater recharge, with only the driest February for 30 years interrupting proceedings. March was the wettest in more than 40 years, with 235% of long-term average rainfall. This led to reservoir storage at the end of March 2023 returning to 100% and to the soil moisture deficit dropping back to zero, meaning that groundwater levels were also able to recharge. Groundwater had returned to average levels in both the chalk and Great Oolite aquifers by the end of March, with chalk levels slightly higher than at the same time last year. We are in a good position heading into summer and we do not expect to experience water shortages.



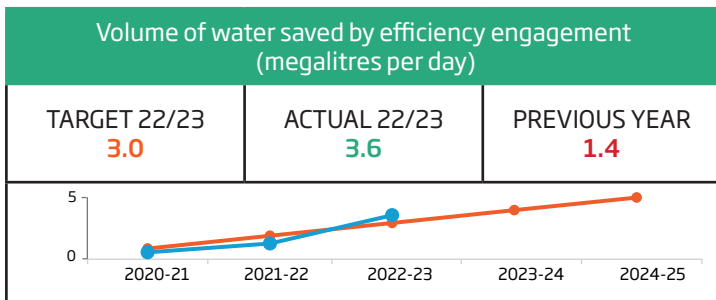
Our home check service helps show customers where they can become more efficient saving water in their home and reduce their bills.

We continued 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.

Demand management



Our peak day demand for the year was on 12 August 2022 during the second of two heatwaves, reaching 425MI/d. However, our overall average per capita consumption was 138.8 litres/person/day in 2022-23, which is comparable to demand levels prior to the pandemic. This equates to a 5.4% reduction over the past three years.



We are proud, particularly given altered water consumption patterns since Covid, to have exceeded our performance commitment target for the volume of water saved through water efficiency activities, delivering savings of 3.6 MI/d compared to an end of year target of 3.0 MI/d.

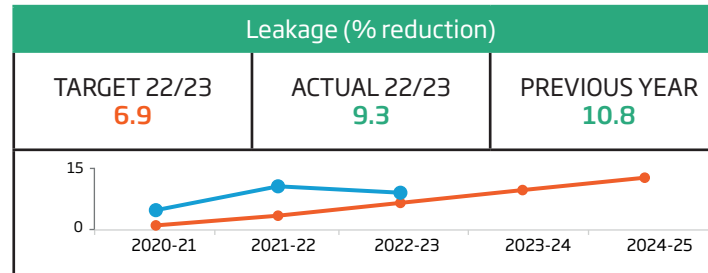
Our water efficiency promotions were very popular with customers who were motivated by the twin pressures of drought and high energy prices, which are relevant to hot water use. We re-launched our Home Check service to install water saving devices and offer bespoke behavioural advice to customers in

their homes in April 2022. By the end of the year, we had visited 4,439 customers and plumbers returned to 750 of these to fix leaking toilets and taps.

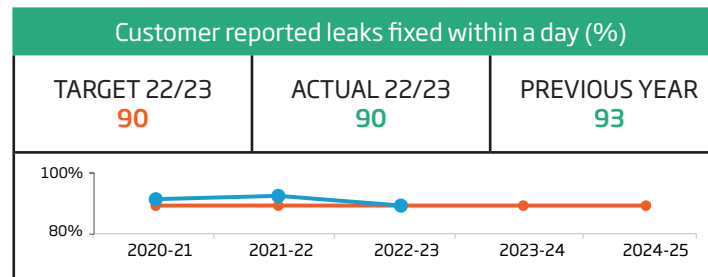
We promoted our free water saving device pack through social media and in e-newsletters and distributed more than 18,000 packs during the year, including nearly 11,500 eco shower heads. More than 21,000 households also signed up to use our online GetWaterFit water use calculator, up from 14,000 the previous year.

In August 2022 we launched a new non-household water efficiency programme, targeting schools for device installations and leak fixes - we supported 91 schools by the end of March.

Leakage

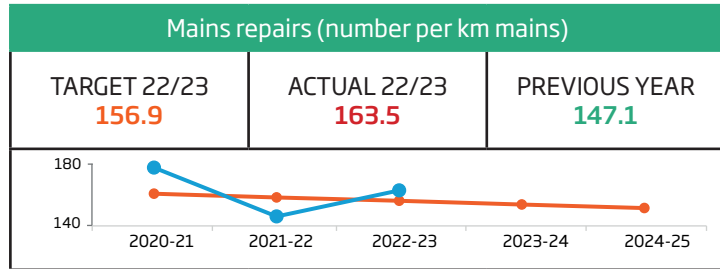


We remain on track for our three-year average leakage target, despite 2022 being a difficult year due to both the extreme heat-drought in the summer and a significant freeze-thaw event in the winter. Alongside other water companies in the south of England, our leakage rate increased - to 71.2 MI/d - despite the continued enhancement of our active leakage control activities and pressure management.



We use the latest technology to help track down leaks.

We are pleased to have met our target on customer reported leaks fixed within a day in spite of a year of extremes of weather, both drought conditions in the summer and severe freeze-thaw incidents in the winter.



The number of mains repairs was above our target and reflects the extreme weather conditions experienced this year.

Water resources planning

Last year was a milestone year for water resource planning. We published our new draft Water Resources Management Plan in the autumn, as well as playing our part with our neighbouring water companies, in producing the first ever regional plan in January, as part of the West Country Water Resources Group.

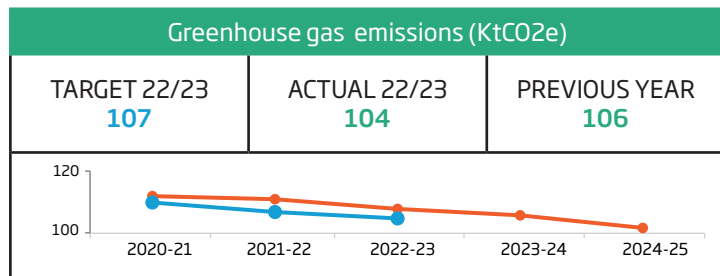
The strategic regional water resource options we are involved in continue through the RAPID assessment process:

- the Poole recycling and transfer schemes
- the Cheddar resource and transfer option
- the repurposing of a quarry in the Mendips as a reservoir.

We will be preparing invitations to tender for the RAPID Gate 3 design, planning and environmental works over the next 18 months.

Net zero carbon

Emissions and energy performance



Our trajectory of diminishing annual gross greenhouse gas emissions continued in 2022-23, falling to 104 kilotonnes of carbon dioxide equivalent, the lowest annual operational carbon footprint since we began reporting in 1997. A combination of energy efficiency improvements, renewable energy generation and the rapidly falling carbon dioxide intensity of UK grid electricity has led to steadily falling emissions over the last seven years.

Our electricity use, at 254 gigawatt hours, was relatively low in the context of the last five years, in part due to the dry summer, but close to our average consumption over the last 10 to 15 years. We continue to pursue energy efficiency opportunities to offset rising energy use driven by tighter water and sewage treatment standards, and the operation of our regional water supply grid. This year, 12% of our electricity demand came from renewable electricity generated at our sites. Furthermore, the biomethane that we exported to the gas grid was 2.5 times the natural gas that we consumed ourselves.

Decarbonisation plans: 2030 and 2040

We aim to achieve net zero carbon emissions from our operations by 2030. We are accelerating our efforts in order to meet this target. We set out the details in our net zero carbon routemap - Wessex Water [routemap to net zero carbon emissions](#).

Some methods are well-established, including advancing our energy efficiency, increasing our use of renewable energy, decarbonising our fleet, and pursuing nature-based solutions in preference to asset-based solutions.

Other methods require further exploration and innovation. Notably, measures to combat emissions of methane and nitrous oxide from treatment processes need attention as they account for a much larger part of our total emissions than past estimates indicated. We are collaborating with others across the UK water sector to understand how to address this difficult challenge, and we will be starting direct measurement at some of our largest sites during 2023-24.



We aim to achieve net zero carbon emissions from our operations by 2030.

By 2040, 10 years ahead of the UK government target, we aim for our entire business to be net zero total carbon. This will include the embodied carbon associated with construction materials, treatment chemicals and other products that we consume. We are adopting tools that provide detailed estimates of the whole life carbon of capital schemes to assist our decision making on the lowest carbon options, including for our business plan for 2025-30.

Pursuing both our 2030 and 2040 targets will involve all parts of our business as well as co-operative relationships with solution providers, technology developers, our customers, local communities and regulators, among others.

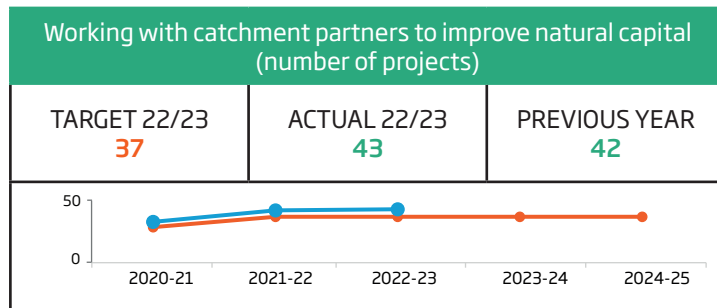
Climate adaptation

We report how we are adapting to climate change under provisions set out in the Climate Change Act. In 2021, we produced our third climate change adaptation report. We review the risks posed to our services from the changing climate, and explain the measures we are taking to maintain resilience in light of these risks.

We are publishing our second report using the framework of the Taskforce for Climate-Related Financial Disclosures in this year's Annual Report and Accounts.

Increased biodiversity

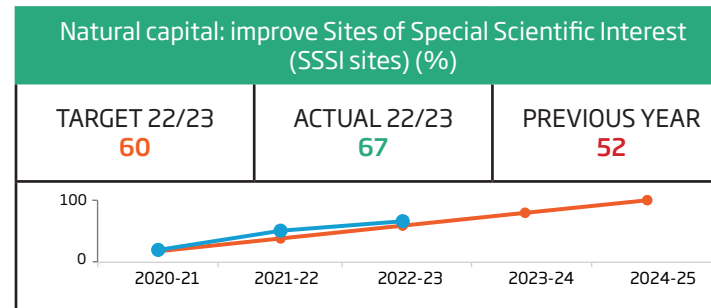
Biodiversity value



We are pleased to have exceeded our target on this measure, which incentivises us to work with farmers and biodiversity partners to deliver improvement projects for the environment. In 2022-23, we continued to draw on insights derived from

the baseline biodiversity value assessment we conducted in 2021. This used Defra's Biodiversity Metric 3.0 and valued our landholding at 14,348 biodiversity units.

We have identified that our 333 larger sites, each of more than 0.5 hectares, contribute the lion's share of our biodiversity units (13,952), whereas our 1,825 small sites contribute far fewer (395). Some individual sites make an enormous contribution, including Clatworthy Reservoir (13.5%), Charmy Down (10% - see case study) and Shapwick Heath (10%). Neutral grasslands provide the greatest value of all habitat types, followed by reservoirs and lowland mixed deciduous woodland.



Protected sites

We have agreed actions with Natural England to improve a number of SSSI sites in our region. We have exceeded the target number of actions to be delivered by 2022-23.

Of our Sites of Special Scientific Interest (SSSI) landholding, 63% is in favourable condition, and 30% is classified as unfavourable - recovering, a total of 93%. This is unchanged from 2021. We continue to work towards the government's 25 Year Environment Plan target to restore 75% of protected sites to favourable condition.



Of our Sites of Special Scientific Interest (SSSI) landholding, 63% is in favourable condition.



Charmy Down

A former reservoir near Charmy Down, north of Batheaston, is being given a biodiversity makeover by our Conservation Access and Recreation team.

The five-year project will see encroaching dense scrub stripped back to the levels seen in the 1970s, which will give precious plants and wildlife, such as the clustered bellflower, bee orchid, hawksbeard mining bee and Adonis blue butterfly, space to thrive again.

Certain areas will be re-seeded with a local grass and wildflower seed mix and while mature woodland will remain untouched, some woodland areas will be managed to provide a mix of open and densely-vegetated habitats. The work is being undertaken in partnership with local communities and specialists.

We will encourage a nature-based solution - grazing cattle - to maintain the grassland after the clearance, by installing water troughs and access.

Nature-based solution

We will also refurbish a flight of steps on the public right of way running through the site, to facilitate better access and amenity.

Charmy Down links up with other neighbouring areas of rare grassland habitat, which will amplify the effect of the restoration and help bolster plant and insect resilience to climate change threats.

The project is part of our continuing drive to support and enhance biodiversity on our land by restoring and creating priority habitats throughout our region, including improving the public's access to them.

Charmy Down is one of three locations earmarked for restoration in the first phase of our programme, with sites at Bleadon Levels and Durleigh Reservoir also undergoing conservation work.



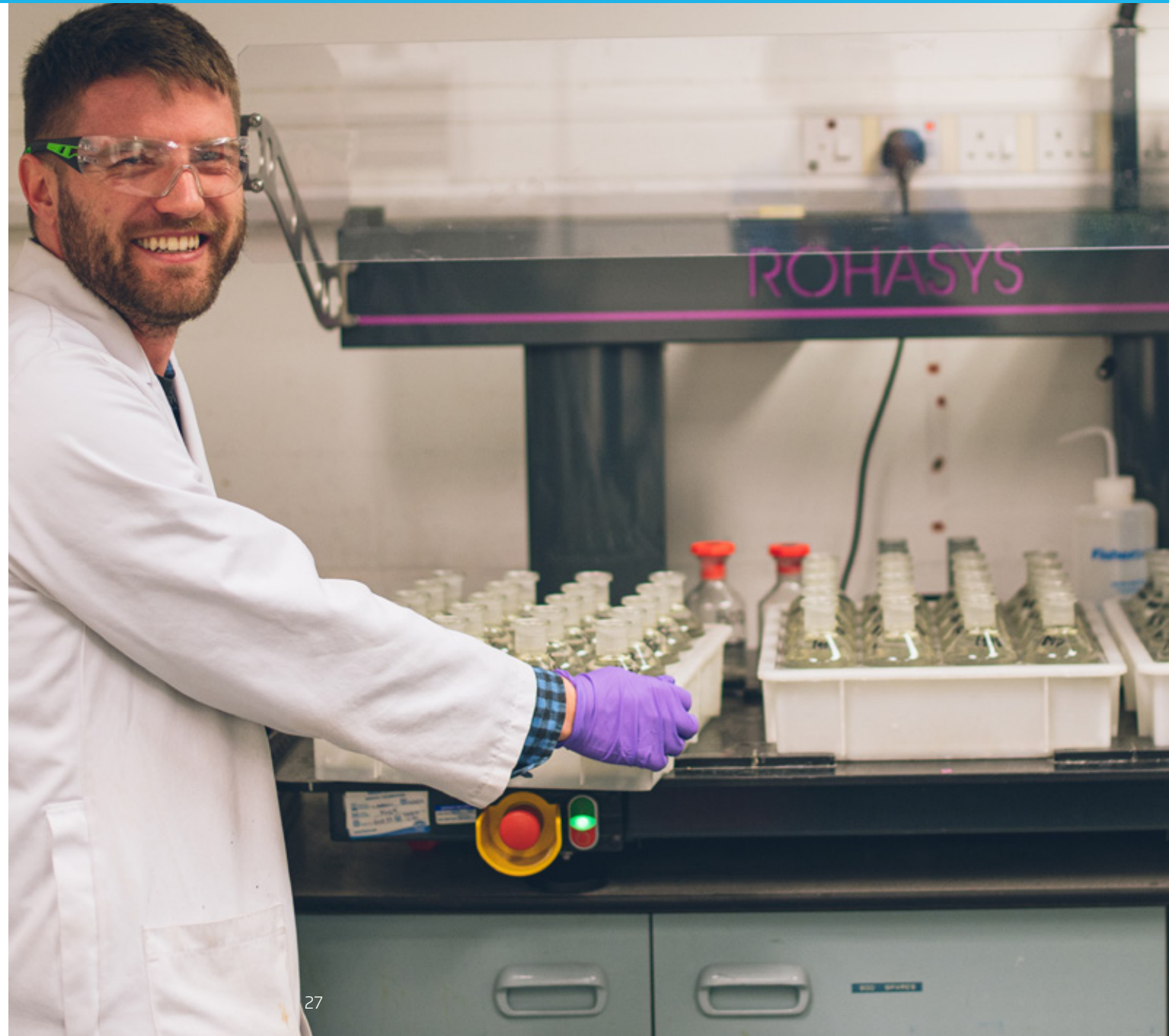
Empowering our people

To be a great place to work for all

Individual safety, wellbeing, and engagement: our colleagues will be safe at work, proud to work for us and fully engaged in their roles.

Skills, knowledge, and opportunity: our colleagues will have all the skills and knowledge they need to confidently carry out their roles.

Culture, inclusion, and diversity: we will have an inclusive workforce that reflects the cultures and diversity of the region we serve.



Overview

Our staff are valuable, skilled, and caring people, motivated by a strong sense of public service. They strive day in day out to do their very best for our customers, communities and environment. Last year was a difficult year to work in water with extreme operational conditions and an unprecedented amount of negative publicity about the wider sector, which we appreciate has been challenging as a backdrop to their work.

We appreciate everything our staff do to make possible the delivery of all the outcomes we provide for society and the environment. In return, we work hard to keep them safe, treat them well and fairly, and ensure they have all the training and support they need to do their jobs.

Society's growing focus on equality, diversity and inclusion rightly continued in 2022-23. We know we have work to do to make our workforce reflective of the community we serve and we continue our focus on achieving that goal. In 2022, we formed new groups to champion and advocate for those from ethnic minority communities and those with disabilities. We also appointed executive sponsors for all underrepresented groups, to provide senior support for initiatives to improve opportunities for all.

We are committed to ensuring Wessex Water is a safe, welcoming and inclusive workplace.

Our journey

Empowering our people is an ongoing priority and needs our continuing focus as circumstances and needs change.

We commit to always:

- prioritising individual safety and wellbeing
- investing in our people so they are fully equipped collectively and individually with all the skills and tools they need to work effectively
- fostering a culture that is inclusive for all, where everyone belongs and thrives
- inspiring our people to become advocates of the company, the work it does, and the role it plays in the community and society.



Individual safety, wellbeing and engagement

Health and safety - reporting and culture

Our Health and Safety Committee has paid particular attention to process safety, focusing on the safety of our people, the continual improvement of our processes, the future resilience of our plant, and learning from the expert input of its Advisory Board. We also continue to co-operate with the investigating authorities as they carry out their investigations into the tragic incident at Avonmouth in 2020.

Our new dedicated health and safety reporting platform, Engage EHS, has been in place for its first full year. It ensures consistent reporting across the company and improves visibility and action management. We are already seeing improved safety trends and quicker response times from improved visibility of actions and are analysing behaviours to inform our proactive intervention strategies.

To support these improvements, we continue to actively encourage and communicate the benefits of reporting safety incidents and sharing safety observations. In 2022, employee engagement increased 17%, resulting in an 11% increase in reported incidents. We interpreted this as a successful drive for openness and reporting rather than as a failure, as injury and frequency rates both reduced. This included a 15% fall in serious (RIDDOR) incidents; a 9% reduction in injuries; and a 12% fall in our all-injury frequency rate.

More widely, we promoted the 'Make It Right' ethos throughout the year, which is designed to encourage colleague engagement and ethical thinking.

Organisation and leadership

We reviewed legislative requirements and plan to develop a new range of health and safety standards.

During the year, we restructured and augmented our safety team, including implementing a multi-disciplined up-skilling programme for our health and safety advisers. Some of our health and safety professionals also undertook the nationally recognised Kelvin TOP-SET incident investigation training, to improve, among other things, root cause analysis and prevention.

We completed more than 3,000 safety audits, and site visits from senior leaders increased by 41%. We also introduced a QR code induction process for all sites, automating key site-specific safety controls.

We introduced an automated occupational health screening process, supporting fast track help for our colleagues. Working with Avon Partnership NHS, we also developed a new occupational health reporting system, enabling improved visibility of data trends to support targeted intervention.

Throughout the year, we continued learning from others, engaging continuously with Water UK's Occupational Health and Safety Group, sharing knowledge and benchmarking data. In collaboration with others we learned from best practice applied at the Hinkley Point nuclear plant.

Awards and accreditations

Once again, we were very proud to receive the Royal Society for the Prevention of Accidents' President's Award, which is reserved for organisations which have achieved 10 or more consecutive gold awards. This year we made it 11 golds. We also retained our ISO45001 certification.

Skills, knowledge and opportunity

Early careers

We welcomed 27 entry apprentices, 21 career development apprentices, 13 people on industrial placements and 13 graduates in the year. We were excited to launch the YTL Wessex Academy - a government recognised employer provider for apprenticeship delivery. This will allow us to deliver high quality training in-house.

So far, more than 150 people have benefited from our early career programmes, with an additional 35 having formal advice and guidance sessions on their potential career development steps. We've also opened our doors to 40 work experience placements, showcasing career insights into the water industry. We have benefited from the creation of a fantastic pipeline of talent to help us futureproof our business.

Managing learning

In 2021, we launched a new learning management system which enables staff to book courses and access resources online in one place and tracks all mandatory and compliance training. The system has enabled us to provide more detailed reporting and governance of our training requirements, ensuring compliance standards are being maintained.

We are committed to promoting an inclusive workforce that reflects the cultures and diversity of the Wessex Water region.



We are continuing to enhance the platform, adding new functionality such as the ability to rate our courses to ensure the quality is high and can be continuously improved.

Training

We delivered more than 1,000 training courses and added a 'learning bites' section to our platform to provide quick and simple eLearning opportunities for staff.

We expanded our eLearning catalogue by adding new courses to help users refresh knowledge quickly, including new courses for customer service and national water hygiene.

A key focus has been the inclusion of competencies, where learners must demonstrate that they have acquired a specific skill. After a successful project on permitting, we intend to roll out the use of training competencies to the rest of the business, to further support our people to carry out their roles with great skill and confidence.

Culture, inclusion and diversity

Our ambition is to build a workforce that reflects the communities we serve and we are committed to improving all areas of diversity and inclusion.

Our programme for the year continued with a broad spectrum of activities across gender, ethnicity, disability, sexual orientation and social mobility. We have an active working group overseeing all our efforts in this area.

Benchmarking

To better understand how we are doing, we took part in the 2022 Energy and Utility Skills Diversity and Inclusion Measurement Framework. This provided excellent insight into how we compare with the utility industry in the UK, including the water sector, both nationally and regionally.

While we are making good progress on ensuring our workforce reflects the community we serve, our ethnicity results are below the UK industry average. In response, we formed the Race At

Work Group – an internal network of colleagues from across our business, to plan how we can provide more opportunities for those from ethnic minorities.

Similarly, we formed a Disability Advisory Group, again consisting of colleagues across our business, with an interest in promoting opportunities for those with a disability, including hidden disabilities. The group will provide feedback and advice on improving opportunities.

Leadership and networks

In September 2022, during our promotion of National Inclusion Week, we announced executive sponsors for all key characteristic areas. This was to demonstrate senior level commitment to improving diversity and inclusion, and to provide practical executive level support for our working group members to help them enact their plans.

The internal networks we created in 2021 gathered momentum in 2022. The ARC Alliance, formed to promote acceptance, respect and celebration of our LGBTQ+ colleagues, provided valuable advice and recommendations, while our Working Families Group provided ongoing help to colleagues juggling work and family life. Tangible policy progress was made here, too. After undertaking external benchmarking on our family leave policies, we improved our leave and benefits entitlements to help us attract and retain talent and build a reputation as an employer of choice, especially in male dominated business areas.

Our Menopause Network has also proved highly successful, running a series of events for both men and women and providing useful information across our internal media.

Partnerships with external organisations continued to thrive. For instance, we provided work placements to help women re-enter employment in collaboration with the Women's Work Lab, and our work with Seetec Plus and Bristol Future Talent Partnership expanded.



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Gender pay gap

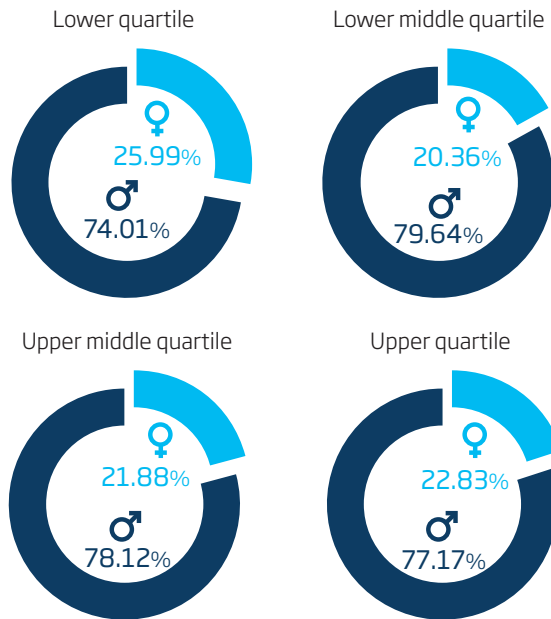
The gender pay gap is the difference in average hourly pay received by men and women. It is distinct from equal pay, which is the right for men and women to be paid the same rate of pay for doing work that is of equal value.

| Gender pay data | 2022 |
|---------------------|--------|
| Wessex Water mean | 1.56% |
| Wessex Water median | 2.35% |
| National mean* | 13.90% |
| National median* | 14.90% |

* Gender pay gap in the UK: 2022, ONS published 26 October 2022

The data above represents our gender pay gap figures at 5 April 2023. Our gap is well below the national median, and we continually work to close it further.

The distribution of men  and women  in salary quartiles is shown opposite.



We have a robust job evaluation process and operate a framework of grades and pay ranges within each grade. We remain confident our approach to pay is not influenced by gender.



Our gender pay gap is well below the national median and we continually work to close it further.



YTL Wessex Academy

The YTL Wessex Academy was launched in the summer of 2022. The aim is to provide a sustainable and competent workforce for the future following the learning principles of 'Know it, Show it, Live it'. The Academy gained recognised government status for apprenticeship delivery in February 2022.

As an employer provider we are also able to train and develop our existing members of staff. Work within the Academy is supported by experienced Wessex Water skills coaches.

The initial focus is the operational elements of the business and the Academy currently has approval to deliver three apprenticeships.

Water process operative: a two year programme at level 2 - the equivalent of 5 GCSEs grade A-C/4+.

Water industry process treatment technician: a three year programme at level 3 - the equivalent of 2 A Levels.

Water industry network technician: a three year programme at level 3 - the equivalent of 2 A Levels.

The Academy apprenticeship training currently covers programmes for a range of roles:

- water recycling operatives
- leakage inspectors
- distribution inspectors
- sewerage operators
- production technicians.

The apprenticeship programmes are recognised by both the Environment Agency and Drinking Water Inspectorate as qualifications for competent operator.



**YTL Wessex
Academy**
YTL GROUP



Financing the future

To be a trusted, financially strong company with fair investor returns

Market-led outcomes: we will harness the power of markets to drive the most efficient solutions.

Resilient financial stewardship: we will demonstrate long-term financial stability.

Strong governance, ethics and accountability: we will prove that we are honest and ethical in the way we conduct our business.



Overview

Last year was a tumultuous one for the economy, featuring extraordinarily high inflation and soaring interest rates. This proved a challenging backdrop for both us and our customers. A multitude of scenarios affected our financial performance, including the cost-of-living crisis for our customers, and inflationary and global market pressures.

We have remained steady through the storm and our strong financial foundations have continued to underpin the delivery of leading service provision for our customers and communities.

Our pro-competition ethos has also remained firm and we continue to seek to unlock efficiencies and innovation through markets. We expanded our pioneering work creating nutrient markets and trading for other environmental services. We also put two new 'challenges' through our online platform, the Wessex Water Marketplace. This is where we issue a competitive invitation to tender for projects to address specific challenges we have. One challenge concerned sewer network monitoring and the other bioresources capacity. These two initiatives had very different outcomes, but both have yielded valuable lessons.

Our Sustainable Financing Framework is now in place, providing opportunities for investors to ally with us in delivering tangible environmental and social benefits.

Our journey

We always aim to exhibit exemplary governance, transparency, accountability, efficiency and financial resilience. YTL has now owned Wessex Water for over 20 years, making us the longest single owner of a UK water and sewerage company. We have a simple financial structure and do not engage in any aggressive or artificial tax planning.

We stand ready to invest into Wessex Water, for a fair return, to help finance the much enlarged investment programme. Building on this, in our strategic direction statement to 2050 we have committed to:

- being the most efficient water company in the industry - harnessing the power of markets and real competition and championing an outcomes-based approach to regulation where efficiency can be maximised through flexibility and choice
- keeping gearing below 70%
- providing fair returns to investors and being well-regarded by financial stakeholders
- delivering for wider society and the environment through sustainable financing, measured using ESG metrics.

Our Sustainable Financing Framework is now in place, providing opportunities for investors to ally with us in delivering tangible environmental and social benefits.



Resilient financial stewardship

Overall performance

Despite last year's many uncertainties and challenges our financial performance has been marked by its resilience.

Our revenues were lower as we successfully encouraged people to consume less and they were spurred on to do so by awareness of the summer drought and high energy prices, which encouraged more frugal use of hot water.

Simultaneously, our operating costs were affected by inflationary and global market pressures, including energy and chemicals costs. We also saw a near-term impact on earnings driven by inflationary pressures, especially on indexed debt.

Nonetheless our credit ratings remained stable; we delivered a large investment programme; and our active treasury management led to financing outperformance relative to our regulatory settlement.

When our 2022 pension scheme valuation was finalised, we agreed the deficit recovery contributions would end early as we had eliminated the deficit.

Executive bonuses totalling £0.5m were paid during the year, down from £0.7m last year. We have not paid any of the 30% bonus potential relating to environmental performance.

Financing charges

Net interest charges increased by £58.1m from £82.1m last year to £140.2m this year. The increase arose as the high inflation impact on index-linked borrowings combined with an overall increase in net debt during the year from £2,419.0m to £2,622.2m. There remains a prudent mix of debt instruments and at the year-end the split was 51% fixed, 31% index linked and 18% floating, with the index-linked debt based on November and March RPI. The maturity of debt is generally long-term, with with £2.4bn maturing in or after 2028.

Taxation

Our tax strategy remains consistent with previous years and is fully aligned with the company's overall objectives. We continue to comply with the spirit and letter of UK tax legislation.

The corporation tax credit was £7.8m, an improvement of £3.7m compared to £4.1m last year.

Deferred tax has decreased from a charge of £117.0m last year to a credit of £10.0m this year. Last year's deferred tax charge resulted from the singular impact of the 2021 Finance Bill increasing the rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. This increased the deferred tax liability by £135m, split between £97m charged to the income statement and £38m charged to other comprehensive income.

Cash flow and gearing

Net debt increased by £203.2m from £2,419.0m to £2,622.2m. The cash inflow from operations of £251.9m was reduced by net capital investment of £254.6m, interest and tax payments of £56.6m, dividend payments of £69.9m and working capital outflows of £74.0m. Liquidity at year end was £484.5m comprising cash held on deposit, bank facilities not yet drawn down and bank overdrafts.

Regulatory gearing improved as high inflation affected regulatory capital value, leaving gearing at the end of the year at 64.3% compared to 66.9% last year. This remains within the policy set by the board. Regulatory capital value increased by £461m from £3,615m to £4,076m.

Dividends

During the year we declared dividends of £70.6m representing a yield of 5.4% on the company's regulatory equity. We did not use the additional gearing headroom available, recognising our commitment to re-investing cashflow to deliver for customers and the environment.

Capital investment

Gross capital investment was broadly in line with management expectations at £292.2m, which was £12.8m more than the £279.4m delivered last year (figures include infrastructure renewals expensed through the income statement). This is despite the continuing challenges posed by material shortages and rising prices.

Market-led outcomes

We have forged an identity as a company that champions and passionately embraces markets, despite operating in what is commonly characterised as a pure monopoly sector. We believe competition brings efficiency and innovation and we pursue these benefits in all elements of our business where we can.

Nutrient markets

We have pioneered alternative routes to nutrient removal, favouring working with farmers and local landowners through market mechanisms to secure environment-based solutions over expensive and chemical/carbon intensive built asset solutions. Through this approach, we have proved we can reduce the nutrient impact on the environment, but in addition secure benefits such as carbon reduction, enhanced biodiversity and cost savings for customers. We continue this work. We have expanded our use of trading platform EnTrade beyond Poole Harbour, working with farmers and landowners in areas such as the Hampshire Avon as well. Others are also making use of, and reaping benefits from, EnTrade, engaging the platform to run trades for a variety of environmental services.

Wessex Water Marketplace

Throughout the year, we continued to use our online platform, the Wessex Water Marketplace marketplace.wessexwater.co.uk. We share our data through the marketplace and pose challenges for anyone to answer. The idea is to enable the best, innovative ideas to come through, from both within the company and outside.

To date we have run 18 challenges, covering activities across the business. This year we launched two new challenges: one on sewer network monitoring and the other on bioresources.

The sewer network monitoring challenge sought ideas for low cost in-sewer monitors to expand the data we collect on our sewerage network and improve our performance on pollutions and sewer flooding. This was enabled by the previous challenge we ran on EDM monitors in sewers which saw us place a contract with StormHarvester. See the case study on page 38.

We ran the bioresources challenge jointly with Severn Trent and identified four sites that needed new bioresources capacity over the coming five to 10 years, in the north of the Wessex Water region and in the south of the Severn Trent region. We approached the market to see if it could deliver a solution that would provide better value for customers than building capacity in-house.

We shortlisted three companies from the 28 responses we received for further exploration. However, both we and Severn Trent concluded the market is insufficiently mature to warrant proceeding to a formal tender at this time. None of the offers would result in a significant change in how we currently operate and all were heavily reliant on using our land, plant and planning.

Therefore, both companies have decided not to pursue this joint market solution and will instead factor development of the needed capacity into PR24 plans. The exercise was nonetheless useful to better understand the maturity of the market for bioresources capacity and how any future formal tender might be arranged.



Sewer network monitoring using AI

During the last year we placed a contract with Molfar – the result of our Marketplace challenge on bringing AI to sewer scanning. We are now using Molfar’s product and hope to improve the efficiency of our sewer scanning, so we can increase the length of sewers we survey each year.

Bid Assessment Framework

Ofwat requires all companies to publish assessment frameworks to support third party bids to provide water resources, demand management and leakage services. In 2022-23, we expanded our framework to cover bioresources as well. Our framework can be found on our Marketplace website.

Well managed, open, ethical and transparent

Environmental and social governance

We actively engage with our customers and stakeholders to ensure that we meet their expectations. Sound ethics and culture are at the heart of our operations, driving environmental, social and governance policy commitments from the highest level through to business practices at the lowest level.

The standards of governance and behaviour we expect are communicated through policies and reinforced by training – for instance in financial crime, bribery, corruption and modern slavery. All employees are expected to commit to the highest standards of professional and ethical conduct and are asked to certify compliance with key policies on an annual basis.

Employees have access to a free confidential reporting helpline on a 24-hour, seven day-a-week basis and are encouraged to raise any concerns. All concerns raised are treated on a strictly confidential basis and are reported to the Audit and Risk Committee. More generally, our board monitors and assesses the values and culture of the business to satisfy itself that behaviours are aligned with our purpose and values on an ongoing basis.



We use innovative technology to help prevent disruption to our customers.

We have demonstrated over many years the importance that we place on safeguarding the environment, our people, and the communities that we serve, playing a key role in protecting customer health and wellbeing, supporting business, and safeguarding the natural environment.

Our provision of essential water and wastewater services create a strong relationship between the company, our customers, their communities, the environment, and our broader stakeholders. This means the long-term strength of the company is closely linked to our ability to operate sustainably to best serve our stakeholders.

To test our credentials, we engaged a third party to provide us with an ESG (environmental, social and governance) rating. Our public rating was launched in June 2022, so our score will be visible to investors. The ESG rating process provided good learning points regarding the transparency of information that we provide externally.

Sustainable Finance Framework

Our ability to create value for all stakeholders in a sustainable manner is core to our beliefs. Our Sustainable Finance Framework, which supports our financing ambitions to deliver tangible environmental and social benefits, is now in place. The framework aligns our purpose - to support our customers' health and well-being and enhance the environment and the diverse communities we serve - and our business plan commitments to our financing ambitions through targeted financing.

Under the framework, we may issue environmental or social debt instruments to support our environmental and social objectives, enabling investors to participate in the provision of a sustainable future. Through a Sustainable Finance Framework to finance our plans, investors will be able to monitor how the funding supports delivery of Wessex Water's environmental and sustainability goals.

We need certainty to remain attractive for private investment and to plan for the future. We will continue to ensure customers' bills are affordable while investing in our infrastructure, protecting the environment and innovating to find the best, cost-effective solutions. Our commitment to delivering a better future will allow our investors to participate in funding our provision of water and wastewater services on a sustainable basis, helping to achieve global climate change targets and contributing to the United Nations' Sustainable Development Goals.

We launched an inaugural £300m sustainability bond in March 2023, re-opening the sterling primary markets following recent financial sector volatility. The strong execution dynamics on show demonstrate the willingness of the UK investor base to look through the current financial environment for names which are more insulated from the financial sector volatility.

We will make sure that where we can, we implement nature-based solutions and explore new ways to drive down costs, protect our assets, reduce our carbon footprint and ensure business resilience.

We will continue to strive to be the top performing water company to secure future investment.



Through a Sustainable Finance Framework to finance our plans, investors will be able to monitor how the funding supports delivery of Wessex Water's environmental and sustainability goals.



CASE STUDY

Protecting the water environment through advanced data analysis

Reducing river pollution from sewer storm overflows is one aspect of environmental protection and a key target for water and sewerage companies.

Storm overflows are designed so that when a sewer has filled up with rainwater or groundwater, highly diluted sewage will discharge from the overflow. However, serious pollution can occur when undiluted sewage spills out of a storm overflow during dry weather, due to a problem further down the sewer such as a blockage.

In recent years we have installed many event duration monitors (EDMs) at storm overflows. These devices tell us the level of sewage in the pipe, trigger an alarm when they are discharging, and measure the duration of the overflow. The proliferation of EDMs has led to a large increase in alarm data from our sewerage network, and we have found that alarms triggered by a significant problem (such as a dry weather spill) can be obscured by an expected spill happening during wet weather.

So, we wanted to be able to use the new alarm data more intelligently. How could we know which alarms are from sewers with flow depths beyond what is expected, given the weather conditions at the time? In other words, which alarms are indicating a genuine problem? Also, could we use EDM data to give early warnings of blockages, enabling us to act early to prevent pollution incidents from occurring?

Wessex Water Marketplace

To help us answer these questions we used Wessex Water Marketplace - our outward-facing platform for business challenges, which helps us reach a wide range of suppliers and solution providers, and share our data where appropriate.

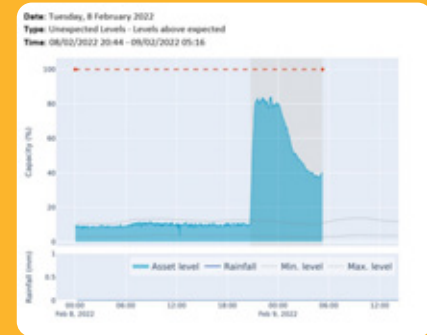
We were aware of a number of smart algorithm products that might work, but there was limited real-world implementation in the UK. A Marketplace challenge offered the chance to reach a large audience and test a range of options using real data, to understand which was the best fit for us.



We launched the challenge in autumn 2019, inviting interested parties to process our data in their systems to demonstrate their abilities. Sixteen companies took up the challenge, and we selected three to proceed to the next stage: a live proof of concept trial in the Bath sewerage catchment during summer 2020.

Following the trial and the subsequent tender process, we selected StormHarvester who use hyperlocal rainfall forecasting to accurately predict flooding events at wastewater assets such as pipes, pumps and combined sewer overflows, up to six hours ahead. Their advanced data analysis methods can be seen as a specific type of artificial intelligence.

StormHarvester will support us up to 2025 by monitoring up to 1,700 devices across our network, in what will be the most extensive use of AI in any wastewater network in the world. This will help us manage our sewer network in a more proactive way, reducing the likelihood and impact of pollution as a result.



Risk management

The effective management of risk is central to our success. We have a robust risk management framework in place to proactively identify, manage and communicate material risks to the business. These are defined as any risk that could have a material impact on the capability of the business to perform its function.

The corporate risk register includes strategic, compliance, operational and financial risks, specifically including health and safety and climate change related risks. Identification and management of risk is delivered through a hierarchy of risk management reviews from operational colleagues, senior management and executive directors.

The Risk Management Group, comprising senior managers, maintains and reviews all corporate risks. This group meets quarterly and scrutinises and challenges the risks included in the register and identifies any additional work necessary to better classify risks or explore other available mitigation controls.

The Risk Management Group submits a report to the Executive Leadership Team (ELT), chaired by the chief executive, every six months. Any significant emergent risks are reported to the ELT and board as they arise.

Our policy on risk assessment and management is subject to regular review by the board. To assist it in discharging its responsibilities, the Audit and Risk Committee reviews the company's internal control systems and process for managing risk.

The board and Audit and Risk Committee take an active role in strategic risk assessment in relation to the principal risks. The chief executive submits a bi-annual risk review paper to the board for its review. This paper details the risk review process, identifies the current principal risks to the business and the mitigation measures in place. It also records the status of emerging risks that have been identified. The board reviews and holds ultimate responsibility for the risk process and agrees the definition of risk appetite and tolerance that is then applied through the business.

The table on the following page shows our principal risks, strategic, compliance, operational and financial. We have provided detailed information on each principal risk in our annual report and accounts, alongside the financial viability statement. This includes a statement on the context, strategic objectives affected and the mitigation in place to address each risk.

| Principal risk - strategic | Risk type | Description | Risk exposure |
|--|-------------------------|---|---------------|
| Political action | Strategic | Actions taken by government that fundamentally change our operating environment affecting the business and/or cash flows. | Increasing |
| Regulatory action | Strategic | Actions taken by regulators that fundamentally change our operating environment affecting the business and/or cash flows. | Increasing |
| Reputation and positioning | Strategic | National or regional issues that affect the perception of the business. | Increasing |
| Environment and public value | Strategic | The expectation on the business to create value beyond a focus on short-term performance. | Increasing |
| Climate volatility | Strategic | The need to adapt to changing climate and weather patterns. | Increasing |
| Principal risk - compliance, financial and operational | Risk type | Description | Risk exposure |
| Health and safety | Operational, Compliance | Failure of operational controls or an external hazard that affects the health and safety of employees, contractors or the public. | Stable |
| Supply of unfit or insufficient water | Operational, Compliance | Inability to provide a reliable source of water to customers when they need it in line with quality standards. | Stable |
| Environmental harm | Operational, Compliance | Acute (eg, major pollutions) or chronic harm to the natural environment as a result of activities conducted by or on behalf of the company. | Increasing |
| Resources and skills | Operational, Compliance | Failure to have the right resources with the right skills in the right place will have an impact on our ability to operate effectively and on our strategic objectives. | Increasing |
| Financial viability | Financial | Inability to raise finance at appropriate levels and/or manage cash/gearing to maintain financial viability and provide a sufficient return on investment. | Stable |
| Supply chain resilience | Operational, Compliance | Resource scarcity or disruptions to supply chains which prevent the procurement of products or services at the expected cost, availability or quality. | Increasing |
| Governance and ethics | Compliance | Non-compliance with our own values, behaviours and standards, or with statutory and regulatory obligations, either unintentionally, intentionally or maliciously (e.g. insider threat). | Stable |
| Uninformed action | Operational | Inadequate information (eg, poor asset data) resulting in sub-optimal decision-making, unsatisfactory day to day business operation/ performance and/or an increase in cost and risk. | Stable |
| Technology resilience | Operational, Compliance | Technology fails to be available, secure (eg, to cyber attack), reliable or perform as expected resulting in the corruption or loss of data, reputational impact and/or inefficient operations. | Stable |

Our board of directors

Our board of directors plays a key role in the running of Wessex Water Services Ltd. They have responsibility for providing leadership, setting strategy, reviewing management performance, ensuring we have the financial and human resources needed to achieve our objectives and ensuring that the company meets its obligations to stakeholders and shareholders.

Our board includes six independent non-executive directors who are appointed from diverse backgrounds, each bringing a breadth and depth of experience to the board and contributing to strong board leadership and governance.

You can find more details about the board members on our website, [Meet our Board](#) and in our Annual Report and Accounts.

On 29 June 2023, the Audit and Risk Committee considered this annual review summary and recommended its approval to the board. It was approved by the board on 11 July 2023.

On behalf of the Wessex Water board, we confirm that we approve this annual review summary and are satisfied that it is accurate in all material respects.

Tan Sri (Sir) Francis Yeoh KBE
Chairman

Colin Skellett
Chief Executive

Jim McKenna
Senior Independent
Non-Executive Director

Kate Mingay
Independent Non-Executive Director,
Audit and Risk Committee Chair

Income statement

For the year ended 31 March 2023

| | 2023 £m | 2022 £m |
|-----------------------------------|----------------|------------|
| Revenue | 530.5 | 515.6 |
| Charge for bad and doubtful debts | (12.1) | (15.4) |
| Other operating costs | (407.1) | (349.6) |
| Total operating costs | (419.2) | (365.0) |
| Operating profit | 111.3 | 150.6 |
| Financial income | 0.4 | 0.2 |
| Financial expenses | (140.6) | (82.3) |
| Net financing expense | (140.2) | (82.1) |
| (Loss)/profit before tax | (28.9) | 68.5 |
| Taxation | 17.8 | (112.9) |
| Loss for the year | (11.1) | (44.4) |

Balance sheet

At 31 March 2023

| | 2023 £m | 2022 £m |
|---|------------------|------------|
| Non-current assets | | |
| Property, plant and equipment | 4,143.2 | 4,018.2 |
| Intangible assets | 50.3 | 49.2 |
| Investments in subsidiaries | - | - |
| | 4,193.5 | 4,067.4 |
| Current assets | | |
| Inventories | 6.3 | 4.8 |
| Trade & other receivables | 196.2 | 174.9 |
| Corporation tax receivable | 7.0 | 10.8 |
| Other financial assets | 130.0 | - |
| Cash and cash equivalents | 164.5 | 4.1 |
| | 504.0 | 194.6 |
| | 4,697.5 | 4,262.0 |
| Current liabilities | | |
| Other interest-bearing loans and borrowings | (208.9) | (16.1) |
| Trade & other payables | (225.6) | (183.6) |
| Provisions | (1.9) | (1.2) |
| | (436.4) | (200.9) |
| Non-current liabilities | | |
| Other interest-bearing loans and borrowings | (2,707.8) | (2,407.0) |
| Contract liabilities | (5.6) | (5.5) |
| Retirement benefit deficit | (17.0) | (33.4) |
| Deferred grants and contributions | (315.0) | (307.3) |
| Deferred tax liabilities | (579.2) | (589.3) |
| | (3,624.6) | (3,342.5) |
| | (4,061.0) | (3,543.4) |
| Net assets | 636.5 | 718.6 |
| Equity | | |
| Share capital | - | - |
| Retained earnings | 636.5 | 718.6 |
| | 636.5 | 718.6 |
| Total equity | 636.5 | 718.6 |

Cash flow statement

For the year ended 31 March 2023

| | 2023 £m | 2022 £m |
|--|----------------|------------|
| Cash flows from operating activities | | |
| Loss for the year | (11.1) | (44.4) |
| Adjustments for: | | |
| Depreciation and amortisation | 140.6 | 129.4 |
| Financial income | (0.4) | (0.2) |
| Financial expense | 140.6 | 82.3 |
| Taxation | (17.8) | 112.9 |
| | 251.9 | 280.0 |
| (Increase)/decrease in trade and other receivables | (21.3) | 7.5 |
| (Increase) in inventories | (1.5) | (0.4) |
| Increase in trade and other payables | 38.2 | 5.3 |
| (Decrease) in provisions and employee benefits | (16.7) | (14.1) |
| | (1.3) | (1.7) |
| Tax received/(paid) | 11.1 | (2.6) |
| Net cash from operating activities | 261.7 | 275.7 |
| Cash flows from investing activities | | |
| Proceeds from sale of property, plant and equipment | 2.1 | 4.7 |
| Interest received | 0.4 | 0.4 |
| Acquisition of property, plant and equipment | (251.8) | (226.4) |
| Acquisition of intangible assets | (10.7) | (16.2) |
| Purchase of financial instruments | (130.0) | - |
| Sale of financial instruments | - | 290.0 |
| Proceeds from infrastructure charges and capital contributions | 5.8 | 7.3 |
| Net cash from investing activities | (384.2) | 59.8 |
| Cash flows from financing activities | | |
| Proceeds from new borrowings | 522.0 | 120.0 |
| Interest paid | (68.1) | (67.0) |
| Repayment of borrowings | (100.9) | (391.0) |
| Payment of lease liabilities | (0.2) | (0.3) |
| Dividends paid | (69.9) | (62.0) |
| Net cash from financing activities | 282.9 | (400.3) |
| Increase/(decrease) in cash and cash equivalents | 160.4 | (64.8) |
| Cash and cash equivalents at 1 April | 4.1 | 68.9 |
| Cash and cash equivalents at 31 March | 164.5 | 4.1 |



Wessex Water
YTL GROUP

FOR YOU. FOR LIFE.