

Our strategic framework

We are continuing to drive progress on our three strategic priorities through our strategic framework.

Our three-pillar strategy

1 Growth in Environmental Infrastructure

Through the successful delivery of our twin-track strategy – driving both organic and acquisitive growth underpinned by our disciplined capital allocation, we will continue to create long-term sustainable value. Our logical and accretive water acquisitions have delivered significant value for our stakeholders along with meaningful benefits for customers and shareholders.

Our value-enhancing investment in renewable energy generation and storage will provide attractive, sustainable returns into the long term, and fast-track the achievement of our Net Zero 2030 commitments.

We are well underway in delivering on our largest environmental investment programme which also reflects the delivery of additional and accelerated investments including Green Recovery, WaterFit, our Save Every Drop water resilience investment and Ofwat's recently announced Accelerated Infrastructure Delivery.

Progress against our strategy

>50%

RCV growth over K7, driven by our twin-track strategy

c.£1.5bn

our largest environmental investment programme, including additional and accelerated initiatives

£160m capital allocation

in renewable energy generation – 1st c.40 GWh site acquired

2 Pioneering Solutions

We continue to pursue a relentless approach to improving operational performance through innovative solutions that drive the best outcomes for all stakeholders. Our pilot, test and deploy approach to innovation helps us to mitigate risk for customers, communities and the environment.

Our new WaterFit Live tool, launched in early 2023, demonstrates our commitment to increased transparency, empowering customers and stakeholders to hold us to account on our performance and allow them to make informed decisions on water-based recreation. It features a new interactive map that provides customers and visitors to the region with more information on the performance and location of storm overflows at all designated bathing waters, as well as the investments South West Water is making now, and in the future, to reduce overflow spills across the region's coastline by 2025.

As a purpose-led business, we think differently about the relationship we have with our customers through our innovative and pioneering WaterShare+ scheme developed to give our customers a greater stake and a say in our business. We are delighted that since 2021 almost 90,000 customers have opted to become shareholders through WaterShare+.

Progress against our strategy

£40m

returned to customers in K7 through our unique customer sharing mechanism WaterShare+

Centre for Resilience in Environment Water and Wastewater – our joint venture with the University of Exeter

Developing innovative solutions to water resources including desalination and re-purposing quarries

3 Leadership in UK water

The Group has continued to deliver resilient services through extreme climate variability and high demand. Alongside this, we have delivered some of our best environmental performance to date, including our best ever wastewater treatment works compliance, a reduction in wastewater pollutions, and outstanding bathing water quality across the region.

Currently, over c.110,000 customers benefit from our broad range of affordability initiatives, and we continue to work hard to deliver quality services at an efficient cost, so that bills remain affordable. In 2022/23, customer bills in the South West Water region were lower than they were 10 years ago, and £10 lower than in 2021/22 and, recognising the cost-of-living pressures customers are facing, bills across the Group for 2023/24 will see below-inflationary increases.

Driving outperformance across the Group gives us the ability to deliver more within a regulatory delivery period. As a Group, we are strategically positioned to outperform in the current macro-economic environment. Our flexible financing strategy and diverse debt portfolio, with a relatively lower level of index-linked debt compared to the industry average allows us to outperform, and is reflected in our strong return on regulated equity, with outperformance enabling reinvestment in additional initiatives.

Progress against our strategy

100%

bathing water quality across the region for the second consecutive year

c.10.5% in 2022/23

Continued doubling of base returns on regulated equity across the Group

c.£85m

of customer support delivered to date

Informed by our engagement with our wider stakeholder group and what they want

 Customers	 Communities	 People	 Suppliers	 Policy makers	 Investors	 Regulators
Safe drinking water, clean rivers and seas, continuous supply and an affordable price	Protect the environment and a say in our business	A values-led employer, fair wages and personal advancement	Fair contracts, access to data and opportunities for growth	Investment and support in reaching 2050 targets	Achievement of business plan targets, long-term sustainable growth and a fair return	Innovation in support of the delivery of continually improving targets

Reflected in our approach to sustainability and ESG commitments

65% **c.£700k** **31%** **100%** **£1.5bn** **>50%** **c.70%**

reduction in Scope 2 market-based GHG emissions in 2022/23	investment into our communities	women in leadership roles	of our supply chain engaged with our code of conduct	2020-25 environmental investment programme - our largest to date	202-25 growth in regulated capital value	of ODIs in 2022/23 on track or ahead of target in SWW, with c.65% at Bristol Water
--	---------------------------------	---------------------------	--	--	--	--

Strategy in action...

Investing in renewables – energy generation  We have set aside £160m to invest in renewable energy and have identified a pipeline of solar opportunities. In May 2023 we acquired a c.40 GWh site in Dunfermline which is ready to build with consents in place, and is expected to commence generation in 2024. The site also has the capacity for a two-hour 60 MW battery that will support the UK Grid's move to renewables and provide a healthy return. Read more on the progress we are making to become Net Zero on pages 42 to 43.	WaterFit Live  In March 2023, we launched WaterFit Live, an interactive digital system which shares with customers the status of their local bathing waters and whether there is any impact from a storm overflow. WaterFit Live is another milestone in our progress to protect the environment by reducing storm overflows, enhanced monitoring, providing clear and transparent reporting for our customers and increasing our investment to improve performance. Read more on our WaterFit programme progress on page 25.	Driving synergies - Bristol Water acquisition  We are making strong progress with our integration blueprint. Bringing together the two water businesses to improve customer service, strengthen our teams and share and implement learnings. The licence change and statutory transfer completed on 1 February 2023, bringing Bristol Water under the South West Water licence. Our proven integration blueprint consists of three phases. The first, focused on integrating our back office teams, is largely complete, and we are well underway in developing a combined plan for PR24 to deliver the best outcomes for all stakeholders. Phases two and three will focus on Operations and Customer Services. Read more on the integration of our teams in our People section on pages 31 to 39.	Ensuring future water resilience  As part of our continued investment in water resilience, we purchased Hawks Tor Reservoir on Bodmin Moor in Cornwall in March 2022. To tackle the drought we have deployed a twin track approach of demand and supply side investments augmenting storage scheme, expanding the treated water network and repurposing disused quarries. The interventions deliver an increase in supply when it is needed most that equates to 25% of Cornwall's demand and 12% of Devon's demand. To target water efficiency we are deploying initiatives such as 'Stop the Drop' and 'Save every Drop' alongside our broader water efficiency campaigns aimed at helping customer reduce demand. Read more on how we are tackling climate challenges and water resilience on page 41.
---	---	--	--

Ambitions to 2050

Our Strategic Direction to 2050 sets out our ambition for the water system of the great South West, the leadership and action we will take, the action needed from others, and the opportunities we must collectively grasp if we are to ensure high-quality, reliable and resilient water services for future generations. Our ambition is to protect and enhance the environment at every stage of our operations and

provide a resilient service in the future. Achieving that ambition will also require fundamental changes to the ways that we, our customers and stakeholders all use and interact with our services and the aquatic environment. The ways in which we are meeting these challenges together are described in more detail at <https://www.southwestwater.co.uk/about-us/documents/business-plan-2020-2025/>.

Services to nature and the environment

Protect and enhance natural resources

What we will do

- Increase biodiversity, through further habitat creation and improvement
- Decarbonise our operations and net zero emissions
- Use our land and resources to generate renewable energy

Water resources

Resilient water resources through healthy catchments

What we will do

- Meet all water needs for homes, businesses and the environment
- Create greater capacity through a diverse portfolio of water sources, strategic regional resources and interconnectors
- Protect and boost river flows
- Reduce leakage in the network and at customers homes

Water treatment and distribution

Top-quality water supplies

What we will do

- Ensure world-class drinking water that meets stringent water quality standards
- Progressively address emerging risks
- Create resilient, smart networks with real time tracking and management of water pressure, flow and quality

Wastewater collection

Controlled & treated wastewater flows

What we will do

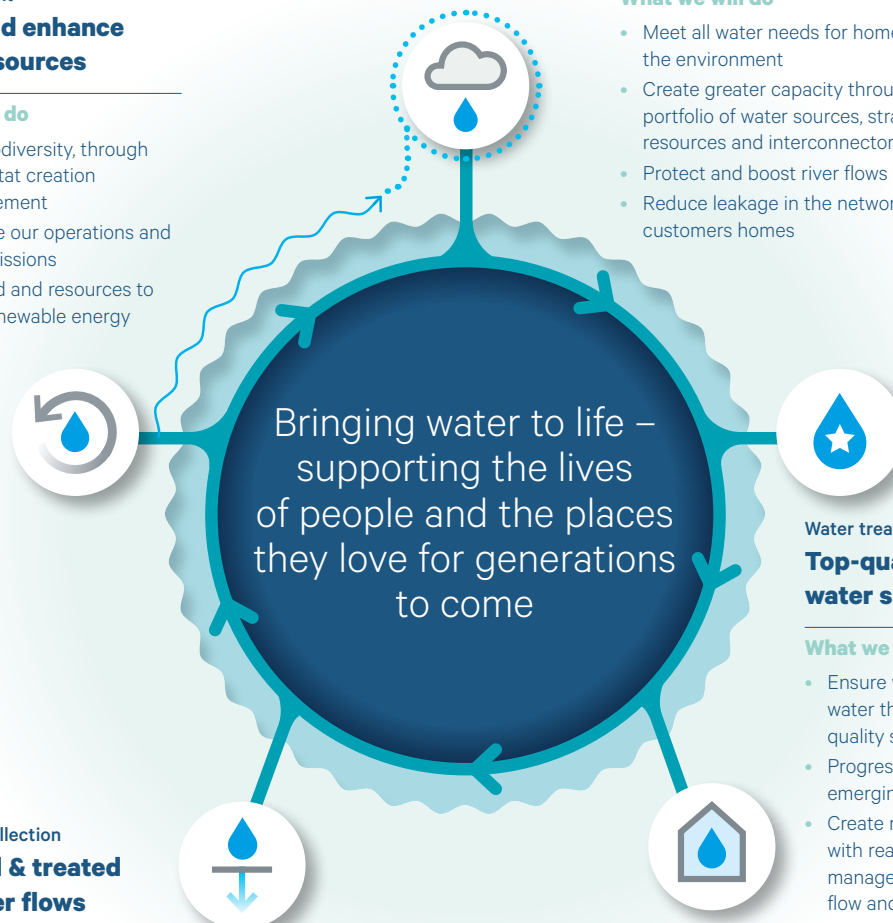
- Evolve our water recycling and sewerage system to meet the needs of our communities and the environment
- Enhance sustainable drainage to reduce risk of flooding and pollution
- Return treated water safely to the environment

Services to homes, businesses and our wider communities

Trusted customer & community experience

What we will do

- Boost active participation of customers and communities in the sector
- Make it easy for customers to reduce their water consumption and manage their water bills
- Promote progressive charging so that every customer has a fair and affordable water bill



Clear near-term environmental targets and milestones contributing to our long-term ambitions to 2050

Underpinned by our ongoing, long-term investment programme

2023	2025	2030	2045	2050
TCFD Committed to further enhancing our disclosures consistent with the Task Force on Climate-related Financial Disclosures SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION Committed to setting both near and long-term Science Based Targets (SBT) in accordance with the Science Based Targets Initiative's Corporate Net Zero Standard Reinvesting £170m of our current RORE outperformance Read more: TCFD disclosures targets page 74 SBT commentary page 43 	2025 targets for selected ODI and operational activities, including commitment to eliminate water poverty by 2025 2025 targets for ESG priority measures 100% bathing water quality standards met all year round Our WaterFit plan targets significant investment to 2025 to further protect river and coastal water quality Read more: ESG priorities targets page 66 ODI targets page 25 WaterFit plan  Our biodiversity strategy page 41 	125,000 hectares of habitat and land management improved Single-digit spills, if any at all coastal locations 2030 Net Zero target for our operational carbon emissions 2030 Net Zero plans published by our regulated water business TCFD TCFD metrics and targets including commitment to self-generate up to 50% of renewable energy by 2030 Read more: Net Zero strategy pages 42 to 43 TCFD disclosures page 74 WaterFit plan 	2045 Race to Zero commitment to reduce greenhouse gas emissions (GHG) across our entire value chain Read more: Net Zero strategy and Race to Zero commentary pages to 43	50% leakage reduction and 1/4 consumption reduction Zero ecological harm from wastewater spills and discharges 375,000 hectares of habitat and land management improved 2050 ambitions working in harmony with the water cycle with near-term targets 2020-2025, medium-term targets 2025-2035 and long-term targets 2035-2050 Read more: Our 2050 ambitions targets page 12 