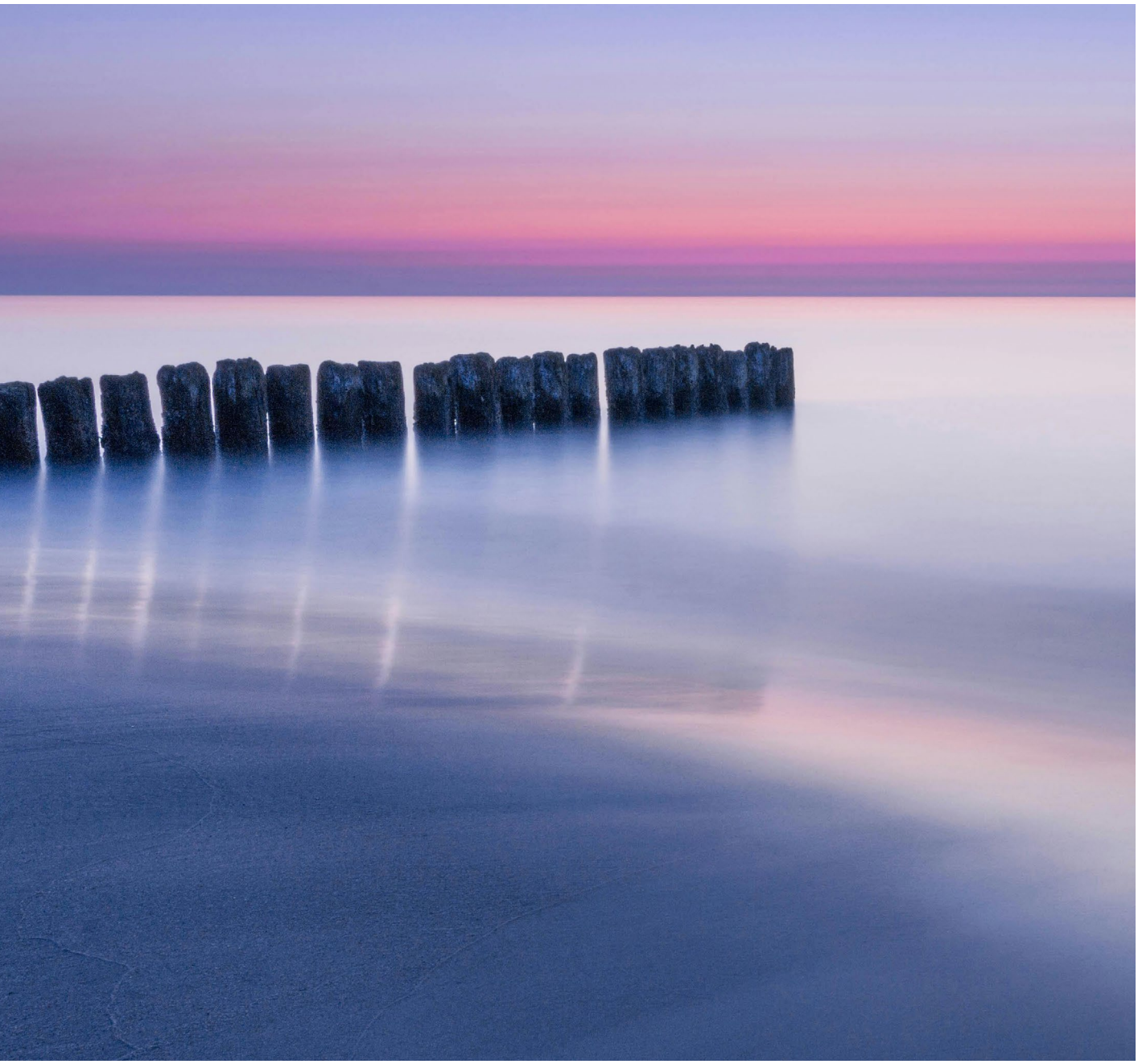
2025 water sector engagement report

Developed in close collaboration with investor group leads, this two-year engagement programme highlights key progress, challenges, and investor expectations.



Issued October 2025

ROYAL LONDON
ASSET MANAGEMENT

Royal London Asset Management is one of the UK's leading fund managers. We manage £177billion of assets[1] for a wide range of global clients including corporate pension schemes, local authorities, insurance companies, charities, universities and financial intermediaries.

As part of Royal London – the UK's largest[2] mutual life, pensions and investments company – we are driven by our shared purpose: 'Protecting today, investing in tomorrow. Together we are mutually responsible.'

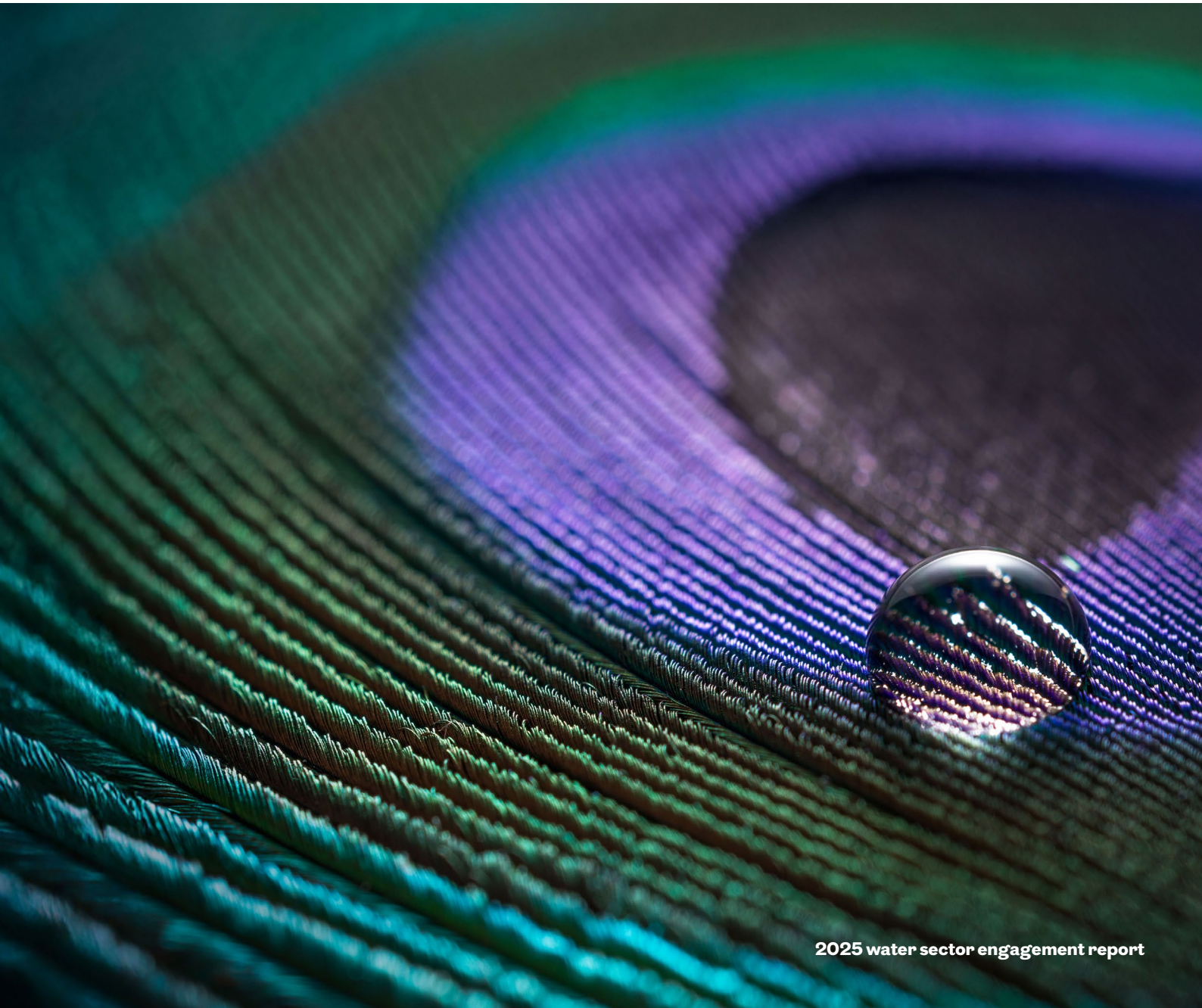
Entrusted with other people's money, we embrace our responsibility as stewards of capital for the mutual benefit of clients and wider society – Building a better future, together.

Responsible investment and stewardship can mean different things to different investors. That's why we emphasise transparency – talking with our clients to ensure we understand their priorities and that they know what our approach is delivering.

We believe that effective responsible investment helps society and produces better results for our investors.

It's asset management excellence with a longer-term perspective.

1. Royal London Asset Management as of 31 March 2025.
2. Based on total 2022 premium income. ICMIF Global 500, 2024.



Contents

Our commitment to social and environmental stewardship in the water sector

Over the past eight years, Royal London Asset Management has been playing its part as a responsible investor with the water sector - championing social and environmental priorities that matter.

In 2023, we launched the next stage of our water engagement programme, with a clear mission:

To set robust investor expectations and create a meaningful framework for assessing water utility companies.

This initiative is anchored in four engagement pillars:

CLIMATE CHANGE ADAPTATION

BIODIVERSITY

AFFORDABILITY

ANTIMICROBIAL RESISTANCE (AMR)

These focus areas were built on the insights and best practices uncovered in our first 2022 engagement programme 'Understanding best practice in UK water', ensuring the approach remains both progressive and grounded in evidence.

To date, our investment in the UK water sector spans both equity and credit asset classes and in this latest programme we have engaged with 11 water utility companies in England and Wales. Whether through shareholding or debt, our position gives us a powerful voice - one we use to advocate and influence for long-term, sustainable change.

We have integrated these learnings and incorporated them into our ongoing engagement activity; we will monitor the progress of these companies over the next five years in line with the water sector asset management periods.

This research was limited to England and Wales, as we did not have exposure to Scottish and Irish water companies.

Why Royal London Asset Management engages with companies

We believe that collective action is often the most effective way to influence companies and policymakers.
By working with other investors, we can amplify our voice and push for more ambitious and credible change:

- To enhance long-term investment value by encouraging companies to manage environmental, social, and governance (ESG) risks and opportunities effectively.
- To influence positive change in corporate behaviour, especially in areas where we see material risks or opportunities.
- To fulfil fiduciary duties as stewards of client capital, ensuring companies are accountable and transparent.
- To align investments with client values and broader societal goals, such as climate action and social inclusion.

At a glance

9 years

Active bondholder engagement since 2016.

11 water utility companies

Assessed over 2 years (2023-24).

Four pillars

Climate change adaptation, biodiversity, affordability, and antimicrobial resistance (AMR).

19 investor expectations

We encourage investors: asset managers and asset owners, to adopt our investor expectations.

Performance highlights

Nearly all the companies showed improvements, particularly in biodiversity.

Performance gaps

Two companies fell below baseline scores due to pollution and biodiversity gaps.

Investor group collaboration

To enhance the investor voice, this programme was conducted in collaboration with asset owners:

- Avon Pension Fund
- Border to Coast Pensions Partnership
- Brunel Pension Partnership
- Cornwall Pension Fund
- Pension Insurance Corporation
- Pension Protection Fund

We extend our gratitude to our investor group for their participation and support.

Details of the water companies and investor group engagement leads can be found on page 24 in the Appendix.

Collaboration as an industry can drive progress. At Royal London Asset Management, our responsible investment team, fund managers, investor groups, and wider industry partnerships work together to support meaningful change within companies.

Our voting, engagement, research, and advocacy activities are designed to be pragmatic, informed by evolving market insights and local best practices, and aligned with the long-term interests of our clients. These activities aim to enhance the value and integrity of our investment decisions. Please note that voting and engagement practices may not apply uniformly across all Royal London Asset Management funds or strategies, as each has distinct investment objectives. For details specific to your investment, please refer to the relevant fund prospectus.

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Investing in the water sector

The demand for the utility services is stable and predictable and the sector provides consistent revenue streams and dependable cash flows. Additionally, while there are some ongoing changes, the sector has been and continues to be supported by the current regulatory framework. These companies provide clear societal benefits and offer attractive characteristics for investors. Nevertheless, the sector has faced challenges from pollution incidents, water supply shortages, leakages, trust, aging infrastructure and internal sewage flooding.

2024 facts and stats of the water industry

The water network infrastructure in England and Wales is considered one of the largest and most complex in Europe.

25 privately-owned water companies serve over **58.8 million** customers to water and waterwater services[3].

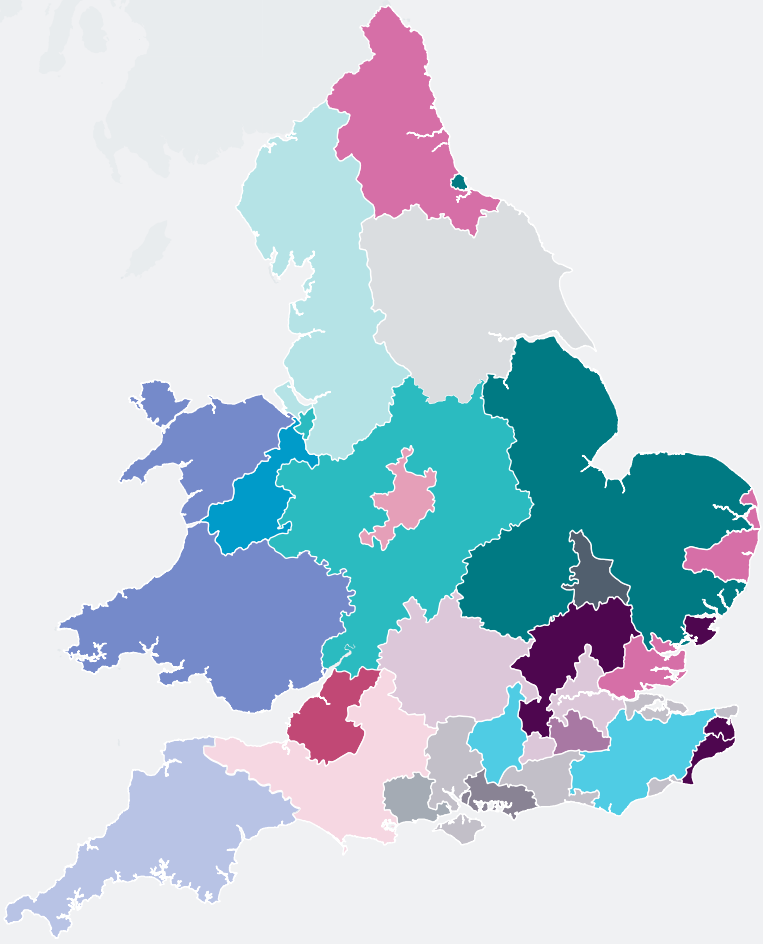
Drinking water[3]

- **14 billion litres** of drinking water supplied daily.
- Average person consumes **142 litres/day**.
- Over **321,866 kilometers** of drinking water mains pipes.
- **998** water treatment works.

Wastewater

- Over **575,000 kilometers** of public sewers and wastewater pipes[4].
- Over **11 billion litres** of wastewater is collected and treated every day[5].
- Over **9,000** sewage treatment works[5].

The map shows the 19 largest water companies in England and Wales sourced from Drinking Water Inspectorate (DWI) in Annual 2024 report. The 11 companies in teal below, formed part of our engagement programme.



- Affinity Water
- **Anglian Water**
- Bristol Water
- Cambridge Water
- **Dwr Cymru (Welsh Water)**
- Hafren Dyfrdwy
- **Northumbrian, Essex & Sussex Water**
- Portsmouth Water
- SES Water
- **Severn Trent Water**
- South Staffordshire Water
- South West and Bournmouth Water
- **South West Water**
- **South East Water**
- **Southern Water**
- **Thames Water**
- **United Utilities**
- **Wessex Water**
- **Yorkshire Water**

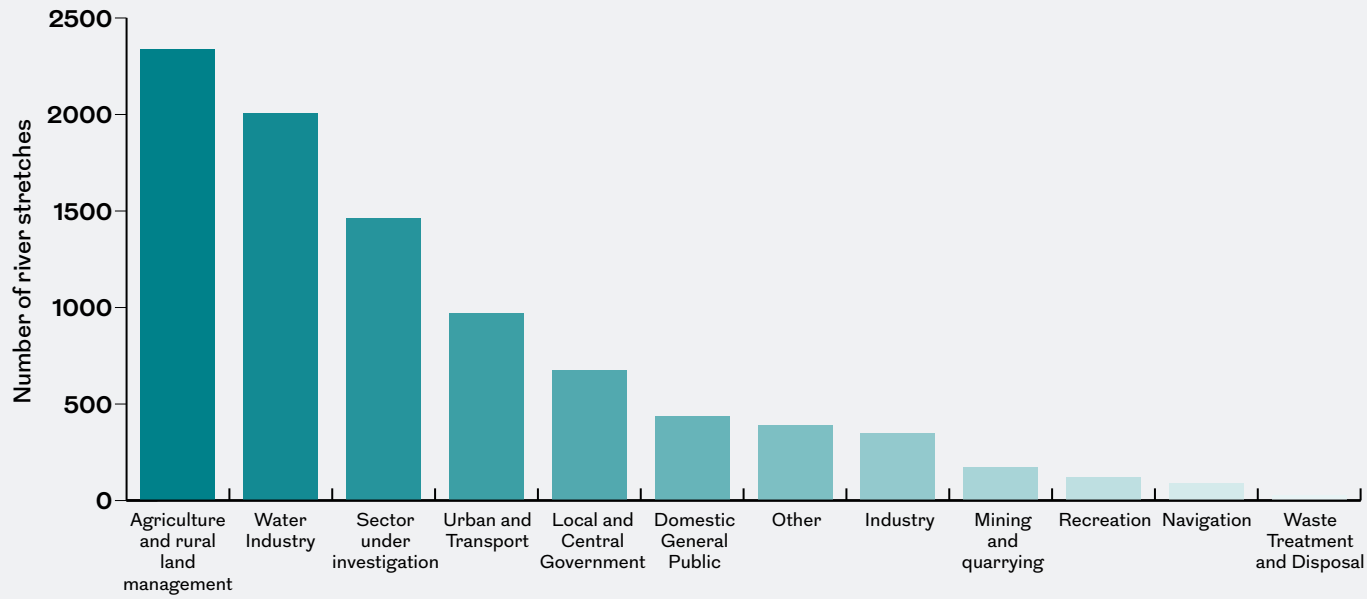
3. Water supplies and testing - Drinking Water Inspectorate
4. Water industry in the UK - statistics & facts | Statista
5. Water Industry in the UK: Statistics & Facts (statista.com)

Water companies play a vital role in public health by providing clean water and sanitation. While they share a common role, each of the water companies operates differently and should be assessed individually, especially when evaluating creditworthiness.

While the UK water sector has come under increased scrutiny for pollution incidents, it is important to recognise that water companies are only part of the picture.

Agricultural practices and rural land management also significantly contribute to the poor ecological health of many river stretches. The Environment Agency has emphasised the need for balanced investment across all environmental challenges highlighting the importance of a holistic approach to improving water quality and ecosystem resilience.

Sectors responsible for river stretches failing Water Framework Directive (WFD) assessments



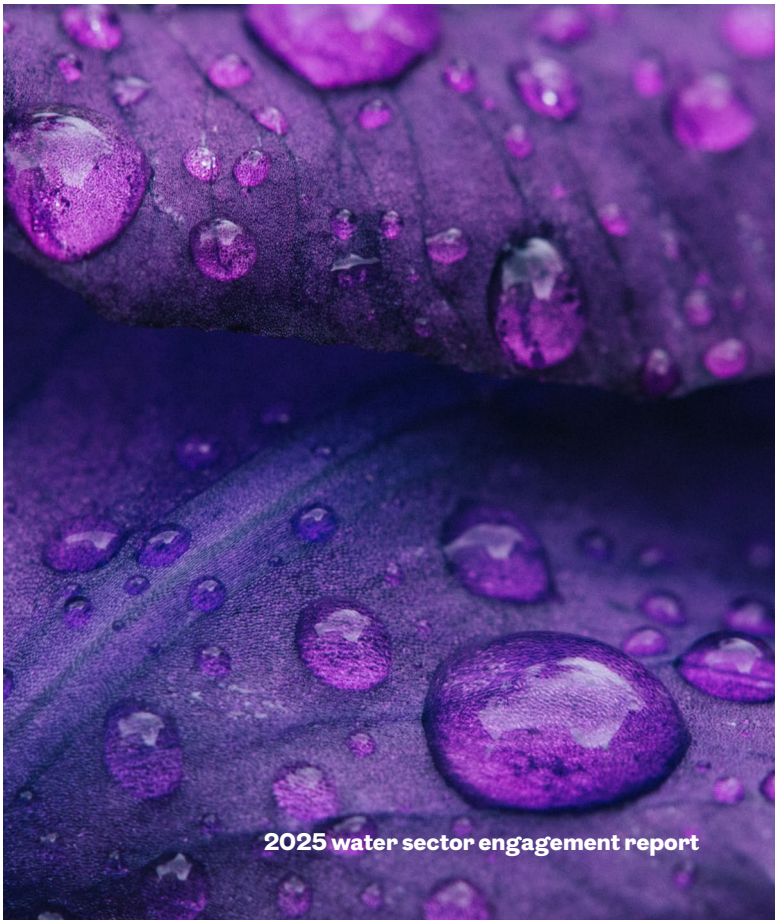
Source: State of our Rivers Report 2024 | The Rivers Trust

The industry is navigating a regulatory 'trilemma': balancing deliverability, affordability and finance-ability.

- **Deliverability** – water companies need to deliver on their environmental commitments, however, they have inherited Victorian water networks that have been under invested in for decades.
- **Affordability** – they need to determine how much customer bills will need to rise and whether consumers can afford the increases.
- **Finance-ability** – finally, they need to deliver returns that are attractive enough to bring into the system all the capital expenditure that is required.

Given the recent announcement of changes to the regulatory landscape of the sector[6], the UK Government and the new regulatory body for the sector will need to address this trilemma. Environmental sustainability is critical and achieving this balance is key.

6. www.gov.uk/government/news/ofwat-to-be-abolished-in-biggest-overhaul-of-water-since-privatisation



Engagement with the water sector

At Royal London Asset Management, we believe in engagement over divestment. We seek to understand the issues facing a company or sector. When companies fall short of our expectations, we engage constructively, explore the underlying causes and share best practice. Through this approach, we aim to drive positive change not just within individual firms, but across the broader industry.

This engagement project was conducted from September 2023 to January 2025. Based on our findings from an earlier engagement project that completed at the end of 2022 (see report here), we worked with a group of investors to establish a set of expectations across four key engagement pillars.

The engagement was structured to gain a detailed understanding of how water utilities are responding to increasing climate pressures, particularly in relation to resilience planning, biodiversity management, and the integration of social considerations into strategic decision-making. At the time, these companies were developing their business plans for the 2024 Price Review (PR24); a regulatory process led by Ofwat (The Water Services Regulation Authority), the economic regulator for the privatised water and sewerage industry in England and Wales. The aim was to set service standards, investment commitments, and price controls for the 2025–2030 period. Our objective was to assess how well these plans aligned with our investor expectations. Where gaps were identified, we used the opportunity to encourage stronger commitments across our key engagement pillars.

We approached 11 of our major water sector holdings as of September 2023, receiving responses from all companies and conducting meetings with eight. These discussions were designed to be diagnostic, focusing on each company's operational readiness, environmental strategy, and approach to delivering a just transition.

We encourage investors - asset managers and asset owners - to adopt our investor expectations. Our expectations are shaped by nine years of active engagement, in-depth findings, and alignment with the investor groups' views on best practice and outcomes. These expectations are grounded in our work with these 11 water utility companies across both equity and credit markets.

> **Together, as a collective investment community, we have the opportunity to drive meaningful, systemic change - ensuring the water sector is resilient, socially responsible, and environmentally sustainable for generations to come.**
>
> **Matthew Franklin, Fund Manager**

Our investor expectations for the water sector

Four engagement pillars

CLIMATE CHANGE ADAPTATION

Climate change adaptation is essential for the water sector to ensure the long-term sustainability and resilience of water and sewerage services.

It is also vital for managing pollution, as climate change increases risks such as storm overflows, flooding and water quality deterioration.

BIODIVERSITY

Water companies manage extensive land and water resources, by protecting and enhancing these habitats they can help preserve **biodiversity** and ensure the resilience of ecosystems.

AFFORDABILITY

Ensuring that water services are **affordable** is essential for maintaining equitable access to clean water and sanitation.

Water is a basic human need, and high costs can disproportionately affect low-income households, leading to water poverty.

ANTIMICROBIAL RESISTANCE (AMR)

Wastewater is recognised as a significant contributor to **AMR**.

Wastewater treatment plants can play a pivotal role in mitigating the spread of AMR by serving as effective barriers that reduce the discharge of antibiotic resistance genes into the environment.

Deep dive into our expectations

During our research and engagements, each company was assessed against each investor expectation using a red, amber, and green (RAG) rating system. To measure progress, we conducted an initial evaluation of each water company against our expectations based on their disclosures. For comparative purposes, we normalised the scores to a scale of 100, reflecting the number of RAG ratings.

	Minimum expectations	Advanced expectations
CLIMATE CHANGE ADAPTATION	1 Use innovative technology, such as AI or smart networks, to reduce pollution and discharges that breach targets. 2 Maintain good asset health, such as meeting target on sewer collapses and mains repair. 3 Develop and use nature-based solutions for flood management, drought resilience, and circular economy. 4 Ensure abstraction is sustainable to ensure water supply resilience. E.g. where the environmental flow indicator is able support Good Ecological Status (GES)[7].	5 Demonstrate investment and training to reduce repair times to flood/leak/pollution events, such as having only internal repair and maintenance teams, better repair management process using technology, etc. 6 Actively assist and develop novel solutions to reduce leakages and develop adaptative pathways as aligned to "A Leakage Routemap to 2050"[8].
BIODIVERSITY	7 Have a clear Biodiversity Action Plan with ambitious targets and commitments, such as achieving biodiversity net gain on managed land by 2030. 8 Understand and disclose what baseline biodiversity is using natural capital assessments. 9 Over 90% of SSSI land should meet favourable conditions[9]. 10 Disclosure of data on biodiversity net gain in all new construction projects[10].	11 Implement localised biodiversity plans to improve biodiversity for both land and water and avoid the use of "offsets". 12 Follow the best practice in habitat management including restoration and creation of priority habitats that would benefit rare or threatened species in your area. 13 Use biodiversity accounting where data is actively collected and monitored, to be reported in the annually.
AFFORDABILITY	14 Ensure a just transition by ensuring affordability for customers whilst meeting other performance obligations 15 Improve outreach and expand services available to vulnerable customers, particularly those on the priority services register.	16 Use of place-based approaches for community development 17 Engage with the regulator to ensure that the sector is finding the best value for customers.
AMR	18 Consider **antimicrobial resistance (AMR)** as a risk	19 Implement management of **AMR** risks in the water supply and wastewater.

7. www.gov.uk/government/publications/water-abstraction-plan-2017/water-abstraction-plan-environment
8. www.water.org.uk/sites/default/files/wp/2022/03/Water-UK-Leakage-Routemap-Innovation-Annex.pdf
9. www.gov.uk/guidance/protected-areas-sites-of-special-scientific-interest
10. www.gov.uk/guidance/understanding-biodiversity-net-gain

Engagement findings

The **11 water companies** included in the engagement programme, all but one, provide both water consumption and sewage services.

Collectively these companies[11]:

Customers: 61.8 million

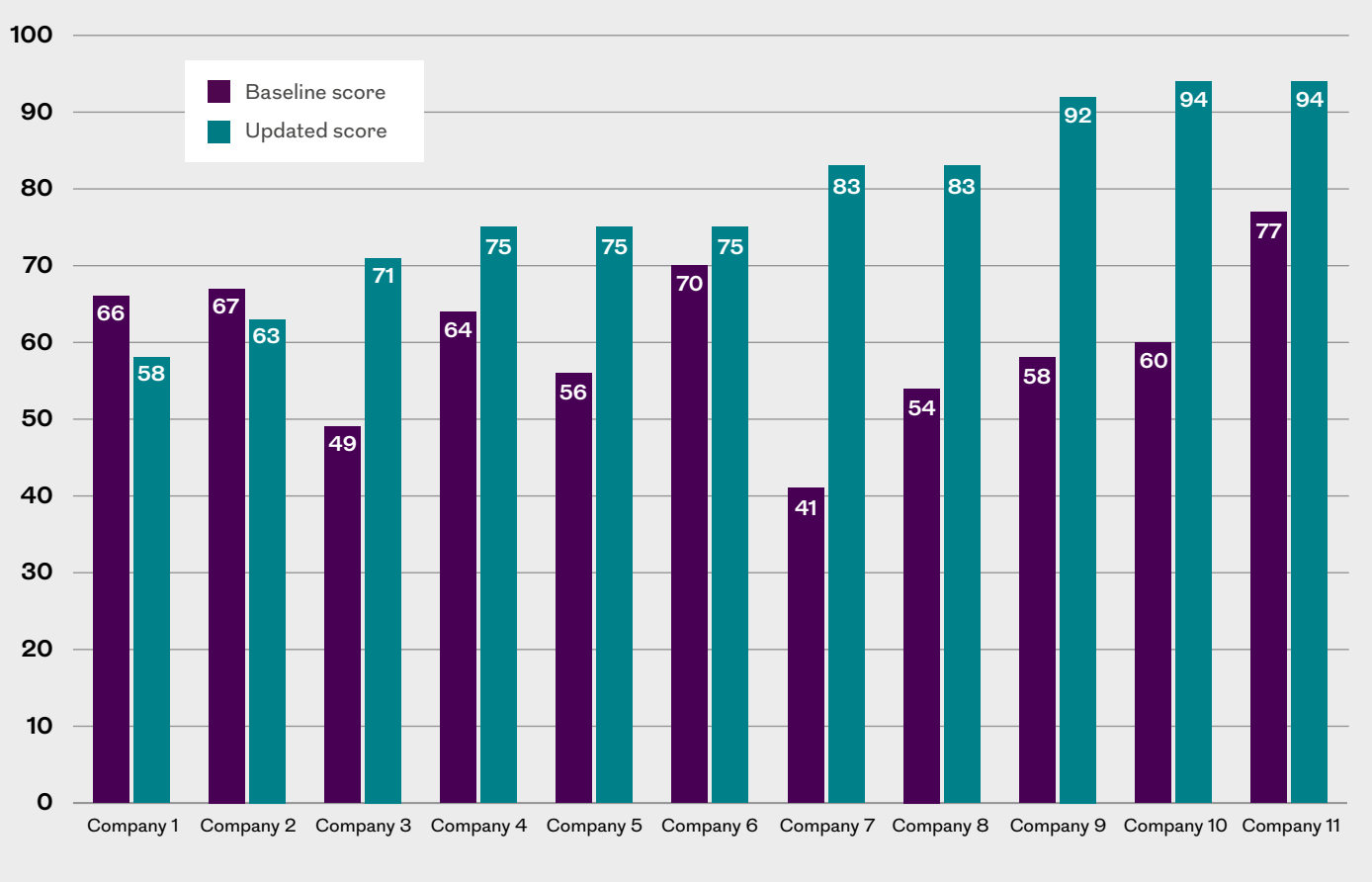
Planned Investment (2025–30): £89.25 billion

No. of employees: 41,500

Overall progress during the two-year engagement programme

Given the complexity of water companies, we aimed to track improvements and plans against each expectation. Overall, there has been a significant improvement from the baseline scores across the 11 companies we assessed. This improvement is largely attributed to the substantial increase in investment in their business plans across the four pillars, particularly in biodiversity. Only two companies scored below the baseline, primarily due to their poor pollution performance and a lack of ambition compared to their peers in areas around climate adaptation and biodiversity.

Figure 1. Progress from 2023 baseline to 2024



Scores have been normalised to a scale of 100 and company names anonymised. Reference to any security in this report is for information purposes only and should not be considered a recommendation to buy or sell.

11. Source: companies annual 2025-2030 PR24 plans, see appendix.

Climate change adaptation

Climate adaptation is crucial for the water sector to ensure long-term sustainability and resilience. Climate change strains water resources and damages infrastructure, necessitating robust adaptation measures. Ensuring water quality and regulatory compliance is vital as intense rainfall affects treatment processes.

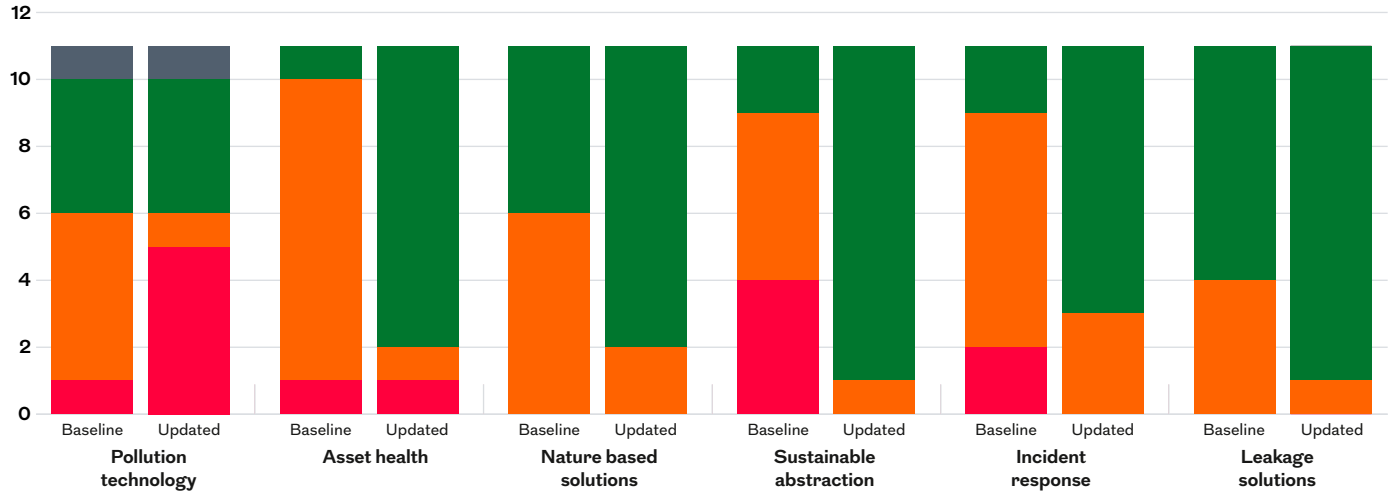
Adapting to climate change is linked to pollution management as it exacerbates the risks and impacts of pollution on water resources[12]. More intense and frequent storms increase surface water flooding[13], carrying pollutants into water bodies, while rising temperatures can lead to harmful algal blooms[14]. By adapting to these changes, we believe water companies can protect their economic stability, maintain investor confidence, and continue to provide reliable services essential for public health and wellbeing[15].

Company engagement scores for investor expectations 1 to 6, see page 10 for details.

	Company 1		Company 2		Company 3		Company 4		Company 5		Company 6		Company 7		Company 8		Company 9		Company 10		Company 11	
	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated
Pollution technology	Amber	Red	Amber	Red	Green	Red	Green	Green	Amber	Red	N/A	N/A	Red	Green	Amber	Amber	Green	Red	Amber	Green	Green	Green
Asset health	Red	Red	Amber	Amber	Amber	Green	Green	Green	Amber	Green	Amber	Green	Amber	Green	Amber	Green	Amber	Green	Amber	Green	Amber	Green
Nature based solutions	Green	Green	Green	Amber	Amber	Green	Green	Green	Amber	Green	Green	Green	Amber	Green	Amber	Amber	Amber	Green	Amber	Green	Green	Green
Sustainable abstraction	Red	Green	Amber	Amber	Red	Green	Amber	Green	Red	Green	Green	Green	Amber	Green	Amber	Green	Red	Green	Green	Green	Amber	Green
Incident response	Amber	Green	Amber	Amber	Red	Green	Green	Green	Amber	Green	Amber	Green	Red	Amber	Amber	Amber	Amber	Green	Amber	Green	Green	Green
Leakage solutions	Green	Green	Green	Amber	Amber	Green	Green	Green	Amber	Green	Green	Green	Green	Green	Green	Green	Green	Green	Amber	Green	Amber	Green

Red Amber Green N/A

Climate change adaptation scores



12. Water – at the center of the climate crisis | United Nations
13. Ofwats-4th-Climate-Adaptation-Report.pdf
14. The pollution causing harmful algal blooms
15. Ofwats-3rd-Climate-Change-Adaptation-Report.pdf

Pollution

Our engagement programme has highlighted several key trends in how water companies are adopting advanced technologies to support climate adaptation and reduce pollution. As part of our assessment under pollution innovation (Expectation 1), we incorporated performance data from the Environment Agency's 2023 Environmental Performance Assessment (EPA), published in 2024[16]. Companies that received a red rating in our scoring performed significantly below target in the EPA for serious pollution events. While many of these companies have committed to deploying innovative technologies in the upcoming regulatory period, our scoring framework also aims to reflect current underperformance, given the material risks that poor environmental management poses to both society and long-term investment value.

Leveraging innovative technology

Water companies are increasingly investing in digital capabilities and innovation to improve operational efficiency and environmental performance. Through our engagement, we identified several examples of good practice that demonstrate how technology is being leveraged to address sector-wide challenges.

Anglian Water is targeting a 46% reduction in total pollutions and a reduction in 72% in serious pollutions by 2030[17]. They plan to install 25,000 network monitors that utilise weather data and artificial intelligence (AI) to detect blockages in the sewers, as well as employ software to monitor pipe pressure and alert tactical operations teams to any bursts[18].

Yorkshire Water is expanding its smart metering framework to install over one million devices, including 360,000 smart meters, by 2030, enabling real-time monitoring of water usage and early detection of leaks[19]. They are deploying advanced monitoring systems and utilising data analytics to predict and prevent pollution incidents.

Thames Water is leveraging sensors, drones, data, and analytics to maximise the benefits of the Thames Tideway Tunnel[20]. By focusing on smart networks and advanced sewerage control systems, they aim to identify issues in the sewerage system before they escalate, thereby reducing costs and improving environmental outcomes.

Welsh Water is addressing the challenges posed by ageing sewers through their SMART Networks programme, which uses and analyses data to predict where blockages are likely to occur[21]. This proactive approach helps reduce costs and mitigate the impact of flooding on customers. They have also embarked on a Data and Digitalisation Strategy to enhance their asset maintenance efforts.

Northumbrian Water is developing a smart network for their wastewater and water systems, using real-time data to reduce pollution and leaks[22].

Wessex Water is working with industry specialists to utilise machine learning and hyperlocal rainfall forecasts to predict sewer levels and detect early blockage formations[23].

Reference to any security is for information purposes only and should not be considered a recommendation to buy or sell.

16. Water and sewerage companies in England - environmental performance assessment summary graphic 2023
17. Anglian Water Pollution Incident Reduction Plan_2025.pdf
18. www.anglianwater.co.uk/SysSiteAssets/household/about-us/pr24/anh01-our-plan-2025-2030
19. Yorkshire Water to install 1.3m smart water meters to improve service and reduce leakage
20. www.thameswater.co.uk/media-library/home/about-us/regulation/our-five-year-plan/pr24-2023/our-business-plan.pdf
21. https://corporate.dwrcymru.com/-/media/project/files/page-documents/corporate/library/pr24-reports/september-2023/main-documents/wsh03-pr24-business-plan-document.ashx
22. www.nwg.co.uk/globalassets/business-plan-2025-30/nes01.pdf
23. https://corporate.wessexwater.co.uk/media/1yspyz1w/wsx16-wastewater-networks-plus-strategy-and-investment.pdf

Asset resilience

Severn Trent is leveraging big data and analytics to optimise asset management. They are developing digital twins of their treatment works and trialling AI tools to assess the condition of sewers[24].

United Utilities is also utilising AI systems to automatically monitor and code defects from video files of sewer condition surveys. This data is then incorporated into their risk models to prioritise investment decisions such as for improvement works to pumping stations, storm overflows and identify blockages[25].

Challenges

The sector faces significant challenges with ageing infrastructure. **Welsh Water**, experiencing nearly 2,000 sewer blockages a month, would take over 700 years to replace its entire sewer network at the current rate[26]. This underscores the need for innovative solutions to manage and maintain aging infrastructure.

Environmental and regulatory constraints also pose challenges. Implementing nature-based solutions like wetlands is limited by regulatory hurdles[27]. Currently, the Environment Agency permits wetlands only where a continuous discharge permit is in place, restricting the range of green solutions available to water companies.

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Climate adaptation and resilience

Future stewardship activity: Just adaptation

We believe climate adaptation plays a critical role in helping water companies become more resilient. We have expanded our stewardship activities to include a just adaptation approach across different sectors. This means we assess risks and opportunities, and work with stakeholders to ensure our actions seek to minimise harm whilst aiming to deliver benefits such as protecting nature, storing carbon, improving public health, and creating jobs.

In our water sector engagement programme, we asked South East Water whether they have considered just adaptation and to understand how it manages the social and environmental risks associated with its adaptation activities. The company is enhancing the climate resilience of its water supplies by incorporating biodiversity co-benefits through various nature-based solutions. However, one initiative required rewilding farmland, which can impact farmers and local farm workers. South East Water is addressing the balance between environmental and social impacts by engaging with all stakeholders to ensure that climate adaptation is 'just'.

Going forward, we aim to raise company awareness of this emerging issue and gather best practices from other sectors to evolve our understanding and approach to just adaptation.

For further information read our articles What is adaptation and why should investors care and One year on what we've learnt from our just adaption engagements.

24. www.stwater.co.uk/content/dam/stw/about_us/pr24/sve04-main-plan.pdf
25. www.unitedutilities.com/globalassets/z_corporate-site/pr24/main-documents/uuw01.pdf
26. Case Studies | Dŵr Cymru Welsh Water
27. www.ciwem.org/news/planet-possible-why-arent-nature-based-solutions-being-delivered-at-scale

Biodiversity

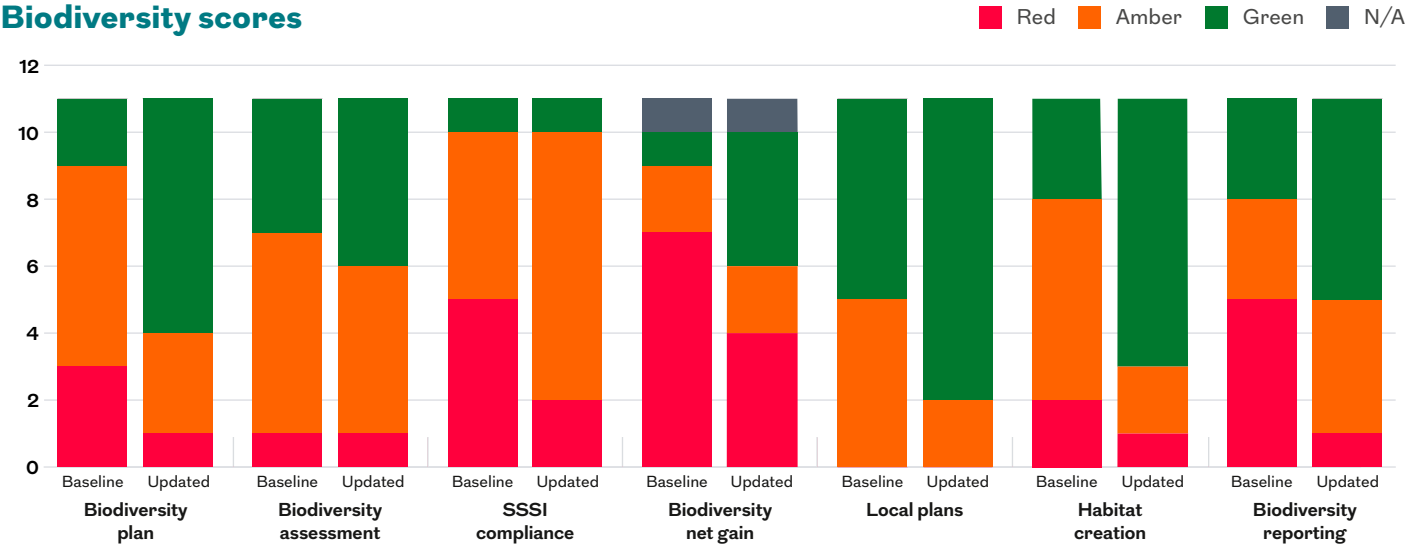
Biodiversity is vital for water companies as it enhances water quality, climate regulation, and resilience to environmental changes, ensuring sustainable water resources and benefiting community health. Investing in biodiversity supports long-term sustainability, making it a responsible choice for both the environment and business.

For 2025 to 2030 regulatory period, Ofwat introduced a biodiversity performance commitment[28]. Water companies must prioritise biodiversity and natural capital preservation, set ambitious targets, such as achieving biodiversity net gain[29] on managed land by 2030, comply with regulatory standards and integrate biodiversity considerations into their core business strategies to ensure long-term sustainability and environmental stewardship.

Company engagement scores for investor expectations 7 to 13, see page 10 for details.

	Company 1		Company 2		Company 3		Company 4		Company 5		Company 6		Company 7		Company 8		Company 9		Company 10		Company 11	
	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated
Biodiversity plan	Amber	Red	Amber	Green	Red	Amber	Red	Amber	Amber	Amber	Amber	Green	Red	Green	Amber	Green	Amber	Green	Green	Green	Green	Green
Baseline assessment	Green	Green	Amber	Red	Amber	Amber	Amber	Amber	Green	Amber	Amber	Amber	Red	Green	Amber	Amber	Amber	Green	Green	Green	Green	Green
SSSI compliance	Red	Red	Amber	Amber	Red	Red	Amber	Amber	Amber	Amber	Red	Amber	Red	Amber	Red	Amber	Green	Green	Amber	Amber	Amber	Amber
Biodiversity net gain	Amber	Red	N/A	N/A	Red	Red	Red	Red	Red	Green	Red	Amber	Red	Red	Red	Amber	Amber	Green	Red	Green	Green	Green
Local plans	Green	Amber	Green	Green	Amber	Amber	Amber	Green	Green	Green	Amber	Green	Amber	Green	Green	Green	Green	Green	Amber	Green	Green	Green
Habitat creation	Amber	Amber	Green	Green	Green	Green	Red	Red	Red	Amber	Amber	Green	Amber	Green	Amber	Green	Amber	Green	Amber	Green	Green	Green
Biodiversity reporting	Green	Green	Red	Red	Amber	Green	Amber	Green	Green	Amber	Amber	Amber	Red	Amber	Red	Green	Red	Green	Red	Green	Green	Amber

Biodiversity scores



28. www.ofwat.gov.uk/wp-content/uploads/2023/05/Biodiversity.pdf
29. Biodiversity net gain is a measurable improvement in biodiversity following development or land management activities. It involves enhancing the quality and quantity of habitats so that the overall biodiversity value of a site is greater after intervention than it was before. This is assessed using standardised metrics, such as the Statutory Biodiversity Metric developed by Defra, which considers habitat type, condition, and location.

Investment in biodiversity units

The water sector is increasingly recognising the strategic importance of biodiversity and natural capital preservation. This is reflected in the improved scores across companies in our engagement, driven by more robust biodiversity plans and increased investment commitments for the 2025–2030 regulatory period.

For example, **Anglian Water** has doubled its environmental investment to £4 billion to support nature recovery and achieve 22 biodiversity units[30].

Severn Trent aims to invest £39.4 million[31] to enhance biodiversity across 15,000 hectares by 2030[32].

Additionally, **South West Water** aims to create 50 biodiversity units within the same period[33]. It is positive to see that many companies have a biodiversity plan.

What is a biodiversity unit?

A biodiversity unit is a measurement of an area's value to wildlife. It is based on the size and quality of habitats, and whether the habitat is sited in an area identified as being of strategic significance for nature.

Biodiversity units will be assessed in surveys, using information gathered from site visits conducted for each given piece of land nominated by the company. The initial survey and all subsequent surveys will be conducted in line with Defra's 'The Statutory Biodiversity Metric'[34].

Natural capital assessment

Preserving natural capital is a top priority for the water sector. Most companies are conducting baseline biodiversity assessments to understand the current value of their land holdings and identify opportunities for enhancement.

Anglian Water has teamed up with the University of East Anglia to establish a baseline using systematic conservation planning[35]. This method provides a detailed assessment of the local environment and uses an econometric model to predict the best return on investment for conservation efforts.

Northumbrian Water has developed Corporate Natural Capital Accounts and plans to re-evaluate these assessments during the current Business Plan period[36].

United Utilities has formed a stakeholder group to support the development of a natural capital baseline and has created an internal natural capital calculator to simplify the assessment process[37].

Innovation

Innovation is key to advancing biodiversity in the water sector. As companies face increasing regulatory expectations and ecological pressures, digital tools like satellite mapping, AI-driven habitat assessments, and natural capital accounting are being used to understand baseline conditions and monitor biodiversity over time. For example, **South West Water** is working with AI-Dash to map habitat types and conditions across their landholdings. This innovative use of AI and remote sensing technology helps in accurately assessing and monitoring biodiversity, which informs their biodiversity strategy[38].

Innovative approaches in land and water management, such as integrated catchment strategies and adaptive land stewardship models, are helping companies achieve measurable biodiversity net gain and enhance environmental resilience.

Several water companies are creating and restoring wetlands as part of their nature-based solutions, which improve water quality, enhance biodiversity, and provide flood protection. **Welsh Water's** Pont-y-Felin wetland proposal includes research that compares how well wetlands and traditional treatment methods remove substances like pharmaceuticals from water[39].

However, the pace and scale of innovation vary. While some companies are embedding biodiversity metrics into decision-making and piloting new technologies, others are still developing foundational systems. Continued investment in innovation, both technological and strategic, will be essential to close these gaps and ensure that biodiversity is not only protected but actively enhanced across the sector.

Reference to any security is for information purposes only and should not be considered a recommendation to buy or sell.

30. www.anglianwater.co.uk/SysSiteAssets/household/about-us/pr24/anh01-our-plan-2025-2030.pdf
31. www.stwater.co.uk/content/dam/stw/about_us/pr24/sve26-4a-water-winep.pdf
32. www.severntrent.com/content/dam/stw-plc/rns-severn-trent-plc-fy25-interim-results.pdf
33. https://www.southwestwater.co.uk/siteassets/documents/environment/biodiversity-strategy-report_2023.pdf
34. assets.publishing.service.gov.uk/media/669e45fba3c2a28abb50d426/The_Statutory_Biodiversity_Metric_-_User_Guide__23.07.24_.pdf
35. www.anglianwater.co.uk/SysSiteAssets/household/about-us/pr24/anh01-our-plan-2025-2030.pdf
36. www.nwg.co.uk/globalassets/corporate/environment-pdfs/restore-and-regenerate-our-environment-strategy-to-2050.pdf
37. www.unitedutilities.com/globalassets/z_corporate-site/pr24/supplementary-documents/uuw35.pdf
38. https://www.southwestwater.co.uk/siteassets/documents/environment/biodiversity-strategy-report_2023.pdf
39. Amelie_Loubens_and_Christian_Phillips_Adams_paper.pdf

Collaboration

Collaboration is crucial for improving biodiversity. Engaging with a wide range of stakeholders, including government agencies like Natural England, non-governmental organisations such as Wildlife Trust and Rivers Trust, academic institutions, and local communities, ensures that biodiversity initiatives are comprehensive and consider diverse perspectives.

Welsh Water worked with wildlife trusts to develop localised biodiversity plans. They have collaborated with Herefordshire Council and local wildlife trusts to build constructed wetlands designed to offset the impact of new developments on rivers. This aims to improve water quality and support biodiversity in Special Areas of Conservation (SAC) sensitive areas[40].

South West Water is developing catchment restoration plans for their priority catchments and forming Environmental Advice Panels comprised of independent experts to provide assurance of their biodiversity performance[41].

Challenges

Water companies face challenges in translating ambition into consistent, measurable outcomes. One persistent issue is the uneven development and implementation of biodiversity action plans. While some companies have embedded biodiversity into their strategic frameworks, others are still in the early stages of defining clear targets or aligning with regulatory expectations.

A key barrier is the lack of robust baseline data. Without comprehensive assessments of existing biodiversity across their landholdings, it becomes difficult to measure progress or set meaningful goals.

Managing Sites of Special Scientific Interest (SSSIs) also presents a mixed picture. While a few companies report high proportions of land in favourable condition, others are still working to establish management plans or address legacy issues. The ability to influence outcomes is further complicated when companies are not the sole landowners of these sites.

While natural capital accounting is gaining traction, the frequency and consistency of biodiversity monitoring and reporting remain inconsistent. As expectations around transparency and accountability increase, companies will need to strengthen their systems for tracking biodiversity outcomes and demonstrating progress over time.

Future stewardship activity: Biodiversity

From the learnings from the engagement with the water sector to understand their approach to biodiversity plans and biodiversity net gain, Royal London Asset Management will be initiating further engagements on the climate and biodiversity nexus and just nature.

Read our just nature blogs for more information

- Where climate meets nature: a delicate balance
- The hidden cost of nature loss
- Just nature: aligning environmental action with social equity

40. https://corporate.dwrcymru.com/-/media/project/files/page-documents/corporate/library/pr24-reports/september-2023/main-documents/wsh03-pr24-business-plan-document.ashx
41. https://www.southwestwater.co.uk/siteassets/documents/environment/biodiversity-strategy-report_2023.pdf

Affordability

UK water companies must prioritise affordability due to the significant financial strain many households face. Over half of water bill payers (53%) frequently struggle with household expenses, and 20% find it difficult to pay their water bills. The need for accessible financial support is critical, as evidenced by the increase in awareness and uptake of support initiatives, with 9% of water bill payers now receiving help, up from 6% in late 2023[42]. Government and regulatory bodies, emphasise customer satisfaction and are driving improvements to ensure vulnerable customers receive the necessary assistance. Continuous research and accountability efforts are essential for water companies to enhance their support systems and provide better value for money, ultimately preventing households from falling into financial hardship[43].

The water sector has been actively working towards ensuring affordability and supporting vulnerable customers through various initiatives. A key focus has been on maintaining affordability while meeting other performance obligations. **Anglian Water** aims to provide direct financial support to 280,000 customers and double the cross-subsidy available through their social tariff[44].

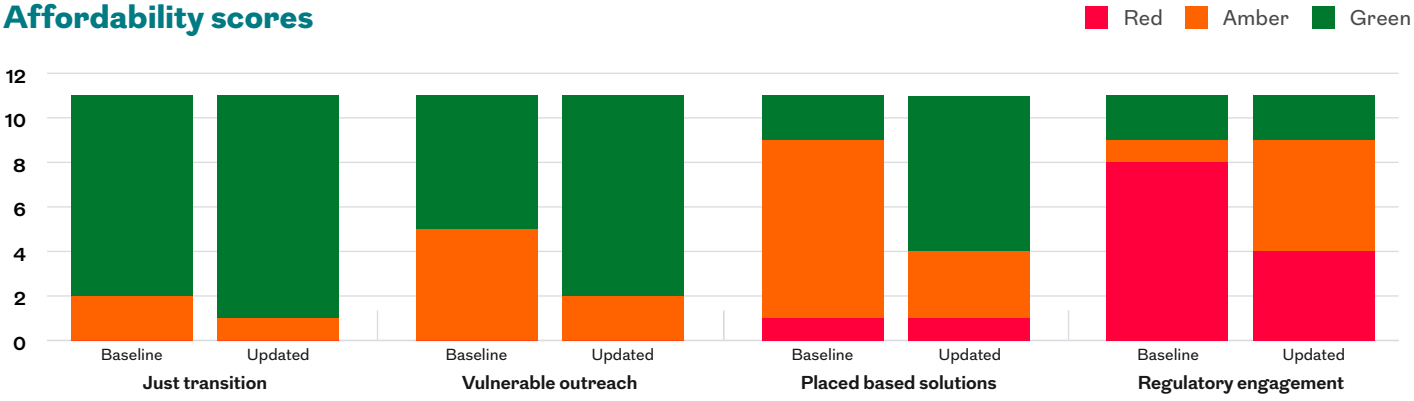
Welsh Water is allocating £64 million over five years to offer financial assistance through discounted bills and social tariffs, benefiting 132,000 customers[45].

Company engagement scores for investor expectations 14 to 17, see page 10 for details.

Affordability remains a central pillar of a just transition in the water sector. While average household bills are expected to rise across the sector, most companies have taken proactive steps to mitigate the impact on customers, especially those in vulnerable circumstances.

	Company 1		Company 2		Company 3		Company 4		Company 5		Company 6		Company 7		Company 8		Company 9		Company 10		Company 11	
	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated
Just transition	G	R	G	G	G	G	G	G	G	G	G	G	A	G	G	G	A	G	G	G	G	G
Vulnerable outreach	A	A	G	G	G	G	G	G	A	A	G	G	A	G	A	G	A	G	G	G	G	G
Placed based solutions	G	G	A	A	R	A	G	G	A	G	A	R	A	G	A	A	A	G	A	G	A	G
Regulatory engagement	G	R	A	A	R	A	R	A	R	R	G	R	R	A	R	G	R	A	R	R	R	G

Affordability scores



42. www.ccw.org.uk/publication/water-worries-affordability-research-2025/
43. www.ofwat.gov.uk/support-for-struggling-customers-reports-affordability-challenge/
44. www.anglianwater.co.uk/SysSiteAssets/household/about-us/pr24/anh01-our-plan-2025-2030.pdf
45. https://corporate.dwrcymru.com/-/media/project/files/page-documents/corporate/library/pr24-reports/september-2023/main-documents/wsh03-pr24-business-plan-document.ashx

Social tariffs and financial support

A common theme across the sector is the expansion of financial support mechanisms. These include enhanced social tariffs, hardship funds, and targeted affordability schemes. Many companies are increasing the scale and reach of their support, with some aiming to eliminate water poverty altogether. For example, **Northumbrian Water** is on a mission to eradicate water poverty by 2030 and has partnered with the National Energy Action to fund their Water Poverty Unit[46]. While, **South East Water** is introducing a new social tariff that offers a 50% discount for households with an income of less than £17,000[47].

United Utilities is collaborating with the Department for Work and Pensions to introduce a new tariff through automatic enrolment for income-deprived households, making it easier for those in need to receive support[48]. **Yorkshire Water** is expanding their Community Engagement activity by partnering with external organisations to provide financial support to more than 12,000 customers each year[49].

Companies are also investing in broader affordability strategies including water efficiency programmes, smart metering rollouts, and behavioural nudges to help customers manage consumption and reduce bills. Some are embedding affordability considerations into their long-term investment planning, using tools such as benefit assessment frameworks to ensure best value for customers.

Overall, while the scale of investment required in the next five years of the AMP8[50] is unprecedented, the sector has shown a strong commitment to balancing environmental and infrastructure goals with affordability. Continued focus on innovation, collaboration, and inclusive service design will be essential to ensure that no customer is left behind.

Customer engagement and support

Customer engagement and support have been significantly enhanced with companies investing in tailored communications and digital tools to improve awareness and uptake of support services. **Welsh Water** has established a Specialist Support Team to provide a case-managed service for customers in need, ensuring personalised and effective assistance[51].

Several providers have introduced simplified billing, multilingual outreach, and targeted campaigns to engage hard-to-reach groups. Others have embedded affordability into their broader customer experience strategies, using behavioural insights and analytics to identify at-risk households early and offer timely interventions. **Thames Water** is expanding their Priority Services Register to reach 75% of the eligible population, ensuring that more vulnerable individuals receive the necessary support[52].

Placed-based solutions

Place-based solutions involve aligning outcomes and developing plans across multiple stakeholders within a specific geography. This integrated approach can help foster community development. This includes enhancing the environment to boost the local economy through tourism and integrating social value into investment decisions and tendering processes. Engaging local stakeholders, including residents, businesses, and local governments, is crucial for the success of water management plans. Place-based solutions foster collaboration and co-funding opportunities, leading to more sustainable and accepted outcomes. Several companies have demonstrated a strong commitment to considering the local economy in their environmental and community engagement strategies.

Yorkshire Water has developed a long-standing partnership with a Community Interest Company (CIC) to enhance accessibility across its recreational sites. This collaboration has led to the creation of a route grading system, enabling users to assess trail difficulty based on individual needs and make informed choices. Supported by Natural England, the initiative reflects a broader commitment to inclusive access and community engagement.

South West Water is ensuring that its customers have access to a wide variety of green spaces, including woodlands, grasslands and peatlands, as well as blue spaces, such as rivers, seas, and lakes, which improves the health and wellbeing of customers and communities. It will continue to invest in climate resilient places, net zero and nature recovery so that customers have access to high quality recreational spaces and benefit from a cleaner, healthier environment[53].

46. www.nwg.co.uk/globalassets/sharepoint-documents/nwg_pr19_interactive_v2.pdf and engagement letter response provided to the investor group dated 4th December 2023.
47. https://cdn.southeastwater.co.uk/Publications/Business_Plan_2025_2030/PR24_Affordability_and_Vulnerability.pdf
48. www.unitedutilities.com/globalassets/z_corporate-site/pr24/main-documents/uuw04.pdf
49. www.yorkshirewater.com/media/3tjnwuih/yky01_pr24-business-plan.pdf
50. AMP8 refers to the eighth Asset Management Period in the UK water sector, covering the years 2025 to 2030. It is part of the regulatory cycle overseen by Ofwat, the economic regulator for water and wastewater services in England and Wales.
51. https://corporate.dwrcymru.com/-/media/project/files/page-documents/corporate/library/pr24-reports/september-2023/main-documents/wsh03-pr24-business-plan-document.ashx
52. www.thameswater.co.uk/media-library/home/about-us/regulation/our-five-year-plan/pr24-2023/our-business-plan.pdf
53. www.southwestwater.co.uk/siteassets/documents/about-us/business-plans/2025-30/business-plan-2025-30.pdf

Challenges

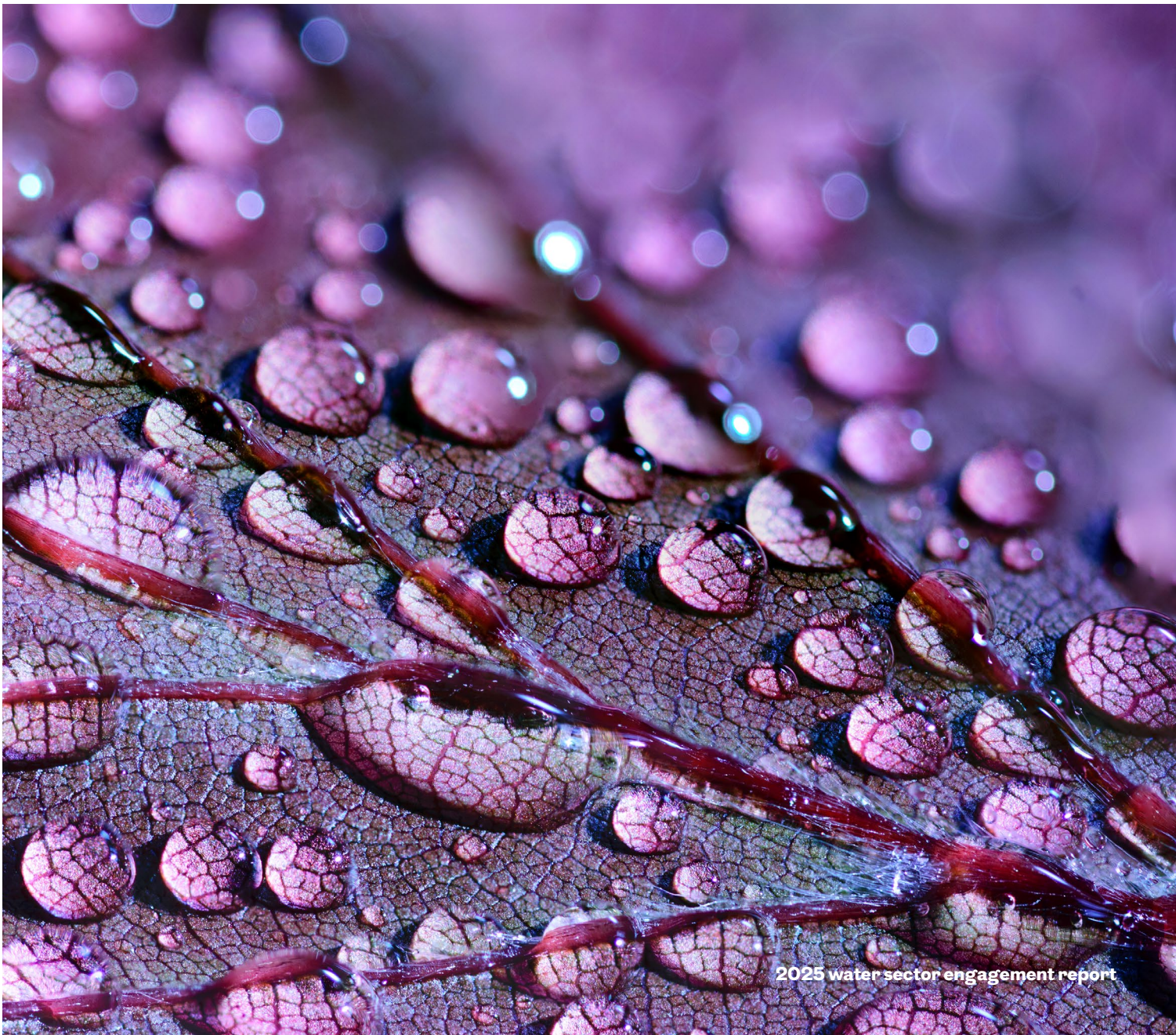
Water poverty remains a significant issue in the UK, with regional disparities in financial vulnerability. While many water companies have expanded social tariffs and hardship schemes, challenges persist in reaching all eligible customers and ensuring support is accessible and sufficient. Some companies aim to eliminate water poverty, while others focus on preventing further decline in affordability.

Reducing barriers to support access is critical. Traditional application processes can be complex, especially for vulnerable customers. Though efforts to streamline access are underway, their consistency and scale vary across the sector.

Affordability must be embedded in long-term planning. Some companies use benefit assessment tools and customer research to prioritise high-impact investments. However, aligning these tools with regulatory expectations and integrating affordability across all business functions remains a work in progress.

Investment plans face increasing scrutiny in the water sector. Companies must demonstrate that spending is necessary, efficient, and aligned with customer and regulatory priorities. Constructive engagement with regulators is critical to justifying investment decisions, challenge underlying assumptions, and explore opportunities to phase or defer expenditure where appropriate. However, performance varies across the sector. Companies rated poorly often lacked robust plans or effective engagement. Strengthening dialogue with regulators is essential to maintain public trust and ensure equitable, deliverable investment cycles.

In summary, while progress is being made, continued innovation, collaboration, and inclusive service delivery are vital to ensuring all customers have access to affordable, reliable water services through AMP8's 2025-2030 and beyond.



Antimicrobial Resistance (AMR)

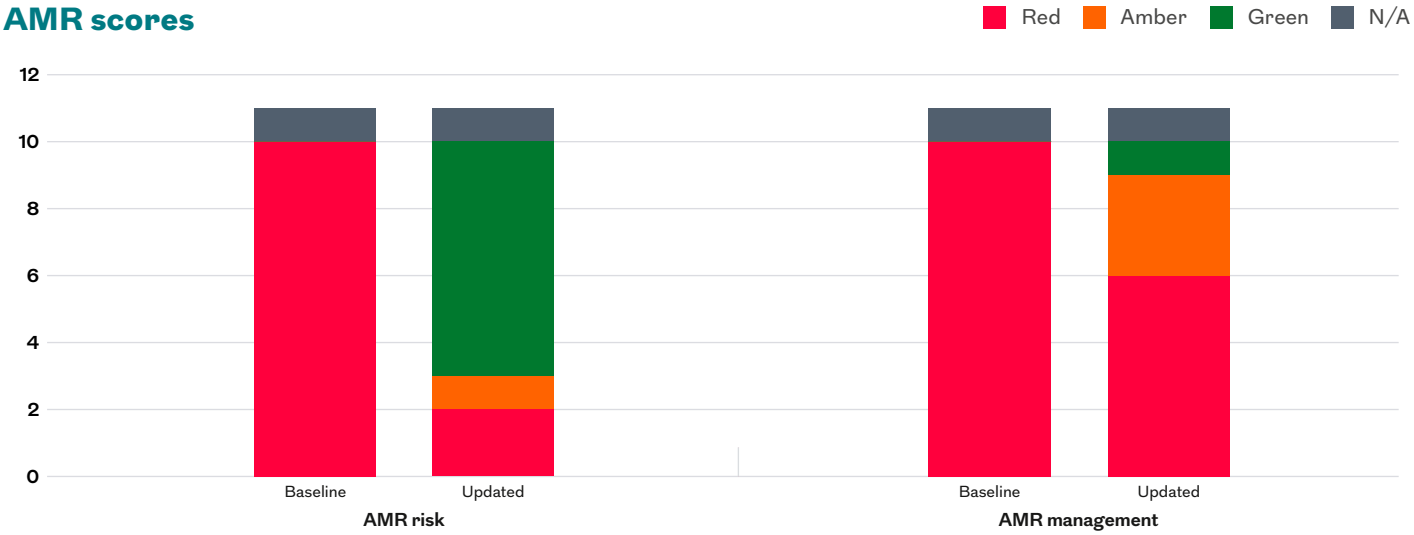
Wastewater is recognised as a significant contributor to AMR. It serves as a convergence point for various sources, including agricultural run-off, pharmaceutical manufacturing discharge, domestic outflows and hospital effluents, meaning water ends up as the place where antibiotic discharge and microbes gather[54]. This makes water an environment where resistant genes can be transferred between microbes. This can have an important effect on areas adjacent to water treatment plants as wastewater is strongly linked to increased levels of antimicrobial resistance in river bacteria[55]. This connection underscores the importance of addressing wastewater management in our efforts to combat the spread of AMR.

Water companies are increasingly recognising AMR as a significant risk that needs to be managed. This recognition is reflected in various initiatives and research programmes aimed at understanding and mitigating the impact of AMR in water supply and wastewater systems.

Company engagement scores for investor expectations 18 to 19, see page 10 for details.

	Company 1		Company 2		Company 3		Company 4		Company 5		Company 6		Company 7		Company 8		Company 9		Company 10		Company 11	
	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated	Baseline	Updated
AMR risk	●	●	●	●	●	●	●	●	●	●	N/A	N/A	●	●	●	●	●	●	●	●	●	●
AMR management	●	●	●	●	●	●	●	●	●	●	N/A	N/A	●	●	●	●	●	●	●	●	●	●

AMR scores



54. Contribution of wastewater to antimicrobial resistance: A review article - ScienceDirect
55. Is antimicrobial resistance in rivers a public health risk? - European Centre for Environment and Human Health | ECEHH

Research and collaboration

Across the industry, responses to AMR remain varied. Some companies have taken proactive steps by investing in advanced disinfection technologies such as ultraviolet (UV) treatment and exploring nature-based solutions like constructed wetlands. Others are participating in collaborative research programme, such as the UK Water Industry Research (UKWIR) Chemical Investigations Programme to better understand the scale of the issue and identify effective mitigation strategies.

Partnerships with academic institutions and public health bodies are also emerging as a key enabler of innovation and evidence-based decision-making.

Yorkshire Water is collaborating with the University of Bath on various research projects focused on AMR in wastewater[56].

Welsh Water is contributing to a national research project that compares wetlands with grey solutions for the bioaccumulation of emerging substances such as pharmaceuticals, showcasing their commitment to innovative environmental solutions[57].

Enhanced treatment processes and innovation

To manage the risks associated with AMR, water companies are making significant investments in enhanced treatment processes. This includes the use of advanced technologies such as ultraviolet (UV) treatment and ceramic membranes.

Thames Water, for instance, is exploring the use of ozone treatment to target pharmaceuticals[58].

In addition to these technological advancements, innovative pilot projects are being implemented to tackle AMR.

From our engagement with the company, we learned that **Anglian Water** is conducting a pilot project to build a wetland or a piece of nature in a medium-sized town. They are working with local GPs to introduce green social prescribing to improve health outcomes. In addition, they are looking at using wetlands to reduce the level of pharmaceuticals in the water.

South West Water is also at the forefront of innovation, being part of the Pharma Pollutions Hub, an initiative led by the University of Exeter. This collaboration aims to address pharmaceutical pollution and its impact on AMR through cutting-edge research and practical solutions.

Regulatory and policy considerations

Water companies are actively navigating the regulatory and policy landscape related to AMR. While some companies are awaiting further guidance on policy, others are taking a proactive approach.

South West Water is making significant contributions to scientific literature and participating in national research programmes. These efforts aim to inform and shape future regulations and policies, ensuring that the industry remains at the forefront of addressing AMR challenges.

For further information on AMR risks, please see our blog Antimicrobial resistance.

Challenges

The sector as a whole is still in the early stages of addressing AMR in a systematic and coordinated way. While a few companies have embedded AMR considerations into their PR24 business plans, others remain at the research or exploratory phase, and some have yet to demonstrate meaningful engagement with the issue. The absence of clear regulatory requirements has contributed to this uneven progress, though it is increasingly clear that AMR will become a more prominent focus for investors and regulators.

As the sector moves into AMP8, there is a growing opportunity, and responsibility, for water companies to lead on AMR mitigation. This includes not only investing in treatment technologies and monitoring systems, but also engaging with communities, regulators, and the healthcare sector to promote upstream interventions such as green prescribing and pharmaceutical take-back schemes. A coordinated, science-led approach will be essential to ensure that the water sector contributes meaningfully to the global effort to combat antimicrobial resistance.

56. www.yorkshirewater.com/media/3tjnwuih/yky01_pr24-business-plan.pdf
57. https://corporate.dwrcymru.com/-/media/project/files/page-documents/corporate/library/pr24-reports/september-2023/main-documents/wsh03-pr24-business-plan-document.ashx
58. www.thameswater.co.uk/media-library/home/about-us/regulation/our-five-year-plan/pr24-2023/our-business-plan.pdf

Conclusion

The water sector continues to play a pivotal role in ensuring access to clean water and sanitation, which are fundamental human rights. The proactive steps taken by water companies to leverage innovative technology, enhance customer engagement, and approach to biodiversity demonstrate their commitment to sustainability and resilience. However, the sector faces significant challenges, including aging infrastructure, regulatory constraints, and the need for substantial investment in technology and asset management.

Despite these challenges, the water sector offers stable and dependable cashflows, supported by a robust regulatory framework, making it an attractive investment opportunity. By prioritising affordability, supporting vulnerable customers, and addressing environmental concerns, water companies can continue to provide essential services while contributing to the well-being of society.

Four pillars

- **Climate change adaptation** emerged as a foundational priority. Water companies are increasingly recognising the need to build resilience against extreme weather events, flooding, and long-term water scarcity. While many have committed to nature-based solutions and digital innovation to manage pollution and infrastructure stress, performance remains uneven. Some companies are leading with smart networks and predictive analytics, while others are still developing the capabilities needed to meet regulatory expectations.
- **Biodiversity** has seen the most notable improvement across the sector. Companies are investing in biodiversity net gain, natural capital assessments, and habitat restoration. The introduction of Ofwat's biodiversity performance commitment has catalysed action, with several companies embedding biodiversity into their strategic planning. However, challenges persist around baseline data, SSSI management, and consistent reporting. Continued innovation and collaboration will be essential to ensure biodiversity is not only protected but actively enhanced.
- **Affordability** remains a central pillar of a just transition. With rising household bills and persistent water poverty, companies are expanding social tariffs, hardship funds, and targeted support schemes. Many are improving outreach through data-sharing partnerships, simplified application processes, and community engagement. Yet, disparities remain in how support is delivered and measured. Embedding affordability into long-term planning and regulatory dialogue will be key to ensuring equitable access to water services.
- **Antimicrobial resistance (AMR)** is an emerging risk that demands greater attention. While some companies are investing in advanced treatment technologies and participating in collaborative research, sector-wide engagement is still at an early stage. The absence of clear regulatory guidance has contributed to uneven progress. Nevertheless, pilot projects, such as green prescribing linked to wetland restoration, demonstrate the potential for integrated, science-led solutions.

Next steps

Across all four pillars, our engagement has revealed both encouraging progress and areas where further action is needed. While the sector is broadly moving in the right direction, the pace and consistency of change must accelerate to meet the scale of the challenges ahead. Although this phase of our engagement programme has concluded, our stewardship does not end here. As long-term investors, Royal London Asset Management remains committed to monitoring the performance of water companies against the expectations outlined in this report. Our Responsible Investment team, in collaboration with the Investment teams, will continue to apply both quantitative metrics and qualitative assessments to track progress.

Our ongoing focus will centre on pollution control, climate-related physical risks, and biodiversity, areas that are critical to the sector's long-term resilience and social licence to operate.

By prioritising innovation, transparency, and collaboration, water companies can not only meet regulatory and investor expectations but also deliver meaningful outcomes for customers, communities, and the environment.

We encourage investors - asset managers and asset owners - to consider and adopt our investor expectations. Shaped by nine years of active engagement, in-depth findings, and alignment with leading investor groups', they represent our views on best practice and outcomes which we collectively use to influence for credible change.

Carlota Garcia Manas, Head of Climate Transition and Engagement.

Appendix: 11 water utility companies overview

Royal London Asset Management engages with companies as part of its responsible investment and stewardship strategy, aiming to drive long-term value for clients while promoting sustainable business practices. Over the past nine years, we have engaged with 11 water utility companies in England and Wales across both equity and credit holdings. Company-by-company engagement findings are included below to provide a transparent view of progress, challenges, and areas for continued focus.

These overviews reflect the views of Royal London Asset Management, developed through close collaboration with the investor group.

Anglian Water[59]

Customers: ~7 million

Region: East of England

Daily Supply: Over 1 billion litres drinking water

Planned investment: £9 billion

No. of employees: 5,000

Engagement led by Pension Protection Fund

Anglian Water has demonstrated strong progress across all four engagement pillars. The company's investment in 25,000 network monitors and use of innovative technology reflects a proactive stance on pollution management, although recent serious pollution incidents underscore the need for further action. Anglian Water is also piloting forward-thinking approaches to antimicrobial resistance (AMR), such as green prescribing, and has shown a clear commitment to affordability. Future focus areas include reducing pollution incidents and enhancing AMR mitigation strategies.

Northumbrian Water[60]

Customers: ~4.4 million

Region: North East England, Essex, Suffolk

Daily Supply: Not disclosed

Planned Investment (2025–30): £4.5 billion

No. of employees: 3,000

Engagement led by Border to Coast Pensions Partnership

Northumbrian Water has shown improvement across all four engagement pillars. The company's partnership with Newcastle University and UK Water Industry Research to investigate AMR demonstrates a proactive approach to emerging risks. Its ambition to bring 90% of Sites of Special Scientific Interest (SSSIs) into favourable condition is commendable. Affordability remains an area for development. Future focus areas include strengthening biodiversity strategy, enhancing AMR mitigation through investment, and aligning affordability plans with regulatory expectations.

Severn Trent Water[61]

Customers: ~4.6 million

Region: Midlands and parts of Wales

Daily Supply: Not disclosed

Planned Investment (2025–30): £15 billion

No. of employees: 7,000

Engagement led by Pension Protection Fund

Severn Trent has made commendable progress across all four engagement pillars, with clear improvements reflected in its business planning and strategic commitments. The company has identified AMR as a business risk and is actively working toward containment and control by 2040. Its biodiversity strategy includes plans to restore SSSIs. Future focus areas include enhancing biodiversity monitoring and reporting and strengthening AMR mitigation through community collaboration.

South East Water[62]

Customers: ~2.2 million

Region: Kent, Sussex, Surrey, Hampshire, Berkshire

Daily Supply: Not disclosed

Planned Investment (2025–30): £1.9 billion

No. of employees: 1,000

Engagement led by Royal London Asset Management

South East Water has made progress in several areas of the engagement programme, particularly in biodiversity, with more than 70% of its SSSIs currently in favourable condition. However, further improvements are needed to meet the 90% threshold set out in our investor expectations and to enhance transparency in biodiversity reporting and baseline assessments. Future focus areas include strengthening biodiversity strategy, embedding social value into investment planning, and exploring the emerging theme of just adaptation to ensure inclusive and equitable climate resilience.

59. Anglian Water Full Year Results 2025 (June 2025)
60. Northumbrian Water Business Plan 2025–2030
61. Severn Trent Business Plan 2025–2030
62. South East Water Business Plan 2025–2030

South West Water[63]

Customers: ~3.5 million (includes Bournemouth and Bristol Water)

Region: Devon, Cornwall, parts of Dorset and Somerset

Daily Supply: Not disclosed

Planned Investment (2025–30): £2.8 billion

No. of employees: 2,000

Engagement led by Brunel Pension Partnership

South West Water has demonstrated improvement across all engagement pillars, with notable strengths in biodiversity reporting and community investment. The company's "Green First" approach and emphasis on nature-based solutions are positive steps toward climate adaptation, though further detail is needed on capital allocation and investment in field teams. The "Growing Nature to 2023" report reflects progress in biodiversity, but future efforts should aim to extend net gain targets beyond construction sites. We have encouraged the company to prioritise pollution reduction, enhance incident response capabilities, and improve transparency in reporting on place-based initiatives.

Southern Water[64]

Customers: Approximately 2.5 million water customers and 4.7 million wastewater customers

Region: South East England; parts of Kent, Sussex, Hampshire, and the Isle of Wight

Daily Supply: Around 532 million litres of drinking water

Planned Investment (2025–30): £7.8 billion

No. of employees: Around 2,000.

Engagement led by Royal London Asset Management

Southern Water has made progress across several engagement pillars, including investment in 24,000 network monitors and the use of machine learning to support pollution management. However, further improvements are needed to reduce pollution events and enhance transparency in biodiversity reporting, particularly around Sites of Special Scientific Interest (SSSIs). Addressing antimicrobial resistance (AMR) remains an area for development. Future priorities include strengthening pollution performance, advancing biodiversity strategy and reporting, and integrating AMR into risk planning.

Thames Water[65]

Customers: ~15 million

Region: Greater London and Thames Valley

Daily Supply: Not disclosed

Planned Investment (2025–30): £18.7 billion

No. of employees: 7,000

Engagement led by Pension Insurance Corporation

Thames Water has made progress in some areas of the engagement programme, but several key challenges remain. Pollution is a significant concern. The Thames Tideway Tunnel is a major investment aimed at addressing these issues, though further clarity is needed on its expected impact. Biodiversity reporting lacks a full baseline assessment and a comprehensive plan for habitat and species management. Future focus areas include improving pollution outcomes, developing a robust biodiversity strategy, strengthening affordability planning, and integrating AMR risk management.

United Utilities[66]

Customers: ~7 million

Region: North West England

Daily Supply: Not disclosed

Planned Investment (2025–30): £13.7 billion

No. of employees: 5,000.

Engagement led by Royal London Asset Management

United Utilities has made progress in several areas of the engagement programme, but key gaps remain. Biodiversity is a particular concern, with a low percentage of SSSIs currently in favourable condition. The company is encouraged to develop a standalone biodiversity plan and improve transparency in baseline assessments and reporting. Future focus areas include enhancing biodiversity strategy and reporting, strengthening affordability planning, and integrating AMR risk management into long-term investment planning.

63. South West Water Investor Summary 2025–2030
64. Ofwat PR24 Overview-of-Southern-Waters-PR24-final-determination.pdf April 2025
65. Thames Water PR24 Business Plan (2024–2025)
66. United Utilities Integrated Annual Report 2025

Welsh Water (Dŵr Cymru)[67]

Customers: ~3 million

Region: Wales and parts of western England

Ownership: Not-for-profit (Glas Cymru)

Daily Supply: Not disclosed

Planned Investment (2025–30): £4 billion

No. of employees: 3,000

Engagement led by Pension Protection Fund

Welsh Water has made progress in several areas of the engagement programme, with notable initiatives in pollution management and AMR research. The company's Data and Digitalisation Strategy and SMART Networks programme aim to reduce pollution incidents, though performance challenges remain, including missed repair targets and seven serious pollution events. Biodiversity efforts are supported by well-defined management plans, but a comprehensive baseline assessment and favourable condition data for SSSIs are still outstanding. The Pont-y-Felin wetland proposal reflects leadership in AMR innovation. Future focus areas include completing biodiversity assessments, improving pollution outcomes, and strengthening place-based approaches to community development.

Wessex Water[68]

Customers: ~2.9 million

Region: South West England

Daily Supply: Not disclosed

Planned Investment (2025–30): £3.65 billion

No. of employees: 2,500

Engagement led by Brunel Pension Partnership

Wessex Water has demonstrated improvement across all engagement pillars, with particularly strong performance in biodiversity. The company reports that over 90% of its SSSIs are in favourable or recovering condition, with over 60% currently favourable. While this is encouraging, further progress is needed to meet the 90% favourable threshold set out in investor expectations. We encouraged the company to advance biodiversity outcomes.

Yorkshire Water[69]

Customers: ~5 million

Region: Yorkshire

Daily Supply: Not disclosed

Planned Investment (2025–30): £8.2 billion

No. of employees: 4,000

Engagement led by Border to Coast Pensions Partnership

Yorkshire Water has demonstrated progress across all engagement pillars, with significant investment in pollution monitoring and recognition of AMR as a business risk. The company has committed to deploying 360,000 network monitors and advanced systems to reduce pollution incidents, although five serious events were recorded in the latest assessment.

Recent initiatives in nature-based solutions indicate positive momentum in the company's biodiversity approach. Yorkshire Water is investing in low-carbon, chemical-free treatment methods, such as constructed wetlands, which contribute to biodiversity net gain and are actively monitored for effectiveness. These efforts reflect a growing commitment to enhancing water quality and ecological resilience through nature-based solutions.

Future focus areas include improving pollution outcomes and advancing AMR mitigation strategies.

67. Welsh Water Business Plan 2025–2030
68. Wessex Water Business Plan Update (2025-2030)
69. Ofwat Key Facts and Data (Oct 2023)

Important information

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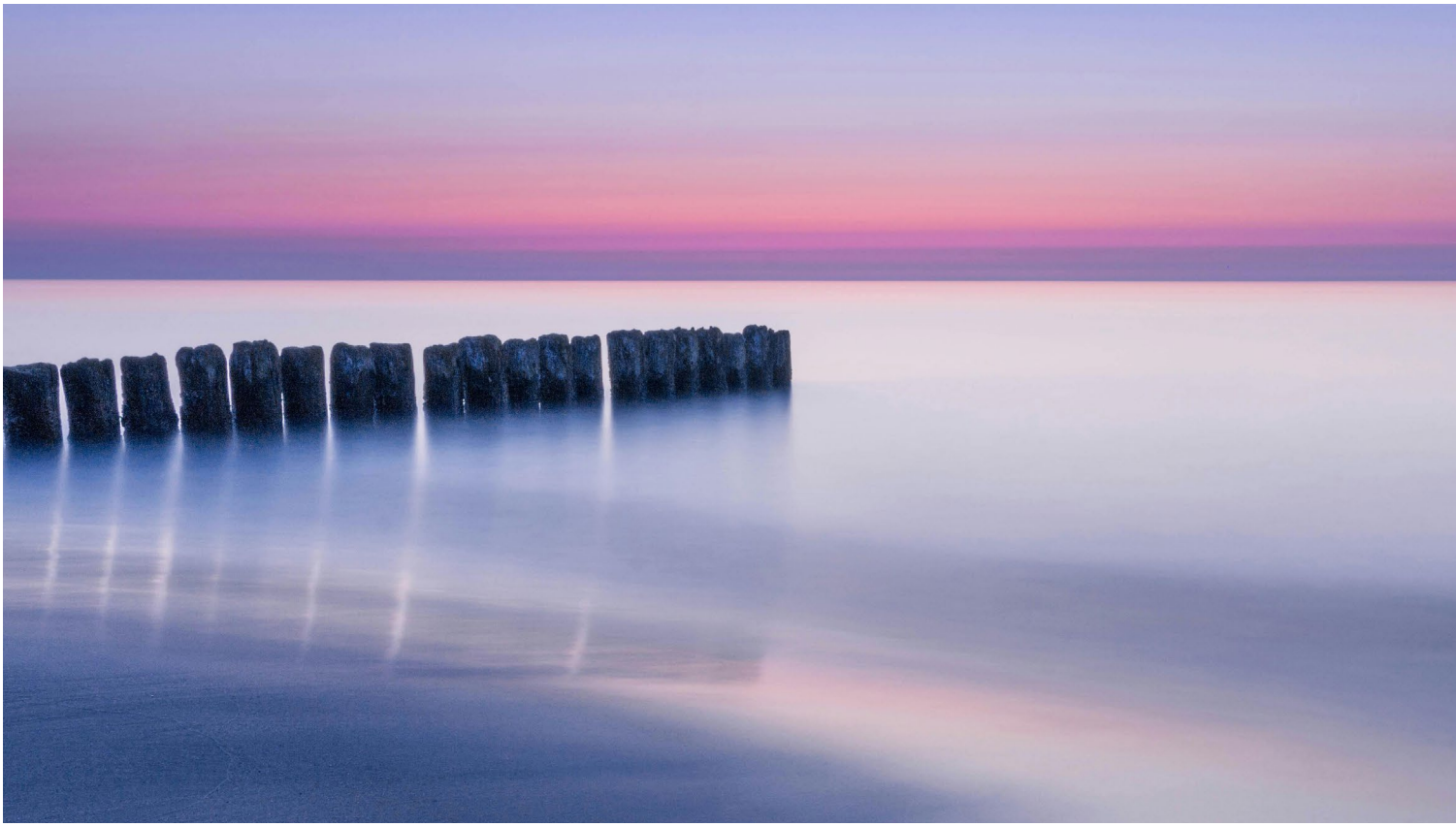


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