

Bringing water to life

Supporting the lives of people and the places
they love for generations to come



South West
Water

Annual Performance Report and Regulatory Reporting 2026

Vision, purpose and values

Bringing water to life

Supporting the lives of people and places they love for generations to come.

Innovation, new technologies and the pioneering of a holistic approach to water and wastewater management are delivering service improvements and long-term value.



Underpinned by the values we live by



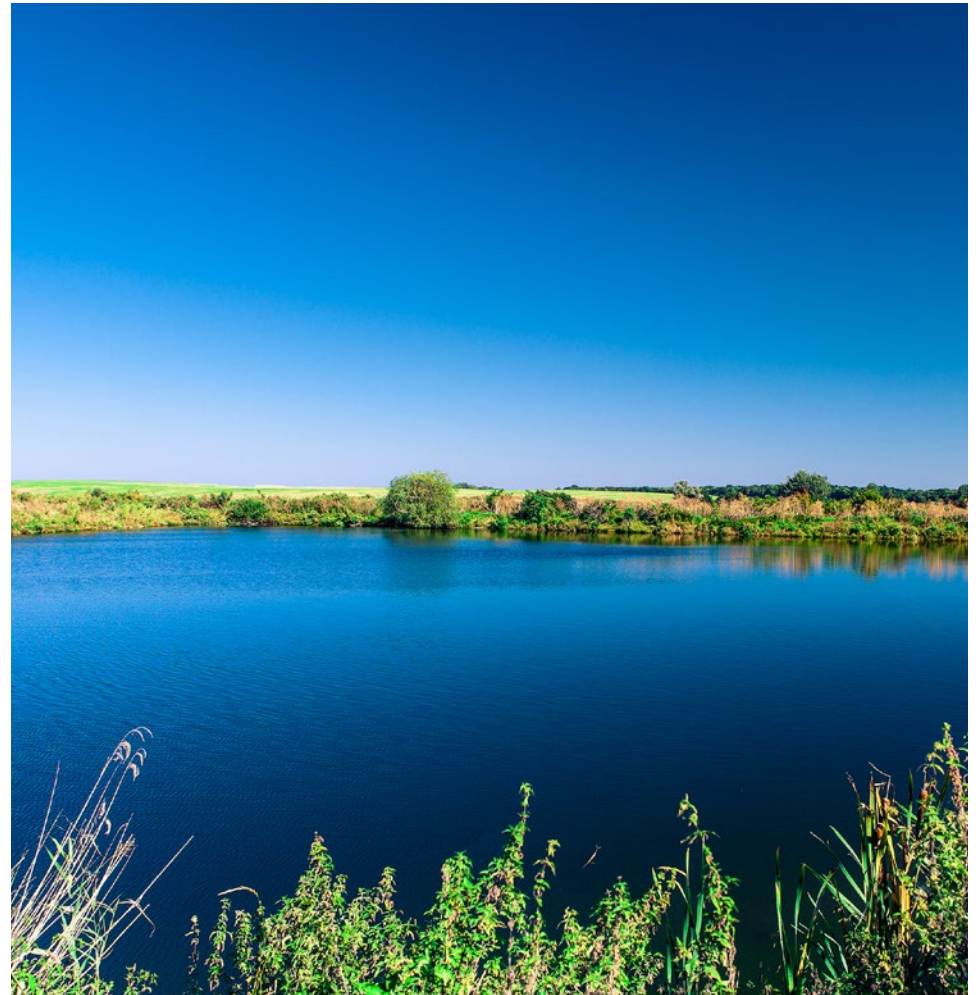
We want you to bring your best every day. Be open and inclusive, work together and win as one team. Let your passion inspire those around you. Be authentic, make your mark and be you.



We want you to be the one we all look up to. Be trusted. Act with integrity and make good on your promises. Build trust, one relationship at a time.



We encourage you to be curious and challenge convention. Share ideas with confidence and purpose and help share our future. Embrace change. Drive progress. Own the challenge.



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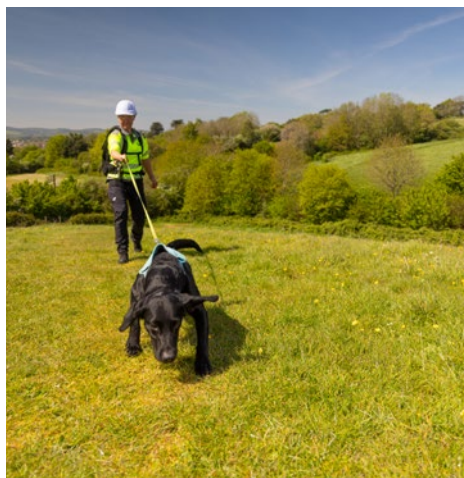
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🔍 Leakage dog

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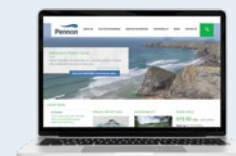
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🔍 Granular Activated Carbon (GAC) at Littlehempston water treatment works

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- ➔ www.southwestwater.co.uk
- ➔ www.bristolwater.co.uk
- ➔ www.bournemouthwater.co.uk

Our approach to reporting

This Annual Performance Report and Regulatory Report provides a summary of performance against our regulatory outcomes and performance commitments in the first year of the 2025–2030 Regulatory Reporting period.

These outcomes and commitments were agreed as part of South West Water's and Bristol Water's outstanding business plan.

Following the merger of the South West Water and Bristol Water licence, and statutory transfer in February 2023, this report combines outcomes, activities and reporting across all regions South West, Bournemouth, Bristol and Isles of Scilly.

For Regulatory Reporting purposes, while outcomes, financial and operational data have remained separate, in reality we are operating as one water business. Throughout this document the references depict which company the information covers.

All Board references, refer to the South West Water Board, unless otherwise stated.

Our reporting structure



South West Water (SBB) – Refers to the combined company across all our regions – South West (Devon & Cornwall), Bristol, Bournemouth and the Isles of Scilly.



South West (SWB) – Refers to the four regions Devon, Cornwall, Bournemouth & Isles of Scilly



Bristol (BRL) – Refers to the Bristol region

Our operations at a glance

We know that water companies have a vital role today and every day, providing customers with safe and clean drinking water, and protecting our region's rivers and coastal waters, and recycling wastewater to the highest standard.

We have set stretching performance commitments against our outcomes which are subject to significant Board, customer, regulator and wider stakeholder scrutiny. Progress against these commitments has been summarised in each section of this report.

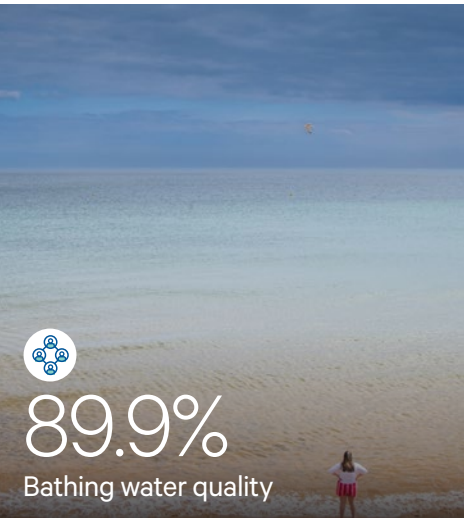
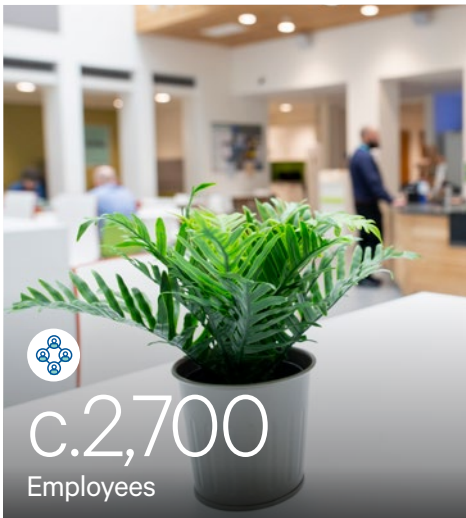
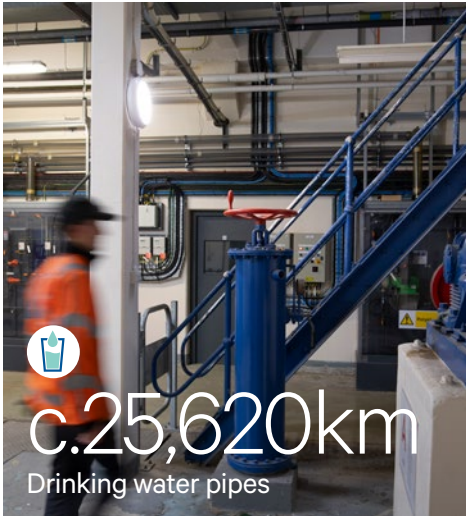
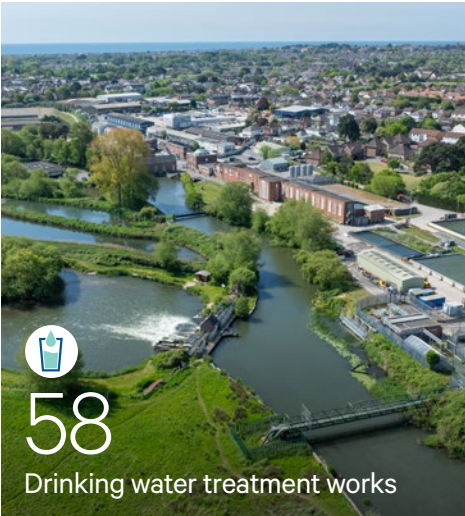
Key

Clean water

Wastewater

Customers

Community



Our operations

We are part of the Pennon Group



Pennon is a FTSE 250 listed company, providing essential environmental infrastructure services through our businesses listed below.



Provides water and wastewater services to South West Water customers in the Isles of Scilly, Cornwall, Devon and parts of Dorset and Somerset.



Provides water services to Bournemouth Water customers in parts of Dorset, Hampshire and Wiltshire.



Provides water services to Bristol Water customers in parts of Somerset, Gloucestershire and Wiltshire.

➔ To see how we report on these companies refer to our reporting structure on page 1



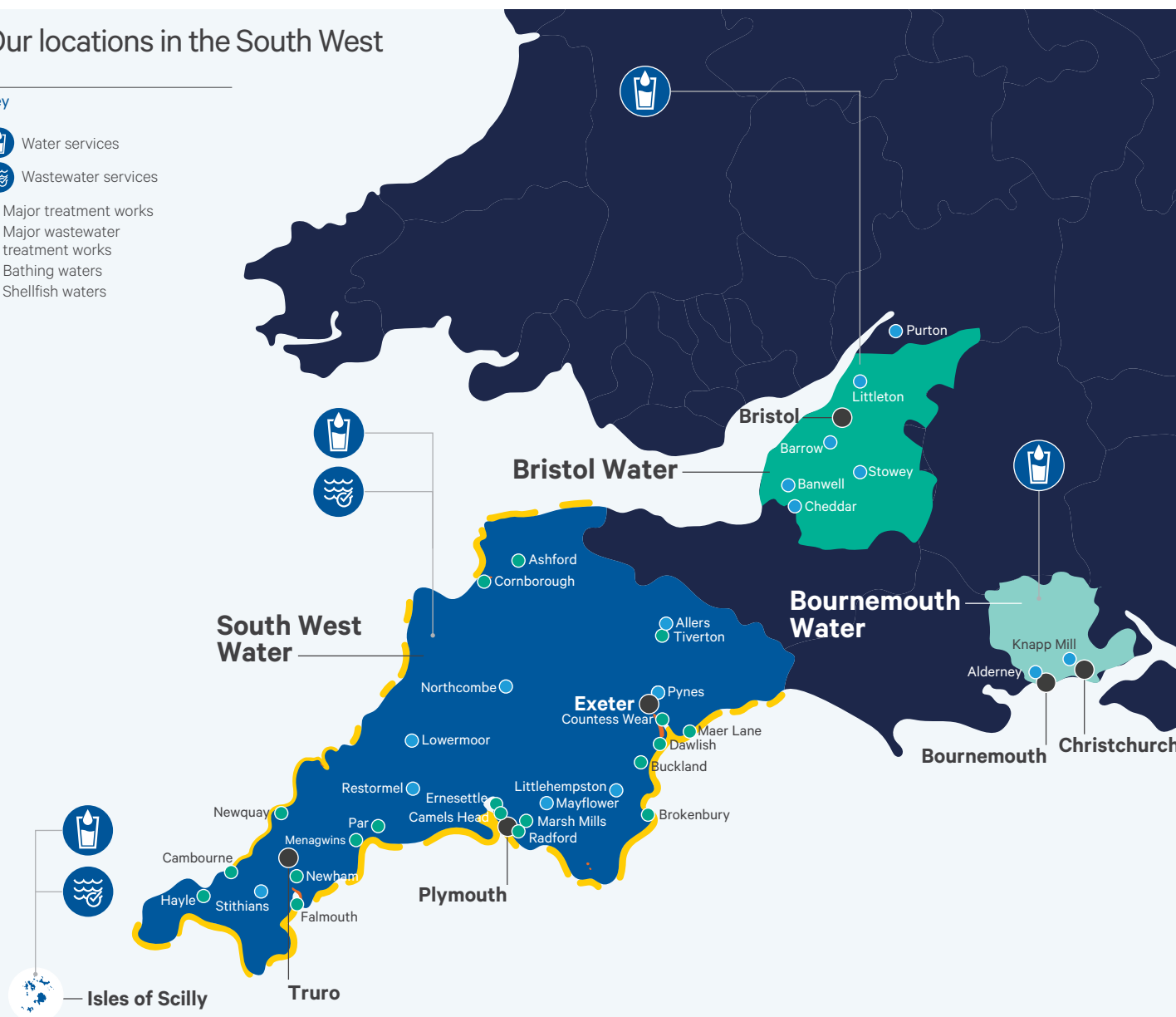
Provides water services to parts of Surrey, Kent and south London.

➔ See our separate SES Water Annual Performance Report

Our locations in the South West

Key

-  Water services
-  Wastewater services
-  Major treatment works
-  Major wastewater treatment works
-  Bathing waters
-  Shellfish waters



Chair's letter



David Sproul
Chair

This Annual Performance Report sets out how South West Water, including Bristol Water, Bournemouth Water and the Isles of Scilly have delivered for customers, communities and the environment over the past year.

This has been a year of progress, and continued delivery at South West Water in the face of challenging weather patterns, particularly in the second half of the year. It has also been a year of leadership transition and a changing regulatory landscape in the UK water sector.

A changing regulatory environment

During the year, the UK water sector has been subject to a significant review of its regulatory framework. The Independent Water Commission, led by Sir Jon Cunliffe, alongside the Government's White Paper proposals for reform, signals a shift towards greater transparency, stronger environmental accountability and an increased focus on long-term resilience.

The Government is expected to introduce the Clean Water Bill later this year, following publication of the Transition Plan, which will set out how and when the new regulatory duties and expectations will come into effect.

These developments are directly relevant to South West Water. They reinforce the need for clear and transparent reporting, improved operational performance and sustained investment to meet rising expectations from customers, regulators and wider stakeholders. Our approach is aligned with these priorities, and this report reflects our commitment to providing a clear and balanced account of performance.

Leadership and governance

This year has marked a significant transition in South West Water's leadership.

Susan Davy stepped down as Chief Executive Officer in December 2025 after a long and dedicated period of service. Keith Haslett joined Pennon as Chief Executive Officer on 1 April and was appointed to the South West Water Board on 19 May 2026 once Ofwat's Fitness and Propriety Rule review was complete. He brings deep operational experience and a strong track record in delivering performance improvement across complex infrastructure businesses.

We have also strengthened our focus on long-term resilience through the creation of a Chief Asset Officer role, with Ian Christie joining on 1 May 2026.

Alongside this, the Board has continued to evolve, including the appointment of Sir Andrew Haines as Senior Independent Director from 1 April 2026. These changes ensure the Company is well positioned to deliver its commitments over AMP8.

With these changes now in place, the work of the temporary Operating Committee that I supported as Executive Chair over the leadership transition period has concluded. I would like to thank Laura Flowerdew, Sarah Heald and Andrew Garard for their work and dedication serving on the Operating Committee during this period. I resumed my Non-Executive Chair role on 1 April 2026 when Keith joined as Chief Executive Officer, and I will continue to ensure continuity of governance and oversight as the group enters the next phase of delivery.

“ We have delivered strong performance in several important areas. Bathing water quality across the South West has remained high, and we have maintained strong compliance with drinking water standards.



① Knapp Mill Water Treatment Works,
Bournemouth Water

Chair's letter continued

Our performance

This year has been characterised by a challenging operating environment and mixed performance on operational outcomes.

We have delivered strong performance in several important areas. Bathing water quality across the South West has remained high, and we have maintained strong compliance with drinking water standards, consistently amongst the best in the sector. We have also continued to invest in the resilience of water supplies, with storage levels supported by high winter rainfall.

However, we recognise that performance has not met expectations in all areas. Operational performance has been impacted by extreme weather conditions, including a very dry period followed by prolonged and intense rainfall. These conditions increased pressure on both water and wastewater networks, affecting outcomes such as leakage, pollution incidents and supply interruptions. At the same time, our business plan rightly requires us to deliver more, with stretching and ambitious targets reflecting the urgency of climate impacts on the water environment. This year has underlined that challenge, with operational pressures exposing areas where performance needs to improve and where we must accelerate action.

Where performance has fallen short, we are taking clear action. We are accelerating improvements in network resilience, strengthening operational response and increasing focus on asset health to ensure more consistent delivery.



📍 Alderney Water Treatment Works, Bournemouth Water

“ We are strengthening environmental performance through investment in wastewater treatment, catchment management and biodiversity initiatives.

Operational and environmental performance

Operational performance remains central to delivering reliable services for customers and improving the environment.

We continue to make progress in reducing pollution incidents and addressing the impact of storm overflows. Targeted investment and improved monitoring have supported reductions in some areas, including storm overflow use at bathing waters. However, overall pollution performance remains below where we expect it to be, and improving this is a key priority.

Although performance remains comparatively strong in many areas, we have seen some increases due to exceptional rainfall, despite our success in reducing sewer failures that are typically the cause of one-off sewer flooding. Sewer flooding remains a critical issue for affected customers and we are focused on maintaining strong underlying performance while improving resilience to future weather related pressures.

Reducing leakage and improving water efficiency are also priorities. While Bristol Water met its annual leakage target, performance across the wider region was impacted by weather-related network stress, and the three-year average position reflects the need for further improvement. We are increasing activity in leak detection and repair, alongside continued investment in infrastructure, to improve performance in future years.

More broadly, we are strengthening environmental performance through investment in wastewater treatment, catchment management and biodiversity initiatives. While progress is being made, we recognise that further improvement is required to meet both regulatory expectations and customer priorities.

Supporting customers

Supporting customers remains at the heart of our approach.

We recognise that affordability is a growing concern, particularly in the context of increasing bills required to fund essential investment. We have therefore continued to expand our affordability support, including social tariffs and targeted assistance for vulnerable customers.

We have also increased support through our Priority Services Register, ensuring that customers who need additional help receive tailored support, particularly during service interruptions.

Listening to customers is essential in shaping our priorities. We are strengthening our approach to customer engagement and using feedback to drive improvements in service delivery, communication and long-term planning.

Mobilising the AMP8 investment programme and delivering on our four priorities

The challenging weather events in the year underline the importance of sustained investment in resilient infrastructure as climate extremes become more frequent and more severe. April 2025 marked the beginning of the new regulatory period and the start of the most ambitious investment programme in our history.

Our acceptance of the PR24 Final Determination enabled us to accelerate mobilisation of our £3 billion¹ investment programme to 2030. This programme is focused on strengthening water resource resilience, improving environmental performance and upgrading critical infrastructure across the regions we serve.

Early progress has been made as we continue to work hard towards our longer-term goals in AMP8. We are securing efficiencies as projects move from design into delivery, and are increasing focus on asset health and base expenditure to ensure that networks remain resilient, while delivering the step-change in environmental performance expected during this regulatory period.

Legal and regulatory proceedings

Whilst we have made good progress in the past year, enforcement undertakings agreed with Ofwat around our wastewater business and the conclusion of the Drinking Water Inspectorate's (DWI) prosecution against South West Water for the 2024 Brixham water quality incident both underline that we must deliver with greater rigour and discipline. We recognise the impact on both customers and the environment from these incidents, and that we must do more to live up to the expectations of the customers and communities we serve. I also reiterate our unreserved apology for the impact that the Brixham incident had on customers, their families and the wider community. It is now vital that having reflected on the learnings from these situations, we embed improvements across our operational businesses and take from them a drive to improve our delivery for customers and better protect the environment as we move forward.

Looking ahead

The reforms proposed through the Cunliffe Review and the Government's White Paper signal a new era for the UK water industry, one that places greater emphasis on transparency, accountability and long-term investment. Delivering on these expectations requires sustained focus, disciplined execution and strong collaboration across government, regulators and companies.

South West Water enters this new phase with a refreshed and strengthened leadership, a clear strategy and the largest investment programme in our history underway. In addition, we have made a submission to Ofwat for a further c.£240 million² of investment under the new 'cost change process', which will provide a further growth opportunity whilst supporting resilience.

This has been a year of progress, but also transition and challenge, that provides strong foundations for the future. On behalf of the Board, I would like to thank our colleagues across the Group for their dedication and professionalism in delivering essential services every day.

With a renewed purpose and a strengthened leadership team, South West Water is well positioned to deliver for customers, communities and the environment in the years ahead.

David Sproul
Chair

1. In forecast outturn prices.

2. In 2022/23 prices

Our CEO's review



Keith Haslett
Chief Executive Officer

We have strong foundations to enter our next phase and transition to AMP8.

I was delighted to join South West Water as Chief Executive Officer in May 2026, at an important moment both for the Group and for the wider UK water sector.

During my short time with South West Water, I have prioritised meeting colleagues across the Company, visiting operational and capital delivery sites, and completing deep dive sessions on our performance. I have learned a great deal and been struck by the professionalism and commitment of our teams, who deliver essential services for customers and communities every day.

As South West Water enters a new era under my leadership and transitions into the AMP8 regulatory period, we do so from a solid base. The business has returned to profitability and has mobilised the largest investment programme in its history. This programme will deliver significant improvements in water quality, environmental performance and heightened resilience of the systems on which our customers depend.

My focus as Chief Executive Officer is clear: to ensure South West Water consistently meets high standards of operational performance while delivering the ambitious programme of investment for improved outcomes we have set out with discipline and efficiency. Whilst we demonstrate industry leading performance in some areas, we clearly have work to do on some of our customer-led measures.

Improving environmental performance will be central to that effort, both through our leading catchment management and biodiversity work and our operational delivery. We are already seeing tangible progress through the implementation of our Pollution Incident Reduction Plan and through sustained investment in our wastewater infrastructure. Building on that progress with further focus on operational excellence and introducing industry best practice will be a key priority for the Group and me in the years ahead.

We will earn the trust of our customers, and the communities we serve by showing our commitment to innovate, transform and deliver on our promises.

I was also deeply saddened by the impact our business had on customers in the Brixham area during the 2024 cryptosporidium incident. Whilst I have only been CEO for a few weeks, it is very clear that we must learn lessons from this incident and work hard to rebuild trust with the customer and communities we serve, both in Brixham and beyond. My focus will be on ensuring we drive improvements in the way we operate, how we communicate and support our customers, and delivering a step change in our performance for our customers and the environment.

I am clear that asset health and long-term system resilience will also be fundamental to delivering reliable services for customers and improving the environment. The creation of the Chief Asset Officer role, with Ian Christie joining the Group in May 2026, reflects the importance being placed on strengthening asset management capability as we deliver our investment plans, focus on improving operational performance and prepare for future business plans.

The UK water sector is entering a period of significant change as expectations of environmental performance, transparency and long-term resilience continue to rise and the regulatory landscape is reshaped. South West Water is well positioned to respond and deliver for our stakeholders in this new era, with a clear strategy, strong regional businesses and a committed workforce.

I am excited and privileged to lead South West Water and look forward to working with colleagues across the Group to transform our operational practices into industry leading performance and outcomes across all areas. This will allow us to build trust and deliver against the expectations of our customers, communities and stakeholders.

Keith Haslett
Chief Executive Officer

“Our priority is clear: to provide reliable, safe and high-quality water and wastewater services while improving environmental performance.”



Business model and strategy

Our business model and clear strategic priorities.

Our business model

Our business model is designed to deliver reliable, regulated water and wastewater services today, while investing at scale to improve environmental performance, strengthen resilience and support long-term value creation.

AMP8 represents the primary delivery mechanism for our business model, translating these foundations into measurable improvements in performance, resilience and environmental outcomes, while supporting sustainable returns over the regulatory period and beyond.



Our four strategic priorities underpin and define everything we do.



Building water resources, improving water quality



Supporting affordability, delivering for customers



Tackling storm overflows and pollutions



Driving environmental gains and delivering Net Zero



Customers

- Delivering reliable services and resolving issues first time to minimise complaints
- Providing clear, timely and accessible communication across all customer interactions
- Responding quickly and effectively to unplanned interruptions and service failures
- Using customer insight and feedback to drive continuous service improvement
- Supporting customers in vulnerable circumstances through proactive and tailored engagement



Communities

- Supporting local jobs, skills and regional supply chains
- Investing in community and educational programmes
- Building partnerships with local authorities, charities and environmental groups
- Enhancing access to land, nature and wellbeing benefits
- Stronger local economies and communities
- Long-term social value delivered alongside infrastructure investment
- Trusted relationships across our regions



People

- Maintaining a strong focus on health, safety and wellbeing
- Developing skills and capability for a future ready water industry
- Promoting inclusive, diverse and high performing teams
- Encouraging open dialogue, engagement and accountability
- A safe, supportive working environment
- High levels of colleague engagement and capability
- A skilled workforce equipped to deliver long-term resilience



Suppliers

- Acting fairly and transparently, in line with the Prompt Payment Code
- Working collaboratively with supply chain partners to deliver outcomes
- Supporting SMEs, innovation and skills development
- Maintaining high standards of safety, ethics and sustainability
- Resilient and responsible supply chains
- Innovation that improves outcomes for customers and the environment
- Shared value creation throughout AMP8 delivery



Regulators and policy makers

- Delivering against AMP8 commitments and statutory obligations
- Maintaining open, proactive and evidence-based regulatory engagement
- Providing timely, accurate and transparent reporting
- Supporting government objectives on affordability, resilience, public health and the environment
- Informing policy development through operational insight and innovation and the environment

Business model and strategy continued

Providing high-quality drinking water and effective wastewater services.

What we do

We manage the full water cycle, from raw water collection and treatment through to wastewater treatment and recycling, ensuring reliable services, environmental protection and long-term resilience.

Our activities are integrated across regions and services to maximise efficiency, protect the environment and deliver better outcomes for customers.

1. Upstream catchments

We actively manage upstream catchments to protect water quality at source. This includes land stewardship, partnership working with landowners, and nature-based solutions that reduce pollution, improve biodiversity, and enhance long-term resilience of water resources and quality.

2. Raw water reservoirs/water resources

We ensure a resilient and sufficient supply of raw water through the operation of reservoirs, abstraction points, and water resource systems. Careful balancing of river flows, reservoir storage, and abstraction supports environmental protection while maintaining reliable supplies for customers and future growth.

3. Water treatment works

Raw water is treated at our water treatment works to meet stringent drinking water quality standards. Using advanced treatment processes and continuous monitoring, we ensure water is clean, safe, and reliable before entering the distribution network.

4. Drinking water mains network to homes and businesses

We operate and maintain extensive drinking water mains networks that deliver potable water to homes and businesses.

5. Customer services

Domestic and non-household customer services, billing and help provided from our call centres.

6. Wastewater mains network and surface water catchment

Our wastewater collection systems safely transport sewage and surface water away from customers' properties.

7. Wastewater treatment works (including businesses)

Wastewater from households and businesses is treated to high regulatory standards before being safely returned to the environment. Our treatment works play a critical role in protecting public health, environmental quality, and regulatory compliance.

8. Renewable energy

We generate renewable and low-carbon energy from sustainable technologies. This reduces carbon, enhances energy resilience, and contributes to our wider environmental and Net Zero, while supporting long-term value creation.

9. Recycling waste into bio-resources

By recovering bio-resources such as sludge during wastewater treatment, we convert waste into valuable products. These processes support a circular economy through the production of biosolids for agriculture and feedstocks for renewable energy generation.



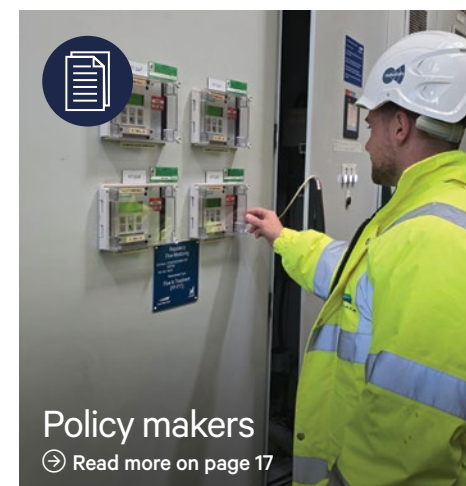
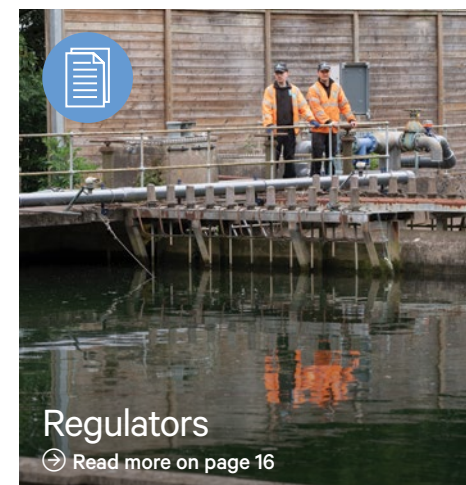
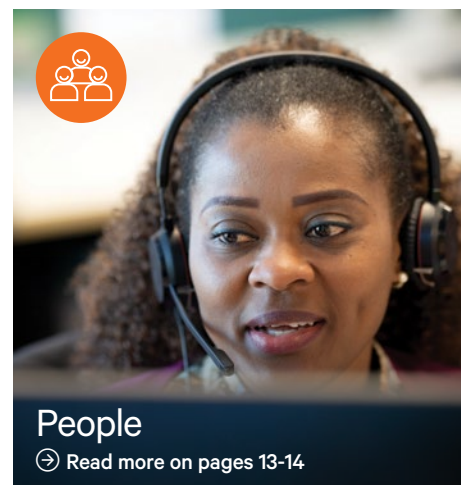
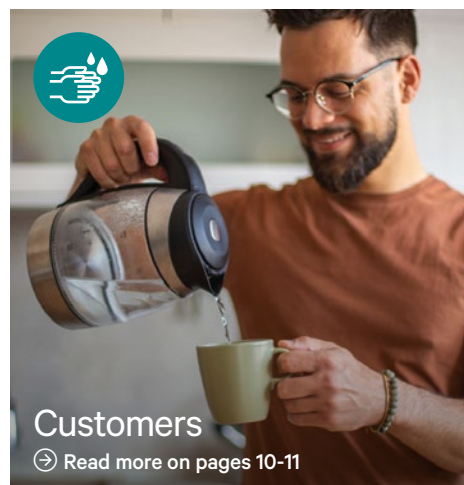
Stakeholder engagement

South West Water, a business that listens and acts.

Overview

We believe the best decisions are made when everyone has a voice. That's why we maintain regular, open dialogue with our stakeholders, from customers and community groups, to regulators and environmental partners.

These conversations are not a formality, they are a vital part of how we shape our strategy, make decisions, and deliver meaningful outcomes. By listening closely to what matters to our stakeholders, we can respond effectively, and ensure our actions deliver real value to the communities we serve.



Stakeholder engagement continued



Customers

Who they are

Our businesses provide water and wastewater services to 3.6 million residents across the South West and regions.

Each year, we also support around 10 million visitors to the South West, making our services vital not only to local communities but to the regional economy. Nationally, we serve 210,000 business customers across England through our non-household businesses.

Why we engage

We know that trust matters. It is built not only through the quality of the services we deliver, but also through how we communicate, how we listen, and how we respond when things change or when customers need extra support. Over the past year, those expectations have been tested.



Engaging with a SWBB customer

Key highlights

80,000

Customers are shareholders through WaterShare+

260+

Customers joined our WaterShare+ meetings and spoke directly to our Executive

Our plans to 2030 and our four strategic priorities are built on the priorities and feedback of our customers and communities. We know that our investment programme will take time to deliver, and customers have told us clearly that they want to be kept informed about the progress we are making, the impact of that investment, and the difference it will make locally. They have also told us that how we communicate matters, particularly during periods of change, such as bill increases, service disruption or major infrastructure works.

Customers across all our regions have continued to face cost of living pressures. At the same time, water bills have risen across the sector to support a major, regulator-approved investment programme. We know this combination has been challenging, particularly in the South West, and we do not underestimate the impact it has had on household budgets and customer confidence.



Sidmouth

Stakeholder engagement continued

How we engage

Against this backdrop, affordability and customer experience have been central to our work. Our focus has been on responding in a way that is both compassionate and practical: keeping bills as low as possible through efficiency, expanding financial and practical support for those who need help, improving service where customers told us it was falling short, and learning quickly from feedback so that we can do better.

Customer insight underpins both our long-term strategy and our day-to-day decision-making. Our plans to 2030 are built on a deep understanding of what matters most to customers and communities, with our sector-leading WaterShare+ panel at the heart of this approach.

Through WaterShare+, customers provide structured challenge, shape key decisions and hold us to account. We also benefitted from the opportunity to participate in Consumer Council for Water's (CCW) WaterVoice accountability sessions, launched this year across the sector, to listen, feed back, and agree actions in respect of three issues raised by customers. The fresh perspective this brought highlighted the need for heightened communication and extensive engagement, and we welcome the opportunity to receive feedback through a different lens, on some familiar themes.

We draw on a wide range of evidence to understand customer needs and expectations. Building on our extensive PR24 research programme, we engage continuously through service surveys, post-interaction feedback, post-event reviews and targeted research, alongside ongoing dialogue with the WaterShare+ panel. This helps us understand not only how customers experience our services, but where expectations are changing and where we need to improve.

During 2025/26, we completed 15 post-event feedback surveys across South West Water, Bournemouth Water and Bristol Water. Customers shared their views on how incidents were handled, including the clarity and timeliness of communication, speed of resolution, overall satisfaction and the support provided to customers on the Priority Services Register. This feedback has directly informed improvements to incident communications, service recovery arrangements and the way we help customers who need extra support.

We also use targeted research to prepare for future challenges.

Insight from customers is complemented by independent and comparative evidence. We triangulate our own research with wider industry insight, including CCW's Water Matters survey, the UK Customer Satisfaction Index (UKCSI), business benchmarking and C-MeX results. This ensures our priorities are evidence-based, consistently benchmarked against peers, and aligned with what customers tell us matters most.

Taken together, this approach ensures that listening to customers is not a one-off exercise, but an integral part of how we plan, deliver and improve services – supporting better outcomes now and improving further as we deliver our investment programme over the coming years.

Our WaterShare+ model enables customers to hold shares in Pennon Group, giving them direct ownership in their local water company. It also gives all customers the ability to speak directly with and challenge us through our open WaterShare+ customer panel meetings.

This unique model allows customers a greater say in their water company, providing customers with a vital platform to engage directly with us and play an active role in shaping our decisions.

Our independent advisory panel provides review, scrutiny and challenge of South West Water on behalf of customers. The panel is supported by expert advisers from CCW, the Environment Agency and Natural England. These advisers provide specialist insight into Company and wider industry performance. The panel also has unrestricted, independent access to the Company's technical auditors.

During 2025/26, the panel's focus has shifted from development of the business plan to scrutiny of implementation, challenging the Group on delivery against performance and investment commitments, alignment between delivery and customer priorities and the balance between environmental outcomes, service improvements and affordability.

WaterShare+ has significantly deepened our understanding of customer requirements and concerns, further helping us leverage these insights to inform and co-create our future plans.



📍 Newton Abbot Outreach Programme

Your bill explained

We have heard from customers that they want a better understanding of what their money is paying for. In response, we have increased our communications through bill inserts, social media, and our website. These communications explain customers' bills and the impact on them individually, while also highlighting the investments we are making, the work being delivered, and the benefits these improvements will bring.

We improved early engagement with more personalised information about financial support and launched a new 'Your Bill Explained' website, supported by simple visuals explaining how bills are calculated. Signposting to support tariffs, the Priority Services Register, metering options and water efficiency advice was also strengthened.

We have also supported colleagues, through targeted training, AI enabled tools and improved self service to reduce wait time for customers and ensure they can choose how they engage.

Important information about your bill

From 1 April 2026, your water bills will increase. We understand this is never welcome news, but we're here to help.

This leaflet explains:

- 1 Why are bills increasing?
- 2 Our goals to 2030
- 3 How you can find support

1 Why are bills increasing?

We're investing to prepare our region for the future. Speaking to customers from across your area has shaped our priorities:

- Providing reliable, safe water supplies
- Supporting healthier rivers and seas
- Taking action on climate change.

To meet these challenges, the water regulator Ofwat has agreed the cost of water in your area will need to increase from 1 April 2026.

In the last year we have:

- Reduced storm overflow spills with the help of a £760m spending programme
- Invested in renewal of mains pipes, helping to prevent bursts and leaks.

Reduce your overheads by saving water
Simple water-saving tricks can cut your bills and help the environment. For tips and free water-saving devices see southwestwater.co.uk/save-water

Stakeholder engagement continued



Communities

Who they are

We deliver services that are crucial to daily life, which means we are not just a utility provider, we're part of the fabric of local communities. Our teams live and work where we serve, so we're closely connected to the people and places that make each community unique. We work with community groups to ensure people have a voice in shaping services that matter to them.



Farm and Country show

Why we engage

We are part of the communities we serve, with around 2,700 colleagues living and working locally. We care deeply about the places we call home and are passionate about sustaining and improving them, for our customers, our families and our friends. Through this strong local presence, we actively engage with communities to ensure people have a meaningful voice in shaping the services we provide and the environmental outcomes that matter most to them.

How we engage

We work with schools, community groups and local organisations to build understanding of the water cycle, promote water efficiency and support wellbeing. Our education and outreach programmes inspire future generations while helping communities understand the challenges facing water resources and the role we all play in protecting them.

In the wider South West area we reached 9,449 pupils in 151 schools.

We also work closely with community partners to deliver nature-based solutions, restore peatlands, protect water quality and improve access to lakes and reservoirs for recreation and wellbeing. Our charitable giving and community funds support projects that deliver social, environmental and health benefits across our regions.

Better Futures Fund

We believe in supporting projects and charities in the places where we live and work, helping to build stronger communities. Our £5m Better Futures Fund was launched in January 2025.

The fund includes £2.5m for community groups involved with physical activity, education, health and wellbeing, and positive environmental impacts. Each brand was allocated a specific amount of funding based on customers served in that supply area.

The remaining £2.5m will go towards alleviating hardship, in addition to the £200m programme to help customers who need extra support or are struggling financially across South West Water.

Better Futures will help to unlock opportunities and bring positive change to the communities we serve.



“ Better Futures will help to unlock opportunities and bring positive change to the communities we serve.

April 25 – March 26	Number of Grants	Value Awarded	Number of beneficiaries
South West Water	27	£182,193	31,812
Bristol Water	16	£111,627	60,438
Bournemouth Water	12	£42,096	28,595
Total	55	£335,916	120,845

Stakeholder engagement continued



People

Who they are

Across the wider Group, c.2,700 colleagues contribute to our work in a wide range of operational and corporate roles. Their commitment underpins everything we do, from maintaining vital water and wastewater services to ensuring our customers receive clean, safe drinking water every hour of the day.

Key highlights

Focused on performance

We rallied all colleagues across our Group to tackle our biggest challenge – reducing storm overflows and pollutions. We introduced a Group-wide ‘challenge’, tailored to different areas of the Group, so that wherever you work you could learn more about this strategic priority and demonstrate your commitment to improving our performance.

‘You Rock’ Awards evening

Celebrated colleagues across our Group who exemplify our values in action.

Launching Teamtailor

A faster, more intuitive and inclusive recruitment process, improving the experience for both candidates and hiring managers.

c.2,300

colleagues now use Viva Engage,
our internal communications
platform

Why we engage

Our success depends on the talent, skills and shared values of our people. To deliver our strategy, we are focused on attracting, developing and retaining a diverse workforce that reflects the communities we serve. When colleagues are heard, supported and empowered, they thrive, and so does our business. Regular two-way engagement helps us understand what matters most to our people and make meaningful improvements that strengthen our culture and capability.

We use a range of tools to stay connected, including listening sessions, Employee Network Groups and trade union representation.

How we engage

Listening and acting on employees’ views

We take our responsibility to listen, to understand and support our employees seriously. Our s172(1) statement in our Annual Report and Accounts (pages 78-79) outlines how employee interests are considered in our decision-making.

Speak Up

Our Speak Up whistleblowing policy continued to operate throughout the year, and remains a vital channel for open, safe and transparent communication, helping us build a culture of trust. Colleagues are able to speak up and are supported if they do so. Read more on Speak Up on page 13 in the Pennon Group Annual Report and Accounts.

Building consistent connection

Following the separation of Water, Wastewater and Customer into distinct operational units, each business now operates its own regular cadence of colleague communication and engagement. Shaped by feedback from teams within each unit, these approaches are tailored to their needs and preferences, resulting in a model built directly on colleague insight. This includes regular in-person breakfast briefings, leadership events, and interactive calls where colleagues hear key updates and ask questions, alongside tailored communications from the relevant leader.

Celebrating colleagues: The ‘You Rock’ Awards

This year, we introduced the ‘You Rock’ Awards, a new recognition scheme designed to celebrate colleagues who embody our values. These awards reflect the depth of dedication, professionalism and integrity that our people bring to serving customers and communities every day.

The inaugural event brought colleagues together from across the Group to recognise individuals and teams whose contribution has made a lasting impact. The Awards celebrated colleagues who bring our values to life, with honours presented across our three core values – Be You, Be Rock Solid and Be the Future. The evening also recognised individuals that contribute to a safe and well-run workplace with our HomeSafe Award, outstanding achievements through our Leader of the Year, Team of the Year and also Rising Star awards, shining a spotlight on those who have made a significant contribution to our culture, performance and future success.

This approach has now been embedded within individual business units, with teams running their own local recognition initiatives, including mini recognition events and monthly awards, ensuring that success is celebrated regularly and close to where it happens.

For generations, colleagues across South West Water, have delivered essential services with pride. The ‘You Rock’ Awards honour that legacy and spotlight the exceptional people who are driving our transformation today. By celebrating those who go above and beyond, the awards help embed our values in everyday practice, strengthening a culture where commitment, service and community focus are recognised and championed.

Building on the success of the inaugural event, we are now planning our 2026 ‘You Rock’ Awards night, with nominations open across a wide range of categories, ensuring colleagues at every stage of their career have the opportunity to be celebrated.

Investing in our people is central to achieving long-term success. The ‘You Rock’ Awards are an important part of how we celebrate achievements, reinforce behaviours that make a difference, and ensure that being Rock Solid remains at the heart of everything we do.



🔗 ‘You Rock’ Awards 2025



🔗 Pennon ‘You Rock’ Awards – Winners

Stakeholder engagement continued

Internal communication activities

We're always evolving how we communicate. Our key activities include:

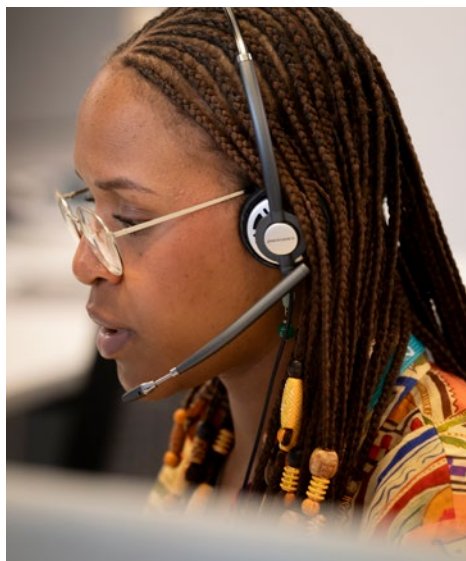
- Big Chat video calls with the Group Chief Executive Officer and the Executive team are held regularly, and focus on our progress against our strategic priorities, topical business issues and colleague highlights. In response to colleague feedback, we have broadened the group of speakers, involving colleagues from all areas and levels across the Group.
- Senior leader events are held for each business area, bringing together our leaders in person for a range of communication and engagement activities to equip and inform them.
- We've introduced senior leader briefings to make sure our leaders are informed of key business updates ahead of their teams, allowing them to own the cascade of information and be fully prepared to answer any questions from their teams.
- We've strengthened the communications cadence across our Group, making sure we can reach the frontline colleagues in each business unit. This has been built based on the communication preferences and insight within each unit, allowing us to tailor the approach to colleague needs.
- Viva Engage, our internal communications platform, continues to grow in popularity, now used by over 2,300 employees.
- Breakfast briefings are now held regularly with our frontline teams; these sessions bring senior leaders on site to recognise the teams who work tirelessly around the clock and to create meaningful two way dialogue, ensuring operational insight and colleague feedback directly shape our priorities.
- We 'Set the Record Straight' on media headlines, creating bespoke briefings for all teams so that they are fully aware of the facts behind the headlines, equipping all colleagues to answer queries from customers, friends and family – and also making sure our colleagues can maintain pride within a difficult external environment.
- WaterWorks, our monthly performance dashboard, continues to keep all colleagues informed on how we are delivering for our customers, communities and the environment, providing clear visibility of progress, priorities and key metrics across the Group.

Employee resource groups

Through our Pennon Inclusion Council, we give colleagues a platform to shape culture and influence policy. As part of this commitment, we are actively expanding and strengthening existing networks and introducing new groups to better reflect and support our diverse workforce. These include REACH, Women's Health, Professional Women's, Veterans, LGBTQ+, and Neurodivergent networks, all designed to foster inclusion, connection, and meaningful change.

Refreshing our engagement survey approach

We recently launched our new employee engagement platform, Culture Amp, to strengthen real-time feedback, and colleague insight across our Group. The insights gathered will help us identify key themes, prioritise meaningful actions, and tailor initiatives that truly enhance colleague experience and engagement.



📍 Bristol – Contact centre

The Great Big Sparkle Challenge

Uniting our business to tackle our biggest wastewater challenges

During summer 2025, we committed to tackling storm overflows and pollution through the power of the whole business working together as one team. That commitment became Operation Sparkle – our Group-wide programme aimed at improving environmental performance, strengthening our wastewater network, and contributing to the long-term health of our rivers and seas.

A key part of this effort was the Great Big Sparkle Challenge, which encouraged colleagues from every part of the organisation to get involved. Over just three months, colleagues delivered more than 1,000 entries from every corner of the organisation – wastewater, wider operations, corporate functions, customer and field teams, leaders, and many more. The level of engagement was exceptional and showed just how strongly people connected to the ambition of protecting and improving our environmental performance. The Sparkle Challenge didn't just spark ideas – it strengthened connections, built shared ownership, and helped embed a mindset of collective responsibility across the business.

How colleagues took part in the Great Big Sparkle Challenge:

- Visiting storm overflows to better understand local risks and opportunities for improvement.
- Joining Wastewater Afternoon Tea calls to listen, learn and share insights on pollution reduction.
- Submitting innovative ideas to help tackle sewer misuse and support long-term behavioural change.
- Making a Sparkle Pledge, committing personally or as teams to actions that improve environmental performance.
- Bringing Wastewater Services (WWS) performance into team meetings, creating space for open conversations about pollutions, learning, and how each team can contribute.

Together, these initiatives reflect the scale and momentum behind Operation Sparkle. The Great Big Sparkle Challenge brought colleagues together in a powerful way – and the wider programme continues to build the systems, behaviours and operational capability essential to achieving our performance objectives.



Stakeholder engagement continued



Suppliers

Who they are

As a large organisation we work with a large and diverse supply chain. Our supply chain partners are essential to delivering safe, efficient, and sustainable operations, bringing innovation, expertise, and resilience to every part of our business.

Why we engage

We know that strong partnerships are key to meeting future challenges and delivering long-term value. By working collaboratively with strategic suppliers, we can deliver major investment programmes, drive innovation, and ensure our operations remain sustainable, resilient and future-ready.

We're committed to working with partners who share our values, standards, and behaviours. Through our structured approach, rationalising and segmenting our supply base into strategic, key, preferred or transactional relationships, we have tailored our engagement with each supply chain partner to maximise value and impact.

Through working with our suppliers, we support skills development and investment throughout the supply chain. And through our ESG and Net Zero strategies we engage our supply chain to better understand and reduce our collective environmental impact.

How we engage

More than 1,000 schemes have already been mobilised through the Amplify supply chain partnership and 100% of the AMP8, Year 1 WINEP schemes were completed as of 31 March 2026.

As projects move from design into construction these actions are supporting delivery of the £3.0 billion¹ investment to 2030.

To support delivery of these projects, Amplify's principal construction partners, are working alongside a range of consultancy organisations. Integrated project management, design and cost consultancy capability is being deployed to optimise investment and provide efficiency through collaborative thinking and innovation, whilst building supply resilience.

Supplier reviews and audits continue to deliver opportunities for innovation, testing and improvements.

The Code of Conduct for Supply Chain Partners has been long established, and all new suppliers are brought onboard to work in alignment with it through our onboarding and tender processes.

Formal contracts and framework agreements underpin robust cost-effective procurement activity.

E-procurement and risk management platforms are being used to monitor the suppliers, flag risks in advance to the teams and ensure suppliers remain compliant.

Alongside this, we engage with neighbouring water companies like Wessex Water and Welsh Water through the Western Procurement Hub, collaboratively procuring goods and services to derive the best value as well as to share best practices.

Key challenges and how we are responding

Meeting the environmental challenges of today, and tomorrow, requires a shift in how we think about infrastructure. That's why we're embracing a 'nature-first' approach, prioritising solutions that work with the natural environment rather than against it. We're embedding nature-based thinking into the heart of our supply chain strategy.

To deliver this, we're securing the best talent and expertise from our partners, those who share our vision for a greener, more resilient future.

We also continue to minimise the risk of supplier failure or insolvency through rigorous due diligence and proactive risk management, strengthening resilience and ensuring long-term delivery capability.

Outcomes, achievements and actions

We have identified opportunities to collate and bring together spend across our regions and parts of our Group, to enable synergies, bringing spend under central management in order to improve value, enhance service quality and reduce risk.

Amplify is embedding a standardised, repeatable approach to asset design, delivery and procurement. By reintroducing standard designs, off-the-shelf products, Design & Build (D&B) principles and advancing procurement activity, we are strengthening programme pace and cost certainty, improving buildability, and supporting enhanced safety and lower carbon outcomes to support delivery of our regulatory date commitments.

Our data-driven approach to tendering ensures that procurement decisions are market-tested for both value and performance.

Key highlights

£3.0bn¹

2025–2030 infrastructure plan

1,000+

schemes already underway

1. In forecast outturn prices.



Stakeholder engagement continued



Regulators

Who they are

We have a continuing dialogue and meet regularly with our regulators: Ofwat, the Environment Agency (EA), the Drinking Water Inspectorate (DWI), Natural England, the Consumer Council for Water (CCW) and the Health and Safety Executive (HSE).

Key reform highlights

April 2025

We provided our response to the Independent Water Commission's Public Call for Evidence on industry reform. We welcomed the review, which largely reflected the prior engagement we had with Sir Jon Cunliffe and his team.

July 2025

The Independent Water Commission published their final report, setting a clearer and more coherent long-term direction for how the water system should be planned, regulated, and governed.

Summer – winter 2025/26

We engaged regularly with Defra and regulators, as well as participating in and organising industry working groups, to unlock the practicalities of reform. Through these forums we discussed key themes, such as regional planning and supervision, and our views on the development of PR29.

January 2026

The Government published their Water White Paper outlining their plans to reform the water sector. We were encouraged that their intentions largely reflected the Commission's report and our engagement with Defra and wider stakeholders.

January 2026 to present

We continue to engage with Government, regulators, industry, and wider stakeholders to support the early implementation and long-term delivery of reform.

Why we engage

Regulation shapes every aspect of what we do – from the quality of the water we supply to the resilience of our networks and the scale of our environmental ambition. Strong, transparent relationships with our regulators are critical to delivering the services our customers and communities expect.

By engaging early and openly with regulators, we help ensure our plans are credible, deliverable, and aligned with long-term regional needs. Constructive engagement supports decision-making and enables us to demonstrate progress. Above all, it ensures we remain accountable to our customers and the environment we are here to protect.

How we engage

We engage with our regulators in a structured and transparent way. Our teams meet regularly with all our regulators using a mix of routine meetings, technical workshops and joint site visits. These are focused on our published plans, performance reports, delivery progress and compliance reviews, ensuring transparency across key metrics such as leakage, customer service and investment delivery. We also participate in industry consultations and working groups, helping to shape new and emerging regulations.

Our engagement is grounded in evidence. We use data-driven insight, independent assurance, and customer and stakeholder feedback to demonstrate that our plans and delivery are rooted in real need. Engagement is continuous rather than reactive: we brief early on emerging issues, work collaboratively on long-term challenges, and provide open access to information so regulators can clearly see the progress we are making.

Key challenges and how we are responding

The water sector is entering a decisive phase of reform. Expectations on companies have never been higher, and climate-driven shocks continue to test our networks. This underlines the importance of delivering our £3.0 billion¹ investment plan to strengthen networks, secure water resources, and improve rivers and seas.

We are working closely with Defra and regulators as the White Paper reforms move into implementation. We have shared ideas and proposals widely with regulators and stakeholders and are frequent contributors to events and conferences.

1. Forecast to 2030 in outturn prices.

The year saw an increase in focus on asset health and accelerating investment, particularly where it supports economic growth. We have worked with Ofwat to understand the evidence required to support this shift, providing material grounded in local stakeholder needs and compelling customer research. Our first PR24 cost change submission in 2026 reflects this new approach and will continue to inform future regulatory decisions.

We worked closely with the Consumer Council for Water (CCW) on new customer panels ahead of their first meetings in April 2026. We are also discussing with Ofwat and CCW the impact of our innovative tariff trials, which better reflect customer usage and affordability while supporting long-term resilience and sustainability.

We have engaged with Ofwat and the joint regulators' RAPID body on the Cheddar 2 reservoir scheme. Preparations remain continuous and transparent, with an open stage-by-stage approach. We held a joint market engagement event with Wessex Water in September 2025, attended by Ofwat and RAPID, to support this process.

Regulators play a critical role during periods of operational pressure. During Storm Goretti in January 2026, which was subject to a red weather warning, we provided daily updates to regulators on our preparations and recovery, ensuring they had full visibility of our actions to protect customers.

Looking ahead, development of PR29 is already underway. We are engaging on the next Water Resources Management Plan (WRMP), Drainage and Wastewater Management Plan (DWMP) and the future environmental programme to ensure long-term needs are clearly understood and supported. These future plans underpin our commitment to delivering sustainable, credible and customer-focused outcomes in partnership with our regulators.

Outcomes, achievements and actions

Working with our regulators, we have strengthened our delivery plans, improved the transparency of our performance, and ensured a shared understanding of the resilience challenges we face. This has supported progress on key operational outcomes, including reductions in pollution incidents, enhanced real-time monitoring, and targeted improvements in drinking water quality and asset health.



Barrow Gurney Reservoir

Over the past year, we have moved quickly to turn our PR24 business plan into detailed delivery plans, reflecting the early start agreed with regulators. This is now driving clearer visibility of progress and stronger alignment between our commitments and regulatory expectations.

Engagement has shaped important governance outcomes. Working with Ofwat, we have aligned our remuneration framework with delivery for customers and the environment, and strengthened the independence of our assurance processes.

Our engagement is shaping the future regulatory framework for customers. Our business model is unique, with distinct customer brands and separate targets for Bristol Water alongside those for South West Water. Regulators continue to support us in ensuring customers benefit fully from this model. For example, we worked with the EA on the design of the revised Environmental Performance Assessment to ensure Bristol Water continue to be compared with its peers.

Alongside this, our contribution to the Government's White Paper reforms is helping inform the emerging regulatory framework, ensuring it supports long-term investment, clearer accountability and greater transparency.

Stakeholder engagement continued



Policy makers

Who they are

We maintain open, transparent relationships with Defra, parliamentary committees, MPs and local authorities. Their roles in shaping the legislative and regulatory environment have become even more significant as the Government's White Paper on water reform moves into implementation.

Key highlights

Bournemouth Water – Alderney – Emma Hardy MP

The Water Minister visited our Alderney water treatment works site and welcomed the £113 million modernisation investment, including future proof technology to deliver more sustainable and eco-friendly water supplies.

South West Water – South Milton sewage treatment works – Caroline Voaden MP

We showcase our major investments through on-site tours, including the upgraded South Milton Sewage Treatment Works.

Bristol Water – Chew Valley Lake – Defra

Defra, the Rivers Trust and West Country Water Resources came together at Chew Valley Lake to discuss catchment partnerships and regional planning, supporting collaborative work on future schemes including the Cheddar 2 reservoir.

Why we engage

At the national level, we work closely with Defra and parliamentary committees, as the future priorities for water quality, resilience, customer protections, and environmental improvement are established. Our engagement has increased as the White Paper reforms progress, as we provide evidence, operational insight and regional context to help ensure policy is practical, outcomes focused and supportive of long-term investment. Our engagement remains cross-party, ensuring South West Water's values and priorities are understood across the political spectrum.

At the local level, MPs continue to advocate for their communities, ensuring local priorities are reflected in national debates and regulatory decisions. We work with local authorities to support their role in shaping outcomes for customers and communities.

As part of a FTSE-listed business, we also work with organisations such as the Confederation of British Industry, Chambers of Commerce and regional business groups to ensure the voice of business is represented in national policy debates, particularly on growth, infrastructure, skills, and the role of regulated utilities in supporting regional economies.

How we engage

We maintain regular dialogue with Defra and respond to government consultations on resilience, affordability, environmental improvement and the investment needed to deliver the ambitions set out in the Government's White Paper. We continue to provide evidence to Select Committees, participate in cross-party roundtables and support All Party Parliamentary Groups to ensure the practical realities of delivering essential water and wastewater services are fully understood.

We work closely with local authorities and MPs across our regions. Our engagement includes regular meetings, site visits and constituency-based discussions, giving representatives direct insight into our operations, the challenges we face and the progress we are making. These interactions help ensure local priorities are clearly reflected in national debates and regulatory decisions.

As a FTSE-listed business, we also work with national and regional business organisations to ensure the voice of business is represented in wider debates on growth, skills and infrastructure.

Key challenges and how we are responding

Policy makers continue to take a close interest in how we are improving performance, strengthening resilience and delivering major investment. There is sustained scrutiny of customer bills, environmental outcomes, the pace of infrastructure upgrades and how we are responding to extreme weather and ageing assets. Policy makers expect clear evidence of progress, transparent communication and visible improvements.

Locally, we continue to build strong, constructive relationships with MPs and councillors across our regions, helping them understand our operational challenges, long-term plans and the benefits of the investment we are delivering. We respond promptly to enquiries, providing clear information to support their casework and constituent communications. We facilitate site visits so representatives can see our work first hand, including upgrades to treatment works, storm overflow improvements and drinking water resilience schemes. Local policy makers are regularly invited to our customer roadshow events, where we explain the work underway in their area and listen to local priorities.

Outcomes, achievements and actions

We have deepened our engagement with MPs and local leaders, supporting day-to-day enquiries and providing tailored briefings on the water cycle, environmental performance and our investment programme and delivery progress. We continue to hold one-to-one meetings with MPs both in Westminster and through hosted constituency-based site visits.

This engagement has strengthened relationships, improved understanding of the scale and purpose of our investment, and supported MPs in communicating clearly with their constituents. It has also helped build confidence in our long-term plans, reinforced the importance of resilience and environmental improvement, and contributed to a more informed narrative around South West Water's role in delivering essential services for the region.



🔍 Leakage detection in Bristol

Customer engagement

Placing customers at the heart of what we do is a core part of how we operate, not just a strategic ambition.

We work to build strong, practical relationships with customers and communities, supported by a well-established programme of customer and stakeholder engagement that is designed to be inclusive, proportionate, and effective. This approach is embedded in how we develop and deliver initiatives across the region.

We gather customer views through regular surveys and targeted research projects, alongside ongoing feedback. We are also currently reviewing our progressive tariffs, which is providing valuable insight into customer needs, affordability concerns, and perceptions of fairness.

We gather customer views through regular surveys and targeted research projects, alongside ongoing feedback. We are also currently reviewing our progressive tariffs, which is providing valuable insight into customer needs, affordability concerns and perception of fairness. For example we carried out post event surveys to learn more about how we handle events.

This year, our engagement team attended a range of festivals and local community events providing water through our water bar, offering support with bills, and supporting customers with water efficiency, including distributing free water-saving devices. The team also supported a number of drop-in events linked to our investment programme in locations such as Dawlish, Sidmouth, Falmouth, Stithians and Knapp Mill.

This year, our Affordability team has delivered more than 563 drop-in events across the region, providing direct support to customers who need it most. We have also taken our engagement on the road, attending 48 community events across the South West, including festivals and local celebrations, to raise awareness of what we do and the services available, engaging with 26,146 customers face-to-face. In addition, we have expanded our engagement through reservoir runs in Devon and Bristol, creating positive opportunities for customers and communities to connect with us.

Alongside this, we continue to invest in grassroots, customer-led engagement by visiting schools across the region, reaching 9,449 pupils in 151 schools. This combined approach helps build trust, improve understanding, and strengthen relationships with both our current customers and the next generation.

Our WaterShare+ model enables customers to hold shares in our parent company, Pennon Group, giving them direct ownership in their local water company. It also gives all customers the ability to speak directly with and challenge us through our open WaterShare+ customer panel meetings. This unique model allows customers to have a greater say in their water company. Our independent advisory panel oversees these customer meetings and challenges our performance. WaterShare+ has also significantly deepened our understanding of customer requirements and concerns, further helping us leverage these insights to inform and co-create our future plans.

We ensured that our engagement exceeds Ofwat's standards for high quality engagement and is:

- Inclusive – enabling everyone to have a voice
- Robust and effective – working collaboratively with our partners to drive high quality, comprehensive, meaningful engagement that makes a difference
- Business as usual – applied continually and consistently throughout the development and delivery of our work programmes across the region – to empower customers and communities every day.

Our customer engagement programme has been closely overseen by our Board, who are central to the creation and delivery of our plans, both in the shorter term, and looking to the future too.

Affordability & Vulnerability Community Drop-ins

Customers across our regions have continued to face cost-of-living pressures. At the same time, water bills have risen across the sector.

This means more of our customers require support with their bills, budgeting, benefits, and debt. These pressures can be compounded by vulnerability factors such as health conditions, disability, caring responsibilities, language barriers, digital exclusion, or recent life events. There is a clear and growing need for face-to-face support, enabling customers to discuss their circumstances and available options directly with a company representative.

Our affordability & vulnerability drop-in sessions aim to:

- Provide accessible, in-person support on affordability challenges (e.g., arrears, budgeting, water use).
- Identify and respond to vulnerability quickly, including reasonable adjustments and safeguarding where needed.
- Increase take-up of financial support and advice services through direct community events and warm referrals for community partnerships.
- Prevent escalation by resolving issues early and agreeing sustainable payment plans, affordability and debt schemes.
- Build trust and engagement with communities less likely to use digital or formal channels.

We delivered 563 community drop-in sessions designed to reach hard-to-reach customers who might need extra support. Sessions were advertised through local networks and delivered in familiar local venues, helping residents access support without the need for appointments or online forms.

- **Locations:** community hubs such as libraries, foodbanks, community centres, and partner venues in targeted communities.
- **Format:** confidential 1:1 conversations, with signposting and on-the-spot actions where possible.
- **Support offered:** income maximisation checks, benefits guidance, budgeting support, debt signposting, payment plans, affordability tariffs and emergency assistance pathways such as the priority services register.
- **Partnership working:** sessions aligned with local advice agencies and community organisations to enable warm handovers.

Outcomes

Measure	Result
Number of drop-in sessions delivered	563
Customers Directly Supported at face to face events	3,680
PSR Registrations	278
Warm referrals received from community partnerships	2,287

The drop-ins improved access for customers who were anxious about formal processes or struggled with digital channels. Customers benefited from clear options, fewer repeat contacts, and quicker routes into the right support at the right time.



Customer engagement continued

WaterShare+

Our WaterShare+

The WaterShare+ Group Panel provides independent review, scrutiny and challenge of Pennon Group plc water companies on behalf of customers.

The Panel takes an overview scrutiny role for all Pennon Group water companies and also acts as the Independent Challenge Group (ICG) for South West Water and Bristol Water.

In addition to the Chair – Lord Matthew Taylor – the Panel consists of a chair and deputy or co-chairs for each of the Company's five regions: Cornwall, Devon, Bournemouth and Bristol.

The Bristol Water Challenge Panel (BWCP) has been the independent challenge group for Bristol Water since its migration into Pennon Group. The Chair and Deputy Chair of the BWCP are represented on the WaterShare+ Group Panel.

In March 2026, the Bristol Water Challenge Panel came to a close following the full integration of Bristol Water's operating licence into South West Water. As part of this integration, assurance and engagement arrangements across the Group were aligned, with regional representation and challenge now delivered through the WaterShare+ Group Panel. Going forward, the WaterShare+ model provides the primary mechanism for independent regional scrutiny and customer challenge, including for the Bristol region.

We would like to place on record its sincere thanks to all members of the Bristol Water Challenge Panel and to the independent experts who supported its work over many years. Their professionalism, commitment and constructive challenge played a vital role in ensuring customer interests were fully represented. We are committed to continuing this legacy through the WaterShare+ regional representation model.

During 2025–26, the Panel's focus has shifted from development of the business plan to scrutiny of implementation, challenging the company on delivery against performance and investment commitments, alignment between delivery and customer priorities and the balance between environmental outcomes, service improvements and affordability.

In addition to private meetings with Company executives, the panel hosted a programme of online and in-person public meetings, as well as a customer annual general meeting.

WaterShare+ provides a vital platform for customers to engage directly with us and play an active role in shaping our decisions. Through WaterShare+ public meetings, we empower customers to work alongside our independent panel to robustly challenge our performance and meaningfully influence our strategic direction. As a result, our plans are genuinely co-created with customers at their core.

The Panel is supported by expert advisers from CCW, the Environment Agency and Natural England. These advisers provide specialist insight into Company and wider industry performance. The Panel also has unrestricted, independent access to the Company's technical auditors.

We are grateful to Panel members for their time and dedication in holding the Company to account and ensuring that customers' voices are heard and represented within the business.

Have your say

You can tell the Panel what you think and have your say by asking them a question at:

- South West Water WaterShare+ meeting
WaterShare+ | South West Water
- Bournemouth Water WaterShare+ meeting
WaterShare+ | Get involved | Bournemouth Water
- More information on the Bristol Water Customer Challenge Panel is at:
www.bristolwater.co.uk/watershare

“ WaterShare+ provides a vital platform for customers to engage directly with us and play an active role in shaping our decisions.





Operational review (by outcome)

Our four strategic priorities underpin and define everything we do.

Based on customer priorities, we have structured our delivery plans to 2030 to focus on what matters most, ensuring we are well positioned for long-term success. Our water business is now aligned to these priorities, enabling us to deliver for the environment, meet customer expectations, and fulfil our purpose and vision.

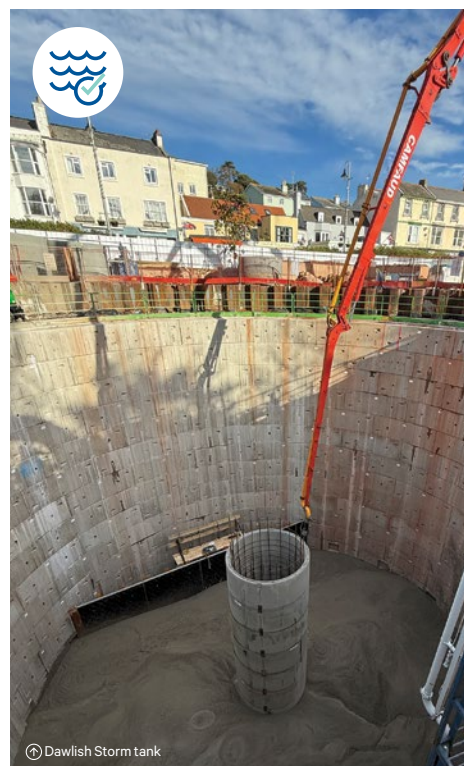


Knapp Mill

Building water resources, improving water quality

Our purpose is rooted in the sustainable stewardship of water, a resource vital to communities and ecosystems, now and for generations to come.

➔ Read more on pages 22 to 26



Dawlish Storm tank

Tackling storm overflows and pollutions

Tackling storm overflow spills and reducing pollutions is of utmost importance to us, ensuring we protect the environment and respond to the concerns of our customers and communities.

➔ Read more on pages 27-31

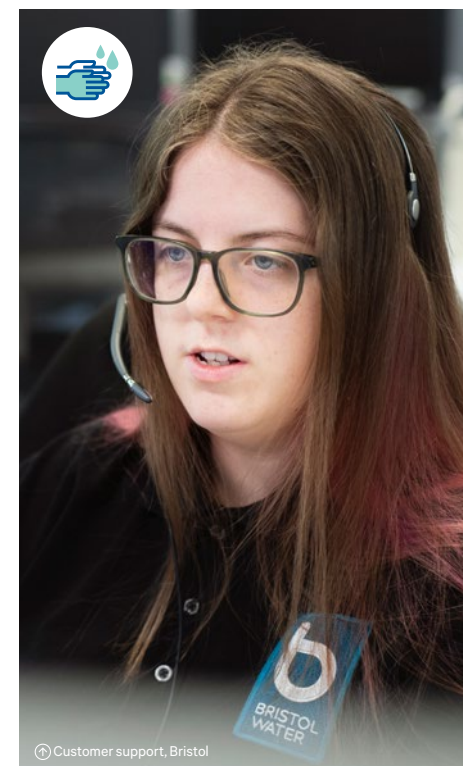


Wildwood white clawed crayfish Ark site

Driving environmental gains and delivering Net Zero

South West Water is proud to be at the forefront of environmental infrastructure, delivering sustainable outcomes for our customers, communities, and ecosystems.

➔ Read more on pages 32-35



Customer support, Bristol

Supporting affordability, delivering for customers

Addressing affordability means focusing on two core priorities: driving efficiency to keep bills as low as possible, and providing meaningful support to those who need it most.

➔ Read more on pages 36-39

Operational review continued



Building water resources, improving water quality

Our purpose is rooted in the sustainable stewardship of water, a resource vital to communities and ecosystems, now and for generations to come. We operate across the South of England, from Bournemouth, Bristol, Devon, Cornwall and the Isles of Scilly, and in areas that range from densely populated cities to rural and coastal villages.

We know that customers rate the reliable provision of clean, safe drinking water as their number one priority. We continually strive to improve both our resilience and our water quality across all our areas; our water resource plans aim to maintain our strong water quality record by upgrading water treatment works and replacing old lead pipes in customers’ homes; we are strengthening resilience by investing in new sources of water and targeting leakage; and we are supporting customers to be water efficient, using only the water they need, through smart meters and water efficiency measures.

The 2025/26 year has demonstrated the challenges that climate change brings; a dry spring was followed by an intensely hot August, driving high demand for water, whilst freeze-thaw conditions followed by extensive and intense rainfall over the winter increased operational challenges later in the year. We are focused on delivering our capital investment programme to ensure we improve and enhance our water infrastructure, whilst taking action to drive continuous improvements in the ways we work and services we provide.

Actions taken early to ensure refill of our reservoirs from August to the end of year have resulted in a strong water resources position as we head into the new financial year, supported by above average rainfall in the latter months of the year.

Delivering resilient, high-quality water services across our regions

We supply around 3.6 million customers across the South West regions. With hot weather comes higher demand for water, and the investment we made following the 2022 drought has seen benefit in the current year, with all our regions, Devon, Cornwall, Isles of Scilly, Bristol, Bournemouth and parts of Dorset, operating without temporary use or ‘hosepipe’ bans despite the high demand in the hot summer period. This achievement underscores our commitment to resilience and reliability, doing the right thing for our assets to maintain their health and strengthen our performance.

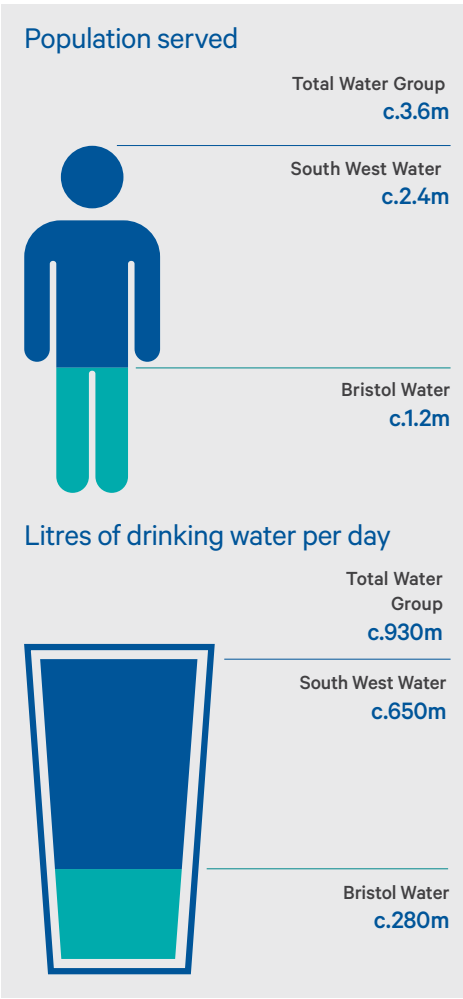
2025/26 presented challenges across the South West in particular, as a result of the variable weather conditions and high number of named storms. Notwithstanding the challenges, we maintained resilient water supplies to our customers, with over 75% of operational incidents having no impact on customers and our water quality performance for South West Water remaining industry-leading among Water and Sewerage companies.

However, there remains more to do in other areas, as we recognise the impact on customers of incidents when they do cause supply interruptions, and that we have not met our targets in a number of key measures. Targeted capital investment in water services totalling £316.1 million in 2025/26, alongside disciplined asset management and ongoing focus on continuous improvement and learning the lessons of any operational incidents, will enable us to meet these challenges head-on.

Our strategic investments, especially those made in response to the 2022 drought, have been instrumental in strengthening operational resilience and supporting sustainable service delivery. Where performance did not meet targets, we have a clear understanding of the underlying drivers and have initiated actions to restore long-term delivery.

£316.1m

Capital investment in water services in 2025/26. Delivering a resilient, sustainable, and high-quality water service across our regions.



Operational review continued

Building water resources, improving water quality continued

Water quality and resilience: proactive improvements and innovation

Providing safe and reliable drinking water remains our highest priority, serving approximately 3.6 million customers across our regions. Our water quality performance continues to improve year-on-year, as reflected in our water sampling results, which demonstrate improved outcomes year-on-year, a testament to our Quality First approach which integrates preventative maintenance, proactive cleaning, and real-time monitoring, allowing for early detection and resolution of issues and reducing repeat failures.

The Drinking Water Inspectorate measures water quality through its Compliance Risk Index (CRI). South West Water (including Bournemouth Water, 'SWB') maintained a top-quartile CRI of 1.37, reflecting our long-term investments to improve water quality and ongoing operational improvements with respect to tank inspections and maintenance, and network flushing. Bristol Water (BRL) saw a deterioration with a CRI of 3.95, due to an isolated sample failure (equating to a score of 2.93) that were swiftly addressed through daily monitoring and thorough investigation. To further strengthen compliance, we launched a comprehensive treatment process risk review programme in Bristol, targeting sustainable improvements and reducing water quality testing failures at our treatment works.

Strategic investment in Water Treatment Works

We continued to build and upgrade our water treatment infrastructure, ensuring future resilience and quality. Construction at Alderney water treatment works in Bournemouth was completed in the year and with commissioning imminent, our upgraded works are set to supply high-quality water to over 250,000 customers in Bournemouth. We are also upgrading the Knapp Mill water treatment works, which is progressing to plan, with commissioning scheduled for the next calendar year.

In Bristol, design work has commenced for upgrades at Stowey, Cheddar, and Littleton water treatment works, with delivery targeted by 2030. Notably, at Littleton, we are piloting innovative filtration technology, successfully used in Singapore and Japan, for the first time in the UK, reinforcing our commitment to operational excellence and innovation.

Enhancing customer confidence: taste, smell and appearance improvements

Maintaining customer trust in water quality is essential. Building on our ongoing commitment to water quality and customer satisfaction, we continued to make progress across all regions, as reflected in our performance against Taste, Smell, and Appearance targets.

Whilst we have more to do to reach the stretching targets set for AMP8, in the South West, customer contacts regarding taste, smell, and appearance have reduced year-on-year, with performance in 2025/26 reducing to 1.55 contacts per 1,000 customers. This improvement stems from our ongoing focus on process optimisation of network flushing and proactive engagement across each region. Looking ahead, we remain dedicated to further enhancing water quality and customer experience, implementing region-specific initiatives and leveraging technology to drive continuous improvement.

Bristol Water (BRL) recorded 0.97 contacts per 1,000 customers, compared to the target of 0.76, positioning the company within the top half of the industry.

Investment in manganese removal schemes across Cornwall, Devon, and Bournemouth, alongside upgrades at Alderney and Knapp Mill, are expected to further reduce discolouration-related contacts.



📍 Alderney

Lead pipes

Around 80,000 lead pipes remain in our South West and Bournemouth (SWB) regional network, with c.120,000 in Bristol (BRL).

Whilst we treat water to mitigate the health risk this would otherwise prevent, we are focused on progressively removing these pipes from water infrastructure in our regions. As a result, we have progressed on our plans to replace c.40,000 lead pipes across our regions by 2030, with c.4,000 replaced in the current year.

We are also working with CREWW, our innovation partnership with Exeter University, to utilise modelling and machine learning to inform our delivery programmes and target areas with high prevalence, supporting our long-term ambition to eliminate lead pipes.



📍 Alderney build in progress

Operational review continued

Building water resources, improving water quality continued

Water resources, security and climate resilience

Water resources were under significant pressure during 2025 following the warmest spring in England since 1884. Reservoir storage in some areas fell to exceptionally low levels by late summer.

We activated our drought plans, but did not need to impose any customer supply restrictions or drought orders; by March 2026, the action we took to ensure operational resilience, coupled with rainfall across the winter months, meant that storage levels finished the year well ahead of anticipated needs across the coming summer, with storage recovered to 97% and groundwater levels remaining above average in some areas.

Leakage and network efficiency

Reducing leakage remains central to long-term supply resilience. The year presented significant challenges, particularly in the South West, due to dry ground conditions leading to record soil moisture deficits during late spring and summer 2025. This was followed by several freeze-thaw events and severe storms across the winter period. These conditions increase pressure on our networks and we experienced higher burst frequency across our networks.

Our teams remained focused on fixing leaks across our networks, notwithstanding the challenging weather conditions with which they were presented. Bristol Water and South West Water's efforts were impacted by these weather conditions.

Bristol Water continues to operate on the industry leakage 'frontier', making finding and fixing leaks more challenging and less cost-effective than other water companies. Despite these challenges, Bristol Water reduced leakage by a further 11% in 2025/26, achieving 34.0 MI/d, its lowest ever level and maintained its position among the lowest in the industry. Although slightly above the three-year rolling regulatory target, forward plans are in place to meet targets before the end of the regulatory period.

In South West and Bournemouth, the unusual weather conditions hindered significant leakage reduction over the summer, with high volumes of work required to maintain leakage levels across the hot weather period and during the freeze-thaw weather in November and December. Record activity in leak detection and repair was achieved, with more fixes carried out than ever before, in the same months. Leakage levels of 113.5 MI/d in 2025/26, returned to those of the previous year, but fell short of the in-year target to close the gap on the rolling average. This will impact on our ability to achieve the regulatory three-year average leakage measure, albeit plans are in place to return to target before the end of the current regulatory period.

Supply interruptions and network reliability

The impact of weather on leakage also had a consequential impact on our supply interruption performance, as a result of an increase in burst pipes. Despite these challenges, our operational teams ensured that around three-quarters of bursts resulted in no impact to customer supply.

Supply interruptions remained a challenging measure for South West and Bournemouth; interruptions to supply resulted in a total 1 hour, 9 minutes and 14 seconds of customer impact, compared with a long-term average of around 9 minutes 30 seconds and a target of 5 minutes. Around three quarters of the time lost was attributable to two major incidents: an unplanned outage at Dousland water treatment works and storm damage to the pumping station that supplies Wendron water treatment works during the red weather warning storm, Goretti, where much of Cornwall was without power for an extended period of time.

Bristol Water's performance saw interruptions increase to 33 minutes and 42 seconds, compared with a four-year average of 6 minutes 30 seconds. In response, supply interruptions delivery plans have been reviewed to drive improvement, leveraging AI-based burst prediction, smarter operational technology, and targeted pipe replacement.

Isles of Scilly – water resources resilience

In January 2026, Storm Goretti caused major destruction across our region but the Isles of Scilly were the first and worst hit. Winds of up to 99mph hit the five islands, 28 miles off the coast of Cornwall, with hundreds of trees uprooted, severing water supplies to these remote communities. A red weather warning for wind was issued on the afternoon of 8 January, instructing everyone to stay indoors given danger to life associated with the storm.

Our 10-strong water operations team mobilised in the early hours of the following morning, working around the clock as part of a huge community response. With widespread loss of power and mobile signal across the Islands and significant transport disruption, the team, working with support from our supply chain and working in partnership with the Duchy of Cornwall, the Council of the Isles of Scilly, Tresco Estates and other utilities enabled temporary repairs to be made to the damaged water pipes, with all supplies restored by 9am on 11 January. During this time bottled water station supplies were set up, with local people contributing to the recovery efforts and caring for those who needed extra support.

We were delighted that Isles of Scilly Operations Manager, Helen Richards, was recognised for the crucial role she and her team, all of whom also live on the Islands, played in the aftermath of the storm to restore vital services to homes and businesses, as well as the many years in which they have supported the Islands. Helen attended the King's Garden party at Buckingham Palace on 8 May 2026, alongside representatives from other organisations involved in the UK wide response to the storm.

We are proud of supplying water to such a unique place as the Isles of Scilly; South West Water became responsible for water and wastewater services on the Islands in April 2020, with Helen involved both shortly before and after the transfer. She has since built her team, most of whom were recruited locally and upskilled, and are all part of the Islands' community. The small team cover all aspects of the job from water resources to metering and from sewerage collection to treatment where mains drainage is in place. Around 2,500 people live on the five inhabited islands, with tourism doubling this in the summer months, putting pressure on the water resources and highlighting the importance of using water efficiently.

Our programme to 2030 includes significant investment to build new desalination plants on each of the Islands to provide resilience to drought and improve water quality as well as to upgrade the wastewater treatment on St Marys and Tresco, providing benefit to customers and the environment.



📍 Isles of Scilly

Operational review continued

Building water resources, improving water quality continued

Managing demand and ensuring efficiency

Household demand

Reducing household demand remains a strategic objective, balancing affordability and environmental outcomes. The government target is to reduce per capita consumption to 110 litres per person per day by 2045.

Prolonged dry weather in spring and summer 2025 resulted in increased consumption, and targets remain challenging across the whole sector. We continued our “Water is Precious” behavioural campaign, with notable engagement in Bristol where our free water efficiency devices, through our ‘Get Water Fit’ platform, which saw increased uptake, and household water audits commenced in January 2026.

Ofwat’s nationwide behavioural programme launches this year, funded through a levy in customer bills, and we anticipate its positive impact on customer behaviour and consumption reduction.

Our smart metering programme is progressing, aiming to significantly expand coverage by 2030, supported by preparatory work during this regulatory period. Data from installed smart meters will both facilitate customer engagement and help identify customer-side leakage. Additionally, tariff trials in the South West are ongoing, designed to incentivise reduced consumption and ensure fairer charging. Early results are promising, demonstrating reductions in household consumption and supporting our commitment to sustainable water management.

Business demand

Reducing non-household water demand continues to be a strategic priority, supporting both our environmental commitments and efficiency objectives. The Government has set a target for a 9% reduction in business consumption by 2038.

Similarly to household demand, the hot, dry summer put pressure on business demand, in particular for agriculture and tourism activities. For agriculture demand was higher from April onwards compared to 2024, and for tourism a similar trend was seen across the Easter holiday period, and then consistently from June through August. This has resulted in our 25/26 business demand for all regions being higher than for 24/25. Despite this, however, the Bristol Water region still delivered on its three-year ODI target. Progress in the South West and Bournemouth is more challenging however across the region, and in Bristol, we have been supporting businesses with our free water efficiency visits. 111 visits were completed in the South West and Bournemouth, and 28 in Bristol. The visits prioritise washroom efficiency, including the installation of new tap inserts and shower heads, as well as repairs to leaking taps and toilets.

To further encourage sustainable water use, we launched a dedicated business water efficiency grant fund in February 2026. The fund supports projects that deliver measurable water savings, with a minimum cost benefit of £0.80 per litre saved per day.



📍 Site Survey

Operational review continued

Building water resources, improving water quality continued

Cheddar 2 Strategic Resource Option (SRO)

With the South West facing the dual challenges of climate change and above-average population growth, we are working with Wessex Water to assess the Strategic Resource Options available to provide resilient supply for the entire South West region. One option being considered is the Cheddar 2 Reservoir and Transfer Project which could play a key role in meeting future water needs across the region. The project is investigating the option to build a second reservoir, adjacent to the existing Cheddar reservoir, supporting environmental resilience by helping to protect these ecosystems – particularly during drought conditions.

The reservoir would be designed to mitigate drought risks in the South West, by enabling water to be stored and then transferred south – through Wessex Water's network and into South West Water's – to provide resilient supplies for customers in Devon.

If the project is approved, it is anticipated construction would commence early in the next regulatory period. The scheme would form part of national and regional water resource management plans, to help balance supply and demand by enabling transfers from areas of relative surplus.

Engagement with local stakeholders has started, and our teams are working to ensure we maximise the opportunity to protect local biodiversity and enhance the natural environment.



📍 Cheddar reservoir

Operational review continued



Tackling storm overflows and pollutions

Reducing storm overflow spills and pollution incidents is a priority, focusing on the places that matter most to customers and local communities.

During the year, we maintained 100% bathing water compliance¹ for the fifth consecutive year and delivered improved performance, including a reduction in storm overflow spills of

c.17%

and a reduction in pollution incidents of

c.34%

absolute number

c.53%

normalised pollutions

Our plans to 2030 put reducing environmental impact at their heart, with ambitious targets to improve performance on pollution incidents and reduce the need to operate storm overflows, starting with investment at bathing waters and other sensitive catchments.

We maintain and operate more than 25,000km of sewers across the South West, removing wastewater from homes and businesses. Tackling storm overflows and reducing spills is of critical importance to us, helping to protect the environment and meet the expectations of our customers and communities.

During the year we enhanced our strategy for wastewater performance and compliance, targeting improvements across the region. Our four-phase approach – Identify, Investigate, Remediate and Validate – supplements existing processes and ensures a holistic approach to operational improvement and investment decision-making.

Storm overflows

We are focused on fewer spills, of shorter duration with targeted investment where it will have the greatest impact. This year's 17% reduction in spills, with 25% reduction in spill duration, was delivered despite continued weather challenges, including above-average rainfall and increased rainfall intensity, reinforcing the challenges presented by climate change.

In 2025 the South West experienced 15% higher rainfall than normal and 62% more rainfall than the national average. Where across the UK, rainfall was below seasonal normals. Even with these conditions, storm overflow spills reduced by 17% and overall spill duration was 25% lower than the previous year.

The final quarter of 2025 was particularly wet, with 46% of annual storm overflow spills occurring in the last three months of the year, during periods of sustained heavy rainfall of up to 150% of the long-term average.

Alongside our AMP8 programme – targeting investment at all bathing beaches by 2030 – we also focused on targeted interventions at our highest spilling sites. During the 2025 bathing season, storm overflow operation at bathing water sites reduced by more than 25% compared with 2024. Across the full year we reduced spills by 50% at our top five spilling sites following targeted interventions, and our analysis indicates that more than 8,300 spills have been prevented as a direct result of investment and operational improvements.

Investment and operational improvements delivered during the year included:

- Targeted interventions at the highest spilling sites to reduce non-sewage flows, increase treatment capacity, optimise pumping, install additional storage and improve sewer condition.
- Operational changes to improve performance during periods of intense rainfall.
- Enhanced monitoring and data-led decision-making to prioritise investigation and remediation activity.

Monitoring and transparency

We recognise the importance to customers of improving transparency and performance in this highly sensitive area. 100% of our overflows – storm and emergency – have enhanced Event Duration Monitoring (EDM) in place. Despite the challenging locations in which many assets operate, EDM operability was 96.7%, the second highest in the industry and significantly above the industry average of 92.7%.

Our EDMs capture data to a high standard, scanning every 10 seconds and recording at two-minute intervals across all sites, exceeding the minimum 15-minute standard. We also continue to support transparency through real-time reporting to the national database and our WaterFit Live website, which provides up-to-date information on storm overflow activity at bathing beaches.

During the year we also agreed to extended direct reporting of real-time data to Surfers Against Sewage (SAS) to improve accessibility of information for communities.

Bathing waters

Bathing waters across the South West remain among the cleanest in England. In the 2025 annual bathing water assessments, 96.2% of bathing waters were classified as Excellent or Good. South West Water maintained 100% bathing water compliance for the fifth consecutive year¹.

Water quality can be influenced by a range of factors beyond our control, including agriculture, wildlife and climate-related weather patterns. We are prioritising investment at bathing waters and using enhanced monitoring and operational insight to identify where changes can deliver the greatest positive impact. For bathing waters designated in 2024, two out of six met the minimum standards; we have investment plans in place for all of these sites, alongside wider catchment activity with partners.



Operational review continued

Tackling storm overflows and pollutions continued

50% spill reduction at the top five spillers

Among our most important interventions in 2025 to reduce spills were actions taken at our top five spilling sites. We achieved a 50% reduction in spills from these sites through a combination of removing sources of non-sewage flows entering the network, increasing treatment capacity, optimising pumping, installing additional storm storage and improving sewer condition through lining.

There is more to do at these sites to reduce spills further and to ensure they meet the long-term future targets of not spilling on average more than 10 times per year; however, this progress demonstrates that our approach is delivering results.

2024 rank	Spilling overflows	2025 spills
1	Salcombe Regis STW	↓ 36%
2	Abbotsham STW	↓ 40%
3	Roborough STW	↓ 56%
4	Dulford SPST	↓ 53%
5	Payhembury STW	↓ 57%



Payhembury



Salcombe Regis

Pollution incidents

We remain focused on improving performance on pollution incidents to watercourses, as measured by the Environment Agency. In April 2025 we published our Pollution Incident Reduction Plan (PIRP) to drive a step-change in performance. We updated and republished the plan in March 2026 to reflect learning from incidents and operational events, and to incorporate our latest priorities and areas of focus.

Our PIRP in 2025 was underpinned by five pillars:

- People and culture – approximately 50 managers completed dedicated training and over 200 colleagues completed mandatory training covering chemicals and site drainage. A business-wide campaign ‘The Great Big Sparkle Challenge’, received over 1,000 entries to drive improvements across wastewater operations.
- Customer and community engagement – delivery of our sewer misuse campaign, Bin It Don’t Block It, alongside approximately 5,500 visits to misuse hotspots.
- Smarter operations – development of an enhanced catchment-based sewer cleansing programme, with 114km of sewers cleansed, alongside enhanced pumping station maintenance.
- Asset health and investment – targeted investment to address known risks and improve resilience, informed by incident learning and performance data; for example, replacement of a high-risk rising main at Dunkeswell.

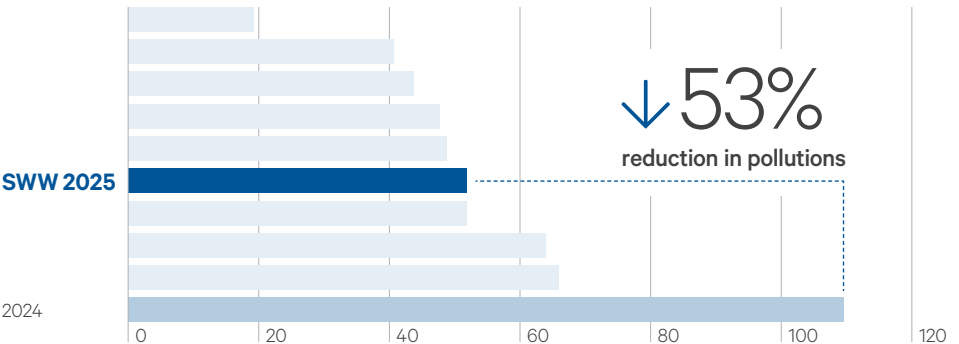
- Data, insight and assurance – improved monitoring, investigation and reporting to support faster interventions and sustained performance improvement. We have seen a 76% success rate using AI driven alerts from 12,000 sewer level monitors, to drive positive and timely interventions in our network.

Delivery of PIRP initiatives contributed to a 34% reduction in Category 1–3 incidents, alongside a 60% reduction in repeat pollution incidents. Root cause analysis has helped us target interventions more effectively – through asset upgrades, smarter monitoring and operational improvements, and behavioural campaigns to reduce misuse of the network.

During the year, disappointingly, one event in Menagwins resulted in a Category 1 incident – our first since 2018 – following a chemical spillage caused by a structural defect in a third-party tanker hose and the failure of a bung within the site drainage system. There were two Category 2 incidents, a reduction from four in the prior year.

The positive improvement in the number of pollution incidents means we have the lowest number of absolute incidents in the sector, and following the recognition of our increased sewer length by the Environment Agency, our normalised pollution incidents reduced by 53% year-on-year. When considered against draft industry performance, South West Water is no longer an outlier in this measure for the first time.

Industry pollutions per 10,000km



Operational review continued

Tackling storm overflows and pollutions continued

Operational compliance

In August 2025, we agreed enforcement undertakings with Ofwat in relation to our historical wastewater operations. Alongside the rest of the sector, we recognise the need for an increased focus on compliance with relevant permits and obligations. In parallel with investment to reduce pollution incidents and minimise storm overflow operation, we are strengthening the systems, processes and controls that support compliance across our wastewater activities.

Our numeric compliance performance for the period was 98.1%, with six of our wastewater treatment works experiencing failures. We have continued to enhance our action plans, working closely with the Environment Agency through regular performance and compliance reviews. We continue to support the Agency's inspections and compliance visits. We have seen a four-fold increase in the number of site visits over the past two years, providing additional scrutiny of our operations. We are pleased that three out of every four inspections resulted in a fully compliant assessment, with the remaining inspections identifying minor issues for remediation. All actions are tracked, monitored and remediated as part of our ongoing drive for 100% compliance.



📍 North Petherwin storm tank

Sewer flooding and network performance

The South West experienced exceptionally high rainfall between November 2025 and February 2026 – nearly double the usual average for these winter months. Cornwall experienced the wettest winter on record, and there were named storms in early 2026, including Storm Goretti, with winds recording 99 miles per hour and causing significant power outages, also impacting performance.

Internal sewer flooding incidents increased to 1.20 per 10,000 connections, with almost double the number of incidents in January 2026 and February 2026. While this is an increase year-on-year, it remained below the target of 1.34 and we expect it to remain a strong position compared with industry performance. External sewer flooding incidents reduced to 1,442 (2024/25: 1,465) but were ahead of target. Sewer collapses reduced by 33% year-on-year, reflecting targeted network activity to reduce blockages and improve performance.

We recognise the significant impact sewer flooding can have on customers when homes, businesses and properties are affected. We have prioritised activity to reduce sewer flooding incidents, while continuing to target resilient network performance and reduce blockages and collapses.

During the year we enhanced the compensation we provide when internal flooding occurs by:

- doubling the minimum payment available,
- uplifting allowances for repeat incidents in addition to standard payments, and
- ensuring compensation is paid automatically, and within 20 days.



📍 Sidmouth beach

Operational review continued

Tackling storm overflows and pollutions continued

Environment Performance Assessment (EPA) and WINEP delivery

The Environment Performance Assessment (EPA) is the Environment Agency's annual assessment of environmental performance across the water sector. Companies are rated against a range of measures, with an overall rating of up to four stars.

Whilst we have made progress in a number of measures monitored by the EPA, the provisional 2025 EPA rating is 1*. This reduction year on year results from improving performance against operational measures such as pollutions, although with more to do to achieve amber and/or green status. However, progress against our WINEP capital programme has resulted in a deterioration in the EPA score year-on-year; we achieved 18 out of 19 of our Year 1 deliverables, and delivered 30 wastewater investigations earlier than required. However, to achieve amber status or better, 98% of projects must be delivered, including any outstanding AMP7 programmes. nine AMP7 projects had dates due for completion by March 2026; we delivered six of these, with one completed since 31 March and two deliverables under discussion with the Environment Agency. Any single failure would have resulted in a red metric for the EPA given the relatively low number of projects due for completion and we remain focused on delivering all elements of the programme on time as we progress through the delivery period.

Our operational measures showed improvement year on year including:

- Pollution incidents – total pollution incidents per 10,000km of sewer main reduced to 51, a 53% improvement compared with 2024, reflecting both the reduction in the number of incidents and recognition by the Environment agency of a revised sewer length. Given our topography and proximity to watercourses, despite this material reduction, this measure remains challenging to achieve the targets set by the EPA.
- Serious pollution incidents – Category 1–2 pollution incidents reduced from four to three but remain adverse to the EPA target.
- Sludge compliance – maintained at 100%.
- Numeric compliance – maintained at 98.1%, achieving 'amber' status.

We remain focused on reducing both pollutions and storm overflow spills and achieving our goal of an EPA 4* rating; we note that from 2026, the EPA assessments are changing, with measures added and removed, definitions broadened and targets made even more stretching. Introduction of these changes are phased through to 2028 and we are working closely with the Environment Agency to ensure we understand and respond to the revised scorecard.



📍 Dawlish

Dawlish – investing to reduce storm overflow spills

As a result of early start funding for our AMP8 storm overflow programme, we have been able to complete delivery of a major improvement project in Dawlish during 2025/26. We recognise the importance of reducing storm overflow spills for customers, and in Devon and Cornwall, we know that customers want this investment to be prioritised at beaches and bathing waters around our coastline. As a result, our investment in Dawlish was driven by the need to reduce spills from storm overflows, strengthen operational resilience and meet evolving stakeholder expectations. It will also help us ensure greater resilience to climate change and respond to community concerns regarding environmental performance.



📍 Dawlish wastewater solution

Investing for the future

From inception, the team adopted a whole-life, sustainability-led approach – integrating operational insight, environmental stewardship, and constructability to optimise long-term value. The solution provides a repeatable model for delivering measurable storm overflow improvements in sensitive coastal locations.

The project was delivered through the Amplify alliance, bringing together national and local partners. The integrated delivery model embedded operational, environmental and constructability expertise from the outset, enabling aligned, outcome-focused decision-making.

South West Water set clear strategic direction and outcome-based objectives, with operational teams shaping solutions to ensure resilience, maintainability, and effective performance in a constrained coastal catchment. Strong governance and transparent collaboration across designers, constructors and operators enabled early risk identification and effective mitigation, maintaining alignment throughout delivery.

Reduced storm overflow activity supports bathing water quality and coastal amenity, benefiting residents, visitors, and local businesses. Stakeholder engagement with residents, businesses and the Parish Council informed delivery planning and helped minimise disruption, supporting continued public confidence during works in the town centre.

Councillor James, Mayor of Dawlish, welcomed the investment, recognising the increasing pressures on water services and the importance of protecting Dawlish's community and environment. He also noted that, while disruption was unavoidable, the working relationship with South West Water and its contractors was positive, transparent, and collaborative.

Operational review continued

Tackling storm overflows and pollutions continued

Pollution Incident Reduction Plan

Our Pollution Incident Reduction Plan (PIRP) sets out the decisive actions we are taking to reduce pollution incidents across our water and wastewater network and protect the environment. The plan is shaped by feedback from customers, stakeholders and local communities, and is supported by our largest-ever commitment to environmental improvement.

Thanks to targeted investment and operational improvements, our teams are preventing many incidents before they escalate, safeguarding local communities and nature. However, we recognise we need to do more and remain committed to making the changes needed to reduce pollution and improve the environment.

Looking ahead

We're taking practical steps to protect the environment and reduce pollution across our region. Our plan has developed and is now built around six key pillars, designed to tackle pollution from every angle and ensure sustainable improvement.



➤ Read more www.southwestwater.co.uk/siteassets/documents/environment/rivers-and-bathing-waters/swb_pirp-customer-summary-200326.pdf

Our plan to reduce pollution – at a glance

Our plan has developed and is now built around six key pillars, designed to tackle pollution from every angle and ensure sustainable improvement.

The key initiatives of our PIRP strategic pillars

Culture and human resources initiatives	Customers and community engagement	Specific asset upgrades	Introduction of new systems and technology	Programmes of asset maintenance	Operational response
Right people, right skills – building teams and specialist knowledge Increased training and use of our new training centre Enhanced induction programme Effective staff engagement Cross-company collaboration and knowledge sharing	Customer roadshows Education programme Public campaigns to tackle unflushables, fats, oils, and greases Collaboration to prevent sewer misconnections Funding community groups that support the local environment	Targeted asset renewals and upgrades Sewer capacity enhancement schemes Increase network and sewage treatment capacity Improved power resilience Enhanced investment to reduce storm overflow discharges	Improved pump performance monitoring Enhanced burst detection analytics Optimise sewer level monitoring Emergency storage availability assessments Rollout of digital site manuals	Enhanced proactive inspections Enhanced condition-based maintenance dashboards Optimised air blower maintenance Proactive catchment cleansing AI-driven predictive maintenance	Rationalisation of alarms Chemical management protocol Rapid deployment teams for pollution incidents Optimisation of incident management procedures Mark up of site drains

Operational review continued



Driving environmental gains and delivering Net Zero

South West Water is proud to be at the forefront of environmental infrastructure, with environmental stewardship central to our success.

Guided by our connection to the water cycle, we are investing for the long-term and taking measurable action to improve water quality, enhance biodiversity and accelerate progress towards Net Zero.

Our regions are home to some of the UK's most treasured natural assets. With 860 miles of coastline, 157 bathing waters, four natural parks and 10 national landscapes, we operate across an area of high environmental importance.

These natural resources play a critical role in the delivery of our water and wastewater services but are under increasing pressure from climate change and human impact. We have a responsibility to act to protect and improve the rivers, streams and coastal waters that we rely upon and which are so important to our communities and visitors to the region.

Our environmental leadership is focused on restoring habitats, supporting biodiversity, improving rivers, supporting sustainable land use, and investing in nature-based solutions that will improve the places people love and create a healthy and thriving environment across the South West.

Driving environmental gains

Since the Water Industry Strategic Environmental Requirements (WISER) were set in 2022 by the Environment Agency and Natural England, as part of the UK Government's 25-Year Plan, all water companies have taken measures to focus more resource and investment into environmental resilience.

South West Water's PR24 business plan launched early to begin delivery ahead of schedule and now following the water industry's Cunliffe Review (2025) and Government White Paper (2026) teams are working to review, adopt and progress the recommendations.

In 2025/26 Pennon took several steps to advance the Group's environmental governance including the first appointment of a Chief Sustainability and Natural Resources Officer (CSNRO). The ESG Committee has also gained closer oversight of Net Zero and Climate Resilience objectives with ongoing active participation in the Water UK Environment Committee and local partnerships.

Key metrics	
UST active management (ha)	5,138
Peatland restored (ha)	254
Number of Biodiversity units nominated	379
Ofwat Innovation projects	Water Net Gain
Number of trees planted	31,893

Working in partnership

Working with local communities, groups and organisations is key to strengthening networks and partnerships for environmental gains between the public, private and third sectors.

In 2025/26 we contributed to the launch of important regional initiatives such as Plymouth's Plan for Nature, the Wild Summit hosted in Bristol, the UK Government's Land Use Strategy and Local Nature Recovery Strategies for Cornwall and Isles of Scilly, Devon and Bristol. Alongside ongoing engagement in Catchment Partnerships, we host the Let's Talk water stakeholder forum to engage our environmental partners.

Biodiversity Strategy

South West Water's Biodiversity Strategy (2023) has been informed by Defra's Plan for Water (2023) a clear commitment to the protection, enhancement and sensitive management of our landholdings and natural assets summarised in our approach to "protect the best, restore the rest and to work in collaboration beyond our landholdings".

The Water Special Measures Act (2024) updated the list of statutory duties that water companies are responsible for under the Water Industry Act (1991) to establish greater accountability for sustainability outcomes including climate resilience and biodiversity. South West Water has made measurable progress to meet our Biodiversity Duty, strengthened under the Environment Act (2021), which we plan to build on over AMP8-AMP9, as detailed in our

[➤ Growing Nature to 2035 Progress Update report \(2026\).](#)

Ofwat's AMP8 Biodiversity Performance Commitment

In 2025/26 each water company began work towards the new Ofwat Biodiversity performance commitment. We nominated habitat parcels for enhancement which were approved by our Biodiversity panel and then baselined these using Defra's biodiversity metric. Enhancement works in these parcels has now progressed at scale and pace over the winter.

In total South West Water is forecast to deliver a combined target of 353 biodiversity units of positive net gain by 2030, with 379 units nominated for investment across 18 sites between SWB and BRL.

South West Water's £2 million Nature Recovery Fund

In early 2026 we launched the application process to fund community led projects which deliver measurable benefits to nature, water and people. Funded as part of our redress package for customers announced in September 2025, the fund has welcomed significant interest with successful projects awarded in May 2026.

We are committed to supporting the natural environment. From restoring habitats to investing in clean energy, we are helping to build climate resilience and protect the places people love.

£2 million

South West Water's Nature Recovery Fund was launched during the year to fund community led projects which deliver measurable benefits to nature, water and people.

5,138

hectares Upstream Thinking active management

Operational review continued

Driving environmental gains and delivering Net Zero continued

Protected sites and species

Park Pit and Stannon Lake

Throughout the year, work has continued to advance Higher Tier Countryside Stewardship applications for Park Pit and Stannon Lake, both designated County Wildlife Sites. Ongoing engagement with partners and stakeholders has helped strengthen the proposals, which will continue to be refined to secure long-term biodiversity and ecological resilience.

South West Water

South West Water, in partnership with South West Lakes Trust, has restored multiple County Wildlife Sites within the South West Water estate and is safeguarding several SSSIs, including Crowdy Marsh and Lopwell Dam. In 2025/26, the South West Lakes Trust actively managed eight of South West Water's SSSIs, delivering agreed habitat management, ecological monitoring and stakeholder engagement to protect designated features and maintain favourable condition, and, where applicable, support recovery towards favourable condition.

Bristol Water

Many designated sites are influenced by pressures beyond our land. Where only part of a site or its contributing catchment is within our ownership, site condition is shaped by a complex interaction of land use, diffuse pollution and climate change. Blagdon Lake SSSI was reclassified by Natural England in 2025 as Unfavourable (declining), reflecting elevated nutrient levels from the wider catchment alongside the effects of climate change. While this presents a challenge, it has also created an opportunity to accelerate a coordinated recovery plan for the site. Working with Natural England, the Environment Agency, local landowners and delivery partners, Bristol Water is developing a catchment-wide programme to reduce nutrient inputs.

Alongside this collaborative approach are plans to explore and implement nature-based solutions, such as floating wetlands, and to improve the management of our land to support long-term ecological recovery.

Fish and eels

South West Water has continued to improve fish and eel passage and intake screening across South West Water assets, supporting the recovery of native species and enhancing river connectivity. The programme is on track to deliver eight eel passes, seven eel screens, and the removal of a barrier within the Dendles Wood SSSI, enabling fish and eels to move more freely between feeding and breeding grounds. The recently completed Lopwell Dam eel screen was shortlisted in 2025 for the Institute of Civil Engineers (ICE) People's Choice Award, recognising the successful delivery of a complex project with strong environmental benefits. At the Colliford Hatchery we raised 40,000 salmon (a total of 400,000 since 2016) which were stocked at 20 sites along the St Neot, the main tributary of the River Fowey, rising above Colliford Lake. This supports survival of salmon species and supporting the broader health of the river's ecosystem.

Invasive Non-Native Species (INNS)

In 2025/26 South West Water INNS awareness, education and training activity increased, with over 7,000 people engaged through outreach and events. Our biosecurity programme is on track to install three new boat wash-down facilities, 10 new dip tanks and signage across multiple sites by the end of AMP8.

For our biosecurity programme we appointed specialist contractors to test new methods of removal at Christchurch Harbour and continued large-scale control programmes for American signal crayfish at key reservoirs including Burrator and Roadford. We have also captured and removed over 2,300 invasive fish called ruffe because they displace native fish species and disrupt the food web, preventing them from entering the St Neot and the wider River Fowey system. This is the highest number since the screens were installed three years ago, suggesting a population boom last year.

NatureSafe

Launched in early 2024, NatureSafe is an internal communication campaign to raise awareness of nature-related risks across South West Water's operational sites. It equips ground teams with resources and support for ecology enquiries and to mitigate any potential incidents. In 2025/26, the campaign expanded to deliver training sessions to Bournemouth Drinking Water teams; incentivise behaviour change through South West Water's Site Pride and 'You Rock' reward schemes and set up an internal SharePoint Hub. At South West Water our operational teams are learning to co-exist with and adapt to the presence of beavers on, adjacent to or nearby our assets as we continue to identify and mitigate any potential impacts.



NatureSafe



📷 Natural Resources Team visiting a Native Crayfish Ark site in Devon (photograph by Marcus Brown)

Operational review continued

Driving environmental gains and delivering Net Zero continued

CREWW

We continue to address the longer-term challenges facing the water sector driven by climate change and population growth through our joint venture research partnership with University of Exeter, the Centre for Resilience in Environment, Water and Waste (CREWW).

We have committed £21 million of capital and research investment which will fund multiple academic schools across the University of Exeter, working alongside our subject matter experts to meet these challenges.

Ranging from harnessing the power of AI to reduce the risk of groundwater infiltration into our sewer network system to reduce the use of storm overflows, to investigating the prevalence of polyfluoroalkyl substances (PFAS) and microplastics in our drinking water and wastewater, we are using science to drive value for money for our customers and protect our environment.

This year, we have extended the reach of the partnership with the University of Exeter, building on the foundational work of academics focused on catchment management, natural processes, and nature-based solutions which dates back to 2006 through our pioneering partnership with the farming community (Upstream Thinking) to bring better water quality to the South West through a systems based approach.

We have introduced a research theme lead framework which partners academics in the schools of computer science, engineering, bioscience and social science with our subject matter experts to promote a holistic solutions-based approach. This framework is now integral to CREWW's ways of working and has already contributed to the initiation of new multi-disciplinary research projects which also draw upon expertise and input from outside the CREWW partnership.

The CREWW Safe to Swim (S2S) Forums, held in September 2025 and March 2026, convened local water quality interest groups, water companies, internationally respected water industry-focused academics from Newcastle University and the University of Exeter, representatives from local government, national regulators, UKHSA and technology consultants responsible for advising the Paris Olympics Organising Committee on use of the Seine for events.

The S2S Forums facilitated discussion regarding improved methods for informing customers and visitors, empowering them to make well-informed decisions and helping to prevent unnecessary 'not safe to swim' alerts that negatively impact coastal communities economically. We will be launching research projects and discussions with regulators on the research themes identified in the forums, namely:

1. Improving the current approach

To identify and develop methods for improving existing modelling systems which underpin water quality alerts. The focus will be tailoring alerts for specific bathing waters (local tides/marine topography) rather than the current global models.

2. Influencing behaviours

Working with local stakeholders to ensure the improved alert information is understood by bathing water users in terms of risk of illness and causes of risk. A risk-based approach will balance the safeguarding of bathing water user health with protecting coastal economies from blunt 'yes/no' unsafe to swim alerts.

3. Better science, better understanding of risk of illness

With the advances in science since the 1980's (where the current bathing water regulation regime draws its scientific basis) this theme will review the current scientific approaches to identifying risk of illness to bathing water users.

We look forward to sharing the S2S initiative and the wider research programme with the International Water Industry at the 2026 IWA World Water Congress & Exhibition in October 2026 where multiple research projects have been selected by the IWA academic panel to be showcased.

Centre for Resilience in the Environment, Water and Waste (CREWW)

South West Water's partnership with the University of Exeter is now taking strides in pioneering research to address challenges facing the UK water industry and overseas. In 2025/26, several projects were launched to:

- map and predict high-risk groundwater infiltration areas;
- improve safety and quality of bathing waters in a new expert-led Safe to Swim Forum;
- investigate restoration of seagrass and temperate rainforest habitats in the South West via Water Industry National Environment Programme (WINEP); and
- tackle prediction of algal blooms in lakes.

Water Industry National Environment Programme (WINEP) Improvements

Across South West Water, our water companies have been working closely with regulators, including the Environment Agency and Natural England, to develop and deliver environmental programmes through the WINEP, focusing on key themes such as drinking water protected areas, fish and eels, Invasive Non-Native Species, and protected sites.

Investigations

Through targeted WINEP investigations, South West Water is advancing nature-based solutions across marine and terrestrial habitats. Our seagrass investigation project is assessing the impacts of treatment works and upstream catchment improvements on seagrass health across the South West, alongside an Ocean Conservation Trust trial examining how nutrient pollution from sewage and agricultural runoff affects seagrass survival, helping to identify opportunities for active restoration. In parallel, our Temperate Rainforest investigation is exploring the creation and restoration of celtic rainforest on South West Water land and across wider catchments, supported by partnership projects including a Plantlife-led project on Dartmoor to build evidence and share best practice for scalable restoration.



➡ CREWW building

Operational review continued

Driving environmental gains and delivering Net Zero continued

Conservation, access and recreation Bristol Water

At Bristol Water's Blagdon Lake, a highlight of the biodiversity works underway in 2025/26 includes a large hedgerow project where 1,890 metres have been laid by a local champion hedge layer, inspiring training sessions for local apprentices. At Chew Stoke Pumping Station, the countryside charity CPRE planted 660 metres of hedgerow to improve safety and livestock barriers while creating a wildlife corridor between existing woodland and wildflower meadows. Community engagement has continued for conservation and recreation across the Bristol estate, including school woodland visits, reservoir runs, charity and NHS events.

South West Lakes Trust

In 2025/26, teams in South West Water and South West Lakes Trust worked closely to continue delivery of environmental, access, education and recreation benefits across our reservoirs and lakes. Over 2.1 million visitors explored the trails, play areas and nature surrounding our lakes across the South West, supported by more than 4,000 volunteer days and 5,500 education sessions. Provision includes habitat enhancement, species monitoring, outdoor learning and wellbeing activities, access to the water for recreation, and the maintenance and improvement of paths and visitor facilities to ensure they remain safe and well cared for, delivering value for people and nature.

Innovation

South West Water is partnered with Westcountry Rivers Trust on our Water Net Gain project for the Ofwat Innovation Fund which in 2025/26 put forward a Willingness to Accept Study to prepare a funding case for the forthcoming PR29 business plan to facilitate the restoration and creation of ponds and scrapes across our landscapes in the South West. Also in 2025–26, the sector's first land-based carbon baseline was completed via the UK Water Industry Research (UKWIR) research programme.

Upstream Thinking

South West Water celebrated the 15-year anniversary of our Upstream Thinking catchment management programme which has become a cornerstone in the

Group's environmental leadership to deliver impactful and lasting improvements to water quality, biodiversity and catchment resilience across each region.

In 2025/26, Upstream Thinking delivered 5,138 hectares of active management and the programme expanded to cover 95% of our drinking water catchments to include Chew Magna, Egford, Blagdon, Forum Springs, Axe, Cheddar and Avon in the Bristol area. This year our highlights include reaching a total of 421,199 trees planted since 2019 and receiving further recognitions, winning the CIRIA Biodiversity Challenge Award and a water industry award for Natural Capital Initiative of the Year.

South West Peatland Partnership

In early 2026, the partnership premiered a short film called The Living Layer to raise awareness of the importance of peatland restoration and to give insight into the team's work across Exmoor, Dartmoor and Bodmin. In 2025/26, over 2,370 people in total engaged with events, volunteer days and school excursions including a visit from Prince William, Duke of Cornwall, launching a 20-year plan for the Duchy's Dartmoor Estate which includes areas of the peatland programme.

In 2025/26, the programme delivered 254 hectares of peatland restoration with the support of 120 registered volunteers and more than 20 local partners, farmers, landowners, and funders.

Our Net Zero transition

Our commitment to Net Zero goes hand in hand with climate adaptation. We are cutting our emissions through the use of renewable energy, low-carbon infrastructure and improvements to our operational efficiency. South West Water and Bristol Water form a large part of the Pennon Group's Science Based Targets (SBTs) and have contributed towards the Group achieving a 41% reduction in its Scope 1 & 2 emissions from a 2021/22 baseline. This target is aligned with our emissions reduction trajectory to meet our Group's rebaselined near-term science-based target to achieve a 63% reduction in Scope 1 and 2 emissions by 2032/33.

We are also innovating across our supply chain to tackle scope 3 emissions, having trialled low-carbon materials and processes to reduce embodied emissions.

2025 Water Industry Award winners

Natural Capital Initiative of the year South West Water – Upstream Thinking

This award is for going above and beyond normal practice and continued and ongoing commitment to sustainability and environmental improvement. This relates not just to the natural environment an organisation holds in trust but also in its own practices and operations.



“ This programme celebrates its 15th anniversary this year, but continues to innovate and demonstrate measurable benefits. The judges said the project's evidence-based approach has shown how complex and pioneering collaboration with the local communities and stakeholders can lead to multiple benefits.

Looking ahead, we continue to decarbonise our operations by introducing new initiatives such as measuring and monitoring the direct real-time emissions of nitrous oxide (N₂O) from our wastewater treatment works, helping us to control our treatment processes and minimising the formation of process-related greenhouse gases.

We will also continue to pursue options to recover more energy from our bioresources, using the energy generated to power our own operations, as well as continuing to work with our supply chain to increase the adoption of low-carbon goods and services and to decarbonise construction

➔ [Read more about our progress on our Net Zero transition on 42-45](#)

Climate adaptation

We're continuing to evolve how we work to meet the growing challenges of climate change, such as more intense rainfall, hotter summers, and rising sea levels, by embedding resilience into our infrastructure and planning.

We assess climate risks across our operations, using these insights to guide investment and ensure our assets are future ready. We work with landowners and farmers to restore wetlands and improve soil health, drawing on learning from the Ofwat Innovation-funded Water Net Gain project, which explores how nature-based solutions can deliver multiple environmental benefits and climate resilience.

Our Green First approach combines natural and engineered solutions to support flood mitigation, carbon capture, and biodiversity. We're also helping communities adapt by promoting sustainable behaviours and raising awareness, building a resilient future for people, nature, and generations to come.

Operational review continued



Addressing Affordability and Delivering for Customers

Delivering for customers and supporting affordability is one of our four strategic priorities. Water is an essential service. Every day, our customers rely on us to provide safe, reliable drinking water and wastewater services, alongside responsive support when they need help. Trust is fundamental to that relationship. It is built not only through the quality and reliability of our services, but also through how we communicate, listen and respond to customers. Over the past year, that trust has been tested.

Customers across all our regions have continued to face significant cost-of-living pressures. At the same time, water companies across the sector have begun delivering major regulator-approved investment programmes, resulting in higher bills. We recognise the impact this has had on household finances, particularly in the South West, and understand the importance of demonstrating value for money while maintaining customer confidence.

Against this backdrop, affordability and customer experience have remained at the centre of our approach. We have focused on keeping bills as low as possible through operational efficiency, expanding support for customers who need extra help, improving areas where customers told us we were falling short, and using feedback to drive continuous improvement.

Customer insight plays a critical role in shaping our priorities. This includes C-MeX (Customer Measure of Experience), the independent industry measure of customer experience. C-MeX helps us understand how customers perceive their overall experience with us and highlights where we are performing well and where we need to improve. These insights directly inform our plans and investment decisions.

Our focus is on delivering a simpler, more responsive customer experience by communicating more clearly, resolving issues faster, getting things right first time and providing a more consistent service across all customer journeys.

Supporting affordability requires action on two fronts. First, we must continue to operate efficiently to keep bills as low as possible while investing in essential infrastructure and maintaining high standards of safety, reliability and environmental performance. Second, we must ensure that customers facing financial difficulty can access practical and accessible support.

Our £200 million customer support package underpins this commitment, enabling us to provide increased assistance to those who need it most while continuing to invest for the future. As an essential service provider, we also recognise our wider role in supporting the health, wellbeing and resilience of the communities we serve. This responsibility shapes how we engage with customers and make long-term decisions.

Across our household and business contact centres, we aim to provide simple, joined-up support from first contact through to resolution. Whether a customer is contacting us about a bill, affordability support, a service issue or additional needs, our goal is to make it easy to access the right help, first time.

Technology will play an important role in further improving customer experience. During the coming years we are investing in:

- A new telephony platform to improve call handling and reduce waiting times during peak periods.
- A new billing system to deliver clearer, more accurate and easier-to-understand bills
- A new customer platform that brings customer information together, enabling faster, more personalised service

Together, these investments will help us deliver a simpler, more efficient and more customer-focused experience while continuing to support affordability and build trust.

Customer Measure of Experience (C-MeX)

C-MeX (the Customer Measure of Experience) is Ofwat's independent measure of customer experience. It combines feedback from customers who have interacted with us directly with wider research into how customers perceive our companies overall. Together with our own performance data and customer insight, it helps us understand what matters most to customers and where we need to improve.

These insights play an important role in shaping our Customer Strategy, which is built around delivering a service that is trusted, simple and human. The strategy is guided by five core principles: resolving issues first time, getting important moments right, communicating proactively, making self-service easy to use, and being clear about accountability. We have also aligned customer promises across South West Water to provide a more consistent and transparent experience, while sharing best practice across our regions to accelerate improvement.

Improving customer experience remains a key priority and is regularly reviewed by both management and the Board. Our improvement plans focus on addressing the issues that matter most to customers through clearer communication, faster resolution and continuous improvement across our customer journeys. By understanding the root causes of customer dissatisfaction, we can make changes that deliver lasting improvements rather than short-term fixes.

During the year, particular focus has been placed on areas that have the greatest impact on customer experience, including billing, leak management, blockages and operational service delivery. These are often the moments that matter most to customers, and where improvements can make the biggest difference to trust and satisfaction. We are already seeing benefits from the actions taken and remain focused on sustaining progress.

Performance varies across our regions. Bristol Water continues to perform strongly and remains one of the sector's leading performers. South West Water remains an area of focus as we continue to improve customers' experience while delivering a significant programme of investment designed to enhance services and resilience for the future.

By combining customer insight, operational improvement and targeted investment, we are focused on delivering a more consistent, trusted and effortless experience for customers across all our regions.

Operational review continued

Addressing Affordability and Delivering for Customers continued

Together, these investments will help reduce waiting times, improve first-contact resolution, enable more proactive support, and ensure customers receive clearer, more timely and more personalised communications. They form a core part of our plans to strengthen service delivery and improve customer experience as we continue to deliver our investment programme.

Keeping bills affordable

Affordability starts with delivering high-quality services at the lowest sustainable cost. Over the past decade, we have consistently kept bill increases below headline inflation by focusing on operational efficiency, productivity and strong customer service. This approach helped to protect customers during a prolonged period of economic uncertainty and rising household costs.

However, the water sector is now in a period of unprecedented investment. Across England and Wales, companies are delivering a £104 billion regulator approved investment programme through to 2030. This investment is essential to ensure safe and clean drinking water, reduce storm overflow use, protect and enhance the environment, strengthen network resilience and prepare for the impacts of climate change.

In the South West, the challenge is particularly pronounced. Our network serves over 157 designated bathing waters, spread across a large and geographically diverse region, and is supported by a comparatively small customer base. Customers rightly care deeply about protecting the rivers, beaches and coastal waters that are so important to their local communities, health, wellbeing and economy. Delivering that protection, however, comes with higher infrastructure and operating costs.

As a result, significant bill increases were required. In 2025/26, customers experienced a step change in their bills, followed by a further increase in 2026/27. While the increase this year was lower on average, we knew affordability pressures would remain a concern. These changes reflected a sector-wide position, with household water bills rising across England and Wales from April 2026.

We recognise that customers want us to deliver the investment programme and the benefits it brings, but they also want fairness, clarity and support. That balance has guided our decisions throughout the year. Alongside increasing investment, we have worked hard to strengthen affordability support and improve how we communicate and apply bill changes.

Understanding the bill impacts

The bill increases led to a noticeable increase in customer contact. Customers told us they were concerned about affordability, worried about future costs, and sometimes confused about why their bill had increased by a particular amount or by more than expected.

For many customers, higher water bills came on top of wider financial pressures, including rising housing costs, energy prices and food bills. For customers in vulnerable circumstances who need extra support, these pressures were often compounded by health conditions, disabilities, caring responsibilities, language barriers, digital exclusion or recent major life events such as bereavement or job loss.

We heard very clearly that affordability is not just about the size of the bill. Customers told us that what matters most is:

- knowing about changes early
- receiving clear, simple explanations
- feeling that changes are fair and consistent
- being able to access help easily
- speaking to someone who understands their situation

This feedback was consistent across regions and customer groups. We used it to shape the changes we made to our approach in 2026/27.

Lessons learnt from annual billing

One of the clearest lessons from the 2025/26 billing cycle was that sharp changes and inconsistencies between tariffs created confusion and anxiety for customers. While some changes were required by regulation, we recognised that we needed to do more to smooth impacts and improve clarity.

In response, for 2026/27 we made a number of changes:

- Average bill changes were applied more consistently across tariffs
- Sharp peaks and troughs were reduced, particularly where smaller customer groups had been disproportionately affected
- Where changes were required by Ofwat methodology or tariff re-balancing, we introduced glidepaths to phase impacts over several years

These steps did not remove the need for bill increases, but they helped bring bill changes into a narrower, more predictable range. Customers told us that this made changes easier to understand and plan for.

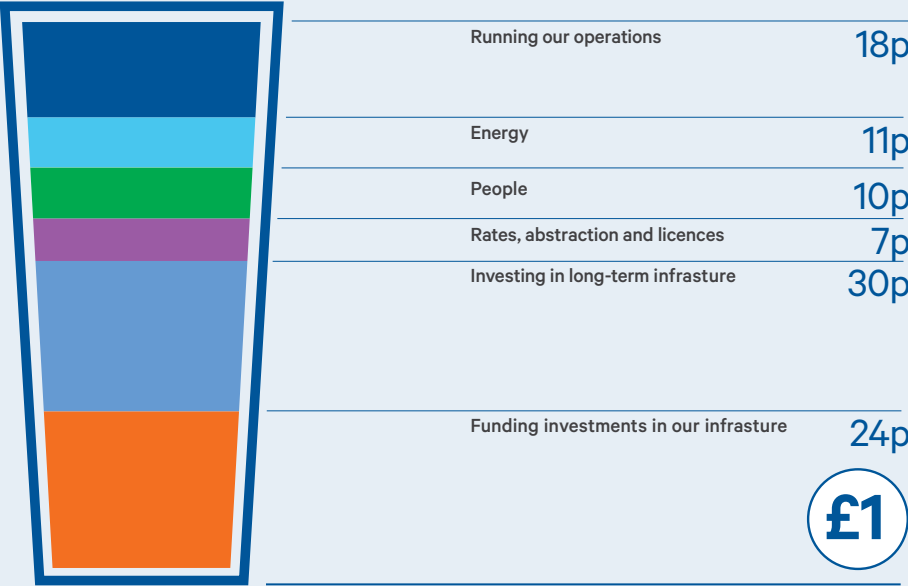
Helping customers understand our bill – learning from customer feedback

In response to increased customer contact during the previous billing cycle, we strengthened how we support customers through bill changes. We invested in preparing our customer teams to provide clearer explanations, consistent advice and reassurance, with a strong focus on identifying customers who needed help, placing them on the right support tariffs and helping reduce bills through metering and water efficiency where appropriate.

Customer feedback from 2025/26 shaped a refreshed approach for 2026/27. We communicated earlier and more clearly across South West Water, Bournemouth Water and Bristol Water, applied bill changes more consistently across tariffs, and introduced glidepaths where some customers would otherwise have faced sharp increases. This made bill changes easier to understand and more predictable.

We improved early engagement with clearer, more personalised information about financial support and launched a new **“Your Bill Explained”** webpage, supported by simple visuals explaining how bills are calculated and invested. Signposting to support tariffs, the Priority Services Register, metering options and water efficiency advice was strengthened.

We also highlighted how bills fund local investment, reinforced colleague capabilities through targeted training and AI-enabled tools, and improved self-service and wait times. Our smart metering programme and progressive tariffs continued to reward lower water use, reinforcing the link between efficiency and lower bills.



Operational review continued

Addressing Affordability and Delivering for Customers continued

Eradicating Water Poverty

In 2019, we made a bold commitment to eradicate water poverty and ensure that all customers have access to affordable water services by 2025. Water poverty is defined as spending more than 5% of equivalised household income after housing costs on water. This pledge was made five years ahead of the industry-wide target for South West Water and Bournemouth Water, with a similar ambition subsequently adopted by Bristol Water in 2020. In 2025 we extended this pledge, committing to eradicating water poverty by 2030.

A £200 million customer support package was made available for those struggling with bills, alongside a range of broader affordability programmes.

Customers have also been encouraged to consider metering as a key way to manage costs, with customers able to save between £450 and £550 per year by switching to a water meter. Ninety-five per cent of customers who switched saved money, particularly benefiting low-usage and low-income households, and our Lowest Bill Guarantee removes the risk of switching. Seasonal tariff trials also demonstrated early signs of reduced consumption and lower bills which will support our wider affordability programme.

We have significantly increased the number of customers receiving support. By combining data-led targeting of customer communications, proactive and unprompted customer contact, and the automatic enrolment of eligible customers onto support schemes, we have been able to reach and assist more customers than ever before.

During the past year, South West Water and Bournemouth Water set a target to support 75,000 customers through social tariffs by the end of 2025/26. We are pleased to report that this target has been exceeded ahead of schedule, with over 79,000 customers now benefitting from a support tariff. In Bristol we have exceeded our 2030 target of 29,735 customers on support tariffs, this year we have 36,304 customers benefiting from support tariffs in our Bristol region.

Our annual billing process has played a critical role in identifying vulnerability, enabling us to proactively identify more than 8,000 customers in need of additional support prior to bill increases in April 2026.

Against the backdrop of a prolonged cost of living crisis and rising household bills, we have significantly expanded our affordability measures. This expansion has unlocked substantial financial support and enabled us to help more customers across our region. Our affordability toolkit is central to delivering our water poverty objectives and includes discounted social tariffs, flexible payment support, water efficiency measures, benefits entitlement checks, and the proactive identification of customers through advanced data modelling and auto-enrolment.

We will continue to enhance our affordability toolkit by strengthening partnerships with local authorities, advice agencies and debt support organisations to improve identification of an engagement with customers in need of assistance.

In addition to direct customer support, we continue to invest in long-term community resilience through our £5 million Better Futures programme. This programme provides hardship grants to individuals and supports community organisations that promote wellbeing, education, and positive environmental outcomes, ensuring that our support extends beyond households to benefit the wider communities we serve.

“ We have significantly increased the number of customers receiving support. By combining data led targeting of customer communications, proactive and unprompted customer contact, and the automatic enrolment of eligible customers onto support schemes, we have been able to reach and assist more customers than ever before.

Door Knocking (Housing Association Partnership)

Summary

We ran a community door knocking initiative in partnership with a local housing association to proactively support our customers in Newquay. The outreach focused on identifying affordability pressures early, providing practical support, and connecting customers to relevant company services through a joined-up, community-based approach.

Customers living in social housing can be disproportionately impacted by cost-of-living pressures, changes in income, and household vulnerability. At the same time, many customers are unaware of the support available or find it difficult to navigate formal channels. Working with housing associations enables us to reach customers where they are, build trust through a recognised partner, and reduce the likelihood of arrears and service issues escalating.

Objective

- Identify mutual customers experiencing affordability challenges and offer early, practical support.
- Increase awareness and uptake of relevant company services (e.g. payment support options, usage advice, digital support and affordability tariffs and debt schemes.)
- Strengthen partnership working with the housing association to provide a consistent customer experience.
- Reduce avoidable contacts and escalation (e.g., repeat calls, complaints) through proactive resolution.
- Gather insight from the community to inform future activity and service improvements.

Support and Services offered

- **Affordability support:** Explained available payment support options, tariff and debt schemes.
- **Account and billing help:** Helped customers understand bills/charges, check account details and usage.
- **Digital support:** Demonstrated how to use online/self-serve channels (or offered alternatives for customers who are digitally excluded).
- **Vulnerability and accessibility:** Identified additional needs and signposted/referral to specialist support where appropriate and educated on the priority services register.

Outcomes

Measure	Result
Doors knocked	459
Conversations held at door	144
Callback Requests	33
Affordability tariff applied	29
Average reduction in annual bill	£72.41

Operational review continued

Addressing Affordability and Delivering for Customers continued

Innovative Tariff Trials

We are currently testing three new, more flexible ways of charging for water, designed to encourage water saving while being fair to customers:

- Smart Saver – bills increase gradually based on how much water is used
- Seasonal tariff – lower charges in winter and slightly higher charges in summer, when demand is higher
- Summer Peak tariff – customers who use more than an upper limit pay a higher rate during the summer months

We have completed a one year review of the Smart Saver trial, which showed a 5.3% reduction in water use. This is a very positive early result, although more research is needed to understand how this could work for customers more widely.

The Seasonal and Summer Peak tariffs are still being reviewed. Early findings show that, while these approaches have the potential to reduce water use, some customers have concerns about higher bills and uncertainty around charges. We are taking this feedback seriously and are using it to shape how we design, explain and test any future tariffs, so customers feel informed, supported and treated fairly.

Supporting Vulnerable customers

We are committed to ensuring that all our customers, especially those in vulnerable circumstances, receive the support they need. Our Priority Services Register (PSR) plays a central role in this, offering tailored assistance to customers who may require extra help due to age, ill health, disability, or other personal circumstances. From October 2025 following guidance from DEFRA, we also welcome customers onto our core priority services register (CPSR) which recognises and prioritises those on the register who may be in need of more support, such as those who need a nominee, have communication needs or who may be more vulnerable to a loss of water supply.

We make it easy for customers to register for the PSR, ensuring that those who need help reading their bills, understanding their account, or accessing services can do so with ease. We also work closely with other utility providers to share relevant data, helping to identify and register customers who may benefit from additional support. For those who rely on a constant water supply for medical or personal needs, we ensure that appropriate help is available during any service interruptions, and across all regions, we are performing at or above our performance commitment levels for PSR services.

We are continuing to expand and align our PSR services across the Group, including expanding outreach efforts and ensuring that all customers have access to the support they need.

Storm Gorette

Overview

On 9 January, Storm Gorette caused significant disruption across Cornwall, including a power outage at Wendron treatment works that lasted until 12 January. As a result, up to 15,960 properties experienced water supply interruptions, including a number needing additional support or who relied on water for critical medical needs. During the incident, all customers with critical needs successfully received deliveries and communication was maintained throughout via text messages, voice messages to landlines, InYourArea, the website, social media and regional media coverage, alongside the establishment of three bottled water stations in Helston, Mullion and Marazion. Following the event, customers were invited to provide feedback via SMS, with 940 responses received, including 230 Priority Service Register (PSR) customers, representing a 12.8% response rate among those contacted and 5.9% of all affected properties.

Customer feedback

Overall, feedback from customers affected by Storm Gorette reflects a broadly positive view of the response, particularly given the exceptional circumstances.

Many customers recognised the severity of the storm and felt the situation was handled effectively, with strong appreciation for the efforts of frontline teams, especially those supporting bottled water distribution and vulnerable customers. Communications were seen as helpful and reassuring, supported by a range of channels and supplementary information such as video updates.

This positive sentiment is reflected in satisfaction metrics, with the highest scores relating to the frequency of updates, followed by satisfaction with the speed and clarity of communications, and accuracy. Customers placed particular value on being kept informed, although there remains opportunity to strengthen clarity and precision. Satisfaction with time to resolution was lower, reflecting the prolonged impact of the incident.

Together, this indicates that while customers valued the efforts, communication and support provided during a complex event, the length of disruption remained a key driver of overall experience.

This feedback was fed directly back into our incident management process for future service and communication improvements.



📍 Flambards bottle station

Open data

Driving Transparency and Innovation

We recognise that transparent, accessible data is crucial for building trust and driving innovation in the water industry. In line with Ofwat's IN 26/02 Expectations for large water company annual performance reporting 2025-26 published in April 2026 expectations for the 2025-26 reporting year requires elevated commitment to open data from the water sector.

This year we have taken significant steps to make our performance information more open, usable and impactful for customers, researchers, and other stakeholders. As per the 2024-25 Water Company Performance Report (WCPR) we have been making good progress in the publishing of machine-readable open data versions of the APR tables and provided clear rationales around characteristics applied and how this linked to wider open data work delivered.

Open Data Strategy and Governance

In 2025, we published the Pennon Group Open Data Strategy, setting out our vision and roadmap for open data across South West Water, and our wider group companies. (<https://www.southwestwater.co.uk/siteassets/documents/about-us/annual-reports/2024/apr-2024.pdf>).

This strategy endorsed by our Board outlines how we will make high-quality data more open and accessible to others, in alignment with Ofwat's 2021 H2Open principles and subsequent guidance. It describes our commitment to the FAIR + OEP (P) principles (making data Findable, Accessible, Interoperable, Reusable, Open, Ethical + Privacy-protected) to ensure that as we open up data, we do so in a trustworthy and responsible manner. For us to enable the publishing of datasets we have established clear governance framework that includes well defined process to follow for approvals. We have invested time in educating teams across the group on the governance process and how it enables us to be transparent and its benefits. This has helped us progress further on our journey with our open data roadmap showing progress towards our commitment to delivering our open data strategy. This has led to senior leadership oversight and integration of open data objectives into our broader data strategy and business plan commitments.

Accessible, Licensed Data Publication

In this APR, all our performance tables and regulatory datasets are published as machine-readable files (CSV format), in addition to the standard annual report format. We have provided comprehensive metadata for these datasets including definitions, methodologies, and context so that users can correctly interpret and reuse the information. Crucially, the data is released under an open licence (Creative Commons Attribution 4.0) which permits anyone to access, use, and share our data freely, supporting Ofwat's goal of removing barriers to data use. By adopting a common open licence and standard formats, we aim to maximise the value of our data for stakeholders while maintaining consistency with sector standards.

Industry Collaboration via Stream

We are an active participant in the industry-wide Stream open data platform. A collaborative initiative led by UK water companies to standardise and publish Annual Performance Report data openly and prioritise what are important datasets to publish. Our full APR 2025/26 data tables, along with those of other water companies, are available on the Stream portal for public access and comparison. Participation in Stream has enabled us to align with best practices for example, using the Stream CSV data templates and data triage processes and to contribute to collective improvements in open data across the sector. We continue to support Stream's development including participation and active contribution in technical working groups and user workshops. We will continue in our lead role as co-chair for Stream and provide working group and pillar champion volunteers. We have volunteered for the technological pillar champ role for two consecutive quarters so far and again in the change champion. Reflecting Ofwat's expectation of improved collaboration on open data across the industry.

Progress on Open Dataset Releases

Over the past year, we have expanded the range of open data we publish beyond the APR tables. We have identified key data sets of high interest to customers and stakeholders through Stream prioritisation and made these openly available. South West Water has published eight datasets on top of our annual performance reporting datasets which brings are datasets to 13 in total in 2025/2026. We have focused on publishing datasets on drinking water quality data, boundaries data, reservoir levels. We are also sharing environmental and operational data in near-real-time where it can benefit our communities with Storm Overflow Hub. In addition South West Water's WaterFit Live platform provides the public with updates on bathing water quality and storm overflow activity, an initiative that we have aligned with our open data programme for transparency. Going forward, we will continue to release additional high value datasets (for example, on leakage with night flow monitoring data, Event duration monitoring and domestic consumption datasets) via the Stream data portal. This approach responds directly to Ofwat's call for companies to unleash the benefits of open data by making more data publicly available to customers, researchers, and innovators.

Building an Open Data Culture and Capability

Internally, we have embedded open data principles into our culture and operations. Over the last year, we conducted training and awareness programmes to improve data literacy and encourage teams to proactively consider data sharing in their projects to embed the open data governance framework. We have also strengthened our data infrastructure to support secure and efficient access to data enabling sharing. By treating data as a core asset and fostering accountability in how it's managed, we are creating the capabilities needed to sustain open data long-term. This commitment to culture change and capacity building directly addresses Ofwat's emphasis on developing the necessary skills, processes, and leadership for open data within water companies.

Feedback and Continuous Improvement

We view open data as an ongoing journey. To ensure our open data delivers value, we have implemented feedback channels and monitoring. This APR includes contact details (email: annualaudits@southwestwater.co.uk) for any stakeholder who wishes to query or comment on the data. We actively encourage feedback on which data users find most useful and how we can improve future data releases via Stream. We also track usage statistics (e.g. downloads, portal views) for the datasets we publish on Stream. These insights will help shape our data publication roadmap for example, identifying which datasets to update more frequently or what additional context users may need. We are committed to refining our approach in line with user needs, which aligns with the industry's evolving best practices for open data. This iterative, user-focused approach demonstrates that we are not only publishing data but also fostering an open data ecosystem where data is actively used to drive innovation and accountability.

Open Data – Progress Against Roadmap

During the reporting year, the company has progressed delivery of its Open Data roadmap. An Open Data Strategy has been published, setting out the company's approach, priorities, and commitments for open data. An Open Data Governance Framework has also been developed and published internally and is now operational, providing defined ownership, controls, and decision making to support the publication of open data. The company has improved engagement and transparency by introducing a dedicated open data feedback email address, strengthening how feedback from users is captured, reviewed, and addressed. Data quality and standards have been improved across datasets published on Stream, all of which have passed validation checks. In addition, the company has made progress towards more consistent data refresh cycles, with datasets now being updated on monthly and annual bases where appropriate. These actions provide a stronger foundation for the ongoing publication of reliable and accessible open data.

Open data continued

Open Data Roadmap – Next 12 Months

To build on established open data foundations by assessing open data maturity, systematically increasing the volume and quality of published datasets, and improving the value derived from open data for customers and stakeholders.

Q1: Open Data Maturity Assessment and Prioritisation



Right Undertake a formal open data maturity assessment using a recognised framework, covering governance, data quality, standards, publication processes, user engagement, and value realisation.

Use assessment outputs to identify capability gaps, prioritise improvement actions, and inform dataset publication sequencing.

Establish a baseline maturity position to enable year-on-year measurement and reporting.

Q2: Dataset Pipeline and Publication Standards



Define and agree a prioritised open data publication pipeline, informed by the maturity assessment and stakeholder needs, in addition to Stream.

Identify and prepare additional datasets for publication, focusing on regulatory, environmental relevant data.

Apply consistent data quality checks, metadata standards, and validation processes to all new datasets prior to publication.

Update and publish refreshed datasets in line with agreed monthly and annual refresh schedules.

Dataset pipeline to include datasets such as Domestic Consumption, Collaborating on lead, Environmental Water Quality, Monthly EDM, Nightflow Monitoring and Sewer Flooding dataset and Continuous Water Quality Monitoring datasets.

Q3: Expansion of Open Data and User Engagement



Publish additional datasets in line with the agreed pipeline. Sewer capacity enhancement schemes.

Enhance supporting documentation, metadata, and data definitions to improve usability and interpretation.

Review feedback received through the dedicated open data feedback channel and incorporate learning into dataset improvements and release planning.

Monitor dataset usage and engagement metrics to inform future prioritisation.

Review, Embed, and Plan Forward



Reassess open data maturity to measure progress against the Q1 baseline.

Review the effectiveness of governance, publication processes, and refresh cycles.

Document lessons learned and updated the open data roadmap for the following year.

Confirm next-year priorities for dataset expansion, interoperability, and alignment with sector standards.

Meeting Ofwat's Expectations

Our actions during 2025–26 show a step-change in openness. We have made tangible progress on all the key facets of Ofwat's Open Data expectations from strategy and culture to practical data release and engagement. By taking these transparent and collaborative actions now, we are fully supporting Ofwat's vision of an open and trustworthy data ecosystem in the water sector. We will build on our open data foundations by undertaking a formal assessment of our open data maturity to establish a baseline and inform priorities for improvement. Outputs from this assessment will be used to drive a structured programme of activity, including the publication of additional open datasets, improvements to data quality and metadata, and the continued operation of regular dataset refresh cycles. This proactive approach not only complies with regulatory expectations but also delivers value to our customers, stakeholders, and the environment through greater transparency and shared insight.

Net Zero and Greenhouse Gas Emissions Reduction

As we start the AMP8 period, we have reviewed our strategic ambition to become a net zero company. We are following the science, aligning with the wider Pennon Group businesses, and setting our sights on achieving our near-term emissions reduction goals through our parent organisation’s existing science-based targets (SBTs).

As a part of the Pennon Group, we are also working on developing our longer term greenhouse gas (GHG) emissions strategy through the Pennon Group’s new Climate Transition Plan, which aims to see the Group become Net Zero across all emissions scopes by 2050.

Science-based targets

The Pennon Group has near-term SBTs which commits the Group to achieve Scope 1, 2 & 3 emissions reductions by 2032/33, the emissions from South West Water and Bristol Water form a large part of the emissions boundary of these targets. These have been rebased following the Pennon Group’s acquisition of Sutton and East Surrey Water, and provide a clearly defined ‘science-based’ pathway for reducing our GHG emissions, following a trajectory that is aligned with the latest climate science deemed necessary to meet the goals of the Paris Agreement to limit global warming to 1.5°C above pre-industrial levels.

Our actions to meet our SBTs will also support the delivery of our operational greenhouse gas performance commitments. However, these performance commitments differ from our SBTs as they use very different carbon accounting methodologies and apply to different scopes and boundaries.

Pennon Group Science-Based Targets

- 63% reduction in absolute Scope 1 and market-based Scope 2 emissions by 2032/33 from a 2021/22 base year
- 30% reduction in absolute Scope 3 GHG emissions from fuels and energy-related activities, waste generated in operations, business travel, employee commuting, upstream leased assets and use of sold products by 2032/33 from a 2021/22 base year
- 60% of our suppliers (by emissions) covering purchased goods and services, capital goods and upstream transportation and distribution will have SBTs by 2027/28
- Increase annual sourcing of renewable electricity to 100% by 2030/31 and continue sourcing 100% renewable electricity through 2032/33.

Linked to these SBTs, the Pennon Group has set annual ESG Targets to reduce Scope 1 & 2 GHG Emissions (based on its Scope 1 & 2 SBT) and increase electricity generation from renewables. South West Water and Bristol Water have contributed towards the Pennon Group meeting their 25/26 Scope 1 & 2 ESG Target of reducing Scope 1 & 2 emissions by 40% from a 2021/22 baseline. However, the Pennon Group has fallen short of meeting its renewable energy generation target due to temporary delays in the delivery of Pennon Power’s new multi-megawatt Solar PV projects.

Pennon Group ESG – Reduction in Scope 1 and 2 GHG Target and Performance 2025/26

	2025/26 Performance (note applies to whole Pennon Group)	2025/26 Target (note applies to whole Pennon Group)
Net Zero target		
% Reduction in Scope 1&2 GHG Emissions (from 2021/22 baseline)*	41%	40%
Electricity Generated from Renewables (GWh)	27 GWh	50 GWh

* includes full Pennon Group



📍 Tree planting near Combe Martin

Net Zero and Greenhouse Gas Emissions Reduction continued

Transitioning from our 2030 Net Zero Commitment to our new near-term Science Based Emissions Targets.

From our 2020/21 baseline we successfully managed to reduce our operational greenhouse gas emissions by 45% against the 2030 Net Zero Commitment we originally signed up to in 2019.

We recognise there are shortcomings with this commitment; given that it only covers our operational GHG emissions, it excludes most of our Scope 3 emissions, and would be reliant on offsetting to remove all residual operational emissions remaining within our commitment boundary in 2030 and beyond. We have therefore taken the decision to transition our GHG emissions reduction plans to align with our Group's near-term science based targets that cover our whole Group emissions, including all relevant Scope 3 emissions as well as Scope 1 and 2 emissions. There is now a clear expectation that organisations take responsibility, not only for their operational GHG emissions, but also for those across their entire value chain and our carbon reduction journey should be focussed on abating emissions across all of our activities.

Scope 1 emissions

Emissions within our SWB Scope 1 boundary including burning of fossil fuels, process and fugitive emissions and vehicle transport increased by 54,236 tCO₂e in 2025/26 compared to 2024/25, whilst our Scope 1 emissions for our Bristol Water business increased by just 310 tCO₂e.

The large increase in our SWB Scope 1 emissions is attributable to our process and fugitive emissions, and specifically a change in the emissions factors the UK water industry now uses for nitrous oxide (N₂O), which has increased by 7.2 times from the previous emissions factor, to align with the latest science and emissions factors published by the IPCC (Intergovernmental Panel on Climate Change).

The dry summer in 2025, required us to increase the use of our diesel-fuelled Exebridge water pumping station to recharge Wimbleball Reservoir on Exmoor to meet higher customer demand, which also increased our Scope 1 emissions. We are assessing options to electrify these pumps to improve resilience in our North Devon/ Somerset region and to reduce our carbon emissions.

Scope 2 location-based and market-based emissions

Our location-based emissions, which uses the UK grid average electricity emissions factor for the electricity we purchased from the grid reduced by 6,627 tCO₂e for SWB and by 52 tCO₂e for Bristol Water.

Our market-based emissions, including the proportion of our electricity consumption backed by our purchase of Renewable Energy Guarantee of Origin (REGO) certificates reduced to 15,587 tCO₂e for our Bristol Water business, whilst for SWB, they fell to just 581 tCO₂e, because we are supplied by a 100% REGO backed renewable electricity contract. The small volume remaining within our SWB business emissions footprint is due to our usage of the public charging network by our electric vehicles where we do not control the source of the electricity used.

Scope 3 operational emissions

Our Scope 3 emissions relate to our operational activities, including emissions attributable to the extraction and delivery of the fuels and electricity we use, our outsourced operational activities, business travel and our purchase of chemicals, including Granular Activated Carbon (GAC).

Our operational Scope 3 emissions within the Ofwat APR carbon emissions reporting boundary reduced from 73,534 tCO₂e in 2024/25 to 62,138 tCO₂e in 2025/26 for SWB. This decrease was largely due to a reduction in the volumes of GAC purchased in 2025/26 compared to 2024/25 as the installation of our new GAC processes at our two largest Bournemouth Water Treatment Works neared completion. Our Bristol Water Scope 3 emissions increased from 9,069 tCO₂e in 2024/25 to 12,788 tCO₂e in 2025/26 for Bristol Water because of the purchase of additional chemicals.

Embodied emissions

We currently use a 'spend analysis' approach to estimate the embodied emissions resulting from the construction activities which are part of our capital programme, as well as from our purchase of goods and services. We split emissions from 'Capital carbon' into emissions from the cradle to the gate (emissions from the manufacture of the materials and products used and their transport to site) and cradle to build (cradle to gate plus those emissions from construction of assets).

To move away from using 'spend analysis' we intend to collect more accurate primary data using a carbon emissions estimation tool embedded into our capital concept, design, planning and delivery process. We expect to gradually reduce our reliance on spend analysis and increase our use of primary data, until the transition is fully complete. This should improve the accuracy of our embedded carbon reporting over time and provide the opportunity to properly account for the lower carbon options that we intend to promote over traditional construction solutions.

South West Water		2025/26 Embodied emissions (tCO ₂ e)	
		Water-related	Wastewater-related
Cradle to gate emissions		48,577	42,204
Cradle to build emissions		52,233	45,381
Purchased goods and services		6,813	33,324

Bristol Water		2025/26 Embodied emissions (tCO ₂ e)	
		Water-related	
Cradle to gate emissions		19,404	
Cradle to build emissions		20,865	
Purchased goods and services		9,519	

Net Zero and Greenhouse Gas Emissions Reduction continued

Fuel Switching

We have conducted a review of our stand-by generators to determine which are suitable for using diesel replacement fuels such as Hydrotreated Vegetable Oil (HVO), made from waste oil, to reduce GHG emissions. Many of our newer generators are 'HVO ready' and we already using HVO to fuel these assets. Our older generators, which cannot be immediately switched, will be transitioned through our diesel generator replacement programme so that all new replacement generators are HVO ready. We are actively looking at other fossil fuel alternatives to switch to, using battery back-up where possible, as well as looking at hydrogen as a potential future solution to providing power resilience at our operational sites.

Process and Fugitive Emissions

Process and fugitive emissions, mainly in the form of methane (CH_4) and nitrous oxide (N_2O), arise from our wastewater treatment processes. We are exploring ways of measuring fugitive emissions of CH_4 at our wastewater treatment works that use anaerobic digestion of sludge. In 2026, we plan to install direct measurement of CH_4 to ensure our processes are operating efficiently without unintentionally releasing emissions into the atmosphere.

N_2O has now become a much greater proportion of our direct Scope 1 emissions because of the change to the emissions factors, making our efforts to increase our monitoring and control of these emissions a much more significant component of our Net Zero plans. Following our successful initial N_2O emissions monitoring trial at our Countess Wear wastewater treatment works in Exeter, we began direct N_2O monitoring at our Dawlish and Sidmouth wastewater treatment works (see our Case Study on page 30 and plan to install monitoring equipment across many more of our wastewater treatment works before 2030).

Vehicle Transport

We are transitioning our fleet away from fossil fuels with over 250 of our company cars and vans now fully electric and a further 28 hybrid. We are deploying our own vehicle charging infrastructure on our key operational sites, with the installation of new chargers at our Hayle wastewater treatment works in Cornwall. Our electric vehicle transition strategy is still evolving and remains continuously under review whilst we decide how far and how fast to deliver our EV transition in the most cost-effective way possible.



Electricity Purchase

Across our SWB area we have continued to source 100% renewable electricity backed by renewable energy certificates (REGOs) through our main electricity contract since 2022. For our Bristol Water electricity purchase we are transitioning to 100% renewable electricity sourcing by 2030.

Energy Efficiency

We are reducing our energy use by operating our assets efficiently and maintaining them in optimal condition. Our ongoing maintenance programme has included replacing pumps at some of our largest water treatment works in 2025/26 ensuring efficient and reliable operation for future years. We also replaced the aeration assets at some of our wastewater treatment works this year with new 'blowers', which contribute to a more efficient wastewater treatment process.

We maintain compliance, as part of the Pennon Group, with the UK Government's Energy Saving Opportunity Scheme (ESOS), aimed at improving energy efficiency and reducing carbon emissions for large businesses. The Pennon Group energy action plans have been submitted via the Government's MESOS online portal, and we report on our progress against these plans on an annual basis.

“ We also replaced the aeration assets at some of our wastewater treatment works this year with new ‘blowers’, which contribute to a more efficient wastewater treatment process.

Renewable Energy

As well as maintaining our existing renewable energy sources in optimum condition so they produce as much energy as possible, we are developing new renewable energy capacity. We completed a solar PV scheme at our St Cleer Water Treatment Works in 2025/26, resulting in 206kW of additional energy capacity. We are continually exploring options for deploying additional solar PV schemes at our sites and plan to expand our solar PV projects before 2030.

To comply with new emissions-related regulations, we have reduced the throughput of sludge in our anaerobic digesters at some of our larger sludge centres. This has resulted in a reduction in renewable electricity, as well as renewable heat outputs from our Combined Heat and Power (CHP) plants in 2025/26 compared to previous years. Our longer-term plans include modernising our sludge treatment processes and we are assessing our options for moving to advanced anaerobic digestion to replace some of our older traditional anaerobic digestion assets.

We have changed our renewable energy target for the whole Pennon Group, moving from measuring the percentage of energy used to a new absolute GWh of renewable electricity generation. In 2025/26, 26.7 GWh was generated by the Group against our target of 50 GWh, with our South West Water and Bristol Water regulated businesses contributing 14.4 GWh and 1.17 GWh respectively towards the target. We missed our target because our two new multi-megawatt solar PV projects, delivered by our Pennon Power business, experienced some unavoidable delays in their construction and commissioning. However, they are now both successfully generating renewable electricity.

250+

of our company cars and vans now fully electric

28

hybrid cars

Net Zero and Greenhouse Gas Emissions Reduction continued

Renewable energy

We are continuing to keep our renewable energy generation assets in optimum condition to ensure they provide the maximum energy generation possible. Alongside this, in 2025/26, we have added additional energy generation capacity through the installation of a 206 kW solar array at our St Cleer Water Treatment Works. We are continually exploring options for deploying additional solar PV schemes at our sites and have plans to add additional solar PV projects before 2030, further expanding our solar PV portfolio.

To comply with new emissions-related regulations, we have reduced the throughput of sludge in our anaerobic digesters at some of our larger sludge centres. This has resulted in a reduction in renewable electricity, as well as renewable heat outputs from our Combined Heat and Power (CHP) plants in 2025/26 compared to previous years. Our longer-term plans include modernising our sludge treatment processes and we are assessing our options for moving to advanced anaerobic digestion to replace some of our older traditional anaerobic digestion assets.

The Pennon Group has changed its renewable electricity generation ESG target, moving from measuring the percentage of energy used to a new absolute GWh of renewable electricity generation target. In 2025/26, 27 GWh was generated by the Group against its target of 50 GWh, with South West Water and Bristol Water contributing 14 GWh and 1 GWh respectively towards the target. The Group missed its target because two new multi-megawatt solar PV projects, to be delivered by Pennon Power, experienced some unavoidable delays in construction and commissioning. However, these sites are now both successfully generating renewable electricity.



📍 Solar PV at Dunfermline



📍 Wimblesley reservoir

Outsourced Activities

We work closely with our suppliers encouraging them to deliver low carbon services. Our sludge transport contractor, representing the largest proportion of our Scope 3 outsourced activity emissions, has transitioned its fleet of sludge tankers from diesel fuel to HVO fuel in 2025/26. This has resulted in a significant reduction in South West Water's emissions from outsourced activities compared to previous years.

Embedded emissions and Whole Life Carbon

To maintain progress towards our greenhouse gas emission reduction goals we need to ensure the new infrastructure we build and the new assets we buy avoids locking us into carbon-intensive operational future. Applying the principles of whole life carbon, using the most up to date carbon assessment tools allows our design teams and construction partners to understand which solutions result in the lowest carbon emissions across their whole life.

We have introduced a carbon assessment tool, which is improving our decision-making and ensuring cost and carbon efficient solutions are an integral part of our capital project planning process.

Our Transition Plan

The Pennon Group Climate Transition Plan is currently in development. As well as including our plans for improving our businesses resilience to the impacts of climate change this will set out a net zero by 2050 delivery pathway for its regulated businesses and highlight the actions required to reduce emissions across all of the Scope 1, 2 and 3 emissions within our boundary.

We are also key contributors to a new updated Water Sector Net Zero Routemap Beyond 2030, currently in development by UKWIR, and enabling the signposting of pathways for the UK water sector to reach net zero by 2050.

Innovation

Innovation is central to our business and we are always striving to identify and establish new and innovative ways of delivering our services for our customers, communities and the environment.

Our well established innovation strategy is focused on delivering fast, flexible, and impactful innovation, coupled with long-term research. This ensures we are working on projects that will help address the current pressures that are impacting on our service, as well getting ahead of the long challenges we face.

We have four routes to innovation that underpin our strategy:

- 1 **CREWW** is used for leading pivotal interdisciplinary research towards the discovery of solutions that will make a difference to people's lives and protect the long-term future of water systems in the South West of England and beyond.
- 2 The **Ofwat Innovation Fund** is used where the sharing of data, knowledge and experience between water companies, partners and the supply chain, can accelerate the delivery of transformational innovation.
- 3 **Internal ideation and development** ensures we continue to encourage, engage and empower our own staff (and external partners) to develop new ideas that are aligned to our strategic priorities.
- 4 **Research grants** we utilise our long-standing relationships, often outside of the UK to unlock EU and other research grants, to deliver wide reaching innovation projects.

Our approach leverages opportunities for collaboration across a wide network of academic, supply chain and industry partners, combining this with the knowledge, expertise and entrepreneurship of our people. The last year has seen the continuation of many projects that started during the last AMP and the development of a number of new initiatives.

1 CREWW

We continue to address the longer-term challenges facing the water sector driven by climate change and population growth through the Centre for Resilience in Environment, Water and Waste (CREWW), our joint venture with the University of Exeter (UoE). We are using science to drive value for money for our customers and protect our environment, and have committed £21 million of investment to enable research, which will fund a diverse research programme drawing on expertise from across the university.

This year, we have extended the reach of our partnership with UoE and introduced a theme-led research framework, which partners academics in the schools of computer science, engineering, bioscience and social science with our subject matter experts to promote a holistic solutions-based approach. This is now integral to CREWW's ways of working and has already contributed to the initiation of new multi-disciplinary research projects which also draw upon expertise and input from outside the CREWW partnership.

As part of its work in 2025/26, CREWW held two Safe to Swim Forums, which convened local water quality interest groups, water companies, internationally respected water industry focussed academics, representatives from local government, national regulators, UKHSA and technology consultants. The forums discussed improving methods for informing customers and visitors, empowering them to make well-informed decisions and helping to prevent unnecessary 'not safe to swim' alerts that negatively impact coastal communities economically. This has informed our future research projects, which will focus on:

- Improving the current approach – identifying and developing methods for improving existing modelling systems which underpin water quality alerts
- Influencing behaviours – working with local stakeholders to ensure the improved alert information is understood by bathing water users
- Better science, better understanding of risk of illness – reviewing the current scientific approaches to identifying risk of illness to bathing water users.

The Safe to Swim initiative and the wider research programme will be showcased at the 2026 IWA World Water Congress and Exhibition in October 2026.

2 Ofwat Innovation Fund

The Ofwat Innovation Fund was launched in 2020, initially providing £200 million of funding over AMP7 for more than 100 projects, of which 31 involve Pennon Group companies with four led by SWB or Bristol.

In 2025/26, the Innovation Fund increased to £400 million and a further £100 million of funding was made available through a dedicated Water Efficiency Fund. In addition to progressing projects already funded and underway, we have been a partner in seven successful bids with a combined value of c.£18.9 million, in 'Water Breakthrough Challenge 6', the latest funding round. South West Water are providing a total of £98,630 in partner contributions with CREWW partnering on one project.

The following projects have made progress over the last year.

Prediction and Early Detection of Algal Blooms in Lakes and Reservoirs (PEDAL) is a project we are leading with CREWW, involving 20 UK and international partners. It uses ground-breaking new techniques such as satellite and drone remote sensing and AI, alongside traditional methods and data from citizen science, to tackle the scourge of algal blooms in lakes and reservoirs. The project aims to create a digital twin that can forecast Harmful Algal Blooms (HABs) before they develop, enabling water companies to avoid expensive treatment and water quality problems, lowering customer bills.

In 2025/26 all the preliminary work was completed including equipment purchasing and preparation work at reservoirs. The project moved into its second phase, focusing on integrated nested monitoring, to develop a framework for HAB estimation. We have deployed new equipment including sondes, buoys, and boats and the team have undertaken drone training. Alongside this, work started on a unified upscaled data framework and the development of the 'digital twin' predictive model.

Water Net Gain, aims to incentivise landowners and farmers to store water on their land for controlled release back into river systems during periods of drought. We are working closely with West Country Rivers Trust, to explore whether storing water in 'smart ponds' on farmland is a viable alternative for more traditional water resource options. Alongside technical trials, the project is validating pond designs, developing trading mechanisms and assessing incentive structures to ensure long-term farmer engagement and participation.

A dedicated webpage has been launched that houses information and reports to support farmers, and farm advisors have engaged nationally with farmers to understand water-resilience challenges and factors influencing scheme uptake. Progress continued at the Duchy College demonstration site, supported by completed ground investigations and publication of the Pond Design Report. Work with water-industry partners and the Environment Agency helped clarify delivery pathways and regulatory considerations, while professional tax advice informed the scheme's payment structure and contract approach, ensuring no negative tax implications for participating farmers.

Safe Smart Systems is a project led by Anglian Water, which aims to build a demonstration smart water system to predict, control and self-configure the clean water network to reduce supply interruptions, manage supply pressures, leakage, and water quality, while maintaining a continuous service for our customers. We are an active partner and are currently trialling a collaborative project 'The East of Exeter Smart Network', which is using learnings and experience from SES Water's 'smart network' to develop a smart network in an area of Devon particularly susceptible to climate related burst events.

SWB is also working closely with SES Water on the Rapid Resolution of Bursts project, which is investigation how to temporarily stop leaks and reduce flow so that a permanent repairs can be carried out.

Artificial Intelligence of Things is a project led by Severn Trent Water, which aims to implement AI control to Sewage Pumping Stations collectively, to alter their control in near real time in response to factors such as weather and asset availability and help to reduce spills. During 2025/26 we ran a successful trial to determine the potential of Dynamic Management (DM) of flow to reduce wastewater overflow and flooding in the upstream part of Brokenbury catchment through the optimisation of the operations of the existing infrastructure. The trial demonstrated that DM overperformed current static operating policy of assets and had the capability to reduce spills by over 20% at catchment level and will inform how to apply similar actions on other parts of the network with under-utilised capacity, to reduce spill numbers and volume.

Innovation continued

Catchment Systems Thinking Cooperative (CaSTCo) is a collaborative project of 23 partners (11 water companies), which aims to transform river health monitoring by combining citizen science with professional data across eight UK demonstration catchments. Working with CREWW, we developed an Upstream Thinking Upscaled GIS model, which applies solutions to where rural catchment surface water flows may be getting into our drainage network. It makes recommendations for where nature-based solutions such as ponds, swales, treeplanting and good soil management could reduce run-off into combined sewers, helping to reduce spills and flooding. The model framework was trialled in several catchments, including Bidwell Brooks, and is now fully accessible online and can be applied across catchments nationwide.

Smart Skies Healthy Waters was launched in 2025, led by Northumbrian Water, to transform coastal bathing water monitoring, with a pilot being run at one of our sites. It is creating a cost effective and versatile 'drone and lab in a box' solution which harnesses cutting edge automation, robotics and water sampling technologies to deliver frequent near real-time lab-grade analysis and results.

Stream 3 is aiming to unlock the potential of water data to benefit customers, society, and the environment by removing barriers and sharing water company data. We are actively contributing to this project, now in its third phase, which will increase its scale and reach and set up Stream as a sustainable enduring data institution.

3 Internal ideation and development

These innovations principally originate from within the business and are benefiting from increasing collaboration across the Pennon Group companies, particularly around drinking water innovation projects, where we are embedding a more consistent and collaborative approach to innovation generation and delivery.

To support the wastewater business, the innovation team coordinated a Waste Water Innovation Supplier day in May 2025, hosting 31 suppliers aimed at finding solutions for networks, pumping and treatment, green and net zero, storm overflows and smart networks big data, with six active supplier engagements in progress and improved relationship with suppliers.

Internal Innovations Projects

Pipe Plaster is the development of an innovative 'Pipe Plaster' system to drastically reduce repair times for longitudinal pipe failures. Traditional permanent repairs typically exceed four to five hours, however we are trying

reduce supply interruptions to less than three hours where possible. The modular 'Pipe Plaster' offers a near-universal solution for varying pipe diameters and crack lengths, enabling rapid temporary sealing and faster supply restoration. Following successful testing with a global systems supplier in late 2025, further refinements are underway to enhance fitting speed ahead of field trials in early summer 2026.

CCTV AI is a collaborative research and development project where we are working in partnership with UoE, and iTouch Systems, supported by a UKRI Future Leaders Fellowship. It is developing AI driven software that will automatically recognise, annotate and summarise defects in sewer CCTV surveys, applying machine learning and computer vision to improve the efficiency, consistency, and quality of survey outputs.

Over the past year, collaboration with iTouch Systems has expanded both data access and specialist labelling resource to enhance model reliability, defect coverage, and overall functionality, supporting progression towards commercial readiness. Technical development has included automated generation of survey summaries, extending the benefits of automation beyond defect detection to reporting and decision support.

Special Leak Services is a national group we have established to share best practice on planning and repairing difficult mains with the inaugural meeting taking place in February 2026 with representatives from a number of UK Water companies.

Vodafone iDefigo Smart Visual Sensors is aiming to use AI to visually monitor and automatically alert us to spills and asset failures. In 2025, we ran a proof of concept, that proved the technology and indicated the potential for faster detection and verification of spills, reduced unnecessary site visits, improved decision making, and clear potential to prevent pollution incidents through earlier, data backed intervention. We intend to seek funding for a 12-camera pilot in 2026, to integrate the system into our business as usual processes.

Inneauvate – is a project trialling biomass and BOD sensors at Marsh Mills, Camels Head and Radford wastewater treatment works, providing real-time information to help optimise sludge management and enable a more proactive approach. Results so far are positive and encouraging and were shared at a Spring Showcase in March 2026.

SciCorp – we are undertaking a trial at Newton Ferrers of SciCorp's Biologic SR2, "a proprietary plant-based

blend of micronutrients that aims to reduce energy costs, sludge handling and disposal costs, reduce odours and improve wastewater treatment.

4 Research grants

EU Horizon is a European Union funding programme for research and innovation, focussed on tackling climate change and achieving the UN Sustainable Development Goals. We are an active partners in three projects, alongside many partners from across Europe.

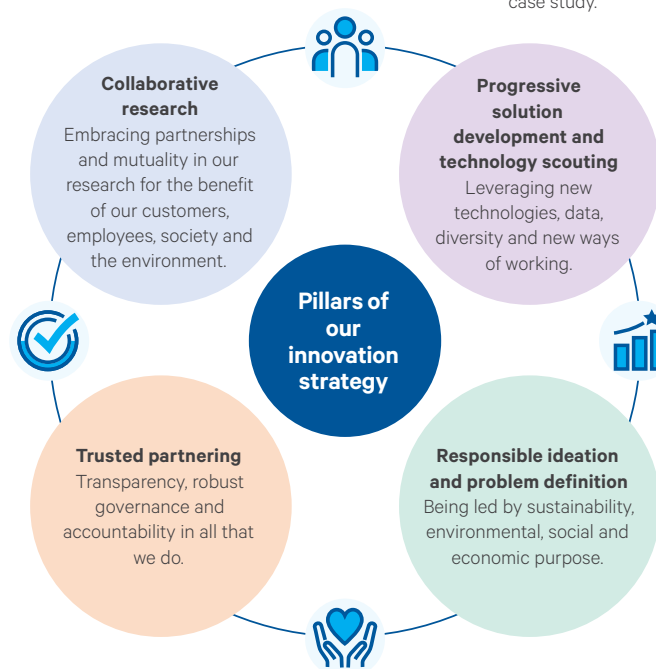
Wataverse is aimed at developing a Water Data Management Ecosystem (WDME), which concluded in December 2025. We were one of 17 partners and carried out the UK pilot, focused on improving combined sewer overflows (CSO) performance and addressing urban water stress on the River Tavy. This enabled enhanced water resource management, a reduction in sensor errors, sustainability in water management practises, and improved understanding of river water quality.

The project has engaged wider stakeholders in discussions about data sharing and creating a common data environment.

Policy recommendations have also be discussed, which include the promotion of cocreation through stakeholder forums, leveraging smart data models for flood risk assessment, strengthening smart data and metadata quality and accessibility, standardising data practices, fostering stakeholder engagement and supporting digital capacity building.

UrbaQuantum is an EU Horizon funded project, launched in April 2025, focused on harnessing quality data, using AI and developing a new approach to Urban Water Quality Monitoring. We are part of the UK Case Study focusing on the River Dart, working with University of Exeter to develop an urban water platform model and supporting West Country Rivers Trust with the development of citizen science. The project will also deliver novel sensors which are in development.

Qleanup was launched in October 2025. We are working with UoE and the West Country Rivers Trust to install, calibrate and use multi-parameter water sondes to monitor traditional and emerging pollutants from road runoff. We are in the process of identifying suitable sample sites and plan out the next steps of the case study.



Our people and culture

Our people are at the heart of the value we create. In a year where public and regulatory scrutiny of the water sector has intensified, our colleagues have played a critical role in maintaining essential services and delivering improvements for the customers and communities who rely on us.

With nearly 4,000 colleagues across our Group, we understand the scale of our responsibility both as a major employer and as a provider of essential public services.

Our priority is to create a working environment that is safe, inclusive and future-focused – one that develops skills, supports wellbeing and reflects the values we expect of an organisation delivering essential services. This year we strengthened colleague engagement, built capability across our teams and reshaped the Group to ensure we are better aligned and prepared to deliver the outcomes our communities depend on, now and in the future.

Prepared to deliver

This year we have continued to shape the Group so we are set up to deliver with greater clarity, capability and operational focus. We have aligned our structures, strengthened frontline teams and made progress in ensuring we operate as one integrated organisation. These changes mean we are better positioned to meet the delivery challenges in AMP8 and beyond and respond confidently to heightened scrutiny across the water sector. We welcomed our new Group Chief Executive Officer in May 2026, through a series of in-person meet and greets across the Group. Keith has held open forums in order to share the next phase of our transformation, and to encourage transparency with colleagues.

Our values and culture

Our culture remains the foundation of how we work and how we deliver for our customers and communities. This year we continued to embed our values Be You, Be Rock Solid and Be The Future, ensuring they guide the decisions we make, the standards we set and the behaviours we expect every day. Our values are now firmly part of the colleague experience – from onboarding and training, to recognition and leadership development. In the spirit of 'Be You' we continued to reinforce our values through our engagement programmes – including colleague listening through our Employee Network

Groups, and our 'You Rock' Awards, which celebrate those who live our values in action. These initiatives have helped colleagues feel more connected to our purpose and to each other, strengthening a sense of shared ownership and pride.

A key focus has been strengthening leadership at every level. We know that leaders have a defining influence on culture, and this year we have continued to develop the skills, confidence and capability our leaders need to set clear expectations, support their teams and role model our values. This includes equipping leaders to have open, constructive conversations, build trust, and create an environment where colleagues feel heard, respected and empowered to perform at their best.

We remain focused on building a workplace where people feel supported, safe and motivated, and where our values translate into high-quality service and responsible decision-making. This work will continue to evolve as we welcome new leadership and move into the next phase of our transformation.

Learning and development

Building the capability of our people remains essential to delivering high-quality services and strengthening our long-term organisational resilience. From leadership to managers to colleagues, we invest in development at every level, ensuring they have the skills, confidence and support they need to succeed in a period of heightened expectations and operational focus.

Leadership Development

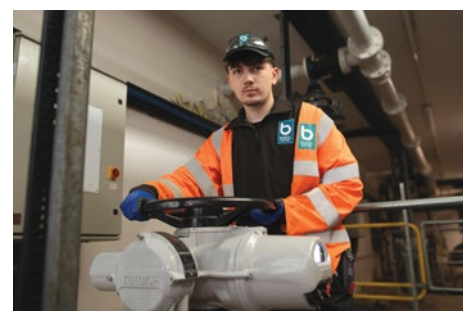
A key part of this has been investing in our leaders through a bespoke leadership development programme designed for the needs of our Group – 'Leading for the Future'. This programme focuses on equipping leaders to role model our values, enable high performance, support colleague wellbeing and lead through change. By strengthening leadership capability, we are ensuring our people have the clarity, support and direction required to deliver for customers and communities.

Empowered to Act

All of our managers attend an 'Empowered to Act' programme, designed to equip managers with the knowledge and practical tools to confidently manage employee relations decisions, actions and processes within their teams, supporting consistent, fair and effective people management across the Group.

H2Grow

We also recently launched our new Group wide Learning Experience Platform (LXP), H2Grow, giving colleagues access to a modern, personalised and comprehensive learning environment. The platform brings together technical training, professional development, compliance learning and skills content in one place, making learning more accessible and more aligned to the needs of our organisation.



📍 Bristol – Littleton Water Treatment Works

Early careers

Our commitment to developing future talent remains strong. We continue to be active members of the 5% Club, reinforcing our ambition to ensure that at least 5% of our workforce consists of apprentices, graduates and trainees. Since 2021, we have onboarded 105 graduates, and we have 75 colleagues on apprenticeship programmes. Our graduate and apprenticeship programmes remain a key part of our talent pipeline, supporting skills development in priority areas.

Through these initiatives, we are building a learning-led, future focused organisation – one equipped with the right skills, leadership and talent to deliver consistently, adapt to changing expectations and support the long-term success of the Group.

Recruitment and attracting talent

This year we modernised and strengthened our recruitment capability by implementing Teamtailor, our new Group wide applicant tracking system. This marks a significant step forward in transforming recruitment and how we attract top talent from across the market.



📍 Falmouth

Our people and culture continued

Teamtaylor is driving Group integration, replacing legacy systems and a range of localised practices, giving the Group one consistent way of managing our hiring activity. This consolidation has improved visibility, streamlined workflows, and created a more efficient and joined-up experience for candidates, hiring managers and our recruitment teams. It also allows us to make better use of data, enabling clearer insight into our workforce pipeline and supporting more informed and inclusive decision-making.

We have refreshed our careers site with a focus on improving clarity, accessibility and representation so that our opportunities appeal to a broad and diverse pool of talent that reflects the communities we serve.

We remain committed to partnerships and programmes that support fair access and broaden participation. This includes ongoing involvement in initiatives such as the Armed Forces Covenant and 10,000 Black Interns, as well as targeted support for early career talent joining us through our graduate and apprenticeship routes.

Our commitment to inclusive hiring continues to strengthen. We closely monitor application trends to identify areas for improvement and ensure our processes remain fair and accessible. Last year, 30% of applicants were female and 31% were from ethnically diverse backgrounds, signalling healthy engagement from groups historically not represented in the utilities sector.

With Teamtailor now embedded, we are well positioned to continue enhancing visibility of opportunities, reduce unnecessary barriers for applicants, and deliver a recruitment experience that is modern, efficient and aligned to our values. This transformation supports our ambition to attract and retain the skills and talent we need to serve our customers, protect the environment and deliver sustainable, long-term growth.

Equity, Diversity and Inclusion

Creating a workplace where everyone feels valued, supported and able to contribute their best remains central to our culture and long-term success. This year we continued to strengthen our approach to Equity, Diversity and Inclusion (EDI), expanding colleague networks, improving governance and building the foundations for greater representation, inclusion and opportunity across the Group.

Launching our family friendly policy

As part of our focus on equity, diversity and inclusion, we have conducted a review across all our regions and business of our family friendly policies and relaunched a refreshed approach. Recognising that family life looks different for everyone, these policies are designed to support colleagues at important life moments, whether welcoming a child, growing a family through adoption or surrogacy, supporting a partner, or navigating fertility treatment or neonatal care.

Our updated Family Leave policy brings together Maternity Leave, Supporting Parent Leave, Adoption Leave, Shared Parental Leave, IVF and Assisted Conception Leave, and Neonatal Leave into a clear and consistent framework. It is designed to provide greater financial support, increase flexibility and choice for families, and ensure a fair and inclusive approach across the organisation.

We know that taking family leave is a significant moment, both personally and professionally. Our aim is to ensure that colleagues feel supported, informed and confident before, during and after their leave, reflecting our values and our commitment to supporting a modern, diverse workforce.

Expanding and strengthening our Employee Resource Groups

Our Employee Resource Groups (ERGs) play an essential role in creating safe spaces, strengthening community and ensuring colleague voice shapes our policies and decision-making. Over the past year we have expanded our networks, increased membership and strengthened executive sponsorship to ensure each group has a visible platform and clear influence across the organisation.

Key progress included:

- Growth in membership and wider colleague engagement
- Executive sponsorship for every network
- Annual plans agreed with each ERG
- Increased collaboration between networks to share learning and insight
- Direct involvement in shaping policy

Our ERGs are becoming an increasingly integral part of how we listen to our people, helping ensure lived experience continues to inform organisational priorities.

Establishing the Pennon Inclusion Council

To strengthen alignment and accountability across the Group, this year we established the Pennon Inclusion Council. This brings together executive sponsors, ERG leads, inclusion specialists and representatives from across our businesses.

The Council focuses on:

- Aligning EDI activity across our brands within the Group
- Reviewing representation and workforce insight data
- Monitoring progress against our EDI commitments
- Providing structured challenge and strengthening governance
- Ensuring inclusion is reflected in strategic workforce planning

The Inclusion Council ensures EDI is embedded into how we lead, plan and make decisions, not treated as a standalone activity.

Broadening access to opportunities

We continued our commitment to creating pathways for underrepresented groups. This includes our participation in the 10,000 Black Interns Programme, designed to broaden access to professional experience for Black undergraduates and postgraduates.

We also continued working with Change the Race Ratio, aligning our ambitions for diverse leadership with nationally recognised standards and strengthening transparency through annual benchmarking and data disclosure.

In addition, we introduced a flexible bank holiday policy, enabling colleagues to swap traditional bank holidays for days that better reflect their cultural, religious or personal significance – supporting greater inclusivity and wellbeing.

We are proud to support the registered charity, the Social Mobility Business Partnership both at a local and national level. We combine funding its national delivery programme which enables over 1,000 students across the UK to access over 3,500 days of work experience, to providing local work insight opportunities and lifetime career coaching to young people from low-income backgrounds across Exeter, Plymouth, Truro, Bristol, Bournemouth and the South East.

Launching ExtraShare

During 2025/26 we introduced ExtraShare, a refreshed Share Incentive Plan designed to support greater colleague participation in Pennon's long-term success. The plan enables colleagues to invest in the business through a flexible pre-tax salary deduction, with a one-for-three matching share benefit that enhances the value of their investment. ExtraShare provides a simple, tax-efficient way for colleagues to build a stake in the Group, strengthening alignment between our people and the sustainable growth of the business.



Our people and culture continued

Our gender and ethnicity pay gap

In the latest FTSE Women Leaders Report, our parent company Pennon once again solidified our standing as a leader in female representation, securing the gold position for best performer in the Women on Boards category across the entire FTSE 250. This external recognition highlights the progress we've made and the impact of our efforts to improve gender balance at senior levels.

We have published our Gender Pay Gap report for the past seven years, and this year we are pleased to publish our Ethnicity Pay Gap report for the second consecutive year. The latest results show encouraging progress, with our median gender pay gap reducing from 11.1% to 9.6% and our median ethnicity pay gap improving from 11.9% to 10.7%. While these shifts are incremental, they reflect sustained focus on representation, progression and fair reward, underpinned by strengthened governance, clearer leadership accountability and deeper colleague engagement. Both reports are available on our website: www.pennon-group.co.uk

We continue to invest in diverse talent pipelines, including our long-standing graduate and apprenticeship programmes and our ongoing participation in the 10,000 Black Interns initiative, which is enabling us to attract a broader range of ethnically diverse applicants. As more of these individuals join and develop within the business, we anticipate further positive impact on our ethnicity pay gap in the years ahead.

Despite this progress, we recognise that sustainable change requires continued commitment. Our EDI Action Plan outlines the targeted steps we will take over the next three years to strengthen representation, inclusion and accountability.

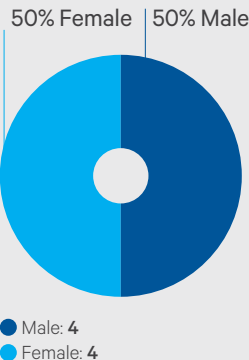
➔ For detail on our Board and leadership ethnic and gender representation, please refer to page 59.



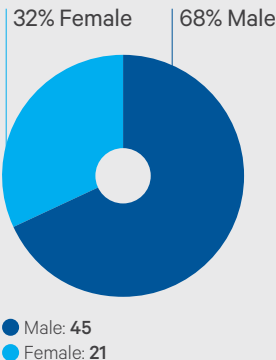
Gender diversity dashboard

In 2025/26, the Pennon Board was 50% female, and women represented 32% of our senior management teams. Female representation is also maintained at Executive level, including the Chief Financial Officer. Pennon Group continues to focus on improving gender balance across all levels.

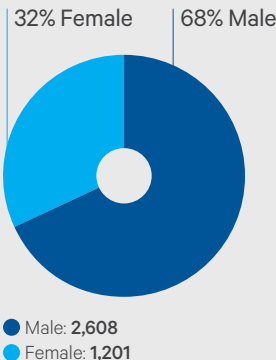
Gender – Board



Gender – senior management



Gender – Group employees



Our Three-Year EDI Action Plan (2026–2028)

We have set a focused three-year plan to accelerate progress on Equity, Diversity and Inclusion, centred on strengthening representation, improving inclusion and leadership accountability, and expanding social mobility and early career access.

Strengthening Representation

We will improve diversity across our workforce and leadership teams by embedding inclusive recruitment standards, widening senior talent pipelines and reviewing policies and practices through an EDI lens.

Improving Inclusion and Accountability

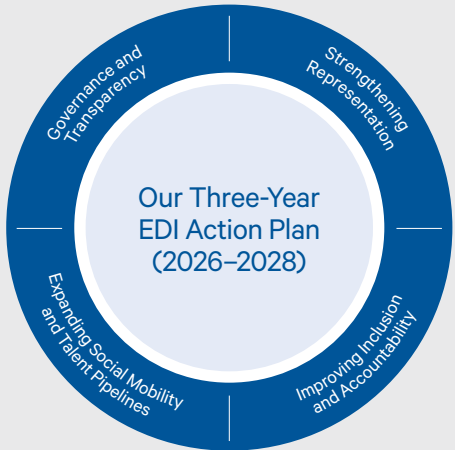
We will enhance workforce insight, increase voluntary disclosure rates and embed measurable EDI objectives into leadership performance to ensure inclusion remains a core leadership responsibility.

Expanding Social Mobility and Talent Pipelines

We will grow work placements and early career routes, strengthen progression into apprenticeships and graduate roles, and increase socio-economic diversity across our entry level pathways.

Governance and Transparency

Progress will be monitored through strengthened governance and leadership dashboards and reported annually through our ESG and EDI disclosures.



Our people and culture continued

HomeSafe, the Group's flagship health and safety programme

Ensuring our people go home safe to their families every day remains at the heart of our HomeSafe programme. We have made progress on each of the four cornerstones of our strategy supporting our people and reducing risk. The four cornerstones – Process Safety, Occupational Safety, Occupational Health and Wellbeing, and Security – ensure HomeSafe manages risk in all areas of health, safety and wellbeing.

The four cornerstones are delivered through visible leadership, ownership and engagement. Combining these elements has seen improved risk management, collaboration and engagement.

Cornerstone activity

Process safety

We have placed a relentless focus on improving controls to assure mitigation of the risks of some of our higher hazard activities with a particular focus on eliminating high hazard chemicals, and upskilling teams who work with and near potentially explosive atmospheres. We have introduced the concept of Potentially Serious Incidents or Fatalities (PSIF) to increase near miss reporting and focus learning on those areas with higher impacts. This approach is in line with other water companies across the UK to collaborate on learning opportunities, reducing risk in the sector.

Occupational safety

We continued our engagement with teams through our HomeSafe Live events. We held interactive scenario-led sessions focused on situational awareness and the importance of making the safest choice.

Our Site Pride Initiative continues to drive the highest levels of standards at operational and office locations, and work vehicles.

We continued our established events including the annual HomeSafe advent calendar where teams use fun, engaging ways to deliver serious health and safety messages to the Group, with over 10,000 views of these materials on the website, providing high levels of penetration.

Occupational health and wellbeing

We joined water sector colleagues for the annual Movember Campaign, with Pennon raising £6,000 for the research into men's health. We held several Cancer Survivor Video presentations to increase awareness. A new Women's Health Employee Network Group was launched, sitting alongside the 11 other Health and Wellbeing Groups, including Neurodiversity Representation, Mindfulness and Menopause Support. A specific Men's Health Group was launched in March, and we have expanded our Employee Assistance Platform (EAP) offering and implemented this into the SES business.

Security

This year's Security and Emergency Measures Direction (SEMD) return was developed with heavy engagement with the internal and external stakeholders and regulators, at all stages. We have driven Security culture across the Group through numerous engagement campaigns. The Group is on track with its undertakings in line with agreed milestones and investment plans to improve security and emergency planning capability.

Our HomeSafe 2030 strategy continues to shift our focus towards leading measures, skills, competencies, assurance and positive actions, setting clear expectations across the Group to ensure everyone goes HomeSafe every day.

In the year we delivered a stable year in terms of total injuries, however over the winter period we had an increase in the number of short duration lost time incidents, almost exclusively as a result of a slip or trip. Consequently, our number of lost time incidents and our Lost Time Incident Frequency Rate (LTIFR) increased. We ended the year at 25 lost time incidents, with over half of these happening between December and March. Our LTIFR increased from 0.24 to 0.45. We have developed re-energising plans for the new year to address this, reconnecting people to the emotional elements of why HomeSafe is so important to everyone at Pennon.



Group Chief Financial Officer's review



Laura Flowerdew
Group Chief Financial Officer

This financial year has marked a return to profitability in the first year of our five-year regulatory cycle.

The Company has delivered a return to profitability in 2025/26. This is in line with expectations and reflects the step up in revenue from the first year of AMP8 coupled with a firm focus on operational costs, despite inflationary and operational pressures.

Underlying EBITDA has increased by 55.7% year-on-year to £482.4 million (2024/25: £309.8 million) and underlying operating profit more than doubled to £310.4 million (2024/25: £141.5 million), driven by higher revenue and a focus on cost control. Whilst the first year of the five-year cycle results in a step up in the underlying cost base, due to inflationary pressures and regulatory charges, our integration and efficiency programmes have provided benefit and the restructuring of the Company, aligned with our strategic priorities, has allowed increased focus on cost control and driving further efficiencies throughout the business.

Our £3.0 billion¹ investment programme over the five-year AMP8 period is a core focus across the business, to deliver improvements for customers and to ensure we improve the resilience and performance of our assets. We remain focused on delivery, with clear priorities and tight control. This means delivering outcomes effectively, executing the capital programme efficiently and building on the momentum we have created this year. We remain on track to deliver on our Performance Commitment Deliverables (PCDs) over the five-year period, with a net neutral position at the end of year one in terms of delivery incentives.

In the first year of AMP8, we have continued to focus on delivering on our four strategic priorities through our business units, and to focus on efficiency opportunities across our integrated structures and operations.

As we continue to challenge ourselves to focus our expenditure to deliver improved outcomes, we are also looking at how we learn from our different legacy businesses to deliver as efficiently and effectively as we can.

We invested significant levels of capital to deliver network resilience and enhancements and benefits for the environment and our customers. Our capital investment was £563.3 million as we focus on delivering on our AMP8 commitments.

Our expenditure was slightly lower than anticipated as a result of reprofiling of spend, to ensure robust modelling and clear design across our major projects, prior to commencing on-site delivery. Across the business we have delivered key investments in storm overflow reductions, wastewater treatment and infrastructure, clean water treatment works, network resilience, leakage and metering.

Our current rate of investment for the Company aligns with that required to deliver our five-year programme of £3.0 billion¹ and which will deliver 34% growth in our regulatory asset base to 2030. To support this growth, we are focused on ensuring we have a strong and resilient balance sheet and we end the first year of the AMP8 period with a gearing of 63.0%, within our gearing policy of 55–65% and within our anticipated range of 60–65% to 2030 for the Company. The continued strong performance reflects the benefit of significantly improved operating cash flows in 2025/26, supporting investment in our capital programme.

Debt funding is also critical for our growth; South West Water continues to maintain investment-grade credit ratings, enabling access to competitive financing. During the year the Company has raised £490 million in additional funds to support the AMP8 capital programme and expects to continue to raise this quantum of debt each year through the AMP8 period.

Financial highlights of the year

Revenue

£939.2m

(2024/25: £ 739 .2m)

Underlying¹ EBITDA

£482.4m

(2024/25: £309.8m)

Capital Investment

£563.3m

(2024/25: £588.7m)

RCV

£6,119

(2024/25: £5,548)

Gearing

63.0%

(2024/25: 63.3%)

1. Underlying EBITDA (earnings before interest, tax, depreciation and amortisation and non-underlying items) is used to assess and monitor operational underlying performance.

CFO's review continued

Statutory financial performance

South West Water's revenue for 2025/26 increased to £939.2 million (2024/25: £739.2 million) driven by the benefit of increased regulatory allowances and higher consumption. Further detail on revenue performance, including the reconciliation between allowed and actual revenues, is provided in Table 2M on page 143.

Underlying operating costs of £456.8 million (2024/25: £429.4 million) have increased 6.4% year-on-year reflecting inflationary cost pressures plus the impact of increased regulatory charges, higher bad debt charges linked to our step up in revenue and increased operational costs resultant from adverse weather and operational incidents, including £5.7 million paid in customer compensation.

Non-underlying costs of £15.4 million were incurred (2024/25: £32.4 million) as a result of ongoing restructuring charges, investment in new technology and costs associated with environmental and legal provisions.

Underlying EBITDA increased by 55.7% year-on-year to £482.4 million (2024/25: £309.8 million) and underlying operating profit more than doubled year-on-year to £310.4 million (2024/25: £141.5 million), with EBITDA benefits moderated by modestly increased depreciation charges reflecting the Company's expanding asset base from the ongoing capital investment programme.

Net finance costs were £170.1 million (2024/25: £170.3 million) at an effective interest rate of 5.5% (2024/25: 5.2%). The year-on-year decrease of £0.2 million reflects higher borrowing to support the regulated capital programme offset by higher year-on-year interest capitalisation, again stemming from the ongoing capital programme. As a result, underlying profit before tax was £140.3 million (2024/25: loss of £28.8 million), whilst statutory profit before tax was £124.9 million (2024/25: loss of £61.2 million) after non-underlying costs of £15.4 million (2024/25: £32.4 million). Statutory profit after tax was £91.4 million (2024/25: loss of £48.6 million).

South West Water's capital expenditure was £563.3 million (2024/25: £588.7 million), reflecting early benefits being delivered to customers and communities across our regions. We have already invested heavily this year in storm overflow reductions, our wastewater treatment and infrastructure, new water treatment works, leakage detection and repair, smart metering, and replacing lead pipes.

Expected credit losses

Our ongoing commitment to affordability and support schemes for those in need will be critical going forward, both to support our customers and to ensure we maintain a strong collections profile. Despite the step up in revenues, cash collection remained strong across the year. Expected credit loss charges were £14.0 million (1.5% of revenue), slightly higher than the prior year (1.1% of revenue) but remaining strong within the sector. Our teams continued to focus on both managing older debt profiles and ensuring effective collection of more recent billings, despite the increase in tariffs.

Further details on expected credit losses can be found in the notes to the accounts on page 113.

Net finance costs

Net finance costs were £170.1 million (2024/25: £170.3 million) at an effective interest rate of 5.5% (2024/25: 5.2%). The £0.2 million decrease was primarily driven by the effect of increased debt from new and renewed debt facilities as we continue to invest record levels of capital in our water businesses, offset by increased interest received (£9.2 million) and higher levels of capitalised interest (£10.9 million) related to the ongoing capital investment programme.

The Company continues to efficiently secure funding through its Sustainable Financing Framework and to ensure interest rate risk is mitigated in line with the Group Treasury Policy. This is achieved both through fixed rate debt issuances and effective interest rate hedging, whilst a further component of the debt portfolio is being index-linked.

Non-underlying items

Non-underlying items for 2025/26 were a net charge before tax of £15.4 million (2024/25: net charge of £32.4 million). Non-underlying items are those that in the Directors' view should be separately identified by virtue of their size, nature or incidence and where they believe excluding these items is considered to provide additional useful information on the performance and the position of the Company as well as enhancing the comparability of information between reporting periods.

The non-underlying charge includes:

- £8.7 million of technological enhancement costs in connection with the implementation of new customer technology platforms
- £6.7 million includes costs of settlement of both the DWI's prosecution in respect of the May 2024 Brixham water quality incident, and the enforcement undertakings agreed with Ofwat in August 2025 in respect of the wastewater investigations, together with associated legal fees

The non-underlying charges in the year give rise to a net tax credit of £3.0 million (2024/25: £8.1 million) in relation to the above items.

Tax

The overall 2025/26 tax charge for the Company was £33.5 million (2024/25: credit of £12.6 million). On an underlying basis, the tax charge for 2025/26 for the Company of £36.5 million (2024/25: credit of £4.5 million) consisted of:

- Deferred tax charge of £33.3 million (2024/25: credit of £3.0 million). This charge primarily arises in relation to capital allowances in excess of depreciation charged across the Company, largely due to full expensing. This is partially offset by a current year deferred tax credit in relation to tax losses carried forward for utilisation in later periods.
- Current tax charge of £3.2 million (2024/25: credit of £1.5 million) predominantly relating to prior year items.

There was also a non-underlying deferred tax credit in the year of £3.0 million (2024/25: £8.1 million) relating to the non-underlying items.

The Company continues to generate tax losses, all of which are carried forward for future relief. These tax losses arise as a result of the enhanced capital allowances available because of full expensing and first year allowances, and capitalised interest, which for tax purposes is deductible in the year incurred.

Given the Company's continued capital investment programme and full expensing deductions together with 50% first year allowances on long life assets and integral features, the Company does not expect to generate taxable profits or make any corporation tax payments for the foreseeable future.

The tax strategy and reconciliations details can be found in the 'notes to the accounts' on page 117.

Movement in net debt

The Company's cash flow from operations for 2025/26 was £503.8 million (2024/25: £218.8 million). Our improved operating cash flows reflect the higher levels of underlying profitability, benefitting from higher tariffs and operational efficiencies, added to by improved working capital management, partially offset by cost pressures from inflation and delivering on our operational performance commitments.

Net interest payments were £128.9 million (2024/25: £112.3 million) with the higher payment in 2025/26 driven by increased debt consequent on our ongoing record levels of capital investment.

Capital investment has resulted in slightly lower cash outflows of £39.8 million to £564.3 million (2024/25: £604.1 million).

Other significant movements in net debt in 2025/26 include payment of a dividend totalling £75.0 million (2024/25: £nil). In addition, there was non-cash indexation on our loan instruments totalling £32.3 million (2024/25: £26.5 million).

CFO's review continued

Net debt and liquidity

As at 31 March 2026, the Company had £740.9 million of liquidity through a combination of cash and committed facilities (31 March 2025: £696.7 million). This consists of cash and cash equivalents and restricted funds of £295.9 million (31 March 2025: £326.7 million), and £445.0 million (31 March 2025: £370.0 million) of undrawn committed facilities.

During the year the Company has secured £490 million of new debt, consisting of:

£190 million of new term loans and leasing with an average maturity of seven years.

£300 million through our public bond issuances under our EMTN² programme.

In addition to this, a further Private placement of £49 million has been completed post year end and the Company has secured an additional £175 million in new and renewed Revolving credit facilities since March 2025.

Resulting from the changes above and drawing of new debt during the year, South West Water's gross debt at 31 March 2026 was £4,152.3 million (31 March 2025: £3,884.3 million). The debt has a maturity of up to 31 years with a weighted average maturity of 12 years.

South West Water net debt at 31 March 2026 was £3,856.4 million (31 March 2025: £3,557.6 million) and is a mix of fixed/swapped (£2,788.5 million, 72%), floating (£259.8 million, 7%) and index-linked borrowings (£808.1 million, 21%), which reflects our diverse debt. Where appropriate, derivatives are used to fix the rate on floating rate debt.

At 31 March 2026, South West Water's net debt to RCV ratio stood at 63.0% (31 March 2025: 63.3%). This remains broadly neutral year-on-year as a result of increasing RCV offsetting in year debt funding of our investment programme.

South West Water's cost of finance, with an effective interest rate in 2025/26 of 5.5%³ (2024/25: 5.2%), reflects higher interest rates and the impact of full year interest charges on new issuances in 2024/25.

Investment grade ratings

South West Water, maintains two investment grade credit ratings with Moody's and Fitch, which was a new licence requirement from April 2025. The Moody's rating remains on negative watch and the Company remains committed to supporting an investment grade credit rating.

Ring-fenced borrowing

South West Water operates under a ring-fencing framework, meaning that funds raised within the regulated business are dedicated to that business and are not available for use elsewhere in the Group. This structure provides protection for customers and creditors, ensuring that financing supports the delivery of regulated activities and investment obligations.

Bristol Water forms part of the South West Water regulatory group and therefore operates within this same framework. Other parts of the Group are funded separately, ensuring a clear separation between regulated and non-regulated activities.

Details on our 'Long term viability statement' can be found in the 'Resilience and viability of the business' section, pages 93.

Contingencies

Ofwat and the Environment Agency (EA) announced an industry-wide investigation into sewage treatment works on 18 November 2021. On 10 July 2025, Ofwat announced its findings for South West Water and its decision to accept South West Water's enforcement package, in lieu of a financial penalty. The agreed undertakings consist of investing £20 million between 2025–2030 to reduce spills from specific outflows, establishing a £2 million local fund to tackle sewer misconnections and providing £2 million of funding through a Nature Recovery Fund to support environmental groups. The costs in relation to the £20 million investment will be accounted for as capital when incurred.

On 2 February 2024, a summons was received by South West Water from the EA in relation to water discharge activity at seven locations with a total of 30 charges. The EA have since withdrawn six of these charges relating to one site. Sentencing was held on 12 and 13 March 2026, although the value of any fine will not be known until the judgement is handed down on 30 July 2026.

On 23 May 2023, Ofwat announced an investigation into South West Water's 2021/22 operational performance data relating to leakage and per capita consumption. This operational performance data was reported in South West Water's Annual Performance Report 2021/22. This report is subject to assurance processes which include independent checks and balances carried out by an external technical auditor. The Company continues to work openly and constructively with Ofwat to comply with the formal notice issued to South West Water as part of this investigation.

The Company has undertaken its own internal investigation into the data and third-party experts have concluded the calculations are within a tolerance as reported; as a result there were no detrimental impacts to customers through ODIs. The Company recognises opportunities to enhance data quality to improve the estimation process and these have been shared with Ofwat.

Until such time that an initial response is received, the potential outcome of these investigations continues to be unknown. Ofwat has a range of options that it could apply, from closing the investigation with no further action, agreeing to formal S.19 undertakings, through to fining the Company up to 10% of its revenue, in relation to the regulated drinking water business.

Given the wide range of possible outcomes therefore the potential outcome of this investigation continues to be unknown, and it is not possible to estimate any obligations arising from the investigation with any certainty.

Following the Brixham cryptosporidium outbreak in May 2024, legal proceedings were brought by the Drinking Water Inspectorate (DWI). South West Water pleaded guilty to the charge of supplying water unfit for human consumption on 4 March 2026, with sentence received on 2 June 2026. The Court levied a fine of £1.9 million, reflecting the serious impact this incident had on customers in the area, whilst also recognising the extensive customer support and remedial actions taken by South West Water.

An amount of £6.7 million has been included within the non-underlying costs for the matters set out above.

Pensions

At 31 March 2026, the overall Company surplus on retirement obligations was £13.3 million (31 March 2025: £14.7 million).

The decrease in the surplus in 2025/26 of £1.4 million is largely from the Pannon Group Pension Scheme (PGPS), recognised in other comprehensive expense. Total liabilities have reduced by £7.9 million, largely due to changes in the financial assumptions driven by the increase in the discount rate. Total assets have reduced by £9.3 million, driven by the reduction in the value of assets from the prior year. The triennial valuation of PGPS as at 31 March 2025 has been completed and no deficit recovery contributions are required. The ongoing funding requirements for the Company to the scheme were limited to the continuing administration expenses.

Dividends

Dividend payments are designed to ensure that statutory obligations, key financial ratios, balance sheet considerations and credit ratings are not prejudiced. They also take into account customer, environmental and other stakeholder considerations and that the Company has adequate resources to carry out its work now and in the future.

As previously reported, on 4 July 2025, the Board declared a special dividend of £125 million in respect of shareholder returns over the AMP7 period up to 31 March 2025. In making the decision to declare a dividend the Board assessed relevant licence conditions and adopted a prudent approach when compared with the potential dividend allowable.

On 27 March 2026, the Board approved the declaration of a base dividend of £75 million in respect of the 2025/26 financial year. This reflected a restricted dividend based on profitability and retained earnings, to ensure statutory and financial resilience obligations were met.

Dividends of £75 million were paid on 29 August 2025, taking into account the ability of the Appointee to finance its Appointed Business, and as at 31 March 2026, dividends declared but not yet paid amounted to £170 million (31 March 2025: £45 million).

Subsequent to the year end £60 million was paid in April 2026 and the payment of remaining declared dividends will be considered in 2026/27, taking into account the financial resilience of the Company.

1. At forecast outturn prices.

2. Euro Medium Term Note

3. A measure of the mean average interest payable on net debt, which excludes interest costs not directly associated with net debt

CFO's review continued

Cost change process

In the PR24 Final Determination, Ofwat highlighted a number of areas of potential cost uncertainty where they would consider 're-opening' the Final Determination to adjust for the impact of these issues on water company cost allowances. As a result, in the 2025/26 financial year, Ofwat introduced a 'cost change process' that allows companies to provide submissions to Ofwat for additional funding in the current regulatory five-year period for specific areas of investment. These areas include asset health and economic growth considerations, which will be of relevance in the regions in which the Company operates.

The first submission was completed for South West Water in May 2026, with detailed cases and supporting evidence with Ofwat for review. Whilst the Company's submissions amounted to c.£240 million⁵ of additional allowances, in-AMP funding was requested as part of that submission. The submissions will be subject to review and scrutiny from Ofwat, and given the nature of certain claims, which are specific to the Company's coastal region, may require ongoing engagement and discussion before agreement. We continue to engage positively with Ofwat in this regard and ensure any additional expenditure is fully supported by our customer research and engagement through our WaterShare+ customer panels.

Laura Flowerdew

Group Chief Financial Officer

4. Net ODI penalty across water and wastewater (excluding customer measures of experience) for both in-period and end of AMP measures, reflecting adjustments for items under review with Ofwat and third-party impacts.

5. In 2022/23 prices

Ownership, funding and capital structures

Company overview

South West Water Limited ("the Company") is the appointed water and wastewater undertaker for the South West of England. The Company provides water supply and wastewater services to customers within its defined geographic appointment area.

The Company operates under an Instrument of Appointment (licence) granted by Ofwat. Further details of the licence and regulatory framework can be found at

â <https://www.ofwat.gov.uk/regulated-companies/ofwat-industry-overview/licences/?view=textonly%23ioa>

The Company is subject to economic, environmental and drinking water quality regulation. Its principal regulators are:

- Ofwat – economic regulator responsible for price controls and customer protection
- Environment Agency (EA) – environmental regulation
- Drinking Water Inspectorate (DWI) – drinking water quality
- Natural England – environmental protection and biodiversity

Ownership structure

South West Water Limited is a wholly owned subsidiary of Pennon Group plc, a UK-incorporated company listed on the London Stock Exchange. The Company forms part of the broader Pennon Group, which encompasses regulated water businesses and non-appointed businesses as shown in the adjacent chart.

The full group structure can be found on the Pennon Group website using the following link:

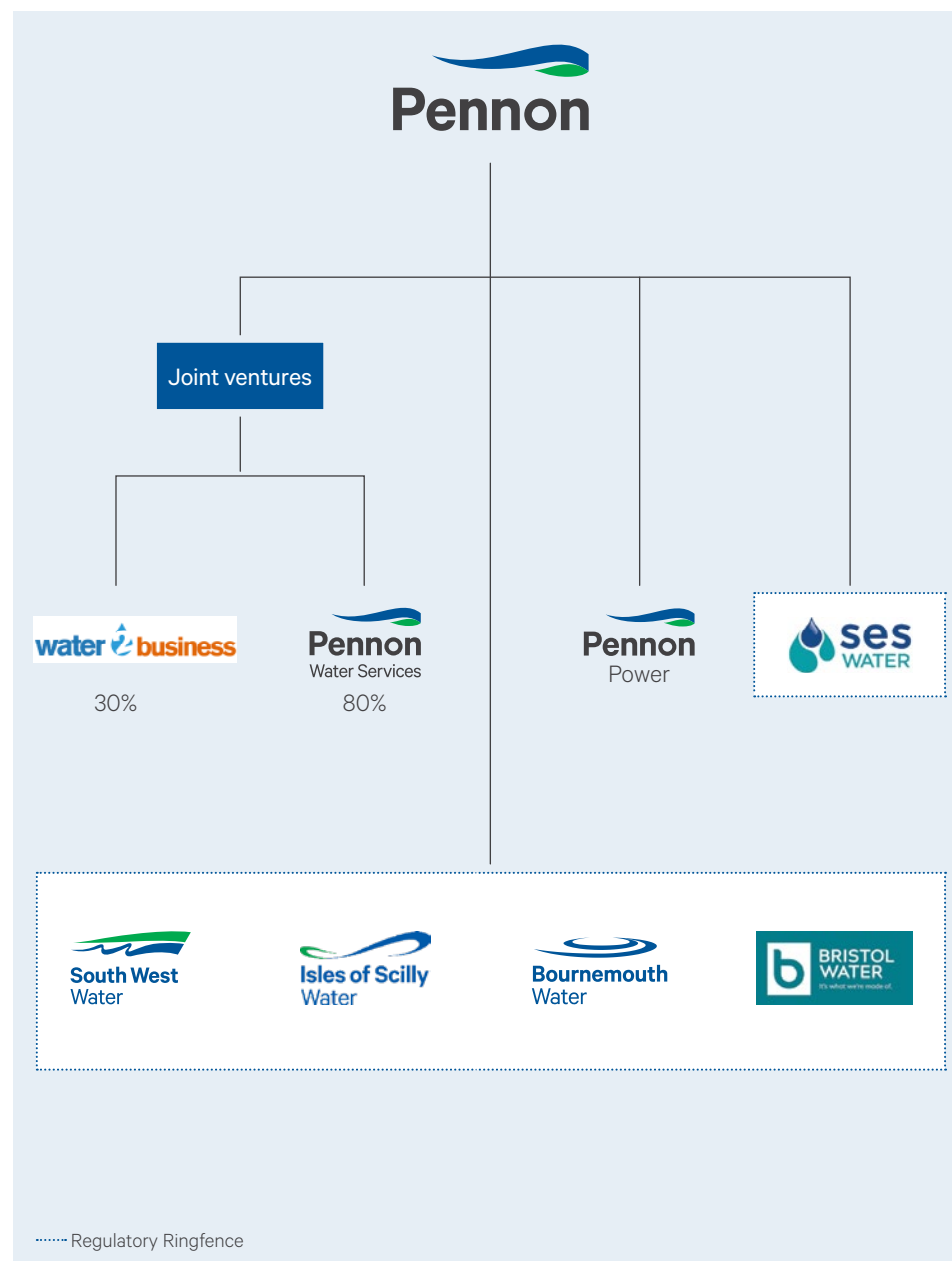
â www.pennon-group.co.uk/sites/default/files/attachments/pdf/pennon-group-company-structure-chart-march-2026.pdf

The principal regulated entities within the Group are South West Water Limited and Sutton & East Surrey Water plc (SES Water). Bristol Water and Bournemouth Water are part of the regulatory ringfenced company, South West Water Limited, operating under a single licence of appointment. Certain Bristol Water performance and other data is disclosed separately in line with our regulatory commitments made upon merger. We have indicated in this report where this happens.

South West Water's non-regulated subsidiaries include South West Water Customer Services Limited, which manages South West Water's billing, collections and customer contact activities, and South Water Finance plc, which acts as a financing company, raising borrowings for South West Water.

Other associated Pennon Group companies include Pennon Power, which has been established to develop, maintain and run renewable energy generation projects, and Pennon Water Services and water2business, which provide retail services to non-household customers. Whilst both Pennon Water Services and water2business are part-owned by the wider Pennon Group, South West Water has in place robust policies and practices to ensure full competition compliance with the market codes for the non-household retail market.

The ultimate parent undertaking, Pennon Group plc, is publicly listed on the London Stock Exchange. Its shareholding is widely held across pension and investment funds by both institutional and retail investors, with no single controlling shareholder. The list of principal shareholders (holding 3% or more of issued share capital) is available each year in the Pennon Group plc Annual Report and Accounts. Many of these shareholders are long-term holders and there were no material changes in the ownership structure of Pennon Group plc during the year ended 31 March 2026. Movements in shareholdings during the year reflect normal market trading activity. The Group has not announced any planned or expected changes to ownership or control of the regulated company.



Ownership, funding and capital structures continued

Major Shareholders in Pennon Group plc as at 9 April 2026:

Shareholder	Shareholding in Pennon Group plc shares	% of issued share capital
Lazard LLC	45,933,776	9.73
Crédit Agricole S.A.	35,354,489	7.49
BlackRock, Inc.	33,628,139	7.12
Vanguard Group, Inc.	27,311,371	5.79
Pictet & Cie	18,991,178	4.02
Impax Group PLC	18,730,376	3.97
Schrodes PLC	18,519,508	3.92
Franklin Resources Inc.	18,355,856	3.89
HSBC Group PLC	17,569,465	3.72
Deutsche Bank Group AG	15,049,511	3.19
Legal & General Group PLC	14,790,621	3.13

Pennon Group plc, as the ultimate controlling party, has provided an Ultimate Controller undertaking to South West Water Limited. This undertaking supports the Company's ability to meet its licence obligations, provides assurance regarding financial and operational support and is designed to protect customers and the integrity of the regulated business.

Board and Executive governance

In accordance with Ofwat's principles on board leadership, transparency and governance, the South West Water Board is maintained as a separate Board from the Pennon Group and SES Water boards. The South West Water Board and its associated Committees cover a range of corporate issues including strategy, performance, delivery, compliance and governance. It is supported by the South West Water Executive who are responsible for the day-to-day management of South West Water's operations and activities. More details on the Board and committees can be found on pages 69 to 70 and details on remuneration on pages 108 to 111.

Regulatory ringfence

Under Condition P of the regulatory licence held by South West Water, the Board is required to provide an annual certificate to confirm that the Company is operating in line with the regulatory ringfence set out under that Condition. This Condition requires South West Water Limited to be able to operate on a standalone basis, separate from any other business, and to be able to do so in a way that ensures its financial and operational resilience.

The ring fencing certificate and matters taken into account in considering the ability of South West Water to operate effectively and for the long-term as an organisation can be found on page 93.

Funding and capital structure

We fund our operations and investments through the following key sources:

- Revenue collected via customer bills
- Debt financing raised in capital markets
- Equity funding provided by the parent company

We use these funds for:

- Running our operations and maintaining our infrastructure so it stays reliable and resilient
- Energy costs to keep water moving efficiently across our network
- Paying the dedicated teams who keep water services running around the clock, including specialists who treat and test water, maintain networks, respond to emergencies, and deliver customer service
- Investing in long-term improvement projects such as upgrading treatment works, improving river water quality, reducing leakage, and enhancing wastewater systems, to meet future needs and environmental goals
- Paying the government and regulators for the right to take water from the environment, to fund the water industry regulators, as well as business rates on our sites. This ensures water is managed responsibly and sustainably
- Providing a return to our providers of funding

Large-scale infrastructure improvements require significant capital investment. If we funded this through customer bills alone, it would lead to significantly higher prices for customers now, whilst customers in the future, who benefit from the investment, may end up with lower bills. Instead, we raise funds from shareholders and lenders and in return for the upfront funds, customer bills help to pay them a return over time.

This means the cost to customers is matched with the benefit of the improved services customers receive.

Shareholders receive their return through dividends, and many of our shareholders are pension funds, which are providing retirement income to those invested. Ofwat regulates both the return paid to debt investors through interest, and dividends to shareholders, and ensure that we only pay dividends when our customer, environmental and financial performance allows.

This financing model means we can fund improvements in the near term and spread the cost over the longer term, helping to keep customer bills down while we continue to replace ageing pipes, build new facilities, and prepare for the impacts of climate change.

Further details on how we spend money from your bills can be found here:

â <https://www.southwestwater.co.uk/household/your-account/your-bill-explained/how-we-spend-bill-money>

As the economic regulator over the water sector, Ofwat plays a pivotal role in setting the level of expenditure that water companies can recover through customer bills. The Company reports both the allowed total expenditure (Totex) as set by Ofwat and actual expenditure incurred. Totex is reported on a regulatory basis and includes both operating and capital expenditure. For 2025/26, actual totex spend was £74 million lower than the allowance of £986 million reflecting both efficiencies in delivery and the timing of expenditure within the AMP profile, which have more than offset higher operational costs resultant from adverse weather and operational incidents. Further details are provided in Table 4C on pages 170 to 172.

The Company reports key financial metrics consistent with regulatory definitions, and these are set out in the table below for the last three financial years. In addition, a review of the financial performance can be found in the Chief Financial Officer's review on pages 52 to 55.

Over the period shown the Regulatory Capital Value (RCV) has increased by 27% to £6,119 million reflecting ongoing investment in infrastructure and resilience. The primary source for funding the investment has been debt raised in the capital markets and consequently net debt has increased by 24% to £3,856 million. Regulatory gearing as at 31 March 2026 was 63%, which remains within the Board's target range.

Return on Regulatory Equity (RoRE) of 4.54% reflects financing and Totex underperformance, as discussed above, offset by Operational Delivery Incentive (ODI) underperformance.

Metric	FY24	FY25	FY26
RCV (£m)	£4,500	£5,519	£6,119
Net debt (£m)	£3,304	£3,561	£3,856
Regulatory gearing (%)	68.3%	64.2%	63%
RoRE(%)	7.3%	5.9%	4.5%
Dividends declared (£m)	£45	£125	£75
Dividend yield (%)	2.7%	6.7%	2.7%

Dividends and dividend use

Dividend payments are designed to ensure that statutory obligations, key financial ratios, balance sheet considerations and credit ratings are not prejudiced. They also take into account customer, environmental and other stakeholder considerations and that the Company has adequate resources to carry out its work now and in the future.

The dividends paid by South West Water to its parent company, Pennon Group plc, are used by Pennon to help fund its operational costs, pay interest on its borrowings and pay dividends to its shareholders.

The base dividend declared by South West Water Limited in respect of the 2025/26 financial year was £75 million, corresponding to a dividend yield of 2.7%. The declaration of this dividend was restricted compared with the allowed return based on profitability and retained earnings to ensure statutory and financial resilience obligations were met. In accordance with the normal application of the dividend policy, operational, customer and environmental performance is evaluated a year in arrears and therefore the performance for the year to 31 March 2026 will be considered in declaring a dividend for the year to 31 March 2027.

On 4 July 2025, the Board declared a special dividend of £125 million in respect of shareholder returns over the AMP7 regulatory period up to 31 March 2025. In making the decision to declare a dividend the Board assessed relevant licence conditions and adopted a prudent approach when compared with the potential dividend allowable. While this dividend corresponded to an in-year dividend yield of 6.7%, the yield over the full five-year regulatory period to 31 March 2025 was 4.0%.

Ownership, funding and capital structures continued

Dividends of £75 million were paid on 29 August 2025, taking into account the ability of the Appointee to finance its Appointed Business, and as at 31 March 2026, dividends declared but not yet paid amounted to £170 million (31 March 2025: £45 million).

Subsequent to the year end £60 million was paid in April 2026 and the payment of remaining declared dividends will be considered in 2026/27, taking into account the financial resilience of the Company.

Dividends were paid in accordance with the Company's dividend policy, which considers financial resilience, performance delivery for customers and the environment and compliance with regulatory requirements.

⚡ Further details are provided in the notes to the accounts on pages 114 to 115

Capital structure and composition

South West Water's parent Pennon raised £490 million through a rights issue on 31 March 2025, of which £330 million was provided as a cash injection to South West Water to support its balance sheet position. No further changes in equity have occurred since.

Further details of total borrowings, debt composition and maturity profile (including debt due within 12 months) are provided in APR Table 1E (page 128) and supporting disclosures.

Liquidity and going concern

As at 31 March 2026, the Company had £740.9 million of liquidity through a combination of cash and committed facilities (31 March 2025: £696.7 million). This consists of cash and cash equivalents and restricted funds of £295.9 million (31 March 2025: £326.7 million), and £445.0 million (31 March 2025: £370.0 million) of undrawn committed facilities.

The Directors have assessed the Company's going concern status and are satisfied that it has adequate resources to continue in operation.

Further detail, including the basis of assessment and supporting assumptions, is provided on page 160 of the Pennon ARA : https://annualreport.pennon-group.co.uk/assets/pdfs/5767_Pennon_Annual_Report_2026_Hyperlink.pdf

Credit ratings

The Company maintains credit ratings from Moody's and Fitch to support efficient access to debt markets. The table below summarises the rating and outlook and change in year for each.

Agency	Rating	Outlook	Change in year
Moody's	Baa1	Negative	No Changes
Fitch	BBB+	Stable	No Changes

The Company confirms that over the 12 months to 31 March 2026 it has it has maintained compliance with licence requirements, without any dispensations, and it has maintained credit ratings above thresholds associated with distribution lock-up provisions.

Intra-group arrangements

The Company has arrangements with other Pennon Group companies for shared services and corporate functions, financing activities and operational support. All transactions are conducted on an arm's length basis, supported by formal agreements. Further detail is provided in related party disclosures, cost allocation methodologies and transfer pricing statements.

Transparency and assurance

This section is designed to provide a clear, accessible and consolidated view of the Company's ownership and control, funding and capital structure and financial resilience. Detailed technical disclosures are provided elsewhere in the APR, with cross-references included to avoid duplication.

The Board confirms that this information has been subject to appropriate governance and assurance processes.

Summary

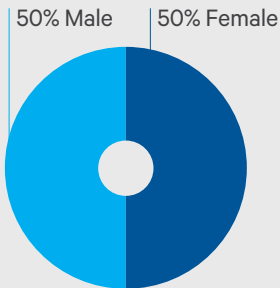
Additional information relevant to ownership, funding and capital structure is available in the following section:

- ⚡ Financial performance summary – see page 122
- ⚡ Directors' report and going concern statement – Pennon Group plc Annual Report 2026 (pages 157 to 158)
- ⚡ Annual Ring-fencing Certificate – see page 93
- ⚡ Dividend policy – see page 114
- ⚡ Long-term viability statement – Pennon Group plc Annual Report 2026 (pages 94 to 95)
- ⚡ Independent auditor's report – see page 105

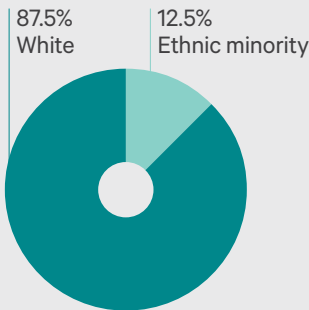
Our governance at a glance

Board composition as at 31 March 2026

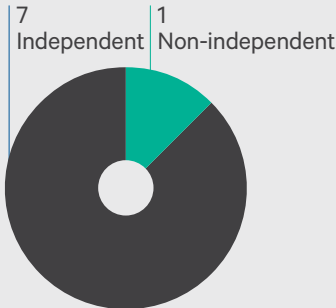
Gender representation



Ethnic representation



Board independence



As at the date of this report, there are six independent Directors and two non-independent Directors.



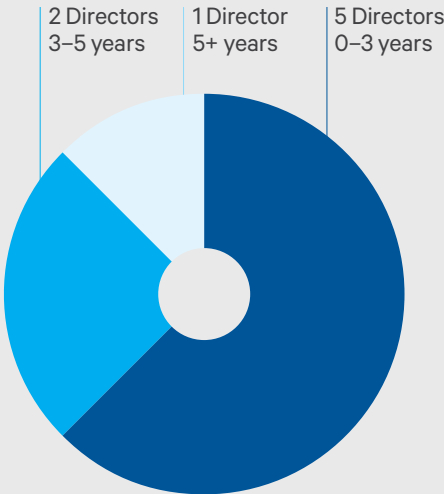
Board skills matrix and meeting attendance during the year

	Chair	Executive Director			Non-Executive Director					
	David Sproul	Keith Haslett ¹	Laura Flowerdew	Susan Davy ²	Sir Andrew Haines ³	Andrea Blance ⁴	Dorothy Burwell	Jon Butterworth	Lorraine Woodhouse	Iain Evans ⁵
Board skill										
Water sector		●	●	●						●
Regulation	●	●	●	●	●	●	●	●	●	●
Finance and accounting	●	●	●	●	●	●	●		●	
Strategy	●	●	●	●	●	●	●	●	●	●
Transformation	●	●	●	●	●	●	●	●	●	●
Health, safety and wellbeing		●	●	●	●			●		
ESG incl. climate change	●	●	●	●	●	●	●	●	●	●
Enterprise risk management	●	●	●	●	●	●	●	●	●	●
Data, technology and digital		●	●	●	●		●	●		
People	●	●	●	●	●		●	●	●	
Governance	●	●	●	●	●	●	●	●	●	●
Remuneration	●	●	●	●	●	●			●	
Board meeting attendance	6/6	0/0	6/6	4/4	3/3	6/6	6/6	6/6	6/6	6/6

1. Appointed 19 May 2026
2. Resigned 31 December 2025
3. Appointed 1 November 2025
4. Appointed 8 April 2025
5. Resigned 31 March 2026



Board of Directors' tenure



Board meetings

There were six scheduled Board meetings during the year with a number of ad hoc meetings taking place when necessary.

2025

May

Board and Committee meetings

July

AGM, Board and Committee meetings

September

Board and Committee meetings

November

Board and Committee meetings

2026

January

Board and Committee meetings

March

Board and Committee meetings

Our governance at a glance continued

Board changes

- Susan Davy retired from the Board and as Group Chief Executive Officer on 31 December 2025.
- David Sproul, Chair of Pennon Group, assumed the role of Executive Chair on 1 January 2026 supported by an Operating Committee. The Operating Committee, comprising Laura Flowerdew, Sarah Heald and Andrew Garard, commenced on 1 January 2026 and ended 1 April 2026 following the appointment of Keith Haslett as Group Chief Executive Officer.
- Keith Haslett joined the Board and was appointed as Chief Executive Officer on 19 May 2026.
- Iain Evans stepped down from the Board on 31 March 2026.
- Sir Andrew Haines was appointed to the Board as Non-Executive Director on 1 November 2025 and became Senior Independent Director on 1 April 2026.
- Andrea Blance was appointed to the Board as Chair of the Remuneration Committee on 8 April 2025.

➔ Read more on Andrea, Andrew and Keith’s experience in their biographies on pages 64 to 65

Key focus areas for the Board in 2025/26

- Customer affordability
- Delivery of capital projects
- Delivery of AMP8
- Investment programmes
- Storm overflows and eliminating pollutions
- Water quality and resilience
- Incident management
- Cyber security

➔ See pages 74 to 75 for more information

Compliance with the Ofwat Board leadership, transparency and governance principles (January 2019)

South West Water firmly believes that good corporate governance is essential to enable us to deliver our purpose for all of our stakeholders and it remains a top priority for the Board. We are committed to the Ofwat Board leadership, transparency and governance principles (January 2019) which are published on the Ofwat website. For the year ended 31 March 2026, we were compliant with all provisions of the Code with the exception of provision 2.4.iii. Further details can be found on page 80.

Objective 2.1 Purpose, values and culture	Page
2.1.i Board development and promotion of Company’s purpose	80
2.1.ii Consistency of strategy, values and culture with purpose	80
2.1.iii Board monitoring of behaviour throughout the business	80
2.1.iv Explanation of Board activities and corrective actions	80
Objective 2.2 Standalone regulated company	
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Objective 2.3 Board leadership and transparency	
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Objective 2.4 Board structure and effectiveness	
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The above provisions are summarised from the full provisions, which are outlined on pages 80 to 82.

1st

as part of Pennon Group, top 10 best performer in FTSE 250.

A rating

as part of Pennon Group, A rating for climate earning a place on CDP’s prestigious A-List and putting Pennon in the top 4% of companies worldwide. Pennon received an A score for water, recognising the Board’s strong leadership in protecting water quality and the natural environment.

Our governance at a glance continued

Key activities of the Board in 2025/26

In 2025/26, the Board considered a wide range of matters. The key activities that were carried out by the Board during the year, together with an indication of the stakeholders affected and whose interests the Board considered in its discussions and decision-making, are set out below.

Activity	Stakeholders considered
Strategic	
PR25 Business Plan – accepting the final determination Investments will benefit our customers, the environment and community.	       
Delivery of capital projects – review and approval In line with the framework model for capital delivery, we reviewed and approved the delivery of capital projects. The successful delivery of these is for the benefit of all stakeholders and we have fostered long-term relationships with our suppliers.	    
Operational	
ODI improvements – monitoring We monitored our ODI improvements to meet regulatory requirements. Ongoing regulatory/innovation initiatives were monitored via ESG and Health and Safety reports. Plans were adapted where needed. Our aim is to ensure successful regulatory outcomes, safe customer and employee experience, enhancing day-to-day operations.	   
Storm overflows and pollution incidents – reviewing and assessing measures We reviewed and assessed measures tackling storm overflows at bathing waters to reduce spill rates across our sites and within our communities. Our outcome is to successfully maintain bathing water quality all year round. Reduction in pollution levels to industry-leading low levels.	  
Water quality and resilience – approval of upgrade projects We approved projects to upgrade treatment works and expanding reservoir capacity across our regions to deliver against our objective to ensure a continuous supply of safe and clean water to our customers.	 
Financial	
2025/26 Annual Reporting – review and authorisation Ongoing focus on key risks, with deep dives at Audit Committee meetings. We approved and authorised the Annual Report and Financial Statements as well as Annual Performance Report.	 
Final dividend payment – approval We have approved dividend payments in line with the Company's dividend policy	 

Key



Customers



Regulators



People



Suppliers and contractors



Investors



Policy makers



Environment



Communities

Activity	Stakeholders considered
Environmental	
Net Zero strategy plan, green recovery investment programme – implementation We have implemented and aligned plans with our strategic priorities by engaging in, for example: - Investments in bathing waters to reduce releases from storm overflows - Desalination project being undertaken to secure long-term water security in the region. Our investments are also accelerating delivery of our Net Zero plans to achieve a more sustainable future for all.	      
Social	
Supporting customers on low income – monitoring and adapting We monitored customer service levels and plans to deliver improved diversity mix and adapting where needed. This continues to align our plans to achieve ever more stretching targets and public/regulator scrutiny.	   
Investments in job opportunities and apprenticeships for local communities – review and approval We reviewed and approved investments for the benefit of the communities. These create job opportunities and improve the careers of our people and help retain talent.	  
Risk	
Mitigation of key risks – deep dive reviews Ongoing focus on key risks, with deep dives at Audit Committee meetings ensuring continued alignment of plans to ensure appropriate risk mitigation.	       
Cyber security risk – deep dive Review of our systems and assessed mitigating measures to avoid cyber attacks, preventing sensitive data of customers and our people and ensuring preparedness to tackle this risk.	  
Compliance, governance, legal and regulatory	
Corporate governance and key legal developments Regular updates during the year to ensure continual alignment of plans to ensure appropriate compliance/best governance practice.	       

Chair's introduction



David Sproul
Board Chair

The Board's primary focus in the year was ensuring strong governance arrangements were in place, underpinned by the right team and expertise to deliver effectively for our stakeholders.

I am very pleased to introduce, on behalf of the Board, the South West Water Governance Reporting section of the Annual Performance Report for 2026, which sets out our governance practices and processes, and how we applied the principles of the Ofwat Board leadership, transparency and governance principles (2019) throughout the year.

This report covers our key focus areas and achievements during 2025/26 and explains how the Board continues to operate effectively and efficiently and support the strategy.

Review of the year

We continue to operate to the highest standards of corporate governance, which remains central to the successful management of the Company, providing the framework we need to deliver our strategy, fulfil our purpose, create value for all our stakeholders and continuously develop our business.

The table on page 60 will help you to navigate our reporting and evaluate our performance against Ofwat's principles. As we explain below, we also have processes and procedures in place to safeguard the independence of decision-making by the Board of South West Water with respect to the Pennon Group plc Board.

Changes to the Board

We are pleased to welcome two new Non-Executive Directors, Andrea Blance and Sir Andrew Haines, to the Board during the year.

Since Andrea's appointment in April 2025, she has brought her extensive risk and commercial strategy expertise both to the Board and the Remuneration Committee, which she chairs.

Sir Andrew Haines joined the Board in November 2025 and brings with him a wealth of experience from infrastructure and capital projects. He was appointed as Senior Independent Director on 1 April 2026.

Iain Evans stepped down effective 31 March 2026. I would like to thank him for his immense contribution to the Board over the last eight years and wish him well for the future.

In July 2025, we announced the retirement of Susan Davy as Group Chief Executive Officer. During her 11 years as a member of the Board, Susan successfully led the affairs of the Group through a period of substantial development and growth. I would like to thank Susan for her service to the Group and our stakeholders. Effective 19 May 2026, we welcomed Keith Haslett as the Chief Executive Officer, having been appointed to Pennon Group on 1 April 2026, whom I look forward to working with.

“ We pay particular attention to our culture, ensuring it fully aligns with our shared purpose, values and strategy.

Chair's introduction continued

Promoting diversity

Diversity and inclusion (D&I) continued to be a top priority for the Board and the Group during the year. Our Board composition is substantially ahead of the diversity targets suggested by the Parker Review and the FTSE Women Leaders Review. During the year, we were incredibly proud to have moved from third position to first position for best performer in Women on Boards as part of the Pennon Group plc within the entire FTSE 250.

Our commitment to diversity is also reflected right across the business; our widespread commitment and focused drive to recruit talent from all backgrounds has the heartfelt support of our strong and diverse leadership team.

Engaging with our stakeholders

Engaging with all our stakeholders has never been more essential, particularly in view of the national and global issues we are facing. All companies in the water sector face much scrutiny around their environmental impacts, so it is vital that we listen to and respond to our stakeholders' views. We make sure to carefully consider all decisions and their likely impacts on our stakeholders.

As part of our engagement with regulators, we were delighted to welcome the Secretary of State for Water and Flooding at the Department for Environment, Food and Rural Affairs (Defra), Minister Emma Hardy to our Board meeting in May 2025. During this visit, we highlighted our focus and commitment to creating sustainable and resilient water resources, battling storm overflows and pollutions, delivering our outcomes and building trust.

The Board also welcomed Iain Coucher and David Black, the respective Chair and former CEO of Ofwat, to its Board meeting during the year, where we had the opportunity to give comfort on our alignment with the PR24 final determinations, and how our strategic plans and investment projects are being delivered in line with regulatory expectations and customer needs.

We continue to foster an open and transparent feedback culture within the business. All colleagues have the opportunity to share feedback with the Executive team and Board in several ways, including the Big Chat initiative, our employee surveys and Be the Future Forums.

Culture

As a Board, we pay particular attention to our culture, ensuring it is fully aligned with our shared purpose, values, and strategy. We continue to monitor these essential properties and receive regular reports from management on the work being done to ensure their continuous improvement. During the year, the Board was delighted to see the development of the Group's values, which reflect the views of our wider stakeholders and culture.

Role of the Board and its effectiveness

It is my view that the Board continues to be highly effective, with a deep understanding of the opportunities available to us and the threats facing the business. The results of the Board and Committee performance reviews support this view; see page 77 for further detail. We keep all identified threats to the future success of the business under constant review. Please see our risk report on pages 62 to 74 of the South West Water Annual Report and Financial Statements for a description of the risks we identify and review.

Board independence – Pennon, South West Water and SES Water

In accordance with Ofwat's principles on board leadership, transparency and governance, the South West Water Board is maintained as a separate Board from the Pennon Group and SES Water boards.

Our system of governance remains appropriate and effective, while continuing to support the delivery of our strategy.

Our Board and Committee framework also allows us to remain efficient in our decision-making processes. The South West Water Board convenes on the same day as each Pennon Board meeting and considers all key relevant issues. This arrangement allows full operational oversight and governance by the South West Water Board over its interests, while the Pennon Board continues to focus on strategic forward-looking matters for the Group as a whole.

Looking ahead

I would like to take this opportunity to thank my Board colleagues, the management team and our wider workforce for their outstanding work over the year just gone.

The Board will continue to focus on delivering against our strategic priorities in the year ahead, ensuring the wellbeing of our workforce as we build on the work of the last year in creating a successful and sustainable business.

David Sproul

Board Chair
17 July 2026

“ Our system of governance remains effective, and continues to support the delivery of our strategy.

Board of Directors



David Sproul

Group Chair

N

Date of appointment to the Board
1 July 2024 and became Chair on 24 July 2024.

Current external appointments

Chair of Starling Group plc and Starling Bank Limited, Non-Executive Director of Safanad Limited and Director of Pension Protection Fund. David is also a senior adviser to Bridgepoint Europe, and he sits on the Board of Governors as Chair of the University of Hertfordshire.

Skills and experience

David is a Chartered Accountant who has spent the majority of his career in professional services with Deloitte and, prior to that, Andersen, serving a diverse range of UK and international clients. He concluded his executive career at Deloitte in summer 2021 as Global Deputy CEO, having previously been elected for two terms as Senior Partner and Chief Executive of Deloitte UK and Northwest Europe from 2011 to 2019. During his leadership, the firm became the largest and most profitable professional services firm globally and in the UK, driven in part by significant investments in technology services, as well as differentiating itself as the audit quality leader with a strong inclusive culture.



Keith Haslett

Group Chief Executive Officer

E H

Date of appointment to the Board
19 May 2026.

Current external appointments

None

Skills and experience

Keith brings more than 25 years of experience in the UK water sector, with a strong track record of leading complex and regulated utilities. Prior to joining South West Water and Penmon, he served as CEO of Affinity Water, where he delivered improvements in business performance and customer outcomes. Earlier in his career, Keith held senior leadership roles at Northumbrian Water Group and United Utilities, overseeing large-scale water and wastewater operations and multi-billion-pound capital investment programmes. His experience spans engineering, operational delivery, environmental performance, and the transformation of asset management and organisational structures. Keith is a Chartered Civil Engineer and holds an MBA from Queen's University Belfast.



Laura Flowerdew

Group Chief Financial Officer

E H

Date of appointment to the Board
10 July 2024.

Current external appointments

None

Skills and experience

Laura was appointed as Group Chief Financial Officer in July 2024. She held previous positions as Chief Customer and Digital Officer Group and Chief Financial Officer of Bristol Water plc from October 2018. Laura previously worked in a number of senior executive positions in UK utilities, international natural resources and listed companies, including Anglo American plc, De Beers, Tribal Group plc and Bristol Energy. Prior to that she worked with Deloitte and trained with Arthur Andersen. She is a Fellow of the Institute of Chartered Accountants for England and Wales.



Sir Andrew Haines OBE

Senior Independent Director

A N R H

Date of appointment to the Board
1 November 2025.

Effective 1 April 2026, Sir Andrew took over as Senior Independent Director and became a member of the Health and Safety Committee, Audit Committee and the Remuneration Committee.

Current external appointments

Chair of DfT Operator Limited and Chair and Pro Chancellor, Cranfield University.

Skills and experience

Andrew retired from his role as Chief Executive and Board Member of Network Rail in October 2025 after seven years. During this time, he successfully led a regulated utility business of £9 billion annual turnover with a capital programme of circa £4–5 billion per annum and achieved an outperformance of the regulatory efficiency targets in the control period as well as best ever safety performance. Prior to this, Andrew was Chief Executive of the Civil Aviation Authority, the UK's aviation regulator, which he joined following nine years as a Managing Director in private sector train companies. He was awarded the OBE in 2016 and knighted for services to transport and the economy in 2025.

Committee key for the Board:

- A Audit Committee
- E ESG Committee
- H Health and Safety Committee
- N Nomination Committee
- R Remuneration Committee
- Committee Chair

Board changes 2025/26:

Susan Davy stepped down from the Board on 31 December 2025. Until her resignation, she was a member of ESG Committee and Health and Safety Committee.

Iain Evans CBE stepped down from the Board on 31 March 2026. Until his resignation, Iain was the Senior Independent Director and a member of the Health and Safety Committee, the Audit Committee and the Remuneration Committee.

Board of Directors continued



Andrea Blance

Independent Non-Executive Director

A N R

Date of appointment to the Board
8 April 2025.

Current external appointments

Non-Executive Director and Risk Committee Chair at Aviva plc.

Skills and experience

Andrea brings extensive risk and regulation expertise gained within the financial services sector and works with businesses to develop customer-focused commercial strategies.

Andrea spent her executive career at Legal & General Group plc where she held a range of senior leadership roles including Group Chief Risk Officer and Strategy & Marketing Director. More recently, Andrea has been Risk Committee Chair at Hargreaves Lansdown plc, Senior Independent Director and Remuneration Committee Chair of Vanquis Banking Group plc, Senior Independent Director and Audit Committee Chair of ReAssure plc, and Risk Committee Chair of Scottish Widows plc and Lloyds Banking Group Insurance.



Dorothy Burwell

Independent Non-Executive Director

E N R

Date of appointment to the Board
1 December 2022.

Current external appointments

Board member of FGS Global and Non-Executive Director at Post Holdings Inc.

Skills and experience

Dorothy has over 20 years' experience in banking and communications, specialising in natural resources and advising clients around issues of sustainability, strategy, and corporate communications. She is well known for driving substantive diversity and inclusion agendas. Between 2002 and 2006, Dorothy held analyst and senior roles at Goldman Sachs in the investment banking division, in both London and New York, as well as in the firm-wide Strategy Group, where she focused on proprietary mergers and acquisitions and new business development. Dorothy graduated from the Florida Agricultural and Mechanical University, USA with a Bachelor and Master of Business Administration, Finance and Management.



Jon Butterworth MBE

Independent Non-Executive Director

E H N

Date of appointment to the Board
28 September 2017.

Current external appointments

Chief Executive Officer at National Gas. Major in the British Army Reserves. UK Emergency Energy Co-ordinator for HMG. Chair of the National Gas Museum Trust.

Skills and experience

Jon has a distinguished track record and an immense depth of experience and knowledge within infrastructure and utilities. Jon began his career as an apprentice at British Gas over 47 years ago, working in Europe, the USA and the UK on major infrastructure. Currently as the CEO of National Gas PLC, Jon is responsible for the primary energy supply into the UK and the operation of the system.



Loraine Woodhouse

Independent Non-Executive Director

A E H N

Date of appointment to the Board
1 December 2022.

Current external appointments

Senior Independent Director and Chair of the Audit Committee for British Land Company plc, Non-Executive Director for Associated British Foods plc and a Trustee and Audit Committee member at the Zoological Society of London.

Skills and experience

Loraine is an experienced finance executive, with her experience focused in the retail and consumer sector, and more recently in real estate and infrastructure through her roles with Intu Properties plc and British Land Company plc.

Loraine was the Chief Financial Officer of Halfords Group plc until June 2022, before which she spent five years in executive and senior finance roles within the John Lewis Partnership, including Waitrose. Prior to that, Loraine was Chief Financial Officer of Hobbs, Finance Director of Capital Shopping Centres Limited (subsequently Intu Properties plc) and Finance Director of Costa Coffee Limited.



Andrew Garard

Group General Counsel and Company Secretary

Date of appointment as Company Secretary
1 December 2022.

Current external appointments

Non-Executive Director at Zinc Media Group plc, where he is chair of the Remuneration Committee, co-founder and Chair of the Board of Trustees of the Social Mobility Business Partnership.

Skills and experience

Andrew is a very experienced General Counsel, having joined from Meggitt plc, where he was Group General Counsel and Director of Corporate Affairs, and a member of the group executive responsible for legal, commercial, trade compliance, government relations, ethics and contract management. Previously, he was Group General Counsel and Company Secretary at ITV plc where he was a member of the executive board and led a global team responsible for legal and business affairs, secretariat, compliance, insurance, health & safety, rights management and corporate responsibility. Prior to this, he was Group General Counsel and Company Secretary at Cable & Wireless plc and Global Head of Legal at Reuters Group plc.

Executive Board



Keith Haslett

Group Chief Executive Officer

➔ See biography on page 64



David Harris

Managing Director of Water Services

David joined the Group as Group Drought and Resilience Director in 2022. He was appointed as Managing Director, Water Services (National) in July 2024.

With over 25 years of executive experience, he has successfully led the performance and growth of large infrastructure businesses, in both the regulated water market and the competitive energy market in Australia. David brings experience from his time leading one of Australia's largest and fully vertically integrated water companies through the worst droughts in the country's history, ensuring a constant supply of water and the building of additional water resources.



Richard Price

Managing Director of Wastewater Services for South West Water

Richard was appointed Managing Director, Wastewater Services in July 2024. Previously, he held the position of Group Chief Engineering Director from 1 September 2022, having joined Bristol Water in February 2018.

Richard is a Chartered Civil Engineer and Fellow of the Institution of Civil Engineers and Institute of Water. Richard has over 30 years' experience in engineering, constructing and operating water and wastewater infrastructure, having previously held senior roles at other water companies. Richard was instrumental in the transformation of Bristol Water as Chief Operating Officer. He is passionate about safety and customer excellence, embedding leading practices whilst transforming operating and delivery functions.



Ian Cain

Chief Executive Officer of Retail and Customer Markets

Following the acquisition of SES Water on 10 January 2024, Ian transitioned to the Pennon Group and, in July 2025, assumed the role of Chief Executive Officer (CEO) of Retail and Customer Markets. He now oversees the Group's strategic interests in the Business Retail water market, alongside responsibility for all customer service operations across Pennon's brands, including South West Water. He leads our customer strategy and governance, ensuring clarity, accountability and a strong alignment to regulatory expectations, customer insight and industry good practice.

Ian became CEO of SES Water in February 2020, bringing extensive experience from senior leadership roles in the UK utilities and service sectors. Before joining SES Water, he was CEO of iSupplyEnergy. Prior to that, he held other senior roles in leading water and energy utilities including Managing Director for Retail and Group Customer Service at Thames Water and Managing Director of British Gas Energy, where he led major transformations in customer propositions, service solutions and customer experience, digitisation and operational effectiveness.



Ian Christie

Group Chief Asset Officer

Ian joined the Board as Chief Asset Officer in May 2026.

Ian brings extensive experience across asset management, operational delivery and system planning. His expertise will be instrumental in strengthening the Group's focus on asset health and reliability, and in supporting the successful delivery of current and future business plans.

Prior to joining South West Water and Pennon, Ian Christie was the Managing Director at Welsh Water, leading various directorates on their Executive Committee. Ian also served as the Head of Potable Water Service at United Utilities and with a background in civil engineering, he also has a wealth of experience in delivering construction and asset investment programmes for a number of utility providers.



Laura Flowerdew

Group Chief Financial Officer

➔ See biography on page 64



Andrew Garard

Group General Counsel and Company Secretary

➔ See biography on page 65

Executive Board continued



Graham Murphy
Chief Engineering Officer

Graham joined South West Water in 1991 and has held a number of positions within engineering, operations and HR. He was appointed to his current role as Chief Engineering Officer in July 2024 and has full responsibility for the timely and efficient delivery of the South West Water's capital investment programme. Prior to joining South West Water, he undertook a variety of operational management roles within British Gas.

Graham retired from the Group on 30 June 2026 and we thank Graham for his commitment and significant contribution to South West Water over his career.



Sarah Heald
Chief Strategy and Regulatory Affairs Officer

Sarah was appointed Chief Strategy, Regulatory Affairs, and Investor Relations Officer of Pennon Group in July 2025.

Sarah is an experienced executive with over 17 years' experience spanning corporate strategy, stakeholder engagement, sustainability and investor relations across regulated industries including the water sector, infrastructure, and financial services.

She leads our strategy, regulatory and external affairs, and investor relations functions, shaping the Group's direction and positioning amid the most significant re-examination of the water sector.

Previously, Sarah served on the Executive Committee at Aberdeen plc, where she led sustainability, corporate affairs, marketing, and investor relations. She chaired Aberdeen's executive sustainability committee, the Charitable Foundation, and was a Non-Executive Director of the Aberdeen Financial Fairness Trust.

Prior to that, Sarah was Corporate Affairs and Investor Relations Director at Pennon Group 2015–2020 and was on the Executive Leadership Team that sold Viridor to KKR in July 2020. Earlier in her career, Sarah worked at FGS Global and she started her career in investment banking at Bank of America Merrill Lynch.



Carolyn Cadman
Chief Sustainability and Natural Resources Officer

Carolyn has recently been appointed Chief Sustainability and Natural Resources Officer, having joined South West Water as Director of Natural Resources in May 2022.

Carolyn's team are delivering projects to lower carbon emissions, increase nature recovery efforts and improve the sustainability of operations across the Group, including mainstreaming nature-based solutions. Carolyn's team lead the Upstream Thinking catchment management programme, the South West Peatland Partnership and are part of the South West Invasives Forum.

Prior to joining South West Water, Carolyn was Chief Executive of Cornwall Wildlife Trust, and has served in national roles for Natural England and the Marine Management Organisation, and in the South West region for Cornwall Council.

Carolyn is a Director of South West Water's partnership with Exeter University, the Centre for Resilience, Environment, Waste and Water, which undertakes innovative research in catchment management, microplastics, peatland restoration, AI, engineering and water management. Carolyn sits on the Board of the Devon Local Nature Partnership and she chairs the Cornwall Catchment Partnership.

Executive Board changes 2025/26:

Adele Barker was Chief People Officer and was a member of the Pennon Executive Board during 2025/26.

Sharon Gathercole was appointed Chief People Officer of Pennon Group plc in October 2025 and stepped down in May 2026.

Monitoring purpose and culture

Purpose, values and culture

As a dedicated business, working round the clock to deliver our essential water services for our customers, we are influenced by our values and culture to be effective stewards of the environment and our communities. We know that it's not only what we do, but how we do it that is important for our customers, communities and ourselves. That's why we will keep our focus on living our values across South West Water, every day.

We want our values and our behaviours to be the golden thread across Pennon and South West Water – all businesses within our Group to have the same values and therefore the same way of being.

Our values were developed after intensive involvement and listening sessions with the Executive Board, the larger leadership group, colleague organisations such as the employee forum, and comprehensive colleague listening groups.

Bringing water to life

Our purpose

Bringing water to life – supporting the lives of people and the places they love for generations to come.

Our values:



How the Board monitors culture

The Board plays a vital role in monitoring and assessing the culture of South West Water and ensuring its alignment with its purpose, values and strategy. During the year, the Board considered a number of areas that helped it to assess the embedding of the Group's culture.

Area assessed	How the Board monitors the culture
Employee engagement	Appointment of a designated Non-Executive Director for workforce engagement – The Board approved the appointment of the designated Non-Executive Director, giving the employees a meaningful voice and representation in Board discussions. Site visits – the Board attended a number of site visits and other office locations to meet operational colleagues in their day-to-day environment to hear from them. Big Chat and Be the Future Forum – The Executive team engages with all employees on all business topics and ensures that their views and opinions are shared with the Board.
Workforce policies and practices	The Board formally reviews the Company's workforce policies and practices to ensure these remain consistent with our purpose and values and support for our long-term sustainable success. Gender and ethnicity pay gap – The Board monitors the culture on gender and ethnicity pay through review, assessment, and approval of the Gender and ethnicity pay gap report. Diversity, Respect and Inclusion Policy – The Nomination Committee monitors diversity and inclusion through regular updates, and the Board fosters our culture on diversity and inclusion through the review and approval of the Group Diversity, Respect and Inclusion Policy. General pay conditions – The Remuneration Committee ensures that reward and pay arrangements support a culture that is transparent, fair, and consistent to ensure that employees' trust is maintained and that talent is attracted and retained.
Whistleblowing	Speak Up – Employees raise concerns anonymously without fear of reprisal. Any significant concerns, following formal investigation, are shared with the Audit Committee through the Ethics Management Committee and ultimately shared with the Board.
Health & Safety	HomeSafe – This remained a standing agenda item at every Board meeting in 2025/26. The regular updates were given on safety initiatives adopted for the achievement of the Group's 2025 strategic plan to be health and safety leaders in the water sector. The Board also conducted an assessment and approval of the HomeSafe strategic plan to 2030. Lost time injuries – Updates on efforts to reduce injuries of our staff across South West Water are assessed at every Executive meeting and further presented for assessment at the Health and Safety Committee.
Remuneration	The Remuneration Committee is regularly provided with feedback from shareholder consultations and customer engagement which helps the Committee and the Board to monitor the culture on wider workforce pay, and Executive and CEO remuneration. The Committee reviews and approves the wider workforce reward framework and relevant policies and ensures that incentives and rewards align with culture. CEO pay ratio – The Board ensures that the CEO pay ratio is fair, balancing stakeholder expectations while rewarding leadership success.

Board leadership

Governance structure and framework

South West Water – Board of Directors

An independent, separate Board from the Pennon Group plc Board, responsible for decisions relating to the business and strategy of South West Water Limited.

The business of the Board with associated Audit, Remuneration, Nomination and Environment, Social and Governance (ESG) Committees covers a full range of corporate issues including strategy, performance, delivery, compliance and governance.

The Board has a 'matters reserved' schedule setting out its responsibilities and each Committee has detailed terms of reference setting out its responsibilities and accountabilities.

Pennon Group plc – Board of Directors

The Board's role is to foster the long-term success and sustainability of the Group, while establishing value for all its stakeholders, including its shareholders, customers, employees and the communities it serves, by providing robust leadership and effective direction to the business as a whole.

It sets the Group's strategy and sustainability strategy, considering stakeholders, while maintaining a balanced approach to risk within a framework of effective controls for the mutual benefit of customers, shareholders and employees. It has also established the Group's purpose and values and monitors culture to ensure alignment. It sets the tone and approach to corporate governance and is responsible for the overall financial performance of the Group.



Board Committees

The Chair of each Committee formally reports to the Board and meets three or more times a year as necessary. Committee members have the essential skills and experience to execute the specific area of focus delegated by the Board.

Demonstrating accountability for Committee recommendations by reporting to the Board and ensuring the Board has oversight of Committee matters. The terms of reference for each Committee are agreed by the Board and can be found at www.southwestwater.co.uk/about-us/governance.

Audit Committee

Ensures the quality and integrity of our financial reporting, assesses the application of accounting policies given underlying standards, probes and tests the accounting judgements made in preparing financial reporting and evaluates whether the presentation of our activities is fair, balanced and understandable.

Reviews and challenges the ongoing effectiveness of the internal control environment and the scope and adequacy of our risk management processes.

➔ **Audit Committee Report:** See SWW Statutory Accounts

Nomination Committee

Regularly reviews the structure, size and composition (including the skills, knowledge, independence, diversity and experience required) of the Board, comparing it to its current position and the skills and expertise needed in the future.

➔ **Nomination Committee Report:** See SWW Statutory Accounts

Remuneration Committee

Ensures remuneration is aligned with the Group's strategy and reflects our values.

Advises the Board on the framework of Executive remuneration and for the wider workforce.

➔ **Remuneration Committee:** See SWW Statutory Accounts

ESG Committee

Ensures robust scrutiny of key aspects of Environmental, Social and Governance (ESG) performance and oversees our performance against its ESG strategy and strategic sustainability objectives.

➔ **ESG Committee Report pages:** See SWW Statutory Accounts

Health and Safety Committee

Provides a 'review and challenge' function to support the Board and the Executive on all matters connected to health and safety including the deployment of the health and safety strategy, resilience and process safety.

➔ **Health and Safety Committee:** See SWW Statutory Accounts



Board leadership continued

Group Chief Executive Officer and Pennon Executive Board (PEX)

Responsible for framing and navigating the business objectives to achieve delivery of the Group's strategy. To the extent of the authority delegated by the Board, ensuring the proper and prudent management of Group resources to create and maximise shareholder value while protecting the interests of the wider stakeholder group.

Chaired by the Group Chief Executive Officer, the Pennon Executive Board meets regularly to receive reports from the management committees and to ratify recommendations to be presented to the Board.

* An Operating Committee headed by the Chair acted in the absence of the Chief Executive Officer between 1 January 2026 to 31 March 2026 to ensure continuity and stability in delivery of the business strategy.

South West Water Executive

Responsible for the day-to-day management of South West Water's operations and activities undertaken.



Disclosure Committee

Draws up and maintains procedures, systems and controls for the identification, treatment and disclosure of inside information and for complying with other disclosure obligations falling on the Group. Monitors compliance with the disclosure procedures and keeps the adequacy of those procedures under review.

Ethics Management Committee

Oversees the ethics culture of the Group and its commitment to ethical business and integrity, including the creation, maintenance and execution of the Group's approach to anti-financial crime, modern slavery, whistleblowing and grievances.

Sub-committees and steering groups

There are a number of sub-committees and steering groups which support delivery of our strategic priorities and key delivery programmes as set out in the table below.

No	Title	Purpose
1	Investment Planning Committee	Effective owner of procedures controlling and approving capital investment. Ensures principles of proper financial control
2	Procurement Strategy Group	Oversees strategies and policies to promote effective working practices for strategic contracting relationships
3	Net Zero and Energy Committee	Oversees our management of risk and risk appetite in the areas of energy management, Net Zero and sustainability
4	Isles of Scilly Steering Group	Established to ensure we meet our obligations since being appointed the licensee on April 2020

Division of responsibilities

The Chair and the Group Chief Executive Officer have a clear separation of responsibilities, divided between managing the Board and the business, while maintaining a close working relationship.

All Directors are equally accountable for the proper stewardship of the Group's affairs and have specific roles, which include those set out on this page.

Group Chair: David Sproul

- Lead the Board and promote a healthy culture of openness and debate to facilitate constructive Board relations and effective contribution from all Non-Executive Directors.
- Ensure the Board holds itself to the highest standards of good and effective governance through integrity and credibility.
- Maintain a 'fit for purpose' Board through ongoing skills assessment and training as required and proactively aligning Board composition, performance, and succession planning with future strategic needs.
- Setting the agenda and ensuring the timely dissemination of information to the Board to ensure all relevant information is provided in a timely manner before constructive discussion and decision-making.
- Exhibit the high standards and values of South West Water and make certain that the views of all stakeholders are understood and considered.
- Provide advice, support and guidance to the Chief Executive Officer thereby facilitating an open relationship.

Group Chief Executive Officer: Keith Haslett

- Manage South West Water and provide executive leadership.
- Develop, propose and implement the Company strategy as agreed by the Board and in line with the strategic framework.
- Lead on all regulatory and policy decisions.
- Lead South West Water in accordance with the decisions of the Board.
- Ensure financial and operational leadership.
- Collaborate with the Chair on important and strategic issues of the Company and provide input to the Board's agenda.
- Contribute to succession planning and implement the organisational structure.
- Lead on acquisitions, disposals, and business development.
- Develop and manage relations with all stakeholders.

Senior Independent Director: Sir Andrew Haines

- Assist the Chair with shareholder communications and being an additional point of contact for stakeholders.
- Be available to other Non-Executive Directors if they have concerns that are not satisfactorily resolved by the Chair.
- Ensure an annual performance evaluation of the Chair, with the support of the other Non-Executive Directors, and ensure effective succession planning for the Board.

Group Chief Financial Officer: Laura Flowerdew

- Manage the financial affairs and support the Group Chief Executive in providing executive leadership and implementing the strategy.
- Report accurate and detailed financial information to the Board on performance and developments across the business.
- Manage and balance relationships with areas of South West Water such as finance and treasury, as well as external stakeholders.

Non-Executive Directors:

Jon Butterworth, Loraine Woodhouse, Dorothy Burwell, Andrea Blance

- Critically review the strategies, operational performance and financial reporting proposed for the Company.
- Evaluate proposals from management and constructively challenge its recommendations.
- Contribute to corporate accountability and good governance through being active members of the Committees of the Board.
- Play a key role in succession planning of the Board and the annual Board and Committee evaluations.

Group General Counsel and Company Secretary: Andrew Garard

- Support the Chair, Chief Executive Officer and the Board in ensuring all policies, processes, information, and resources are in order to ensure the Board can operate effectively and efficiently.
- Advise and keep the Board updated on any changes to Listing and Transparency Rules and best corporate governance practices.
- Facilitate a comprehensive induction for newly appointed Directors that is tailored to the Group's industry and strategy.
- Coordinate the annual Board and Committee evaluations in conjunction with the Chair and Group Chief Executive Officer.
- Provide advice and services to all Directors, as needed.

An effective Board

How the Board operates

In fulfilling its responsibilities, the Board has established a clear strategy for sustainable growth and ensures that its carefully defined aims and objectives align with the Company's purpose and values. The Board maintains the highest standards of governance alongside taking decisions to ensure the long-term sustainability of South West Water.

Benefitting from a diverse skill set, independence of thinking and experience of the Directors as demonstrated by their biographies on pages 64 to 67, decisions reached by the Board are fair, focused and balanced and they demonstrate that constructive debate has occurred. The best possible outcomes for the mutual benefit of our shareholders, customers, employees, and the communities we serve are at the heart of the Board decision-making process.

The culture of the Board is one of openness and constructive dialogue with the senior management team. Regular and effective flow of information between the Non-Executive Directors and senior management, both in and out of the Boardroom, ensures that there is good understanding of the Company's business. As detailed on page 71 there is a clear division of responsibilities between the roles of the Chair and Chief Executive Officer; however, to ensure that their responsibilities are discharged effectively, there is consistent communication on all areas of the business between them.

The Board held six scheduled meetings during the year, with additional meetings held during the year to consider pertinent issues, including matters requiring timely consideration. Directors' attendance at scheduled Board meetings held during the year is set out on page 59. The Board also approved a number of matters during the year by written resolution.

➔ The governance framework for the Board is clearly documented in the Pennon Group plc Articles of Association, Division of Responsibilities, Schedule of Matters Reserved to the Board and Terms of Reference for each Committee, which are all available on our website

Board and Committee meeting agendas are prepared in advance by the Company Secretary in conjunction with the Chair and the Chief Executive Officer. Agenda items are aligned with the annual Board and Committee cycle programme, with other items and updates added for consideration in response to matters of importance to the business at the time. For each scheduled Board meeting there are a number of standing items such as the monthly performance reports from the Chief Executive Officer and Chief Financial Officer, operational reports, detailed reviews, and legal and governance updates. All matters are given due consideration by the Board and are reviewed at the appropriate point in the regulatory and financial cycles. Flexibility is retained in the programmes to include additional items requested by the Board, Committees, or senior management. The key activities of the Board can be found on pages 74 to 75 and the key activities of the Committees during the year can be found in the Committee Reports.

Directors are provided with papers at least five business days in advance of each Board or Committee meeting to allow for adequate time to review, ensuring impactful contributions are made at the meetings. Meeting packs are provided via an online Board portal system, offering a fast, secure and reliable method of distribution.

The Chair has calls with each of the Non-Executive Directors in advance of each scheduled Board meeting to discuss the papers and the business of the meeting. If a Director is unable to attend a meeting because of exceptional circumstances, they will continue to receive all the material for the meeting and have an opportunity to have a briefing discussion with the Chair in advance. Feedback is provided to the Directors unable to attend on the decisions taken at the meeting.

Non-Executive Directors communicate directly with senior management between Board and Committee meetings, where required. Members of the Executive Board also present at the annual strategy Board meeting and at other times during the year on their areas of responsibility, along with members of their teams.

During the year, the Chair had catch-ups with the Chief Executive Officer and regular updates with the Group General Counsel and Company Secretary and Chief Financial Officer.

Meetings of the Non-Executive Directors, in the absence of the Executive Directors, are scheduled in the Board's annual programme. During the year, Non-Executive Directors met without the Executive Directors after every Board meeting. These meetings provide the Non-Executive Directors with the opportunity to share experiences and discuss wider business topics, fostering debate in Board and Committee meetings and strengthening working relationships.

Schedule of Matters Reserved to the Board

The South West Water provides supervision of the regulated business of South West Water, while the Pennon Board maintains oversight of the areas material to the delivery of the Group's strategy and purpose, and acts as the main governing body for the purpose of oversight of the Group. The Pennon Board undertakes a review of the Matters Reserved to the Board on a periodic basis.

Committees

In accordance with the Code, the Board delegates certain responsibilities to its core Committees, which monitor various subject matters in depth and gain greater understanding in detail. The Committees' responsibilities and mode of operation are guided by their respective terms of reference which have been agreed by the Board and are available to view on our website and also are summarised on the Committee Report pages below. In addition, each Committee considers its calendar of business at every meeting to ensure responsibilities continually remain clear. Each Committee Chair provides an update on matters discussed at each Board meeting, reporting on decisions taken, and where appropriate provides a recommendation to the Board on matters requiring its approval. The reports from each Committee of the Board can be found on pages 125 to 149.



An effective Board continued

Strategy

The Board recognises its responsibility to create and oversee the framework for the delivery of the Company's strategic model, ensuring that the strategy and purpose are continually delivered for our stakeholders. At the meetings the Board receives presentations from Managing Directors and senior management, deep diving into the performance of each business unit, including reviews into the financial outlook and opportunities for growth. In addition, the Board dedicates a separate meeting at its scheduled meeting in September to discuss strategy, ensuring that the Company remains on track in its implementation and delivery or improvement, where necessary, of the agreed strategy.

Executive Board

The Executive Board meets on a monthly basis and is responsible for executing the Company's strategy and the day-to-day management of the Company's operations. Responsibilities and processes are designed to ensure effective management and oversight of Company affairs. Governance policies and terms of reference are reviewed in accordance with the demands of the business, changing regulation and emerging best practice. The Executive Board is led by the Chief Executive Officer. The biographies of the Executive Board can be found on page 64.

During the year, Susan Davy resigned as Group Chief Executive Officer on 31 December 2025. To support an orderly succession, the Board approved an interim arrangement covering the period between Susan stepping down from the Board and Keith Haslett joining the Board on 19 May 2026.

From 1 January 2026 to 31 March 2026, David Sproul assumed the role of Executive Chair, supported by an Operating Committee comprising the Chief Financial Officer, Group Chief Strategy, Regulatory Affairs & Investor Relations Officer and Group General Counsel and Company Secretary. The Operating Committee with delegated executive powers continued to run the business and deliver the Group's strategy and ensured continuity.

Workforce engagement

During the year, the Board decided to adopt one of three employee engagement methods referred to in the UK Corporate Governance Code. The Board appointed Dorothy Burwell, a Designated Non-Executive Director for Workforce Engagement, to engage with colleagues. The Designated Non-Executive Director for Workforce Engagement would report to the Board on the progress of workforce engagement, initiatives, and activities. The Board is confident that this would further enhance colleagues' voice in the Boardroom coupled with gaining first-hand knowledge of how the culture is being embedded across various business areas of the Group.

To further enhance the Board's approach to workforce engagement, the periodic employee engagement surveys (including related management feedback sessions) and continuous employee feedback through our own in-house forums, such as 'Be the Future Forums' and the 'Big Chat', hosted on a fortnightly basis by the Executive team, would continue to function. These forums not only give employees access to important up-to-date information on key business events, they also provide the opportunity to hear from the Directors, give feedback and ask questions.

The Board believes these chosen approaches are an effective way of communicating with employees and gathering essential feedback from across the business. This empowers the Board to consider the interests of all employees in its discussions and decision-making.

Stakeholder engagement

In delivering our strategy and ensuring the sustainable, long-term success of the Group, the Board places utmost importance on the interests of our stakeholders in its decision-making process. Further details on how the Board has fulfilled its duties under Ofwat's Board leadership, transparency and governance principles in respect of stakeholder considerations in its discussions and decisions, and that each decision reached is in line with the Company's purpose and culture are set out in this report and an explanation as to how we engaged with our different stakeholders during the year can be found on pages 9 to 17.



📍 Bournemouth site visit

Workforce policies and practices conflicts of interests

In accordance with the Directors' interest provision of the Companies Act 2006 and the Company's Articles of Association, the Board has in place a procedure for the consideration and authorisation of Directors' conflicts or possible conflicts with the Company and Group interests. The Board considers this has operated effectively during the year. Each Director has a duty under the Companies Act 2006 to avoid a situation in which they have or may have a direct or indirect interest that conflicts or might conflict with the interests of the Group.

This duty is in addition to the duty owed to the Group to disclose to the Board any interest in a transaction or arrangement under consideration by the Group. A register of Directors' conflicts is maintained and reviewed at each Board meeting. Authorised conflicts disclosed on the register currently involve cross-directorships with Pennon Water Services Limited and the trustee board of the Group's defined benefit pension scheme.

Whistleblowing

The Board maintains overall responsibility for the Group's Whistleblowing Policy (the Policy). The Policy provides a clear procedure for employees and suppliers to report concerns, through the Speak Up service, either to their line manager or through a third-party whistleblowing hotline. The Policy is well communicated to employees across the Group. All whistleblowing cases are investigated by the Ethics Management Committee. The Board, through the Audit Committee, receives yearly whistleblowing updates which set out any whistleblowing issues raised during the period and interim updates on any significant matters. The updates provided are anonymous and summarise the result of any investigation. The Board is satisfied that the Policy and the work of the Ethics Management Committee remain effective.

Key activities of the Board

In 2025/26, the Board engaged in a wide range of activities. The Board visited Bournemouth and Bristol operational sites and welcomed the Secretary of State for Water and Flooding at the Department for Environment, Food and Rural Affairs (Defra) and the respective CEO and Chair of Ofwat to its Board meeting during the year.



[Site visit to Bude](#)

The key activities that were carried out by the Board during the year, together with an indication of the stakeholders affected and whose interests the Board considered in its discussions and decision-making, are set out on pages 74 to 75.

Activity	Outcome	Stakeholders considered
Strategic		
2026 Sharesave plan Reviewed and approved a new Sharesave plan which introduced a matching element to the SIP scheme.	The implementation of the matching element to the SIP scheme providing one free share for every three shares purchased will not only ensure affordability but give colleagues a higher stake in the Company.	 
Delivery of capital programme Reviewed and approved the delivery of the AMP8 capital programme in line with the business delivery plans and framework model for delivery.	Successfully deliver the capital programme for the benefit of all stakeholders and foster long-term relationships with our suppliers.	    
Strategy Day Attended Strategy Day to drive focus for the next steps for growth.	Organic and inorganic growth opportunities were presented and considered.	    
Consumer involvement forward plan Board scrutiny and approval of the plan following engagement with WaterShare+ Panel	Publication of our plan and customer accessible versions which set out steps to ensure customer insight and involvement in our decision making.	    
Operational		
ODI improvements Monitored our ODI improvements to meet regulatory requirements. Ongoing regulatory/innovation initiatives were monitored via ESG and Health and Safety reports and plans were adapted where needed.	Successful regulatory outcomes, safe customer and employee experience, enhancing day-to-day operations.	    
Storm overflows and pollutions Reviewed and assessed measures tackling storm overflows at bathing waters and reduced spill rates across our sites and within our communities.	Delivery against our objective to ensure continuous supply of safe and clean water to our customers.	   
Water quality and resilience Approved projects to upgrade treatment works and expand reservoir capacity across the regions.	Successfully maintain bathing water quality all year round. Reduction in pollution levels to industry-leading low levels.	   
Financial		
2025/26 Annual Report and Accounts Reviewed and authorised the Annual Report and Accounts.	Delivery against objectives to return capital where appropriate.	

Key to stakeholder groups



Customers



Regulators



People



Suppliers and contractors



Investors



Policy makers



Environment



Communities

Key activities of the Board continued

Activity	Outcome	Stakeholders considered	Key to stakeholder groups	
Environmental			 Customers	 Investors
Net Zero strategy plan, green recovery investment programmes Implementation and alignment of plans with our strategic priorities by engaging in, for example, Upstream Thinking investments to enhance water quality while also contributing to Net Zero.	Accelerate delivery of our Net Zero plans to achieve a more sustainable future for all.	    	 Regulators	 Policy makers
Pollution Incident Reduction Plan 2026 Reviewed and approved our plan to improve the environment and reduce pollution risk across all aspects of our operations – and especially with regard to our wastewater operations.	Ensure that our waterways and water consumption remain safe for our customers and for communities that we serve.	    		 Environment
Ofwat delivery plan Reviewed and approved the submission of our Final Delivery Plan to highlight the planned investments over the 2025–2050 period.	Foster our commitment to the long-term sustainable growth of the UK's environmental infrastructure.	    	 Suppliers and contractors	 Communities
Social				
Supporting customers on low income Monitored customer service levels and plans to deliver improved diversity mix and adapted where needed.	Continued alignment of plans to achieve ever more stringent targets as well as greater public/regulatory scrutiny.			
Workforce engagement Considered and approved the appointment of a Workforce Engagement Non-Executive Director.	Create employee voice within the Boardroom to enhance decision-making that considered the interests of our people.	  		
Investments in job opportunities and apprenticeships for local communities Reviewed and approved investments for the benefit of the communities.	Create job opportunities and improve the careers of our people and retain talent.	  		
Risk				
Mitigation of key risks Ongoing focus on key risks, with detailed reviews at Audit Committee meetings.	Continued alignment of plans to ensure appropriate risk mitigation.	 		
Deep dive on cyber security risk Reviewed our information security systems and assessed mitigating measures to avoid cyber-attacks.	Continued protection of sensitive data of our customers and our people and ensured business preparedness to tackle this risk.	     		
Compliance, governance, legal and regulatory				
Regular updates on corporate governance and key legal developments during the year.	Continued alignment of plans to ensure appropriate compliance/best governance practice.	  		

How the Board engages with stakeholders

The Board understands the role the Company has to play in creating a more sustainable South West and UK as a whole. We are committed to carrying out our business in a responsible way and to continuously improving how we provide all our services for the benefit of all our stakeholders.

South West Water is committed to ensuring that its decision-making process takes into account the interests of all key stakeholders, including our shareholders, customers, communities, people, suppliers and investors. Our Directors take their duties under this section seriously and carefully consider the long-term impact of their decisions.

In fulfilling their duties, our Board engages with stakeholders through a variety of channels to understand their views and priorities. This includes direct engagement with customers, employee feedback mechanisms, consultations with regulators, and community outreach programmes. By integrating these perspectives into our decision-making, we aim to create value for both our shareholders and society, while also ensuring the sustainable use and protection of our water resources.



Engaging with our customers and communities

The WaterShare+ customer meetings are an opportunity for our customers to provide direct feedback to our independent WaterShare+ Advisory Panel, who, in turn, provide direct feedback to our Board. The WaterShare+ Panel champions the customer voice, ensuring that consumer views are actively represented in Board-level decision-making.

The WaterShare+ scheme was developed in direct response to feedback from our customers who said they would like to share in the success of the Pennon Group, alongside giving them a greater say in the South West Water business. The first WaterShare+ scheme was launched in 2020 and returned £20 million to customers as a reduction of £20 on their bill. Eligible customers had the option of choosing a minimum of £20 in Pennon shares. In November 2022, the second WaterShare+ scheme was launched and returned c.£20 million to customers of South West Water (including Bournemouth Water) and for the first time, customers of Bristol Water. Eligible customers could choose between a £13 reduction on their bill or to opt for a shareholding in the Pennon Group.

On 30 June 2026 we published our forward plan for consumer involvement in decision making. We set out how the Board and Executive will engage with the WaterShare+ Panel, and the other steps we propose to ensure that consumer insight and involvement occurs through all the decisions we make that have a material impact on consumers. There are accessible customer brand versions applicable to all of the areas we serve. We will report on progress against this plan next year



Engaging with our people

The Board receives regular updates on our people from the Group Chief Executive Officer and Group Chief People Officer at its meetings.

Feedback from employee surveys, the Big Chat and Be the Future Forums was provided to the Board to ensure that the decisions made consider employee interests and include what is of priority to our people. Further details on the engagement with our people can be found on pages 76.



Engaging with our regulators and policy makers

The Board receives regular updates on our regulators and policy makers from the Group Chief Executive Officer and Chief Strategy and Regulatory Affairs Officer. The Board, through the Chair, Group Chief Executive Officer and Group Chief Financial Officer, proactively engages with our regulators, particularly Ofwat and the Environment Agency, and Government, both at a local and national level, including sharing platforms with local MPs at constituency meetings, and face-to-face discussions with Defra throughout the year.

In November 2025, the Group Chief Executive Officer attended an industry-wide meeting hosted by the Secretary of State to discuss strategically significant issues, including transition, performance, and delivery. Additionally, the Group Chief Executive Officer and members of the Executive regularly engage with Members of Parliament through site visits and meetings to discuss individual projects. Our dedicated Public Affairs department focuses on responding to casework from Parliamentary offices, ensuring queries are dealt with quickly and effectively, regularly feeding back to the Group Chief Executive Officer and Executive on topics of interest to MPs and other stakeholders.



Engaging with environmental organisations

During the year, the Board received regular updates on environmental performance, regulatory engagement and partnership activity through the Group Chief Executive Officer, informed by the Chief Sustainability and Natural Resources Officer. In this role, responsibility for environmental and biodiversity strategy, Net Zero, catchment management and environmental stakeholder relationships sits centrally.

We continue to maintain constructive engagement with key regulators, including the Department for Environment, Food & Rural Affairs (Defra), the Drinking Water Inspectorate (DWI) and the Environment Agency, alongside industry collaboration through Water UK.

Through our attendance at Catchment Partnerships and our close collaboration with local authorities, local nature partnerships, landowners, and community groups across the

region, we continue to promote nature-based solutions and shared environmental stewardship across the region. Our Upstream Thinking programme and leadership of the South West Peatland Partnership remain central to this approach, working with farmers and our NGO delivery partners to improve raw water quality and sustainability of supply at source. This catchment management approach enhances biodiversity and reduces treatment risk and demand.

Our Green First approach to managing asset risk has been progressed through the development of natural catchment management plans that bring all stakeholders in water management in a catchment together. These are a critical tool in understanding where we can apply nature-based solutions to managing excess water flows, and we are now progressing to the next stage of working with partners in trial catchments such as the Bidwell brook to progress nature-based flood risk solutions.

The Chief Sustainability and Natural Resources Officer has throughout the year convened a Let's Talk Water Stakeholder Forum. Since 2022 when the Forum was established, meetings have normally been held online, however in September 2025 stakeholders from across the region headed to Roadford reservoir to discuss a range of themes, including Cycle 2 of the Drainage and Wastewater Management Plan and criteria for a nature recovery fund.



Engaging with our suppliers

The Board receives updates at Board meetings on our engagement with suppliers that is conducted through a formal Request for Proposal process and periodic supplier review meetings to ensure that our suppliers deliver outcomes that benefit all our stakeholders.

The Board is regularly informed and involved through the stages of tender processes which are undertaken to ensure that suitable and experienced suppliers are contracted to deliver our capital projects.

The Executive team are actively engaging the wider industry supply chain directly and indirectly through organisations such as British Water, Future Water and the Civil Engineering Contractors Association to both understand and influence emerging trends and mobilise the best suppliers and innovation for the benefit of South West Water. Updates are regularly provided to the Board.

Composition, succession and evaluation

Board support and training

In the discharge of its statutory duties, the Board has been supported by the advice and services of the Company Secretary and other relevant functions of the business. An established procedure whereby Directors can seek independent professional advice at the Group's expense to fulfil their duties is in place.

The Company Secretary is responsible for ensuring that the Board operates in accordance with the governance framework and that information flows effectively between the Directors and the Committees and between senior management and Non-Executive Directors.

As part of the Board effectiveness review process, the training needs of Directors are discussed and an action plan for delivery considered. Training may include attendance at external courses organised by professional advisers and internal presentations from senior management.

During the year, updates were provided to the Board and Committees via the Group General Counsel and Company Secretary and/or the Group's external advisers. These included updates on mandatory reporting and recent legal or governance changes. Specifically, the Board received updates on the Water (Special Measures) Act, the Cunliffe Review, directors duties' under the Companies Act 2006 and identity verification for directors under the Economic Crime and Corporate Transparency Act 2023.

Board composition, independence, and experience

The Board comprises the Chair, the Senior Independent Director, five Non-Executive Directors and two Executive Directors. As at 31 March 2026, female representation on the Board was at 50%, exceeding the Board's target of 33% and the target of the FTSE Women Leaders Review and the Listing Rules.

All of the Non-Executive Directors are considered by the Board to be independent and are subject to re-election each year.

All the Non-Executive Directors are considered to have the appropriate skills, experience in their respective disciplines and personality to bring independent and objective judgement to the Board's deliberations. Their biographies on pages 64 to 67 demonstrate collectively a broad range of business, financial and other relevant experiences.

Loraine Woodhouse is Chair of the Audit Committee and, in accordance with the UK Code and FCA Disclosure Guidance and Transparency Rule 7.1.1A, has recent and relevant financial experience and competence in accounting and auditing (as set out in her biography on pages 64 to 67). The Board is satisfied that the Audit Committee has financial literacy and competence relevant to the sector in which the Company operates.

Board appointment and succession planning

The Nomination Committee frequently reviews the size and structure of the Board. The Committee regularly reviews the succession plan for Non-Executive Directors and the Executive team at Pennon, with consideration for diversity, skill and experience at the forefront of their minds. External search consultancy firms Heidrick & Struggles and Russell Reynolds Associates supported the Board during the process of recruitment of Sir Andrew Haines and Keith Haslett as Board Directors. Neither firm has a connection with the Company or with any individual Directors. Both firms are signatory to the Voluntary Code of Conduct for External Search Firms.

The Board is aware of the Ofwat's new Fitness and Propriety Rule which ensures that candidates being considered for directorship or senior management roles within the sector meet stringent standards of honesty and integrity, knowledge and experience, and financial soundness before they can be offered their role. The Board ensured that the necessary background checks in line with the rules were conducted during the recruitment process of the Chief Executive Officer and reports submitted to Ofwat.

Ofwat Fitness and Propriety Rule

During the year, Ofwat introduced a new Fitness and Propriety Rule, requiring water companies to ensure that individuals appointed to board-level roles demonstrate the highest standards of integrity, competence, and financial soundness. This rule forms part of the wider reforms under the Water (Special Measures) Act 2025, aimed at strengthening governance and rebuilding public trust in the sector.

We have taken proactive steps to embed this requirement into our governance processes, including robust due diligence, assessment, and ongoing monitoring arrangements. Our newly appointed Chief Executive Officer, Keith Haslett, is the first colleague and first industry executive director to undergo and meet the requirements of this enhanced fit and proper assessment, setting the standard for future senior appointments.

Time commitment

All Non-Executive Directors are required to devote sufficient time to meet their Board responsibilities and demonstrate commitment to their role. During the year, the Nomination Committee considered the time commitment of all the Non-Executive Directors and was satisfied that the required time dedicated by each of them remains appropriate.

External appointments

All Directors are required to consult with the Chair and obtain Board approval before taking on any additional appointments. Executive Directors are not permitted to take on more than one non-executive directorship of a FTSE 100 company or other significant appointment. As part of the selection process for any new Board candidates, any significant external time commitments are considered before an appointment is agreed.

Board inductions

Newly appointed Directors receive a formal, tailored induction coordinated by the Group General Counsel and Company Secretary. The programme goes through the below process:

→ Introductions

Introduction meetings with key stakeholders in the business and an outline of the Board and its Committees.

→ Information

Presentations from Executive Directors to provide key information on Finance, Remuneration, Health and Safety, Legal, Regulatory, Risk, Environmental and other key Group matters.

→ Engagement

Newly appointed Directors are invited to visit different operating facilities across the Group and to meet with employees in order to better understand key processes and systems.



Board performance review

The Board undertakes a formal and rigorous review of its performance and that of its Committees and Directors each year. Having carried out an internal evaluation in 2024/25, with feedback currently being implemented, the Board was due to undertake an external evaluation this year. However, given the significant changes to the Board during the year, including a new Group Chief Executive Officer, retirement of the Senior Independent Director, and addition of two Non-Executive Directors, the Board took the decision to commence the evaluation process in May 2026.

Recommendations from the review process will be disclosed in the 2026/27 Annual Report and Accounts.

Key strategic decisions considered by the Board

Key strategic decisions considered by the Board

Below are some of the key strategic issues considered, and decisions made, by the Board during the year and an explanation of how the Board considered the matters in Section 172(1) (a) – (f) when taking those decisions and how they link to our strategy.

Key decision	Board discussion and s.172 considerations	Outcome	Link to strategy
Appointment of Workforce Engagement Non-Executive Director	Our People The Board assessed the impact of the appointment on promoting effective monitoring of the culture and engagement within the Group and escalating our colleagues' views to support informed decision-making. Our Regulators The Board discussed the UK Corporate Governance Code 2024.	In January 2026, the Board appointed a designated Workforce Engagement Non-Executive Director.	  
AMP8 capital programme	Our Customers and Communities The Board considered the proposed capital delivery programme against regulatory and strategic priorities. In addition, consideration was given to the long-term benefit of a resilient asset base on affordability of services. Our Investors The Board assessed the capital investment programme against a number of criteria including forecasts, investor expectations, improvement to the Company's asset base, financial resilience and the ability to support sustainable returns. Our Regulators The Board considered the structure of the capital delivery programme to meet regulatory commitments. Our Environment The Board assessed the investments on various grounds including sustainability, water resources, natural habitat and healthier rivers and seas.	The Board approved the AMP8 capital programme.	   
Ofwat delivery plan	Our Customers The Board considered the impact of the Company's largest ever investment programme against customer expectations and needs. Our Investors The Board assessed potential performance against the delivery plan from the perspective of our investors, considering, amongst other things, risks, progress monitoring and reporting. Our Regulators The Board carefully considered the expectations of our regulators in respect of the PR24 business plan and its delivery.	In August 2025, the Board approved the submission of the Ofwat delivery plan.	   

Strategic priorities

- 

Building water resources, improving water quality
- 

Driving environmental gains and delivering Net Zero
- 

Tackling storm overflows and pollutions
- 

Supporting affordability, delivering for customers

Key strategic decisions considered by the Board continued

Key decision	Board discussion and s.172 considerations	Outcome	Link to strategy
Customer experience platform – Project Fusion	Our People The Board considered the impact of the proposed customer experience platform on our colleagues and their experience at work. Our Customers The Board assessed the platform against customer experience and service quality. Our Investors The Board considered the investment in the platform from a value creation perspective and assessed its impact on operational performance, long-term costs and delivery of the Group's strategic objectives. Our Regulators The Board carefully considered the expectations of our regulators in rolling out the new platform in particular with regard to transparency and customer commitments.	The Board approved the additional expenditure on Project Fusion.	   

Ofwat Board principles

Compliance with Ofwat’s principles and the UK Code – analysis by objective/provision and principle

South West Water provides a detailed analysis of how we comply with Ofwat’s principles of Board leadership, transparency and governance below. A summary of how we comply with the 2018 UK Corporate Governance Code (in the context of being a subsidiary of a listed company) is provided in the South West Water Annual Report and Financial Statements.

Ofwat Board leadership, transparency and governance principles (January 2019)

From 1 April 2019, Ofwat revised ‘Board leadership, transparency and governance’ principles have applied to South West Water. These were published following consultation by Ofwat in January 2019. The following table details how we comply with these principles (noting the three-month period where the Chair acted as Executive Chair – provision 2.4iii), where we have taken additional steps during the year to comply, or indicates elsewhere in this Annual Performance Report where this detail is provided.

Objective 2.1 Purpose, values and culture

The board of the Appointee establishes the company’s purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.

Provision i.

The board develops and promotes the company’s purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public service.

Our purpose is laid out in ‘Business model and strategy’ on pages 7 and 8. This is developed to align with our regulatory business plans which are themselves based around the eight outcomes which our customers and other stakeholders have identified as their top priorities.

Provision ii.

The board makes sure that the company’s strategy, values and culture are consistent with its purpose.

‘Business model and strategy’ on pages 7 and 8 lays out our strategy, values and culture which have been developed in line with our purpose and the linkage is outlined in that section.

Provision iii.

The board monitors and assesses values and culture to satisfy itself that behaviour throughout the business is aligned with the company’s purpose. Where it finds misalignment it takes corrective action.

All employees are provided with our Code of Conduct which outlines the behaviours expected in line with the values and culture which we expect.
An independent ‘Speak Up’ whistleblowing process is made available to all staff to raise any relevant matters. These are reviewed by the Head of Legal Compliance and summaries of matters raised are then reviewed by the Board and corrective actions to any matter requiring correction are also reviewed.

Provision iv.

A company annual reporting explains the Board’s activities and any corrective action taken. It also includes an annual statement from the board focusing on how the company has set its aspirations and performed for all those it serves.

- ➡ The activities of the Board are detailed on page 61 and page 73 details continued employee engagement
- ➡ The Risk and Compliance Statement on pages 83 to 84 focuses on how the Company has set its aspirations and performed for all those it serves

Objective 2.2 Standalone regulated company

The Appointee has an effective board with full responsibility for all aspects of the Appointee’s business for the long term.

Provision i.

The regulated company sets out any matters that are reserved for shareholders or parent companies (where applicable); and explains how these are consistent with the board of the regulated company having full responsibility for all aspects of the regulated company’s business, including the freedom to set, and accountability for, all aspects of the regulated company’s strategy.

The Board leads the Company both in terms of accountability and legitimacy and is responsible for the setting of and ownership of the Company’s strategy together with the ability to make ongoing strategic and sustainable decisions in the interests of the Company for the long term.
Pennon endorses significant decisions impacting Group strategy.
These are detailed within the Governance section alongside detail of the operation of the South West Water Board. We believe this approach is compatible with this provision.

Provision ii.

Board committees, including but not limited to audit, remuneration and nomination committees, report into the board of the regulated company, with final decisions made at the level of the regulated company.

The South West Water Annual Report and Financial Statements details the operation of South West Water’s Audit, Remuneration, Nomination, Health and Safety and ESG Committees, each of which reports into the Board.
Other than in areas identified in this report as reserved for the parent company, final decisions are made by South West Water’s Board and Committees.

Ofwat Board principles continued

Provision iii.

The board of the regulated company is fully focused on the activities of the regulated company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholdings; and ensures that the influence of third parties does not compromise or override independent judgement.

The role of the Board and updates on its activity during the year are detailed on page 61 and throughout the Governance section and it is fully focused on the activities of South West Water.

The approach to conflicts of interest including in respect of third parties is detailed on page 73.

Objective 2.3 Board leadership and transparency

The board of the Appointee's leadership and approach to transparency and governance engenders trust in the Appointee and ensures accountability for their actions.

Regulated companies publish the following information in a form and level of detail that is accessible and clear for customers and stakeholders:

Provision i.

Boards and board committees have the appropriate balance of skills, experience, independence and knowledge of the company. Boards identify what customer and stakeholder expertise is needed in the boardroom and how this need is addressed.

See pages 64 to 69 for summaries of the Board and Committees.

Provision ii.

Independent non-executive directors are the largest single group on the board.

The majority of the Board is comprised of independent Non-Executive Directors (six of a total of nine Directors, including the Chair).

Provision iii.

The chair is independent of management and investors on appointment and demonstrates objective judgement throughout their tenure. There is an explicit division of responsibilities between running the board and executive responsibility for running the business.

The Chair is independent of management, although is also the Chair of the parent company Pennon Group plc.

There is a clear and explicit division of responsibilities between the Board and Executive, and a summary of their roles is provided on page 64 to 71.

Provision iv.

There is an annual evaluation of the performance of the board. This considers the balance of skills, experience, independence and knowledge, its diversity, how stakeholder needs are addressed and how the overarching objectives are met. The approach is reported in the annual report and any weaknesses are acted on and explained.

➔ See the Nomination Committee Report in the [South West Water Annual Report and Financial Statements](#)

Provision v.

There is a formal, rigorous and transparent procedure for new appointments which is led by the nomination committee and supports the overarching objective.

➔ See the Nomination Committee Report in the [South West Water Annual Report and Financial Statements](#)

Ofwat Board principles continued

Objective 2.4 Board structure and effectiveness

The board of the Appointee and their committees are competent, well run, and have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.

Provision i.

Boards and board committees have the appropriate balance of skills, experience, independence and knowledge of the company. Boards identify what customer and stakeholder expertise is needed in the boardroom and how this need is addressed.

See pages 64 to 68 for summaries of the Board and Committees.

Provision ii.

Independent non-executive directors are the largest single group on the board.

The majority of the Board is comprised of independent Non-Executive Directors (31 March 2026: seven of a total of eight Directors, including the Chair, as of the date of this report there are six independent Non-Executive Directors and two Executive Directors).

Provision iii.

The chair is independent of management and investors on appointment and demonstrates objective judgement throughout their tenure. There is an explicit division of responsibilities between running the board and executive responsibility for running the business.

The Chair is independent of management, although is also the Chair of the parent company Pennon Group plc.

There is a clear and explicit division of responsibilities between the Board and Executive, and a summary of their roles is provided on pages 67 to 71. The Chair assumed the role of Executive Chair on 1 January 2026 and ended on 1 April 2026 following the appointment of Keith Haslett as Pennon Group Chief Executive Officer on 1 April 2026 and appointment to the South West Water Board on 19 May 2026. During this period as Executive Chair, he was supported by an Operating Committee comprising Laura Flowerdew, Sarah Heald and Andrew Garard.

Provision iv.

There is an annual evaluation of the performance of the board. This considers the balance of skills, experience, independence and knowledge, its diversity, how stakeholder needs are addressed and how the overarching objectives are met. The approach is reported in the annual report and any weaknesses are acted on and explained.

See page 59.

Provision v.

There is a formal, rigorous and transparent procedure for new appointments which is led by the nomination committee and supports the overarching objective.

➔ See the Nomination Committee Report in the [South West Water Annual Report and Financial Statements](#)

Provision vi.

To ensure there is a clear understanding of the responsibilities attached to being a non-executive director in this sector, companies arrange for the proposed, final candidate for new non-executive appointments to the regulated company board to meet Ofwat ahead of a formal appointment being made.

One new non-executive appointment has been made this year. When they are made, new Board members are provided with inductions. The Board receives training, including in respect of the roles of Non-Executive Directors throughout the year. Further details of their support and training are provided on page 77.

Provision vii.

There is a majority of independent members on the audit, nomination and remuneration committees and the audit and remuneration committees are independently led.

Summaries of Committee membership and attendance is provided in the [South West Water Annual Report and Financial Statements](#). Each of these Committees has a majority of independent Non-Executive members.

Risk and Compliance Statement – Board Assurance Statement

The Board considers that the Company has applied its processes and internal systems of control in a manner that has enabled it to satisfy itself, to the extent that it is able to do so from the facts and matters available to it, that the Company:

- 1 has a full understanding, and has met all of its relevant statutory, licence and regulatory obligations in all material respects, subject to the departures listed on page 84
- 2 has taken appropriate steps to understand and meet customer expectations (see more below)
- 3 has sufficient processes and internal systems of control to meet its obligations in all material aspects, subject to the departures listed on page 84
- 4 has appropriate systems and processes in place to identify, manage, mitigate and review its risks (see more below)
- 5 has met the Ofwat objectives on board leadership, transparency and governance (see more on page 92)
- 6 has appropriate governance to ensure it conducts the regulated company operations as if it were a public limited company separate from any other business (see more below)

In order to comply with relevant laws and regulations, and to meet the expectations of our customers, performance monitoring and reporting is key. In addition, in providing regulatory reporting to regulators and other bodies, it is critical that this information is accurate, complete and timely.

The Board is satisfied that the data and information which South West Water has provided to Ofwat in the reporting year 2025/26 (including annual reporting data provided following the year end in respect of 2025/26) is accurate and complete (see further below). The Board is also satisfied that other data which the Company has published in our role as a water and sewerage undertaker is accurate and complete.

Chair

David Sproul

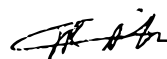


Independent Non-Executive Directors

Andrea Blance



Jon Butterworth MBE



Dorothy Burwell



Sir Andrew Haines

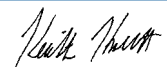


Loraine Woodhouse



Chief Executive Officer

Keith Haslett



Chief Financial Officer

Laura Flowerdew



Group General Counsel and Company Secretary

Andrew Garard



In making its Board Statements, the Board has received external third-party assurance and a memorandum from Jacobs in this respect is shown right.

Third-party assurer's statement on the Risk and Compliance Statement

South West Water (SWW) requested us, Jacobs UK Ltd, to review SWW's Risk & Compliance Statement as part of our technical assurance of SWW's 2025/26 Annual Performance Report (APR26). We conducted our limited assurance in accordance with the International Standard on Assurance Engagements (UK) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE (UK) 3000 revised"). The Standard requires that we obtain sufficient, appropriate evidence on which to base our conclusion.

The Risk & Compliance statement covers both the SWW (including Bournemouth and Isles of Scilly) and Bristol Water (BRL) regulated businesses. Ofwat requires companies' statements to confirm compliance with all relevant statutory, licence and regulatory obligations and to demonstrate they have appropriate controls to identify, manage and mitigate risks.

Jacobs had visibility of SWW's risk framework and how this links to the parent company, Pennon Group's risk framework. SWW's integrated assurance framework is embedded 'top down' within the organisation from Board level through the Risk Committee (attended by members of the Executive Management and Senior Management) which provides oversight. Risks and mitigations are reported to Audit Committee. Individual departments regularly undertake a 'bottom up' review of risks to the business associated with their activities, accountabilities and responsibilities. This assessment uses a risk-based approach to ensure risks are identified, updated and appropriate mitigations are in place.

The Company's risk register is updated on an ongoing basis (minimum quarterly) as a result of any changes in the nature, extent of risks, and any emerging risks through horizon scanning. The register is formally reviewed and updated on a quarterly basis whilst challenging the controls and mitigations to ensure their robustness.

SWW's assurance framework uses three lines of defence which are well established and good practice to ensure an appropriate level of assurance is provided depending on the assessed level of risk. Our limited assurance audits have confirmed, on a sample basis, the top-down and bottom-up risk processes.

Responsibility for internal audit, risk management, and assurance activities within Pennon Group sits with Pennon Group's Director of Risk & Assurance. Responsibility for coordinating the production of the APR sits with SWW's Finance Department. APR audit and assurance was overseen by the Group Risk and Compliance Manager who reports to the Compliance Director providing independence from SWW's Regulation department. Assurance activity for the Annual Performance Report across the SWW and BRL businesses is overseen by SBB's Compliance Director and the Group Chief Finance Officer.

From our limited assurance activity, we conclude that SWW's risk management processes appear established and embedded in the organisation with direction provided by SWW's Board, Executive Management cascading into the Risk Committee, the Compliance Director and to the individual departments. Risk owners, Senior Managers and Directors are responsible for the bottom-up identification and ownership of risks.

Through our assurance activities for APR 2026, we are satisfied that SWW has provided its Risk and Compliance Statement, appropriately signed off, in which the Board clearly confirms that the Company:

- Understands the Company's relevant statutory obligations;
- Has taken steps to understand and meet customer expectations;
- Has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations;
- Has appropriate systems and processes to identify, manage, mitigate and review its risks.

We presented the interim findings of our assurance work for APR26 to the Audit Committee on 14 May 2026. We presented updated findings to the WaterShare+ panel members on 16 June 2026. We will be attending the Audit Committee meeting on 7 July 2026 with our final findings to assist the Directors' endorsement and sign-off of the APR by SWW's Board.

Andrew Heather

Head of Water Strategy & Regulation, Jacobs UK Ltd

Departures from the statement

As described on page 83, the Board has concluded that the Company has a full understanding of, and meets all, of our relevant statutory, licence and regulatory obligations in all material respects, subject to the exceptions listed below. Although the majority of these items have been assessed by the Board to have a low impact, items such as the cryptosporidium outbreak in the Brixham area have had a significant impact. The lower-impact areas also been disclosed for transparency and in line with our values. We note that at any given time, there may be matters under ongoing discussion or investigation with regulators or others to determine whether a material departure occurred. Where relevant, these matters will generally be disclosed following the conclusion of such processes. In addition, where controls weaknesses are identified during the course of an investigation either as a result of internal or external feedback, action is undertaken to improve the design and implementation of the controls going forward.

Description of duty/obligation	Purpose of duty/obligations	Disclosure
South West Water Licence of Appointment – Condition F Water Industry Act 1991 (section 37)	This condition includes requiring the Company to maintain and report complete and accurate information	Ofwat and the Environment Agency announced an industry-wide investigation into sewage treatment works on 18 November 2021. This resulted in South West Water being under investigation by the Environment Agency with regard to its compliance with flow management obligations within its environmental permits and by Ofwat with regard to compliance with flow management obligations arising from section 94 of the Water Industry Act and the Urban Waste Water Treatment (England & Wales) Regulations 1994. On 10 July 2025, Ofwat announced its findings for South West Water and its proposed decision to accept South West Water's £24 million enforcement package, in lieu of a financial penalty. In doing so, Ofwat recognised the work South West Water has done to improve systems, processes and controls and the investments already made to address the historical findings and ensure compliance going forward. In March 2026, South West Water published its plan to complete the undertakings it made to Ofwat as part of this package. South West Water will provide third-party assured monitoring reports on a six-monthly period for the rest of the AMP8 period.
Environmental Permitting (England & Wales) Regulations 2010 Water Industry Act 1991 (section 94) Urban Waste Water Treatment (England & Wales) Regulations 1994	Water discharge licence – full flow to treatment (FFT) condition compliance – to ensure wastewater treatment works can treat minimum levels in their permits at any given time	South West Water is part of an industry-wide investigation by the Environment Agency (EA) with regard to its compliance with flow conditions within its environmental permits. This EA investigation remains ongoing. As stated above, the Ofwat investigation into South West Water's compliance with flow management obligations arising from section 94 of the Water Industry Act and the Urban Waste Water Treatment (England & Wales) Regulations 1994 has concluded by the acceptance of a £24 million enforcement package. South West Water has cooperated with the investigations and has provided extensive information to both regulators in response to their requests. The data gathered for those responses has identified potential isolated non-compliances which are being reviewed and addressed where necessary. In March 2026, South West Water published its plan to complete the undertakings it made to Ofwat as part of this package. South West Water will provide third-party assured monitoring reports on a six-monthly period for the rest of the AMP8 period.
South West Water Licence of Appointment – Condition P Environmental Permitting (England & Wales) Regulations 2010	Water discharge licence compliance – to ensure that the discharges to water are monitored and controlled	On 2 February 2024, South West Water received a summons containing 30 charges relating to non-permitted discharges at seven locations between 2015 and 2021. The EA has since withdrawn six of these charges relating to one site and another six charges relating to a second site have been put on hold pending the EA's consideration of South West Water's application to vary the permit. The sentencing hearing for the remaining 18 charges took place on 12 March 2026, with the judgment reserved until 30 July 2026. In the ordinary course of business, operational issues may arise which may result in potential non-compliance with permit conditions or in response to pollutions from Company assets. Such incidents are reported as part of our ongoing regulatory reporting and may also be investigated by the EA. South West Water fully cooperates with all investigations and takes steps to ensure any identified non-compliance is addressed on a timely basis, through compliance action plans which are also shared with the EA.
Water Industry Act 1991 Water Industry Act 1991 (section 70(1))	The Water Industry Act Section 70(1) provision of drinking water	As an operational business, issues may arise which may impact our ability to provide drinking water to customers as required under the provisions of the Water Industry Act. This may include matters such as interruptions to supply, as well as incidents impacting our ability to provide drinking water to the quality standards we require or other reportable matters to the Drinking Water Inspectorate. On 2 June 2026, South West Water was fined £1.853 million following a guilty plea for the supply of drinking water contaminated with cryptosporidium to residents in the Brixham area in 2024. When such issues arise, we identify the issue, take actions to remediate and reinstate service to customers, and complete root cause analysis to ensure lessons are learned and actions taken to prevent recurrence. However, at any point in time, there may be a number of ongoing incidents that are reported on to the Drinking Water Inspectorate.
Water Industry Act 1991 Information provisions 2024/25 Annual Performance Report	Water Industry Act Section 199 obligation to maintain maps sewers Annual reporting of our performance data and other industry regulatory data	South West Water complies with this obligation, however notes that historically not all sewers have been mapped accurately or at all. We update our maps when we identify any such inaccurate or unmapped sewers. Following publication of our 2024/25 Annual Performance Report in July 2025, we identified a number of areas where data improvements could be made, whether through internal reviews, the availability of further retrospective information, or through the annual regulatory query process. As a result and consistent with good practice, we republished this Report in February 2026. As regulatory guidance is published and reporting requirements strengthened we take steps to ensure compliance and/or put in place improvement plans to ensure full adherence with all requirements as expeditiously as possible.

Statutory, licence and regulatory obligations

The Company has a wide range of statutory, licence and regulatory obligations including those detailed within the Water Industry Act, the Companies Act, the South West Water Licence, our permits and applicable permitting legislation and the Competition Act.

Since privatisation, the Company has developed and established processes and procedures for ensuring obligations are adhered to in all material aspects. The Board outlines compliance with its statutory and regulatory obligations as well as performance against targets through Regulatory Reporting. This year's performance is again summarised in the Company's Annual Performance Report and Regulatory Reporting.

As described in the South West Water Annual Report and Financial Statements (pages 62 to 74), South West Water operates within comprehensive and mature frameworks to address the risk of non-compliance with laws and regulation, which include second-line compliance functions, to ensure compliance with permit and other requirements of Ofwat, the Environment Agency and other relevant regulators. These frameworks are reviewed and assured to try and ensure the Company remains compliant with the increasingly complex legal and regulatory landscape.

There remains an increased appetite amongst regulators for pursuing enforcement action for perceived non-compliance, with industry-wide investigations of wastewater treatment works permit compliance and operational issues ongoing.

Pennon's risk management and internal control frameworks are designed to ensure that it does not take any action that would cause South West Water to breach licence obligations. Further, the Group's governance and management structures mean that there is full understanding and consideration of South West Water's duties and obligations under its respective licences, as well as an appropriate level of information sharing and disclosure to give South West Water assurance that they are not exposed as a result of activities elsewhere within the Group.

The Company also maintains a comprehensive internal compliance framework, overseen by the Legal Compliance function, to ensure compliance with corporate laws applicable to public limited companies, reinforced through key policies approved by the Board and compliance training provided to staff.

South West Water utilises the Group's confidential whistleblowing process. This is overseen by the Executive-led Ethics Management Committee.

The South West Water Board has received reports from the business detailing the applicable statutory licence and regulatory obligations (for which Ofwat is the relevant enforcement authority) and the means by which compliance in all material aspects with those obligations is achieved within South West Water for 2025/26.

The Board further receives regular reporting and action plans in respect of our targets, performance commitment and wider regulatory, licence and statutory obligations, in order to enable it to monitor and manage performance. This includes, but is not limited to, reporting with regard to:

- our performance commitments in respect of the outcomes laid out in both our South West Water 2025–30 Business Plan and the Bristol Water 2025–30 Business Plan, which were both set following extensive customer and other stakeholder engagement to reflect the priorities of stakeholders;
- delivery against our environmental and regulatory outcomes, including matters such as wastewater compliance, storm overflow spills, impact of our network on the environment, etc.; and
- additional KPIs which have been included to provide performance information in respect of South West Water's performance in other areas deemed important to stakeholders (such as our Lost Time Injury Frequency Rate (LTIFR) which is important to our people.

Our wider focus on robust governance is key to ensuring a strong compliance culture, and aligns with our Code of Conduct and related policies, alongside our focus on training and awareness.

All performance data demonstrates the linkage between our purpose and values, our business outcomes, our business model and the risks to achieving these, as well as being designed to ensure adherence with relevant laws and regulations.

Accuracy and completeness of data and information

The Board statement on the accuracy and completeness of data is underpinned by the operation of our integrated assurance framework (see page 96) and our response to how the Board is able to make this statement in line with each significant area for assurance. For each of these areas the Board reviews how it has:

- engaged and challenged the assurance approaches which have been taken;
- taken action to ensure that any exceptions and weaknesses in the assurance approaches have been addressed;
- satisfied itself that approaches have been appropriately identified and addressed any risks to the provision of accurate and complete data in particular areas;
- utilised individual Directors and Committees in carrying out its activities in this area.

The statement is not limited to the Annual Performance Report. However these are the areas which the Board deems most significant to provide clear and detailed descriptions of the specific procedures performed in line with our integrated assurance framework.

The Board is committed to reviewing its assurance framework at least annually. However where circumstances change during a year the Board also acts to provide a greater degree of focus and assurance as it deems necessary. As a result, and as performance has not improved as quickly as anticipated in certain areas, the Board has added these areas as specific significant areas for assurance going forward and additional scrutiny and oversight of recovery plans will be provided.

We have confirmed that sufficient assurance activity has been performed, including assurance commissioned from independent external assurance providers, to allow the Board to make this statement.

The Board also notes the report of the WaterShare+ Advisory Panel in respect of their role providing an independent challenge of our Business Plan commitments and Board pledges (see page 74).

The Board has considered both the assurance performed over the data we are reporting as well as the Executive oversight and processes in place to ensure consistency of the narrative throughout the report with the data, our performance, how the Company operates and any descriptions of assurance undertaken.

Section 172 (Companies Act 2006)

We have complied with the requirements of s.172 and our full statement can be found on pages 122 to 124 of the South West Water Annual Report and Accounts.

Customer expectations

Customer expectations and licence conditions

The customer-focused licence condition, introduced by Ofwat in February 2024, ensures that water companies in England and Wales give their customers a high standard of care and support, particularly those who need extra help. We continually make improvements to best serve the needs of our customers. The information below outlines each of the six licence condition principles and how we are meeting them.

Principle	Examples of our activity
Proactive communications Principle: The Appointee is proactive in its communications so that its customers receive the right information at the right time, including during incidents.	We make sure we send customers the right information at the right time, and in a way that suits them. Typically, this relates to: • Our billing communications, which promote our affordability support and our Priority Services Register (PSR). Customers receive their bills either through letter, email or via our online portal MyAccount. • Instances where we've identified changes to consumption, bill amounts or payment changes will result in us contacting the customer either over the phone, via email or letter (depending on what the issue is). • Contacting customers directly via email or letter with more tailored and personalised information, in addition to using several social and traditional media channels, to share our wider messaging. We run proactive awareness campaigns on topics such as water efficiency, lead replacement, sewer flooding prevention and support available for customers who need extra care. We utilise customer data to help target and tailor our approach. Typically, this includes: • Using a variety of different channels to maximise exposure and reach, including social media, customer emails and our quarterly e-newsletter 'The Splash'. • Publishing information about the support schemes we offer on our website, social media channels, customer emails, bills, bill inserts, and printed on our envelopes. • Webpage promotions through our partners' channels to help extend our reach even further. • Where possible, speaking to customers face-to-face, including one-to-one visits, attendance at community events, food banks and community hubs. • Branding on our vans and trucks. We keep customers informed during planned supply interruptions. This includes: • Letting customers know in advance when work is taking place, how long their water will be off for and when it will be restored. • Keeping customers informed using letter drops, signage, community events and website pages with key updates e.g. road closures. • For the most disruptive schemes, working with the local community, MPs and Councillors on how we can best support them. • And finally, engaging with the Consumer Council for Water (CCW) for their advice and expertise. More information on our promises to our customers can be found in our Core Customer Information on our website. We make sure we send customers the right information at the right time when an incident occurs, keeping them up to date during and after the water or sewer flooding incident has concluded. This includes: • Providing timely updates for customers on our website and across our social media channels. • Using SMS and email messages providing information on what the incident is, the next steps and any key actions the customer may need to take. • Using recorded messaging on our telephone system so customers receive the latest information quickly without needing to speak to an agent. • Hand-delivering letters to affected customers (for more severe incidents), as well as liaising with local Councillors and MPs to help keep people up-to-date. This can also extend to local radio and television. • Supporting customers on our Priority Services Register through home visits, direct communication and delivery of bottled water. • Proactively contacting our customers after the incident for their feedback on how well we supported them. We also hold post event community events (where applicable) to provide further support to affected communities. • Providing Love Your Loo letters to residences in areas where a blockage has resulted in a sewer flooding. • Regular contact from an assigned customer liaison manager for internal sewer floodings.

Bin It Don't Block It!

We regularly run proactive awareness campaigns across our social media sites to inform customers and educate them on what should and shouldn't be flushed down the toilet or put down a sink. In September, we launched our new campaign 'Bin It Don't Block It', designed to encourage everyone across the region to play their part in preventing blocked drains and sewers.

The campaign is supported by dedicated information on our website and is signposted across our social media platforms: [Bin it don't block it | South West Water](#)

In the last year alone, we have cleared over 7,000 avoidable blockages – with three-quarters caused by just two things: wet wipes and fats.

When flushed or poured away, these combine to form fatbergs – huge, solid masses that clog up sewers, leading to flooding and pollution, and can cause serious damage to the environment.

By making small everyday changes – like binning wipes instead of flushing them and keeping fats, oils and grease out of sinks – we can all help protect the environment and reduce the risk of flooding. These simple actions have a big impact, helping to safeguard the communities and natural spaces we cherish across the South West.

This year, we will build on this work through our community engagement activities, increasing awareness of wastewater improvement initiatives and pollution prevention messaging. Blockages data will be used to tailor messaging and identify hotspot locations, allowing us to target and amplify sewer misuse messages where they are needed most. This approach will help educate communities and raise awareness of local wastewater challenges.

Next steps

We will extend the use of SMS and email touchpoints across our key customer journeys.

Customer expectations continued

Principle	Examples of our activity
Ease of contact The Appointee makes it easy for its customers to contact it and provides easy-to-access contact information.	To make it easy for customers to contact us, we have: • A number of channels for customers to get in touch, including over the phone, email, WhatsApp, social media, webform, home visits, or via our postal address. Customers can also visit our head office during office hours for in-person visits. • Clearly signposted how customers can contact us on our website, water bills and general correspondence as standard. • A self-serve option – via MyAccount – where customers can self-serve to pay bills, update details or submit meter readings • Created a webpage (Core Customer Information) which has all the key information, including our Customer Promise, housed in one place. • Assigning a customer liaison manager who will keep in contact with the customer to ensure they are provided with regular updates. (Please note – we will review repeat external floodings and severe external sewer floodings pending the new guidance expected from Ofwat in June 2026.) For customers who need extra support, we also provide: • A British Sign Language service, which is available 24/7 so customers can also contact us in the event of an emergency. • Braille, audio and large print bills. • An in-built accessibility tool, Recite Me, which allows users to access a screen reader, translate the information into more than 100 languages and enlarge the text. • A dedicated bereavement phone line.

Improving our Core Customer Information

We have recently redesigned and relaunched the Customer Promise information to improve clarity, readability, and overall navigation, ensuring a more user-friendly experience.

This included introducing clearly defined sections and breaking down the document into usable sections, using concise, descriptive titles to guide readers and incorporating imagery to break up text-heavy pages. We also enhanced usability by adding interactive elements such as hyperlinks and QR codes, alongside structured tables of information to help customers quickly access and understand important content.

Next steps

We will introduce new contact channels such as live chat, which customers have told us would be useful. Our customer service agents will have access to new technology to help them determine the best next action to take when customers contact us.

Customer expectations continued



Customer expectations continued

Principle

Support when things go wrong

The Appointee provides appropriate support for its customers when things go wrong and helps to put things right.

Examples of our activity

Our Customer Care team aims to resolve any issue immediately, through a number of different actions:

- A dedicated phone line, which is available 24/7 365 days a year for emergencies.
- Help, advice and support articles on our website, such as how to check for a leak or how to protect pipes during cold weather.
- Cross training our teams to support on a wider range of topics so queries can be answered in one call.
- Through our new Training Academy, train our colleagues to spot any extra care needs (be it financial, non-financial or otherwise) that our customers might have, so the appropriate support can be offered there and then.
- Tailor our contact to customers' preference where possible, working to make sure our data is as accurate as possible.
- Have an established, clear and accessible complaints process, detailing how we handle and record complaints in line with CCW's complain guidance. Our complaints procedure can be found here: <https://www.southwestwater.co.uk/siteassets/documents/codes-of-practice/our-customer-promise.pdf>
- Visibility of our Customer Promise, which can be found in our [Core Customer Information](#). This outlines what compensation a customer may automatically receive from us, in the event of an issue or interruption under the Guaranteed Standards of Service (GSS).
- Assign customers who experience internal sewer flooding with a customer liaison manager as their main contact for the incident and assist the customer through the incident.
- Provide GSS payments, for example to customers who experience internal or external sewer flooding.

We monitor our customer service and performance, and implement service improvements through:

- Regularly reviewing what our customers are calling us about, and what our front-line agents are saying, so we continually improve our services.
- Customer satisfaction scores, and other customer data for learning and insight.
- Complaints data and root cause analysis.
- Monthly sewer flooding review meetings, where internal sewer flooding incidents are discussed with Networks management, customer liaison managers and the reporting team.
- Our Independent Challenge Group, WaterShare+.
- Regular engagement with the Consumer Council for Water (CCW).

Customer compensation when things go wrong:

- Our Customer Promise, which can be found in our [Core Customer Information](#), outlines what compensation a customer may automatically receive from us, in the event of an issue or interruption under the GSS.

Working with CCW

We enjoy a close working relationship with our customer regulator CCW, where we regularly share the root cause analysis of our complaints and the identified areas where we need to improve. We now contact customers proactively about known issues, making sure customers understand our complaints procedure. We continually learn from other water companies that perform well in this area and have recently joined CCW's financial redress scheme working group.

Next steps

We will further increase the amount of customer contacts we resolve first-time, by continuing to share data internally and building integrated teams to resolve customers' queries at the first point of contact, and harness data and research to drive down complaints.

Customer expectations continued

Principle	Examples of our activity	
Learning from experience The Appointee learns from its own past experiences and shares these with relevant stakeholders. The Appointee also learns from relevant stakeholders' experiences and demonstrates continual improvement to prevent foreseeable harm to its customers.	We invite feedback, and use it to improve our services. Typically, this includes: • Customer sentiment and satisfaction analysis, including the industry C-MeX results. • Our Independent Challenge Group, WaterShare+, which challenges and monitors our performance, reporting annually on our progress. • Post incident feedback to understand what we did well, and what areas we can further improve on during an incident. We enjoy a close working relationship with the Consumer Council for Water (CCW) and actively invite challenge by: • Regularly attending quarterly meetings for challenge and advice. • Regularly seeking CCW's advice and input on changes to our services, customer communications and incident response. • Participating in CCW's 'Water Voices' consumer panel. We work closely with peers to share best practice and improve our service, through: • Attending industry working groups, such as the Customer Services Network and the Vulnerability working group. • Sharing best practice by attending events, both within and outside the industry. • Our partners, which include various charities, community groups and financial institutions. Our partners help us review and improve our services, as well as help us upskill our colleagues. • Working with Ofwat and attending Ofwat working groups to assist in providing input to new sewer flooding customer care guidance. • Horizon scanning. • Finally, making the most of our partnership with the Institute of Customer Service (ICS) to understand what great service looks like and how customer expectations are changing. Insight from ICS, including best practice and sector benchmarking, is brought together with our own experience to improve our service.	Listening to what our customers are saying Each quarter we look in depth at the findings from the C-MeX survey, to identify key trends and areas for improvement. We also triangulate this insight with our operational data to make sure we are focusing on the right things, and the things our customers are telling us are most important to them. Next steps Across each area of our business, we will continue to develop robust action plans from customer insight, which are focused on improving customer experience and service. These plans set out what we are doing, why it matters to customers, and how we will measure success. This approach gives us consistent visibility of how we are performing for customers, helps us spot potential issues earlier, and enables quicker action where service is at risk. Most importantly, it creates a clear link between the work our teams deliver every day and the outcomes our customers experience.
Understanding and supporting customers The Appointee understands the needs of its customers and provides appropriate support, including appropriate support for customers in vulnerable circumstances, including during and following incidents.	Our commitment to supporting all our customers extends far beyond the fundamental provision of clean and reliable water services. To make sure we offer the highest level of support to customers who need extra help, we: • Offer a Priority Services Register (PSR) which provides tailored support for customers who have health, access or extra communication needs. • Provide Dementia Friends training, and other bespoke partner training, to our frontline teams • Engage with stakeholders and our partners to continually help us understand the needs of the people they represent. • Hold the ISO 22458 accreditation for inclusive service. • Have data-sharing agreements with National Grid, the Department of Work and Pensions (DWP), and other organisations, to reduce customer effort. • Have mapped our service initiatives to Ofwat's 'Service for All' guidance to ensure compliance. Our Customer Care Strategy, which was developed in response to Ofwat's 'Service for All' guidance, is available on our website: https://www.southwestwater.co.uk/siteassets/documents/about-us/business-plans/2025-30/our-customer-care-strategy.pdf This provides further information on our current commitments and future plans.	Support Hub We have teamed up with National Support Network (NSN) to go further in supporting our customers in need. NSN maintains and operates a national support services directory ('Support Hub') to help customers find external services, such as helplines, and access support for issues such as bereavement, insomnia, mental health, communication needs and more. Our own branded version of the hub is available to all our teams who support customers whether that be over calls or when out and about meeting customers. The hub allows us to navigate sensitive conversations by signposting to the site so customers can self-help. A link to the site is also available on our website Find Help Fast Pennon Group. We also do regular social media engagement to highlight support available. Next steps We will continue our annual accreditation in ISO 22458 in inclusive service. We will develop a communication strategy for those customers who we have identified are in need of extra support and would benefit from being on our Priority Services Register but have not yet registered.

Processes and internal systems of control

The South West Water Board has in place a well-established and effective set of policies and processes covering corporate governance, internal control and risk management.

The Board is responsible for maintaining the system of internal control to safeguard shareholders' investment and the Company's assets and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. There is an ongoing process for identifying, evaluating and managing the significant risks faced by South West Water that has been in place throughout 2025/26 and up to the date of the approval of this Annual Performance Report.

The Group's system of internal control is consistent with the UK Corporate Governance Code, and the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' (FRC Internal Control Guidance). This assurance section of the Annual Performance Report provides a general overview of our assurance framework and processes as well as an update on the assurance performed in respect of the Annual Performance Report and Regulatory Reporting.

The processes and policies serve to ensure that a culture of effective control and risk management is embedded and that the Company is in a position to react appropriately to new risks as they arise.

The Group-wide internal control framework is designed to ensure that no action is taken that would cause South West Water or SES Water to breach licence obligations.

South West Water's Integrated Assurance Plan ensures, utilising a risk-based approach, that an appropriate balance of varied providers of assurance is deployed to assure the internal processes, controls and reporting dependent on the assessed risk and complexity of assurance requirements. A more comprehensive overview of South West Water's integrated assurance framework is described in the Assurance section of this report (pages 96 to 104).

As part of an annual review of the effectiveness of the system of risk management and internal control under the Pennon Group risk management policy, all Executive Directors and senior managers are required to certify on an annual basis that they have effective controls in place to manage risks and to operate in compliance with legislation and other procedures.

The South West Water Audit Committee oversees the programme of internal audit on an annual basis, and considers the resources for carrying out internal audits in key Company-specific areas – this activity is carried out by the Independent Pennon Group Internal Audit team.

The Group is committed to continuously improving its internal control and assurance processes and, following the first year of AMP8 and our new assurance framework providers for regulatory assurance, will review the level of assurance in place for key submissions and activities. There is also a programme of assurance coordinated by the Risk and Compliance team as part of the Company's ISO and British Standards. South West Water currently holds and held the following accreditations/certifications throughout the year:

- ISO 9001:2015 (quality management)
- ISO 14001:2015 (environmental management)
- ISO 55011:2014 (asset management)
- ISO 50001:2011 (energy management)
- ISO 27001:2013 (information security)
- ISO 17025:2005 (laboratories and sampling)
- MCERTS (flow monitoring)
- ISO 45001:2018 (occupational health and safety)
- ISO 22458:2022 (customer vulnerability)

Certain of the above standards were not held by Bristol Water when acquired by South West Water and we have an ongoing programme to incorporate the Bristol Water area of operation within the above accreditations/certifications, where relevant. During 2025/26, South West Water's certifications for ISO 9001:2015 and ISO 14001:2015 were extended to include the Bristol Water area and these certifications now include all the Company's water and wastewater supply areas.

ISO 22458:2022 Customer vulnerability is an international standard aiming to increase positive outcomes for vulnerable customers when companies deal with them. This aligns to our aims, our licence and with our business plan for 2020–25. As well as the standard, we have been certified to the BSI Kitemark for inclusive service in both Bristol Water and South West Water, which is focused on how companies' services can be accessible to all.

Risk management and mitigation

The Company operates within a complex and evolving risk environment which includes responding to operational risks and incidents, a changing regulatory environment, increasing customer and public expectations and evolving digital and cyber risks. Risk management and mitigation is therefore critical and the Company has robust systems and processes in place to identify, manage, mitigate and review its risks.

The system for profiling and monitoring key risks is embedded in our normal business practices. We regularly review how we have sustained specific risk control measures, to decide if the probability and consequence of certain risks have changed, and if necessary to recommend further actions or investment to ensure the effectiveness of our corporate governance. Horizon scanning of emerging risks and opportunities is embedded within the risk and opportunity review process.

For the purposes of assessing and managing risk within South West Water, the individual departments review risks to the business associated with their accountabilities and responsibilities within the Company's strategy. An overall risk register is updated on an ongoing basis as a result of any changes in the nature and extent of risks.

Throughout the year the Executive formally review and update the risk register on a regular basis, with a particular emphasis on assessing and challenging, where necessary, the controls and mitigating factors recorded on the risk register. Risks are also formally reviewed as part of the forecasting and annual business planning processes. The Compliance Committee considers deep dive reports of particular risk areas and escalates material issues and risks to the Executive Committee.

Further detail of the risk management and mitigation process, including oversight framework and the role of the first, second and third lines of assurance, are set out in [South West Water's Annual Report and Accounts \(pages 61 to 77\)](#).

Management of South West Water within the Group's risk management framework

Pennon manages its risks in such a way that South West Water, as a regulated company, is protected from risk elsewhere in the Group. The Group's principal risks and uncertainties include those Group-level risks that could materially impact on South West Water. Pennon's risk management and internal control frameworks ensure that it does not take any action that would cause South West Water to breach licence obligations. Further, the Group's governance and management structures mean that there is full understanding and consideration of South West Water's duties and obligations under its licence, as well as an appropriate level of information sharing and disclosure to give South West Water assurance that they are not exposed as a result of activities elsewhere within the Group.

Board leadership, transparency and governance

The South West Water Board is dedicated to developing and improving the governance structures and activities in accordance with best practice and Ofwat's Board transparency and governance requirements.

We have maintained our purpose throughout the year, as well as our Group values of 'Be You,' 'Be Rock Solid' and 'Be the Future,' and our Code of Conduct outlines the behaviours expected in line with the values and culture which we expect.

For 2025/26, South West Water had a fully functioning and standalone Board, as well as Committees, although as part of the Pennon Group, also benefits from the wider Group governance and processes. The business of the Board with associated Audit, ESG, Remuneration and Nomination Committees covers a full range of corporate issues including strategy, performance, delivery, compliance and governance.

The members of the Board are considered to have the appropriate skills, experience in their respective disciplines and personality to bring independent and objective judgement to the Board's deliberations and to represent customers' interests. The Board's skills and experience are laid out from pages 64 to 67.

The Company has complied with the UK Corporate Governance Code 2018, subject to a number of exceptions which relate to certain responsibilities being reserved by the Board and Committees of Pennon Group plc (the parent company), which itself fully complies with the UK Corporate Governance Code. The exceptions are explained in the [South West Water Annual Report on page 97](#).

During 2025/26 and in accordance with the established governance framework, the South West Water Board convened on the same day as each Pennon Group Board meeting to consider Company strategy, performance and regulatory planning.

The governance framework is set out in the governance section on pages 59 to 61. The regulatory ringfence around the South West Water business is protected through efficient and transparent decision-making.

The Board has a 'matters reserved' schedule setting out its responsibilities. Each Committee has detailed terms of reference setting out its responsibilities and accountabilities. Further details of the responsibilities of each of the Committees are set out in the report of each Committee on pages 125 to 149 of the South West Water Annual Report and Financial Statements.

These, together with the risk management and internal controls frameworks, form an effective and robust governance structure.

The South West Water Board includes the Chair, the Chief Executive Officer, the Chief Financial Officer, the Senior Non-Executive Director and four further Non-Executive Directors, convenes on the same day as each Pennon Board meeting, and considers South West Water strategy, performance and regulatory planning.

Pennon and South West Water Boards have consistent Chair and Non-Executive Director memberships in line with the focus of the Group on the water sector.

The South West Water Board is committed to ensuring transparency and strong governance in how it operates. Both as a regulated water company, as well as part of a Group listed on the London Stock Exchange, ensuring the highest level of governance and transparency of reporting is critical to the success of the Company and the wider Pennon Group. As such, the 2025/26 South West Water Annual Performance Report and Regulatory Reporting highlights Company performance for the first year of the five-year 2025–30 regulatory period and provides detail on operational performance metrics throughout the period.

The Outcome Delivery Incentives (ODIs), which are South West Water's and Bristol Water's key performance indicators, incorporate the metrics used by the South West Water Board and Ofwat, our economic regulator, to monitor performance. They were developed in line with customer and other stakeholder priorities following comprehensive engagement exercises in each area while developing the 2025–30 Business Plan.

The Company also seeks to ensure transparency in the way it operates, including through its commitment to open data, ongoing reporting at half-year and full-year reporting periods, and in ongoing sharing of performance and operational plans with stakeholders, including through its WaterShare+ customer panel.

Executive Director remuneration is linked to Company performance via the performance-related bonus arrangements. This linkage and comprehensive disclosures of Director remuneration are provided, including the specific performance targets used in the bonus calculations, on pages 109 to 110.

Dividends are considered in line with our policy, which is designed to align to regulatory guidance. This is considered on pages 114 to 115.

Resilience and viability of the business

Under Condition P of the regulatory licence held by South West Water, the Board is required to provide an annual certificate to confirm that we are operating in line with the regulatory ringfence set out under that Condition. This Condition requires South West Water Limited to be able to operate on a stand-alone basis, separate from any other business, and to be able to do so in a way that ensures its financial and operational resilience.

In addition, the Board is also required under the licence to confirm the Company has considered its long-term viability as a business as well as the sufficiency of financial and management resources.

Ringfencing certificate

The following summarises key matters taken into account in considering the ability of South West Water to operate effectively and for the long term as an organisation, in line with the regulatory ringfence and ensuring it acts as if it were a public limited company separate from any other business. The following matters are considered in making this assessment.

Description of duty/obligation	Disclosure
Financial resources and facilities to enable the Board to carry out the regulated activities	- The Appointee's historical performance and future performance expectations are in line with current and future expected business plans - Available cash resources and borrowing facilities - The long-term viability statement (see page 94) - The Appointee's compliance with financial covenants - The Appointee's financial position as at 31 March 2026
Management resources	- Our values, sitting within our overall purpose and oversight of our culture (see page 68) - Our People strategy, ensuring sufficient recruitment and retaining talent (see pages 48 to 51) - Our experienced Board, bringing a wide range of skills and oversight (see pages 64 to 65), including our independent Non-Executive Directors, who form a majority of the Board
Systems of planning and internal control	- The oversight and insight of the Audit Committee - The Company's risk management process (see the South West Water Annual Report and Financial Statements pages 62 - 74) - The Annual Certification of Internal Control Effectiveness provided by Executive members and overall certification by the Chief Operating Officer - Our risk-based assurance framework (see pages 96 - 102) as well as Jacobs' assurance of ODIs and other technical data - The Company's Code of Conduct and Whistleblowing programme - Our Anti-Bribery and Anti-Corruption Policy
Rights and resources other than financial resources	- Aligned to our values of 'Be Rock Solid', 'Be You' and 'Be the Future', we seek as our purpose 'Bringing water to life', 'Supporting the lives of people and the places they love for generations to come' - Our monitoring systems in place over our treatment processes and networks, both in respect of drinking water and wastewater - Our suite of core policies, including quality, environmental and health and safety
Contracting	- Major contracts, such as those associated with our new 2025–30 'amplify' alliance, are undertaken through a full and thorough procurement process ensuring contracts are with resilient organisations and we have multiple suppliers engaged - The Board also confirms that all contracts entered into between South West Water (SBB) and any associated companies include the necessary provisions and requirements in respect of the standard of service to be supplied to SBB, to ensure that SBB is able to carry out the Regulated Activities - The full disclosures of transactions between the appointee and associated companies in line with Ofwat's guidance (see pages 278 to 280)
Material issues or circumstances	- Investigations ongoing as described on page 84 by Ofwat and the Environment Agency - Matters identified as not material for the purposes of this certification are described on page 84

Ringfencing certification

The ring fencing certificate was approved by the Board at its meeting on 8 July 2026. The sufficiency of financial resources and facilities has been subject to third-party assurance by our financial auditor, PwC. It has provided a separate report submitted to Ofwat in respect of the ring fencing certificate.

Statement to Condition P-26

Throughout the year, South West Water has maintained the Investment Grade credit ratings. Both Moody's and Fitch have affirmed the Company's ratings at Baa1 negative and BBB+ respectively.

We aim to maintain these ratings, which are subject to regular review, noting methodologies of agencies are subject to change and assessments can include sector-wide as well as Company-specific considerations.



Laura Flowerdew

Chief Financial Officer (on behalf of the Board)
17 July 2025

Resilience and viability of the business continued

Viability Statement

The Directors are responsible for ensuring the long-term viability of South West Water. In doing so, they consider the Company's current position, principal risks, financial resilience and the effectiveness of controls and mitigations in place to manage those risks.

The Board's assessment is embedded in South West Water's strategic planning process and supported by regular long-term modelling of liquidity, covenant headroom and key financial ratios. The Audit Committee supports this review, which is also informed by the Company's risk management framework, sensitivity analysis and stress testing.

South West Water operates in a regulated market characterised by five-year price control periods, defined expenditure allowances and associated revenue mechanisms. This provides a clear framework for assessing longer-term viability, while requiring the Company to consider the impact of operational performance, financing conditions, regulatory developments and other principal risks over the assessment period.

The assessment has been prepared by reference to the Company's long-term strategy, current regulatory framework and principal risks, including macroeconomic, operational and climate-related risks. Climate-related risks are considered within the broader assessment of resilience and are described further in the relevant climate-related disclosures on pages 42 to 45. The strategic plan includes the investment currently expected to support operational resilience and climate adaptation over the assessment period.

Period of assessment

The Board regularly reviews the period over which viability should be assessed in line with the UK Corporate Governance Code. It considers a seven-year period to be appropriate because it reflects the long-term nature of the regulated water sector, extends beyond the current regulatory settlement to March 2030 and is consistent with the Company's longer-term planning horizon. The Board also assumes that significant capital investment across the sector will continue beyond 2030 and remain an important feature of the regulatory framework.

Risks

The Board and management review South West Water's principal and emerging risks throughout the year, assessing both likelihood and impact in the context of the controls and mitigating actions in place. That assessment, and the related financial implications, informs the stress testing used in the viability assessment.

Current position

As set out in the Chief Financial Officer's review on pages 52 to 55, South West Water has a strong liquidity and funding position, with £741 million of cash and cash equivalents, restricted funds and committed facilities at 31 March 2026 and an average maturity of non-current borrowing of 12 years. Forecast financial performance is based on the 2026/27 budget and the strategic plan thereafter to March 2033, reflecting the final determination through to March 2030 and taking into account the impact of revenue adjustments for operational performance through the Outcome Delivery Incentive mechanism where there is a high degree of certainty.

Stress testing

The approach taken to stress test the strategic plan has been to use both individual sensitivities and combined scenarios linked to the Company's principal risks and the impact on covenants and key metrics.

Covenants and key metrics

South West Water assesses financial viability by considering the effect of stress testing on debt covenants and key financial metrics. In particular, covenant compliance is assessed by reference to debt capacity and interest cover requirements within its financing arrangements. South West Water's debt capacity is calculated as 75% of Regulatory Capital Value plus 6x non-regulated EBITDA less net debt, and interest cover requirements are assessed against a minimum interest cover ratio of 1.75x.

The Board also considers credit metrics and other key financial ratios as secondary indicators of financeability and rating resilience. The principal ratios considered are gearing, measured as net debt to Regulatory Capital Value, Adjusted Interest Cover Ratio and Funds from Operations to net debt.

The Company's financing and credit profile are monitored against relevant rating methodologies and broader financeability considerations. South West Water maintains strong investment grade credit ratings, and where stress testing indicates pressure on financial metrics, the Board considers the mitigating actions available to protect resilience over the assessment period.

Stress-testing evaluation and mitigations

The stress testing performed indicates that the individual sensitivities and combined scenarios modelled, including those linked to principal risks, do not compromise South West Water's viability over the seven-year assessment period.

Mitigations were not required to support the viability conclusion in the individual or combined scenario modelled. However, the Company has further actions available to protect liquidity, preserve covenant headroom and maintain financial resilience, including:

- Reduction in discretionary operational expenditure;
- Deferral of capital expenditure and/or cancellation of non-essential works;
- Working capital management e.g. re-negotiating credit terms;
- Parent company support e.g. equity injection; and
- Restriction of dividends.

The Board also considers South West Water's funding options and its ability to secure additional financing if required to support solvency and liquidity over the assessment period.

More extreme scenarios were also considered, including an absolute worst case in which all principal risks were assumed to occur. These would place significant pressure on the Company's viability measures over the assessment period. The Board judged the likelihood of such scenarios to be remote and noted that further mitigations could be deployed if required.

In reaching its assessment, the Directors considered South West Water's solvency, liquidity, covenant compliance and wider funding resilience. They also recognise that, as a regulated business subject to potential non-market influences, longer-term assessments are inherently uncertain and future outcomes cannot be predicted with certainty.

Viability assessment conclusion

Based on this assessment, the Directors have a reasonable expectation that South West Water will be able to continue in operation and meet its liabilities as they fall due over the seven-year assessment period.

Condition F and long-term resilience and viability statement

In addition to internal assurance performed over the viability statement and external assurance in line with PwC's role as statutory external auditor of the financial statements, the Audit Committee has provided extensive oversight and review of South West Water's long-term financial resilience (see pages 168 to 175 of the Annual Report and Financial Statements) and we commissioned further specific 'Agreed Upon Procedures' to be performed by PwC covering the calculations and assessments made as well as challenge of the underlying assumptions and judgements. The Board of Directors of South West Water Limited has resolved that a Certificate be issued to the Water Services Regulation Authority confirming:

- That in the opinion of the Directors, the Company will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities (including the investment programme necessary to fulfil the Company's obligations under the Appointment).
- That in the opinion of the Directors, the Company will, for at least the next 12 months, have available to it management resources which are sufficient to enable it to carry out those functions.

Resilience and viability of the business continued

Stress test	Principal risk	Level of stretch	Covenants maintained	Impact on key metrics		
				Gearing	AICR	FFO/net debt
Interest rates	C Inability to secure sufficient finance and funding within our debt covenants, to meet ongoing commitments	2% increase on any new and floating rate debt	Yes	⬆️	⬇️	⬇️
Bad debt	E Macroeconomic near-term risks	1% of revenue	Yes	⬆️	⬇️	⬇️
Inflation – increase		1% increase	Yes	⬇️	⬇️	⬇️
Inflation – decrease		1% decrease	Yes	⬆️	⬇️	⬇️
Fines and ODI penalties	B Non-compliance with laws and regulations F Failure to secure, treat and supply clean drinking water G Failure to improve wastewater performance results in environmental commitments not being delivered H Failure to provide excellent service or meet the needs and expectations of our customers and communities	1% of regulated equity		⬆️	⬇️	⬇️
Totex underperformance		5–8% of totex per annum	Yes	⬆️	⬇️	⬇️
Combined scenario: Totex underperformance, fines and ODI penalties	As referenced above	As above	Yes	⬆️	⬇️	⬇️

In making this declaration, the Directors have taken into account:

- The net worth of the Company and the strength of key performance indicators as shown in the Company Annual Performance Report for the year ended 31 March 2026 and the Company's Business Plan for the next seven years (as described on pages 76 – 77 of the Annual Report and Financial Statements)
- Borrowing facilities which include significant committed undrawn bank facilities
- Parental support provided by the holding company which will provide financial support to the Company to enable it to meet its liabilities as they fall due
- The Company's formal risk management process which reviews, monitors and reports on the Company's risks and mitigating controls and considers potential impact in terms of service, compliance, value, people, society and partners
- The Company's employment policies and strategy

The Directors also declare that in their opinion all contracts entered into with any associated company include all necessary provisions and requirements concerning the standard of service to be supplied to the Company to ensure that it is able to meet all its obligations as a water and sewerage undertaker, as required in Section 6 of Condition F of the Instrument of Appointment. This opinion has been formed following examination of the documents in question.

Statement of Directors' responsibilities

In addition to the requirements of Company law, our Directors are required to prepare accounting statements which comply with the requirements of Condition F of the Instrument of Appointment of the Company as a water and sewerage undertaker under the Water Industry Act 1991 and Regulatory Accounting Guidelines issued by Ofwat. Separately, our Directors are also required to comply with Condition P of the Instrument of Appointment of the Company as a water and sewerage undertaker under the Water Industry Act 1991. The purpose of this condition is to safeguard that:

- Appointed Business is conducted as if it is substantially the Appointee's sole business, and it is a public limited company separate from any other business carried out by the Appointee;
- The Appointee retains sufficient rights and assets and has in place adequate financial resources and facilities, management resources and systems of planning and internal controls;

- Any transfers or transactions entered into by the Appointee do not adversely affect the Appointee's ability to carry out the Regulated Activities; and
- The Appointee demonstrates that it is complying with the requirements of this Condition.

These responsibilities are additional to those already set out in our Annual Report 2025/26. For further details of the additional responsibilities, please see the Ringfencing Certificate and the Risk and Compliance Statement.

Disclosure of information to auditor

The Directors who held office at the date of approval of this report confirm that

- So far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware
- Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

Laura Flowerdew

Chief Financial Officer (on behalf of the Board)

17 July 2025



Assurance

Introduction

This assurance section of the Annual Performance Report provides a general overview of our assurance framework and processes as well as an update on the assurance performed in respect of the Annual Performance Report and Regulatory Reporting.

In any significant area or projects where assurance is required over submitted data or information, certificates will be prepared by those responsible to confirm that the submission is robust and all material issues have been addressed.

Independent internal review is used to ensure that processes are robust and adhered to.

External review and audit processes are utilised whenever significant data is provided by South West Water externally (such as the regulatory Business Plan/Price Review, tariffs/charges submissions and Annual Performance Report and Regulatory Reporting). The allocation of assurance work between external providers (including financial and technical auditors) is based upon the content of the data submission and multiple providers of external assurance are frequently engaged on the same project. Expectations for assurance both internally and externally have developed in recent years, and, specifically for the new regulatory period, there is a range of new data to assure and significant longer-term programmes of work for which assurance expectations have increased. These include certain areas where third-party providers report to us with a dual duty of care to Ofwat.

During 2025/26, the first year in the period, we undertook a significant procurement process to appoint a set of framework providers having the appropriate competence, independence and assurance processes. Further details of the process undertaken and the framework providers can be found in the Regulatory Data Assurance Strategy (K8).

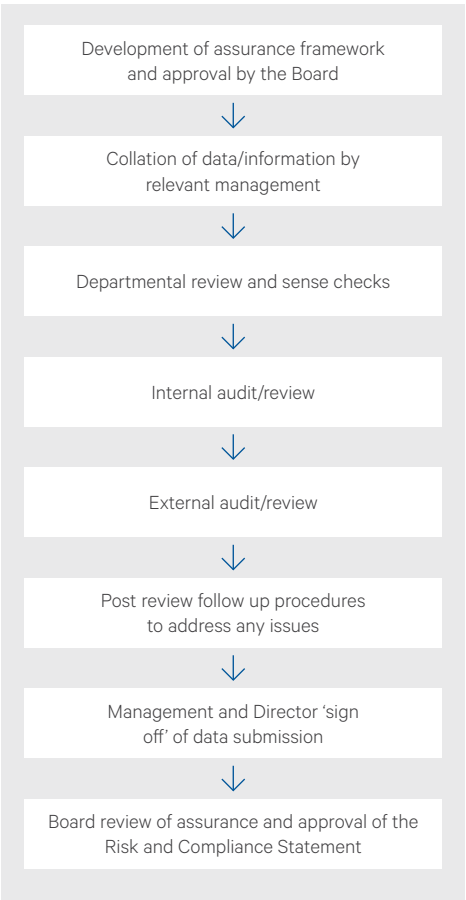
The professional credentials of the third-party assurance providers are considered in detail to ensure they have the relevant knowledge and experience.

Robust feedback processes are established to ensure that issues or queries raised during internal and external assurance processes are followed up to ensure that any changes required or follow-up work are completed as appropriate.

In addition to strategic leadership provided by the Board, for significant projects a Steering Group is formed to give direction, monitor project delivery and issue regular updates to the Board. The Board and Audit Committee review and challenge assurance applied in each case under this framework.

For all key projects and data submissions, the Board confirms that in its opinion, assurance provision, governance and internal systems of control have been sufficient.

The following diagram summarises the typical assurance approach taken in any significant project involving submission of data externally:



South West Water's integrated assurance framework

South West Water's risk and assurance processes are embedded into the management of the Company and are designed to ensure risks are promptly identified, updated on a regular basis and appropriate mitigation is in place to suit the risk appetite.

The methodology for identification and mitigation of risk is similar at individual business unit and corporate levels.

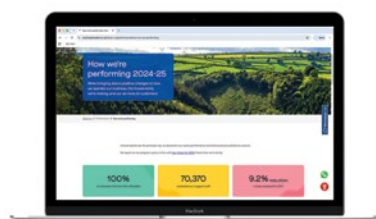
South West Water's Integrated Assurance Plan ensures, utilising a risk-based approach, that an appropriate balance of varied providers of assurance is deployed dependent on the assessed risk and complexity of assurance requirements. The integrated assurance approach includes:



This risk-based integrated assurance framework is applied to all areas of the business, including all key projects as they arise. The mix of assurance methods used is reviewed by the South West Water Audit Committee, which is responsible for ensuring robust and comprehensive assurance frameworks are in place to support Board assurance and compliance requirements.

Assurance continued

South West Water publishes a range of documents which provide key information which customers and other stakeholders require. We publish performance information in this Annual Performance Report and Regulatory Reporting as well as in summary formats. In this section of the report we summarise the assurance we perform, however further detail on the assurance we perform can be found in related documents.



Our websites

The documents listed here are published on our websites alongside other useful documents – such as our charges to customers for the year.

➤ www.southwestwater.co.uk

➤ www.bournemouthwater.co.uk



DiscoverWater.co.uk

We share our key comparable data with www.DiscoverWater.co.uk who provide a user-friendly summary of English and Welsh water companies' data. We voluntarily obtain specific assurance from our technical auditor Jacobs in view of the importance of this data.

Third-party assurance – Annual Performance Report Financial assurance

PwC have provided statutory regulatory financial assurance for sections 1 and 2 of the Annual Performance Report in line with regulatory requirements.

Their Independent Auditor's report to the Water Services Regulation Authority is laid out on pages 105 to 106. This includes their audit opinion, which includes details of the sections and tables they have audited.

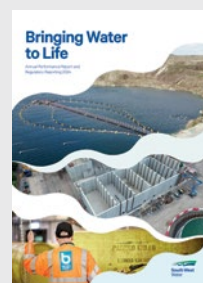
PwC have also performed agreed-upon procedures on certain financial data tables reporting to the South West Water Board.



Technical assurance

Jacobs have performed technical assurance on the majority of technical data contained within the Annual Performance Report. For performance commitments, they have reported under a dual duty of care to the South West Water Board and Ofwat on 15 July 2026 in line with Ofwat guidance for AMP8 assurance.

Jacobs have also reported to the South West Water Board in respect of other technical data within the report they have audited. Jacobs assurance for both performance commitments and other technical data has been performed as a limited assurance engagement in line with ISAE 3000.



Annual Performance Report and Regulatory Reporting

The Annual Performance Report lays out our performance against the regulatory targets we have committed to achieve. Our Regulatory Reporting lays out key financial and non-financial performance for the year.

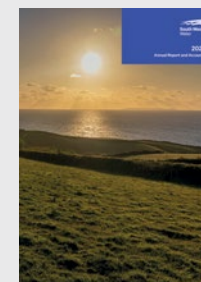


Pollution Incident Reduction Plan

In September 2020 we launched our Pollution Incident Reduction Plan, responding to our performance in this area and reflecting our commitment to ensure pollution incidents are significantly reduced through the remainder of the regulatory reporting period.

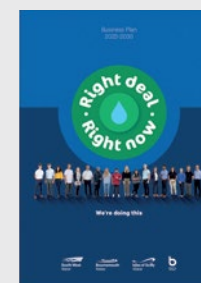
We provided an update of the plan in April 2026, focusing on the areas making the most difference.

➤ To read the update and previous plan, visit our website



Annual Report and Financial Statements

Our Annual Report and Financial Statements is published in line with Companies Act requirements and as well as reporting on overall performance, provides a more detailed review of our financial performance during the year.



Business Plan 2025–30

In October 2023 we published our Business Plan for 2025–30 'Right deal for Right now', which was given outstanding status by Ofwat's Draft Determination on 11 July 2024.

For further information on South West Water's New Deal visit

➤ www.southwestwater.co.uk/siteassets/documents/about-us/business-plans/2025-30/business-plan-2025-30.pdf

Assurance continued

Summary of external assurance in respect of the Annual Performance Report and Regulatory Reporting

Section 1	External Assurer	Type of Assurance	Table reference	External Assurance Summary
1A Income statement	PwC	Regulatory Audit Opinion	Page 123	Pages 105 to 106
1B Statement of comprehensive income	PwC	Regulatory Audit Opinion	Page 123	Pages 105 to 106
1C Statement of financial position	PwC	Regulatory Audit Opinion	Pages 124 to 126	Pages 105 to 106
1D Statement of cash flows	PwC	Regulatory Audit Opinion	Page 127	Pages 105 to 106
1E Net debt analysis	PwC	Regulatory Audit Opinion	Page 128	Pages 105 to 106
1F Financial flows	PwC	Regulatory Audit Opinion	Pages 129 to 130	Pages 105 to 106
Section 2	External Assurer	Type of Assurance	Table reference	External Assurance Summary
2A Segmental income statement	PwC	Regulatory Audit Opinion	Pages 132 to 133	Pages 105 to 106
2B Totex analysis – wholesale	PwC	Regulatory Audit Opinion	Pages 134 to 135	Pages 105 to 106
2C Cost analysis – retail	PwC	Regulatory Audit Opinion	Page 136	Pages 105 to 106
2D Historical cost analysis of fixed assets	PwC	Regulatory Audit Opinion	Page 137	Pages 105 to 106
2E Analysis of developer services income by price control	PwC	Regulatory Audit Opinion	Page 138	Pages 105 to 106
2F Residential retail	PwC	Regulatory Audit Opinion	Page 139	Pages 105 to 106
2G Non-household – revenues by tariff type	N/A	N/A	N/A	N/A
2H Cash collection performance rates – residential retail	N/A	N/A	Page 140	N/A
2I Revenue analysis (price control)	PwC	Regulatory Audit Opinion	Page 141	Pages 105 to 106
2J No longer required	N/A	N/A	N/A	N/A
2K Infrastructure charges reconciliation	PwC	Regulatory Audit Opinion	Page 142	Pages 105 to 106
2L Analysis of land sales	PwC	Regulatory Audit Opinion	Page 143	Pages 105 to 106
2M Revenue reconciliation	PwC	Regulatory Audit Opinion	Page 143	Pages 105 to 106
2N Household affordability support	PwC	Regulatory Audit Opinion	Pages 144 to 145	Pages 105 to 106
2O Historic cost analysis of intangible fixed assets	PwC	Regulatory Audit Opinion	Page 146	Pages 105 to 106
2P Third party services revenue	PwC	Regulatory Audit Opinion	Page 147	Pages 105 to 106
2R Analysis of diversions income by price control	PwC	Regulatory Audit Opinion	Page 148	Pages 105 to 106

Assurance continued

Summary of external assurance in respect of the Annual Performance Report and Regulatory Reporting continued

Section 3		External Assurer	Type of Assurance	Table reference	External Assurance Summary
3A	Outcome performance – all performance commitments	Jacobs	ISAE3000 Limited Assurance	Pages 149 to 155	Published on our website
3B	Underlying data – measures of experience performance	Jacobs	ISAE3000 Limited Assurance	Pages 156 to 157	Published on our website
3C	Underlying calculations – customer experience performance commitments	Jacobs	ISAE3000 Limited Assurance	Pages 158 to 160	Published on our website
3D	Underlying calculations and supplementary data – demand common performance commitments	Jacobs	ISAE3000 Limited Assurance	Page 161	Published on our website
3E	Underlying calculations and supplementary data – environmental common performance commitments	Jacobs	ISAE3000 Limited Assurance	Pages 162 to 165	Published on our website
3F	Underlying calculations – asset health common performance commitments	Jacobs	ISAE3000 Limited Assurance	Page 166	Published on our website
3G	Underlying calculations – compliance-based common performance commitments	Jacobs	ISAE3000 Limited Assurance	Page 167	Published on our website
3H	Underlying calculations and supplementary data – bespoke performance commitments	Jacobs	ISAE3000 Limited Assurance	Page 168	Published on our website
3J	Not applicable for South West Water nor Bristol Water	N/A	N/A	N/A	N/A
3K	Not applicable for South West Water nor Bristol Water	N/A	N/A	N/A	N/A

Assurance continued

Summary of external assurance in respect of the Annual Performance Report and Regulatory Reporting continued

Section 4	External Assurer	Type of Assurance	Table reference	External Assurance Summary
4A Water bulk supply information	PwC	Agreed upon procedures	Page 169	PwC report to board
4B Analysis of debt	PwC	Agreed upon procedures	Page 169	PwC report to board
4C Actual expenditure against cost allowances by cost sharing rate	PwC	Agreed upon procedures	Pages 170 to 172	PwC report to board
4D Totex analysis – wholesale water resources and water network+	PwC	Agreed upon procedures	Page 173	PwC report to board
4E Totex analysis – wastewater network+ and bioresources	PwC	Agreed upon procedures	Page 174	PwC report to board
4F Major project expenditure for wholesale water by purpose	PwC	Agreed upon procedures	Page 175	PwC report to board
4G Major project expenditure for wholesale wastewater by purpose	PwC	Agreed upon procedures	Page 175	PwC report to board
4H Financial metrics	PwC	Agreed upon procedures	Pag 1331	PwC report to board
4I Financial derivatives	PwC	Agreed upon procedures	Page 176	PwC report to board
4J Base expenditure analysis – water wholesale	PwC	Agreed upon procedures	Pages 177 to 178	PwC report to board
4K Base expenditure analysis – wastewater wholesale	PwC	Agreed upon procedures	Pages 179 to 180	PwC report to board
4L Enhancement expenditure – water resources and water network+	PwC	Agreed upon procedures	Pages 181 to 182	PwC report to board
4M Enhancement expenditure – wastewater network+ and bioresources	PwC	Agreed upon procedures	Page 183 to 184	PwC report to board
4N Site-specific developer services expenditure – network+	PwC	Agreed upon procedures	Page 185	PwC report to board
4O Diversions expenditure – network+	PwC	Agreed upon procedures	Page 185	PwC report to board
4P Infrastructure network reinforcement projects for the 2025–30 period	PwC	Agreed upon procedures	Page 186	PwC report to board
4Q Developer services – new connections, properties and mains	Jacobs	ISAE3000 Limited Assurance	Page 187	Jacobs report to Board
4R Connected properties, customers and population	Jacobs	ISAE3000 Limited Assurance	Pages 188 to 190	Jacobs report to Board
4S No longer required	N/A	N/A	N/A	N/A
4T No longer required	N/A	N/A	N/A	N/A
4U No longer required	N/A	N/A	N/A	N/A
4V Mark-to-market of financial derivatives analysed based on payment dates	PwC	Agreed upon procedures	Page 191	PwC report to board
4W Defined benefit pension scheme – additional information	PwC	Agreed upon procedures	Page 192	PwC report to board
4X No longer required	N/A	N/A	N/A	N/A
4Y No longer required	N/A	N/A	N/A	N/A
4Z Household bill reduction schemes, debt and Guaranteed Standards Scheme (GSS) payments	Jacobs	ISAE3000 Limited Assurance	Pages 192 to 196	Jacobs report to Board
4AA Third party services water expenditure	PwC	Agreed upon procedures	Page 197	PwC report to board
4AB Third party services wastewater expenditure	PwC	Agreed upon procedures	Page 198	PwC report to board
4AC Base expenditure analysis water asset refurbishment and replacement	PwC	Agreed upon procedures	Page 199	PwC report to board
4AD Base expenditure analysis wastewater asset refurbishment and replacement	PwC	Agreed upon procedures	Page 200	PwC report to board

Assurance continued

Summary of external assurance in respect of the Annual Performance Report and Regulatory Reporting continued

Section 5	External Assurer	Type of Assurance	Table reference	External Assurance Summary
5A Water resources asset and volume data	Jacobs	ISAE3000 Limited Assurance	Page 201	Jacobs report to Board
Section 6	External Assurer	Type of Assurance	Table reference	External Assurance Summary
6A Raw water transport, raw water storage and water treatment data	Jacobs	ISAE3000 Limited Assurance	Page 202	Jacobs report to Board
6B Treated water distribution – assets and operations	Jacobs	ISAE3000 Limited Assurance	Page 203	Jacobs report to Board
6C Water network+ – mains, communication pipes and other data	Jacobs	ISAE3000 Limited Assurance	Pages 204 to 205	Jacobs report to Board
6D Demand management – metering and leakage activities	PwC/Jacobs	Agreed upon procedures /ISAE3000 Limited Assurance	Pages 206 to 2-7	Jacobs and PwC report to Board
6E Leakage activity detailed analysis	Jacobs	ISAE3000 Limited Assurance	Page 207	Jacobs report to Board
6F WRMP annual reporting on delivery – non-leakage activities	Jacobs	ISAE3000 Limited Assurance	Page 207	Jacobs report to Board
Section 7	External Assurer	Type of Assurance	Table reference	External Assurance Summary
7A Wastewater network+ – functional expenditure	PwC	Agreed upon procedures	Page 208	PwC report to board
7B Wastewater network+ – large sewage treatment works	PwC/Jacobs	Agreed upon procedures / ISAE3000 assurance	Page 208	Jacobs and PwC report to Board
7C Wastewater network+ – sewer and volume data	Jacobs	ISAE3000 Limited Assurance	Page 209	Jacobs report to Board
7D Wastewater network+ – sewage treatment works data	Jacobs	ISAE3000 Limited Assurance	Pages 210 to 212	Jacobs report to Board
7E Wastewater network+ – other data including energy consumption and scheme delivery	Jacobs	ISAE3000 Limited Assurance	Page 213	Jacobs report to Board
7F Wastewater network+ – WINEP / NEP phosphorus removal scheme costs and cost drivers	Jacobs	ISAE3000 Limited Assurance	Page 214	Jacobs report to Board
7G Wastewater network+ – WINEP / NEP sanitary parameters scheme costs and cost drivers	Jacobs	ISAE3000 Limited Assurance	Page 214	Jacobs report to Board
7H Wastewater network+ – WINEP / NEP nitrogen removal scheme costs and cost drivers	Jacobs	ISAE3000 Limited Assurance	Page 214	Jacobs report to Board
7I Wastewater network+ – Growth at STWs scheme costs and cost drivers	Jacobs	ISAE3000 Limited Assurance	Page 214	Jacobs report to Board
7J Bioresources – Industrial Emissions Directive scheme costs and cost drivers	Jacobs	ISAE3000 Limited Assurance	Page 214	Jacobs report to Board
7K Wastewater network+ – WINEP storm overflow scheme costs and cost drivers	Jacobs	ISAE3000 Limited Assurance	Page 214	Jacobs report to Board
7L Wastewater network+ – Sewage pumping mains renewals	N/A	N/A	Page 215	
Section 8	External Assurer	Type of Assurance	Table reference	External Assurance Summary
8A Bioresources sludge data	Jacobs	ISAE3000 Limited Assurance	Page 216	Jacobs report to Board
8B No longer required	N/A	N/A	N/A	N/A
8C Bioresources energy and liquors analysis	Jacobs	ISAE3000 Limited Assurance	Page 217	Jacobs report to Board
8D Bioresources sludge treatment and disposal data	Jacobs	ISAE3000 Limited Assurance	Page 218	Jacobs report to Board

Assurance continued

Summary of external assurance in respect of the Annual Performance Report and Regulatory Reporting continued

Section 9	External Assurer	Type of Assurance	Table reference	External Assurance Summary
9A Innovation competition	PwC	Agreed upon procedures	Page 219	PwC report to board

Section 10 – no longer required

Section 11	External Assurer	Type of Assurance	Table reference	External Assurance Summary
11A Greenhouse gas emissions reporting	Jacobs	ISAE3000 Limited Assurance	Pages 220 to 223	Jacobs report to Board
11B Net zero enhancement reporting	Jacobs	ISAE3000 Limited Assurance	Page 224	Jacobs report to Board

Other Annual Performance Report information	External Assurer	Type of Assurance	Table reference	External Assurance Summary
A Long-term resilience & viability statement	N/A	N/A	N/A	N/A
B Annual performance information provided to the DiscoverWater website	Internal	2nd line assurance	N/A	N/A
C Annual Performance Report reconciliation models	Internal	2nd line assurance	N/A	N/A

Other items

Many of our required annual disclosures are contained within this Annual Performance Report and Regulatory Reporting, however some are contained in other related publications:

Disclosure	Location
Statement on directors' pay	Detailed disclosures in the Remuneration Report
Statement on disclosure of information to auditors	See page 95
Dividend policy	See page 114
Accounting policy note for price control units	See page 113
Revenue recognition note	See page 112
Capitalisation policy note	See page 113
Bad debt policy note	See page 113 to 114
Tax strategy for the appointed business	See page 117 to 118
Long-term viability statement	See page 94
RORE summary	See page 57
Totex – difference between actual and allowed totex in table 4C	See page 172 & 249
Accounting Methodology Statement	www.southwestwater.co.uk/report2026

Open data

South West Water has again published its Annual Performance Report data in spreadsheet form on our website in addition to the Annual Performance Report document. We continue to provide commentary in respect of our performance data within our Annual Performance Report document which is aligned to the data tables in section 3 of this report.

South West Water is a member of the 'Stream' project to transform customer services in the water sector by driving innovation through data sharing.

➔ [See more on pages 40 to 41](#)

Assurance continued

Assurance – WaterShare+ Group Panel

The WaterShare+ Customer Panel provides independent oversight and challenge on behalf of customers and wider stakeholders across Pennon Group water companies: South West Water, Bournemouth Water, Bristol Water, and, following its acquisition in 2024, SES Water.

We act on behalf of customers and stakeholders to ensure that Company performance, investment and decision-making reflect their priorities. Our role is recognised by the Consumer Council for Water and Ofwat as an exemplar of independent customer challenge. The past 12 months has been significant for the water sector as a whole.

As such we continue to act as the Independent Challenge Group as recognised by Ofwat for South West Water, Bournemouth Water and Bristol Water. The SES Customer Panel (whose co-Chairs represent SES on the WS+ Panel) continues to perform this role for SES under the terms of the SES acquisition by Pennon Group. We will maintain these roles through the 2025–2030 Business Plan period.

This assurance reflects a continuous programme of scrutiny covering the Company's performance and reporting during 2025/26, the first year of delivery of the 2025–2030 Business Plan, and the extent to which customer priorities continue to inform decision-making and delivery. Our conclusions are informed by ongoing scrutiny extending beyond the reporting year into late 2025 and early 2026, including strategic challenge sessions, Customer AGM proceedings and public regional and online meetings.

The year has taken place once again against the backdrop of heightened scrutiny of the water sector, with declining customer trust and increased public, political and regulatory focus on environmental performance, resilience and affordability.

In this context, robust independent challenge is essential, and the Panel has strengthened both the depth and visibility of its scrutiny.

We have undertaken our role through a structured programme of activity of regular Panel meetings with senior executives.

These include:

- Quarterly in-private meetings focused on in-depth scrutiny of performance and delivery
- Deep dive challenge sessions
- Direct engagement with customers through public regional and online forums
- Independent input from regulators and technical advisers
- Ongoing review of Company performance and Business Plan implementation

During the reporting period, we held 22 Panel meetings, of which seven were public.

Our approach combines rigorous private scrutiny, where we test evidence, interrogate performance, and challenge senior executives (including the Chief Executive), alongside public accountability, where we independently chair forums enabling customers to question the Company directly.

While private sessions are not public, the Panel formally records the challenges raised, actions required, and resulting Company responses, tracking progress over time. This structured approach ensures that challenge is evidenced, sustained and outcome-focused.

Our role is not only to scrutinise but to drive improvement. We apply constructive challenge, working closely with the Company where appropriate, while maintaining clear independence and holding the Company to account for delivery.

Our conclusions are informed by this ongoing scrutiny, including activity extending into late 2025 and early 2026.

Following completion of the 2025–2030 Business Plan, our focus has shifted from development to scrutiny of implementation.

We have actively challenged the Company on delivery against performance and investment commitments, alignment between delivery and customer priorities and the balance between environmental outcomes, service improvement and affordability.

We expect to see clear evidence that commitments made in the Plan are being translated into measurable outcomes for customers and the environment, and we will continue to hold the Company to account for this delivery.

During the year, we have prioritised scrutiny of issues of greatest concern to customers, including:

- Pollution and storm overflow performance
- Water supply resilience and drought preparedness
- Water quality and service performance
- Incidents that have affected customer confidence

These areas have been subject to focused and repeated challenge through both private scrutiny sessions and public engagement.

The Panel ensures that issues are not only raised but tracked through to resolution, with actions monitored and revisited over time. This enables us to assess the Company's responsiveness, transparency and pace of improvement.

Direct customer engagement is central to our role. The Panel independently chairs public meetings to enable customers to question senior executives directly. These forums provide an important mechanism for transparency, accountability and real-time challenge. During the year, and continuing into 2026, we have:

- Held public online meetings open to all customers
- Delivered regional in-person meetings across Bristol, Bournemouth, Cornwall and Devon

These meetings allow customers to directly challenge the Company's leadership, and the issues raised are used by the Panel to inform and target our ongoing scrutiny.

Our work is supported by independent expertise, including the Environment Agency, the Consumer Council for Water and Natural England.

We also engage with the Company's independent technical assessor, providing additional scrutiny of performance reporting and delivery.

Based on the evidence available to us, we are satisfied that reporting is reliable and appropriately assured, and we continue to challenge the Company to strengthen monitoring, transparency and data quality.

We recognise the increasing pressure on customer bills associated with delivery of the Business Plan.

We have challenged the Company to strengthen support for customers in financial difficulty and have scrutinised the development of progressive charging approaches to improve fairness while protecting vulnerable customers.

The Panel continues to oversee the WaterShare+ framework, enabling customers to share in Company performance through free shares or bill discounts. The opportunity for all customers (and separately employees) to acquire Pennon shares and so have the rights of shareholders to information and to vote on key Company appointments and decisions supports even greater customer participation and accountability.

Based on our independent scrutiny through 2025 and into early 2026, we conclude that the Company has engaged openly and constructively with challenge, that the transition from business planning to delivery is established, that the Panel is applying robust and evidence-based challenge to implementation, and that while progress is being made, sustained focus remains necessary in key areas of customer concern. We will continue to provide independent, constructive assurance to ensure the Company delivers on its commitments and meets the expectations of customers and stakeholders, with our detailed work and conclusions published annually and further commentary on the 2020–2025 Business Plan period to be published shortly.



Lord Matthew Taylor

Chair of the WaterShare+ Group Panel

Find out more on the WaterShare+ website

➤ www.southwestwater.co.uk/about-us/what-we-do/get-involved/watershareplus

Assurance continued

Bristol Water Challenge Panel Report

The Bristol Water Challenge Panel (BWCP) formed part of the wider WaterShare+ Group Panel, on which both the Chair and Deputy Chair of the Challenge Panel sat. Through this Group Panel, we ensured that the views of Bristol Water customers and stakeholders were represented within Pennon Group's wider decision-making processes and provided assurance that performance reported across the Group, including for Bristol Water, was accurate, robust and reliable.

The WaterShare+ Panel held four public meetings during the year, covering all regions including Devon, Cornwall, Bournemouth and Bristol. These meetings provided customers with the opportunity to engage directly with senior Company executives and raise issues of importance to them. The Bristol public meeting took place in May 2025.

The core role of the Bristol Water Challenge Panel was to scrutinise the Company's performance against the commitments set out in its 2025–2030 Business Plan and to publish an annual report on behalf of customers, setting out how the Company had responded to both challenges and successes during the year. In particular, the Panel monitored and challenged performance against Bristol Water's Performance Commitments, reviewing progress on a quarterly basis and requiring the Company to explain changes in performance and the actions taken to address them. The Panel met four times during the year for performance scrutiny and reviewed the Bristol Water Social Contract on a further two occasions.

While overall performance during the year presented challenges, the Panel was particularly encouraged by Bristol Water's strong customer experience performance. The Company also maintained a zero per cent water poverty rate across the region, demonstrating its continued commitment to customer affordability and support. This was achieved through sustained efforts to improve and promote bill discounts, flexible payment plans and access to free, independent debt advice.

In addition, Bristol Water has seen a huge increase in community funding through the introduction of the Better Futures Fund, which will see £564,000 of community funding spent in the Bristol area; this has increased from the £30,000 Together for Good fund that ran from 2020–2025. The Panel is hugely supportive of this work.

On the environmental side, the water resources position during the year was exceptionally challenging, with prolonged hot weather and low reservoir levels across the Bristol region. The Panel challenged the Company robustly on its response, scrutinising customer communications, operational decision-making and environmental performance during this period, leaning heavily on the expertise of our Environment Agency representatives.

The Panel also played an active role in supporting the publication of Bristol Water's first Pollution Incident Reduction Plan, challenging the regional approach and recommending the inclusion of practical case studies. Alongside the WaterShare+ Group Panel, we were instrumental in encouraging the publication of a clear, customer-facing version of this strategy to improve transparency and customer understanding.

The first year of 2025–2030 saw some challenges with delivery, and the Panel remained close to the teams to understand risks and opportunities faced in deliverability of the Smart Metering programme, lead removal, Cheddar 2 reservoir and leakage.

The year marked the conclusion of the Bristol Water Social Contract, which was established in 2019 and operated throughout the 2020–2025 period to address community wellbeing and strengthen trust. Notable achievements under the Contract included the refurbishment of the Bristol Beacon and creation of the Bristol Water Sound Studios, development of the Chew Valley Lake Trail, delivery of the Resource West initiative, and contributions to the Bristol One City Climate and Ecological Emergency Strategies. The Panel welcomed the integration of the Social Contract's pioneering framework into Pennon's wider Environmental, Social and Governance framework, supporting sustainable performance through to 2030 and beyond.

Following the end of the 2025/26 period, the Bristol Water Challenge Panel concluded its formal role as Bristol Water's licence was fully integrated within South West Water. Assurance and engagement arrangements are now aligned across the Pennon Group, with Regional Chairs of the WaterShare+ Panel receiving localised updates ahead of quarterly private meetings with the Senior Executive team.

The Challenge Panel would like to thank the senior teams at both Bristol Water and South West Water for their openness and transparency throughout the year, including the provision of regular, timely briefings and their willingness to share insight into how operational performance and customer service will continue to improve.



Mrs Peaches Golding OBE CStJ
Chair of the Bristol Water Challenge Panel

Independent auditors' report on the Regulatory Accounting Statements contained within the Annual Performance Report

Opinion

We have audited the tables within South West Water Limited's Annual Performance Report for the year ended 31 March 2026 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the Income statement (table 1A), the Statement of comprehensive income (table 1B), the Statement of financial position (table 1C), the Statement of cashflows (table 1D), the Net debt analysis (table 1E), the Financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the Segmental income statement (tables 2A), the Totex analysis - by wholesale price controls (tables 2B), the Cost analysis - retail (tables 2C), the Historic cost analysis of tangible fixed assets by price control (tables 2D), the Analysis of developer services income by price control (tables 2E), the Residential retail (tables 2F), the Revenue analysis & wholesale control reconciliation (tables 2I), the Infrastructure charges reconciliation (tables 2K), the Analysis of land sales (tables 2L), the Revenue reconciliation (tables 2M), the Household affordability support (tables 2N), the Historic cost analysis of intangible fixed assets - by price control (tables 2O), the Third party services revenue (tables 2P), the Analysis of diversions income by price control (tables 2R) and the related notes.

We have not audited the cash collection performance rates (tables 2H), Outcome performance tables (3A to 3H) and the additional regulatory information in tables 4A to 4AD, 5A, 6A to 6D, 7A to 7L, 8A to 8D, 9A, and 11A to 11B.

In our opinion, South West Water Limited's Regulatory Accounting Statements have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.10, RAG 2.10, RAG 3.16, RAG 4.14 and RAG 5.07) and the accounting policies, set out on page 119.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors' responsibilities for the audit of the Regulatory Accounting Statements below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF (Revised) 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to listed/public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 121 to 130, pages 132 to 148 and pages 225 to 237, have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the Regulatory Accounting Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Testing the mathematical integrity of the cash flow forecasts and the models supporting these forecasts and reconciling them to Board approved budgets, where the directors' assessment covered the period from the date of approval of the Annual Report and Accounts to October 2027;
- Understanding the key assumptions the directors have applied in developing their base case and severe but plausible downside scenarios. We challenged various aspects of the directors' base case and downside scenarios including consideration of other potential downside risks that were not factored into the directors' downside scenario;

- Assessing the accuracy of the cash flow forecast prepared in the prior years so as to assess the ability of the directors to prepare accurate forecasts;
- Obtaining and understanding the terms of the Company's financing and available credit facilities and in particular the financial covenants that the Company is subject to. We have verified the existence of the facilities in place on which the directors have based their liquidity forecast;
- Reviewing the directors' analysis of both liquidity and covenant compliance to assess that there is sufficient liquidity and no forecast covenant breaches during the going concern period;
- Assessing the extent of mitigating actions that could be taken by the directors, if necessary, to increase liquidity or to prevent a trigger or default event arising against the covenants in place; and
- Assessing the appropriateness of the disclosures within the Regulatory Accounting Statements as disclosed in the accounting policies, relating to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the Regulatory Accounting Statements are authorised for issue.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report continued

Other information

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 95, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the Audit of the Regulatory Accounting Statements within the Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WSRA, UK Companies Act, tax legislation; and
- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence, regulatory solvency requirements and environmental regulations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- Discussions among the engagement personnel covering the potential for material misstatements due to error or fraud, the risks associated with related parties and emphasis on the need to maintain professional scepticism throughout the engagement;
- Inquiries of the directors and others within the entity, including those outside of finance, as to their knowledge, awareness and concerns regarding fraud, or breaches in laws and regulations;
- Identification and testing of journal entries that met our risk criteria, in particular any journal entries posted with unusual account combinations that hit our risk criteria and incorporating an element of unpredictability in the nature, timing and extent of audit procedures performed;
- Testing non-underlying items and assessing the judgement made by the directors over their classification;
- Testing significant accounting estimates and judgements made by the directors;
- Reading the minutes of the Board meetings to identify any inconsistencies with other information provided by management;
- Reviewing matters raised through the Company's whistleblowing process insofar as they relate to the Regulatory Accounting Statements;
- Reviewing the Regulatory Accounting Statements disclosures and testing to supporting documentation to assess compliance with laws and regulations;
- Reviewing internal audit reports that related to the Regulatory Accounting Statements; and
- Reviewing legal expense accounts and other correspondence to identify items which may indicate the existence of material legal claims.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at www.frc.org.uk/ auditors responsibilities. This description forms part of our auditor's report.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2026 on which we reported on 15 July 2026, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors Bristol

17 July 2026

Directors’ Remuneration Report

Introduction

As a leading company in the UK water sector, we focus on long-term responsibility and sustainability. We recognise the impact we have on many groups, including our customers, local communities, the environment and our employees.

Pay for senior executives in our sector is under close public scrutiny, and we understand the need to rebuild trust. At the same time, we operate in a complex and highly regulated environment, providing essential water and waste water services to our customers.

As a principle, we always strive to maintain constructive working relationships with the Government and our regulators.

The Pennon Group Annual Report and Accounts 2026 provides further details on our approach to remuneration.

Remuneration aligned to delivery for our customers

Significant portion of executive remuneration is linked to performance:

- Incentive linked to underlying performance
- Performance pay – appropriately aligned with customer interests with bonus and LTIs having a substantial link to stretching performance delivery for customers
- Focus on customer and operational metrics assessed by Ofwat, our customer, communities, and wider stakeholders
- Incentives designed to motivate delivery of sustainable performance
- Safeguard mechanisms in place to ensure outcomes reflect underlying performance.

Role of Remuneration Committee

The Remuneration Committee is responsible for making sure pay and rewards across the Pennon Group (including SWW) are fair, competitive, and support the company’s goals. Specifically, it:

- Ensures pay is aligned with the Group’s strategy and reflects its values
- Sets and reviews the overall pay policy, considering shareholder views and best practice, so the company can attract, retain and motivate senior leaders
- Advises the Board on how executive pay should be structured
- Decides the pay levels for the Chair, Executive Directors and senior executives, and keeps an eye on pay across the wider workforce
- Approves how performance-related pay schemes are designed and sets the targets for them

For 2025/2026 the statutory directors included in this report are as follows:

Susan Davy, Chief Executive Officer is an Executive Director of Pennon Plc and South West Water Ltd who retired and stepped down from the board on 31 December 2025.

Laura Flowerdew, Chief Financial Officer of Pennon Plc and South West Water Ltd.

The apportionment of fixed pay included in this report for Pennon Group Executives in 2025/26 is 70% for South West Water, covering South West Water, Bournemouth Water and Bristol Water.

No cost is borne by or apportioned to South West Water for any performance related pay for any Executive as Pennon Group fund any such payments with no cost to customers.

Remuneration is set by the Pennon Group Remuneration Committee and in accordance with the Pennon Group remuneration policy, approved by shareholders on 22 July 2023 in line with the normal three-year review process. The policy was approved with 93.6% shareholder support and is detailed in the Pennon Group Annual Report 2023. Full details of the implementation for 2025/26 can be read in the Pennon Group Annual Report and Accounts 2026 on pages 150 to 155.

All remuneration arrangements relating to Susan Davy’s departure were consistent with the Remuneration Policy and the Company’s incentive plans, and are detailed in the Pennon Group Annual Report and Accounts 2026.

Keith Haslett joined Pennon as Chief Executive Officer on 1 April 2026, and was appointed to the board of Pennon Plc on 1 April 2026, and South West Water Ltd on 19 May 2026 following Ofwat’s approval under the new fitness and propriety rule. Further information relating to Keith’s remuneration is detailed in the Pennon Group Annual Report and Accounts 2026.

At a glance

For further detail on the structure of executive pay for Pennon Group Executives, please see page 133 of the Pennon Group Annual Report and Accounts 2026. In summary there are six key elements of the structure of executive pay:

Year 1	Year 2	Year 3	Year 4	Year 5
Base salary →				
Benefits →				
Retirement benefits – 10% of salary →				
Bonus: up to 125% of salary, up to 50 % in cash →	50% deferred into shares for three years			
LTIP: subject to three-year performance period →			Subject to a two-year holding period	
Shareholding guideline: Executive Directors are expected to build up a shareholding equivalent to 200% of salary →				

What safeguards are in place?

Robust performance conditions	Variable pay linked to a rounded assessment of performance against stretching targets
Robust framework	Holistic review of performance to consider if formulaic incentive outcomes are fair and appropriate
Deferral and holding period	Bonus (50%) and LTIP awards are deferred for a further period to provide long-term alignment
Malus and clawback	Provisions in place for variable pay to safeguard against payments for failure

Annual Report on Remuneration

The South West Water Directors’ Remuneration Policy and Implementation in 2025/26

The current South West Water Directors’ remuneration policy was set in 2023. The full policy is contained in the 2023 South West Water Annual Performance Report on the Company’s website at South West Water Annual Report and Financial Statements 2023.

For the Executive Directors of Pennon Group Plc, the policy can be found in full in the Pennon Group Annual Report and Accounts 2023. A summary of the policy and implementation for 2026/27 has been shared in the Pennon Group Annual Report and Accounts 2026.

While we are required to seek approval again at the 2026 AGM, we have decided to keep the policy largely unchanged for now, given the recent CEO transition. However, this will not limit future improvements.

Following the AGM, we plan to carry out a more comprehensive review, including engaging with shareholders and consideration of evolving regulatory expectations and market practices.

Notes to the single figure table

As noted in the Pennon Annual Report and Accounts 2026, the CFO received a modest salary supplement to reflect the additional responsibilities taken on after Susan Davy left and prior to Keith Haslett joining the business. This supplement ceased in March 2026.

In line with our previous approach, following guidance from Ofwat, all performance related pay for Executive Directors is funded at the Group level and therefore not funded by customers.

Our incentives are designed to provide a rounded assessment of performance across a range of key metrics. In line with Ofwat guidance, the majority of our incentives are linked to the delivery of stretching objectives in relation to our customers, communities and the environment.

Executive Directors full remuneration at a Group level is disclosed in detail within the Pennon Group Annual Report and Accounts 2026 (on pages 133 to 137).

Single total figure of remuneration tables (audited information)

	Laura Flowerdew ¹ (£000)		Susan Davy ² (£000)	
	2025/26	2024/25	2025/26	2024/25
Base salary	341	223	279	358
Benefits ³ (including Sharesave)	13	10	53	34
Pension-related benefits	34	22	28	36
Total fixed pay	388	255	360	428
Annual bonus (cash and deferred shares) ⁴	Nil	Nil	Nil	Nil
Long-Term Incentive Plan ⁴	Nil	Nil	Nil	Nil
Total variable pay	Nil	Nil	Nil	Nil
Total remuneration	388	255	360	428

1 Laura Flowerdew was appointed as Chief Financial Officer of Pennon Group plc on 11 July 2024 and South West Water from the same date. The fixed pay figures shown in the table are those re-chargeable to South West Water through Group re-charges (70% of fixed remuneration). Reflecting the nature of their Group position all subsidiaries receive a cross-charge for fixed remuneration. All variable incentives are fully funded by Pennon Group. The full single total figure of remuneration table is shown on page 137 of the Pennon Group Annual Report and Accounts 2026.

2 Susan Davy stepped down from the board and retired as Chief Executive Officer on 31 December 2025. Her departure arrangements are detailed on page 142, and these arrangements are funded by Pennon Group. The fixed pay figures shown in the table are those re-chargeable to South West Water through Group re-charges (70% of fixed remuneration). Reflecting the nature of their Group position all subsidiaries receive a cross-charge for fixed remuneration. All variable incentives are fully funded by Pennon Group. The full single total figure of remuneration table is shown on page 137 of the Pennon Group Annual Report and Accounts 2026. Keith Haslett joined Pennon on 1 April 2026 as Chief Executive Officer, and his joining arrangements are detailed on page 142 of the Pennon Group Annual Report and Accounts 2026. These arrangements are funded by Pennon Group.

3 Benefits comprise a car allowance, fuel allowance and medical insurance. Following a risk assessment of personal security for Susan Davy, the Committee determined that additional security measures were necessary. To facilitate this, the Committee approved a personal security related allowance to be paid in two instalments, the first tranche is included above.

4 For 2024/25, the Committee delayed the bonus payments until there was further clarity on how the Water (Special Measures) Act would be operated in practice. Following further guidance being published by Ofwat, in July the Committee determined it would be appropriate to release these payments. For 2025/26 the Committee determined that a bonus was due, and the LTIP 2023 vested. Further details of the annual bonus and LTIP awarded to the Pennon Group Executive Directors are shown on page 138 to 141 of the Pennon Group Annual Report and Accounts 2026.

How does the Committee ensure incentives are linked to stretching targets?

- Rounded assessment – incentive metrics linked to a basket of measures including financial, operational, customer and environmental measures. This means that full payouts require outperformance across all aspects of performance.
- Link to Ofwat approved business plans – incentive targets linked to the regulated entities are derived from the stretching business plans approved by Ofwat. For AMP8, Ofwat once again rated our business plan as “outstanding”.
- Combination of absolute and relative metrics – in addition to the absolute operating metrics, the customer related metrics in the LTIP are assessed on a relative basis, with full vesting requiring upper-quartile performance.
- Financial resilience – financial metrics are essential as they enable the Group to invest in the future and deliver robust and sustainable performance for all of our stakeholders. Full payouts on financial metrics require delivery of stretching goals.

Formulaic outcome



Holistic performance assessment

Culture and conduct

Focus on significant health and safety, culture and operational events

Alignment with customers, communities and the environment

Including customer experience, water quality and resilience, pollution incidents/EPA and emissions reduction

Consideration of external environment

Including the shareholder, employee and wider stakeholder experience

Input from other Board Committees

Including ESG and Health and Safety Committees, HR, Compliance, Internal Audit and WaterShare + panel

Broader financial, operating and strategic performance

Including impact of exceptional and one-off events

Sector best practice principles and regulatory guidance

Assessment versus best practice principles developed by sector



Determination of performance outcome

Annual Report on Remuneration continued

Wider Workforce Remuneration

We continue to prioritise fair and competitive pay for our front-line colleagues, particularly at a time when the financial environment remains challenging. We believe this is the right approach, both for our people and for the long-term success of the business.

We are proud to be an accredited Living Wage Foundation employer, with the majority of our workforce covered since 2021. In 2026, most colleagues received a pay increase of 4.5%, and our minimum hourly rate has increased to £13.95 around £1,000 per year higher than the real Living Wage. This reflects our ambition to remain an employer of choice.

Our overall approach to reward continues to evolve alongside the Group. As the business has grown through acquisitions and now operates across more locations, we have focused on ensuring our reward offering remains relevant, competitive and inclusive. This year, we have:

- Refreshed our reward and recognition programmes
- Enhanced our all-employee share plans by introducing matching shares
- Increased flexibility in benefits, giving colleagues more choice over options that suit their lifestyles

We also continue to offer strong pension provision and enhanced life assurance benefits.

We are committed to ensuring that performance-related pay is meaningful and clearly linked to outcomes. This means rewarding colleagues when they deliver for our customers, communities, shareholders and the environment all aligned with our Group values. For senior managers, there is also a continued focus on building share ownership, strengthening alignment with the long-term success of the business.

Encouragingly, our share schemes remain popular, with around 34% of colleagues participating in either ShareSave or our enhanced share plan, ExtraShare.

Gender and Ethnicity pay reporting

We recognise our duty to contribute positively to society by cultivating an environment that promotes social mobility, prioritises diversity and inclusion, and ensures equitable treatment for all employees. Our aspiration is to become the Employer of Choice across our region, where trust is paramount, and every individual is valued for their contributions. Transparency lies at the heart of our commitment to diversity and inclusion.

Reporting serves as a vital instrument in our journey towards openness, allowing us to candidly assess the gender and ethnic diversity within our workforce. Moreover, it enables us to share the proactive measures we have implemented and will continue to pursue to enhance diversity across all levels and roles within our organisation. We understand that fostering an inclusive workplace is imperative not only for attracting talent but also for retaining our valued colleagues and because it is the right thing to do.

We have voluntarily published our Ethnicity Pay Gap data since 2023. The results reflect our journey in building representation of ethnic minority groups and gender diversity, noting that the South West, has a lower diversity mix than other parts of the UK.

Further details on the gender and ethnicity pay reporting can be found in the Pennon Group Annual Report and Accounts 2026, or on the Pennon website.

We are committed to deliver on our ambitions to build diversity and inclusion across the Company and the water industry.

Measure	Sub-weighting	Target	Actual	Outcome
Financial resilience – PBT	20%	£157.6m	£139.6m	0.0%
Customer & Environmental measures	65%			
<i>Wastewater</i>				
Discharge permit compliance	2.6%	99%	98.1%	0.0%
Internal flooding (per 10k cust.)	2.6%	1.54	1.20	2.6%
External flooding	2.6%	15.29	18.04	0.0%
Sewer collapses	2.6%	13.00	5.06	2.6%
Bathing water quality	2.6%	100%	100%	2.6%
Normalised pollutions – category 1–3	2.6%	25.02	51	0.0%
Storm overflow – average spills per overflow	2.6%	20	34	0.0%
Biodiversity	2.6%	On Track	On Track	2.6%
<i>South West Water – Water Services</i>				
Water resources	2.6%	90%	97%	2.6%
CRI	2.6%	1.83	1.37	2.6%
Water quality contacts	2.6%	1.33	1.55	0.0%
Leakage (3-year rolling average)	2.6%	104.5	113.3	0.0%
Supply interruptions	2.6%	05m00s	1hr9m14s	0.0%
Mains repairs (per 1,000km)	2.6%	141.3	169.3	0.0%
Unplanned outage	2.6%	2.14%	2.39%	0.0%
PCC (3-year rolling average)	2.6%	143.7	147.7	0.0%
<i>Bristol</i>				
Water resources	2.6%	90%	95%	2.6%
CRI	2.6%	1.50	3.95	0.0%
Water quality contacts	2.6%	0.79	0.97	0.0%
Leakage (3-year rolling average)	2.6%	35	35.2	0.0%
Supply interruptions	2.6%	05m00s	33m42s	0.0%
Mains repairs	2.6%	140.2	149.6	0.0%
Unplanned outage	2.6%	2.78%	1.93%	2.6%
PCC (3-year rolling average)	2.6%	0	148.3	0.0%
Capital programme				
PCD delivery	2.6%	100%	<100%	0.0%
ESG measure	15%	see overleaf	11.8%	11.8%
Overall total				32.6%
Impact of prohibition				0.0%

Annual Report on Remuneration continued

Annual bonus outturn for 2025/26

A summary of the process the Committee undertakes before agreeing to any incentive outturns is below.

The performance under the different elements of the bonus (including performance against the scorecard for the business area) is reviewed and forms the formulaic outcome.

The Committee then considered whether there were any events in the year which would trigger Ofwat's performance-related executive pay prohibition rule, including certain events for which assessments by external bodies had not been fully concluded at the time of decision-making.

The Committee also undertook a holistic assessment of performance to determine whether the bonus outturn remains appropriate in the context of broader performance (as illustrated on page 110, and further detail is found in the Pennon Group Annual Report and Accounts 2026 on this holistic assessment):

On the assumption that an incident at Menagwins in June 2025 will be classified as a Category 1 event, the Committee concluded that no bonus would be paid in respect of SWW. In the event that both the Menagwins incident is downgraded to a Category 2 event and the EPA is improved to 2*, the Committee would reconsider whether either of the Executive Directors should be eligible for a bonus in respect of SWW performance.

In addition, enforcement undertakings agreed in August 2025, related to Ofwat's wastewater investigation and the guilty plea lodged in respect of the EA prosecutions arose in periods when Laura Flowerdew was not an executive director of SWW and therefore we believe that the prohibition rules would not apply. However, the former CEO, Susan Davy was an executive director at the time of some of these events and these have already been taken into account with the relevant performance related pay outcomes for 2025/26. The Committee also noted that the Brixham water quality incident resulted in the cancellation of the 2023/24 bonus.

As a result of prohibition there was a zero outturn for Executive Directors for performance related to SWW. A summary of the bonus outturn and the impact of the prohibition is shown on this page.

ESG Measure	Sub-weighting	Target	Actual	Outcome
Environment, Social & Governance				
Renewable electricity (%)	1.07%	16.10%	8.6%	0.00%
Reduction in GHG emissions (%)	1.07%	4.9%	52%	1.07%
Tree Planting	1.07%	400,000	421,199	1.07%
Peatland Restoration (Ha)	1.07%	5,000	5,158	1.07%
Diversity of workforce	1.07%	33%	34%	1.07%
5% Club accreditation status (Grade)	1.07%	Platinum	Platinum	1.07%
Glassdoor Score (average)	1.07%	4.0	3.5	0.00%
Lost Time Injury (LTIFR)	1.07%	0.2	0.39	0.00%
ESG rating (Score)	1.07%	Top 10%	Top 1%	1.07%
Sustainable Financing (£m)	1.07%	£400m	£490m	1.07%
ESG Tender Evaluations (%)	1.07%	75%	95%	1.07%
Supply Chain (Grade)	1.07%	Silver	Gold	1.07%
Customer affordability	1.07%	95%	99.40%	1.07%
Increase in social impact	1.07%	£1m	£12m	1.07%
ESG Total				11.8%

Long-term incentive outturn for 2025/26

The Executive Directors are members of the Pennon Group Long Term Incentive Plan (LTIP). The cost of this is not cross charged to SWW and is met in full by Pennon.

The 2023 LTIP outturn is disclosed thoroughly in the Pennon Annual Report and Accounts 2026. The performance measures applicable to these awards reflect the nature of their Group roles and are based on RoRE (50%), operational measures (30%) and a basket of customer measures (20%).

The Committee specifically considered the EPA rating of SWW when considering incentive outturns.

The Committee noted that a portion of the LTIP is directly linked to EPA ratings over the three-year period, with a four-star average required for maximum payout. This element of the 2023 LTIP lapsed in full, and therefore the outcomes were already reduced to zero based on the EPA ratings achieved.

The vesting level for the Pennon LTIP is 35.4% of maximum.

Consistent with Ofwat guidance the performance-related pay prohibition rules do not apply retrospectively to the 2023 LTIP award.

However, the Remuneration Committee is mindful that the in-flight 2024 and 2025 LTIP awards are subject to Ofwat's pay prohibition rules. The Committee will consider how the rules should be applied and any impact on payment of each of these awards following the end of the relevant performance period.

Additional contextual information

Other information including share holdings and share awards made to Directors, CEO pay ratio, and details on Directors service contracts are detailed in the Pennon Group Annual Report and Accounts on pages 146 to 148.

Arrangements for the incoming Chief Executive Officer

Arrangements for the incoming Executive Director, Keith Haslett, are detailed on page 142 of the Pennon Group Annual Report and Accounts 2026, and include detailed rationale for his remuneration package on pages 131-132.

We are delighted to appoint Keith Haslett as our new Group Chief Executive Officer (CEO) – with Keith joining the Group on 1 April 2026, and subsequently the SWW Board on 19 May 2026 following Ofwat's approval. Keith is a seasoned leader in the UK water sector, brining over 25 years of experience across regulated utilities, with a strong track record of delivering for customers by driving operational excellence, delivering complex capital programmes, and increasing shareholder value.

He most recently served as the CEO of Affinity Water and also held senior executive roles at Northumbrian Water Group and United Utilities.

Arrangements for the outgoing Chief Executive Director

Arrangements for the outgoing Executive Director, Susan Davy, are detailed on page 142 of the Pennon Group Annual Report and Accounts 2026. Remuneration arrangements in relation to Susan's departure were determined in accordance with the Remuneration Policy.

Malus and Clawback

Malus and Clawback provisions are embedded in the employment contracts of Executive Directors and relevant scheme documentation. Malus and clawback provisions apply to all incentive awards. These provisions enable awards to either be forfeited prior to delivery, repaid or made subject to further conditions where the Committee considers it appropriate in the event of any significant adverse circumstances. For awards granted under the term of this policy, the circumstances in which malus and clawback may be applied include a financial misstatement, error in calculation, material failure of risk management, serious reputational damage, serious corporate failure or misconduct.

In respect of the annual bonus, clawback may be applied for the period of three years following determination of the cash bonus. Under the LTIP, clawback may be applied until the end of the holding period. The Committee have not applied any action under the provisions of malus and clawback during 2025/26.

Annual Report on Remuneration continued

The Remuneration Committee and its advisers

Andrea Blance, Iain Evans and Dorothy Burwell were members of the Remuneration Committee through the year, with Iain Evans stepping down on 31 March 2026. David Sproul, Jon Butterworth, Sir Andrew Haines and Susan Davy attended by invitation as required.

During 2018/19, Deloitte LLP was reappointed directly by the Committee with a refreshed advisory team, following a comprehensive retendering process. Deloitte LLP is a member of the Remuneration Consultants Group and as such voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice it has received from Deloitte LLP has been objective and independent.

Non-Executive Directors’ Remuneration

Single figure of Remuneration (Audited)

	2025/26			2024/25		
	Fees ¹ (£000)	Taxable benefits (£000)	Total Fees (£000)	Fees ¹ (£000)	Taxable benefits (£000)	Total Fees (£000)
David Sproul ²	218	–	218	131	–	131
Iain Evans ³	66	–	66	65	–	65
Jon Butterworth	53	–	53	51	–	51
Loraine Woodhouse	61	–	61	59	–	59
Dorothy Burwell ⁴	59	–	59	47	–	47
Andrea Blance ⁵	58	–	58	Nil	–	Nil
Sir Andrew Haines ⁶	20	–	20	Nil	–	Nil

1. 70% of fees are recharged through Pennon Group plc.
2. David Sproul received an additional fee due to taking on the role of Executive Chair from 1 January 2026 to 31 March 2026 during the period of CEO transition.
3. Iain Evans resigned from the Board on 31 March 2026.
4. Dorothy Burwell was appointed ESG Chair on 1 April 2025.
5. Andrea Blance was appointed as Remuneration Committee Chair effective 8 April 2025.
6. Sir Andrew Haines was appointed to the Board on 1 November 2025.

Notes to the regulatory accounts

Basis of preparation

These regulatory accounts are prepared in accordance with regulatory accounting guidelines issued by the Water Services Regulation Authority (Ofwat), specifically:

- RAG 1.10 – Principles and guidelines for regulatory reporting under the 'new UK GAAP' regime
- RAG 2.10 – Guideline for classification of costs across the price controls
- RAG 3.16 – Guideline for the format and disclosures for the annual performance report
- RAG 4.14 – Guideline for the table definitions in the annual performance report
- RAG 5.07 – Guideline for transfer pricing in the water and sewerage sectors.

They have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments, and in accordance with UK Generally Accepted Accounting Principles (UK GAAP) as adopted by the United Kingdom except for the deviations required under RAG 1.10 – Principles and guidelines for regulatory reporting under the 'new UK GAAP' regime.

The detailed accounting policies applied by South West Water, including Bristol Water are set out on page 121 of our South West Water Annual Report and Financial Statements. The accounting policies and disclosures set out in this section include those specifically required within RAG 3.16.

Since 1 February 2023, the trade and the significant majority of assets and liabilities of Bristol Water plc were transferred to South West Water Limited under a statutory transfer mechanism set out in the Water Industry Act. As part of the transfer and to aid comparability, regulatory information has been prepared on a separate basis, as if the two companies had traded independently for 12 months. Therefore, all required regulatory tables have been provided for SWB and Bristol in two separate sections of tables except tables 1A–1F and 4H, which reflects the combined entities and are reconciled to South West Water Limited Company accounts.

Definitions of appointed and non-appointed business

The regulatory accounts separate the results of South West Water into appointed and non-appointed activities.

Appointed activities are defined in Condition A of the Licence to be the 'functions of' and the 'duties imposed on' a water undertaker by the Water Industry Act 1991.

Appointed activities are consequently those activities that are necessary in order for the Company to fulfil its functions and duties as a water undertaker.

In general, non-appointed activities are activities for which either the water undertaker is not a monopoly supplier (for example, the provision of billing and collection services for another undertaker) or the activity involves the optional use of an asset owned by the appointed business (for example, the provision of vehicle maintenance services to the public).

Going concern

The going concern basis has been adopted in preparing these financial statements. At 31 March 2026 the Company has access to undrawn committed funds, cash and cash equivalents and restricted cash totalling £740.9 million, including cash and other short-term deposits of £295.9 million and £44.5 million of undrawn facilities. The Company has an expected headroom of £101.0 million at 31 October 2027.

In making their assessment, the Directors reviewed the principal risks and considered which risks might threaten the Company's going concern status, to do this the Company's business plan has been stress-tested. Whilst the Company's risk management processes seek to mitigate the impact of principal risks as set out on page 91, in the South West Water annual report and financial statements, individual sensitivities against these risks have been identified. These sensitivities, which are ascribed a value with reference to risk weighting, factoring in the likelihood of occurrence and financial impact, were applied to the baseline financial forecast which uses the Company's annual budget for 2026/27, and longer-term strategic business plan for the remainder of the going concern period to 31 October 2027.

The risks and sensitivities include consideration of legislative impacts such as change in government policy and non-compliance with laws and regulations, macroeconomic impacts such as inflation and interest rate increases and operational impacts such as ensuring adequate water resources and failure of operational assets. A combined stress testing scenario has been performed to assess the overall impact of these individual scenarios impacting the Company collectively. The combined weighted impact of the risks occurring is a cash outflow of c.£94.9 million; this value is considered equivalent to an extreme one-off event that could occur by 31 October 2027, the probability of such an event happening is deemed unlikely. Through this testing, it has been determined that none of the individual principal risks would in isolation, or in aggregate, compromise the going concern of the Company over the going concern period, the assessment has been considered by reviewing the impact on the solvency position as well as debt and interest covenants. In the combined scenario to ensure that the Company was able to continue as a going concern, additional mitigations could be deployed to reduce gearing and increase covenant headroom. In the combined stress test scenario, the company has sufficient liquidity and covenant headroom which reflects that no mitigations would be needed by the Company. However, if required additional mitigations could be deployed to reduce gearing and increase covenant headroom. Examples of mitigations could include: reduction in discretionary operational expenditure, deferral of capital expenditure and/or cancellation of non-essential capital expenditure, reduction in the amount of dividend payable, and raising additional funding.

We have considered the Company's funding position and financial projections which take into account a range of possible impacts, including the refinancing required within and immediately after the going concern assessment period. Having considered these factors, the Directors have a reasonable expectation that the Company will meet the requirements of its covenants and has adequate resources to continue in operational existence for the period to at least the end of the going concern assessment period of 31 October 2027, and that there are no material uncertainties to disclose. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In preparing the financial statements, management has considered the impact of climate change, taking into account the relevant disclosures in the Strategic Report, including those made in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosure. The expected environmental impact of climate change on the water business has been modelled noting that the physical risks are increasing. It is likely that the Company will need to invest to protect certain assets such as sewage works and pumping stations against sea level inundation and these considerations form part of the planning process for new capital expenditure. Longer term investment, outlined in the strategic plans, will be needed to manage future risks. To achieve this, combined regulatory and government support within their policy frameworks will be essential. Whilst it is estimated additional spend will be required to manage future risks, the current available information and assessment did not identify any risks regarding the sufficiency of funds available to the Company to support this additional spend or any risk that would require the useful economic lives of assets to be reduced in the year or identify the need for impairment that would impact the carrying values of such assets or have any other impact on the financial statements. The impact assessments will be continuously updated to reflect the latest available information on the impact of climate change.

Revenue recognition

The regulatory accounts apply the same policy for revenue recognition as the statutory accounts, apart from the derecognition of income adjustments relating to amounts deemed as uncollectable under IFRS15.

This difference in accounting treatment has resulted in £4.2 million (SWB, BRL nil) of revenue recognised within the Regulatory Reporting which is not recognised as revenue within the Financial Statements. See page 133 for statutory to regulatory reconciliation of revenue.

Following this accounting treatment additional £4.2 million (SWB, BRL nil) is recognised as an expected credit loss charge within operating expenses compared to the statutory financial statements, which results in no difference in operating profit or profit before tax.

All turnover is recognised in the regulatory accounts with the exception of rental income and contributions received from developers, which are included below operating profit in 'other income' in accordance with the regulatory accounting guidelines.

Notes to the regulatory accounts continued

Turnover comprises charges to and accrued income from customers and retailers for water and other services, exclusive of VAT. Turnover is recognised as the performance obligation is satisfied.

Income from unmetered supplies is based on either the rateable value of the property or on an assessed volume of water supplied. Income from metered supplies is based on actual or estimated water consumption.

An accrual is estimated for measured consumption that has not yet been billed. For domestic customers, the measured income accrual is an estimation of the amount of mains water and wastewater charges unbilled at the year end. The accrual for unbilled charges is estimated using a defined methodology reflecting historical consumption, estimated demand trends and current tariffs. The measured income accrual is recognised within revenue.

The methodology for calculating the measured income accruals is consistent with that applied in 2024/25. A retrospective review of the 2024/25 accrual and the amounts billed during 2025/26, which would be expected to align to the accrual, was performed and there was no material difference. Non-household retailers are billed monthly, and the non-household unbilled accrual is based on the market monthly settlement reports. The estimation of measured income included in these reports is also based on historic consumption.

In South West Water a domestic property which is believed to be occupied (due to meter activity), but where the occupier's details are not known, is billed in the name of 'the occupier' as efforts are made to obtain the occupier's details.

The Company actively seeks to identify the name of 'the occupier' through multiple measures including visits to the property and land registry searches. If the occupier cannot be confirmed after completion of credit agency tracing activity, the bill is cancelled and the property classified as void.

In Bristol a domestic property which is believed to be occupied (due to meter activity or other occupancy indicator) but where the occupier's details are not known, is passed to a credit tracing agency to identify the occupier.

Properties will be billed once an occupier is known, until then it is classified as Void.

Where an invoice has been raised or payment made but water or other services have not been provided, it is treated as billing or payment in advance accordingly.

This will not be recognised within the current year's revenue but will instead be recognised within creditors.

Charges arising from court, solicitor and debt recovery agency fees are credited to operating costs and added to the relevant customer account. They are not recognised within turnover. A summary of the differences between revenue recognised in the statutory financial statements and Regulatory Reporting is included on page 122.

Accounting policy note for price control segments

In accordance with Regulatory Accounting Guideline 4.14 – 'Guideline for the definitions table definitions in the Annual Performance Report', a segmental income statement (table 2A) and other segmental analysis (tables 2B to 2R) are presented within the Regulatory Reporting as well as certain detailed analysis in sections 3 to 11.

This segmental analysis separates certain financial and non-financial information between the following regulatory price controls:

- Water resources
- Water Network+
- Wastewater Network+
- Bioresources
- Retail Household
- Retail Non-household (not applicable to South West Water, following exit from the non-household retail market in 2017).

Whilst these business units are not treated as organisationally separate businesses or separate companies by South West Water there are certain activities which are solely carried out by specific areas of the business due to more efficient and effective structures being in place to support the management and accountability of the business.

Certain departments (especially operational departments) may provide services for one regulatory price control segment, however many other departments perform services across two or more regulatory price control segments. Certain financial and non-financial information is therefore separated based upon a methodology which includes some assumptions and judgements utilising all available information.

Services

The allocation of operating costs within South West Water to specific service areas within the appointed business is based on activity analysis and principles which result in both direct and support costs being apportioned where not directly attributed. Activity levels between individual services are ascertained by reference to time allocations by individual employees along with other allocation bases in accordance with the underlying nature of resource utilisation. A full 'accounting separation' methodology statement can be found at www.southwestwater.co.uk.

The methodology statement explains in detail the basis of allocations for costs and assets.

Capitalisation policy note Definition of a fixed asset

The cost of property, plant and equipment capitalised includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use. The cost of assets includes directly attributable labour and overhead costs which are incremental to the Company.

Costs which meet the criteria for a capital asset and total in excess of £1,000 are capitalised.

Property, plant and equipment includes:

i) Infrastructure assets (being water mains and sewers, impounding and pumped raw water storage reservoirs, dams, pipelines and sea outfalls). Infrastructure assets were included at fair value on transition to IFRS and subsequent additions are included at cost, less accumulated depreciation and impairment charges. Expenditure to increase capacity or enhance infrastructure assets is capitalised where it can be reliably measured and it is probable that incremental future economic benefits will flow to the Company. The cost of day to day servicing of infrastructure components is recognised in the income statement as it arises.

Infrastructure assets are depreciated evenly over their useful economic lives and are principally:

- Dams and impounding reservoirs 100–200 years
- Water mains 60–180 years
- Sewers 75–150 years.

Assets in the course of construction are not depreciated until commissioned.

ii) Other assets (including property, overground plant and equipment). Other assets are included at cost less accumulated depreciation. These are generally categorised as non-infrastructure. Freehold land is not depreciated. Other assets are depreciated evenly over their estimated economic lives to their residual value and are principally:

- Freehold buildings 10–80 years
- Leasehold buildings – Over the estimated economic life or lease period, whichever is the shorter
- Operational properties 15–100 years
- Fixed and moveable plant 4–30 years.

Assets in the course of construction are not depreciated until commissioned.

The cost of assets includes directly attributable labour and overhead costs which are incremental to the Company. Assets transferred from customers are recognised at fair value.

The assets' residual values and useful lives are reviewed annually.

Gains or losses on disposals are determined by comparing the proceeds of sale with the carrying amount and are recognised within the income statement.

In line with IAS 23, within the Statutory Accounts and Financial Statements, borrowing costs directly attributable to the construction of a qualifying asset (an asset necessarily taking a substantial period of time to be prepared for its intended use) are capitalised as part of the asset. However, within the Regulatory Reporting, in a deviation from IAS 23 and in line with Ofwat RAG 3.16, borrowing costs are not capitalised.

Expected credit loss note

The gross trade receivables balance and Expected Credit Loss (ECL) provisions for South West (SWB) and Bristol (BRL) are presented together for the purposes of the Statement of Financial Position.

Whilst the operations of both companies are now combined in South West Water Limited, following the transfer of materially all trade and assets of Bristol Water plc in 2022/23, due to different systems the ECL provision is considered separately for the different customer areas under one consistent accounting framework.

Notes to the regulatory accounts continued

The provisions, collectability rates and review procedures used in each of the calculations are therefore still reflective of the individual customer bases and as a result an ECL provision summary for the year has been provided for both SWB and BRL.

The consolidated statutory current gross trade receivables balance at the reporting date is £343.9m against which £106.1m had been provided for ECLs, resulting in net trade receivables of £237.8m (Note 19 in the South West Water Annual Report and Financial Statements).

Neither SWB nor BRL have a provision for non-household debt as under the non-household retail market codes, retailers provide collateral for their debt. However, specific provision will be made if collateral is not sufficient to cover any identified risk.

The ECL charge and the provision exclude the adjustments made in the statutory accounts for amounts deemed uncollectable under IFRS15.

South West

SWB has a material level of exposure to the collection of trade receivables. Provisions in respect of these balances are calculated based on assumptions of historical credit loss experience, adjusted for forward looking factors which by their nature are subject to uncertainty. Analysis of actual recovery compared with provisioning levels have not, to date, resulted in material variances.

Under its regular review procedures, at the balance sheet date, SWB applies a simplified approach in calculating ECLs for trade receivables and contract assets. Therefore, SWB does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. SWB has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the receivables and the economic environment.

SWB's ongoing commitment to affordability and support schemes for those in need will be critical going forward, both to support our customers and to ensure we maintain a strong collections profile. Across the businesses, the potential impact of significant increases in the cost of living on affordability has been considered in assessing our expected credit loss charges. Despite this, SWB has not seen any material deterioration in collection rates as a result of its robust debt management and customer collection processes.

This will continue to be carefully monitored as an operational risk. The actual level of debt collected may differ from the estimated levels of recovery. As at 31 March 2026 SWB's current trade receivables were £299.2m (2025: £242.8m), against which £85.2m (2025: £78.2m) had been provided for ECLs.

There has been no change to the write-off policy or bad debt provisioning policy.

Bristol

BRL has a policy to make full provision for debt which remains uncollected after four years of billing, for example uncollected debt in relation to financial year 2021/22 and before is fully provided for by the end of financial year 2025/26.

A provision is made for debt outstanding in relation to the current and last three financial years. The provision is primarily based on historic collection rates and further adjusted by judgemental factors to reflect the current economic environment. The judgemental factors are applied only if it is believed that the historic collection rates do not reflect future expected collection rates.

Water debt is written off for one of following four reasons:

- It is considered or known to be uncollectable
- It is considered uneconomic to collect
- Older debt is written off by agreement with the customer in return for the receipt of regular monthly payments to pay-off current year debt as part of our "Restart" and "Assist" policies
- Write-off is ordered by the County Court. In these cases, the court may set payment at a proportion of the outstanding debt. When the required level of payment is reached the court would instruct the rest of the debt to be written-off.

BRL's write-off policy has remained unchanged and has been consistently applied in the current and prior years. During the year a programme of bulk write-offs of debt over four years old was processed, as part of the joint billing company's credit team's housekeeping. This exercise reduced the net debt older than four years, and therefore reduced the overall provision. The total provision at 31 March 2026 was £21.0m (2025: £19.0m). The increase in the provision largely reflects the 2025/26 tariff increases.

Net trade debtor balance at 31 March 2026 was £23.7m (2024: £20.3m).

Directors' emoluments

Payments related to performance against agreed standards as required by the Water Act 2014 and Regulatory Accounting Guidance from the Water Services Regulation Authority (Ofwat), additional information is given regarding this aspect of remuneration.

Full and detailed disclosures of Directors' remuneration are included on pages 107 to 112 of the Remuneration report including details of the performance-related bonus arrangements and the amounts paid to Directors under those arrangements.

In line with our Business Plan the WaterShare+ advisory panel reviewed the application of the performance targets for the year.

As the price controls are not organisationally separated in South West Water they do not have their own separate management and support functions and they do not trade with one another. To represent them as distinct controls requires the allocation of costs and assets to them.

Wherever possible, direct costs and assets have been directly attributed to business units. Where this is not possible, appropriate cost allocations have been applied linked to the key metric which best reflects the nature of the activity and costs.

The allocation between activities is reviewed annually to ensure the basis of allocation is still appropriate.

Where no direct allocation is possible management judgement is applied to allocate costs separately. The resulting costs reported for these business units do not necessarily represent what the costs would be if they were operated as separate business units.

Dividends Policy

The Company has established a dividend policy which includes the following components:

- Base dividends – a sustainable level of base dividend growth, determined by the return on regulatory equity allowed in the regulator's most recent price review
- Outperformance dividends – a further level of growth funded by efficiency outperformance and outcomes, delivered ahead of business plan commitments to customers and the environment over time
- Other dividends – designed to ensure that key financial ratios are optimised, and gearing remains aligned with Ofwat's notional level, which has historically been set in the range of 55–65% and does not exceed 70%
- Total dividend payments will not exceed the retained underlying profit in any year, except as a result of a special dividend and balance sheet restructuring, or where there is a significant non-underlying non-cash impact (such as deferred tax)
- Dividend payments will be approved by the Board annually

Dividend payments are designed to ensure that statutory obligations, key financial ratios, balance sheet considerations and credit ratings are not prejudiced. They also take into account customer, environmental and other stakeholders considerations and that the Company has adequate resources to carry out its work now, and in the future.

Dividends overview

As previously reported, on 4 July 2025, the Board declared a dividend of £125 million in respect of shareholder returns over the AMP7 period up to 31 March 2025. In making the decision to declare a dividend the Board assessed relevant licence conditions and adopted a prudent approach when compared with the potential dividend allowable. This assessment included a review of performance in the round, financeability, the outcome of regulatory prosecutions and the significant unfunded investments made during the K7 period to improve the water resilience of the region and our environmental performance.

It further included consideration of operational performance compared with targets and the impact of this both financially and operationally.

Notes to the regulatory accounts continued

In addition, it was noted that £490 million was raised at Pennon Group in new shareholder funds, of which £330 million was provided as a cash injection to South West Water to support its balance sheet position. As at the date of signing the previous Annual Performance Report, the dividend was declared but not yet paid.

On 27 March 2026, the Board approved the declaration of a base dividend of £75 million in respect of the 2025/26 financial year. This reflected a restricted dividend on the basis of profitability and retained earnings, in order to ensure statutory and financial resilience obligations were met. In making the dividend, the Board noted that operational performance had been fully reflected for the performance year ending 31 March 2025 in declaration of the 4 July 2025 dividend, given the finalisation of the five year performance period. As such, consideration of operational performance for the year in arrears, as per the dividend policy, was not required in the declaration of this dividend. Consideration of operational, customer and environmental performance for the year to 31 March 2026 will be considered a year in arrears, in accordance with the usual application of the dividend policy and will therefore be considered in declaring the dividend for the year to 31 March 2027.

Whilst the above dividends were declared, payment of dividends remains in arrears; dividends of £75 million were paid on 29 August 2025, taking into account the ability of the Appointee to finance its Appointed Business. As at 31 March 2026, dividends declared but not yet paid amounted to £170 million (31 March 2025: £45 million)

Subsequent to the year end £60 million was paid in April 2026 and the payment of remaining declared dividends will be considered in 2026/27, taking into account the financial resilience of the Company.

In making the declaration of dividends in the year, the Board has considered, amongst other factors, the following:

Board Considerations

Financial resilience & gearing

Consideration of current gearing and key financial metrics for the year and into the future to ensure payment of a dividend is not detrimental to long-term viability

Year end gearing is 63%, and remains in a strong position following a capital injection from our parent company Pennon group of £330 million in March 2025. At the year end, liquidity of c.£741m was available to the Company.

Our long term viability assessment, including an assessment of stress testing based on the principal risks and Ofwat defined scenarios, continues to support the view that the Company remains financially resilient. Declaring dividends in line with our dividend policy is consistent with our sustainable financing approach.

Profitability and distributable reserves

A Company can only make distributions out of profits available for the purpose

The dividends in respect of the 2025/26 financial year are restricted to £75m in terms of quantum to ensure availability of distributable reserves.

Delivery of statutory obligations

Payment of dividends not considered appropriate if minimum statutory obligations are not fulfilled

The Board believes the Company fulfilled its statutory, regulatory and legal obligations in the year as set out in the Risk and Compliance Statement. Financial provision is made, where appropriate, for non-compliance such as in respect of the 2024/25 water quality incident.

Cumulative financial flows

Consideration to level of cumulative financial flows before recommending payment of a dividend

Dividends have been declared based on the dividend policy. However, payment is made taking into account financial resilience and consideration of financial flows. As such, dividends of £170 million have been declared but not yet paid as at the period end. Payment of dividends is aligned with relevant consideration of gearing and financial resilience

Customer service delivery

Delivery of customer, environmental and service obligations will be considered in making dividend payments

The dividend policy considers customer, environmental and operational performance one year in arrears. Early consideration was made of 2024/25 performance, for inclusion in the dividend declared on 4 July 2025. Consideration of customer and environmental performance for the 2025/26 year will be considered a year in arrears in line with our policy.

Investment in customer performance, through technological enhancements, is also fully factored into the financial forecasts and customer strategy.

Customer affordability

Customer affordability measures are a Board priority and pledges made are prioritised over dividend payments

SBB continues to deliver on its affordability pledges, with £28 million of financial support during 2025–26 and are on track to deliver our zero water poverty pledge by 2030.

2025/26 bills reflect the outcome of PR24 and the affordability measures accompanying that Determination.

Environmental performance

Delivery of environmental performance should be improving and not impacted by payment of dividends

We continue to focus on improving our environmental performance as a priority. Our performance in terms of both pollutions and storm overflows has improved year on year, and our future plans take into account the need for ongoing improvement, with associated investment, in this area.

Current and future investment needs

Sufficient funds should be available to enable sufficient capital investment to support day to day operations and company performance improvement targets

Our capital programme reflects the ongoing investment in our clean and wastewater infrastructure, both to achieve required statutory/WINEP outcomes, as well as to meet performance commitments. These are fully reflected in financial forecasts.

Impact on credit rating

Payment of dividends should not impact the likelihood of obtaining a credit rating

We have maintained investment grade credit ratings consistent with our license condition.

Sharing of outperformance

Sharing of performance should be balanced between all stakeholders

Company performance and support in prioritising activities is supported by our independent WaterShare+ advisory panel.

Notes to the regulatory accounts continued

Application of the dividend policy

As previously reported, on 4 July 2025, the Board declared a special dividend of £125 million in respect of shareholder returns over the AMP7 period up to 31 March 2025. This resulted in an average dividend yield for AMP7 based on in-AMP performance of 4.02%. The base dividend for 2024/25 was restricted with respect to underlying profit after tax in line with dividend policy, the Board reflected additionally on the appropriate level of the dividend to align with the business plan and the balance sheet restructuring provisions that reflect the changes to the business that have taken place following the statutory licence transfer of the Bristol Water business into South West Water in February 2023.

Given the dividend was approved by the Board on 4 July 2025 it was not recognised as a transaction with owners during the year ended 31 March 2025. Therefore, whilst the £125 million declaration has been previously reported, the declaration is recognised during 2025/26 financial year.

On the 27 March 2026 the Board declared a dividend of £75 million in respect of 2025/26 financial year based on the application of the dividend policy.

In making its decision to declare dividends, the Board undertook an assessment consistent with the dividend policy licence condition and adopted a prudent approach when compared to the potential dividend that would be allowed.

This assessment included a review of performance in the round, financeability considerations and the outcome of ongoing investigations.

The dividend declared of £75 million is less than the base dividend implied by the allowed returns and dividend yield as per the final determination and has been restricted following consideration of profitability and distributable reserves. The restriction of the base dividend in 2025/26 provides capacity for reversal to support future declarations.

For SBB the level of base dividend is informed by the price review final determination for the relevant regulatory period, for 2025–30 Ofwat defined a base dividend yield of 4.13% on average over the period as applied to notional equity.

Base dividends are calculated on the notional structure of the water business to ensure that SBB's policies align with Ofwat's view, indexed to the current year using actual CPIH.

Summary dividend – rolling five-year trend

Dividends declared in respect of financial year performance

Comprising:

Base

Outperformance (a year in arrears)

2024/25 Outperformance

Watershare+

Other

(Restriction)/Reversal in year

Dividend yield

Outperformance has been considered one year in arrears in line with our policy, except in respect of 2024/25 where full consideration of ODI performance was taken into account within the year.

As such, the 2025/26 dividend reflects consideration of the base year performance only. 2025/26 performance will be taken into account in the declaration of the 2026/27 dividend. Factors that are expected to be relevant for review by management are financing outperformance, totex sharing and our performance regarding ODIs and MEXs.

Payments are designed to ensure that the ability of the Appointee to finance its Appointed Business is not impaired, taking into account ongoing investment needs and the long-term health of the Company.

Dividends of £75 million were paid to the parent undertaking during the year (2024/25: £nil) relating to previous years' declarations having considered future investment needs, cash flows and balance sheet positioning.

As at 31 March 2025, dividends declared but not yet paid amounted to £170 million.

Subsequent to the year-end, £60 million was paid in April 2026 and the payment of remaining declared dividends will be considered in 2026/27, taking into account the financial resilience and performance of the Company.

	2021/22 £m SWB	2022/23 £m SWB	2023/24 £m SWB	2024/25 £m SWB	2025/26 £m SWB
Dividends declared in respect of financial year performance	87.6	12.3	45.0	125.0*	75.0
Comprising:					
Base	44.2	49.2	60.8	63.2	111.0
Outperformance (a year in arrears)	43.0	57.1	38.9	(37.5)	–
2024/25 Outperformance		–	–	(39.4)	–
Watershare+		0.4	–	–	–
Other	0.4				
(Restriction)/Reversal in year	(0.0)	(94.4)	(54.7)	138.7	(36.0)
Dividend yield	6.10%	0.80%	2.79%	6.72%	2.72%

Notes to the regulatory accounts continued

Base dividend calculation

The calculation of base dividends is shown below:

	2021/22 £m SWB	2022/23 £m SWB	2023/24 £m SBB	2024/25 £m SBB	2025/26 £m SWB
Base dividend					
Regulatory Equity (SBB)	1,401.4	1,430.4	1,460.5	1,491.1	2,411.1
Base dividend 17/18 prices	43.3	43.8	52.3	53.7	
Base dividend 22/23 prices					94.7
Inflation to actual CPIH	1.3	5.4	8.5	9.5	13.6
Base Dividend	44.6	49.2	60.8	63.2	111.0

For 2025/26 the Base dividend is calculated as £111.0 million based on the notional structure in 2022/23 prices, and then applying inflation to 2025/26. The base dividend has increased year on year as a result of the increase in regulatory capital value (and hence regulatory equity) from the additional investments made by the Company during the 2020–2025 period reconciled through the regulatory process and came into effect on 1 April 2025, the change in notional gearing assumption applied by Ofwat and ongoing inflationary impacts.

The base dividend is a reference point for the dividend calculation before we consider the adjustment factors set out in the dividend policy, together with the overall considerations of the Board. Given the profitability of the Company and the availability of distributable reserves, dividends have been restricted in the current year, such that a dividend of £75 million was declared in respect of the 2025/26 financial year.

Outperformance

Other dividend payments in excess of the base dividend are to be reflective of current or past outperformance versus the final determination. This outperformance can arise for a number of reasons including cost savings, strong ODI performance, outperformance against financing assumptions, or a combination of these. The Board considers outperformance a year in arrears in the declaration of dividends to ensure that the outperformance element is based on robust, audited data and not on estimates. The table below reflects the amounts 'earned' in the period and applied in the dividend declaration of the succeeding year.

	2021/22 £m SWB	2022/23 £m SWB	2023/24 £m SWB	2024/25 £m SWB
Outperformance				
TOTEX	11.7	(80.4)	(81.2)	(106.5)
Financing	50.0	133.0	60.9	91.9
ODIs	0.8	(9.7)	(17.2)	(24.8)
Customer sharing	(4.0)	(4.0)	–	–
Other	(1.4)			
Outperformance	57.1	38.9	(37.5)	(39.4)

As previously reported, the 2024/25 dividend was declared on 4 July 2025, taking into consideration performance for both the 2024/25 financial year and the full regulatory five year period. This was a one off adjustment to ensure under performance was fully considered in the declaration of dividends. Further detail on performance as reported above can be found in previous years' Annual Performance Reports.

For the dividend declared on 27 March 2026 in respect of the 2025/26 financial year, the dividend excludes any adjustment for performance, as consideration will be given a year in arrears, in line with our dividend policy.

WaterShare+

There have been no further WaterShare issuances since 2020/21 and 2022/23 which saw a c.£40 million benefit to Customers.

Exceptional and unforeseen circumstances

In truly exceptional and unforeseen circumstances, the Board has stated that it may have to deviate from these principles – for example to meet changing statutory requirements or during unexpected and exceptional events. The Board committed that if it were to do so, it would explain its reasoning to customers and other stakeholders so that the Company could be judged on the extent to which it sought to meet these commitments and the reasons why a deviation was justified. There have been no such circumstances in 2026/27.

Transparency

We have committed to providing increased transparency through our APR about the dividends paid and how these relate to our dividend policy. This is in addition to the existing statutory and regulatory requirements that we already disclose. We committed to explain how dividend payments have been determined and how these relate to our performance. This disclosure is aimed at providing stakeholders with additional transparency about our dividend policy and the broader considerations considered by the SBB board in making its determination.

Corporate taxation – SWB

The current tax charge in 2025/26 was lower than the current tax charge allowed in the final determination for the following reasons:

- Capital allowances in excess of depreciation are higher than those allowed in the price determination as the business has claimed first year capital allowances during the year whilst also disclaiming an element of brought forward allowances. This will provide more flexibility and enable higher capital allowance claims in future periods to offset against taxable profits, hence optimising the appointee company's current tax position.
- Tax losses generated in the year will be carried forwards for relief against taxable profits in future years.

The company benefits from the 100% full expensing and 50% enhanced allowances in respect of qualifying spend relating to certain qualifying assets (largely plant and machinery). The company incurs significant capital expenditure each year as it maintains and enhances its assets for the benefit of its customers, communities and the environment. These enhanced allowances have increased capital allowance claims for the year and contributed significantly to the current tax charge for the year. There is also a consequently higher deferred tax liability and charge due to the additional capital allowance deductions.

South West Water has disclaimed £31.9 million of £102.4 million available capital allowances in the year, in order to minimise tax losses. This will provide more flexibility and enable higher capital allowance claims in future periods to offset against taxable profits, hence optimising the appointee company's current tax position.

The Company's total tax contribution extends significantly beyond the UK corporation tax charge, including Value Added Tax (VAT), business rates, employment taxes, Carbon Reduction Commitment (CRC), Climate Change Levy and Fuel Excise duty.

Notes to the regulatory accounts continued

Corporate taxation – BRL

The appointee company current tax charge was higher than the current tax charge allowed in the final determination for the following reasons:

- Profit before tax in the final determination was higher than the actual for the appointee company.
- Capital allowances in excess of depreciation are higher than those allowed in the final determination as the business has claimed first year capital allowances during the year whilst also disclaiming an element of brought forward allowances. This will provide more flexibility and enable higher capital allowance claims in future periods to offset against taxable profits, hence optimising the appointee company's current tax position.
- Tax relief on the debt gearing adjustment has reduced compared to the final determination.

2025/26 results in a current tax charge of £3.9 million for the year.

The company benefits from the 100% full expensing and 50% enhanced allowances in respect of qualifying spend relating to certain qualifying assets (largely plant and machinery). The company incurs significant capital expenditure each year as it maintains and enhances its assets for the benefit of its customers, communities and the environment. These enhanced allowances have increased capital allowance claims for the year and contributed significantly to the current tax charge for the year. There is also a consequently higher deferred tax liability and charge due to the additional capital allowance deductions.

The Company made no group relief payments in the year.

The Company's total tax contribution extends significantly beyond the UK corporation tax charge, including Value Added Tax (VAT), business rates, employment taxes, Carbon Reduction Commitment (CRC), Climate Change Levy and Fuel Excise duty.

SWB

(Loss)/Profit before tax

	2025/26 actual Nominal £m
Tax at 25% (FD rate)	63.2
Depreciation not deductible for tax purposes	15.8
Total capital allowances relief available in place of depreciation	35.7
Disclaimed capital allowances relief available in place of depreciation	(102.4)
Tax relief on pension contributions	31.9
Allowable depreciation on finance leases	(1.1)
Tax relief on (non-taxable)/non-deductible expenditure	(2.0)
Tax relief on financial instruments	1.7
Tax losses carried forwards	(1.1)
Current year tax credit	17.6
Prior year adjustments	(3.9)
Current year tax credit including prior year adjustments	(0.5)
Tax effect of green recovery expenditure – notional adjustment	–
Current year tax credit including prior year adjustments and green recovery expenditure	(0.5)

BRL

(Loss)/Profit before tax

	2025/26 actual Nominal £m
Tax at 25% (FD rate)	21.8
Depreciation not deductible for tax purposes	5.4
Capital allowances relief available in place of depreciation before capital allowance disclaimers	5.7
Capital allowance disclaimed	(7.1)
Tax relief on pension contributions	–
Debt gearing adjustment	–
Tax relief on (non-taxable)/non-deductible expenditure	–
Group relief – current year	0.2
Tax losses carried forwards	–
Current year tax charge	–
Prior year adjustments	4.2
Current year tax charge including prior year adjustments	(0.3)
	3.9

Accounting Separation methodology statement (summary)

The Company prepares its Accounting Separation tables in accordance with Ofwat's Regulatory Accounting Guidelines to provide a transparent and consistent view of the financial performance of its appointed activities.

These tables disaggregate the statutory accounts across wholesale and retail price controls, business units and services. The information is derived primarily from the Company's general ledger and supporting systems, with costs, revenues and assets directly attributed where possible and otherwise allocated using appropriate cost drivers. The approach reflects the underlying use of resources and ensures that allocations are objective, proportionate and applied consistently year on year.

Full details of our Accounting Separation Methodology can be found on our website:

➔ <https://www.southwestwater.co.uk/about-us/performance/how-we-are-performing>

Overview

This statement summarises the methodology used by South West Water Limited ("the Company") to prepare the Accounting Separation tables included within the Annual Performance Report (APR) for the year ended 31 March 2026.

The tables have been prepared in accordance with the relevant Regulatory Accounting Guidelines (RAGs) and present the Company's appointed activities disaggregated across wholesale and retail price controls, business units and services.

The methodology provides a transparent explanation of:

- how financial information is derived from statutory accounts
- how revenues, costs and assets are allocated and apportioned
- how the Company ensures allocations are objective, consistent and reflective of underlying cost drivers

Systems, data and governance

Financial data used in the APR is primarily derived from:

- the Company's general ledger (Ellipse/SAP)
- the fixed asset register (RAM)
- supporting systems including project costing and tariff models

The general ledger structure incorporates:

- cost centres
- process codes
- activity codes
- expense categories

This enables costs to be analysed at a granular level and linked to regulatory reporting requirements.

The methodology and outputs are:

- prepared by specialist finance teams
- subject to review by Finance Managers and senior management
- ultimately overseen by the Chief Financial Officer

Approach to accounting separation

The Company does not operate separate legal entities for each regulatory unit. Therefore, accounting separation is achieved through allocation of financial data across:

- price controls (e.g. Water Resources, Network+, Bioresources)
- business units (e.g. water treatment, sewage collection)
- services within those units

Where possible:

- costs and assets are directly attributed using general ledger coding
- Where direct attribution is not possible:
- costs are allocated using appropriate cost drivers (e.g. activity analysis, FTEs, asset usage)
- management judgement is applied where necessary

Cost allocation methodology

A structured cost allocation model is used to transform general ledger data into the regulatory reporting format.

Key principles applied:

- **Causality** – costs allocated based on underlying drivers
- **Consistency** – methodologies applied consistently year-on-year
- **Transparency** – allocations clearly documented and reviewable
- **Granularity** – allocations made at detailed cost line level wherever possible

Allocation hierarchy:

1. Direct allocation to price control / business unit
2. Allocation using cost drivers (e.g. time, usage, asset data)
3. Pro-rata allocation (e.g. based on direct cost or FTEs)

Wholesale cost allocation

Wholesale costs are allocated through a three-stage process:

1. Allocation to **price controls**
2. Allocation to **business units**
3. Allocation to **services**

Direct costs are identified through:

- cost centres
- process codes
- expense types

Examples:

- power costs allocated to sites and therefore business units
- abstraction charges allocated directly via cost centres
- infrastructure renewals allocated to relevant network activities

Where required, manual adjustments are made using operational data (e.g. asset usage, labour time, chemical consumption) to better reflect cost drivers.

Retail cost allocation

Retail costs relate primarily to household customers, as the Company exited the non-household market.

Key features:

Significant costs arise from contracted services (e.g. customer contact services)

Costs are:

- directly allocated where possible (e.g. meter reading, bad debt)
- otherwise apportioned using activity-based drivers (e.g. customer contacts, billing volumes)

All costs are allocated to household retail activities using the most appropriate cost drivers.

Accounting Separation methodology statement (summary) continued

Revenue allocation

Revenue is calculated using detailed tariff models, based on:

- tariffs
- consumption / rateable values
- customer numbers

Revenue is split across:

- wholesale and retail
- customer types (measured / unmeasured, water / wastewater)

Intra-group arrangements

The methodology includes the allocation of:

- group shared services
- intra-group recharges

All allocations are made to reflect:

- underlying resource usage
- arm's length principles
- regulatory requirements

Assets, depreciation and capital costs

Fixed assets and capital costs are allocated using:

- fixed asset registers
- project costing systems

Principles applied:

- assets allocated directly where possible
- shared assets allocated based on usage
- depreciation allocated to principal use, with recharges where appropriate

Capital maintenance reflects:

- historic cost depreciation (HCD)
- infrastructure renewals charge (IRC)

Changes in methodology

The overall allocation approach is consistent with the prior year, with:

- updates to cost drivers where required
- alignment to updated RAG requirements

No material changes to the core methodology were made in 2025/26.

Group and support cost allocation

Shared and corporate costs are allocated based on underlying cost drivers, including:

- FTEs
- usage
- activity levels

Where costs cannot be directly attributed, they are:

- apportioned on a reasonable and consistent basis
- supported by management assessment

Assurance and review

The Company applies established governance processes to ensure that:

- allocations are reasonable and appropriate
- methodologies are applied consistently
- outputs are subject to review and validation

The methodology is:

- reviewed at least annually
- updated where improvements are identified



① Roadford reservoir

Regulatory financial reporting – SBB



Table 1A – Income statement

For the year ended 31 March 2026

	Statutory £m	Differences between statutory and RAG definitions £m	Adjustments		Total appointed activities £m
			Non-appointed £m	Total adjustments £m	
Revenue	939.191	(15.310)	13.467	(28.777)	910.414
Operating costs	(644.255)	(5.346)	(10.616)	5.270	(638.985)
Other operating income	–	4.143	–	4.143	4.143
Operating profit	294.936	(16.513)	2.851	(19.364)	275.572
Other income	–	15.773	0.784	14.989	14.989
Interest income	15.530	(0.820)	0.245	(1.065)	14.465
Interest expense	(185.574)	(35.338)	–	(35.338)	(220.912)
Other interest expense	–	0.820	–	0.820	0.820
Profit before tax and fair value movements	124.892	(36.078)	3.880	(39.958)	84.934
Fair value gains/(losses) on financial instruments	–	–	–	–	–
Profit before tax	124.892	(36.078)	3.880	(39.958)	84.934
UK Corporation tax	(3.144)	(0.275)	(0.053)	(0.222)	(3.366)
Deferred tax	(30.330)	9.870	(0.934)	10.804	(19.529)
Profit for the year	91.415	(26.483)	2.893	(29.376)	62.039
Dividends	(200.000)	–	(5.776)	5.776	(194.224)
Tax analysis					
Current year	(0.001)	0.275	0.053	0.222	0.221
Adjustment in respect of prior years	3.145	–	–	–	3.145
UK Corporation tax	3.144	0.275	0.053	0.222	3.366
					Non-appointed £m
Analysis of non-appointed revenue					
Imported sludge					–
Tankered waste					1.402
Other non-appointed revenue					12.065
Revenue					13.467

All appointee level tables (1A-1F and 4H) have been prepared on a combined (SWB and BRL) basis, as per Ofwat's requirements.

The Company does not have any financial instruments accounted for at fair value through the income statement.

Regulatory financial reporting – SBB continued



Table 1A – Income statement continued

Overview of Financial Performance

South West Water Limited has reported improvement in financial performance for the year ended 31 March 2026, with a return to profitability and continued delivery of its capital investment programme.

This improvement has been driven by increased revenue, enhanced operational performance and improved cost control, compared to the prior year. These factors have supported significantly higher operating cash flows, enabling continued investment in infrastructure while maintaining a resilient financial position.

Financial Performance

Revenue for the year increased to £939.2m (2024/25: £739.2m), reflecting growth in appointed business activities. This increase is consistent with the company's regulatory and operational delivery and reflects tariff movements and volume impacts across the year.

Operating costs increased to £644.3m (2024/25: £597.7m), driven primarily by higher power, contracted services and external costs. These increases reflect underlying inflationary pressures and the scale of operational activity. This was partially offset by reductions in manpower and consumable costs, reflecting ongoing efficiency initiatives.

Bad debt expense increased to £14.0m (2024/25: £8.2m), reflecting a reassessment of expected credit losses in the context of the current economic environment.

Finance income increased to £15.5m, reflecting improved returns on cash balances, while finance costs remained significant at £185.6m, consistent with the company's borrowing levels and financing structure.

Profit before tax and fair value movements improved to £124.9m (2024/25: (£67.3m)), with profit after tax of £91.4m (2024/25: (£48.7m)), representing a substantial improvement from the prior year.

Non-appointed

Activities outside of the appointed business include property searches, commission from plumbing and drainage insurance, meter reading services to non-household retailers and wastewater providers, moorings and fisheries, rental income from non-appointed properties and energy generation from non-appointed assets.

Non-appointed operational costs include the element of depreciation charged to the non-appointed business for the use of assets primarily used in the wholesale business (such as IT assets) and reflects investments in solar and wind turbine installations as well as hydro-generation schemes.

Difference between statutory and RAG definitions

	Revenue £m	Operating costs £m	Other operating income £m	Other income £m	Net Interest expense £m	Other interest expense £m	Current tax £m	Deferred tax £m	Profit for the year £m
Revenue not recognised under IFRS as deemed uncollectable	4.200	(4.200)	–	–	–	–	–	–	–
Net income/operating cost allocations	(1.448)	1.448	–	–	–	–	–	–	–
Classification of new connections, infrastructure income & s185 diversions	(14.620)	–	–	14.609	–	–	–	0.011	–
Classification of rental income	(1.282)	0.118	–	1.164	–	–	–	–	–
Other Revenue Adjustment	(2.160)	–	–	–	–	–	–	0.540	(1.620)
Developer Services balance sheet adjustments	–	0.018	–	–	–	–	–	0.004	0.022
Profit on disposal of fixed assets	–	(4.143)	4.143	–	–	–	–	–	–
Capitalised interest & depreciation on capitalised interest	–	0.313	–	–	(34.026)	–	–	8.428	(25.285)
Innovation fund costs/revenue	–	1.100	–	–	–	–	(0.275)	–	0.825
Add in financing subsidiary/Group interest expense	–	–	–	–	(1.312)	–	–	0.328	(0.984)
Pension interest allocation (other interest expense)	–	–	–	–	(0.820)	0.820	–	–	–
Other tax adjustments	–	–	–	–	–	–	–	0.559	0.559
Net adjustments	(15.310)	(5.346)	4.143	15.773	(36.158)	0.820	(0.275)	9.870	(26.483)



Regulatory financial reporting – SBB continued

Table 1A – Income statement continued

Table 1A Interest	£m
Interest charged on external borrowings, excluding those relating to DPC arrangements	(214.868)
Interest payable on intra-group borrowings	(1.562)
Interest charges in relation to DPC arrangements under IFRS16	–
Interest payable in relation to other leases under IFRS16	(1.257)
Amortisation of debt issuance costs	(1.653)
Amortisation of any debt premiums/discounts	0.331
Preference share dividends	–
Any other financing costs/ interest charges	(1.903)
1A.7 Interest expense	(220.912)
Interest received in relation to defined benefit pension scheme assets	0.820
1A.8 Other Interest expense	0.820

Table 1B – Statement of comprehensive income

for the 12 months ended 31 March 2026

	Adjustments				Total appointed activities £m
	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	
Profit for the year	91.415	(26.483)	2.893	(29.376)	62.039
Actuarial gains/(losses) on post-employment plans	(1.893)	–	(0.056)	0.056	(1.837)
Other comprehensive income	0.474	–	–	–	0.474
Total Comprehensive income for the year	89.996	(26.483)	2.837	(29.320)	60.676

Total comprehensive income for the year was £90.0m (2024/25: (£48.1m)), broadly consistent with profit after tax.

Other comprehensive income includes:

- Actuarial losses on defined benefit pension schemes of £2.7m, reflecting changes in financial assumptions; and
- Gains on cash flow hedges of £0.6m, reflecting movements in derivative valuations.

These items are largely driven by external market factors, including interest rates and inflation assumptions, and therefore introduce volatility that is not reflective of underlying operational performance.



Regulatory financial reporting – SBB continued

Table 1C – Statement of financial position

for the 12 months ended 31 March 2026

	Statutory £m	Differences between statutory and RAG definitions £m	Adjustments		Total appointed activities £m
			Non-appointed £m	Total adjustments £m	
Non-current assets					
Fixed assets	5,402.449	(100.228)	3.704	(103.932)	5,298.517
Intangible assets	318.118	–	–	–	318.118
Investments – loans to group companies	–	–	–	–	–
Investments – other	21.708	–	–	–	21.708
Financial instruments	21.380	–	–	–	21.380
Retirement benefit assets	13.348	–	0.350	(0.350)	12.998
Total non-current assets	5,777.003	(100.228)	4.054	(104.282)	5,672.721
Current assets					
Inventories	13.781	–	0.027	(0.027)	13.754
Trade & other receivables	307.177	0.210	1.859	(1.649)	305.528
Financial instruments	7.786	–	–	–	7.786
Cash & cash equivalents	295.866	–	3.604	(3.604)	292.262
Total current assets	624.610	0.210	5.490	(5.280)	619.330
Current liabilities					
Trade & other payables	(394.029)	0.906	(6.829)	7.735	(386.294)
Capex creditor	(63.323)	–	–	–	(63.323)
Borrowings	(89.137)	–	–	–	(89.137)
Financial instruments	(0.589)	–	–	–	(0.589)
Current tax liabilities	0.001	–	–	–	0.001
Provisions	(16.189)	–	–	–	(16.189)
Total current liabilities	(563.266)	0.906	(6.829)	7.735	(555.531)
Net Current assets/(liabilities)	61.344	1.116	(1.339)	2.455	63.799

Regulatory financial reporting – SBB continued



Table 1C – Statement of financial position continued

for the 12 months ended 31 March 2026

	Statutory £m	Adjustments			Total appointed activities £m
		Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	
Non-current liabilities					
Trade & other payables	(0.705)	–	–	–	(0.705)
Borrowings	(4,063.159)	–	–	–	(4,063.159)
Financial instruments	(1.899)	–	–	–	(1.899)
Retirement benefit obligations	–	–	–	–	–
Provisions	–	–	–	–	–
Deferred income	(16.518)	(0.398)	–	(0.398)	(16.916)
Deferred income – adopted assets	(188.859)	–	–	–	(188.859)
Preference share capital	–	–	–	–	–
Deferred tax	(483.001)	30.892	(2.715)	33.607	(449.394)
Total non-current liabilities	(4,754.141)	30.494	(2.715)	33.209	(4,720.932)
Net assets	1,084.206	(68.618)	–	(68.618)	1,015.588
Equity					
Called up share capital	625.923	–	–	–	625.923
Retained earnings & other reserves	458.283	(68.618)	–	(68.618)	389.665
Total Equity	1,084.206	(68.618)	–	(68.618)	1,015.588

The balance sheet remains strong, with net assets of £1,084.2m (2024/25: £1,193.4m).

Total assets have increased, primarily driven by continued investment in infrastructure, with property, plant and equipment increasing to £5.4bn, reflecting delivery of the company's capital programme.

Working capital movements resulted in a reduction in net current assets to £61.3m (2024/25: £209.9m), reflecting timing differences in receivables and payables and increased operational activity.

Non-current borrowings have increased to £4.06bn (2024/25: £3.75bn) and current borrowings have decreased to £89.1m (2024/25: £137.2m), consistent with the company's long-term funding strategy to support capital investment.

Equity decreased due to profit retention being offset by dividend declarations of £200m during the year, in respect of both the prior year and current year dividends, reducing retained earnings.



Regulatory financial reporting – SBB continued

Table 1C – Statement of financial position continued

The statement of financial position reflects the balance sheet as at 31 March 2025

Difference between statutory and RAG definitions

	Fixed assets £m	Trade and Other Receivables £m	Trade and Other Payables £m	Deferred income G&Cs £m	Deferred tax £m	Net assets £m
Cumulative capitalised interest, depreciation on capitalised interest ¹	(97.098)	–	–	–	–	(97.098)
Conversion opening difference	(0.067)	–	–	–	–	(0.067)
New supplies NBV	(3.471)	–	–	–	–	(3.471)
s185 NBV	0.408	–	–	–	–	0.408
Revenue deemed uncollectable	–	0.210	–	–	–	0.210
Innovation fund adjustment	–	–	0.906	–	–	0.906
s185 Grants & Contributions	–	–	–	(0.398)	–	(0.398)
Deferred tax treatment RAG differences	–	–	–	–	30.892	30.892
						–
Net Adjustments	(100.228)	0.210	0.906	(0.398)	30.892	(68.618)

1. Cumulative capitalised interest of £102.793m and depreciation on capitalised interest of £5.694m.

Non-appointed

Non-appointed fixed assets reflect investments in solar and wind installations as well as hydro-generation schemes, fisheries and riverside assets and the fair value of non-appointed leased assets. In addition, investment to support tankered waste activities has been included within non-appointed assets.

Trade and other receivables reflect debtors associated with non-appointed activities and trade payables are allocated based on operating costs with specific non-appointed activities removed.

Current tax assets represent the tax due on profits less any payments in advance, resulting in the asset position. Deferred tax reflecting the capital allowances on fixed assets and the recognition of deferred tax in respect of the pension schemes.

Retirement benefit obligations are allocated based on the deficit/surplus associated with the pension scheme member and applying this to the activities within their employment history.

As all of the Company's borrowings have been raised to fund appointee activities, none of these have been apportioned to the non-appointed business.



Regulatory financial reporting – SBB continued

Table 1D – Statement of cashflows

for the 12 months ended 31 March 2026

	Statutory £m	Differences between statutory and RAG definitions £m	Adjustments		Total appointed activities £m
			Non-appointed £m	Total adjustments £m	
Operating activities					
Operating profit	294.936	(16.513)	2.851	(19.364)	275.572
Other income	–	15.773	0.784	14.989	14.989
Depreciation	172.030	(0.843)	1.018	(1.861)	170.169
Amortisation – developer services and diversions income	–	–	–	–	–
Changes in working capital	39.937	(0.373)	4.401	(4.774)	35.163
Pension contributions	–	(0.482)	–	(0.482)	(0.482)
Movement in provisions	0.996	–	–	–	0.996
Profit on sale of fixed assets	(4.143)	–	–	–	(4.143)
Cash generated from operations	503.756	(2.438)	9.054	(11.492)	492.264
Net interest paid	(128.828)	–	–	–	(128.828)
Tax paid	0.009	(0.275)	(0.053)	(0.222)	(0.213)
Net cash generated from operating activities	374.937	(2.713)	9.001	(11.714)	363.223
Investing activities					
Capital expenditure	(568.594)	0.538	(0.724)	1.262	(567.332)
Developer services and diversion income	–	2.163	–	2.163	2.163
Disposal of fixed assets	4.222	–	–	–	4.222
Other	–	–	–	–	–
Net cash used in investing activities	(564.372)	2.701	(0.724)	3.425	(560.947)
Net cash generated before financing activities	(189.435)	(0.012)	8.277	(8.289)	(197.724)
Cashflows from financing activities					
Equity dividends paid	(75.000)	–	(8.002)	8.002	(66.998)
Net loans received	233.478	–	–	–	233.478
Cash inflow from equity financing	–	–	–	–	–
Net cash generated from financing activities	158.478	–	(8.002)	8.002	166.480
Increase (decrease) in net cash	(30.957)	(0.012)	0.275	(0.287)	(31.244)

Net cash generated from operating activities increased significantly to £363.2m (2024/25: £109.5m) reflecting EBITDA performance.

Net cash outflows from investing activities were £560.9m, primarily driven by capital expenditure of £567.3m, consistent with the scale of the investment programme.

Financing activities generated a net inflow of £166.5m, including proceeds from intercompany loans and external funding, partially offset by debt repayments and dividend payments of £67.0m.

Overall, cash decreased by £31.2m during the year, resulting in closing cash balances of £249.6m maintaining a strong liquidity position.

Regulatory financial reporting – SBB continued

Table 1E – Net debt analysis

at 31 March 2026

	Fixed rate £m	Floating rate £m	Index linked		Total £m
			RPI £m	CPI/CPIH £m	
Interest rate risk profile					
Borrowings (excluding preference shares)	2,781.805	561.634	744.025	64.832	4,152.296
Preference share capital	–				–
Total borrowings	2,781.805	561.634	744.025	64.832	4,152.296
Cash					(21.062)
Short term deposits					(271.200)
Net Debt					3,860.034
Gearing					
Gearing					63.600%
Adjusted Gearing					63.100%
Interest					
Full year equivalent nominal interest cost	135.200	27.407	50.900	3.000	216.507
Full year equivalent cash interest payment	135.200	27.407	19.647	0.276	182.530
Indicative interest rates					
Indicative weighted average nominal interest rate	4.860%	4.880%	6.841%	4.627%	5.214%
Indicative weighted average cash interest rate	4.860%	4.880%	2.641%	0.426%	4.396%
Time to maturity					
Weighted average years to maturity	11.800	9.480	19.940	3.780	12.830

The gross debt has increased from £3,884.3m to £4,096.1m (external financial indebtedness) this has been due to the increase in capital expenditure, during the year SWW has raised £390m of new debt in the form of public bond issuances (£300m) and an additional £90m was drawn from lease facilities.

In addition to this the additional inter company borrowing of £61.1m including fee deductions gives the overall SBB total in 1C of £4,152.3m

Cash remained constant following the debt raises

Net debt for the year increased by c.£299m, £330m was paid to SWW on the 31st March 2025 from the right issue in Feb 2025 increasing cash and reducing net debt, during the year the increase in revenue and therefore EBITDA has supported the expenditure on the capital programme as well as debt repayments.

The interest charge increased over the period due to increased RPI index, and was offset by lower SONIA 4.89 to 4.08 and higher average inflation RPI 3.2% to 4.5% and CPIH 3.4% to 3.3% as per ONS%

The average maturity of debt reduces due to a year less of maturity and by new debt with c.7 year average maturity (2026 – 12.9 / 2025 – 13.78)

Total borrowings

Table 4B Borrowings	£m
SWB	3597.79
BRL	498.30
SBB 4B Total borrowings	4096.090
Fair Value Adjustment	12.5
Unamortised Debt issue costs	(8.65)
Overdraft	–
Loans from Financing Subsidiary	52.35
1C.15 + 1C.22 Total borrowings	4152.296

Regulatory financial reporting – SBB continued

Table 1F – Financial flows

for the 12 months ended 31 March 2026 and for the price review to date

	12 months ended 31 March 2026						Average 2025-30					
	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m
Regulatory equity												
Regulatory equity	2,325.985	2,325.985	1,805.029				2,325.985	2,325.985	1,805.029			
	12 months ended 31 March 2026						Average 2025-30					
	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m
Return on regulatory equity												
Return on regulatory equity – real	5.27%	4.09%	5.27%	122.522	95.080	95.080	5.27%	4.09%	5.27%	122.522	95.080	95.080
Financing												
Impact of movement from notional gearing		1.18%	0.64%		27.442	11.617		1.18%	0.64%		27.442	11.617
Variance in corporation tax		–	–		–	–		–	–		–	–
Group relief		–	–		–	–		–	–		–	–
Cost of debt		1.42%	2.94%		33.113	53.117		1.42%	2.94%		33.113	53.117
Hedging instruments		0.28%	0.36%		6.433	6.433		0.28%	0.36%		6.433	6.433
Return on regulatory equity including Financing adjustments	5.27%	6.97%	9.21%	122.522	162.068	166.248	5.27%	6.97%	9.21%	122.522	162.068	166.248
Operational Performance												
Totex out/(under) performance		(0.02%)	(0.02%)		(0.365)	(0.365)		(0.02%)	(0.02%)		(0.365)	(0.365)
ODI out/(under) performance		(2.16%)	(2.79%)		(50.324)	(50.324)		(2.16%)	(2.79%)		(50.324)	(50.324)
C–Mex out/(under) performance		–	–		–	–		–	–		–	–
D–Mex out/(under) performance		–	–		–	–		–	–		–	–
BR–Mex out/(under) performance		–	–		–	–		–	–		–	–
Retail out/(under) performance		(0.22%)	(0.29%)		(5.224)	(5.224)		(0.22%)	(0.29%)		(5.224)	(5.224)
PCD – time incentives		–	–		0.004	0.004		–	–		0.004	0.004
Return adjustment mechanisms		–	–		–	–		–	–		–	–
Other exceptional items		(0.02%)	(0.03%)		(0.581)	(0.581)		(0.02%)	(0.03%)		(0.581)	(0.581)
Operational performance total		(2.43%)	(3.13%)		(56.490)	(56.490)		(2.43%)	(3.13%)		(56.490)	(56.490)
RoRE (return on regulatory equity) – real	5.27%	4.54%	6.08%	122.522	105.578	109.758	5.27%	4.54%	6.08%	122.522	105.578	109.758

Regulatory financial reporting – SBB continued

Table 1F – Financial flows continued

for the 12 months ended 31 March 2026 and for the price review to date

	12 months ended 31 March 2026						Average 2025-30					
	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m
RCV Indexation	3.45%	3.45%	3.45%	80.246	80.246	62.273	3.45%	3.45%	3.45%	80.246	80.246	62.273
Voluntary sharing arrangements		–	–		–	–		–	–		–	–
Total shareholder return	8.72%	7.99%	9.53%	202.768	185.825	172.032	8.72%	7.99%	9.53%	202.768	185.825	172.032
Dividends												
Gross Dividend	2.85%	2.85%	3.67%	66.334	66.334	66.334	2.85%	2.85%	3.67%	66.334	66.334	66.334
Interest Receivable on Intercompany loans		–	–		–	–		–	–		–	–
Retained Value	5.87%	5.14%	5.86%	136.435	119.491	105.698	5.87%	5.14%	5.86%	136.435	119.491	105.698

1F.3 Impact of Movement from Notional Gearing

Average actual gearing during 2025-26 was 64.9%, compared with the PR24 notional gearing assumption of 55.0%. The 9.9 percentage point difference generated a positive RoRE adjustment of £11.6m.

This reflects the methodology prescribed by RAG 4.14, whereby the gearing differential is multiplied by the difference between the adjusted base return on regulatory equity and the allowed cost of debt and then applied to average RCV.

1F.6 Cost of Debt

Cost of debt is the largest positive contributor to RoRE in 2025-26, generating a benefit of £53.1m.

The principal driver is that the company's actual real effective cost of debt of 1.60% was below Ofwat's allowed cost of debt of 2.99%, creating a positive financing spread of 1.40%. Applying this spread to the regulated asset base and actual gearing produced a significant financing benefit.

Compared with the prior year equivalent position of £10.83m, this represents an increase of £42.3m, driven primarily by the positive spread between the allowed and actual real effective cost of debt, together with a larger average RCV.

1F.9 Totex Out/(Under) Performance

The company reported negative Totex performance of £0.365m during 2025-26, representing a significant improvement compared with £143.8m underperformance reported in 2024-25.

The improvement reflects lower actual expenditure relative to final determination allowances and provides a positive contribution to shareholder returns for the year. The value has been derived in accordance with RAG 4.14 and reconciles directly to Table 4C.

1F.10 ODI Out/(Under) Performance

ODI performance generated a net penalty of £50.3m, making this the largest negative driver of RoRE in 2025-26.

The reported value is sourced directly from Tables 3A and 3B and is already stated in 2022-23 prices in accordance with RAG 4.14. The movement principally reflects in-period ODI performance across performance commitments during the year and should be read alongside the detailed ODI commentary contained within Section 3A of the APR.

1F.14 Retail Out/(Under) Performance

Retail activities generated an underperformance of £5.2m. Actual retail costs to serve of £55.6m exceeded the Financial Flows retail allowance of £50.4m, resulting in an adverse variance.

The performance reflects higher actual customer service and retail operating costs compared with the allowance included within the PR24 Final Determination.

1F.17 Other Exceptional Items

Other exceptional items amounted to £(0.6)m during 2025-26.

This reflects the inclusion of 2024-25 C-MeX and D-MeX performance adjustments as required by RAG 4.14 and Ofwat's 2024-25 ODI determination. Consistent with Ofwat guidance, these items have been separately identified within RoRE reporting and supporting calculations have been retained within the audit evidence pack.

2024/25 C-MeX (£0.83m) and D-MeX (£0.25m) final determinations values published in November 2025 have been included in 'other exceptional items'.

1F.22 Total Shareholder Return

Total Shareholder Return for 2025-26 was £172.032m, equivalent to 9.53% of actual regulatory equity.

This reflects the combination of:

RoRE of 6.08%

RCV indexation of 3.45%

No voluntary sharing arrangements during the year.

The principal contributors to TSR were the positive cost-of-debt adjustment and RCV indexation, partially offset by ODI underperformance.

1F.23-1F.25 Dividends and Retained Value

Dividends paid during 2025-26 totalled £66.3m in 2022-23 prices, representing a dividend yield of 3.67% on actual regulatory equity.

No intercompany interest income was received by the appointed business during the reporting year. Consequently, retained value after distributions was £105.7m, equivalent to 5.86% of actual regulatory equity.

The company continues to retain a substantial proportion of shareholder returns within the business, supporting future investment requirements and financial resilience.

Regulatory financial reporting – SBB continued

Table 4H – Financial metrics

for the 12 months ended 31 March 2026

	Units	Current year £m	AMP to date
Financial indicators			
Net debt	£m	3,860.034	
Regulatory equity	£m	2,211.758	
Regulatory gearing	%	63.57%	
Post tax return on regulatory equity	%	3.26%	
RORE (return on regulatory equity)	%	4.54%	4.54%
Dividend yield	%	8.78%	
Retail profit margin – Household	%	(1.78%)	
Retail profit margin – Non household	%	0.02%	
Credit rating – Fitch	Text	BBB+ (Stable)	
Credit rating – Moody's	Text	Baa1 (Negative)	
Credit rating – Standard and Poor's	Text	n/a	
Return on RCV	%	4.98%	
Dividend cover	dec	0.30	
Funds from operations (FFO)	£m	323.942	
Interest cover (cash)	dec	3.21	
Adjusted interest cover ratio (ACICR)	dec	–	
FFO/Net debt	dec	0.08	
Effective tax rate	%	0.27%	
Retained cash flow (RCF)	£m	256.944	
RCF/Net debt	dec	0.07	
Borrowings			
Proportion of borrowings which are fixed rate	%	66.99%	
Proportion of borrowings which are floating rate	%	13.53%	
Proportion of borrowings which are index linked	%	19.48%	
Proportion of borrowings due within 1 year or less	%	2.11%	
Proportion of borrowings due in more than 1 year but no more than 2 years	%	1.72%	
Proportion of borrowings due in more than 2 years but no more than 5 years	%	10.10%	
Proportion of borrowings due in more than 5 years but no more than 20 years	%	71.08%	
Proportion of borrowings due in more than 20 years	%	14.98%	

The values included on the table do not include any rounding adjustments.

South West Water monitors several metrics (including those within the Regulatory Reporting table 4H) as outlined below:

Regulatory Capital Value (RCV)

RCV is the financial base used by Ofwat to allow a rate of return and set prices at each Periodic Review. At 31 March 2026 RCV, for the combined company, equalled £6,072m with average CPIH inflation for the year of 3.8%. Yearend RCV at 31 March 2025 was £5,547m.

Regulated gearing

The regulated gearing of 63.57% (base on RCV including the adjustment for the IFRS16 leases) has been calculated as yearend net debt as a proportion of RCV with Ofwat's notional regulated gearing for the regulatory period 2025–30 set at 55%.

Post tax return on regulated equity

The post-tax return on regulated equity of 3.26% has been calculated as profit after current tax for the appointed business as a percentage of year average regulated equity of £2376m

Interest cover

South West Water has access to overall interest rates that are amongst the lowest in the water industry. Reported interest cover of 3.212 times for 2025/26. Covenants on an underlying basis are maintained with sufficient headroom.

Adjusted interest cover

Adjusted interest cover of 0.568 times for 2025/26 has increased from prior year. This adjusted interest cover deducts regulatory depreciation (which is defined in the Final Determination) from the funds from operations calculated as covering interest.

Interest Cost

In accordance with RAG 4.14, the interest cover metrics are calculated using the interest paid element of net interest paid reported in 1D.10

Breakdown on interest paid on borrowings

	2025/26
Interest paid used in calculation	128.828
Interest received	15.530
Net Interest Paid as per 1D.10	144.358

Return on regulated equity

South West Water's return on regulated equity for 2025/26 is 5.02%.

Effective tax rate

The tax rate differs from the standard rate of corporation tax primarily due to full expensing and first year capital allowances.

Borrowings

Full debt analysis can be found in tables 1E & 4B.

Price review and other segmental reporting – SWB

Table 2A – Segmental income statement

for the 12 months ended 31 March 2026

	Residential retail £m	Business retail £m	Water resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	Total £m
Revenue – price control	38.425	0.042	45.377	311.526	312.024	45.047	752.441
Revenue – non-price control (principal services)	–	–	–	–	–	–	–
Revenue – non-price control (third-party services)	–	–	0.034	0.848	0.340	0.048	1.270
Operating expenditure – excluding PU recharge impact	(48.026)	–	(24.309)	(129.398)	(156.643)	(21.939)	(380.314)
PU opex recharge	–	–	–	–	–	–	–
Operating expenditure – including PU recharge impact	(48.026)	–	(24.309)	(129.398)	(156.643)	(21.939)	(380.314)
Depreciation – tangible fixed assets	(2.102)	–	(5.257)	(57.813)	(73.505)	(4.423)	(143.100)
Amortisation – intangible fixed assets	–	–	–	–	–	–	–
Other operating income	0.075	–	0.129	0.453	0.210	0.210	1.077
Operating profit	(11.628)	0.042	15.974	125.616	82.426	18.943	231.374

Revenue – price control

This includes all wholesale water and wastewater charges, trade effluent income, household retail charges and third party price control activities (primarily fire hydrants and buildover income).

Revenue – non price control (principal services)

This is rents and wayleaves income.

Retail Non-household revenue reflects income from business customers on the Isles of Scilly.

Revenue – non price control (third party services)

This is bulk supply and standpipe income (shown in table 2P).

Table 2A – Segmental income statement continued

for the 12 months ended 31 March 2026

Allowed Revenue Reconciliation

	Water Resources £m	Water Network+ £m	Wastewater Network+ £m	Total Revenue for RF	Bioresources £m	Total £m
Final Determination Revenue Allowance (Outturn Prices) (Table 2M)	46.235	309.464	316.892	672.591	42.825	715.416
Customer Demand and Profile	(0.858)	4.268	(1.679)	1.731	2.222	3.952
Developer services (price control)	–	0.716	0.231	0.947	–	0.947
Diversion Income (price control)	–	2.184	(0.098)	2.086	–	2.086
Actual Outturn (Table 2M)	45.377	316.632	315.346	677.355	45.047	722.402
Variance to Final Determination Revenue Allowance (Outturn Prices) (Table 2M)	(0.858)	7.168	(1.546)	4.764	2.222	6.986
Variance as % for RFI	(1.86%)	2.32%	(0.49%)	0.71%	–	0.98%

As shown above outturn revenue is £7.0 million higher than allowed revenue. This will be resolved in the 2027/28 tariffs. The over recovery was £3.0 million Developer Services and Diversions income with the remaining £4.0 million being underlying customer consumption.

Price review and other segmental reporting – SWB continued

Table 2B – Totex analysis – by wholesale price controls

for the 12 months ended 31 March 2026

	Water resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	Total £m
Gross operating expenditure					
Operating expenditure – Total wholesale	24.309	129.398	156.643	21.939	332.288
Developer services & diversions income (opex)					
Developer services income (opex)		4.951	3.233		8.184
Diversions income (opex)	-	3.442	0.266		3.708
Net operating expenditure					
Operating expenditure – Total wholesale (net)	24.309	121.005	153.144	21.939	320.396
Gross capital expenditure					
Capital expenditure – Total wholesale	33.946	207.990	216.598	4.551	463.085
Developer services & diversions income (capex)					
Developer services income (capex)		0.082	0.068		0.150
Diversions income (capex)	-	-	-		-
Net capital expenditure					
Capital expenditure – Total wholesale (net)	33.946	207.908	216.530	4.551	462.935
Net total expenditure					
Net totex	58.255	328.913	369.674	26.490	783.332
Cash expenditure					
Pension deficit recovery payments	-	-	-	-	-
Equity issuance costs	-	-	-	-	-
Other cash items	-	-	-	-	-
Totex including cash items	58.255	328.913	369.674	26.490	783.332

Operational Expenditure:

Total wholesale net operational expenditure decreased by £131m to £320.4m. This movement is largely driven by the absence of significant one-off costs incurred in the prior year, most notably the Brixham incident, which accounted for £21.0m of expenditure in 2024/25. Excluding this one-off item last year, underlying operating costs increased by £7.9m year on year. The year was characterised by exceptionally warm and dry weather during the summer months, with one of the UK's warmest and driest periods on record. This resulted in increased demand for water services, requiring the implementation of resource management strategies, including increased pumping and reservoir storage activity, particularly during autumn and winter months. These operational conditions drove increases in consumption-related costs, including chemicals and power. Guaranteed Standards Scheme (GSS) compensation payments increased by £2.9m, driven by two significant operational incidents during the year, including outages at Dousland and Wendron treatment works.

Capital expenditure:

Total wholesale net capital expenditure in 2025/26 was £462.9m, which was £56.2m less than 2024/25. In the first year of AMP8, investment focused on delivering network resilience and enhancements for the benefit of the environment and customers. Expenditure was slightly lower than anticipated as a result of reprofiling of spend, to ensure robust modelling and clear design across our major projects, prior to commencing on-site delivery. Across the business, key investments have been delivered in storm overflow reductions, wastewater treatment and infrastructure, clean water treatment works, network resilience, leakage and metering.



Price review and other segmental reporting – SWB continued

Table 2C – Cost analysis – retail

for the 12 months ended 31 March 2026

	Residential £m	Total £m
Operating expenditure		
Customer services	17.354	17.354
Debt management	1.599	1.599
Doubtful debts	12.754	12.754
Meter reading	1.466	1.466
Other operating expenditure	14.693	14.693
Local authority and Cumulo rates	0.160	0.160
Total operating expenditure excluding third party services	48.026	48.026
Depreciation		
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	–	–
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	2.102	2.102
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	–	–
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	–	–
Recharges		
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	–	–
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	–	–
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	–	–
Income from wholesale assets acquired after 1 April 2015 principally used by retail	–	–
Net recharges costs	–	–
Total retail costs excluding third party and pension deficit repair costs	50.128	50.128
Third party services operating expenditure	–	–
Pension deficit repair costs	–	–
Total retail costs including third party and pension deficit repair costs	50.128	50.128
Debt written off		
Debt written off	5.854	5.854
Capital expenditure		
Capital expenditure	7.478	7.478
Comparison of actual and allowed expenditure		
Cumulative actual retail expenditure to reporting year end	50.128	
Cumulative allowed expenditure to reporting year end	37.500	
Total allowed expenditure – current AMP	194.255	

Operating costs

Total operating expenditure (excluding third-party services) increased by £8.749 million to £48.026 million. This reflects a combination of operational pressures, strategic investment and changes to cost allocation methodologies.

Customer services costs increased by £1.584 million driven by a significant rise in call volumes during the annual billing period, which impacted service levels and required the recruitment of over 30 additional FTE to restore performance and improve customer experience. Costs also include continued mobilisation of the Customer Experience Platform, higher contract and administration costs, and increased customer support activity linked to bill increases. Vulnerability support expanded during the year, with an additional 10,719 customers added to affordability tariffs.

Debt management costs increased by £0.735 million, largely due to reduced income recovered through court activity following a temporary cessation of litigation linked to the Mazur judgment and updated GSS requirements. This pause, lasting approximately five months, reduced recovery performance and increased net costs.

Doubtful debt provisions increased in line with AMP8 tariff increases and wider affordability pressures on customers, alongside reduced effectiveness of late-stage recovery activity and the absence of one-off recovery actions undertaken in the prior year.

Meter reading costs increased by £0.393 million reflecting the full-year impact of additional headcount introduced in 2024/25.

Other operating expenditure increased significantly by £1.818 million, driven by continued investment in the Customer Experience Platform and telephony systems, alongside a higher allocation of IT, regulatory and group overhead costs to the retail price control following updates to the accounting separation model. This includes increased allocations for insurance, audit and Ofwat fees, innovation funding and group recharges. Comparatives are also impacted by prior year one-offs, including legal settlement income and redundancy allocations not repeated in the current year.

Local authority rates increased to £0.160 million following a revised allocation methodology based on floor space.

Depreciation

Depreciation increased to £2.102 million (2024/25: £2.075 million including wholesale recharge). This reflects a change in presentation, with depreciation now directly attributed to retail assets rather than being recharged from wholesale, resulting in no wholesale recharge in the current year.

Debt written off

Debt written off decreased to £5.854 million (2024/25: £16.025 million). The prior year included a comprehensive review of historic debt balances at the end of AMP7, resulting in a higher one-off write-off which has not been repeated in the current year.

Write-off is included within the regulatory disclosures on pages 113 to 114 (expected credit loss note).

Capital expenditure

Retail capital expenditure increased by £7.020 million to £7.478 million, primarily driven by continued investment in the Customer Experience Platform.

Other

Cumulative actual retail expenditure increased to £50.128 million (2024/25: £41.355 million), reflecting the operational and allocation-driven cost increases outlined above.

Cumulative allowed expenditure to the reporting date is £37.500 million, with total allowed expenditure for the period 2026–2030 of £194.255 million.

South West Water exited the Business retail market on 1 April 2017. Following this there are no associated costs in the Business Retail price control.

Cost allocations are based on the policy outlined on pages 110 to 120 with a detailed methodology available from the website www.southwestwater.co.uk.

Price review and other segmental reporting – SWB continued

Table 2D – Historic cost analysis of tangible fixed assets by price control

at 31 March 2026

	Residential Retail £m	Business Retail £m	Water resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	Total £m
Cost							
At 1 April 2025	26.905	–	318.381	2,718.964	3,332.820	171.988	6,569.058
Disposals	(0.062)	–	(0.109)	(0.375)	(0.176)	(0.176)	(0.898)
Additions	1.792	–	33.237	204.600	219.855	4.551	464.035
Adjustments	–	–	–	–	–	–	–
Assets adopted at nil cost	–	–	–	1.931	11.260	–	13.191
At 31 March 2026	28.635	–	351.509	2,925.120	3,563.759	176.363	7,045.386
Depreciation							
At 1 April 2025	(22.904)	–	(65.256)	(869.540)	(1,326.312)	(113.055)	(2,397.067)
Disposals	0.058	–	0.103	0.367	0.165	0.165	0.858
Adjustments	–	–	–	(0.098)	(2.181)	–	(2.279)
Charge for year	(2.102)	–	(5.257)	(57.813)	(73.505)	(4.423)	(143.100)
At 31 March 2026	(24.948)	–	(70.410)	(927.084)	(1,401.833)	(117.313)	(2,541.588)
Net book amount at 31 March 2026	3.687	–	281.099	1,998.036	2,161.926	59.050	4,503.798
Net book amount at 1 April 2025	4.001	–	253.125	1,849.424	2,006.508	58.933	4,171.991
Amortisation for year							
Third party services	–	–	–	–	–	–	–
Third party services at 31 March 2026							
Cost at 31 March – third party services tangibles	–	–	–	–	–	–	–
Amortisation at 31 March – third party services tangibles	–	–	–	–	–	–	–
Net book amount at 31 March – third party services tangibles	–	–	–	–	–	–	–

Fixed assets have been allocated based on their principal use. For assets which are used across the business units (i.e. management and general), they have been assumed to have principal use within wholesale and then allocated between water and wastewater.

The net book amount includes £1,019.56 million in respect of assets in the course of construction. This excludes capitalised interest which is not recognised in the regulated accounts in accordance with the Regulatory Accounting Guidelines.

Of the total depreciation charge for the company of £143.100 million, we have deducted depreciation on capitalised interest of £0.637 million, deferred income of £2.279 million and £0.970 million of depreciation on assets used by the non-appointed business charged through operating costs, giving a reported total of £143.100 million.

Additions in the year include £13.191 million of adopted assets. These assets are recognised at fair value which is their cost excluding administration costs. In total cumulative adopted assets have a value of £209.083 million before deducting depreciation.

IFRS16 ROU (right of use assets) was adopted as at 1 April 2019 to offset lease liabilities which were brought onto the balance sheet and are included in the opening balance. The value of adopted assets in the year included in additions was £0.893 million, this has been allocated £0.447 million to water and £0.446 million to wastewater.

Price review and other segmental reporting – SWB continued

Table 2E – Analysis of Developer services income by price control

for the 12 months ended 31 March 2026

	Income relating to opex spend £m	Income relating to capex spend £m	Total £m
Developer services income – water network+ (price control)			
Infrastructure charge receipts – water	1.603	–	1.603
Income offset – water	0.108	–	0.108
Environmental incentives for more water efficient developments – water	–	(0.001)	(0.001)
Environmental component for more water efficient developments – water	–	0.083	0.083
Infrastructure charge receipts – after impact of income offset and environmental incentives (water)	1.495	0.082	1.577
Other Developer services income – water network+ (price control)	0.087	–	0.087
Total Developer services income – water network+ (price control)	1.582	0.082	1.664
Developer services income – water network+ (non-price control)			
Connection charges – water	3.220	–	3.220
Requisitioned mains	0.149	–	0.149
Other developer services income – water network+ (non-price control)	–	–	–
Total Developer services income – water network+ (non-price control)	3.369	–	3.369
Developer services income – wastewater network+ (price control)			
Infrastructure charge receipts – wastewater	3.137	–	3.137
Income offset – wastewater	0.041	–	0.041
Environmental incentives for more water efficient developments – wastewater	–	–	–
Environmental component for more water efficient developments – wastewater	–	0.068	0.068
Infrastructure charge receipts – after impact of income offset and environmental incentives (wastewater)	3.096	0.068	3.164
Other developer services income – wastewater network+ (price control)	0.137	–	0.137
Total Developer services income – wastewater network+ (price control)	3.233	0.068	3.301

	Income relating to opex spend £m	Income relating to capex spend £m	Total £m
Developer services income – wastewater network+ (non-price control)			
Receipts for on-site work	–	–	–
Other developer services income – wastewater network+ (non-price control)	–	–	–
Total Developer services income – wastewater network+ (non-price control)	–	–	–

Water infrastructure receipts (2E.1) increased by £0.7m from 2024-2025 to £1.6m for 2025-2026, however wastewater infrastructure receipts (2E.14) have fallen by £1.1m.

Environmental incentive scheme (EIS) payments for (2E.3 for water and 2E.16 for wastewater) and receipts (2E.4 for water and 2E.17 for wastewater) are new for 2025-2026 and represent net income of £0.083m and £0.068m for water and wastewater respectively for the year. It is worth noting that many of these developments will be in-progress as at year-end and payments will be made to developments meeting EIS standards upon completion.

Connection charges for water (2E.10) have fallen by £0.7m for 2025-2026 due to the number of New and variations companies (NAVs) supplying water to new developments which means that SWW bulk supplies into the development but pipes on site are the NAV responsibility, and also a downturn in the housing market.

Price review and other segmental reporting – SWB continued

Table 2F – Residential retail

for the 12 months ended 31 March 2026

	Revenue £m	Number of customers 000s	Average residential revenues £
Residential revenue			
Wholesale revenue	547.872		
Retail revenue	38.425		
Total residential revenue	586.297		
Retail revenue			
Revenue Recovered ("RR")	38.425		
Revenue sacrifice	–		
Actual revenue (net)	38.425		
Customer information			
Actual customers ("AC")		1,022.074	
Reforecast customers		1,029.074	
Adjustment			
Allowed revenue ("R")	38.747		
Net adjustment	0.322		
Other residential information			
Average household retail revenue per customer			37.595

In 2025/26 SWB has under recovered by £0.3 million – this will be recovered in the PR29 process.

The average retail revenue per customer is £37.60 against an Ofwat allowance of £37.91, the under recovery is driven by movements in customer numbers and social subsidy requirements compared to tariff forecast.

Price review and other segmental reporting – SWB continued

Table 2H – Cash collection performance rates – residential retail

	% Revenue collected				
	2025-26 %	2026-27 %	2027-28 %	2028-29 %	2029-30 %
All customers					
Collection rates for bills raised in 2025-26 – all customers	87.3%	92.3%	95.0%	95.1%	95.2%
Collection rates for bills raised in 2026-27 – all customers		88.5%	93.5%	96.2%	96.3%
Collection rates for bills raised in 2027-28 – all customers			89.7%	94.8%	97.5%
Collection rates for bills raised in 2028-29 – all customers				90.9%	95.9%
Collection rates for bills raised in 2029-30 – all customers					90.9%
Measured customers					
Collection rates for bills raised in 2025-26 – measured customers	87.0%	93.0%	95.3%	95.4%	95.5%
Collection rates for bills raised in 2026-27 – measured customers		88.3%	94.3%	96.6%	96.7%
Collection rates for bills raised in 2027-28 – measured customers			89.5%	95.5%	97.8%
Collection rates for bills raised in 2028-29 – measured customers				90.8%	96.8%
Collection rates for bills raised in 2029-30 – measured customers					91.3%
Non measured customers					
Collection rates for bills raised in 2025-26 – non-measured customers	88.1%	88.9%	89.8%	89.8%	89.9%
Collection rates for bills raised in 2026-27 – non-measured customers		89.3%	90.1%	91.1%	91.1%
Collection rates for bills raised in 2027-28 – non-measured customers			90.6%	91.4%	92.3%
Collection rates for bills raised in 2028-29 – non-measured customers				91.8%	92.6%
Collection rates for bills raised in 2029-30 – non-measured customers					92.9%

Actual reported values for this year show an improvement in collections performance overall and for measured customers.

Overall current year collections improved by 0.68 percentage points in the year, a positive result following a significant price increase; with improved collections strategies following bill increases. To help understand if customers are changing behaviours as part of the cost of living, we have built an enhanced reporting suite to look at potential identifiers looking at different types of payment behaviours and payment plans, which has aided collections rates and customer support offerings in the year

Unmeasured in year collections reduced by 4.79 percentage points as over 30,000 customers elected to move to measured billing in the year.

Forecasts for the remainder of the AMP are based on an increasing in year current collections profile based on improved performance this year, alongside expected improvement with the introduction of a new customer experience platform in 2026/27; with a conservative minimum performance estimate for subsequent annual collections.

Price review and other segmental reporting – SWB continued

Table 2I – Revenue analysis & wholesale control reconciliation

for the 12 months ended 31 March 2026

	Household £m	Non-household £m	Total £m	Water resources £m	Water network+ £m	Total £m
Wholesale charge – water (price control)						
Unmeasured	53.979	1.768	55.747	5.004	50.743	55.747
Measured	207.663	86.209	293.872	39.411	254.461	293.872
Third party revenue	–	7.284	7.284	0.962	6.322	7.284
Total wholesale water revenue	261.642	95.261	356.903	45.377	311.526	356.903
	Household £m	Non-household £m	Total £m	Wastewater network+ £m	Bioresources £m	Total £m
Wholesale charge – wastewater (price control)						
Unmeasured – foul charges	31.993	1.522	33.515	29.927	3.588	33.515
Unmeasured – surface water charges	7.747	0.370	8.117	7.361	0.756	8.117
Unmeasured – highway drainage charges	5.630	0.271	5.901	5.479	0.422	5.901
Measured – foul charges	156.451	44.757	201.208	174.561	26.647	201.208
Measured – surface water charges	58.523	16.318	74.841	65.654	9.187	74.841
Measured – highway drainage charges	25.886	7.452	33.338	28.891	4.447	33.338
Third party revenue	–	0.151	0.151	0.151	–	0.151
Total wholesale wastewater revenue	286.230	70.841	357.071	312.024	45.047	357.071
Wholesale Total	547.872	166.102	713.974			
Retail revenue (price control)						
Unmeasured	7.713	0.003	7.716			
Measured	30.712	0.039	30.751			
Retail third-party revenue	–	–	–			
Total retail revenue	38.425	0.042	38.467			

Wholesale revenue was £714.0 million. A comparison to the PR24 allowance is provided in table 2M.

We are required to report revenue in line with the separation of price controls established at PR19. We have achieved this by embedding the price controls into our tariffs and charges.

Retail revenue was £38.5 million. A comparison to the PR24 allowance is provided in table 2F.

Price review and other segmental reporting – SWB continued

Table 2K – Infrastructure charges reconciliation

for the 12 months ended 31 March 2026

	Water £m	Wastewater £m	Total £m
Comparison of revenue and costs			
Variance brought forward	–	–	–
Revenue	1.603	3.137	4.740
Costs	(1.347)	(0.460)	(1.807)
Variance carried forward	0.256	2.677	2.933
Analysis of variance movement in year			
Revenue impact of charge element which corrects previous years variance	–	–	–
Difference in billable developer activity against forecast in year	(1.315)	(1.213)	(2.528)
Difference in infrastructure reinforcement activity against forecast in year	1.571	3.890	5.461
Variance movement in year	0.256	2.677	2.933

Infrastructure network reinforcement expenditure is reported in the preceding table 2J and covers capacity enhancements to treated water distribution and sewage collection assets, including some non-infrastructure assets such as service reservoirs and pumping stations.

Water infrastructure revenue has increased by £0.7 million to £1.6 million reflecting growth in new connections, however waste infrastructure revenue has decreased by £1.1 million to £3.1 million indicating a shift towards private drainage.

Water infrastructure spend has increased by £1.1 million to £1.3 million as new capital works begin construction. Waste infrastructure spend has decreased by £0.5 million to £0.5 million due to project phasing. This is expected to increase over the next four years as works to increase capacity and resilience are implemented.

Price review and other segmental reporting – SWB continued

Table 2L – Analysis of land sales

for the 12 months ended 31 March 2026

	Water resources £m	Water Network+ £m	Wastewater Network+ £m	Additional control £m	Total £m
Land sales – proceeds from disposals of protected land	0.646	0.335	–	–	0.981

Land sales are £0.981 million in 2025/26. There were no land sales in 2024/25.

There were sales of telecoms masts at Alderney in Poole £0.220 million and at Humber lane in Kingsteignton £0.115m. A redundant reservoir at Butterbrook in Ivybridge was sold for £0.098m less costs of £0.002m, net proceeds of £0.096 million. An easement on a long lease was granted over Tavistock canal for £0.113 million. Three telecoms sites were sold at Voskelly water tower for £0.247 million. Dartmouth water tower for £0.133 million and Cross Park depot for £0.078 million less costs of £0.021 million, net proceeds of £0.437 million for all three sites.

Table 2M – Revenue reconciliation

for the 12 months ended 31 March 2026 – wholesale

	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m	Total £m
Revenue recognised					
Wholesale revenue governed by price control	45.377	311.526	312.024	45.047	713.974
Developer services income (price control)		1.664	3.301		4.965
Diversions income (price control)	–	3.442	0.021		3.463
Total revenue governed by wholesale price control	45.377	316.632	315.346	45.047	722.402
Calculation of the revenue cap					
Allowed wholesale revenue before adjustments (or modified by CMA)	46.235	307.258	313.703	42.825	710.021
Allowed developer services income before adjustments (or modified by CMA)		0.948	3.070		4.018
Allowed diversions income before adjustments (or modified by CMA)		1.258	0.119		1.377
Revenue adjustment	–	–	–	–	–
Other adjustments	–	–	–	–	–
Revenue cap	46.235	309.464	316.892	42.825	715.416
Calculation of the revenue imbalance					
Revenue imbalance	0.858	(7.168)	1.546	(2.222)	(6.986)
AMP8 revenue adjustments					
Uninvoiced revenue due from retailers	–	–	–	–	–
Competitively Appointed Provider charges	–	–	–	–	–

Wholesale revenue governed by the price control has a small over recovery against the (£710.0 million) allowed wholesale revenue of £4.0 million (c.+0.6%). This is driven by customer and consumption movements against the forecast used for tariff setting (tariffs are set to recover the PR24 allowed revenue).

Developer Services/Allowed diversion income is £3.0 million over recovered against the PR24 allowance.

These balances will be returned to customers in the 2027/28 financial year.

Price review and other segmental reporting – SWB continued

Table 2N – Household affordability support

Section A – social tariffs

	Revenue £'000	Number of customers number	Average amount per customer £		Revenue £'000	Number of customers number	Average amount per customer £
Number of residential customers on social tariffs				Funding from shareholders to support social tariffs			
Residential water only social tariffs customers		3,715		Total funding from shareholders to support water only social tariffs	–		
Residential wastewater only social tariffs customers		109		Total funding from shareholders to support wastewater only social tariffs	–		
Residential dual service social tariffs customers		46,434		Total funding from shareholders to support dual service social tariffs	–		
Number of residential customers not on social tariffs				Average funding from shareholders to support each water only social tariffs customer			–
Residential water only no social tariffs customers		270,298		Average funding from shareholders to support each wastewater only social tariffs customer			–
Residential wastewater only no social tariffs customers		5,129		Average funding from shareholders to support each dual service social tariffs customer			–
Residential dual service no social tariffs customers		696,389		Social tariff support – willingness to pay			
Social tariff discount				Maximum amount customers are willing to pay to support social tariffs.			25.43
Average discount received by each water only social tariffs customer			69.50	Shareholder contribution			
Average discount received by each wastewater only social tariffs customer			125.72	Total funding from shareholders to support household debt matching schemes	–		
Average discount received by each dual service social tariffs customer			215.03	Number of unique household customers that benefitted from the funding from shareholders to support debt matching schemes		–	
Social tariff cross-subsidy – residential customers				Total funding from shareholders to support all other household affordability schemes, excluding social tariffs and debt matching	–		
Total funding from customers to support water only social tariffs	258.181			Number of unique household customers that benefitted from the funding from shareholders to support all other household affordability schemes, excluding social tariffs and debt matching		–	
Total funding from customers to support wastewater only social tariffs	13.703			Total funding from shareholders to support all affordability schemes			–
Total funding from customers to support dual service social tariffs	9,984.929			To tackle water poverty in the region significant work has been undertaken to engage with customers proactively and help them to access the most beneficial tariff for their circumstances. Available options include installing a meter on a previously unmeasured property or, where this is not possible, applying an Assessed charge.			
Average funding from customers to support each water only social tariffs customer			0.94	Where further help is still needed water efficiency initiatives are explored and then Watersure and the Watercare social tariffs.			
Average funding from customers to support each wastewater only social tariffs customer			2.62	The increase in subsidy provided by an unsubsidised customer (from £8.31 in 2024/25 to £10.55 in 2025/26 (+27%)) is reflective of the annual price increase.			
Average funding from customers to support each dual service social tariffs customer			13.44				



Price review and other segmental reporting – SWB continued

Table 2N – Household affordability support continued

Section B – WaterSure tariffs

	Revenue £'000	Number of customers number	Average amount per customer £
WaterSure tariffs			
Number of unique customers on WaterSure		21,054	
Total reduction in bills for all WaterSure customers who paid the average household bill	11,732.513		
Average reduction in bills for all WaterSure customers who paid the average household bill			557.26

WaterSure is the national tariff to address customer poverty. It is set in line with the average measured bill.

Customer numbers have seen a small uplift over prior year – this is due to the bill increase at the start of the year (a result of PR24), but offset by customers then moving onto other social tariffs or standard measured charges (whichever option removes them from Water Poverty and provides them with the lowest bill).

Price review and other segmental reporting – SWB continued

Table 20 – Historic cost analysis of intangible fixed assets – by price control

	Residential Retail £m	Business Retail £m	Water Resources £m	Water Network+ £m	Wastewater Network+ £m	Bioresources £m	Total £m
Cost							
At 1 April 2025	1.252	0.139	60.659	241.456	2.176	0.036	305.718
Disposals	–	–	–	–	–	–	–
Additions	5.687	–	–	–	–	–	5.687
Adjustments	–	–	–	–	–	–	–
Assets adopted at nil cost	–	–	–	–	–	–	–
At 31 March 2026	6.939	0.139	60.659	241.456	2.176	0.036	311.405
Amortisation							
At 1 April 2025	(1.252)	(0.139)	(0.021)	(0.406)	(0.137)	(0.036)	(1.991)
Disposals	–	–	–	–	–	–	–
Adjustments	–	–	–	–	–	–	–
Charge for year	–	–	–	–	–	–	–
At 31 March 2026	(1.252)	(0.139)	(0.021)	(0.406)	(0.137)	(0.036)	(1.991)
Net book amount at 31 March 2026	5.687	–	60.638	241.050	2.039	–	309.414
Net book amount at 1 April 2025	–	–	60.638	241.050	2.039	–	303.727
Amortisation for year							
Third party services	–	–	–	–	–	–	–
Third party services at 31 March 2026							
Cost at 31 March 2026 – third party services intangibles	–	–	–	–	–	–	–
Amortisation at 31 March 2026 – third party services intangibles	–	–	–	–	–	–	–
Net book amount at 31 March – third party services intangibles	–	–	–	–	–	–	–

The brought forward amount of intangible assets includes Goodwill on the acquisition of Bournemouth Water and Bristol Water. The Goodwill recognised had been apportioned across price controls based on the RCV. Goodwill is reviewed for impairment on an annual basis. There was no impairment in the year.

South West Water is in the process of replacing its Customer Experience Platform (CEP). All expenditure has been incurred prior to this year and has been apportioned equally over the Water Network+ and Wastewater Network+ price controls. The project was incomplete at the year-end, so has not yet started to be amortised.

The 2025/26 additions of £5.687 million are all in relation to a billing, CRM and self-service system.

Price review and other segmental reporting – SWB continued

Table 2P – Third party services revenue

for the 12 months ended 31 March 2026

	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m	Total £m
Third-party services – price control					
Non potable water (which are not bulk supplies) revenue	–	–			–
Rechargeable revenue – Fluoridation	–	–			–
Rechargeable revenue – Fire hydrant install & repair		0.323			0.323
Rechargeable revenue – third party damage	–	–	–	–	–
Rechargeable revenue – build over	–	0.054	0.054	–	0.108
Other rechargeable revenue	–	(0.039)	–	–	(0.039)
Total third-party revenue (price control)	–	0.338	0.054	–	0.392
Third-party services – non-price control					
Bulk supplies revenue	0.034	0.212	0.332	0.048	0.626
Reservoir operating agreements revenue	–	–			–
Other excluded charge revenue	–	0.636	0.008	–	0.644
Total third-party revenue (non-price control)	0.034	0.848	0.340	0.048	1.270
Third-party services					
Total third-party services revenue	0.034	1.186	0.394	0.048	1.662

The fire hydrant install & repair revenue line (2P.3) contains all revenue recovered through the Fire Service Schedule of Rates. There is £0.323m revenue for 2025/26.

Fire Hydrants are provided for use by authorised agencies/personnel and for Fire Service use in an emergency, training environment or to replenish water supplies on appliances etc.

As a water undertaker, we are governed by The Water Industry Act 1991 and have the statutory responsibility to provide fire hydrants when requested by the Fire Authority. We also maintain fire hydrants in our area of supply.

The Fire Service is governed by the Fire and Rescue Services Act 2004. Under this act, the Fire Authority must take all reasonable measures for providing and securing an adequate supply of water for extinguishing fires or protecting life and property in the event of fire. They must also have efficient arrangements to obtain information about water supplies and access to water. The Fire Authority has the responsibility to pay or arrange payment to the Water Company in respect of its costs in complying with their obligations above.

Our charges for fire hydrants are set out in our schedule of rates which can be found here: [Fire hydrants](#) | [Developer Services](#) | [South West Water](#)

In 2025/26 we have installed 85 new hydrants and 122 replacements. Nil had isolator switches.

Bulk Supplies – reflects exports to Wessex Water as well as NAV Retailers (Last Mile, ESP and IWNL). Details are shown in table 4a.

Other Excluded Charge Revenue – reflects Standpipe income.

Price review and other segmental reporting – SWB continued

Table 2R – Analysis of diversions income by price control

for the 12 months ended 31 March 2026

	Income relating to opex spend £m	Income relating to capex spend £m	Total £m
Diversions income – water resources (price control)			
s185 diversions income – water resources	–	–	–
NRSWA diversions income – water resources	–	–	–
Non-s185 diversions income – water resources	–	–	–
Total diversions income – water resources	–	–	–
Diversions income – water network+ (price control)			
s185 diversions income – water network+	2.993	–	2.993
NRSWA diversions income – water network+	–	–	–
Non-s185 diversions income – water network+	0.449	–	0.449
Total diversions income – water network+	3.442	–	3.442
Diversions income – wastewater network+ (price control)			
NRSWA diversions income – wastewater network+	–	–	–
Non-s185 diversions income – wastewater network+	0.021	–	0.021
Total diversions income – wastewater network+	0.021	–	0.021
Diversions income – wastewater network+ (non-price control)			
s185 diversions income – wastewater network+	0.245	–	0.245

Diversions income - water network+ ; income has increased by £0.789m (30%) to £3.442m indicating increased diversions activity.

Diversions income – wastewater (price control); decreased by £0.228m (92%) to £0.021m. Diversions income – wastewater (non-price control) has decreased by £0.038m (13%) to £0.245m.

Performance summary – SWB

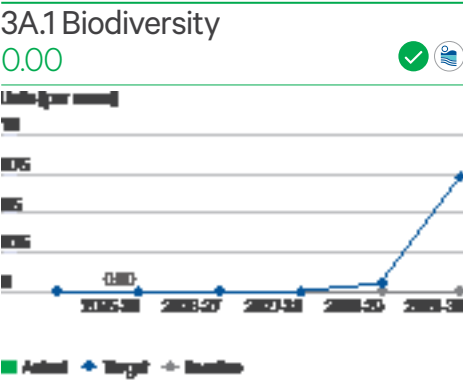
Table 3A – Outcome performance – all performance commitments

	Unit	Performance level – actual	PCL met? (Yes/No)	Outperformance or underperformance payment £m
Common PCs – Water (Financial)				
Biodiversity	Biodiversity units gained	–	N/A	–
Business demand	% reduction of three-year average business demand	(4.1)	No	(0.716)
Compliance risk index (CRI)	Number	1.37	No	–
Customer contacts about water quality	Number of customer contacts per 1000 population	1.55	No	(0.362)
Discharge permit compliance	% compliance	98.10	No	(0.899)
Greenhouse gas emissions (water)	% reduction in greenhouse gas emissions	(4.50)	No	(0.595)
Leakage	% reduction of three-year average leakage (Ml/d)	8.8	No	(6.125)
Repairs to burst mains	Number of mains repairs per 1,000km	169.3	No	(4.132)
Per capita consumption	% reduction of three-year average PCC in (l/person/d)	(1.2)	No	(1.604)
Serious pollution incidents	Number of serious pollution incidents	3	No	(3.114)
Unplanned outage	% loss of company peak week production capacity	2.39	No	(0.289)
Water supply interruptions	average number of minutes lost per customer	01:09:14	No	(9.769)
Common PCs – Wastewater (Financial)				
Bathing water quality	Number average bathing water quality score	89.9	Yes	–
External sewer flooding	Number of external sewer flooding incidents per 10,000 sewer connection	18.04	No	(3.597)
Greenhouse gas emissions (wastewater)	% reduction in greenhouse gas emissions	(0.72)	No	(0.122)
Internal sewer flooding	Number of internal sewer flooding incidents per 10,000 sewer connection	1.20	Yes	1.613
Sewer collapses	Number of sewer collapses per 1,000 km of all sewers	5.06	Yes	1.930
Storm overflows	Average number of spills per storm overflow	35.12	No	(5.292)
Total pollution incidents	Pollution incidents per 10,000 km of sewer length	51.21	No	(11.317)
Common PCs – Non-financial				
River water quality	% reduction of phosphorus emissions into river catchment	(3.10)	Yes	
Bespoke PCs (Financial)				
Embodied greenhouse gas emissions	% reduction in tCO ₂ e (cumulative)	37.88%		
Financial water performance commitments achieved	%	–		
Financial wastewater performance commitments achieved	%	43		
Overall financial common performance commitments achieved (excluding BR-MeX)	%	17		
Bespoke performance commitments achieved	%	–		
Non-financial performance commitment achieved	%	100		
Total performance commitments achieved		%	21	

We have submitted RAG compliance checklists to Ofwat for business demand, leakage, per capita consumption and unplanned outage where there are red and/or amber components and elements. All other performance commitments with compliance checklists are green. An improvement plan remains ongoing in order to more fully meet compliance checklist guidance as part of plans for 2026/27.

Forecasts for the remaining years of 2025-2030 have not been included. As part of a listed group, such forecasts would not be appropriate to include in this document. Commentary relating to performance in respect of each performance commitment can be found further in this section.

Performance summary – SWB continued



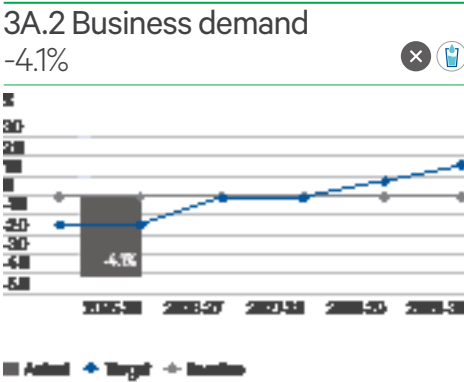
Biodiversity measures the net environmental gain delivered through habitat creation, restoration and catchment interventions.

In 2025–26, performance reflects ongoing delivery of catchment management and nature-based solutions, with benefits expected to be realised progressively over the AMP period. As biodiversity improvements are cumulative in nature, in-year performance does not fully reflect the long-term benefits of schemes delivered.

Delivery during the year focused on expanding catchment programmes and increasing the scale of nature-based interventions, consistent with our longer-term environmental commitments outlined in our AMP8 plans. These initiatives support improvements in ecosystem resilience and water quality but will result in measured biodiversity gains over time rather than immediately in-year.

We will continue to scale delivery of biodiversity schemes across the region, with performance expected to improve as additional projects mature and cumulative benefits are realised.

We are on track to meet our target by the end of the regulatory period. A pro-rate outperformance payment would be **£1.535m**.



Business demand measures the percentage reduction in three-year average non-household consumption relative to the baseline.

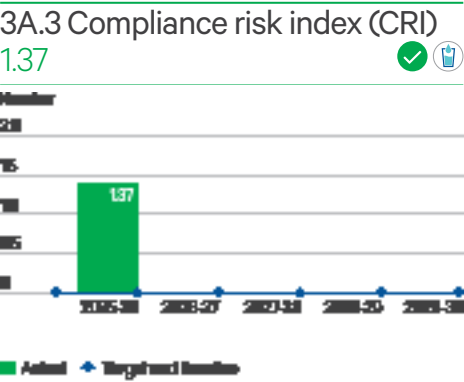
In 2025–26 business demand increased relative to the baseline, resulting in an ODI underperformance payment of **£0.716m**. There has been no change to the three-year average baseline figure from our business plan.

The increase was primarily driven by external factors, including prolonged dry and warm weather conditions, which resulted in elevated consumption from key sectors such as agriculture and tourism. These impacts were partially offset by ongoing demand management initiatives.

Underlying data in table 3D shows that annual average business demand increased to 161.7 Ml/d, reflecting both weather-related demand and growth in supply points.

We are continuing to implement demand reduction initiatives, including smart metering, customer engagement and tariff-based incentives, which are expected to support improved performance over the AMP period.

We have records of our dialogue with retailers and third parties which document collaboration ideas available.

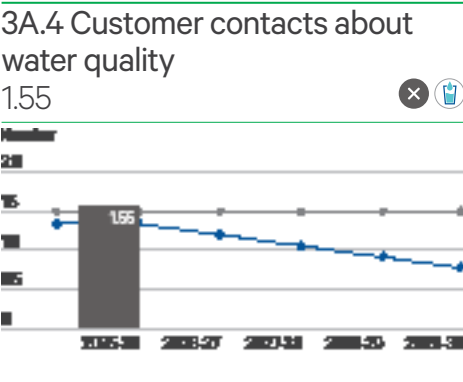


CRI is the Drinking Water Inspectorate's measure of water quality compliance, capturing the risk and severity of compliance failures.

Performance in 2025–26 remained strong at 1.37, achieving the target deadband (1.83).

This reflects continued high levels of compliance across drinking water operations, supported by proactive monitoring, asset maintenance and targeted investment in treatment processes. The “Quality First” approach continues to drive early identification and resolution of emerging risks.

Ongoing investment in treatment works and monitoring capability is expected to sustain strong performance over the regulatory period.



This measure captures customer contacts relating to water quality per 1,000 population.

In 2025–26, we were unable to achieve our performance target, resulting in an ODI underperformance payment of **£0.362m**.

While performance improved compared to the prior year, contacts remained elevated due to variability in raw water quality and customer perception issues. Increased sensitivity following operational challenges also contributed to higher reporting levels.

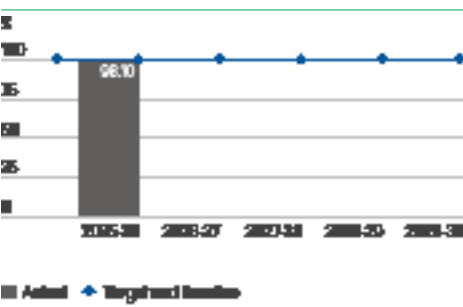
Tables 3A and 3C shows total contacts of 1.55 per 1,000 population.

Targeted interventions, including treatment optimisation, network flushing and enhanced customer communication, are expected to reduce contacts over time.

Performance summary – SWB continued



3A.5 Discharge permit compliance
98.10%



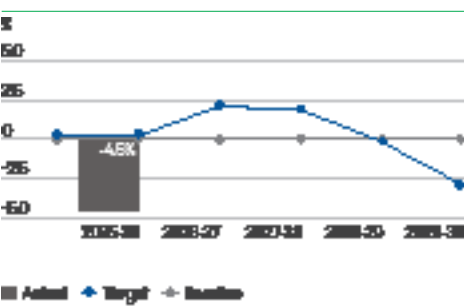
This measure assesses compliance with environmental discharge permits.

In 2025–26, compliance was 98.10%, 1.9% below our target resulting in an ODI underperformance payment of **£0.899m**.

Performance reflects a small number of isolated failures, with underlying compliance remaining strong. Challenges were driven by weather-related operational pressures and asset constraints at specific sites.

We have strengthened compliance through enhanced monitoring, targeted maintenance and investment in treatment performance. These actions are expected to support recovery to target levels.

3A.6 Operational greenhouse gas emissions (water)
-4.5%



This measure tracks operational greenhouse gas emissions associated with water operations.

Performance showed an increase of 4.5% from our baseline for targeted operational greenhouse gases, resulting in an ODI underperformance payment of **£0.595m**.

Increased operational demand and energy use, driven by weather conditions and system stress, for example additional energy consumed by our diesel fuelled pumps at Exebridge water pumping station to help maintain reservoir levels at our Wimbleball reservoir on Exmoor, offset efficiency gains delivered during the year.

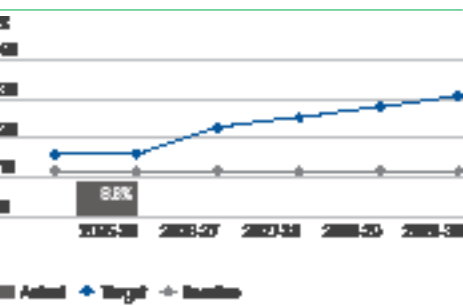
In our Bournemouth Water region where we are completing major upgrades and the modernisation to two of our largest water treatment works, there was a delay in the delivery of our new granular activated carbon tertiary treatment plant on one of the works which resulted in the purchase of the virgin granular activated carbon occurring within the early part of the 2025/26 year rather than being concluded before the end of 2024/25 as expected. This added a significant ‘one-off’ increase in SWB water operational GHG emissions as a result of this delayed purchase.

Other contributory factors to our performance included a slower than forecast transition from petrol and diesel vehicles to electric cars and vans in 2025/26 owing to challenging conditions in deploying our own vehicle charging infrastructure, partly due to grid constraints.

Consequently we needed to adjust to more reliance on the public charging network within our region which has also not developed across as many locations as we had previously anticipated.

We continue to invest in energy efficiency and renewable generation to reduce emissions and improve performance over the AMP period.

3A.7 Leakage
8.8%



Leakage measures the percentage reduction in three-year average leakage relative to the baseline.

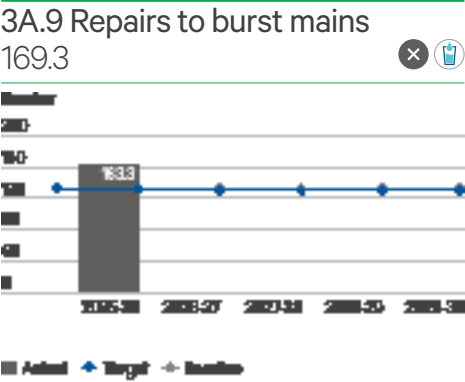
In 2025–26, leakage performance improved through continued operational focus, with an overall reduction of 8.8%; however, this was below the stretching target set for the year, resulting in an ODI underperformance payment of **£6.125m**. There has been no change to the 3 year average baseline figure from our business plan.

Performance was significantly impacted by extreme and volatile weather conditions across the year, including prolonged dry periods followed by freeze–thaw events, which increased burst frequency and placed additional pressure on network resilience. These conditions were consistent with broader operational challenges the Pennon group have faced, where weather volatility materially affected asset performance across the region.

Despite these external pressures, the company delivered record levels of leakage detection and repair activity, demonstrating strong operational response capability. Underlying performance improvements continue to be driven by targeted investment in mains replacement, enhanced leakage detection technologies, and expansion of smart metering.

Looking forward, sustained investment in network resilience and demand management is expected to deliver progressive reductions in leakage across the AMP period, supporting long-term water resource resilience.

Performance summary – SWB continued

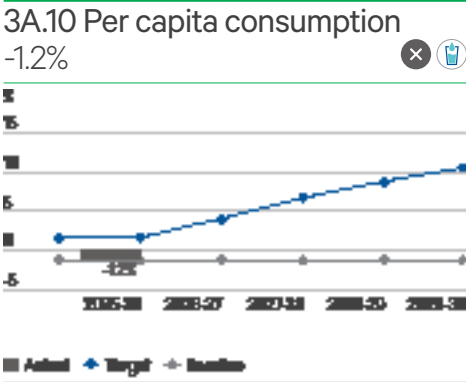


This measure tracks the number of repairs per 1,000km of mains, reflecting asset condition.

In 2025–26, performance was 169.3 repairs per 1,000km, underperforming against our target, resulting in an ODI underperformance payment of **£4.132m**.

The increase reflects higher burst frequency driven by weather variability, particularly dry ground conditions followed by freeze–thaw cycles.

Increased repair activity demonstrates strong operational response, but also highlights underlying network resilience challenges.



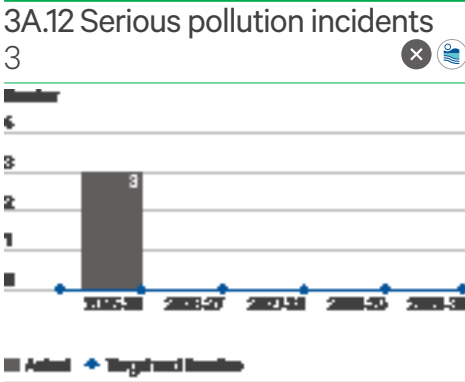
Per capita consumption measures the average household water use per person per day.

In 2025–26, PCC increased by 1.2% resulting in ODI underperformance payment of **£1.604m**. There has been no change to the three-year average baseline figure from our business plan.

The principal driver of this increase was sustained periods of hot and dry weather, which led to elevated household demand, consistent with sector-wide trends. This reflects the sensitivity of household consumption to external climatic factors, particularly in regions, like ours, with high seasonal tourism and population variability.

Demand reduction remains a strategic priority, with ongoing initiatives including smart metering, behavioural campaigns and tariff-based incentives. We are continuing to expand smart metering programmes and customer engagement to improve water efficiency and identify leaks earlier.

Over time, these measures are expected to reduce consumption and support a more sustainable supply-demand balance, although short-term performance may continue to be influenced by weather variability.



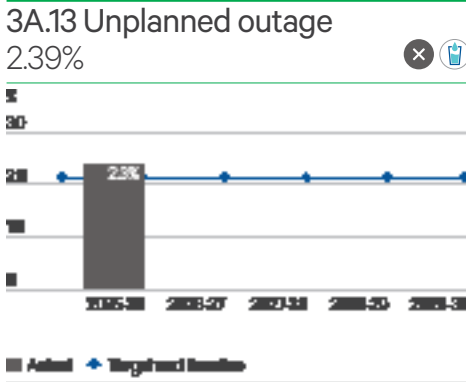
This metric measures high-severity pollution events (Category 1–2).

Three incidents were recorded, resulting in an underperformance ODI payment of **£3.114m**.

Although performance improved year-on-year, isolated incidents continued to impact overall results.

During the year, disappointingly, one event in Menagwins resulted in a Category 1 incident – our first since 2018 – following a chemical spillage caused by a structural defect in a third-party tanker hose and the failure of a bung within the site drainage system. There were two Category 2 incidents, a reduction from four in the prior year.

Our Pollution Incident Reduction Plan continues to drive improvements, with further reductions expected.



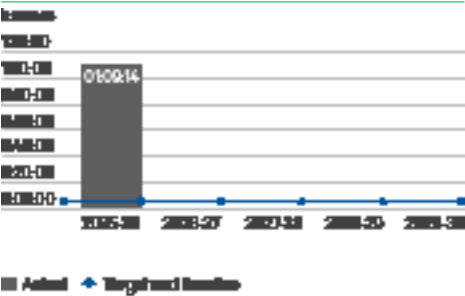
This metric measures loss of treatment capacity due to unplanned outages.

SWB was marginally adverse to its performance target rate of 2.14% with a rate of 2.39%, resulting in an ODI underperformance payment of **£0.289m**. 58% of this impact was caused by an unplanned outage of a slow sand filter (SSF) at Bournemouth’s Knapp Mill water treatment works. That SSF will be returned to service in 2026/27 and we expect SWB performance to return to underlying levels this year, on or ahead of target.

Performance summary – SWB continued



3A.14 Water supply interruptions
01:09:14



Measures the average duration of unplanned interruptions to customer supply (minutes lost per property per year).

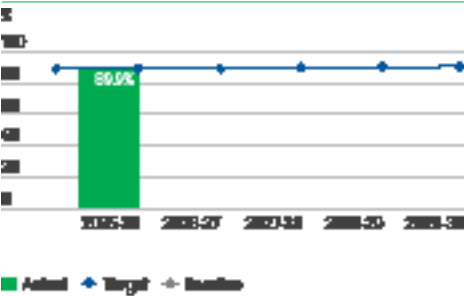
Performance in 2025–26 was significantly adverse to target, resulting in a material ODI underperformance payment of **£9.769m**, driven by a small number of high-impact events.

The primary drivers were extreme weather conditions and associated network failures, particularly burst events linked to ground movement and temperature variation. There were two major incidents: an unplanned outage at Dousland water treatment works and storm damage to the pumping station that supplies Wendron water treatment works during the red weather warning storm, Goretti, where much of Cornwall was without power for an extended period of time.

Notwithstanding these challenges, operational response was strong, with approximately 75% of burst events managed without customer impact, demonstrating effective incident management capability.

The company continues to prioritise network resilience through targeted capital investment, improved asset health monitoring, and enhanced incident response processes. These actions are expected to reduce both the frequency and duration of interruptions over the AMP.

3A.18 Bathing water quality
89.9%



This metric measures compliance of bathing waters with environmental quality standards.

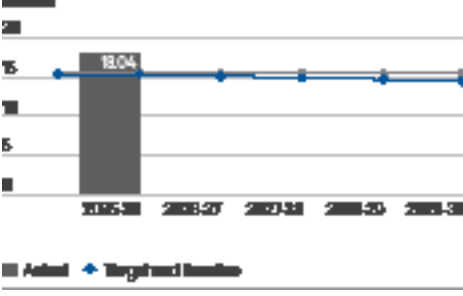
In 2025–26, performance remained strong, with the majority of sites achieving the required classification standards.

Performance is influenced by a combination of operational controls and external factors, including rainfall patterns, agricultural run-off and catchment characteristics. Periods of intense rainfall during the year increased the risk of short-term deterioration in water quality at certain locations.

Through our catchment management approach and targeted investment in wastewater infrastructure, we continue to mitigate risks to bathing water compliance. Initiatives include partnership working with local stakeholders, monitoring of at-risk sites, and proactive management of storm overflows.

In the PR24 final determinations, Ofwat included the new bathing water sites that were designated in 2024. At the time, Ofwat accepted that newly designated sites were likely to be classified as ‘poor’ due to lack of prior investment and may not improve until after the 2025–30 period. The 151 bathing waters designated prior to 2024, the performance would be 92.2% and result in an ODI outperformance payment of £5.448m. The performance reduces to 89.9% when the 6 2024 bathing waters are included.

3A.19 External sewer flooding
18.04



This measure tracks the number of external sewer flooding incidents per 10,000 properties, reflecting the resilience of the wastewater network.

In 2025–26, whilst an improvement from the prior year, we were unable to achieve our target performance, resulting in an ODI underperformance payment of **£3.597m**. This is reflective of the increased number of external flooding incidents compared to expected levels.

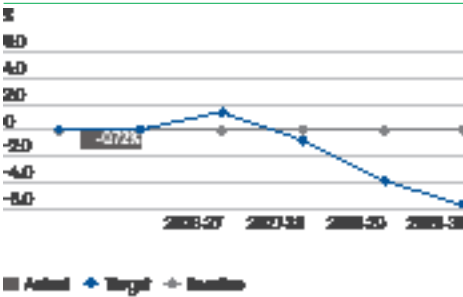
The primary drivers of underperformance were extreme weather conditions, including heavy rainfall events which exceeded network capacity in certain locations. These impacts were exacerbated in areas with ageing assets or hydraulic constraints.

Operational response was strong, with rapid mobilisation of field teams to manage incidents and mitigate customer impact. However, the frequency and severity of weather events led to a higher number of incidents overall.

The number of sewer connections is 22,000 (2.68%) less than expected in our business plan, the in year reduction in new connections is detailed in the commentary for table 4R on page 188.

We are addressing this through targeted investment in network capacity, sewer rehabilitation programmes and enhanced modelling to identify high-risk areas. These actions are expected to improve resilience and reduce flooding incidents over time.

3A.20 Operational greenhouse gas emissions (wastewater)
-0.72%



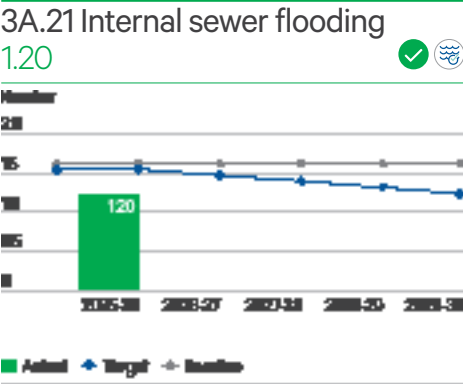
This measure tracks operational greenhouse gas emissions associated with wastewater operations.

Performance showed an marginal increase of 0.7% from our baseline operational greenhouse gases, resulting in an ODI underperformance payment of **£0.122m**.

The exceptional weather also played a role in impacting on our performance against this measure. Following a drier summer period when our emissions performance under this measure tracked positive to target we then subsequently experienced 50% more rainfall than usual in January 2026 with the exceptional rainfall conditions continuing deeper into 2026 where it rained every day during in South West England in the early months of the year.

Our switch to using low carbon alternative fuels in some of our wastewater stand-by generation assets, combined with our third-party sludge recycling contractor also switching to using low carbon fuel for their HGV tanker fleet, has improved our performance under this measure. Hydrotreated Vegetable Oil (HVO) is a direct replacement fuel for diesel that results in around a 90% reduction in carbon emissions and we have been using HVO to fuel our more modern ‘HVO ready’ generating sets in 2025/26 and are encouraging more of our supply chain partners to adopt the use of this fuel for the services they provide to South West Water.

Performance summary – SWB continued



This metric measures the number of internal sewer flooding incidents per 10,000 properties, representing those incidents with the most significant customer impact.

In 2025–26, performance was favourable to our target, resulting in an ODI outperformance payment of **£1.613m**, driven by a decrease in the number of internal flooding events.

This number includes internal floodings at properties which do not meet building regulation standards; 12 from internal manholes not being properly sealed or secured, and 10 at built-over gullies. As these homes are left vulnerable and open to the sewer network by property owners, we are requesting Ofwat review whether companies should be penalised and remove them from the ODI in the future. Excluding these instances caused by third party activity would have reduced the ODI from 1.20 to 0.93 and increased the resulting reward from 1.579 to 2.912

Internal sewer flooding incidents increased to 1.20 per 10,000 connections, with almost double the number of incidents in January 2026 and February 2026. While this is an increase year-on-year, it remained below the target of 1.34 and we expect it to remain a strong position compared with industry performance.

We recognise the significant impact sewer flooding can have on customers when homes, businesses and properties are affected.

We have prioritised activity to reduce sewer flooding incidents, while continuing to target resilient network performance and reduce blockages and collapses. During the year we enhanced the compensation we provide when internal flooding occurs.

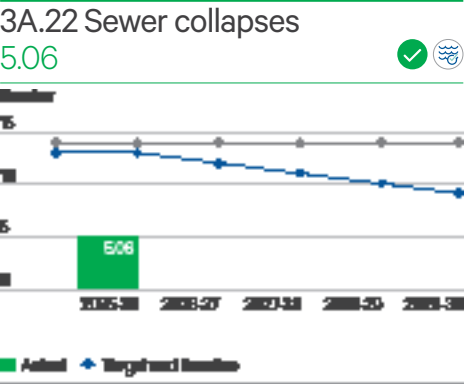
Of the 96 incidents, we are proposing that 28 incidents be considered for exclusion on the basis that they were unforeseen and not preventable by the company. These exclusions are grouped into three categories:

A total of 12 internal flooding incidents occurred as a result of sewage escaping from internal manhole covers that were not properly sealed or secured to prevent discharge into a property. Of these incidents, 11 were caused by blockages within the public sewer network, while one resulted from hydraulic overload. We consider that, had the internal manhole covers been appropriately mitigated through effective sealing and/or secure bolting, sewage would not have escaped, and the internal flooding of the property would have been prevented.

A total of 10 internal flooding incidents occurred due to sewage escaping from internal gullies that had been left open and not adequately mitigated to protect the property from any discharge. We consider that, had the internal gullies been appropriately mitigated, covered and sealed, no sewage would have escaped and therefore internal flooding of the property would have been prevented.

The number of sewer connections is 22,000 (2.68%) less than expected in our business plan, the in year reduction in new connections is detailed in the commentary for table 4R on page 188.

A total of six internal flooding incidents occurred as a result of toilet bowl water and/or jetter water spilling while the line was being jetted for maintenance and blockage clearance, with no sewage involved in the escape. We consider that, as no sewage was present, these incidents should be considered for exclusion.



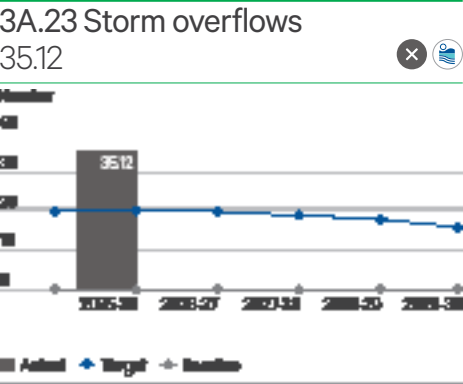
This measure tracks the number of sewer collapses per 1,000km of sewer, reflecting underlying asset condition.

In 2025–26, performance was favourable to our target, resulting in an ODI outperformance payment of **£1.930m**.

Sewer collapses reduced by 33% year-on-year, reflecting targeted network activity to reduce blockages and improve performance

Performance has seen significant improvements since 2024/25. The level of collapses reflects the age and condition of parts of the sewer network, with failures occurring where assets are most deteriorated. Weather variability also contributed to ground movement, increasing the likelihood of collapse in some areas.

We continue to invest in sewer rehabilitation and replacement programmes, supported by condition assessment and risk-based prioritisation.



This measure captures the frequency and duration of storm overflow operation.

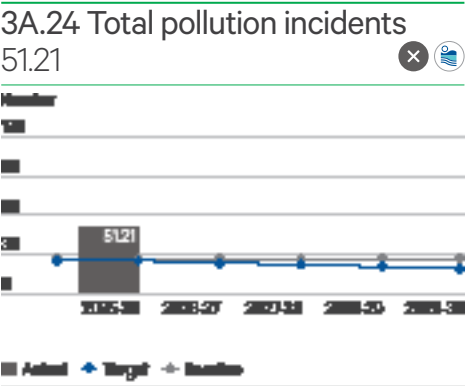
In 2025–26, performance was adverse to target due to spill frequency, resulting in a ODI underperformance payment of **£5.292m**.

The primary driver was above-average rainfall, particularly in the winter months, leading to increased use of storm overflows as part of normal network operation to prevent sewer flooding.

Importantly, underlying improvements are being realised, with storm overflow usage and duration reducing as a result of continued investment in infrastructure and monitoring.

A substantial investment programme is underway, including storage expansion, network separation and nature-based solutions. These interventions form part of a long-term strategy to reduce storm overflow reliance and improve environmental outcomes, with benefits expected to be delivered progressively over the AMP.

Performance summary – SWB continued



This measures the total number of pollution incidents (categories 1 to 3) impacting the environment.

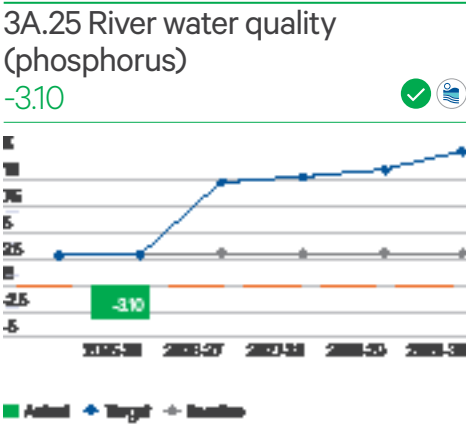
On 30 June, Ofwat confirmed that the sewer length for 2025-26 is 24,215km (a change to the length stated at the PR24 final determination).

In 2025-26, pollution performance remained adverse to target, contributing to ODI underperformance, with an ODI underperformance payment of **£11.317m**.

Performance reflects a combination of operational challenges, asset performance issues and weather-related pressures, particularly during periods of intense rainfall which increased system stress and incident risk.

The PIRP focuses on improving asset reliability, strengthening maintenance regimes, and enhancing monitoring and operational response. Pollution reduction remains a key strategic priority, aligned with wider environmental commitments and regulatory expectations.

Continued investment in wastewater infrastructure, catchment-based solutions and operational improvements is expected to deliver sustained reductions in pollution incidents over the AMP period.

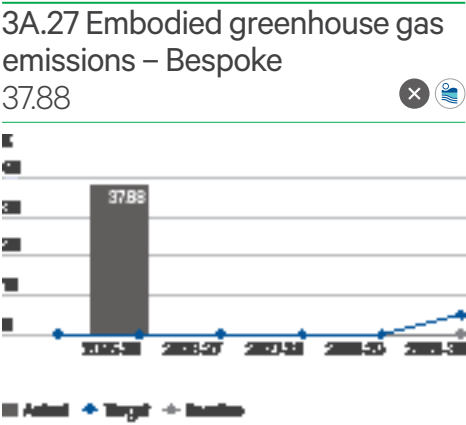


This measure assesses the company's impact on river water quality, reflecting environmental outcomes from wastewater operations.

River quality outcomes were influenced by storm overflow activity, pollution incidents and catchment pressures, including agricultural run-off and rainfall patterns.

We are working in partnership with regulators and catchment stakeholders to improve river health, supported by investment in treatment performance and storm overflow reduction.

These combined measures are expected to drive further improvements over the longer term.



This measure tracks embodied carbon associated with capital investment programmes.

This reflects the early stage of integrating low-carbon design approaches across the capital programme, with some projects delivered using traditional construction methods.

We are embedding carbon reduction into capital delivery through design optimisation, material selection and supply chain engagement.

As these approaches become fully integrated, we expect to see progressive reductions in embodied carbon intensity over the AMP period.

It is not possible to determine if the performance commitment has led to the creation of other pollution types and/or sources of pollution shifting to a different environmental medium. We intend to investigate any of these outcomes in future years.

Performance summary – SWB continued

Table 3B – Underlying data – measures of experience performance commitments

	Value Nr
Business customer and retailer measure of experience (BR-MeX)	
Annual customer satisfaction score for the Business customer contact survey (B-MeX)	62.85
Annual retailer satisfaction score for the Retailer experience survey (R-MeX)	80.77
Annual MPF Score	75.46
Annual BR-MeX score	70.48
Customer measure of experience (C-MeX)	
Annual customer satisfaction score for the customer service survey	50.57
Annual customer satisfaction score for the customer experience survey	55.67
Annual C-MeX score	52.27
Total household complaints	18,938
Total connected household properties	1,034,221
Total household complaints per 10,000 connections	183.11
Developer measure of experience (D-MeX)	
Developer satisfaction (small developers) qualitative component annual results	73.93
Developer satisfaction (large developers) qualitative component annual results	79.65
Quantitative component annual results	99.54
D-MeX score	84.37

Business customer and retailer measure of experience (BR-MeX) is Ofwat's measure of how business customers and retailers experience our services. It reflects feedback on service reliability, communication, responsiveness, and overall satisfaction, helping us understand what is working well and where we need to improve.

This is the first year of BR-MeX reporting, with South West Water achieving a year-end score of 70.48 and improving its industry ranking from 14th to 13th. Performance was impacted by below-average B-MeX and declining MPF results, driven by communication issues, resolution delays and operational performance challenges. However, R-MeX performance improved through the year, supported by strong retailer relationships and service quality. Improvement plans for 2026/27 focus on enhancing customer communication, speeding up issue resolution, improving data quality and strengthening market performance processes.

Customer measure of experience (C-MeX) is Ofwat's measure of customer experience, capturing feedback from customers who contact us and broader perception surveys. We triangulate this with operational data to focus on what matters most to customers.

Performance remained below the industry average throughout 2025/26, with a year-end score of 52.27 and a ranking of 15th. Direct comparison with prior years is limited due to changes in the AMP8 C-MeX methodology, customer feedback highlighted communication, speed of response and issue resolution as the main drivers of dissatisfaction, with some improvement seen during the second half of the year. Customer complaints increased significantly, driven by customer concerns over bill rises and cost pressures. In response, South West Water has enhanced customer communications, increased contact centre resources, improved complaint handling processes and targeted support for financially vulnerable customers to improve customer experience in 2026/27.

Levels of service performance metrics

Calculating the D-MeX quantitative component

	Reporting period (1 April to 31 March) %
W1.1 Pre-development enquiry – reports issued	100.00%
W3.1 s45 quotations	97.07%
W4.1 s45 service pipe connections	99.97%
W6.1 Mains design <500 plots – quotations	96.15%
W7.1 Mains design >500 plots – quotations	100.00%
W8.1 Mains construction	100.00%
W17.1 Mains diversions (without constraints) – quotations	97.22%
W17.2 Mains diversions (with constraints) – quotations	–
W18.1 Mains diversions – construction/commissioning	100.00%
S1.1 Pre-development enquiry – reports issued	100.00%
S3.1 Sewer requisition design – offers issued	100.00%
S4.1 Sewer requisition – constructed and commissioned	100.00%
WN1.1 % of confirmations issued to the applicant within target period	100.00%
WN2.2 % Bulk supply offer letters issued to the applicant within target period	99.12%
WN4.1 % of main laying schemes constructed and commissioned within the target period	100.00%
WN4.2 % of testing supplies provided within target period	–
WN4.3 % of permanent supplies made available within the target period	–
SN2.2 % Bulk discharge offer letters issued to the applicant within target period	100.00%
SN4.1 % of main laying schemes constructed and commissioned within the target period	–
SAM 3/1 Update draft agreement	100.00%
SAM 4/1 Inspections and construction period	100.00%
SLPM - S1/2 Review PoC proposal	–
SLPM - S2/2a Provide Design	100.00%
SLPM - S2/2b - Water Company to Provide design acceptance	100.00%
SLPM - S3 review/revise Water Adoption agreement	100.00%
SLPM - S4/1 Source of Water Delivery Date	100.00%
SLPM - S5/1a Review request and carry out Final Connection	100.00%
SLPM - S7/1 Validate notification and provide consent to progress with connection	100.00%

D-MeX quantitative score (for the reporting period) 99.54%

Developer measure of experience (D-MeX) is Ofwat's measure of service experience for developers which directly compares us with our peers. South West Water achieved a D-MeX score of 84.37 in 2025/26, maintaining its 6th place industry ranking despite an industry-wide reduction in scores following Ofwat's AMP8 methodology changes. Performance was supported by continued investment in customer service improvements, including enhanced digital services, extended support availability and improved customer insight capabilities to proactively address issues and improve the developer experience. The company also continued to work closely with developers, self-lay providers and NAVs while supporting regional growth through infrastructure planning, investment and engagement with local planning authorities.



Performance summary – SWB continued

Table 3C – Underlying calculations and supplementary data – customer facing performance commitments

	Unit	Standardising data indicator	Standardising data numerical value Nr.	Performance level – actual (current reporting year)	Performance level – Calculated (i.e. standardised)
Performance commitments set in standardised units					
Internal sewer flooding					
Internal sewer flooding – customer proactively reported	Number of internal sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	799.21	92.00	1.15
Internal sewer flooding – company reactively identified (ie neighbouring properties)	Number of internal sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	799.21	4.00	0.05
Internal sewer flooding	Number of internal sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	799.21	96.00	1.20
External sewer flooding					
External sewer flooding – customer proactively reported	Number of external sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	799.21	1,357.00	16.98
External sewer flooding – company reactively identified (ie neighbouring properties)	Number of external sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	799.21	85.00	1.06
External sewer flooding	Number of external sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	799.21	1,442.00	18.04
Customer contacts about water quality					
Customer contacts – taste and odour	Number of contacts per 1,000 resident population	“Resident population (thousands)”	2,307.11	851.00	0.37
Customer contacts – appearance	Number of contacts per 1,000 resident population	“Resident population (thousands)”	2,307.11	2,715.00	1.18
Customer contacts about water quality	Number of contacts per 1,000 resident population	“Resident population (thousands)”	2,307.11	3,566.00	1.55

Performance summary – SWB continued

Table 3C – Underlying calculations and supplementary data – customer facing performance commitments continued

	Unit	Standardising data indicator	Standardising data numerical value	Total minutes lost	Number of properties supply interrupted	Calculated performance level	
Water supply interruptions							
Water supply interruptions (≥3 hours)		Average number of minutes lost per property per year	Number of properties (thousands)	1,111	76,899,194	107,145	01:09:14
Water supply interruptions (≥6 hours)		Average number of minutes lost per property per year	Number of properties (thousands)	1,111	64,773,779	58,465	00:58:19
Water supply interruptions (≥12 hours)		Average number of minutes lost per property per year	Number of properties (thousands)	1,111	52,204,075	32,210	00:47:00
Water supply interruptions (≥24 hours)		Average number of minutes lost per property per year	Number of properties (thousands)	1,111	33,562,407	13,444	00:30:13

Performance summary – SWB continued

Table 3C – Underlying calculations and supplementary data – customer facing performance commitments continued

Supplementary data – customer experience common performance commitments

	Performance level – Actual (current reporting year) No.
Internal sewer flooding	
Number of internal sewer flooding incidents with a root cause of hydraulic overloading	22
Number of internal sewer flooding incidents with root cause of sewer blockage	65
Number of internal sewer flooding incidents with root cause of sewer collapse	1
Number of internal sewer flooding incidents with root cause of equipment failure	-
Number of internal sewer flooding incidents with root cause not specified above	8
Number of properties that have experienced more than one internal sewer flooding incident within the last year	1
Total number of internal sewer flooding incidents arising from properties that have experienced more than one internal sewer flooding incident within the last year	2
Number of properties that have experienced more than one internal sewer flooding incident within the last three years	3
Total number of internal sewer flooding incidents arising from properties that have experienced more than one internal sewer flooding incident within the last three years	6
Number of properties that have experienced more than one internal sewer flooding incident within the last five years	3
Total number of internal sewer flooding incidents arising from properties that have experienced more than one internal sewer flooding incident within the last five years	6

Performance level
– Actual (current
reporting year)
No.

External sewer flooding	
Number of external sewer flooding incidents with a root cause of hydraulic overloading	187
Number of external sewer flooding incidents with root cause of sewer blockage	1,110
Number of external sewer flooding incidents with root cause of sewer collapse	34
Number of external sewer flooding incidents with root cause of equipment failure	8
Number of external sewer flooding incidents with root cause not specified above	103
Number of properties that have experienced more than one external sewer flooding incident within the last year	112
Total number of external sewer flooding incidents arising from properties that have experienced more than one external sewer flooding incident within the last year	271
Number of properties that have experienced more than one external sewer flooding incident within the last three years	284
Total number of external sewer flooding incidents arising from properties that have experienced more than one external sewer flooding incident within the last three years	772
Number of properties that have experienced more than one external sewer flooding incident within the last five years	356
Total number of external sewer flooding incidents arising from properties that have experienced more than one external sewer flooding incident within the last five years	1,069

Performance summary – SWB continued

Table 3D – Underlying calculations and supplementary data – demand common performance commitments

	Units	2017-18 baseline	2018-19 baseline	2019-20 baseline	2023-24	2024-25	2025-26
Leakage – company level							
Annual average leakage	MI/d	128.3	120.8	123.5	118.5	107.8	113.5
Three-year average leakage	MI/d			124.2			113.3
% reduction in 3 – year average leakage from 2019-20 baseline	%						8.8%
Per capita consumption- company level							
Annual average PCC	l/h/d	141.9	152.1	144.0	147.3	148.4	147.5
Three-year average PCC	l/h/d			146.0			147.7
% reduction in 3 – year average PCC from 2019-20 baseline	%						–
Annual household consumption level	MI/d						346.6
Total household population	000s						2,350.384
Business demand – company level – performance							
Annual average business demand (incl. voids)	MI/d	141.8	150.3	158.6	151.9	155.5	161.7
Three-year average business demand (incl. voids)	MI/d			150.2			156.4
% reduction in 3 – year average business demand from 2019-20 baseline (incl. voids)	%						–
Annual average business consumption (excl. voids)	MI/d						161.1
Annual average business voids consumption	MI/d						0.6
Business demand – company level – annual changes							
Annual average business demand (incl. voids) variance of reporting year from previous year	MI/d						6.2
Increase in business demand in reporting year due to new business demand (new supply points).	MI/d						0.1
Changes in existing business demand (existing supply points) in reporting year compared to previous year.	MI/d						6.1

Performance summary – SWB continued

Table 3E – Underlying calculations and supplementary data – environmental common performance commitments

	Unit	Standardising data indicator	Standardising data numerical value	Performance level – Actual (current reporting year)	Performance level – Calculated (i.e. standardised)
Serious pollution incidents					
Number of serious pollution incidents (water)	Number			–	–
Number of serious pollution incidents (wastewater)	Number			3	3
Number of serious pollution incidents	Number			3	3
Total pollution incidents					
Pollution incidents – category 1 (wastewater)		Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	24,215.00	
				1.00	0.41
Pollution incidents – category 2 (wastewater)		Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	24,215.00	
				2.00	0.83
Pollution incidents – category 3 (wastewater)		Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	24,215.00	
				121.00	49.97
Pollution incidents – dry day spills		Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	24,215.00	
				4,345.00	1,794.34
Pollution incidents – Total (wastewater)		Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	24,215.00	
				124.00	51.21
Storm overflows					
Total number of monitored spills	Number			46,164.00	
Total number of storm overflows	Number			1,353.00	
Uptime	% EDM uptime			99.00%	
Average number of spills per overflow – monitored	Number				34.12
Unmonitored storm overflows adjustment	Number				1
Average number of spills per overflow – with unmonitored adjustment	Number				35.12

Performance summary – SWB continued

Table 3E – Underlying calculations and supplementary data – environmental common performance commitments continued

	Unit	Standardising data indicator	Standardising data numerical value	Performance level – Actual (current reporting year)	Performance level – Calculated (i.e. standardised)	PC definition weighting	
Bathing water quality							
Number of ‘poor’ bathing waters	Bathing water quality score	Number of bathing sites		6	–		
Number of ‘sufficient’ bathing waters	Bathing water quality score	Number of bathing sites		4	1.3	0.33	
Number of ‘good’ bathing waters	Bathing water quality score	Number of bathing sites		21	13.9	0.66	
Number of ‘excellent’ bathing waters	Bathing water quality score	Number of bathing sites		126	126.0	1	
Bathing water quality	Bathing water quality score	Total number of bathing sites	157.00		89.9		
	Unit	Standardising data indicator	Standardising data numerical value	Baseline	Current reporting year	Performance level – Net change	Performance level – Calculated (i.e. standardised)
Biodiversity							
Biodiversity net change – area	Net change in biodiversity per 100km²	Company land area (100km²)	123.42	–	–	–	–
Biodiversity net change – hedgerow	Net change in biodiversity per 100km²	Company land area (100km²)	123.42	–	–	–	–
Biodiversity net change – river	Net change in biodiversity per 100km²	Company land area (100km²)	123.42	–	–	–	–
Biodiversity net change – total	Net change in biodiversity per 100km²	Company land area (100km²)	123.42	–	–	–	–
River water quality							
Phosphorus emitted from treatment works that had a phosphorus limit for the latest calendar year.	% reduction in phosphorus emissions	2020 baseline	182,500.50	23,333.64	17,671.60	(5,662.04)	(3.10%)
Phosphorus prevented from entering rivers from partnership working	% reduction in phosphorus emissions	2020 baseline	182,500.50	–	–	–	–
Reduction in phosphorus	% reduction in phosphorus emissions	2020 baseline	182,500.50	23,333.64	17,671.60	(5,662.04)	(3.10%)

Performance summary – SWB continued

Table 3E – Underlying calculations and supplementary data – environmental common performance commitments continued

	Actual tCO ₂ e
Operational greenhouse gas emissions (water)	
Scope one emissions	
Direct emissions from burning of fossil fuels (location-based)	2,010.23
Process and fugitive emissions (incl. refrigerants)	0.98
Emissions from vehicle transport (owned or leased)	1,930.39
Emissions from land	–
Total scope one emissions	3,941.60
Scope two emissions	
Purchased electricity (location-based)	33,224.93
Purchased heat	–
Electric vehicles	57.67
Removal of electricity to charge electric vehicles	(35.70)
Total scope two emissions	33,246.90
Scope three emissions	
Business travel on public transport and private vehicles used for company business	539.48
Outsourced activities	3,683.42
Purchased electricity: extraction, production, transmission and distribution (location based)	11,720.14
Purchased heat: extraction, production, transmission and distribution	–
Purchased fuels: extraction, production, transmission and distribution	1,870.02
Chemicals	15,358.09
Total scope three emissions	33,171.15
Emissions reductions	
Exported renewables (generated onsite and exported)	–
Exported biomethane (generated onsite and exported)	–
Insets	–
Total emissions reductions	–
Baseline tCO ₂ e (2024-2025)	67,329.00
Gross emissions	70,359.65
Net emissions	70,359.65
Percentage reduction from 2024-25 baseline (tonnes CO₂e)	(4.50)
Emissions by base expenditure	70,359.65
Emissions by enhancement expenditure	–
Emissions by net zero enhancement scheme	–

	Actual tCO ₂ e
Operational greenhouse gas emissions (wastewater)	
Scope one emissions	
Direct emissions from burning of fossil fuels (location-based)	330.68
Process and fugitive emissions (incl. refrigerants)	14,585.62
Emissions from vehicle transport (owned or leased)	1,930.39
Emissions from land	–
Total scope one emissions	16,846.69
Scope two emissions	
Purchased electricity (location-based)	31,902.86
Purchased heat	–
Electric vehicles	44.78
Removal of electricity to charge electric vehicles	(22.80)
Total scope two emissions	31,924.84
Scope three emissions	
Business travel on public transport and private vehicles used for company business	539.48
Outsourced activities	3,683.42
Purchased electricity: extraction, production, transmission and distribution (location based)	11,254.09
Purchased heat: extraction, production, transmission and distribution	–
Purchased fuels: extraction, production, transmission and distribution	1,581.55
Chemicals	8,664.00
Disposal of waste	9,863.89
Total scope three emissions	35,586.43
Emissions reductions	
Exported renewables (generated onsite and exported)	–
Exported biomethane (generated onsite and exported)	–
Insets	–
Total emissions reductions	–
Baseline tCO ₂ e (2024-2025)	83,752.00
Gross emissions	84,357.96
Net emissions	84,357.96
Percentage reduction from 2024-25 baseline (tonnes CO₂e)	– 0.72%
Emissions by base expenditure	84,357.96
Emissions by enhancement expenditure	–
Emissions by net zero enhancement scheme	–

Performance summary – SWB continued



Table 3E – Underlying calculations and supplementary data – environmental common performance commitments continued
Additional supplementary data – environmental common performance commitments

							Unit	Performance level – Actual (current reporting year)
Storm overflows								
Average spills per overflow performance assuming 100% monitoring					Average spills per storm overflow			34.46
Spills under verified trial conditions					Total spills – number			–
Spills outside of verified trial conditions					Total spills – number			46,164.00
							Total number of spills associated with NBS trials (outside of PR24 forecast performance)	
	Storm overflow name	WINEP ID	SOAP ID	Months valid trial in operation during reporting year	Number of spills (under verified trial conditions)	Number of spills included in the PR24 PCL		
Storm overflows – wetland trial information								
Trial overflow information – trial site 1							–	
Trial overflow information – trial site 2							–	
Trial overflow information – trial site 3							–	
Trial overflow information – trial site 4							–	
Trial overflow information – trial site 5							–	

Performance summary – SWB continued

Table 3F – Underlying calculations- asset health common performance commitments

	Unit	Standardising data indicator	Standardising data numerical value	Performance level – Actual (current reporting year)	Performance level – Calculated (i.e. standardised)
Repairs to burst mains					
Mains repairs – Reactive		Mains repairs per 1,000km	Mains length in km	18,632.7	1,863.0
Mains repairs – Proactive		Mains repairs per 1,000km	Mains length in km	18,632.7	1,291.0
Mains repairs		Mains repairs per 1,000km mains length	Mains length in km	18,632.7	3,154.0
Sewer collapses					
Sewer collapses		Number of sewer collapses per 1,000km of all sewers	Sewer length in km	25,481.00	129.00
Unplanned outage					
Unplanned outage		% loss of company peak week production capacity	895.62	21.38	2.39%

Performance summary – SWB continued

Table 3G – Underlying calculations- compliance based common performance commitments

	Unit	Standardising data indicator	Standardising data numerical value	Performance level – Actual (current reporting year)	Performance level – Calculated (i.e. standardised)
Discharge permit compliance					
Discharge permit compliance (water)	% permit compliance	Number of numeric discharge permits (water)	11.00	–	100.00
Discharge permit compliance (wastewater)	% permit compliance	Number of numeric discharge permits (wastewater)	305.00	6.00	98.03
Discharge permit compliance	% permit compliance	Number of numeric discharge permits (total)	316.00	6.00	98.10
Compliance risk index					
Water treatment works compliance risk index score	Number			0.06	
Service reservoirs compliance risk index score	Number			0.03	
Supply points compliance risk index score	Number			0.16	
Customer zones compliance risk index score	Number			1.13	
Compliance risk index	Number				1.37

Performance summary – SWB continued

Table 3H – Underlying calculations and supplementary data- bespoke performance commitments

	Units	Constant	2025-26	2026-27	2027-28	2028-29	2029-30
Embodied greenhouse gas emissions (SWB)							
Total capital delivery spend	£m		407.57				
Total capital delivery spend, cumulative	£m		407.57				
Tonnes CO ₂ e emitted	tCO ₂ e		97,613.58				
Tonnes CO ₂ e emitted, cumulative	tCO ₂ e		97,613.58				
Tonnes CO ₂ e per £1m	tCO ₂ e/£m		239.50				
Baseline	tCO ₂ e/£m	385.56					
Baseline conversion	tCO ₂ e/£m		157,142.69				
Reduction % from baseline	%		37.88%				

£407.57m capital delivery spend. From SWB financial transaction reports (Capex Only). This value accords with expected capital delivery spend volumes in 2025/26, albeit with some variance from our expected spend volume forecast at the time of PR24 which was forecast to be £381.72m.

97,620.62 tCO₂e emissions from SWB capital delivery (Capex related only) in 2025/26. We note that emissions are lower than expected from the capital delivery expenditure levels we have seen, with capital delivery expenditure marginally above our PR24 forecast (£407.57 actual vs £381.72m forecast). This is to be expected in the first year of AMP8 given much of the capital delivery spend has been focussed on relatively lower emissions related activities such as preliminary capital project investigations, feasibility and project planning through design consultants, with more 'hard engineering' and construction activity expected to have a greater impact on emissions in AMP years 2,3,4 and 5 where we expect emissions could increase as a proportion of spend.

It is noted that as our bespoke Embodied Greenhouse Gas Emissions Performance Commitment has been calculated on a 'spend-based' approach for 2025/26, ahead of any substitution of spend based data with primary activity-based data for future years, it is not possible to determine if the performance commitment has led to the creation of other pollution types and/or sources of pollution shifting to a different environmental medium. We intend to investigate any of these outcomes once we begin reporting outputs using a proportion of activity-based data.

Additional regulatory information – service level – SWB

Table 4A – Water bulk supply information

for the 12 months ended 31 March 2026

	Volume MI	Operating costs £m	Revenue £m
Bulk supply exports			
Golf Links Reservoir, Lyme Regis, Dorset, DT7 - SWTBWE2 - Charmouth / Lyme Regis	3.171	–	0.010
Wellington Monument Road, Hemyock, Devon, EX15 - SWTBWE1	6.284	–	0.016
Reciprocal Resilience agreement - SBWBWE2 - (Canford Bottom / Corfe Hills)	–	–	–
Stubhampton / Crichel	–	–	–
Whiteparish / Standlynch	–	–	–
Last Mile	15.347	–	0.042
ESP	13.312	–	0.023
IWNL	86.504	–	0.156
Total bulk supply exports	124.618	–	0.247

	Volume MI	Operating costs £m
Bulk supply imports		
Reciprocal Resilience agreement - SBWBWE2 - (Canford Bottom / Corfe Hills)	–	–
Total bulk supply imports	–	–

The reciprocal resilience agreement (Canford Bottom/Corfe Hills) is a long standing agreement with Wessex Water in our Bournemouth Water region. This agreement is based upon equal imports and exports over the longer term (i.e. net zero import/export). Operating costs in respect of the bulk supply exports and imports are limited in the year to trivial maintenance costs.

As these are reciprocal agreements with Wessex the custom and practice is to report these as nil.

NAV (New Appointments and Variations) sites in the region continue to expand as new sites come on line and existing ones are completed. Due to the number of individual sites we have consolidated the data to report by NAV rather than by individual site.

4B – Analysis of Debt

In accordance with RAG 316, point 2.7, table 4B is not required to be included as part of the APR due to its size, but it is included within the APR tables on our website.

Additional regulatory information – service level – SWB continued

Table 4C – Actual expenditure against cost allowances by cost sharing rate

	12 months ended 31 March 2026				Price control period to date			
	Water resources £m	Water network plus £m	Wastewater network plus £m	Bioresources £m	Water resources £m	Water network plus £m	Wastewater network plus £m	Bioresources £m
Standard base								
Final determination allowed totex	23.123	189.513	173.008	32.995	23.123	189.513	173.008	32.995
Actual totex	18.204	244.358	220.112	25.919	18.204	244.358	220.112	25.919
Disallowable costs	7.732	2.027	0.178	0.063	7.732	2.027	0.178	0.063
Total actual totex	10.472	242.331	219.934	25.856	10.472	242.331	219.934	25.856
Variance	(12.651)	52.818	46.926	(7.139)	(12.651)	52.818	46.926	(7.139)
Variance due to timing of expenditure	–	–	–	–	–	–	–	–
Variance due to efficiency	(12.651)	52.818	46.926	(7.139)	(12.651)	52.818	46.926	(7.139)
Company cost sharing rate – outperformance	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Company cost sharing rate – underperformance	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Company share of totex outperformance	(6.325)	–	–	(3.569)	(6.325)	–	–	(3.569)
Company share of totex underperformance	–	26.409	23.463	–	–	26.409	23.463	–
Business rates								
Final determination allowed totex	1.850	17.485	7.561	2.352	1.850	17.485	7.561	2.352
Actual totex	1.784	16.741	7.980	0.731	1.784	16.741	7.980	0.731
Variance	(0.066)	(0.744)	0.419	(1.621)	(0.066)	(0.744)	0.419	(1.621)
Company cost sharing rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Company share of outperformance	(0.007)	(0.074)	–	(0.162)	(0.007)	(0.074)	–	(0.162)
Company share of underperformance	–	–	0.042	–	–	–	0.042	–
Abstraction charges and discharge consents								
Final determination allowed totex	6.300	0.685	10.673	–	6.300	0.685	10.673	–
Actual totex	3.049	2.718	13.330	0.285	3.049	2.718	13.330	0.285
Variance	(3.251)	2.033	2.657	0.285	(3.251)	2.033	2.657	0.285
Company cost sharing rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Company share of outperformance	(0.813)	–	–	–	(0.813)	–	–	–
Company share of underperformance	–	0.508	0.664	0.071	–	0.508	0.664	0.071
Standard enhancement								
Final determination allowed totex	10.379	79.690	208.864	8.119	10.379	79.690	208.864	8.119
Actual totex	10.081	69.941	118.214	–	10.081	69.941	118.214	–
Disallowable costs	–	–	–	–	–	–	–	–
Total actual totex	10.081	69.941	118.214	–	10.081	69.941	118.214	–
Variance	(0.298)	(9.749)	(174.318)	(8.119)	(0.298)	(9.749)	(174.318)	(8.119)
Variance due to timing of expenditure	–	–	–	–	–	–	–	–
Variance due to efficiency	(0.298)	(9.749)	(174.318)	(8.119)	(0.298)	(9.749)	(174.318)	(8.119)
Company cost sharing rate – outperformance	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
Company cost sharing rate – underperformance	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
Company share of totex outperformance	(0.119)	(3.900)	(69.727)	(3.248)	(0.119)	(3.900)	(69.727)	(3.248)
Company share of totex underperformance	–	–	–	–	–	–	–	–

Additional regulatory information – service level – SWB continued

Table 4C – Actual expenditure against cost allowances by cost sharing rate continued

	12 months ended 31 March 2026				Price control period to date			
	Water resources £m	Water network plus £m	Wastewater network plus £m	Bioresources £m	Water resources £m	Water network plus £m	Wastewater network plus £m	Bioresources £m
25:25 enhancement								
Final determination allowed totex	-	-	-	8.720	-	-	-	8.720
Actual totex	-	-	-	-	-	-	-	-
Disallowable costs	-	-	-	-	-	-	-	-
Total actual totex	-	-	-	-	-	-	-	-
Variance	-	-	-	(8.720)	-	-	-	(8.720)
Variance due to timing of expenditure	-	-	-	-	-	-	-	-
Variance due to efficiency	-	-	-	(8.720)	-	-	-	(8.720)
Company cost sharing rate – outperformance	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Company cost sharing rate – underperformance	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Company share of totex outperformance	-	-	-	(2.180)	-	-	-	(2.180)
Company share of totex underperformance	-	-	-	-	-	-	-	-
40:10 enhancement								
Final determination allowed totex	4.790	3.659	16.238	-	4.790	3.659	16.238	-
Actual totex	2.028	-	9.085	-	2.028	-	9.085	-
Disallowable costs	-	-	-	-	-	-	-	-
Total actual totex	2.028	-	9.085	-	2.028	-	9.085	-
Variance	(2.762)	(3.659)	(7.153)	-	(2.762)	(3.659)	(7.153)	-
Variance due to timing of expenditure	-	-	-	-	-	-	-	-
Variance due to efficiency	(2.762)	(3.659)	(7.153)	-	(2.762)	(3.659)	(7.153)	-
Company cost sharing rate – outperformance	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Company cost sharing rate – underperformance	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
Company share of totex outperformance	(0.276)	(0.366)	(0.715)	-	(0.276)	(0.366)	(0.715)	-
Company share of totex underperformance	-	-	-	-	-	-	-	-
SRO – use it or lose it								
Final determination allowed totex	2.105	16.160	-	-	2.105	16.160	-	-
Actual totex	0.098	12.285	-	-	0.098	12.285	-	-
Disallowable costs	-	-	-	-	-	-	-	-
Total actual totex	0.098	12.285	-	-	0.098	12.285	-	-
Variance	(2.007)	(3.875)	-	-	(2.007)	(3.875)	-	-
Variance due to timing of expenditure	-	-	-	-	-	-	-	-
Variance due to efficiency	(2.007)	(3.875)	-	-	(2.007)	(3.875)	-	-
Company cost sharing rate – outperformance	-	-	-	-	-	-	-	-
Company cost sharing rate – underperformance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Company share of totex outperformance	-	-	-	-	-	-	-	-
Company share of totex underperformance	-	-	-	-	-	-	-	-

Additional regulatory information – service level – SWB continued

Table 4C – Actual expenditure against cost allowances by cost sharing rate continued

	12 months ended 31 March 2026				Price control period to date			
	Water resources £m	Water network plus £m	Wastewater network plus £m	Bioresources £m	Water resources £m	Water network plus £m	Wastewater network plus £m	Bioresources £m
Totex not subject to cost sharing								
Final determination allowed totex – not subject to cost sharing	–	15.381	7.544	–	–	15.381	7.544	–
Actual totex – not subject to cost sharing	13.100	10.143	1.218	–	13.100	10.143	1.218	–
Variance	13.100	(5.238)	(6.327)	–	13.100	(5.238)	(6.327)	–
Variance due to timing	–	–	–	–	–	–	–	–
Variance for company	13.100	(5.238)	(6.327)	–	13.100	(5.238)	(6.327)	–
Total company variance	10.890	13.174	(16,608)	(9.311)	10.890	13.174	(16,608)	(9.311)

Commentary

Differences between PR24 Final Determination allowances and reported actual opex and capex reflect the phasing of expenditure across the regulatory period. The FD allowances are based on an assumed delivery profile, whereas actual expenditure reflects programme-specific factors such as project timing, changes in scope, and delivery constraints. As a result, expenditure may be incurred earlier or later than assumed, leading to divergence between reported opex and capex and the corresponding FD allowances in the reporting year.

For totex not subject to cost sharing for example, more cost has been incurred than expected as a result of increase in the number of housing developments, thus requiring new connections and requisitions spend this year.

The increase in PR24 Final Determination financial allowances reflects updated evidence on efficient costs, stronger environmental delivery requirements, and revised financing assumptions that better reflect current market conditions and delivery risk. Our business plan incorporated substantial efficiency savings and that additional expenditure was required to deliver statutory drinking water, environmental, resilience and leakage commitments.

	Water £m	Wastewater £m	Total Wholesale £m
Table 4C summary			
Final determination allowance excluding business rates, abstraction licences and grants and contributions	344.800	455.489	800.289
Final determination allowance business rates and abstraction licences	386.501	483.619	870.120
Total	731.301	939.107	1,670.408
Actual excluding business rates, abstraction licences and grants and contributions	374.790	377.094	751.884
Actual business rates and abstraction licence	434.707	400.638	835.345
Total	809.497	777.732	1,587.228

Actual costs incurred are cross-referenced to Tables 2B, 4J, 4K, 4L, 4M, 4N, 4O, 4AA, 4AB and 9A, where detailed commentary is provided.

In 2025/26, operating expenditure was mainly impacted by power costs, although improved electricity hedging more than offset higher consumption, resulting in an underspend. Infrastructure renewals has increased to support PCD and ODI delivery. Overall repair numbers increased by 10.5% with an overall totex increase of £6.3m and infra opex increase of £1m. Routine maintenance and repair costs totalled £2.0m, largely relating to fleet and vehicles (£1.3m), facilities management (£0.2m), and compliance and incident-related costs. Additional cost pressures arose from inflationary increases in Cumulo business rates (£0.28m) and higher EA/NRW abstraction and discharge consent charges (£0.84m), as 2024/25 benefited from licence refunds and backdated adjustments.

Developer services spend is mainly influenced by the number of housing developments that are being undertaken by building developers. For 2025/26, there has been a reduction year on year on capex spend affecting new wastewater requisition mains.

Minimal increase for diversion costs noted during the year, driven by higher activity levels. Wastewater diversions also increased at a comparable rate, demonstrating increased utilisation of both networks versus the previous year.

Capital investment performance was mixed, with Resilience expenditure £17.7m above allowance, primarily due to works at Knapp Mill WTW. This was partly offset by underspends in S&D (£10.2m), WINEP/NEP Environmental Programme (£9.1m), and Water Quality Improvements (£7.9m), largely driven by the rephasing of projects into 2026/27, including activity within the Poole, Mendips and Cheddar SROs, Eels and Investigation schemes, and delays to works on the Isles of Scilly.

Additional regulatory information – service level – SWB continued

Table 4D – Totex analysis – water resources and water network+

for the 12 months ended 31 March 2026

	Water resources £m	Network+			Total £m
		Raw water distribution and storage £m	Water treatment £m	Treated water distribution £m	
Operating expenditure					
Base operating expenditure	23.982	5.037	49.337	75.024	152.090
Enhancement operating expenditure	0.327	-	-	-	0.327
Total operating expenditure	24.309	5.037	49.337	75.024	153.707
Capital expenditure					
Base capital expenditure	9.064	0.225	32.879	95.762	137.930
Enhancement capital expenditure	24.882	1.788	54.342	22.994	104.006
Total gross capital expenditure	33.946	2.013	87.221	118.756	241.936
Gross totex – water	58.255	7.050	136.558	193.780	395.643
Atypical expenditure					
Restructuring/Transformation costs	0.069	0.016	0.117	0.204	0.406
Costs of Brixham water quality incident and other regulatory investigations	-	-	1.930	0.782	2.712
Total atypical expenditure	0.069	0.016	2.047	0.986	3.118

Operating expenditure

Operational expenditure decreased by £24.m to £153.7m. This movement is largely driven by the absence of significant one-off costs incurred in the prior year, most notably the Brixham incident. Total operating expenditure comprised base operating expenditure of £153.4m and enhancement operating expenditure of £0.3m. The year was characterised by exceptionally warm and dry weather, with one of the UK's warmest and driest periods on record. The higher demand, combined with reduced rainfall, required the implementation of resource management strategies, including increased pumping and reservoir storage activity, particularly during autumn and winter months.

These operational conditions drove increases in consumption-related costs, including chemicals. Power consumption also increased as a result of higher distribution input and resource management activities. However, overall power costs reduced due to a favourable hedging position and lower electricity prices, offsetting the impact of increased consumption. Operational activity also increased to support performance commitments, including higher levels of maintenance and leakage repairs. Total repair activity increased, contributing to increased operating costs, including an increase in infrastructure operating expenditure and higher associated traffic management costs. Traffic management costs increased, reflecting both higher activity levels and increased local authority charges. Guaranteed Standards Scheme (GSS) compensation payments increased, this was driven by two significant operational incidents during the year, including outages at Dousland and Wendron treatment works. Employment costs increased, reflecting inflationary pay awards and changes to team structures required to support operational delivery. Atypical expenditure totalled £3.1m, principally comprising £2.7m relating to the Brixham water quality incident and other regulatory investigations, together with £0.4m of restructuring and transformation costs.

Capital expenditure

Base capital maintenance expenditure increased year-on-year as the company continued investing in the resilience, reliability and long-term performance of its water infrastructure, with spending focused on maintaining asset serviceability, reducing operational risk and ensuring the continued delivery of clean drinking water. Total gross capital expenditure was £241.9m, comprising base capital expenditure of £137.9m and enhancement capital expenditure of £104.0m. The majority of base capital expenditure was directed towards Treated Water Distribution (£95.8m) and Water Treatment (£32.9m). Within Treated Water Distribution, spend included leakage detection and repairs, mains rehabilitation programmes, service reservoirs and the close-out of AMP7 activities. Water Treatment expenditure included spend on water treatment works and support service functions. The remaining base expenditure was allocated to Water Resources (£9.1m) and Raw Water Distribution and Storage (£0.2m), reflecting ongoing investment to maintain asset condition and sustain service performance across the network. Total enhancement expenditure for 2025/26 amounted to £104.0m. This compares to an allowed expenditure for the year of £116.8m. The key drivers for spend being lower than the allowance were: (1) supply and demand expenditure was lower due to elements of activity being rephased to 2026/27 within the three SROs, Poole, Mendips and Cheddar; (2) WINEP/NEP Environmental Programme expenditure was lower, driven by a number of activities moving to 2026/27, mostly within Eels and Investigations schemes; and (3) Water Quality Improvements expenditure was lower, mostly driven by delays to activity on the Isles of Scilly. This was partially offset by resilience expenditure being higher than allowance, driven largely by works at Knapp Mill WTW.

Additional regulatory information – service level – SWB continued

Table 4E – Totex analysis – wastewater network+ and bioresources

for the 12 months ended 31 March

	Network+ Sewage collection			Network+ Sewage treatment	Bioresources			
	Foul £m	Surface water drainage £m	Highway drainage £m	Sewage and sludge liquor – treatment and disposal £m	Sludge transport £m	Sludge treatment £m	Sludge disposal £m	Total £m
Operating expenditure								
Base operating expenditure	32.520	9.807	1.702	112.614	5.700	10.151	6.088	178.582
Enhancement operating expenditure	-	-	-	-	-	-	-	-
Total operating expenditure	32.520	9.807	1.702	112.614	5.700	10.151	6.088	178.582
Capital expenditure								
Base capital expenditure	28.653	8.382	1.486	-	-	102.935	-	102.976
Enhancement capital expenditure	39.606	10.422	2.085	-	-	118.214	-	118.214
Total gross capital expenditure	68.259	18.804	3.571	-	-	221.149	-	221.190
Gross totex – wastewater	100.778	28.612	5.273	238.579	5.700	14.702	6.088	399.771
Atypical expenditure								
Restructuring/Transformation costs	0.008	0.046	0.154	0.397	-	0.016	0.004	0.625
Costs of Brixham water quality incident and other regulatory investigations	-	-	-	4.700	-	-	-	4.700
Total atypical expenditure	0.008	0.046	0.154	5.097	-	0.016	0.004	5.325

Capital expenditure:

Total wholesale wastewater base operating expenditure was £178.6m in 2025/26. This comprised £32.5m for foul sewage collection, £9.8m for surface water drainage, £1.7m for highway drainage, £112.6m for sewage and sludge liquor treatment and disposal, £5.7m for sludge transport, £10.2m for sludge treatment and £6.1m for sludge disposal. There was no enhancement operating expenditure in the year, meaning total wastewater operating expenditure was also £178.6m.

Opex expenditure:

Total gross wastewater capital expenditure was £221.1m, comprising base capital expenditure of £102.9m and enhancement capital expenditure of £118.2m. Gross wastewater totex was £399.7m, with the largest expenditure areas being sewage and sludge liquor treatment and disposal (£238.6m gross totex), foul sewage collection (£100.8m) and surface water drainage (£28.6m). Atypical expenditure totalled £5.3m, principally comprising £4.7m of costs relating to other regulatory investigations and £0.6m of restructuring and transformation costs.

The revised expenditure profile shows wastewater spend was concentrated in sewage treatment and disposal activities, reflecting the operational requirements of maintaining wastewater services and delivering environmental performance commitments across the South West Water region. Capital expenditure was also weighted towards sewage treatment and foul sewage collection, with £126.0m of gross capital expenditure incurred on sewage and sludge liquor treatment and disposal and £68.3m on foul sewage collection. This investment supports wastewater treatment capacity, environmental performance, network resilience and service reliability.

Atypical expenditure:

Costs of other regulatory investigations includes the enforcement undertakings agreed with Ofwat in August 2025 in respect of the wastewater investigations, together with associated legal fees.

Additional regulatory information – service level – SWB continued

Table 4F – Major project expenditure for wholesale water by purpose

for the 12 months ended 31 March 2026

	Expenditure in report year £m						Cumulative expenditure on incurred on schemes in £m					
	Water resources £m	Water network+			Treated water distribution £m	Total £m	Water resources £m	Water network+			Treated water distribution £m	Total £m
		Raw water transport £m	Raw water storage £m	Water treatment £m				Raw water transport £m	Raw water storage £m	Water treatment £m		
Major project capital expenditure by purpose												
Cheddar 2 Source and Transfer	–	–	5.201	–	–	5.201	–	–	5.201	–	–	5.201
Mendips Quarry	–	–	1.138	–	–	1.138	–	–	1.138	–	–	1.138
South West Water Poole Water Recycling and Transfer	–	–	3.007	–	–	3.007	–	–	3.007	–	–	3.007
Total major project capital expenditure	–	–	9.346	–	–	9.346	–	–	9.346	–	–	9.346
Total major project operating expenditure	–	–	–	–	–	–	–	–	–	–	–	–

Total major project expenditure of £9.346m was incurred in 2025/26 across three Strategic Resource Option (SRO) schemes: Cheddar 2 (£5.201m), Mendip Quarries (£1.138m) and Poole (£3.007m), all reported within SIP 1.02.

The increase compared to the prior year reflects both the inclusion of additional SRO schemes and the progression of existing projects into more advanced stages of development. Expenditure in the year primarily relates to development-phase activities, including planning and consenting processes, land and legal work, environmental surveys and technical assessments.

Cheddar 2 transferred from Bristol Water to South West Water at the start of 2025/26 and is therefore fully reflected within the current year reported expenditure.

These projects form a key component of the Group's PR24 strategy to improve long-term water resource resilience and support regional supply-demand balance. Further project progression is expected in 2026/27 as schemes move through consultation and towards delivery phases.

Table 4G – Major project expenditure for wholesale wastewater by purpose

for the 12 months ended 31 March 2026

South West Water does not have any Wastewater projects that satisfy the Ofwat definition of a major project in the context of table 4G.

Additional regulatory information – service level – SWB continued

Table 4I – Financial derivatives

	Financial derivatives – Total								
	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March £m	Interest rate	
	0 to 1 years £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value (net) £m	Mark-to-Market £m		Payable %	Receivable %
Interest rate swap (sterling)									
Floating to fixed rate	30.000	–	373.000	200.000	603.000	(27.949)	–	3.027%	4.010%
Total	30.000	–	373.000	200.000	603.000	(27.949)	–		
Foreign Exchange									
Cross currency swap USD	–	–	40.090	–	40.090	2.087	–		
Cross currency swap EUR	–	–	–	–	–	–	–		
Cross currency swap YEN	–	–	–	–	–	–	–		
Cross currency swap Other	–	–	–	–	–	–	–		
Total	–	–	40.090	–	40.090	2.087	–		
Total financial derivatives	30.000	–	413.090	200.000	643.090	(25.862)	–		
Foreign Exchange									
Cross currency swap USD	–	–	40.090	–	40.090	2.087	–		
Total	–	–	40.090	–	40.090	2.087	–		
Total financial derivatives	30.000	–	413.090	200.000	643.090	(25.862)	–		

The only financial derivatives South West Water have are type D (Other Swaps).

South West Water has rate swaps which are used to swap floating rate and index-linked debt. The table above has been compiled on the basis of swap value and maturity, rather than the underlying debt instrument.

Additional regulatory information – service level – SWB continued

Table 4J – Base expenditure analysis – wholesale water

for the 12 months ended 31 March 2026

	Water resources £m	Water network+		Treated water distribution £m	Total £m
		Raw water distribution and storage £m	Water treatment £m		
Operating expenditure – operational					
Power	7.539	1.517	11.337	16.609	37.002
Income treated as negative expenditure	(0.142)	–	(0.053)	(0.051)	(0.246)
Bulk Supply/Bulk discharge	–	–	–	–	–
Renewals expensed in year (infra)	–	–	0.036	9.101	9.137
Renewals expensed in year (non-infra)	–	–	–	–	–
Local authority and Cumulo rates	1.784	0.529	2.349	13.863	18.525
Canal & River Trust abstraction charges/discharge consents	–	–	–	–	–
Environment Agency/NRW abstraction charges/discharge consents	3.049	0.464	1.293	0.961	5.767
Other abstraction charges/discharge consents	–	–	–	–	–
Costs associated with Traffic Management Act	–	–	0.010	0.810	0.820
Costs associated with lane rental schemes	–	–	–	–	–
Statutory water softening	–	–	–	–	–
Routine repair and maintenance	0.487	0.349	0.463	0.773	2.072
Chemical costs – water	0.350	0.020	5.266	2.886	8.522
Finance, Regulation and Procurement costs – water	1.151	1.066	1.316	1.440	4.973
Insurance – water	0.245	0.113	0.501	0.692	1.551
Fines and penalties – water	–	–	1.930	–	1.930
Investigation costs – water	–	–	–	–	–
GSS payments – water	0.001	0.001	0.068	0.267	0.337
Non-GSS compensation payments – water	0.004	0.003	2.332	2.897	5.236
HR	0.139	0.064	0.285	0.394	0.882
Training	0.038	0.017	0.087	0.103	0.245
CEO, Corporate affairs and Governance	0.739	0.340	1.510	2.087	4.676
IT&T (business support)	0.724	0.176	1.399	2.577	4.876
Property management (business support)	0.052	0.024	0.106	0.146	0.328
Other support function and overheads opex – water	7.822	0.354	19.102	14.586	41.864
Developer services & Diversions opex					
Network reinforcement opex		–	–	–	–
Site-specific developer services opex				1.051	1.051
Diversions opex		–		2.968	2.968
Third-party opex – water					
Third-party opex – water	–	–	–	0.864	0.864
Total base operating expenditure	23.982	5.037	49.337	75.024	153.380

Additional regulatory information – service level – SWB continued

Table 4J – Base expenditure analysis – wholesale water continued

for the 12 months ended 31 March 2026

	Water network+				Total £m
	Water resources £m	Raw water distribution and storage £m	Water treatment £m	Treated water distribution £m	
Capital expenditure					
Maintaining the long term capability of the assets – infra	0.496	0.207	5.592	86.396	92.691
Maintaining the long term capability of the assets – non-infra	8.568	0.018	27.287	2.857	38.730
Total base capital expenditure	9.064	0.225	32.879	89.253	131.421
Developer services & Diversions					
Network reinforcement capex		–	–	1.347	1.347
Site-specific developer services capex – water				5.162	5.162
Diversions capex – water		–		–	–
Third-party capex – water					
Third-party capex – water	–	–	–	–	–
Total base capital expenditure	9.064	0.225	32.879	95.762	137.930
Total base expenditure	33.046	5.262	82.216	170.786	291.310

This is the first year in which Ofwat has required a detailed disaggregation of base operating expenditure. The following commentary provides an enhanced breakdown of the key cost drivers and movements within the year in response to this requirement.

Operating expenditure

Operational expenditure decreased by £22.1m to £153.4m, with base operating expenditure comprising Water Resources (£24.0m), Raw Water Distribution and Storage (£5.0m), Water Treatment (£49.3m) and Treated Water Distribution (£75.0m). The reduction was largely driven by the absence of significant one-off costs incurred in the prior year, most notably the Brixham incident.

The year was characterised by exceptionally warm and dry weather, which increased demand and required additional resource management activity, including higher pumping and reservoir storage activity. These conditions increased consumption-related costs, including chemicals of £8.5m and power of £37.0m. While power consumption increased due to higher distribution input and resource management activity, overall power costs reduced due to a favourable hedging position and lower electricity prices.

Operational activity also increased to support performance commitments, including higher maintenance and leakage repair activity. GSS compensation payments were £0.3m and non-GSS compensation payments were £5.2m, driven by operational incidents during the year, including outages at Dousland and Wendron treatment works. Support and overhead costs also increased, reflecting inflationary pay awards, team structure changes and the operational requirements of maintaining service delivery.

Capital expenditure

Base capital maintenance expenditure increased year-on-year, reflecting continued investment in the resilience, reliability and long-term performance of water infrastructure. Total base capital expenditure was £137.9m, comprising Water Resources (£9.1m), Raw Water Distribution and Storage (£0.2m), Water Treatment (£32.9m) and Treated Water Distribution (£95.8m). This included £92.7m of infrastructure expenditure, £38.7m of non-infrastructure expenditure and £6.5m of developer services and diversions capex.

The majority of spend was directed towards Treated Water Distribution and Water Treatment, including leakage detection and repairs, mains rehabilitation, service reservoirs, water treatment works and the close-out of AMP7 activities.

Total enhancement expenditure was £104.0m, compared with an allowance of £116.8m. Spend was lower than allowance mainly due to rephasing into 2026/27 across supply and demand schemes, WINEP/NEP environmental activities and Water Quality Improvements, including delays on the Isles of Scilly. This was partly offset by higher resilience expenditure, largely driven by works at Knapp Mill WTW. Total base expenditure was £291.3m.

Additional regulatory information – service level – SWB continued

Table 4K – Base expenditure analysis – wholesale wastewater

for the 12 months ended 31 March 2026

	Wastewater network+				Bioresources			Total £m
	Foul £m	Surface water drainage £m	Highway drainage £m	Sewage and sludge liquor – treatment and disposal £m	Sludge Transport £m	Sludge Treatment £m	Sludge Disposal £m	
Operating expenditure – operational								
Power	10.062	2.991	0.544	20.750	–	2.442	0.004	36.793
Income treated as negative expenditure	(0.001)	–	–	(0.143)	–	(0.042)	–	(0.186)
Bulk Supply/Bulk discharge	–	–	–	–	–	–	–	–
Renewals expensed in year (infra)	0.874	0.260	0.047	–	–	–	–	1.181
Renewals expensed in year (non-infra)	–	–	–	–	–	–	–	–
Local authority and Cumulo rates	0.487	0.145	0.026	7.322	–	0.724	0.007	8.711
Canal & River Trust abstraction charges/discharge consents	–	–	–	–	–	–	–	–
EA/NRW abstraction charges/discharge consents	2.386	0.709	0.129	10.106	–	0.281	0.004	13.615
Other abstraction charges/discharge consents	–	–	–	–	–	–	–	–
Costs associated with Traffic Management Act	–	–	–	0.001	–	–	–	0.001
Costs associated with lane rental schemes	–	–	–	–	–	–	–	–
Costs associated with Industrial emissions directive	–	–	–	–	–	–	–	–
Routine repair and maintenance	0.421	0.125	0.023	1.313	–	0.319	0.276	2.477
Chemical costs – wastewater	1.133	0.337	0.061	8.958	–	1.721	0.038	12.248
Finance and regulation costs – wastewater	1.113	0.331	0.060	2.936	–	1.061	0.031	5.532
Insurance – wastewater	0.452	0.134	0.024	1.134	–	0.092	0.046	1.882
Fines and penalties – wastewater	–	–	–	3.771	–	–	–	3.771
Investigation costs – wastewater	–	–	–	–	–	–	–	–
GSS payments – wastewater	0.050	0.015	0.003	0.136	–	0.005	0.001	0.210
Non-GSS compensation payments – wastewater	0.013	0.004	0.001	0.072	–	0.001	–	0.091
HR	0.257	0.076	0.014	0.645	–	0.052	0.026	1.070
Training	0.273	0.081	0.015	0.767	–	0.038	0.011	1.185
CEO	1.363	0.405	0.074	3.418	–	0.277	0.138	5.675
IT&T (business support)	1.406	0.418	0.076	3.646	–	0.201	0.098	5.845
Property management (business support)	0.096	0.028	0.005	0.240	–	0.019	0.010	0.398
Other support function and overheads opex – wastewater	11.836	3.696	0.588	47.542	5.700	2.960	5.398	77.719
Developer services & Diversions opex								
Infrastructure network reinforcement	–	–	–	–	–	–	–	–
Site-specific developer services opex	0.105	–	–	–	–	–	–	0.105
Diversions opex	0.141	0.038	0.009	–	–	–	–	0.188
Third-party								
Third-party opex – wastewater	0.052	0.015	0.003	–	–	–	–	0.070
Total base operating expenditure	32.520	9.807	1.702	112.614	5.700	10.151	6.088	178.582

Additional regulatory information – service level – SWB continued

Table 4K – Base expenditure analysis – wholesale wastewater continued

for the 12 months ended 31 March 2026

	Wastewater network+				Bioresources			Total £m
	Foul £m	Surface water drainage £m	Highway drainage £m	Sewage and sludge liquor – treatment and disposal £m	Sludge Transport £m	Sludge Treatment £m	Sludge Disposal £m	
Capital expenditure								
Maintaining the long term capability of the assets – infra	25.604	7.612	1.384	2.983	–	–	–	37.583
Maintaining the long term capability of the assets – non-infra	1.877	0.558	0.101	56.881	–	4.551	–	63.968
Total base capital expenditure	27.481	8.170	1.485	59.864	–	4.551	–	101.551
Developer services & Diversions capex								
Infrastructure network reinforcement	0.250	0.210	–	–				0.460
Site-specific developer services capex – wastewater	0.913							0.913
Diversions capex – wastewater	0.009	0.002	0.001					0.011
Third-party								
Third-party capex – wastewater	–	–	–	–	–	–	–	–
Total base capital expenditure	28.653	8.382	1.486	59.864	–	4.551	–	102.935
Total base expenditure	61.172	18.190	3.188	172.478	5.700	14.702	6.088	281.517

Capital expenditure:

Total wholesale wastewater base operating expenditure was £178.6m in 2025/26, comprising foul sewage collection (£32.5m), surface water drainage (£9.8m), highway drainage (£1.7m), sewage and sludge liquor treatment and disposal (£112.6m), sludge transport (£5.7m), sludge treatment (£10.2m) and sludge disposal (£6.1m).

Power expenditure was £36.8m and remained one of the largest operating cost categories, alongside support function and overhead costs (£77.7m), environmental and abstraction-related charges (£13.6m), chemical costs (£12.2m) and local authority and Cumulo rates (£8.7m). Other notable costs included fines and penalties of £3.8m, routine repair and maintenance of £2.5m, and finance and regulation costs of £5.5m. Developer services and diversions opex totalled £0.3m, and third-party opex was £0.1m.

Total base capital expenditure was £102.9m, comprising £37.6m of infrastructure expenditure and £64.0m of non-infrastructure expenditure to maintain the long-term capability of assets, together with £1.4m of developer services and diversions capex. Spend was concentrated in sewage and sludge liquor treatment and disposal (£59.9m), foul sewage collection (£28.7m), surface water drainage (£8.4m), sludge treatment (£4.6m) and highway drainage (£1.5m). Total wastewater base expenditure was £281.5m, with expenditure weighted towards sewage treatment and disposal activities, reflecting the operational requirements of maintaining wastewater services and delivering environmental performance commitments across the South West Water region.

Atypical expenditure:

Costs of other regulatory investigations includes the enforcement undertakings agreed with Ofwat in August 2025 in respect of the wastewater investigations, together with associated legal fees.

Additional regulatory information – service level – SWB continued

Table 4L – Enhancement expenditure – water resources and water network+

for the 12 months ended 31 March 2026

	Cumulative expenditure Total £m	Cumulative allowed expenditure Total £m	Five-year expenditure allowance 2025-30 Total £m	Cumulative expenditure Total £m	Cumulative allowed expenditure Total £m	Five-year expenditure allowance 2025-30 Total £m
EA/NRW environmental programme (WINEP/NEP)						
Biodiversity and conservation; (WINEP/NEP) water totex	–	0.242	1.195			
Eels/fish entrainment screens; (WINEP/NEP) water totex	(0.033)	1.883	9.295			
Eels/fish passes; (WINEP/NEP) water totex	0.121	0.758	3.743			
Invasive Non Native Species	4.472	2.069	10.180			
Drinking Water Protected Areas; (WINEP/NEP) water totex	1.088	2.485	12.265			
Water Framework Directive; (WINEP/NEP) water totex	0.363	1.259	6.417			
Wetland creation; (WINEP/NEP) water totex	–	–	–			
Trade effluent discharge flow monitoring; (WINEP/NEP) water totex	–	–	–			
25 year environment plan; (WINEP/NEP) water totex	–	–	–			
Investigations total; (WINEP/NEP) water totex	2.028	8.449	16.830			
Total environmental programme expenditure; (WINEP/NEP) water totex	8.039	17.145	59.925			
Supply-demand balance						
Supply-side improvements delivering benefits in 2025-2030; SDB totex	5.743	2.187	15.675			
Demand-side improvements delivering benefits in 2025-2030 (excl leakage and metering); SDB totex	0.327	2.932	14.855			
Leakage improvements delivering benefits in 2025-2030; SDB totex	–	4.004	20.266			
Internal interconnectors delivering benefits in 2025-2030; SDB totex	–	1.218	10.210			
Supply demand balance improvements delivering benefits starting from 2031; SDB totex	–	–	–			
Strategic resource options; SDB totex	12.383	18.265	95.861			
Total supply demand expenditure; SDB totex	18.453	28.606	156.867			
Metering						
Total metering expenditure; metering totex	20.712	13.897	63.668			
Water quality improvements						
Improvements to taste, odour and colour (grey solutions); water quality totex	2.422	7.479	24.582			
Improvements to taste, odour and colour (green solutions); water quality totex	–	–	–			
Addressing raw water quality deterioration (grey solutions); water quality totex	26.625	20.150	52.328			
Addressing raw water quality deterioration (green solutions); water quality totex	–	–	–			
Conditioning water to reduce plumbosolvency for water quality; water quality totex	–	–	–			
Lead communication pipes replaced or relined; water quality totex	0.099	9.862	48.678			
External lead supply pipes replaced or relined; water quality totex	0.402	–	–			
Internal lead supply pipes replaced or relined; water quality totex	–	–	–			
Other lead reduction related activity; water quality totex	–	–	–			
Total water quality improvements; totex	29.548	37.491	125.588			
Water resilience						
Resilience – Climate Change; enhancement water totex	–	–	–			
Resilience – Other enhancement water totex	27.581	9.843	74.381			
Resilience – Total; enhancement water totex	27.581	9.843	74.381			
Water SEMD and Cyber						
SEMD – Security; totex	–	1.737	3.476			
SEMD – Alternative Water Supplies/ Emergency Planning; totex	–	–	–			
Security – cyber; enhancement water totex	–	2.087	10.153			
Total Water SEMD and Cyber enhancement totex	–	3.824	13.629			
Net zero						
Greenhouse gas reduction (net zero); enhancement water totex	–	–	–			

Additional regulatory information – service level – SWB continued

Table 4L – Enhancement expenditure – water resources and water network+ continued

for the 12 months ended 31 March 2026

	Cumulative expenditure Total £m	Cumulative allowed expenditure Total £m	Five-year expenditure allowance 2025-30 Total £m
Reservoir Safety			
Reservoir Safety; enhancement water totex	–	–	–
Other enhancement (Freeform lines – by exception)			
Additional line 1; enhancement water totex	–	–	5.978
Total other enhancement water expenditure	–	5.978	5.978
Total enhancement			
Total enhancement expenditure			
Total enhancement expenditure			
Total enhancement expenditure	104.333	116.784	500.036

Total Enhancement expenditure for the period 2025-26 amounted to £104.333m.

The majority of this spend was categorised under Capital Expenditure.

This compares to an allowed expenditure for the year of £116.784m.

The key drivers for the spend being 10.7% lower than the allowance were

- Resilience £17.7m higher than allowance driven largely by the works at Knapp Mill WTW
- S&D £10.2m lower due to elements of activity re-phased to 2026-27 within the three SROs, Poole, Mendips, and Cheddar
- WINEP / NEP Environmental Programme £9.1m lower driven by a number of activities moving to 2026-27, mostly within Eels and Investigations schemes.
- Water Quality Improvements £7.9m lower mostly driven by delays to activity on the Isles of Scilly

Additional regulatory information – service level – SWB continued

Table 4M – Enhancement expenditure – wastewater network+ and bioresources

for the 12 months ended 31 March 2026

	Cumulative expenditure Total £m	Cumulative allowed expenditure Total £m	Five-year expenditure allowance 2025-30 Total £m		Cumulative expenditure Total £m	Cumulative allowed expenditure Total £m	Five-year expenditure allowance 2025-30 Total £m
EA/NRW environmental programme (WINEP/NEP)				25 year environment plan; (WINEP/NEP) wastewater totex	–	–	–
Event Duration Monitoring at intermittent discharges	4.860	0.361	1.256	Investigations, other (WINEP/NEP) multiple surveys and/or monitoring locations, and/or complex modelling wastewater totex	9.085	4.002	17.651
Flow monitoring at sewage treatment works	2.585	7.899	14.901	Investigations, other Total (WINEP/NEP) wastewater capex	–	–	–
Continuous river water quality monitoring (WINEP/NEP) wastewater totex	–	12.236	60.295	Investigations, other Total (WINEP/NEP) wastewater opex	–	–	–
MCERTs monitoring at emergency sewage pumping station overflows, Permits only (WINEP/NEP) wastewater totex	–	2.262	11.171	Investigations, other Total (WINEP/NEP) wastewater totex	–	–	–
Storm overflow – wetlands (WINEP/NEP) wastewater totex	64.331	133.501	692.460	Contribution to third party schemes under WINEP/NEP only (not covered elsewhere) wastewater totex	–	–	–
Treatment for chemical removal (WINEP/NEP) wastewater totex	–	8.646	16.786	River connectivity (e.g. for fish passage); (WINEP/NEP) wastewater totex	–	–	–
Non-treatment for chemical removal (WINEP/NEP) wastewater totex	–	–	–	Restoration management (marine conservation zones etc) (WINEP/NEP) wastewater totex	–	–	–
Chemicals and emerging contaminants monitoring, investigations, options appraisals; (WINEP/NEP) wastewater totex	2.198	0.638	2.429	Advanced WINEP (not covered elsewhere) wastewater totex	–	–	–
Treatment for total nitrogen removal (WINEP/NEP) wastewater totex	–	–	–	Total environmental programme expenditure	110.083	217.164	344.106
Nitrogen technically achievable limit monitoring, investigation or options appraisal; (WINEP/NEP) wastewater totex	–	0.724	2.160	EA/NRW environmental programme bioresources (WINEP/NEP)			
Treatment for phosphorus removal (WINEP/NEP) wastewater totex	26.486	39.132	111.136	Sludge storage – Tanks ; (WINEP/NEP) totex			
Treatment for nutrients (N or P) and/or sanitary determinands, nature based solution (WINEP/NEP) wastewater totex	–	1.773	41.404	Sludge storage – Cake pads/bays /other; (WINEP/NEP) bioresources totex	–	2.069	5.121
Treatment for tightening of sanitary parameters (WINEP/NEP) wastewater totex	0.538	0.003	41.794	Sludge treatment – Thickening and/or dewatering; (WINEP/NEP) totex	–	2.549	30.934
Catchment management – nutrient balancing; (WINEP/NEP) wastewater totex	–	–	–	Sludge treatment -Other; (WINEP/NEP) bioresources totex	0.305	–	–
Catchment management – catchment permitting; (WINEP/NEP) wastewater totex	–	–	–	Sludge investigations and monitoring (NEP only) bioresources totex	–	–	–
Catchment management – habitat restoration; (WINEP/NEP) wastewater totex	–	–	–				
Septic tanks; (WINEP/NEP) wastewater totex	–	5.157	16.022				
Microbiological treatment – bathing waters, coastal and inland (WINEP/NEP) wastewater totex	–	0.830	7.101				
Fish outfall screens; (WINEP/NEP) wastewater totex	–	–	–				

Additional regulatory information – service level – SWB continued

Table 4M – Enhancement expenditure – wastewater network+ and bioresources continued

for the 12 months ended 31 March 2026

	Cumulative expenditure Total £m	Cumulative allowed expenditure Total £m	Five-year expenditure allowance 2025-30 Total £m
Total environmental programme expenditure; (WINEP/NEP) bioresources totex	0.305	4.618	36.055
Other enhancement			
Growth at sewage treatment works (excluding sludge treatment); enhancement totex	2.836	4.779	23.609
First time sewerage; enhancement totex	4.975	8.267	26.111
Odour and other nuisance; enhancement totex	–	–	–
Resilience – Climate Change; enhancement wastewater totex	–	–	–
Resilience – Other; enhancement wastewater totex	0.015	–	–
Security – SEMD; enhancement wastewater totex	–	–	–
Security – cyber; enhancement wastewater totex	–	–	–
Greenhouse gas reduction (net zero); enhancement wastewater totex	–	–	–
PR19 Green recovery carryover; enhancement wastewater totex	–	–	–
Industrial Emissions Directive; enhancement wastewater totex	–	8.720	43.032
Total other enhancement wastewater/bioresources expenditure	7.826	21.766	92.752
Additional line 1; enhancement water capex	–	–	–
Additional line 1; enhancement water opex	–	–	–
Additional line 1; enhancement water totex	–	–	–
Total other enhancement freeform lines wastewater/bioresources expenditure	–	–	–
Total enhancement			
Total enhancement expenditure; wastewater/bioresources capex			
Total enhancement expenditure; wastewater/bioresources opex			
Total enhancement expenditure; wastewater/bioresources totex	118.214	243.548	472.913

Funding for improvements with the Final Determination was split for some large projects between base and enhancement. For consistency we have treated those projects the same, using the same allocation to base and enhanced.

TABLE 4M – commentary

Total enhancement expenditure for 2025-26 was £118.214, compared with cumulative allowed expenditure of £243.548m, resulting in expenditure being £125.334m below the allowed profile.

The variance primarily reflects timing and phasing differences, with expenditure progressing behind the allowed profile due to additional planning activity aimed at optimising the delivery schedule of the portfolio of works.

The largest variance is within the WINEP/NEP wastewater environmental programme, which is £107.994m below cumulative allowance. The main contributors are storm overflow wetlands £69.170m underspend driven by slower progress through mobilisation and modelling and design activity, with delivery further impacted by sustained rainfall. Treatment for phosphorus removal £12.646m, due to programme complexity, including constrained sites, consent requirements and dependencies on land, planning and integration with other activities. Continuous river water quality monitoring £12.236m, consistent with delayed mobilisation and slower than planned progression of monitoring activity. Treatment for chemical removal £8.646m, underspend driven by programme complexity, including constrained sites, consent requirements and dependencies on land, planning and integration with other activities, resulting in slower delivery. Flow monitoring at sewage treatment works £5.314m underspend reflects scope optimisation and sequencing of design and delivery activities delaying on-site progress. And septic tanks £5.157m reflecting later than planned progression against the delivery profile.

This is partially offset by expenditure ahead of the cumulative allowance on investigations and complex modelling (£5.083m). Event Duration Monitoring (£4.499m), chemicals and emerging contaminants investigations (£1.560m) and tightening of sanitary parameters (£0.535m).

The remaining programme-level variance is mainly within other enhancement wastewater/bioresources, with £13.940m below cumulative allowance. This mainly driven by industrial Emissions Directive £8.720, reflecting delays to delivery of the new AAD facility and wider permitting and compliance dependencies, resulting in later progression of planned activity. Further underspend in First Time Sewerage £3.292m and Growth at Sewage Treatment Works £1.943m reflecting later delivery against profile, with spend expected to increase as programmes progress.

An additional £4.313m variance within WINEP/NEP bioresources reflecting lower spend to date against the cumulative allowance, primarily due to permitting dependencies, site selection, design and procurement activities: on Sludge storage £2.069m and Sludge treatment £2.549m.

Additional regulatory information – service level – SWB continued

Table 4N – Site-specific developer services expenditure services expenditure – network+

for the 12 months ended 31 March 2026

	Capex £m	Opex £m	Totex £m
Water network+			
New connections costs – water	3.706	0.371	4.077
Requisition mains costs – water	1.456	0.680	2.136
Asset payments costs – water	–	–	–
Other site-specific activities costs – water	–	–	–
Total site-specific developer services costs – water	5.162	1.051	6.213
Wastewater network+			
New connections costs – wastewater	–	0.050	0.050
Requisition sewers costs – wastewater	0.913	–	0.913
Asset payments costs – wastewater	–	–	–
Other site-specific activities costs – wastewater	–	0.055	0.055
Total site-specific developer services costs – wastewater	0.913	0.105	1.018

Developer services spend is mainly influenced by the number of housing developments that are being undertaken by building developers.

There has been a significant reduction year-on-year on capex spend affecting new wastewater requisition mains.

The number of NAVs (New and variations) companies supplying water to new developments is increasing which means SWB only bulk supplies into site but pipes etc on site are NAV responsibility. This is a growing area.

Table 4O – Diversions expenditure – network+

for the 12 months ended 31 March 2026

	Capex £m	Opex £m	Totex £m
Water network+			
s185 diversions costs – water	–	2.968	2.968
NRSA diversions costs – water	–	–	–
Non-s185 diversions costs – water	–	–	–
Total diversions costs – water	–	2.968	2.968
Wastewater network+			
s185 diversions costs – wastewater	0.011	0.188	0.199
NRSA diversions costs – wastewater	–	–	–
Non-s185 diversions costs – wastewater	–	–	–
Total diversions costs – wastewater	0.011	0.188	0.199
Water network+ diversions type			
Raw water distribution and storage – share of diversions			–
Treated water distribution – share of diversions			100.00%
Wastewater network+ diversions type			
Foul – share of diversions			75.00%
Surface water drainage – share of diversions			20.00%
Highway drainage – share of diversions			5.00%

Total water diversions costs increased to £3.0m, wholly relating to s185 diversions opex in Treated Water Distribution. This reflects increased activity, as seen in total diversions income for Water Network+ (2R.8).

Total wastewater diversions costs were £0.2m, comprising £0.011m capex and £0.188m opex, all relating to s185 diversions.

Water diversions were wholly allocated to Treated Water Distribution. Wastewater diversions were split between Foul (75%), Surface Water Drainage (20%) and Highway Drainage (5%).

No change in the split of diversions.

Additional regulatory information – service level – SWB continued



Table 4P – Infrastructure network reinforcement projects for the 2025-30 period

No discrete projects, either for Water or Wastewater, with a full AMP expected spend of greater than £5m were highlighted as part of the data collection process, and therefore no values have been reported.

Additional regulatory information – service level – SWB continued

Table 4Q – Developer services – new connections, properties and mains

	Water		Total sites nr	Wastewater nr
	Sites that require new mains nr	Sites that do not require new mains nr		
Connections volumes				
New connections (residential – excluding NAVs)	3,321	1,291	4,612	3,516
New connections (business – excluding NAVs)	213	151	364	72
Total new connections served by incumbent	3,534	1,442	4,976	3,588
New connections – SLPs	841	–	841	
Properties volumes – incumbents				
New properties (residential – excluding NAVs)	3,297	1,257	4,554	3,451
New properties (business – excluding NAVs)	223	108	331	70
Total new properties served by incumbent	3,520	1,365	4,885	3,521
New properties – SLP connections	841	–	841	
Properties volumes – NAVs				
New residential properties served by NAVs	2,611	–	2,611	28
New business properties served by NAVs	7	–	7	–
Total new properties served by NAVs	2,618	–	2,618	28
Properties volumes – Total				
Total new properties	6,138	1,365	7,503	3,549
New sites				
Number of development sites	499	617	1,116	
New water mains – length				
Length of new mains (km) – requisitions	16			
Length of new mains (km) – SLPs	6			
Environmental incentives				
New connections claiming Environmental Incentives			–	3

The combined (Company laid, Self Lay and NAV) new connections and connected properties are generally in line with expectations, though still slightly lower than anticipated primarily due to ongoing economic and market uncertainty.

In 2025/26 the increase in NAV sites has been much higher than forecast, leading to a significantly lower volume of company laid connections as well as properties connected by SWB.

Additional regulatory information – service level – SWB continued

Table 4R – Non-financial information – connected properties, customers and population

	Unmeasured 000s	Measured 000s	Total 000s	Voids 000s
Customer numbers – average during the year				
Residential water only customers	75.007	199.007	274.014	2.272
Residential wastewater only customers	1.947	3.291	5.238	0.144
Residential water and wastewater customers	79.754	663.069	742.823	7.637
Total residential customers	156.708	865.367	1,022.075	10.053
Business water only customers	1.468	35.249	36.717	2.969
Business wastewater only customers	0.598	0.253	0.851	0.106
Business water & wastewater customers	1.370	39.175	40.545	1.866
Total business customers	3.436	74.677	78.113	4.941
Total customers	160.144	940.044	1,100.188	14.994

Line description

	Water			Wastewater		
	Unmeasured 000s	Measured 000s	Total 000s	Unmeasured 000s	Measured 000s	Total 000s
Property numbers – average during the year						
Residential properties billed	154.761	862.076	1,016.837	81.701	666.360	748.061
Residential void properties			9.909			7.781
Total connected residential properties			1,026.746			755.842
Business properties billed	2.838	74.424	77.262	1.968	39.427	41.395
Business void properties			4.835			1.973
Total connected business properties			82.097			43.368
Total connected properties			1,108.843			799.210

Additional regulatory information – service level – SWB continued

Table 4R – Non-financial information – connected properties, customers and population continued

	Water										Unbilled			Total 000s
	Unmeasured					Measured					Uneconomic to bill 000s	Other 000s	Total 000s	
	No meter 000s	Basic meter 000s	AMR meter 000s	AMI meter 000s	Total 000s	No meter 000s	Basic meter 000s	AMR meter 000s	AMI meter 000s	Total 000s				
Property and meter numbers – at end of year (31 March)														
Total new residential properties connected in year	–	–	–	–	–	–	–	–	4.612	4.612				4.612
Total number of new business properties connections	–	–	–	–	–	–	–	–	0.364	0.364				0.364
Residential properties billed at year end	131.785	14.060	–	5.022	150.867	–	490.530	199.855	177.733	868.118				1,018.985
Residential properties unbilled at year end											–	–	–	–
Residential void properties at year end					6.740					3.044				9.784
Total connected residential properties at year end					157.607					871.162				1,028.769
Business properties billed at year end	2.781	–	–	–	2.781	–	52.375	11.723	10.427	74.525				77.306
Business properties unbilled at year end											–	–	–	–
Business void properties at year end					0.844					3.806				4.650
Total connected business properties at year end					3.625					78.331				81.956
Total connected properties at year end					161.232					949.493				1,110.725



Additional regulatory information – service level – SWB continued

Table 4R – Non-financial information – connected properties, customers and population continued

	Water 000s	Wastewater 000s
Population data		
Resident population	2,316.828	1,700.687
Non-resident population (wastewater)		146.745
	Water	
	Resident population 000s	Non-resident population 000s
Household poplution data		
Household population	2,271.565	78.819
Household measured population (water only)	1,941.474	67.365
Household unmeasured population (water only)	330.091	11.453
		Total 000s
		2,350.384
		2,008.839
		341.544

Overview

Customer, property and population data for 2025/26 reflects continued underlying growth alongside structural changes in the market, most notably the expansion of NAV developments and ongoing metering activity. An additional preparation step has been applied in-year to exclude NAV properties from reported figures, ensuring consistency with regulatory boundary definitions. NAV-related sites, connections and populations continue to increase and are a key driver of underlying movements across several lines.

Figures reported are consistent with underlying billing and operational datasets and have been prepared in accordance with RAG 4.14 definitions.

Customer and property numbers (lines 4R.1 to 4R.16)

Residential customers (4R.4) increased by 4,425 year-on-year. While this represents continued growth, it is lower than the 7,017 increase reported in 2024/25, reflecting a material shift in connection activity towards NAV developers. During the year, 4,389 new connections were attributable to NAV developments, meaning total gross additions (company-reported plus NAV) remain consistent with historic levels of approximately 8,000–9,000 connections per annum. This demonstrates that underlying housing growth remains strong, with the reduction in reported growth driven primarily by market structure rather than demand.

Void properties increased by 1,438, reversing the small reduction seen in 2024/25. This movement is not considered material and remains within expected variability, with no underlying change in policy or approach.

Billed unmeasured household properties reduced by 7,520, representing a continued and expected outcome from ongoing meter optant activity and smart metering rollout. This remains a key driver of changes in customer composition and is consistent with progress reported in demand management and metering activities (refer to table 6D).

Business customers (4R.8) decreased marginally by 70, consistent with the prior year trend (170 reduction in 2024/25). Movements in this category reflect normal market churn and do not indicate any structural change.

New connections (lines 4R.17 to 4R.18)

New connections by meter type are fully consistent with those reported in Table 4Q (Developer Services). All new connections during 2025/26 were metered, with no unmeasured connections, reflecting regulatory and operational expectations for new supply points.

Property and meter numbers: year-end position (lines 4R.19 to 4R.27)

Year-end property and meter numbers reflect the position as at March 2026 and are derived from the same underlying

dataset used for calculating annual averages, ensuring consistency across the table.

Measured household properties are split across meter types using asset-level data from billing and asset systems. Minor differences between meter records and billed property totals are resolved through proportional allocation to ensure alignment with reported property numbers.

A small number of unmeasured residential properties are reported as having meters installed, for example where properties have reverted from measured billing. This reflects a continuation of enhanced reporting introduced in prior years and does not represent a material change in underlying activity.

Meter type breakdowns for unmeasured customers remain consistent with the prior year where updated data is not available. No meters are reported for unmeasured non-household properties due to limited visibility of meter-level data following market separation.

Resident population (line 4R.28)

Resident population increased by 0.61% (approximately 14,129) compared to 0.41% growth in 2024/25. This represents a modest increase in underlying population growth and is not considered a material deviation from trend.

The movement primarily reflects updated ONS mid-year population estimates, published in November 2025, which incorporate revised underlying data and methodological improvements. The impact of these updates is consistent across reporting and does not affect underlying demand trends.

Non-resident population (wastewater) (line 4R.29)

Non-resident wastewater population continues to be estimated using a tourism-based methodology, combining regional accommodation data and occupancy rates to derive average annual population equivalent.

The reported value remains unchanged from 2024/25, as the population estimate for the Isles of Scilly has not yet been reassessed. This is not expected to have a material impact on the overall figure, and future updates will be incorporated when available.

Household population (lines 4R.30 to 4R.32)

Total household population is consistent with the resident population reported in line 4R.28, adjusted to exclude non-household population, which is derived from ONS communal population estimates.

Non-resident household population is derived using specialist tourism data, capturing visitor activity across the region. Adjustments are made to remove transient and non-household elements, ensuring alignment with regulatory household definitions. This methodology is consistent with prior years and is not expected to materially impact reported totals.

Population is apportioned between measured and unmeasured households using externally sourced occupancy assumptions applied to the respective property base. This ensures that:

- total population remains consistent with ONS data; and
 - differences in occupancy characteristics between measured and unmeasured properties are appropriately reflected.
- Non-resident population is allocated on the same basis.

Additional regulatory information – service level – SWB continued

Table 4V – Mark-to-market of financial derivatives analysed based on payment dates

	Derivatives – Analysed by earliest payment date				Derivatives – Analysed by expected maturity date			
	Net settled £m	Gross Settled outflows £m	Gross Settled inflows £m	Total £m	Net settled £m	Gross Settled outflows £m	Gross Set inflows £m	Total £m
Due within one year	1.040	–	–	1.040	1.040	–	–	1.040
Between one and two years	–	–	–	–	–	–	–	–
Between two and three years	–	–	–	–	–	–	–	–
Between three and four years	13.926	–	–	13.926	13.926	–	–	13.926
Between four and five years	–	–	–	–	–	–	–	–
After five years	12.710	40.809	36.002	89.521	12.710	40.809	36.002	89.521
Total	27.676	40.809	36.002	104.487	27.676	40.809	36.002	104.487

Table 4V summarises the mark-to-market valuation of all derivatives – not just a specific category of swap – according to when they are settled.

Additional regulatory information – service level – SWB continued

Table 4W – Defined Benefit Pension Scheme – additional Information

	Units	Defined benefit pension schemes
		Pension scheme 1 £m
Scheme name	Text	Pennon Group Pension Scheme
Scheme status	Text	Yes & Yes
Scheme assets	£m	407.788
Scheme liabilities	£m	394.440
Scheme surplus/(deficit) Total	£m	13.348
Scheme surplus/(deficit) Appointed business	£m	12.998
Pension deficit recovery payments	£m	–
Scheme funding valuation date	Date	31/03/2025
Assets	£m	415.512
Technical Provisions	£m	404.415
Scheme surplus/(deficit)	£m	11.097
Equal to the UK fixed interest gilt curve plus the following additions: • 2.5% p.a. until 31 March 2027 • 2.0% p.a. until 31 March 2029 • 1.5% p.a. until 31 March 2031 • 1.0% p.a. until 31 March 2033 • 0.5% p.a. from 1 April 2033		
Discount rate assumptions	Text	
Recovery Plan Structure	Text	N/A
Recovery plan end date	Date	N/A
Asset Backed Funding (ABF) arrangements	Text	N/A

The appointed company is part of the Pennon Group Pension Scheme (PGPS). The defined benefit scheme closed to new members and the accrual of future defined benefits from 30 June 2021.

The assets and liabilities of the overall scheme are apportioned to South West Water under IAS 19, based on the split of the liabilities determined as part of the result of the triennial funding valuation carried out at 31 March 2025.

A proportion of the assets and liabilities are allocated to the non-appointed business.

The most recent triennial actuarial valuation of the pension scheme participated in by the Company was carried out with a valuation date at 31 March 2025 under the requirements of the Pensions Act 2004

Table 4Z – Household bill reduction schemes, debt, Guaranteed Standards Scheme payments and Priority Service Register data

Section A – other direct bill reduction schemes for household customers struggling to pay. These should exclude any of the table 2N schemes.

Other household affordability schemes supported with funding from shareholders

	Target households	Actual number of unique households helped by scheme number	Total value of support £'000s
Restart	2,533	2,304	1,319.852
Freshstart	464	462	220.207

Other household affordability schemes supported with funding from customers

	Target households	Actual number of unique households helped by scheme number	Total value of support £'000s

Additional regulatory information – service level – SWB continued

Table 4Z – Household bill reduction schemes, debt, Guaranteed Standards Scheme payments and Priority Service Register data continued

Section B – debt metrics

Total number of household customers served – active and final accounts

	Water only number	Wastewater only number	Dual service number
Number of household customers served – active accounts	276,815	5,540	752,302
Number of household customers served – final accounts	19,447	300	68,642

Household customers in arrears

	Number of households number	Total amount of debt £'000s
Households in arrears – active accounts with debt repayment arrangements	8,557	18,839.683
Households in arrears – final accounts with debt repayment arrangements	3,483	3,580.548
Households in arrears – active accounts without debt repayment arrangements	61,336	81,466.524
Households in arrears – final accounts without debt repayment arrangements	84,906	49,879.574
Households not having made any payment for the year – active accounts	49,065	78,900.169
Households not having made any payment for the year – final accounts	83,198	49,838.918

Temporary payment suspension

	Number of households number	Total amount deferred £'000s
Households with temporarily suspended payments – payment break arrangements	626	943.137
Households with temporarily suspended payments – breathing space arrangements	1,185	2,246.930

Household debt collection through third party agents where water company remains creditor

	Number of households number	Total value of debt £'000s
Debt collected by external agents – active accounts	–	–
Debt collected by external agents – final accounts	–	–
PSR customers with debt passed on to external debt collection agents – active and final accounts	–	–

Household debt sold to external agencies

	Number of accounts number	Total value of debt £'000s
Debt sold to an external agency/third party debt purchaser – active accounts	–	–
Debt sold to an external agency/third party debt purchaser – final accounts	–	–
Active and final PSR accounts (and total debt involved) referred to an external agency that has bought the customer debt from the water company during the reporting year.	–	–

Payment matching activities

	Number of accounts number	Total value of payment matches £'000s
Active accounts supported through the matched payment schemes and the total contribution of matched payments made by the water company for the reporting year	2,149	1,250.468
Final accounts supported through the matched payment schemes and the total contribution of matched payments made by the water company for the reporting year	155	69.384

Unpaid household bills referred to courts

	Number of accounts number	Total amount involved £'000s
Number of county court claims	4,697	6,333.454
Number of county court judgements	4,231	5,661.783
Number of county court judgement enforcements	2,844	5,245.440
Number of high court claims	–	–
Number of high court judgements	–	–
Number of high court judgement enforcements	2,625	4,896.804

Section C – Payments to household customers made in accordance with the Guaranteed Standards Scheme (GSS) GSS payments to household customers

	Number of payments number	Total amount £'000s	Number of unique households number
Total value of payments made to household customers under GSS		3,226.595	
Total number of payments made to household customers under GSS	107,176		
Total number of unique household customers receiving GSS payments			33,519

Additional regulatory information – service level – SWB continued

Table 4Z – Household bill reduction schemes, debt, Guaranteed Standards Scheme payments and Priority Service Register data continued

Section C – Payments to household customers made in accordance with the Guaranteed Standards Scheme (GSS) continued

Number and value of statutory payments and other payments in excess of the statutory amounts for events and standards that are currently part of the GSS to household customers by type in the reporting period

	Total number of times the statutory GSS amounts were paid to household customers – before 2 July number	Column 2 Total number of times the statutory GSS amounts were paid to household customers – from 2 July number	Total value of payments made in relation to column 1 £'000s	Total value of payments made in relation to column 2 £'000s	Total number of times enhanced payments were made to household customers for GSS related events – before 2 July number	Total number of times enhanced payments were made to household customers for GSS related events – from 2 July number	Total value of payments made in relation to column 5 £'000s	Total value of payments made in relation to column 6 £'000s	Total number of times the statutory GSS penalty payments were made to household customers – before 2 July number	Total number of times the statutory GSS penalty payments were made to household customer – from 2 July number	Total value of payments made in relation to column 9 £'000s	Total value of payment made in relation to column 10 £'000s
Making appointments	–	–	–	–	–	–	–	–	–	–	–	–
Keeping appointments	327	988	6.540	49.200	125	1	1.735	0.010	31	171	0.310	6.840
Low water pressure	–	529	–	14.575	–	–	–	–	–	–	–	–
Notice of supply interruptions	114	91	2.280	4.550	4	–	0.080	–	114	23	2.280	0.920
Supply restoration – initial period	15,436	18,017	308.720	900.900	15,436	–	463.080	–	526	1,604	10.520	64.120
Supply restoration – each full 12-hr period	60,268	4,324	1,204.810	216.250	60,268	–	1808.590	–	15	424	0.300	17.000
Correctness of a bill query	30	539	0.600	21.560	29	–	0.330	–	27	527	0.270	20.760
Changes to payment arrangements requests	20	135	0.400	5.400	21	–	0.255	–	18	125	0.180	5.000
Complaints not answered on time	42	679	0.840	27.160	12	–	0.150	–	9	521	0.090	20.840
Sewer flooding inside property	7	78	2.608	35.965	–	–	–	–	2	30	0.040	1.040
Sewer flooding outside property	251	1,068	48.342	222.779	–	1	–	0.031	1	64	0.020	2.560

Number and value of payments made to household customers for additional GSS standards that came into effect from 1 October 2025

Units	Total number of times the statutory GSS amounts were paid to household customers number	Total value of payments made in relation to column 1 £'000s	Total number of times the statutory GSS penalty payments were made to household customers number	Total value of payments made in relation to column 3 £'000s
Core priority services	–	–	–	–
Domestic customers in debt	–	–	–	–
Meter readings	–	–	–	–
Meter installation	1	0.026	–	–
Water quality notices	–	–	–	–



Additional regulatory information – service level – SWB continued

Table 4Z – Household bill reduction schemes, debt, Guaranteed Standards Scheme payments and Priority Service Register data continued

Section C – Payments to household customers made in accordance with the Guaranteed Standards Scheme (GSS) continued
Number and value of payments made to household customers for events that are not part of the GSS

	Total number of payments for all events that are not part of the GSS scheme number	Total value of payments made in relation to column 1 £'000s
Abatements	8	0.589
Boil Water Notices	51	2.465
Erroneous Summons	3	0.325
Interest Paid in Error	58	27.138
Measured Bills	7	1.696
Repeat Burst Mains	143	4.730
Ex-Gratia	2,120	654.544

Number and value of statutory GSS penalty payments made to household customers

	Total number of penalty payments made under the current GSS scheme number	Total value of payments made in relation to column 1 £'000s
Penalty payments made for the year.		
This may be under the previous GSS scheme ending on 1 July 2025 and current GSS scheme effective from 2 July 2025 (Column 1 value should equal the sum of the values in column 9 and column 10 of lines 4Z.C4 – 4Z.C14 and the sum of the values in column 3 of lines 4Z.C15 – 4Z.C19)		
and		
(Column 2 value should equal the sum of the values in column 11 and column 12 of lines 4Z.C4 – 4Z.C14 and the sum of the values in column 4 of lines 4Z.C15 – 4Z.C19)	4,232	153.090

Additional regulatory information – service level – SWB continued

Table 4Z – Household bill reduction schemes, debt, Guaranteed Standards Scheme payments and Priority Service Register data continued

Section D – PSR

PSR reach, attempted contacts and actual contacts

PSR reach, attempted contacts and actual contacts

	Total number of households served Number	Number of households on the PSR Number	PSR reach Percentage	Attempted contacts over a two-year period* Number	Number of households on the PSR over a two-year period Number	PSR – Attempted contacts over a two-year period Percentage	Actual contacts over a two-year period Number	PSR – Actual contacts Percentage
PSR reach, attempted contacts and actual contacts	1,034,221	168,668	16.3%	97,027	107,219	90.5%	48,378	45.1%

Different broad categories of PSR support

	Medical/Health (non-water dependent) Number	Communication and Non-Physical Accessibility Needs Number	Safety and Practical Support Number	Temporary Circumstances Number	Dependency on Water Supply Number	Other Number
Different broad categories of PSR support	50,375	97,248	53,169	11,296	105,632	53,530

Performance in 2025/26 reflects continued delivery of customer affordability support, alongside increased pressures on household finances, operational constraints on collections activity, and the introduction of updated Guaranteed Standards Scheme (GSS) requirements. Restart supported 2,304 customers (2024/25: 2,234) with write-offs increasing to £1.320m, while Freshstart supported 462 customers (2024/25: 663) in line with target, with lower total and average grants reflecting earlier intervention to prevent escalation of debt. Household debt balances increased year on year despite a reduction in the number of customers in arrears, driven primarily by a five month suspension of litigation activity following the Mazur judgment, compounded by a 28% bill increase, removal of the £50 government support scheme, and a pause in year end write-off processes. Court activity therefore reduced significantly, although underlying collection performance remained resilient with improved cash collection rates and increased direct debit adoption. Temporary support continued through payment breaks and Breathing Space arrangements, while the company does not use third party debt collection or sell debt.

GSS payments increased materially during the year (to £3.227m) reflecting both the introduction of revised standards and operational events, including significant supply interruptions, with additional increases driven by expanded measurement scope for billing queries, complaints and appointment performance. Volumes related to supply restoration and operational incidents were a key contributor, with proactive payments made in some cases to recognise customer disruption. The company recognises current GSS performance requires improvement and has strengthened governance, oversight and reporting to drive reductions in future customer impacts.

Performance against the Priority Services Register (PSR) performance commitment exceeded Ofwat targets, with reach increasing to 16.3% (above the 15.0% target) and both attempted (90.5%) and actual (45.1%) contact measures remaining above target levels. The year-on-year reduction in attempted and actual percentages reflects the rapid growth in the PSR population increasing the denominator, rather than a decline in engagement activity. The company will continue to enhance identification and support of vulnerable customers through improved data usage, partnerships and system capability in 2026/27.

Additional regulatory information – service level – SWB continued

Table 4AA – Third-party services water expenditure

for the 12 months ended 31 March 2026

	Water resources £m	Water network+			Total £m
		Raw water distribution and storage £m	Water treatment £m	Treated water distribution £m	
Third-party services – opex (price control)					
Non potable water (which are not bulk supplies) opex	–	–	–		–
Rechargeable opex – Fluoridation			–		–
Rechargeable opex – Fire hydrant install & repair				0.683	0.683
Rechargeable opex – third party damage	–	–		0.056	0.056
Rechargeable opex – build over	–	–		0.055	0.055
Other rechargeable opex	–	–	–	–	–
Total third party opex (price control)	–	–	–	0.794	0.794
Third-party services – capex (price control)					
Non potable water (which are not bulk supplies) capex	–	–	–		–
Rechargeable capex – Fluoridation			–		–
Rechargeable capex – Fire hydrant install & repair				–	–
Rechargeable capex – third party damage	–	–		–	–
Rechargeable capex – build over	–	–		–	–
Other rechargeable capex	–	–	–	–	–
Total third party capex (price control)	–	–	–	–	–
Third-party services – opex (non-price control)					
Bulk supplies opex	–	–	–	–	–
Reservoir operating agreements opex	–				–
Other excluded charge opex	–	–	–	0.070	0.070
Total third party costs opex (non-price control)	–	–	–	0.070	0.070
Third-party services – capex (non-price control)					
Bulk supplies capex	–	–	–	–	–
Reservoir operating agreements capex	–				–
Other excluded charge capex	–	–	–	–	–
Total third party costs capex (non-price control)	–	–	–	–	–
Third-party services – totex					
Total third-party services totex	–	–	–	0.864	0.864

Additional regulatory information – service level – SWB continued

Table 4AB – Third-party services wastewater expenditure

for the 12 months ended 31 March 2026

	Wastewater network+				Bioresources			Total £m
	Foul £m	Surface water drainage £m	Highway drainage £m	Sewage and sludge liquor – treatment and disposal £m	Sludge Transport £m	Sludge Treatment £m	Sludge Disposal £m	
Third-party services – opex (price control)								
Rechargeable opex – third party damage	–	–	–	–	–	–	–	–
Rechargeable opex – build over	–	–	–	–	–	–	–	–
Other rechargeable opex	–	–	–	–	–	–	–	–
Total third party opex (price control)	–	–	–	–	–	–	–	–
Third-party services – capex (price control)								
Rechargeable capex – third party damage	–	–	–	–	–	–	–	–
Rechargeable capex – build over	–	–	–	–	–	–	–	–
Other rechargeable capex	–	–	–	–	–	–	–	–
Total third party capex (price control)	–	–	–	–	–	–	–	–
Third-party services – opex (non-price control)								
Bulk supplies opex	–	–	–	–	–	–	–	–
Other excluded charge opex	0.052	0.015	0.003	–	–	–	–	0.070
Total third party costs opex (non-price control)	0.052	0.015	0.003	–	–	–	–	0.070
Third-party services – capex (non-price control)								
Bulk supplies capex	–	–	–	–	–	–	–	–
Other excluded charge capex	–	–	–	–	–	–	–	–
Total third party costs capex (non-price control)	–	–	–	–	–	–	–	–
Third-party services – totex								
Total third-party services totex	0.052	0.015	0.003	–	–	–	–	0.070

Additional regulatory information – service level – SWB continued

Table 4AC – Base expenditure analysis – water asset refurbishment and replacement

for the 12 months ended 31 March 2026

Expenditure	Total £m
Service reservoir asset renewals	
Asset replacements – expensed	–
Asset refurbishment – expensed	–
Asset renewals – expensed	–
Asset replacements – capitalised	0.485
Asset refurbishment – capitalised	0.660
Asset renewals – capitalised	1.145
Other network storage asset renewals	
Asset replacements – expensed	–
Asset refurbishment – expensed	–
Asset renewals – expensed	–
Asset replacements – capitalised	0.352
Asset refurbishment – capitalised	0.347
Asset renewals – capitalised	0.699
Boreholes asset renewals	
Asset replacements – expensed	–
Asset refurbishment – expensed	–
Asset renewals – expensed	–
Asset replacements – capitalised	0.094
Asset refurbishment – capitalised	0.106
Asset renewals – capitalised	0.200
Water mains asset renewals	
Asset replacements – expensed	–
Asset refurbishment – expensed	–
Asset renewals – expensed	–
Asset replacements – capitalised	42.997
Asset refurbishment – capitalised	–
Asset renewals – capitalised	42.997

Expenditure	Total £m
Workload	
Service reservoir asset renewals	
Asset replacements	16
Asset refurbishment	14
Other network storage asset renewals	
Asset replacements	7
Asset refurbishment	13
Boreholes asset renewals	
Asset replacements	6
Asset refurbishment	6

As part of a new Ofwat reporting requirement, the company is required to report base maintenance expenditure and asset renewals in line with the asset categories defined in Table 4AC and the requirements of RAG 4.14. This includes both capitalised and expensed activity relating to asset refurbishments and replacements for the year ended 31 March 2026. We have only reported the categories where there has been spend and/or associated workload.

In accordance with RAG 4.14, asset refurbishments comprise significant activity to restore assets through replacement of components and extend operational life, while asset replacements represent interventions to reset asset life or enhance capability where assets are approaching or at the end of their functional life. The reported data has been prepared on a consistent basis using established methodologies and available transactional and project-level information, with management judgement applied where necessary to ensure a reasonable and supportable classification between refurbishment and replacement activity, consistent with reporting elsewhere in the APR. No operating expenditure has been identified that meets the base maintenance definition, as qualifying activities are capitalised in accordance with the company's accounting policies.

Total water asset renewals of £45.041m have been identified for the year, comprising £43.928m of asset replacements and £1.113m of asset refurbishments, and are included within base maintenance capital expenditure reported in the APR. Investment was predominantly focused on water mains, with £42.997m delivered across 168 replacement schemes, equating to 26.8km of mains renewed during the year. These activities primarily address elevated failure rates and contribute to improvements in leakage and supply interruption performance, alongside supporting water quality outcomes through targeted interventions.

Further investment of £1.145m was undertaken in service reservoir renewals, including structural refurbishments and associated works across 267 assets. These interventions are delivered on a risk-based basis to maintain asset integrity, ensure ongoing compliance with water quality requirements and extend asset life.

Additional regulatory information – service level – SWB continued

Table 4AD – Base expenditure analysis – wastewater asset refurbishment and replacement

for the 12 months ended 31 March 2026

	Total £m
Expenditure	
Settlement tanks asset renewals	
Asset replacements – expensed	–
Asset refurbishment – expensed	–
Asset renewals – expensed	–
Asset replacements – capitalised	–
Asset refurbishment – capitalised	–
Asset renewals – capitalised	–
Activated sludge plants asset renewals	
Asset replacements – expensed	–
Asset refurbishment – expensed	–
Asset renewals – expensed	–
Asset replacements – capitalised	0.030
Asset refurbishment – capitalised	0.030
Asset renewals – capitalised	0.060
Trickle filters asset renewals	
Asset replacements – expensed	–
Asset refurbishment – expensed	–
Asset renewals – expensed	–
Asset replacements – capitalised	–
Asset refurbishment – capitalised	–
Asset renewals – capitalised	–
Gravity sewers asset renewals	
Asset refurbishment – expensed	–
Asset refurbishment – capitalised	12.329
Sewage pumping mains asset renewals	
Asset refurbishment – expensed	–
Asset refurbishment – capitalised	0.201

Workload

Settlement tanks asset renewals

Asset replacements	0
Asset refurbishment	0

Activated sludge plants asset renewals

Asset replacements	1
Asset refurbishment	1

Trickle filters asset renewals

Asset replacements	0
Asset refurbishment	0

As part of a new Ofwat reporting requirement, the company is required to report base maintenance expenditure and wastewater asset renewals in line with the asset categories defined in Table 4AD and the requirements of RAG 4.14. This includes both capitalised and expensed activity relating to asset refurbishments and replacements for the year ended 31 March 2026. We have only reported the categories where there has been spend and/or associated workload.

In accordance with RAG 4.14, asset refurbishments comprise activity undertaken to restore assets through replacement of components and extend operational life, while asset replacements represent interventions to reset asset life or enhance functional capability where assets are approaching or have reached the end of their useful life. The reported data has been prepared using a consistent methodology based on transactional and project-level information, with management judgement applied where required to distinguish between refurbishment and replacement activity, ensuring a reasonable and supportable representation aligned to other APR disclosures.

Total wastewater asset renewals of £12.590m have been identified for the year, with the majority relating to refurbishment activity. This includes £12.329m of investment in gravity sewer refurbishments, £0.201m in sewage pumping mains refurbishment, and £0.060m in activated sludge plant renewals. The overall profile reflects a predominance of refurbishment over replacement activity during the year.

Investment in gravity sewers was primarily reactive, addressing serviceability failures where operational performance could not be sustained without intervention, including risks relating to permit compliance, asset condition and health and safety. These works contribute to reducing repeat pollutions, sewer flooding, asset collapses and rising main bursts, and improve customer outcomes where serviceability issues arise. In line with Table 4AD reporting requirements, only refurbishment activity has been reported for gravity sewers and sewage pumping mains where applicable.

Limited planned refurbishment activity was undertaken in the year, reflecting a focus on scoping and design activities in the early phase of the AMP period. Delivery of the wastewater network rehabilitation programme is expected to increase in subsequent years to support long-term asset performance and regulatory outcomes, including reduction of storm overflow impacts.

Operating expenditure meeting the base maintenance definition has not been identified, as qualifying activities are capitalised in accordance with the company's accounting policies.

Additional regulatory information – water resources – SWB

Table 5A – Water resources asset and volumes data

for the 12 months ended 31 March 2026

	Units	Input
Water resources		
Water from impounding reservoirs	MI/d	157.09
Water from pumped storage reservoirs	MI/d	4.55
Water from river abstractions	MI/d	485.83
Water from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	MI/d	52.70
Water from artificial recharge (AR) water supply schemes	MI/d	–
Water from aquifer storage and recovery (ASR) water supply schemes	MI/d	–
Water from saline abstractions	MI/d	0.23
Water from water reuse schemes	MI/d	–
Number of impounding reservoirs	nr	12
Number of pumped storage reservoirs	nr	–
Number of river abstractions	nr	21
Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	37
Number of artificial recharge (AR) water supply schemes	nr	–
Number of aquifer storage and recovery (ASR) water supply schemes	nr	–
Number of saline abstraction schemes	nr	6
Number of reuse schemes	nr	–
Total number of sources	nr	76
Total number of water reservoirs	nr	23
Total volumetric capacity of water reservoirs	MI	119,848
Total number of intake and source pumping stations	nr	67
Total installed power capacity of intake and source pumping stations	kW	8,892
Total length of raw water abstraction mains and other conveyors	km	85.09
Average pumping head – raw water abstraction	m.hd	7.64
Energy consumption – water resources (MWh)	MWh	53,511.069
Total number of raw water abstraction imports	nr	–
Water imported from 3rd parties to raw water abstraction systems	MI/d	–
Total number of raw water abstraction exports	nr	–
Water exported to 3rd parties from raw water abstraction systems	MI/d	–
Water resources capacity (measured using water resources yield)	MI/d	744.25
Total number of completed investigations (WINEP/NEP), cumulative for AMP	Nr	–
Additional average pumping head data – raw water abstraction		
Percentage of APH derived from measured data – raw water abstraction	%	100.00
Percentage of sites with measured volumes and/or lift – raw water abstraction	%	100.00

Total abstraction reflects normal operational optimisation, with increased use of impounding reservoirs (157.09 MI/d) and slightly reduced river abstraction (485.83 MI/d), while groundwater remains stable. Movements primarily reflect how sources have been deployed to maintain system resilience rather than changes in underlying capacity or methodology, with a presentational update to pumped storage classification (including Roadford) affecting the split by source but not total abstraction. Reported asset numbers vary year-on-year based on utilisation, while overall capacity and infrastructure remain largely unchanged.

Average pumping head has increased from 4.46m to 7.64m, driven by higher pumping requirements to support system balancing and resilience during the year. The calculation is predominantly based on measured data (94.57%), providing a high level of confidence in the metric. Water resources capacity remains broadly stable at 744.25 MI/d, with no raw water imports or exports recorded. Overall, year-on-year movements are consistent with operational conditions and improved data classification, supported by robust methodologies, strengthened internal controls and full alignment with Ofwat reporting requirements.

Total number of sources (Line 5A.17), broken down by category, (Lines 5A.9-16) have remained unchanged since 2011. During year 2025/26 South West Water had three source sites (Shipton Moyne TW, Charterhouse TW & Sherborne TW) whereby no water was abstracted for operational reasons, these sites are still officially operational sites. Based on the definition provided by OFWAT in RAG 4.14 (A source is defined as an independent raw water supply that directly supplies a treatment works, such as impounding reservoirs, river abstractions and groundwater works. Standby or mothballed sources from which no water has been obtained in the year should not be included.)

South West Water has interpreted these exclusion parameters as:

- Standby sites from which no water has been obtained AND
- Mothballed sites from which no water has been obtained.

Therefore, due to these three sources still holding full continuous abstraction licences and being neither standby, nor mothballed officially, have been included in the count with a 0.0MI abstraction value reported in lines 5A.1-8.

Additional regulatory information – water network plus – SWB

Table 6A – Raw water transport, raw water storage and water treatment data

for the 12 months ended 31 March 2026

	Units	Input
Raw water transport and storage		
Total number of balancing reservoirs	nr	2
Total volumetric capacity of balancing reservoirs	MI	570
Total number of raw water transport stations	nr	24
Total installed power capacity of raw water transport pumping stations	kW	16,481
Total length of raw water transport mains and other conveyors	km	260.34
Average pumping head ~ raw water transport	m.hd	29.56
Energy consumption – raw water transport (MWh)	MWh	7,568.402
Total number of raw water transport imports	nr	–
Water imported from 3rd parties to raw water transport systems	MI/d	–
Total number of raw water transport exports	nr	–
Water exported to 3rd parties from raw water transport systems	MI/d	–
Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	km	–

	Surface water		Ground water	
	Water treated MI/d	Number of works nr	Water treated MI/d	Number of works nr
Water treatment – treatment type analysis				
All simple disinfection works	–	–	15.10	3
W1 works	–	–	–	–
W2 works	–	–	–	1
W3 works	100.70	8	–	–
W4 works	3.08	1	22.41	5
W5 works	502.44	15	10.11	8
W6 works	0.48	1	–	–

	% of total DI DI	Number of works nr
Water treatment – works size		
WTWs in size band 1	0.3	11
WTWs in size band 2	0.6	3
WTWs in size band 3	2.1	3
WTWs in size band 4	12.8	10
WTWs in size band 5	19.7	7
WTWs in size band 6	16.7	3
WTWs in size band 7	47.8	5
WTWs in size band 8	–	–

	Units	Input
Water treatment – other information		
Peak week production capacity (PWPC)	MI/d	895.62
Total peak week production capacity (PWPC) having enhancement expenditure for grey solution improvements to address raw water quality deterioration	MI/d	564.20
Total peak week production capacity (PWPC) having enhancement expenditure for green solutions improvements to address raw water quality deterioration	MI/d	804.20
Total water treated at more than one type of works	MI/d	–
Number of treatment works requiring remedial action because of raw water deterioration	nr	–
Zonal population receiving water treated with orthophosphate	000's	1,444.594
Average pumping head – water treatment	m.hd	8.68
Energy consumption – water treatment (MWh)	MWh	57,697.488
Total number of water treatment imports	nr	–
Water imported from third parties to water treatment works	MI/d	–
Total number of water treatment exports	nr	–
Water exported to third parties from water treatment works	MI/d	–
		Input %

Additional average pumping head data – raw water transport

Percentage of APH derived from measured data – raw water transport	100.00
Percentage of sites with measured volumes and/or lift – raw water transport	100.00

Overall activity reflects stable operations, with no material changes to underlying asset base, no raw water or treatment imports/exports, and consistent total numbers of treatment works (42). Operational movements are driven by system conditions and targeted investment: a scheme at Littlehempston WTW (commissioned April 2025) has enhanced treatment capability and reclassified the works from W3 to W5, while a reduction in river abstractions has contributed to a decrease in raw water transport average pumping head from 32.12m to 29.56m. Peak week production capacity reduced slightly to 895.62 MI/d, reflecting a revised constraint at Burrows WTW due to nitrate levels, with no wider change to methodology.

Average distribution input increased marginally to 654.32 MI/d (predominantly surface water), with minor adjustments to treatment works size banding reflecting updated PWPC assumptions. Investment to address raw water quality deterioration continues, with both “grey” (engineering solutions at 17 sites) and “green” (catchment-based solutions across 17 catchments) interventions contributing to improved water quality resilience. No treatment works are reported as requiring remedial action in-year, consistent with the timing of multi-year schemes. New disclosures on average pumping head confirm that over 90% of APH is derived from measured data for both raw water transport and treatment, providing a high level of confidence in the reported values, with remaining estimates having limited impact on the overall metric.

Additional regulatory information – water network plus – SWB continued

Table 6B – Treated water distribution – assets and operations

for the 12 months ended 31 March 2026

	Units	Input
Total installed power capacity of potable water pumping stations	kW	29,979
Total volumetric capacity of service reservoirs	MI	1,171.0
Total volumetric capacity of water towers	MI	8.5
Water delivered (non-potable)	MI/d	–
Water delivered (potable)	MI/d	554.53
Water delivered (billed measured residential properties)	MI/d	261.43
Water delivered (billed measured businesses)	MI/d	160.61
Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	0.224
Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	0.007
Proportion of distribution input derived from river abstractions	Propn 0 to 1	0.694
Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	0.075
Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	–
Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	–
Proportion of distribution input derived from saline abstractions	Propn 0 to 1	–
Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	–
Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	252
Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	8
Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	17
Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	227
Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system	nr	–
Total number of service reservoirs	nr	327
Number of water towers	nr	12
Energy consumption – treated water distribution (MWh)	MWh	80,881.487
Average pumping head – treated water distribution	m.hd	91.05
Total number of treated water distribution imports	nr	3
Water imported from third parties to treated water distribution systems	MI/d	–
Total number of treated water distribution exports	nr	97
Water exported to third parties from treated water distribution systems	MI/d	0.34
Peak seven-day rolling average distribution input	MI/d	717.55
Peak seven-day rolling average distribution input / annual average distribution input	Percentage	109.71%

Movements in source composition reflect operational conditions during the year, with a higher proportion of distribution input derived from impounding reservoirs and a corresponding reduction from river abstractions, consistent with drought conditions impacting river availability. There have been no material changes to methodology, and reported values are aligned with Ofwat definitions and consistent with prior year reporting.

Operational performance remains stable overall, with no material change in treated water distribution average pumping head year-on-year. New disclosures confirm that 92.59% of average pumping head is derived from measured data, with 74.26% of sites supported by measured volumes and/or lift, providing a high level of confidence in the calculation. Other values reported in the table are drawn from established regulatory outputs, including consumption, leakage and bulk supply tables, ensuring consistency across the APR. Overall, movements are minor and reflect expected operational variation, supported by robust data sources, validated asset records and strengthened assurance processes.

Water balance		Company level	
Measured household consumption (excluding supply pipe leakage)	MI/d	2	241.18
Unmeasured household consumption (excluding supply pipe leakage)	MI/d	2	105.40
Measured non-household consumption (excluding supply pipe leakage)	MI/d	2	158.85
Unmeasured non-household consumption (excluding supply pipe leakage)	MI/d	2	2.23
Total annual leakage	MI/d	2	113.54
Distribution system operational use	MI/d	2	6.54
Water taken unbilled	MI/d	2	17.28
Distribution input	MI/d	2	645.01
Distribution input (pre-MLE)	MI/d	2	654.05
Additional average pumping head data		Treated water distribution	
Percentage of APH derived from measured data	Percentage	2	99.85
Percentage of sites with measured volumes and/or lift	Percentage	2	78.15

The underlying asset base remains stable, with no change to the number or capacity of service reservoirs (327) and water towers (12), while potable pumping stations increased marginally to 252 with a small increase in installed capacity.

Additional regulatory information – water network plus – SWB continued

Table 6C – Water network+ – mains, communication pipes and other data

for the 12 months ended 31 March 2026

	Units	Input	Condition grade 1	Condition grade 2	Condition grade 3	Condition grade 4	Condition grade 5
Treated water distribution – mains analysis							
Length of potable mains relined (excludes structural relining)	km	–	–	–	–	–	–
Length of potable mains structurally relined	km	–	–	–	–	–	–
Length of potable mains renewed (excludes relining)	km	26.8	5.7	8.0	2.6	3.6	6.9
Length of new potable mains	km	24.2					
Treated water distribution – mains analysis by diameter							
Total length of potable water mains (≤320mm)	km	17,556.3					
Total length of potable water mains (>320mm and ≤ 450mm)	km	579.5					
Total length of potable water mains (>450mm and ≤610mm)	km	377.4					
Total length of potable water mains (> 610mm)	km	119.5					
Total length of potable mains as at 31 March	km	18,632.7					
Treated water distribution – mains age profile							
Total length of potable mains laid or structurally refurbished pre-1880	km	38.0					
Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	206.5					
Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	428.3					
Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	1,564.8					
Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	3,931.0					
Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	5,277.5					
Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	4,286.1					
Total length of potable mains laid or structurally refurbished between 2001 and 2020	km	2,590.7					
Total length of potable mains laid or structurally refurbished during and after 2021	km	309.8					
Length of potable mains – all ages	km	18,632.7					
Communication pipes							
Number of lead communication pipes	nr	76,367					
Number of galvanised iron communication pipes	nr	121,402					
Number of other communication pipes	nr	842,880					
Number of lead communication pipes replaced or relined for water quality	nr	1,445					
Other							
Company area	km ²	11,357					
Properties below reference level at end of year	nr	435					



Additional regulatory information – water network plus – SWB continued

Table 6C – Water network+ – mains, communication pipes and other data continued

for the 12 months ended 31 March 2026

	Treated water distribution nr	Additional water control nr	Total nr
Traffic Management Act			
Projects incurring costs associated with Traffic Management Act	24,617	–	24,617

Total potable mains length increased to 18,632.7 km, reflecting a net addition of 23.0 km in the year, driven by 24.2 km of new mains laid to support growth and 26.8 km of mains renewal activity. Renewal activity represents a step-up from prior periods, primarily targeting areas of higher failure risk and water quality concerns, although delivery remains slightly below planned levels for the year due to programme mobilisation and external factors. There has been no relining activity and no material change to methodology, with condition grading applied consistently using the PR24 dataset.

Other movements reflect operational and customer-driven activity. The number of communication pipes replaced for water quality reasons increased to 1,445, consistent with the enhanced AMP8 programme, while reactive replacements of lead and galvanised pipes remain broadly stable. The number of properties below reference level increased to 435 following investigations prompted by customer contacts, reflecting improved identification rather than a deterioration in service. Overall, reported movements are consistent with network growth, targeted investment and improved data capture, with outputs aligned to regulatory requirements and supported by robust processes and assurance.

Additional regulatory information – water network plus – SWB continued

Table 6D – Demand management – metering and leakage activities

for the 12 months ended 31 March 2026

	Units	Basic meter	AMR meter	AMI meter	Total
Metering activities – Totex expenditure					
New optant meter installation for existing customers	£m	–	0.604	0.305	0.909
New selective meter installation for existing customers	£m	–	–	–	–
New business meter installation for existing customers	£m	–	–	–	–
Residential meters renewed	£m	0.001	0.389	9.097	9.487
Business meters renewed	£m	0.006	0.068	0.419	0.493
Total cost of replacement of basic meters with AMR or AMI meters for residential customers	£m		0.330	5.715	6.045
Total cost of replacement of AMR meter with AMI meters for residential customers	£m			3.303	3.303
Total cost of replacement of basic meters with AMR or AMI meters for business customers	£m		0.057	0.341	0.398
Total cost of replacement of AMR meter with AMI meters for business customers	£m			0.077	0.077
Metering activities – Explanatory variables					
New optant meters installed for existing customers	000s	–	5.835	2.945	8.780
New selective meters installed for existing customers	000s	–	–	–	–
New business meters installed for existing customers	000s	–	0.002	0.004	0.006
Residential meters renewed	000s	0.013	3.763	87.933	91.709
Business meters renewed	000s	0.059	0.655	4.054	4.768
Replacement of basic meters with AMR or AMI meters for residential customers	000s		3.192	55.240	58.432
Replacement of AMR meter with AMI meters for residential customers	000s			31.930	31.930
Replacement of basic meters with AMR or AMI meters for business customers	000s		0.555	3.298	3.853
Replacement of AMR meter with AMI meters for business customers	000s			0.749	0.749
Metering activities – benefits delivered					
New residential meters installed for existing customers – supply-demand balance benefit	MI/d	–	0.49	0.25	0.74
New business meters installed for existing customers – supply-demand balance benefit	MI/d	–	–	–	–
Replacement of basic meter with AMR or AMI meters for residential customers – supply-demand balance benefit	MI/d		–	–	–
Replacement of AMR meter with AMI meter for residential customers – supply-demand balance benefit	MI/d			–	–
Replacement of basic meter with AMR/AMI meters for business customers – supply-demand balance benefit	MI/d		–	–	–
Replacement of AMR meter with AMI meter for business customers – supply-demand balance benefit	MI/d			–	–
Metering – penetration and connectivity					
Residential properties – meter penetration	%	48.1%	19.6%	17.4%	85.2%
Business properties – meter penetration	%	67.8%	15.2%	13.5%	96.4%
Residential properties – connected AMI meters at year end	%			–	–
Business properties – connected AMI meters at year end	%			–	–
Per capita consumption (excluding supply pipe leakage)					
Per capita consumption (measured)	l/h/d	120			
Per capita consumption (unmeasured)	l/h/d	309			

Additional regulatory information – water network plus – SWB continued

Table 6D – Demand management – metering and leakage activities continued

for the 12 months ended 31 March 2026

	Internal 000s	External requiring dig 000s	External no dig 000s
Meter installation typese			
New meters installed for existing customers – basic	–	–	–
New meters installed for existing customers – AMR	0.608	2.663	2.564
New meters installed for existing customers – AMI	0.451	1.244	1.250
New Basic installations – business	–	–	–
New AMR installations – business	–	0.002	–
New AMI installations – business	0.003	0.001	–
Upgrades – Basic to AMR – residential	0.440	0.062	2.690
Upgrades – Basic to AMI – residential	0.954	1.145	53.141
Upgrades – AMR to AMI – residential	0.438	0.218	31.724
Upgrades – Basic to AMR – business	0.053	0.027	0.475
Upgrades – Basic to AMI – business	0.088	0.307	2.903
Upgrades – AMR to AMI – business	0.024	0.015	0.710
			Total 000s
Boundary boxes			
Number of new boundary box installations			3.159
Number of boundary box replacements			3.139

Table 6D presents South West Water's demand management activity for 2025/26, including metering and smart meter rollout, in line with Ofwat RAG 3.16 and 4.14. Activity increased compared to the prior year, reflecting higher customer demand for metering following changes to customer bills and continued delivery of the company's smart metering programme. During the year, 87,933 household and 4,054 non-household meters were replaced, with all new installations adopting smart technology. This supports more accurate billing, improved customer insight into water usage and enhanced capability to identify and address leakage. Meter penetration remains high, with over 89% of customers charged on a metered or equivalent basis, reflecting strong customer uptake.

Performance is consistent with regulatory expectations and aligned with Price Control Deliverable requirements. The reported 'null' return for first-year smart meter connectivity reflects the requirement for meters to be connected for a full 12-month period prior to recognition and does not indicate underperformance. There have been no changes to methodology in the year. Overall, activity represents a step-up in delivery and supports demand reduction, improved leakage management and better customer outcomes.

Table 6E – Leakage activity

	Units	Total
Leakage expenditure		
Maintaining leakage activity – totex	£m	55.306
Reducing leakage activity – totex	£m	–
Total leakage activity – totex	£m	55.306
Leakage improvements delivering benefits in current price review period	MI/d	(5.7)

The in-house leakage department had a total opex cost pre recharges of £4.3m; comprising of £3.6m of salary and direct costs with £0.07m in relation to tools and equipment; leakstop payments to customers of £0.28m were issued in 25/26

6,165 leakage opex repairs were made on the SWB Network in 25/26. Of this 3,217 related to communication pipes repairs; 902 repairs to stop taps, and 1312 mains burst repairs

All leakage-related spend was allocated to Maintaining Leakage Activity (Base) and is therefore included within Table 6E.1.

Table 6F – WRMP annual reporting on delivery – non-leakage activities

Whilst the table is not included in the APR due to its size, it is included within the APR tables on our website. Supporting commentary for this table is provided below.

Table 6F presents South West Water's delivery of WRMP24 non-leakage demand management options for 2025/26, including reported benefits and forecast delivery across AMP8 and beyond, in line with Ofwat RAG 3.16 and 4.14. Reported benefits of 0.58 MI/d are aligned with Environment Agency WESSD reporting, ensuring consistency across regulatory submissions while providing a comprehensive view of demand-side activity. The current year represents a transition from the prior WRMP reporting basis to the WRMP24 option set, with additional options (HH_Z_WSD and HH_Z_LLC) included to reflect material demand-side interventions not explicitly captured in WRMP24 but necessary to present a complete picture of delivery. There have been no changes to underlying methodology, although aggregation of options has been applied where appropriate to align with table constraints and improve clarity.

Performance in 2025/26 is below the AMP8 year one profile, with delivery representing approximately 11% of planned demand reduction benefits. This variance is primarily driven by the deferral of flow moderator installations, which account for a significant proportion of planned benefits, alongside the late mobilisation of the wider water efficiency programme following procurement, with substantive delivery commencing in January 2026. Supply-side options remain on track, with benefits expected to be realised beyond AMP8. A recovery trajectory is in place and will be formalised through the WRMP24 Annual Review and change management process, with future delivery expected to be supported by increased water efficiency activity, enhanced use of smart meter data, and targeted interventions such as the LeakyLoo campaign. Overall, the programme remains aligned to WRMP24 objectives and continues to support long-term demand reduction and resilience outcomes.

Additional regulatory information – wastewater network plus – SWB



Table 7A – Wastewater network+ – functional expenditure

	£'000
Costs of STWs in size bands 1 to 5	
Direct costs of STWs in size band 1	5,727.686
Direct costs of STWs in size band 2	7,070.071
Direct costs of STWs in size band 3	13,362.707
Direct costs of STWs in size band 4	15,697.569
Direct costs of STWs in size band 5	14,744.494
General & support costs of STWs in size bands 1 to 5	9,561.778
Functional expenditure of STWs in size bands 1 to 5 (excluding 3rd party services)	66,164.305
Costs of large STWs (size band 6)	
Service charges for STWs in size band 6	1,189.000
Estimated terminal pumping costs size band 6 works	1,993.000
Other direct costs of STWs in size band 6	31,557.000
Direct costs of STWs in size band 6	34,739.000
General & support costs of STWs in size band 6	5,331.000
Functional expenditure of STWs in size band 6 (excluding 3rd party services)	40,070.000
Costs of STWs – all sizes	
Total operating functional expenditure (excluding 3rd party services)	106,234.305

Wastewater Network+ functional expenditure increased to £106.234m in 2025/26 (2024/25: £84.6m), representing a year-on-year increase of approximately 26%. This increase reflects sustained input cost pressures, particularly electricity, alongside higher treatment complexity and evolving regulatory requirements. Power remains the most significant cost driver, with increased electricity prices driving higher costs across treatment operations. Additional increases in chemicals, consumables and contracted services reflect the operational response required to maintain compliance standards, including tighter environmental expectations and more complex treatment processes. Environmental Agency charges have also increased materially due to changes in discharge permits and regulatory frameworks, representing an externally driven cost pressure largely outside management control.

Cost increases are observed across all size bands and are therefore consistent at an overall service level. Movements between size bands reflect updates to population estimation methodologies rather than changes in the underlying asset base. Expenditure at larger treatment works remains concentrated due to higher throughput and process complexity, with site-level increases primarily driven by energy usage, chemical requirements and operational intensity. Actual expenditure exceeds PR24 baseline assumptions in key areas, particularly power and environmental charges, indicating structural cost pressures rather than timing differences. There have been no changes to methodology in the year. Overall, the increase in expenditure reflects inflationary and regulatory drivers alongside the cost of maintaining performance and environmental compliance across the wastewater network

Table 7B – Wastewater network+ – Large sewage treatment works

In accordance with RAG 3.16, Table 7B is not included in the published APR document due to its detailed, site-level nature; however, supporting narrative has provided below, to explain key movements and maintain transparency.

Table 7B presents key operational and explanatory data for South West Water's large sewage treatment works (Size Band 6, >25,000 population equivalent) for 2025/26 in accordance with Ofwat RAG 3.16 and 4.14. The number of large works remains unchanged at 17, with no changes to treatment categorisation, reflecting a stable asset base and consistent treatment processes. Population served increased modestly from 1,136.54 thousand to 1,146.7 thousand (0.89%), driven by underlying population growth and refinements to catchment boundaries—particularly within the Plymouth area—resulting in minor redistribution of load between sites rather than a material change in overall demand.

Total wastewater treated at these large works increased by approximately 5% year-on-year, broadly aligned with the wider regional movement (4.77%), with variation primarily driven by rainfall and inflow conditions rather than structural changes to assets or operations. There have been no material changes to headline discharge permit conditions; however, permit variations at Plymouth Central, Torbay and Hayle relating to flow monitoring, dry weather flow assessment and Event Duration Monitoring reflect evolving regulatory requirements. There have been no changes to methodology, with all metrics derived consistently from established sources including measured flow data and cross-referenced population estimates. Overall, movements are modest and consistent with normal operational variation and regulatory updates, with the table demonstrating stable performance and configuration of the largest and most complex treatment assets.

Additional regulatory information – wastewater network plus – SWB continued

Table 7C – Wastewater network+ – sewer and volume data

	Units	Input		Units	Input
Wastewater network (as at 31 March)			Emergency overflows – additional reporting (as at 1 January)		
Connectable properties served by s101A schemes completed in the report year	nr	–	Number of emergency overflows – sewage pumping stations (as at 1 January)	nr	199
Number of s101A schemes delivered in the report year	nr	–	Number of emergency overflows – network (as at 1 January)	nr	–
Total pumping station capacity	kW	39,786	Number of emergency overflows – other (as at 1 January)	nr	36
Number of network pumping stations	nr	1,232	Number of emergency overflows – all (as at 1 January)	nr	235
Total number of sewer blockages	nr	6,086	Number of emergency overflows with event duration monitors installed (as at 1 January)	nr	235
Total number of gravity sewer collapses	nr	100	Number of emergency overflows with an MCERTS certified event duration monitors installed (as at 1 January)	nr	–
Total number of sewer rising main bursts	nr	29	Proportion of the time that event duration monitors on emergency overflows were operational (from 1 January to 31 December)	%	99.45%
Number of combined sewer overflows	nr	1,165	Number of spills from emergency overflows (from 1 January to 31 December)	nr	481
Number of emergency overflows – sewage pumping stations	nr	199			
Number of settled storm overflows	nr	185			
Sewer age profile (constructed post 2001)	km	1,422			
Volume of trade effluent	MI/yr	2,422.77			
Volume of wastewater receiving treatment at sewage treatment works	MI/yr	243,074.49			
Length of gravity sewers rehabilitated	km	3			
Length of rising mains replaced or structurally refurbished	km	–			
Length of foul (only) public sewers	km	2,959			
Length of surface water (only) public sewers	km	3,624			
Length of combined public sewers	km	7,436			
Length of rising mains	km	737			
Length of other wastewater network pipework	km	299			
Total length of “legacy” public sewers as at 31 March	km	15,055			
Length of formerly private sewers and lateral drains (s105A sewers)	km	10,455			
Storm overflows – additional reporting (as at 1 January)					
Number of combined sewer overflows (as at 1 January)	nr	1,165			
Number of settled storm overflows (as at 1 January)	nr	185			
Number of storm overflows – other (as at 1 January)	nr	–			
Number of storm overflows – pending investigation (as at 1 January)	nr	2			
Number of permitted storm overflows closed in the previous reporting year (as at 1 January)	nr	1			
Number of storm overflows – consistent with PR24 performance commitment definition	nr	1,353			
Number of storm overflows closed in the previous reporting year – (as at 1 January)	nr	17			
Number of storm overflows with event duration monitors installed (as at 1 January)	nr	1,356			
Proportion of the time that event duration monitors on storm overflows were operational (from 1 January to 31 December)	%	98.54%			
Number of spills from storm overflows (from 1 January to 31 December)	nr	46,164			

Additional regulatory information – wastewater network plus – SWB continued

Table 7D – Wastewater network+ – sewage treatment works data

	Units	Treatment categories							Total
		Primary	Secondary	Biological	A1	A2	B1	B2	
			Activated Sludge						
Load received at sewage treatment works									
Load received by STWs in size band 1	kg BOD ₅ /day	126	269	986	58	3	434	44	1,920
Load received by STWs in size band 2	kg BOD ₅ /day	43	249	681	168	121	318	170	1,750
Load received by STWs in size band 3	kg BOD ₅ /day	200	742	1,637	1,044	1,532	1,076	1,435	7,666
Load received by STWs in size band 4	kg BOD ₅ /day	–	1,946	1,488	814	6,297	627	5,342	16,514
Load received by STWs in size band 5	kg BOD ₅ /day	–	2,248	–	–	8,648	815	5,987	17,698
Load received by STWs above size band 5	kg BOD ₅ /day	–	10,724	4,198	–	48,582	–	5,297	68,801
Total load received	kg BOD₅/day	369	16,178	8,990	2,084	65,183	3,270	18,275	114,349
Load received from trade effluent customers at treatment works	kg BOD ₅ /day								3,503
Number of sewage treatment works									
STWs in size band 1	nr	87	41	189	7	1	54	4	383
STWs in size band 2	nr	1	9	29	7	5	13	7	71
STWs in size band 3	nr	2	12	27	13	16	18	20	108
STWs in size band 4	nr	–	8	7	3	18	4	14	54
STWs in size band 5	nr	–	3	–	–	10	1	6	20
STWs above size band 5	nr	–	3	1	–	11	–	2	17
Total number of works	nr	90	76	253	30	61	90	53	653
Population equivalent									
Current population equivalent served by STWs	000s	1,773.072							
Current population equivalent served by STWs with tightened/ new P consents	000s	0.044							
Current population equivalent served by STWs with tightened/ new N consents	000s	–							
Current population equivalent served by STWs with tightened/ new sanitary parameter consents	000s	10.473							
Current population equivalent served by STWs with tightened/ new microbiological treatment consents (for example UV, ozone etc)	000s	–							
Population equivalent treatment capacity enhancement	000s	0.242							
Current population equivalent served by STWs with tightened/new consents for chemicals or other hazardous substances.	000s	–							

Additional regulatory information – wastewater network plus – SWB continued

Table 7D – Wastewater network+ – sewage treatment works data continued

		Treatment works consents										
		Phosphorus				Total	BOD ₅					Total
Units		<=0.5mg/l	>0.5 to ≤1mg/l	>1mg/l	No permit		<=7mg/l	>7 to ≤10mg/l	>10 to ≤20mg/l	>20mg/l	No permit	
Load received at sewage treatment works												
Load received by STWs in size band 1	kg BOD5/day	–	–	28	1,892	1,920	–	6	117	279	1,517	1,919
Load received by STWs in size band 2	kg BOD5/day	–	–	124	1,625	1,749	19	50	512	1,029	138	1,748
Load received by STWs in size band 3	kg BOD5/day	515	360	839	5,954	7,668	408	621	2,619	3,607	412	7,667
Load received by STWs in size band 4	kg BOD5/day	1,178	2,908	158	12,270	16,514	–	772	4,396	11,346	–	16,514
Load received by STWs in size band 5	kg BOD5/day	995	4,148	3,495	9,061	17,699	–	1,715	10,627	5,357	–	17,699
Load received by STWs above size band 5	kg BOD5/day	–	–	–	68,802	68,802	–	3,927	19,141	45,733	–	68,801
Total load received	kg BOD5/day	2,688	7,416	4,644	99,604	114,352	427	7,091	37,412	67,351	2,067	114,348
Load received from trade effluent customers at treatment works	kg BOD5/day											
Number of sewage treatment works												
STWs in size band 1	nr	–	–	3	380	383	–	1	11	25	346	383
STWs in size band 2	nr	–	–	5	66	71	1	2	21	41	6	71
STWs in size band 3	nr	5	5	11	87	108	4	7	42	51	4	108
STWs in size band 4	nr	3	7	1	43	54	–	2	16	36	–	54
STWs in size band 5	nr	1	5	3	11	20	–	2	12	6	–	20
STWs above size band 5	nr	–	–	–	17	17	–	1	5	11	–	17
Total number of works	nr	9	17	23	604	653	5	15	107	170	356	653

Additional regulatory information – wastewater network plus – SWB continued

Table 7D – Wastewater network+ – sewage treatment works data continued

		Treatment works consents					
		Ammonia					
	Units	<=1mg/l	>1 to <=3mg/l	>3 to <=10mg/l	>10mg/l	No permit	Total
Load received at sewage treatment works							
Load received by STWs in size band 1	kg BOD5/day	–	–	184	153	1,583	1,920
Load received by STWs in size band 2	kg BOD5/day	–	64	667	353	664	1,748
Load received by STWs in size band 3	kg BOD5/day	118	680	2,265	1,142	3,462	7,667
Load received by STWs in size band 4	kg BOD5/day	–	617	4,404	4,110	7,383	16,514
Load received by STWs in size band 5	kg BOD5/day	–	1,275	10,195	1,526	4,702	17,698
Load received by STWs above size band 5	kg BOD5/day	–	–	15,908	8,345	44,548	68,801
Total load received	kg BOD5/day	118	2,636	33,623	15,629	62,342	114,348
Load received from trade effluent customers at treatment works	kg BOD5/day						
Number of sewage treatment works							
STWs in size band 1	nr	–	–	14	15	354	383
STWs in size band 2	nr	–	3	28	15	25	71
STWs in size band 3	nr	1	8	37	15	47	108
STWs in size band 4	nr	–	3	15	14	22	54
STWs in size band 5	nr	–	1	13	1	5	20
STWs above size band 5	nr	–	–	3	3	11	17
Total number of works	nr	1	15	110	63	464	653

The total population equivalent served by sewage treatment works remains stable overall, reflecting a mature asset base and consistent demand profile. Movements within the year relate primarily to changes in regulatory requirements and scheme delivery rather than underlying growth, with a small number of population equivalents associated with schemes signed off for tighter consents, including phosphorus removal and sanitary improvements.

Activity during the year reflects ongoing delivery of environmental investment programmes, including WINEP-driven schemes, with three phosphorus schemes and six sanitary schemes signed off, alongside treatment capacity enhancements at two works. No nitrogen, microbiological or chemical consent schemes were completed in the year, reflecting the phasing of programme delivery within AMP8. Overall, movements are modest and consistent with planned regulatory delivery, with changes in reported population equivalent driven by targeted interventions to meet tightening environmental standards. There have been no changes to methodology, and reported data is consistent with other regulatory submissions and investment programmes.

Additional regulatory information – wastewater network plus – SWB continued

Table 7E – Wastewater network+ – other data including energy consumption and scheme delivery

	Units	Input
Other		
Total sewerage catchment area	km ²	888
Designated bathing waters (inland and coastal)	nr	157
Energy consumption		
Energy consumption – sewage collection	MWh	64,944.169
Energy consumption – sewage treatment	MWh	103,160.040
Energy consumption – wastewater network +	MWh	168,104.209
Scheme delivery		
Number of intermittent discharge event duration monitors installed (STW and network)	nr	–
Number of odour related complaints	nr	267
Flow to full treatment to increase to increase STW capacity	l/s	–
Number of sites with an increase in sewage treatment works FFT	nr	–
Additional equivalent storage provided for storm overflow spill reduction schemes; grey	m ³	3,912.000
Additional equivalent storage provided for storm overflow spill reduction schemes; green	m ³	–
Additional equivalent storage provided for storm overflow spill reduction schemes; other	m ³	271.000
Number of network storm overflow schemes delivered	nr	12.000
Number of STW storm overflow schemes delivered	nr	–
Storm overflow wetlands – sites	nr	–
Storm overflow wetlands – area	nr	–
Number of screen-only schemes delivered	nr	3.0
Number of schemes delivered to meet tightened or new sanitary consents	nr	–
New wetlands for tightened sanitary or nutrient (N or P) permits – sites	nr	1
New wetlands for tightened sanitary or nutrient (N or P) permits – area	m ²	89
Septic tank replacement projects	nr	–
Septic tank replacement projects – total PE	nr	–
Fish outfall screens	nr	–
Schemes with tightened/new P permits (met by biological treatment)	nr	–
Schemes with tightened/new P permits (met by chemical treatment)	nr	–
Schemes with tightened/new N permits (met by biological treatment)	nr	–
Schemes with tightened/new N permits (met by chemical treatment)	nr	–
Schemes with tightened/new microbiological standards (UV, ozone etc)	nr	–
Schemes with tightened/new chemicals/hazardous substances permits	nr	–
N-TAL trials	nr	3
STW flow monitors installed	nr	6
STW flow monitoring schemes requiring permit changes only	nr	3
STW flow monitoring schemes requiring simple meter installations	nr	1
STW flow monitoring schemes requiring complex civils installations	nr	2
Continuous water quality monitor installations	nr	–
MCERTs monitoring schemes at SPS emergency overflows – EDM only	nr	10

	Units	Input
MCERTs monitoring schemes at SPS emergency overflows – EDM + civils	nr	1
MCERTs monitoring schemes at SPS emergency overflows – EDM + PFF	nr	3
MCERTs monitoring schemes at SPS emergency overflows – EDM + PFF + civils	nr	1
MCERTs monitoring schemes at SPS emergency overflows – Permits only	nr	5
WINEP/NEP investigations – desk-based studies only	nr	164
WINEP/NEP investigations – survey, monitoring or simple modelling	nr	39
WINEP/NEP investigations – multiple surveys and/or monitoring locations, and/or complex modelling	nr	10
WINEP/NEP investigations – total	nr	213
Catchment management nutrient balancing schemes	nr	–
Catchment management catchment permitting schemes	nr	–
Catchment management habitat restoration schemes	nr	–
River connectivity schemes (fish passes etc)	nr	–
Marine conservation zones (new and existing)	nr	2
Contribution to third party WINEP/NEP schemes	nr	–
25 yr Environment Plan schemes	nr	–
Additional sludge storage – tank volume (pre-thickening/pre-dewatering/untreated sludge)	m ³	–
Additional sludge storage – tank volume (thickened/dewatered/treated sludge)	m ³	–
Additional sludge storage – cake pads/bays area or equivalent (cake)	m ²	–
Sludge treatment schemes providing sludge storage	nr	–
Sludge treatment schemes providing sludge thickening and dewatering	nr	–
Sludge treatment schemes (Other)	nr	–
Sludge investigation and monitoring schemes (NEP only)	nr	–

	Foul nr	Surface water drainage nr	Highway drainage nr	Additional wastewater control nr	Total nr
Traffic Management Act					
Projects incurring costs associated with Traffic Management Act	620	134	–	397	1,151

The company maintains full event duration monitoring (EDM) coverage across permitted storm overflows, with no additional installations required during the year following completion of the AMP7 programme. Reported activity therefore reflects maintenance and enhancement of the monitoring estate, with spill reporting continuing to be supported by a fully monitored network and consistent application of regulatory monitoring standards. Activity in the year is primarily driven by early AMP8 WINEP delivery, including the rollout of enhanced monitoring at sewage treatment works and pumping stations and progression of MCERTs schemes. Reported spill activity is influenced by rainfall patterns and network conditions, with higher intensity rainfall events increasing the frequency of overflow operation; however, improvements in monitoring coverage and data quality have also increased visibility of events, rather than indicating an underlying deterioration in performance. There have been no material changes to methodology, and reported values remain aligned with Environment Agency submissions and wider APR disclosures. Overall, movements reflect enhanced monitoring capability and transition into AMP8 delivery, with further improvements in spill management and data quality expected as the programme progresses.



Additional regulatory information – wastewater network plus – SWB continued

Table 7F – Wastewater network+ – WINEP/NEP phosphorus removal scheme costs and cost drivers

In accordance with RAG 3.16 presentation guidance, Table 7F to 7L have not been included in the published APR document due to its detailed nature; however, supporting narrative is provided to ensure transparency of key movements and programme delivery.

Table 7F reflects AMP8 reporting of phosphorous removal schemes under WINEP, comprising a portfolio of schemes across multiple wastewater treatment works. As a new reporting requirement, there are no year-on-year comparators, with reported values aligned to PR24 Final Determination allowances and updated delivery profiles. Activity includes a mix of conventional treatment upgrades and emerging approaches, including nature-based solutions, with both actual and forecast expenditure reflecting programme phasing and alignment to business plan allowances. Differences from original business plan submissions primarily reflect updated population methodologies and alignment to audited APR data sources. Overall, activity represents the early stages of AMP8 delivery, with outputs and expenditure expected to increase as schemes progress through design and construction phases.

Table 7G – Wastewater network+ – WINEP/NEP sanitary parameters scheme costs and cost drivers

Table 7G reflects AMP8 reporting of sanitary compliance schemes under WINEP across a number of wastewater treatment works. As a new reporting requirement, no prior year comparison is available. Activity includes both capital and non-capital interventions, with some schemes requiring limited or no investment where compliance can be achieved through permit changes or operational adjustments. Reported values reflect a combination of actual and forecast expenditure aligned to business plan assumptions, with changes driven by programme phasing, updated population data and refinement of permit requirements. Overall, the table demonstrates early-stage delivery of sanitary compliance improvements supporting regulatory and environmental outcomes

Table 7H – Wastewater network+ – WINEP/NEP nitrogen removal scheme costs and cost drivers

Table 7H relates to nitrogen reduction schemes under WINEP; however, no such schemes are applicable to South West Water within the current programme. As a result, no activity is reported for the year, reflecting the absence of nitrogen obligations within the AMP8 WINEP rather than underlying performance

Table 7I – Wastewater network+ – growth at STWs scheme costs and cost drivers

Table 7I reflects AMP8 growth and enhancement investment driven by increasing population and development demand, particularly at key locations including Cullompton, Countess Wear and Ernesettle/Saltash. Capital expenditure in 2025/26 is low as schemes progress through early-stage optioneering and design, with forecast costs increasing in future years as land acquisition, detailed design and construction phases commence. Population equivalent forecasts have been updated to reflect the latest Drainage and Wastewater Management Plan assumptions, incorporating changes in resident, tourist and trade demand. Overall, activity reflects early programme mobilisation, with investment accelerating in line with development pressures and regulatory requirements

Table 7J – Bioresources – Industrial Emissions Directive scheme costs and cost drivers

Table 7J reflects early-stage AMP8 investment under the Industrial Emissions Directive programme, with planned development of a large Advanced Anaerobic Digestion facility. Capital investment is forecast to occur predominantly in later years of AMP8, following current land acquisition, planning and environmental assessment activity, with no material operational expenditure in the period. Site rationalisation plans remain under development and will be refined as options are assessed. Overall, the table reflects initial programme development aligned to PR24 business plan commitments, with delivery progressing over the course of the AMP

Table 7K – Wastewater network+ – WINEP storm overflow scheme costs and cost drivers

Table 7K reflects a significant AMP8 storm overflow investment programme aligned to PR24 commitments, covering approximately 291 storm overflows with a total Final Determination allowance of approximately £690m. The programme includes a range of interventions such as equivalent storage (approximately £617m), flow to full treatment enhancements (approximately £66m) and screening solutions across multiple sites. Early delivery in 2025/26 demonstrates initial efficiencies against these allowances, although future savings remain subject to programme maturity and delivery risk. Movements in reported values reflect scheme phasing, updates to delivery timelines and alignment to regulatory compliance dates rather than changes in underlying scope. Overall, the programme represents a material, multi-year investment to reduce storm overflow impacts and improve environmental performance across the network.



Additional regulatory information – wastewater network plus – SWB continued

Table 7L – Wastewater network+ – sewage pumping mains renewals

This table is only applicable for United Utilities and Dŵr Cymru.

Summary

These tables reflect the early stages of a significant environmental and growth investment programme under WINEP and PR24, including nutrient removal and sanitary compliance schemes, growth-driven capacity enhancements at key treatment works, and early development of Industrial Emissions Directive investments. Storm overflow improvements represent a material component of this programme, covering approximately 291 overflows with around c£690m of investment, alongside broader activity to enhance monitoring, resilience and asset reliability. Collectively, these tables demonstrate a transition into AMP8 delivery, with movements driven by programme phasing and regulatory requirements rather than underlying deterioration in performance, and with investment and activity expected to increase as delivery progresses.

Additional regulatory information – bioresources – SWB



Table 8A – Bioresources sludge data

for the 12 months ended 31 March 2026

	Units	Total
Total sewage sludge produced, treated by incumbents	ttds/year	46.6
Total sewage sludge produced, treated by 3rd party sludge service provider	ttds/year	0.2
Total sewage sludge produced	ttds/year	46.8
Total sewage sludge produced from non-appointed liquid waste treatment	ttds/year	1.0
Percentage of sludge produced and treated at a site of STW and STC co-location	%	66.48
Total sewage sludge disposed by incumbents	ttds/year	42.7
Total sewage sludge disposed by 3rd party sludge service provider	ttds/year	3.7
Total sewage sludge disposed	ttds/year	46.4
Total measure of intersiting 'work' done by pipeline	ttds*km/year	2
Total measure of intersiting 'work' done by tanker	ttds*km/year	216
Total measure of intersiting 'work' done by truck	ttds*km/year	410
Total measure of intersiting 'work' done (all forms of transportation)	ttds*km/year	628
Total measure of intersiting 'work' done by tanker (by volume transported)	m³*km/yr	10,388,593
Total measure of 'work' done in sludge disposal operations by pipeline	ttds*km/year	–
Total measure of 'work' done in sludge disposal operations by tanker	ttds*km/year	–
Total measure of 'work' done in sludge disposal operations by truck	ttds*km/year	1,953
Total measure of 'work' done in sludge disposal operations (all forms of transportation)	ttds*km/year	1,953
Total measure of 'work' done by tanker in sludge disposal operations (by volume transported)	m ³ *km/yr	–
Chemical P sludge as % of sludge produced at STWs	%	17.10

Total sewage sludge production increased to 46.8 TTDS (2024/25: 44.6 TTDS), reflecting population growth and the impact of additional phosphorus removal schemes. Treatment by the incumbent increased to 46.6 TTDS while third-party treatment reduced, driven by improved internal capability and reduced external capacity. Sludge from non-appointed liquid waste decreased slightly to 1.0 TTDS, consistent with lower volumes and changing waste composition. The proportion of co-located treatment marginally declined to 66.48%, reflecting operational optimisation across the network rather than structural change.

Total sludge disposed increased slightly to 46.4 TTDS (2024/25: 45.9 TTDS), remaining marginally below production due to normal process movements, including digestion losses, lime stabilisation, and timing differences in storage and land application. Disposal activity continued to shift towards internal routes, with increased volumes managed by the incumbent and reduced reliance on third parties. Transport activity reduced overall, reflecting lower retreatment requirements and improved optimisation of treatment flows. Methodology for transport distances has been refined in line with regulatory guidance, with consistent estimation approaches applied where direct measurement is not available.

The proportion of chemical phosphorus sludge reduced slightly to 17.10%, reflecting both reduced commercial inputs and increased baseline sludge production. All volumes have been reported in accordance with RAG requirements, including appropriate treatment allocation to avoid double counting and transparent use of estimation techniques. Overall, the data demonstrates a stable and efficient bioresources operation, with movements driven by underlying demand, regulatory requirements, and continued optimisation of treatment and disposal practices.

Additional regulatory information – bioresources – SWB continued

Table 8C – Bioresources energy and liquors analysis

for the 12 months ended 31 March 2026

	Electricity MWh	Heat MWh	Biomethane MWh	Total MWh	Electricity £m	Heat £m	Biomethane £m	Total £m
Energy								
Energy consumption – bioresources	15,304	3,919	–	19,223	3.275	0.392	–	3.667
Energy generated by and used in bioresources control	1,740	3,577	–	5,317	0.383	0.358	–	0.741
Energy generated by bioresources and used in network plus control	1,445	–	–	1,445	0.318	–	–	0.318
Energy generated by bioresources and exported to the grid or third party	–	–	–	–	–	–	–	–
Energy generated by bioresources that is unused	–	2,385	10,922	13,307	–	–	–	–
Energy bought from grid or third party and used in bioresources control	13,564	342	–	13,906	2.892	0.034	–	2.926
								Value £m
Income from renewable energy subsidies								
Income claimed from Renewable Energy Certificates (ROCs)								0.200
Income claimed from Renewable Heat Incentives (RHIs)								–
Income claimed from (other renewable energy subsidy (1))								–
Income claimed from (other renewable energy subsidy (2))								–
Income claimed from (other renewable energy subsidy (3))								–
Total income claimed from renewable energy subsidies								0.200
Percentage of total number of renewable energy subsidies due to expire in the next two financial years								70%
This year's value of renewable energy subsidies due to expire in the next two financial years								0.140
Note: Companies to input specific subsidy which is being referenced in lines 8C.8 – 8C.10.								
							Unit	Value
Bioresources liquors treated by network plus (shadow reported)								
BOD load of liquor or partially treated liquor returned from bioresources to network plus							kg/d	6,031
Ammonia load of liquor or partially treated liquor returned from bioresources to network plus							kg Amm-N/d	527
Recharge to Bioresources by network plus for costs of handling and treating bioresources liquors							£m	9.120
								%
Percentage of bioresources energy consumption that is metered								73.692

Bioresources liquor loads returned to Network Plus increased in 2025/26, with BOD load rising to 6,031 kg/d (2024/25: 5,548 kg/d) and ammonia load increasing to 527kg Amm N/d (2024/25: 369 kg Amm N/d). These movements are consistent with operational activity, including higher sludge production and increased liquor volumes, which have resulted in greater volumes being returned for further treatment. The increase in BOD reflects higher throughput across sludge treatment centres, while the larger increase in ammonia indicates a shift towards stronger, more concentrated liquors requiring more intensive treatment. There have been no changes in methodology, as these lines continue to be reported on a shadow basis, ensuring consistency with prior year reporting.

The increase in ammonia load is primarily driven by site-specific operational factors and changes in liquor composition. Higher return volumes and stronger liquor streams at key treatment centres, alongside variations in sludge processing and imported waste composition, have contributed to the overall increase. The data reflects normal operational variability and increased treatment intensity across the network, rather than structural change, and remains aligned with underlying trends observed in sludge production and bioresources activity.

Additional regulatory information – bioresources – SWB continued

Table 8D – Bioresources sludge treatment and disposal data

for the 12 months ended 31 March 2026

	By incumbent %	By 3rd party sludge service providers %
Sludge treatment process		
% Sludge – untreated	6.5%	0.1%
% Sludge treatment process – raw sludge liming	73.7%	–
% Sludge treatment process – conventional AD	19.4%	–
% Sludge treatment process – advanced AD	–	–
% Sludge treatment process – incineration of raw sludge	–	0.3%
% Sludge treatment process – other (specify)	–	–
% Sludge treatment process – Total	99.6%	0.4%
(Un-incinerated) sludge disposal and recycling route		
% Sludge disposal route – landfill, raw	–	–
% Sludge disposal route – landfill, partly treated	–	–
% Sludge disposal route – land restoration/reclamation	–	7.6%
% Sludge disposal route – sludge recycled to farmland	92.4%	0.0%
% Sludge disposal route – other (specify)	–	0.1%
% Sludge disposal route – Total	92.4%	7.7%

Sludge treatment and disposal activities remained stable overall in 2025/26, with a continued emphasis on internal treatment and beneficial recycling routes. The proportion of sludge treated by the incumbent increased slightly to 99.6%, with a corresponding reduction in third party treatment and disposal routes, reflecting increased use of internal processes and improved product quality. This has been driven by a shift towards raw sludge liming, which increased to 73.7% (2024/25: 67.8%), alongside a reduction in conventional anaerobic digestion to 19.4% (2024/25: 27.3%). These movements reflect operational decisions to optimise treatment capacity and maintain compliance with regulatory constraints, including operation below Industrial Emissions Directive thresholds and requirements linked to Farming Rules for Water and BAS20 measures.

Disposal routes continue to be dominated by recycling to agriculture, with sludge recycled to farmland increasing to 92.4% (2024/25: 88.6%), while land restoration and reclamation reduced to 7.6% (2024/25: 11.4%). This shift reflects the increased production of lime-treated sludge, which provides a more stable product suited to agricultural use, alongside reduced throughput at anaerobic digestion sites. A small increase in untreated sludge, to 6.5%, reflects network optimisation and asset rationalisation decisions aligned to longer-term treatment strategy, while incineration remains minimal and subject to availability of third-party capacity. Overall, the data demonstrates a resilient and compliant bioresources operation, with movements driven by regulatory requirements, operational optimisation, and a continued focus on sustainable sludge recycling routes.

Additional regulatory information – innovation competition – SWB

Table 9A – Innovation competition

	Current year £m
Allowed	
Allocated innovation revenue collection by PR24	3.583
Revenue collected for the purposes of the innovation competition	
Actual Innovation Fund income drawn down from customers	3.583
Total amount awarded to fund innovation projects the company is leading on	1.949
Funding allocated for the current year as part of the Inflation Top-up Mechanism	–
Total amount transferred to MOSL as part of the Innovation Fund	1.912
Non-price control revenue (e.g. royalties, assets sold that were purchased using innovation funding)	–
Administration	
Administration charge for Innovation Fund delivery partner(s)	0.208

	Total amount of funding awarded to the lead company through the innovation fund £m	Total amount of inflation top-up funding received £m	Forecast expenditure on innovation fund projects in year (excl 10% partnership contribution) £m	Actual expenditure on innovation fund projects in year (excl 10% partnership contribution) £m	Difference between actual and forecast expenditure £m	Forecast project lifecycle expenditure on innovation fund projects (excl 10% partnership contribution) £m	Cumulative actual expenditure on innovation fund projects (excl 10% partnership contribution) £m	Difference between actual and forecast expenditure £m	Allowed future expenditure on innovation fund projects (excl 10% partnership contribution) £m	In year expenditure on innovation projects funded by shareholders of the lead water company £m	In year expenditure on innovation projects funded by project partner contributions £m	Cumulative expenditure on innovation projects funded by shareholders of the lead water company £m	Cumulative expenditure on innovation projects funded by project partner contributions £m	Total remaining funds (unspent) for completed projects £m
Water Net Gain	1.000	–	0.185	0.715	0.530	1.000	1.000	–	–	–	–	–	–	–
Pedal	1.949	–	0.920	0.100	(0.820)	1.949	0.100	(1.849)	1.849	–	–	–	–	–
Total	2.949	–	1.105	0.815	(0.290)	2.949	1.100	(1.849)	1.849	–	–	–	–	–

Innovation funding activity in 2025/26 reflects the first year of the new regulatory period, with £3.583m of revenue collected from customers in line with PR24 allowances indexed using CPIH. This funding is ring fenced and administered in accordance with Ofwat and MOSL guidance, ensuring that it is applied solely to eligible innovation activity and does not support business as usual operations. During the year, £1.912m was disbursed to innovation projects, reflecting the timing of project delivery and funding drawdown, while the remaining balance will support continued project progression. No funding was received through the inflation top up mechanism, and there was no non price control or shareholder funding, consistent with the design of the Innovation Fund framework.

South West Water is currently leading two innovation projects, Water Net Gain and Pedal, with total awarded funding of £2.949m (excluding the 10% partnership contribution). Water Net Gain has progressed at a faster rate than initially anticipated, with higher in year expenditure supported by agreed adjustments to funding allocation across delivery partners, while remaining within the overall project budget. In contrast, Pedal commenced later than planned, resulting in lower in year expenditure relative to forecast due to delays in mobilisation and resource deployment. These movements are consistent with normal project lifecycle dynamics and do not impact the total expected delivery outcomes. Overall, the programme demonstrates effective governance and delivery of innovation activities, with expenditure aligned to approved projects and robust controls in place to ensure compliance with regulatory requirements and transparency in reporting.

Additional regulatory information – Green Recovery – SWB



Table 11A – Greenhouse gas emissions reporting

for the 12 months ended 31 March 2026

	Operational Emissions		Total tCO ₂ e
	Water tCO ₂ e	Wastewater tCO ₂ e	
Scope one emissions			
Burning of fossil fuels (location-based)	2,008.510	288.722	2,297.232
Process and fugitive emissions	0.982	67,434.447	67,435.429
Vehicle transport	1,938.604	1,938.604	3,877.208
Emissions from land	–	–	–
Total scope one emissions (location-based)	3,948.096	69,661.773	73,609.869
Scope one emissions; GHG type CO ₂	3,901.309	2,188.241	6,089.550
Scope one emissions; GHG type CH ₄	2.743	5,501.547	5,504.290
Scope one emissions; GHG type N ₂ O	43.061	61,959.659	62,002.720
Scope one emissions; GHG other types	0.982	0.982	1.964
Scope two emissions			
Purchased electricity (location-based)	30,436.261	29,226.176	59,662.437
Purchased electricity (market-based)	501.275	80.203	581.478
Purchased heat	–	–	–
Electric vehicles	–	–	–
Removal of electricity to charge electric vehicles at site	–	–	–
Total scope two emissions (location-based)	30,436.261	29,226.176	59,662.437
Total scope two emissions (market-based)	501.275	80.203	581.478
Scope two emissions; GHG type CO ₂	30,073.424	28,877.763	58,951.187
Scope two emissions; GHG type CH ₄	154.764	148.611	303.375
Scope two emissions; GHG type N ₂ O	209.791	201.450	411.241
Scope two emissions; GHG other types	–	–	–
Scope three emissions			
Business travel	537.503	537.503	1,075.006
Outsourced activities	1,322.323	5,886.647	7,208.970
Purchased electricity; extraction, production, transmission and distribution (location-based)	11,764.301	11,296.675	23,060.976
Purchased heat; extraction, production, transmission and distribution	–	–	–
Purchased fuels; extraction, production, transmission and distribution	905.318	689.049	1,594.367
Chemicals	14,400.290	10,983.027	25,383.317
Disposal of waste	–	3,815.430	3,815.430
Total scope three emissions (location-based)	28,929.735	33,208.331	62,138.066

	Operational Emissions		Total tCO ₂ e
	Water tCO ₂ e	Wastewater tCO ₂ e	
Scope three emissions; GHG type CO ₂	4,988.264	9,320.014	14,308.278
Scope three emissions; GHG type CH ₄	14.110	793.209	807.319
Scope three emissions; GHG type N ₂ O	42.055	3,135.135	3,177.190
Scope three emissions; GHG other types	–	–	–

Gross operational emissions (Scopes 1,2 and 3)

Gross operational emissions (location-based)	63,314.092	132,096.280	195,410.372
Gross operational emissions (market-based)	33,379.106	102,950.307	136,329.413

Emissions reductions

Exported renewables	–	–	–
Exported biomethane	–	–	–
Insets	–	–	–
Other emissions reductions	–	–	–
Total emissions reductions	–	–	–

Emissions reductions

Green tariff electricity	–	–	–
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Net annual emissions

Net annual emissions (location-based)	63,314.092	132,096.280	195,410.372
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	Water kgCO ₂ e/MI	Wastewater kgCO ₂ e/MI
GHG intensity ratios		
Emissions per MI of treated water	265.214	
Emissions per MI of sewage treated		543.440

	Embedded emissions		Total tCO ₂ e
	Water tCO ₂ e	Wastewater tCO ₂ e	
Capital projects			
Capital projects (cradle-to-gate)	48,576.614	42,204.019	90,780.633
Capital projects (cradle-to-build)	52,232.919	45,380.666	97,613.585
Purchased goods and services			
Purchased goods and services	6,812.931	33,323.763	40,136.694



Additional regulatory information – Green Recovery – SWB continued

Table 11A – Greenhouse gas emissions reporting continued

SWB note that we have used the Carbon Accounting Workbook version 17 version 4.3 in line with the PC definition for reporting on table 3E, and have used Carbon Accounting Workbook version 20 for reporting on table 11A.

This difference in CAWs will lead to the emissions reported in each of these tables being different for the respective lines as there will have been annual updates for the majority of the emissions factors used, whilst the CAW v17 remains static using 2022 emissions factors.

The major discrepancies will be seen in Scope 3 emissions due to the inherent issues with CAW v17 which have been rectified in future additions of the CAW as well as a change in the approach to calculating emissions from chemicals since CAW v17.

The CAW 20 has also seen the change in N₂O emissions factor for the Process & Fugitive line which will lead to the figure in line 11A.2 being around 7.2x higher than the number reported in 3E.56.



Additional regulatory information – Green Recovery – SWB continued

Table 11A – Greenhouse gas emissions reporting continued

Category Rating	Embedded Emissions Core Criteria
Amber	Embedded emissions values are provided that relate to both cradle to gate and cradle to build. The SWOT analysis below details some of the strengths, weaknesses, opportunities and threats of our approach. We are engaging with recognised standards, such as PAS 2080 for additional guidance in managing and reporting embedded emissions. Our embedded emissions have received verification from Jacobs our external auditors.
Strengths • For 2025/26 operational GHG emissions accounting we have used the latest version of the UK water industry's Carbon Accounting Workbook version twenty, commonly referred to as CAWv20. CAWv20 is the updated version of CAWv19 that we used to account for our emissions in the previous year. • The annual outputs of CAWv20 provides the means for us to accurately measure how our carbon reduction strategies have performed during the year and which of the activities we have undertaken has contributed the most to the mitigation of our emissions. • We have improved our raw data collection during 2025/26 and can accurately report on our operational greenhouse gas emissions position to our internal stakeholders on a monthly basis. Our confidence in the data we receive, as well as our understanding of how that data translates into emissions, continues to improve year-on-year. • We continue to focus on where we can most cost effectively reduce emissions. • Areas including energy consumption, renewables, transport and working with our supply chain to reduce emissions from contractors and purchased goods and services are where we have made the largest gains. • This year the UK water industry has moved with the science and updated the emissions factors for nitrous oxide (N₂O) to align with the latest IPCC published emissions factors, improving the accuracy of our Scope 1 process and fugitive emissions accounting. • Whilst our total gross and net operational emissions have increased in 2025/26 compared with the previous year we have recorded emissions reductions during 2025/26 from our Scope 1 burning of fossil fuels as well as from our Scope 2 location-based electricity usage. • For our accounting and reporting of Scope 3 emissions relating to our Purchased Goods and Services and Capital Carbon we continue to improve our reporting approach. Whilst we still rely on a 'spend analysis' approach to convert annual categorised spend into emissions we have reviewed our categories and subcategories of spend during 2025/26 and this has improved the granularity of our emissions assessment. • Emissions factors applied to our Scope 3 Purchased Goods and Services and Capital Projects spend use the CEDAv7 2024 UK greenhouse gas emissions factors.	Weaknesses • Not all our existing internal systems have been set up to output data in a suitable format for carbon accounting and consequently datasets often require significant manual processing and data checking. We are consistently making improvements to our internal data collection and processing systems although we recognise there is always more we can do to make our internal processes more efficient. • Specific custom chemical emissions factors for some less commonly used chemicals have proved difficult to obtain from chemical suppliers. Until we have robust and reliable published emissions factors for these specialist chemicals there will continue to be a small volume of emissions relating to purchase of certain chemicals that will go unreported. • Our overall gross and net operational emissions performance in 2025/26 records an increase in emissions from the previous year. We note that a significant factor in the increase in overall emissions is driven by an unusually high volume of virgin GAC we purchased during the year, a requirement to meet the needs of our new GAC process plant as part of the rebuilding of water treatment works in our Bournemouth Water region. • We continue to apply a 'spend analysis' approach to estimate our Scope 3 emissions from our Purchased Goods and Services and Capital Projects. Our intention is to transition to direct 'activity-based' emissions accounting over the coming years using data supplied from our supply chain partners and where possible supported by 'Environmental Product Declarations' for the products we purchase. • We have been able to report our Scope 3 embedded (embodied) carbon from Capital Projects emissions split by 'Cradle to Gate' and 'Cradle to Build' for the past four years, although we do recognise there remain inherent shortcomings in the approach we have taken. For example, in early 2026, the Net Zero Team at South West Water conducted a literature review of multiple carbon lifecycle studies to determine the typical emissions split between PAS2080 carbon lifecycle stages A1–A4 and A5. Based on this review, the average emissions were calculated as follows: A1–A4: 93% A5: 7% Until more precise "as built" data from capital projects becomes available (expected 2026/27), the emissions of capital goods (CAPEX) will be apportioned according to this 93/7 split for emissions reporting. As SEAS Emissions Factor data already reports on the cradle-to-build emissions, the SEAS CAPEX Cat 2 emissions data will be multiplied by 0.93 to deliver Cradle to Gate. Whilst we consider this to provide a reasonable approximation we are seeking to improve this approach for future reporting. Whilst we consider this to provide a reasonable approximation we seek to improve this approach and it remains under review. • Whilst our emissions performance for our cradle to gate emissions was improved, we note that overall our cradle to build and purchased goods and services emissions increased. This reflects our focus on delivering capital projects to meet the urgent need to avoid environmental pollutions, as well as directly procuring the necessary goods and services to deliver an improved service for the environment.

Additional regulatory information – Green Recovery – SWB continued

Table 11A – Greenhouse gas emissions reporting continued

Category Rating	Embedded Emissions Core Criteria
Opportunities - With our parent company the Pennon Group signing up to near-term science-based targets there is now an even greater emphasis on ensuring the regulated business keeps on track to meet carbon reduction targets in the near-term and throughout AMP8. - The UK Water Industry often collaborates to share best practice on topics where there is a common goal of improving approaches and processes. To this end the industry's 'Carbon Accounting Working Group' has helped to improve the shared knowledge and expertise between carbon accounting practitioners across the industry. - We note that the CAWv20 is an improved version of CAWv19 and has resolved the previous issues identified with CAWv19. - We continue to pursue opportunities for improving our operational emissions performance, with the aim of returning us to gross and net operational emissions reductions in the future. We aim to achieve this by investing in energy efficiency, further transition to electric vehicles and optimising our purchase of chemicals and GAC. - For estimating and reporting our embedded carbon emissions we aim to improve our approach by recording activity data provided by our main contractors working within our 'Amplify' contractor alliance. This is supported by new contract requirements for our main contractors to work to the principles of the Publicly Available Specification PAS 2080 for Carbon Management in Infrastructure. - For our future embedded carbon reporting activity-based emissions data will be reported by our contractors in terms of lifecycle modules and therefore result in greater proportion of activity-based data versus spend analysis-based data for Capital Projects, this will improve on the accuracy of reporting our 'Cradle to Gate' and 'Cradle to Build' emissions. - Our Energy, Net Zero, Finance and Engineering Teams now work in closer collaboration to determine a robust split between our strategic investment plans and scheme specifics. - Our embedded carbon performance is reflective of our total spend on our capital programme and in our procurement of the goods and services we use. - We are continuously working collaboratively with our value chain to encourage a switch to lower carbon capital goods and services wherever possible and where it is cost effective.	Threats - Our overall emissions have increased this year in large part due to the change in N₂O emissions factors that have had a significant impact on our process and fugitive emissions. - Our forecasts for the rest of AMP8 show our location-based emissions may continue to rise in the next few years as a result of additional assets being deployed to maintain water supply, such as desalination, and to manage storm overflows and prevent environmental pollutions. - We therefore recognise the significant challenge in maintaining the right balance in meeting all our service needs and other environmental outcomes with our net zero ambitions. - There are undoubtedly significant challenges in meeting competing regulatory and customer demands that impact on our current programme of net zero related activities. We intend to continue to invest in our net zero strategy towards achieving our emissions reduction goals whilst being cognisant that this needs to be balanced with our other business priorities. - We intend to work with the rest of the UK water industry in continuously improving our carbon accounting process. This means our emissions accounting needs to keep pace with the ever changing developments in greenhouse gas accounting practices, even if that means we may see some sources of emissions increasing due to methodological changes. - Our embedded carbon performance is reflective of our response to the need to provide urgent further protections for the environment. We are aiming to implement further improved processes and systems at the concept and design stages that will allow alternative solutions to be fully considered through our green first framework.

Additional regulatory information – Green Recovery – SWB continued



Table 11B – Net Zero enhancement reporting

for the 12 months ended 31 March 2026

Scheme ID	Scheme Name	Technology delivered as proposed* (Yes, No)	Totex (£m)	Totex delivered as forecast* (Yes, No)	Carbon benefit (tCO ₂ e)	Carbon benefit delivered as forecast* (Yes, No)	Reporting Year Progress	
							No. of sites/ No. of hectares for peatlands	No. of sites/No. of hectares delivered as forecast* (Yes, No)
					</			

South West Water does not have any Net Zero Enhancement to report, due to no funding being provided.

Price review and other segmental reporting – BRL



Table 2A – Segmental income statement

for the 12 months ended 31 March 2026

	Residential retail £m	Business retail £m	Water resources £m	Water Network+ £m	Total £m
Revenue – price control	18.672	–	21.050	114.206	153.928
Revenue – non-price control (principal services)	–	–	–	–	–
Revenue – non-price control (third-party services)	–	–	0.429	2.346	2.775
Operating expenditure – excluding PU recharge impact	(12.379)	–	(13.362)	(60.045)	(85.786)
PU opex recharge	(0.247)	–	0.009	0.239	0.001
Operating expenditure – including PU recharge impact	(12.626)	–	(13.353)	(59.806)	(85.785)
Depreciation – tangible fixed assets	(0.133)	–	(2.501)	(23.148)	(25.782)
Amortisation – intangible fixed assets	(0.001)	–	(0.061)	(1.224)	(1.286)
Other operating income	–	–	1.226	1.840	3.066
Operating profit	5.912	–	6.790	34.214	46.916

Allowed Revenue Reconciliation

	Water Resources £m	Water Network+ £m	Total Revenue for RF
Final Determination Revenue Allowance (Outturn Prices) (Table 2M)	24.316	113.133	137.449
Customer Demand and Profile	(3.266)	1.463	(1.803)
Developer Services (price control)	–	0.015	0.015
Diversion income (price control)	–	(0.183)	(0.183)
Actual Outturn (Table 2M)			
Variance to Final Determination Revenue Allowance	21.050	114.428	135.478
(Outturn Prices) (Table 2M)	(3.266)	1.295	(1.971)
Variance as % for RFI	(13.43%)	1.14%	(1.43%)



Price review and other segmental reporting – BRL continued

Table 2A – Segmental income statement continued

for the 12 months ended 31 March 2026

Revenue – price control

Non-price control revenue comprises income streams outside of regulated price controls, including bulk supply and standpipe income, as reported in Table 2P. These revenues are inherently more variable than price-controlled income and are driven by operational demand and third-party usage. The amounts reported are consistent with underlying source data and are prepared in line with established methodologies, ensuring transparency and comparability across reporting periods.

Other operating income

Other operating income primarily consists of rents and wayleave income associated with the appointed business. These income streams remain stable in nature and are not directly linked to customer consumption volumes, providing a relatively consistent contribution to overall income. All income has been recognised in accordance with applicable accounting policies and is aligned to Ofwat reporting requirements.

Recharges

Recharge income includes recoveries from third parties and internal activities, such as fire hydrant usage and other rechargeable services, which are reported within price control revenue categories. These recharges reflect services provided on a cost recovery basis and are consistent with underlying operational activity. The allocation and presentation of recharge income are aligned with supporting tables, including Table 2I, ensuring a clear audit trail and consistency of reporting

Variance to Final Determination

Total outturn revenue is £2.0m below allowed revenue, primarily reflecting lower demand during the year relative to assumptions underpinning the Final Determination. This variance is consistent with normal operational fluctuations and is managed through the regulatory revenue correction mechanism. Any under-recovery will be recovered through future tariff setting, ensuring that revenues align with allowed levels over time in accordance with regulatory requirements.

Table 2B – Totex analysis – by wholesale price controls

for the 12 months ended 31 March 2026

	Water resources £m	Water Network+ £m	Total £m
Gross operating expenditure			
Operating expenditure – Total wholesale	13.353	59.806	73.159
Developer services & diversions income (opex)			
Developer services income (opex)		2.642	2.642
Diversions income (opex)	–	0.020	0.020
Net operating expenditure			
Operating expenditure – Total wholesale (net)	13.353	57.144	70.497
Gross capital expenditure			
Capital expenditure – Total wholesale	2.908	55.634	58.542
Developer services & diversions income (capex)			
Developer services income (capex)	–	(0.439)	(0.439)
Diversions income (capex)	–	0.026	0.026
Net capital expenditure			
Capital expenditure – Total wholesale (net)	2.908	56.047	58.955
Net total expenditure			
Net totex	16.261	113.191	129.452
Cash expenditure			
Pension deficit recovery payments	–	–	–
Equity issuance costs	–	–	–
Other cash items	–	–	–
Totex including cash items	16.261	113.191	129.452

Operating Expenditure

Operating expenditure has increased year-on-year by £1.722m (£71.438m in 24/25). For more detailed commentary please see tables 4D & 4J.

Capital Expenditure

Capital expenditure has increased year-on-year by £13.117m (£45.425m in 24/25). For more detailed commentary please see tables 4D & 4J.



Price review and other segmental reporting – BRL continued

Table 2C – Cost analysis – retail

for the 12 months ended 31 March 2026

	Residential £m	Total £m
Operating expenditure		
Customer services	3.154	3.154
Debt management	0.778	0.778
Doubtful debts	5.301	5.301
Meter reading	0.478	0.478
Other operating expenditure	2.665	2.665
Local authority and Cumulo rates	0.003	0.003
Total operating expenditure excluding third party services	12.379	12.379
Depreciation		
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	0.001	0.001
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	0.132	0.132
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	–	–
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	0.001	0.001
Recharges		
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	0.019	0.019
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	–	–
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	0.228	0.228
Income from wholesale assets acquired after 1 April 2015 principally used by retail	–	–
Net recharges costs	0.247	0.247
Total retail costs excluding third party and pension deficit repair costs	12.760	12.760
Third party services operating expenditure	–	–
Pension deficit repair costs	–	–
Total retail costs including third party and pension deficit repair costs	12.760	12.760
Debt written off		
Debt written off	2.718	2.718
Capital expenditure		
Capital expenditure	0.210	0.210
Comparison of actual and allowed expenditure		
Cumulative actual retail expenditure to reporting year end	12.760	
Cumulative allowed expenditure to reporting year end	13.980	
Total allowed expenditure – current AMP	75.088	

Operating Expenditure

Retail operating expenditure increased to £12.4m in 2025/26 (2024/25: £10.8m), reflecting a combination of increased operational activity, revised cost allocation and inflationary pressures. Customer service costs rose to £3.2m due to higher contractor activity and bottled water provision linked to supply interruptions, while other operating expenditure increased to £2.7m driven by a higher proportion of regulatory costs allocated to Retail, alongside increases in group recharges and postage costs. Core cost categories, including debt management and meter reading, remained broadly stable, and doubtful debts increased in line with AMP8 tariff changes. Despite these pressures, debt written off reduced to £2.7m (2024/25: £3.2m), indicating improved bad debt outcomes, with the overall increase in costs reflecting operational factors rather than a structural change in the cost to serve.

Price review and other segmental reporting – BRL continued



Table 2D – Historic cost analysis of tangible fixed assets by price control

at 31 March 2026

	Residential Retail £m	Business Retail £m	Water resources £m	Water Network+ £m	Total £m
Cost					
At 1 April	2.160	–	74.659	1,090.953	1,167.772
Disposals	–	–	(0.396)	(0.590)	(0.986)
Additions	0.028	–	2.908	55.447	58.383
Adjustments	–	–	(0.446)	0.446	–
Assets adopted at nil cost	–	–	–	0.192	0.192
At 31 March	2.188	–	76.725	1,146.448	1,225.361
Depreciation					
At 1 April	(1.608)	–	(29.478)	(374.742)	(405.828)
Disposals	–	–	0.384	0.564	0.948
Adjustments	0.001	–	0.207	(0.208)	–
Charge for year	(0.133)	–	(2.501)	(23.148)	(25.782)
At 31 March	(1.740)	–	(31.388)	(397.534)	(430.662)
Net book amount at 31 March	0.448	–	45.337	748.914	794.699
Net book amount at 1 April	0.552	–	45.181	716.211	761.944
Amortisation for year					
Third party services	–	–	–	–	–
Third party services at 31 March					
Cost at 31 March – third party services tangibles	–	–	–	–	–
Amortisation at 31 March – third party services tangibles	–	–	–	–	–
Net book amount at 31 March – third party services tangibles	–	–	–	–	–

The gross cost of tangible fixed assets increased to £1,225.4m at 31 March 2026 (2024/25: £1,167.8m), primarily reflecting higher capital investment during the year, with additions of £58.4m (2024/25: £44.6m). Investment was focused on treated water distribution, including mains replacement, relining and repairs, alongside targeted expenditure across treatment and resources. Disposals reduced to £1.0m (2024/25: £1.8m), reflecting normal fluctuations in asset retirement activity, while assets adopted at nil cost decreased to £0.2m. Overall, these movements demonstrate continued growth in the asset base aligned to delivery of the investment programme and operational requirements.

Accumulated depreciation increased to £430.7m (2024/25: £405.8m), with an annual charge of £25.8m, broadly consistent with the prior year. The relatively stable depreciation charge reflects the timing of capital delivery, with a significant proportion of expenditure held in assets under construction and therefore not yet depreciating. As a result, the net book value increased to £794.7m (2024/25: £761.9m), with asset growth exceeding depreciation and disposals. The closing balance includes £44.0m of assets in the course of construction, supporting ongoing programme delivery, and in line with RAG requirements there are no assets dedicated to third party services, with lines 2D.14 to 2D.17 reported as nil

The intangibles analysis can be found in table 2O.



Price review and other segmental reporting – BRL continued

Table 2E – Analysis of Developer services income by price control

for the 12 months ended 31 March 2026

	Income relating to opex spend £m	Income relating to capex spend £m	Total £m
Developer services income – water network+ (price control)			
Infrastructure charge receipts – water	0.917	–	0.917
Income offset – water	–	1.016	1.016
Environmental incentives for more water efficient developments – water	–	–	–
Environmental component for more water efficient developments – water	–	0.065	0.065
Infrastructure charge receipts – after impact of income offset and environmental incentives (water)	0.917	(0.951)	(0.034)
Other Developer services income – water network+ (price control)	–	0.210	0.210
Total Developer services income – water network+ (price control)	0.917	(0.741)	0.176
Developer services income – water network+ (non-price control)			
Connection charges – water	1.725	–	1.725
Requisitioned mains	–	0.282	0.282
Other developer services income – water network+ (non-price control)	–	0.020	0.020
Total Developer services income – water network+ (non-price control)	1.725	0.302	2.027

This table covers grants and contributions received for Developer Services activities and covers construction of mains and services by Bristol Water and includes Self Lay Providers.

Contributions (non-price control) relate to other chargeable works, such as planning application costs, build over applications and charges for remedial works.

Infrastructure charge receipts (2E.1) decreased £0.328m vs the period 2024-2025 to £0.917m.

Connection charges for water (2E.10) have decreased by £0.256m for 2025-2026 due to the number of New and variations companies (NAVs) supplying water to new developments which means that Bristol Water bulk supplies into the development but pipes on site are the NAV responsibility.

Both values also reflect the downturn in the housing market.

Table 2F – Residential retail

for the 12 months ended 31 March 2026

	Revenue £m	Number of customers 000s	Average residential revenues £
Residential revenue			
Wholesale revenue	105.738		
Retail revenue	18.672		
Total residential revenue	124.410		
Retail revenue			
Revenue Recovered ("RR")	18.672		
Revenue sacrifice	–		
Actual revenue (net)	18.672		
Customer information			
Actual customers ("AC")		520.776	
Reforecast customers		523.076	
Adjustment			
Allowed revenue ("R")	19.743		
Net adjustment	1.071		
Other residential information			
Average household retail revenue per customer			35.854

Total residential revenue increased to £124.4m (2024/25: £114.4m), driven by growth in both wholesale and retail income, with retail revenues increasing significantly to £18.7m following PR24 changes to the allowed revenue per customer. This reflects the consolidation of retail controls and an increase in allowed revenue per customer, alongside stable customer numbers of approximately 520k.

Retail revenue recovered remains slightly below the allowed level, resulting in an under recovery of £1.1m, primarily driven by customer mix, increased social tariff support and operational billing adjustments. The average retail revenue per customer of £35.85 remains below the allowed £37.91, with the variance to be recovered through future regulatory mechanisms, reflecting normal reconciliation processes within the price control framework.



Price review and other segmental reporting – BRL continued

Table 2H – Cash collection performance rates – residential retail

	% Revenue collected				
	2025-26 %	2026-27 %	2027-28 %	2028-29 %	2029-30 %
All customers					
Collection rates for bills raised in 2025-26 – all customers	90.9%	94.8%	95.5%	95.9%	96.2%
Collection rates for bills raised in 2026-27 – all customers		90.9%	94.8%	95.5%	96.0%
Collection rates for bills raised in 2027-28 – all customers			90.9%	94.9%	95.6%
Collection rates for bills raised in 2028-29 – all customers				91.0%	95.0%
Collection rates for bills raised in 2029-30 – all customers					91.0%
Measured customers					
Collection rates for bills raised in 2025-26 – measured customers	90.2%	95.1%	95.7%	96.1%	96.4%
Collection rates for bills raised in 2026-27 – measured customers		89.9%	95.1%	95.8%	96.2%
Collection rates for bills raised in 2027-28 – measured customers			89.9%	95.2%	95.9%
Collection rates for bills raised in 2028-29 – measured customers				90.0%	95.3%
Collection rates for bills raised in 2029-30 – measured customers					90.1%
Non measured customers					
Collection rates for bills raised in 2025-26 – non-measured customers	92.2%	94.5%	95.1%	95.6%	95.9%
Collection rates for bills raised in 2026-27 – non-measured customers		92.8%	94.5%	95.1%	95.7%
Collection rates for bills raised in 2027-28 – non-measured customers			92.8%	94.6%	95.2%
Collection rates for bills raised in 2028-29 – non-measured customers				92.9%	94.7%
Collection rates for bills raised in 2029-30 – non-measured customers					93.0%

Cash collection performance improved marginally in the year to 90.93% (2024/25: 90.82%), demonstrating continued stability despite increased customer bills. This reflects effective collections management and consistent performance across the residential customer base.

Forecast collection profiles continue to reflect established trends, with lower initial year collections offset by recovery in subsequent years, alongside impacts from increasing metered customers. The methodology remains consistent, using historic performance trends adjusted for operational factors, ensuring a robust and realistic forecast aligned to observed collection patterns.

Price review and other segmental reporting – BRL continued



Table 2I – Revenue analysis & wholesale control reconciliation

for the 12 months ended 31 March 2025

	Household £m	Non-household £m	Total £m	Water resources £m	Water network+ £m	Total £m
Wholesale charge – water (price control)						
Unmeasured	39.716	0.398	40.114	6.435	33.679	40.114
Measured	66.022	28.437	94.459	14.615	79.844	94.459
Third party revenue	-	0.683	0.683	-	0.683	0.683
Total wholesale water revenue	105.738	29.518	135.256	21.050	114.206	135.256
				Household £m	Non-household £m	Total £m
Wholesale charge – Additional water control (price control)						
Unmeasured charges – additional water control				-	-	-
Measured charges – additional water control				-	-	-
Third party revenue – additional water control				-	-	-
Total wholesale additional water control revenue				-	-	-
Wholesale Total	105.738	29.518	135.256			
Retail revenue (price control)						
Unmeasured				3.762	-	3.762
Measured				14.910	-	14.910
Retail third-party revenue				-	-	-
Total retail revenue	18.672		18.672			

Wholesale revenue increased to £135.3m, an uplift of £3.4m (+2.6%), driven primarily by increased consumption and customer movements, partially offset by modest tariff changes. The increase reflects higher summer demand and customer switching between measured and unmeasured tariffs, alongside minor regulatory classification changes.

Retail revenue increased significantly to £18.7m due to PR24 changes, including the consolidation of retail price controls and higher allowed revenue per customer. Overall revenue across price controls remains aligned with tariff structures, with variances driven by operational factors and reconciled through supporting tables, including Tables 2F and 2M.

Price review and other segmental reporting – BRL continued



Table 2K – Infrastructure charges reconciliation

for the 12 months ended 31 March 2026

	Water £m	Total £m
Comparison of revenue and costs		
Variance brought forward	–	–
Revenue	0.917	0.917
Costs	(0.426)	(0.426)
Variance carried forward	0.491	0.491
Analysis of variance meovement in year		
Revenue impact of charge element which corrects previous years variance	–	–
Difference in billable developer activity against forecast in year	(0.591)	(0.591)
Difference in infrastructure reinforcement activity against forecast in year	1.082	1.082
Variance movement in year	0.491	0.491

Infrastructure charge revenues continued to exceed network reinforcement expenditure, with a surplus of £0.491m, although this has reduced from the prior year surplus of £1.425m. This reflects a reduction in both revenue collected and associated reinforcement investment during the year.

The movements demonstrate the balance between developer contributions and investment in network growth, with both income and expenditure responding to underlying development activity. As this is the first year of the AMP, the brought forward balance has reset to zero in line with RAG requirements, ensuring a clean baseline for future reporting.

Table 2L – Analysis of land sales

for the 12 months ended 31 March 2026

	Water resources £m	Water Network+ £m	Total £m
Land sales – proceeds from disposals of protected land	0.300	0.110	0.410

Proceeds from land sales reduced to £0.4m (2024/25: £1.2m), reflecting fewer disposed assets in the current year. Prior year income included a significant one off sale and multiple disposals, whereas activity in 2025/26 was limited to a smaller number of transactions.

These movements are consistent with the inherently sporadic nature of land disposals, which depend on asset availability and strategic decisions. The reduced level of disposals does not indicate any change in approach but reflects normal fluctuations in asset optimisation activity.



Price review and other segmental reporting – BRL continued

Table 2M – Revenue reconciliation

for the 12 months ended 31 March 2026 – wholesale

	Water resources £m	Water network+ £m	Total £m
Revenue recognised			
Wholesale revenue governed by price control	21.050	114.206	135.256
Developer services income (price control)		0.176	0.176
Diversions income (price control)	–	0.046	0.046
Total revenue governed by wholesale price control	21.050	114.428	135.478
Calculation of the revenue cap			
Allowed wholesale revenue before adjustments (or modified by CMA)	24.316	112.743	137.059
Allowed developer services income before adjustments (or modified by CMA)		0.161	0.161
Allowed diversions income before adjustments (or modified by CMA)		0.229	0.229
Revenue adjustment	–	–	–
Other adjustments	–	–	–
Revenue cap	24.316	113.133	137.449
Calculation of the revenue imbalance			
Revenue imbalance	3.266	(1.295)	1.971
AMP8 revenue adjustments			
Uninvoiced revenue due from retailers	–	–	–
Competitively Appointed Provider charges	–	–	–

Total wholesale revenue governed by the price control was £135.5m, compared to allowed revenue of £137.4m, resulting in an under recovery of approximately £2.0m. This variance is primarily driven by differences between forecast and outturn consumption and customer activity, with tariffs set to recover allowed revenue over time.

Developer services and diversions income remain broadly aligned with allowance levels, with overall variances managed through the regulatory revenue correction mechanism. The resulting imbalance will be returned to customers through future tariffs, demonstrating compliance with Ofwat's revenue framework.

Table 2N – Household affordability support

Section A – social tariffs

	Revenue £'000	Number of customers number	Average amount per customer £
Number of residential customers on social tariffs			
Residential water only social tariffs customers		29,402	
Residential wastewater only social tariffs customers		–	
Residential dual service social tariffs customers		–	
Number of residential customers not on social tariffs			
Residential water only no social tariffs customers		491,374	
Residential wastewater only no social tariffs customers		–	
Residential dual service no social tariffs customers		–	
Social tariff discount			
Average discount received by each water only social tariffs customer			119.36
Average discount received by each wastewater only social tariffs customer			–
Average discount received by each dual service social tariffs customer			–
Social tariff cross-subsidy – residential customers			
Total funding from customers to support water only social tariffs	3,509.551		
Total funding from customers to support wastewater only social tariffs	–		
Total funding from customers to support dual service social tariffs	–		
Average funding from customers to support each water only social tariffs customer			6.74
Average funding from customers to support each wastewater only social tariffs customer			–
Average funding from customers to support each dual service social tariffs customer			–

Price review and other segmental reporting – BRL continued



Table 2N – Household affordability support continued

	Revenue £'000	Number of customers number	Average amount per customer £
Funding from shareholders to support social tariffs			
Total funding from shareholders to support water only social tariffs	–		
Total funding from shareholders to support wastewater only social tariffs	–		
Total funding from shareholders to support dual service social tariffs	–		
Average funding from shareholders to support each water only social tariffs customer			–
Average funding from shareholders to support each wastewater only social tariffs customer			–
Average funding from shareholders to support each dual service social tariffs customer			–
Social tariff support – willingness to pay			
Maximum amount customers are willing to pay to support social tariffs.			12.74
Shareholder contribution			
Total funding from shareholders to support household debt matching schemes	–		
Number of unique household customers that benefitted from the funding from shareholders to support debt matching schemes		–	
Total funding from shareholders to support all other household affordability schemes, excluding social tariffs and debt matching	–		
Number of unique household customers that benefitted from the funding from shareholders to support all other household affordability schemes, excluding social tariffs and debt matching		–	
Total funding from shareholders to support all affordability schemes			–

We have continued to use our data to understand which customers are in water poverty and at risk of being in water poverty. This data has been used to then proactively reach out to customers to provide easy steps to take them out of water poverty. In addition to this we have data shares in place, including with the Department for Work and Pensions and local councils, where we use the data shares to automatically enrol customers onto the right support for them to take them out of water poverty.

We also continue to train our staff to spot signs of customers struggling to pay their water bill and to provide advice to all customers on how to lower their bill.

The increase in subsidy provided by an unsubsidised customer (from £6.38 in 2024/25 to £6.74 in 2025/26 (+6%)) is reflective of the annual price increase.

Section B – WaterSure tariffs

	Revenue £'000	Number of customers number	Average amount per customer £
WaterSure tariffs			
Number of unique customers on WaterSure		4,967	
Total reduction in bills for all WaterSure customers who paid the average household bill	807.261		
Average reduction in bills for all WaterSure customers who paid the average household bill			162.52

C. 5,000 (c. 17%) of our subsidised customers are on WaterSure. The average WaterSure customer bill reduction is £163.

Price review and other segmental reporting – BRL continued



Table 20 – Historic cost analysis of intangible fixed assets – by price control

	Residential Retail £m	Business Retail £m	Water Resources £m	Water Network+ £m	Total £m
Cost					
At 1 April	12.544	–	2.369	35.310	50.223
Disposals	–	–	–	–	–
Additions	0.182	–	–	(0.005)	0.177
Adjustments	(0.001)	–	(0.448)	0.449	–
Assets adopted at nil cost	–	–	–	–	–
At 31 March	12.725	–	1.921	35.754	50.400
Amortisation					
At 1 April	(6.819)	–	(2.119)	(31.469)	(40.407)
Disposals	–	–	–	–	–
Adjustments	0.001	–	0.399	(0.400)	–
Charge for year	(0.001)	–	(0.061)	(1.224)	(1.286)
At 31 March	(6.819)	–	(1.781)	(33.093)	(41.693)
Net book amount at 31 March	5.906	–	0.140	2.661	8.707
Net book amount at 1 April	5.725	–	0.250	3.841	9.816
Amortisation for year					
Third party services	–	–	–	–	–
Third party services at 31 March					
Cost at 31 March – third party services intangibles	–	–	–	–	–
Amortisation at 31 March – third party services intangibles	–	–	–	–	–
Net book amount at 31 March – third party services intangibles	–	–	–	–	–

The net book value of intangible assets reduced to £8.7m (2024/25: £9.8m), reflecting lower additions and continued amortisation of existing assets. Additions in the year were limited to £0.2m, primarily relating to software investment, which is lower than prior year following reduced project expenditure.

Amortisation charges also reduced due to lower historic investment and the relatively short asset lives of software assets. There are no assets associated with third party services, and balances include £7.0m of assets under construction, supporting ongoing system and billing developments.



Price review and other segmental reporting – BRL continued

Table 2P – Third party services revenue

	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m	Total £m
Third-party services – price control					
Non potable water (which are not bulk supplies) revenue	–	–	–	–	–
Rechargeable revenue – Fluoridation	–	–	–	–	–
Rechargeable revenue – Fire hydrant install & repair	–	0.139	–	–	0.139
Rechargeable revenue – third party damage	–	–	–	–	–
Rechargeable revenue – build over	–	–	–	–	–
Other rechargeable revenue	–	0.415	–	–	0.415
Total third-party revenue (price control)	–	0.554	–	–	0.554
Third-party services – non-price control					
Bulk supplies revenue	0.363	1.983	–	–	2.346
Reservoir operating agreements revenue	–	–	–	–	–
Other excluded charge revenue	0.066	0.363	–	–	0.429
Total third-party revenue (non-price control)	0.429	2.346			2.775
Third-party services	–	–	–	–	
Total third-party services revenue	0.429	2.900			3.329

Total third party services revenue reflects a combination of regulated and non regulated income streams, including fire hydrants, bulk supplies and other rechargeable works. Price control income totalled £0.55m, with fire hydrants contributing £0.14m, while non price control income totalled £2.78m, largely driven by bulk supplies and standpipe activity.

Movements reflect operational demand and contractual arrangements, including NAV and inter company bulk supply activity. The table provides a clear reconciliation to Table 2A and ensures transparency in separating appointed and non appointed income streams in line with Ofwat requirements.



Price review and other segmental reporting – BRL continued

Table 2R – Diversions income

	Income relating to opex spend £m	Income relating to capex spend £m	Total £m
Diversions income – water resources (price control)			
s185 diversions income – water resources	–	–	–
NRSWA diversions income – water resources	–	–	–
Non-s185 diversions income – water resources	–	–	–
Total diversions income – water resources	–	–	–
Diversions income – water network+ (price control)			
s185 diversions income – water network+	–	0.026	0.026
NRSWA diversions income – water network+	0.020	–	0.020
Non-s185 diversions income – water network+	–	–	–
Total diversions income – water network+	0.020	0.026	0.046

Diversions income decreased by £0.016m (26%), reflecting lower levels of diversion activity during the year. This movement mirrors the reduction in diversion costs reported elsewhere, demonstrating consistency between income and expenditure.

The table represents a new disclosure for 2025/26, with prior year data restated for comparability. Movements are driven by the level and timing of third party diversion works and do not represent any structural change in the underlying activity.

Performance summary – BRL



Table 3A – Outcome performance – all performance commitments

	Unit	Performance level – actual	PCL met? (Yes/No)	Outperformance or underperformance payment £m
Common PCs – Water (Financial)				
Biodiversity	Biodiversity units gained	–	N/A	
Business demand	% reduction of three-year average business demand	6.1%	Yes	0.246
Compliance risk index (CRI)	Number	3.95	No	(0.576)
Customer contacts about water quality	Number of customer contacts per 1000 population (MI/d)	0.97	No	(0.156)
Discharge permit compliance	% compliance	90.00%	No	(0.021)
Greenhouse gas emissions (water)	% reduction in greenhouse gas emissions	(13.49%)	No	(0.797)
Leakage	% reduction of three-year average leakage (MI/d)	10.8%	No	(0.762)
Repairs to burst mains	Number of mains repairs per 1,000km	149.6	No	(0.452)
Per capita consumption	% reduction of three-year average PCC in (l/person/d)	0.4%	No	(0.981)
Serious pollution incidents	Number of serious pollution incidents	1	No	–
Unplanned outage	% loss of company peak week production capacity	1.93%	Yes	0.471
Water supply interruptions	average number of minutes lost per customer	00:33:42	No	(2.907)
Financial water performance commitments achieved	%	17		
Overall financial common performance commitments achieved (excluding BR-MeX)	%	17		
Bespoke performance commitments achieved	%			
Non-financial performance commitment achieved	%			
Total performance commitments achieved	%	17		

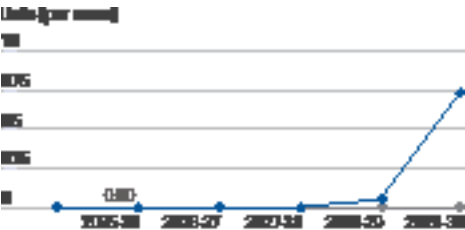
We have submitted RAG compliance checklists to Ofwat for business demand, leakage, per capita consumption and unplanned outage where there are red and/or amber components and elements. All other performance commitments with compliance checklists are green. An improvement plan remains ongoing in order to more fully meet compliance checklist guidance as part of plans for 2026/27.

Forecasts for the remaining years of 2025-2030 have not been included. As a listed company, such forecasts would not be appropriate to include in this document. Commentary relating to performance in respect of each performance commitment can be found further in this section.

Performance summary – BRL continued



3A.1 Biodiversity 0.00



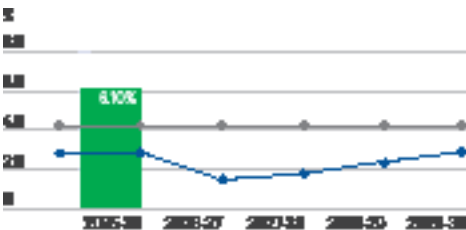
■ Actual ◆ Target — Baseline

Biodiversity measures the net environmental gain delivered through habitat creation, restoration and catchment interventions.

Biodiversity measures the net environmental gain delivered through habitat creation, restoration and catchment interventions. In 2025–26, performance reflects continued delivery of catchment management and nature-based solutions, with benefits expected to be realised progressively over the AMP period. As biodiversity improvements are inherently cumulative, in-year performance does not fully reflect the long-term benefits of schemes delivered.

Delivery during the year focused on expanding catchment programmes and scaling nature-based interventions, consistent with longer-term environmental commitments. These initiatives support ecosystem resilience and water quality improvements, with measured biodiversity gains expected to accrue over time as schemes mature.

3A.2 Business demand 6.10%



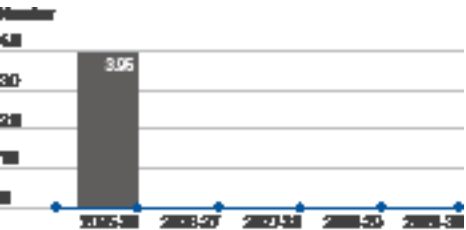
■ Actual ◆ Target — Baseline

Business demand measures the percentage reduction in three-year average non-household consumption relative to the baseline.

In 2025–26, business demand performance met the performance commitment level, resulting in an ODI outperformance payment of **£0.246m**. There has been no change to the 3 year average baseline figure from our business plan.

This reflects strong delivery against demand management initiatives, despite ongoing external pressures such as weather variability and economic activity influencing consumption patterns. Continued focus on metering, engagement and efficiency measures is expected to support sustained performance across the AMP.

3A.3 Compliance Risk Index (CRI) 3.95



■ Actual ◆ Target — Baseline

CRI measures the risk-weighted compliance of drinking water quality across treatment works, service reservoirs and distribution systems.

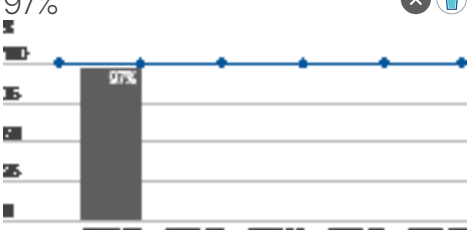
Performance in 2025–26 was adverse to the target, resulting in an ODI underperformance payment of **£0.576m**.

The outcome reflects a small number of elevated compliance risk events across operational assets, which disproportionately impact the index due to its risk-weighted methodology. This means that even isolated incidents at higher-risk sites can have a material impact on overall performance.

Targeted actions are underway to address the root causes, including process optimisation at treatment works, enhanced asset monitoring and improvements to maintenance regimes. Additional focus is being placed on proactive risk management and early intervention to prevent compliance failures.

These measures, alongside continued investment in drinking water quality assets and systems, are expected to reduce compliance risk and support improved CRI performance over the remainder of the AMP.

3A.4 Customer contacts about water quality 97%



■ Actual ◆ Target — Baseline

This measure captures the number of customer contacts received regarding water quality per 1,000 population.

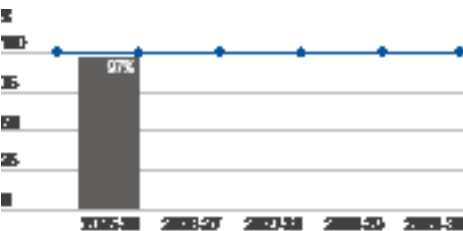
Performance in 2025–26 was adverse to the target level, resulting in an ODI underperformance payment of **£0.156m**.

Customer contacts were influenced by factors including appearance and taste concerns. Continued investment in proactive network management and customer engagement is expected to reduce contact rates going forward.

Performance summary – BRL continued



3A.5 Discharge permit compliance 97%



■ Actual + Target — Baseline

This measure tracks compliance with environmental discharge permits.

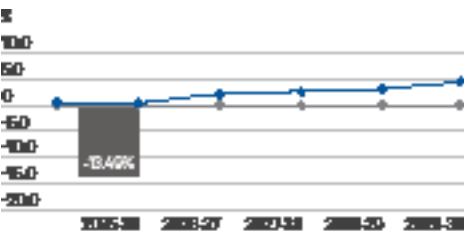
Performance in 2025–26 was adverse to the target level, resulting in an ODI underperformance payment of **£0.021m**.

Permit compliance has remained stable, reflecting continued robust operational control and management of our water treatment processes. During the year there was one recoded compliance failure at Banwell Water Treatment Works discharge. Following a review to identify root causes, corrective actions such as strengthening operational monitoring and reviewing process controls have been identified.

The number of sites included in the reported performance has reduced compared to total number assumed at the PR24 final determination (from 12 to 10). The PR24 final determination is set at the equivalent of one treatment works failing against a compliance permit. Our performance reflects one site failure.

We continue to strengthen compliance processes and operational controls to improve permit adherence.

3A.6 Operational greenhouse gas emissions (water) (13.49%)



■ Actual + Target — Baseline

This measure tracks operational greenhouse gas emissions associated with water operations.

Performance showed an increase of 13.5% from our baseline operational greenhouse gases, resulting in an ODI underperformance payment of **£0.797m**.

Our Bristol Water region was most impacted by the drier than expected summer period in 2025 having to operate in a drought resilience mode. Operating in this mode resulted in the requirement to call upon alternative raw water sources that require more energy and chemical inputs to treat. These alternative supplies were used to meet increased customer demand and to supplement the water supplies used in more normal conditions. Drawing upon these poorer quality raw water resources from the River Severn and the Gloucester and Sharpness Canal, to protect the draw down of our Mendip reservoirs, has led to increased levels of emissions from the additional energy and chemical inputs required.

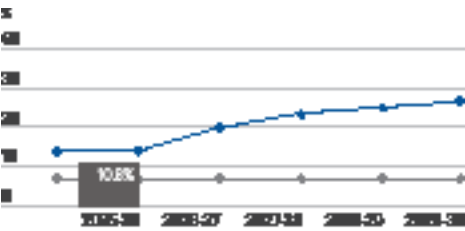
Alongside this, one of the major contributors to our operational greenhouse gas emissions within our Bristol Water region is our two 1MW natural gas fuelled electricity generating assets at our Purton Water Treatment Works. These assets provide cost effective self-generated electricity which is primarily used by our onsite high lift pumps.

We increased the use of these assets during 2025/26 to avoid high electricity prices although due to the conversion efficiencies of natural gas to electricity the resulting greenhouse gas emissions are higher than if we had used grid supplied electricity. The cost-benefit associated with utilising these assets is under constant review to balance customer value against greenhouse gas emissions.

Bristol Water also experienced higher emissions from granular activated carbon reactivations during the year as some reactivations planned for future years were brought forward into 2025/26 to ensure water quality standards could be maintained.

Programmes to improve energy efficiency and reduce emissions intensity are being progressed to improve performance.

3A.7 Leakage 10.8%



■ Actual + Target — Baseline

Leakage measures the percentage reduction in three-year average leakage relative to the baseline.

Performance in 2025–26 was below the performance commitment level, resulting in an ODI underperformance penalty of **£0.762m**. There has been no change to the 3 year average baseline figure from our business plan.

Although a reduction of 10.8% has been achieved relative to the baseline, this falls short of the stretching target. Performance in the year was significantly impacted by external pressures, particularly weather volatility. Periods of prolonged dry weather increased network demand and pressure, followed by colder conditions which contributed to elevated burst rates and background leakage.

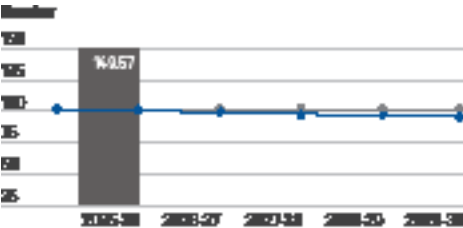
Operationally, higher burst activity increased leakage losses and diverted resource towards reactive repairs. Despite this, strong operational response was evident, with increased levels of active leakage control, including step testing, acoustic logging and rapid response to reported leaks.

Targeted investment continues in mains replacement, pressure management and smart network technology, alongside improved data-led detection capability. These actions are expected to drive sustained leakage reduction and improved performance across the remainder of the AMP.

Performance summary – BRL continued



3A.9 Repairs to burst mains
149.57



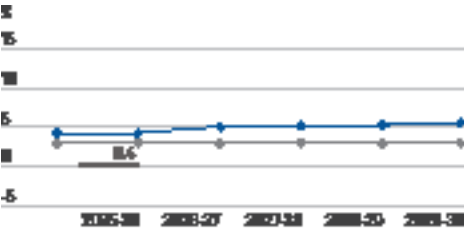
■ Actual ◆ Target ▲ Baseline

This measure captures the number of mains repairs per 1,000 km of network.

Performance in 2025–26 was above target levels, resulting in an ODI underperformance payment of **£0.452m**.

Higher repair rates reflect increased burst activity during the year. Ongoing asset renewal and proactive maintenance programmes are expected to reduce this over time.

3A.10 Per capita consumption
0.4%



■ Actual ◆ Target ▲ Baseline

Per capita consumption measures the percentage reduction in average household water consumption compared to the baseline.

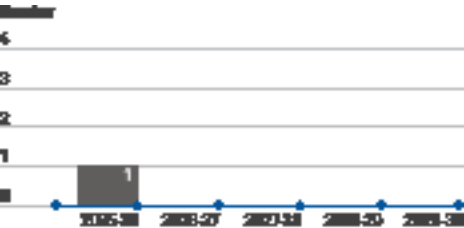
Performance in 2025–26 was below the performance commitment level, resulting in an ODI underperformance payment of **£0.981m**. There has been no change to the 3 year average baseline figure from our business plan.

Consumption levels increased during the year, reflecting external factors, most notably warmer and drier weather conditions which drove higher discretionary water use, including garden watering and outdoor consumption.

This demonstrates the sensitivity of PCC performance to climatic conditions, particularly in-year volatility, despite continued delivery of demand management initiatives. Activity during the year included smart meter rollout, customer engagement campaigns and water efficiency interventions, which continue to support longer-term demand reduction.

Additional focus is being placed on behavioural change programmes, enhanced data insights from metering and targeted engagement in high-consumption areas. These initiatives are expected to strengthen performance resilience and support delivery of PCC reductions over the AMP.

3A.12 Serious pollution incidents
1



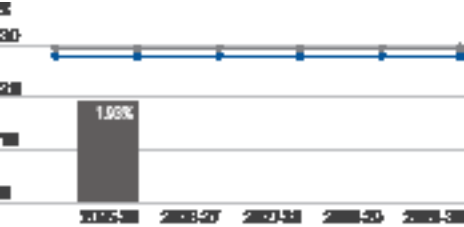
■ Actual ◆ Target ▲ Baseline

This measure captures the number of high-severity pollution incidents.

In 2025–26, one serious pollution incident was recorded. This resulted in a neutral ODI position (**£0.000m**).

We continue to implement targeted operational improvements and monitoring to minimise future incidents.

3A.13 Unplanned outage
1.93%



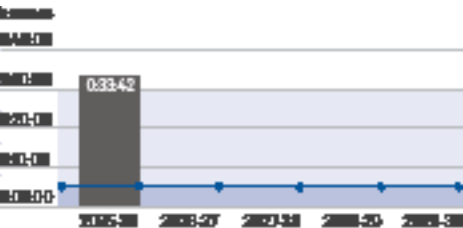
■ Actual ◆ Target ▲ Baseline

Unplanned outage measures the loss of water production capacity due to asset failures.

Performance in 2025–26 exceeded target, resulting in an ODI outperformance payment of **£0.471m**.

This reflects strong asset reliability and effective operational management. Continued investment in resilience is expected to maintain performance.

3A.14 Water supply interruptions
0:33:42



■ Actual ◆ Target ▲ Baseline

This measure captures the average duration of supply interruptions experienced by customers.

Performance in 2025–26 was significantly below the target, resulting in an ODI underperformance payment of **£2.907m**.

Performance was driven by a small number of high-impact events, which had a disproportionate effect on the annual average. These events were linked to increased burst frequency and operational challenges during periods of weather volatility, including freeze–thaw conditions and storm activity.

While the underlying operational response remained strong—evidenced by effective incident management and restoration times in the majority of cases—the measure is inherently sensitive to severe, low-frequency events.

Investment continues in network resilience, including trunk main improvements, enhanced monitoring and early-warning systems, alongside strengthened incident response capability. These actions are expected to reduce both the frequency and severity of interruptions and deliver improved performance over the AMP.



Performance summary – BRL continued

Table 3B – Underlying data – measures of experience performance commitments

	Value Nr
Business customer and retailer measure of experience (BR-MeX)	
Annual customer satisfaction score for the Business customer contact survey (B-Mex)	73.81
Annual retailer satisfaction score for the Retailer experience survey (R-Mex)	78.13
Annual MPF Score	65.27
Annual BR-MeX score	72.75
Customer measure of experience (C-MeX)	
Annual customer satisfaction score for the customer service survey	69.21
Annual customer satisfaction score for the customer experience survey	71.70
Annual C-MeX score	70.04
Total household complaints	2,792
Total connected household properties	531,375
Total household complaints per 10,000 connections	52.54
Developer measure of experience (D-MeX)	
Developer satisfaction (small developers) qualitative component annual results	75.23
Developer satisfaction (large developers) qualitative component annual results	75.43
Quantitative component annual results	98.86
D-MeX score	83.16

Business customer and retailer measure of experience (BR-MeX) is Ofwat's measure of how business customers and retailers experience our services. It reflects feedback on service reliability, communication, responsiveness, and overall satisfaction, helping us understand what is working well and where we need to improve.

Bristol Water achieved a BR-MeX score of 72.75 in the first year of reporting, ranking 12th overall. Strong B-MeX performance remained above the industry average, but overall performance was impacted by operational delays, communication issues and weaker MPF results. Improvement plans for 2026/27 focus on enhancing customer and retailer communications, reducing service delays and strengthening data quality and operational performance.

Customer measure of experience (C-MeX) is Ofwat's measure of customer experience, capturing feedback from customers who contact us and broader perception surveys. We triangulate this with operational data to focus on what matters most to customers.

Bristol Water achieved a C-MeX score of 70.04, ranking 5th overall and maintaining performance above the industry average throughout 2025/26. Customer satisfaction remained strong in both CSS and CES, although performance was affected by communication issues, particularly around keeping customers informed, and by increased complaints linked to bill increases and supply interruptions caused by mains failures. Despite these challenges, Bristol Water remained one of the stronger performers in the sector and continues to focus on improving customer communications and service reliability.

Levels of service performance metrics		Reporting period (1 April to 31 March) %
Calculating the D-MeX quantitative component		
W1.1: Pre-development enquiry – reports issued within target		100.00%
W3.1: s45 quotations - within target		97.44%
W4.1: s45 service pipe connections - within target		98.43%
W6.1: Mains design <500 plots - quotations within target		97.37%
W8.1: Mains construction within target		100.00%
W17.1: Mains diversions (without constraints) - quotations within target		100.00%
W17.2: Mains diversions (with constraints) - quotations within target		100.00%
W18.1: Mains diversions - construction/commissioning within target		90.00%
WN1.1: % of confirmations issued to the applicant within target period		100.00%
WN2.2: % Bulk supply offer letters issued to the applicant within target period		100.00%
WN4.1: % of main laying schemes constructed and commissioned within the target period		100.00%
SLPM - S2/2a: Design Self-Laid Main (Stage 2) – Water Company – SLPM - S2/2a – Provide design		100.00%
SLPM - S2/2b: Design Self-Laid Main (Stage 2) – Water Company – SLPM - S2/2b – Water Company to Provide design acceptance		100.00%
SLPM – S1/2: POC (Stage 1C) – Water Company – SLPM – S1/2 – Review PoC proposal		100.00%
SLPM – S4/1: Delivery Date (Stage 3 / 4) – Water Company – SLPM – S4/1 – Source of Water Delivery Date		100.00%
SLPM – S7/1: Make Service Connections (Stage 7 – Part 2) – Water Company – SLPM – S7/1 – Validate notification and provide consent to progress with connection - Total number completed		98.48%
D-MeX quantitative score (for the reporting period)		98.86%

Developer measure of experience (D-MeX) is Ofwat's measure of service experience for developers which directly compares us with our peers.

Bristol Water achieved a D-MeX score of 83.17 in 2025/26, improving its industry position to 8th despite a sector-wide reduction in scores following Ofwat's AMP8 methodology changes. Performance remained above the industry median. During the year, Bristol Water continued to enhance the developer customer experience through improvements to digital services, expanded customer support options and greater use of customer insight to identify and address issues proactively. The company also maintained strong engagement with developers, self-lay providers and NAVs, while supporting growth across the region through proactive planning, infrastructure investment and collaboration with local planning authorities to facilitate sustainable development.



Performance summary – BRL continued

Table 3C – Underlying calculations and supplementary data – customer facing performance commitments

	Unit	Standardising data indicator	Standardising data numerical value .	Performance level – actual (current reporting year)	Performance level – Calculated (i.e. standardised)		
Performance commitments set in standardised units							
Customer contacts about water quality							
Customer contacts – taste and odour		Number of contacts per 1,000 resident population	“Resident population (thousands)”	1,266.03	374.00	0.30	
Customer contacts – appearance		Number of contacts per 1,000 resident population	“Resident population (thousands)”	1,266.03	848.00	0.67	
Customer contacts about water quality		Number of contacts per 1,000 resident population	“Resident population (thousands)”	1,266.03	1,222.00	0.97	
	Unit	Standardising data indicator	Standardising data numerical value	Total minutes lost	Number of properties supply interrupted	Calculated performance level	
Water supply interruptions							
Water supply interruptions (≥3 hours)		Average number of minutes lost per property per year	Number of properties (thousands)	564.37	19,015,358	12,072	00:33:42
Water supply interruptions (≥6 hours)		Average number of minutes lost per property per year	Number of properties (thousands)	564.37	15,980,328	8,808	00:28:19
Water supply interruptions (≥12 hours)		Average number of minutes lost per property per year	Number of properties (thousands)	564.37	11,411,222	4,704	00:20:13
Water supply interruptions (≥24 hours)		Average number of minutes lost per property per year	Number of properties (thousands)	564.37	6,939,158	1,924	00:12:18



Performance summary – BRL continued

Table 3D – Underlying calculations and supplementary data – demand common performance commitments

	Units	2017-18 baseline	2018-19 baseline	2019-20 baseline	2023-24	2024-25	2025-26
Leakage – company level							
Annual average leakage	MI/d	43.9	41.1	37.0	38.3	36.7	34.0
Three-year average leakage	MI/d			40.7			36.3
% reduction in 3 – year average leakage from 2019-20 baseline	%						10.8%
Per capita consumption- company level							
Annual average PCC	l/h/d	148.9	151.3	146.4	144.7	146.3	153.8
Three-year average PCC	l/h/d			148.9			148.3
% reduction in 3 – year average PCC from 2019-20 baseline	%						–
Annual household consumption level	MI/d						189.8
Total household population	000s						1,233.9
Business demand – company level – performance							
Annual average business demand (incl. voids)	MI/d	59.5	60.4	58.7	56.1	55.3	56.4
Three-year average business demand (incl. voids)	MI/d			59.5			55.9
% reduction in 3 – year average business demand from 2019-20 baseline (incl. voids)	%						6.1%
Annual average business consumption (excl. voids)	MI/d						56.2
Annual average business voids consumption	MI/d						0.2
Business demand – company level – annual changes							
Annual average business demand (incl. voids) variance of reporting year from previous year	MI/d						1.1
Increase in business demand in reporting year due to new business demand (new supply points).	MI/d						0.1
Changes in existing business demand (existing supply points) in reporting year compared to previous year.	MI/d						1.0

Table 3E – Underlying calculations and supplementary data – environmental common performance commitments

	Unit	Standardising data indicator	Standardising data numerical value	Baseline	Current reporting year	Performance level – Net change	Performance level – Calculated (i.e. standardised)
Serious pollution incidents							
Number of serious pollution incidents (water)	Number					1	1
Number of serious pollution incidents (total)	Number					1	1
Biodiversity							
Biodiversity net change – area	Net change in biodiversity per 100km ²	Company land area (100km ²)	23.62	–	–	–	–
Biodiversity net change – hedgerow	Net change in biodiversity per 100km ²	Company land area (100km ²)	23.62	–	–	–	–
Biodiversity net change – river	Net change in biodiversity per 100km ²	Company land area (100km ²)	23.62	–	–	–	–
Biodiversity net change – total	Net change in biodiversity per 100km ²	Company land area (100km ²)	23.62	–	–	–	–



Performance summary – BRL continued

Table 3E – Table Underlying calculations and supplementary data – environmental common performance commitments continued

	Actual tCO ₂ e
Operational greenhouse gas emissions (water)	
Scope one emissions	
Direct emissions from burning of fossil fuels (location-based)	7,857.81
Process and fugitive emissions (incl. refrigerants)	–
Emissions from vehicle transport (owned or leased)	1,125.73
Emissions from land	–
Total scope one emissions	8,983.54
Scope two emissions	
Purchased electricity (location-based)	13,445.52
Purchased heat	–
Electric vehicles	–
Removal of electricity to charge electric vehicles	–
Total scope two emissions	13,445.52
Scope three emissions	
Business travel on public transport and private vehicles used for company business	9.54
Outsourced activities	724.34
Purchased electricity: extraction, production, transmission and distribution (location based)	4,739.79
Purchased heat: extraction, production, transmission and distribution	–
Purchased fuels: extraction, production, transmission and distribution	1,821.34
Chemicals	5,060.82
Total scope three emissions	12,355.83
Emissions reductions	
Exported renewables (generated onsite and exported)	–
Exported biomethane (generated onsite and exported)	–
Insets	–
Total emissions reductions	–
Baseline tCO ₂ e (2024-2025)	30,651.09
Gross emissions	34,784.89
Net emissions	34,784.89
Percentage reduction from 2024-25 baseline (tonnes CO₂e)	(13.49%)
Emissions by base expenditure	34,784.89
Emissions by enhancement expenditure	–
Emissions by net zero enhancement scheme	–



Performance summary – BRL continued

Table 3F – Underlying calculations- asset health common performance commitments

	Unit	Standardising data indicator	Standardising data numerical value	Performance level – Actual (current reporting year)	Performance level – Calculated (i.e. standardised)
Repairs to burst mains					
Mains repairs – Reactive	Mains repairs per 1,000km	Mains length in km	6,986.6	322.0	46.1
Mains repairs – Proactive	Mains repairs per 1,000km	Mains length in km	6,986.6	723.0	103.5
Mains repairs	Mains repairs per 1,000km mains length	Mains length in km	6,986.6	1,045.0	149.6
Unplanned outage					
Unplanned outage	% loss of company peak week production capacity	Unit	Current company level peak week production capacity (PWPC) MI/d	Reduction in company level PWPC MI/d	Outage proportion of PWPC %
			422.70	8.14	1.93

Table 3G – Underlying calculations- compliance based common performance commitments

	Unit	Standardising data indicator	Standardising data numerical value	Performance level – Actual (current reporting year)	Performance level – Calculated (i.e. standardised)
Discharge permit compliance					
Discharge permit compliance (water)	% permit compliance	Number of numeric discharge permits (water)	10.00	1.00	90.00%
Discharge permit compliance (wastewater)	% permit compliance	Number of numeric discharge permits (wastewater)			–
Discharge permit compliance	% permit compliance	Number of numeric discharge permits (total)	10.00	1.00	90.00%
Compliance risk index					
Water treatment works compliance risk index score	Number			0.63	
Service reservoirs compliance risk index score	Number			0.01	
Supply points compliance risk index score	Number			1.23	
Customer zones compliance risk index score	Number			2.08	
Compliance risk index	Number				3.95

Additional regulatory information – BRL



Table 4A – Water bulk supply information

for the 12 months ended 31 March 2026

	Volume MI	Operating costs £m	Revenue £m
Bulk supply exports			
Wessex – Newton Meadows	2,754.641	1.470	1.435
Wessex – Marshfield	13.130	0.015	0.017
Wessex – Ashcott	106.298	0.119	–
Leep	299.278	0.275	0.382
IWNL	286.250	0.264	0.367
Last Mile	149.058	0.137	0.190
AWIN	1.746	0.002	0.002
ESP Water	2.767	0.003	0.004
Total bulk supply exports	3,613.168	2.285	2.397
	Volume MI	Operating costs £m	
Bulk supply imports			
Wessex – West Lydford	12.616	0.001	
Wessex – Corsley	33.014	0.099	
Wessex – Standerwick	–	–	
Wessex – Chapmanslade	21.034	0.067	
Wessex – Compton Dundon (Ivythorn)	88.687	–	
Wessex – Shipton Moyne	135.002	–	
Total bulk supply imports	290.353	0.167	

Bulk supply exports increased year on year, driven by higher volumes supplied to both Wessex Water and NAV customers, reflecting increased demand and the continued build out of development sites. Growth across NAV counterparties is consistent with ongoing network expansion and customer occupation trends, with both volumes and associated revenues increasing broadly in line.

Imports from Wessex Water remain stable and are aligned to operational resource management requirements throughout the year. Movements reflect normal system balancing rather than structural change, with costs remaining proportionate to volumes and consistent with contractual arrangements.

4B – Analysis of Debt

In accordance with RAG 316, point 2.7, table 4B is not required to be included as part of the APR due to its size, but it is included within the APR tables on our website.



Additional regulatory information – BRL continued

Table 4C – Actual expenditure against cost allowances by cost sharing rate

	12 months ended 31 March 2026		Price control period to date		12 months ended 31 March 2026		Price control period to date	
	Water resources £m	Water network plus £m	Water resources £m	Water network plus £m	Water resources £m	Water network plus £m	Water resources £m	Water network plus £m
Standard base								
Final determination allowed totex	15.860	86.103	15.860	86.103				
Actual totex	10.376	92.208	10.376	92.208				
Disallowable costs	–	0.938	–	0.938				
Total actual totex	10.376	91.270	10.376	91.270				
Variance	(5.484)	5.167	(5.484)	5.167				
Variance due to timing of expenditure	–	–	–	–				
Variance due to efficiency	(5.484)	5.167	(5.484)	5.167				
Company cost sharing rate – outperformance	50.00%	50.00%	50.00%	50.00%				
Company cost sharing rate – underperformance	50.00%	50.00%	50.00%	50.00%				
Company share of totex outperformance	(2.742)	–	(2.742)	–				
Company share of totex underperformance	–	2.853	–	2.853				
Business rates								
Final determination allowed totex	1.425	4.125	1.425	4.125				
Actual totex	1.211	3.897	1.211	3.897				
Variance	(0.214)	(0.228)	(0.214)	(0.228)				
Company cost sharing rate	10.00%	10.00%	10.00%	10.00%				
Company share of outperformance	(0.021)	(0.023)	(0.021)	(0.023)				
Company share of underperformance	–	–	–	–				
Abstraction charges and discharge consents								
Final determination allowed totex	2.831	0.103	2.831	0.103				
Actual totex	2.405	–	2.405	–				
Variance	(0.426)	(0.103)	(0.426)	(0.103)				
Company cost sharing rate	25.00%	25.00%	25.00%	25.00%				
Company share of outperformance	(0.107)	(0.026)	(0.107)	(0.026)				
Company share of underperformance	–	–	–	–				
Standard enhancement								
Final determination allowed totex	1.489	–	1.489	–				
Actual totex	1.138	8.668	1.138	8.668				
Disallowable costs	–	–	–	–				
Total actual totex	1.138	8.668	1.138	8.668				
Variance	(0.351)	8.668	(0.351)	8.668				
Variance due to timing of expenditure	–	–	–	–				
Variance due to efficiency	(0.351)	8.668	(0.351)	8.668				
Company cost sharing rate – outperformance	40.00%	40.00%	40.00%	40.00%				
Company cost sharing rate – underperformance	40.00%	40.00%	40.00%	40.00%				
Company share of totex outperformance	(0.140)	–	(0.140)	–				
Company share of totex underperformance	–	3.467	–	3.467				
25:25 enhancement								
Final determination allowed totex	1.489	22.342	1.489	22.342				
Actual totex	–	–	–	–				
Disallowable costs	–	–	–	–				
Total actual totex	–	–	–	–				
Variance	(1.489)	(22.342)	(1.489)	(22.342)				
Variance due to timing of expenditure	–	–	–	–				
Variance due to efficiency	(1.489)	(22.342)	(1.489)	(22.342)				
Company cost sharing rate – outperformance	25.00%	25.00%	25.00%	25.00%				
Company cost sharing rate – underperformance	25.00%	25.00%	25.00%	25.00%				
Company share of totex outperformance	(0.372)	(5.585)	(0.372)	(5.585)				
Company share of totex underperformance	–	–	–	–				
40:10 enhancement								
Final determination allowed totex	0.641	0.407	0.641	0.407				
Actual totex	0.678	0.727	0.678	0.727				
Disallowable costs	–	–	–	–				
Total actual totex	0.678	0.727	0.678	0.727				
Variance	0.037	0.320	0.037	0.320				
Variance due to timing of expenditure	–	–	–	–				
Variance due to efficiency	0.037	0.320	0.037	0.320				
Company cost sharing rate – outperformance	10.00%	10.00%	10.00%	10.00%				
Company cost sharing rate – underperformance	40.00%	40.00%	40.00%	40.00%				
Company share of totex outperformance	–	–	–	–				
Company share of totex underperformance	0.015	0.128	0.015	0.128				



Additional regulatory information – BRL continued

Table 4C – Actual expenditure against cost allowances by cost sharing rate continued

	12 months ended 31 March 2026		Price control period to date	
	Water resources £m	Water network plus £m	Water resources £m	Water network plus £m
SRO – use it or lose it				
Final determination allowed totex	-	-	-	-
Actual totex	-	-	-	-
Disallowable costs	-	-	-	-
Total actual totex	-	-	-	-
Variance	-	-	-	-
Variance due to timing of expenditure	-	-	-	-
Variance due to efficiency	-	-	-	-
Company cost sharing rate – outperformance	-	-	-	-
Company cost sharing rate – underperformance	100.00%	10.00%	10.00%	10.00%
Company share of totex outperformance	-	-	-	-
Company share of totex underperformance	-	-	-	-
Totex not subject to cost sharing				
Final determination allowed totex – not subject to cost sharing	0.430	5.815	0.430	5.815
Actual totex – not subject to cost sharing	0.453	10.881	0.453	10.881
Variance	0.023	5.066	0.023	5.066
Variance due to timing	-	-	-	-
Variance for company	0.023	5.066	0.023	5.066
Total company variance	(3.344)	5.611	(3.344)	5.611

Table 4C Commentary

	Water Resources £m	Water Network £m	Total Water £m
Table 4C summary			
Final determination allowance excluding business rates, abstraction licences and grants and contributions	23.106	124.709	133.086
Final determination allowance business rates and abstraction licences	23.106	124.709	147.814
Total	41.525	239.375	280.900
Actual excluding business rates, abstraction licences and grants and contributions	12.645	111.546	124.191
Actual business rates and abstraction licence	16.714	126.324	143.038
Total	29.359	237.870	267.229

Table 4C summarises the performance of price control unit against allowances by cost sharing rate as defined.

Differences between PR24 Final Determination allowances and reported actual opex and capex reflect the phasing of expenditure across the regulatory period. The FD allowances are based on an assumed delivery profile, whereas actual expenditure reflects programme-specific factors such as project timing, changes in scope, and delivery constraints. As a result, expenditure may be incurred earlier or later than assumed, leading to divergence between reported opex and capex and the corresponding FD allowances in the reporting year.

For totex not subject to cost sharing for example, more cost has been incurred than expected as a result of increase in the number of housing developments, thus requiring new connections and requisitions spend this year.



Additional regulatory information – BRL continued

Table 4D – Totex analysis – water resources and water network+

for the 12 months ended 31 March 2026

	Water resources £m	Network+		Treated water distribution £m	Total
		Raw water distribution and storage £m	Water treatment £m		
Operating expenditure					
Base operating expenditure	13.333	4.936	22.778	32.092	73.139
Enhancement operating expenditure	0.020	–	–	–	0.020
Total operating expenditure	13.353	4.936	22.778	32.092	73.159
Capital expenditure					
Base capital expenditure	1.112	0.079	4.244	41.916	47.351
Enhancement capital expenditure	1.796	–	2.460	6.935	11.191
Total gross capital expenditure	2.908	0.079	6.704	48.851	58.542
Gross totex – water	16.261	5.015	29.482	80.943	131.701
Atypical expenditure					
Restructuring/Transformation costs	–	–	–	0.158	0.158
Total atypical expenditure	–	–	–	0.158	0.158

Operating Expenditure

Operating expenditure increased by £1.7m to £73.2m in 2025/26, reflecting higher operational activity driven by exceptional weather conditions, including one of the warmest and driest spring and summer periods on record. Demand increased by 5.5% (15.5 Ml/d) to c.300 Ml/d, requiring targeted resource management strategies, with greater reliance on the more energy- and chemically-intensive Northern river abstraction sites at Purton and Littleton. This drove an increase in chemical costs of £1.3m to £5.96m, alongside inflationary uplifts in local authority rates, Canal & River Trust and Environment Agency charges of c.£0.25m. Additional cost pressures included £0.84m of GSS payments linked to supply interruption events at Keynsham, Kingswood, Bristol Hill and Brent Knoll, reflecting operational incidents during the year.

Despite increased operational intensity, power costs remained broadly flat at c.£15.6m, as a 15% increase in consumption from higher abstraction and treatment activity was offset by a 12% reduction in electricity prices through effective hedging. Employment costs (post recharges) decreased by £0.2m to £9.2m, reflecting increased capitalisation aligned to AMP8 programme delivery, partially offsetting underlying cost increases. Overall, movements reflect short-term operational pressures and cost inflation rather than structural change, and are fully aligned to base expenditure analysis in Table 4J and total expenditure reported in Table 2B, with overall totex consistent with AMP8 phasing and delivery.

Table 4I – Financial derivatives

Bristol Water has no derivatives.



Additional regulatory information – BRL continued

Table 4J – Base expenditure analysis – wholesale water

for the 12 months ended 31 March 2026

	Water network+				Total £m
	Water resources £m	Raw water distribution and storage £m	Water treatment £m	Treated water distribution £m	
Operating expenditure – operational					
Power	2.531	3.685	3.813	5.598	15.627
Income treated as negative expenditure	–	–	–	–	–
Bulk Supply/Bulk discharge	0.020	–	0.052	0.094	0.166
Renewals expensed in year (infra)	0.016	0.016	0.038	1.765	1.835
Renewals expensed in year (non–infra)	–	–	–	–	–
Local authority and Cumulo rates	1.211	0.182	0.232	3.483	5.108
Canal & River Trust abstraction charges/discharge consents	0.913	–	–	–	0.913
Environment Agency/NRW abstraction charges/discharge consents	1.492	–	–	–	1.492
Other abstraction charges/discharge consents	–	–	–	–	–
Costs associated with Traffic Management Act	–	–	–	0.425	0.425
Costs associated with lane rental schemes	–	–	–	–	–
Statutory water softening	–	–	–	–	–
Routine repair and maintenance	0.067	0.004	0.573	0.304	0.948
Chemical costs – water	0.018	0.002	5.912	0.028	5.960
Finance, Regulation and Procurement costs – water	0.251	0.020	0.267	0.467	1.005
Insurance – water	0.381	0.155	0.726	0.728	1.990
Fines and penalties – water	–	–	–	–	–
Investigation costs – water	–	–	–	–	–
GSS payments – water	–	–	–	0.938	0.938
Non–GSS compensation payments – water	–	–	–	0.002	0.002
HR	0.014	0.007	0.053	0.196	0.270
Training	0.014	0.007	0.053	0.195	0.269
CEO, Corporate affairs and Governance	0.714	0.285	1.167	1.557	3.723
IT&T (business support)	0.154	0.078	0.590	2.186	3.008
Property management (business support)	0.067	0.027	0.110	0.147	0.351
Other support function and overheads opex – water	5.017	0.455	8.041	13.223	26.736
Developer services & Diversions opex					
Network reinforcement opex		–	–	–	–
Site–specific developer services opex				–	–
Diversions opex		–		0.020	0.020
Third-party opex – water					
Third-party opex – water	0.453	0.013	1.151	0.736	2.353
Total base operating expenditure	13.333	4.936	22.778	32.092	73.139



Additional regulatory information – BRL continued

Table 4J – Base expenditure analysis – wholesale water continued

for the 12 months ended 31 March 2026

	Water resources £m	Water network+			Total £m
		Raw water distribution and storage £m	Water treatment £m	Treated water distribution £m	
Capital expenditure					
Maintaining the long term capability of the assets – infra	0.754	0.011	–	28.997	29.762
Maintaining the long term capability of the assets – non-infra	0.358	0.068	4.168	4.549	9.143
Total base capital expenditure	1.112	0.079	4.168	33.546	38.905
Developer services & Diversions					
Network reinforcement capex		–	–	0.426	0.426
Site-specific developer services capex – water				7.616	7.616
Diversions capex – water		–		0.327	0.327
Third-party capex – water					
Third-party capex – water	–	–	0.076	0.001	0.077
Total base capital expenditure	1.112	0.079	4.244	41.916	47.351
Total base expenditure	14.445	5.015	27.022	74.008	120.490

Exceptional weather conditions in 2025/26, including the UK's warmest and sunniest spring and warmest summer on record alongside below-average rainfall, resulted in a 5.5% increase in demand (15.5 MI/d) to c.300 MI/d across the Bristol area. This elevated demand required targeted resource optimisation, including minimising reservoir utilisation and increasing abstraction from the Northern river sources at Purton and Littleton, which are more energy- and chemically-intensive. As a result, chemical costs increased to £5.96m, reflecting higher treatment requirements associated with more turbid river water. In line with the new Ofwat requirement introduced this year for more granular, aggregated operating expenditure reporting within Table 4J, these movements are transparently reflected across individual cost categories, providing enhanced visibility of underlying operational drivers.

Despite increased operational intensity, power costs remained stable at c.£15.6m, as a 15% increase in consumption was offset by a 12% reduction in electricity prices through effective hedging. Additional cost pressures included £0.84m of GSS payments relating to supply interruptions and c.£0.25m of inflationary increases across local authority rates, Canal & River Trust and Environment Agency charges. Routine repair and maintenance costs increased to £0.95m, driven by targeted compliance activity, while employment costs (post recharges) reduced to £9.2m due to increased capitalisation aligned to AMP8 project delivery. Overall, movements reflect short-term operational pressures and inflation rather than structural change, and are consistent with the aggregated opex analysis presented in Table 4J and total expenditure reported in Table 2B.



Additional regulatory information – BRL continued

Table 4L – Enhancement expenditure – water resources and water network+

for the 12 months ended 31 March 2026

	Cumulative expenditure Total £m	Cumulative allowed expenditure Total £m	Five-year expenditure allowance 2025–30 Total £m
EA/NRW environmental programme (WINEP/NEP)			
Biodiversity and conservation; (WINEP/NEP) water totex	0.490	0.677	3.341
Eels/fish entrainment screens; (WINEP/NEP) water totex	–	–	–
Eels/fish passes; (WINEP/NEP) water totex	–	–	–
Invasive Non Native Species	0.292	0.196	0.768
Drinking Water Protected Areas; (WINEP/NEP) water totex	0.356	–	–
Water Framework Directive; (WINEP/NEP) water totex	–	0.554	2.736
Wetland creation; (WINEP/NEP) water totex	–	–	–
Trade effluent discharge flow monitoring; (WINEP/NEP) water totex	–	–	–
25 year environment plan; (WINEP/NEP) water totex	–	–	–
Investigations total; (WINEP/NEP) water totex	1.405	1.048	2.140
Total environmental programme expenditure; (WINEP/NEP) water totex	2.543	2.475	8.985
Supply-demand balance			
Supply-side improvements delivering benefits in 2025–2030; SDB totex	–	–	–
Demand-side improvements delivering benefits in 2025–2030 (excl leakage and metering); SDB totex	0.020	–	–
Leakage improvements delivering benefits in 2025–2030; SDB totex	1.583	3.479	17.175
Internal interconnectors delivering benefits in 2025–2030; SDB totex	–	–	–
Supply demand balance improvements delivering benefits starting from 2031; SDB totex	0.008	0.117	0.581
Strategic resource options; SDB totex	–	–	–
Total supply demand expenditure; SDB totex	1.611	3.596	17.756
Metering			
Total metering expenditure; metering totex	3.659	5.121	26.145

	Cumulative expenditure Total £m	Cumulative allowed expenditure Total £m	Five-year expenditure allowance 2025–30 Total £m
Water quality improvements			
Improvements to taste, odour and colour (grey solutions); water quality totex	–	4.035	19.449
Improvements to taste, odour and colour (green solutions); water quality totex	–	–	–
Addressing raw water quality deterioration (grey solutions); water quality totex	1.306	4.667	58.755
Addressing raw water quality deterioration (green solutions); water quality totex	–	–	–
Conditioning water to reduce plumbosolvency for water quality; water quality totex	–	–	–
Lead communication pipes replaced or relined; water quality totex	–	–	–
External lead supply pipes replaced or relined; water quality totex	1.601	3.339	16.484
Internal lead supply pipes replaced or relined; water quality totex	0.232	–	–
Other lead reduction related activity; water quality totex	–	–	–
Total water quality improvements; totex	3.139	12.041	94.688
Water resilience			
Resilience – Climate Change; enhancement water totex	(0.140)	–	–
Resilience – Other enhancement water totex	–	–	–
Resilience – Total; enhancement water totex	(0.140)	–	–
Water SEMD and Cyber			
SEMD – Security; totex	–	0.819	1.813
SEMD – Alternative Water Supplies/ Emergency Planning; totex	–	–	–
Security – cyber; enhancement water totex	0.399	0.825	3.766
Total Water SEMD and Cyber enhancement totex	0.399	1.644	5.579



Additional regulatory information – BRL continued

Table 4L – Enhancement expenditure – water resources and water network+ continued

for the 12 months ended 31 March 2026

	Cumulative expenditure Total £m	Cumulative allowed expenditure Total £m	Five-year expenditure allowance 2025–30 Total £m
Net zero			
Greenhouse gas reduction (net zero); enhancement water totex	–	–	–
Reservoir Safety			
Reservoir Safety; enhancement water totex	–	–	–
Total enhancement			
Total enhancement expenditure			
Total enhancement expenditure			
Total enhancement expenditure	11.211	24.877	153.153

Total Enhancement expenditure for the period 2025-26 amounted to £11.211m. The majority of this spend was categorised under Capital Expenditure. This compares to an allowed expenditure for the year of £24.877m.

The key drivers for the spend being lower than allowance is activity being rephased to later in the AMP, primarily due to planning and contractor resource availability.

The largest areas of spend were the Metering Programme £3.569m (53,000 meters renewed, replaced, or installed), £3.061m Water Quality Improvements (Lead-free programme), and WINEP / NEP environmental programme £2.481m.



Additional regulatory information – BRL continued

Table 4N – Site-specific developer services expenditure services expenditure – network+

for the 12 months ended 31 March 2026

	Capex £m	Opex £m	Totex £m
Water network+			
New connections costs – water	5.237	–	5.237
Requisition mains costs – water	2.187	–	2.187
Asset payments costs – water	0.192	–	0.192
Other site-specific activities costs – water	–	–	–
Total site-specific developer services costs – water	7.616	–	7.616

Developer Services

Developer services expenditure increased year-on-year, driven primarily by the level of housing development activity undertaken by building developers across the region. This activity directly influences demand for new connections and requisition mains, with capital expenditure increasing by £1.33m and £0.23m respectively, reflecting higher volumes of development-led work delivered during the year. These movements are consistent with underlying market demand and align with increases in associated income reported in Table 2E.

Expenditure remains closely aligned to development activity and is therefore inherently variable year-on-year. The increase observed reflects higher connection volumes rather than changes in delivery approach or cost efficiency, and demonstrates a continued responsive approach to third-party demand. Overall, the position is consistent with related developer services activity reported in Tables 4Q and 2E, ensuring a coherent and transparent presentation of growth-driven expenditure across the APR.

Table 4O – Diversions expenditure – network+

for the 12 months ended 31 March 2026

	Capex £m	Opex £m	Totex £m
Water network+			
s185 diversions costs – water	0.327	–	0.327
NRSWA diversions costs – water	–	0.020	0.020
Non-s185 diversions costs – water	–	–	–
Total diversions costs – water	0.327	0.020	0.347
Water network+ diversions type			
Raw water distribution and storage – share of diversions			–
Treated water distribution – share of diversions			100%

Diversions expenditure decreased year-on-year, reflecting a reduction in activity levels during 2025/26. Total spend declined by £0.036m, which is consistent with the lower volume of diversion works undertaken in the year and aligns with the corresponding reduction in diversions income reported in Table 2R.

The decrease reflects underlying third-party demand rather than any change in delivery approach or efficiency, with activity levels inherently variable depending on infrastructure works undertaken by external parties. Overall, movements remain consistent across both cost and income tables, demonstrating a transparent and aligned position across the APR, with no structural change in the underlying service.



Additional regulatory information – BRL continued

Table 4P – Infrastructure network reinforcement projects for the 2025–30 period

No qualifying projects with expected AMP spend above the reporting threshold are identified, and therefore no expenditure is reported. This reflects the scale and structure of the investment programme within the entity.

Table 4Q – Developer services – new connections, properties and mains

	Water		Total sites nr
	Sites that require new mains nr	Sites that do not require new mains nr	
Connections volumes			
New connections (residential – excluding NAVs)	492	1,141	1,633
New connections (business – excluding NAVs)	9	136	145
Total new connections served by incumbent	501	1,277	1,778
New connections – SLPs	501	–	501
Properties volumes – incumbents			
New properties (residential – excluding NAVs)	492	1,141	1,633
New properties (business – excluding NAVs)	6	70	76
Total new properties served by incumbent	498	1,211	1,709
New properties – SLP connections	498	–	498
Properties volumes – NAVs			
New residential properties served by NAVs	2,127	–	2,127
New business properties served by NAVs	2	–	2
Total new properties served by NAVs	2,129	–	2,129
Properties volumes – Total			
Total new properties	2,627	1,211	3,838
New sites			
Number of development sites	26	451	477
New water mains – length			
Length of new mains (km) – requisitions	4		
Length of new mains (km) – SLPs	4		
Environmental incentives			
New connections claiming Environmental Incentives			–

Developer services activity reflects updated data sources, with a transition to operational trackers improving data quality and audit traceability. Movements in connections and properties are consistent with development activity and aligning methodologies across group entities.

A near 1:1 relationship between connections and properties is maintained, with minor differences driven by classification changes. Data improvements are methodological rather than performance related, supporting future consistency.

Table 4R – Non-financial information – connected properties, customers and population

	Unmeasured 000s	Measured 000s	Total 000s	Voids 000s
Customer numbers – average during the year				
Residential water only customers	155.713	365.063	520.776	10.202
Total residential customers	155.713	365.063	520.776	10.202
Business water only customers	0.970	30.028	30.998	2.038
Business wastewater only customers	–	–	–	–
Total business customers	0.970	30.028	30.998	2.038
Total customers	156.683	395.091	551.774	12.240

	Water		Total
	Unmeasured	Measured	
Property numbers – average during the year			
Residential properties billed	155.713	365.063	520.776
Residential void properties			10.202
Total connected residential properties			530.978
Business properties billed	0.970	30.028	30.998
Business void properties			2.038
Total connected business properties			33.036
Total connected properties			564.014



Additional regulatory information – BRL continued

Table 4R – Non-financial information – connected properties, customers and population continued

	Unmeasured					Water Measured					Unbilled			
	No meter	Basic meter	AMR meter	AMI meter	Total	No meter	Basic meter	AMR meter	AMI meter	Total	Uneconomic	Other	Total	Total
	000s	000s	000s	000s		000s	000s	000s	000s		to bill	000s	000s	
Property and meter numbers – at end of year (31 March)														
Total new residential properties connected in year	–	–	–	–	–	–	–	0.659	0.584	1.243				1.243
Total number of new business properties connections	–	–	–	–	–	–	–	0.031	0.015	0.046				0.046
Residential properties billed at year end	151.903	0.361	0.063	–	152.327	–	315.985	40.682	11.936	368.603				520.930
Residential properties unbilled at year end											–	–	–	–
Residential void properties at year end					3.988					6.457				10.445
Total connected residential properties at year end					156.315					375.060				531.375
Business properties billed at year end	0.911	0.012	0.001	–	0.924	–	27.249	2.696	0.060	30.005				30.929
Business properties unbilled at year end											–	–	–	–
Business void properties at year end					0.382					1.685				2.067
Total connected business properties at year end					1.306					31.690				32.996
Total connected properties at year end					157.621					406.750				564.371



Additional regulatory information – BRL continued

Table 4R – Non-financial information – connected properties, customers and population continued

			Water 000s
Population data			
Resident population			1,285.529
			Water
	Resident population 000s	Non-resident population 000s	Total 000s
Household popultion data			
Household population	1,233.925	–	1,233.925
Household measured population (water only)	771.712	–	771.712
Household unmeasured population (water only)	462.214	–	462.214

Metering and Business Voids

Ongoing metering activity resulted in a reduction of 7,824 billed unmeasured household properties, reflecting continued progress in optant and smart metering initiatives, including the rollout of the AMI programme launched in September 2025. Void properties increased by 946, reflecting normal fluctuations in occupancy levels, including properties awaiting metering or billing activation. Resident population increased by 0.96% (c.12,161) based on updated Office for National Statistics mid-year estimates, with movements reflecting both underlying demographic growth and revisions to population datasets. Overall, trends across metering, voids and population are consistent with strategic objectives and align with related disclosures in Tables 2F and 4Q, ensuring a coherent and transparent presentation across the APR.

Population

Customer and property data for 2025/26 continues to be prepared using Bristol Water’s established methodology, with property counts derived from the REG100 report supplied by Pelican. Work is underway to align data processing across group entities, with the intention to migrate to a common data platform from 2026/27 to ensure consistent methodologies. Total residential customers increased by 913 year-on-year, reflecting continued growth in the customer base, although this represents a slowdown compared to prior years and is consistent with broader market conditions, including increased influence from NAV developments. Business customers decreased marginally by 51, consistent with historic trends, while all new connections remain aligned to activity reported in Table 4Q.

Table 4V – Mark-to-market of financial derivatives analysed based on payment dates

Bristol does not have any derivatives and therefore there are no numbers to complete in this table

Table 4W – Defined Benefit Pension Scheme – additional Information

Bristol Water does not have any defined benefit pension schemes.



Additional regulatory information – BRL continued

Table 4Z – Household bill reduction schemes, debt, Guaranteed Standards Scheme payments and Priority Service Register data

Section A – other direct bill reduction schemes for household customers struggling to pay. These should exclude any of the table 2N schemes. Other household affordability schemes supported with funding from shareholders

	Target households	Actual number of unique households helped by scheme number	Total value of support £'000s
Restart	Restart – 3,244	2,745	559.418
Name of scheme 2			
Name of scheme 3			
Name of scheme 4			
Name of scheme 5			

Other household affordability schemes supported with funding from customers

	Target households	Actual number of unique households helped by scheme number	Total value of support £'000s
Name of scheme 1			
Name of scheme 2			
Name of scheme 3			
Name of scheme 4			
Name of scheme 5			
Name of scheme 6			
Name of scheme 7			
Name of scheme 8			
Name of scheme 9			
Name of scheme 10			

Section B – debt metrics

Total number of household customers served – active and final accounts

	Water only number	Wastewater only number	Dual service number
Number of household customers served – active accounts	521,258	–	–
Number of household customers served – final accounts	28,876	–	–

Household customers in arrears

	Number of households number	Total amount of debt £'000s
Households in arrears – active accounts with debt repayment arrangements	15,093	9,652.206
Households in arrears – final accounts with debt repayment arrangements	2,517	1,026.233
Households in arrears – active accounts without debt repayment arrangements	24,052	20,821.182
Households in arrears – final accounts without debt repayment arrangements	26,359	6,531.812
Households not having made any payment for the year – active accounts	19,464	18,582.497
Households not having made any payment for the year – final accounts	23,442	5,961.093

Temporary payment suspension

	Number of households number	Total amount deferred £'000s
Households with temporarily suspended payments – payment break arrangements	368	120.474
Households with temporarily suspended payments – breathing space arrangements	24	12.341

Household debt collection through third party agents where water company remains creditor

	Number of households number	Total value of debt £'000s
Debt collected by external agents – active accounts	573	84.537
Debt collected by external agents – final accounts	1,105	97.710
PSR customers with debt passed on to external debt collection agents – active and final accounts	20	3.079



Additional regulatory information – BRL continued

Table 4Z – Household bill reduction schemes, debt, Guaranteed Standards Scheme payments and Priority Service Register data continued

Household debt sold to external agencies

	Number of accounts number	Total value of debt £'000s
Debt sold to an external agency/third party debt purchaser – active accounts	–	–
Debt sold to an external agency/third party debt purchaser – final accounts	–	–
Active and final PSR accounts (and total debt involved) referred to an external agency that has bought the customer debt from the water company during the reporting year.	–	–

Payment matching activities

	Number of accounts number	Total value of payment matches £'000s
Active accounts supported through the matched payment schemes and the total contribution of matched payments made by the water company for the reporting year	2,180	435.605
Final accounts supported through the matched payment schemes and the total contribution of matched payments made by the water company for the reporting year	565	123.813

Unpaid household bills referred to courts

	Number of accounts number	Total amount involved £'000s
Number of county court claims	458	1,234.482
Number of county court judgements	479	1,290.765
Number of county court judgement enforcements	296	1,059.268
Number of high court claims	–	–
Number of high court judgements	–	–
Number of high court judgement enforcements	–	–

Section C – Payments to household customers made in accordance with the Guaranteed Standards Scheme (GSS) GSS payments to household customers

	Number of payments number	Total amount £'000s	Number of unique households number
Total value of payments made to household customers under GSS		862.193	
Total number of payments made to household customers under GSS	18,011		
Total number of unique household customers receiving GSS payments			7,598



Additional regulatory information – BRL continued

Table 4Z – Household bill reduction schemes, debt, Guaranteed Standards Scheme payments and Priority Service Register data continued

Section C – Payments to household customers made in accordance with the Guaranteed Standards Scheme (GSS) continued

Number and value of statutory payments and other payments in excess of the statutory amounts for events and standards that are currently part of the GSS to household customers by type in the reporting period

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
	Total number of times the statutory GSS amounts were paid to household customers – before 2 July	Total number of times the statutory GSS amounts were paid to household customers – from 2 July	Total value of payments made in relation to column 1	Total value of payments made in relation to column 2	Total number of times enhanced payments were made to household customers for GSS related events – before 2 July	Total number of times enhanced payments were made to household customers for GSS related events – from 2 July	Total value of payments made in relation to column 5	Total value of payments made in relation to column 6	Total number of times the statutory GSS penalty payments were made to household customers – before 2 July	Total number of times the statutory GSS penalty payments were made to household customers – from 2 July	Total value of payments made in relation to column 9	Total value of payments made in relation to column 10
	number	number	£'000s	£'000s	number	number	£'000s	£'000s	number	number	£'000s	£'000s
Making appointments	20	59	0.488	2.240	–	1	–	0.010	11	22	0.110	0.730
Keeping appointments	20	45	0.438	2.140	–	–	–	–	7	12	0.070	0.450
Low water pressure	–	285	–	14.250	–	–	–	–	–	–	–	–
Notice of supply interruptions	30	6	0.600	0.300	–	–	–	–	–	6	–	0.240
Supply restoration – initial period	672	4,729	13.440	236.450	672	2	20.235	0.100	–	930	–	37.220
Supply restoration – each full 12-hr period	–	10,659	–	532.950	–	6	–	0.3	–	–	–	–
Correctness of a bill query	8	33	0.100	0.698	–	1	–	0.020	–	–	–	–
Changes to payment arrangements requests	–	6	–	0.120	–	–	–	–	–	–	–	–
Complaints not answered on time	4	34	0.080	1.340	4	–	0.020	–	–	7	–	0.280
Sewer flooding inside property	–	–	–	–	–	–	–	–	–	–	–	–
Sewer flooding outside property	–	–	–	–	–	–	–	–	–	–	–	–

Number and value of payments made to household customers for additional GSS standards that came into effect from 1 October 2025

	Column 1	Column 2	Column 3	Column 4
	Total number of times the statutory GSS amounts were paid to household customers	Total value of payments made in relation to column 1	Total number of times the statutory GSS penalty payments were made to household customers	Total value of payments made in relation to column 3
	number	£'000s	number	£'000s
Units				
Core priority services	122	7.250	–	–
Domestic customers in debt	–	–	–	–
Meter readings	–	–	–	–
Meter installation	–	–	284	10.210
Water quality notices	–	–	–	–



Additional regulatory information – BRL continued

Table 4Z – Household bill reduction schemes, debt, Guaranteed Standards Scheme payments and Priority Service Register data continued

Section C – Payments to household customers made in accordance with the Guaranteed Standards Scheme (GSS) continued
Number and value of payments made to household customers for events that are not part of the GSS

	Column 1	Column 2
	Total number of payments for all events that are not part of the GSS scheme" number	Total value of payments made in relation to column 1 £'000s
Telephone Query	25	0.493
Recharge	3	0.155
No Quibble (Billing)	225	4.644
Flushing Allowance	395	2.155
Interest	116	3.735
Boil Water	105	2.595
Goodwill Payments (Ops)	646	115.031
Payment type_8		
Payment type_9		
Payment type_10		

Number and value of statutory GSS penalty payments made to household customers

	Column 1	Column 2
	Total number of penalty payments made under the current GSS scheme number	Total value of payments made in relation to column 1 £'000s
Penalty payments made for the year.		
This may be under the previous GSS scheme ending on 1 July 2025 and current GSS scheme effective from 2 July 2025 (Column 1 value should equal the sum of the values in column 9 and column 10 of lines 4Z.C4 – 4Z.C14 and the sum of the values in column 3 of lines 4Z.C15 – 4Z.C19)		
and (Column 2 value should equal the sum of the values in column 11 and column 12 of lines 4Z.C4 – 4Z.C14 and the sum of the values in column 4 of lines 4Z.C15 – 4Z.C19)		
	1,279	49.310



Additional regulatory information – BRL continued

Table 4Z – Household bill reduction schemes, debt, Guaranteed Standards Scheme payments and Priority Service Register data continued

Section D – PSR

PSR reach, attempted contacts and actual contacts

PSR reach, attempted contacts and actual contacts

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
	Total number of households served Number	Number of households on the PSR Number	PSR reach Percentage	Attempted contacts over a two-year period Number	Number of households on the PSR over a two year period Number	PSR – Attempted contacts over a two-year period Percentage	Actual contacts over a two-year period Number	PSR – Actual contacts Percentage
PSR reach, attempted contacts and actual contacts	531,375	73,493	13.8%	43,703	46,348	94.3%	27,785	59.9%

Different broad categories of PSR support

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
	Medical/Health (non-water dependent) Number	Communication and Non-Physical Accessibility Needs Number	Safety and Practical Support Number	Temporary Circumstances Number	Dependency on Water Supply Number	Other Number
Different broad categories of PSR support	42,289	17,132	11,891	9,956	5,876	41,700

Affordability and debt management activity in 2025/26 reflects both the impact of tariff increases and a proactive approach to supporting customers in financial hardship. The Restart scheme supported 2,745 customers, a 23% increase year-on-year, while write-offs reduced to £559k, reflecting earlier intervention to reduce indebtedness. Across wider debt metrics, the number of households in arrears and associated balances increased across both active and final accounts, consistent with increased customer bills. Despite this, cash collection performance improved slightly to 90.93% (2024/25: 90.82%), demonstrating continued effectiveness of collection strategies. The use of affordability tools increased, including payment breaks and social tariff uptake, while activity through third-party collection agencies improved recovery outcomes. Court activity also increased during the year, although reduced towards year-end following external legal developments, reflecting an adaptive and controlled approach to debt management.

Guaranteed Service Standard (GSS) payments increased in the year, driven by major supply interruption incidents and the introduction of enhanced customer protections, including payments for priority service customers and low-pressure events. Significant incidents at Highbridge, Brislington, Knowle and Kingswood contributed to higher payment volumes, alongside changes in legislative requirements allowing multiple payments for persistent events. In parallel, Priority Services Register (PSR) performance remains strong, with targets met or exceeded and continued expansion of support across a broad range of customer needs, including medical, accessibility and safety requirements. Overall, the table demonstrates a balanced position of increased customer support alongside effective debt management, with movements driven by external factors such as price increases and operational incidents, and aligned to the company's affordability strategy and regulatory obligations.



Additional regulatory information – BRL continued

Table 4AA – Third-party services water expenditure

for the 12 months ended 31 March 2026

	Water resources £m	Raw water distribution and storage £m	Water network+			Total £m
			Water treatment £m	Treated water distribution £m	Additional water control £m	
Third-party services – opex (price control)						
Non potable water (which are not bulk supplies) opex	0.013	–	–	–	–	0.013
Rechargeable opex – Fluoridation			–		–	–
Rechargeable opex – Fire hydrant install & repair				0.042	–	0.042
Rechargeable opex – third party damage	–	–		0.196	–	0.196
Rechargeable opex – build over	–	–		–	–	–
Other rechargeable opex	–	–	–	0.221	–	0.221
Total third party opex (price control)	0.013	–	–	0.459	–	0.472
Third-party services – capex (price control)						
Non potable water (which are not bulk supplies) capex	–	–	–	–	–	–
Rechargeable capex – Fluoridation			–		–	–
Rechargeable capex – Fire hydrant install & repair				–	–	–
Rechargeable capex – third party damage	–	–		–	–	–
Rechargeable capex – build over	–	–		–	–	–
Other rechargeable capex	–	–	–	–	–	–
Total third party capex (price control)	–	–	–	–	–	–
Third-party services – opex (non-price control)						
Bulk supplies opex	0.440	0.013	1.151	0.277	–	1.881
Reservoir operating agreements opex	–					–
Other excluded charge opex	–	–	–	–	–	–
Total third party costs opex (non-price control)	0.440	0.013	1.151	0.277	–	1.881
Third-party services – capex (non-price control)						
Bulk supplies capex	–	–	0.076	0.001	–	0.077
Reservoir operating agreements capex	–					–
Other excluded charge capex	–	–	–	–	–	–
Total third party costs capex (non-price control)	–	–	0.076	0.001	–	0.077
Third-party services – totex						
Total third-party services totex	0.453	0.013	1.227	0.737	–	2.430

Table 4AA is a newly introduced disclosure for the 2025/26 reporting year, capturing expenditure on third-party services and bulk supply-related activities in line with Ofwat's updated reporting requirements. Expenditure reflects third-party rechargeable activities and bulk supply costs, with overall levels remaining low, consistent with limited diversion activity across the period. Movements in this table are aligned with Tables 4A and 2P, ensuring consistency between cost and revenue reporting and reinforcing the integrity of third-party service disclosures across the APR.

As this is the first year of reporting, no prior year comparatives are available and therefore year-on-year trend analysis is not applicable. The reported position continues to show low levels of third-party rechargeable expenditure, including diversions, reflecting reduced demand for such works, while a moderate increase in bulk supply-related costs has arisen due to higher consumption volumes, most notably associated with the Newnton Meadows bulk supply to Wessex. These movements are consistent with underlying operational activity and are supported by related disclosures across the APR. The introduction of this table enhances transparency of third-party activities and supports improved comparability, with no material methodological changes or one-off items identified.



Additional regulatory information – BRL continued

Table 4AC – Base expenditure analysis – water asset refurbishment and replacement

for the 12 months ended 31 March 2026

	Total £m
Expenditure	
Service reservoir asset renewals	
Asset replacements – expensed	–
Asset refurbishment – expensed	0.224
Asset renewals – expensed	0.224
Asset replacements – capitalised	–
Asset refurbishment – capitalised	0.773
Asset renewals – capitalised	0.773
Boreholes asset renewals	
Asset replacements – expensed	–
Asset refurbishment – expensed	0.002
Asset renewals – expensed	0.002
Asset replacements – capitalised	–
Asset refurbishment – capitalised	–
Asset renewals – capitalised	–
RGFs asset renewals	
Asset replacements – expensed	–
Asset refurbishment – expensed	0.009
Asset renewals – expensed	0.009
Asset replacements – capitalised	–
Asset refurbishment – capitalised	0.017
Asset renewals – capitalised	0.017
Water mains asset renewals	
Asset replacements – expensed	0.844
Asset refurbishment – expensed	0.991
Asset renewals – expensed	1.835
Asset replacements – capitalised	17.184
Asset refurbishment – capitalised	8.177
Asset renewals – capitalised	25.361

Workload

Service reservoir asset renewals

Asset replacements	–
Asset refurbishment	67

Water tower asset renewals

Asset replacements	–
Asset refurbishment	1

Boreholes asset renewals

Asset replacements	–
Asset refurbishment	3

RGFs asset renewals

Asset replacements	–
Asset refurbishment	9

Table 4AC is a new disclosure for the 2025/26 reporting year and provides a detailed analysis of base expenditure relating to water asset refurbishment and replacement, split between expensed and capitalised activity and supported by associated workload metrics. The data shows that investment is predominantly driven by water mains activity, with total capitalised renewals of £25.361m, including £17.184m of replacements and £8.177m of refurbishment, alongside £1.835m of expensed renewals. This reflects the continued focus on maintaining and enhancing network resilience and serviceability, with lower levels of activity observed across other asset categories such as service reservoirs, water towers and other storage, where only limited refurbishment expenditure has been incurred. The reported values have been prepared in accordance with RAG 4 guidance, ensuring consistency of classification between expensed and capitalised activity and alignment with the broader cost base reported across Table 4A.

As this is the first year of reporting for Table 4AC, no prior year comparatives are available and therefore trend analysis is not applicable. The profile of expenditure is consistent with underlying operational priorities, with targeted interventions in boreholes and raw water ground facilities remaining relatively low in value, while refurbishment across service reservoirs (£0.224m expensed and £0.773m capitalised) and localised activity in other asset groups reflects ongoing maintenance requirements. Workload data supports the expenditure profile, with the majority of activity relating to service reservoir refurbishment (67 interventions) and smaller volumes across other asset types. The introduction of this table enhances transparency over the balance of renewal, replacement and refurbishment activity and improves comparability across the sector, with no material methodological changes or one-off items identified that would distort the reported position.

Additional regulatory information – water network plus – BRL



Table 5A – Water resources asset and volumes data

for the 12 months ended 31 March 2026

	Units	Input
Water resources		
Water from impounding reservoirs	MI/d	69.61
Water from pumped storage reservoirs	MI/d	183.15
Water from river abstractions	MI/d	12.72
Water from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	MI/d	39.00
Water from artificial recharge (AR) water supply schemes	MI/d	–
Water from aquifer storage and recovery (ASR) water supply schemes	MI/d	–
Water from saline abstractions	MI/d	–
Water from water reuse schemes	MI/d	–
Number of impounding reservoirs	nr	3
Number of pumped storage reservoirs	nr	8
Number of river abstractions	nr	–
Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	14
Number of artificial recharge (AR) water supply schemes	nr	–
Number of aquifer storage and recovery (ASR) water supply schemes	nr	–
Number of saline abstraction schemes	nr	–
Number of reuse schemes	nr	–
Total number of sources	nr	25
Total number of water reservoirs	nr	11
Total volumetric capacity of water reservoirs	MI	38,604
Total number of intake and source pumping stations	nr	15
Total installed power capacity of intake and source pumping stations	kW	6,774
Total length of raw water abstraction mains and other conveyors	km	42.11
Average pumping head – raw water abstraction	m.hd	20.63
Energy consumption – water resources (MWh)	MWh	8,919.568
Total number of raw water abstraction imports	nr	–
Water imported from 3rd parties to raw water abstraction systems	MI/d	–
Total number of raw water abstraction exports	nr	–
Water exported to 3rd parties from raw water abstraction systems	MI/d	–
Water resources capacity (measured using water resources yield)	MI/d	339.39
Total number of completed investigations (WINEP/NEP), cumulative for AMP	nr	–
Additional average pumping head data – raw water abstraction		
Percentage of APH derived from measured data – raw water abstraction	%	99.87
Percentage of sites with measured volumes and/or lift – raw water abstraction	%	89.47

The data reported in Table 5A has been prepared in accordance with the approved methodology and reflects a consistent application of definitions set out in RAG 4.14, with no material changes in methodology during the reporting year. The reported values are supported by robust internal controls, including documented audit trails and data validation processes, and are aligned to underlying operational systems such as GIS-based reporting tools. There have been no material issues arising from prior audit recommendations that impact the reported figures, and no Ofwat interventions requiring adjustment to the data or approach in the current year.

For asset-based measures, the total length of raw water abstraction mains and conveyors (line 5A.22) remains unchanged year-on-year at 42.11 km, reflecting a stable asset base with no additions or disposals in the period. This stability is consistent with the absence of network expansion or reclassification activity and includes 10.74 km of ducts and culverts within the reported asset base. The data is derived from the “Mains Activity Reporting tool” within GIS, ensuring completeness and consistency with asset records. No anomalous movements or one-off adjustments have been identified in the year.

In contrast, water resources yield (line 5A.29) has increased from 322.64 MI/d to 339.39 MI/d, reflecting updated planning assumptions aligned to WRMP24. The uplift is driven by improved modelling approaches, including stochastic modelling and refined conjunctive use assumptions, alongside updated assessments of climate change impacts and outage considerations. These changes represent an evolution in methodology consistent with current regulatory expectations rather than a change in underlying operational performance. The resulting year-on-year movement is therefore expected and provides a more accurate representation of deployable output, with no exceptional or non-recurring items impacting the reported position.



Additional regulatory information – water network plus – BRL continued

Table 6A – Raw water transport, raw water storage and water treatment data

for the 12 months ended 31 March 2026

	Units	Input
Raw water transport and storage		
Total number of balancing reservoirs	nr	4
Total volumetric capacity of balancing reservoirs	MI	688
Total number of raw water transport stations	nr	8
Total installed power capacity of raw water transport pumping stations	kW	3,584
Total length of raw water transport mains and other conveyors	km	99.75
Average pumping head ~ raw water transport	m.hd	40.18
Energy consumption – raw water transport (MWh)	MWh	7,155.558
Total number of raw water transport imports	nr	1
Water imported from 3rd parties to raw water transport systems	MI/d	0.37
Total number of raw water transport exports	nr	1
Water exported to 3rd parties from raw water transport systems	MI/d	0.21
Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	km	0.32

	Surface water		Ground water	
	Water treated MI/d	Number of works nr	Water treated MI/d	Number of works nr
Water treatment – treatment type analysis				
All simple disinfection works	–	–	1.21	1
W1 works	–	–	–	–
W2 works	–	–	–	–
W3 works	–	–	–	–
W4 works	20.25	1	29.03	9
W5 works	329.11	5	–	–
W6 works	–	–	–	–

	% of total DI DI	Number of works nr
Water treatment – works size		
WTWs in size band 1	–	2
WTWs in size band 2	–	3
WTWs in size band 3	–	2
WTWs in size band 4	0.1	2
WTWs in size band 5	0.1	2
WTWs in size band 6	0.2	2
WTWs in size band 7	0.2	1
WTWs in size band 8	0.4	1

	Units	Input
Water treatment – other information		
Peak week production capacity (PWPC)	MI/d	422.70
Total peak week production capacity (PWPC) having enhancement expenditure for grey solution improvements to address raw water quality deterioration	MI/d	–
Total peak week production capacity (PWPC) having enhancement expenditure for green solutions improvements to address raw water quality deterioration	MI/d	–
Total water treated at more than one type of works	MI/d	3.04
Number of treatment works requiring remedial action because of raw water deterioration	nr	–
Zonal population receiving water treated with orthophosphate	000's	1,277.204
Average pumping head – water treatment	m.hd	14.36
Energy consumption – water treatment (MWh)	MWh	15,984.251
Total number of water treatment imports	nr	–
Water imported from third parties to water treatment works	MI/d	–
Total number of water treatment exports	nr	–
Water exported to third parties from water treatment works	MI/d	–
		Input %

Additional average pumping head data – raw water transport	
Percentage of APH derived from measured data – raw water transport	100.00
Percentage of sites with measured volumes and/or lift – raw water transport	100.00

	Input %
Additional average pumping head data – raw water treatment	
Percentage of APH derived from measured data – raw water treatment	100.00
Percentage of sites with measured volumes and/or lift – raw water treatment	100.00

Across the reporting year, movements within Table 6A are primarily driven by definitional and methodological refinement and underlying population and operational factors rather than step changes in asset base. Asset-based measures, including total lengths of raw water transport infrastructure (lines 6A.5 and 6A.12), remain unchanged year-on-year, reflecting a stable network configuration with no material additions or disposals. In contrast, population-based measures such as zonal population receiving water treated with orthophosphate (line 6A.33) have increased in line with overall growth in population served, rather than any significant change to treatment coverage or process configuration. Reported values therefore provide a consistent and comparable view of asset capacity and service provision across the period.

A key methodology refinement relates to Peak Week Production Capacity (PWPC), where the calculation has transitioned from theoretical design capacity to a measure based on the highest proven seven-day average output derived from verified telemetry data. This change provides a more representative assessment of deployable production capacity, reflecting actual system performance under peak demand conditions and incorporating operational constraints. In addition, energy consumption reported within this table is influenced by updates to the accounting separation model, resulting in reallocation of energy usage across price controls and improved alignment to operational reality, notwithstanding underlying increases in energy demand driven by dry weather conditions. Collectively, these changes enhance the robustness, auditability and decision-usefulness of the data without altering the underlying service delivered to customers.



Additional regulatory information – water network plus – BRL continued

Table 6B – Treated water distribution – assets and operations

for the 12 months ended 31 March 2026

	Units	Input
Total installed power capacity of potable water pumping stations	kW	24,331
Total volumetric capacity of service reservoirs	MI	508.8
Total volumetric capacity of water towers	MI	2.8
Water delivered (non-potable)	MI/d	0.21
Water delivered (potable)	MI/d	259.59
Water delivered (billed measured residential properties)	MI/d	117.27
Water delivered (billed measured businesses)	MI/d	56.32
Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	0.229
Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	0.602
Proportion of distribution input derived from river abstractions	Propn 0 to 1	0.042
Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	0.128
Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	–
Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	–
Proportion of distribution input derived from saline abstractions	Propn 0 to 1	–
Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	–
Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	111
Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	10
Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	6
Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	95
Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system	nr	–
Total number of service reservoirs	nr	106
Number of water towers	nr	3
Energy consumption – treated water distribution (MWh)	MWh	86,073.299
Average pumping head – treated water distribution	m.hd	106.50
Total number of treated water distribution imports	nr	5
Water imported from third parties to treated water distribution systems	MI/d	0.43
Total number of treated water distribution exports	nr	35
Water exported to third parties from treated water distribution systems	MI/d	9.89
Peak seven day rolling average distribution input	MI/d	335.54
Peak seven day rolling average distribution input / annual average distribution input	Percentage	117.26%

Overall movements within Table 6B are reflective of a stable treated water distribution asset base, with year-on-year changes largely driven by operational factors and updated data treatments rather than material changes in network configuration. Where relevant, movements in reported values are consistent with underlying demand drivers, including changes in water put into supply and associated pumping activity. There have been no significant one-off events or anomalies impacting the dataset, and the reported values provide a consistent and comparable view of distribution network performance and asset utilisation across the reporting period.

A key driver of movement within the table relates to energy consumption (line 6B.23), which has increased from 52,581 MWh in 2024/25 to 86,073 MWh in 2025/26 (an increase of 64%). This increase is primarily attributable to the introduction of an updated accounting separation model, which has reallocated energy consumption across price controls and improved alignment to operational use, including the attribution of natural gas consumption at Purton water treatment works to treated water distribution activities. In addition, higher volumes of water entering supply have increased pumping requirements across the network, contributing to higher energy demand. Minor estimation has been applied where source data was unavailable (e.g. company vehicle mileage), however this represents an immaterial proportion of total energy consumption and does not impact the integrity of the reported position.

Water balance		Company level	
Measured household consumption (excluding supply pipe leakage)	MI/d	2	110.96
Unmeasured household consumption (excluding supply pipe leakage)	MI/d	2	78.84
Measured non-household consumption (excluding supply pipe leakage)	MI/d	2	55.52
Unmeasured non-household consumption (excluding supply pipe leakage)	MI/d	2	0.63
Total annual leakage	MI/d	2	33.98
Distribution system operational use	MI/d	2	3.67
Water taken unbilled	MI/d	2	1.13
Distribution input	MI/d	2	284.72
Distribution input (pre-MLE)	MI/d	2	286.15

Additional average pumping head data		Treated water distribution	
Percentage of APH derived from measured data	Percentage	2	99.85
Percentage of sites with measured volumes and/or lift	Percentage	2	74.26



Additional regulatory information – water network plus – BRL continued

Table 6C – Water network+ – mains, communication pipes and other data

for the 12 months ended 31 March 2026

	Units	Input	Condition grade 1	Condition grade 2	Condition grade 3	Condition grade 4	Condition grade 5
Treated water distribution – mains analysis							
Length of potable mains relined (excludes structural relining)	km	–	–	–	–	–	–
Length of potable mains structurally relined	km	–	–	–	–	–	–
Length of potable mains renewed (excludes relining)	km	19.9	3.6	7.3	6.4	0.8	1.8
Length of new potable mains	km	12.2					
Treated water distribution – mains analysis by diameter							
Total length of potable water mains (≤320mm)	km	6,431.5					
Total length of potable water mains (>320mm and ≤ 450mm)	km	258.0					
Total length of potable water mains (>450mm and ≤610mm)	km	181.5					
Total length of potable water mains (> 610mm)	km	115.6					
Total length of potable mains as at 31 March	km	6,986.6					
Treated water distribution – mains age profile							
Total length of potable mains laid or structurally refurbished pre-1880	km	115.5					
Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	831.8					
Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	460.8					
Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	897.7					
Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	874.1					
Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	1,254.0					
Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	1,230.2					
Total length of potable mains laid or structurally refurbished between 2001 and 2020	km	1,152.1					
Total length of potable mains laid or structurally refurbished during and after 2021	km	170.4					
Length of potable mains – all ages	km	6,986.6					
Communication pipes							
Number of lead communication pipes	nr	121,969					
Number of galvanised iron communication pipes	nr	6,941					
Number of other communication pipes	nr	375,012					
Number of lead communication pipes replaced or relined for water quality	nr	361					
Other							
Company area	km ²	2,367					
Properties below reference level at end of year	nr	31					
					Treated water distribution nr	Additional water control nr	Total nr
Traffic Management Act					11,473	–	11,473
Projects incurring costs associated with Traffic Management Act							



Additional regulatory information – water network plus – BRL continued

Table 6D – Demand management – metering and leakage activities

for the 12 months ended 31 March 2026

	Units	Basic meter	AMR meter	AMI meter	Total
Metering activities – Totex expenditure					
New optant meter installation for existing customers	£m	0.222	0.051	0.204	0.477
New selective meter installation for existing customers	£m	0.011	0.001	0.031	0.043
New business meter installation for existing customers	£m	0.001	0.001	0.001	0.003
Residential meters renewed	£m	0.152	0.008	1.444	1.604
Business meters renewed	£m	0.039	0.002	0.019	0.060
Total cost of replacement of basic meters with AMR or AMI meters for residential customers	£m		0.008	1.444	1.452
Total cost of replacement of AMR meter with AMI meters for residential customers	£m			–	–
Total cost of replacement of basic meters with AMR or AMI meters for business customers	£m		0.002	0.019	0.021
Total cost of replacement of AMR meter with AMI meters for business customers	£m			–	–
Metering activities – Explanatory variables					
New optant meters installed for existing customers	000s	3.234	0.745	2.975	6.954
New selective meters installed for existing customers	000s	0.162	0.010	0.456	0.628
New business meters installed for existing customers	000s	0.009	0.015	0.020	0.044
Residential meters renewed	000s	2.219	0.120	21.074	23.413
Business meters renewed	000s	0.563	0.027	0.278	0.868
Replacement of basic meters with AMR or AMI meters for residential customers	000s		0.120	21.074	21.194
Replacement of AMR meter with AMI meters for residential customers	000s			–	–
Replacement of basic meters with AMR or AMI meters for business customers	000s		0.027	0.278	0.305
Replacement of AMR meter with AMI meters for business customers	000s			–	–
Metering activities – benefits delivered					
New residential meters installed for existing customers – supply–demand balance benefit	MI/d	0.21	0.05	0.21	0.47
New business meters installed for existing customers – supply–demand balance benefit	MI/d	–	–	–	–
Replacement of basic meter with AMR or AMI meters for residential customers – supply–demand balance benefit	MI/d		–	–	–
Replacement of AMR meter with AMI meter for residential customers– supply–demand balance benefit	MI/d			–	–
Replacement of basic meter with AMR/AMI meters for business customers – supply–demand balance benefit	MI/d		–	–	–
Replacement of AMR meter with AMI meter for business customers– supply–demand balance benefit	MI/d			–	–
Metering – penetration and connectivity					
Residential properties – meter penetration	%	60.7%	7.8%	2.3%	70.8%
Business properties – meter penetration	%	88.1%	8.7%	0.2%	97.0%
Residential properties – connected AMI meters at year end	%			–	0.0%
Business properties – connected AMI meters at year end	%			–	0.0%
Per capita consumption (excluding supply pipe leakage)					
Per capita consumption (measured)	l/h/d	143.8			
Per capita consumption (unmeasured)	l/h/d	170.6			



Additional regulatory information – water network plus – BRL continued

Table 6D – Demand management – metering and leakage activities continued

for the 12 months ended 31 March 2026

	Internal 000s	External requiring dig 000s	External no dig 000s
Meter installation typese			
New meters installed for existing customers – basic	0.005	3.385	0.006
New meters installed for existing customers – AMR	0.722	0.029	0.004
New meters installed for existing customers – AMI	0.632	2.578	0.221
New Basic installations – business	–	0.009	–
New AMR installations – business	0.014	0.001	–
New AMI installations – business	0.014	0.006	–
Upgrades – Basic to AMR – residential	0.093	0.027	–
Upgrades – Basic to AMI – residential	0.118	2.421	18.535
Upgrades – AMR to AMI – residential	–	–	–
Upgrades – Basic to AMR – business	0.020	0.007	–
Upgrades – Basic to AMI – business	0.010	0.267	0.001
Upgrades – AMR to AMI – business	–	–	–
			Total 000s
Boundary boxes			
Number of new boundary box installations			3.873
Number of boundary box replacements			5.335

Across the BRL region we are delivering a progressive metering programme that has been brought together with our SWW and SES programmes under one strategic Advance Metering Infrastructure (AMI) metering programme, that is covering all Pennon wholesale water companies

To ensure our AMI rollout meets its target numbers of installations and connectivity, and that it is delivered in the most cost-effective way for customers while enabling the data to be used to target demand-side interventions, we are undertaking a robust procurement process for a delivery partner to provide installation, infrastructure, and data management services.

This strategic AMI programme is being delivered across all Pennon wholesale water companies, and it has therefore not been feasible to have the full strategic approach in place from the start of AMP8. As a result, a tactical plan was developed for years one and two of the AMP to ensure that we did not fall behind in the rollout of AMI meters. The strategic programme will then be implemented and adapted for years three to five of the AMP to deliver the full set of AMP8 outcomes for the region.

The tactical delivery plan commenced in 2025/26 with roll out of meters building on areas where suppliers who we could access through existing framework agreements were able to best support connectivity. A delay at the start of 25/26 before the programme ramped up also resulted in an aggregate shortfall in total number of new installs and upgrades that were delivered, although the programme is well on track to address this shortfall early in 26/27.

Benefit arising from the use of data to target CSL (including plumbing losses), and from behaviour change relating to the provision of insight to customers is expected from Year 3 of the AMP. Programmes are underway internally to make best use of data and test approaches using the data arising from the existing meter stock. This forms part of our smart metering delivery programme.

Table 6E – Leakage activity

	Units	Total
Leakage expenditure		
Maintaining leakage activity – totex	£m	4.632
Reducing leakage activity – totex	£m	1.583
Total leakage activity – totex	£m	6.215
Leakage improvements delivering benefits in current price review period	MI/d	2.7

The in-house leakage department had a total opex cost of £1.29m; comprising of £1.08m of salary and direct costs with £0.14m in relation to tool repairs/calibrations and logger air-time and costs; leakstop payments to customers of £0.05m were issued in 25/26

2,951 leakage opex repairs were made on the Bristol Network in 25/26. Of this 1,000 related to collar repairs on distribution pipes; 815 repairs to stop taps, 671 repairs to communication pipes and 303 ferrule or fitting repairs.

Additional regulatory information – innovation competition – BRL



Table 6F – WRMP annual reporting on delivery – non-leakage activities

Not included in the APR due to its size, but it is included within the APR tables on our website.

Supporting Commentary

The options reported in 6F have changed from APR25 following the transition to WRMP24. The current submission is therefore based on the WRMP24 option set, rather than the previous WRMP19 options used in APR25.

Overall, the demand programme delivered below plan. The shortfall was principally driven by the delayed mobilisation of the water efficiency programme following group-wide procurement. Delivery of non-household efficiency schemes began substantively in 2026, leaving limited time for benefits to accrue before year end.

Delivery of waterless urinals has not progressed and is no longer planned as a standalone activity. This reflects the decision to align delivery plans across the group and provide greater flexibility in how business demand savings are achieved. This option will be replaced by an increased business efficiency programme in 2026/27, supporting delivery of the required benefits and preparing for a green status in the FY27 WESSD EPA assessment.

WRMP24 included an option for feasibility studies and co-funding of rainwater harvesting schemes to reduce reliance on potable water. Following feedback from retailers and business customers, this has been incorporated into a wider Grant Innovation Funding programme. This provides greater flexibility by allowing businesses to bring forward a range of potable water saving proposals for co-funding, provided they can demonstrate a defined level of benefit. The scheme launched in February 2026.



Additional regulatory information – innovation competition – BRL continued

Table 9A – Innovation competition

	Current year £m	
Allowed		
Allocated innovation revenue collection by PR24	0.771	
Revenue collected for the purposes of the innovation competition		
Actual Innovation Fund income drawn down from customers	0.771	
Total amount awarded to fund innovation projects the company is leading on	–	
Funding allocated for the current year as part of the Inflation Top-up Mechanism	–	
Total amount transferred to MOSL as part of the Innovation Fund	0.410	
Non-price control revenue (e.g. royalties, assets sold that were purchased using innovation funding)	–	
Administration		
Administration charge for Innovation Fund delivery partner(s)	0.030	

	Total amount of funding awarded to the lead company through the innovation fund £m	Total amount of inflation top-up funding received £m	Forecast expenditure on innovation fund projects in year (excl 10% partnership contribution) £m	Actual expenditure on innovation fund projects in year (excl 10% partnership contribution) £m	Difference between actual and forecast expenditure £m	Forecast project lifecycle expenditure on innovation fund projects (excl 10% partnership contribution) £m	Cumulative actual expenditure on innovation fund projects (excl 10% partnership contribution) £m	Difference between actual and forecast expenditure £m	Allowed future expenditure on innovation fund projects (excl 10% partnership contribution) £m	In year expenditure on innovation projects funded by shareholders of the lead water company £m	In year expenditure on innovation projects funded by project partner contributions £m	Cumulative expenditure on innovation projects funded by shareholders of the lead water company £m	Cumulative expenditure on innovation projects funded by project partner contributions £m	Total remaining funds (unspent) for completed projects £m
Innovation project 1 Flexible Local Water Supply Schemes Pilot	0.622	–	0.211	–	(0.211)	0.622	0.411	(0.211)	0.211	–	–	–	–	–
Total	0.622	–	0.211	–	(0.211)	0.622	0.411	(0.211)	0.211	–	–	–	–	–

Our Allocated Revenue for the 2025/26 year is £0.771 where revenue figure are inflated from the 22/23 price basis quoted in the PR24 Business plans, this has been completed using November 2024 CPIH Value.

Bristol Water continues to administer innovation competition funds in line with Ofwat and MOSL guidance. These funds are ring-fenced, ensuring they are used solely for their intended purpose and not for business-as-usual activities.

During the year ended 31 March 2026, BRL paid out a total of £0.410m relating to innovation Competitions, these disbursements have been made in accordance with the respective award criteria.

In the financial year 2025/2026 Bristol Water has been leading on one innovation project – Flexible Local Supply Schemes. The total amount of funding awarded for this project (excluding 10% Contribution) is £0.622m, received in 2022/2023 when the project was awarded.

Our forecast for the year as per the latest monitoring report is £211k. Progress against plan has been delayed due to the retailer's application process to obtain approval to supply wholesale water. The identification of such barriers forms a key part of the project's discovery phase. As a result, no expenditure was incurred during the previous year whilst this issue remains unresolved.

This is a discrete project with a specific team, and the innovation funding does not support any expenditure that would otherwise be incurred by Bristol Water, as there is specifically no financial contribution from staff time or overheads.

Additional regulatory information – Greenhouse Gas Emissions – BRL



Table 11A – Greenhouse gas emissions reporting

for the 12 months ended 31 March 2026

	Operational Emissions		Total tCO ₂ e
	Water tCO ₂ e	Wastewater tCO ₂ e	
Scope one emissions			
Burning of fossil fuels (location-based)	7,875.253	–	7,875.253
Process and fugitive emissions	–	–	–
Vehicle transport	1,126.278	–	1,126.278
Emissions from land	–	–	–
Total scope one emissions (location-based)	9,001.531	–	9,001.531
Scope one emissions; GHG type CO ₂	8,970.186	–	8,970.186
Scope one emissions; GHG type CH ₄	12.429	–	12.429
Scope one emissions; GHG type N ₂ O	18.916	–	18.916
Scope one emissions; GHG other types	–	–	–
Scope two emissions			
Purchased electricity (location-based)	12,306.633	–	12,306.633
Purchased electricity (market-based)	15,587.289	–	15,587.289
Purchased heat	–	–	–
Electric vehicles	–	–	–
Removal of electricity to charge electric vehicles at site	–	–	–
Total scope two emissions (location-based)	12,306.633	–	12,306.633
Total scope two emissions (market-based)	15,587.289	–	15,587.289
Scope two emissions; GHG type CO ₂	12,159.926	–	12,159.926
Scope two emissions; GHG type CH ₄	62.576	–	62.576
Scope two emissions; GHG type N ₂ O	84.825	–	84.825
Scope two emissions; GHG other types	–	–	–
Scope three emissions			
Business travel	9.333	–	9.333
Outsourced activities	727.225	–	727.225
Purchased electricity; extraction, production, transmission and distribution (location-based)	4,755.783	–	4,755.783
Purchased heat; extraction, production, transmission and distribution	–	–	–
Purchased fuels; extraction, production, transmission and distribution	1,584.245	–	1,584.245
Chemicals	5,711.048	–	5,711.048
Disposal of waste	–	–	–
Total scope three emissions (location-based)	12,787.634	–	12,787.634

	Operational Emissions		Total tCO ₂ e
	Water tCO ₂ e	Wastewater tCO ₂ e	
Scope three emissions; GHG type CO ₂	2,002.350	–	2,002.350
Scope three emissions; GHG type CH ₄	5.714	–	5.714
Scope three emissions; GHG type N ₂ O	16.867	–	16.867
Scope three emissions; GHG other types	–	–	–
Gross operational emissions (Scopes 1,2 and 3)			
Gross operational emissions (location-based)	34,095.798	–	34,095.798
Gross operational emissions (market-based)	37,376.454	–	37,376.454
Emissions reductions			
Exported renewables	–	–	–
Exported biomethane	–	–	–
Insets	–	–	–
Other emissions reductions	–	–	–
Total emissions reductions	–	–	–
Emissions reductions			
Green tariff electricity	–	–	–
Net annual emissions			
Net annual emissions (location-based)	34,095.798	–	34,095.798
	Water kgCO ₂ e/MI	Wastewater kgCO ₂ e/MI	
GHG intensity ratios			
Emissions per MI of treated water	326.448		
Emissions per MI of sewage treated			–

	Embedded emissions		Total tCO ₂ e
	Water tCO ₂ e	Wastewater tCO ₂ e	
Capital projects			
Capital projects (cradle-to-gate)	19,404.079	–	19,404.079
Capital projects (cradle-to-build)	20,864.601	–	20,864.601
Purchased goods and services			
Purchased goods and services	9,519.020	–	9,519.020

BRL note that we have used the Carbon Accounting Workbook version 17 version 4.3 in line with the PC definition for reporting on table 3E, and have used Carbon Accounting Workbook version 20 for reporting on table 11A.

This difference in CAWs will lead to the emissions reported in each of these tables being different for the respective lines as there will have been annual updates for the majority of the emissions factors used, whilst the CAW v17 remains static using 2022 emissions factors.

The major discrepancies will be seen in Scope 3 emissions due to the inherent issues with CAW v17 which have been rectified in future additions of the CAW as well as a change in the approach to calculating emissions from chemicals since CAW v17.



Additional regulatory information – Green Recovery continued

Category rating

Amber

Strengths

For 2025/26 operational GHG emissions accounting we have used the latest version of the UK water industry's Carbon Accounting Workbook version twenty, commonly referred to as CAWv20. CAWv20 is the updated version of CAWv19 that we used to account for our emissions in the previous year.

The annual outputs of CAWv20 provides the means for us to accurately measure how our carbon reduction strategies have performed during the year and which of the activities we have undertaken has contributed the most to the mitigation of our emissions.

We have improved our raw data collection during 2025/26 and can accurately report on our operational greenhouse gas emissions position to our internal stakeholders on a monthly basis. Our confidence in the data we receive, as well as our understanding of how that data translates into emissions, continues to improve year-on-year.

We continue to focus on where we can most cost effectively reduce emissions.

Areas including energy consumption, renewables, transport and working with our supply chain to reduce emissions from contractors and purchased goods and services are where we have made the largest gains.

This year the UK water industry has moved with the science and updated the emissions factors for nitrous oxide (N2O) to align with the latest IPCC published emissions factors, improving the accuracy of our Scope 1 process and fugitive emissions accounting.

Whilst our total gross and net operational emissions have increased in 2025/26 compared with the previous year we have recorded emissions reductions during 2025/26 from our Scope 1 burning of fossil fuels as well as from our Scope 2 location-based electricity usage.

For our accounting and reporting of Scope 3 emissions relating to our Purchased Goods and Services and Capital Carbon we continue to improve our reporting approach. Whilst we still rely on a 'spend analysis' approach to convert annual categorised spend into emissions we have reviewed our categories and subcategories of spend during 2025/26 and this has improved the granularity of our emissions assessment.

Emissions factors applied to our Scope 3 Purchased Goods and Services and Capital Projects spend use the CEDA v7 2024 UK greenhouse gas emissions factors.

Embedded Emissions Core Criteria

Embedded emissions values are provided that relate to both cradle to gate and cradle to build. The SWOT analysis below details some of the strengths, weaknesses, opportunities and threats of our approach.

We are engaging with recognised standards, such as PAS 2080 for additional guidance in managing and reporting embedded emissions. Our embedded emissions have received verification from Jacobs our external auditors.

Weaknesses

Not all our existing internal systems have been set up to output data in a suitable format for carbon accounting and consequently datasets often require significant manual processing and data checking. We are consistently making improvements to our internal data collection and processing systems although we recognise there is always more we can do to make our internal processes more efficient.

Specific custom chemical emissions factors for some less commonly used chemicals have proved difficult to obtain from chemical suppliers. Until we have robust and reliable published emissions factors for these specialist chemicals there will continue to be a small volume of emissions relating to purchase of certain chemicals that will go unreported.

Our overall gross and net operational emissions performance in 2025/26 records an increase in emissions from the previous year. We note that a significant factor in the increase in overall emissions is driven by an unusually high volume of virgin GAC we purchased during the year, a requirement to meet the needs of our new GAC process plant as part of the rebuilding of water treatment works in our Bournemouth Water region.

We continue to apply a 'spend analysis' approach to estimate our Scope 3 emissions from our Purchased Goods and Services and Capital Projects. Our intention is to transition to direct 'activity-based' emissions accounting over the coming years using data supplied from our supply chain partners and where possible supported by 'Environmental Product Declarations' for the products we purchase.

We have been able to report our Scope 3 embedded (embodied) carbon from Capital Projects emissions split by 'Cradle to Gate' and 'Cradle to Build' for the past four years, although we do recognise there remain inherent shortcomings in the approach we have taken. For example, in early 2026, the Net Zero Team at South West Water conducted a literature review of multiple carbon lifecycle studies to determine the typical emissions split between PAS2080 carbon lifecycle stages A1–A4 and A5. Based on this review, the average emissions were calculated as follows:

A1–A4: 93%
A5: 7%

Until more precise "as built" data from capital projects becomes available (expected 2026/27), the emissions of capital goods (CAPEX) will be apportioned according to this 93/7 split for emissions reporting. As SEAS Emissions Factor data already reports on the cradle-to-build emissions, the SEAS CAPEX Cat 2 emissions data will be multiplied by 0.93 to deliver Cradle to Gate. Whilst we consider this to provide a reasonable approximation we are seeking to improve this approach for future reporting.

Whilst we consider this to provide a reasonable approximation we seek to improve this approach and it remains under review.

Whilst our emissions performance for our cradle to gate emissions was improved, we note that overall our cradle to build and purchased goods and services emissions increased. This reflects our focus on delivering capital projects to meet the urgent need to avoid environmental pollutions, as well as directly procuring the necessary goods and services to deliver an improved service for the environment.

Additional regulatory information – Green Recovery continued



Category rating

Opportunities

With our parent company the Pennon Group signing up to near-term science-based targets there is now an even greater emphasis on ensuring the regulated business keeps on track to meet carbon reduction targets in the near-term and throughout AMP8.

The UK Water Industry often collaborates to share best practice on topics where there is a common goal of improving approaches and processes. To this end the industry's 'Carbon Accounting Working Group' has helped to improve the shared knowledge and expertise between carbon accounting practitioners across the industry.

We note that the CAWv20 is an improved version of CAWv19 and has resolved the previous issues identified with CAWv19.

We continue to pursue opportunities for improving our operational emissions performance, with the aim of returning us to gross and net operational emissions reductions in the future. We aim to achieve this by investing in energy efficiency, further transition to electric vehicles and optimising our purchase of chemicals and GAC.

For estimating and reporting our embedded carbon emissions we aim to improve our approach by recording activity data provided by our main contractors working within our 'Amplify' contractor alliance. This is supported by new contract requirements for our main contractors to work to them principles of the Publicly Available Specification PAS 2080 for Carbon Management in Infrastructure.

For our future embedded carbon reporting activity-based emissions data will be reported by our contractors in terms of lifecycle modules and therefore result in greater proportion of activity-based data versus spend analysis-based data for Capital Projects, this will improve on the accuracy of reporting our 'Cradle to Gate' and 'Cradle to Build' emissions.

Our Energy, Net Zero, Finance and Engineering Teams now work in closer collaboration to determine a robust split between our strategic investment plans and scheme specifics.

Our embedded carbon performance is reflective of our total spend on our capital programme and in our procurement of the goods and services we use.

We are continuously working collaboratively with our value chain to encourage a switch to lower carbon capital goods and services wherever possible and where it is cost effective.

Embedded Emissions Core Criteria

Threats

Our overall emissions have increased this year in large part due to the change in N₂O emissions factors that have had a significant impact on our process and fugitive emissions.

Our forecasts for the rest of K8 show our location-based emissions may continue to rise in the next few years as a result of additional assets being deployed to maintain water supply, such as desalination, and to manage storm overflows and prevent environmental pollutions.

We therefore recognise the significant challenge in maintaining the right balance in meeting all our service needs and other environmental outcomes with our net zero ambitions.

There are undoubtedly significant challenges in meeting competing regulatory and customer demands that impact on our current programme of net zero related activities. We intend to continue to invest in our net zero strategy towards achieving our emissions reduction goals whilst being cognisant that this needs to be balanced with our other business priorities.

We intend to work with the rest of the UK water industry in continuously improving our carbon accounting process. This means our emissions accounting needs to keep pace with the ever changing developments in greenhouse gas accounting practices, even if that means we may see some sources of emissions increasing due to methodological changes.

Our embedded carbon performance is reflective of our response to the need to provide urgent further protections for the environment. We are aiming to implement further improved processes and systems at the concept and design stages that will allow alternative solutions to be fully considered through our green first framework.



Additional regulatory information – Greenhouse Gas Emissions – BRL continued

Table 11B – Net Zero enhancement reporting

for the 12 months ended 31 March 2026

[illegible]

Bristol Water does not have any Net Zero Enhancement to report, due to no funding being provided.

Cost allocation and transfer pricing

Transactions with associated companies and the non-appointed business

Under RAG 5.07, water and sewerage appointees have a duty to trade at arm's length and to ensure that there is no cross subsidy with respect to transactions between the appointed business and associated companies.

Following the introduction of binding revenue price controls, appointees are also required to ensure there is no cross-subsidy between price control units.

RAG 3.16 requires disclosures of all transactions (individually and not on an aggregated basis) to be made where any single transaction exceeds 0.5% of the turnover of South West Water's appointed business.

The services provided and received, borrowings, and group relief amounts presented in the tables below are inclusive of South West Water and Bristol Water (SBB).

South West Water's associated companies

South West Water is a subsidiary of Pennon Group plc (which is South West Water's immediate and ultimate parent company), a FTSE 250 company. A summary Group structure showing principal trading subsidiaries is shown on page 56. South West Water's subsidiaries are listed in full in [South West Water's Annual Report and Financial Statements](#) (note 18, page 243).

Pennon Group Plc

Pennon Group Plc – South West Water's immediate and ultimate parent company, a FTSE 250 company.

Subsidiaries

South West Water Customer Services Limited – manages South West Water's billing, collections and customer contact activities.

South West Water Finance Plc – acts as a financing company, raising borrowings for South West Water.

Bristol Water Plc – previous trading company of Bristol Water.

Associated companies who are subsidiaries of the ultimate parent company Pennon Group plc:
Pennon Water Services Limited ('PWS')
Peninsula Insurance Limited
Pennon Power Limited
Sutton and East Surrey Water Services Limited ('SES')

Other associated companies

Bristol Wessex Billing Services Limited ('BWBSL') – a joint venture undertaking between South West Water Limited and Wessex Water Services Limited, and provides meter reading, billing, debt recovery and customer contact management services to this company and Wessex Water Services Limited, under a cost sharing arrangement.

Water 2 Business Limited ('W2B') – an associate of Pennon Group plc, and provides meter reading, billing, debt recovery and customer contact management services to non-household customers.

Group shared services – A limited number of functions have historically been provided across the Pennon Group as shared services (such as Independent Group Internal Audit, Treasury and Tax Services).

The non-household retail market

Non-household consumers pay retailers for their supply and they in turn pay wholesalers based upon the retail charging schedules. Pennon Water Services, Sutton and East Surrey Water Services and W2B are non-household water and wastewater retailers. South West Water is paid by Pennon Water Services, Sutton and East Surrey Water Services and W2B for some of its non-household wholesale services.

South West Water also provides meter reading services to Pennon Water Services on commercial terms consistent with those offered to other companies.

South West Water has also contracted with Pennon Water Services to manage a small number of non-regulated activities on its behalf.

South West Water Customer Services Limited

Services provided by South West Water and recharged to South West Water Customer Services

Service provided	Service detail	Turnover of subsidiary (£m)	Terms of supply	Value of service provided (£m)
Group/Management recharges	Information services	19,211	Recharge based upon employee numbers	0.315
	recharges			
	Property	19,211	Recharge of property costs based on floor space	0.292
	Insurance	19,211	Recharge based upon employee numbers	0.226
	Other	19,211	Recharge of cost incurred	0.378

Services received by South West Water recharged from South West Water Customer Services

Service provided	Service detail	Turnover of subsidiary (£m)	Terms of supply	Value of service provided (£m)
Retail activities	Call centre, billing and collection services, debt collections and performance improvement	19,211	Recharge of cost incurred	19,211

Pennon Group plc



Services provided by South West Water and recharged to Pennon Group

Service provided	Service detail	Turnover of parent (£m)	Terms of supply	Value of service provided (£m)
Information Services	Information Services recharges	17,347	Recharge based upon employee numbers	0.125
Property	Floor space	17,347	Recharge of property costs based on floor space	0.234
Other – Communications, HR, Payroll, Facilities	Other internal services provided	17,347	Recharge of salary cost incurred	0.158

Transactions with associated companies and the non-appointed business continued



Pennon Group plc

Services received by South West Water and recharged from Pennon Group

Service provided	Service detail	Turnover of parent (£m)	Terms of supply	Value of service provided (£m)
Corporate Overheads	Board and group expenses	17.347	Recharge of cost incurred	4.889
	Investor Relations	17.347	Recharge of cost incurred	0.174
	Legal & Company secretary	17.347	Recharge of cost incurred	5.004
	Group expenses	17.347	Recharge of cost incurred	3.324
Group Finance	Tax, pension & accounting services and internal audit	17.347	Recharge of cost incurred. Internal audit recharged based on timesheets and specific projects	2.998



Pennon Water Services Limited

Services provided by South West Water and recharged to Pennon Water Services

Service provided	Service detail	Turnover of associated company (£m)	Terms of supply	Value of service provided (£m)
Meter readings	Meter reading for non-household retail customers	305.831	Market testing – Third party evaluation	0.783
Wholesale charges	Supply of water from the wholesale business	305.831	Market testing – Charged at published rates in Non-household Wholesale Charges Scheme and charged via the Market Operator.	110.019
Property	Floor space	305.831	Recharge of property costs based on floor space	0.064
Guaranteed Service Standards (GSS) reclaim (customer compensation)	Charges for customer compensation	305.831	Charges in line with published GSS levels	0.489

In addition to the above, the South West Water non-appointed business is also recharged certain costs by Pennon Water Services in respect of management and operation of limited parts of South West Water's non-appointed activity.



Sutton and East Surrey Water Services

Services provided by South West Water and recharged to Sutton and East Surrey Water Services

Service provided	Service detail	Turnover of associated company (£m)	Terms of supply	Value of service provided (£m)
Wholesale charges	Supply of water from the wholesale business	75.887	Market testing – Charged at published rates in Non-household Wholesale Charges Scheme and charged via the Market Operator.	2.271

Services received by South West Water and recharged from Sutton and East Surrey Water Services

Service provided	Service detail	Turnover of associated company (£m)	Terms of supply	Value of service provided (£m)
Guaranteed Service Standards (GSS) reclaim (customer compensation)	Charges for customer compensation	75.887	Charges in line with published GSS levels	0.007

Peninsula Insurance Limited

Services received by South West Water recharged from Peninsula Insurance Limited

Service provided	Service detail	Turnover of associated company (£m)	Terms of supply	Value of service provided (£m)
Insurance cover	Organisation of insurance cover	0.899	Recharge of insurance premium	0.685

Transactions with associated companies and the non-appointed business continued

Borrowings with associated companies

Associated company and type of borrowing	Principal amount (£m)	Repayment date	Interest rate (%)
South West Water Finance plc:	137.206	2040	2.60% fixed
Loan notes 2040			
South West Water Finance plc:	4.02.179	2057	RPI + 1.99%
Index linked bond 2057			
South West Water Finance plc index linked bonds 2032	248.077	2032	5.75% fixed
South West Water Finance plc index linked bonds 2041	396.567	2041	6.375% fixed
South West Water Finance plc index linked bonds 2031	297.189	2031	5.25% fixed
South West Water Finance plc: fixed rate loan	52.350	2040	2.35% fixed
Bristol Water plc fair value loan	0.037	Perpetual	4.25% fixed
Bristol Water plc fair value loan	1.405	Perpetual	4% fixed
Bristol Water plc fair value loan	0.055	Perpetual	4% fixed
Bristol Water plc fair value loan	0.073	Perpetual	3.5% fixed
Bristol Water plc fair value loan	25.000	Perpetual	6% fixed

BWBSL

Services received by South West Water recharged from BWBSL

Service provided	Service detail	Turnover of associated company (£m)	Terms of supply	Value of service provided (£m)
Retail services	Meter reading, billing, debt recovery and customer contact management services	20.926	Competitive tender	3.963
	Recharges for cost	20.926	Cost pass through	0.268
	Capital expenditure	20.926	Cost pass through	0.142

The sum of £0.411m (2024/25 £0.411m) is included within the debtors in respect of amounts advanced to BWBSL, a joint venture company between South West Water Limited, and Wessex Water Services Limited, to fund the purchase of tangible assets. This amount has no fixed repayment date.



W2B

Services provided by Bristol Water and recharged to Water 2 Business

Service provided	Service detail	Turnover of associated company (£m)	Terms of supply	Value of service provided (£m)
Wholesale charges	Supply of water from the wholesale business	411.677	Market testing – charged at published rates in the Non-household Wholesale Charges Scheme and charges via the Market Operator	31.245

Corporation tax group relief received by the regulated business

Company	Turnover of associated company (£m)	Terms of supply	Value (£m)
Bristol Water plc	Nil	Cost	0.009

Glossary

Term	Definition
Annual Performance Report (APR)	Report produced by the Company for regulatory reporting purposes.
Annual Report and Financial Statements	Report produced by the Company for statutory accounting reporting purposes.
Appointed business	The appointed business comprises the regulated activities of the Company which are activities necessary in order for a company to fulfil the function and duties of a water and sewerage undertaker under the Water Industry Act 1991.
Appointee	A company appointed by Ofwat to provide water/Sewerage services for a specific area.
Arm's-length trading	Arm's-length trading is where the Company treats the associate companies on the same basis as external third parties.
Associate company	Condition A of the Licence defines an associate company to be any group or related company. Condition F of the Licence requires all transactions between the Company and its associated companies to be disclosed subject to specified materiality considerations.
C-MeX (Customer Measure of Experience)	C-MeX is the industry wide measure of customer satisfaction based upon surveys both of customers who have recently contacted their water company and a random sample of members of the public.
Consumer Price Index including owner occupied housing costs (CPIH)	Compiled and published monthly by the Office of National Statistics. This is a measure of consumer inflation including a measure of the owner occupied housing costs (costs that are associated with owning, maintaining and living in one's home) and council tax.
CREWW	The Centre for Resilience in Environment, Water and Waste, a Pioneering research centre for Resilience in Environment, Water and Waste, in partnership with Exeter University.
CRI	Compliance Risk Index (CRI) is a measure designed to illustrate the risk arising from treated water compliance failures, and it aligns with the current risk based approach to regulation of water supplies used by the Drinking Water Inspectorate (DWI).
D-MeX (Developer Services Measure of Experience)	D-MeX measures the quality of services to developers and other third parties. It has two components. The qualitative component is based on interviews with developer services customers that have transacted with a water company in the previous month. The quantitative component is based on the water company's performance against a key set of Water UK metrics which measure the service provided by water companies to their developer services customers.
Environment, Social and Corporate Governance reporting (ESG)	ESG reporting refers to disclosures relating to the Company's performance on aspects of Environmental, Social, and Governance factors, or reported against any of the Company's six capitals: Financial, Manufactured, Intellectual, Human, Social, or Natural capital.
Event Duration Monitoring (EDM)	A regulatory requirement to monitor the frequency and duration of releases from storm overflows.

Term	Definition
Final Determination (FD)	This is the conclusion of discussions on the scale and content of the Asset Management Plan for the forthcoming five-year period. It is accompanied by a determination of the framework allowable charges for the forthcoming five-year period.
Green Recovery	An initiative to go further on net zero, nature-based solutions and environmental protection.
Licence	The Instrument of Appointment dated August 1989 under Sections 11 and 14 of the Water Act 1989 (as in effect on 1 August 1989) under which the Secretary of State for the Environment appointed South West Water Limited as a water and sewerage undertaker under the Act for the areas described in the Instrument of Appointment, as modified or amended from time-to-time.
MOSL (Market Operating Services Limited)	MOSL is the not-for-profit company which operates the business water market which opened on 1 April 2017.
Net Zero 2030	The plan to decarbonise the water sector by 2030.
Non-appointed business	The non-appointed business activities of the Company are activities for which the Company as a water and sewerage undertaker is not a monopoly supplier (for example, the sale of laboratory services to an external organisation) or involves the optional use of an asset owned by the Company (for example, the use of underground assets for cable television).
Ofwat	The name used to refer to the Water Services Regulation Authority (WSRA). The WSRA acts as the economic regulator of the water industry.
Outcome Delivery Incentives (ODIs)	The rewards earned and penalties incurred by companies according to how well they perform against the Performance Commitment Levels.
Performance Commitment Level (PCL)/Performance Commitments (PCs)	In consultation with Ofwat and our customers, we have set measurable targets for each ODI that represent the delivery of our outcomes.
Price Control Units	At the 2019 price review, Ofwat introduced separate price controls for wholesale water resources, wholesale water network+, wholesale wastewater network+, bioresources, retail household and retail non-household.
Regulatory Accounting Guidelines (RAGs)	The accounting guidelines for the APR issued, and amended from time to time, by Ofwat.

Glossary continued

Term	Definition
Regulatory Capital Value (RCV)	The capital base used in setting price limits and the value of the appointed business that earns a return on investment. It represents the initial market value (200-day average), including debt at privatisation, plus subsequent net new capital expenditure including new obligations imposed since 1989. The capital value is calculated using the Ofwat methodology to recognising the impact of indexation using ONS inflation RPI and CPIH indices.
Retail Price Index (RPI)	The RPI is compiled and published monthly by the Office for National Statistics. RPI is an average measure of change in the prices of goods and services bought for the purpose of consumption by the vast majority of households in the United Kingdom.
Retail services	The elements of the business responsible for direct contact with customers e.g. the contact centre, billing and reading meters. From April 2017, following the opening of the non-household market, business customers are able to choose their retail supplier. The appointed business exited all non-household market activities.
RISE	An Employee feedback forum 'Represent Inspire Share Energise'.
Totex	Total expenditure comprising operational expenditure (opex) and capital expenditure (capex).
Water and Sewerage Company (WaSC)	A company responsible for the provision of both water and sewerage services.
Wastewater services	Our wastewater services cover the collection, treatment and the return to the environment of sewage produced by households and businesses. In some areas surface water and sewage mix together before being treated at our sewage works.
Wastewater treatment works (WWTW)	We use this term, rather than sewage treatment works, to describe the facilities which return used water to a condition where it can safely be discharged to environmental waters.
Water only company (WOC)	A company responsible for the provision of water services only.
Water treatment works (WTW)	Water Treatment Works means that part of a waterworks that is used to filter or condition water for the purpose of rendering water acceptable for human consumption or hygienic use.
WaterFit	WaterFit is the next stage in the Company's environmental strategy, accelerating and expanding plans to protect and enhance South West Water for future generations.
WaterFit Live	Live interactive map, is a way to give you the information you need the next time you want to visit your favourite beach. It allows you to see if any of our storm overflows have been operating at your local beach to an extent that they may have temporarily affected bathing water.

Term	Definition
WaterShare+	A scheme which first launched across South West Water and Bournemouth Water in 2020. Following a second issuance, it now covers the Bristol region too. As a result more than one in 16 of our customers are now shareholders as well as customers.
WINEP	Water Industry National Environment Programme is the programme of actions water companies need to take to meet statutory environmental obligations, non-statutory environmental requirements or delivery against a water company's statutory functions.