

# Key resources

## The six capitals

Delivering our purpose requires us to sustainably source, use and replenish resources from each of the six capitals.

Our business is dependent upon the availability and quality of these capitals – financial, manufactured, intellectual, social, human and natural.

As our business draws on these resources, we focus on minimising any negative impacts that may result. We also look to invest in the future, to positive effect, recognising that we must be careful about how we harness and protect them over the long term to ensure sustainable value creation and resilience.

Traditional financial accounting doesn't always show the full picture – we rely on things that are not on our balance sheet, like the colleagues that work for us and the natural environment, and we have an impact on things that have no associated income statement or cash flow value. Evaluating and monitoring the impacts and dependencies we have on the six capitals, alongside financial information, helps to give a fuller and more balanced picture of how we are performing, the value we are creating, and the sustainability of our activities.

We are integrating six capitals thinking into all our business processes and planning, to enhance our understanding of the wider consequences of different strategic options. Our performance monitoring and disclosures align with this 'wider value' way of thinking. As well as monitoring financial performance, our operational performance metrics – aligned to the stronger, greener and healthier aspects of our purpose – help us to assess and monitor the positive and negative impacts we have across the capitals and the value created for a range of stakeholders.

We followed a multi-capital value approach in the formation of our AMP8 business plan, using a suite of screening tools to inform our preferred solutions including assessment against the six capitals framework for value.

## Financial capital

Our activities, including significant long-term infrastructure projects, require access to a pool of funds. In order to protect affordability and spread the cost fairly between generations of customers, we need to use debt and equity financing as well as direct procurement for customers (DPC) and funds received as revenue.

### How we manage this key resource

We maintain a robust capital structure, with a responsible mix of equity and debt. We monitor our performance against key credit ratios to help us maintain strong and stable investment-grade credit ratings, giving us efficient access to debt markets across the economic cycle.

We provide regular updates to investors and establish a two-way dialogue about matters of interest to them. We maintain relationships with a range of banks and access to a broad and diverse range of markets. Our medium-term note programme enables efficient debt issuance under pre-agreed contractual terms, our sustainable finance framework allows us to raise debt based on our strong ESG credentials, and the board delegates authority to the CFO so we can respond quickly to attractive financing opportunities. This helps us consistently raise efficient financing.

We aim to avoid a concentration of refinancing in any one year, our debt portfolio has a very long average life, and we monitor liquidity forecasts to maintain resources to cover the next 15–24 months of projected cash flow needs. We have clear and transparent hedging policies covering credit, liquidity, interest rate, inflation and currency risk, and these are aligned with the regulatory model.

### Key dependencies:

- Financing our activities and smoothing out cash flows; and
- Paying our expenditure costs.

### Improving our impact:

- Being efficient in our operations;
- Working with long-term investors and maintaining good governance for fair and sustainable returns; and
- Being a responsible business that acts fairly on tax.

### Relevant material themes:

- Financial risk management
- Corporate governance and business conduct

## Manufactured capital

We have a large number of physical assets that are essential in enabling us to provide our services to customers and protect public health, including buildings, fleet, equipment and infrastructure.

### How we manage this key resource

The significant investment we have made in our assets since privatisation has provided substantial benefits to customers, including reduced supply interruptions, reduced sewer flooding incidents, and improved water quality. We expect to continue with a substantial investment programme for the foreseeable future as current environmental legislation is expected to drive significant investment needs, as shown in our AMP8 business plan. Long-term planning helps us understand where and when we need to invest, and we continually monitor the condition, performance and health of our assets.

We manage our assets in a holistic way that seeks to minimise whole-life costs, and we embrace new technology and innovation. This helps us deliver efficient expenditure without compromising on quality of service or long-term resilience, saving future operating costs and reducing future customer bills.

Our assets and infrastructure projects can affect people who live nearby. We consult with these communities in the planning stage and work hard to minimise any negative impact, such as odours from our wastewater treatment works.

### Key dependencies:

- Delivering safe and reliable services; and
- Keeping our assets secure.

### Improving our impact:

- Maintaining, protecting and improving assets and infrastructure;
- Developing new assets and infrastructure where required;
- Managing the effectiveness of our capital delivery programmes; and
- Following best practice approaches to be efficient and effective, such as ISO 55001 – Asset Management.

### Relevant material themes:

- Resilience
- Customer service and operational performance

## Intellectual capital

The knowledge and systems we have across our business, including our understanding of the region and the people who live here, are critical to effectively running our treatment works and maintaining our assets to ensure a long-term resilient service.

### How we manage this key resource

We use a variety of methods to drive innovation. We scout ideas from other industries and from across the world, and we invite companies to bring new solutions to us through our Innovation Lab programme. Our core values encourage colleagues to voice new ideas and we encourage innovation across the business, including our CEO Challenge programme where graduates develop novel ways to tackle challenges that we face. These initiatives can lead to the development of products and software that give us a competitive advantage.

Dynamic Network Management (DNM) is one example of how our culture of innovation has helped us to improve our services. We developed the technology to improve management of our sewer network and it helped us significantly reduce sewer flooding incidents. We then developed and applied DNM further to maximise the benefits it offers across the entire water cycle, which is in line with our Catchment Systems Thinking approach. This is discussed within how we manage natural capital on pages 22 to 23.

### Key dependencies:

- Providing the know-how to run our business effectively and efficiently;
- Delivering continuous improvement and innovation to be more efficient and effective, and giving us a competitive advantage; and
- Protecting us from cyber attacks.

### Improving our impact:

- Investing in research, development and innovation;
- Monitoring and managing our processes, systems and digital capability; and
- Collaborating with the supply chain and other partners.

### Relevant material themes:

- Cyber security
- Diverse and skilled workforce
- Innovation

## Social capital

It is important that we maintain positive and constructive relationships with a wide variety of stakeholders across our region.

### How we manage this key resource

We actively engage with all our stakeholders, as set out on pages 46 to 48. These include community bodies, regulators, environmental interest groups, and political and governmental bodies. We seek to work alongside them to understand short and long-term priorities, exchanging information, building partnerships and working together wherever we can. Our supplier relationship management process ensures regular discussions to help identify issues and opportunities for a smooth and productive relationship, and we engage suppliers on sustainable and ethical issues through our United Supply Chain approach.

Engagement helps us assess the issues that are most important to stakeholders, which feed into our materiality assessment. This helps to shape our plans and the disclosures throughout this report, as set out on pages 28 to 30. We conducted extensive customer and community research, which fed into the development of our AMP8 plan.

### Key dependencies:

- Maintaining and growing trust with all of our stakeholders to encourage them to act in a way that helps deliver improvements;
- Shaping how we best deliver value for customers and other stakeholders by understanding their needs and priorities; and
- Collaborating on shared challenges such as leakage, flooding and water efficiency.

### Improving our impact:

- Managing service quality and resilience now and for the future;
- Supporting customers with affordability challenges and those in vulnerable circumstances;
- Creating spaces for access and recreation; and
- Communicating and collaborating with all stakeholders.

### Relevant material themes:

- Trust, transparency and legitimacy
- Supporting communities
- Responsible supply chain

## Human capital

Colleagues are essential in delivering our purpose and a skilled, engaged and motivated team is fundamental to great service and colleague retention, which helps ensure efficient training and better performance.

### How we manage this key resource

We support thousands of jobs in the North West, including graduate and apprenticeship programmes. We are an accredited Living Wage Foundation employer, providing competitive salaries and benefits, healthcare schemes, an attractive pension offering, share incentive plan, and colleagues at all levels have the same bonus measures as executive directors, so everyone benefits from the success of the company. We measure engagement through an annual survey, and regularly outperform UK norms.

We provide comprehensive training and development opportunities, offer hybrid working where practical, and are committed to protecting the health, safety and wellbeing of our colleagues and those in our supply chain. We promote equity, diversity and inclusion, recruiting from across the communities we serve and supporting our colleagues with equal opportunities. Networks, representing groups of colleagues that may face specific challenges, are overseen by an executive sponsor and support colleagues through their career progression.

### Key dependencies:

- Delivering services for customers through the skills, knowledge and experience of our workforce;
- Delivering our services in an efficient and productive way; and
- Providing diversity of thought and a range of perspectives.

### Improving our impact:

- Prioritising health, safety and wellbeing;
- Developing, training and recruiting the workforce, including graduate and apprentice programmes; and
- Managing equity, diversity and inclusion with fair opportunities and remuneration.

### Relevant material themes:

- Health, safety and wellbeing
- Diverse and skilled workforce
- Colleague engagement

# Key resources

## Natural capital

We rely on natural resources at every stage of the water cycle, as shown in the infographic to the right.

### How we manage this key resource

Much of the water we abstract originates on land before running off into water. A lot of this land is managed by tenant farmers or in partnership, and we ensure it is well managed to improve water quality and help protect habitats. We manage 'sludge' waste from our treatment activities in a sustainable way, with the vast majority going to beneficial use such as recycling or fertiliser for land. We plan and invest for the long term to ensure we have resilient water resources, and we also manage extreme wet and dry periods in the near term. In dry weather, our integrated supply zone allows us to move water efficiently around the region, we can bring additional supplies into service to meet demand, and we encourage customers to use water more efficiently with advice, free water-saving devices, and metering initiatives. To reduce the use of storm overflows, we must find alternative ways to cope with extreme rainfall, while avoiding flooding. Enlarging sewers or building storage tanks is carbon intensive and subject to space constraints, so we are innovating with sustainable drainage and other nature-based solutions where practical.

### Key dependencies:

- Storing raw water and receiving wastewater and biosolids safely back into the environment;
- Attenuating water and flows in support of flood management;
- Location for assets and offices; and
- Treatment and construction resources, such as chemicals, cement, metals and energy.

### Improving our impact:

- Managing abstractions, pollution incidents, catchment programmes, overflows and final effluent quality;
- Looking after land, including habitat health and biodiversity; and
- Reducing GHG emissions, and air pollutants.

### Relevant material themes:

- Climate change adaptation
- River water quality and storm overflows
- Water resources and leakage

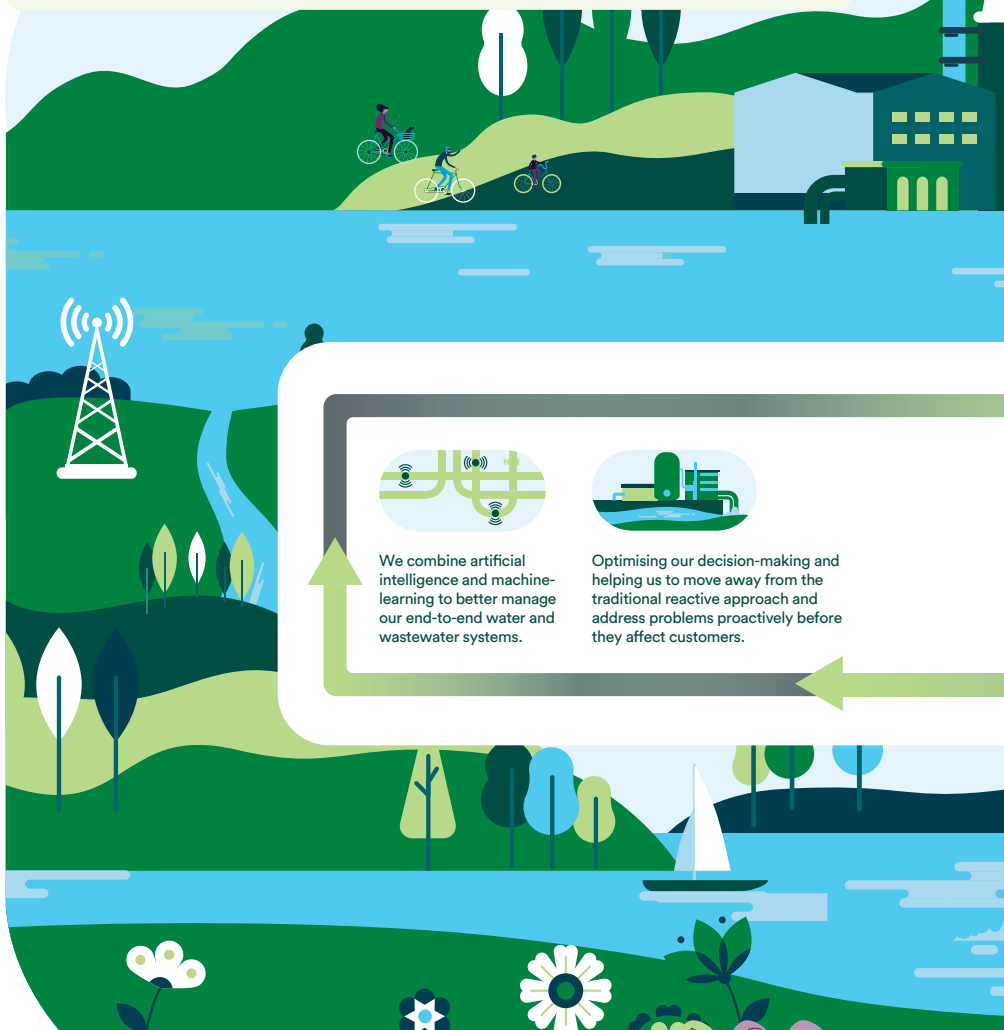
## Water resources – sustainably sourcing water

### Providing great water:

We collect raw water from a variety of sources across the North West, including lakes, rivers and boreholes, but predominantly from open reservoirs. The biggest are Thirlmere and Haweswater in the Lake District National Park. We have more reservoirs than any other UK water company. They provide great tasting water, but have high maintenance needs and the raw water requires more treatment than some other water sources. They are quick to fill when it rains, but are more vulnerable to periods of dry weather than ground water sources.

### For a stronger, greener and healthier North West:

We own and manage 56,000 hectares of land, much of which is catchment land (the areas immediately surrounding our reservoirs). We are optimising the use of this land to protect water quality, create natural carbon sinks by restoring peatland and planting woodland, and explore potential clean energy development. We manage our land and water resources in a sustainable way, protecting and enhancing local habitats, and open our land to the public to enjoy nature and its health and wellbeing benefits.



We combine artificial intelligence and machine-learning to better manage our end-to-end water and wastewater systems.

Optimising our decision-making and helping us to move away from the traditional reactive approach and address problems proactively before they affect customers.

## Bioresources – generating renewable energy

### Providing great water:

We minimise waste from our water and wastewater operations to promote a circular economy. Sludge by-product from wastewater treatment is transported to our bioresources treatment facilities, which process more than 200,000 dry tonnes of sewage sludge a year.

We use some of this biogas to generate renewable electricity and power our operations and some is fed into the grid. Self-generation reduces our carbon footprint and saves costs. We purchase electricity to cover the remaining electricity needs and 100 per cent of this is certified renewable.

### For a stronger, greener and healthier North West:

Our sludge treatment processes use digestion technologies to safely and compliantly treat the sewage sludge. The digestion treatment process produces biogas and biosolids.

We give biosolids to local farmers to use as a high-quality and effective fertiliser and soil conditioner. We are closely following developments in the interpretation of Farming Rules for Water, and the restrictions this could have on our provision of biosolids to farmers.

Our strategic priorities



Improve our rivers



Create a greener future



Deliver great service for all our customers



Provide a safe and great place to work



Spend customers' money wisely



Contribute to our communities

## Supplying treated water 24/7

### Providing great water:

We treat raw water in one of our 86 water treatment works and then stored in covered reservoirs. An average of 1.8 billion litres of safe, clean drinking water is delivered every day to more than 7 million people and businesses, using more than 43,000 kilometres of water pipes.

### For a stronger, greener and healthier North West:

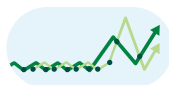
Our integrated supply network enables us to move water around the region as needed. Along with production planning and optimisation

of storage levels ahead of anticipated demand increases, and a fleet of alternative supply vehicles, this helps us to deliver a more resilient water supply. We use sensors and artificial intelligence, and have dedicated teams to detect and fix leaks across our pipes as well as helping customers identify leaks on their property, which can save them money on their bills as well as reducing water losses. Our Haweswater Aqueduct uses gravity to transfer water from Cumbria to Manchester, helping to reduce our carbon footprint from energy-intensive pumping.



## Dynamic Network Management

We use Dynamic Network Management (DNM) to proactively manage our network in a more effective and efficient way.



This creates long-term value, improving our asset reliability and resilience, reducing unplanned service interruptions, and delivering cost savings.

## Cleaning and returning wastewater

### Providing great water:

We have 79,000 kilometres of pipes that transport wastewater from sewers to one of our 583 wastewater treatment works. Wastewater is separated, treated and, once it is clean enough to meet stringent environmental consents, we return it to the natural environment through rivers and streams so that the water cycle can begin again. Of our sewers, 54 per cent are combined, taking a mix of wastewater and rainwater. In unusually high rainfall, when sewer capacity is overloaded, storm overflows are activated, using a separate pipe to allow this heavily diluted mix to flow directly into rivers or the sea to help prevent flooding of streets, homes and businesses. Read more on page 28.

### For a stronger, greener and healthier North West:

We have a long coastline and 29 designated bathing waters in our region. With more combined sewers, our network comes under more strain than many others when we have to deal with higher than typical levels of urban water runoff from rainfall. Achieving future targets to reduce the use of storm overflows will, therefore, require particularly high levels of investment in the North West. We have already delivered a significant reduction in the number of spills since 2020, we have ambitious plans for AMP8, and we are accelerating the work to go further faster. We are also exploring new and innovative ways of working such as nature-based solutions and partnerships with groups such as The Rivers Trust.