
# Annual Performance Report

**Year ended 31 March 2022**

bristolwater.co.uk

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# Annual Performance Report

## for the year ended 31 March 2022

The Company was appointed by the Secretary of State for the Environment as a Water Undertaker under the Water Act 1989 and is required to comply with Conditions set out in its Instrument of Appointment ("the Licence").

The regulatory information that follows has been prepared in accordance with Condition F of the Licence and Regulatory Accounting Guidelines (RAGs) issued by the Water Services Regulation Authority (Ofwat). This annual performance report has been prepared for use by Ofwat. It may not be appropriate for any other purpose. As required by Ofwat, the accounting statements do not correspond with the statutory annual report, the differences to the statutory accounts are shown.

The statutory annual report contains a suite of reports, including a strategic report, which provide comprehensive commentary on the Company's activities during the year.

In this Annual Performance Report references to 'Company' or 'Bristol Water' shall mean Bristol Water plc and references to 'Group' or 'Pennon Group' shall mean the Pennon Group plc.

The accompanying Historical Cost and Current Cost Accounting Statements were approved by the Board on 13 July 2022.

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# Contents



Reporting requirements for sections 7 (wastewater network plus), 8 (bioresources) and 10 (Green Recovery) of the Annual Performance Report do not apply to Bristol Water.

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# Introduction – What's in the Report

This Bristol Water Annual Performance Report provides a summary of our performance against our outcomes and performance commitments in this the second year of the 2020-25 regulatory reporting period.

These outcomes and commitments were agreed as part of our business plan. The outcomes and commitments themselves were developed following our most extensive ever customer and stakeholder engagement exercise to date. The Regulatory Reporting section of this report provides annual reporting in line with Ofwat's Regulatory Accounting Guidelines. Our Trust Beyond Water statement provides a summary from our Board on how we continue to deliver against our social purpose and all of the factors that contribute to our delivery for customers and wider society.

Bristol Water – a social purpose to have a positive impact on the lives of our customers, our communities, our colleagues, and on the environment.

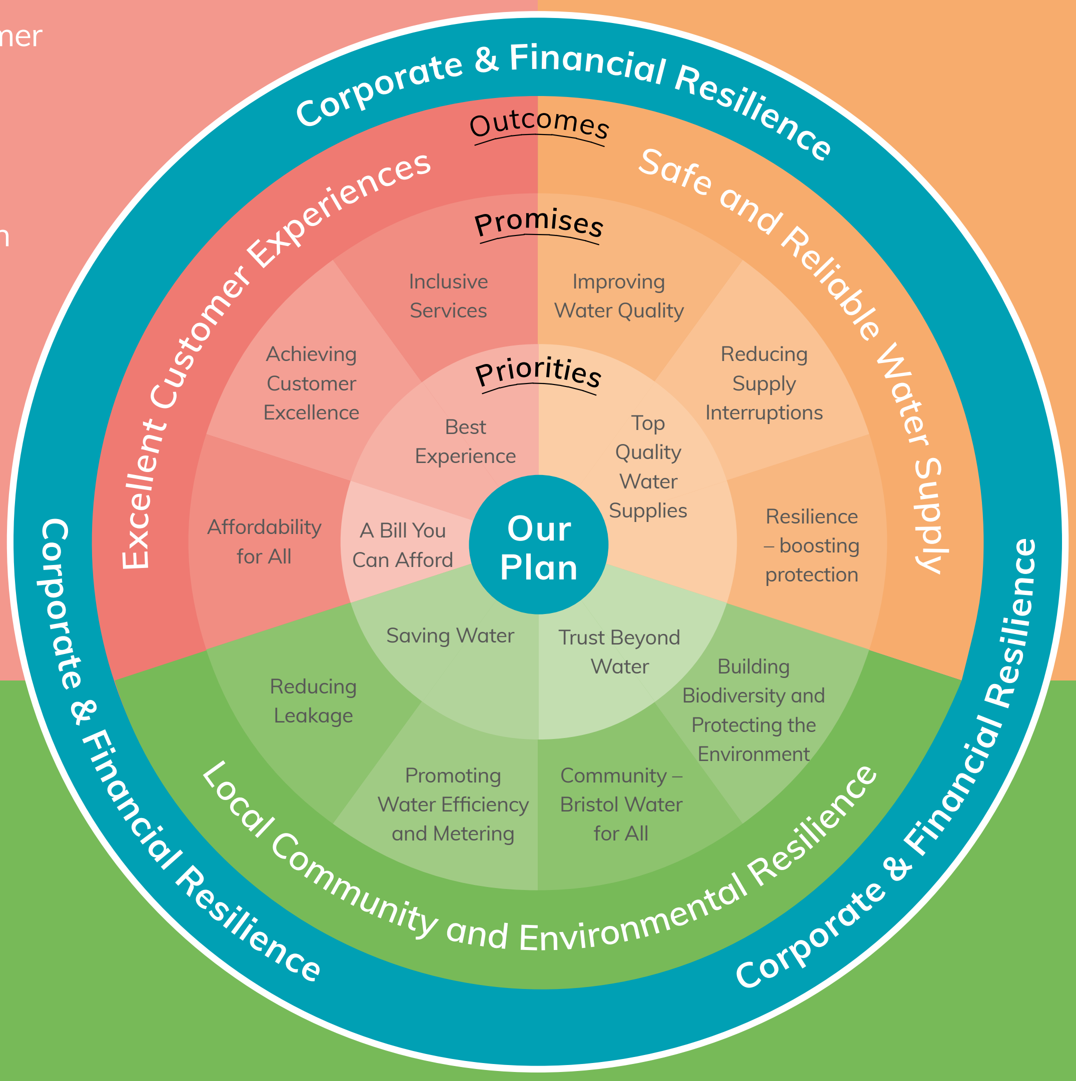

175
YEARS
of
BRISTOL WATER
A social history
1846 – 2021

# Business Model and Strategy

Our plans for 2020-25 are based around the priorities, promises and outcomes shown below, which summarise what the delivery of our purpose means for our customers and stakeholders.

- Top water company in the UK Customer Satisfaction Index
- **Zero** customers in water poverty
- **85%** vulnerable customer satisfaction
- **83%** value for money
- **5%** reduction in void properties
- Average **5%** bill reduction overall for 2020-25
- **6x** as many customers

- **Excellent water quality** (Compliance Risk Index)
- **59%** reduction in supply interruptions
- **50%** reduction in water quality contacts
- **8%** reduction in mains bursts
- **Glastonbury to Street resilience scheme**




- **21%** leakage reduction
- **6%** per capita consumption reduction
- **75%** properties metered in 2025

- **85%** community stakeholder satisfaction
- **Bristol Water For All** social contract initiative and voluntary sharing mechanism
- **Ambitious environment programme**


Our company values provide a guide for a way of working which will help us achieve our purpose together. They empower us to be ambitious in doing more for customers and our communities, building on the passion and pride we feel in providing an essential service.


# CEO Review

## It is with pride that I look back over the last year and reflect on how much the business has achieved, despite another year of uncertainty and change.

**We welcome the merger of Bristol Water into the Pennon Group and look forward to supporting the integration of the business. We are excited about the opportunities the merger will bring for our staff, with benefits from sharing experiences, best practice and plans for the future. Working together, and by sharing the best from across the Group, we will strive to continually improve our service to our customers, communities and wider stakeholders. We are now working as a Board to consider the strategic and operational options and plans for the business to move the integration forward and in the context of the wider Group. We look forward to delivering on our ambitions.**

Whilst the year has seen a change in shareholder, our focus has remained on delivering for our customers and looking to improve our performance both operationally and financially. The skill, dedication and professionalism shown by the Bristol Water team over the last year has been outstanding. They should all be proud of what they have achieved through embracing change whilst keeping the focus on the communities we serve which makes Bristol Water so special. We have seen continued excellence in our leakage performance, with our 3 year average leakage performance now at 36.0 Ml/day (2020/21: 37.9Ml/day). This is the lowest level in the industry, and we know we have a tough challenge over future years in striving to meet a continued reduction.

I am particularly proud of our performance in respect of supply interruptions. This is a critical measure for our customers, as it reflects amount of time for which customers have had their water supply interrupted over the year. Our performance reflects 2 minutes 31 seconds across the year (2020/21: 30 minutes 17 seconds) – a huge improvement year on year, and reflective of improvements in process, ways of working, and approach from our operational and support teams across the business. Whilst we have experienced operational challenges - such as the burst main at Colliters Way last summer, which is one of our key mains to supply a large area of Bristol – the customer impact of these incidents has been mitigated by using approaches such as infusion into the network. Despite 11 pumping stations losing power during Storm Eunice, we kept supply interruptions to a minimum with advanced planning, mobilising our technology and our smart network monitoring. It is great to see the enthusiasm and innovation with which our teams have embraced the challenge.

175 YEARS of BRISTOL WATER

Water quality performance has not achieved our targets this year. Appearance contacts did not reduce as our stretching targets required, but by the end of the year we were back on track. Although we aim for 100% water quality compliance, and the number of standard failures has remained low, we are determined to take action to continuously improve our performance. Our action and improvement plans have reduced the risks to water quality during the year, and we are increasing our focus on this area at a time that many of our performance measures have delivered record good performance for Bristol Water.

Health and safety performance is another area where we have not met our goals. We have seen a high number of hazards and near misses reported both by our employees and our contractors; whilst it is good that issues are identified, there is much more to do to avoid accidents. We are focussed on doing more to minimise risks and maintain focus and vigilance, to ensure all our staff go home to their families without injury at the end of every day.

Our focus on delivering excellent customer service in everything we do has resulted in continued good performance on the critical C-Mex performance measure. Although we were disappointed not to improve beyond 6th place overall, I am delighted by the fantastic 3rd place on the billing component. This demonstrates the hard work undertaken with Pelican, our billing joint venture with Wessex Water. Our operational customer service has also seen a focus and dedication from across the business, with our operational teams going out of their way to deliver tailored, supportive service to our customers. It was great to be highlighted by the Institute of Customer Service as one of the top 10 organisations across all sectors for complaint handling last year.

It was a great privilege to celebrate 175 years of Bristol Water, and the heritage that comes with this. Our social contract, the first of its kind by any utility company, continues that work to this day, with 93% satisfaction over the last year amongst the community stakeholders who work with us on its delivery. It was an honour to meet His Royal Highness the Duke of Gloucester in October, and to be able to share with him the incredible work our people do, and have done over our history.

With this in mind, I look forward to a future that builds and celebrates this past, but also allows our business to flourish and grow through collaborating with our peers across the Pennon Group. I am excited to find out what the future holds.

**Mel Karam**
Chief Executive Officer

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"Our focus has remained on delivery for our customers and looking to improve our performance both operationally and financially."

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# Trust Beyond Water

## A statement from the Bristol Water Board

**Bristol Water was formed in 1846 under an Act of Parliament with a ground-breaking and ambitious aim to bring, fresh, clean drinking water to the area we serve. This ambition was essential to the health and wellbeing of all and not just for the few. The Board of Bristol Water carries forward this vision of a water company doing what it can for the communities we serve.**

Last year we celebrated our birthday on 16th July 2021, the 175th anniversary of the passage through Parliament of the Bristol Waterworks Act. We marked this occasion with a range of activities, including the publication of a new social history of Bristol Water to reinvigorate our story for future generations. In our celebrations we reflected the philanthropic purpose of our founders including Francis Fry, Sir John Kerle Haberfield and Dr William Budd, whose connection of public health to clean drinking water was ground-breaking. Our birthday was a good reminder that solving the challenges faced by society, climate and ecological emergencies, still depend on local community-based solutions.

As part of our celebrations, we were also delighted to host a visit from HRH the Duke of Gloucester in recognition of our big birthday. HRH visited us to learn about our history, thank our staff for their local community service during COVID-19, open our new staff water saving vegetable allotment, and to plant the first of 1,200 trees as our contribution to the Queen's Green Canopy.

The Board believes that Bristol Water must continue to make a significant contribution to these societal challenges now and for the long-term. We can only do this because we are highly regarded by our customers due to the high levels of service and performance we provide, and demonstrate our role within our local communities. We continue to look to the future in doing this through our social contract forward programme and transparency reports.

On 3rd June 2021 Pennon Group announced that it had acquired the Bristol Water Group. Following a phase 1 enquiry by the Competition & Markets Authority, regulatory clearance was received on 7th March 2022. Given the acquisition and regulatory clearance, there were a number of changes in the composition of the Bristol Water Board by the end of 2021/22. Bristol Water continues to focus on our commitments to the communities we serve and the people who deliver this, working as part of Pennon to be "The best of the best for the great South West".

The process of integrating activities across the group where there are benefits from doing so can now commence. For our staff, Pennon recognise the talent within Bristol Water as a key benefit from the acquisition. Being part of a larger, listed company that is important to the greater South West is also a key opportunity. For customers, they will continue to receive the excellent customer experiences that Bristol Water aspires to, as well as benefitting through a lower bill from 2023/24 from the end of the higher financing cost allowance Bristol Water has as a small company, Customers will also benefit through the innovative WaterShare+ mechanism in 2022, which not only shares the benefits of outperformance with customers, but provides the opportunity to take a stake in the business and to take part in public meetings across the region on our performance.

Our corporate governance statement which sets out how the Board will consider our social purpose, and through this all stakeholders benefit from a high performing local water company that meets the need of customers and society:

"To have a positive impact on the lives of our customers, our communities, our colleagues, and on the environment"


**Highlights in 2021/22 include:**

1. We continue to lead the industry in leakage. The Water UK leakage route map to 2050 recognised we were the only company to already meet the industry's 2030 leakage commitment.
2. Supply interruptions were at a record low and were 59% under the target, despite extreme weather such as Storm Eunice.
3. The focus of our people on improving customer experience shows 6th place on the industry C-MEX measure.
4. We celebrated the 175th birthday of Bristol Water, as well as looking forward to an exciting future following our acquisition by Pennon.
5. Financial and operational performance was strong, with costs meeting the efficient expenditure allowances and net outperformance on our outcome incentives.

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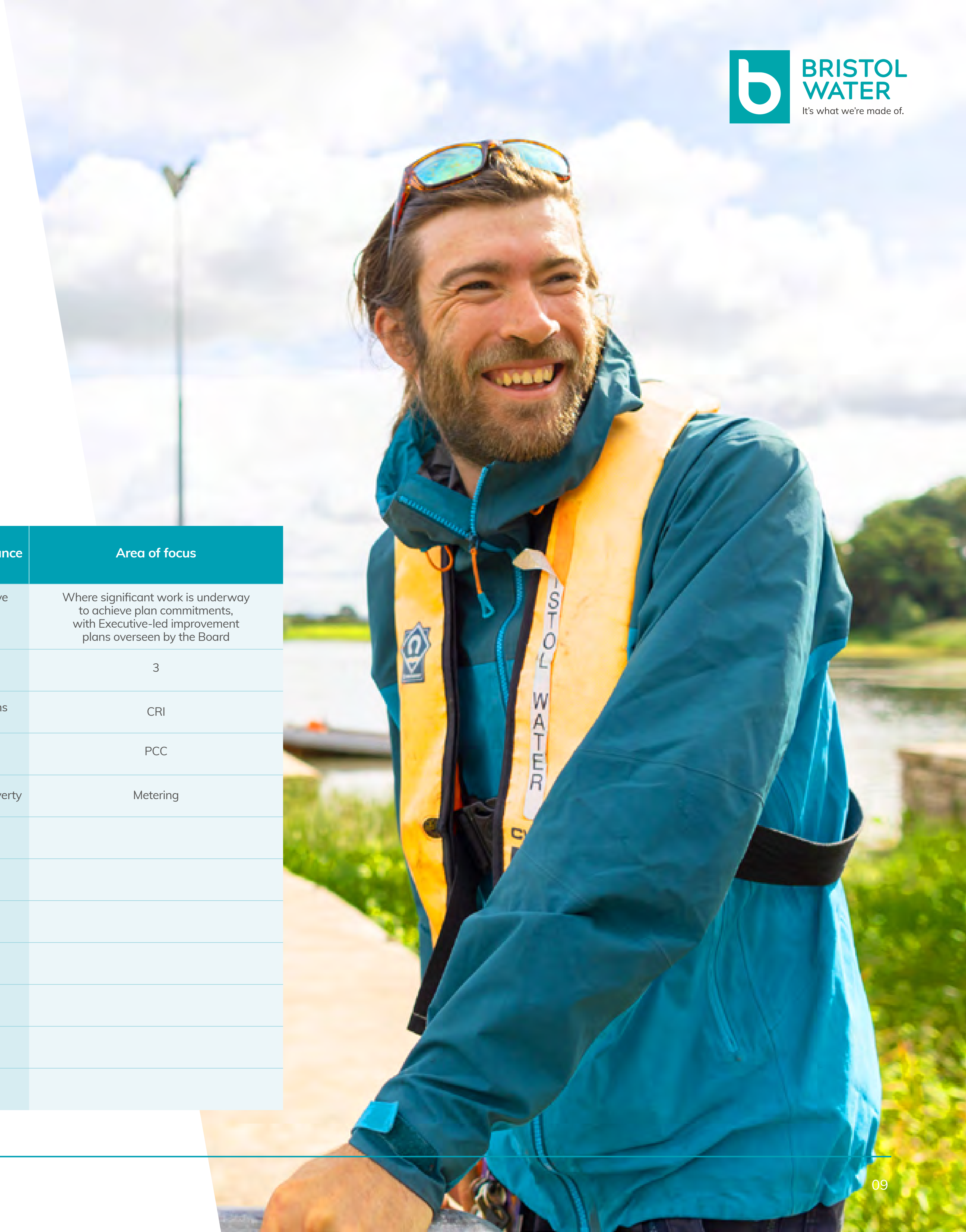
# How We Are Doing

## Overall, 2021/22 saw performance benefits following the significant transformation that we delivered in 2020/21.

**The c12% efficiencies targeted in our business plan had necessitated a pay freeze and a restructuring of c10% of our workforce, including through careful management. The majority of the restructuring affected head office roles, and included a 30% reduction in the executive team that reflects maturity in the transformation of the organisation. These changes ensured we met our cost targets for 2021/22, as well as to target specific areas where performance needed to improve.**

| Areas of excellence | Outperformance | On track | Marginal underperformance | Area of focus |
|---|---|---|---|---|
| Where performance has significantly exceeded our commitment | Where performance has demonstrably exceeded our commitment | Where our performance has met our commitment or is within tolerance | Where we believe we have plans to quickly return performance to within committed levels | Where significant work is underway to achieve plan commitments, with Executive-led improvement plans overseen by the Board |
| 3 | 9 | 10 | 4 | 3 |
| Supply interruptions | Leakage | Turbidity at treatment works | Risk of severe interruptions in a drought | CRI |
| Properties at risk of receiving low pressure | Water quality contacts – taste and smell | Glastonbury - Street | Water quality contacts appearance | PCC |
| Mains bursts | Void properties | Total customer complaints (definition) | % of customers in water poverty | Metering |
| | Raw water quality of sources | Biodiversity index | Value for money | |
| | C-MeX | Waste disposal compliance | | |
| | Unplanned outage | WINEP compliance | | |
| | Vulnerable customer satisfaction | WINEP delivery | | |
| | Unplanned maintenance non-infra | AIM | | |
| | Local community satisfaction | D-MeX (TBC) | | |
| | | PSR | | |



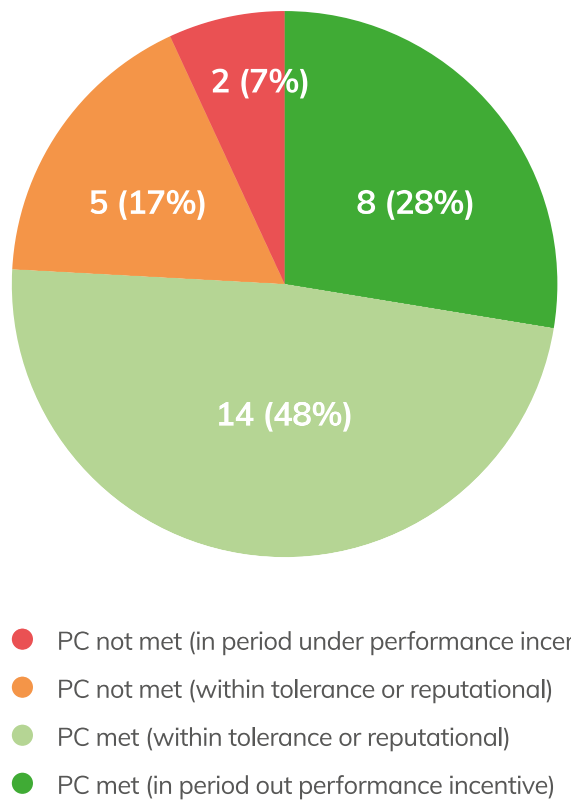
# Summary of Performance Against 2021/22 Targets

Our performance is measured against three customer outcomes – excellent customer experience, safe and reliable supply of water, and local community and environmental resilience.

**We met, were within tolerance or exceeded 76% of the stretching performance commitments in 2021/22, an increase from 62% in 2020/21. Overall performance on Outcome Delivery Incentives (ODIs) was positive, with the in-period ODIs incurring underperformance penalties being focused on water quality compliance and water quality contacts.**

Of the 19 outcomes with in-period financial incentives, 8 had financial rewards (including anticipated rewards for C-MEX) and 2 had underperformance penalties. The total ODI impact is £0.7m of outperformance, excluding £0.3m of Per Capita Consumption penalty deferred by Ofwat until the overall impact of Covid across 2020-25 is understood.

2021/22

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# Outcome – Excellent Customer Experiences

| Outcome – Excellent Customer Experiences | | Historical performance | | | | Bristol Water 2021/22 Performance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Performance Commitment | Unit | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 Actual | Trend | Target | ODI impact (£m) | Target met |
| Customer Experience (C-MeX) | C-MeX score | N/A | N/A | 81.22 | 83.31 (6th) | 82.86 (6th) | ↔ | Top 5[1] | 0.369 | Yes |
| Developer Experience (D-MeX) | D-MeX score | N/A | N/A | 84.92 | 86.81 (8th) | 85.26 (9th) | ↓ | Top 5[2] | 0 | Yes |
| Priority Services Register (PSR) | % households registered on the PSR | 0.8 | 0.8 | 1.5 | 2.6 | 4.1 | ↑ | 4.1 | N/A (non-financial ODI) | Yes |
| Water poverty | % households in water poverty | 0 | 0 | 0 | 1 | 1 | ↔ | 0 | N/A (non-financial ODI) | No |
| Value for money | % customers surveyed (CCW proxy survey) | 69 (77) | 68 (75) | 75 (80) | 83 (84) | 77 (77) | ↑ | 81 | N/A (non-financial ODI) | No |
| Satisfied vulnerable customers | % customers surveyed | N/A | N/A | N/A | 82 | 89 | ↑ | 85 | N/A (non-financial ODI) | Yes |
| Void properties | % household properties | 2.06 | 2.26 | 2.54 | 1.80 | 1.80 | ↓ | 1.90 | 0.041 | Yes |
| Total customer complaints | Household complaints per 10,000 connections | N/A | N/A | 73.4 | 58.9 | 38.7 | ↓ | 60.4 | N/A (non-financial ODI) | Yes |
| **Total** | | | | | | | | | **£0.410m** | |

[1] As C-MeX performance depends on industry rankings, which will not be known until all companies have published their C-MeX scores, we have set ourselves this target. C-MeX reported as met against ODI if neutral or outperforming, consistent with Ofwat service delivery report

[2] As D-MeX performance depends on industry rankings, which will not be known until all companies have published their D-MeX scores, we have set ourselves this target. D-MeX reported as met against ODI if neutral or outperforming, consistent with Ofwat service delivery report

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# Excellent Customer Experiences

**In the industry's customer measure of experience (C-MEX) we have remained 6th. Whilst we have ambitions to further improve upon our performance, we are pleased that we have maintained performance above the industry median. This was supported by a wide range of initiatives supported by our previous reorganisation to form a "customer hub", a structure which provides a focus on meeting customers' individual expectations throughout all our activities.**

We conduct a lessons learned exercise on at least one customer complaint each week, and we have developed our culture to always ask for customer feedback to include calls back to customers from managers throughout the business to ensure they are getting the customer experience they are entitled to. The key to our performance is that our staff and partner organisations take pride providing customers with an excellent experience and that on the few occasions we get things wrong, we quickly make amends and learn from the events.

Complaints reduced by 49% to 30.3 complaints per 10,000 connections, although this reduction was assisted by revised CCW guidance on complaint categorisation and was higher at 38.6 per 10,000 based on the previous methodology. We were also pleased to be recognised by the Institute of Customer Services as one of their top 10 organisations nationally for customer satisfaction around complaint handling in the January 2022 UKCSI report.

Customer value for money was 77%, below our target and last year's outcome. The survey suggested that there was a general increase in customer concerns about paying their water bill, up from 6% in 2021 to 15%. We always strive to meet individual customer needs. Our target for vulnerable customer satisfaction was set at 85%, 5% above the baseline that had been set using overall customer satisfaction historically achieved. We achieved 89% vulnerable customer satisfaction with our priority services in 2022, an increase from 82% in 2021, which we believe reflects the effort we have made. Customer comments from this survey will help us improve further. 54% of the customers were also on the PSR register with their energy provider, and 85% of these customers said Bristol Water vulnerable service compared very or quite well with the energy service equivalent.

We continue to offer a wide range of social tariffs support. Social tariffs increased by c4% to 21,209, ahead of the target of 20,705. Despite the pressure on household incomes, water poverty remained increased from 0.6% to 0.7%. We use the detailed neighbourhood information our tool provides to target our social tariffs and support to aim to return water poverty to zero in the area we serve. An enhancement in the analysis this year is that we can now target individual customers whose social tariffs may leave them in water poverty, which supports our ambition of returning to zero water poverty. Our social contract activities focused on the vulnerability partnerships we continue to develop. We worked with food banks, food clubs and "grow your own" support organisations to promote vulnerable customer support (through our helping hand leaflets), water efficiency as well as our extensive range of social tariffs. We learnt from Ofwat's Listen, Care, Share campaign during the year and contributed a number of case studies to the best practice board. We recognise that our people need support when faced with the wide variety of circumstances that can make customers' vulnerable. We trained a group of "vulnerability hero" volunteers to support our staff to spot cues of vulnerability. We have partnered with the charity Scope to carry out an assessment of our website and customer bills to see how accessible they are to all customers and are working towards fully meeting the BSI standards for vulnerability in 2022.


"The key to our performance is that our staff and partner organisations take pride providing customers with an excellent experience."

# Outcome – Safe and Reliable Supply of Water

| Outcome – Safe and Reliable Supply of Water | | Historical Performance | | | | Bristol Water 2021/22 Performance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Performance Commitment | Unit | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 Actual | Trend | Target | ODI impact (£m) | Target met |
| Water quality compliance | Compliance Risk Index (CRI) score | 0.03 | 0.75 | 2.31 | 3.02 | 4.19 | ↑ | 0 | -0.418 | No |
| Water Supply interruptions | Hours: minutes: seconds (HH:MM:SS) per property per year | 1:15:59 | 0:15:01 | 0:09:17 | 0:30:17 | 0:02:31 | ↓ | 0:06:08 | 0.343 | Yes |
| Mains repairs | No. of repairs per 1,000km of mains | 178.6 | 156.5 | 115.5 | 154.2 | 106.4 | ↓ | 136.5 | 0 | Yes |
| Unplanned outage | % of peak week production capacity | 1.50 | 0.40 | 0.72 | 0.20 | 1.74 | ↑ | 2.34 | 0 | Yes |
| Risk of severe restrictions in a drought | % of population at risk | N/A | N/A | 85.11 | 56.9 | 32.9 | ↑ | 29.8 | N/A (non-financial ODI) | No |
| Water quality contacts – appearance | Consumer contacts per 1,000 population (all contacts for comparison) | 1.00 | 1.21 (1.69) | 1.03 (1.46) | 1.07 (1.46) | 1.11 | ↔ | 0.73 | -0.067 | No |
| Water quality contacts – taste and odour | Consumer contacts per 1,000 population | 0.45 | 0.41 | 0.39 | 0.35 | 0.28 | ↓ | 0.36 | 0.017 | Yes |
| Properties at risk of receiving low pressure | No. properties below low pressure ref level (per 10,000 connections for comparison) | 65 (1.21) | 61 (1.13) | 57 (1.04) | 57 | 11 | ↓ | 61 | 0.212 | Yes |
| Turbidity performance at Water Treatment Works (WTW) | No. WTW whose turbidity 95th percentile > 0.5 NTU | 0 | 0 | 0 | 0 | 0 | ↔ | 0 | 0 | Yes |
| Unplanned maintenance – non-infrastructure | No. maintenance jobs | 3,279 | 2,913 | 3,327 | 3,134 | 3,026 | ↓ | 3,272 | 0 | Yes |
| Glastonbury Street network resilience | No. months delay to deliver scheme | N/A | N/A | 0 | 0 | 0 | ↔ | 0 | 0 | Yes |
| **Total** | | | | | | | | | **£0.086m** | |


## Safe supply of water

**Water quality compliance (CRI) was above the 2.0 penalty threshold at 4.19. This reflected one-off coliform failures from samples taken at larger treatment works, which have a high weighting on this index. The total number of failures were similar to previous years, and therefore the location made a difference on this occasion. We investigate each event, and we remain slightly below the number of recommendations the DWI would expect to make from such events and audits. As there is little scope for failures in this target, and because it is important we target full water quality compliance, we have increased our focus on potential hazard identification and resolution, a strength of approach the DWI noted in their 2021 Chief Inspector's report. This focus produced a c55% reduction in outstanding hazards (the DWI Risk Adjusted Risk Index measure) which we use as an important asset health metric. The few water quality events in the year were generally associated with weather or burst events, with the Event Risk Index (ERI) similar to the previous year at 14, better than the level of c.30 which the DWI consider to be good performance.**

For water quality contacts we are targeting a c50% reduction over 2020-25 (with a 54% reduction for customer contacts about the appearance of their water). During the first half of 2021 performance was adversely affected by bursts and third party hydrant use. We increased our focus by investigating all individual discoloured water contacts, liaising with the fire brigade on hydrant use and introducing a "how to" video for those hiring standpipes. By the end of 2021 and in the first quarter of 2022 performance was back on track.

Supply interruption performance in 2021/22 was a vast improvement on the disappointing 2020/21, which had seen a number of exceptional and third party events. The performance was 2.5 minutes compared to the target of 6.1 minutes, which is believed to be our best ever performance. It was a 92% reduction on the 30.3 minutes of the previous year. This achievement reflects the resilience of our supply system and robust operational response, which is achieved consistently despite our varied mix of rural and urban areas. Our network sensors help to monitor major water use changes on our network, and we have a "digital twin" system that allows network modelling to quickly provide advice to our operational crews to get water safely back into supply, often with no noticeable impact for customers.

Our supply interruptions and mains repairs performance was assisted by a relatively mild winter, with the main incident being a burst during the hot weather in July 2021, when there was a burst to a 1200mm (4 feet) diameter main alongside the South Bristol link road between the A370 and A38. This represents the largest diameter pipe burst we have experienced in a very long time. The burst was detected around 18:00 and isolated by 21:00 by which time massive volumes of water had flooded the ring road and the system supplying large parts of central and northern Bristol had drained. This resulted in a host of low pressure and no water calls to our switchboard. However, thanks to the readiness of our operational teams and the robust flexibility of the affected system at the time of the burst (i.e. full reservoir storage was able to provide back-fed support to the area), the properties interrupted were limited to areas of higher ground and only a few hundred properties were interrupted for over three hours, resulting in only 11 seconds being recorded for this metric as a result of this incident. We review each supply interruption to identify the route cause and are targeting areas where investment can reduce major interruption risk, but this cannot be avoided entirely particularly where third party action involved.

Our performance on mains repairs and other asset health metrics were all better than target. Mains repairs were 106.4 per 1000km compared to the target of 136.5, similar to the level seen in 2019/20 which also had relatively benign weather, compared to the 154.2 per 1000km recorded in 2020/21, a year which had more adverse weather. Our focus and targeted investment in mains replacement for asset health, water quality, leakage and supply interruptions will continue to see improvements in the network performance over time.

"Supply interruption performance in 2021/22 was a vast improvement on the disappointing 2020/21. This achievement reflects the resilience of our supply system."

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# Outcome – Local Community and Environmental Resilience

| Outcome – Local Community and Environmental Resilience | | Historical Performance | | | | Bristol Water 2021/22 Performance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Performance Commitment | Unit | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 Actual | Trend | Target | ODI impact (£m) | Target met |
| Leakage | Megalitres per day | 43.9 | 41.1 | 37.0 | 35.5 | 35.6<br>36.0 (three year average) | ↓ | 36.1 (three- year average) | 0.016 | Yes |
| Per Capita Consumption (PCC) | Litres per person per day | 148.9 | 151.3 | 146.4 | 161.1 | 154.7<br>154.1 (three year average) | ↑ | 145.0 (three- year average) | 0<br>(-0.273 for notional performance this year) | No |
| Meter penetration | % household properties | 52.67 | 55.97 | 58.98 | 60.26 | 62.41 | ↑ | 69.5 | 0 | No |
| Raw water quality of sources | Kilograms of phosphorus loss reduction | N/A | N/A | 0 | 155 | 239 | ↑ | 216 | 0.004 | Yes |
| Biodiversity index | Biodiversity index score | 17,657 | 17,668 | 17,670 | 17,668 | 17,678 | ↑ | 17,678 | 0 | Yes |
| Waste disposal compliance | % compliant samples | 98 | 98 | 98 | 98 | 98 | ↔ | 100 | 0 | No (within tolerance) |
| WINEP compliance | % WINEP schemes completed | N/A | N/A | 100 | 100 | 100 | ↔ | 100 | 0 | Yes |
| WINEP delivery | Text (either "met" or "not met" WINEP scheme) | N/A | N/A | N/A | met | met | N/A | met | N/A (non-financial ODI) | met |
| Local community satisfaction | % stakeholders surveyed | N/A | N/A | N/A | 88.2 | 92.6 | ↑ | 85.0 | 0.158 | Yes |
| Abstraction Incentive Mechanism (AIM) | Megalitres (Ml) if AIM triggered | N/A | N/A | N/A | N/A (AIM not triggered) | N/A | N/A | -186.1 (if AIM triggered) | 0 | Yes (AIM not triggered) |
| **Total** | | | | | | | | | **£ 0.179m** | |

## Local community and environmental resilience

**Water is essential for life, and with a changing climate and increased risk that droughts will become more frequent it is important to ensure that a continuous supply of safe, clean drinking water is available. One aspect of performance where we continue to lead the industry is in leakage reduction. Reducing leakage alone will not be sufficient to meet the longer-term requirements, however the reduction in leakage is a key part of the overall solution. Leakage varies considerably between companies across England and Wales, which will be related to the complex factors that drive leakage in these areas. Following years of progressive reductions, our leakage levels increased fractionally in 2021/22 at 35.6Ml/d, reflecting the challenge we will see over the next three years in making further reductions in leakage down to 32Ml/d. As we were ahead of our reduction target in previous years, we have remained ahead of the three year average target with a reduction of 11.5% compared to the target of an 11.4% reduction on the three years to 2019/20. The Water UK Leakage Routemap noted that Bristol Water was the only company to already meet the industry's 2030 commitment for lower leakage levels.**

Our target to reduce per capita consumption (PCC) was not met this year, which we believe represents a switch in customer behaviour patterns from non-domestic to domestic consumption as many people had to work from home for extended periods of time. This has no detriment to customers, as evidenced that the total amount of water we supplied was in line with our 2019 water resource management plan overall. We would like to reduce PCC back to our long-term glidepath and target by 2025. Our metering levels accelerated by a further 2.1% over the last 12 months to 62.4%. We continue to accelerate metering towards meeting our 75% ambition for 2025, as the main focus of our efforts to reduce PCC. Increasing the proportion of households on a meter will reduce consumption levels through a range of factors, including customers being encouraged to change their behaviour to use less water or to install water efficient devices, consumption being measured accurately rather than being estimated and losses being identified and repaired. We have therefore streamlined the support we offer, for instance allowing meter applications to be completed with customers over the phone. To support this, we have introduced a new "money back guarantee", refunding any extra cost if after two years a customer find metering has increased their bill. Our Watertalk customer magazine was a key focus of our water efficiency promotion, with a return to a copy delivered to every property in the region as well as a digital version.

Peter the Meter made a lively return to our promotional activities, including at our Royal visit. Despite periods of dry weather over the winter, at the end of March our water resources were in a normal position with reservoirs 93% full.

We continue to manage our water resources and protect the environment carefully. Our catchment management work continues to be successful at protecting the water quality in the Mendip Lakes. Our raw water quality activities removed kg P that would have otherwise affected the environment compared to the 216kg target. This was delivered through the Mendip Lakes partnership with local landholders and partners. This work provides advice and grants to farmers and has protected water quality in the Mendip Lakes through lower nutrient run off that has seen a reduction in algal blooms and lower pesticides recorded in these important water sources.

**Our biodiversity index mechanism continues to track our performance to ensure there is net gain to the environment on the land we own and manage. An updated version of the metric we currently use may become be a common approach for the water industry from 2025. The main biodiversity gains during 2021/22 came from habitat improvements as part of the new Chew Valley recreational trail and improving grassland management at three sites.**

We have a good working relationship with the Environment Agency. We have achieved all the schemes due for delivery in the year and delivered one scheme early, although a change in timing for one scheme on the final requirements from the Environment Agency meant there was no ODI impact. Our pollution events are usually limited to the impact of water and sediment from mains bursts running into watercourses, there were 20of these in 2021 (up from 7 in 2020), All of these were self-reported by ourselves to the Environment Agency, and the performance reflected the mains bursts in the first half of 2021. There were no water treatment works permit failures, and where technical aspects of abstraction licences did not meet all required conditions, we put steps in place to avoid the risk of repeat issues in the future. The Environment Agency considered that our operational response to these events by our staff was good, protecting small watercourses from treated water and highway run off as much as possible.

The EA (WINEP) environmental programme is ahead of expectations, with 1 investigation scheme delivered earlier than the required date. 26 schemes out of the 50 across 2020-25 have been delivered at the end of 2021-22.

# Comparative performance for industry common metrics

As well as tracking performance against our commitments, we also compare our performance to other water companies.

**We provide detail of this in our mid-year performance report once industry data for the previous year is available. A summary of our 2021/22 performance against industry data for 2020/21 is shown below. Generally, we are performing well in comparison to our peers, and have a specific focus on improving all areas of performance that are below average currently.**

| Better than average | Below Average |
|---|---|
| Mains repairs | Water quality compliance |
| Unplanned outage | Water quality contacts |
| Properties at risk of receiving low pressure | Per Capita Consumption |
| Leakage | |
| Water Supply interruptions | |
| Void properties | |
| Customer experience and satisfaction | |

# Purpose, Values and Culture

Our social contract is the way we will deliver our social purpose. In January 2019 we launched our Social Contract, the first published by a water company.


**The social contract sets out how we are accountable for the social promises we make as we deliver our purpose. The social contract includes engagement with stakeholders, employees, customers and the Bristol Water Challenge Panel in order to agree a set of initiatives that go beyond our core water supply role to how we deliver value for society for the long term. Providing a view from the Bristol Water Board at our discussion sessions, and reporting views back to inform all Board decisions is a key part of how we ensure that our purpose is being delivered for the long term, and this is reflected in the strategy, values and culture of Bristol Water.**

The transparency within our approach is also important. Our social contract benefit and transparency report published in December 2021 sets out the delivery and outcomes. We have also published the social contract forward programme for 2022/23 following consultation with customers, employees and stakeholders. We published a guide to our social purpose which sets out our approach and how it contributes both public value and the delivery of our 2020-25 outcomes.

We have a voluntary sharing commitment that demonstrates our commitment to our social contract, based on the additional financing cost of our small water only company. The additional cost will not be incurred from 2023/24 charges following the acquisition by Pennon, as Pennon have provided an undertaking that customers will benefit from the merger. Customers will also benefit from 50% of cost efficiencies delivered as a result of the merger to be shared through extending the innovative WaterShare+ mechanism to Bristol Water's customers. More details about this will be shared later this year. We will continue to monitor progress against the commitments we made in our PR19 plan. The measures used to assess our success are referenced against both customer experience (being in the top three water companies that Ofwat regulate compared to the UK Customer Service Index rankings) and community stakeholder experience (being above a 75% baseline for community stakeholder satisfaction). Both triggers for our commitment have been met and so no voluntary sharing is required.

Based on 2021/22 performance, benchmarking by the Institute of Customer Services gave us a UKCSI score of 78.5. Compared to the July 2020 national UKCSI survey, this places us as the second placed water company that Ofwat regulate, just behind of Dwr Cymru with 79.5. The January 2022 national UKCSI survey showed an equivalent of third place, behind Northumbrian and Dwr Cymru. We were included in the UKCSI survey and ranked 6th, but this has a smaller sample size than the benchmarking survey, and mechanism uses the survey with the higher sample size. The January 2022 survey identified that we were one of the top 10 national organisations for customer satisfaction with bill handling. A priority for next year remains to improve customer perception of individual service elements, building further on our sustained strong performance as a local community water company.

Our local community stakeholder satisfaction survey showed 93% satisfaction, an increase from 88% in 2021.

It was challenging to deliver many of our social contract initiatives during Covid-19. Some of our plans for school visits, community environmental action and public events had to be put on hold whilst social distancing rules apply. Our plans for 2022 focus on restating these initiatives, including a return of our water bar and water fountains work. During 2021/22 our employees supported 190 volunteering days on social contract and other community activities.

Bristol Water has a community fund which is administered by the Quartet Community Foundation. The Quartet Community Foundation works by creating a pool of capital for investment through donations from business and individual philanthropists. During 2021/22 we worked with Quartet to support a local food growing project and to align our work on "Hard to Reach" community group projects with Quartet's activities, in particular our "Helping Hands" promotion with food banks and food clubs.

"The social contract sets out how we are accountable for the social promises we make as we deliver our purpose."

**We engaged with our Youth Board this year to explore with six formers why they think the views of their generation may differ from water customers in general. As we found previously, young people felt themselves to be more conscious of the environment, and they were worried about their future health and wellbeing.**

Awareness of Bristol Water was low, as was understanding of water usage – it was generally taken for granted. Whilst these future citizens were aware of intergenerational fairness as a concept for the environment, they had not considered it in terms of water services. The Youth Board generated a range of ideas as to how we should partner with other local companies to promote water efficiency through social influences. Such promotion needed to be positive as a solution to problems, rather than reproaching people for lack of knowledge or their water use. Generally, the surveys carried out by the Youth Board participants suggested their peers were 11% less likely to prioritise water efficiency than current bill payers, because of the limited link to the environment and climate change that could be made. Our approach to water efficiency continues to target the next generation and use creativity as far as possible to make a positive difference, such as our school "decorate your water butt" competition.

### Comments from the Youth Board

"We have a lot more access to water but we are also not so aware of its value."

"People our age don't pay water bills and don't see what water we use."

"Make it visual, make people aware of what they use. Present it in a way that our generation can see it more clearly. For example, a graphic with litre bottles of water next to people to show how many litres a shower takes."

The area we serve is a diverse set of communities, and it is important to current and future employees, as well as our customers, that we are inclusive in the way we meet individual needs. Our culture and values as an organisation require respect in order that we are trusted, and we are currently less diverse than the communities we serve (30% of our workforce is female, 25% in managerial roles 7% identify themselves from a diverse race, ethnicity and cultural heritage background, and 2% of our workforce is under 24 years of age). Our social contract plans for apprenticeship schemes, graduate placements and internships will help to address this imbalance.

### Comments from the Local Community Satisfaction Stakeholder Survey

"We were really impressed by how our school events were organised and delivered. There was a clear focus/aim for the children and the events had a big impact on them. The staff that came along were passionate about their work and engaged the children really well."

"We were unable to run the event that we had hoped to run in association with Bristol Water because of Covid and have not yet been able to establish whether to try and proceed with it for 2023."

"Any opportunity that looks for reducing the impact of chemicals on the environment would be interesting to work on."

"Many more quiet areas around the lake - as befits SSSI status."

### Comments from the Annual Stakeholder Survey

"Fantastic in comparison to the other utilities. We know that if we have a client with water debt, that is one thing we don't need to worry about and we know we will be able to sort it out in some way and help someone who is struggling."

"They are trying very hard but there is more they could be doing. They recognise that we need to save more water."

"The company does take their social responsibility very seriously. I work with firms who do little token things, but they seem to go quite far with it."

**We engage with stakeholders directly, but also through an annual independently series of in-depth interviews, which includes business customers. 88% felt Bristol Water compared well with other utility providers, up from 55% in 2020. The survey showed record positive feedback from our stakeholders.**

Local authorities commented on our roadwork performance, which varied but some recognised the improvements we had made, whilst others suggested we could improve communication further. Other stakeholders mentioned how helpful we were to other public services, for instance providing alternative supplies even when we weren't responsible for the issue.

| Performance indicator | Scale used | Total 2017 | Total 2018 | Total 2019 | Total 2020 | Total 2021 | Total 2022 |
|---|---|---|---|---|---|---|---|
| Service received | Very good + good | 85% | 86% | 87% | 81% | 77% | 83% |
| Comparison other utilities | Very well + quite well | 72% | 60% | 56% | 55% | 82% | 88% |
| Doing business with | Very good + good | 72% | 70% | 76% | 72% | 77% | 92% |
| Good reputation | Agree strongly + agree slightly | 66% | 72% | 75% | 67% | 69% | 96% |

We are conscious that we have a greater identify with the city of Bristol than other areas we supply, which is inherent in our name, and that affects stakeholder perception of our community impact. Stakeholders recognise that size sometimes appears to limit our ability to communicate as effectively about the full range of our activities and to make changes, in particular for environmental challenges, as quickly as both we and our stakeholders would like.

Employee engagement remains a priority and was a key area of focus following our transformation during 2020/21. All the categories we monitor in our regular engagement survey showed improvements over last year, with an 8% increase in engagement overall. All of our managers took part in a structured series in house training during the year. This built on the increased visibility and awareness of the importance of leading and developing diverse teams, and developed the skills needed following the increased awareness of diversity, equality and inclusion following our "open mic" and employee blogs on their experiences in March 2021. We also began an "Aspire" programme for our future leaders to give them a grounding in expectations at an early stage of their career. We believe the improved performance of the business, in particular customer experience, has benefited from this focus. The purpose of the business makes a big difference to staff, whilst one disadvantage we have had as a small company is the ability to provide progression and career pathways. Pennon's rationale in aiming for "the best of the best for the great South West" values both of these priorities.

## Staff comments in our engagement survey

"The purpose driven nature of the business. The commitment colleagues show every day. Feeling that our business makes a difference to the customers we serve."

"More progression and development opportunities."

"Clearer pathway for progression at Bristol Water."


# Transparency, Engagement and Assurance

As well as the transparency of delivering our purpose through our social contract, another key priority for Bristol Water has been transparency on performance.

**In December 2021 we again published a mid- year performance statement for the first half of 2021/22, reflecting the challenges we were facing to deliver the challenging targets we set ourselves. We also provided an update on our Resilience Action Plan progress, a commitment we made at PR19. This report included direct comparisons of our performance to the rest of the industry, reflecting our ambitions. Our interactive performance summary available on our website at the mid-year and year-end continues to help to promote easily accessible and transparent information on both our performance and future plans.**

The Board takes transparency seriously and is responsible for supporting management in the decisions made. No decisions during 2021-22 were reserved for shareholders and no Board conflicts of interest were noted. Further details on our approach to Board leadership, transparency and governance is set out in our Risk and Compliance Statement. We were pleased Ofwat recognised during 2021 that we had been transparent on our dividend approach in line with the commitment we had made at PR19. We have updated the statement this year based on the experience of the first year of this level of transparency.

The Bristol Water Challenge Panel (BWCP) played an important role in providing a supportive challenge on our performance and customer engagement. One of our non-executive directors during 2021/22 provided direct access to the Board independent of management to ensure the importance of this role is reflected at Board discussions.

We contributed extensively to Ofwat's early consultations on the 2024 price review methodology, including producing two contributions to the "Future Ideas Lab", exploring our ideas on how to use customer and stakeholder views to make short term decisions in the context of what the water sector should do to build long term consensus and trust, as well as simplifying how incentives are set.

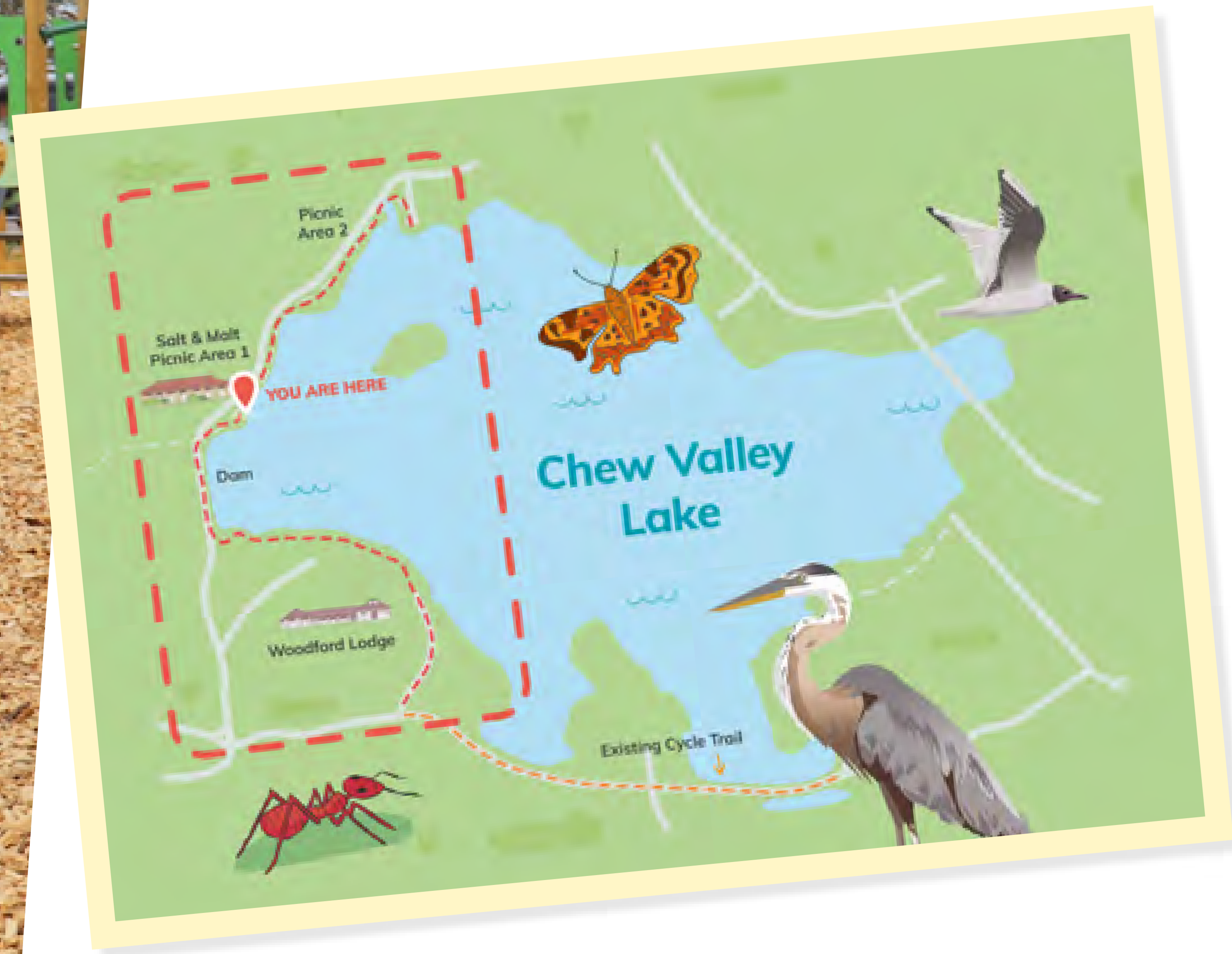
As part of West Country Water Resources we worked with others to produce a draft regional water resource plan for consultation in January 2021. This highlighted that our future water resources will need a mixture of reduced demand, both continuing to reduce our leakage as well as customer consumption. If Government targets for demand out to 2050 are met, then we may not need new water resource schemes, but we may still develop these as future water demand is uncertain and spare water could contribute to the regional and national plans for long-term water supplies.

We recognise that current inflation and cost of living increases are placing a financial strain on many parts of society. As a Board we will be reflecting on these challenges before we consider the Bristol Water charges for 2023/24 and beyond. This is in addition to the immediate benefit to Bristol Water customer bills from the Pennon acquisition.

# Recreation

Recreation at our reservoirs continues to be an important part of promoting water efficiency and our positive impact on the environment.

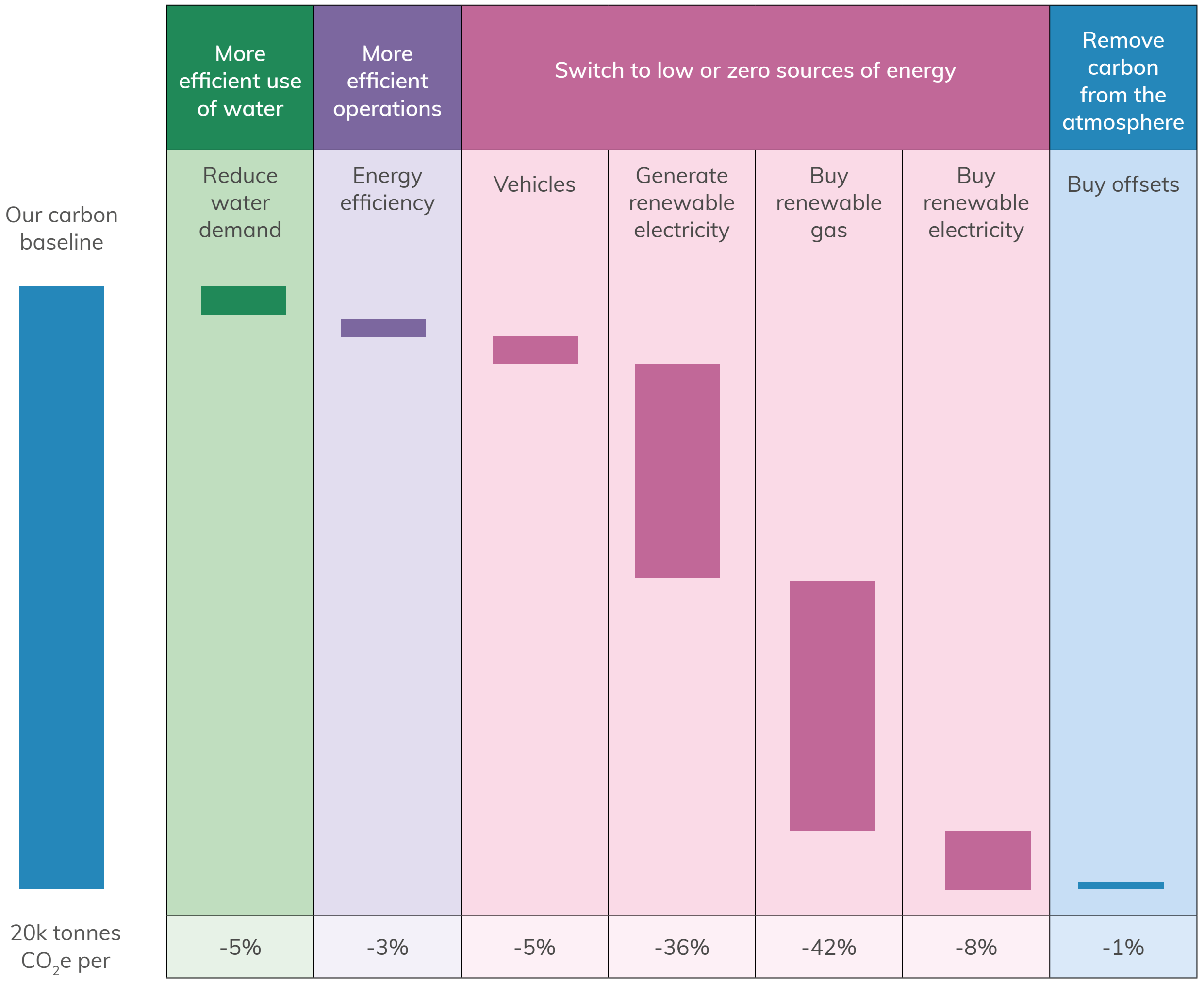
**A range of partners including the West of England Combined Authority, Bath & North East Somerset Council and Chew Stoke Parish Council worked with us on a new cycle trail at Chew Valley Lake. We also refurbished the playground as part of our birthday celebrations.**



# Carbon and Net Zero

## Our operational carbon emissions were 20.2kt CO2e, compared to 20.8kt in 2020/21.

This is a 3% reduction on the previous year and a 53% per capita reduction since 2015. We have extended the operation of a whole network of automated pump scheduling and optimisation system to reduce the amount of energy we use to produce and move water to our customers. Additionally, we completed a programme of pump replacements and refurbishment, to improve efficiency. In July 2021 we published our "net zero route map", which set out the options for how we get to zero operational carbon emissions by 2030.




Aim: **NET ZERO**

### MORE EFFICIENT USE OF WATER

Continue to reduce leakage from our pipes and encourage our customers to use less water. We will need to offset the increase from a growing population in our area.

RELATIVE COST ●●● CARBON SAVING ●●● LOCAL BENEFITS ●●●

### SWITCH TO LOW OR ZERO CARBON SOURCES OF ENERGY

Switching to renewable sources of energy.

RELATIVE COST ●●● CARBON SAVING ●●● LOCAL BENEFITS ●●●

### MORE EFFICIENT OPERATIONS

Design and operate our system to further reduce the amount of energy used to supply our customers.

RELATIVE COST ●●● CARBON SAVING ●●● LOCAL BENEFITS ●●●

### REMOVE CARBON FROM THE ATMOSPHERE

Carbon offsets and sequestration. There is uncertainty around the real benefit of offsets so we will take a cautious approach on their use.

RELATIVE COST ●●● CARBON SAVING ●●● LOCAL BENEFITS ●●●

# Innovation and Open Data

Many of our innovations in previous years, including our GISel smart water network, IPSOS pump scheduling and network modelling "digital twin" could be seen in our cost performance this year (such as energy efficiency) and in performance for customers, such as on customer supply interruptions.

**Our supply chain partners brought new innovations, such as a giant suction machine that reduces the risk of damaging utility cables during mains renovation, boosting health and safety and reducing risk of supply interruptions. Alongside our continuous water supply tech, innovation has allowed us to meet cost and performance targets whilst also giving customers great service. Another important innovation allowed us to pilot substituting a particular chemical at one of our treatment works with a cheaper and better alternative.**

We were successful in the Ofwat "Water Breakthrough Challenge" competition with our Flexible Local Supply Systems project, which was awarded over £620,000 to pilot a novel solution to drought planning while reinventing the water retail market as we know it. The first of its kind project will pilot the design of localised third-party water supply and treatment, seeking to overcome current market blockers. The project could deliver huge benefits for drought resistance and put more freedom into the hands of water retailers to incentivise business customers to save water.
We are delighted to be working with our partners at RWE, Castle Water, Binnies and the University of the West of England on this exciting project.

We are supporting three other projects that are being led by other water companies, providing time, data and expertise as the focus on future innovation in the water sector continues to grow. These are the environment DNA project, the follow on "to mix or not to mix" project, and a field lab project.

As well as these innovation projects, we have a number of open data work areas within our social contract, including in support of vulnerable customers.

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# Progress Against Plan Commitments

We summarise below our progress against the wide range of commitments we made as part of our 2020-25 business plan, our resilience and vulnerability action plans, and our social contract.

| Plan commitment | Detailed plan | 2021-22 progress | Status and actions taken |
|---|---|---|---|
| Excellent Customer Experiences | Affordability for all - lower bills for customers. | Our range of social tariffs continue to expand and bills on average will be lower across 2020-25 than 2014-15 levels as we plan to spend efficiently against our allowances. We introduced Covid assist for those in temporary difficulties and offered a two-year money back guarantee to provide customer support with opting for a meter. | On track |
| | Achieving customer excellence. | Our improving customer experience has our position of 6th for customer experience across the industry. We were in the top 10 of all companies across sectors for complaint handling in a recent survey by the Institute of Customer Service. | On track |
| | Inclusive services - that meets customers' individual needs, especially when they are most vulnerable. Aiming for zero water poverty. | Our uptake on social tariffs has increased by 4% to 21,209, ahead of the target of 20,705. Falling incomes under Covid-19 and inflation has however increased water poverty to 0.7%. This was a 0.1% increase over the last year due to our targeting of support despite challenging circumstances but remains above our target of zero. Vulnerable customer satisfaction was 89%, ahead of the target of 85% | Marginal |

| Plan commitment | Detailed plan | 2021-22 progress | Status and actions taken |
|---|---|---|---|
| Local community and environmental resilience | Reducing leakage | We are the only company to have already met the 2030 leakage target in Water UK's leakage route-map. Although there remains a challenge over the next three years to make further reductions down to 32Ml/d, we have so far delivered an 11.5% reduction since 2020, 19% since 2017 and 30% since 2015. | On track |
| | Promoting water efficiency and metering | Metering has improved over the last 12 months to 62.4% and we continue to progress towards our 75% ambition for 2025. The trend of metering increased as we enhanced promotion and offered a two-year money back guarantee to those who want to try a meter. | Area of focus |
| | Bristol Water for All - accountable to the community partners we work with for the wellbeing of society | Our local community stakeholder satisfaction survey reached 93% satisfaction, an increase from 88% in 2021 as we restart a number of initiatives put on hold during covid-19. | On track |
| | Building biodiversity and protecting the environment | Our biodiversity index mechanism tracks our performance to ensure there is net gain to the environment on the land we own and manage. Social contract initiatives support this, and we planted 931 trees as part of the Queen's Green Canopy initiatives for the Platinum Jubilee. | On track |

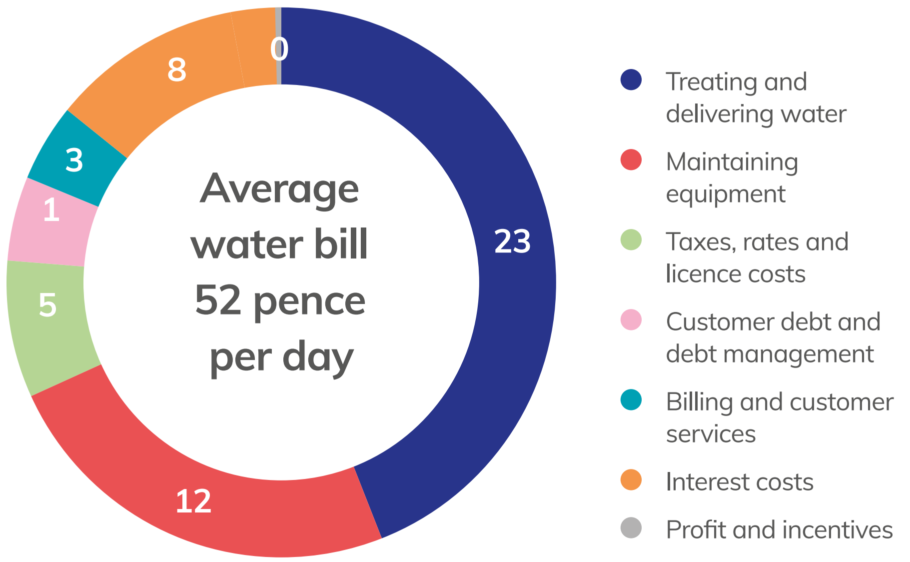
| Plan commitment | Detailed plan | 2021-22 progress | Status and actions taken |
|---|---|---|---|
| Safe and reliable supply of water | Improving water quality - including contacts for discolouration and taste | Water quality appearance contacts performance was adversely affected this year but reduced recently as a result of our investigations into the range of causes. Water quality compliance (CRI) also remains an area of focus - the total number of failures were similar to previous years but failures from samples taken at larger treatment works, had a high weighting on this index. | Area of focus |
| | Reducing supply interruptions | Supply interruption performance in 2021/22 has improved significantly from 2020/21 with performance of 2.5 minutes compared to the target of 6.1 minutes. This is due to our smart network modelling and operational response measures such as Continuous Water Supply. | On track |
| | Resilience – boosting protection | Mains repairs and other asset health metrics all met or were better than target. Targeted investment in mains replacement for asset health, water quality, leakage and supply interruptions will continue to ensure there are improvements in the network performance over time. | On track |

“Our local community satisfaction survey recorded 93% satisfaction, an increase from 88% in 2021.”

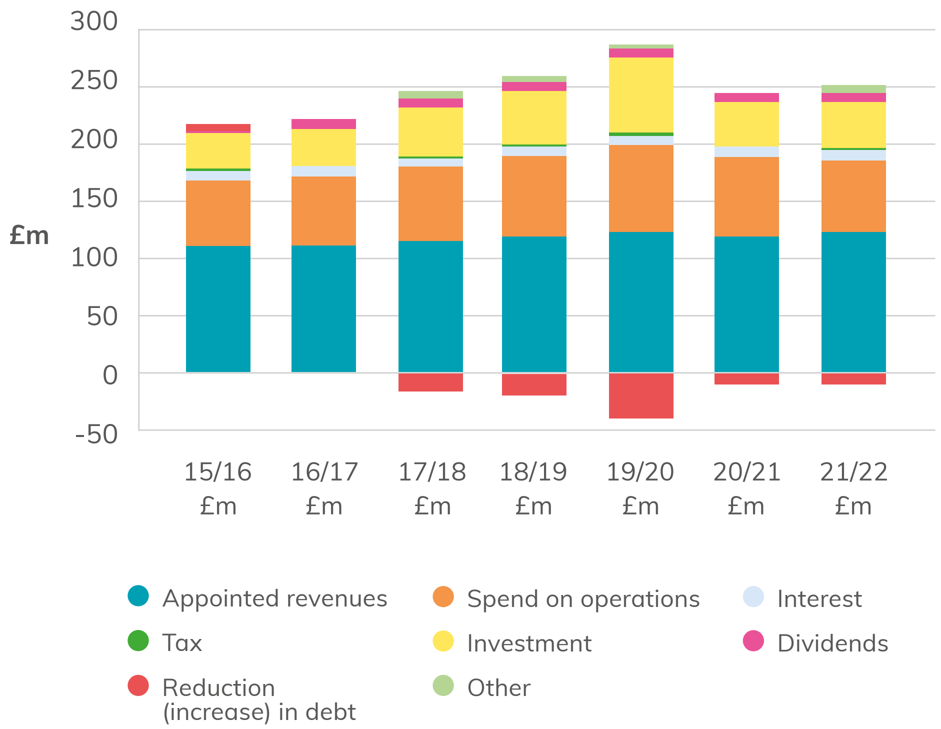
| Plan commitment | Detailed plan | 2021-22 progress | Status and actions taken |
|---|---|---|---|
| Corporate and financial resilience | Target an industry upper quartile or better efficiency position | We are on track to achieve our efficient cost allowances over 2020-25, aided by the impact of the transformation programme. | On track |
| | Reduce void rate to 1.8% (c1,000 fewer household voids) | Void levels remain stable and on track to meet target. We meter empty properties where possible so we can ensure voids are kept to a minimum if usage occurs, which minimises bills to other customers. | On track |
| | Fair and transparent remuneration and dividend policies | Ofwat recognised in 2021 that our dividend approach generally met expectations, in line with the commitment we had made at PR19. We have updated the statement this year to further improve this level of transparency. | On track |
| | Sharing scheme linked to delivery of community benefits and customer satisfaction | The acquisition in June 2021 of Bristol Water by Pennon, will allow customers, to benefit through a lower bill from 2023/24 as the higher financing cost allowance Bristol received as a small company, will be removed. Customers will benefit through the WaterShare+ mechanism, which shares the benefits of outperformance with customers, and also provides the opportunity to take a stake in the business. | On track |
| | Zero tolerance for health and safety failures | Health and safety remains an area of focus as we did not meet our stretching internal targets for our staff and contractors. Leading indicators of health and safety such as near miss reporting and leadership visits met their targets, reflecting our strong health and safety culture. | Area of focus |
| | Resourcing and development strategies to ensure that staff capabilities match our changing needs | We ran the first “Aspire” programme for our future leaders to give them a grounding in expectations at an early stage of their career. The Pennon acquisition provides progression and career pathways not available in a small company and is an opportunity as we plan the future together. | On track |
| | Deliver the Resilience action plan as set out in Bristol Water Clearly | We remain on track to deliver our resilience action plan with updates reported in our 2021 mid year report. | On track |

# Performance Links to Bills and Dividends

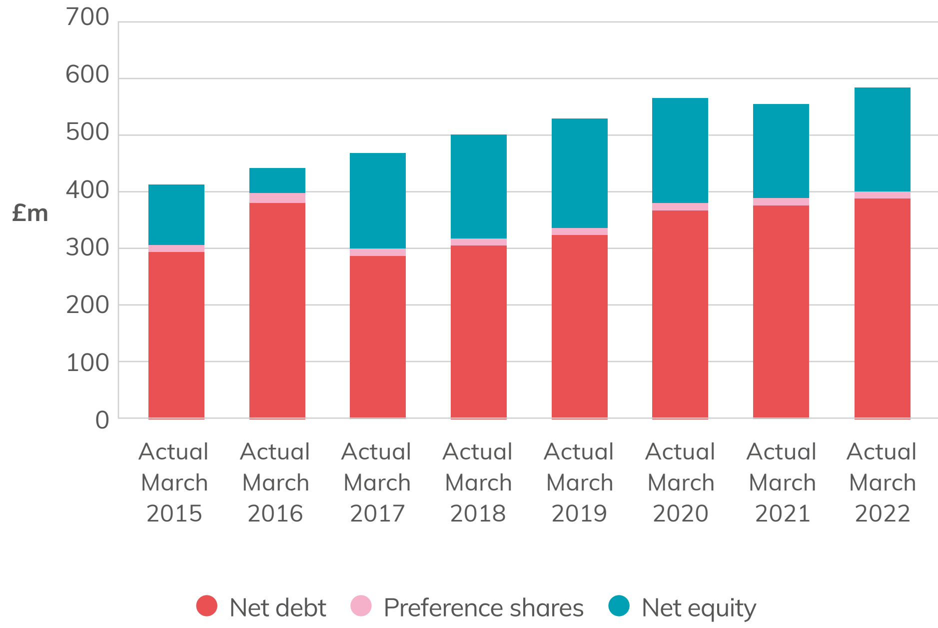
### Where your bill goes (p/day 2021/22)




### Use of regulated revenues




### Net debt and equity




The average household customer bill in 2021/22 was £189 equivalent to 52 pence per day. Expenditure and financial assumptions within the revenue controls result in a split into different categories as shown in the graph below. Profit (which includes the impact of incentive mechanisms) is either retained in the business or distributed outside of the appointed business through the payment of dividends.

The actual cash movements during 2020/21 showed an increase in net debt of £10.2m. This was largely as a result of the lower revenues from Ofwat's original PR19 determination, mitigated by efficiency savings. The profile of revenues following the CMA redetermination of PR19 means net debt may reduce in future years to offset this increase, as well as potential equity from Pennon following their acquisition of Bristol Water.

In 2021/22 RCV increased by £35.5m, compared to the increase in net debt of £10.2m. This reflected higher inflation than expected and good cost control.

# Since March 2015, gearing has fallen from 75.1% to 68.4% in March 2022, or 66.2% excluding preference shares.

**Gearing decreased by 2.6% during 2020/21, due to higher inflation boosting the RCV and good cost control. The benefit to revenues of the CMA Final Determination of c.£40m (after a bill reduction from the removal of the small company premium to the cost of capital following the clearance of the acquisition by Pennon) is likely to reduce gearing over the remainder of 2020-25.**

The CMA in its PR19 final decisions assumed that were Bristol Water to perform in line with the price review assumptions, it would earn a return on regulated equity (RoRE) of 4.4%. In 2021/22 we outperformed at 6.7%, with 1.4% of financing outperformance due to the timing of higher inflation, cost outperformance of 0.8%, and outcome incentive outperformance of 0.1%. In aggregate our RoRE performance is 4.9%, ahead of the amount assumed. This is summarised below.

| | 2021/22 year | 2020-2022 aggregate |
|---|---|---|
| RoRE Assumed at PR19 | 4.4% | 4.4% |
| Financing and tax | +1.4% | +0.5% |
| Cost performance | +0.8% | +0.4% |
| Outcomes performance | +0.1% | -0.4% |
| Actual RoRE | 6.7% | 4.9% |

The application of our dividend policy is summarised below. The dividend policy was established and approved by the full Board at PR19 and remains unchanged. The table below confirms, in line with our PR19 dividend policy that:

- The base dividend from PR19 is used as the starting point.
- We have not had to adjust for higher gearing but would make the adjustment in addition to financial resilience tests. The credit ratios we use are consistent with maintaining Baa2 (stable), by avoiding ratios in an individual year that would fall to a level that would risk downgrade from Baa3. The Long Term Viability statement confirms that in addition to this specific adjustment, we have considered separately that the level of dividend is consistent with our short and long term financial resilience.
- Our current financial ratios have been sufficient to pay the declared dividend. Our testing in the long term viability statement in our annual report confirms that we reasonably expect to adjust dividends for future costs and performance risks and paying this dividend does not adversely affect our future financial resilience. For instance, as the dividend policy shows, we currently have no outstanding enforcement action or material breaches where penalties could affect dividend policy or financial resilience.
- Explanations of our cost and outcome performance are set out in the APR and summarised earlier in this statement. The adjustments are consistent with the relevant tables within the APR, with adjustments as set out, for instance to adjust for PCC incentives which Ofwat will now consider at PR24.
- Our policy was clear that the cash neutral intercompany dividend would be considered in terms of financial resilience and wider performance tests, particularly if the total dividend yield was above the cost of equity. This is not the case for 2021/22.
- Our cumulative dividend yield at 2.3% (4.4% including dividends used to pay intercompany interest) is below our cumulative RoRE performance at 4.9%.

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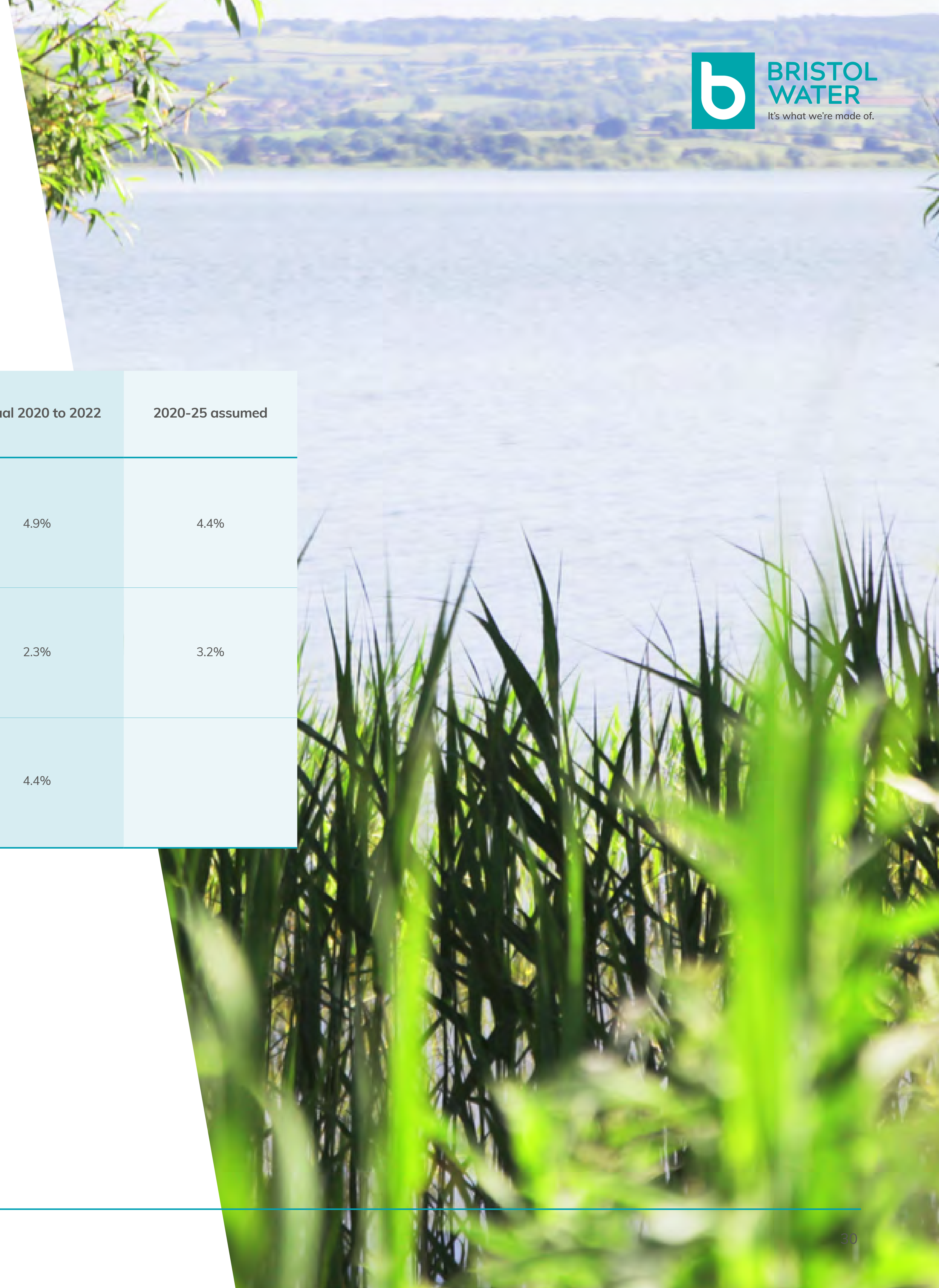
| Policy | Adjustment and APR table reference | £m (2017/18 prices) |
| --- | --- | --- |
| Base dividend based on the dividends calculated by the CMA (allowed base yield of 3.18% and growth rate of 1.55%) | This is the starting point, against which we consider adjustments for performance and over-riding criteria as set out below.<br>Not recalculated for outturn RCV for 2021/22. | £6.9m |
| Adjustment to share 50% of difference between allowed return on equity (6.62%) and actual cost of debt (5.48%) where gearing is above 70% (excluding preference shares) | Gearing is 66%, so zero | No adjustment required by policy |
| Are financial ratios consistent with Investment Grade rating? | Yes<br>AICR is greater than 1.1x (4H:16 is 2.63x)<br>FFO/Debt greater than 7% (4H:17 is 13%)<br>Baa2 positive rating (4H:10) | No adjustment required by policy |
| We will cap dividends at base level if the company is prosecuted/equivalent formal enforcement action and found in material breach of regulations where there are national reputational implications. | This has not applied. See risk and compliance statement for Board confirmation. | No adjustment required by policy |
| Adjustments for wholesale totex (with 55% sharing rate), adjusted for timing differences and end of period mechanisms (e.g. developer services). Excludes income offset | Actual £80.7m (4C: 2 and 16 in 17/18 prices) vs CMA £81.5m (4C: 1 and 15) 1F:10 +£0.897m. Income offset actual 2E:15 (deflated to 17/18 prices 1.0854) is £1.2m – CMA £3.9m = £2.7m. Impact of different sharing rates on cost aspects results in small positive.<br>No adjustment made for end of period mechanisms, which are currently expected to be a net positive. | -£1.8m |
| Adjustments for retail totex | Actual £9.2m vs CMA £10.0m. Total 1F:14 +£0.7m | +£0.7m |
| ODI rewards and penalties | Table 1F +£0.3m includes a £0.4m estimate for CMEX reward (compared to 1F £0.2m for prior year CMEX and DMEX) and -£0.3m adjustment for PCC | +£0.4m |
| Employee Interest test: deduction to reflect pension deficit contribution | Not applicable – no deficit | No adjustment required by policy |
| Performance adjusted core dividend | Subtotal of above | £6.2m |
| | | **Outturn prices** |
| Inflated from 2017/18 to current prices | Inflation factor 1.086 | £6.7m |
| Intercompany dividend | Reflects interest at group company. No net cash impact but considered within maximum dividend yield below. | £2.8m |
| **Total dividend according to dividend policy** | **Total** | **£9.5m** |
| **Actual dividend paid** | | **£8.6m** |
| Dividend policy balance from 2021/22 | | +£0.9m |
| Dividend policy balance carried forward from previous year | | -£1.2m |
| Dividend policy balance carried forward to future years | | -£0.3m |
| Note: Maximum dividend yield consistent with cost of equity (4.73%) | This is a reference point used in our policy for further consideration of wider performance to test whether a higher dividend than this would be sustainable. At this level the cash neutral payment of the intercompany dividend remains consistent with our overall performance. Reflects outturn RCV for 2021/22. | £10.8m |




## The actual dividend yield is 4.4% so far in this price review period.

The table below shows how assumed returns compare to our actual dividends over time. The dividend yield before and after intercompany financing remains below the RoRE returns, reflecting- equity retained in the business.

| | Actual 2015-2020 | Actual 2020/21 | Actual 2021/22 | Actual 2020 to 2022 | 2020-25 assumed |
|---|---|---|---|---|---|
| Return on regulated equity (RoRE) | 4.7% | 3.1% | 6.7% | 4.9% | 4.4% |
| Actual dividend yield (excl. Intercompany) | 1.7% | 1.2% | 3.5% | 2.3% | 3.2% |
| Actual dividend yield (incl. Intercompany) | | 3.6% | 5.2% | 4.4% | |

# Summary of Board Assurance

In pages 84 to 89 we have laid out in detail the assurance activities which we have performed which have enabled the Board to sign the Assurance Statement on page 83 within the Risk and Compliance Statement.

**In the Assurance Statement the Board has confirmed that data that the Company has published in the year as well as provided to Ofwat, other regulators and significant stakeholders is accurate and complete in the opinion of the Board. The Board has not identified any exceptions to this.**

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. This Annual Performance Report has been reviewed by the Board which has considered both the assurance performed over the data we are reporting as well as the consistency of the narrative throughout the report with the data, our performance and how the Company operates.

The Board's Assurance Statement has considered in more detail the areas which we consider 'Significant Areas for Assurance;' which have been identified in our published Assurance Plan given their importance to our customers and/or other stakeholders. Bristol Water's Assurance Plan was published following approval by the Board in February 2022. This includes the plan for post-year end assurance of technical and financial data contained in this report as well as other year end reporting relating to the 2021/22 year end.

It also contains other areas identified as key areas for assurance relating to the 2021/22 year. The full statement of Board Assurance is supported by details of assurance performed across our key areas for assurance.

PWC has performed regulatory audit procedures as well as limited agreed-upon-procedures work providing assurance over specified financial data contained in this report. They have also performed statutory audit procedures covering our Annual Report and Financial Statements. The Independent Auditors Report is on pages 98 to 99.

Turner & Townsend has performed technical assurance audits on all performance commitment data reported in this report in addition to all other non-financial data in the Regulatory Reporting section. The Technical Assurer's report is on pages 100 to 101.

The Bristol Water Challenge Panel scrutinise our performance against our 2020-25 plan, the operation of our social contract and our customer research and engagement, including but not limited to for price reviews. They publish a full annual report on their activities, with a summary statement provided below.

# Bristol Water Challenge Panel Statement

The Independent Customer Challenge Group for Bristol Water is known as the Bristol Water Challenge Panel (the Panel).

**The Independent Customer Challenge Group for Bristol Water is known as the Bristol Water Challenge Panel (the Panel).**

We scrutinise the work of Bristol Water on behalf of customers, and we ensure that customer research conducted by the company is sufficient, robust, and clear for the purposes of business planning and customer satisfaction.

The Panel welcomed the acquisition in June 2021 of Bristol Water by Pennon. It is important to emphasise that the Panel and all its members continue to be independent from Bristol Water, Pennon and Ofwat, although we rely on Bristol Water to carry out our functions.

The Panel places great importance on the need for Bristol Water to build and maintain trust with its customers by providing clear, high-quality information on its service performance, on billing matters and on operational issues.

One of the Panel's roles is to monitor, scrutinise, challenge and report on Bristol Water's performance against its 29 performance commitments (PCs) for 2020 to 2025 as defined in Ofwat's Final Determination for the Price Review 2019 and as amended by the Competition and Markets Authority in March 2020. The Panel has done this, both at the mid-year and end-of-year positions. It also reviewed the company's data, information and assurance regime and the audit findings of the company's independent technical assurer, Turner & Townsend. The Panel has received assurance from the independent assurer that the company's performance information is reliable and accurate.

The Panel is pleased that Bristol Water has again produced an easily readable performance report, complemented by an interactive presentation found on its website that aids the understanding of information related to its PCs for customers and other stakeholders. The company has also for the third consecutive year published an interactive presentation specifically on progress of its Social Contract initiatives.

The Panel has questioned the company in depth over movement against specific targets, to understand the reasons for changes in performance, and the prospects for 2022/23.

Bristol Water met, outperformed or was within agreed tolerances of 22 (76%) of its PC targets for 2021/22, which is an increase on the 62% achieved in 2020/21. The Panel is pleased to see these outcomes. It welcomes the improvement in performance over 2020/21 and the company's efforts to mitigate the impact of external factors such as the COVID-19 pandemic, which continued from the previous year.

The ongoing focus on reducing leakage, its strong performance on reducing supply interruptions and its improved performance on Priority Services, will be particularly welcomed by customers, especially those adversely affected by the ongoing pandemic and the cost-of-living crisis. The Panel welcomed the company's focus on customers who are struggling to pay their bill and the range of assistance measures it has in place. It was also pleased to see Water UK highlighting Bristol Water's leakage performance; being the only company currently that has a leakage level low enough to meet the sector's public interest commitment.

The Panel welcomed the increased stakeholder response rate to the company's Local Customer Satisfaction, but noted the rate is still under 50%.

The Panel scrutinises the underlying causes of underperformance and the company's plans to improve. It will continue to monitor progress and challenge and encourage Bristol Water to get back on track. The Panel is disappointed that the company has not met seven of its targets for this reporting year, particularly in water quality compliance and appearance, meter penetration and household per capita consumption. The Panel received briefings on these areas of performance from the company and was made aware of its efforts to mitigate the impacts on customers and its business where it could. Bristol Water has explained why certain water quality and water efficiency targets were missed and its plans to improve performance in future. The Panel welcomed the additional operational practices it introduced or strengthened during the year and the company's intention to meet all its PC targets wherever possible.

Bristol Water continues to make progress on its Social Contract initiatives and the Panel observed that the benefits to its communities and the environment are becoming apparent. The Panel welcomes this and will continue to work with the company to ensure that the ambitions of Bristol Water complement those of local stakeholders.

The Panel continues to encourage the company to improve on its understanding of customer and environmental needs, particularly in rural areas. While there is more to achieve, research and reporting on this wider perspective is increasing.

The Panel thanks Bristol Water for its openness and transparency throughout the year and for providing it with regular, timely briefings and presentations and sharing its thinking on how it intends to improve its operational performance and customer service.

On behalf of the Bristol Water Challenge Panel.

**Mrs Peaches Golding OBE CStJ**
Independent Chair
15 July 2022

# Market Strategy

Our ambition is to provide an excellent experience to all of our customers, including the business market retailers, developers, new appointments and variations (NAV), self lay providers, potential participants in the water resource markets and other market innovators.

**We continue to perform well in the retail market performance metrics monitored by MOSL with a consistently high level of performance since the market was created in 2016. At 96.8% we were the third best performing water company in MPS (market data performance standards) and also third in OPS (operational performance standards). We were 6th in the most recent R-MeX survey of retailer satisfaction. Our developer services performance (D-MEX) is expected at the median for the industry, compared to our target of 5th. We have targeted improvements in performance during the year which we believe should improve our performance towards our target for 2021/22.**

We have made a significant contribution to the development of the regulatory framework, working with RAPID (the Regulators' Alliance for Progressing Infrastructure Development) through leading a working group to develop a set of principles for the future pricing for strategic water resource schemes. We also contributed extensively to Ofwat's PR24 methodology preparations, including publishing a proposal on how to set outcome incentives, which Ofwat consulted on in one of its preparatory discussion documents.

We also led innovation in markets. We were successful in the Ofwat "Water Breakthrough Challenge" competition with our Flexible Local Supply Systems project, which was awarded over £620,000 to pilot a novel solution to drought planning while reinventing the water retail market as we know it. The first of its kind project will pilot the design of localised third-party water supply and treatment, seeking to overcome current market blockers. The project could deliver huge benefits for drought resistance and put more freedom into the hands of water retailers to incentivise business customers to save water. We are delighted to be working with our partners at RWE, Castle Water, Binnies and the University of the West of England on this exciting project.

**During the last year we also:**

- Introduced an updated policy on alternative credit arrangements for business retailers, to provide greater flexibility for credit options for those who have a track record of complying with market payment terms or can offer alternative forms of evidence on a lower level of credit risk.
- Actively engaged with developers, retailers and their representatives as we updated our charges and services.
- Updated our website, including a new dedicated page for NAVs.
- Worked with a NAV on emergency arrangements for business resilience and provision of services.
- Introduced an upgraded portal for developers. Further innovations including "live chat" will be introduced during 2022, showing the benefits of our single "customer hub" approach for all customers, whatever their circumstances
- Worked with developers on a potential pilot to explore discount on infrastructure charges for water efficient developments.
- Updated our water resources market information.
- Introduced some simplifications for our developer service charges following consultation with market participants, whilst maintaining detailed cost reflectivity in our charges.

"We are delighted to be working with our partners at RWE, Castle Water, Binnies and the University of the West of England on this exciting project."

# People Strategy

## Health and Safety

Over the past year, our Health & Safety performance has improved with the number of RIDDOR reports decreasing by half to two and accident numbers reducing by 16% on the previous year. Our performance continues to improve with the suite of leading indicators demonstrating our proactivity in ensuring the health, safety and wellbeing of our people. All targets for near miss reporting, hazard reporting, site safety inspections and senior leadership visits were either met or exceeded. These successes complement our sustained emphasis on continual improvement, our renewed focus on communication and our commitment to a just and fair culture.

## Skilled workforce

One of our objectives is to “Develop our People and our Business”, as we recognise that our people are key to the delivery of our strategy, they are the source of our customer excellence and innovation. Therefore, our aim is to have the “right people, in the right place, with the right experience, at the right time”.

We are working hard to ensure that we are seen as an ‘employer of choice’ and that our people share our values and objectives. Our appraisal process continues to provide all employees with an opportunity to agree meaningful personal objectives to support the wider business objectives, all whilst demonstrating our key behaviours. In addition, everyone in the Company shares the same business targets for the annual bonus scheme, ensuring our people are all pointing in the same direction.

From feedback through our Employee Engagement Survey, we recognise that for many of our people personal development is very important. To support this, we encourage and train line managers to have discussions about what this might include. For some it might be an opportunity to improve the core skills needed for their job role, for others it might be additional skills to support their future ambitions. It’s important that the development opportunities offered are relevant to the individual and that they deliver the outcomes needed. Our internal Talent team deliver many different opportunities for learning and development through structured courses, such as our management L.E.A.D (Learn-Engage-Apply-Develop) programme, as well as providing bite-sized learning opportunities through channels such as webinars, podcasts, e-learning and TED talks which allow individuals to access these at the point of need. This year also saw the launch of the LEAD aspire programme, a bespoke programme aimed at the leaders of tomorrow, equipping them with the skills and tools to not only progress their career, but perform in whatever the new role they find themselves in.

Employee volunteering in support of our social contract initiatives is another way in which we support our people to develop, and staff across the business have been active volunteers in their communities, despite the challenges COVID-19 has sometimes brought.

## Gender pay gap

Since 2017, all UK organisations with more than 250 employees have a legal obligation to publicly report on their gender pay gap. The gender pay gap measure is the difference between the average earnings of men and women, expressed relative to men’s earnings.

There are four measures calculated to report on the pay gap. A mean pay and bonus gap measure and a median pay and bonus gap measure. The table below shows the figures for Bristol Water from 2021 and 2020.

Our gender pay gap performance has continued to improve year-on-year which is pleasing. This result has arisen due to an increase in female representation in senior roles and a continued focus on increasing female representation in our field workforce.

However, there remains a gap which needs addressing in the coming years. Whilst significant progress has been made in the two areas highlighted above, the is still a lack of overall female representation in senior roles, which is a common issue within the utility sector which we are trying to address, and our field operations are heavily male dominated. Field based roles come with additional allowances, such as overtime, stand by and shift premiums, and are included in the figures where consolidated pay agreements are in place. Excluding these elements, and therefore comparing base pay only, our mean gap would stand at only 2%. More work is required to increase gender diversity in our field operations.

It is important to note that the gender pay gap figures do not mean we are paying our male and female workforce different amounts for the same work, but it does highlight that there is still more we need to do to reduce the gap.

**Steps already being taken to help close the gender pay gap include:**

- Gender neutral advertising to attract male and female candidates equally to roles.
- Competency based interviewing to ensure candidates are scored against consistent and objective measures.
- Training through our LEAD management programme which includes competency interview guidance to highlight the issues of unconscious bias and the steps available to mitigate but also how to be an inclusive leader.
- Company-wide engagement to support diversity, equality and inclusion awareness which includes mandatory training during the onboarding journey.
- Engagement with local schools and educational establishments to inform students of prospective career opportunities in the Water sector and at Bristol Water.
- Mentoring of students at local colleges and universities and offering work experience placements and Internships.
- Partnering with local charities to support social mobility and opportunities for all.
- Creating work placements via Charities such as Women’s Lab.

The full report can be found on our website and includes further detail on our workforce split, pay distribution and what else we are doing to address the gap.

| Snapshot Date: 5 April 2021 | Snapshot Date: 5 April 2020 |
|---|---|
| Mean Gender Pay Gap – 11.18%<br>Median Gender Pay Gap – 14.41%<br>Mean Bonus Gender Gap – 25.6%<br>Median Bonus Gender Gap – 19.4% | Mean Gender Pay Gap – 13.3%<br>Median Gender Pay Gap – 15.0%<br>Mean Bonus Gender Gap – 48.9%<br>Median Bonus Gender Gap – 29.8% |

## Diversity

We aim to be a fully inclusive employer and our focus internally is on promoting equity and inclusion throughout our people policies, procedures and practices which align to our core values. As a local employer in Bristol, we are aware and conscious of challenges we have as a society in ensuring equality, diversity and inclusion throughout all aspects of what we do. We are committed to employment policies which follow best practice as set out by The Advisory, Conciliation and Arbitration Service and which are based on equal opportunities for all employees. We are a member of the 'Social Mobility Pledge' and the 'Energy and Utility Skills Inclusion Commitment'.

Over the past 12 months, we have continued our Diversity, Equality and Inclusion B-Talks with a number of guest speakers talking with business on a range of topics covering Menopause, Inclusive Cultures, Mental Health, & wellbeing to name a few. We have also set up a Women's Network group and a LGBTQ+ Network both of which are chaired by employees.

In attracting new talent to the organisation, we make sure that full and fair consideration is given to all applications. Our key focus is on having the best talent at all times and that means selecting on the basis of skills, experience and attitude. Having colleagues who share our vision and values ensures the Company is on target to deliver our objectives successfully.

Our management training programme supports recruitment and development by ensuring our managers are aware of how to avoid any form of bias and that they have the appropriate interview skills to select the best candidate for the position. These skills help encourage and support diversity as well as ensuring we attract and retain the best talent. Our Inclusive Leadership module also supports the creation of an inclusive culture and allows our managers to reflect on their own experiences and develop their understanding on the topic.

We regularly review our policies relating to flexible working practices, and the changes imposed by the COVID-19 pandemic have shown how, by adapting our practices to focus on outcomes, we can offer support for parents and carers helping to promote an inclusive and supportive culture. These changes have now been embedded into our policies to ensure we remain a flexible and inclusive employer. This year also saw us update all of our people related policies to ensure they reflect our values, but also our ED&I commitments, one example of this is removing gender pronouns from our policies.

Looking forward, we have recently linked up with two local charities; Key4Life which aims to create opportunities for young offenders or those at risk of offending and Women's Work Lab, which aims to support unemployed mums return to the work or become work ready. We are delighted that the first two placements are already lined up for the summer of 2022.

## Modern Slavery Act

We strongly oppose all forms of slavery and human trafficking and would never knowingly conduct business with suppliers or contractors engaged in such practices. We have several key contract partners who work with us to help us deliver services for our customers in our supply chain including, amongst others, Bristol Wessex Billing Services Limited ("BWBSL") (trading as Pelican Business Services ("Pelican"), Network Plus, Lewis Civil Engineering and Wipro. They and our other suppliers know that we require our contractors and suppliers to comply with the Modern Slavery Act 2015 (the "MSA Act"), and importantly that we will not continue to purchase goods or services from any supplier that does not fully support this legislation and our own contractual terms. We continue to review our operations and supply chain regularly to evaluate human trafficking and slavery risks, and we include compliance with the MSA Act as a requirement before entering new agreements with contractors or suppliers.

The Pennon Group are members of the Slave-Free Alliance, which is part of Hope for Justice, the global anti-slavery charity. The group's membership demonstrates commitment to the highest employment standards for both our direct employees and those within our supply chain.

# ESG (Environmental, Social and Governance) Strategy

## Our social contract

We have continued to deliver additional value to our communities through our social contract – which provides a governance framework for social and environmental value, linked to a specific set of projects. Some examples of the projects included in our social contract are provided below. Further detail can be found in our published Social Contract Benefit and Transparency Report at www.bristolwater.co.uk/about-us/our-story/social-contract

Our social contract includes volunteering commitment from our staff, who have up to two days each year to contribute to social contract initiatives and community projects. In 2021/22 190 volunteering days were recorded. We achieved 93% local community stakeholder satisfaction with our initiatives.

## Resource West

We are taking a community leadership role for broader issues of resource efficiency and have created partnerships with the University of the West of England, Wales and West Utilities, Western Power Distribution and Bristol Pay CIC. We've kicked off a three-year project starting with a planned series of trials across our supply area, which are focused on testing different messages and approaches. This recognises the need for cultural change in resource consumption, together with combined support for customers who struggle to pay their bills.

## Our Youth Board

We host an annual Youth Board programme which brings the views of young people into our decision making, as well as providing development opportunities and business experience for the young people involved. We used our Youth Board this year to explore with sixth formers why they think the views of their generation may differ from water customers in general. As we found previously, young people perceived themselves to be more conscious of the environment than older generations. We tested the concept of intergenerational fairness and found that the youth board expected investment costs to be spread over multiple generations and were concerned about these being deferred into the future due to concerns around uncertainty or affordability.

## Supporting vulnerable customers

In response to the pandemic, we increased our focus on providing a service to all those vulnerable customers who need our support the most. It has heightened our awareness of vulnerabilities and will continue to shape our work. We have continued to work with our partners to reach those customers who are most in need but unaware of the extra services which we offer. We have seen an increase of households on our Priority Services Register to over 7760 households.

## Working with our communities and stakeholders

We have continued to play an active role in the Bristol One City Plan through our role in the Environmental Sustainability Board and by working with Bristol Green Capital Partnership to link our own strategies to those of the city. We are now working to explore the benefits of a combined infrastructure planning approach.

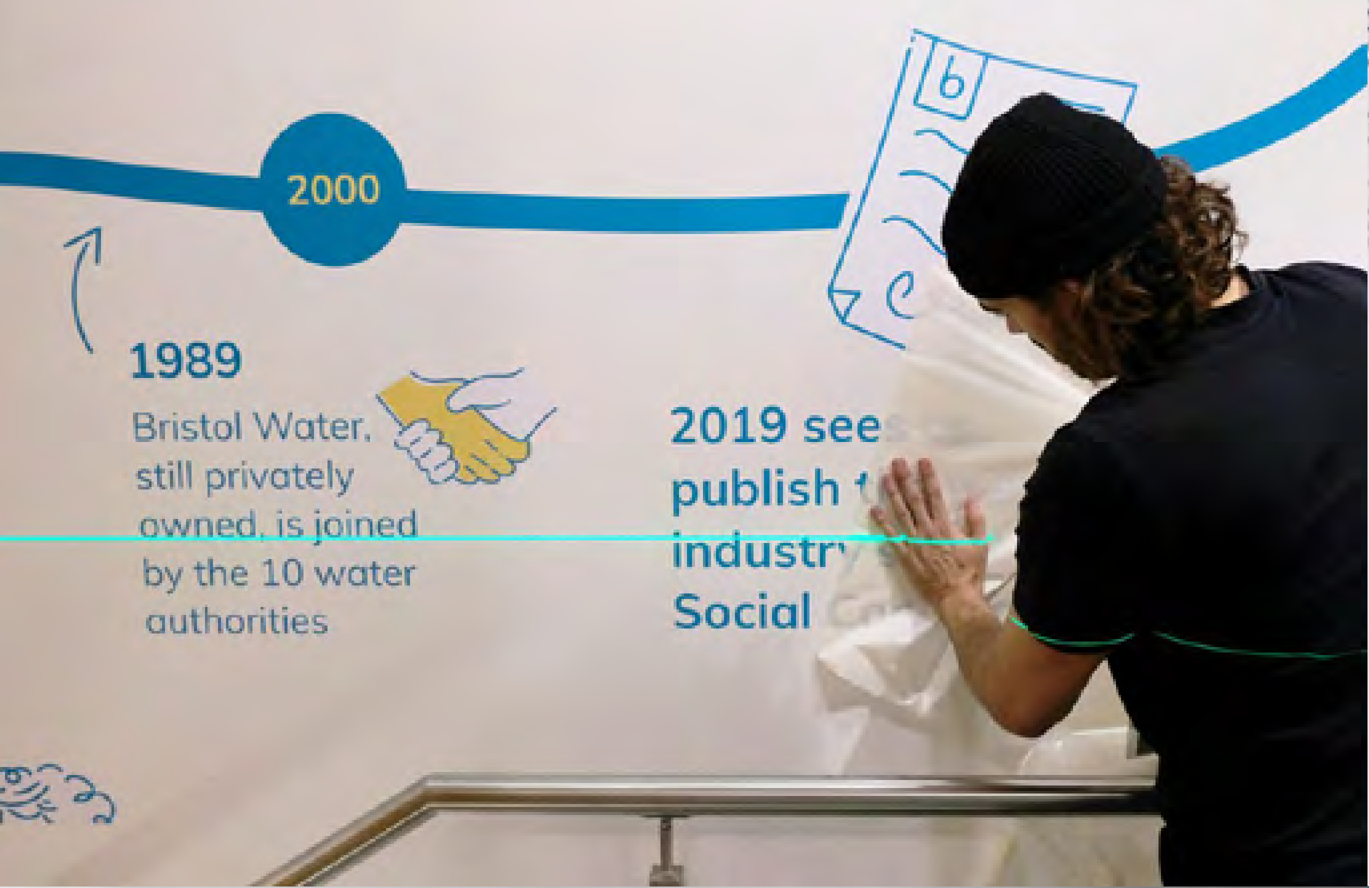
We have provided learning experiences to university students through work-based placements. We have also completed our on our Sustainable Urban Nexus (SUNEX) project, which explores the circular economy in relation to water, energy and food in urban regions through an international academic partnership.

This is a monthly competition which provides £500 to a charity or community scheme – so over the year we supported 12 different projects which benefit our local communities. Some examples of charities and community groups which we supported are Brigstowe (who deliver local HIV support services), Migrateful (who help refugees and asylum seekers on their journey to independence) and Grief Encounter (who support those suffering from grief).

## Bristol Water the Foundation

Since launching Bristol Water the Foundation in January 2021, we have continued to add learning resources to this learning and development portal. The foundation now offers 50 free learning resources, together with information on mentoring opportunities and community learning partnerships.

"We are taking a community leadership role for broader issues of resource efficiency."









BRISTOL WATER
It's what we're made of.

## Our 175th Anniversary

Last year we celebrated our birthday on 16th July 2021, the 175th anniversary of the passage through Parliament of the Bristol Waterworks Act. We marked this occasion with a range of activities, including the publication of a new social history of Bristol Water to reinvigorate our story for future generations. In our celebrations we reflected the philanthropic purpose of our founders including Francis Fry, Sir John Kerle Haberfield and Dr William Budd, whose connection of public health to clean drinking water was ground-breaking. Our birthday was a good reminder that solving the challenges faced by society, climate and ecological emergencies, still depend on local community-based solutions.

As part of our celebrations, we were also delighted to host a visit from HRH the Duke of Gloucester in recognition of our big birthday. HRH visited us to learn about our history, thank our staff for their local community service during COVID-19, open our new staff water saving vegetable allotment, and to plant the first of 1,200 trees as our contribution to the Queen's Green Canopy. By the end of March 2021, 931 trees had been planted, contributing to our Biodiversity net gain. Our Biodiversity index also benefited from work associated with the new Chew Valley Recreational Trail, which was opened in May 2022.

The Chew Valley Recreational Trail is a new 2.7km all-weather path allowing more people to take in the beautiful sights of Chew Valley Lake. The £1.6m walking and cycling path on the northern section of the lake will make the Chew Valley Trail accessible for pedestrians and cyclists to enjoy. The project includes a new 840m off-road pedestrian and cycle shared use path running between Woodford Lodge and Walley Court Road. The path continues across the dam on a shared use walking and cycling route and then continues towards Bishop Sutton. The project was funded by £1.1m from the West of England Combined Authority, a £507,000 grant from the European Agricultural Fund for Rural Development and contributions from Bath & North East Somerset Council and Bristol Water.

# Innovation Update

Many of our innovations in previous years, including our GISel smart water network, IPSOS pump scheduling and network modelling “digital twin” could be seen in our cost performance this year (such as energy efficiency) and in performance for customers, such as on customer supply interruptions.

**Our supply chain partners brought new innovations, such as a giant suction machine that reduces the risk of damaging utility cables during mains renovation, boosting health and safety and reducing risk of supply interruptions. Alongside our continuous water supply tech, innovation has allowed us to meet cost and performance targets whilst also giving customers great service. Another important innovation allowed us to pilot substituting a particular chemical at one of our treatment works with a cheaper and better alternative.**

We were successful in the Ofwat “Water Breakthrough Challenge” competition with our Flexible Local Supply Systems project, which was awarded over £620,000 to pilot a novel solution to drought planning while reinventing the water retail market as we know it. The first of its kind project will pilot the design of localised third-party water supply and treatment, seeking to overcome current market blockers. The project could deliver huge benefits for drought resistance and put more freedom into the hands of water retailers to incentivise business customers to save water. We are delighted to be working with our partners at RWE, Castle Water, Binnies and the University of the West of England on this exciting project.

We are supporting three other projects that are being led by other water companies, providing time, data and expertise as the focus on future innovation in the water sector continues to grow. These are the environment DNA (eDNA) project, the follow on “to mix or not to mix” project, and a field lab project. The eDNA project represents a novel and new analytical technique which may be able to be used as routine laboratory technique to quantify taste and odour causing compounds which are common causes of customer rejection of water and complaints regarding taste and odour. They are associated with algal blooms and actinomycetes in raw waters. Special “backpacks” are used by our Water Quality team to take samples at Barrow Tank reservoirs and Blagdon (one reservoir which is naturally de- stratified and the other which is artificially de-stratified using a diffused aeration system respectively). Water is then filtered using specialised cartridges which capture and dry DNA from the water (be it fish, insect, algal) and this is then sequenced and measured by the team at Cardiff University.

For the mix or not to mix project, we share data and provide some sampling and analysis of our reservoirs. This project follows on from the eDNA project. This project looks at the likelihood and severity of algal blooms with a view to management and prevention. This will actively seek to prevent and manage the conditions that cause blooms and also look at the management of Manganese and Iron in these raw water systems, so is multi beneficial in that there is some benefit to reducing the likelihood of discolouration and also chemical use in water treatment. Partners for this work are Cardiff University, NERC, University of Bath, United Utilities, Welsh Water (DCWW), Jersey and Guernsey Water, Yorkshire Water, Anglian Water and Scottish Water.

Our In line monitoring project was initially unsuccessful for OFWAT innovation funding however the work is continuing with support from the commercial partner ATI, United Utilities part funding an intern, Imperial College and Bristol Water. This sees the existing field lab which is in the North Bristol expanding and taking the learning from the five years of trials to evolve the outcomes to alter the landscape of network monitoring and move towards a digital twin.

“Alongside our continuous water supply tech, innovation has allowed us to meet cost and performance targets whilst giving customers great service.”

This project uses physical parameters such as chlorine as a surrogate to measure the quality and age of water as it travels through our networks, and we have been able to make a comparison between statutory spot samples taken in the same areas as the field lab to provide validation of this new approach. This data has been used in conjunction with hydraulic data from pressure monitoring points in the network to model what the “normal” calm status of the network is running at and provide an early warning of when conditions change and are indicative of possible deterioration in flow/pressure and/or water quality.

Working with the University of the West of England in 2021 a small study was conducted into the feasibility of using the data gained from the field lab to show that this was equivalent or better, as is demanded with any potential new methodology to be used in the demonstration of water quality for the purposes of the water quality regulations. This study showed that there was the need to extend the trial area to provide closer correlation in geographic location of spot samples versus the ATI monitoring equipment.

During 2022 the consortium has moved to identify possible locations to extend the field lab (key network nodes) and has put the first bollard permanent installation monitoring station in place. The below image shows the new bollards containing the sensors and water quality monitoring instrumentation.

This group is now working on phase two of the project whereby the field lab is extended and we are able to provide more coverage of our network in real time to proactively prevent Water Quality issues, support leak and burst detection, and ensure our customers can take for granted a continuous supply of excellent quality water. The next phase will also see a “validation and verification” step where we will be outlining the information that we will require to approach regulators with a long term view of accepting this data for statutory purposes and over time move towards a continuous monitoring regime for water quality, reducing reliance on spot samples.

# Net Zero and Energy Strategy

The majority of our carbon footprint (91%) is from the energy required to treat water to a safe standard and transport it to our customers.

**While we continue to find new ways to treat and distribute water more efficiently, such as through our latest pump optimisation software, the greatest opportunity for us to reduce carbon emissions is to encourage and support our customers to use less water – in particular less hot water in their homes and businesses. With rising energy prices, supporting customers to use water efficiently provides wider benefits than saving water.**

We think that longer term behavioural and cultural change, rather than shorter term behavioural change, is required to address the climate and ecological crisis that society faces – using water thoughtfully needs to become a new social norm. So, as part of our response, we are investing in an education programme and working with our stakeholders to find the best way of getting our messages to younger generations. In addition, we are working with other local utility providers, retailers, education charities and environmental experts to develop a joint education campaign so that we deliver a clear overall message on water, energy and waste. Through such actions, we hope to encourage younger generations, their parents, landlords, employers and education providers to make lasting changes to their water usage.

The aim of the water industry is to achieve net zero carbon emissions during operations for the sector by 2030. As energy-intensive businesses, we have an important contribution to make in tackling the causes of climate change. We can make a real difference through measures such as greater water efficiency, buying green energy as well as generating renewable energy ourselves, planting trees, restoring peatland and working with our supply chain.

## 2021/22 performance

As part of the Pennon Group, Bristol Water's Streamlined Energy and Carbon Reporting (SECR) is included within the Pennon Group Report, however the Company's emissions are also detailed below to provide additional context.

Energy efficiency is vital to business productivity and supports the transition to a low-carbon business against the backdrop of climate change.

**Our gross operational emissions for 2021/22 were equivalent to 20,198 tonnes CO2, defined by the scopes below:**

- Scope 1 (direct emissions): Fuel use from transport we own, fuels used for heating and electrical generation.
- Scope 2 (indirect emissions): Electricity purchased and used for operations
- Scope 3 (other indirect emissions): Electricity transmission and distribution, transport fuel use of our contractors, water treatment waste disposal, and public transport use.

## Scope 1,2 & 3 carbon emissions

| | 2021/22 | | 2020/21 | |
|---|---|---|---|---|
| Source | $tCO_2e$ | Percentage | $tCO_2e$ | Percentage |
| Electricity - grid | 15,518.7 | 76.8% | 18,855.2 | 89.1% |
| Gas | 2,939.5 | 14.6% | 33.3 | 0.4% |
| Transport | 1,478.2 | 7.3% | 1,585.8 | 8.3% |
| Diesel/gas oil | 262.0 | 1.3% | 317.0 | 1.3% |
| Process & fugitive | 0.0 | 0.0% | 0.0 | 0.8% |
| **Total** | **20,198.3** | | **20,791.3** | |
| Energy consumption | 89,543,995 | kWh | 82,675,302 | kWh |
| Intensity ratio - kg of $CO_2$ equivalent per capita | 16.19 | $kgCO_2e$/capita | 16.85 | $kgCO_2e$/capita |

| Year | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|---|---|---|
| kg $CO_2e$ / capita | 35.3 | 31.8 | 28.35 | 22.81 | 18.98 | 16.85 | 16.19 |
| Tonnes $CO_2e$ | 41,648 | 38,129 | 33,093 | 27,749 | 23,291 | 20,791 | 20,198 |

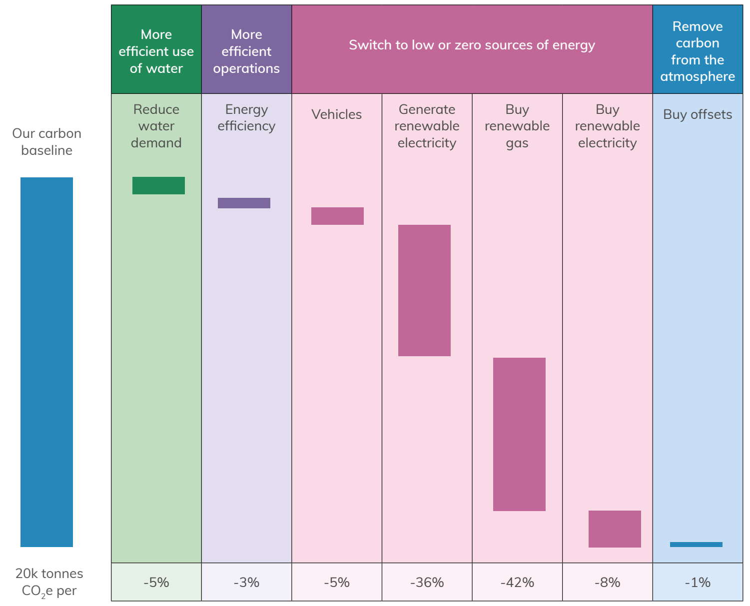
## Looking forward to 2022/23

We continue to implement our programme of improvements to deliver operational efficiency and a number of significant capital investment schemes that aim to reduce overall energy consumption. Most significantly, extending the operation of a whole network of automated pump scheduling and optimisation system to reduce the amount of energy we use to produce and move water to our customers. Additionally, a programme of pump replacements and refurbishment, to improve efficiency.

As part of our drive to meet Net Zero by 2030 we will be evaluating our options for renewable electricity generation and decarbonisation of our operations.

In July 2021 we published our "net zero route map", which set out the options for how we get to zero operational carbon emissions by 2030.

As part of our drive to meet Net Zero by 2030 we will be evaluating our options for renewable electricity generation and decarbonisation of our operations.



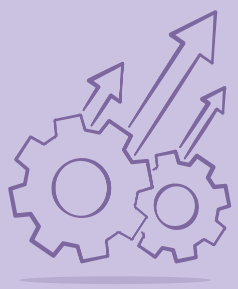

### MORE EFFICIENT USE OF WATER

Continue to reduce leakage from our pipes and encourage our customers to use less water. We will need to offset the increase from a growing population in our area.

RELATIVE COST ●●● CARBON SAVING ●●● LOCAL BENEFITS ●●●

### MORE EFFICIENT OPERATIONS

Design and operate our system to further reduce the amount of energy used to supply our customers.



RELATIVE COST ●●● CARBON SAVING ●●● LOCAL BENEFITS ●●●

Aim: NET ZERO

### SWITCH TO LOW OR ZERO CARBON SOURCES OF ENERGY

Switching to renewable sources of energy.

RELATIVE COST ●●● CARBON SAVING ●●● LOCAL BENEFITS ●●●

### REMOVE CARBON FROM THE ATMOSPHERE

Carbon offsets and sequestration. There is uncertainty around the real benefit of offsets so we will take a cautious approach on their use.

RELATIVE COST ●●● CARBON SAVING ●●● LOCAL BENEFITS ●●●


# Chief Financial Officer's Report

## Our business relies on strong financial foundations to remain resilient for the future.

**Our focus in 2021/22 was on stabilising and consolidating the business after the transformational changes of the prior year. These changes will enable us to deliver efficient outcomes for our customers and stakeholders over the 5 year regulatory period to March 2025. I am pleased that our financial results for the year reflect strong results, with reduction in underlying operating costs, as well as increased revenue. The cost savings delivered have been achieved despite material inflationary pressures, notably in respect of power, chemical and materials prices and these remain a challenge as we move forward.**

### Financial Key Performance Indicators ("KPI"s)
For the year ended 31 March 2022

| | 2022 £m | 2021 £m |
|---|---|---|
| Turnover | 124.2 | 119.5 |
| EBITDA | 61.4 | 48.6 |
| Operating profit | 32.6 | 21.0 |
| Profit before tax | 13.7 | 8.9 |
| (Loss)/Profit after tax | (9.7) | 6.8 |
| Net debt (excluding 8.75% irredeemable cumulative preference shares) at 31 March | 389.2 | 379.1 |
| Regulatory Capital Value ("RCV") | 586.0 | 550.5 |
| Ratio of net debt (excluding 8.75% irredeemable cumulative preference shares) to RCV | 66.4% | 68.9% |
| Capital investment before grants and contributions | 42.1 | 38.1 |

## Financial performance summary

A sustainable business is underpinned by strong financial performance. Our improved financial performance in the year reflects an ongoing focus on delivering commercial value throughout our business, focussing on reducing our costs but ensuring we work with our supply chain and delivery partners to deliver excellent operational performance.

I am proud that the efforts of all our people in delivering our financial transformation process have resulted in material reductions to our cost base in the current year; a repositioning of the business to deliver efficiently over the 2020-25 regulatory period; and supported improved operational performance, in order to mitigate the risk of financial penalties. This has significantly improved our financial resilience through improving our EBITDA and operating profit allowing us to absorb cost shocks much more effectively especially in the context of high inflation.

## Revenue

Revenue in the year reflects an increase in regulated tariffs based on Ofwat's final determination plus inflation of 0.6%. The redetermination from the CMA which was published in March 2021 will be reflected in the tariffs for the financial years ending March 2023-2025; as a result, revenue is expected to increase at a higher level for the rest of the regulatory cycle. However, despite low allowed revenues in the current year, we have delivered strong financial performance, which allows us to ensure a financially resilient business.

We were also pleased to see that non-household revenue, having suffered as a result of business closures in the prior year, has seen some recovery, improving our overall revenue performance. The underlying mix of household and non-household revenue remains impacted as a result of COVID-19 reflecting sustained levels of home working and non-household revenue improving but still at lower levels than prior to the pandemic. Our non-appointed revenues including fishing and recreational income has seen improvement after the initial disruption brought about by lockdowns.

## Operating costs

Our operating costs have reduced by 7% to £91.6m (2020/21: £98.5m), including exceptional costs of £0.1m (2020/21: £2.2m). This decrease in cost base reflects a reduced cost from impairment of customer receivables, as the impact of COVID-19 on our cash collection rates has become clearer. This has partially been offset by high inflation in chemicals, power and materials, which have impacted our cost base.

COVID-19 has had a significant impact on our customers, our communities and the economy, and whilst we believe that we have not yet seen the full impact of the pandemic on the economy as a whole, we estimated at the start of the pandemic that it would have a material impact on our customers' ability to pay their bills. We have already seen this crystallising in deteriorating cash collection rates since the beginning of the pandemic and continue to monitor closely the impact of the cost of living crisis on affordability of bills for customers. These costs are fully reflected in our impairment charge in respect of receivables, albeit the charge is lower in the current year compared with prior year, as a result of the mix of both customer debt and cash collection rates.

## Interest charges

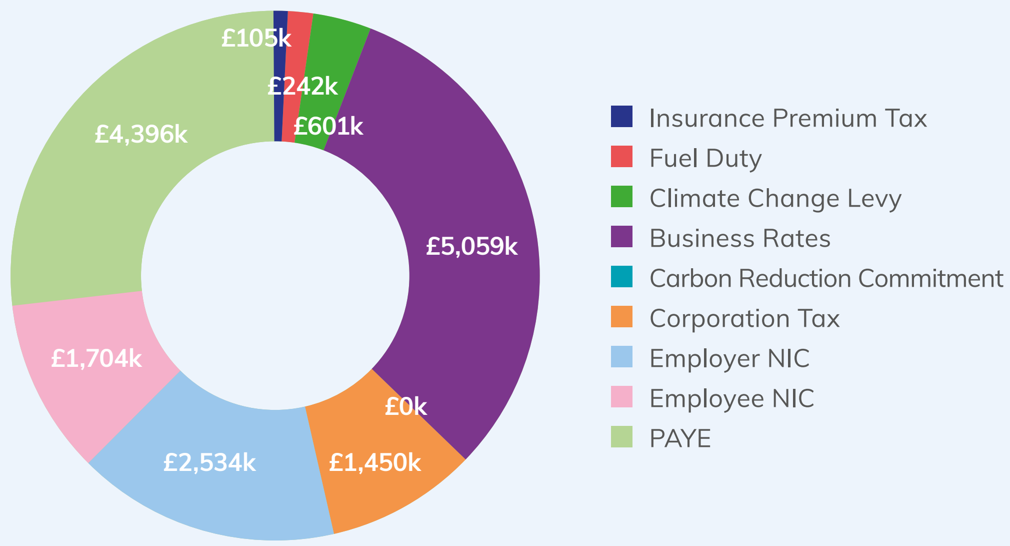
While financing has been stable in the year with minimal levels of draw down on debt facilities, high levels of inflation impacted our finance costs as around 40% of our debt is RPI linked. This resulted in an indexation charge of £9.6m in the year (2020/21: £3.2m) reducing the impact our improved operating costs had on our profit before tax.

## Taxation

Finally, as a result of the government's enactment of increases to the UK corporation tax rate, our deferred taxation increased by £18.1m resulting in a one-off charge to the P&L of £20.5m. This has resulted in a loss after taxation of £9.7m for the year (2021: £6.8m profit).

The Company's total tax contribution extends beyond the corporation tax charge; for the current financial year, Bristol Water's total tax contribution to the economy was £16.1m (2021: £14.4m). The largest contributors are shown in the graph as follows.

**Figure 1:** Bristol Water's total tax contribution 2021/22

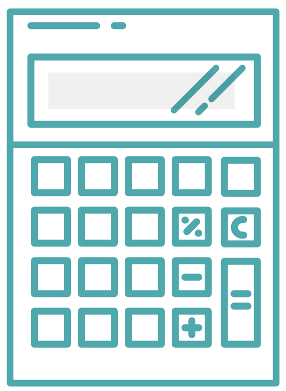



## Capital investment

We continue to invest in our capital programme to enhance and improve our network and infrastructure. Our current investment programme focuses heavily on maintaining our assets efficiently by carefully balancing maintenance and replacement programmes.

**The most significant capital outlay has been:**

- 5,237 properties were added to the network (2020/21: 4,586)
- The commencement of the Wells to Glastonbury mains scheme, intended to strengthen our resilience in this part of our network
- Ongoing renovation of our mains, to optimise its performance and extend its life; and
- Continuing to drive investment in stop taps, meters and similar assets that are key to the performance of our network.



## Net debt and gearing

We use the water bills paid by our customers and debt from financial markets and institutions as the main source of funds to finance our operations and capital programme. Our practice is to maintain a debt portfolio with mainly long dated maturities reflecting the long-term nature of the Company's asset base. However, we also maintain a number of revolving credit facilities with shorter maturity dates (two facilities of £50m and £35m of which £42m and £16m is currently drawn down respectively) which will need to be repaid in the year 2023/24. As part of the Pennon Group, we will work collaboratively to ensure efficient and timely replacement of these facilities.

We drew down an additional £11.0m of debt during the year predominantly to allow repayment of a revolving credit facility of £9.0m which matured in the year. The remainder was used to finance our capital investment programme. This has left headroom of £27m of revolving credit facilities.

We actively manage our gearing ratio and maintain a headroom margin to mitigate adverse impacts from risks and uncertainties. Our RCV increased to £586.0m in the year (2020/21: £550.5m) reflecting inflation of £39.8m and net runoff of RCV during the year of £4.3m. This had the impact of decreasing our gearing slightly from 68.9% to 66.4% (excluding our preference shares).

## Dividends

**Our dividend policy is to pay a level of ordinary dividends that reflect efficiency, management of economic risk and delivery of performance commitments to customers, comprising:**

- An annual level reflecting the dividend yield (3.2%, with 1.3% p.a. real growth) assumed in our Business Plan.
- Adjustments to reflect the level of gearing variation from the level of equity return in our Business Plan (4.5%) where this level is above 70%, where this reduces the amount of dividend below the level described above.
- Adjustments to reflect the actual outcome and expenditure performance of the business, with reference to our agreed Business Plan.
- An amount equal to the post-tax interest receivable from Bristol Water Holdings UK Limited, a UK parent company, in respect of intercompany loans.
- In addition, annual dividends paid on irredeemable preference shares which are considered debt on the balance sheet will be paid but are shown within finance costs rather than dividends.

**Further, we will not pay out dividends if:**

1. They impair the ability to finance Bristol Water's appointed activities;
2. They impact on key financial ratios consistent with the need to maintain an investment grade credit rating;
3. They adversely impact employees.

Our cumulative Return on Regulated Equity ("RORE") for the year was around 4.9% (2020/21: 3.1%) as a result of higher levels of gearing than the notional company set by Ofwat, timing of payments to developers and good Outcome Delivery Incentive ("ODI") performance in the year. Our dividend policy therefore, after the adjustments detailed above, would imply a regulated dividend of around £6.6m net of any intercompany interest would be appropriate, however the dividend paid is calculated on a cumulative basis and so an adjustment of £0.8m was made to this relating to prior year resulting in a net implied regulated dividend of £5.8m or £6.0m including non-regulated dividend (2020/21: £4.0m regulated and £4.4m total).

**In addition:**

- Each year, a dividend is paid equal to the post-tax interest receivable from Bristol Water Holdings UK ("BWHUK"), in respect of intercompany loans. As BWHUK then pays the related interest back to Bristol Water, this transfer does not result in any cash impact on the Company. In 2021/22 the dividend amounted to £2.9m (2020/21: £1.6m) (In 2020/21 the dividend amounted to only one payment in respect of the intercompany interest due. The remaining payment to the Company was met by funds held within the group); and
- Annual dividends of £1.1m (2020/21: £1.1m) continued to be paid on the irredeemable preference shares. The irredeemable preference shares are shown as debt in the balance sheet, and the dividend is therefore shown as a finance cost in the income statement.

Further details of how our regulatory performance links to the dividend we pay based on this policy is set out in our Annual Performance Report.

## Pensions

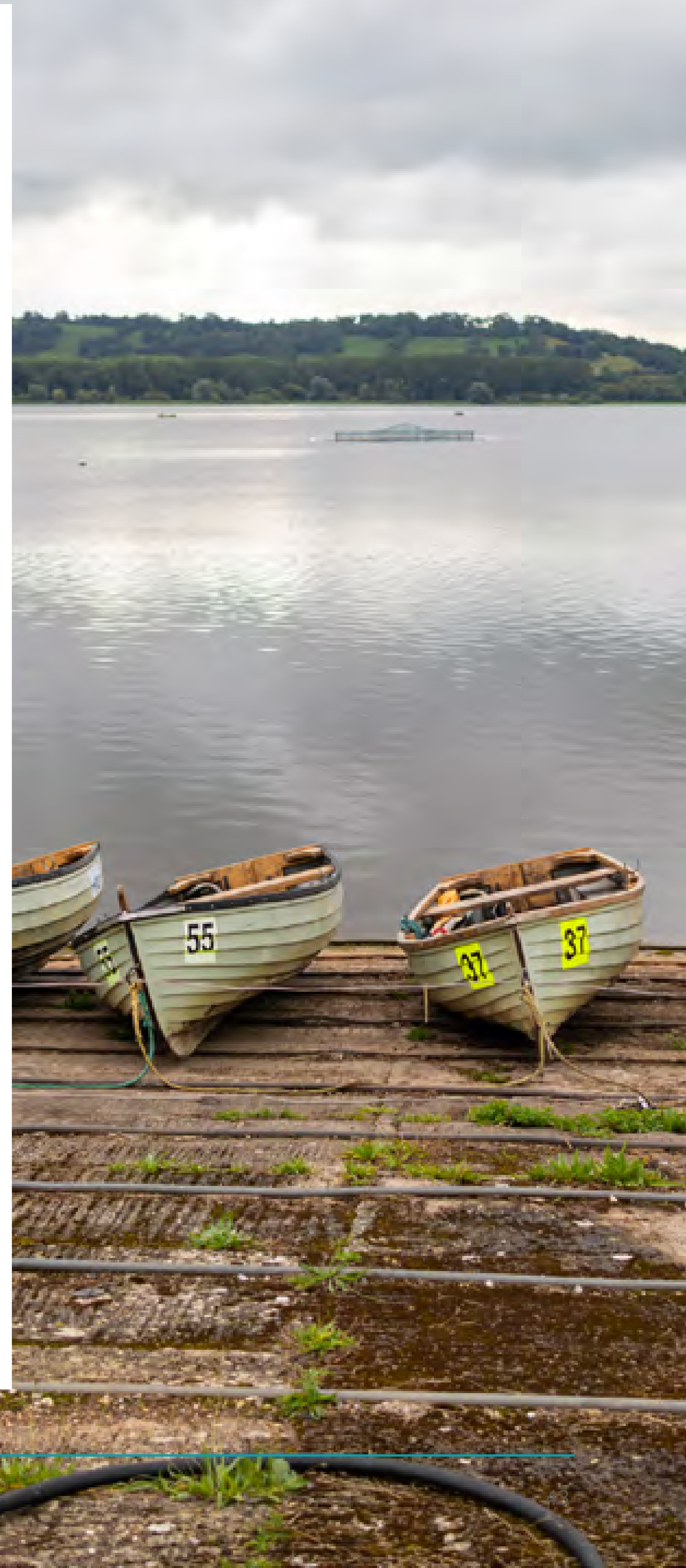
Pension arrangements for employees were historically provided partly through our membership in the Water Companies' Pension Scheme ("WCPS"), which provides defined benefits based on final pensionable pay. We have a separate section within the WCPS for the regulated water business; the section was closed to new employees some years ago.

In 2018/19, a buy-in of the scheme was undertaken, and as a result the scheme assets were replaced with an insurance policy which matches the pension scheme's liabilities. The Company is working with the pension trustee and also insurers to affect a buy-out, whereby the insurer will take on the responsibility for the scheme liabilities. The completion of this process will substantially reduce balance sheet risk whilst providing long term benefit to members by fully securing their benefits and entitlements.

The process has taken longer than anticipated as a result of a number of judgements required to determine methodology and scope of the Guaranteed Minimum Pensions ("GMP") equalisation requirements which sought to ensure that all members receive a GMP on a consistent basis. As a result, the pension scheme has not yet been wound up and bought-out and this is expected to complete over the forthcoming year.

The actuarial valuation under International Accounting Standard 19 (IAS 19), and therefore Financial Reporting Standard 101 at 31 March 2022 shows a net pension surplus of £8.1m which has been recognised in the financial statements (2021: £9.1m). As the scheme has been closed to future accrual the surplus cannot be recovered through on-going contribution payments. The pension asset is shown net of a 35% income tax rate which would be applicable if the funds were repaid to Bristol Water from the pension scheme.

**Laura Flowerdew**
CFO




BRISTOL WATER
It's what we're made of.

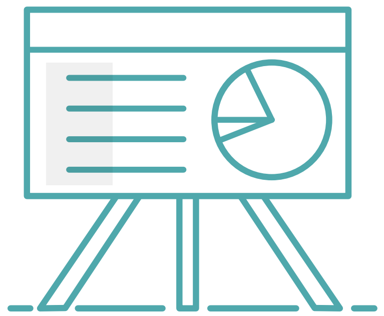
# Chair's Letter on Governance

On 3 June 2021, Pennon Group plc announced that it had acquired the Company (the "Pennon Acquisition"), which meant a change in the shareholder representatives on the Company's Board.

**The Pennon Acquisition was referred to the CMA for review (the "CMA Pennon Review") as required by law. During the period of the CMA Pennon Review, the Company was run as an independent company and business entirely separate from Pennon Group. On 7 March 2022, the CMA announced that it had accepted the undertakings offered by Pennon Group in lieu of a reference to a Phase 2 merger review. Following this announcement, the Pennon Group and the Company began discussions on the merger and integration of the Company into the Pennon Group. Work on integration continues with the oversight of the Board.**

My role, along with the Board, during this period of integration, is to ensure that the Company continues to operate to the highest standards with a robust governance framework in order to deliver its objectives and meet the needs of our customers and stakeholder expectations.

As the new Chair, appointed on 2 April 2022, together with my other newly appointed Board colleagues, we are grateful for the strong stewardship of the previous Board and the executive management in delivering on the commitments made in our business plan particularly given the backdrop of the Pennon Acquisition and referral to the CMA.



"We are grateful for the strong stewardship of the previous Board and the executive management in delivering on the commitments made in our business plan."

# Board of Directors list

**Gill Rider**
**Chair of the Board**
Gill Rider was appointed to the Board of the Company on 2 April 2022. She was appointed to the Board of Pennon Group on 1 September 2012 and became Chair on 31 July 2020 and is also Chair of Pennon Group.

Gill has a wealth of experience in leadership and governance across a broad range of sectors including professional services, education, not for profit and government. Gill was the senior independent Director of Charles Taylor plc until its sale in January 2020. Formerly, Gill was head of the Civil Service Capability Group in the Cabinet Office reporting to the Cabinet Secretary and prior to that held a number of senior positions with Accenture LLP culminating in the post of Chief Leadership Officer for the global firm. Gill was previously president of the Chartered Institute of Personnel and Development and Chair of the Council of the University of Southampton.

Gill is currently a Non-Executive Director of Intertek Group plc where she is also Chair of their Remuneration Committee. In addition to her PLC roles, Gill is the President of the Marine Biological Association.

**Mel Karam**
**CEO**
Mel Karam joined the Company in April 2017 as CEO. Prior to joining the Company, he was Partner and Global Head of Asset Management at KPMG International leading their work across 25 countries. Mel has over 25 years of experience in operations asset management and capital delivery in the power and utility sector with senior positions in British Gas, National Grid, Thames, and Southern Water.

**Laura Flowerdew**
**CFO**
Laura Flowerdew was appointed to the Board of the Company on 1 October 2018. Laura is a Fellow of the Institute of Chartered Accountants and joined the Company from Bristol Energy where she held the role of Finance Director. Laura has also held senior finance roles at Anglo American Plc, De Beers Group and Tribal Group Plc. Prior to that, she was a Director at Deloitte in their Energy and Utilities business. Laura is also a Non-Executive Director of Bristol and Wessex Billing Services Limited.

**Susan Davy**
**Executive Director**
Susan Davy was appointed to the Board of the Company on 9 March 2022 and to the Boards of Bristol Water Core Holdings, Holdings and Bristol Water Holdings UK on 4 April 2022. She was appointed Chief Executive Officer of Pennon Group on 31 July 2020. She was appointed to the Board of Pennon Group in February 2015 as Chief Financial Officer, having joined the Group as Finance Director of South West Water in 2007.

Susan's knowledge of the industry, coupled with her financial and regulatory expertise, has underpinned the development of Pennon's strategy. Susan has led Pennon's strategic review which has included the value-creating acquisitions of Bournemouth Water, Bristol Water, and the Viridor disposal. In her 25+ years' experience in the utility sector, Susan has also held a number of other senior roles in the water sector, including at Yorkshire Water.

Under her guidance South West Water has become the only water company to have achieved fast-track status for two consecutive business plans – the first in 2014, the second in 2019.

Susan is highly respected in the City and has been instrumental in building Pennon's reputation. Susan is a Non-Executive Director and Audit Chair of Restore Plc, a member of the CBI President's Committee, and deputy Chair of the CBI South West, having served as its Chair from 2018-2021. She holds a place on the board of Water UK, is a member of the Energy & Utilities Skills Partnership Council and was previously a member of the A4S (Accounting for Sustainability) CFO leadership network.

**Paul Boote**
**Executive Director**
Paul Boote was appointed to the Board of the Company, and to the Boards of Bristol Water Core Holdings, Bristol Water Holdings and Bristol Water Holdings UK on 3 June 2021 on completion of the Pennon Acquisition. He acted as a shareholder representative until 7 March, when completion of the CMA review allowed him to take a role as Executive Director of the Company. Paul was appointed to the Board of Pennon Group on 8 July 2020, having joined Pennon on 1 January 2010.

Paul is a chartered accountant with over 20 years' experience, having also held senior finance roles at companies operating in the sport, construction and environmental industries. He has held a number of senior roles at Pennon, most recently as Pennon's Director of Treasury, Tax and Group Finance. During this time, he was responsible for the continuing development of Pennon's sector-leading sustainable debt portfolio, ensuring the Group maintains a responsible approach to tax, as well as leading on financial reporting matters. Paul has been instrumental in the successful implementation of the Group's strategic review. He holds a number of directorships with Group subsidiary companies and is a key member of the Group executive Finance Committee which he chairs. Paul's knowledge of the Group and relationships with key external stakeholders, coupled with his corporate finance and financial reporting experience, provides continuity to the Board as the Group evolves through this strategic review period.

**Neil Cooper**
**Senior Independent Non-Executive**
Neil Cooper was appointed to the Board of the Company, and to the Boards of Bristol Water Core Holdings, Bristol Water Holdings and Bristol Water Holdings UK on 3 June 2021 on completion of the Pennon Acquisition. Neil was appointed to the Board of Pennon Group on 1 September 2014 and became Senior Independent Director on 31 July 2020.

Neil brings to the Board extensive experience in a wide variety of corporate and financial matters. Previously, he was Group Finance Director of Barratt Developments plc and before that, Group Finance Director of William Hill plc and Bovis Homes plc. Neil also held senior finance positions at Whitbread plc, worked for PricewaterhouseCoopers as a management consultant and held a number of roles with Reckitt & Colman plc. As chair of the Group Audit Committee, Neil has been influential in directing Pennon's approach on a number of significant matters including internal control, governance and financial reporting.

He is currently Chief Financial Officer of Currencies Direct, a foreign exchange broker and international payment provider.

**Iain Evans**
**Independent Non-Executive**
Iain Evans was appointed to the Board of the Company, and to the Boards of Bristol Water Core Holdings, Bristol Water Holdings and Bristol Water Holdings UK on 3 June 2021 on completion of the Pennon Acquisition. Iain was appointed to the board of Pennon Group on 1 September 2018.

Iain has 40 years of extensive global experience in advising companies and governments on issues of complex corporate strategy. In 1983, he co-founded L.E.K. Consulting in London and built it into one of the world's largest and most respected corporate strategy consulting firms with a global footprint active in a wide range of industries. Iain was appointed as a Non-Executive Director of Welsh Water plc in 1989 and served on the board for nearly ten years, including five years as chair. As chair of the group ESG Committee, Iain is leading the development of a sustainability programme that underpins the delivery of Pennon's strategy.

Iain is a Non-Executive Director of Bologna Topco Limited and HSM Advisory Limited and continues to act as a corporate strategy consultant.

**Claire Ighodaro CBE**
**Independent Non-Executive**
Claire Ighodaro was appointed to the Board of the Company on 2 April 2022. She was as appointed to the board of Pennon Group on 1 September 2019.

Claire has held a number of senior roles and directorships of UK and International organisations and has extensive board experience, serving on audit and governance committees. Claire is a past president of CIMA (the Chartered Institute of Management Accountants) and was the first woman to lead this organisation. She spent most of her executive career with BT plc. She has also held non-executive directorships across a diverse portfolio including Governance Committee Chair of Bank of America's Merrill Lynch International, Audit Committee Chair of Lloyd's of London, Flood Re, The Open University and various UK public bodies including UK Trade & Investment and the British Council. As chair of the Group Remuneration Committee, Claire continues to guide Pennon's approach to executive remuneration, ensuring that it is aligned with and supports the Group's strategy.

Claire is non-executive Chair of the Board and the Governance Committee for AXA XL-UK entities and Non-executive Chair of the Audit Board of KPMG LLP

**Jonathan Butterworth**
**Independent Non-Executive**
Jon Butterworth was appointed to the Board of the Company on 2 April 2022. He was appointed to the Board of Pennon Group on 8 July 2020.

Jon is the Chief Executive Officer of the UK Gas Business for National Grid Plc and a member of the National Grid Executive Committee. Jon has a distinguished track record and an immense depth of experience and knowledge within the utility sector, having begun his career over 44 years ago as an apprentice in British Gas. He has been the Managing Director of Northwest Gas, Global Environment and Sustainability Manager of Transco, National Operations Director of National Grid, Group Safety, Resilience and Environmental Director of National Grid Plc and formerly CEO of National Grid Ventures, building (£3bn) of growth in renewables across the USA and Europe. Jon's Utility background makes him keenly aware of the importance of maintaining a balance between performance and safety, and he constructively challenges the Board and management to constantly raise the bar in this area.

Jon is a Fellow of the Institute of Directors and is a Director of National Grid Gas, National Grid Metering Limited, E.Tapp & Co Limited, Shopfittings Manchester Limited and TMA Property Limited. He is also an Ex-Chair of the CORGI Board, an Ex-Ambassador of the HM Young Offenders Programme and a trustee of the National Gas Museum Trust.

## List of former Directors of the Company who served during the year to 31 March 2022

**Keith Ludeman**
**Former Chair of the Board and Former Chair of the Nomination Committee**
Keith Ludeman was appointed to the Board of the Company in July 2012. He is the Non-Executive Chair of the London Transport Museum, the Chair of HS1 Limited and ten other subsidiary companies within the high-speed rail infrastructure group.

He is also an Independent Non-Executive Director of Eversholt Rail Group and acts as the Senior Independent Director of Eversholt Rail Group for governance purposes. He is also Chair of London Luton Airport and an advisor to Lloyds Development Capital. Formerly he was Chief Executive Officer of Go-Ahead Group plc and has over fifty years' experience in the transport industry. Keith resigned from the Board of the Company on 31 March 2022.

**Tim Tutton**
**Former Senior Independent Non-Executive, Former Member of the Audit and Risk Assurance Committee ('ARAC'), the Nomination Committee and the Remuneration Committee**
Tim Tutton was appointed to the Board of the Company in January 2015. He is an economic consultant specialising in economic regulation, especially in the energy sector. His previous roles have included UK Director of Regulation at National Grid, Director of UK Utility Regulation at PricewaterhouseCoopers LLP ("PwC"), a senior advisor at Oxera and a Panel Member at the Competition and Markets Authority. Tim resigned from the Board of the Company on 31 March 2022.

**Jeremy Bending**
**Former Independent Non-Executive, Former Chair of the Safety Committee, Former Member of the ARAC, the Nomination Committee and the Remuneration Committee**
Jeremy Bending joined the Board of the Company on 25 October 2018 as an Independent Non-Executive Director. Mr Bending has over 40 years' experience in the power and utilities sector and was previously Chief Operating Officer of National Grid Gas Distribution and Director of Network Strategy at National Grid. He is a Chartered Engineer and a member of the Institute of Asset Management. Jeremy is a Non-Executive Director of Phoenix Natural Gas Limited, Glover Gas and Power BV and a Director and owner of Armco Solutions Limited. Jeremy resigned from the Board of the Company on 31 March 2022.

**Jim McAuliffe**
**Former Independent Non-Executive, Former Chair of Remuneration Committee, Former Chair of the ARAC and Former Member of the Nomination Committee**
Jim McAuliffe was appointed to the Board of the Company on 29 November 2018. Mr McAuliffe is a Chartered Accountant and held the role of Finance Director at Bristol Airport from 2002 until July 2018. He remains a trustee of the Bristol Airport Pension Scheme. Jim is also a member of the Board of Lighthouse Relief, a Swedish NGO which provides emergency relief and long-term support to refugees in Greece, a consultant with the Management Consultancy Crucial Connexions and a Parish Councillor in his local village in Somerset. Jim resigned from the Board of the Company on 31 March 2022.

**Paul Malan**
**Former Non-Executive, Former Member of the Nomination Committee and the Remuneration Committee**
Paul Malan is the Senior Partner of iCON Infrastructure LLP, an independent infrastructure investment firm which he founded in 2011. Paul has over 20 years of experience in infrastructure advisory and investment at iCON Infrastructure LLP, Deutsche Bank AG and Macquarie Bank Limited. He was appointed to the Board of the Company on 7 July 2016. Until completion of the Pennon Acquisition on 3 June 2021 he was also a Director of Bristol Water Core Holdings Limited ("Bristol Water Core Holdings"), Bristol Water Holdings Limited ("Bristol Water Holdings"), and Bristol Water Holdings UK Limited ("Bristol Water Holdings UK"). Paul resigned from the Boards of the Company, Bristol Water Core Holdings, Bristol Water Holdings and Bristol Water Holdings UK on 3 June 2021 on completion of the Pennon Acquisition.

**Indradoot Dhar**
**Former Non-Executive, Former Member of ARAC**
Indradoot Dhar is a member of the iCON Infrastructure LLP team where he focuses on asset oversight and risk management. Prior to joining iCON Infrastructure, he worked at Cambridge Associates, a global investment consultancy firm, and Deutsche Bank AG. He was appointed to the Board of the Company on 8 May 2018.Until completion of the Pennon Acquisition on 3 June 2021 he was also a Director of Bristol Water Core Holdings, Bristol Water Holdings, and Bristol Water Holdings UK. Indradoot resigned from the Boards of the Company, Bristol Water Core Holdings, Bristol Water Holdings and Bristol Water Holdings UK on 3 June 2021 on completion of the Pennon Acquisition.

**Hajime Ichishi**
**Former Non-Executive, Former Member of the ARAC, the Nomination Committee and the Remuneration Committee**
Hajime Ichishi was appointed to the Board of the Company on 10 May 2012. He is a Manager at the ITOCHU Corporation of Japan, responsible for development of Itochu's water, environment, social and transportation infrastructure sector project in Europe, the Middle East, Africa, CIS and North and South America.

He has held various senior positions within the Itochu group. Until completion of the Pennon Acquisition on 3 June 2021 he was also a Director of Bristol Water Core Holdings Bristol Water Holdings, and Bristol Water Holdings UK. Hajime resigned from the Boards of the Company, Bristol Water Core Holdings, Bristol Water Holdings and Bristol Water Holdings UK on 3 June 2021 on completion of the Pennon Acquisition.

**Paul Francis**
**Former Independent Non-Executive, Former Chair of ARAC, Former Member of the Nomination Committee and the Remuneration Committee**
Paul Francis joined the Board of the Company on 25 June 2018 as an Independent Non-Executive Director. He is a Chartered Accountant with 30 years' experience in the rail and transport sector. Until his retirement in 2017, he was CEO of Porterbrook Leasing. Paul resigned from the Board of the Company on 24 June 2021.

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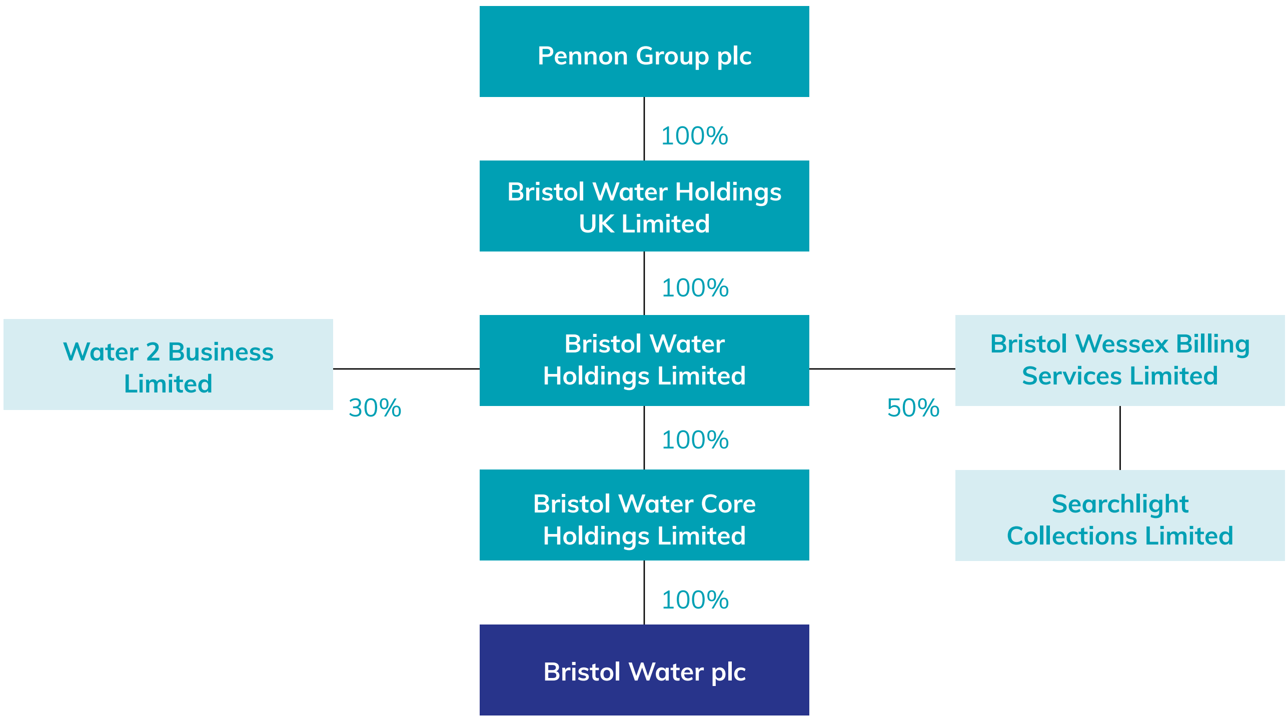
# Board and Governance Framework

**The Board of the Company seeks to uphold the highest standards of transparency and openness in performing its functions and dealing with all our stakeholders. A key aspect of this relates to the ownership of the Company. On 3 June 2021, the Pennon Group acquired the entire issued share capital of Bristol Water Holdings UK Limited from the Bristol Water Group Limited ('Pennon Acquisition').**

With effect from the completion of the Pennon Acquisition, the Company became an indirect wholly owned subsidiary of Pennon Group. The new corporate structure from the completion of the Pennon Acquisition is set out below:

The structure chart does not show any subsidiaries or affiliates of the Pennon group of companies other than those who have direct or indirect shareholdings in the Company or who are affiliates of a direct or indirect parent company of the Company. Details of Pennon Group's other subsidiaries and affiliates can be found in the latest published annual report and accounts of Pennon Group.




## Ownership and Corporate Structure on and following completion of the Pennon Acquisition on 3 June 2021 (continued)

| Company | Company Details | Directors |
|---|---|---|
| **Pennon Group plc** | Incorporated in England and Wales<br>Holding company | Gill Rider<br>Susan Davy<br>Paul Boote<br>Neil Cooper<br>Iain Evans<br>Claire Ighodaro<br>Jon Butterworth |
| **Bristol Water Holdings UK Limited<br>Wholly owned by Pennon Group plc** | Incorporated in England & Wales<br>Holding company | Paul Boote*<br>Neil Cooper*<br>Iain Evans*<br>Susan Davy**<br>*Appointed on 3 June 2021<br>**Appointed on 4 April 2022 |
| **Bristol Water Holdings Limited<br>Wholly owned by Bristol Water Holdings UK Limited** | Incorporated in England & Wales<br>Holding company | Paul Boote*<br>Neil Cooper*<br>Iain Evans*<br>Susan Davy**<br>*Appointed on 3 June 2021<br>**Appointed on 4 April 2022 |
| **Bristol Water Core Holdings Limited<br>Wholly owned by Bristol Water Holdings Limited** | Incorporated in England & Wales<br>Holding company | Paul Boote*<br>Neil Cooper*<br>Iain Evans*<br>Susan Davy**<br>*Appointed on 3 June 2021<br>**Appointed on 4 April 2022 |
| **Bristol Water plc<br>Wholly owned by Bristol Water Core Holdings Limited** | Incorporated in England & Wales<br>Holds Water Undertaker Licence under Water Industry Act 1991 | Gill Rider****<br>Mel Karam<br>Laura Flowerdew<br>Susan Davy***<br>Paul Boote*<br>Neil Cooper*<br>Iain Evans*<br>Claire Ighodaro****<br>Jon Butterworth****<br>*Appointed 3 June3 2021<br>***Appointed 9 March 2022<br>****Appointed 2 April 2022 |
| **Bristol Wessex Billing Services Limited<br>50% owned by Bristol Water Holdings Limited** | Incorporated in England & Wales<br>Joint venture billing company | Colin Skellett<br>Andrew Pymer<br>Laura Flowerdew<br>Richard Price |
| **Searchlight Collections Limited<br>Wholly owned by Bristol Wessex Billing Services Limited** | Incorporated in England & Wales<br>Debt collection company | Alex Chapman<br>Amy Badman |
| **Water 2 Business Limited<br>30% owned by Bristol Water Holdings Limited** | Incorporated in England & Wales<br>Non-household retailer<br>Holds water supply licence | Simon Pugsley*<br>Alan Morgan<br>Mark Watts<br>*Appointed on 3 June 2021 |

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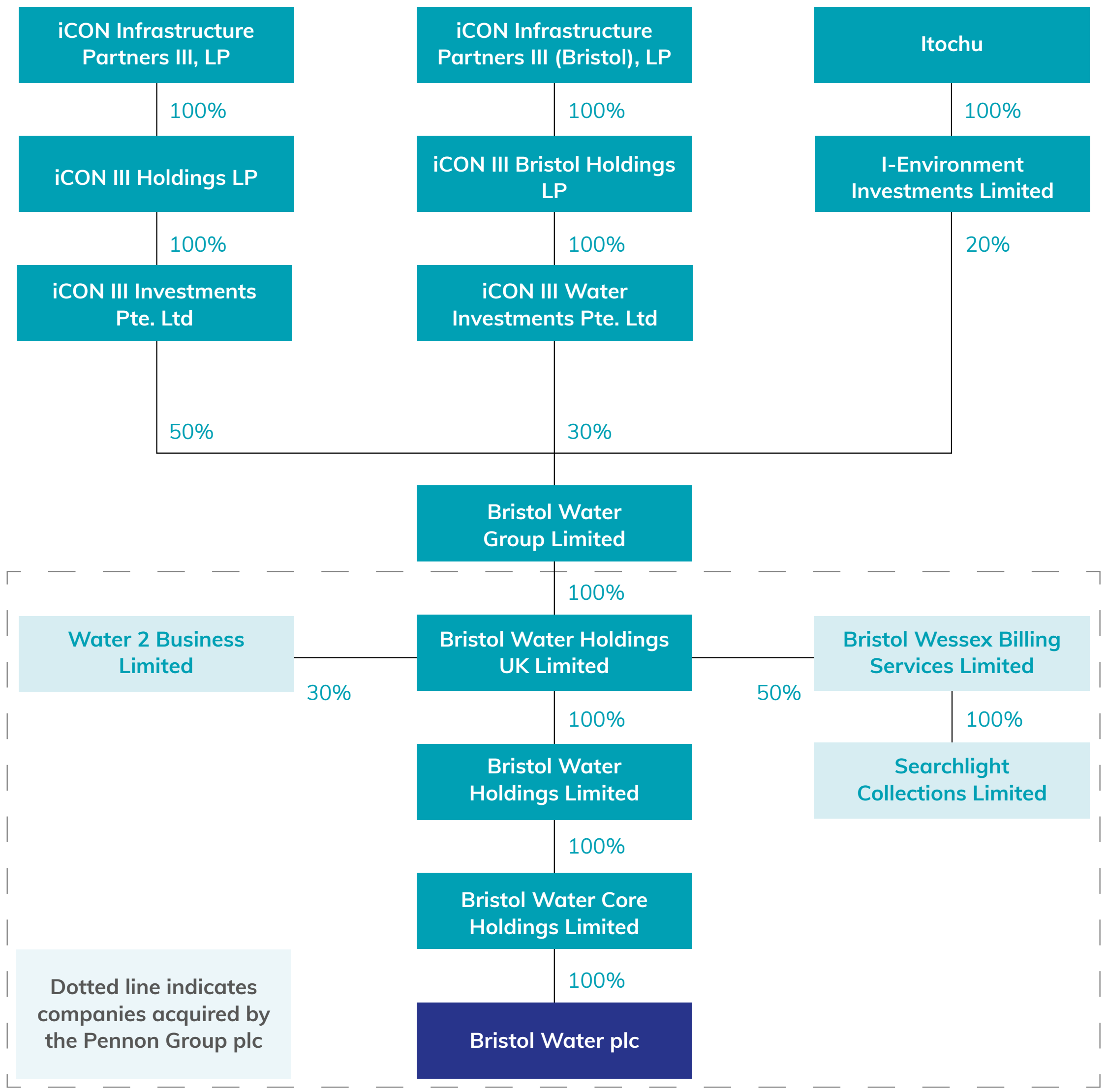
## Ownership immediately prior to the Pennon Acquisition

Immediately prior to the completion of the Pennon Acquisition, 80% of the Company was ultimately owned by two investment funds ("iCON Funds") which are affiliated with iCON Infrastructure LLP ("iCON"), with the remaining 20% of the Company then being owned by I-Environment Investments Limited, a UK subsidiary of Itochu Corporation ("Itochu"). The iCON Funds interests were split as follows: iCON Infrastructure Partners III, L.P. ("iCON III") owned 50% and iCON Infrastructure Partners III (Bristol), L.P. ("iCON Bristol") owned 30%.

The iCON Funds owned their interests in the Company since 2016 and were constituted as English limited partnerships domiciled in Guernsey. The iCON Funds employed typical partnership structures used for institutional investment, pursuant to which partners themselves (rather than the partnership) are taxable on their share of any profits or gains of the partnership as and when these arise.

Upon the sale of Bristol Water Holdings UK Limited to the Pennon Group plc, ownership of Bristol Water Group Limited remained with iCON Funds and Itochu.




## Financing and dividend policy of the group with its ultimate shareholders:

During the financial year, the Company paid dividends of £8.8m (2020/21: £6.0m) to its immediate holding company Bristol Water Core Holdings. Of this dividend, £2.9m was returned to the Company in respect of interest owing on intragroup debt facilities (see below under 'Group financing arrangements') (2020/21: £1.6m).

During the year there were no long term shareholder loans provided by the ultimate owners of the Company.

In December 2016, the iCON Funds and Itochu contributed £9.0m additional funds to the Company's group. In December 2021 the repayment date of these loans was extended to 30 June 2023 and the principal amount outstanding of the loans as at 31 March 2022 was £5.6m (2020/21: £5.6m). On completion of the Pennon Acquisition on 3 June 2021, Pennon Group became the lender of record of these loans in place of iCON Funds and Itochu.

As at 31 March 2022, the Company's net debt, excluding preference shares, was £389.3m (2020/21: £379.1m) corresponding to a ratio of 66.4% of its regulated asset base.

## Group financing arrangements

There are two upstream loans from the Company to its intermediate 100% shareholder Bristol Water Holdings UK Limited: a £47.0m (2020/21: £47.0m) loan earning interest of 6.042% and a £14.1m (2020/21: £14.1m) loan earning interest of 5.550% (together the "Upstream Loans"). These loans were advanced by the Company in 2003 and 2005, respectively. The Company received interest payments of £2.9m net of tax in respect of the Upstream Loans from Bristol Water Holdings UK in the year ended 31 March 2022 (2020/21: £3.3m). These interest payments were funded by dividends received from the Company. These Upstream Loan are entirely internal to the consolidated group being as at 31 March 2022 headed by Bristol Water Holdings UK Limited.

## Governance

Pennon Group as shareholder of the Company has confirmed they are aware and supportive of Ofwat's Principles of 'Board leadership, transparency and governance' published in January 2019 ("Ofwat Principles"), which sets out Ofwat's expectations for holding companies of regulated water companies to show their adherence to the highest standards of corporate governance. Compliance with these principles became a condition of the Company's undertaker's licence with effect from August 2019.

There is a list of matters that are reserved for the Board of the Company which indicates where shareholder approval may be required. This is available on our website[3]. Where shareholder approval is required, this is obtained prior to approval by the Board of the Company.

During 2021/22 all Board decisions were made by the Company's Board and no decisions were reserved for shareholders.

Pennon Group has confirmed that other than Pennon Group plc (as ultimate holding company), Bristol Water Holdings UK, Bristol Water Holdings and Bristol Water Core Holdings there were no other beneficiaries of the Company within the Pennon Group structure.

[3] Matters reserved for the Board of Bristol Water plc

## Condition P Undertaking

**Pennon Group, in its capacity as the ultimate parent company of the Company, has confirmed that with effect from completion of the Pennon Acquisition, that:**

- It had been briefed on the Company's duties under the Water Industry Act 1991 and the licence;
- It was aware of and would comply with the terms of its Condition P Undertaking, including:
  - its obligation to provide all such information as may have been necessary to enable the Company; to comply with the requirements of the conditions of its appointment as a water undertaker; and
  - it would refrain from any action which would or may have caused the Company to breach any of its obligations under the Water Industry Act 1991 or the conditions of its appointment as a water undertaker;
- It would provide the Company with the information it needed to assure itself that the Company is not at risk from the activities of the wider Company's group;
- It would disclose to the Company details of any issue identified by its Directors in respect of the wider Company's group that might have materially impacted upon the Company so that the Company could take all appropriate steps;
- It would facilitate the ability of the Company to meet the requirements of its Code of Corporate Governance; and
- It would support the Company's ability to make strategic and sustainable decisions in the long-term interests of the Company.

**Pennon Group has confirmed in its capacity as the ultimate parent company of the Company with effect on and from 3 June 2021 that for so long as it remains the ultimate controller and the Company retains its appointment as a water undertaker:**

- It will give to the Company and will procure that each of its subsidiaries (other than the Company and its subsidiaries) will give to the Company all such information as may be necessary to enable the Company to comply with its obligations under the Water Industry Act 1991 or the conditions of the Company's instrument of appointment as a water undertaker; and
- It will refrain and will procure that each of its subsidiaries (other than the Company and its subsidiaries) will refrain, from any action which would or may cause the Company to breach any of its obligations under the Water Industry Act 1991 or its instrument of appointment as a water undertaker.

## Principles of Corporate Governance

The BW Corporate Governance Statement confirms the Board's commitment to maintaining trust in the Company's reputation for high standards of conduct, beyond just as a dependable provider of an essential water service. The statement also confirms the Board's commitment to compliance with the UK Corporate Governance Code as published by the Financial Reporting Council in 2018 ("UK Corporate Governance Code") and the Ofwat Principles. The Ofwat Principles are set out in the Ofwat document "Board leadership, transparency and governance" published in January 2019 and re-enforce the UK Corporate Governance Code.

The Corporate Governance Statement is available on our website[4]; and our Long-Term Viability Statement can be found on pages 81 to 82.

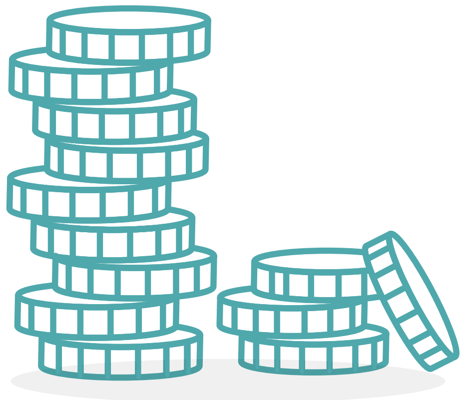
The Company is a private company with listed debt including Cumulative Irredeemable Preference Shares but no listed ordinary shares as categorised as a 'standard listing' on the main market of the London Stock Exchange. It is therefore not under an obligation to report compliance with the UK Corporate Governance Code. However, the conditions of our Water Licence require the Company to report as if it has a 'premium listing'.

**The Company has complied with the provisions of the UK Corporate Governance Code, with one exception, that:**

- the Company does not consult with the general workforce on matters of executive remuneration. Executive remuneration is approved by the Board of the Company on recommendation from the Remuneration Committee. The Remuneration Committee takes into account workforce remuneration in annual pay awards when recommending remuneration for executives. During the year Remuneration Committee appointed Deloitte to provide guidance in relation to the review and updating of the Executive Directors' Remuneration Policy; and
- for a period during the year (1 April 2021 to 3 June 2021) the Company did not have at least half the board, excluding the chair, whom the board considers to be independent.

The Board composition over the last 12 months has changed considerably and remains diverse and covers a mix of skills and expertise as well as regional connections. Of the ten Directors that comprised the Board as at year ended 31 March 2022, four were INEDs (Keith Ludeman, Tim Tutton, Jim McAuliffe and Jeremy Bending). There were two Executive Directors, Mel Karam (CEO) and Laura Flowerdew (CFO) and four Directors who are also appointed to the Board of the Pennon Group, two of which Neil Cooper and Iain Evans are Independent Non-Executive Directors of the Pennon Group. Susan Davy (Group CEO) and Paul Boote (Group CFO) are Executive Directors of the Pennon Group.

During the year the Company complied with the requirements of the Ofwat Principles, including that the INEDs comprise the largest group on the Board.



[4] Corporate Governance Statement

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Prior to 7 March 2022, Neil Cooper and Iain Evans, who are independent non-executive directors of Pennon Group, and Paul Boote, Group CFO of Pennon Group, were prohibited from participating as directors of the Company due to the imposition by the CMA (as a consequence of their merger inquiry) of an Initial Enforcement Order ('IEO') on 15 June 2021, which the under article 5.(l)[5] prohibited the sharing of confidential and commercial sensitive information with the Pennon Group. This mean that Paul Boote, Iain Evans and Neil Cooper did not participate in any Board or Committee meetings nor receive any Board or Committee papers until the IEO was removed on 7 March 2022.

At the Company's Board meeting on 31 March 2022, Keith Ludeman, Tim Tutton, Jim McAuliffe and Jeremy Bending resigned from the Board. At that meeting Gill Rider, Claire Ighodaro and Jon Butterworth were appointed Directors of the Company with effect from 2 April 2022.

The table below gives an indication of the key specific areas of skills and experience that Board members provide, mapped against the principal Board skills and experience requirements of the Company.

| | Keith Ludeman**** | Tim Tutton**** | Jeremy Bending**** | Paul Francis* | Jim McAuliffe**** | Indradoot Dhar** | Hajime Ichishi** | Paul Malan** | Mel Karam | Laura Flowerdew | Paul Boote*** | Neil Cooper*** | Iain Evans*** | Susan Davy***** | Gill Rider****** | Jonathan Butterworth****** | Claire Ighodaro****** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Utility / Infrastructure industry or equivalent experience | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Finance | | | | ✔ | ✔ | ✔ | ✔ | ✔ | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Regulation | ✔ | ✔ | ✔ | ✔ | | | | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Customer Experience | ✔ | | | | ✔ | | | | ✔ | ✔ | ✔ | | | ✔ | ✔ | | ✔ |
| Community | ✔ | | | | ✔ | | | | ✔ | ✔ | ✔ | | | ✔ | ✔ | | ✔ |
| Health & Safety | ✔ | | ✔ | ✔ | | | | | ✔ | | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Infrastructure investment | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Culture change | | | ✔ | | ✔ | | | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Corporate Governance | ✔ | ✔ | | ✔ | | ✔ | | ✔ | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |

*Paul Francis resigned on 24 June 2021
**Paul Malan, Indradoot Dhar and Hajime Ichishi resigned on 3 June 2021
***Paul Boote, Neil Cooper and Iain Evans were appointed on 3 June 2021
**** Keith Ludeman, Tim Tutton, Jeremy Bending and Jim McAuliffe resigned on 31 March 2022
*****Susan Davy was appointed on 9 March 2022
******Gill Rider, Jon Butterworth and Claire Ighodaro were appointed on 2 April 2022

The Board is committed to run the Company in the best long-term interests of our customers, shareholders and wider stakeholders.

The Board and its committees have overall responsibility for the management of the Company and its regulated business. They set the Company's values and standards, make strategic decisions, and provide leadership for the long-term success of the Company. We believe this can only be achieved if the activities of the Company are supported by appropriate governance processes, within a framework of effective controls, enabling risks to be managed and the necessary financial and human resources are in place for the Company to meet its objectives. The Board monitors the Company's compliance with its statutory and regulatory obligations to its customers, shareholders, regulators, other stakeholders and the environment.

The Board is responsible to all of the Company's stakeholders for the approval and delivery of the strategic objectives of the Company, by ensuring that all financial, technical and human resources are in place and also lead the Company within an effective framework of monitoring and managing risk. These strategic objectives and its Business Plan for AMP7 remain in place following the Pennon Acquisition on 3 June 2021 and continue to be executed.

The Board executes overall control of the Company's affairs by reference to the schedule of matters reserved for its decision. These include the approval of strategy, financial statements, major capital expenditure, authority levels for expenditure, treasury, and risk management policies.

The Board delegates certain roles and responsibilities to the Committees, detailed below, in the Committee reports. These Committees assist the Board by focussing on their specific areas and making recommendations to the Board in line with their Terms of Reference. All decisions are formally made by the Board, informed by the recommendations to the Board made by the Committees.

The Board has a schedule of matters reserved specifically for the Board. This is available on the Company's website. The Board delegates day-to-day and business management control to the Executive Directors in accordance with an approved scheme of delegation.

## Board and Board committees

**The Chair**
The Chair is responsible for the leadership of the Board and its effectiveness. The Chair sets the agenda for the Board meetings, in consultation with management, providing adequate time for each agenda item. She is responsible for the culture of the boardroom which is one of openness, debate and constructive challenge, encouraging the effective contribution of all NEDs.

**NEDs**
The NEDs monitor the performance of the Executive Directors and senior management, and, except for the Safety Committee, form the majority of the members of the Board committees, namely:

- **Audit Committee** (formerly the Audit and Risk Assurance Committee[6]) which reviews the integrity of financial information, financial controls over the financial reporting process and risk management;
- **Nomination Committee** which oversees the Board composition and succession planning;
- **Remuneration Committee** which reviews company remuneration policy and Executive remuneration packages; and
- **Health and Safety Committee** (formerly the Safety Committee[7]) which reviews and oversees the Company's Health and Safety strategy, objectives and performance and events and circumstances affecting the Health and Safety of our employees, contractors, customers and the wider public.

By virtue of its remit, the Health and Safety Committee necessarily comprises a number of operational senior managers of the Company. As a result, whilst there is not a majority of INEDs appointed as members of the Health and Safety Committee, it is chaired by an INED.

We set out in our risk and compliance statement to Ofwat that we comply with Ofwat's Principles of Board Leadership, Transparency and Governance.

[5] no business secrets, know-how, commercially-sensitive information, intellectual property or any other information of a confidential or proprietary nature relating to either of the two businesses shall pass, directly or indirectly, from the Bristol Water business (or any of its employees, directors, agents or affiliates) to the Pennon business (or any of its employees, directors, agents or affiliates), or vice versa
[6] On 2 April 2022, the name of the Audit and Risk Assurance Committee was changed to the Audit Committee so that there is consistency within the Pennon Group
[7] On 2 April 2022, the name of the Safety Committee was changed to the Health and Safety Committee so that there is consistency within the Pennon Group

## Board meetings and attendance

The following table sets out the attendance of Directors at scheduled Board meetings during the 2021/22 financial year:

| Member of the Board | Meetings attended | Max possible | Percentage attendance during appointment period |
|---|---|---|---|
| Keith Ludeman***, Chair | 9 | 9 | 100% |
| Mel Karam, CEO | 9 | 9 | 100% |
| Laura Flowerdew, CFO | 9 | 9 | 100% |
| Paul Malan*, NED | 1 | 1 | 100% |
| Hajime Ichishi*, NED | 1 | 1 | 100% |
| Tim Tutton***, INED | 9 | 9 | 100% |
| Indradoot Dhar*, NED | 1 | 1 | 100% |
| Paul Francis**, INED | 1 | 2 | 50% |
| Jeremy Bending***, INED | 9 | 9 | 100% |
| Jim McAuliffe***, INED | 9 | 9 | 100% |
| Paul Boote | 2 | 2 | 100% |
| Neil Cooper | 2 | 2 | 100% |
| Iain Evans | 2 | 2 | 100% |
| Susan Davy | 1 | 1 | 100% |

*Resigned from Board on 3 June 2021
**Resigned from Board on 24 June 2021
***Resigned from Board 31 March 2022
Note: Gill Rider, Jon Butterworth and Claire Ighodaro (all current INEDs of the Company) were appointed to the Board on 2 April 2022 and therefore were not Directors of the Company during the 2021/22 financial year to which this table relates.

## Board Composition

With effect from 2 April 2022 the Board of the Company (the "Board") comprises the Chair (NED), four Non-Executive Directors, the Company's CEO and CFO and the Pennon Group CEO and CFO. Five of the NEDs (including the Chair) are, in the opinion of the Board, independent.

There is clear segregation between the roles of Chair and CEO to ensure appropriate Board balance and the Board has approved a specific statement on responsibilities for each role.

## Independence of NEDs

Whilst the Board of Company has been recently restructured the business and the Board will continue to operate independently of its shareholders. Bristol Water has its own annual report and accounts on which to report on its operations and governance. Our system of governance remains appropriate and effective, whilst continuing to support the delivery of our strategy.

Our Board and Committee framework also allows us to remain efficient in our decision-making process through its independent Chair and its four Independent Non-Executive Directors together with the Company's CEO and CFO and Group CEO and CFO.

Notwithstanding their directorships of the Pennon Group, Gill Rider, Claire Ighodaro, Jon Butterworth Neil Cooper and Iain Evans are considered, by the Company's Board, to be Independent Non-Executive Directors in character and judgement.

The INEDs constructively challenge and help develop proposals on strategy and bring independent judgement, knowledge, and experience to the Board's deliberations. The INEDs are of sufficient calibre and number to ensure that their views carry significant weight in the Board's decision making.

The Board considers the Chair to be the principal point of reference to whom concerns of whatever nature may be conveyed. Keith Ludeman was Chair during the year until his resignation on 31 March 2022. Gill Rider was appointed Chair on 2 April 2022.

If an individual does not wish to raise a concern with the Chair, such concerns may be raised with the Senior INED. Tim Tutton was the Senior INED on the Board until his resignation on 31 March 2022. Tim has been succeeded by Neil Cooper.

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## Board activities

The below details some of the matters considered during the year by the Board:

| Topic | Discussion |
|---|---|
| **Safety** | ▪ Company Health & Safety KPIs<br>▪ Company Health & Safety Strategy and Objectives<br>▪ Contractor Health & Safety KPIs<br>▪ Significant Safety Incidents<br>▪ Safe Control of Operations Procedure implementation |
| **Customers** | ▪ Customer Service Updates<br>▪ C-MeX performance measures review<br>▪ D-Mex performance measures review<br>▪ Consumer Council for Water KPI performance<br>▪ Feedback from the Challenge Panel |
| **People** | ▪ Results of Employee engagement surveys<br>▪ Wellbeing of employees<br>▪ Impact of transformation programme on employees<br>▪ Equality, Diversity and Inclusion Strategy and Board engagement<br>▪ Gender Pay Gap<br>▪ Senior management team selection and development<br>▪ Negotiation with trade union of annual employee pay awards<br>▪ Approval of annual employee pay awards<br>▪ Succession planning<br>▪ Employee training and development |
| **Operating Performance** | ▪ Impact of COVID-19<br>▪ Continual review of performance to AMP7 performance commitments and ODIs<br>▪ Review of general operating performance<br>▪ Responses to incidents<br>▪ Contractor performance<br>▪ Capital Programme delivery<br>▪ Leakage performance<br>▪ Supply Interruptions and Customer Minute Lost performance<br>▪ Metering targets<br>▪ Transformation and efficiency gains plans<br>▪ Review of water resources schemes<br>▪ Per Capita Consumption<br>▪ Recreations and Fisheries (non-appointed business) |

| Topic | Discussion |
|---|---|
| **Finance** | ▪ Annual budget approval<br>▪ Approval of Annual Report and Accounts for the previous year ended 31 March 2021 and interim accounts for six months ended 30 September 2021<br>▪ Annual Performance Report and Assurance 2020/21<br>▪ Review of Artesian cash flow and investor reports<br>▪ Review of financial performance against budget and forecast<br>▪ Review of impact of COVID-19 on cashflow and bad debt provisioning<br>▪ External debt funding requirements<br>▪ Review of long-term financial viability and going concern status<br>▪ Review of financial and credit metric performance against covenant and rating agency methodology<br>▪ Strategy for the period<br>▪ Internal audit programme and results<br>▪ Regular review of corporate risk register<br>▪ Approval of dividends |
| **Regulatory** | ▪ Social Contract Strategy and Programme<br>▪ Annual Performance Report and Assurance<br>▪ Interim Performance Report and Assurance<br>▪ Water Resource Management Plans<br>▪ Review of licence and other regulatory consultations<br>▪ Condition R Compliance Statement<br>▪ Review and approve the quarterly Ofwat Commitments Monitoring Report |
| **Governance & Risk** | ▪ Major contract awards (of £1m or more value)<br>▪ Monitoring and review of performance of Network Maintenance delivery partners<br>▪ Review of billing platform<br>▪ Review of measures associated with prescribed status<br>▪ Review of principal risks<br>▪ Review of governance<br>▪ Board effectiveness review and Chair evaluation<br>▪ Reappointment of external auditor and review of non-audit fees compliance with ethical standards<br>▪ Effectiveness of internal controls and risk management processes<br>▪ GDPR<br>▪ Approval of Policies and Procedures<br>▪ Approval of insurance policies |

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## Accountability

The Board is responsible for presenting a fair, balanced and understandable assessment of the Company's position and future outlook in the Financial Statements. The preparation of the Financial Statements and Annual Report is supported by a number of functions across the Company and numerous reviews are undertaken by the ARAC and the Board.

## Evaluation of Board effectiveness

In accordance with Ofwat's "Principles of Board Leadership, Transparency and Governance" updated in January 2019, it is required that an annual evaluation of the performance of the Board is undertaken to ensure that its composition has the right balance of skills, experience, independence, knowledge and diversity, in addition to evaluating how stakeholder needs are addressed and how the overarching objectives of the Board are met.

During the year the Board undertook a formal process for the evaluation of the effectiveness of the Board and its Committees by an external provider of board evaluation services. Further details regarding the evaluation are in the Nomination Committee Report on page 55.

## Information and support

The Directors are provided with appropriate, accurate and relevant financial and operational information necessary for them to discharge their duties. The management information is prepared by senior management of the Company and produced on a timely basis for consideration and review by the Directors. Clarification, amplification and specific updates are provided as requested by Directors. Senior managers who are not Executive periodically attend the Board to provide appropriate levels of information on key issues.

Colin Caldwell and Simon Pugsley both act as Company Secretary of the Company. The Company Secretary is responsible for the provision of legal guidance and support as and when appropriate and on corporate governance matters. In furtherance of their duties, there are agreed procedures for the Directors to take independent professional advice, if necessary, at the Company's expense.

All Directors have access to the advice and services of the Company Secretary. The appropriateness of the information received is reviewed as part of the Board Effectiveness evaluation process carried out annually.

## Induction and training of Directors

New Directors receive appropriate induction on their appointment to the Board covering the activities of the Company and its key business and financial risks, the terms of reference of the Board and its committees, and the Company's latest financial information. During 2021/22 due to the constraints on Company imposed as part of the CMA investigation into the Pennon Acquisition, it was not possible to provide an induction and training for Paul Boote, Neil Cooper and Iain Evans. Induction will be scheduled in this current year. Susan Davy has already started her site visits to water treatment plants and network operations as part of her induction.

On-going training is provided as necessary. Directors may consult with the Company Secretary at any time on matters related to their role on the Board. The Chair regularly reviews and agrees with Directors their training and development needs. Also, all the Directors have access to independent professional advice at the Company's expense where they judge it necessary to discharge their duties, with requests for such advice being authorised by the Chair or the Company Secretary.

## Risk management and internal control

The Company has complied and continues to comply with the UK Corporate Governance Code provisions on internal control having established the procedures necessary to implement the guidance issued in 2014 by the Financial Reporting Council, Guidance on Risk Management and Related Financial and Business Reporting and by regular review and reporting in accordance with that guidance.

The Board has overall responsibility for the system of risk management and internal control, and for reviewing its effectiveness; whilst the role of management is to implement the Board policies on risk and control. The system of internal control is designed to manage risks to appropriate minima rather than eliminate any risk of failure in achieving business objectives. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

**The Board encourages a culture of risk identification and management across all aspects of the business, and uses the following main processes to review the effectiveness of the system of internal control:**

- a regular risk identification, assessment and mitigation process, which is performed across the business, with robust challenge from the executive team before being submitted to the Audit Risk and Assurance Committee for review. The Board has regular discussions on known and emerging risks and controls, as supported by the Committee;
- an internal audit plan is prepared on a rolling 3-year cycle, based on the key risks identified, and to ensure key mitigating controls operate effectively;
- regular reporting on key performance indicators, regulatory performance commitments and financial outcomes to gain visibility of the business and its operations;
- a requirement for reporting to the Board of material litigation or arbitrations or reputational issues; and
- a robust whistleblowing procedure that is accessible to all employees, contractors, and suppliers. The Board reviews, scrutinises and approves the whistleblowing policy and procedures of the Company annually, most recently in May 2021 and the Company Secretary is tasked with ensuring that the Board is notified and aware of any instances of whistleblowing promptly upon the Company becoming aware of the same.

**The Executive Directors:**

- have delegated to them the authority to manage the business and to implement internal control and risk management processes, specifically the Company has compiled a risk register containing the key risks it faces during the conduct of its business; and
- have established a system of KPIs and risk identification matrices.

In addition, the Company has a schedule of matters reserved for the Board, which has been updated following the Pennon Acquisition and which is available on our website:
Company Information (bristolwater.co.uk)

The Company operates through a formal board structure.

## The Board:

- monitors compliance with the obligations of the Company under its licence as a water undertaker;
- considers material financing and investment decisions including the giving of guarantees and indemnities, and monitors policy and control mechanisms for managing treasury risk;
- reviews on a regular basis a summary KPI report, which includes the identification of material risks and the actions taken to manage such risks;
- robustly reviews the effectiveness of the risk management process, and significant and emerging risks;
- reviews and approves financial budgets and emerging financial results; and
- reviews and scrutinises the Company's Business Plans and responses in respect of the progress of the Ofwat Price Reviews.

## The Audit Committee (formerly Audit and Risk Assurance Committee):

- reviews internal and external audit work plans and commissions, where appropriate, reviews of specific issues;
- reviews and where appropriate, approves non-audit services undertaken by the statutory auditor;
- assesses the risk management and control arrangements including risk reporting;
- reviews the role of insurance in managing risks;
- considers reports from management, internal and external auditors on the system of internal control and any material control weaknesses identified;
- discusses with management the actions taken on any problem areas identified by the Board members and management or in the internal and external audit reports; and
- the Chair of the Committee reports the outcome of the Committee meetings to the Board and the Board receives the minutes of all Audit Committee meetings.

## The Health and Safety Committee (formerly Safety Committee):

- reviews the Company's Health and Safety strategy and objectives;
- reviews and monitors the Company's performance against a range of leading and lagging Health and Safety key performance indicators;
- reviews significant accidents both within and outside the Company to identify Health and Safety learnings and best practice;
- reviews the impact of events and circumstances impacting significantly on the safe operation of the Company's business as a water undertaker;
- reviews changes to the Company's Health and Safety Policies and Procedures and new Health and Safety policies and procedures.

## The Nomination Committee:

- identifies and recommends for approval candidates to fill Board vacancies when required;
- reviews the structure, size and composition of the Board (including knowledge skills and experience) in the light of the Company's current requirements and future developments;
- makes recommendations regarding the membership of the Audit Committee in consultation with the Chair of the Audit Committee to satisfy itself with regard to succession planning, that processes and plans are in place with regard to both Board and senior management appointments;
- reviews annually the time needed to fulfil the role of Chair, Senior Independent Director and each Non-Executive Director (taking into account committee memberships); generally, has regard to the UK Corporate Governance Code and to the Company's Corporate Governance Code in carrying out its duties.

The Audit and Risk Assurance Committee undertook an updated assessment of risk management and control arrangements, including the risk register, in October and November 2021 and concluded that the overall internal control framework remained effective.

## The Remuneration Committee:

The Remuneration Committee's activities and terms of reference are detailed in the Directors' Remuneration Report on pages 60-72.

## Environmental, Social and Governance Committee:

On 2 April 2022, the Board approved the creation of the Environmental, Social and Governance Committee. The role of the Environmental, Social and Governance Committee is to ensure robust scrutiny of key aspects of environmental, social and governance (ESG) performance and to oversee the Company's performance against its strategic sustainability objectives and to ensure consistency with the Pennon Group.

| Members of Committee with effect from 2 April 2022 |
|---|
| Iain Evans INED Chair of the Committee |
| Gill Rider INED |
| Jon Butterworth INED |
| Claire Ighodaro INED |
| Neil Cooper INED |
| Bristol Water Executive |

## Commitment

Sufficient time is available both for the Executive and NEDs to undertake their responsibilities. The expected time commitment is considered as part of the appointment process of NEDs including the requirement for additional commitment outside scheduled Board meetings when required including for induction. A defined expected time commitment is set out in the terms of appointment of NEDs.

Directors disclose their other commitments at the time of appointment. Further updates are made as required if a NED takes any additional commitment. Non-Executive Directorships are stated in the Directors' biographies.

## Retirement and Re-election of Directors

All Directors are subject to election by shareholders at the first annual general meeting after their appointment. At the Annual General Meeting of the Company held on 30 September 2021, in accordance with the UK Corporate Governance Code, all Directors offered themselves for annual re-election by shareholders and were duly re-elected.

## Directors' Conflicts of Interest and External Appointments

All Directors have a statutory duty to avoid situations where they have, directly or indirectly, a conflict of interest. Procedures are in place to disclose any such conflicts to the Board as they arise.

Under its Instrument of Appointment as a water undertaker, the Company is subject to a number of ring-fencing conditions to protect it from the risks arising from other activities which may be carried out by other companies within the group so that the Company does not, whether through its involvement in those activities or by its financial policies, put at risk its ability either to carry out its functions as a water undertaker or to finance them.

The Nomination Committee Report, ARAC Report, Safety Committee Report and Remuneration Committee Report form part of this Governance Section and are contained on pages 55-72.

The Board Equality, Diversity and Inclusion Policy is contained within the Nomination Committee Report on page 55.

BRISTOL WATER
It's what we're made of.

# Committee Reports

## Nomination Committee Report

## Introduction, Gill Rider Chair of the Nomination Committee

As the new Chair of the Nomination Committee, I am pleased to introduce the Nomination Committee report detailing its role and the work undertaken by the Committee during the year.

The Committee plays a key role in supporting the Board on its responsibility for succession planning and diversity. Only members of the Committee have the right to attend Committee meetings; other individuals such as the CEO, Bristol Water Executive team, the Head of HR and external advisors may attend, on an invitation only basis, as deemed appropriate.

With effect from 2 April 2022, the Committee is chaired by Gill Rider and comprises the following INEDs Neil Cooper, Iain Evans and Claire Ighodaro.

### Attendance during the financial year

| Member of Committee to 31 March 2022 | Meetings attended | Maximum possible |
|---|---|---|
| Keith Ludeman*** Chair | 1 | 1 |
| T Tutton, iNED*** | 1 | 1 |
| H Ichishi, NED* | 1 | 1 |
| Paul Malan, NED* | 1 | 1 |
| Paul Francis, INED** | 1 | 1 |
| Jeremy Bending, INED*** | 1 | 1 |
| Jim McAuliffe, INED*** | 1 | 1 |

*Resigned from Committee on 3 June 2021 **Resigned from Committee on 24 June 2021 ***Resigned from Committee on 31 March 2022

| Member of Committee with effect from 2 April 2022 |
|---|
| Gill Rider INED Chair of the Committee |
| Neil Cooper INED |
| Iain Evans INED |
| Jon Butterworth INED |
| Claire Ighodaro INED |

### Nomination Committees Responsibilities

**This committee has the task of:**

- recommending new appointments to the Board and reviewing re-appointments when they become due;
- evaluating the balance of skills, knowledge and experience on the Board and, in the light of this, prepare a description of the role and capabilities required for a particular appointment;
- reviewing the structure, size and composition of the Board and makes recommendations to the Board with regard to any changes; and
- undertaking annual performance evaluations of the Board Members.

Gill Rider does not chair this Committee if it discusses the performance of the Chair or the appointment of a new Chair of the Board.

The Committee is formally constituted with terms of reference which were revised and updated on 2 April 2022. A copy of the terms of reference is available on the Company's website or by writing to the Company Secretary.

During the year, there was one meeting of the Nomination Committee. The Committee met once during the year on 27 May 2021 to discuss the appointment of a new Chair of Bristol Water plc following an executive search conducted by Saxton Bampfylde. However, the Committee decided to defer the appointment until further information was available about the proposed acquisition of Bristol Water Holdings UK Limited by Pennon Group plc. On 3 June 2021, the Pennon Group plc acquired Bristol Water Holdings UK Limited and its subsidiary entities (including Bristol Water plc) following which, the appointment of a new Chair was terminated and Keith Ludeman agreed to continue in the role until his resignation on 31 March 2022.

The Board has established a formal process for the evaluation of the effectiveness of the Board and its Committees with an external and benchmarked review conducted every three years. In June 2021, the Company engaged a new provider, BoardClic[8] , to conduct both a Board Effectiveness Evaluation and a Chair Evaluation. Both evaluations were designed by BoardClic to elicit an evaluation of and feedback on the effectiveness of the Board and the Chair, respectively, taking into account principles of good corporate governance and most particularly the UK Corporate Governance Code. The Board's overall Value (Effectiveness) Score was 86 against a benchmark index score of 80. The results were discussed by the Board in July 2021. The focus of the review and recommendations was to ensure that the relationships within the Board develop and strengthen based on the actions taken in prior years following prior Board effectiveness reviews and that the Board's effectiveness is enhanced further.

The Senior INED and the NEDs met on 29 July 2021 to appraise the Chair's performance. The discussion was informed by the outcome of an external Chair performance evaluation by BoardClic.

**Meeting on 27 May 2021**

- Succession planning for Chair

**Diversity and succession planning**

The Board has a 'Board Equality, Diversity Policy' which was updated and approved by the Board on 29 November 2018 and updated on 13 May 2019 which confirms that the Board is committed to:

- all searches for the Board candidates being conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender, age and ethnicity; and
- satisfying itself that plans are in place for orderly succession of appointments to the Board and to senior management to maintain an appropriate balance of skills and experience within the Company and on the Board and to ensure progressive refreshing of the Board.

The Board Diversity Policy adopted in 2018 (as amended) remains in effect. Currently there are four female Board members. In our workforce of 561 at 31 March 2022 around 29% were women.

The Company's stated core values are those of Trust, Accountability, Pride, Ambition, Supportiveness, Professionalism and Respect and it continues to seek to embed those values in everything it does.

The Board is committed to the principle of equal opportunities and equal treatment for all employees set out in the Company's Equality, Diversity and Inclusion Policy. The full Board has discussed and reviewed the Company's strategy for promoting greater equality, inclusion and diversity across its employee workforce in its Board meetings and continues to actively promote and monitor the Company's strategy and actions to encourage greater diversity, equality and greater inclusion in the workplace and will continue to monitor developments in 2022/23.

[8] BoardClic provide Board Evaluation and benchmarking services. They have had no previous connections to the Company.

# Audit Committee Report

## (formerly Audit and Risk Assurance Committee)

## Neil Cooper, Chair of the Audit Committee

As newly appointed Chair of the Audit Committee, I am pleased to introduce our report on the role of the Committee and the work undertaken during this year. On 2 April 2022, the Board resolved to change the name of the Audit and Risk Assurance Committee to be the Audit Committee to align with the Pennon Group. The Board sees the Audit Committee as a critical component of our governance processes and sets out on the following pages details of our activities and discussions. In particular, the Committee continues to discharge its responsibility on the integrity of the Financial Statements, risk management, and internal controls as well as other risk and assurance matters.

The Company considers that Jim McAuliffe possessed the necessary recent and relevant financial experience to effectively chair the Committee. In addition, the Company considers that all the members of the Committee possess relevant skills and experience to meaningfully support the activities of the Committee. The biographical details of all the members of the Company are shown on pages 45 to 46.

In addition to the attendance set out above, the Chair of the Board, CEO, CFO, External Auditors and Internal Auditors are invited to attend meetings of the Committee. Other members of staff are also invited as appropriate.

The Committee holds private discussions with the internal and external auditors separately without management present. The Committee Chair holds separate one-to-one meetings with the CFO and external auditors to fully understand any issues or areas of concerns.

On 31 March 2022, the members of the Audit and Risk Assurance Committee resigned from their roles and on the 2 April 2022 a new Audit Committee was formed which included the following Directors:

| Members of Committee with effect from 2 April 2022 |
|---|
| Neil Cooper INED Chair of the Committee |
| Jon Butterworth INED |
| Iain Evans INED |
| Claire Ighodaro INED |

### Attendance during the financial year

The constitution of the Committee and attendance is summarised in the table below as at 31 March 2022.

| Members of Committee | Meetings attended | Maximum possible |
|---|---|---|
| Paul Francis*, INED, (Chair until retirement on 24 June 2021) | 1 | 2 |
| T Tutton***, INED | 6 | 6 |
| H Ichishi**, NED | 1 | 1 |
| I Dhar**, NED | 0 | 1 |
| J Bending***, INED | 6 | 6 |
| J McAuliffe***, INED (appointed Chair 25 June 2021) | 6 | 6 |

*Resigned from Committee on 24 June 2021 **Resigned from Committee on 3 June 2021 ***Resigned from Committee on 31 March 2022

## Committee's responsibilities

**The Committee's responsibilities include:**

- ensuring the appropriateness of the Company's financial reporting, including the interim and annual financial statements and reviewing both accounting judgements and policies to ensure the presentation of the Company's activities is fair and balanced;
- oversight of the Internal and External Audit activities, including review of non-audit work undertaken by the statutory auditor;
- reviewing and challenging the risk management processes across the Company, including setting the Company's risk appetite; and
- reviewing and challenging the ongoing effectiveness of the internal control environment, including arrangements for raising concerns relating to fraud and similar matters.

The Committee is formally constituted with terms of reference. A copy of the terms of reference is available on the Company's website or by writing to the Company Secretary.

**Below is a summary of the Committee's work during the year:**

**Meeting on 27 May 2021**

- Review of the progress on the Risk Compliance Statement, Long Term Viability Statement and Going Concern Statement for the Annual Report and Annual Performance Report;
- Review of key accounting policies, judgements and matters incorporated into the 2020/21 Annual Report and Accounts of the Company;
- Report from the external auditors on initial audit work and findings in relation to the 2020/21 Annual Report and Accounts of the Company;
- Review of the Corporate Risk Register;
- Review of the Company's internal audit plan for 2021/22;
- Review of the non-audit services provided to the Company; and Review of compliance submissions under the Company's financing documentation.

**Meeting on 24 June 2021**

- Review of the draft final Annual Report and Accounts of the Company for the year 2020/21 prior to recommending the same for approval by the Board;
- Review of the Company's Annual Performance Report for 2020/21 for submission to Ofwat including Long Term Viability Statement prior to recommending the same for approval by the Board;
- Report from the external auditors on initial audit work and findings in relation to the 2020/21 Annual Report and Accounts of the Company;
- Further review of the draft Risk Compliance Statement, Long term Viability Statement and Going Concern Statement for the Annual Report and Annual Performance Report; and
- Review of related party transactions which that were subject to Ofwat's RAG5 disclosure requirements prior to recommending the same for approval and ratification by the Board.


**Meeting on 28 October 2021**
- Review of the Company's proposed half-year reporting arrangements; and
- Review of the Company risk register and associated mitigation action plans.

**Meeting on 26 November 2021**
- Review and recommendation for approval by the Board of the interim financial statements of the Company for the six months ended 30 September 2021 and the related going concern statement;
- Review of Mid-year Performance Report;
- Review of the Company's defined benefit pension scheme particularly in respect of findings following actuarial review;
- Review of the Company risk register and associated mitigation action plans;
- Review of compliance submissions under the Company's financing documentation prior to recommending the same for approval by the Board; and
- Review of an update on the Company's internal audit plan for 2021/22.

**Meeting on 22 February 2022**
- Review the appointment of PwC as the Company's auditors for the year 2021/22 prior to recommending the same for approval by the Board;
- Review of the Company's proposed year-end reporting arrangements;
- Review of PwC's proposed external audit plan for the Company's 2021/22 Annual Report and Accounts prior to recommending the same for approval by the Board;
- Review of compliance submissions under the Company's financing documentation prior to recommending the same for approval by the Board;
- Review of progress on the Company's internal audit plan for 2021/22;
- Review of the Company's Tax Strategy document prior to recommending the same for approval by the Board;
- Review of the Company's policy on the corporate criminal offence for the failure to prevent the facilitation of tax evasion prior to recommending the same for approval by the Board;
- Review of the Company's Assurance Plan for 2022/23 (the purpose of which is to give customers and other stakeholders trust and confidence in how the Company reports on its operational and financial performance) prior to recommending the same for approval by the Board; and
- Review of cybersecurity risk faced by the Company.

**Meeting on 31 March 2022**
- Receive a report in relation to the Company's approach to disaster response and incident planning in the context of cyber security
- Receive a report in relation to an external audit of HR policies
- Receive a report on and recommended for approval by the Board the annual insurance renewals by the Company.

## Significant accounting matters

A key responsibility of the Committee is the integrity of the financial statements and to ensure, on behalf of the Board, that the annual report and accounts, taken as a whole, were fair, balance and understandable and provided the information necessary for shareholders to access the Company's performance, business model and strategy. The Committee considered significant accounting matters and judgments in relation to the Company's financial statements and management presented a report setting out the approach to these areas. Details of how each of these was addressed are shown in the table below. At the Committee's meetings throughout the year the Committee and the external auditor have discussed the significant accounting matters arising during the year and the areas of particular audit focus, as reported on in the independent auditors' report auditors' report in the Bristol Water Annual Report. The notes to the financial statements also details the critical accounting estimates and judgements.

| Significant accounting matter | Specific factors considered by the Committee in determining the judgements or estimates were appropriate: |
|---|---|
| Capitalisation of costs | The Committee reviewed treatment of the costs as operating or capital in nature as well as in-house work capitalised to ensure the required criteria for capitalisation was met. |
| Accounting for defined benefit pension schemes | The Committee reviewed the assumptions underlying the valuations of the defined benefit pension scheme, as well as the recovery of the surplus, to ensure the pension asset was recoverable. |
| Expected credit losses | The Committee reviewed the key aspects of the calculation and has had detailed discussions with management about the judgement applied to the bad debt provision. This judgement either increases or decreases the provision calculation using historic collection rates, depending upon recent collection trends and economic factors. In particular, this also takes into account the impact of the COVID-19 global pandemic on customers and the Company. |
| Long term Viability Statement and Going Concern Statement | The Committee reviewed the draft Long-Term Viability and Going Concern outlook and risk scenarios and tested these with the CFO. |

# External Auditors

The Company's external auditors are PwC who have been the Company's auditors since 2012. The audit partner is Colin Bates who became the audit partner on 1 April 2017.

In accordance with best practice and professional standards, the Company requires its external auditor to adhere to a rotation policy whereby the audit partner is rotated after five years. The external auditor is also required to periodically assess whether, in its professional opinion, it is independent and to share those views with the Committee.

As a Public Interest Entity with debt listed on the London Stock Exchange, the Company is subject to the mandatory audit and rotation requirements.

## Independence

**In order to ensure the independence and objectivity of the external auditors, the Committee has reviewed:**

- the external auditors' plan for the financial year, noting the role of the senior statutory audit partner, who signs the audit report;
- the arrangement for day-to-day management of the audit relationship;
- a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest; and
- the overall extent of non-audit services provided by the external auditors, in addition to its case-by-case approval of the provision of non-audit services by the external auditors.

## Effectiveness

**To assess the effectiveness of the external auditors, the Committee has reviewed:**

- the arrangements for ensuring the external auditors' independence and objectivity;
- the external auditors' fulfilment of the agreed audit plan and any variations from the plan; and
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements.

Based on the above assessments, the Committee is of the view that the external auditors are independent and effective.

## Non-Audit fees

The Company has a policy for the provision of non-audit services aimed at safeguarding and supporting the independence and objectivity of the external auditor. The policy sets out the approach taken when using the services of the external auditor including non-audit services which are prohibited.

Before approving non-audit services, the Board considers whether it is in the interest of the Company that the services are procured from PwC rather than another supplier. Where PwC has been chosen, this is based on their detailed knowledge of our business and understanding of the water industry as well as demonstrating the required expertise. Non-audit services where the external auditor may be used include audit related services required by statute or regulation, regulatory support and Corporate Responsibility report reviews.

With effect from 1 April 2017, legislation was introduced which imposed a limit on the value of non-audit services that the auditors can undertake on behalf of the client. Permitted non-audit services are subject to a 70% cap of the average statutory audit fees paid in the last three financial years for the group.

Details of the audit fees are set out in the Bristol Water Annual Report

# Internal Auditors

The Company has a rolling internal audit plan which is reviewed and updated annually in order to align internal audit activities with the key risks affecting the Company as these evolve and are monitored through the corporate risk register (which is reviewed, at least, bi-annually by the Committee). Internal audit services are provided by a combination of internal risk and compliance resource with appropriate subject matter experience and specialist external audit services providers in areas where risks are identified and thus assurance is sought over the associated controls and mitigations. The internal audit plan is prepared annually in conjunction with the Committee and the executive management team of the Company.

In the current year, we have worked with a number of assurance providers to gain detailed, comprehensive and expert assurance over individual areas. Such work has included assurance by Mazars on HR related processes, Turner and Towner on operational compliance and reporting and Accenture on the billing systems implementation project progress and governance. In addition, Turner and Townsend provided assurance services on the accuracy of data in relation to our 2021/22 Annual Performance Report and assurance by PwC in relation to our Regulatory accounts comprised in our 2021/22 Annual Performance Report. The Committee and Board have been provided with the output of such reports and have had the opportunity to challenge and question our assurance partners as part of the Board assurance process.

The Terms of Reference for the Audit Committee were amended and approved by the Board with effect from 2 April 2022. The Terms of Reference for the Committee were amended to be consistent with the Pennon Group.

# Health and Safety Committee Report

(formerly Safety Committee)

## Jon Butterworth, Chair of the Health and Safety Committee

As the newly appointed Chair of the Health and Safety Committee, I am pleased to introduce the Health and Safety Committee report detailing its role and the work undertaken by the Committee during the year. On 2 April 2022, the Board resolved to change the name of the Safety Committee to be the Health and Safety Committee to ensure consistency with the Pennon Group.

The role of the Health and Safety Committee is to focus on the responsibility for health and safety matters arising from the Company's activities and operations.

| Members of Committee with effect from 2 April 2022 |
|---|
| Jon Butterworth INED Chair of the Committee |
| Gill Rider INED |
| Iain Evans INED |
| Claire Ighodaro INED |
| Neil Cooper INED |
| Mel Karam CEO |
| Richard Price COO |

### Attendance during the financial year

| Members of the Committee | Meetings attended | Max possible |
|---|---|---|
| Jeremy Bending, Chair (Resigned 31 March 2022) | 6 | 6 |
| M Karam, CEO | 6 | 6 |
| Richard Price (Chief Operating Officer) | 5 | 6 |
| Simon Fry, Head of Health and Safety (Resigned on 30 September 2021) | 1 | 3 |
| Adrian Tomsa, Head of Human Resources* (Appointed to Committee on 27 May 2021) | 5 | 6 |
| Zac Coley, Head of Procurement and Business Services* (Appointed to Committee on 27 May 2021) | 6 | 6 |
| Hannah Milliner, Head of Capital Delivery* (Appointed to Committee on 27 May 2021) | 6 | 6 |

*Resigned from the Committee 31 March 2022

## Health and Safety Committee Responsibilities

**The Health and Safety Committee:**

- Reviews and make recommendations to the Board on the strategic direction for effective health and safety management, and to communicate, promote and champion health and safety issues;
- Keeps under review the adequacy of the framework of health and safety policies and procedures within the Company (including training and competency assessment), and compliance with relevant health and safety legislation;
- Reviews appropriate health and safety measures, performance targets and Key Performance Indicators for the Company;
- Reviews significant health and safety incidents and investigation reports, including near misses for both the Company and its third-party contractors;
- Considers injury and illness prevention measures within the annual health and safety plan aimed at enhancing standards and promoting a culture free from harm to people;
- Considers health and safety issues that may have strategic business and reputational implications for the Company and, where necessary, recommend appropriate measures, responses and targets (including performance targets and KPIs for Directors and senior managers);
- Considers public safety whilst on Company premises;
- Reviews related contractor and supplier performance; and
- Receives and reviews any relevant health and safety audits.

The Terms of Reference for the Health and Safety Committee were amended and approved by the Board with effect from 2 April 2022. The Terms of Reference for the Committee were amended to be consistent with the Pennon Group.

The membership of the Committee is appointed by the Board from amongst the Directors and senior management of the Company and must consist of at least three members.

The Company Secretary acts as secretary to the Committee.

The Safety Committee (now the Health and Safety Committee) met 6 times during 2021/22. At those meetings it considered the following items amongst others:

**Meeting on 27 May 2021**
- Report on performance of the Company on key Health and Safety performance indicators
- Review of significant Health and Safety incidents
- Co-option of new members to the Committee

**Meeting on 10 August 2021**
- Review of significant Health and Safety incidents
- Report on performance of the Company on key Health and Safety performance indicators

**Meeting on 25 November 2021**
- Update on Safe Control of Operations Procedures
- Review of significant Health and Safety incidents
- Report on performance of the Company on key Health and Safety performance indicators
- Update on DSEAR Regulations
- Review of Health and Safety Corporate Risk Register

**Meeting on 27 January 2022**
- Review of significant Health and Safety incidents
- Report on performance of the Company on key Health and Safety performance indicators
- Review of the revision to the Health and Safety Manual
- Update on the procurement of a new system for COSHH assessments
- Review of Electrical Safety Projects

**Meeting on 21 February 2022**
- Review of significant Health and Safety incidents
- Report on performance of the Company on key Health and Safety performance indicators
- Review of Occupational Health Reporting

**Meeting on 30 March 2022**
- Review of significant Health and Safety incidents
- Report on performance of the Company on key Health and Safety performance indicators
- update on Occupational Health Reporting

# Directors' Remuneration Report

The following is an extract from the Annual Report and Financial Statements.

**Annual Statement by Claire Ighodaro, Chair of the Remuneration Committee.**

## Introduction

I am pleased as the newly appointed Chair of the Remuneration Committee to present, on behalf of the Board, our Directors' Remuneration Report in respect of the year ended 31 March 2022 together with our approach to remuneration for Executive Directors for 2022/23.

This report has been prepared under the principles of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 governing the content of remuneration reports and the provision of the Companies Act 2006, as amended by the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) regulations 2019.

The Board has over the last year reviewed the Company's compliance with its policy on remuneration-related matters. It is the opinion of the Board that the Company complied with all remuneration-related aspects of this policy during the year as detailed in the table below.

## Key matters

The year under review was the second in the current five-year regulatory cycle and continued to be an important time for delivery of the Company's commitments. The Company had previously implemented a new organisation structure and continued to embed the new ways of working.

During the year the Company changed ownership and became part of the Pennon Group although this was subject to a review by the CMA with the final outcome being received on 7th March 2022.

The Company also celebrated its 175th Anniversary, responded well to incidents as a result of Storm Eunice and the recent employee engagement survey saw the Company increase its' engagement scores in all areas under review.

We continued to be faced with the challenge of the global COVID-19 pandemic which affected every part of society and the economy both in the United Kingdom and globally. The Company continued to respond vigorously to this challenge during the year, prioritising the safety and wellbeing of its employees and customers, focusing particularly on essential services. Inevitably the COVID-19 pandemic impacted on the way in which the Company served its customers, and in some cases resulted in non-essential services being suspended.

The long-term impact of the pandemic on the Company were monitored closely and saw a change in customer behaviours and their financial position, which has impacted revenue trends and bad debt levels but not to the extent that was previously thought.

Given all the changes and challenges the Company faced during the year, the Remuneration Committee was therefore particularly aware of the need to ensure that it exercised its judgment and discretion wisely in relation to remuneration levels and awards in 2022/23.

**This section summarises the key matters considered by the Committee and decisions made during the year.**

- **Salary** – consultation with representatives of the recognised trade union GMB took place and after negotiation an increase of 4.6% for all employees was agreed for the year commencing 1 April 2022. The Executive Management Team also received a 4.6% increase effective from 1 April 2022. An increase in employer pension contribution was also agreed with effect from 1 April 2022. The Company will double match employees' contribution to a maximum of 8%.
- **Annual employee bonus** – the Committee gave consideration to the objectives and targets of the Company's annual bonus scheme for 2021/22, in which employees (with the exception of the CEO Mel Karam, the CFO, Laura Flowerdew, and the Chief Operating Officer, Richard Price) participated during the year. The committee feel it is appropriate to pay employees their annual bonus for 2021/22 in line with the scheme rules, in recognition of the continued commitment and hard work in responding to the COVID-19 pandemic, as well as the performance and delivery on company objectives.
- **Long Term Incentive Plan ("LTIP")** – a summary of the agreed Measures and Targets which comprise the 2020 – 2023 LTIP is included within the Directors' remuneration policy on page 67.
- **Annual CEO/CFO Incentive Plan** – the following sets out the annual bonus payments for Executive Directors awarded in respect of 2021/22 pursuant to the Annual Cash Incentive Plan ("ACIP") 2021/22. A summary of the annual bonus performance measures and the extent to which performance was achieved is set out on page 62.

| Directors | Proportion of maximum bonus achieved | Bonus Payment |
|---|---|---|
| Mel Karam - CEO | 74% | £108,363 |
| Laura Flowerdew - CFO | 73% | £68,538 |

- **Pension** – the Company continues to operate a company stakeholder (defined contribution) scheme. All employees of the Company are enrolled in this scheme with employer contributions (to a maximum employer contribution of 6%), unless they have opted out. The employer level of contribution increased to 8% effective from 1 April 2022 with employees contributing 4%.
- **LTIP** – With effect from the beginning of AMP7, a new three-year LTIP was put in place. The first period for measurement covers 1 April 2020 to 31 March 2023. The 2020-2023 LTIP performance measures are designed to ensure alignment between executive remuneration and customer outcomes. There is no linkage to shareholder dividends. Across service performance, financial efficiency, and wider customer experience, measures relating to customer outcomes will account for over 80% of the maximum total LTIP award.
- **Departing Directors** – Paul Francis, INED, stepped down from the Board on 24 June 2021 and due to the completion of the Pennon Acquisition on 3 June 2021 Paul Malan, Indradoot Dhar and Hajime Ichishi resigned from the Board. On 31 March 2022, Keith Ludeman, Tim Tutton, Jim McAuliffe and Jeremy Bending resigned from the Board.
- **New appointments** – With the completion of the Pennon Acquisition on 3 June 2021 Paul Boote, Neil Cooper and Iain Evans were appointed to the Board as Pennon Group designated NEDs. Susan Davy (Pennon Group Chief Executive) was appointed to the Board as Pennon Group designate on 9 March 2022. On 2 April 2022, Gill Rider, Claire Ighodaro and Jonathan Butterworth were appointed to the Board.
- **Implementation of remuneration policy in respect of 2021/22** – the remuneration policy was fully implemented with no changes. The policy is set out in the table on page 62.
- **Remuneration and Standards of Performance** – NEDs' remuneration is not linked to performance targets. The annual bonuses awarded and payable by the Company to employees under the 2021/22 ACIP (in relation to the CEO and CFO), and longer term awards under the 2020–2023 LTIP are based on performance against certain targets linked to the standards of performance of the Company. Details of bonus outcomes and performance for 2021/22 can be found on pages 67 to 68.

**Claire Ighodaro CBE**
Chair of the Remuneration Committee
13 July 2022

## Role and composition of the Remuneration Committee

The Committee makes recommendations to the Board on the overall remuneration strategy, and on the remuneration of the Executive Directors and senior executives of the Company, in consultation with the Chair and/or CEO as appropriate.

The membership of the Committee during the year comprised Jim McAuliffe, Chair until 31 July 2021, Tim Tutton, Chair from 1 August 2021, Jeremy Bending, Paul Francis (resigned 24 June 2021), Paul Malan (resigned 3 June 2021) and Hajime Ichishi (resigned 3 June 2021).

On 2 April 2022, Gill Rider, Claire Ighodaro, Neil Cooper, Jonathan Butterworth and Iain Evans were appointed to the Remuneration Committee. Claire Ighodaro was appointed Chair of the Committee.

Member's biographies are given on pages 45-46. The Company Secretary is secretary to the Committee. Helen Hancock resigned from this position on 14 February 2022 and Colin Caldwell was appointed as Interim Company Secretary on 16 February 2022. On 1 April 2022, Simon Pugsley was appointed Company Secretary jointly with Colin Caldwell.

The Committee is formally constituted with written terms of reference. A copy of the terms of reference is available on the Company's website.

During the year the CEO, Head of HR and Company Secretary provided advice and services to the Committee. Deloitte were appointed by the Committee in 2020/21 to provide guidance in relation to the review and updating of the Executive Directors' Remuneration Policy and the review of the Committee's Terms of Reference. Deloitte were selected after a tender process involving a number of other advisors. The total fees paid to Deloitte in the prior year for services to the Committee were £4,500. Fees charged by Deloitte are on a time and material basis and no other service is provided by Deloitte to Bristol Water.

Deloitte is a member of the Remuneration Consultants' Group and adheres to its code in relation to remuneration consulting in the UK. The Committee is satisfied that the advice received from Deloitte was independent. No Director played a part in any decisions about his or her own remuneration. No Committee member has any personal financial interest or conflict of interest arising from cross-directorships or from day-to-day involvement in running the business.

| Member of Committee | Meetings attended | Max possible |
|---|---|---|
| J McAuliffe, Chair until 31 July 2021<br>Resigned from the Board 31 March 2022 | 6 | 6 |
| P Francis, INED<br>Resigned from the Board 24 June 2021 | 1 | 2 |
| J Bending, INED<br>Resigned from the Board 31 March 2022 | 6 | 6 |
| T Tutton, INED, Chair from 1 August 2021<br>Resigned from the Board 31 March 2022 | 6 | 6 |
| H Ichishi, NED<br>Resigned from the Board 3 June 2021 | 2 | 2 |
| P Malan, NED<br>Resigned from the Board 3 June 2021 | 2 | 2 |

## Executive Directors' remuneration policy

The key principle underpinning remuneration policy is to offer remuneration packages which are at an appropriate level to attract, motivate and retain Directors and senior managers of the calibre needed to execute the Company's business strategy. This is important for the delivery of a consistently high-quality service to customers and a sound, sustainable financial performance.

The Committee's approach on incentives is for any annual bonus to be aligned to the Company's performance against its strategic and business objectives for the year, and for the performance targets of any LTIP scheme to be based on the longer term strategic and sustainable success of the business in the current regulatory environment.

## Changes to the policy

**The Committee reviewed the remuneration policy in 2020/21, considering best practice approaches in the water sector and UK listed companies, and the context of AMP7 and the interests of our customers. As a result, the Committee implemented the following changes:**

- The finalised terms of the 2020 - 2023 LTIP. Details of award opportunities and performance conditions are set out in the policy.
- Outlining the Committee's discretion over bonus and LTIP outcomes, in accordance with the UK Corporate Governance Code.
- Updating the malus and clawback circumstances for annual bonus awards and awards under the 2020 - 2023 LTIP.

In determining these changes, the Committee considered the following principles, as outlined in the UK Corporate Governance Code:

- **Clarity** – The Policy is designed to support the financial and strategic objectives of the Company, taking into account UK corporate governance expectations. The Committee is committed to providing open and transparent disclosure of our approach to Directors' pay.
- **Simplicity** – The remuneration structure is simple, comprising three main elements: fixed pay (base salary, pension and benefits), annual bonus to incentivise stretching single year performance, and LTIP awards to incentivise stretching multi-year performance.
- **Risk** – The Committee is mindful of ensuring that incentive arrangements do not encourage excessive risk taking. The Committee follows a robust process when setting performance targets to ensure that targets are sufficiently stretching and balanced.
- **Predictability** – The Policy sets out the maximum opportunity levels for different elements of pay. Page 63 contains charts illustrating the implementation of the Remuneration Policy for Executive Directors under three performance scenarios.
- **Proportionality** – Payment of the annual bonus and awards under the LTIP are subject to the achievement of stretching performance targets. The targets are considered annually and take account of expectations and strategic priorities at the time. The Committee also retains the right to apply discretion where these outcomes do not accurately reflect the performance of the Company.
- **Alignment to culture** – The Remuneration Policy has been developed in order to align the interests of the Directors with the interests of the Company's shareholders and customers.

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## Summary of Directors' remuneration policy

The table below sets out the Company's remuneration policy for the year ended 31 March 2022 and highlights any changes for 2022/23.

| Remuneration element and link to strategy | Approach and link to performance | Maximum opportunity |
|---|---|---|
| **Base Salary**<br>To attract and retain high performing individuals reflecting market value of role and Director's skills, experience and performance. | Salaries are reviewed at the discretion of the Committee.<br><br>Factors taken into account when determining basic annual salary levels are market data for comparable companies, the individual Executive Director's performance during the year and pay and conditions throughout the Company. | Base salary increases are applied in line with the outcome of any Company-wide annual pay award following a review conducted by the Committee in consultation with trade unions. Increases will normally be in-line with the increases awarded to the rest of the Company workforce. |
| **Annual Bonus**<br>To drive and reward performance against personal objectives and selected financial and operational KPIs which are linked directly with business strategy and customer outcomes. | Annual bonus is based on achieving certain business objectives and performance. Business objectives include customer service and operational targets set around measurable outcomes which the Company believes are important to customers such as water quality, leakage target compliance, minimising interruptions to supply and the Ofwat customer service measure, C-MeX.<br><br>Bonus scheme targets are set annually by the Committee. Any final bonus payment based on performance against targets can be adjusted up or down (including to zero) by the Committee at its discretion. Given the planned merger of BRW into the Pennon Group, consideration will also be given to the appropriate bonus construct for the combined water business in consultation with wider stakeholders<br><br>Awards may be subject to malus and clawback provisions as described below. | Maximum of:<br>▪ 60% of Base Salary for the CEO<br>▪ 50% of Base Salary for the CFO |
| **Pension**<br>Attract and retain high performing individuals reflecting market value of role and Director's skills, experience and performance. | Pension contributions are made to the Company stakeholder schemes at a specified percentage of basic salary. The Committee may also, at its discretion, approve the payment of cash in lieu of pension up to the maximum contribution level. | Maximum Employer contribution of 6% of base salary.<br><br>From 1 April 2022 the maximum employer contribution increased to 8% of base salary. |
| **Benefits**<br>Attract and retain high performing individuals reflecting market value of role and Director's skills, experience and performance. | Reflecting market practice and comprising the provision of a Company car (or cash allowance in lieu thereof) and private medical insurance. Pennon Group Sharesave scheme was introduced in August 2021 and Pennon Group Share Incentive Plan in March 2022. | N/A |

Around 25 of the senior management team, including the Executive team, received a one off bonus payment from the previous owners of Bristol Water PLC (Bristol Water Group Limited) which did not relate to services provided to Bristol Water plc, in recognition of continuing to remain and to lead the organisation during the CMA investigation into the takeover by Pennon Group. For the two Executive Directors this retention payment was equivalent to 75% of salary and 25% of salary and target LTIP. Such payments were fully funded by the previous indirect shareholder of Bristol Water plc and were not funded directly or indirectly by Bristol Water plc, and therefore are not deemed remuneration by Bristol Water plc, Pennon Group, or any of its associated companies.

| Remuneration element and link to strategy | Approach and link to performance | Maximum opportunity |
|---|---|---|
| **LTIP**<br>Incentivise long-term delivery of safe, excellent quality water, outstanding customer service and achievement of financial objectives.<br><br>Align CEO and CFO long-term interests with those of customers, long-term shareholders and other stakeholders. | LTIP awards for the AMP7 period 1 April 2020 to 31 March 2025 are based on multi-year performance periods of at least two years.<br><br>LTIP awards are based on the Company's performance against long term strategic goals of the Company including customer outcomes. Performance measures with relative weightings, for the 2020 – 2023 LTIP, are:<br>▪ 35% ODI performance;<br>▪ 30% Totex performance;<br>▪ 20% C-MeX performance;<br>▪ 15% Health & Safety performance.<br><br>100% of each element is payable for maximum performance and 0% is payable for performance below threshold. The Committee has set specific pay-out levels between these points.<br><br>Any LTIP payment based on performance against targets can be adjusted up or down (including to zero) by the Committee at its discretion if it decides that the outcome does not reflect overall business performance over the Performance Period.<br><br>The Committee may also apply its discretion to reduce the level of any payment (including to zero) if either the Company's credit rating at the time performance measures are assessed is not at an acceptable level, or the Company's approach to cost efficiency during the Performance Period has not been appropriate.<br><br>50% of any LTIP earned will be paid within 75 days after the end of the performance period, with the remaining 50% paid one year after the end of the performance period.<br><br>Awards may be subject to malus and clawback as described below.<br><br>Awards are cash based. There is no share option scheme in operation. | For each award, the maximum opportunity will be set based on the number of years in the performance period.<br><br>The maximum award for each year of the performance period will be:<br>▪ 70% of Base Salary for the CEO<br>▪ 50% of Base Salary for the CFO<br><br>The targets for the performance conditions are commercially sensitive and are not currently disclosed. |

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## Malus and clawback provisions

The ACIP and the AMP7 LTIP are subject to 'malus' and 'clawback' provisions as set out below:

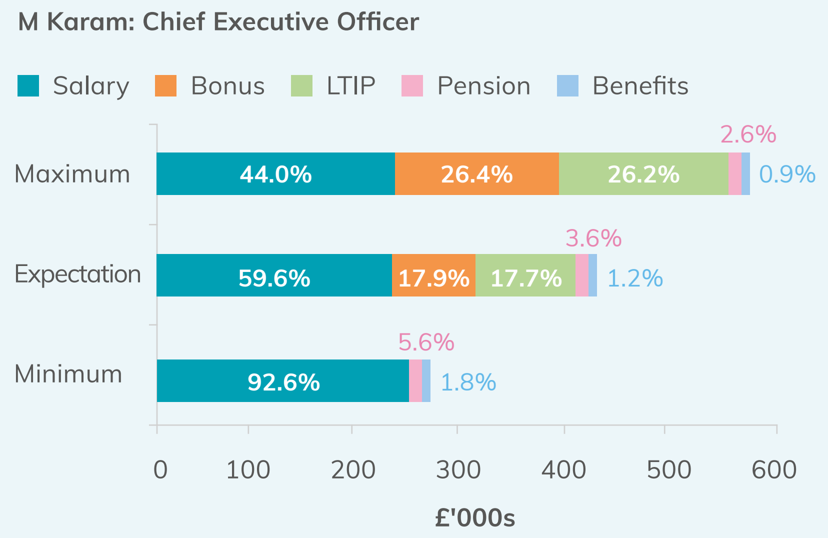
| ACIP | 2020 - 2023 LTIP |
|---|---|
| Prior to the second anniversary of the payment date for the Annual Bonus the Committee may require repayment of all or part of the bonus in the event of:<br><br>(i) a material misstatement of any Group company's financial results due to fraud, wilful misconduct or negligence and that such misstatement resulted either directly or indirectly in the payment of the bonus being higher than would have been the case had that misstatement not been made; or<br><br>(ii) a material error in assessing a Performance Condition or in the information or assumptions that formed the basis of a bonus payment; or<br><br>(iii) an individual ceases to be an employee as a result of their gross misconduct (or commits acts the Committee which could have been considered to be gross misconduct) in the year to which the bonus related; or<br><br>(iv) the relevant individual commits a criminal offence in the year to which the bonus related and which results in a custodial sentence. | Prior to the vesting of an LTIP award the Committee may determine that the award is reduced (including to zero), or the basis is amended, or that additional conditions are placed on an award in the event of:<br><br>(i) a material misstatement of any group company's financial results;<br><br>(ii) a material error in assessing a Performance Condition or in the information or assumptions on which the Award was granted;<br><br>(iii) a material failure of risk management in any group company;<br><br>(iv) serious misconduct on the part of the Participant;<br><br>(v) a breach of fiduciary duty owed by the Participant to the Company or its shareholders;<br><br>(vi) the identification by Ofwat of a significant failure in operations or risk management;<br><br>(vii) serious reputational damage to the Company; or<br><br>(viii) any other event or circumstances which the Committee in its discretion reasonably considers to be similar in their material nature or material effect to those above.<br><br>Prior to the second anniversary of the end of the LTIP performance period the Committee may require repayment of all or part of the award payment in the event of (i) to (vi) above occurring. |

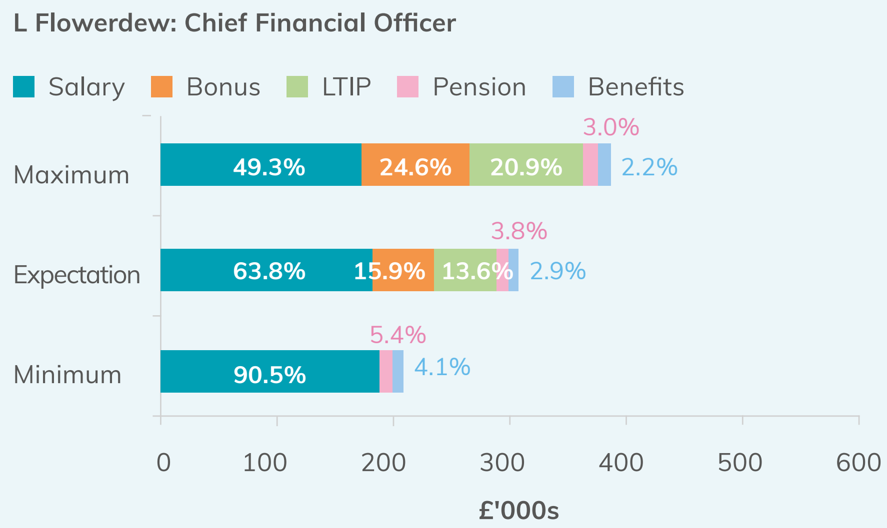
## Remuneration in different performance scenarios

In line with the Remuneration Reporting Regulations requirements, the chart below illustrates the CEO's and CFO's remuneration packages under three different performance scenarios: Minimum, performance in-line with expectations and Maximum.

**The chart has been based on the following assumptions:**

- Minimum = fixed pay (base salary, benefits and pension)
- In-line with expectations = fixed pay plus 50% of maximum bonus pay-out and 50% pay-out under the LTIP which has accrued in the year.
- Maximum = fixed pay plus 100% of bonus pay-out and 100% LTIP pay-out. It is the opinion of the Committee that the maximum level is highly unlikely to be reached given the stretching nature of the targets set.
- Salary levels (on which other elements of the package are calculated) are based on those applying on 1 April 2022. Bonus, LTIP, Pension and Benefits are calculated based on the remuneration policy in place for 2022/23. The value of taxable benefits as disclosed is the single figure for the year ending 31 March 2022. Pension is based on a fixed percentage of base salary linked to employee contribution up to a maximum employer contribution of 8%.




## Remuneration policy for the appointment of new Executive Directors

When recruiting an Executive Director, the Committee aims to offer a package in line with the policy outlined above. However, the Committee retains discretion to make a proposal which is outside the standard terms in order to secure the appointment of the right calibre of individual.

In determining the appropriate arrangements, the Committee retains the right to benchmark the role against other similar positions in the wider market and may take into account any other relevant factors.

The Committee may also make arrangements to compensate the new Executive Director for "loss" of existing remuneration benefits when leaving a previous employer. In doing so, the Committee takes account of the form in which the previous remuneration was granted, the relevant performance conditions and the length of the time which the performance periods have remaining.

# Directors' appointments

The dates of each of the Directors' original appointment and expiry of current term are as follows:

| Executive Directors | Employment contract date | Expiry of current term* | Next AGM at which the Director will stand for re-election | Notice period |
|---|---|---|---|---|
| M Karam | 1 April 2017 | Indeterminate, 6 months' notice period | 2022 | Rolling 6 months |
| L Flowerdew | 1 October 2018 | Indeterminate, 6 months' notice period | 2022 | Rolling 6 months |
| S Davy | 9 March 2022 | Indeterminate, 12 months' notice period | 2022* | Rolling 12 months |
| P Boote** | 3 June 2021 | Indeterminate, 12 months' notice period | 2022 | Rolling 12 months |
| **Non-Executive Directors** | **Date appointed to the Board** | **Expiry of current term*** | **Next AGM at which the Director will stand for re-election** | **Notice period** |
| K Ludeman | 26 July 2012 | Resigned 31 March 2022 | N/A | 1 month |
| T Tutton | 1 January 2015 | Resigned 31 March 2022 | N/A | 1 month |
| H Ichishi | 10 May 2012 | Resigned 3 June 2021 | N/A | 1 month |
| P Malan | 7 July 2016 | Resigned 3 June 2021 | N/A | 1 month |
| I Dhar | 8 May 2018 | Resigned 3 June 2021 | N/A | 1 month |
| P Francis | 25 June 2018 | Resigned 25 June 2021 | N/A | 1 month |
| J Bending | 25 October 2018 | Resigned 31 March 2022 | N/A | 1 month |
| J McAuliffe | 29 November 2018 | Resigned 31 March 2022 | N/A | 1 month |
| N Cooper*** | 3 June 2021 | 31 August 2023 | 2022 | |
| I Evans*** | 3 June 2021 | 31 August 2024 | 2022 | |

*Subject to requirement for annual AGM re-election in accordance with the UK Corporate Governance Code
**Pennon Group designated NED until completion of the CMA referral of the acquisition
***Pennon Group designated

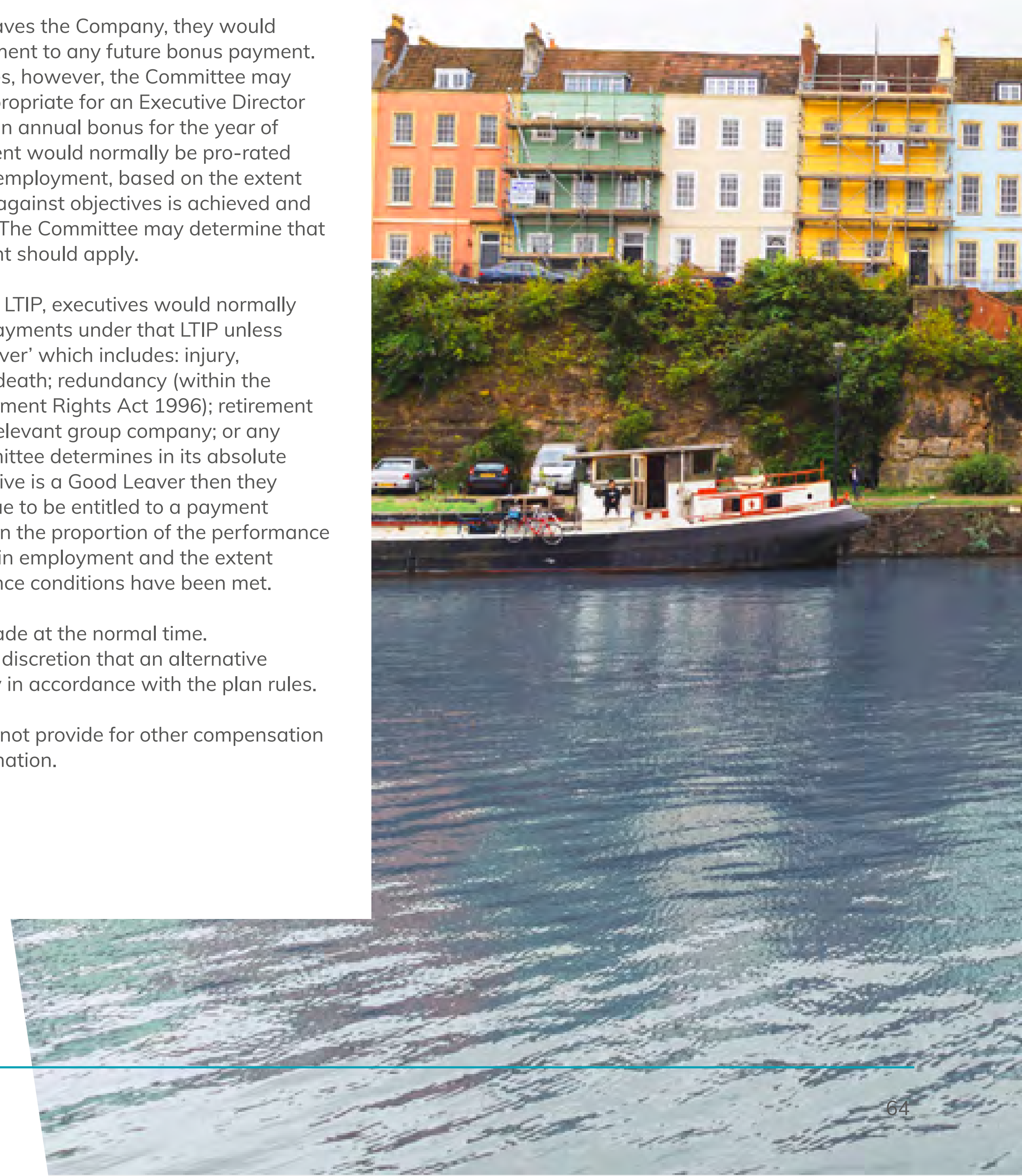
In accordance with the UK Corporate Governance Code, Directors will stand for re-election annually. The notice periods disclosed above are considered by the Committee to be suitable given the nature of each role and each Director's function within the business. Upon loss of office, a Director will normally be entitled to salary and benefits during their notice period subject, however, to the Company's right to exercise discretion having regard to the individual's performance during the period of qualifying service and the circumstances contributing to the loss of office.

Where an executive leaves the Company, they would normally forfeit entitlement to any future bonus payment. In certain circumstances, however, the Committee may determine that it is appropriate for an Executive Director to continue to receive an annual bonus for the year of departure. Such payment would normally be pro-rated to reflect the period in employment, based on the extent to which performance against objectives is achieved and paid at the usual time. The Committee may determine that an alternative treatment should apply.

Under the 2020 - 2023 LTIP, executives would normally forfeit entitlement to payments under that LTIP unless defined as a 'Good Leaver' which includes: injury, disability, ill-health, or death; redundancy (within the meaning of the Employment Rights Act 1996); retirement as determined by the relevant group company; or any other reason the Committee determines in its absolute discretion. If the executive is a Good Leaver then they would normally continue to be entitled to a payment under the plan based on the proportion of the performance period they have been in employment and the extent to which the performance conditions have been met.

Payments would be made at the normal time.
The Committee retains discretion that an alternative treatment should apply in accordance with the plan rules.

Directors' contracts do not provide for other compensation payable on early termination.



## Remuneration policy for NEDs

The remuneration of the INEDs, other than the Chair, is determined by the Board following consultation between the Chair and the CEO. The Chair's fee is determined by the Board, following consultation between the Committee and the CEO.

Fees are set taking into account market evidence of fees paid to NEDs in companies of comparable size and on the time required for the proper performance of the role. Additional responsibilities are also taken into account. No Director votes in respect of his own remuneration.

NEDs do not have contracts of employment, do not participate in the Company designated pension schemes or incentive schemes and do not receive any benefits. NEDs are paid reasonable expenses and the Company may settle any tax arising in relation to such expenses. The terms of appointment do not entitle NEDs to receive compensation in the event of early termination of their appointment.

The table below sets out our current policy in relation to fees paid to NED.

| Position held by NED | Fee |
|---|---|
| Chair of the Board | £107,761 |
| Chair of ARAC | £46,639 |
| Chair of Remuneration Committee | £44,024 |
| Chair of Safety Committee | £44,024 |
| Additional fee for role of Senior INED | £2,123 |
| Independent NED | £38,794 |

Paul Malan, Indradoot Dhar and Hajime Ichishi were shareholder designated NEDs and received no remuneration.

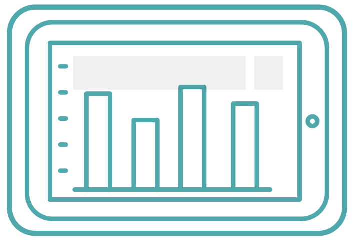
Paul Boote, was a Pennon Group designated NED and received no remuneration for this position. Both his and Susan Davy's remuneration was set and governed by the Pennon Group Remuneration Committee for the 2021/22 financial year, with a recharge to the Company of costs pertaining to the time they spent on Bristol Water related matters for the period subsequent to the conclusion of the CMA investigation or their appointment as applicable.

Neil Cooper and Iain Evans are Pennon Group designated NEDs. Reflecting the nature of their positions Non-Executive Directors of the Group, all subsidiaries receive a cross-charge.

## Shareholder and employee input in setting remuneration policy

The Committee is aware of the need to set performance targets which inter alia, align the interests of the executive team with those of the Company's shareholders. The Committee has assistance in setting this vital alignment as certain Committee members represent the Company's shareholders. As the shareholders are represented on the Committee, and therefore their views are taken into account in the Committee meetings, the AGM does not review the details of remuneration policy separately.

The Committee does not consider it appropriate to consult with the general workforce on matters of executive remuneration, but it has regard to the levels of remuneration throughout the workforce when considering pay for Executive Directors to achieve an appropriate balance.



## Relative importance of spend on pay

The Committee is aware of the importance of pay across the Company in delivering the Company's strategy and of the level of executive remuneration in relation to other cash disbursements. The table below shows the relationship between the Company's financial performance, payments made to shareholders and expenditure on payroll. Data for the EBITDA and PBT are derived from the financial statements.

The base level dividend in 2021 was paid to Bristol Water Core Holdings Limited and ultimately the funds returned to Bristol Water plc by way of partial repayment of an outstanding intercompany loan.

| | Year ended 31 March 2022 £m | Change compared to prior year % | Year ended 31 March 2021 £m |
|---|---|---|---|
| EBITDA | 61.4 | 26.17% | 48.6 |
| PBT | 13.7 | 53.19% | 8.9 |
| **Payments to shareholders:** | | | |
| Base level dividends | 6.0 | 36.36% | 4.4 |
| Intercompany interest related dividends | 2.9 | 87.77% | 1.6 |
| **Payments to employees:** | | | |
| Wages and salaries excluding Directors | 21.3 | 0.43% | 21.2 |
| Wages and salaries including Directors | 22.2 | 0.45% | 22.1 |

## Application of remuneration policy in 2021/22

This section has been prepared under the principles of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The information has been audited as indicated.

### Single total figure for remuneration of Executive Directors for 2021/22 (audited) -

| | M Karam | | L Flowerdew | | S Davy** | | P Boote*** | |
|---|---|---|---|---|---|---|---|---|
| **All figures in £'000** | **2021/22** | **2020/21** | **2021/22** | **2020/21** | **2021/22** | **2020/21** | **2021/22** | **2020/21** |
| Salary/fees | 244 | 240 | 188 | 204 | 6 | - | 4 | - |
| Bonus | 108 | 83 | 69 | 53 | 2 | - | 2 | - |
| Benefits | 5 | 4 | 9 | 8 | - | - | - | - |
| Pension | 15 | 14 | 11 | 12 | 1 | - | - | - |
| Single Figure Pre-LTIP | 372 | 341 | 276 | 277 | 9 | - | 6 | - |
| Change since prior year | 8.5% | (2.8%) | 0.3% | 36.5%* | N/A | N/A | N/A | N/A |
| LTIP | - | - | - | - | 11 | - | 2 | - |
| **Single Figure** | 372 | 341 | 276 | 277 | 20 | - | 8 | - |

The pension figure for M Karam is 6% of base salary in lieu of pension contributions which is paid direct to him on a monthly basis. Bonus includes amounts earned based on performance during 2021/22, which have been accrued and approved, but not paid as at 31 March 2022 and relates to the period served as a Director.

Included within the Financial Statements is an accrual for the 2020 - 2023 LTIP relating to Mel Karam and Laura Flowerdew; however, this is not shown above as the LTIP has not vested in the period and awards in relation to the LTIP are dependent on the performance in future years.

Full details of the bonus and LTIP relating to Susan Davy and Paul Boote can be found in the Pennon Annual Report and Accounts on page 171.

*Ms Flowerdew received an uplift in salary during 2020/21 in respect of an interim period whereby she served as Deputy Chief Executive Office during the period of the Competition and Markets Authority redetermination of revenues for the 2020-2025 regulatory period. This applied from April to December 2021, after which point her salary returned to that applicable as CFO.
**Susan Davy was appointed as Executive Director of Bristol Water as of 9 March 2022. The figures provided reflect 20% of her remuneration for the period from 9 March 2022 to 31 March 2022, which is rechargeable to Bristol Water through Group recharges. Reflecting the nature of Susan's position as Chief Executive of the Group, all subsidiaries receive a cross-charge. The full single total figure of remuneration tables are shown on page 169 of the Pennon Group plc Annual Report and Accounts 2022.
***Paul Boote was appointed as Shareholder Representative Director of Bristol Water as of 3 June 2021 until the completion of the CMA referral of the acquisition, at which point he became Executive Director. The figures provided reflect 20% of his remuneration for the period from 9 March 2022 to 31 March 2022, which is rechargeable to Bristol Water through Group recharges. Reflecting the nature of Paul's position as Chief Finance Officer of the Group, all subsidiaries receive a cross-charge. Paul received no remuneration from the Company prior to the completion of the CMA referral of the acquisition for his role as shareholder nominated Director. The full single total figure of remuneration tables are shown on page 169 of the Pennon Group plc Annual Report and Accounts 2022.

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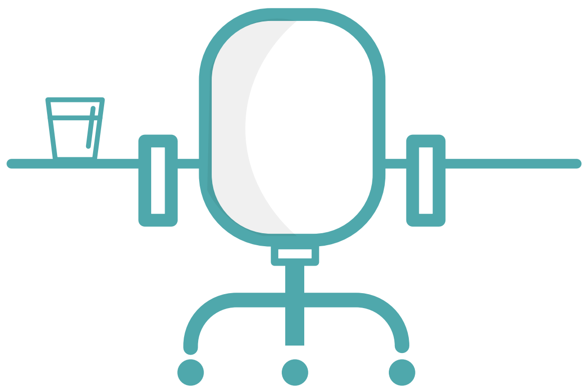
## Salary (audited)

A salary review conducted during 2020/21 resulted in a pay increase of 1.75% effective from April 2021 for all employees up to and including the Senior Leadership Team. A 1.5% increase was awarded to executives.

## Bristol Water CEO and CFO ACIP annual bonus for 2021/22 (audited)

The maximum opportunity under the 2021/22 ACIP for the year ended 31 March 2022 is 60% of base salary for the CEO (2021: 60%) and 50% of base salary for the CFO (2021: 50%).

The table below represents the business performance measures which form 80% of the basis of the bonus relating to Mel Karam and Laura Flowerdew. The achievement of the performance measures has been reviewed, with appropriate input from the Remuneration Committee, following the end of the 2021/22 financial year. The maximum 2021/22 bonus opportunity against each of the main performance measures is shown below together with the award actually received.



| Category | Category Weighting | Subcategory | % of Total | Measure | Target | Performance | Score CEO/CFO | Weighted score CEO/CFO |
|---|---|---|---|---|---|---|---|---|
| People, Health & Safety | 10% | 1.1 Improvement in Employee Engagement Score | 10% | Improvement in Employee Engagement Score | 757 | 838 | 100% | 10%/10% |
| | 10.0% | 1.2 Accident Frequency Rate ("AFR") - employees | 5% | AFR = (No. of accidents x 100,000) / (No. of hours worked) [employees]. Based on a 12-month rolling period. | 1.59 | 2.02 | 0% | 0.0%/0.0% |
| | | 1.3 AFR - contractor | 5% | AFR = (No. of accidents x 100,000) / (No. of hours worked) [contractors]. Based on a 12-month rolling period. | 1.83 | 3.00 | 0% | 0%/0% |
| Financial | 15.0% | 2.1 Budgeted Opex | 15% | Budgeted Operating expenditure ("Opex") of £63.4m subject to approval at Board. Judgement to be taken by Remuneration Committee on any major variations – either overspend or underspend including where there is a decision to invest further than budget envisaged. | £63.4m | £62.69m | 89% | 13.4%/13.4% |
| Outcome Delivery Incentives | 30.0% | 3.1 Negative Water Quality Contacts | 10% | The total number of customer contacts received (by telephone, letter or email) about the appearance, taste or odour of water during the year. | 1.09 | 1.39 | 53%/51% | 5.3%/5.1% |
| | | 3.2 Supply Interruptions | 10% | The length of time customers are without a continuous water supply, where the duration is greater than three hours. | 6.08 | 2.53 | 100% | 10%/10% |
| | | 3.3 Leakage | 10% | Actual reported Leakage figure using the updated actual NHHNU. | 34,8 | 35.6 | 67%/61% | 6.7%/6.1% |
| Customer Service | 15.0% | C-MeX Ranking | 15% | C-MeX position. | 5th | 6th | 70% | 10.5%/10.5% |

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In addition to these performance measures, the remaining 20% of each Executive Director's bonus is based on role-specific measures. During the year under review, role-specific objectives for each Executive Director were set as per the table below.

| Mel Karam | Laura Flowerdew |
|---|---|
| **Personal factor score out of 10 determined by the Board, having regard to the recommendation of the Committee, including performance on the following key criteria:**<br>▪ Transformation - Ensure successful delivery of transformation programme, focussed on Recreations partnership and Customer Led Intelligent Operations initiatives<br>▪ Resilience and Environment - Delivery of Resilience Action Plan and Biodiversity Action Plan according to business planning process<br>▪ Reputation - Continue to lead BW such that its standing in the water industry is further enhanced<br>▪ Regulation - Start the preparation and planning for PR24 | **Personal factor score out of 10 determined by the CEO including performance on the following key criteria:**<br>▪ Transformation - Ensure successful delivery of transformation programme, focussed on Recreations partnership and Customer Led Intelligent Operations initiatives<br>▪ Business Planning Cycle - Continue to drive improvements through the business planning cycle including better alignment and collaboration between financial and asset management processes<br>▪ Risk and Assurance - Continue to drive improvements in the risk management processes, and alignment between critical risks and the company wide assurance plans<br>▪ Support Services - Drive improvement in processes and effectiveness of support services, aligned with the new structure and transformational initiatives |

The 2021/22 financial year reflected a year of uncertainty given the acquisition of the Company by Pennon on 3 June 2021, resulting in the referral of the merger into Pennon to the Competition and Markets Authority. As such, the CEO and CFO focussed on delivering on strong operational and financial performance with the existing Board, whilst awaiting for approval to proceed with the integration of the business. Given the ongoing merger investigation, coupled with the ongoing impact of the COVID-19 pandemic on the business, a key priority was on retaining and motivating staff.

Performance against objectives, together with business performance and bonus scheme entitlement, dictates the amount of bonus awarded. Both CEO and CFO have been assessed as achieving 9 out of 10 on personal objectives.

The resulting bonus awards, after assessment of personal and business performance elements, for the full year were:

| Mel Karam |
|---|
| 74% of maximum bonus entitlement, i.e. 44% of year end base salary |

| Laura Flowerdew |
|---|
| 73% of maximum bonus entitlement, i.e. 37% of year end base salary |

Mel Karam's and Laura Flowerdew's bonus was based on their salary at the end of the year.

The Committee determined that the level of bonus awards above were appropriate, reflecting the levels of performance achieved against the strategic objectives during the year.

## CEO and CFO 2020 - 2023 LTIP (audited)

The maximum opportunity for the CEO under the 2020 - 2023 LTIP was 70% of base salary for each year of participation in the plan, and 50% of base salary per year of participation for the CFO.

The table below sets out the performance measures comprising the 2020 - 2023 LTIP

| Performance Measure | Description | Weighting |
|---|---|---|
| Totex | Achievement of defined total Totex targets | 30% |
| Outcome Delivery Incentives | Achievement in relation to net penalties/rewards for delivery against all Performance Commitments which attract a penalty/reward | 35% |
| C-MeX | Achievement of Ofwat C-MeX ranking in relation to other regulated water businesses | 20% |
| Health & Safety | Achievement of long-term Health & Safety targets, as measured against a defined Maturity Matrix. | 15% |
| **Total** | | **100%** |

100% of each element is payable for maximum performance and 0% is payable for performance below threshold. The Committee has set specific pay-out levels between these points. These are designed to maximise ODI performance across the full suite of performance metrics set out in the CMA's Redetermination and based on the probability outcomes assessed as part of the business planning process. Similarly, Totex incentives align with the cost allowances set out in the Redetermination, whilst C-MeX is aligned with our target to be 5th in the industry for this metric. The health and safety targets are intended to incentivise continuous improvement in performance, as measured by an independent third party.

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## Executive Director (Susan Davy and Paul Boote) annual bonus and long term incentive plans for 2021/22

Susan Davy and Paul Boote have acted in the capacity of Executive Directors for the company subsequent to the clearance of the acquisition by the CMA or their appointment as director. As such, a recharge has been made for a proportion of the Pennon Group variable pay based on the relevant time period, and time spent on Bristol Water matters from 7 March onwards. Given the transitional nature of the year, with both individuals required to abide by the terms of the CMA's Enforcement Order until clearance of the merger investigation, bonus and long term incentive arrangements were set by Pennon Group, and are set under separate governance processes to the CEO and CFO of Bristol Water for the year.

Bonus and long term incentive structures for Pennon executive are aligned with the principles underpinning remuneration policy for Bristol Water as they are designed to ensure a significant portion of management remuneration is linked to performance:

- Incentives 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.

For 2021/22, both Ms Davy and Mr Boote participated in the Pennon annual bonus plan which was based on a combination of financial, operational and environmental, social and governance (ESG) objectives.

In line with normal practice, the Pennon Remuneration Committee reviewed annual bonus outcomes from various perspectives, including the impact of unbudgeted items on final results. It was noted that the original profit targets set for the year incorporated various budget assumptions including inflation expectations for the coming year. The exceptional movement in RPI seen during the latter half of the year materially differed from the original budget assumptions, impacting the target range for the profit element of the bonus. Normalising for this assumption would have resulted in an above target outcome for the profit element of the bonus. Notwithstanding the robust financial results for the year and the strong returns delivered to shareholders, the Committee opted against making any adjustments to the original targets. Therefore, no payment was made under the profit element of the annual bonus. The formulaic outturn led to an outcome of 34.14% however on management's recommendation, the Committee opted to exercise downward discretion, reflecting that there is still more to do to protect our environment and our rivers and coastal waters. This therefore reflected this in the annual bonus revised outturns, applying downward discretion. This was set at 10% of the formulaic outturn, leading to a final outturn of 30.7%. In line with the Committee's policy, 50% of any bonus is payable in shares, the release of which is deferred for a three-year restricted period.

Both Susan Davy and Paul Boote also participated in the Pennon Long Term Incentive scheme throughout the financial year. Awards under this scheme operate under a pre-existing Pennon Group incentive scheme and result in an annual grant of condition shares (or equivalent). Share awards vest subject to the achievement of specific performance conditions measured over no less than three years. In addition, a two year holding period will apply in respect of any shares which vest at the end of the three year performance period.

Full details of the bonus and long term incentive arrangements for Susan Davy and Paul Boote can be found in the Pennon Annual Report and Accounts on page 171.

## Benefits (audited)

For Executive Directors, benefits include the provision of a Company car or equivalent cash allowance, and private medical insurance. Depending on the individual role, the benefits may include life assurance, provision of Company car and fuel, health care or child-care vouchers.

## Pension arrangements (audited)

At 31 March 2022, no Director (2021: no Director) was accruing benefits under the Company's defined benefit pension scheme.

Mr Karam became a member of the Company designated stakeholder (smart) pension scheme in April 2017 until his decision to leave this scheme in January 2018, the Company made contributions equivalent to 6% of annual base salary to the scheme on Mr Karam's behalf. Contributions paid to the scheme for the financial year totalled £0 (2021: £nil).

Ms Flowerdew became a member of the Company designated stakeholder (smart) pension scheme on 1 October 2018 and the contribution paid to the scheme for the financial year 2021/22 was £11,267 (2021: £12,240), an amount equivalent to 6% of annual base salary.

Ms Davy received an overall pension benefit from the Company equivalent to 10% of her salary for the period 1 April 2021 to 31 March 2022. For 2021/22 this comprised an employer's contribution of £14,737 and a cash sum of £40,353. She is a member of Pennon Group's defined contribution pension arrangements and is entitled to access the retirement fund in the Master Trust from age 55. Accrual in the defined benefit scheme ceased from 1 July 2021.

Mr Boote received a pension contribution of 10% of his salary. This is paid as a cash allowance of £30,000. He makes personal contributions to the Group's Defined Contribution pension scheme and is entitled to access the retirement fund in the Master Trust from age 55.

## Interests in shares (audited)

During the year ended 31 March 2022 none of the Directors had any interest in the ordinary or preference shares of the Company.

Pennon Group provides all-employee share plans, to align the interests of all employees with Company share performance. In addition, shareholding requirements exist to create alignment between executives and shareholders and to promote long term stewardship of the Group.

During their tenure, Executive Directors of Pennon are expected to build up a shareholding equivalent to a percentage of their salary. The shareholding guideline relevant are 200% of salary for the Group Chief Executive Officer and 100% of salary for the Group Finance Director.

Details relating to the shareholdings and share awards in Pennon Group of Ms Davy and Mr Boote can be found in the Pennon Group Annual Report and Accounts on page 172.

### Single total figure for remuneration of NEDs for 2021/22 (audited)

| | Salary/fees | |
|---|---|---|
| | 2021/22 £'000 | 2020/21 £'000 |
| K Ludeman (Chairman) | 103 | 102 |
| J McAuliffe | 44 | 42 |
| T Tutton | 44 | 44 |
| P Francis | 10 | 44 |
| J Bending | 42 | 42 |
| H Ichishi[9] | - | - |
| P Malan[9] | - | - |
| I Dhar[9] | - | - |
| Neil Cooper[10] | 1 | - |
| Iain Evans[10] | 1 | - |
| **Single Figure** | **243** | **274** |

[9] No remuneration has been paid by the Company.
[10] Neil Cooper and Iain Evans are non-executive directors of Pennon Group plc. The fees reflected above are fees recharged from Pennon Group to the Company, reflective of the proportion of their time spent on Bristol Water matters subsequent to the clearance of the acquisition on 7 March 2022.
The NEDs do not receive a bonus or any other benefits.

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## Change in CEO's Remuneration

The following table shows the total remuneration payable by the Company to the appointed CEO. In line with the Large and Medium-sized Companies Regulations 2008, this table shows the required 10 years of information, with the base year being 2012.

| | Luis García[11] | | | | | | Mick Axtell[12] | Total | Mel Karam[13 14] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2017 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Base salary | 156 | 185 | 189 | 194 | 194 | 173 | 42 | 215 | 230 | 237 | 240 | 240 | 244 |
| Annual bonus | 33 | 58 | 54 | 51 | 40 | 35 | 11 | 46 | 83 | 65 | 107 | 83 | 108 |
| Annual bonus as proportion of salary | 21% | 31% | 29% | 27% | 21% | 24% | 26% | 21% | 36% | 28% | 45% | 35% | 44% |
| Maximum bonus achievable (as proportion of base salary) | 36% | 36% | 36% | 36% | 36% | 30% | 30% | 30% | 60% | 60% | 60% | 60% | 60% |
| Proportion of maximum bonus achieved | 59% | 87% | 79% | 73% | 57% | 81% | 84% | 87% | 60% | 46% | 74% | 58% | 74% |
| LTIP earned | - | - | 48 | 187 | - | - | - | - | - | - | 193 | - | - |
| LTIP as proportion of salary | 0% | 0% | 25% | 96% | 0% | 0% | 0% | 0% | 0% | 0% | 80% | 0% | 0% |
| Benefits | 8 | 9 | 9 | 10 | 11 | 8 | 1 | 9 | 36 | 14 | 4 | 4 | 5 |
| Pension | - | - | 6 | 12 | 12 | 10 | 2 | 12 | 10 | - | - | 14 | 15 |
| **Total remuneration** | **197** | **252** | **306** | **454** | **257** | **226** | **56** | **282** | **359** | **316** | 544 | 341 | 372 |

Payments under the AMP5 LTIP were made in two equal instalments; the first instalment was paid on 31 December 2015 and the second instalment was paid on 25 November 2016. The AMP6 LTIP drew to a conclusion on 31 March 2020, with the first instalment paid in June 2020 and the second instalment paid in April 2021.

[11] The remuneration for 2016/17 reflects the fact that Mr Garcia resigned as CEO on 15 December 2016. It includes £27k for payments he was entitled to on leaving under his contract. His bonus was based on the salary excluding these amounts i.e. his salary pro-rated to the proportion of the year that he was in post (£145k).
[12] The above table apportions Mick Axtell's remuneration to reflect the period that he was interim CEO from 16 December 2016 to 31 March 2017.
[13] The figure shown under LTIP earned in 2020 for Mel Karam is the full amount of LTIP award covering the three years of Mr Karam's participation in the AMP6 LTIP and is paid in two equal instalments.
[14] The figure shown under the Pension benefits for Mel Karam is a cash payment in lieu of pension.

## Percentage Change in Remuneration for the CEO Compared to all Employees

**Salary** – The salary paid to the individual undertaking the role of CEO for 2021/22 increased by 1.5% compared to 2020/21. The change to the average salary for other employees for 2021/22 increased by 1.75% compared to 2020/21.

**Annual bonus -** The bonus awarded to the CEO under the ACIP for 2021/22 increased by 29.9% compared with the prior year (2020/21: decrease of 22.3%). The total bonus paid to employees, excluding the CEO, for the year is £1.36m compared to £1.31m in 2020/21 an increase of 4%. The average bonus per employee was £2,707 (2021: £2,440). The average bonus payment per employee for those in the lowest grade group for 2021/22 was £780 (2020/21: £772).

**Benefits -** Benefits, including benefits in kind, payable to the CEO increased by 10.4% for 2021/22 compared with the prior year (2020/21: increased by 7.8%). Benefits payable to all other eligible staff have remained constant compared with the prior year (2020/21: constant).

## Percentage Change in Remuneration for the CFO Compared to all Employees

**Salary** – The salary paid to the individual undertaking the role of CFO for 2021/22 increased by 1.5% compared to 2020/21. The change to the average salary for other employees for 2021/22 increased by 1.75% compared to 2020/21.

**Annual bonus -** The bonus awarded to the CFO under the ACIP for 2021/22 increased by 30.2% compared with the prior year (2020/21: increase of 55%).

**Benefits -** Benefits, including benefits in kind, payable to the CFO increased by 3.7% for 2021/22 compared with the prior year (2020/21: increased by 3.2%). Benefits payable to all other eligible staff have remained constant compared with the prior year (2020/21: constant).

## Executive pay gap

This is the third year we have disclosed the CEO pay ratio, in line with reporting requirements which came into force in 2020. The information shows how the CEO's single total figure for remuneration compared to the equivalent figures for Bristol Water employees occupying the 25th, 50th and 75th percentile. In line with the majority of companies reporting this data, we have chosen Option A under the regulations, which takes account of the full-time equivalent basis for our employees.

The CEO pay ratio is likely to be volatile, primarily as a result of the higher proportion of incentive-based pay earned by the CEO, compared to other employees. The figures for 2019/20 were impacted by the maturity of the AMP6 LTIP (the value of long-term incentives, which reward performance over a number of years, is disclosed within pay in the year of vesting, which increases the CEO pay in that year). The figures in the table below therefore show the relevant ratios both including and excluding LTIP payments:

| Year | Method | 25th percentile pay ratio | Median pay ratio | 75th percentile pay ratio |
|---|---|---|---|---|
| 2020 | Option A | 15:1 (excluding LTIP)<br>23.4:1 (including LTIP) | 11.3:1 (excluding LTIP)<br>17.5:1 (including LTIP) | 7.6:1 (excluding LTIP)<br>11.8: (including LTIP) |
| 2021 | Option A | 12.6:1 | 10.5:1 | 7.6:1 |
| 2022 | Option A | 12.5:1 | 9.4:1 | 7.0:1 |

## How the remuneration policy will be applied in 2022/23

The remuneration policy as outlined above will be applied during 2022/23.

## Salary

The CEO and CFO received an increase of 4.6% effected from 1 April 2022.
The base salaries for 2022/23 are as follows:

| Executive Director | Salary 2022/23 |
|---|---|
| CEO Mel Karam | £255,287 |
| CFO Laura Flowerdew | £196,412 |

## Pension

With effect from 1 April 2020 Mel Karam has received a cash supplement equal to the level of Employer pension contributions in the Bristol Water Deferred Contribution scheme (6% of Base Salary) and this will continue in 2022/23, albeit at an increased rate of 8%, consistent with an increase in employer contributions available to all employees. Laura Flowerdew benefited from contributions equivalent to 6% of salary, consistent with all employees across the business. She will benefit from contributions equivalent to 8% of Base Salary to the Defined Contribution scheme from 1 April 2022.

## Annual bonus

The CEO and CFO will continue to participate in the ACIP. The maximum bonus for 2022/23 for the CEO is 60% of Base Salary reflecting the leadership required and criticality of the role. The maximum bonus opportunity for 2022/23 for the CFO is 50% of Base Salary.

The performance areas for the ACIP have been agreed as being financial, customer and ODI related, and environmental social and governance metrics, aligned with those for the wider Pennon Group. We will be consulting on the relevant weightings and detailed metrics within these areas.
Their achievement will be reviewed, with appropriate input from the Remuneration Committee at the end of the year.

## 2020 – 2023 LTIP

As noted earlier in this report, with effect from the start of the AMP7 period, the length of the LTIP pertaining to the Bristol Water CEO and CFO has been reduced, and a three-year award has been made, effective 1 April 2020, and covering the period to 31 March 2023.

| Performance Measure | Weighting |
|---|---|
| Totex Performance | 30% |
| ODI Performance Measures | 35% |
| C-MeX | 20% |
| Long Term Health & Safety | 15% |
| **Total** | **100%** |

The maximum payment under the 2020 - 2023 LTIP is 70% of Base Salary for each year of the performance period that the CEO is a participant and 50% of Base Salary for each year the CFO is a participant.

Within 60 days following the end of the Performance Period, the Committee shall determine the extent to which the Performance Condition has been achieved and shall determine the Award Payment (if any). 50% of any Payment due will be made within 75 days of the end of the Performance Period, with the remaining 50% paid 12 months from the end of the Performance Period.

# Risk and Compliance Statement

## Introduction

**Bristol Water's Board is accountable for the quality and transparency of the information we provide on our performance. This is important because most people in England and Wales cannot choose their water and wastewater supplier. It is therefore important for customers' trust and confidence in these vital public services that Bristol Water is accountable for the price and service we deliver. An important part of this is the Risk and Compliance Statement. This statement is one of Ofwat's key regulatory tools, which encourages the Company to demonstrate accountability to our customers and demonstrate to the regulator that we are complying with our obligations. The statement confirms that the Board:**

**Considers that it has full understanding of, and is meeting, all its relevant statutory, licence and regulatory obligations and 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 in place to allow it to identify, manage, mitigate and review its risks.**

**Where the Board considers that it is unable to provide such a statement (in relevant reporting areas) it has explained why it is unable to do so.**

This Risk and Compliance statement covers the reporting year 1 April 2021 to 31 March 2022 for all obligations, except for water quality parameters. These obligations are reported on a calendar year basis, from 1 January 2021 to 31 December 2021. Any disclosure of departures from the obligations within this statement are noted in appendix 1, however, the Board does not consider that any departures have been identified in 2021/22. A summary of the data assurance activities we have undertaken which ensure the Board has confidence in signing this statement, is included with this statement. We also provide an update on our targeted assurance activities, which we first published in our Assurance Plan in March 2022, having discussed a draft Assurance Plan with the Bristol Water Challenge Panel. Statements from our technical and financial auditors follow this statement.

In order to comprehensively comply with these obligations, the Company has undertaken a range of assurance practises throughout the reporting year. Assurance is a year-round activity at Bristol Water. Strong personal and collective ownership is critical for ensuring the accuracy of information we produce, driving improvements and holding ourselves to account. Regular internal performance reporting to our Executive Committee (undertaken monthly) and Board, and half-yearly performance reporting reinforces this culture of ownership and accountability. Every year we refresh our risk assessment framework to ensure that individual accountabilities are assigned to our regulatory and statutory obligations. We operate a rigorous process of sign-off for our performance data – sign-off by the data owner, the responsible senior manager and finally the accountable director in addition to our Board governance arrangements.

The contribution of our shareholders to the Board through their experience and expertise, including operationally, has continued to support our assurance process. All members of the Board have taken an active interest in the issues affecting other companies and how this may affect their decisions. Our non-executive directors have played a key role with this. The increase in time and focus contributed by our non-executive directors has greatly supported our ability as a full Board to provide our Risk & Compliance Statement.

On 7th March 2022 the Competition & Markets Authority (CMA) cleared our acquisition by the Pennon Group. Being part of the listed Pennon Group has changed some of the external reporting processes but has not changed the processes supporting this Risk and Compliance Statement. The Bristol Water non-executive Directors have changed following the completion of the CMA process, the details of which are set out in the Bristol Water Annual Report. The Bristol Water governance processes have allowed the full Bristol Water Board to sign this Risk & Compliance Statement. A process to undertake the transfer of the Bristol Water licence to that of South West Water is expected to be completed during 2022/23.

We support Ofwat's desire to drive and support improvements in water companies' Board leadership, transparency and governance arrangements (the "Ofwat principles").[15] We seek to uphold the highest standards of transparency and openness in performing its functions and dealing with all of our stakeholders. Bristol Water developed its own Corporate Governance Code (the "Code") which combines the UK 2016 corporate governance code and the "Ofwat principles". The Code has applied since 1 April 2019. Our social contract, published in January 2019, is likewise an integral part of our future and ensures boardroom and management decisions are made with the views of local communities at their heart.[16] The guide to our social purpose published in May 2020 sets out how our social contract delivery also contributes to the specific regulatory outcomes and performance commitments, based on Ofwat's Final Determination for 2020-25. It provides both staff and stakeholders with an overview of what the Board is hoping to achieve for our local community[17]. We have now set out our approach and detail of the programmes of social contract of activity we plan to deliver in 2022/23.[18]

[15] Board leadership, transparency and governance - principles
[16] Bristol Water for All
[17] A Guide to our Social Purpose
[18] Social Contract Forward Programme 2022/23

We believe that it is in our customers' and therefore our Company's interests to lead in corporate responsibility and our actions to date demonstrate this commitment.

**Examples include:**

- Our appointment of an Independent Non-Executive Director with a specific focus on Board decisions in the local community including links to Bristol Water Challenge Panel, and people aspects of our decisions and social contract, is a significant step in keeping the company on track to deliver our ambitious agenda, for our customers, the environment and society, which has existed throughout the history of Bristol Water.
- We continually seek the views of our local stakeholders via our social contract engagement plans. Our local connections to our communities are fundamental to the achievement of our purpose. Since our social contract was launched in January 2019, we have focussed on developing the strength of these connections through our conversations with our customers and stakeholders and through the employees who lead our programme of activities which reflect their personal passions and community connections to bring innovative solutions to local challenges. We have also worked with stakeholders to connect our work into local and regional plans to ensure that our work is targeted at the most pressing issues and where we can have greatest impact.
- Finally, we established an Employee Forum during 2019 as part of our governance of our social purpose and social contract. The engagement we undertake with employees, stakeholders, customer forums and our youth board for future citizens and customers focuses on our wider delivery in line with our purpose, as well as the core expectations of our safe and reliable supply of water and local community and environmental resilience outcomes.

Our Board recognises the importance of our reporting to build customer and stakeholder confidence and that we need to openly report our level of compliance with these obligations and how this has been achieved.

**This document should be read in conjunction with the following documents:**

- Our Annual Report and Annual Performance Report (APR) for 2021/22: The Annual Report contains a review of our performance and the principal risks and uncertainties that Bristol Water faces, and how these are monitored and mitigated. The APR includes key regulatory data, including the Regulatory Accounts and details of performance against the performance commitments set out in our PR19 business plan. The APR also includes a Board statement to confirm that that the data and information which the company has provided to Ofwat in the reporting year and which we have published in our role as water undertaker is accurate and complete.
- Assurance Plan 2022/23: this sets out our risk and assurance framework and our proposed approach to assurance of the information that we will publish during 2022/23. It provides details of the targeted assurance activities against the data items identified most at risk as part of our internal risk assessment exercise.
- Trust Beyond Water Statement 2021/22: this document is not a regulatory requirement, but an approach we take in order to demonstrate how the Board is taking ownership of the impact of their decision-making. It presents our Board's view on our purpose, performance and long-term ambitions and on how we have effectively listened to our customers and other stakeholders' views to continue to deliver the services that they want and can afford in 2021/22.

These statements demonstrate our accountability to customers and stakeholders that we have complied with our obligations. All these documents can be found on our website.[19]

## Confirmations

**The Board of Bristol Water:**

1) is committed to deliver the outcomes for our customers and to meet our other obligations;
2) is confident of our ability to meet our customers' expectations in an efficient and effective manner;
3) considers that it has a full understanding of, and is meeting, its relevant statutory, licence and regulatory obligations and has taken steps to understand and meet customer expectations;
4) has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations; and
5) has appropriate systems and processes in place to allow it to identify, manage and review its risks.

**Compliance with legislation and licence conditions**
The Board of Bristol Water confirms that it is compliant with the following requirements:

a) that there are sufficient rights and assets available to enable a special administrator to run the business, in accordance with licence condition P;
b) that trade with associates is at arm's length, as required by licence condition P;
c) a statement is published in the regulatory accounts explaining links between directors' pay and standards of performance, as required by section 35A of the Water Industry Act 1991;
d) in particular, the Board of Bristol Water confirms that it has complied with Condition P12, namely:
    - that Bristol Water shall at all times act in the manner best calculated to ensure that it has in place adequate:
    - financial resources and facilities,
    - management resources, and
    - systems of planning and internal control

to enable it to carry out the Regulated Activities (including the investment necessary to fulfil its obligations under the Appointment).

**Principles of Corporate Governance and the Bristol Water Code**
Our Board believes that it is right to employ the highest standards of corporate governance for the benefit of our customers and stakeholders. In line with the Company's vision, the Board is committed to maintaining Bristol Water's reputation for high standards of conduct as a dependable provider of an essential service. Bristol Water continues to operate to the standard of corporate governance provided for in our Licence, namely complying with the "Code" as published by the Financial Reporting Council. Until the Pennon acquisition on 3 June 2021, Bristol Water plc was in private ownership but still has listed securities on the London Stock Exchange. Our latest annual report was compiled as if we were a premium equity listed company and can be found on our website.

The Board recognises its accountability to all stakeholders in terms of its corporate governance as a regional monopoly of water services. We have taken into account feedback from Ofwat on how we have demonstrated compliance with the principles, including on purpose and culture and demonstrating the Board makes decisions as a standalone regulated company. We have included additional information and restructured our reporting based on this feedback.

## Purpose, values and culture

**OBJECTIVE: The Bristol Water Board has established the company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.**

**The Board confirms that it adheres to the following provisions:**

- 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.
- The Board makes sure that the Company's strategy, values and culture are consistent with its purpose.
- 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.
- The Company's 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.

This objective and its provisions align entirely with the aims of our "social contract"[20], which we launched in January 2019. Our social contract is a framework for how we will deliver for the well-being of society to build the trust of our customers and local stakeholders. The actions the Board has taken to ensure that Bristol Water delivers for employees, customers, the environment and stakeholders as a result of our purpose, this objective and its provisions are set out in our "Trust Beyond Water" statement, as well as our December 2021 benefit and transparency report on our Social Contract.

Our progress against this objective is summarised in the Trust Beyond Water statement and on the Social Contract section of our website.[21]

[19] Our Perfomance [20] Bristol Water For All [21] Social Contract

## Standalone regulated company

**OBJECTIVE: Bristol Water has an effective board with full responsibility for all aspects of the company's business for the long term.**

**The Board confirms that it adheres to the following provisions:**

- 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.
- 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 other Board committees in addition to the audit, remuneration and nomination committee are the Health & Safety and ESG committees.
- 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.

This objective and its provisions are set out in our Annual Report 2021/22 and Annual Performance Report 2021/22, described in our "Trust Beyond Water" statement.

During 2021/22 no decisions were taken by shareholders or at holding company level for matters that can be reserved for them[22]. All discussions and decisions on long term strategy, dividends and executive remuneration were made by the Bristol Water Board. In practice reserved matters are those where Board members may discuss with shareholders in advance of the Board meeting, but the discussion and decision of the Board will be informed and supported by that process. The reserved matters reflect those where shareholders have to liaise with their investors, or with each other, and therefore the matters are supportive of good governance and ultimately good Board decision making. There were no conflicts of interest that arose as part of Board discussions during 2021/22.

From the point of acquisition by Pennon on 3 June 2021 to the clearance of the acquisition by the CMA on 7 March 2022, Bristol Water and Pennon Group were subject to an Initial Enforcement Order (IEO) which maintained Bristol Water as a separate regulated company and limited access to information concerning Bristol Water to that required for the CMA to conduct its enquiry and for legal and regulatory purposes. The Directors appointed by Pennon at the point of acquisition replacing the previous non-executive Directors nominated by Icon & Itoshu were not able to participate in Bristol Water Board meetings and received limited information due to the terms of the IEO. The Bristol Water Board continued to operate as a separate regulated business during the CMA process.

On the 31st March the Chair and independent non-executive Directors of Bristol Water resigned and a new Chair and independent non-executive Directors were appointed on 2 April 2022. Details of these Board changes are detailed in the Bristol Water Annual Report.

## Board leadership and transparency

**OBJECTIVE: The Bristol Water Board's leadership and approach to transparency and governance engenders trust in the company and ensures accountability for their actions.**

**The Board confirms that it publishes the following information in a form and level of detail that is accessible and clear for customers and stakeholders:**

- An explanation of group structure;
- An explanation of dividend policies and dividends paid, and how these take account of delivery for customers and other obligations (including to employees);
- An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed;
- The annual report includes details of board and committee membership, number of times met, attendance at each meeting and where relevant, the outcome of votes cast; and
- An explanation of the company's executive pay policy and how the criteria for awarding short and long-term performance related elements are substantially linked to stretching delivery for customers and are rigorously applied. Where directors' responsibilities are substantially focused on the regulated company and they receive remuneration for these responsibilities from elsewhere in the group, policies relating to this pay are fully disclosed at the regulated company level.

This objective and its provisions are set out in our Annual Report 2021/22 and the Disclosure and Transparency section of our Annual Performance Report 2021/22.

Our total dividend payments from the regulated business in 2021/22 and across 2020-25 to date remain justified by our performance and the long-term financial resilience of Bristol Water. This is explained in our Annual Report and Annual Performance Report.

## Board structure and effectiveness

**OBJECTIVE: The Bristol Water Board 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.**

**The Board confirms that it adheres to the following provisions:**

- 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.
- Independent non-executive directors were the largest single group on the board during 2021/22.
- The Chair is independent of management and shareholders 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.
- 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.
- There is a formal, rigorous and transparent procedure for new appointments which is led by the nomination committee and supports the overarching objective. No new appointments through this route were made during the year, given the circumstance of the acquisition.
- To ensure there is a clear understanding of the responsibilities attached to being a non-executive director in this sector, we arrange for the proposed, final candidates for new non-executive appointments to the regulated company board meet Ofwat ahead of a formal appointment being made. There were no new directors during 2021/22 that went through this process, with Ofwat's agreement, given the circumstances of the acquisition.
- There is a majority of independent members on the audit, nomination and remuneration committees and the audit and remuneration committees are independently led.

This objective and its provisions are set out in our Annual Report 2021/22 and the Disclosure and Transparency section of our Annual Performance Report 2021/22. We include an indication of the mix of skills on the Board as part of the Board's evaluation of its performance. We describe in our "Trust Beyond Water" statement the discussions the Board has had with employees and stakeholders on diversity, equality and inclusivity, which during 2021/22 helped to further embed the importance of our values and culture to the company strategy of reflecting the communities we serve, as is appropriate for a local water company.

[22] Matters Reserved for the Board of Bristol Water plc

# Board Assurance Statement

## Bristol Water's Board is accountable for the quality and transparency of the information we provide on our performance.

We can confirm that the company has complied with all its relevant statutory, licence and regulatory obligations in all material respects, is taking appropriate steps to manage continued deliver of obligations and that the information published in the following sources is accurate, reliable and appropriate for all our customers and stakeholders to understand:

1. 2021/22 Annual Performance Report (including our regulatory accounts and our 2020-2025 performance commitments) and 2021/22 Mid-year Performance Report
2. 2021/22 Annual Report (including our statutory accounts)
3. 2022/23 Wholesale and Retail Charges Schedule, Charging Arrangements and Charges Schemes
4. 2021/22 Guaranteed Standards Scheme (GSS) payments
5. Data on New Connections performance
6. Complaints reporting to Consumer Council for Water
7. Water quality information provided to the Drinking Water Inspectorate
8. Information provided to the Environment Agency (including our Water Resources Management Plan, Drought Plan and Market Information)
9. Data reporting for non-household competition, reported to MOSL
10. Data provided to the Discover Water website

In making this statement, and by confirming its obligations and adherence to principles and provisions in the sections above, the Board has reviewed the outcome of the assurance processes supporting the above information and considered any areas where the Company has not met its regulatory obligations in full. There are no areas of departure from full compliance for us to disclose.

We confirm that we have considered our supply chain and investors in terms of our compliance with sanctions legislation against Russia and Belarus related to the conflict in Ukraine. We have not identified any risk from our activities with regards to the sanctions legislation.

Our Annual Performance Report provides a full explanation of our delivery against our performance commitments, including explanations for any that have not met our targets and the plans in place to recover any shortfalls in performance. We also highlight where improved data and audit processes mean that we have better information concerning performance or data reported in previous years. The Board receives regular reports on performance and challenges management to ensure that performance is continually reviewed and improved, and that data reporting is as accurate and as timely as possible.

Our independent technical advisor on our regulatory reporting process (Turner and Townsend) has reviewed the approach and process we follow in assessing compliance with our obligations. Likewise, our financial auditors (PwC) have reported on the Regulatory Accounting Statements contained within the Annual Performance Report.

BRISTOL WATER
It's what we're made of.

# Board statement on data accuracy and completeness of data and information

**The Bristol Water Board seeks to uphold the highest standards of transparency and openness in performing its functions and dealing with all of our stakeholders. A key aspect of this relates to our reporting of service delivery for our customers and for the benefit of wider society.**

The Board of Bristol Water is accountable for the quality and transparency of the information we provide on our performance. It is important for customers' trust and confidence that Bristol Water is accountable for the service we deliver and how we spend the money our customers pay to us in their water bills. As a local community water company, we are committed to transparency, and to support that we publish additional information during the year that goes beyond our regulatory requirements (including our mid-year report and social contract benefit and transparency report). We also we have additional duties to provide statutory and regulatory information to Ofwat and our other regulators, including the Environment Agency and Drinking Water Inspectorate.

The Board of Bristol Water confirms that the data and information which the company has provided to Ofwat in the reporting year and which we have published in our role as a water undertaker is accurate and complete.

The Board considers that the Company has applied its processes and internal systems of control in a manner that has enabled it, to the extent that it is able to do so from the facts and matters available to it, to identify material departures from the obligations within this document. The Board does not consider that any departures have been identified in 2021/22.

This statement is accompanied by a description of the activities which the Board has carried out to allow it to make this statement. In addition to these activities, we have published our 'Trust beyond water' statement. The statement reflects on the Board's perspective on the long-term management of the business, including factors and decisions affecting our operational and financial performance.

## How the board has engaged and challenged on the assurance approaches which have been taken:

**The Board encourages a culture of risk identification and management across all aspects of the business, and uses the following main processes to engage, challenge and review the effectiveness of the system of internal control:**

- A regular risk identification, assessment and mitigation process, which is performed across the business, with robust challenge from the executive team before being submitted to the Audit Committee for review. The board has regular discussions on risks and controls, as supported by the Audit Committee.
- An internal audit plan is prepared on a rolling three-year cycle, based on the key risks identified, and to ensure key mitigating controls operate effectively.
- Regular reporting on key performance indicators, regulatory performance commitments and financial outcomes to gain visibility of the business and its operations. In addition to the Annual Performance Report, the board also reviews data for the Mid-Year Performance Report. The report provides an update on our progress in the delivery of our performance commitments for our customers. The report is published in December and provides the board an opportunity to challenge management delivery plans for our performance commitments in advance of year-end reporting.
- With the onset of the COVID-19 pandemic, more frequent updates on changes in the business, risks arising and mitigating action plans have been taking place with the Board in order to manage closely this specific risk.

## How the board has taken action to ensure that any exceptions and weaknesses in the assurance approaches have been addressed:

**Our Risk & Compliance Statement, which has been published as part of our APR, confirms that the Board has complied with all its relevant statutory, licence and regulatory obligations and is taking appropriate steps to manage and/or mitigate any risks it faces. The statement confirms that the Board:**

- Considers that it has full understanding of, and is meeting, all its relevant statutory, licence and regulatory obligations and 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 in place to allow it to identify, manage, mitigate and review its risks.
- Where the Board considers that it is unable to provide such a statement (in relevant reporting areas) it should explain why it is unable to do so.

Our Risk & Compliance Statement summarises the outcomes of the technical assurance activities and where necessary highlights any areas of departure from full compliance that must be disclosed. We have also included within the Risk & Compliance Statement and update on the progress made on the "targeted assurance activities" we identified in our Assurance Plan (published in March 2022).

The Board relies on the information provided by management and has specific and direct access to auditors and technical assurers to confirm whether the information provided by management is suitable for the purposes provided, whether decision making or for regulatory or statutory reporting.

All external data submissions are made with the specific approval of the CEO. The CFO has specific responsibility to the Audit Committee and the Board for statutory reporting and regulatory financial reporting. The Director of Strategy & Regulation takes specific responsibility on behalf of the Executive Management Team for the quality and accuracy of regulatory data submissions or formal information requests. The appropriate level of assurance for each submission is considered. Risks are understood which allows, together with internal and external assurance as required, any exceptions to requirements to be identified and understood.

As an example, annual reporting on performance commitments has a series of process and methodology audits with external technical assurance. Improvement plans are agreed in advance of data audits where there are any potentially material gaps that could affect the quality of reported data. Annual and mid-year reporting data is reviewed internally, with approval by the business owner, the relevant member of the Executive Team, and the Director of Strategy & Regulation. This data approval process includes a comparison of the final data with prior years, the monthly data that has been considered by the Board, and the commentary describing both performance and any data changes. The Board therefore considers both the information and scrutiny from this internal process and the independent technical assurance.

## How the board has satisfied itself that the approaches have appropriately identified and addressed any risks to the provision of accurate and complete data and information in particular areas:

**Before publishing our Annual Performance Report, we consulted with the Bristol Water Challenge Panel in January 2022 and then published in March 2022 an Assurance Plan which covered:**

- How we undertake a risk assessment to determine the risk of the probability of inaccurate reporting with the data we intend to publish in the year ahead.
- Our targeted areas of assurance for the data items we intend to publish that have been assessed as most at risk of inaccurate reporting.
- How the Board engage with these assurance activities.

Within the Assurance Plan the Board confirmed that it was satisfied with the risk assessment methodology employed, and consequently that the targeted assurance activities identified provided transparency and confidence in our assurance processes, with the overall aim of ensuring customers and stakeholders can trust and value Bristol Water and the information we publish.

In addition, we use external expert auditors and technical assurers to review our methods, systems and processes for reporting key data and information. In particular Turner & Townsend provides technical assurance on our regulatory submissions, and financial auditors, PwC, audit our key financial data. Internal audit services to the Company are also undertaken, using external organisations and other specialists in areas where risks are identified and thus assurance is sought over the associated controls and mitigations. Internal auditing is an established objective assurance and consulting activity designed to add value and improve our operations by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. These auditors provide reports to our board to provide confidence in the accuracy of the information produced. As an example, during 2021/22 we engaged an independent review into our supply interruptions reporting, due to the significantly improved performance that was being reported. This additional internal audit before year end confirmed that the reporting processes meant that the performance reporting on supply interruptions was reliable. We also undertook an independent review into legal compliance reporting to regulators outside of the APR and other Ofwat reporting requirements, which for instance reviewed sample reporting in addition to the UKAS accreditation audits that also take place and areas such as compliance and Health and Safety. This confirmed that our reporting to regulators is reliable as well as identifying areas for continuous improvement. For significant corporate risks and major projects, the Board receives regular updates and reports from management with independent reviews such as from Internal Audits as appropriate.

The Board also takes into consideration the views of the Bristol Water Challenge Panel (BWCP), an independent group of interested and expert stakeholders whose role is to ensure that customer voice remains at the heart of Bristol Water's decision-making. The BWCP specifically focuses on reporting on service delivery for customers and wider society. The Chair of the BWCP presents to the Board their independent views on our assurance and performance, and challenges the Board to meet certain customer expectations. The BWCP and the Board also have direct access to our technical assurers and have the opportunity to review and discuss key findings at least annually.

## How the Board has utilised individual directors and committees in carrying out its activities in this area:

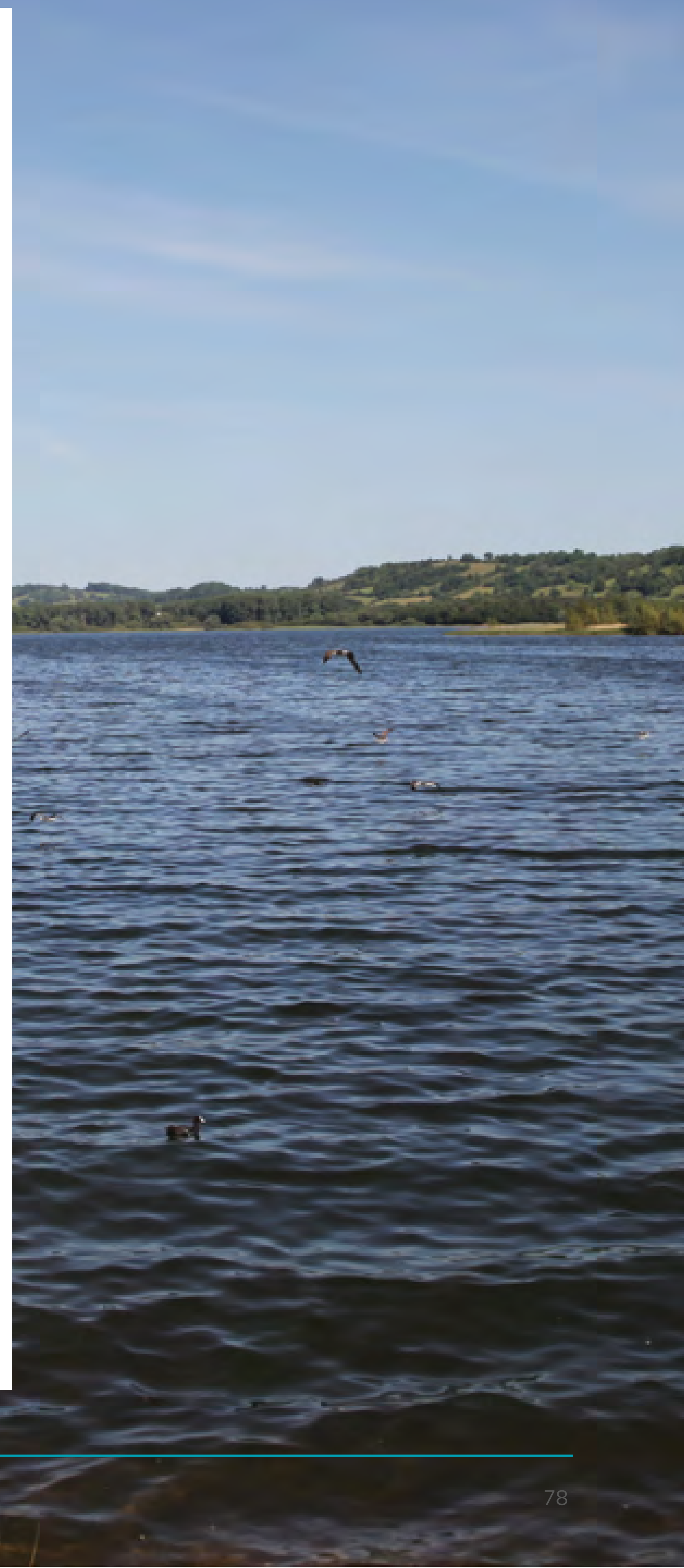
**The Company operates through a formal Board structure. A regular risk identification, assessment and mitigation process, which is performed across the business, with robust challenge from the executive team is undertaken before being submitted to the Audit Committee for review. The Board has regular discussions on risks and controls, as supported by the Audit Committee.**

**The Board:**
- monitors compliance with the obligations of the Company under its licence as a water undertaker;
- considers material financing and investment decisions including the giving of guarantees and indemnities, and monitors policy and control mechanisms for managing treasury risk;
- reviews on a regular basis a summary KPI report, which includes the identification of material risks and the actions taken to manage such risks;
- reviews the effectiveness of the risk management process and significant risk issues;
- reviews the role of insurance in managing risks;
- reviews and approves financial budgets and emerging financial results; and
- reviews and scrutinises the Company's business plans and responses in respect of in and the progress of the Ofwat Price Reviews.

**The Audit Committee:**
- reviews internal and external audit work plans and commissions, where appropriate, reviews of specific issues;
- reviews and where appropriate, approves non-audit services undertaken by the statutory auditor;
- assesses the risk management and control arrangements including risk reporting;
- considers reports from management, internal and external auditors on the system of internal control and any material control weaknesses identified;
- discusses with management the actions taken on any problem areas identified by the Board members and management or in the internal and external audit reports; and
- the Chair of the Committee reports the outcome of the Audit Committee meetings to the Board and the Board receives the minutes of all Audit Committee meetings.

For further information on the Audit Committee, our Annual Report includes a statement from the Chair and explains the work undertaken in 2021/22.

During 2021/22 we had an Independent Non-Executive Director with a specific focus on Board decisions in the local community including links to the Bristol Water Challenge Panel, and people aspects of our decisions and social contract. This was a significant step in keeping the company on track to deliver our ambitious agenda, for our customers, the environment and society, which has existed throughout the history of Bristol Water. This role provided direct access to the Board, independently of management, to ensure the importance of this role was reflected at Board discussions. Following the changes in Board composition on 31 March 2022 and the Pennon acquisition, we will update our approach to this area during 2022/23 to ensure it provides to customers the benefits from the WaterShare+ framework which is part of the undertakings made by Pennon.



# Regulatory Certificate of Adequacy of Financial Resources by the Directors

**As required under condition P12 of its Instrument of Appointment relating to the assets, rights and resources of the appointed business the Directors of Bristol Water plc confirm:**

1. That in the opinion of the Directors the Appointee 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 Appointee's obligations under the Appointment); and
2. That in the opinion of the Directors the Appointee will, for at least the next 12 months, have available to it non-financial resources, including:
   a) management resources; and
   b) systems of planning and internal control

which are sufficient to enable it to carry out those functions;

3. In respect of the Wholesale business only, that in the opinion of the Directors, any contract entered into with any Associated Company include all necessary provisions and requirements concerning the standard of service to be supplied to the Appointee, to ensure, that it is able to meet all its obligations as a water undertaker.

**The main factors that the Directors have taken into account in giving this certificate:**

**(1) Financial resources and facilities:**

- Budget and capital programme, for 2022/23 and forecast for 2023/24, approved by the Board,
- Monthly management accounts prepared for periods prior to the certificate date;
- Cashflow forecasts and funding position for 2022/23 and 2023/24;
- Cash at bank/on deposit held in the Bristol Water Statement of Financial Position of £5.9m at 31 March 2022;
- Unutilised committed term facilities of £27m as at 31 March 2022, and
- The Company has received confirmation from Pennon Group plc that it will provide support to the Company should it be required, to meet its liabilities as they fall due for the foreseeable future.

**(2) Non-financial resources, including management resources and systems of planning and internal control:**

- Bristol Water plc has an experienced senior management team with good knowledge of the water industry.
- The Company has systems of planning and internal control sufficient to manage financial and non-financial resources.
- The Company has access to the rights and resources it requires as the Appointed Business.
- The Company currently has limited contracts with

The table below provides a cross-reference to information elsewhere in our annual reporting that the Board considered in making this certificate of sufficiency of resources (which is also known as the Ring-fencing certificate). This statement is accompanied by a report from PwC; their independent report can be found at the end of this Annual Performance Report.

| Ring fencing certificate factor | Actions | References in Annual Report / Annual performance report |
|---|---|---|
| **Financial resources and facilities** | Financial details of net funding position, cashflow forecasts, forecast net funding position, risks (and associated financial implications thereof; | Trust Beyond Water statement |
| | Analysis of financial resources and facilities (internal or external | How performance links to bills and dividends |
| | Performance against Final Determinations (FDs) set at the last price review; | Trust Beyond Water statement |
| | Business plans | Long Term Viability Statement |
| **Management resources** | Management skills, experience and relevant qualifications; | CEO report |
| | Recruitment process, staff engagement; | Strategic Report<br>Trust Beyond Water statement |
| | Succession planning for key management/staff; | Strategic Report section of annual report |
| | Quality of management/staff induction and other training and development; | Strategic Report |
| | Board or management activities, reports or statements; | Director's report plus statements on reserved matters/conflicts |
| | Independence of Board | Director's report plus statements on reserved matters/conflicts |
| **Systems of planning and internal control** | Governance procedures; risk management frameworks, oversight procedures; | Corporate governance report<br>Strategic report – Risk management framework<br>Assurance plan<br>Risk and compliance statement |
| | Internal and/or external audit policies, processes, activities and/or reports; | Corporate governance report<br>Assurance plan<br>Risk and compliance statement |
| | Systems for maintaining supply/business continuity, stated action plans; | Corporate governance report<br>Strategic report – Risk management framework |
| | Policies to prevent fraud and other unethical behaviour; whistleblowing policy; | Corporate governance report<br>Strategic report – Risk management framework |
| | Risk, compliance other assurance statements. | Corporate governance report<br>Strategic report – Risk management framework<br>Assurance plan<br>Risk and compliance statement<br>Board statement on data accuracy and completeness of data and information |

| Ring fencing certificate factor | Actions | References in Annual Report / Annual performance report |
|---|---|---|
| **Rights and other resources (other than financial)** | Corporate missions and/or values; | Trust beyond water statement |
| | Technology and other systems for ensuring checks and balances; | Corporate risk report |
| | Policies to encourage an integrated approached and 'systems thinking'; | Systems thinking (resilience) and social contract Action Plan |
| | Planning systems; | Systems thinking (resilience) and social contract Action Plan |
| | Assets maintenance / insurance factors. | Systems thinking (resilience) and social contract Action Plan |
| **Contracting** | Position/status of key contracts in place; | Covered in Directors' Report in the Annual Report |
| | All contracts between the Appointee and all Associated Companies were checked for compliance with licence requirements on standards; | Covered in Risk and Compliance Statement |
| | Note on transactions between the Appointee and any Associated Company; | Disclosure in RAG5 statement |
| | Compliance with licence provision on cross-subsidies between the Appointee and any Associated Company (Condition P); and<br>No Guarantees or Cross-Default Obligations given without Ofwat's written consent. | No changes to arrangements in place. Ofwat historic consents remain in place and are appropriate for all arrangements. |

# Long term viability statement

The Directors of Bristol Water are responsible for ensuring the long-term viability of the Company. The Directors need to ensure the resilience of the Company by identifying, managing, avoiding or mitigating risks which may impact viability.

**The Board's consideration of longer-term viability of the Company is an extension of the Company's strategic business planning which is managed through regular long-term modelling and monitoring of key measures including gearing, debt covenant headroom and level of liquidity. The Company relies on maintaining an investment grade credit rating through adjusted interest cover and gearing ratios. The resilience of the business and these key viability measures are appropriately assessed by a number of mechanisms including a robust risk management assessment, sensitivity analysis and stress tests of financial performance.**

The overall market context is a cornerstone of the viability assessment. Bristol Water is a long-term business characterised by multi-year investment programmes, with associated revenue streams with high levels of future visibility.

The viability assessment has been made with reference to the Company's current position and prospects, including consideration of the ongoing impacts of the COVID-19 pandemic, climate change, the cost of living crisis, its longer-term strategy, the Board's risk appetite and the Company's principal risks and how these are managed, as detailed on the risk summary from page 90.

## Period of assessment

The Board regularly considers the appropriate period for the viability assessment to be performed in line with the UK Corporate Governance Code. The Board considers the appropriate period to assess the Company's viability to be 8 years, which recognises the longer-term visibility in the regulatory environment of the business running to the end of the next price setting period in 2030.

## Risks

The Board considers the preventative and risk management actions in place and the potential impact of the principal risks as detailed on pages 90 to 97 against our ability to deliver the business plan. This assessment has considered the potential impact of these and other risks arising on the business model, future performance, solvency and liquidity over the period in question. The Company has a strong liquidity and funding position with £39.0m (2020/21: £54.9m) of cash and committed facilities as at 31 March 2022 and net assets of £199.7m (2020/21: £218.8m). The Company has a mixture of fixed, floating and index linked debt financing with a weighted average maturity of 10.0 years (2020/21: 11.1 years). In making their assessment, the Directors reviewed the principal risks and considered which risks might threaten the Company's viability.

| Principal risk | Viability sensitivities modelled |
|---|---|
| Macroeconomic risks impacting on inflation, interest rates and power prices (risk 1) | The adverse impact of higher operating and finance costs from increasing power prices and general inflation increases over and above increases assumed in base financial plans, including the impact on Total Expenditure ("Totex") underperformance on regulatory returns and impact on debt financing costs (modelled at 3% of Totex plus one off impact of 8% inflation in one year). |
| Non-recovery of customer debt (risk 2) | An application of reduced cash inflows from increased customer bad debt levels has been modelled (modelled at 25% increased bad debt). This includes an assessment of the residual impacts from COVID-19 and the affordability challenges arising from high inflation and rising power prices. |
| Restricted or unaffordable access to CRT controlled water (risk 5) | The adverse impact of higher operating and finance costs from increasing costs of water abstraction (modelled at 1% of Totex). |
| Non-compliance or occurrence of an avoidable health and safety event (risk 7) | The financial impact and cash outflows related to a major health and safety event has been applied as a sensitivity (modelled at 1% of Totex plus financial penalty of 1% of Revenue). |
| Regulatory reform (risk 8) | Potential changes in PR24 price review may impact allowed regulatory returns in Bristol Water. The estimated average adverse impact on the Company's cash flows from a range of potential policy changes has been applied as a sensitivity (modelled at reduction of revenue by 3%). |
| Risk to the DB pension scheme (risk 9) | The financial impact on the Company's gearing from reduced surplus returned to the company and impact of write off of the surplus (modelled at increased debt of 2%). |
| Non-compliance with laws and regulations (risk 11) | The estimated impact of financial penalties and reputational damage from failure to comply with laws and regulations has been modelled as a sensitivity (modelled at 1% of Revenue). |
| Inability to secure sufficient finance and funding to meet ongoing commitments (risk 15) | The impact of reduced availability of financing resulting in increased margins on new debt raised. A sensitivity of increased banking margins of 2% has been applied. |
| Failure of operational water treatment assets and processes resulting in an inability to produce and supply clean drinking water (risk 10)<br>Failure to maintain excellent customer service or effectively engage with our customers and wider stakeholders (risk 4)<br>Insufficient skills and resources to meet the current and future business needs and deliver the Company's strategic priorities (risk 6)<br>Non-delivery of Regulatory Outcomes and performance commitments (risk 14)<br>Inefficient or ineffective delivery of capital projects (risk 13) | The adverse impact from non-delivery of regulatory performance targets which result in ODI penalties, other financial penalties and required additional investment reducing Company revenues and cash inflows have been applied as a sensitivity to the base plan (modelled at 1% of totex, financial penalty of 1% of revenue). |
| Inadequate technological security results in a breach of the Company's assets, systems and data (risk 12) | The adverse financial impacts of a cyber-attack resulting in operational disruption, potential loss of data, potential detrimental impacts on customers with potential for financial penalties have been included in the sensitivity analysis (modelled at 1% of Totex as a cost plus financial penalty of 1% of Revenue). |
| A combined stress testing scenario has also been performed to assess the overall impact of these scenarios impacting the Company collectively (modelled at 10% of totex, financial penalty of 5% of revenue, increased interest of 8%). | |

## Stress testing

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 pages 90 to 97, individual sensitivities (shown in the table below) 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 FY 2022/23 and longer-term strategic business plan through to March 2030.

The Company's strategic business plan includes the expected investment identified at this stage to meet climate changed adaptation. The stress testing scenarios applied during the viability assessment period do not include specific reference to climate change related risks alone as the sensitivities are not considered material during the period of assessment.

## Stress testing evaluation and mitigations

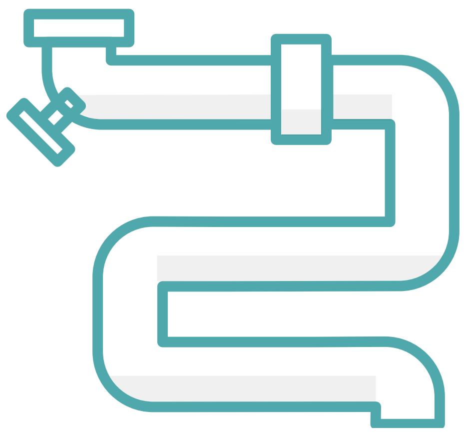
Through this testing, it has been determined that none of the individual principal risks would compromise the Company's viability over the eight-year period. Further testing was performed on combined scenarios, which resulted in high impact scenarios over a prolonged period. Such combined scenarios included modelling the impact of a number of individual scenarios taking place simultaneous, without management mitigation. Such scenarios are considered unlikely to take place given the cumulative and high impact of the scenarios. Two of the three scenarios could be mitigated through reduction in dividend payments to offset the impact of stressed financial performance on credit ratios. The final scenario, which effected the cumulative impact of all scenarios materialising simultaneously, could be mitigated if additional actions were taken to reduce gearing, increase covenant headroom and increase the adjusted interest cover ratio. Such actions included restricting dividends but also taking action to reduce operational and capital expenditure in the short term, and managing cash payments carefully, particularly non-contractual payments. In addition, acknowledgement has been made of the Company's role as part of the Pennon Group, and the potential benefits that may arise therefrom in respect of the ability to raise and manage funding.

In making its assessment of the Company's viability, the Directors have taken account of the Company's credit rating and projected ratios, the Company's latest assessments of the consequential impacts of the COVID-19 pandemic as economic activity starts to return to pre-pandemic levels, the latest estimated impact of global supply chain pressures on power and other commodity prices, latest inflation forecasts, its ability to raise new finance and potential mitigating actions of restricting dividends, reducing expenditure or phasing non-contractual payments.

In assessing the prospects of the Company, the Directors note that, as the Company operates in a regulated industry which potentially can be subject to non-market influences, such assessment is subject to uncertainty, the level of which depends on the proximity of the time horizon. Accordingly, the future outcomes cannot be guaranteed or predicted with certainty. As set out in the Audit Committee's report, the Directors reviewed and discussed the process undertaken by management, and also reviewed the results of the stress testing performed.

## Viability assessment conclusion

The Board has assessed the Company's financial viability and confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over an eight-year period, the period considered to be appropriate by the Board in connection with the UK Corporate Governance Code.



# Board Signatures

Signed by the Board of Bristol Water:

| Name | Role | Signature | Date |
|---|---|---|---|
| Gill Rider | Chair | | 13 July 2022 |
| Neil Cooper | Senior Independent Non-Executive | | 13 July 2022 |
| Iain Evans | Independent Non-Executive | | 13 July 2022 |
| Claire Ighodaro | Independent Non-Executive | | 13 July 2022 |
| Jonathan Butterworth | Independent Non-Executive | | 13 July 2022 |
| Susan Davy | Non-Executive Director | | 13 July 2022 |
| Paul Boote | Non-Executive Director | | 13 July 2022 |
| Mel Karam | Chief Executive Officer | | 13 July 2022 |
| Laura Flowerdew | Chief Financial Officer | | 13 July 2022 |

# Risk and Compliance Statement

## Disclosure of Departures from the Statement of Compliance with Obligations

**The Board considers that the Company has applied its processes and internal systems of control in a manner that has enabled it, to the extent that it is able to do so from the facts and matters available to it, to identify material departures from the obligations within this document. The Board does not consider that any departures have been identified in 2021/22.**

## Risk and Compliance Statement – Data Assurance Summary

**Data Issues Identified at Audit**
Following external audits from Turner & Townsend and PwC, we are confident that the final assessments over our accuracy of the data and information we publish, summarised in this section of this document, will provide our Board, customers and stakeholders with confidence that there are no material issues with the quality of our data systems.

Our financial auditors, PwC have followed the audit opinion that Ofwat expects all auditors to provide on Companies' Annual Performance Reports for 2021/22 for sections 1 and 2. The PwC assurance report has been submitted to Ofwat separately.

The remainder of this section summarises the results of the assurance activities we have undertaken over the last twelve months.

**2021/22 Annual Performance Report – Section 3**
A summary of the outcome of the performance commitments reported in the Annual Performance Report section 3 data tables that have been externally assured are presented in the table below. The assessments were undertaken by our technical assurers, Turner & Townsend.

These assessments provide us with confidence that there are no material issues with the quality of our data systems for reporting on this information. This year there are no data items with a grade lower than B, which is in line with our risk, strengths and weaknesses in reporting assessment which forms part of our Assurance Plan.

| Description | Data grade |
|---|---|
| Compliance Risk Index (CRI) | B |
| Water Supply Interruptions | B |
| Mains Repairs | B |
| Unplanned outage | B |
| Risk of severe restrictions in a drought | B |
| Customer contacts about water quality – appearance | B |
| Customer contacts about water quality – taste and smell | B |
| Properties at risk of receiving low pressure | B |
| Turbidity | B |
| Unplanned Maintenance - non-infrastructure | B |
| C-MeX (Customer Measure of Experience) | A |
| D-MeX (Developer Services Measure of Experience) | B |
| Percentage of customers in water poverty | B |
| Value for money | B |
| Percentage of satisfied vulnerable customers | B |
| Void properties | B |
| Leakage | B |
| Per Capita Consumption | B |
| Meter Penetration | A |
| Raw water quality of sources | B |
| Biodiversity Index | B |
| Waste disposal compliance | B |
| Water Industry National Environment Programme Compliance | B |
| Local community satisfaction | B |
| Abstraction Incentive Mechanism | A |
| Priority Services Register | B |
| Glastonbury Street network resilience | B |
| Total customer complaints (household) | B |
| Delivery of water industry national environment programme requirements | B |
| Outcome Delivery Incentive payment calculations | B |

**2021/22 Annual Performance Report – Section 4**

A summary of the outcome of the Annual Performance Report section 4 data tables that have been externally assured are presented in the tables in this section. As Bristol Water is a water only company we are not required to complete some of the data tables in the APR template related to wastewater services. The assessments were undertaken by our technical assurers, Turner & Townsend.

These assessments provide us with confidence that there are no material issues with the quality of our data systems for reporting on this information. A summary of the assessment for 4R.17-18 (New connected residential and business properties) is in the Technical Assurance Report Statement.

| APR table | Line references | Description | Data grade |
|---|---|---|---|
| 4A | All lines | Water bulk supply information for the 12 months ended 31 March 2021 | B |
| 4B | All lines | Analysis of debt | A |
| 4C | All lines | Impact of price control performance to date on RCV | C |
| 4D | All lines | Totex analysis for the 12 months ended 31 March 2021 - water resources and water network+ | B |
| 4F | All lines | Major project expenditure for wholesale water by purpose for the 12 months ended 31 March 2021 | B |
| 4J | All lines | Base expenditure analysis for the 12 months ended 31 March 2021 - water resources and water network+ | B |
| 4L | All lines | Enhancement expenditure for the 12 months ended 31st March 2021 - water resources and water network+ | B |
| 4N | All lines | Developer services expenditure for the 12 months ended 31st March 2021 - water resources and water network+ | B |
| 4P | All lines | Expenditure on non-price control diversions for the 12 months ended 31 March 2021 | B |
| 4Q | All lines | Developer services - New connections, properties and mains | B |
| 4R | 1-10,12-16,19-20,22-27 | Customer and property numbers | B |
| 4R | 11-21 | Residential voids | B |
| 4R | 17-18 | New connected residential and business properties | B |
| 4R | 28-30, 32 | Resident and household populations | B |

**2021/22 Annual Performance Report – Section 5**

A summary of the outcome of the Annual Performance Report section 5 data tables that have been externally assured are presented in the tables in this section. The assessments were undertaken by our technical assurers, Turner & Townsend.

A summary of the assessment for 5A.23 (Average pumping head- raw water abstraction) is in the Technical Assurance Report Statement.

| APR table | Line references | Description | Data grade |
|---|---|---|---|
| 5A | 1-8 | Distribution input – volume by source type | B |
| 5A | 9-21 | Water resources, sources and assets | B |
| 5A | 22 | Length of raw water abstraction mains and conveyors | B |
| 5A | 23 | Average pumping head – raw water abstraction | C |
| 5A | 24 | Energy consumption – water resources | B |
| 5A | 25-28 | Raw water abstraction imports and exports | A |
| 5A | 29 | Water resources capacity (measured using water resources yield) | B |
| 5B | All lines | Water resources operating cost analysis for the 12 months ended 31st March 2022 | B |

**2021/22 Annual Performance Report – Section 6**
A summary of the outcome of the Annual Performance Report section 6 data tables that have been externally assured are presented in the tables in this section. The assessments were undertaken by our technical assurers, Turner & Townsend.

These assessments provide us with confidence that there are no material issues with the quality of our data systems for reporting on this information. A summary of the assessment for 6A.6 &31 and 6B.28 (Average pumping head) and 6D.12 & 14 (Supply demand benefit of new and renewed business meters) is in the Technical Assurance Report Statement .

| APR table | Line references | Description | Data grade |
|---|---|---|---|
| 6A | 1-4 | Raw water transport and storage, and water resources assets | B |
| 6A | 5, 12 | Lengths of raw water transport mains | B |
| 6A | 6, 31 | Average pumping head – raw water transport & water treatment | C |
| 6A | 7, 32 | Energy consumption – raw water transport & water treatment | B |
| 6A | 8-11 | Raw water imports and exports | A |
| 6A | 13-19 | Surface and ground water works by treatment complexity | A |
| 6A | 13-19, 28 | Surface and ground water works complexity by volumes and DI size band and water treated at more than one type of works | B |
| 6A | 20-27 | Volume of water treated at different works (split by complexity and by size band) | B |
| 6A | 29 | Number of treatment works requiring remedial action because of raw water deterioration | A |
| 6A | 30 | Zonal population receiving water treated with orthophosphate | A |
| 6A | 33-36 | Water treatment imports and exports | B |
| 6B | 1-3, 20-26 | Treated water distribution assets | B |
| 6B | 4 | Distribution input - proportion by source type | B |
| 6B | 5-11 | Water Delivered | B |

| APR table | Line references | Description | Data grade |
|---|---|---|---|
| 6B | 12-19 | Distribution input - proportion by source type | B |
| 6B | 27 | Energy consumption – treated water distribution | B |
| 6B | 28 | Average pumping head – treated water distribution | C |
| 6B | 29-32 | Treated water distribution imports and exports | B |
| 6C | 1-20 | Mains lengths, ages, diameters & communication pipe materials & company area | B |
| 6C | 21 | Lead communication pipes replaced for water quality | B |
| 6C | 22 | Supply demand balance | B |
| 6C | 23 | Event Risk Index (ERI) | B |
| 6D | 1-10 | Metering expenditure and activity | B |
| 6D | 11,13 | Residential meter installation and renewals – supply demand benefit | B |
| 6D | 12,14 | Business meter installation and renewals – supply demand benefit | C |
| 6D | 15 | Meter penetration | B |
| 6D | 16 | Total leakage activity | B |
| 6D | 17 | Leakage improvements delivering benefits in 2020-25 | B |
| 6D | 18 | PCC measured and unmeasured customers | B |
| 6F | All lines | WRMP annual reporting on delivery - non-leakage activities | B |

**2021/22 Annual Performance Report – Section 9**
A summary of the outcome of the Annual Performance Report section 9 data tables that have been externally assured are presented in the tables in this section. The assessment was undertaken by our technical assurers, Turner & Townsend.

This assessment provides us with confidence that there are no material issues with the quality of our data systems for reporting on this information.

| APR table | Line references | Description | Data grade |
|---|---|---|---|
| 9A | All lines | Innovation competition | B |

**2021/22 Annual Performance Report – Section 11**
A summary of the outcome of the Annual Performance Report section 11 data tables that have been externally assured are presented in the tables in this section. The assessment was undertaken by our technical assurers, Turner & Townsend.

The assessments of our operational greenhouse gas emissions provide us with confidence that there are no material issues with the quality of our data.

| APR table | Line references | Description | Data grade |
|---|---|---|---|
| 11A | All lines | Operational Greenhouse Gas Emissions | B |

**2022/23 Wholesale and Retail Charges Schedule, Charging Arrangements and Charges Schemes and Data on New Connections**
Our Statement of Assurance 2022/23, which covers our retail charges scheme, our wholesale charges schedule and charging arrangements for New Connections, was published in January 2022.

The statement covers the Charges Scheme that applies to end user customer tariffs and charges, wholesale charges to licensed retailers supplying eligible business customer premises and new connection charging arrangements to developers. Our statement was accompanied by supporting useful information on our charges. The statement was signed by all members of the Bristol Water Board.

External assurance of the charges submission was provided by PwC, who provided an assurance statement to the Board to support approval of the tariff submission.

**2021/22 Guaranteed Standards Scheme**
All customers of water and sewerage companies are entitled to guaranteed minimum standards of service, as laid down by the Government. These rights are known as the guaranteed standards scheme (GSS). If we fail to meet any of these standards of service, then we are required to make a specified payment to the affected customer. Our technical assurers, Turner & Townsend, have undertaken the audits for this information.

The assessments of our GSS payments provides us with confidence that there are no material issues with the quality of our data.

| Description | Data grade |
|---|---|
| Guaranteed Standards Scheme payments | B |

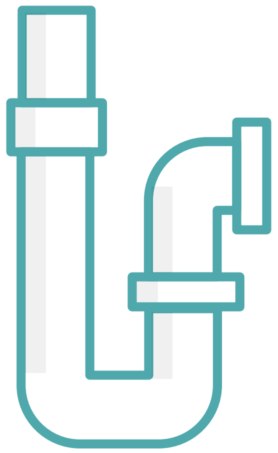
**Water Resources Management Plan (WRMP) Annual Review**
As a key part of long-term management and planning for public water supply, water companies are required to produce a Water Resources Management Plan (WRMP) and to update it every five years.

In March 2021, in response to feedback from the EA and DEFRA following our WRMP annual review for 2019/20, we updated our WRMP19 data tables to reflect the changes to our PCC and Leakage forecasts. The updated supply demand balance position showed that we still maintain a surplus throughout the 25-year planning period.

For the 2021/22 annual review Turner & Townsend, have undertaken the audit for this information.

The assessments of our WRMP Annual review provides us with confidence that there are no material issues with the quality of our data.

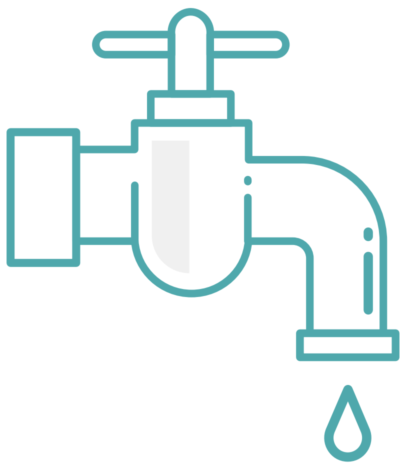
| Description | Data grade |
|---|---|
| Water Resources Management Plan annual update | B |



## An Update on Our Targeted Assurance Activities

Within our Assurance Plan 2022/23, 50 data items were assessed as part of a risk assessment; 14 data items were assessed at a high risk (zero data items were assessed at a critical risk). This indicates that the Company has a strong control framework in place for the majority of data items we report on, which helps to mitigate the probability of inaccurate reporting from occurring. However, even with a strong control framework we still identified a number of the data items within the high risk category, which is mostly due to recognising the high impact on our customers, stakeholders or company reputation, if a risk ever materialises, particularly through misreporting of data.

The table below provides an update on the risk items that were identified as high risk and therefore requiring targeted assurance activities. It includes an explanation of the internal and external steps taken to improve the transparency of our data and information, which are intended to increase the trust and confidence in which customers and stakeholders can place in our reports. Following our external audits, no further data items have been identified as being at risk of misreporting.



| Data Item(s) | Reason for Risk Assessment | Targeted Assurance Activities Identified in Assurance Plan | Update on the outcome of External Assurance and Future Plans |
|---|---|---|---|
| Raw water quality of sources and PSR data | High impact on customers, stakeholders or company reputation, if risk materialises and areas of required improvement identified | **Internal Assurance**<br>Performance information follows our established approval process, with monthly reporting and formal executive approvals of data at mid-year and year-end.<br><br>Performance information is also included in our mid-year and year-end interactive performance graphics on our website to aid transparency and to enable our customers to track our progress..<br><br>**External Assurance**<br>Prior to the publication of our mid-year performance data in December 2021 we instructed Turner & Townsend to carry out a high-level strategic review of the assurance progress we had made in relation to performance data since the APR 2020/21 assurance activity was reviewed. These data items were highlighted as audit recommendations from APR 2020/21 had not yet been fully addressed.<br><br>The data items will continue to be audited by our technical assurer, Turner & Townsend, before data is published as part of our APR 2021/22. Progress on the outstanding recommendations will be reviewed as part of this process. | The data items were audited by our technical assurer, Turner & Townsend. All previous actions were addressed, and no material issues were identified.<br><br>We will undertake internal assurance checks ahead of publishing these data items as part of our Mid-Year Performance Report 2022/23 (due to be published by December 2022). |
| Supply Interruptions, Mains Repairs, Low Pressure Properties, Leakage, PCC, Biodiversity Index and Local Community Satisfaction | High impact on customers, stakeholders or company reputation, if risk materialises | **Internal Assurance**<br>Performance information follows our established approval process, with monthly reporting and formal executive approvals of data at mid-year and year-end.<br><br>Performance information is also included in our mid-year and year-end interactive performance graphics on our website to aid transparency and to enable our customers to track our progress.<br><br>**External Assurance**<br>The data items will continue to be audited by our technical assurer, Turner & Townsend. | The data items were audited by our technical assurer, Turner & Townsend. No material issues were identified.<br><br>We will undertake internal assurance checks ahead of publishing these data items as part of our Mid-Year Performance Report 2022/23 (due to be published by December 2022). |
| Tariffs & Charges | High impact on customers, stakeholders or company reputation, if risk materialises | **Internal Assurance**<br>This data item is reviewed by two teams at the company – Economic Regulation and Finance.<br><br>Our tariff and charges publications (particularly for new connections charges) now include more customer-friendly language and user-friendly graphics, to improve their readability for interested parties. Our Statement of Assurance on our tariffs also includes an engagement summary section on who we have spoken to and what changes we have made to the information we present in our tariffs and charges publications as a result.<br><br>**External Assurance**<br>We will continue to assure the information via external financial auditors, to ensure accuracy and reliability. The data item continues to be audited by our financial auditor, PwC. | This data item was audited by our financial auditor, PwC. No material issues were identified. |

| Data Item(s) | Reason for Risk Assessment | Targeted Assurance Activities Identified in Assurance Plan | Update on the outcome of External Assurance and Future Plans |
|---|---|---|---|
| GSS Payments | High impact on customers, stakeholders or company reputation, if risk materialises | **Internal Assurance**<br>Reported information follows our established approval process, with formal executive approval of data at year-end.<br><br>**External Assurance**<br>The data item will continue to be audited by our technical assurer, Turner & Townsend. | The data items were audited by our technical assurer, Turner & Townsend. No material issues were identified. |
| Developer Services Information | High impact on customers, stakeholders or company reputation, if risk materialises | **Internal Assurance**<br>Reported information follows our established approval process, with formal executive approval of data at year-end.<br><br>Our connections charges include customer-friendly language and user-friendly graphics to improve transparency.<br><br>We have continued to expand upon our tailored engagement activities with our developers to ensure that their voices are heard alongside our stakeholders in the wider Bristol area. We established our Market Engagement Days in 2017 as an on-going engagement activity to bring together developers and self-lay providers to build relationships, communicate information and receive feedback. We have used our Market Engagement Days as part of our consultation on our charging approach for developer services, which we successfully introduced in April 2018. We continue to undertake similar engagement activities.<br><br>**External Assurance**<br>The data item will continue to be audited by our technical assurer, Turner & Townsend. | Developer services non-financial information were audited by our technical assurer, Turner & Townsend. No material issues were identified.<br><br>Infrastructure charges were audited by our financial auditor, PwC. No material issues were identified. |
| Innovation Competition Data and Non-Financial Data (Water Network Plus) | Control framework impacted by maturity of reporting (new reporting requirements | **Internal Assurance**<br>Reported information will follow our established approval process, with formal executive approval of data at year-end.<br><br>We are giving additional training to our staff to make sure that they understand the processes and adhere to internal and external requirements.<br><br>**External Assurance**<br>The data item will continue to be audited by our technical assurer, Turner & Townsend. | The data items were audited by our technical assurer, Turner & Townsend. No material issues were identified. |

# Risk summary

## Managing our risks

**The Bristol Water Board are committed to the effective management of risks and opportunities to ensure the long-term success of the Company. As part of the Pennon Group, risk management will also be supported by the wider risk management and internal control frameworks operating across the Group.**

The Company operates mature and robust risk management and internal control frameworks which are aligned to strategic priorities and are embedded into our processes, culture and ways of working. These frameworks form a key part of our governance structure ensuring that there is robust review, challenge and assurance over the management of both our current and emerging risks and opportunities.

## Governance of the risk management and internal control frameworks

The Company's risk management framework encompasses both a 'top down' and 'bottom up' approach. This allows risks and opportunities to be cascaded and escalated effectively, enables a common understanding of the risks and opportunities and their potential impact on the achievement of the Company's strategic priorities and provides a multi-layered approach to the review and challenge of risk.

A consistent methodology is applied in the identification and assessment of risks, which considers both the likelihood of the risk occurring over a long-term period and the potential impact across a range of categories aligned with our strategic priorities including financial, safety, environmental and customer service. Principal and business-level risks are subject to regular review and challenge by the Bristol Water executive, the Bristol Water Board, the Group Risk Committee, Group Executive and the Pennon Board.

The Company mitigates its risk exposure in line with the desired risk appetite and tolerance levels, through the operation of a robust internal control and assurance framework which is aligned to the 'three lines' model. The Executive and the Board obtain assurance over the effectiveness of the internal control environment through a variety of internal and external assurance providers.

# Key responsibilities and activities

The key responsibilities and activities which encompass the Company's risk management framework are:

## Oversight

### Bristol Water Board

**Key risk management responsibilities**
- Sets the Company's strategic objectives
- Establishes the Company's risk appetite
- Determines the Company's principal risks
- Ensures an effective internal control framework

**Key assurance activities**
- Six monthly review of the Company's principal risks against the determined risk appetite
- Six monthly review of the Company's emerging risk log

### Bristol Water Audit Committee

**Key risk management responsibilities**
- Reviews the effectiveness of the Company's risk management framework
- Reviews the adequacy of the internal control framework

**Key assurance activities**
- Performs deep dive reviews on principal risks
- Approves the Internal Audit Plan
- Receives reports on the outcomes of key assurance activities

## Third Line

### Internal Audit

**Key risk management responsibilities**
- Provides independent, risk-based assurance on the effectiveness of the internal control framework
- Coordination of independent assurance activities

**Key assurance activities**
- Regular reporting to Audit Committee and Executive on the effectiveness of internal controls and the outcomes of key assurance activities

## Second Line

### Executive Management

**Key risk management responsibilities**
- Day to day management of the Company's principal and operational risks
- Establishes the relevant Company-wide risk management processes and procedures
- Maintains the internal control framework

**Key assurance activities**
- Performs a thorough appraisal of the Company's principal and emerging risk profile every six months
- Monitors the Company's performance against KPIs and financial performance
- Establishes and reviews policies, procedures and delegated authorities

### Audit and Risk Assurance Committee

**Key risk management responsibilities**
- Provides review and challenge over subsidiary/functional principal risks and mitigation strategies
- Alignment of the top down and bottom up risk management process
- Performs horizon scanning on emerging risks and opportunities

**Key assurance activities**
- Six monthly review of principal risks and key functional risks
- Undertakes deep dive reviews of specific risks

## First Line

### Management teams

**Key risk management responsibilities**
- Identifies and assesses functional level risks
- Implements and executes appropriate risk mitigation strategies, aligned with the agreed risk appetite
- Monitors compliance with internal control framework
- Review of functional principal risks on a six monthly basis by senior leadership teams

**Key assurance activities**
- Functions provide assurance activities across key business processes including regulatory, legal, health & safety
- Self-certification of compliance with the internal control framework

In addition, the Company also received assurances from a variety of external assessments, including from our regulators, which complements and further enhances the Company's overall assurance framework.

## Bristol Water Risk Management Framework

During 2021/22 Bristol Water has continued to operate their established and embedded business-wide risk management framework, which includes regular review of the Bristol Water principal risks and mitigation strategies by both the Executive Management Team and the Board of Directors. In the coming year Bristol Water will be fully integrated into the Pennon Group's risk management framework.

## Bristol Water technical (non- financial) data

In addition to the risk management framework detailed above, recognising the importance of the regulatory ODI framework, Bristol Water engage independent, third-party auditors to audit the accuracy of the technical (non-financial) data reported the respective annual performance reports, including its performance commitments and environmental data.

## Continuous improvements to risk management and internal control

The Company and Group are committed to continuously improving their ability to identify and respond to current and emerging risks. Examples of risk management improvements made by the Company during the year include:

- An assessment of controls over joiners and leavers has been completed with key outcomes reported to the Audit and Risk Assurance Committee
- A review of group risks to ensure completeness of risk registers and adequacy of approach

## Management of Bristol Water within the Group's risk management framework

Pennon manages its risks in such a way that Bristol 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 which could materially impact on Bristol Water.

Pennon's risk management and internal control frameworks ensure that it does not take any action that would cause Bristol Water to breach its licence obligations. Further, the Company's governance and management structures mean that there is full understanding and consideration of Bristol Water's duties and obligations under their licence, as well as an appropriate level of information sharing and disclosure to give Bristol Water assurance that it is not exposed as a result of activities elsewhere within the Group.

## Risk appetite

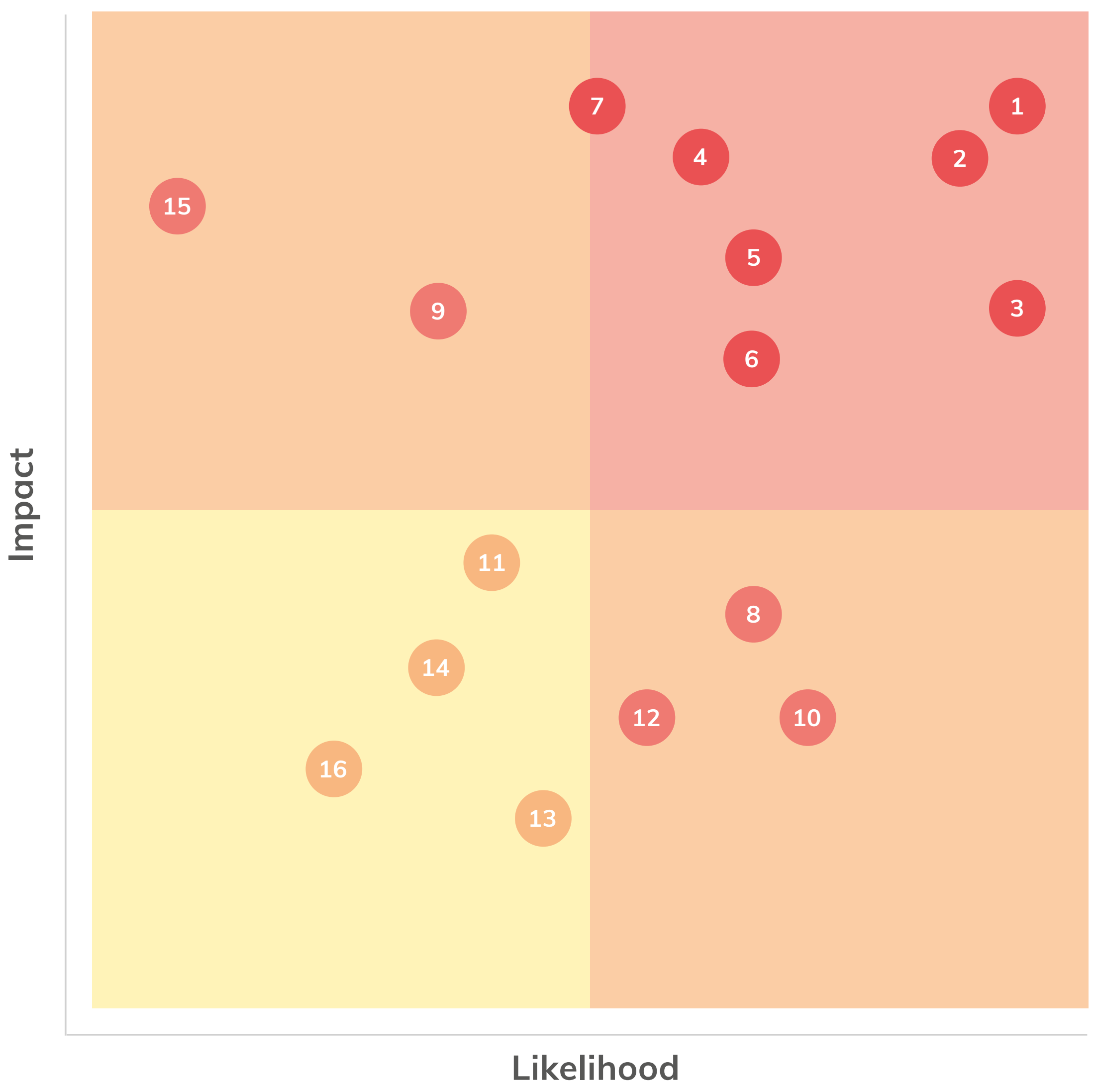
The Company is required to determine the risk appetite considered appropriate in achieving its strategic priorities. Striking an appropriate balance between risk and reward is key to the success of the Company's strategy.

The Board has established its risk appetite for each risk category and also for each principal risk. This allows the business to pursue value-enhancing opportunities, while maintaining an overall level of risk exposure that the Board considers to be appropriate. The Board's evaluation of the comprehensiveness of the Company's internal controls in mitigating its principal risks to an acceptable level is considered with due consideration of the relevant risk appetite.

The risk appetite for each risk category is detailed below:

| Risk Category | Risk Appetite Statement |
|---|---|
| **Legal and regulatory** | The Board is committed to fully complying with, and being seen to be complying with, all relevant laws, regulations and obligations and has no appetite for non-compliance in this area.<br><br>The Board acknowledges, however, that the Company operates in a complex environment influenced by Government policy and regulatory reform. Consequently, there is acceptance of increased inherent risk in these areas and the Company seeks to mitigate any potential downside and leverage opportunities that may arise from Government policy and regulatory change. |
| **Corporate** | The Company operates a prudent approach to our financing strategy to ensure our long-term financing commitments are met.<br><br>The Board recognises that our activities are exposed to changes in macroeconomic and external market conditions. The Company seeks to take well-judged and informed decisions to mitigate these risks where possible but accepts that a level of residual risk may remain beyond the Board's control. |
| **Operating performance** | The Board has a low appetite for significant operational failure of our water and wastewater assets and seeks to reduce both the likelihood and impact through long-term planning and careful management of our operational assets.<br><br>There is greater appetite for well-informed risk taking to develop further markets, subject to this not detrimentally impacting on the level of service expected of our regulators, customers and wider stakeholders. |
| **Strategic** | The Board places the highest level of importance on the welfare of our employees, the public and those who work with or on behalf of Company, and therefore has a low risk appetite for H&S related risks.<br><br>The Board also has a low risk appetite for risk associated with the delivery of capital investment within our regulated business plan. Broader investment decisions are taken on an informed basis with risks weighted against the expected level of return on a case- by-case basis.<br><br>The Company seeks to minimise technology and security risk to the lowest possible level without detrimentally impacting on the Company's operations. |

## Overview of Bristol Water's principal risk profiles




1. Macro-economic near term risks
2. Non-recovery of customer debt
3. System Implementation
4. Failure to maintain excellent service
5. CRT, restricted or unaffordable access
6. Insufficient skills and resources
7. Health & Safety
8. Regulatory Reform
9. Risk to the DB pension scheme
10. Significant operational failure, including pollution events
11. Non-compliance with laws and regulations
12. Cyber Security
13. Ineffective or inefficient capital delivery
14. Non-delivery of regulatory outcomes
15. Ability to raise new debt
16. Water resources and climate change

| Category | Reference | Risk description | Net risk |
|---|---|---|---|
| Legal and Regulatory | 5 | Restricted or unaffordable access to CRT controlled water | Red reducing |
| | 8 | Regulatory reform | Amber stable |
| | 11 | Non-compliance with laws and regulations | Green stable |
| Corporate | 1 | Macroeconomic near term risks impacting on inflation, interest rates and power prices | Red stable |
| | 2 | Non-recovery of customer debt | Red stable |
| | 6 | Insufficient skills and resources to meet the current and future business needs and deliver the Group's strategic priorities | Red stable |
| | 9 | Risk to the DB pension scheme | Amber rising |
| | 15 | Inability to secure sufficient finance and funding, within our debt covenants, to meet ongoing commitments | Green reducing |
| Operating performance | 4 | Failure to maintain excellent service or effectively engage with our customers and wider stakeholders | Red stable |
| | 10 | Failure of operational water treatment assets and processes resulting in an inability to produce or supply clean drinking water | Amber stable |
| | 14 | Non-delivery of regulatory outcomes and performance commitments | Green stable |
| | 16 | The Group's operations and assets are impacted as a result of climate change and extreme weather events | Green stable |
| Strategic | 3 | Systems implementation | Red stable |
| | 7 | Non-compliance or occurrence of an avoidable health and safety incident | Amber stable |
| | 12 | Inadequate technological security results in a breach of the Group's assets, systems and data | Green rising |
| | 13 | Inefficient or ineffective delivery of capital projects | Green stable |

BRISTOL WATER
It's what we're made of.

# Principal risks and uncertainties

The Group's business model exposes the business to a variety of external and internal risks which are influenced by the potential impact of macro political, economic and environmental factors. Specifically, the UK is currently experiencing a high inflationary environment as a result of a number of global factors.

While the ability of the Group to influence these macro level risks is limited, they continue to be regularly monitored and the potential implications are considered as part of the ongoing risk assessment process. The Group performs a range of scenario planning and analysis exercises to understand the risk exposure of one or a number, of these events occurring.

The Directors confirm that during 2021/22 they have carried out a robust assessment of current and emerging risks facing the Group, including the consideration of risks associated with the activities of Bristol Water. The assessment of the Group's principal risks has considered the impact on its business model, future performance, solvency and liquidity. These principal risks have been considered in preparing the viability statement on page 81.

| Legal and Regulatory | | | | |
|---|---|---|---|---|
| **Principal Risk** | **Strategic Impact** | **Mitigation** | **Net Risk** | **Appetite** |
| 5: Restricted or unaffordable access to CRT controlled water | Strategically, and over the long term, the Canal & Rivers Trust has the potential to restrict our water supply through unaffordable increases or lack of cooperation. Developing an effective relationship with CRT is critical over the coming years and therefore, despite the favourable conclusion to the arbitration and an improving relationship with the CRT, this remains a top risk. | Executive Management Team – oversees the relationship with CRT. Monthly relationship meetings are held with CRT to discuss and agree operational and other issues and there is coordination of the relationship with CRT by the Company from across the business.<br><br>Longer term planning for security of supply will be incorporated into the Water Resources Management Plan. The Company will engage with the Department for Environment, Food & Rural Affairs ("DEFRA") and other stakeholders as appropriate. | Red Reducing | The Company will ensure that all obligations are met in full but seeks to manage this without unnecessary costs to the Company. |
| 8: Regulatory frameworks | Changes to regulatory frameworks may impact on the Company's priorities, performance and the service we provide to our customers which can impact shareholder value. | Certainty over the 2020-25 regulatory framework has been provided through Bristol Water's CMA Final Determination.<br><br>The Company's regulatory team and the Group's Regulatory Affairs Steering Committee monitor changes in the regulatory environment.<br><br>There remains the potential that regulatory mechanisms within the next Price Preview period do not provide sufficient funding to achieve the environmental ambitions set out by the Government within the Environment Bill<br>Internal PR24 planning has commenced, and Bristol Water has actively responded to positioning papers from Ofwat which will inform the PR24 price review methodology which will be published in July 2022. | Amber Stable | We accept that regulatory reform occurs and seek to leverage opportunities where possible and minimise the potential risks by targeting changes which are NPV neutral over the longer-term to protect customer affordability and shareholder. |

BRISTOL WATER
It's what we're made of.

| Corporate | | | | |
|---|---|---|---|---|
| **Principal Risk** | **Strategic Impact** | **Mitigation** | **Net Risk** | **Appetite** |
| 1: Macro- economic near term risks impacting on inflation, interest rates and power prices | Lower inflation or deflation could adversely impact on the Company's revenue and significant changes in interest rates and power prices could increase the Company's cost base. | The volatility currently being experienced in the global economy is impacting on the Company's near term cost base through increased operational costs, power prices and financing costs.<br><br>Action is taken to mitigating these near term impacts through utilising the Company's in-house procurement function to drive value through competitive tendering, regularly review of the Company's debt portfolio and level of index linked debt, monitoring of forward power prices to manage the exposure to price volatility and increasing the level of renewable energy.<br><br>Despite these mitigations there remains a degree of exposure beyond the Company's control.<br><br>Long-term protection from the increasing inflationary environment is provided through inflation linked revenues and RCV growth, along with regulatory true-ups. | Red Rising | The Company seeks to take well-judged and informed decisions while ensuring plans are in place to mitigate the potential impact of macroeconomic risks. |
| 2: Non-recovery of customer debt | Reduced customer debt collection would adversely impact on the Company's revenue. | Bristol Water has robust collection strategies which have continued to adapt in response to the impact of COVID-19 and the increasing inflationary environment on customers during the year. The effectiveness of these measures have resulted in collection rates and debt levels at levels broadly comparable with prior year. Continued support has also been provided to Bristol Water customers most in need by proactively promoting affordability measures and tariffs.<br><br>Despite the effectiveness of mitigations in place, further increases in inflation and the cost of living may result in future affordability challenges for our customers. | Red Stable | While seeking to minimise non-recoverable debt, we recognise customer affordability challenges and the inability to disconnect domestic customers results in a residual risk of uncollectable debt remaining. |
| 6: Insufficient skills and resources to meet the current and future business needs and deliver the Company's strategic priorities | Failure to have a workforce of skilled and motivated individuals will detrimentally impact all of our strategic priorities. We need the right people in the right places to innovate, share best practice, deliver synergies and move the Group forward. | There remains high demand nationally for skills and experiences utilised across the Company. The acquisition of Bristol Water by Pennon Group has further enhanced the skills and talent available across the Group. During the year senior leaders have participated in Bristol Water's future leaders' programme.<br><br>The Company's HR strategy enables the Company to attract, retain and develop our employees and a number of reward and recognition initiatives have been launched during the year reflecting the significant contribution that our people make. | Red Stable | While turnover of employees does occur, we ensure the appropriate skills and experience are in place with succession plans providing adequate resilience. |
| 9: Risk to the DB pension scheme | The DB pension scheme is currently undergoing a second consultation prior to the winding up of the section. This has highlight significant disagreement with the Trustees proposed treatment of the current surplus which is expected to the returned to the company. | We continue to fully engage in the consultation process currently underway for the winding up of the Bristol Water section of the Water Companies Pension Scheme, providing information requested by the Trustees. | Amber Rising | The Company will ensure that all obligations are met in full but seeks to manage this without unnecessary costs to the Company. |
| 15: Inability to secure sufficient finance and funding, within our debt covenants, to meet ongoing commitments | Failure to maintain funding requirements could lead to additional financing costs and put our growth agenda at risk. Breach of covenants could result in the requirement to repay certain debt. | The acquisition of the Company by Pennon Group has provided significant mitigation to its ability to raise sufficient funding. Pennon Group has well established treasury, funding and cash flow arrangements in place, underpinned by a Treasury Management Policy endorsed by the Pennon Board. The impact of macro political, economic and regulatory risks on the Company's financing commitments and cash flow, funding and covenant compliance is regularly reviewed by the Company Executive and Pennon Board. Bristol Water is fully funded for the 2020-25 regulatory period. | Green Reducing | The Company operates a prudent approach to our financing strategy in order to ensure our funding requirements are fully met. |

| Operating Performance | | | | |
|---|---|---|---|---|
| **Principal Risk** | **Strategic Impact** | **Mitigation** | **Net Risk** | **Appetite** |
| 4: Failure to maintain excellent service or effectively engage with our customers and wider stakeholders | Failure to maintain an adequate level of service and engagement could lead to financial penalties for Bristol Water and damage to the Company's reputation. | The Company continues to invest in its customer services teams and expand the channels by which it can interact with and support customers. Bristol Water hold the Institute of Customer Service's ServiceMark accreditation.<br><br>Bristol Water's written complaints have almost halved during the year and were ranked 6th in the industry for C-Mex performance.<br><br>The Company regularly engages with a wide variety of internal and external stakeholders including our people, customers, regulators, environmental stakeholders and our supply chain. | Red Stable | The Company continually seeks to engage with and increase customer and wider stakeholder satisfaction levels. |
| 10: Failure of operational water treatment assets and processes resulting in an inability to produce or supply clean drinking water | An inability to produce or supply clean drinking water could result in financial penalties, regulatory enforcement and damage to the Company's reputation. | Whilst the region continues to experience high levels of demand, water resources have remained resilient during the year and are in a robust position ahead of the summer period.<br><br>Asset health is managed through a well-established programme of planned and preventative maintenance works which has continued to assist in delivering further improvements within the Company's operations.<br><br>In the event of a significant incident detailed contingency plans and incident management procedures are maintained which are regularly reviewed. | Amber Stable | The Company operates a low tolerance for significant operational failure of its water treatment assets and seeks to mitigate these risks where possible. |
| 14: Non-delivery of regulatory outcomes and performance commitments | Bristol Water's regulatory outcomes and performance commitments cover key strategic focus areas.<br><br>Non-delivery against these could result in financial penalties being applied as well as reputational damage to the Company. | The delivery of our regulatory outcomes and performance commitments is principally through our operational activities and initiatives.<br><br>Bristol Water's ODI performance is subject to regular scrutiny and review by both the Executive and the Board. This is supplemented by a comprehensive of internal and external assurance over reported performance. | Green Stable | The Company is committed to achieving all performance commitments over the length of each regulatory period. Where performance in an individual year falls below expectations, action plans and targeted intervention are implemented to ensure performance returns to committed levels. |
| 16: The Company's operations and assets are impacted as a result of climate change and extreme weather events | Failure of our operations to cope with short-term extreme weather or long-term implications of climate change may result in an inability to meet customer needs, environmental impacts, increased costs and reputational damage. | A low appetite remains amongst regulators and stakeholders for reduced performance arising from extreme weather and climate change. The assessment of both transitional and physical climate change related risks on the Company's assets and operations will inform the 25 year Water Management Plan, which will be published later in the year, and drought plans are subject to regular review.<br><br>Proactive capital investment is undertaken on the Company's assets to ensure the continued resilience of both water and wastewater assets, particularly those located on or near flood plains or at risk of rising sea levels and costal erosion. | Green Stable | The Company seeks to mitigate the impact of climate change and extreme weather events through long-term planning, forecasting and investment. |

| Strategic | | | | |
|---|---|---|---|---|
| **Principal Risk** | **Strategic Impact** | **Mitigation** | **Net Risk** | **Appetite** |
| 3: Systems implementation | A number of systems are approaching obsolescence and the impact of this and/or the unsuccessful implementation of replacement systems poses a risk to the business including customer perception or inability to maintain service. | Systems implementations are managed as part of the capital programme with steering groups and board engagement. Specific assurance work was undertaken in the year regarding the billing system used in our joint venture with Wessex water. | Red Stable | The Board has a low-risk appetite for risk associated with the delivery of capital investment within our regulated business plan. |
| 7: Non-compliance or occurrence of an avoidable health and safety incident | A significant health and safety event could result in financial penalties, significant legal costs and damage to the Company's reputation. | The effective management of health and safety risks continues to be a key priority for the Company Executive and Pennon Board. The review of health and safety performance is monitored regularly through the respective Board and Executive Health and Safety Committees.<br><br>Improvement plans and initiatives are being consolidated within Bristol Water with Pennon group processes and a Bristol Water specific Homesafe Plan will be developed during 2022/23.<br><br>Investment has also been accelerated for safety specific asset improvements, focused on operational sites and activities. | Amber Stable | The Company has no appetite for health and safety related incidents and maintains the highest standards of compliance for our staff, contractors and other third parties. |
| 12: Inadequate technological security results in a breach of the Company's assets, systems and data | Failure of our technology security, due to inadequate internal processes or external cyber threats, could result in the business being unable to operate effectively and the corruption or loss of data. This could have a detrimental impact on our customers and result in financial penalties and reputational damage to the Company. | External threats, including additional risks resulting from the current conflict in Ukraine, are being regularly monitored by the Company's information security teams.<br><br>The Company maintains a strong preventive and detective information security framework, aligned to guidance issued by the National Cyber Security Centre.<br><br>A refreshed information security awareness programme has been launched during the year and Bristol Water IS certified to Cyber Essentials Plus. During the year Bristol Water has continued to progress actions as part of the roadmap to meet the requirements of the Network and Information Systems Directive (NIS), with activities aligned to the priorities identified by the Drinking Water Inspectorate.<br><br>Disaster recovery plans are in place for both corporate and operational technology and are regularly reviewed. | Green Stable | The Company seeks to minimise technology and security risk to the lowest possible level without detrimentally impacting on the Company's operations. |
| 13: Inefficient or ineffective delivery of capital projects | Inability to successfully deliver on our capital programme may result in increased costs and delays, detrimentally impacting our ability to provide top class customer service and achieve our growth agenda.<br><br>In addition, a number of systems are approaching obsolescence and the impact of this and/or the unsuccessful implementation of replacement systems poses a risk to the business including customer perception or inability to maintain service | Capital projects are subject to an established and robust business case process which includes challenge and modelling of key assumptions. Projects are delivered utilising skilled project management resource with Executive level oversight.<br><br>The current volatility in the global economy is placing additional challenges on the Company's supply chain increasing the risk of reduced availability of goods and materials , increased costs and skills shortages.<br><br>The Company works closely and regularly engages with its supply chain as well as monitoring the financial health of key partners. Established plans and alternative arrangements provide mitigation and early intervention where necessary. | Green Stable | The Board has a low-risk appetite for risk associated with the delivery of capital investment within our regulated business plan. |

# Auditors' report

## Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and the Directors of Bristol Water plc

### Opinion

We have audited the tables within Bristol Water plc's Annual Performance Report for the year ended 31 March 2022 (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 cash flows (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 (table 2A), the totex analysis (table 2B), the cost analysis (table 2C), the historical cost analysis of tangible fixed assets (table 2D), the analysis of capital contributions and land sales (table 2E), the residential retail (table 2F), the revenue analysis (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation (table 2M), residential retail - social tariffs (table 2N) and historical cost analysis of intangible fixed assets (table 2O) and the related notes.

We have not audited the Outcome performance tables (3A to 3I) and the additional regulatory information in tables 4A to 4U, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10E and 11A.

In our opinion, Bristol Water plc'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 1.09, RAG 2.09, RAG 3.13, RAG 4.10 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.13, appendix 2), set out on page 102.

### 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 '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 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 (including the Company's published accounting methodology statement(s), as defined in RAG 3.13, appendix 2) 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. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

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 106 to 120 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:

- Considering whether the Company is able to meet liabilities as they fall due over a period of at least the next 12 months,
- Reviewing the going concern assessment of the company, including the cash flow forecasts, availability of bank facilities and forecast bank covenant compliance; and
- Reviewing the letter of support provided by the parent, Pennon Group plc, and the parent's ability to provide support to the company, particularly in the context of the maturity of the Company's revolving credit facilities in 2023.

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 financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## 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 105, 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 (including the Company's published accounting methodology statement(s), as defined in RAG 3.13, appendix 2).

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 WRSA, UK Companies Act, pensions legislation, tax legislation etc; 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 with management, in house legal counsel and the members of the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries that met our predefined risk criteria, in particular journal entries posted with unusual account combinations; and
- Incorporating an element of unpredictability to our testing.

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/auditorsresponsibilities. 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 2022 on which we reported on 30 June 2022, 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
13 July 2022

# Technical Assurer's Report

The section below is the summary from the assurance report provided by Turner & Townsend

## Approach

**For the PC and other APR figures we assured, we agreed we would:**

- check whether your teams had been through your internal assurance processes;
- check, where applicable, whether any material actions from 2020-21 audits had been addressed;
- check consistency of the proposed data with the applicable definition/guidance, taking account of Ofwat query responses and additional expectations where appropriate and known about at the time of audit;
- sample data back to source inputs where available;
- test teams' understanding of performance; and
- review the appropriateness of the confidence grades teams had assigned to the proposed PC figure/data item to be submitted.

Where your teams had drafted commentary to support their data, we reviewed this for consistency with information discussed in the audit and our understanding of regulatory expectations.

After each data audit, we provided your teams with detailed feedback that explained our assessment of the risk associated with the audited figures for 2021-22 and set out any actions. We assigned risk-based grades to each PC or data item(s) reviewed.

**We note that:**

- to support Pennon's group reporting to the City in May 2022, the PC audits and some of the other APR table audits took place earlier in the year-end cycle compared to last year;
- our assurance approach focuses on the level of risk associated with a proposed approach;
- our work is risk and sample based and part of the broader assurance processes you have in place to support your Board in making assurance statements in relation to the whole APR;
- all our audits have been undertaken remotely using Microsoft Teams.

## Findings

**Overall**

Assurance of Performance Commitments – there are no outstanding material issue with the 29 PC performance figures we reviewed – indicated by 3 A and 26 B data grades. This means we consider there is a low or low-to-medium level of risk associated with reporting the PC performance figures that you propose to submit in your APR. We also identified no material issues with your ODI payment calculations for the PCs where you are expecting out or under performance payments for your 2021-22 performance.

Assurance of other APR returns and supporting data – for the agreed 2021-22 asset, activity, and cost information in sections 4, 5, 6, 9 and 11 of the APR22 data tables, GSS payments, WRMP annual update, and Pelican data, we have assessed the majority of your proposed data as having no material issues. Out of the 20 APR22 data tables we reviewed, there remain five data tables at this stage of our assurance where we consider there to be higher reporting risk (ie: we assigned data grades of C) for specific data items within them. We note there are a limited number of APR22 data table audits still to be completed.

Below, we summarise the main observations from our assurance.

## Higher risk areas

At the conclusion of our assurance, there are three areas where we consider medium-to-high risks remain with the proposed data (i.e. where we have assigned C grades). We summarise the main issues in table 2 below and have provided detailed feedback directly to your teams.

We note your teams have worked constructively with us to successfully address medium-to-high risk issues identified with other data items during the course of the year-end audit process.

| Audit Area | Summary of main issue(s) |
|---|---|
| **4C.7-8**<br>**Totex variance due to timing of expenditure/ efficiency** | The team's proposed approach of reporting developer income offset as a contribution to totex variance due to efficiency rather than timing is materially not consistent with the guidance for this table. It is doing this because reporting it as due to timing would drive significant volatility in the company's RoRE figures and it considers the timing line is meant to capture issues such as programme delays, not pandemic linked delays in income offset payments.<br><br>We understand the company's logic and that it proposes to be transparent about its approach in its commentary (including setting out figures for the more compliant position). We consider a more compliant, lower risk approach would be to report as per the table guidelines and set out the alternative approach in commentary. You understand the balance of the issues and are content with your approach. |
| **5A.23, 6A.6, 31 & 6B.28**<br>**Average Pumping Head** | Following a query response from Ofwat, the team's averaging approach for calculating APH is not aligned with Ofwat's expectations, with potentially material effect for some price control units. We recommend you outline this in your commentary and, as discussed, explore the issue further at industry working groups as: this is an area where regulatory policy and guidance is still actively evolving; and initial sensitivity analysis based on three large sites suggests the issue is less likely to be material for the line that contributes the majority of the company's APH.<br><br>Such an approach appears pragmatic, though the potential for a material impact on the smaller price control units means we consider there remains a medium-to-high reporting risk in this area. |
| **6D.12 & 14**<br>**Supply demand benefit of new and renewed business meters** | Consistent with last year the team has been unable to populate these lines as it has not been able to find any information to support a reasonable estimate of the supply demand benefits from metering business customers (or upgrading their meters). We note other companies are also likely to be unable to find robust information to populate these lines. We understand you will explain your position in your submission commentary. |

## Findings – General Observations

**In addition to the areas above, we set out below general observations and points arising from our assurance.**

- For 2021-22, your overall APR reporting deadlines have been compressed to support Bristol Water's inputs into Pennon's reporting of group performance to the City in May 2022. As such, your teams have been required to produce their PC figures – and other supporting data in the APR – earlier in the year-end cycle than previously.
- We observed this led to some of the first line assurance being undertaken in parallel to, rather than prior to, our third line assurance. It follows there has been a higher incidence this year of teams updating proposed figures during and shortly after audits. These were generally trivial but in some cases material movements occurred (eg: for drought risk your performance figure improved by around 20%, and for leakage a 0.1Ml/d improvement post the original audit means you are now earning an outperformance payment of £16k).
- Assuming reporting will be to the same timescales next year, there is scope for teams to further mitigate reporting risk through the application of additional, or re-structured, first line assurance that reflects the revised timescales.
- For some audits, the compressed audit schedule also meant we left actions with teams to confirm final numbers after cross-checking with other data items that contributed to or influenced the figures being reviewed. This was because, for example, other teams may have been completing post-audit actions that had the potential to change their figures, or because the compressed schedule left less time for teams to check data interdependencies between lines.
- For some PCs where we observed issues or scope for process improvement in last year's data audits, teams have made good progress in strengthening reporting. For PC21 Raw water quality of sources, for example, the team had made improvements to the collation and checking of its model input data. And for PC13 D-Mex, the team has recently taken steps to automate more of the process, though reporting will need close monitoring as the automation is further bedded in.
- For a limited number of data items, we have continued to observe issues with reporting and first line assurance processes. For example: for 4Q.1-14 developer activity and 4R.17-18 new connected properties, we consider straightforward checks may have mitigated some of the issues identified; and for 6C.21 lead communication pipe replacements there continues to be scope for stronger evidence to support reporting of this low volume activity.
- We also observed some data items continue to use assumptions that have the potential to be reviewed and/or refreshed. For PCs where this is the case (eg: PC18 leakage, where long-standing assumptions are driving some of the remaining sub-component amber assessments on alignment to the common PC definition) the PR24 process might afford a window to review and update assumptions. For other data items, you may be able to more easily consider changes in this period. For greenhouse gas reporting for example, whilst your figures rely on a number of long-standing assumptions, this is an actively evolving area of reporting where Ofwat is trying to drive improvement ahead of PR24.
- And consistent with last year, for several asset and activity lines in the APR, you continue to use the number of residential meters installed as a proxy for the numbers of metered residential customers (eg: properties, connections, new connections, etc). This assumption is not strictly compliant with the applicable line definitions, but your teams consider it is unlikely to be material as very few residential properties have more than one meter.
- We also continue to observe limitations in meter type datasets where teams use more assumptions and apply lower confidence grades (eg: 6D.1-5 basic/smart metering expenditure and 4R.19 & 24 basic/smart metered properties). Whilst teams have continued to refine assumptions used since APR21, we consider direct reporting of activity and expenditure would be more robust.
- Teams' initial commentaries on performance were often clear and appeared to cover our understanding of regulatory expectations. Where we advised additions or changes to commentary for your APR submission, this was generally to:
  - further clarify reporting approach(es) (eg: PC04 unplanned outage where your approach is more granular than the guidance sets out; PC29 customer complaints where you have discussed changes to the measure with Ofwat); or
  - ensure significant out and under performance, or performance improvement since APR21, is fully and clearly explained
- For some data items, whilst we did not identify material issues this year, we have identified risks that might emerge in future years. On greenhouse gas reporting for example, although outside the scope of this year's audit, we understand you are still considering how you will be able to robustly report against embedded emissions requirements that will become mandatory for APR23 reporting. And for PC26 Abstraction Incentive Mechanism (AIM), an Environment Agency driven change to the datum level of the borehole may complicate reporting in circumstances where this small adjustment is the difference between AIM being on or off for a given report year.
- And for a limited number of data items, we observed the potential for changes to prior year data (eg: for 6B.1-2, 21, 25 you have now removed assets that have been non-operational this year and in prior years; and for PC17 voids you are now excluding standpipes, which were included in your previous reporting). We note you do not consider the potential changes sufficiently material to justify re-stating.
- For some data items, we could not always access source data when sampling in the audit. For a number of the expenditure related lines in the APR, for example, teams explained they had populated lines with information finance provided and could demonstrate an audit trail only back to the output files from your finance team. We note your financial information is subject to separate audit procedures though. And for some standalone PCs contractors provide inputs (eg: Ovarro outputs provide some of your leakage component data).
- We note some queries were open at the time of our audits for some items, or were raised after our audit of them. Where this is the case, we have not re-visited items unless you have specifically requested us to do so.
- In relation to ODI payments:
  - We identified no material issues during our sampling of your ODI payment calculations. During our assurance of the calculations, we also checked that the final PC performance figures you had used to populate APR tables 3A and 3H matched those we assured, and you explained any variance e.g., post audit updates.
  - We note you are taking a management decision to forego ~£8.2k of outperformance payment associated with your voids PC to reflect the element of outperformance you estimate is due to data improvement. The estimate is based on a limited sample size and you understand there is a risk this limited sample size might lead to an over or underestimate of the ODI payment to forego.
  - We also note PC21 Raw water quality of sources has an outperformance payment this year, but a confidence grade of B4. Ideally, PCs with financial incentives would have stronger confidence grades but we acknowledge in this case the team is unlikely to be able to materially improve the accuracy of the external model, and therefore the reported PC performance, this regulatory period.
- For the additional Pelican, WRMP, and GSS data we observed the following, which includes observations consistent with those above about leaving teams with some final cross checks post-audit.
  - Our assurance of Pelican's PC and GSS contributory datasets identified non-material issues that require your teams to update figures used to report PC12 C-MeX, PC29 Total customer complaints and PC27 Priority Services Register. We also observed scope to agree additional checking procedures where processes are still developing and implement formal handover processes for year-end PC figures.
  - During our audit of your 2021-22 WRMP annual review data table, we identified some non-material issues your team will address before submission (eg: confirming the latest outage figures have been used as these changed after the audit of PC04 unplanned outage).
  - During our sampling of your 2021-22 Guaranteed Standards Scheme (GSS) payments, as we did last year we observed non-material scope to continue improving the auditability of the payments information by, for example, recording checks made and providing a breakdown of domestic and commercial payments by category.

## Conclusions

For the majority of PC and other APR data items we have reviewed there are only non-material actions to support your teams' continuous improvement. There are currently five areas we reviewed where we consider a higher level of reporting risk remains for data items – your team understands these risks and considers the approaches in these areas appropriate.

# Disclosures required by RAG 3

RAG 3 sets out requirements for narrative disclosures in the Annual Performance Report, in addition to those set out in the tables in sections 1 – 11.

## Accounting policies

**i) Revenue recognition policy**

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.

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.

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.

There is no change to the calculation of the household measured income accrual. Bills are raised after a meter reading, and consumption that has not yet been billed is estimated and accrued using a defined and consistently applied methodology based on historic weighted average water consumption by tariff. Non-household retailers are billed monthly, and the non-household accrual is based on the market unbilled monthly settlement reports. The estimation of measured income included in these reports is also based on historic consumption. The difference between closing and opening measured income accrual for the year is recognised within turnover. There were no significant differences between the previous year's accrual and the amounts actually billed for the previous year.

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 and is not recognised as turnover during the year.

Receipts from customers in relation to court costs, solicitors' fees and debt recovery agency fees are credited to operating costs to offset the charges incurred. They are not recognised within turnover during the year.

**ii) Charging policy**

Revenue is recognised from chargeable properties in accordance with the policy above.

Charges are payable in full in the following circumstances.
a) Occupied and furnished

Charges are payable in full from the date of connection or change of customer on all properties which are recorded as occupied and furnished.

b) Unoccupied and furnished
Water charges are payable in full on unoccupied, furnished premises. In exceptional circumstances, where it is certain that the customer does not need access to water supply at the property, water charges are not payable. Such exceptions include where the customer is:

- in a care home;
- in long-term hospitalisation;
- in prison;
- overseas long-term; or
- deceased.

c) Unoccupied and unfurnished
If any consumption for metered vacant household properties is recorded normal charges apply once the occupier details have been established. Normal charges apply to vacant metered non-household agricultural properties.

Properties which are unoccupied and unfurnished, or are disconnected are not chargeable therefore no billing is raised and no turnover recognised in respect of these properties.

Only metered standing charges are payable on unoccupied, metered properties which are still connected.

The occupier is any person who owns a premises or who has agreed to pay for water in respect of the premises. No bills are raised in the name of "the occupier". The property management process is followed to identify whether the property is occupied or not, and if occupied, to identify the chargeable person and raise a bill.

The property management process may comprise some or all of the following:

- physical inspection,
- mailings,
- customer contacts,
- meter readings for metered properties; and
- land registry checks.

The Company has a policy to meter household properties on change of occupier.

For non-household properties, the management of the occupied status of properties is maintained by retailers in the central market operating system "CMOS". Wholesalers then bill based on the data in CMOS, and Bristol Water carries out independent checks, including visiting the properties to validate the data.

**iii) Bad debt policy**

The Company 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 2017/18 and before is fully provided for by the end of financial year 2021/22. 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.

The Company believes that there will be a future impact of cost of living increases on the recovery of household debt and has estimated an expected increase in the impairment of trade receivables of £1.012m. This estimate has been based on historic collections data from previous financial crises and an assessment of the potential impact on household debt.

We do not 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.

Water debt is written off for one of following four reasons:
1. It is considered or known to be uncollectable.
2. It is considered uneconomic to collect.
3. 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.
4. 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.

The Company's bad debt 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 bad debt provision. The total bad debt provision at 31 March 2022 was £16.810m (31 March 2021: £16.548m).

The increase in the provision reflects the increase due to the expected impact of COVID-19 on household debt recovery offset by a reduction due to debt written off as uncollectable.

The bad debt charge and the bad debt provision exclude the adjustments made in the statutory accounts for amounts deemed uncollectable under IFRS15.

Net trade debtor balance at 31 March 2022 was £9.783m (31 March 2021: £8.908m).

**iv) Price Control Segments-Basis of allocation and apportionment of costs and assets**

Allocation and apportionment of costs and assets between Bristol Water plc and its associated companies is at arm's length and no cross subsidy is occurring.

Appointed business for the purpose of these accounts is defined as the activities necessary for the Company to fulfil its duties and functions as a Water Undertaker under its licence issued by the Department for Environment, Food and Rural Affairs. All other activities are classified as non-appointed business.

Allocation and apportionment of costs and assets between appointed and non-appointed businesses is maintained in the Company's accounting system. Costs are attributed to the appropriate cost centres which are identified as appointed or non-appointed. The majority of non-appointed costs are incurred directly with the remainder allocated on a time apportionment basis. Assets are specifically identified as appointed or non-appointed.

Operational costs include the costs of day to day collection, storage, treatment and supply of water and any associated technical and administrative support. Allocation of operational costs between price controls (wholesale, retail household and retail non-household) are made by analysing the cost centres and type of expenditure in accordance with RAG 2.08 (Guideline for classification of costs across the price controls).

Manpower costs include overheads in their allocation to cover national insurance and pension contributions.

Capital costs are analysed and assigned to the appropriate price control, and business unit within that price control, as they are incurred, in accordance with RAG 2.08.

The accounting separation analyses have been drawn up in accordance with the Company's accounting separation methodology statement which has been published separately on its website www.bristolwater.co.uk/about-us/our-performance/. This also provides commentary comparing this year's expenditure and capital maintenance costs with last year's.

**v) Capitalisation policy**

**Definition of a fixed asset**

An asset is an item that Bristol Water owns and uses in the course of its business which has some long-term economic benefit for the Company. A fixed asset is an asset that we retain for more than a year. Capital costs are defined as those costs, which are incurred in providing an additional, or a replacement asset. These costs are incorporated in the Statement of Financial Position as additions to fixed assets. Where non-infrastructure assets have been replaced their cost is removed from the Statement of Financial Position. There is no rule which requires capitalisation of any costs in excess of a specific value however it is unlikely that items with a value less than £1,000 in total would be capitalised.

Assets are either infrastructure assets or non-infrastructure assets.

**Types of assets**

Infrastructure assets comprise the integrated network of impounding and pumped raw water storage reservoirs and water mains and associated underground pipework. Expenditure on such assets relating to increases in capacity and enhancements are included at cost.

Infrastructure expenditure falls into two categories. Costs in respect of the provision of additional infrastructure capacity or enhancement of the network are capitalised (these include projects such as new water mains, new connections and work on impounding reservoirs) and are depreciated. Other infrastructure expenditure to do with repair and replacement such as boundary mains replacement, network analyses, lead replacements and high-risk crossings are analysed between capital and operating expenditure, the operating expenditure is charged to the income statement.

Other assets include land and buildings, operational structures, fixed and mobile plant, equipment and motor vehicles. These are generally categorised as non-infrastructure assets and are included at cost.

The cost of assets is their purchase cost together with incidental expenses of acquisition and commissioning and any directly attributable labour costs, which are incremental to the Company.

**vi) Dividend policy and amounts paid to parent company**

The dividend policy is set out in the Chief Financial Officer's report on page 43.

### Tax Strategy

The Finance Bill 2016 introduces the requirement for large companies to publish their tax strategy annually; although Bristol Water is not deemed a large Company by HMRC, Ofwat requires us to publish our tax strategy which can be found on the Company website www.bristolwater.co.uk/about-us/our-performance/legal/company-information/

## Disclosure and transparency

The Annual Report and Financial Statements for Bristol Water plc which can be found on the Bristol Water website (www.bristolwater.co.uk/about-us/our-performance) contains the following information:

- Review of company performance - pages 7-11
- Long Term Viability statement - pages 49-52
- Key risks to the business - pages 39-48

**Ownership and corporate structure**

Ownership and corporate structure details are set out in the Board and Governance framework section on page 47.

**Principles of Corporate Governance**

The principles of corporate governance are set out in a section on page 49.

**Directors' emoluments**

Full and detailed disclosures of Directors' remuneration are included in the Directors' remuneration report (page 60) which sets out the basis of Director remuneration, including bonuses, and links to standards of performance. The annual bonus arrangements (Annual Cash Incentive Plan or "ACIP") were set on 27 May 2021 for Mel Karam, CEO and Laura Flowerdew, CFO.

## Related Party Transactions

Throughout the year, related parties include members and joint ventures of the Bristol Water Group Limited group of companies(until 2 June 2021); members of the Pennon Water plc group of companies (from 3 June 2021); members of the iCON Infrastructure companies (until 2 June 2021), members of the Itochu Corporation group of companies (until 2 June 2021) and key management personnel.

The principal related parties are:

**Pennon Group plc** ("PG"), registered in England and Wales, whose year end is 31 March, and is the Company's ultimate UK holding company.

**Bristol Water Holdings UK Limited** "BWHUK", registered in England and Wales, whose year-end is 31 March. BWHUK is a subsidiary of Pennon Group plc (from 3 June 2021).

**Bristol Wessex Billing Services Limited** "BWBSL", registered in England and Wales, whose year-end is 31 March. The joint venture interest is held by Bristol Water Holdings Limited, an intermediate holding company within the BWHUK group, which owns 100 class 'B' shares in the company, representing a holding of 50% of the voting and equity rights of the company. BWBSL is a joint venture undertaking between Bristol Water Holdings 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", registered in England and Wales, whose year-end is 30 June. The interest is held by Bristol Water Holdings Limited, an intermediate holding company within the BWHUK group which owns 30 class 'B' shares in the company representing a holding of 30% of equity rights and 40% of voting rights of the company. W2B is an associate of Bristol Water Holdings Limited, and provides meter reading, billing, debt recovery and customer contact management services to non-household customers.

**Pennon Water Services Limited** ("PWS"), registered in England and Wales, whose year-end is 31 March. The interest is held by PG, the ultimate parent company, which owns 80% of PWS. On 3 June 2021, following the acquisition by Pennon Group plc, PWS became a related party of the Company. PWS has a retail water and sewerage supply licence and provides retail water services to non-household customers.

**Bristol Water Group Limited** ("BWG"), registered in England and Wales, whose year-end is 31 March, and is the ultimate UK holding company of Bristol Water plc.

**Basis of cost allocations used for management charges and allocations between the appointed and non-appointed businesses of Bristol Water plc.**

Costs are attributed to the appropriate cost centres in the Company's accounting system, which are identified as appointed or non-appointed. The majority of non-appointed costs are incurred directly with the remainder allocated on a time apportionment basis. Apportionments and recharges between appointed and non-appointed elements are approved and agreed at Board level annually.

| Nature of service | Associate | Turnover of associate £m | Terms of supply | Value of service received £m |
|---|---|---|---|---|
| Management charge | PG | 0.395 | No market | 0.200 |
| Management charge | BWG | - | No market | - |
| Management charge | BWHUK | - | No market | - |
| Managed billing service | BWBSL | 15.798 | Competitive Tender | 2.783 |
| Recharges for costs | BWBSL | 15.798 | Cost pass through | 0.126 |
| Capital expenditure | BWBSL | 15.798 | Cost pass through | 0.239 |
| Corporation tax group relief | BWHUK | - | Bristol Water plc pays the standard tax rate for the period multiplied by the surrendered losses to each surrendering company. This group relief payment policy ensures that relieving losses around the group has no effect on the current tax charge of Bristol Water plc. The payment for loss relief surrendered for the period ended 31 March 2022 was settled in quarterly payments in line with the dates that that corporation tax would normally be paid. | 3.590 |

**Borrowing/lending with associated companies and related facilities**

A loan of £47.000m was made to BWHUK, (ultimate parent company of Bristol Water plc, until June 2006) in 2003/04. The unsecured loan was advanced on 12 February 2004, under an agreement dated 4 December 2003, out of the proceeds of the Artesian loans entered into during that year. The loan is due for repayment on 30 September 2033 and bears a fixed interest rate of 6.042%. Interest income of £2.840m (2020/21: £2.840m) was received in relation to the loan during 2021/22.

A further loan was made to BWHUK in 2005/06 for £21.500m. The unsecured loan was advanced on 13 July 2005, under an agreement dated 10 June 2005, out of proceeds of the Artesian loan entered into in that year. The loan is due for repayment on 30 September 2032 and bears a fixed interest rate of 5.550%. On 31 March 2021 BWHUK repaid £4.438m of this loan to Bristol Water plc. As at 31 March 2021 the balance remaining is £14.062m (2021: £14.062m). Interest income of £0.780m (£1.027m: 2020/21) was received in relation to the loan in 2021/22.

There is a provision in both the loans that BWHUK may defer an interest payment. Interest will be payable on deferred interest as if it were a further loan, at 1% higher than the loan interest rate. This facility has never been invoked.

The sum of £0.411m (2020/21: £0.411m) is included within the debtors in respect of amounts advanced to BWBSL, a joint venture company between BWH, a parent company, and Wessex Water Services Limited, to fund the purchase of tangible assets. This amount has no fixed repayment date.

# Statement of directors' responsibilities

## The directors are responsible for preparing the regulatory accounting statements in accordance with applicable law and regulations.

Company law requires the directors to prepare accounting statements for each financial year. Under that law the directors have prepared the accounting statements in accordance with FRS101. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these accounting statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounting statements; and
- prepare the accounting statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounting statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Company's website is the responsibility of the directors and the maintenance and integrity of the Regulator's website is the responsibility of the Regulator; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Regulatory Accounts since they were initially presented on the websites.

After making enquiries, the directors are of the opinion that the Company has adequate resources or the reasonable expectation of raising further resources as required to continue in operation for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing these accounts.

In addition, the directors have responsibility for ensuring that the Company keeps proper accounting records sufficient to enable the historical cost and current cost information required by Condition F of the licence to be prepared having regard to all Regulatory Accounting Guidelines.

The directors are also required to confirm in the accounting statements that, in their opinion, the Company was in compliance with paragraph 12.1 of Condition P of the licence relating to the availability of the rights and assets at the end of the financial year.

# Auditors and disclosure of information to auditors

## Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
(2) the director has taken all the steps that they ought to have taken as a director in order to make themself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board

**L Flowerdew**
Chief Financial Officer
13 July 2022

BRISTOL WATER
It's what we're made of.

## Section 1

# Regulatory financial reporting

A baseline level of historical cost financial information aligned to the way in which price controls (and associated regulatory performance commitments and incentives) have been set.

### 1A Income Statement for the year ended 31 March 2022

| | Statutory | Differences between statutory and RAG definitions | Non-appointed | Total adjustments | Total appointed activities |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Revenue** | 124.190 | -2.220 | 1.158 | -3.378 | 120.812 |
| Operating costs | -91.722 | 0.390 | -0.785 | 1.175 | -90.547 |
| Other operating income | 0.082 | 0.000 | 0.000 | 0.000 | 0.082 |
| **Operating profit** | 32.550 | -1.830 | 0.373 | -2.203 | 30.347 |
| Other income | 0.000 | 2.151 | 0.000 | 2.151 | 2.151 |
| Interest income | 3.620 | 0.000 | 0.000 | 0.000 | 3.620 |
| Interest expense | -22.754 | -0.386 | 0.000 | -0.386 | -23.140 |
| Other interest expense | 0.250 | 0.000 | 0.000 | 0.000 | 0.250 |
| **Profit before tax** | 13.666 | -0.065 | 0.373 | -0.438 | 13.228 |
| UK Corporation tax | -4.600 | -0.083 | -0.080 | -0.003 | -4.603 |
| Deferred tax | -18.771 | 0.095 | 0.000 | 0.095 | -18.676 |
| **Profit for the year** | -9.705 | -0.053 | 0.293 | -0.346 | -10.051 |
| **Dividends** | -8.932 | 0.000 | -0.293 | 0.293 | -8.639 |
| **Tax analysis** | | | | | |
| Current year | 1.271 | 0.083 | 0.080 | 0.003 | 1.274 |
| Adjustments in respect of prior years | 3.329 | 0.000 | 0.000 | 0.000 | 3.329 |
| UK Corporation tax | 4.600 | 0.083 | 0.080 | 0.003 | 4.603 |
| **Analysis of non appointed revenue** | | | | | |
| Other non-appointed revenue | | | 1.158 | | |

All of the turnover and operating costs above relate to continuing operations.

**Differences between Statutory and RAGs Definitions**
Adjustments are made to the statutory numbers to ensure compliance with the Ofwat guidance reflected in RAG 3.13. These are:

| Total adjustment £m | Description of difference between Statutory & RAG definitions |
|---|---|
| **-2.220** | -£0.329m property rental income reclassified to other income, from revenue.<br>-£1.878m grants and contributions reclassified to other income from revenue<br>-£0.013m s185 income reclassified as grants and contributions on the balance sheet. |
| **0.390** | -£0.273m expense of new supplies which are capitalised in the statutory accounts<br>£0.149m removal of depreciation on new supplies, net of amortisation of grants (see below)<br>£0.066m property maintenance reclassified to other income to net off rent received<br>£0.013m s185 costs reclassified as a capital asset<br>£0.435m removal of costs relating to the innovation fund. |
| **2.151** | £0.263m net property income (see above)<br>£1.878m grants and contributions and £0.010m depreciation of grants unaffected by IFRS15. |
| **-0.386** | Borrowing costs capitalised under IAS23 in the statutory accounts are derecognised and shown in interest expense. |
| **0.083** | The associated corporation tax relating to the derecognition of costs relating to the innovation fund. |
| **0.095** | The associated deferred tax relating to the change in capital treatment of new supplies and s185 costs the associated depreciation and IAS23 interest. |

### 1Ai Interest

| | £m |
|---|---|
| Interest charged on external borrowings, excluding those relating to DPC arrangements | -21.717 |
| Interest payable on intra-group borrowings | - |
| Interest charges in relation to DPC arrangements under IFRS16 | - |
| Interest payable in relation to other leases under IFRS16 | -0.099 |
| Amortisation of debt issuance costs | -0.331 |
| Amortisation of any debt premiums/discounts | 0.329 |
| Interest paid in relation to pension scheme liabilities | - |
| Preference share dividends | -1.094 |
| Any other financing costs/ interest charges | -0.228 |
| **Total interest expense** | -23.140 |
| | |
| Interest received in relation to defined benefit pension scheme liabilities | 0.250 |
| **Total other interest income** | 0.250 |

### 1Aii Taxation

The statutory current tax charge for 2021/22 of £4.600m includes a £3.329m tax charge for prior years. A deferred tax charge of £18.771m resulted in a total tax charge of £23.371m for the year.

The regulatory appointed business current tax charge of £4.612m is higher than the standard corporation tax rate and is reconciled in the table below; the main contributing factors to this are:

- Capital allowances claimed in the year are higher than depreciation charged in the accounts; this is due to the difference in speed of capital expenditure write off under corporate tax law compared with accounting rates;

- Capital allowances have also been disclaimed in the prior year. This disclaimer accounts for the whole of the prior year adjustment of £3.329m.

Deferred income relates to the write off of contributions in relation to capital assets which for tax are written off in line with the capital allowance rates not the accounting lives.

The pension adjustment reflects the tax treatment of a defined benefit scheme which treats the actual contributions paid as receiving tax relief and all other adjustments as non-taxable adjustments.

There are no fair value movements within profit before tax.

The overall current tax charge includes a tax charge of £0.4m in relation to group relief. Group relief is surrendered to Bristol Water plc by Bristol Water Holdings UK Limited. Bristol Water pays for the use of the group relief at the prevailing corporation tax rate, which is currently 19%. Full details can be found under the related party transactions' note.

| | £m | Effective tax rate |
|---|---|---|
| **Reconciliation of current tax charge** | | |
| Profit on ordinary activities before tax and fair value movements | 13.228 | |
| Profit on ordinary activities multiplied by standard rate of Corporation Tax in the United Kingdom at 19% | 2.513 | 19.0% |
| Effects of: | | |
| Expenses not deductible for tax purposes - 8.75% irredeemable cumulative preference share dividends | 0.208 | |
| Other expenses not deductible | 0.110 | |
| Capital allowances claimed for the year | -5.369 | |
| Depreciation for the year | 3.642 | |
| Deferred income | 0.053 | |
| Pension adjustment | 0.117 | |
| **Current tax charge before prior year adjustments** | 1.274 | 9.6% |
| **Prior year adjustments:** | | |
| Capital allowances | 3.329 | |
| Consortium relief | 0.000 | |
| Other | 0.000 | |
| **Total current tax charge in the income statement** | 4.603 | 34.8% |

### Deferred tax

A change to the UK Corporation tax rate was announced in the Chancellor's Budget on 3 March 2021 to increase the main rate to 25% from 1 April 2023 and was substantively enacted on 24 May 2021. Deferred tax has been remeasured at 25% and will continue to change in line with relevant legislation. The change in tax rate, has generated a tax charge of £20.0m in the current period.

From 1 April 2021, a "super-deduction" on qualifying plant and machinery equivalent to 130% of spend on expenditure relating to contracts entered into after 3 March 2021 is available in respect of qualifying expenditure. Bristol Water plc incurs significant capital expenditure each year as it maintains and enhances it assets for the benefit of its customers, communities and the environment. The first-year allowance on certain other types of assets, including long-life was boosted to 50% for the same period, again for contracts entered into after 3 March 2021. These enhanced allowances have increased capital allowance claims for the year and hence reduced the current tax charge for the year. The same will apply for the year ended 31 March 2023. There is also a consequently higher deferred tax liability and charge due to the additional capital allowance deductions together with the increase in the rate of corporation tax to 25% from April 2023.

The Company applies relevant tax laws in an appropriate manner and does not seek to enter into non-commercial transactions to reduce tax.

| Reconciliation of current tax to price limit | £m |
|---|---|
| Final Determination current tax allowance at outturn prices | 2.028 |
| Key differences | |
| Impact in profit before tax | -1.216 |
| Debt gearing adjustment | 0.187 |
| Impact of prior year adjustments | 3.329 |
| Depreciation charge in excess of capital allowances | -0.258 |
| Pension contribution | 0.117 |
| Other | 0.416 |
| Total Appointed current tax charge | 4.603 |
| Non Appointed and non-regulatory business tax adjustments | -0.003 |
| Total Statutory current tax charge | 4.600 |

## Comparison of current tax charge to Final Determination allowed tax

The Final Determination allowed tax figure is in 2017/18 prices therefore this has been indexed to reflect the CPIH increase between 2017/18 prices and 2021/22 prices. Our allowed tax for the year in 2017/18 prices was £1.869m which once indexed to nominal prices increases to £2.028m.

## 1B Statement of comprehensive income for the year ended 31 March 2022

| | Statutory | Differences between statutory and RAG definitions | Non-appointed | Total adjustments | Total appointed activities |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Profit for the year | -9.705 | -0.053 | 0.293 | -0.346 | -10.051 |
| Actuarial losses on post - employment plans | -1.027 | 0.000 | 0.000 | 0.000 | -1.027 |
| Other comprehensive income | 0.421 | 0.000 | 0.000 | 0.000 | 0.421 |
| Total Comprehensive income for the year | -10.311 | -0.053 | 0.293 | -0.346 | -10.657 |

Pension arrangements for employees were historically provided partly through our membership in the Water Companies' Pension Scheme ("WCPS"), which provides defined benefits based on final pensionable pay. We have a separate section within the WCPS for the regulated water business; the section was closed to new employees some years ago.

The actuarial valuation under International Accounting Standard 19 (IAS 19) and therefore FRS101 at 31 March 2021 shows a net pension surplus of £8.064m which has been recognised in the financial statements (2020/21: £9.131m). As the scheme has been closed to future accrual the surplus cannot be recovered through on-going contribution payments. The pension asset is shown net of a 35% income tax rate which would be applicable if the funds were repaid to Bristol Water from the pension scheme.

**Differences between Statutory and RAGs Definitions**
The difference has occurred in the income statement, and relates to dis-applied capitalisation and innovation fund accounting net of the tax effect.

## 1C Statement of Financial Position at 31 March 2022

| | Statutory | Differences between statutory and RAG definitions | Non-appointed | Total adjustments | Total appointed activities |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Non-current assets** | | | | | |
| Fixed assets | 696.562 | -8.343 | 1.238 | -9.581 | 686.981 |
| Intangible assets | 12.717 | 0.000 | 0.000 | 0.000 | 12.717 |
| Investments - loans to group companies | 61.062 | 0.000 | 0.000 | 0.000 | 61.062 |
| Retirement benefit assets | 8.064 | 0.000 | 0.000 | 0.000 | 8.064 |
| Total | 778.405 | -8.343 | 1.238 | -9.581 | 768.824 |
| **Current assets** | | | | | |
| Inventories | 1.892 | 0.000 | 0.022 | -0.022 | 1.870 |
| Trade & other receivables | 29.641 | 0.120 | 0.000 | 0.120 | 29.761 |
| Cash & cash equivalents | 11.984 | 0.000 | 0.000 | 0.000 | 11.984 |
| Total | 43.517 | 0.120 | 0.022 | 0.098 | 43.615 |
| **Current liabilities** | | | | | |
| Trade & other payables | -29.364 | 0.472 | -1.260 | 1.732 | -27.632 |
| Capex creditor | -7.259 | 0.000 | 0.000 | 0.000 | -7.259 |
| Borrowings | -0.395 | 0.000 | 0.000 | 0.000 | -0.395 |
| Current tax liabilities | -1.313 | 0.000 | 0.000 | 0.000 | -1.313 |
| Provisions | -1.898 | 0.000 | 0.000 | 0.000 | -1.898 |
| Total | -40.229 | 0.472 | -1.260 | 1.732 | -38.497 |
| **Net current assets** | 3.288 | 0.592 | -1.238 | 1.830 | 5.118 |
| **Non-Current liabilities** | | | | | |
| Borrowings | -400.808 | 0.000 | 0.000 | 0.000 | -400.808 |
| Deferred income - G&C's | -83.299 | -0.034 | 0.000 | -0.034 | -83.333 |
| Preference share capital | -12.500 | 0.000 | 0.000 | 0.000 | -12.500 |
| Deferred tax | -85.420 | 1.212 | 0.000 | 1.212 | -84.208 |
| Total | -582.027 | 1.178 | 0.000 | 1.178 | -580.849 |
| **Net assets** | 199.666 | -6.573 | 0.000 | -6.573 | 193.093 |
| **Equity** | | | | | |
| Called up share capital | 5.998 | 0.000 | 0.000 | 0.000 | 5.998 |
| Retained earnings & other reserves | 193.668 | -6.573 | 0.000 | -6.573 | 187.095 |
| Total Equity | 199.666 | -6.573 | 0.000 | -6.573 | 193.093 |

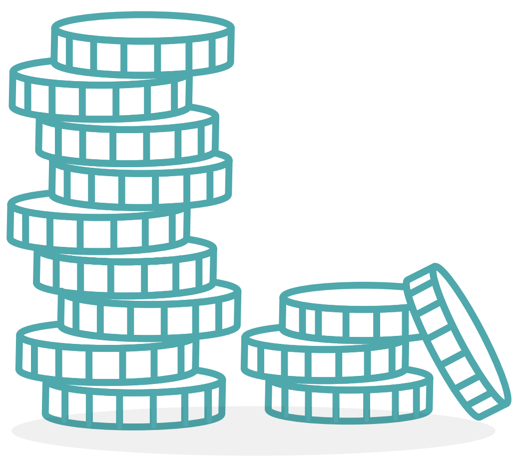
The accounts were approved by the Board on 13 July 2022 and signed on its behalf by

**M Karam**, Chief Executive Officer **L Flowerdew**, Chief Financial Officer

### Differences between Statutory and RAGs Definitions

| Total adjustment £m | Description of difference between Statutory & RAG definitions |
|---|---|
| -8.343 | Dis-application of capitalisation of both interest and the administration of new supplies; deferred tax is also adjusted for this impact, in accordance with the regulatory accounting guidelines. |
| 0.120 | -0.196 relates to the removal of the impact of revenue deemed as uncollectable to debtors and the bad debt provision under IFRS15.<br>0.076 removal of accrued income relating to the Innovation Fund. |
| 0.472 | Removal of accrued costs relating to the Innovation Fund. |

The appointed cash balance of £11.984m includes £0.675m which relates to the innovation competition fund.



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## 1D Statement of cash flows for the year ended 31 March 2022

| | Statutory | Differences between statutory and RAG definitions | Non-appointed | Total adjustments | Total appointed activities |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Operating profit** | 32.550 | -1.830 | 0.373 | -2.203 | 30.347 |
| Other income | 0.000 | 2.151 | 0.000 | 2.151 | 2.151 |
| Depreciation | 28.813 | -0.149 | 0.046 | -0.195 | 28.618 |
| Amortisation - G&C's | -1.878 | 1.878 | 0.000 | 1.878 | 0.000 |
| Changes in working capital | -2.485 | -2.337 | -0.053 | -2.284 | -4.769 |
| Pension contributions | 0.865 | 0.000 | 0.000 | 0.000 | 0.865 |
| Movement in provisions | 0.540 | 0.000 | 0.000 | 0.000 | 0.540 |
| Profit on sale of fixed assets | -0.082 | 0.000 | 0.000 | 0.000 | -0.082 |
| **Cash generated from operations** | 58.323 | -0.287 | 0.366 | -0.653 | 57.670 |
| Net interest paid | -9.913 | 0.000 | 0.000 | 0.000 | -9.913 |
| Tax paid | -1.897 | 0.000 | -0.080 | 0.080 | -1.817 |
| **Net cash generated from operating activities** | 46.513 | -0.287 | 0.286 | -0.573 | 45.940 |
| **Investing activities** | | | | | |
| Capital expenditure | -40.393 | 0.273 | 0.000 | 0.273 | -40.120 |
| Grants & Contributions | 2.067 | 0.014 | 0.000 | 0.014 | 2.081 |
| Disposal of fixed assets | 0.231 | 0.000 | 0.007 | -0.007 | 0.224 |
| Other | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Net cash used in investing activities** | -38.095 | 0.287 | 0.007 | 0.280 | -37.815 |
| **Net cash generated before financing activities** | 8.418 | 0.000 | 0.293 | -0.293 | 8.125 |
| **Cash flows from financing activities** | | | | | |
| Equity dividends paid | -8.932 | 0.000 | -0.293 | 0.293 | -8.639 |
| Net loans received | 1.554 | 0.000 | 0.000 | 0.000 | 1.554 |
| **Net cash generated from financing activities** | -7.378 | 0.000 | -0.293 | 0.293 | -7.085 |
| | | | | | |
| **Increase in net cash** | 1.040 | 0.000 | 0.000 | 0.000 | 1.040 |

### Differences between Statutory and RAGs Definitions

The difference is the dis-application of capitalisation of interest and the administration of new supplies (movements between operating profit, interest paid and capital expenditure), the difference in treatment of net rental income, depreciation on the capitalised interest and non payers provision which has been dis-applied, the removal of costs relating to the innovation fund and the reclassification of grants and contributions (movements between other income and amortisation).

The cash flow has been prepared in accordance with the RAG templates and therefore the net cash generated from operating activities in the statutory cash flow above does not align with the statutory cash flow in the Company's Annual Report and Financial Statements. £2.067m of capital contributions are treated as operating cash flows in the Company's Annual Report and Financial Statements and are shown within investing activities in table 1D as required by Ofwat.

## 1E Net debt analysis at 31 March 2022

| | Fixed rate | Floating rate | Index linked | | Total |
|---|---|---|---|---|---|
| | | | RPI | CPI/CPIH | |
| | £m | £m | £m | £m | £m |
| **Interest rate risk profile** | | | | | |
| Borrowings (excluding preference shares) | 84.070 | 109.490 | 206.542 | 0.000 | 400.102 |
| Preference share capital | | | | | 12.500 |
| Total borrowings | | | | | 412.602 |
| Cash | | | | | -11.984 |
| Short term deposits | | | | | 0.000 |
| Net Debt | | | | | 400.618 |
| **Gearing** | | | | | |
| Gearing | | | | | 68.367% |
| Adjusted gearing | | | | | 66.421% |
| **Interest** | | | | | |
| Full year equivalent nominal interest cost [23] | 5.265 | 1.298 | 26.120 | 0.000 | 32.683 |
| Full year equivalent cash interest payment | 5.265 | 1.298 | 6.989 | 0.000 | 13.552 |
| **Indicative interest rates** | | | | | |
| Indicative weighted average nominal interest rate | 6.262% | 1.185% | 12.646% | 0.000% | 7.921% |
| Indicative weighted average cash interest rate | 6.262% | 1.185% | 3.384% | 0.000% | 3.284% |
| Weighted average years to maturity | 12.093 | 3.824 | 12.796 | - | 10.251 |

[23] Interest costs and interest rates in table 1E exclude preference dividends.

Net debt has increased to £400.6m, a year on year increase of £10.1m as a result of:
1) Drawdowns on the Revolving Credit Facilities (RCFs) in order to finance the capital programme (increase of £2.0m)
2) Indexation on our index linked debt (increase of £9.6m)
3) Leases repayments (reduction of £0.5m)
4) Increase in cash at the bank (reduction of £1.0m).

As a result of the higher level of inflation RCV has increased from 550.5 to 586.0, and so gearing has reduced from 70.93% to 68.37%.

There has been a significant increase in RPI in the year, however our Artesian debt indexation is based on the July 2021 index and so as a result only around half of the RPI indexation has impacted this debt in the year. As a result of this, weighted average interest rate has increased from 3.98% to 5.52%.

Table 1E's definition of net debt does not include unamortised net premia. This creates a difference with the net debt shown in financial statements, the net debt shown in table 1E and the borrowings in table 1C.

| Reconciliation to table 1C | £m |
|---|---|
| Current Borrowings per table 1C | 0.395 |
| Non-current Borrowings per table 1C | 400.808 |
| Less unamortised net premia | -1.101 |
| Borrowings (excluding preference shares) per table 1E | 400.102 |

Gearing is calculated as net debt divided by Regulatory Capital Value "RCV" (£585.99m). Moody's use a definition of net debt excluding preference shares. This definition has been used to calculate the adjusted gearing in the table which is 66.4%. The reconciliation between the different gearing calculations can be seen below.

| | £m | Gearing (2 dp) | Gearing (1 dp) |
|---|---|---|---|
| Net debt per the financial statements excluding preference shares | 389.219 | 66.42 | 66.4% |
| Add preference shares | 12.500 | | |
| Net debt per the financial statements including preference shares | 401.719 | 68.55 | 68.6% |
| Less unamortised net premia | -1.101 | | |
| Net debt per table 1E | 400.618 | 68.37 | 68.4% |

The allowance included in the CMA determination for the real cost of debt was 2.47%, however taking into account the indexation of new debt and the CMA notional profiling of new debt across AMP7, the allowed real cost of debt for 2021/22 was 2.65%. As a result of significant inflation in the year the actual weighted average real cash interest cost was -0.95% which was 3.60% lower than the allowance. However this was made up of:
1) The real indexed linked cash interest cost is 0.73% higher than the allowance at 3.38%.
2) The real fixed and floating interest cost is 7.95% lower than the allowance at -5.30% (In order to compare the real fixed and floating interest rates with the indicative cash interest rates, they need to be adjusted for the year average inflation of 8.96% using the Fisher equation).

Table 4B details the individual facilities included in debt. Fixed debt in table 4B also includes preference shares, however this is not included in table 1E.1 as per RAGs. Total debt in table 4B agrees to 1E.3.

Included in the nominal and cash interest for fixed rate debt is preference dividends of £1.094m per annum while the principle £12.5m of preference dividends is not included in 1E.1 fixed rate debt (as stated above). This results in a different nominal and cash interest rate than would be derived from the interest values divided by the principle from 1E.1.

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### 1F Financial flows (Price Base – 2017-18 CPIH Average) - 12 Months ended 31 March 2022

| | Notional returns and notional regulatory equity | Actual returns and notional regulatory equity | Actual returns and actual regulatory equity | Notional returns and notional regulatory equity | Actual returns and notional regulatory equity | Actual returns and actual regulatory equity |
|---|---|---|---|---|---|---|
| | % | % | % | £m | £m | £m |
| **Return on regulatory equity** | | | | | | |
| Return on regulatory equity | 4.44% | 3.21% | 4.44% | 9.344 | 6.758 | 6.758 |
| Regulatory equity | 210.456 | 210.456 | 152.212 | | | |
| **Financing** | | | | | | |
| Gearing | | 1.23% | 0.71% | | 2.586 | 1.075 |
| Gearing benefits sharing | | 0.00% | 0.00% | | 0.000 | 0.000 |
| Variance in corporation tax | | -0.09% | -0.12% | | -0.180 | -0.180 |
| Group relief | | 0.00% | 0.00% | | 0.000 | 0.000 |
| Cost of debt | | 1.48% | 2.41% | | 3.121 | 3.669 |
| Hedging instruments | | 0.00% | 0.00% | | 0.000 | 0.000 |
| **Return on regulatory equity including Financing adjustments** | 4.44% | 5.84% | 7.44% | 9.344 | 12.285 | 11.322 |
| **Operational performance** | | | | | | |
| Totex out / (under) performance | | 0.43% | 0.59% | | 0.897 | 0.897 |
| ODI out / (under) performance | | 0.02% | 0.02% | | 0.034 | 0.034 |
| C-Mex out / (under) performance | | 0.07% | 0.10% | | 0.150 | 0.150 |
| D-Mex out / (under) performance | | 0.02% | 0.03% | | 0.051 | 0.051 |
| Retail out / (under) performance | | 0.34% | 0.47% | | 0.718 | 0.718 |
| Other exceptional items | | 0.00% | 0.00% | | 0.000 | 0.000 |
| **Operational performance total** | | 0.88% | 1.22% | | 1.850 | 1.850 |
| RoRE | 4.44% | 6.72% | 8.65% | 9.344 | 14.135 | 13.172 |
| RCV Growth | 7.18% | 7.18% | 7.18% | 15.117 | 15.177 | 10.933 |
| **Voluntary sharing arrangements** | | 0.00% | 0.00% | | 0.000 | 0.000 |
| Total shareholder return | 11.62% | 13.90% | 15.84% | 24.461 | 29.252 | 24.105 |
| **Dividends** | | | | | | |
| Gross dividend | 4.00% | 3.78% | 5.23% | 8.418 | 7.959 | 7.959 |
| Interest received on Intercompany loans | | -1.28% | -1.77% | | -2.701 | -2.701 |
| **Retained value** | 7.62% | 11.40% | 12.38% | 16.043 | 23.994 | 18.847 |
| **Cash impact of 2015-20 performance adjustments** | | 0.33% | 0.46% | | 0.704 | 0.704 |
| Totex out / under performance | | 0.00% | 0.00% | | 0.000 | 0.000 |
| ODI out / under performance | | 0.33% | 0.46% | | 0.704 | 0.704 |

### 1F Financial flows (Price Base – 2017-18 CPIH Average) – Average 2020-25

| | Notional returns and notional regulatory equity | Actual returns and notional regulatory equity | Actual returns and actual regulatory equity | Notional returns and notional regulatory equity | Actual returns and notional regulatory equity | Actual returns and actual regulatory equity |
|---|---|---|---|---|---|---|
| | % | % | % | £m | £m | £m |
| **Return on regulatory equity** | | | | | | |
| Return on regulatory equity | 4.44% | 3.27% | 4.44% | 9.318 | 6.875 | 6.875 |
| Regulatory equity | 210.092 | 210.092 | 154.996 | | | |
| **Financing** | | | | | | |
| Gearing | | 1.16% | 0.65% | | 2.444 | 0.983 |
| Gearing benefits sharing | | 0.00% | 0.00% | | 0.000 | 0.000 |
| Variance in corporation tax | | 0.05% | 0.07% | | 0.108 | 0.108 |
| Group relief | | 0.00% | 0.00% | | 0.000 | 0.000 |
| Cost of debt | | 0.43% | 0.71% | | 0.912 | 1.078 |
| Hedging instruments | | 0.00% | 0.00% | | 0.000 | 0.000 |
| **Return on regulatory equity including Financing adjustments** | 4.44% | 4.92% | 5.86% | 9.318 | 10.338 | 9.044 |
| **Operational performance** | | | | | | |
| Totex out / (under) performance | | 0.88% | 1.22% | | 1.858 | 1.858 |
| ODI out / (under) performance | | -0.46% | -0.64% | | -0.971 | -0.971 |
| C-Mex out / (under) performance | | 0.04% | 0.05% | | 0.075 | 0.075 |
| D-Mex out / (under) performance | | 0.01% | 0.02% | | 0.025 | 0.025 |
| Retail out / (under) performance | | -0.50% | -0.69% | | -1.048 | -1.048 |
| Other exceptional items | | -0.01% | -0.01% | | -0.021 | -0.021 |
| **Operational performance total** | | -0.04% | -0.05% | | -0.082 | -0.082 |
| RoRE | 4.44% | 4.88% | 5.81% | 9.318 | 10.257 | 8.962 |
| RCV Growth | 4.12% | 4.12% | 4.12% | 8.645 | 8.645 | 6.378 |
| Voluntary sharing arrangements | | 0.00% | 0.00% | | 0.000 | 0.000 |
| Total shareholder return | 8.55% | 9.00% | 9.92% | 17.964 | 18.902 | 15.340 |
| **Dividends** | | | | | | |
| Gross dividend | 4.00% | 3.23% | 4.38% | 8.404 | 6.794 | 6.794 |
| Interest received on Intercompany loans | | -1.52% | -2.06% | | -3.197 | -3.197 |
| Retained value | 4.55% | 7.28% | 7.60% | 9.560 | 15.305 | 11.743 |
| **Cash impact of 2015-20 performance adjustments** | | -0.15% | -0.20% | | -0.309 | -0.309 |
| Totex out / under performance | | 0.00% | 0.00% | | 0.000 | 0.000 |
| ODI out / under performance | | -0.15% | -0.20% | | -0.309 | -0.309 |

Adjusted RORE is shown as 6.72% for the year and 4.88% AMP to date (2.28% above the baseline of 4.44% and 0.44% above the baseline of 4.44% respectively). This is as a result of the impacts below.

| | 2021/22 RORE % | AMP to date RORE % |
|---|---|---|
| Base RoRE | 4.44 | 4.44 |
| Gearing | 0.00 | 0.01 |
| Cost of Debt | 1.48 | 0.43 |
| Tax | (0.09) | 0.05 |
| Retail | 0.34 | (0.50) |
| Totex | 0.43 | 0.88 |
| ODI | 0.02 | (0.46) |
| Other | 0.10 | 0.03 |
| Total | 6.72 | 4.88 |

Gearing, in accordance with Ofwat guidance, has been calculated with reference to the notional company and the allowed cost of debt of 2.65%. Actual average gearing is 70.5%, 10.5% above the notional company gearing of 60%. This is multiplied by the difference of 1.79% from the allowed cost of debt. The calculation of gearing includes Preference shares as advised by Ofwat. The combined impact of notional gearing and the actual level of debt largely net each other off.

The cost of debt is calculated based on the net interest charge in the accounts, excluding interest received from inter-company loans (which is funded by inter-company dividends). It includes indexation and preference dividends. Real interest rates were 1.74% compared to allowance of 2.65%. As a result of the high indexation in the period, there is a large level of favourable adjustment in the year which reduces the overall impact in the AMP.

The variance in corporation tax is a calculation of the difference between the amount allowed for corporation tax according to the Competition and Markets Authority “CMA” PR19 Final Determination less several adjusting items. The applicable figures for 20/21 are as follows:

| | £m |
|---|---|
| Tax allowed per PR19 | 1.869 |
| Tax payable at the standard rate on appointed activities | (2.249) |
| Adjustment for accelerated capital allowances | 3.500 |
| Prior year adjustments | (3.300) |
| **Total** | (0.180) |

Retail performance was an overperformance of £0.7m as a result of lower bad debt costs due to COVID-19 impacts being provided for in earlier periods. In addition the transformation programme in 2020/21 has reduced other operating expenditure more in line with the allowance. AMP to date overall retail costs are still adverse but have reduced from prior year.

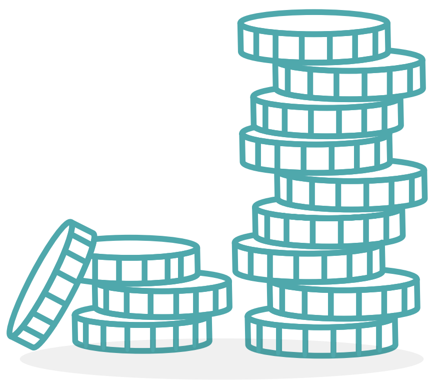
Wholesale costs were underspent by around £3.7m (after timing impacts) as a result of lower than expected income offset payments with £1.2m paid in the year compared to an allowance of around £4.5m. This is partially offset by an underspend on development services. This is in line with the performance shown on table 4C.

ODI reward was slightly favourable in year. AMP to date, as a result of the prior year supply interruption performance, ODI adjustment remains adverse.

Gross dividends of £7.96m (at 2017/18 prices) were paid in the year. Of this £2.70m (at 2017/18 prices) related to interest received on intercompany loans less tax at the prevailing rate. This interest is charged on £61.1m of loans to holding companies. This shows a level of dividends well within the level suggested by the RORE (£13.3m) at £5.26m, and also within that allowed by the Bristol Water dividend policy.

Bristol Water plc pays its associate an amount equal to the tax benefit of any group relief received, therefore this amount is £nil.

There were no exceptional items in the year.



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## Section 2

# Price review and other segmental reporting

### Further disaggregation of revenue and costs, to allow stakeholders to review companies' performance against final determinations.

**2A Segmental income statement for the 12 months ended 31 March 2022**

| | Retail household £m | Retail non-household £m | Water resources £m | Water network + £m | Total £m |
|---|---|---|---|---|---|
| Revenue - price control | 10.803 | 0.000 | 18.458 | 89.484 | 118.745 |
| Revenue - non price control | 0.000 | 0.000 | 0.354 | 1.713 | 2.067 |
| Operating expenditure – excluding PU recharge impact | -8.472 | 0.000 | -11.409 | -42.048 | -61.929 |
| PU opex recharge | -0.611 | 0.000 | 0.056 | 0.555 | 0.000 |
| Operating expenditure – including PU recharge impact | -9.083 | 0.000 | -11.353 | -41.493 | -61.929 |
| Depreciation | | | | | |
| – tangible fixed assets | -0.085 | 0.000 | -2.103 | -22.584 | -24.772 |
| Amortisation | | | | | |
| – intangible fixed assets | -0.072 | 0.000 | -0.385 | -3.389 | -3.846 |
| Other operating income | 0.007 | 0.000 | -0.007 | 0.082 | 0.082 |
| **Operating profit** | 1.570 | 0.000 | 4.964 | 23.813 | 30.347 |

Bristol Water exited the non-household retail market on 1 April 2017, therefore the business retail revenue is £nil. Operating expenses are still incurred in this sector under the regulatory accounting guidelines, an analysis of which is shown in 2C.

Price control revenue is allocated between controls in accordance with the allowances set in the PR19 determination. Non-price control revenue is allocated in line with the proportion used in our PR19 business plan.

**2B Totex analysis for the 12 months ended 31 March 2022 - wholesale water**

| | Water Resources £m | Water Network + £m | Total £m |
|---|---|---|---|
| **Operating expenditure** | | | |
| Power | 1.891 | 6.712 | 8.603 |
| Income treated as negative expenditure | -0.011 | -0.039 | -0.050 |
| Abstraction charges/discharge consents | 2.729 | 0.103 | 2.832 |
| Bulk supply/Bulk discharge | 0.009 | 0.067 | 0.076 |
| Renewals expensed in the year (infrastructure) | 0.100 | 2.150 | 2.250 |
| Renewals expensed in the year (non-infrastructure) | 0.000 | 0.000 | 0.000 |
| Other operating expenditure | 4.982 | 27.962 | 32.944 |
| Local authority and Cumulo rates | 1.305 | 3.786 | 5.091 |
| Total base operating expenditure | 11.005 | 40.741 | 51.746 |
| **Other operating expenditure** | | | |
| Enhancement operating expenditure | 0.000 | 0.415 | 0.415 |
| Developer services operating expenditure | 0.000 | 0.000 | 0.000 |
| Total operating expenditure excluding third party services | 11.005 | 41.156 | 52.161 |
| Third party services | 0.348 | 0.337 | 0.685 |
| Total operating expenditure | 11.353 | 41.493 | 52.846 |
| **Grants and contributions** | | | |
| Grants and contributions – operating expenditure | 0.000 | 0.000 | 0.000 |
| **Capital expenditure** | | | |
| Base capital expenditure | 1.300 | 23.625 | 24.925 |
| Enhancement capital expenditure | 1.849 | 6.833 | 8.682 |
| Developer services capital expenditure | 0.000 | 6.428 | 6.428 |
| Total gross capital expenditure (excluding third party) | 3.149 | 36.886 | 40.035 |
| Third party services | 0.000 | 0.173 | 0.173 |
| Total gross capital expenditure | 3.149 | 37.059 | 40.208 |
| **Grants and contributions** | | | |
| Grants and contributions – capital expenditure | 0.000 | 2.305 | 2.305 |
| Net totex | 14.502 | 76.247 | 90.749 |
| **Cash expenditure** | | | |
| Pension deficit recovery payments | 0.000 | 0.000 | 0.000 |
| Other cash items | 0.000 | 0.000 | 0.000 |
| Totex including cash items | 14.502 | 76.247 | 90.749 |

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## 2C Cost analysis for the 12 months ended 31 March 2022 – retail

| | Household £m | Non-household £m | Total £m |
|---|---|---|---|
| **Operating expenditure** | | | |
| Customer Services | 2.493 | 0.000 | 2.493 |
| Debt management | 0.529 | 0.000 | 0.529 |
| Doubtful debts | 2.630 | 0.000 | 2.630 |
| Meter reading | 0.306 | 0.000 | 0.306 |
| Other operating expenditure | 2.511 | 0.000 | 2.511 |
| Local authority and Cumulo rates | 0.003 | 0.000 | 0.003 |
| Total operating expenditure excluding third party services | 8.472 | 0.000 | 8.472 |
| **Depreciation** | | | |
| Depreciation on tangible fixed assets existing at 31 March 2015 | 0.001 | 0.000 | 0.001 |
| Depreciation on tangible fixed assets acquired after 31 March 2015 | 0.084 | 0.000 | 0.084 |
| Amortisation on tangible fixed assets existing at 31 March 2015 | 0.000 | 0.000 | 0.000 |
| Amortisation on tangible fixed assets acquired after 31 March 2015 | 0.072 | 0.000 | 0.072 |
| **Recharges** | | | |
| Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015) | 0.041 | 0.000 | 0.041 |
| Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015) | 0.000 | 0.000 | 0.000 |
| Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale | 0.570 | 0.000 | 0.570 |
| Income from wholesale assets acquired after 1 April 2015 principally used by retail | 0.000 | 0.000 | 0.000 |
| Net recharges costs | 0.611 | 0.000 | 0.611 |
| Total retail costs excluding third party and pension deficit repair costs | 9.240 | 0.000 | 9.240 |
| Third party services operating expenditure | 0.000 | 0.000 | 0.000 |
| Pension deficit repair costs | 0.000 | 0.000 | 0.000 |
| Total retail costs including third party and pension deficit repair costs | 9.240 | 0.000 | 9.240 |
| Debt written off | 2.435 | 0.000 | 2.435 |
| Capital expenditure | 1.112 | 0.000 | 1.112 |

Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale.

| | £m |
|---|---|
| Demand-side water efficiency - gross expenditure | 0.000 |
| Demand-side water efficiency - expenditure funded by wholesale | 0.000 |
| Demand-side water efficiency - net retail expenditure | 0.000 |
| Customer-side leak repairs - gross expenditure | 0.147 |
| Customer-side leak repairs - expenditure funded by wholesale | 0.147 |
| Customer-side leak repairs - net retail expenditure | 0.000 |

| | £m |
|---|---|
| Cumulative actual retail expenditure to reporting year end | 21.900 |
| Cumulative allowed expenditure to reporting year end | 19.876 |
| Total allowed expenditure 2020-25 | 50.816 |

## 2Ci Retail costs compared to the allowance

Household Retail operating expenditure was £8.5m, £1.0m lower than the allowance of £9.5m.

The main driver of this was the transformation programme which we undertook in 2020/21 improving the efficiency of our operations and back office. The bad debt charge has reduced significantly this year and now is slightly favourable to the allowance (£0.1m). This is as a result of the COVID-19 impact being largely in line with what has been experienced in reality, and therefore lower in year charges needed to maintain the required provision level.

The increased costs are not due to increases in household customers or a greater proportion of metered customers as these are both lower than assumed in calculating the allowance (household customers are 508,297, compared with 514,020 assumed in the allowance, of which 311,857 are metered customers, compared with 351,116 assumed in the allowance). There are no material one off or atypical items of expenditure.

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### 2D Historic cost analysis of tangible fixed assets at 31 March 2022

| | Retail household | Retail non-household | Water resources | Water Network + | Total |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Cost** | | | | | |
| At 1 April 2021 | 1.619 | 0.000 | 67.726 | 920.431 | 989.776 |
| Disposals | -0.084 | 0.000 | -4.761 | -2.658 | -7.503 |
| Additions | 0.222 | 0.000 | 2.923 | 34.765 | 37.910 |
| Adjustments | 0.000 | 0.000 | 0.124 | 0.258 | 0.382 |
| At 31 March 2022 | 1.757 | 0.000 | 66.012 | 952.796 | 1,020.565 |
| **Depreciation** | | | | | |
| At 1 April 2021 | -1.222 | 0.000 | -26.657 | -288.341 | -316.220 |
| Disposals | 0.080 | 0.000 | 4.759 | 2.607 | 7.446 |
| Adjustments | 0.000 | 0.000 | 0.168 | -0.206 | -0.038 |
| Charge for the year | -0.085 | 0.000 | -2.103 | -22.584 | -24.772 |
| At 31 March 2022 | -1.227 | 0.000 | -23.833 | -308.524 | -333.584 |
| Net book amount at 31 March 2022 | 0.530 | 0.000 | 42.179 | 644.272 | 686.981 |
| Net book amount at 1 April 2021 | 0.397 | 0.000 | 41.069 | 632.090 | 673.556 |
| **Depreciation charge for the year** | | | | | |
| Principal services | -0.085 | 0.000 | -2.103 | -22.584 | -24.772 |
| Third party services | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Total** | **-0.085** | **0.000** | **-2.103** | **-22.584** | **-24.772** |

The netbook value includes £24.206m in respect of assets in the course of construction.

The fixed assets have been allocated based on their principal use. Assets used across business units such as general and support assets have been allocated to wholesale as their principal use. Further details can be found in the accounting separation methodology statement published on our website.

We have no assets dedicated as third party service activities. Therefore the depreciation charge for the year on assets used for principal and third party services is reported in the principal services line as per RAG 4.10 guidance.

The intangibles analysis can be found in table 2O.

### 2E Analysis of capital contributions and land sales for the 12 months ended 31 March 2022 – water resources and water network plus

| | Fully recognised in income statement | Capitalised and amortised (in income statement) | Fully netted off capex | Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Grants and contributions – water network +** | | | | |
| Connection charges | 0.000 | 1.700 | 0.000 | 1.700 |
| Infrastructure charge receipts | 0.000 | 1.099 | 0.000 | 1.099 |
| Requisitioned mains | 0.000 | 0.375 | 0.000 | 0.375 |
| Diversions – s185 | 0.000 | 0.014 | 0.000 | 0.014 |
| Other Contributions (price control) | 0.000 | 0.158 | 0.000 | 0.158 |
| Price control grants and contributions before deduction of income offset | 0.000 | 3.346 | 0.000 | 3.346 |
| Income offset | 0.000 | 1.285 | 0.000 | 1.285 |
| Price control grants and contributions after deduction of income offset | 0.000 | 2.061 | 0.000 | 2.061 |
| Diversions - NRSWA | 0.224 | 0.000 | 0.000 | 0.224 |
| Diversions – other non-price control | 0.000 | 0.000 | 0.000 | 0.000 |
| Other Contributions (non-price control) | 0.000 | 0.020 | 0.000 | 0.020 |
| Total | 0.224 | 2.081 | 0.000 | 2.305 |
| Value of adopted assets | 0.000 | 0.000 | 0.000 | 0.000 |

| | | | | Total |
|---|---|---|---|---|
| | | | | £m |
| **Movements in capitalised grants and contributions** | | | | |
| Brought forward | 0.000 | 85.038 | 0.000 | 85.038 |
| Capitalised in year | 0.000 | 2.081 | 0.000 | 2.081 |
| Amortisation (in income statement) | 0.000 | -1.888 | 0.000 | -1.888 |
| Carried forward | 0.000 | 85.231 | 0.000 | 85.231 |

The carried forward figure of £85.231m represents the total in 1C.26 (£83.333m) plus the grants and contributions recognised as due within one year in line 1C.18 (£1.898m).

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### 2F Residential retail for the 12 months ended 31 March 2022

| | Revenue | Number of customers | Average household retail revenue per customer |
|---|---|---|---|
| | £m | 000s | £ |
| **Residential revenue** | | | |
| Wholesale charges | 85.437 | | |
| Retail revenue | 10.803 | | |
| Total residential revenue | 96.240 | | |
| **Retail revenue** | | | |
| Revenue Recovered ("RR") | 10.803 | | |
| Revenue sacrifice | 0.000 | | |
| Actual revenue (net) | 10.803 | | |
| **Adjustment** | | | |
| Allowed revenue ("R") | 11.122 | | |
| Net adjustment | 0.319 | | |
| **Customer information** | | | |
| Actual customers ("AC") | | 508.297 | |
| Reforecast customers | | 507.952 | |
| **Other residential information** | | | |
| Average residential retail revenue per customer | | | 21.253 |

Retail revenue was £319k lower than the allowance set at PR19, due to customer numbers being lower than forecast and higher than assumed social tariffs.

Retail revenue per customer was £21.25, compared to an FD allowance of £21.60.  This is due to the cross subsidy for social tariffs being higher than was assumed when we set our tariffs.

**Table 2G is only applicable to Welsh companies**

**Table 2H is not applicable to Bristol Water plc as it is a wastewater table.**

### 2I Revenue analysis for the 12 months ended 31 March 2022

| | Household | Non-household | Total | Water resources | Water network+ | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **Wholesale charge - water** | | | | | | |
| Unmeasured | 36.633 | 0.301 | 36.934 | 6.316 | 30.618 | 36.934 |
| Measured | 48.804 | 22.027 | 70.831 | 12.112 | 58.719 | 70.831 |
| Third party revenue | 0.000 | 0.177 | 0.177 | 0.030 | 0.147 | 0.177 |
| **Total Wholesale Water revenue** | 85.437 | 22.505 | 107.942 | 18.458 | 89.484 | 107.942 |
| **Retail revenue** | | | | | | |
| Unmeasured | 4.297 | 0.000 | 4.297 | | | |
| Measured | 6.506 | 0.000 | 6.506 | | | |
| Other third party revenue | 0.000 | 0.000 | 0.000 | | | |
| **Retail total** | 10.803 | 0.000 | 10.803 | | | |
| **Third party revenue - non-price control** | | | | | | |
| Bulk Supplies | | | 1.327 | | | |
| Other third party revenue | | | 0.740 | | | |
| **Principal services – non-price control** | | | | | | |
| Other appointed revenue | | | 0.000 | | | |
| **Total appointed revenue** | | | 120.812 | | | |

Wholesale revenue was £107.9m. A comparison of this figure to the PR19 allowance is provided in the commentary to table 2M.

We are required to allocate wholesale revenue between Water Resources and Water Network, in line with the separation of price controls established at PR19. This revenue is allocated in proportion to the split of the revenue allowance set by Ofwat in its PR19 final determination.

Retail revenue was £10.8m. A comparison of this figure to the PR19 allowance is provided in the commentary to table 2F.

Third party revenue was £2.4m. This includes £1.3m for bulk supplies to Wessex Water and two NAV providers, IWNL and Leep Utilities. £0.7m relates to income from standpipes and rechargeable income.

RAG3 requires a note to be provided on wholesale revenue. This note is provided with our commentary to table 2M.

### 2J Infrastructure network reinforcement costs for the 12 months ended 31 March 2022

| | Network reinforcement capex |
|---|---|
| | £m |
| **Wholesale water network + (treated water distribution)** | |
| Distribution and trunk mains | 0.514 |
| Pumping and storage facilities | -0.015 |
| Other | 0.000 |
| **Total** | 0.499 |

### 2K Infrastructure charges reconciliation

| | Water | Total |
|---|---|---|
| | £m | £m |
| **Impact of infrastructure charge discounts** | | |
| Infrastructure charges | 1.099 | 1.099 |
| Discounts applied to infrastructure charges | 0.000 | 0.000 |
| Gross infrastructure charges | 1.099 | 1.099 |
| **Comparison of revenue and costs** | | |
| Variance brought forward | -0.682 | -0.682 |
| Revenue | 1.099 | 1.099 |
| Costs | -0.499 | -0.499 |
| Variance carried forward | -0.082 | -0.082 |

Income from Infrastructure charges was similar to 2020/21 but expenditure was lower due to the completion of larger projects in 2020/21, with two larger projects Shepton Mallet to Forum and Cribbs Causeway to Brentry starting in 2022/23.

Over the four years from the 1 April 2018 (when the current form of infrastructure charges commenced), the income has totalled £4.954m and network reinforcement expenditure £5.036m, a difference of £0.082m which reflects timing of expenditure and receipts.

### 2L Analysis of land sales for the12 months ended 31 March 2022

| | Water resources | Water Network+ | Total |
|---|---|---|---|
| | £m | | £m |
| Proceeds from disposals of protected land | 0.000 | 0.000 | 0.000 |

No land disposals or other relevant sales were made in the year.

### 2M Revenue reconciliation for the 12 months ended 31 March 2022 – wholesale

| | Water resources | Water Network+ | Total |
|---|---|---|---|
| | £m | £m | £m |
| **Revenue recognised** | | | |
| Wholesale revenue governed by price control | 18.458 | 89.484 | 107.942 |
| Grants & contributions (price control) | 0.000 | 2.061 | 2.061 |
| Total revenue governed by wholesale price control | 18.458 | 91.545 | 110.003 |
| **Calculation of the revenue cap** | | | |
| Allowed wholesale revenue before adjustments (or modified by CMA) | 18.875 | 88.213 | 107.088 |
| Allowed grants & contributions before adjustments (or modified by CMA) | 0.000 | 3.246 | 3.246 |
| Revenue adjustment | 0.000 | 0.000 | 0.000 |
| Other adjustments | 0.000 | 0.000 | 0.000 |
| Revenue cap | 18.875 | 91.459 | 110.334 |
| **Calculation of the revenue imbalance** | | | |
| Revenue cap | 18.875 | 91.459 | 110.334 |
| Revenue Recovered | 18.458 | 91.545 | 110.003 |
| Revenue imbalance | 0.417 | -0.086 | 0.331 |

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### 2Mi Comparison with determination

The total wholesale revenue assumed in the Ofwat Final Determination for 2020/21 was £106.052m in 2019/20 prices. After applying K factors of 2.24% for water network plus and 0.57% for water resources, this totalled £108.129m. Inflating this figure by November 2021 CPI(H) of 0.6% and November 2020 CPI(H) of 1.5% (a total inflation of 2.1% to 2021/22 tariff year prices) produced a calculated revenue expectation of £110.334m. Wholesale revenue reported in table 2I and 2M is allocated between Water Resources and Water Network in proportion to the allowances made at PR19.

The Ofwat determination (with inflation as described above) provided for an increase of £2.7m (2.5%) on the wholesale revenue allowance, and an increase of £0.2m (1.5%) on the retail revenue allowance compared to 2020/21. These movements were forecast to translate into a 4.4% increase in the average household bill for 2021/22 at the point we set tariffs in January 2021, but after taking into account movements in the revenue base that had been impacted by the Covid -19 pandemic which saw higher household bills, the average household bill increase was 0.5% on the reforecast outturn for 2020/21. We estimate a small overall impact from COVID-19 in 2021/22 of -£0.8m, with lower non-household revenue more than offset by higher household revenues. As it was a relatively dry year it is difficult to separate any reduction in household COVID impact from additional dry weather usage in summer 2021.

No explicit adjustment was made to our 2021/22 revenue allowance in respect of performance in the prior year. Performance in 2015/16-2018/19 and a forecast of 2019/20 was included in the PR19 determination which set the revenue allowance for 2020/21. Outturn performance in 2019/20 was incorporated into the PR19 blind year determination, which is applied to our allowance for 2021/22. In-period determinations will be taken into account in the revenue allowance comparisons for both wholesale and retail from 2022/23.

Bristol Water asked Ofwat to refer our PR19 determination to the Competition and Markets Authority (CMA). The CMA final decision was published in March 2021. This has taken effect on revenue allowances from 2022/23 – 2024/25. From 2023/24 this will be further adjusted to remove the impact of the small company premium on the cost of debt that the CMA allowed, as part of the undertakings Pennon provided to the CMA following the acquisition of Bristol Water in June 2021.

Wholesale Revenue received in 2021/22 as per table 2M is £110.003m, a difference of £0.331m (0.30%) against the allowed revenue from the FD. The variance against this is within the 2% tolerance of the revenue forecasting incentive reconciliation mechanism meaning that no penalty is payable.

Non-household revenue, having suffered as a result of business closures in the prior year, has seen some recovery; £3.0m (16%) higher than the previous year. Recovery of non-household demand resulted in a £1.0m increase, with tariff changes resulting in a £2.0m change.

Household demand has increased slightly this year with metered household revenue, which was £1.9m (4%) higher than the previous year. Meter switching and new connections (which are all metered) add to the metered customer base, we calculate that they added £2.2m to metered household revenue for 21/22 as well as the impact of tariff increase, £1.6m.

There were 9,654 customers switching from unmetered to metered tariffs during the year, either through choice or as part of our selective metering programme when there is a change of occupancy at a property. Metering activity increased this year through both the efforts of the wider Network+ team and through additional meter promotion, including the new money back guarantee.

There were 5,066 household new connections during the year. This was lower than the 5,760 we had forecast at PR19, and the 5,503 we forecast when setting tariffs. This was some impact of COVID-19 on the construction market, but also an increase in NAV connections reversing the lower than anticipated connections experienced in previous years.

Unmetered household revenue has reduced slightly; £0.8m (1.9%) from 2020/21. We calculate that £1.7m of this is due to customers switching to metered tariffs, offsetting £1.8m due to the increase in tariffs, with the remainder due to social tariffs and changes in voids.

The underlying mix of household and non-household revenue remains impacted as a result of COVID-19 reflecting sustained levels of home working and non-household revenue improving but still at lower levels than prior to the pandemic. Our non-appointed revenues including fishing and recreational income has seen improvement after the initial disruption brought about by lockdowns.

Grants and contributions from developers at £2.1m (net of income offset payments) were lower than the £3.5m assumed when setting tariffs, due to lower than expected activity levels and timing of charges being due.

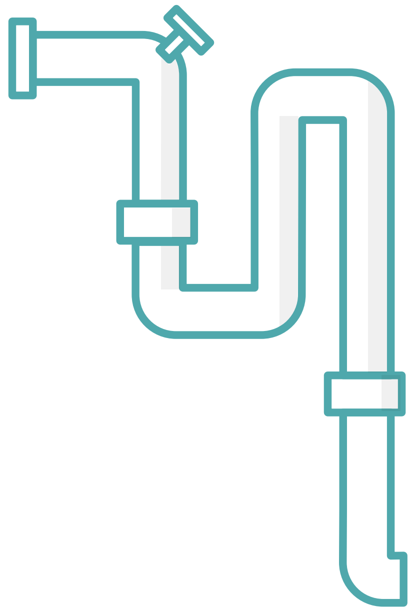
The number of billed household customers increased by 1.0% due to new connections.

The number of non-household customers increased by 2% showing some recovery after the business closures during the pandemic. This is reflected in reductions in business voids. Where businesses temporarily closed (and had a temporary void flag) these properties remained included within our property numbers, so the reduction in voids is in separate to this.

The number of metered households increased by 12,659 (4%) due to our selective change of occupier metering programme, as well as meter optants and new connections.

Operational Performance Standards (OPS) payments were £480 and Market Performance Standards (MPS) capped payments were £3,625 to the non-household market operator Market Operator Services Ltd (MOSL) for 2021/22.

We also received a credit of £2,181 as a redistribution of the previous year's market performance charges.



## 2N Residential retail – social tariffs

| | Revenue<br>£m | Number of customers<br>000s | Average amount per customer<br>£ |
|---|---|---|---|
| **Number of residential customers on social tariffs** | | | |
| Residential water only social tariffs | | 20.750 | |
| **Number of residential customers not on social tariffs** | | | |
| Residential water only no social tariffs | | 487.547 | |
| **Social tariff discount** | | | |
| Average discount per water only social tariffs customer | | | 78.22 |
| **Social tariff cross-subsidy - residential customers** | | | |
| Total customer funded cross-subsidies for water only social tariffs customers | 1.623 | | |
| Average customer funded cross-subsidy per water only social tariffs customer | | | 3.193 |
| **Social tariff cross-subsidy – company** | | | |
| Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers | 0.000 | | |
| Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer | | | 0.000 |
| **Social tariff support - willingness to pay** | | | |
| Level of support for social tariff customers reflected in business plan | | | 2.448 |
| Maximum contribution to social tariffs supported by customer engagement | | | 7.191 |

We offer three discounted tariffs to make sure we can help customers who find it hard to pay their water charges, with 21,209 customers receiving assistance through these measures, an increase of 3.9% over last year. The breakdown of these customers are as follows.

- 9,313 households are on our 'Assist' social tariff, which offers significant bill discounts to those customers least able to afford their bill, following a means assessment
- 8,670 households are on our 'Watersure Plus' metered tariff, this is for customers in receipt of certain benefits, and are defined as 'vulnerable', either because they have a medical condition or a large family
- 3,226 customers are on our 'Discount for low-income Pensioners' social tariff. This scheme gives a 20% discount on water bills to customers who live in a household where all members over the age of 18 are in receipt of Pension Credit.

In addition to the social tariff schemes, 3,918 households are currently benefitting from our 'Restart' scheme to clear their debt.

We also offer metering, water efficiency support and flexible payment plans to customers who may also need help paying but do not need as much assistance as a social tariff.

## 2O Historic cost analysis of Intangible fixed assets at 31 March 2022

| | Water resources<br>£m | Water Network+<br>£m | Retail residential<br>£m | Total<br>£m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2021 | 2.752 | 32.314 | 9.763 | 44.829 |
| Disposals | -0.096 | -0.712 | -0.017 | -0.825 |
| Additions | 0.226 | 2.294 | 0.890 | 3.410 |
| Adjustments | 1.102 | -1.100 | 0.000 | 0.002 |
| Assets adopted at nil cost | 0.000 | 0.000 | 0.000 | 0.000 |
| At 31 March 2022 | 3.984 | 32.796 | 10.636 | 47.416 |
| **Depreciation** | | | | |
| At 1 April 2021 | -2.016 | -22.905 | -6.663 | -31.584 |
| Disposals | 0.086 | 0.629 | 0.017 | 0.732 |
| Adjustments | -0.628 | 0.627 | 0.000 | -0.001 |
| Charge for the year | -0.385 | -3.389 | -0.072 | -3.846 |
| At 31 March 2022 | -2.943 | -25.038 | -6.718 | -34.699 |
| Net book amount at 31 March 2022 | 1.041 | 7.758 | 3.918 | 12.717 |
| Net book amount at 1 April 2021 | 0.736 | 9.409 | 3.100 | 13.245 |
| **Depreciation charge for the year** | | | | |
| Principal services | -0.385 | -3.389 | -0.072 | -3.846 |
| Third party services | 0.000 | 0.000 | 0.000 | 0.000 |
| Total | -0.385 | -3.389 | -0.072 | -3.846 |

The net book value includes £3.927m in respect of assets in the course of construction.

The fixed assets have been allocated based on their principal use. Assets used across business units such as general and support assets have been allocated to wholesale as their principal use. Further details can be found in the accounting separation methodology statement published on our website.

There are no third party intangibles assets therefore the depreciation charge for the year is principal services only.

## Section 3

# Performance summary

Section 3 of the Annual Performance Report reflects a high-level summary of our 2021/22 performance commitments, including our outcome delivery incentives. As a water only company, a number of data tables included in this section of the APR are not applicable to Bristol Water.

We continue to make significant progress in a number of areas that our customers prioritise and continue to deliver high levels of service. In supply interruptions, for example, we have achieved a 92% reduction compared to our performance in 2020/21. Last year's performance was affected by third-party one-off incidents, which our innovation has helped to overcome. We are committed to further minimising our customer supply interruptions and to continue to provide a resilience service.

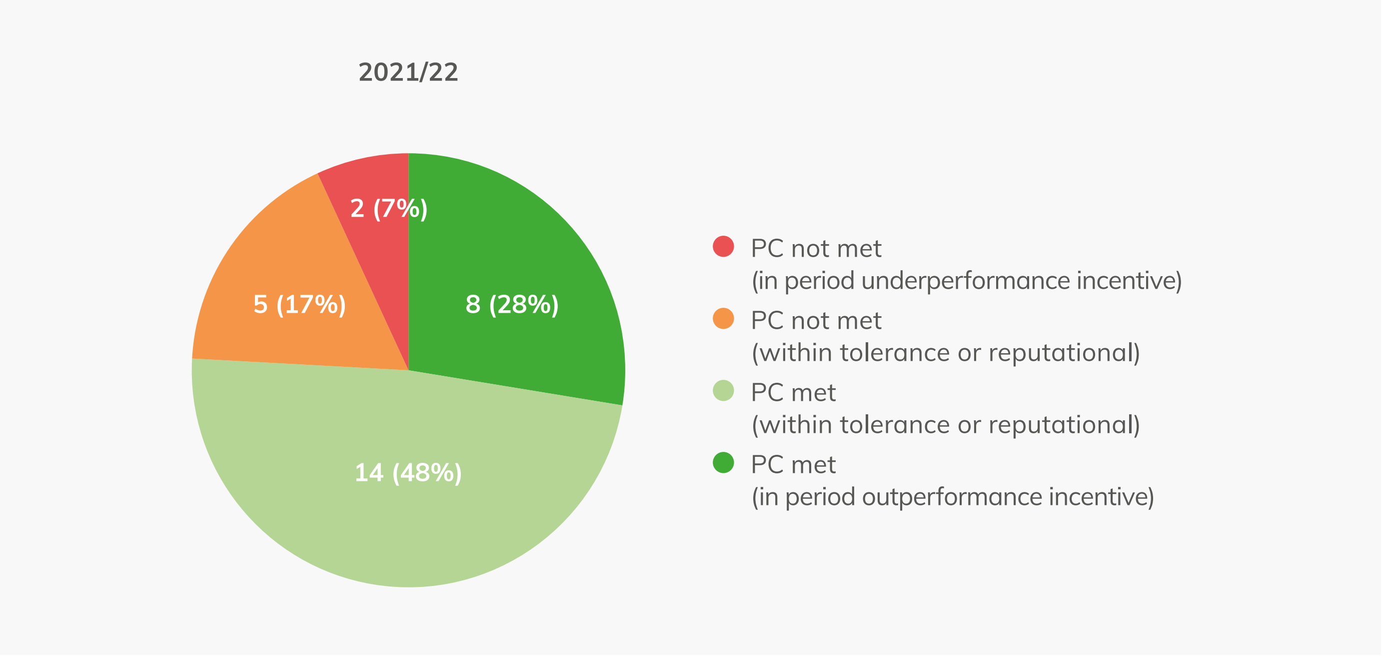
Transparency is important to us and it is important that our customers can find out how we are performing against our regulatory targets. We regularly publish information on our performance on our website (such as our interactive performance summaries at mid-year and year-end) to demonstrate to customers, stakeholders and our regulators that we are delivering the services expected of us. As well as this APR, we also publish an update of our outcome performance during the year in our Mid-Year Performance Report[24]. This was last published in December 2021. This APR provides a more detailed explanation of each performance commitment and the impact our performance has on our customers' bills, but summary information is also available on our website[25].

For each performance commitment we have set out our 2021/22 performance and compared this to our target (the "Performance Commitment Level") for the reporting period. Where relevant we have also shown whether this performance results in a financial outperformance payment or underperformance penalty. We have, where applicable, provided comparative information on how our performance compares to the rest of the industry. These comparisons have been based on historical performance as it is not yet possible to compare our 2021/22 performance (as other companies had not published their performance at the time of this publication).

We have provided information on our long-term ambitions – the level of performance we aspire to achieve beyond this give year reporting period.

We have also, for some performance commitments, provided some insights into how our social contract initiatives contribute to the delivery of our ambitions. Our social contract commitments seek to deliver our outcomes by working with others in a way which maximises value to our communities. To deliver our social purpose, we need to work in a way which has the most positive overall impact on society. So while our outcomes set out what we plan achieve, our social contract sets out a way of working. Not all of what we do as part of social contract can however be directly linked to a performance commitment.

In summary, we have met nineteen (76%) of our committed performance levels[26] for 2021/22, an increase from 62% in 2020/21. This total includes classifying C-MeX and D-MeX as being met (as they are at or above the industry median, even though our actual performance is below the ranking position we set as our plan ambitions).




Following the publication of our performance, Ofwat will consult on the application of our outcome delivery incentives later this year. Following the close of that consultation process, our net incentives are likely be taken as revenue adjustments, which will then impact our customers' bills in 2023/24. We plan to use this process to agree the bill reduction to reflect the removal of the company specific adjustment to the cost of debt that was one of the undertakings made by Pennon following its acquisition of Bristol Water last year.

[24] Bristol Water Mid-Year Performance Report 2021/22
[25] Performance reports
[26] Including penalty only measures that are within tolerance.

| 3A: Outcome performance - Water performance commitments (financial) | Performance level - actual | | PCL met? | Outperformance or underperformance payment | Forecast of total 2020-25 outperformance or underperformance payment |
|---|---|---|---|---|---|
| Common PCs - Water (Financial) | Previous reporting year | Current reporting year | | £m | £m |
| Water quality compliance (CRI) | 3.02 | 4.19 | No | -0.418 | -0.613 |
| Water supply interruptions (hh:mm:ss) | 00:30:17 | 00:02:31 | Yes | 0.343 | -1.202 |
| Leakage (%) | 6.9 | 11.5 | Yes | 0.016 | 0.000 |
| Per capita consumption (%) | -2.7 | -3.5 | No | 0.000 | -1.206 |
| Mains repairs (number) | 154.2 | 106.4 | Yes | 0.000 | -0.232 |
| Unplanned outage (%) | 0.20 | 1.74 | Yes | 0.000 | 0.000 |
| Bespoke PCs - Water and Retail (Financial) | | | | | |
| Customer contacts about water quality – appearance (number) | 1.07 | 1.11 | No | -0.067 | -0.109 |
| Customer contacts about water quality – taste and smell (number) | 0.35 | 0.28 | Yes | 0.017 | 0.028 |
| Properties at risk of receiving low pressure (number) | 57 | 11 | Yes | 0.212 | 0.819 |
| Turbidity performance at treatment works (number) | 0 | 0 | Yes | 0.000 | 0.000 |
| Unplanned maintenance – non-infrastructure (number) | 3,134 | 3,026 | Yes | 0.000 | 0.000 |
| Void properties (%) | 1.80 | 1.80 | Yes | 0.041 | 0.083 |
| Meter penetration (%) | 60.26 | 62.41 | No | 0.000 | 0.000 |
| Raw Water Quality of Sources (number) | 155 | 239 | Yes | 0.004 | 0.013 |
| Biodiversity Index (score) | 17,668 | 17,678 | Yes | 0.000 | 0.000 |
| Waste disposal compliance (%) | 98 | 98 | No | 0.000 | 0.000 |
| Water Industry National Environment Programme Compliance (%) | 100 | 100 | Yes | 0.000 | 0.000 |
| Local community satisfaction (%) | 88.2 | 92.6 | Yes | 0.158 | 0.225 |
| Abstraction Incentive Mechanism (AIM) (number) | N/A | N/A | Yes | 0.000 | 0.000 |
| Glastonbury Street Network Resilience (number) | 0 | 0 | Yes | 0.000 | 0.000 |
| Financial water performance commitments achieved (%) | | | 75 | | |
| Overall performance commitments achieved (%) (excluding C-MEX and D-MEX) | | | 72 | | |

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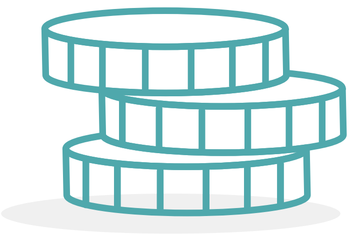
### 3B Outcome performance - Wastewater performance commitments (financial)

Table 3B is not applicable to Bristol Water as it is a wastewater table.

| 3C Customer measure of experience (C-MeX) table | Current year |
|---|---|
| Annual customer satisfaction score for the customer service survey | 83.11 |
| Annual customer satisfaction score for the customer experience survey | 82.61 |
| Annual C-MeX score | 82.86 |
| Annual net promoter score | 36.50 |
| Total household complaints | 1573.8 |
| Total connected household properties | 520,063 |
| Total household complaints per 10,000 connections | 30.262 |
| Confirmation of communication channels offered | TRUE |

| 3D Developer services measure of experience (D-MeX) table | Current year |
|---|---|
| Qualitative component annual results | 73.78 |
| Quantitative component annual results | 96.73 |
| D-MeX score | 85.26 |
| Developer services revenue (water) £m | 3.346 |
| Developer services revenue (wastewater) £m | |



| Calculating the D-MeX quantitative component<br>Water UK performance metric | Reporting period<br>1 April to 31 Mach | Quantitative score (annual) |
|---|---|---|
| W1.1 | 100.00% | |
| W3.1 | 92.49% | |
| W4.1 | 92.67% | |
| W6.1 | 100.00% | |
| W7.1 | | |
| W8.1 | 93.10% | |
| W17.1 | 100.00% | |
| W17.2 | | |
| W18.1 | 100.00% | |
| W20.1 | | |
| W21.1 | | |
| W23.1 | | |
| W24.1 | | |
| W26.1 | 90.00% | |
| W27.1 | | |
| W30.1 | 99.81% | |
| WN1.1 | 100.00% | |
| WN2.2 | 100.00% | |
| WN4.1 | 100.00% | |
| WN4.2 | | |
| WN4.3 | | |
| SLPM S1/2 | 100.00% | |
| SLPM S2/2A | 100.00% | |
| SLPM S2/2B | 100.00% | |
| SLPM S3 | 100.00% | |
| SLPM S4/1 | 100.00% | |
| SLPM 5/1A | | |
| SLPM S7/1 | 73.08% | |
| D-MeX quantitative score (for the relevant reporting period) | 96.73% | |
| D-MeX quantitative score (annual) | | 0.97 |

| 3E: Outcome performance - Non financial performance commitments | Performance level - actual | | PCL met? |
|---|---|---|---|
| | Previous reporting year | Current reporting year | |
| **Common** | | | |
| Risk of severe restrictions in a drought (%) | 56.9 | 32.9 | No |
| Priority services for customers in vulnerable circumstances - PSR reach (%) | 2.6 | 4.1 | Yes |
| Priority services for customers in vulnerable circumstances - Attempted contacts (%) | 48.6 | 91.1 | Yes |
| Priority services for customers in vulnerable circumstances - Actual contacts (%) | 35.5 | 53.2 | Yes |
| **Bespoke PCs** | | | |
| Percentage of customers in water poverty (%) | 1 | 1 | No |
| Value for money (%) | 83 | 77 | No |
| Percentage of satisfied vulnerable customers (%) | 82 | 89 | Yes |
| WINEP Delivery (text) | met | met | Yes |
| Total customer complaints (number) | 58.9 | 38.7 | Yes |

| 3F Underlying calculations for common performance commitments - water and retail | 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 - Water** | | | | |
| Mains repairs – Reactive (Mains repairs per 1000 km) | Mains length in km | 6,928.85 | 272 | 39.26 |
| Mains repairs – Proactive (Mains repairs per 1000 km) | Mains length in km | 6,928.85 | 465 | 67.11 |
| Mains repairs (Mains repairs per 1000 km) | Mains length in km | 6,928.85 | 737 | 106.37 |
| Per capita consumption (PCC) (lpd) | Total household population (000s) and household consumption (Ml/d) | 1,181.00 | 183 | 154.70 |

| | Performance level - actual (2017-18) | Performance level - actual (2018-19) | Performance level - actual (2019-20) | Baseline (average from 2017-18 to 2019-20) | Performance level - actual (2020-21) | Performance level - actual (2021-22) | Performance level - actual (2022-23) | Performance level - actual (2023-24) | Performance level - actual (2024-25) | Performance level 3 year average (current and previous 2 years) | Calculated performance level to compare against PCLs |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Performance commitments measured against a calculated baseline** | | | | | | | | | | | |
| Leakage (Ml/d) | 43.9 | 41.1 | 37.0 | 40.7 | 35.5 | 35.6 | | | | 36.0 | 11.5 |
| Per capita consumption (PCC) (lpd) | 148.9 | 151.3 | 146.4 | 148.9 | 161.1 | 154.7 | | | | 154.1 | -3.5 |

| | Standardising data indicator | Standardising data numerical value | Total minutes lost | Number of properties supply interrupted | Calculated performance level |
|---|---|---|---|---|---|
| **Water supply interruptions** | | | | | |
| Water supply interruptions (Average number of minutes lost per property per year) | Number of properties | 553,474.00 | 1,394,085,600 | 4,030 | 00:02:31 |

| | Current company level peak week production capacity (PWPC) Ml/d | Reduction in company level PWPC Ml/d | Outage proportion of PWPC % |
|---|---|---|---|
| **Unplanned or planned outage** | | | |
| Unplanned outage | 539.50 | 9.4 | 1.74% |

| | Total residential properties (000s) | Total number of households on the PSR (as at 31 March) | PSR reach % | Total number of households on the PSR over a 2 year period | Number of attempted contacts over a 2 year period | Attempted contacts % | Number of actual contacts over a 2 year period | Actual contacts % |
|---|---|---|---|---|---|---|---|---|
| **Priority services for customers in vulnerable circumstances** | | | | | | | | |
| Priority services for customers in vulnerable circumstances | 510.53 | 21,167 | 4.1% | 7,752 | 7,062 | 91.1% | 4,121 | 53.2% |

### 3G Underlying calculations for common performance commitments - wastewater

Table 3G is not applicable to Bristol Water as it is a wastewater table.

### 3H Summary information on outcome delivery incentive payments

| 3H Summary information on outcome delivery incentive payments | Initial calculation of performance payments (excluding CMEX and DMEX) £m (2017-18 prices) |
|---|---|
| **Initial calculation of in period revenue adjustment by price control** | |
| Water resources | 0.04 |
| Water network plus | 0.23 |
| Wastewater network plus | 0.00 |
| Bioresources (sludge) | 0.00 |
| Residential retail | 0.04 |
| Business retail | 0.00 |
| Dummy control | 0.00 |
| **Initial calculation of end of period revenue adjustment by price control** | |
| Water resources | 0.00 |
| Water network plus | -0.14 |
| Wastewater network plus | 0.00 |
| Bioresources (sludge) | 0.00 |
| Residential retail | -0.14 |
| Business retail | 0.00 |
| Dummy control | 0.00 |
| **Initial calculation of end of period RCV adjustment by price control** | |
| Water resources | 0.00 |
| Water network plus | 0.00 |
| Wastewater network plus | 0.00 |
| Bioresources (sludge) | 0.00 |
| Residential retail | 0.00 |
| Business retail | 0.00 |
| Dummy control | 0.00 |

### 3I Supplementary outcomes information

| 3I Supplementary outcomes information | Current company level peak week production capacity (PWPC) Ml/d | Reduction in company level PWPC Ml/d | Outage proportion of PWPC % | | | |
|---|---|---|---|---|---|---|
| **Unplanned or planned outage** | | | | | | |
| Planned outage | 539.50 | 7.01 | 1.30% | | | |
| | Deployable output | Outage allowance | Dry year demand | Target headroom | Total population supplied[27] | Customers at risk[28] |
| **Risk of severe restrictions in drought** | | | | | | |
| Risk of severe restrictions in drought[29] | 327.71 | 17.07 | 274.61 | 17.68 | 1,365,369.00 | 557,090.00 |

[27] Total population supplied reported as total 25-year average population supplied.
[28] Customers at risk reported as 25-year average number of customers at risk.
[29] Deployable output, Outage allowance, Dry year demand and Target headroom all reported in megalitres per day (Ml/d).

# Excellent Customer Experiences

## We will transform our customer service to provide an excellent experience at every single interaction with you and your communities. We will provide services which are rated highly by our customers.

### Customer measure of experience (C-MeX)

**Definition and Targets**

The aim of this performance commitment is to ensure we improve the experience we provide to residential customers, by improving both the overall customer experience and our handling of contacts from customers. This is measured via the customer measure of experience (C-MeX). Our C-MeX score is calculated as the weighted average of customer satisfaction scores from customer service and customer experience surveys, with surveys undertaken in four 'waves' throughout the year.

In comparison to the majority of our other performance commitments, C-MeX does not have annual performance commitment levels (also known as targets). Performance each year will be relative as rankings will be determined based on industry performance across all 17 water companies in England and Wales, using the published C-MeX scores.

Our aim in 2021/22 is to deliver a level of service that results in a 'top 5' position in the industry. To understand our performance to date we have included within the table a baseline level of performance, taken from our level of service reported last year. We have also set ourselves our own ambition for each year.

| C-MeX score and industry ranking | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition |
|---|---|---|---|---|---|---|---|
| Bristol Water Ambition | | Top 5 industry ranking | Top 5 industry ranking | Top 5 industry ranking | Top 3 industry ranking | Top 3 industry ranking | Top 10 company in UKCSI |
| Performance | 81.22 (8/17 industry ranking) | 83.31 (6/17 industry ranking) | 82.86 (6/17 industry ranking) | | | | |
| Outperformance payment expected? | | Yes | Yes | | | | |
| Ambition met? | | No | No | | | | |

**Performance**

Achieving 6th in the industry on C-MeX means we've just missed our target for this measure, achieving the same rank as last year.

C-MeX is split into a customer service survey and a perception survey. Our service survey rank was 4th, an increase from 5th last year. Our perception score has improved to 7th in 2021/22, this is an increase from 10th in the previous year.

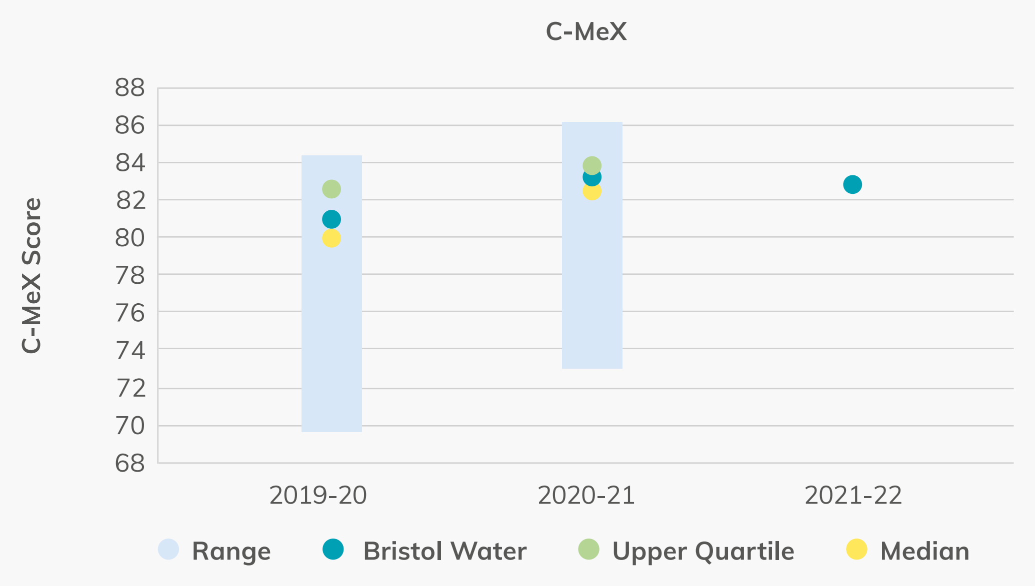
We have restarted a number of community projects such as the drinking water fountains, as well as issuing our customer magazine WaterTalk to all customers in January 2022. We have also managed a variety of projects to achieve this performance and this will continue into year three of the AMP.

Our 'In their shoes' campaign has become embedded within the culture of our customer facing operational teams. As part of the campaign the teams are consistently speaking with every customer after each visit to check the wider satisfaction of the customer. We have seen our customer feedback double in the last 12 months, whilst at the same time our operational customer complaints have reduced by c.75%, reflecting the benefits of the campaign and our focus on responding to customer feedback.

In the final three months of the reporting year we increased our focus on our messages to help customers with their bill, this included the launch of the two year 'Money Back Guarantee' scheme. This has helped our customer teams provide confidence to customers to try a meter 'risk free' for two years. As part of the scheme, customers who choose to switch to a metered tariff are entitled to a refund if their metered bills are higher than their unmetered bills. The difference is then credited if they decide to switch back to unmetered billing two years after installation.

Looking ahead, we have five projects in place aimed at improving our C-MeX score. These focus on areas of importance to the customer such as affordable bills, reducing water usage and improvements to our network. Across the next 12 months we will also be communicating more widely with our customers via our external communication channels and there will be a step change in telling the stories of the work we and our delivery partners do in the community.

**Comparative Performance**
Information on company C-MeX scores can be found on individual company websites.




**Other reporting and assurance requirements**
We can confirm that we have offered at least five communication channels for receiving customer contacts and complaints and at least three online channels throughout the reporting year. For completeness, the communication channels we offer to our customers are:

- Letter;
- Telephone;
- Email;
- Social media (multiple platforms);
- Webform;
- Live chat; and
- Customer visits (if requested).

## Developer services measure of experience (D-MeX)

**Definition and Targets**
The aim of this performance commitment is to ensure we improve the experience we deliver to developer services (new connections) customers, including property developers, self-lay providers (SLPs) and those with new appointments and variations (NAVs). This is measured via the developer services measure of experience (D-MeX), a measure of customer satisfaction. Our D-MeX score is calculated from two components that contribute equally; the qualitative D-MeX score (based on a customer satisfaction survey) and a quantitative D-MeX score (based our performance against a set of Water UK metrics), with the customer satisfaction surveys undertaken in four 'waves' throughout the year.

In comparison to the majority of our other performance commitments, D-MeX does not have annual performance commitment levels (also known as targets). The better and poorer performers each year will be relative as rankings will be determined based on industry performance across all 17 companies in England and Wales, using the published D-MeX scores. It is therefore not appropriate to forecast outperformance payments or underperformance penalties for this performance commitment, as the incentives will be relative to the median company's score each year.

Our aim in 2021/22 is to deliver a level of service that results in a 'top 5' position in the industry. To understand our performance to date we have included within the table a baseline level of performance, taken from our level of service reported last year. We have also set ourselves our own ambition for each year.

| D-MeX score and industry ranking | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|
| Bristol Water Ambition | | Top 5 industry ranking | Top 5 industry ranking | Top 5 industry ranking | Top 3 industry ranking | Top 3 industry ranking |
| Performance | 84.92[30] (8/17 industry ranking) | 86.81 (8/17 industry ranking) | 85.26 (9/17 industry ranking) | | | |
| Outperformance payment expected? | | Yes | Neutral | | | |
| Ambition met? | | No | No | | | |

[30] Stated as 84.85 in our 2019/20 APR but has since been revised following a clarification process from Ofwat.

**Performance**
This performance commitment will drive improvements in developer services for Developers, Self Lay Providers and NAV's. Ofwat publish the results as a League Table at the end of the reporting year and our customers can clearly see how we perform against other Water Companies in all areas of Developer Services.

We have improved our score with better customer satisfaction scores in the survey and with closer management of target dates we will deliver on the priorities of our customers who ask for better communication and timescales for completed work.

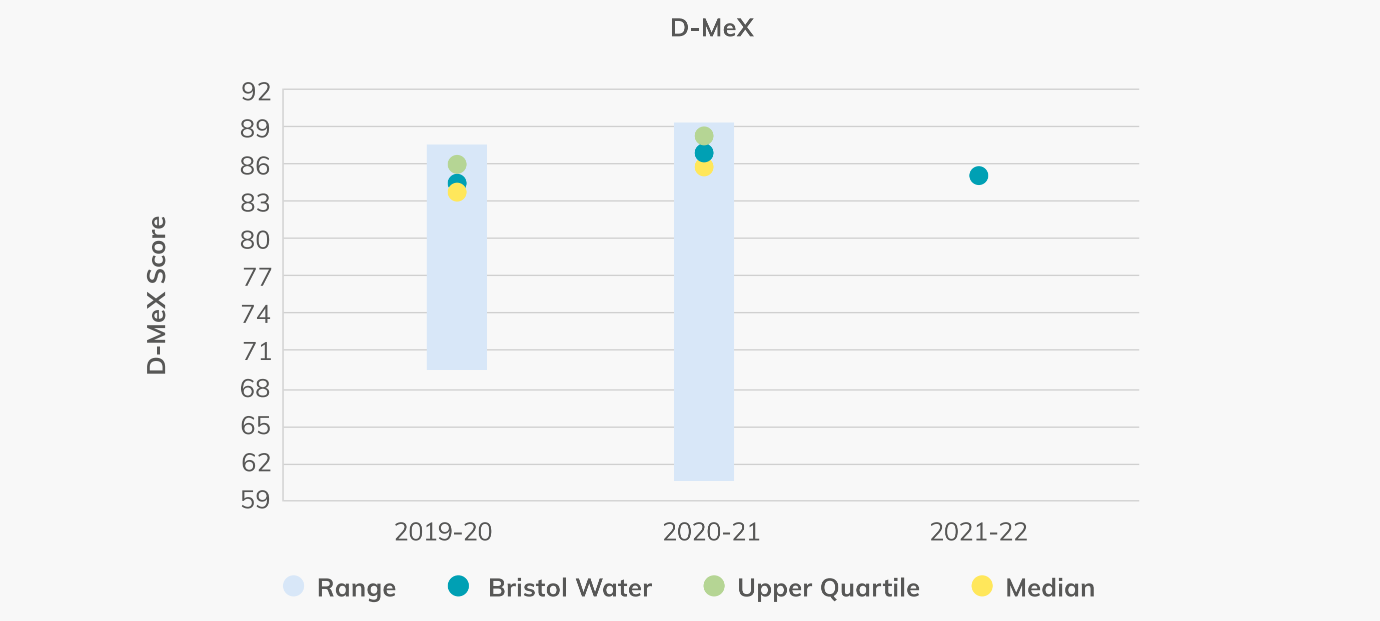
We continue to invite our customers to Market Engagement Events, this year we held two virtual events, in November and March. We invited our customers to discuss our Charges Scheme applicable from 1 April 2022, Adoption Codes, Fixed Price quoting and infrastructure reduction for water efficient new builds. This will give the customers a platform to speak directly to the team.

We are sending regular Newsletters by email to keep our customers who cannot attend the events informed.

We aim to be open and easy to work with.

**COVID-19**
We maintained a "business as usual" service for developers, SLP's and NAV's and sent regular newsletters to keep in touch during the lockdowns. We work with our customers to observe any restrictions on site and observe social distancing at all times. We offer Teams meetings and our Market Engagement event is now virtual.

**Comparative Performance**
Information on company D-MeX scores can be found on individual company websites.




## Priority services for customers in vulnerable circumstances

**Definition and Targets**
The aim of this performance commitment is to ensure we increase the number of customers in vulnerable circumstances that receive the most appropriate service to their needs. These are customers added to our Priority Services Register (PSR). It is reported as the percentage of households that we supply that are registered on our PSR (the "PSR reach"). It is also reported against the following criteria ("PSR data-checking"):

- Attempted contact: percentage of distinct households on the PSR that the company has attempted to contact over a two-year period;
- Actual contact: percentage of distinct households on the PSR that the company has actually contacted over a two-year period.

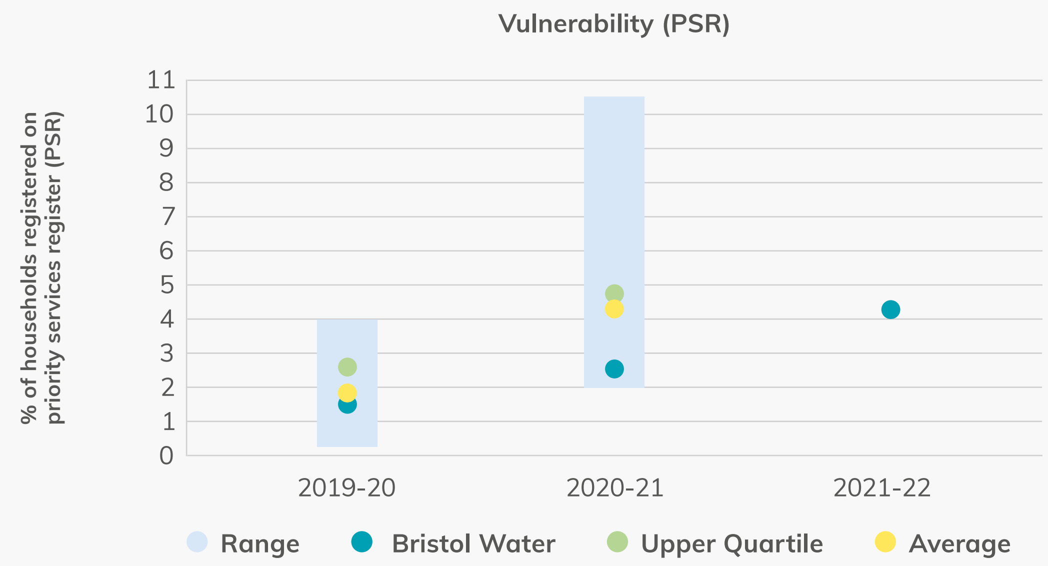
In order to have met our performance commitment level for the PSR reach, we must have also met the requirements for the actual and attempted contacts.

Our performance over the next five years will be reported against performance commitment levels, also known as targets. To understand our performance to date we have included within the table a baseline level of performance, taken from our level of service reported last year.

| % households registered on the PSR (PSR reach) | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 3.1 | 4.1 | 5.1 | 6.1 | 7.0 |
| Performance | 1.5 | 2.6 | 4.1 | | | |
| PCL met? | | No | Yes | | | |

| % households registered on the PSR (actual contact) | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 17.5 | 35.0 | 35.0 | 35.0 | 35.0 |
| Performance | 3.0 | 35.5 | 53.2 | | | |
| PCL met? | | Yes | Yes | | | |

| % households registered on the PSR (attempted contact) | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 45.0 | 90.0 | 90.0 | 90.0 | 90.0 |
| Performance | 3.0 | 48.6 | 91.1 | | | |
| PCL met? | | Yes | Yes | | | |




**Performance**

For customers in vulnerable circumstances, accessing the support they need across multiple utility providers can be time consuming and stressful. Safe and secure sharing of data across water and energy companies, with customer consent, can reduce this burden and enable companies to offer those consumers seamless priority support. We have registered an additional 7,760 households on the PSR in 2021/22, taking the number registered from 13,407 to 21,167.

We provide a range of free services to support customers in vulnerable circumstances, such as large print bills, support to read a meter, or ensuring consistent supply for those who depend on water for medical equipment at home. Examples include:

- our local data share with Weston Power Distribution. This local data share partnership enables us to receive customer data (with their permission) from our local electricity distribution network operator. It also means far less fuss for our customers as they only need to contact one of the companies to ensure they receive the help they need
- training and support for staff through our Vulnerability Hero's
- digital PSR outreach events
- distributing PSR information leaflets at certain foodbanks
- creating branded pharmacy bags for awareness
- a redesign of our bill to focus on messages around PSR and the support we can offer

We are also working on other data sharing arrangements with local authorities, which will benefit our future PSR delivery.

In our latest business plan we also set out our vulnerability and affordability action plan. We have provided a detailed update of our progress to date in an appendix.

**Social Contract**

The local data share initiative with Western Power Distribution helps significantly to achieve the PSR reach part of this measure. We have also conducted digital PSR outreach events which have contributed to the increase in our reach figure.

**Comparative Performance**

The Consumer Council for Water (CCW) conduct an annual Water Matters survey, which tracks household customers' awareness of the availability of priority services from water companies in England and Wales. The latest report can be found online at www.ccwater.org.uk/research/our-annual-water-matters-survey-results/. Industry performance on the percentage of households registered on the PSR is below.

**Other reporting and assurance requirements**

As part of our commitment to reporting on our PSR reach, we have also committed to reporting on the number of households receiving support through PSR services.

| PSR Reach (number of households receiving services through the PSR) | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| Communication | 5,439 | 8,420 | | | |
| Support with mobility and access restrictions | 7,449 | 15,697 | | | |
| Support with supply interruption | 9,977 | 11,921 | | | |
| Support with security | 2,424 | 2,966 | | | |
| Support with other needs | 7,148 | 11,316 | | | |

For "support with other needs", this is where the needs of these households do not align directly with the other categories listed, although a household may of course have other needs which lend themselves to another PSR service. The types of needs included under this category include:

- Temporary life change: for situations such as bereavement, job loss, short-term ill health etc.
- Temporary – Young adult: for those under 18 who may be living alone
- Pensionable age: for those who are over 65 who wish to register for their age alone for priority services
- Medicine refrigeration: for those who need to store medicine in their refrigerator

In these vulnerable circumstances customers can expect us to be aware of their 'need' when contacting us and also during planned or unplanned events, so we can ensure their needs are met. We will also ensure if we need to visit the household we use services such as knock and wait.

Finally, as part of our commitment to PSR data-checking, we have also committed to report the number of households added and removed from the PSR over the reporting year and the corresponding figure for individuals.

| PSR data-checking (households) | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| Number of households added | 6,461 | 8,794 | | | |
| Number of households removed | 707 | 1,034 | | | |

| PSR data-checking (individuals) | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| Number of individuals added | 6,504 | 8,890 | | | |
| Number of individuals removed | 721 | 962 | | | |

### Vulnerability Action Plan

In our latest business plan we set out our vulnerability and affordability action plan. The plan addressed how we would proactively support customers in vulnerable circumstances in every aspect of our business, by using data more wisely, increasing awareness of support, improving the customer journey and on developing our people and our culture. We are providing regular updates on our progress as part of our Mid-Year Performance Report publications. Our latest report was published in December 2021[31]. For a full update on our action plan please see our Vulnerability Action Plan section in this report.

[31] Mid-Year Performance Report 2021/22

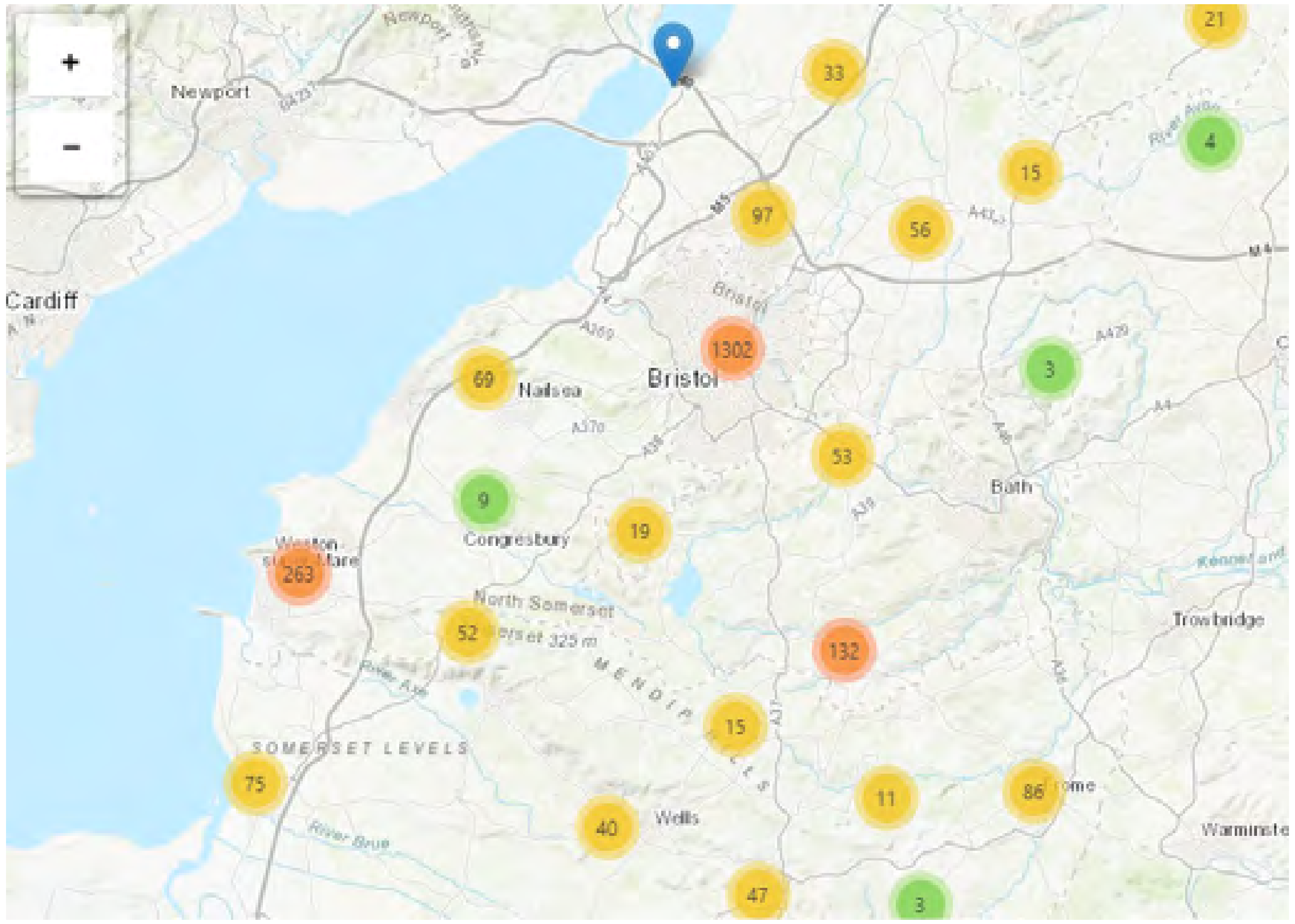
## Percentage of customers in water poverty

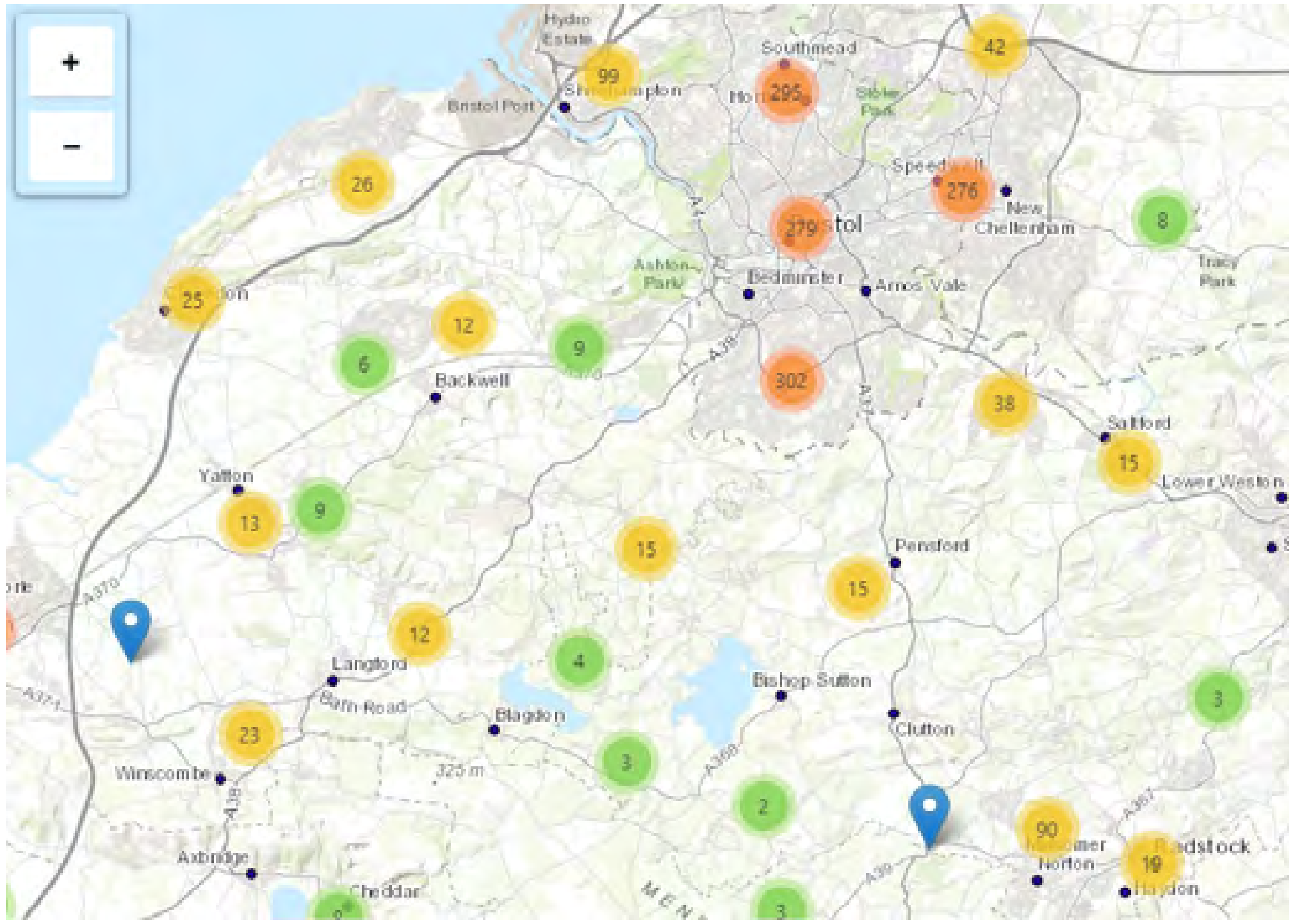
### Definition and Targets

The aim of this performance commitment is to reduce the numbers of customers in water poverty. It is defined as the percentage of customers within our supply area for whom their water bill represents more than 2% of their disposable income, defined as gross income less income tax.

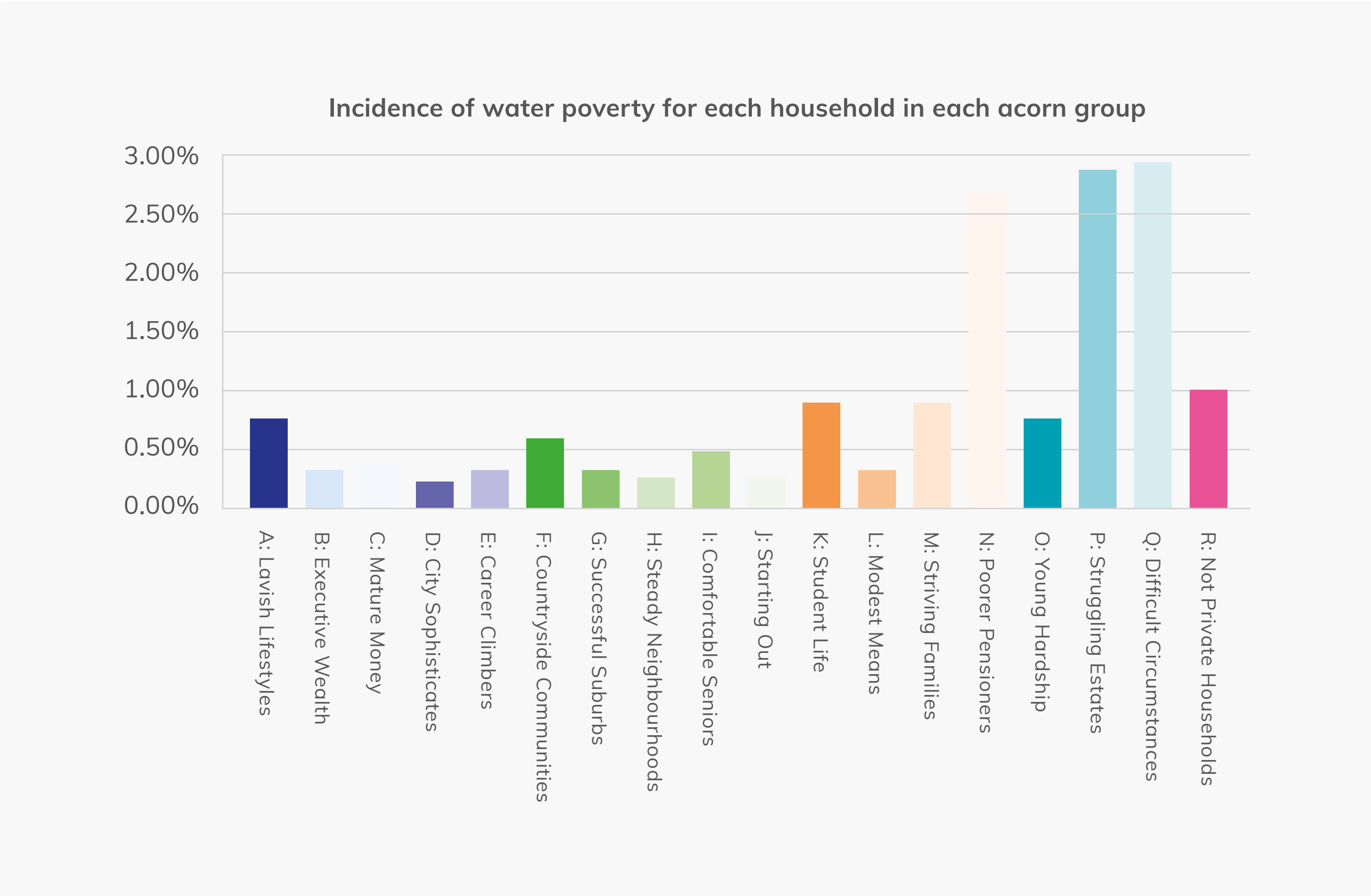
This measure allows us to understand the impact of our bills on our customers. To calculate this we use a population analytics model which compares the actual bills paid by each customer with an estimation of their household disposable income. We improved our analysis for this year to look at the actual bills paid by customers on social tariffs. This analysis revealed that our social tariffs are effective in combatting water poverty, with just two customers on our Assist tariffs calculated to be in water poverty, and 56 customers on our Pension Credit tariff. Most customers in water poverty are on standard tariffs, which shows that expanding the reach of our social tariffs would be effective in reducing the number.

The model analyses water poverty by post code, showing where greater levels of targeted support are required.

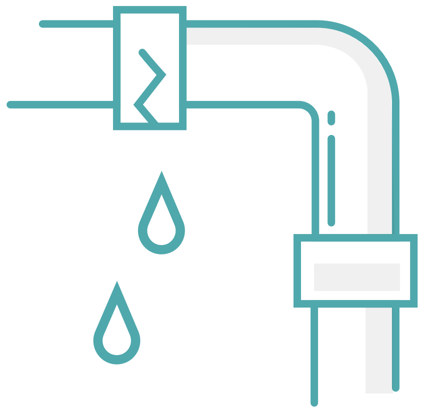





This postcode analysis can also be translated into Acorn segments, to assess which types of area experience the highest levels of water poverty:




Using this measure, we are able to offer advice, assistance schemes and capped tariffs, known as ‘social tariffs’ (including our Assist Tariff, WaterSure Plus and Pension Credit Tariff) to customers who fall within this category. This measure then also allows us to evaluate the success of our tariffs and assistance schemes for customers who are experiencing difficulty paying their bills.



Our performance over the next five years will be reported against performance commitment levels, also known as targets. To understand our performance to date we have included within the table a baseline level of performance, taken from our level of service reported last year.

| % of households in water poverty | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition |
|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 0 | 0 | 0 | 0 | 0 | 0 |
| Performance | 0 | 1 | 1 | | | | |
| PCL met? | | No | No | | | | |

**Performance**
We have historically been able to ensure zero percentage of our customers are in water poverty as a result of our focus on increasing the number of customers on our social tariffs. Our performance this year is 0.70%, compared to 0.63% last year, which corresponds to 3,371 households. Our water poverty tool has been updated to and now allows us to target individuals who social tariffs are not reducing their water poverty sufficiently. Through this we aim to reduce the percentage back to 0% in future years.

| Tariff | Water Poverty Rate (%) | No. of Households in Water Poverty | AVG Bill paid (£) |
|---|---|---|---|
| Standard Measured | 0.84 | 2365 | 176 |
| Standard Unmeasued | 0.55 | 925 | 221 |
| Assist 0 | 0 | 0 | 23 |
| Assist 1 | 0 | 0 | 49 |
| Assist 2 | 0 | 0 | 83 |
| Assist 3 | 0 | 0 | 119 |
| Assist 4 | 0 | 0 | 152 |
| Assist 5 | 0.40 | 1 | 155 |
| WaterSure Plus | 0.26 | 8 | 171 |
| Pension Credit Measured | 0.39 | 19 | 140 |
| Pension Credit Unmeasured | 0.10 | 3 | 176 |
| Pension Credit Assessed | 0 | 0 | 140 |
| Assessed Charge | 0.56 | 50 | 174 |
| **Total (All Customers)** | 0.70 | 3371 | 189 |

We believe that increased household consumption due to the rise in homeworking and school closures, coupled with a decrease in household income has significantly contributed to this level of water poverty. Our reporting approach for AMP7 is in line with the PR19 Final Determination expectation to include customers on social tariffs within our analysis, which also contributes to the slightly higher reported figure than when the zero baseline was set. The analysis tool was built and maintained by CACI.

We offer three discounted tariffs to make sure we can help customers who find it hard to pay their water charges, with 21,209 customers receiving assistance through these measures, an increase of 3.9% over last year. The breakdown of these customers are as follows.

- 9,313 households are on our 'Assist' social tariff, which offers significant bill discounts to those customers least able to afford their bill, following a means assessment
- 8,670 households are on our 'Watersure Plus' metered tariff, this is for customers in receipt of certain benefits, and are defined as 'vulnerable', either because they have a medical condition or a large family
- 3,226 customers are on our 'Pension Credit Discount' social tariff. This scheme gives a 20% discount on water bills to customers who live in a household where all members over the age of 18 are in receipt of Pension Credit.

In addition to the social tariff schemes, 3,918 households are currently benefitting from our 'Restart' scheme to clear their debt. We also offer metering, water efficiency support and flexible payment plans to customers who may also need help paying but do not need as much assistance as a social tariff.

**COVID-19**
Our Covid Assist scheme, introduced in October 2021, was designed to help and support those struggling to pay due to changes in circumstances caused by Covid-19 (particularly for customers who were affected by the COVID-19 furlough scheme drawing to an end). This scheme is a special low-rate tariff, which gives six months of financial relief.

**Social Contract**
We plan as part of our social contract throughout 2020-25 to work with local stakeholders to help provide extra support to those customers who need it, through extra care services or social tariffs and debt advice. In 2021/22 for example we prioritised 'hard to reach' projects and establishing partnerships with debt advice charities. These initiatives aim to prioritise trying new ways to reach out to those customers who are struggling to pay their bill but are hard to reach and to help low income customers receive full debt advice (not just help with their water bill). We have also started a data share with a local authority to find customers who may be struggling to pay across sectors.

## Value for money

**Definition and Targets**
The concept of "value for money" is important in measuring whether customers consider that the service that we provide is worth what they pay for it. The aim of this performance commitment is to deliver a service that represents value for money for our customers. It is measured via an annual household customer tracking survey of 1,000 customers; the percentage of customers surveyed who consider that we provide good value for money is determined by customers either responding "very good" or "good" to the question:

"Thinking about value for money, overall how would you rate Bristol Water in relation to the service they provide?"

Customers are selected through Random Digit Dialling (RDD). RDD is a method for selecting customers for involvement in telephone surveys by generating telephone numbers at random. Random digit dialling has the advantage that it includes unlisted numbers that would be missed if the numbers were selected from a phone book.

Our performance over the next five years will be reported against performance commitment levels, also known as targets. To understand our performance to date we have included within the table a baseline level of performance, taken from our level of service reported last year.

| % customers surveyed who consider that we provide good value for money | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition |
|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 80 | 81 | 82 | 83 | 83 | 90 |
| Performance | 75 | 83 | 77 | | | | |
| PCL met? | | Yes | No | | | | |

**Performance**
In 2021-22 survey, the total of 77% of the customers, who completed the survey, responded that they received either very good or good service from Bristol Water when thinking of value for money. This is compared to the PC level target of 81% and last year's result of 83%.

Value for money is an important concept in measuring whether customers consider that the service that we provide is worth what they pay for it. Some customers however struggle to make this assessment, often citing that they cannot compare the 'value' because they cannot choose their water supplier and will instead base their judgement not on the bill value, but on other perceptions. Whilst our average customer bills are similar to the national average customer bills, the survey is conducted in January and February, when increases in bills were being announced. This was also following the withdrawal of national government financial support, even though we introduced our COVID-Assist scheme for those impacted by the furlough scheme drawing to an end in October 2021. The results show that there is room for improvement in the services we provide to our customers.

**COVID-19**
During COVID-19 we have continued to provide our essential services of delivering water to our customers in a safe manner. We have also continued to provide additional services, such as our vulnerability and affordability support schemes, where these could be done in a COVID-19 compliant manner.

In 2021, in addition to our usual support to our customers, we introduced our COVID-Assist scheme for customers who had lost income because of the pandemic.

**Comparative Performance**
CCW conduct an annual Water Matters survey, which tracks household customers' views and preferences on the services and support that they receive from the water companies in England and Wales. We continue to achieve an encouraging level of performance in the CCW Water Matters survey. The survey is a useful proxy method for our customers to understand our performance, as it includes a question on how far customers agreed that the water services they receive represents value for money. The latest report can be found online at www.ccwater.org.uk/research/our-annual-water-matters-survey-results/.

## Percentage of satisfied vulnerable customers

**Definition and Targets**
The aim of this performance commitment is to ensure that those customers that are registered for our Priority Services Register (PSR) are satisfied with the services they receive through the PSR. It is measured via an annual survey undertaken by an external third party market researcher in line with the Market Research Society's code of conduct using a sample size selected to give a reasonable statistical significance. The sample comprises representative percentages of customers aligned to the vulnerability needs codes as of the end of the previous financial year.

Our performance over the next five years will be reported against performance commitment levels, also known as targets. As this performance commitment has not been reported on previously, it has not been possible to include a baseline level of performance from 2019/20.

| % registered on the PSR survey who consider that we provide a satisfactory level of service | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition |
|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 85 | 85 | 85 | 85 | 85 | 100 |
| Performance | N/A | 82 | 89 | | | | |
| PCL met? | | No | Yes | | | | |

**Performance**
In 2021-22 survey, 89% of our customers stated that they were either very satisfied or sarisfied with the service they receive through Bristol Water PSR. This is compared to the target of 85% and last year's result of 82%.

This measure is an indication of our progress made against our published Vulnerability Action Plan, which is updated during our mid-year report and reviewed by the Bristol Water Challenge Panel (BWCP). We continue to report on satisfaction levels because this is an area of focus and importance. Further information on the services we offer to customers that are registered for our PSR is explored in detail as part of the section on our Priority services for customers in vulnerable circumstances performance commitment and in our update on our Vulnerability Action Plan.

We expect our performance on this measure to increase in the coming years as we continue to improve the service we offer as part of the PSR. Over the next year this will include projects such as:

- Our Social Contract Vulnerability Programme[32]
- Company-wide vulnerability training
- Increased use of our new "Vulnerability Heroes" network of colleagues
- The use of case studies of customers on our PSR to better understand our customers
- Letters being sent to individuals once they have been signed up to the PSR, including a reminder of the service they have signed up for
- A cleanse of data on the PSR to ensure that customers on the PSR should be, and that they are aware of why they are signed up
- Our planned online registration journey improvements.

**COVID-19**

Our efforts to help our vulnerable customers continued during COVID. In addition to the on-going support and work with charities and organisations, we introduced the below measures:

- COVID-Assist scheme, which was created to help customers who were financially affected by the pandemic
- In-house Vulnerability training for all employees
- a data share with local councils
- leaflets at certain foodbanks
- branded pharmacy bags for awareness
- a redesign the bill to focus on messages around PSR and help with the bills

**Social Contract**

The Social Contract vulnerability programme forms part of our business as usual activities where we strive to provide the required support for all of our customers in vulnerable circumstances. The programme includes the following initiatives:

- Hard to reach projects
- Partnerships with debt charities
- PSR Outreach events
- A local data share with Western Power Distribution
- A partnership with Crimestoppers

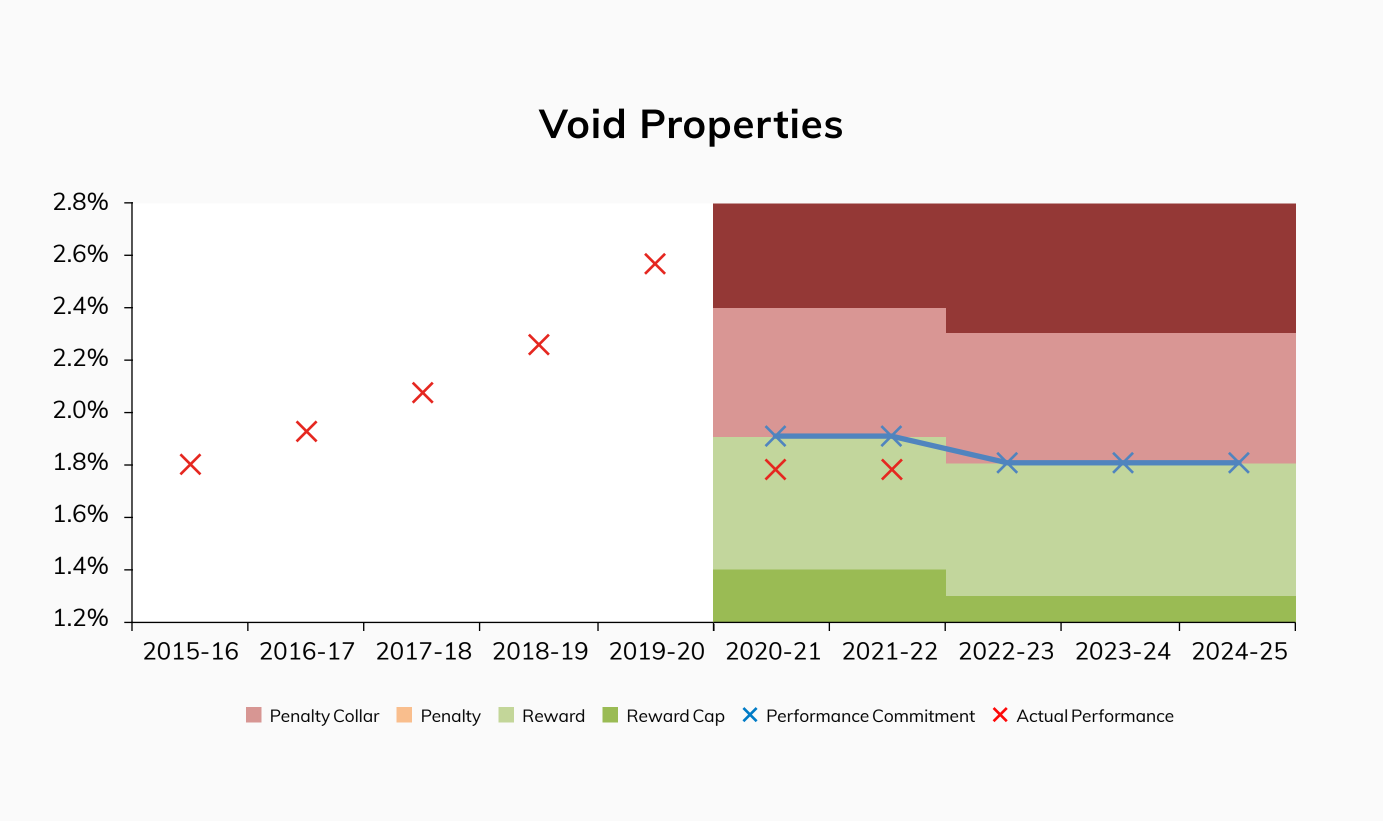
[32] Social Contract Forward Programme 2022/23

## Void properties

**Definition and Targets**

The aim of this performance commitment is to reduce the number of void properties (by identifying household properties that are occupied but not billed). A legitimately classified void property is a property within our supply area receiving water services but which does not receive a charge, as there are no occupants. It is measured as the number of household properties classified as void as a percentage of the total number of household properties supplied.

| % household properties classified as void | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 1.90 | 1.90 | 1.80 | 1.80 | 1.80 | 1.80 | |
| Performance | 2.54 | 1.80 | 1.80 | | | | | |
| PCL met? | | Yes | Yes | | | | | |
| Outperformance Payment/ Underperformance Penalty £m | | 0.041 | 0.041 | | | | | 0.083 |



**Performance**
Our voids in-month performance has increased from 1.67% in month 1 to 1.82% in month 12, the YTD average is 1.80% against our target of 1.90%. The risk to our customers arising from a higher level of void properties is that these properties are at risk of being unknowingly occupied to us and therefore debt could be building. It is very important that we keep a close management on the void level to prevent this happening. It is therefore encouraging that our level of performance this year has seen a considerable reduction from our baseline position on 31 March 2020. The first six months of the year saw a continued high amount of house moves (partly due to the temporarily reduced stamp duty rates). We have worked to use our data and resources to identify and reduce the voids below the target. Whilst the numbers have increased during the final few months of the year, we remain lower than the target both in month and for the year end result.

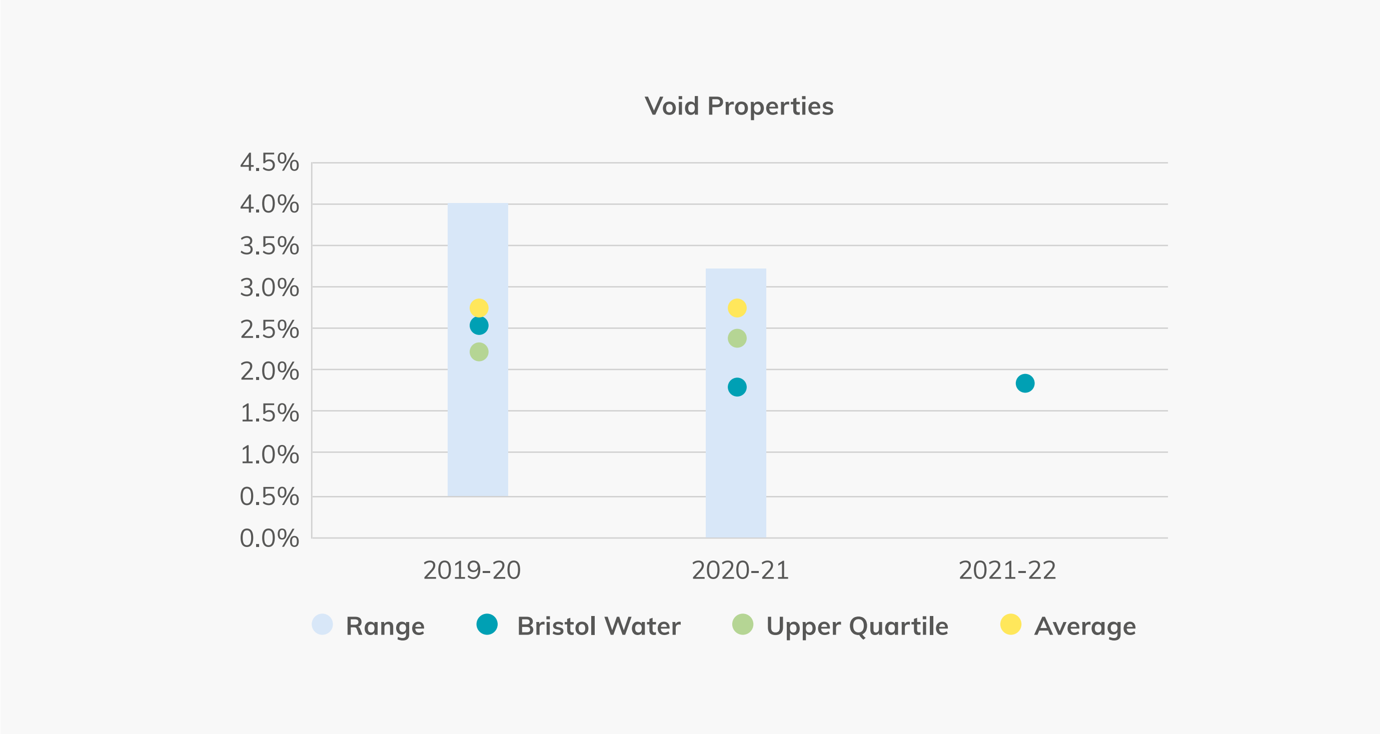
Granular detail regarding voids for measured properties is only recorded at a meter level as opposed to property, therefore the methodology used will differ slightly from the final determination, as a combination of measured meters and unmeasured properties is used. We have applied this methodology to both the numerator and denominator of the Void Properties PC equation, which means the reported % would remain the same. Due to this, the percentage submitted for the PC will not be able to be calculated using the figures submitted in table 4R as the denominator of the equation is using metered meters for all metered properties.

We accept there is a very minor possibility that when excluding metered unbilled new supplies that have not yet recorded any consumption (i.e. meter is still reading as nil) that a residential customer could furnish a property without recording any consumption, and then not move into the property for a period, meaning the Ofwat recommendation to not charge would not apply and the property should be classed as a void. However, we suspect that the instances of this, if any, are very rare, and therefore would not have a material impact on the reporting and are much less than the instances where the properties are not owned and therefore not void, so this is accepted as a limitation.

We have identified a small number of standpipes (c.100) which were historically included in our void dataset and have not been excluded from the property numbers in the void calculation. The impact of removing these standpipes for 2021/22 has resulted in our void performance figure decreasing from 1.82% to 1.80%. We believe that, as the targets for the AMP were set in PR19 at levels which already included the benefits from a further data cleanse and further exclusions, that this exclusion is not a deviation from the basis on which the target was set. However as in this case it was a category that would not be considered in voids, we have an included an abatement of the £8k of outperformance in our in-period ODI submission as the value of outperformance that has resulted from the 0.02% improvement in the void performance from this category of data improvement.

**COVID-19**
We have seen very high levels of house moves as a result of the stamp duty holiday which has created more voids in the short term as the volume of work has been processed. However, this has been manageable and the level of voids created has been better than the target.

**Comparative Performance**
To be fully transparent we are able to demonstrate our performance compared to other companies in the industry.




**AMP7 Forecast Total (Outcome Delivery Incentives)**
Based on our performance to date we are forecasting to achieve our PCLs in the remaining years of this reporting period. In order to outperform beyond this level of service, we would need to further learn the lessons from industry best practices, as well as consider approaches adopted in the wider utilities sector and from others who are faced with tackling the management of voids. Nevertheless, remaining at our current level of performance would indicate that our customers can expect a level of service that is ahead of other companies in the industry.

## Total Household Complaints

### Definition and Targets

The aim of this performance commitment is to deliver higher levels of customer service and in doing so reduce the total number of complaints made by household customers. It is measured as the total number of complaints by household customers we have received per 10,000 connections. Complaints include the combined total of unwanted contacts (i.e. telephone complaints), written complaints (letter and email) and contacts via new contact channels (such as webform, social media, webchat/ Livechat or short message service (SMS)). Complaints made via visits are also included.

The PCL for each year is to meet the “upper quartile” level of performance in England and Wales from the previous year. To understand our performance to date we have included within the table a baseline level of performance, taken from our level of service reported last year.

| Number of household complaints per 10,000 connections | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|
| Performance Commitment Level (“PCL”) | | 87.3 (2019/20 Upper Quartile) | 60.4 (2020/21 Upper Quartile) | 2021/22 Upper Quartile | 2022/23 Upper Quartile | 2023/24 Upper Quartile |
| Performance | 73.4 | 58.9 | 38.7 | | | |
| PCL met? | | Yes | Yes | | | |

### Performance

Our end of year figure of complaints is 30.3, c50% below our target. This is based on the revised CCW definition of customer complaints, when the target was based on the previous years reporting approach. Therefore we also note this performance against the 2021/22 CCW actual industry upper quartile of 29.3 which forms the basis for 2022/23 targets. Given the industry incentives to reduce complaint, we consider our performance would have met the previous year upper quartile if the data had been available on a comparable basis.

At Bristol Water we aim to provide the best possible service at all times. For all complaints we consider what action to take to put things right. Complaint resolution and handling is a key focus of our customer experience strategy, every complaint is handled by our Customer Care Team where a designated member of staff ensures that the complaint is resolved. The team provide root cause information which feeds into our learnings and future improvements to prevent repeat complaints. This in turn ensures we are industry leading and reducing the chance of causing customers to complain.

We acknowledge that the CCW complaint guidance was altered in 2021/22, which specified that “Repeat Contacts” as we knew them would no longer be classed as complaints, as well as changes to private plumbing complaints. This means that the guidance followed in 2021/22 is not consistent with 2020/21, the year in which our target of upper quartile was achieved. Because we have to record contacts in line with the CCW guidance on our source systems and are not able to record more than one classification, and because the performance target is dynamic, we have had to estimate the difference the change in guidance made to our complaint volumes, and this inevitably is less accurate in terms of reporting than the CCW basis of the target. We have made judgements in order to estimate the complaints per 10,000 value as per last years guidance. Having discussed this with Ofwat, Ofwat asked us to estimate for 2021/22 the performance on the previous years basis. Comparative data on the new basis is not available for 2020/21 in order to set the target, so we have noted above our performance against 2021/22 data from CCW.

Our best estimate, by uplifting this years complaint volumes by the difference we have seen in these kind of complaints when comparing to previous years, gives us a score of 38.7, which is below our target of 60.4.

We have come to this figure by taking the difference between the percentage of complaints that were repeat contacts in 2019/21 (33.01%) to 2021-22 (5.71%) to arrive at an uplift figure of 27.3%. We were only able to calculate this difference from operational data, as our billing company had no way of determining the difference. We have had to apply the 27.3% to both billing and operations due to this, despite the assumption that billing would have much less repeat contacts due to the nature of the queries from customers as they are more often queries dealt with at first point of contact than ongoing jobs and visits. This is likely to be an overestimate as billing repeat contacts can be expected to be lower than operational repeat contacts due to the simpler nature of the contact. We have applied the same methodology for private plumbing contacts, deducting 2021/22 (0.4%) from 2019/21 (0.99%) to arrive at a figure of 0.59%, which we applied only to the operations side of complaints as billing do not receive these types of contacts.

# Safe and Reliable Supply of Water

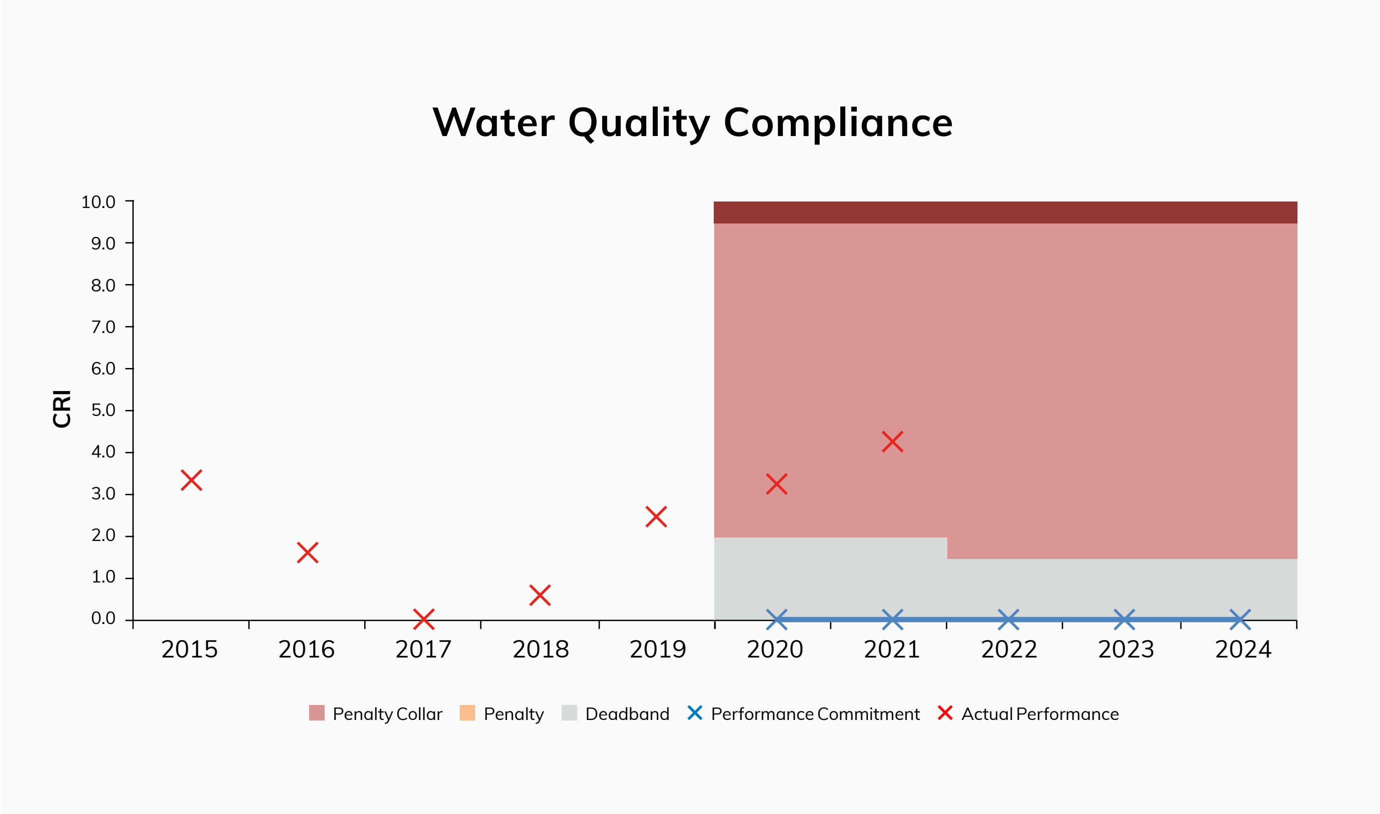
## We look after our assets to provide high quality, reliable supplies for present and future generations.

### Water quality compliance

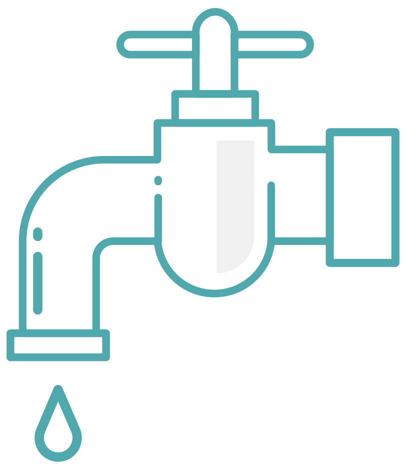
**Definition and Targets**
Drinking water must meet strict standards that ensure it is safe to drink and the quality is acceptable to customers.

The aim of this performance commitment is to ensure we fully comply with our statutory obligations on drinking water quality, which helps to promote customer confidence that their water is clean and safe to drink. It is measured by the Compliance Risk Index (CRI). It illustrates the risk to consumers arising from compliance water sample failures and considers the significance of the parameter, the cause of the failure, the Company's investigation and the location of the failure within the supply system. A CRI score is calculated for every individual compliance failure at water supply zones, supply points and treatment works, and service reservoirs.

This performance commitment is reported in calendar years. The annual CRI for a company, for any given calendar year, is the sum of the individual CRI scores for every compliance failure reported during the year.




| CRI score | 2019 Baseline | 2020 | 2021 | 2022 | 2023 | 2024 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 0 | 0 | 0 | 0 | 0 | 0 | |
| Performance | 2.31 | 3.02 | 4.19 | | | | | |
| PCL met? | | No | No | | | | | |
| Underperformance Penalty £m | | -0.195 | -0.418 | | | | | -0.613 |



**Performance**
Bristol Water has seen some challenges over the last two years with regard to its compliance risk assessment as a measure of water quality. Achieving full compliance (no failing compliance water samples) will always be a challenge. We are however never complacent in aiming for zero failures and thoroughly test the root cause of problems and potential risks. Water quality compliance (CRI) was above the 2.0 penalty threshold at 4.19. The performance commitment of 0 would require us to have no failing compliance water samples collected throughout the year. During 2021 there were 25 compliance failures, which is one fewer than 2020. These compliance failures reflected one-off coliform failures from samples taken at larger treatment works, that have a high weighting on this index. With the total number of failures were similar to previous years, the location made a difference on this occasion. The DWI made no recommendations to us across these compliance failures during 2021, and as a result we remain below the DWIs expected number of recommendations across compliance failures and audits. As there is little scope for failures in this target, and because it is important we target full water quality compliance, we have increased our focus on potential hazard identification and resolution, a strength of approach the DWI noted in their 2021 Chief Inspector's report. This focus produced a c55% reduction in outstanding hazards (the DWI Risk Adjusted Risk Index measure) which we use as an important asset health metric. The few water quality events in the year were generally associated with weather or burst events, with the Event Risk Index (ERI) similar to the previous year at 14, better than the level of c.30 which the DWI consider to be good performance.

With the gains made by our Drinking Water Safety Plan (DWSP) approach we have chosen to extend our work to form an integrated care package for our CRI performance. This initiative has brought in stakeholders from all level and from across the business including members of the asset management team, production and network, delivery and procurement. Through milestoned action plans we have identified 19 areas of review, for example filter management and media and water sampling disinfection protocols. We have taken proactive failure prevention action by taking DWSP improvement actions and audit findings to expedite delivery of these actions.

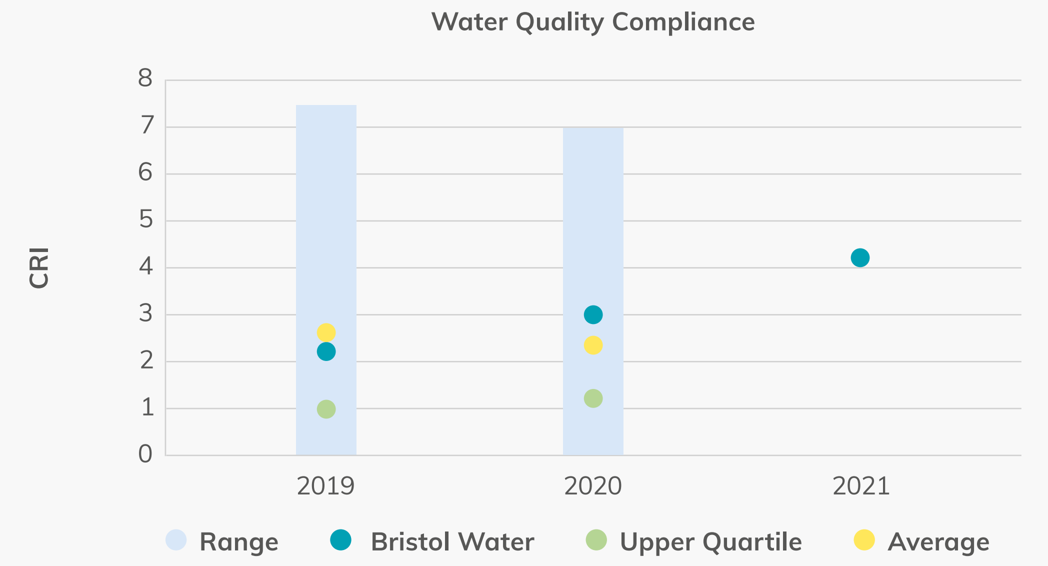
This plan forms part of DWSP business as usual activity and is tracked on a monthly basis for asset risk escalation and feeds into the investment delivery process, but with reporting to the executive team at fortnightly meetings to share DWSP audit risk escalations and remediation.

We are confident that this integrated care package will allow us to enhance the DWSP approach further and improve demonstration of excellent water quality. We intend to additionally show this proactive approach through reduction in overall company risk burden using the Risk Assessment Risk Index (RARI), which during our PR24 planning will be used to target investment decisions and inform decision making processes.

The water quality department has evaluated the reason for the increase in treatment works failures and of these only two were evaluated as being preventable (in the case of Cheddar works and Banwell) which related to sample lines/taps. To address this the company has undertaken surveys of all works final water sample points and there is a programme in place to consider replacement and moving these for any sites where deficiencies are found. This work is captured in the CRI Action Plan. Through our interventions on CRI performance we are able to demonstrate that our customers are receiving safe and clean water that they can trust.

**COVID-19**
A Regulation 7 waiver was in place during the first part of 2021. This required a move away from collecting water samples from customer taps and replaced by fixed point sampling from outside taps at employee/customer taps and churches. The Company accepted the increased risk during the sampling process due to the unprotected nature of the taps (being exposed to the weather conditions) and also the increased risk from stagnation, poor pipe condition and long service pipe runs in the case of churches. This occurrence also accounted for the lead failures at the start of 2021, and once there was a return to randomised sampling there were no further lead failures from customer properties.

**Comparative Performance**
Customers can compare our performance on water quality standards against other companies in the industry at discoverwater.co.uk/quality.



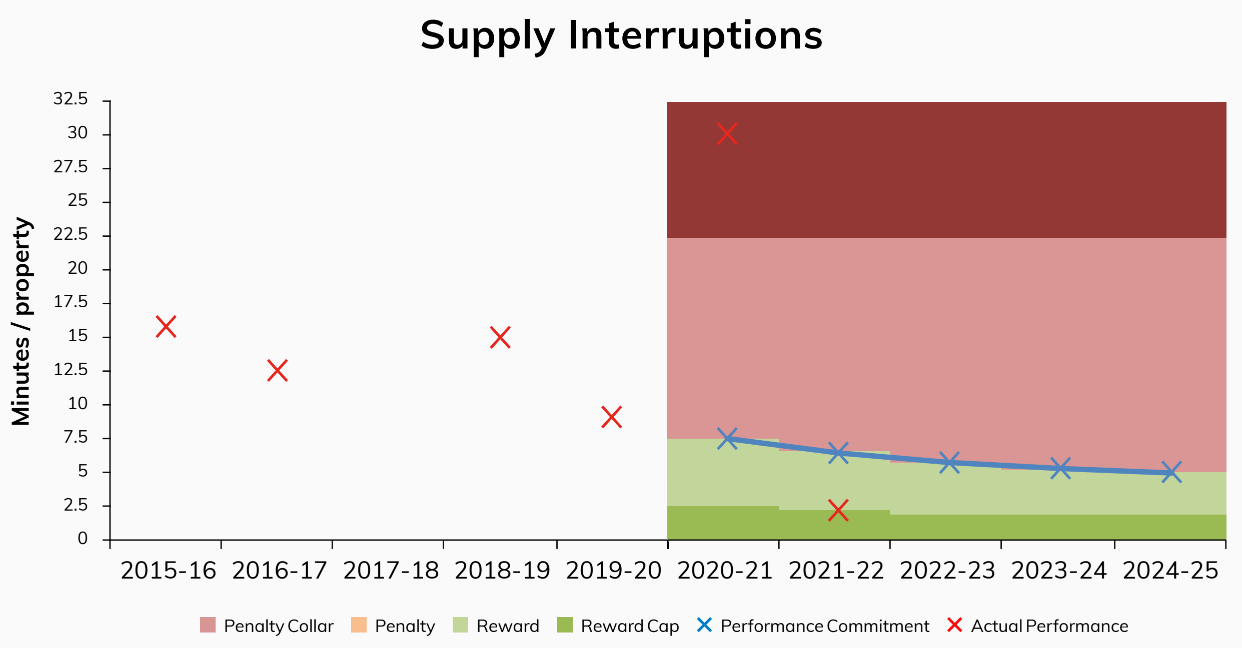

**AMP7 Forecast Total (Outcome Delivery Incentives)**
Based on our historical performance to date we are forecasting to achieve our PCLs in the remaining years of this reporting period. The improvements we describe above provide us with a level of confidence that this assumption is reasonable.

## Water supply interruptions

### Definition and Targets

Keeping water flowing is an essential part of our role as a water company; we know from talking to our customers that they value avoiding interruptions, particularly when they last a long time and are unexpected. The aim of this performance commitment is to minimise the number and duration of supply interruptions to customers. It is calculated as the average number of minutes lost per customer for the whole customer base for interruptions to supply (both planned and unplanned) that lasted three hours or more.

| Hours:minutes:seconds (HH:MM:SS) per property per year | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 0:06:30 | 0:06:08 | 0:05:45 | 0:05:23 | 0:05:00 | 0:01:00 | |
| Performance | 0:09:17 | 0:30:17 | 00:02:31 | | | | | |
| PCL met? | | No | Yes | | | | | |
| Outperformance Payment/ Underperformance Penalty £m | | -1.544 | 0.343 | | | | | -1.202 |




* Data point for 2017/18 not included in scale (performance over one hour and 15 minutes)

### Performance

Customers value a resilient and reliable water supply. So, when supply interruptions do happen, they understandably want their water back as soon as possible. We measure this as the total number of minutes customers have been without water, for longer than three hours, and divide this by the average total number of properties in the year.

We have made a lot of changes in our approach over the past three years. We have invested heavily in our smart network and increased the coverage of pressure loggers to allow us to proactively recognise when incidents may be about to occur. We have developed mapping tools to include pressure and flow information. We have developed quick response 'grab-packs' for high-risk sections of the network. We have found new ways to ensure customers still get water, even when an operational incident arises. These continuous water supply techniques include on-demand bowsers, infusion tankering, rezoning and over-land connections. We have also created additional roles, including dedicated incident managers, to support these changes and now offer 24hr monitoring and support to our operational and maintenance teams. We continue to invest in replacing old mains pipes to ensure that the risk of incidents is reduced. Our severe weather taskforce continues to plan to minimise the impact of weather events on customers supplies. In previous years these have included freeze-thaw events, this year our proactive planning maintained supplies to customers during the three named storms that hit in February which had led to the biggest power supply outage levels recorded in our area with the use of mobile generators, infusion tankering and the huge dedication of our operational teams.

In the unfortunate situations when we cannot achieve these high standards, whilst supply interruption solutions are being sought Alternative Water Supply options are in place (for example using tankers or delivering bottled water). These help protect the vulnerable and provide an interim solution for the community.

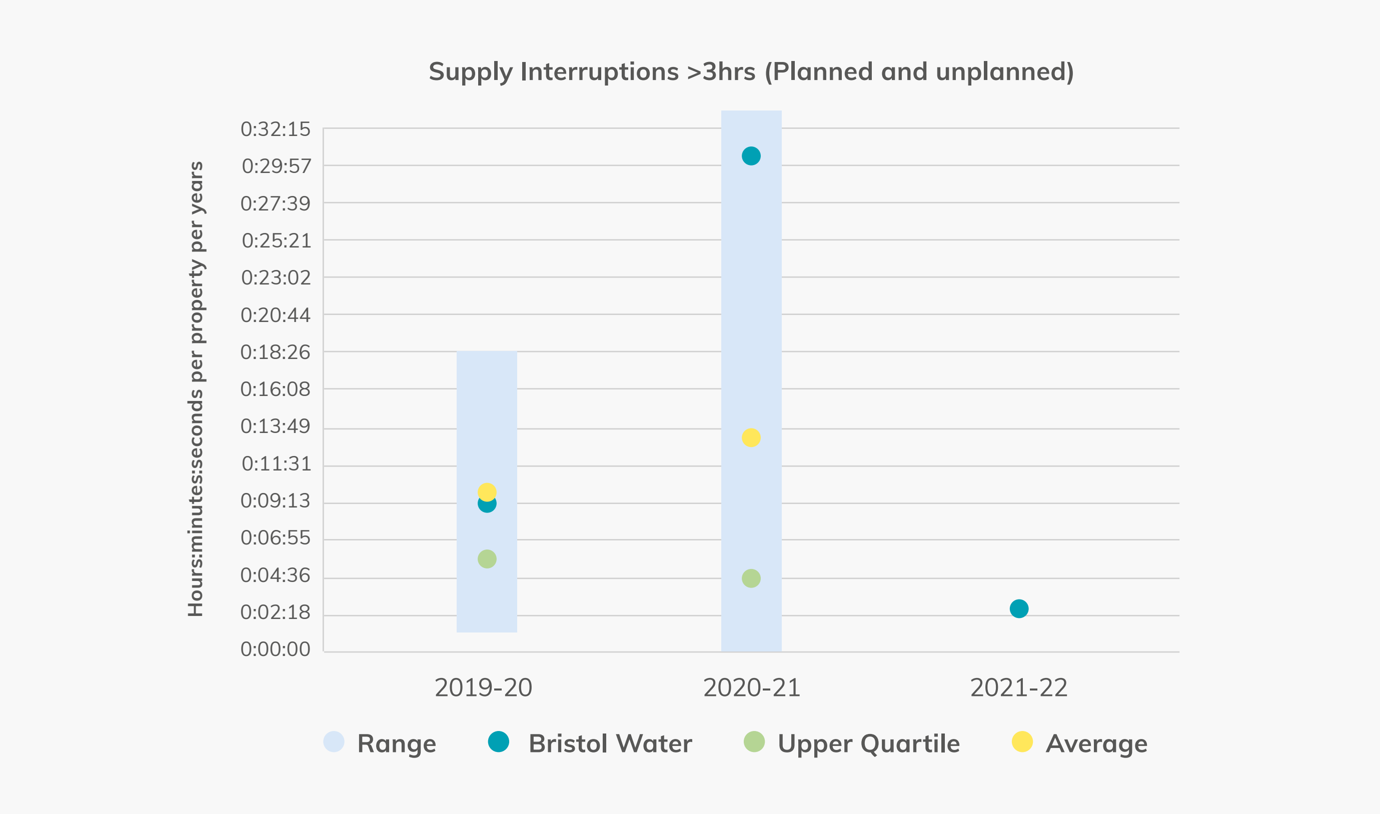
A factor in why our performance this year has improved significantly from the previous reporting year (moving from 30 mins 17 seconds to 2 mins 31 seconds) is due to ongoing improvements in our operational practices and performance and the absence of large events. This is a 92% improvement in performance, reflecting that last year's performance was largely affected by third-party one-off incidents, which our innovation has helped to overcome some of the risks we faced.

### COVID-19

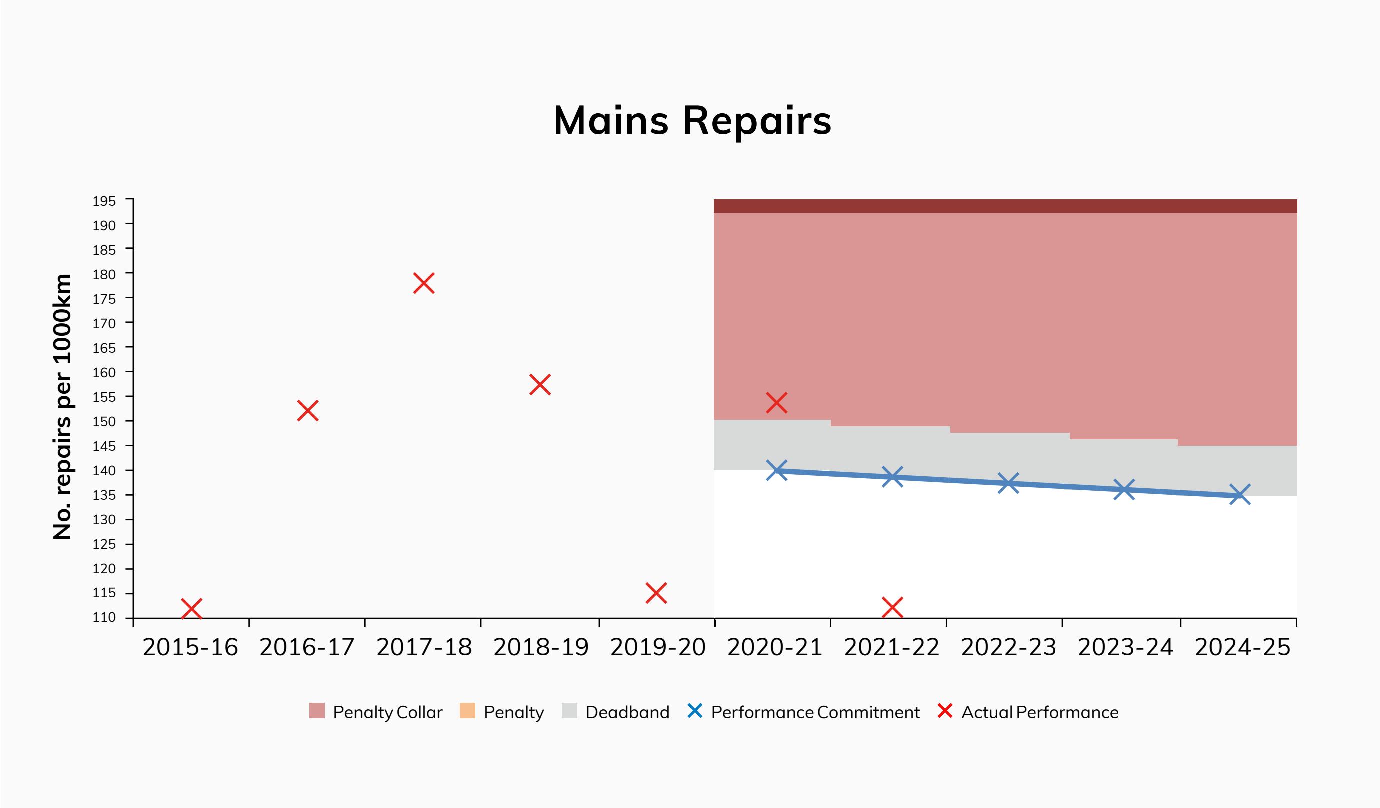
We have not identified any Covid-related direct impacts on supply interruptions, although changes in usage may have affected some interruption events and restrictions on movement may have exacerbated operational issues dealing with them.

### Comparative Performance

Customers can compare our performance on supply interruptions against other companies in the industry at discoverwater.co.uk/loss-of-supply.




| No. of repairs per 1,000km of mains | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 138.4 | 136.5 | 134.6 | 132.7 | 130.7 | 130.0 | |
| Performance | 115.5 | 154.2[33] | 106.4 | | | | | |
| PCL met? | | No | Yes | | | | | |
| Underperformance Penalty £m | | -0.232 | 0 | | | | | -0.232 |




**AMP7 Forecast Total (Outcome Delivery Incentives)**
We have assumed that we will perform in line with the performance targets for the remainder of AMP7. Whilst our underlying performance each month would suggest that a level of performance seen in 2021/22 could be improved still further, there are exceptional external and operational risks that could see the target being missed in individual years. Whilst there were large events that our innovative technology mitigated in 2021/22, in particular the Colliters Way burst in July 2021, there are some exceptional events that may occur where we may not be able to mitigate the impact.

## Mains repairs

**Definition and Targets**
The aim of this performance commitment is to ensure that our below-ground water mains network are maintained and improved for the benefit of current and future generations. It is reported as the number of mains repairs recorded in the year per thousand kilometres of the entire water main network (excluding communication and supply pipes). A burst pipe is the most common cause of loss of water supply.

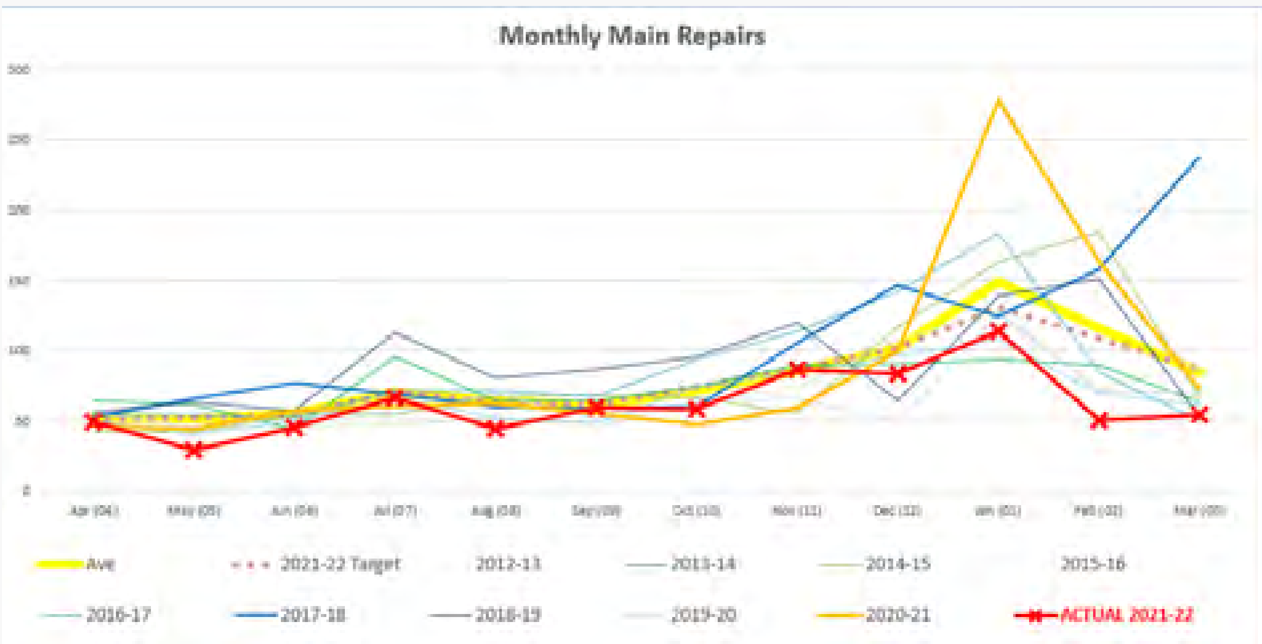
[33] The reported data for mains bursts includes subsequent repairs on repairs, of which there were only two in the year. The 2020/21 data was restated from that originally published in the APR from 150.1 to 154.2 to include subsequent repairs on repairs.

**Performance**
When our mains get damaged, or fail, it is vitally important that these are repaired to ensure that we do not waste valuable water and that customers are kept in supply. We minimise the likelihood of mains bursts by replacing targeted sections or whole areas of poorly performing pipes. We minimise high pressure risks where we can and monitor the network for 'transient' pressure spikes that can lead to mains failures. Alongside this, our network teams employ calm network operational techniques.

Our operations and maintenance teams have already been through a transformation process from the maintenance-centric approaches of the past that focused on fixing the burst as quickly as possible to the customer-centric approaches of today that focus first on maintaining service to our customers wherever possible. This has led to the development of 'Continuous Water Supply' techniques (such as live clamp repairs) and a 'Safe Control of Operations' framework, which focuses on minimising stresses on the network wherever possible.

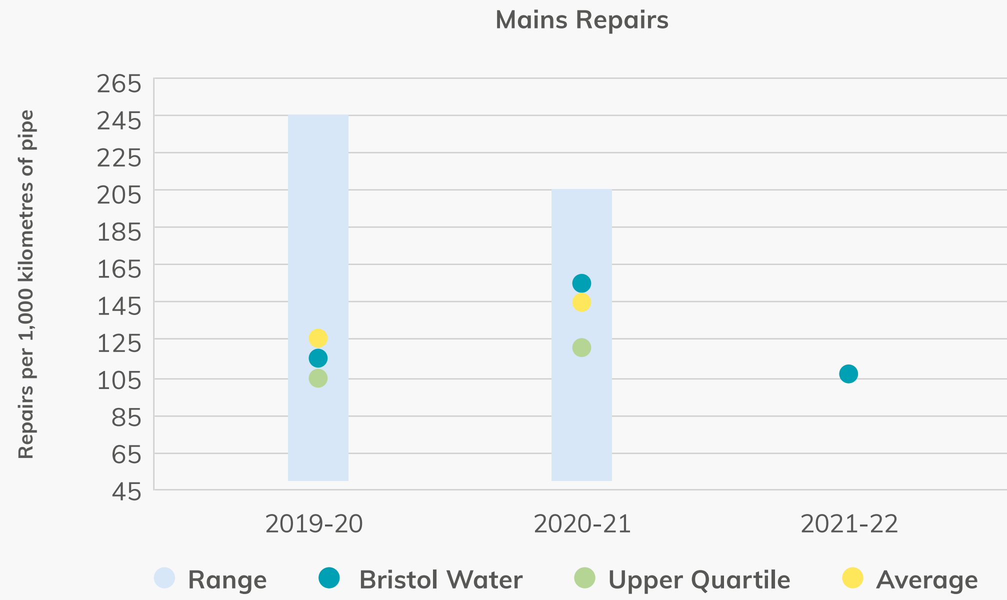
All of this effort and the minimal impact of a mild winter mean that we have outperformed the challenging target set for the year and report the lowest number of mains repairs for the last 10 years.

The reported data for mains bursts includes subsequent repairs on repairs, of which there were only 2 in the year. The 2020/21 data was restated from that originally published in the APR from 150.1 to 154.2 to include subsequent repairs on repairs.




**COVID-19**
The COVID-19 pandemic has led to changes in patterns and volumes of water usage associated with more people working from home and fewer people going to their offices. Pre-lockdown patterns of morning and evening domestic peaks have given way to less defined peaks previously associated with weekends.
This remains an impact in 2021/22, but to a lesser degree than compared to 2020/21.

**Comparative Performance**
Customers can compare our performance on bursts against other companies in the industry at discoverwater.co.uk/loss-of-supply. Our relative performance in this area is partly impacted due to the historic age of our network assets.




**AMP7 Forecast Total (Outcome Delivery Incentives)**
Our performance partly reflects the milder weather in 2021/22, as well as the benefits of past investment. Therefore we are forecasting to achieve our PCLs in the remaining years of this reporting period, although further exceptional weather such as the free-thaw events of January and February 2021 could affect this outcome. We can clearly demonstrate however that the underlying asset health is as expected.

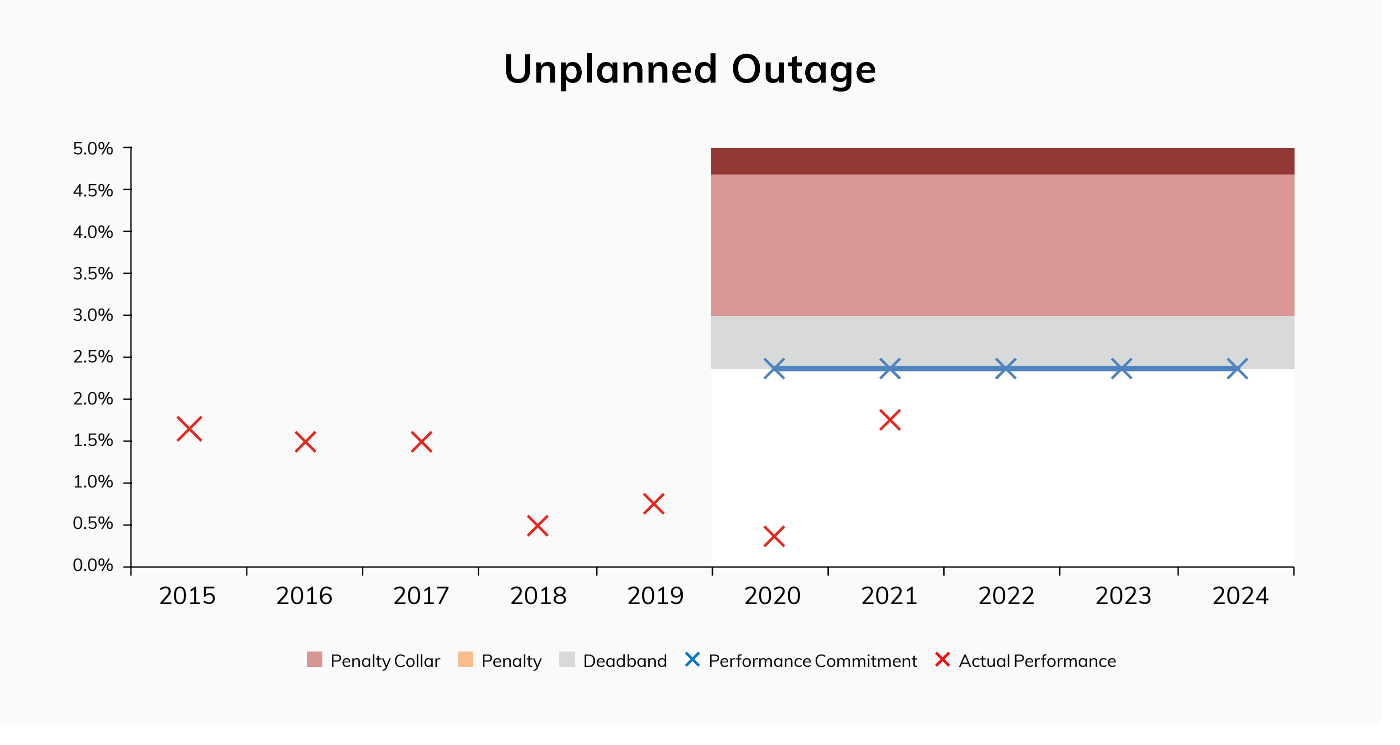
## Unplanned outage

### Definition and Targets

The aim of this performance commitment is to ensure that our above-ground water assets are maintained and improved for the benefit of current and future generations. It is reported as the temporary loss of peak week production capacity (PWPC) in the reporting year weighted by the duration of the loss (in days).

We have updated our unplanned outage calculation; we are using a rolling 24 hourly assessment (flow values per hour) as opposed to a lumped daily assessment. This more granular approach means more potential outage events are identified for investigation and ensures that we are aligned to the reporting guidance.

| % of peak week production capacity | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 2.34 | 2.34 | 2.34 | 2.34 | 2.34 | 0.00 | |
| Performance | 0.72 | 0.20 | 1.74 | | | | | |
| PCL met? | | Yes | Yes | | | | | |
| Underperformance Penalty £m | | 0 | 0 | | | | | 0 |



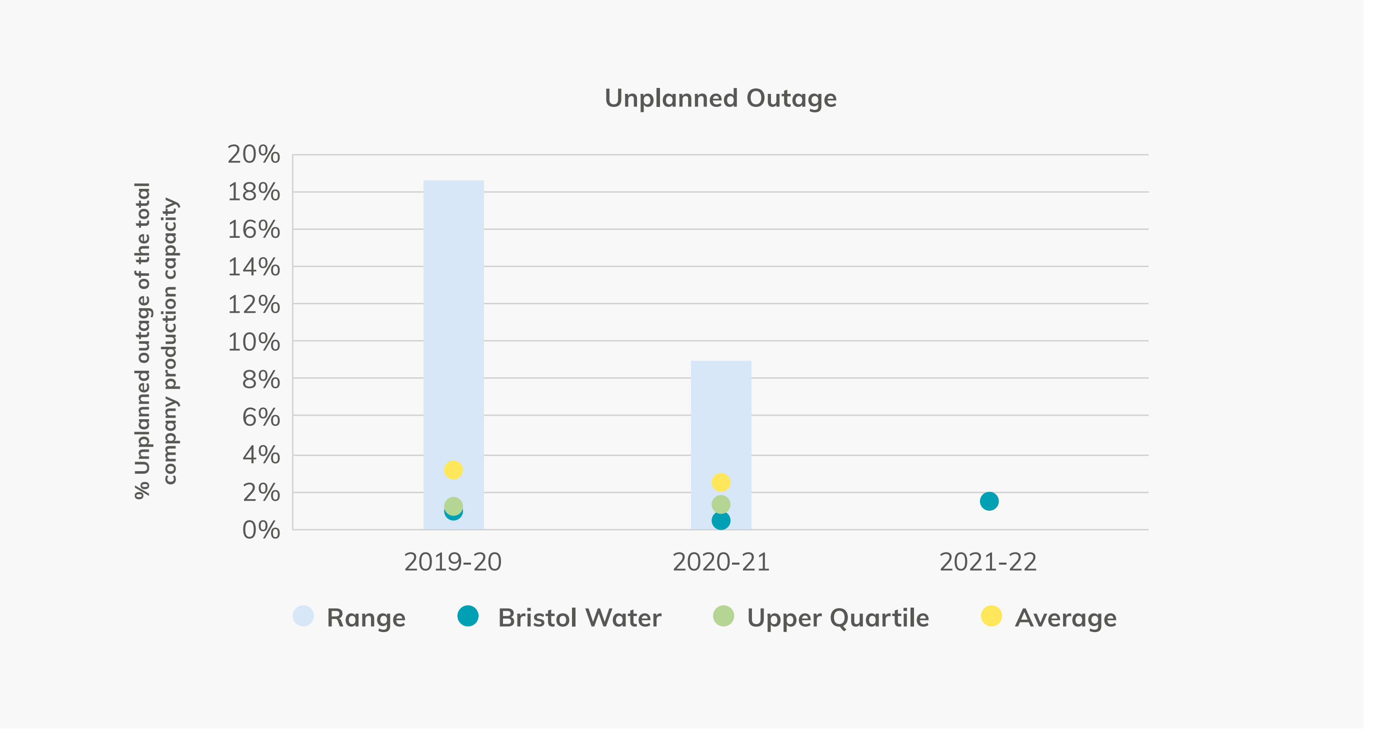

### Performance

The principal customer-facing impact of asset failure in respect of unplanned outages is an increased risk of supply interruptions and potentially low pressure. We are however pleased to report that our outage continues to remain below our PCL and indicates a high level of service. Our levels of service reflects our approach to maintaining our above-ground assets by responding immediately to unplanned outage failures - we aim to fix all outages within a working day. This means that unless there is a reason why the outage cannot be fixed that is outside of our control (for example due to the lead time required on parts to fix the outage or because of specific treatment process conditions) all outages are addressed before they exceed the 24 hour duration criteria.

Outage remains relatively low and within our performance commitment requirement. We continue to aim to fix all outages within the eight-hour working day however, due some extreme weather events (such as storm Eunice) and supply chain issues in obtaining replacement parts, there has been an increase in unplanned outage over the 2021/22 reporting period.

### Comparative Performance

Industry performance on unplanned outage is below.



**Other reporting and assurance requirements**
This performance commitment was previously 'shadow' reported on in the previous reporting period, with red, amber, and green ratings to provide transparency on the degree to which we had been able to implement the reporting guidance. As last year we have full compliance with the reporting guidelines. In addition, our outage capture and reporting process has continued to be improved and it now ensures that we identify any outages that are small, but fall across the date change (i.e. over midnight). This has resulted in us identifying and categorising more smaller outages and a subsequent increase in our volume of unplanned outages. We had however been reporting full compliance for unplanned outage in 2018/19 and 2019/20 (there were no amber or red assessments for the components associated with this shadow performance commitment in those years). We continue to report full compliance now that this is no longer being shadow reported.

**AMP7 Forecast Total (Outcome Delivery Incentives)**
Based on our historical performance to date we are forecasting to achieve our PCLs in the remaining years of this reporting period.

## Risk of severe restrictions in a drought

**Definition and Targets**
One of our customers' most important requirements is an unrestricted water supply and yet, during exceptionally dry periods, customers may experience restrictions to their water usage and/or supply. For example, temporary interruptions to supply. This measure looks at the percentage of our customers at risk of the most severe restrictions being introduced once every 200 years. The aim is to measure the resilience of our Company to severe water restrictions in a 1-in-200 drought and to incentivise us to make improvements to this level of resilience in the short and longer term.

| % of population at risk | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition |
|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 38.0 | 29.8 | 29.8 | 29.8 | 25.6 | 0.0 |
| Performance | 85.1 | 56.9 | 32.9 | | | | |
| PCL met? | | No | No | | | | |

**Performance**
It is important to underline that this metric is not about the risk of a drought occurring (a period of low rainfall that creates a shortage of water), but the risk of severe drought restrictions (a 'level 4 restriction') being imposed if an extreme drought ever happened (a 1 in 200-year drought occurring). Our performance commitment targets have been calculated using the data from our Water Resource Management Plan (WRMP), which set out our supply demand balance across the 25-year planning period using a forecast dry year demand.

If we were to experience a drought in reality the risk to our customers of experiencing severe drought restrictions would be reduced via the implementation of temporary use bans, sometimes called a "hosepipe ban", whereby restrictions are put in place on a number of customer activities, such as watering their gardens, cleaning their cars or watering their plants using a hosepipe. Such measures have however not been introduced by Bristol Water since 1990. In addition during a very severe drought we would consider implementing a Non-Essential Use Ban (NEUB) to restrict water use further. This would affect water use by both commercial and domestic customers.

Due to the integrated nature of our water sources, we operate a single water resource zone. A water resource zone is the largest possible area in which all resources can be shared. We use the water resource zone for operational management, water resource planning and drought management. The sensitivity of the Bristol Water supply demand balance, and the fact we only have one water resource zone, significantly impacts this metric, which is why our performance on this metric is not directly applicable to other companies (many of whom have multiple water resources zones).

Our preferred approach to maintaining our supply-demand balance continues to be focused on optimising the use of our existing water sources while continuing to drive down leakage and water consumption to maintain sustainable use of water resources. If we continue to outperform our leakage targets, as we have for 2021/22, the risk to our customers of introducing severe restrictions in a drought will continue to reduce.

**Additional detail on measurement units**
The 25-year average customers at risk has been assessed as being 557.090 of the 25 year average total population of 1,365,369. This equates to a 25-year average of 32.93% of customers at risk.

The outturn Distribution Input (DI) and outage allowance has been used to update the assessment and re-base the 25-year forecast to assess the current average 25-year customer risk. This reporting year (2021/22) has been assessed as a 'dry year' using the summer rainfall and temperature data from June to August. The analysis of the April to September rainfall and temperature data shows drier than average conditions, but not hotter than average. No dry year adjustment factor is therefore applied to the reported DI value. Outturn DI was 0.49Ml/d lower that the WRMP19 forecast DI for 2021/22 (275.1Ml/d)

The outturn outage allowance and the potable water imported and exported has also been updated in the supply demand balance assessment to reflect the actual outturn data for 2021/22. Actual outage is 11.93Ml/d more than the forecast WRMP19 outage. We have excluded the planned maintenance outage of Littleton treatment works from the outage assessment data because this was a planned shutdown for efficient maintenance purposes, and not driven by planned or unplanned outage requirements.

This shutdown would not have occurred in a drought year if the Mendip reservoirs were struggling to refill.

The supply demand balance is calculated as -6.80Ml/d in the 2021/22 reporting year, and 8 out of the 25 years currently being forecast as being in deficit if no further action is taken.

Our baseline water available for use assessment does account for savings associated with the implementation of Temporary Use Bans (TUBS) but does not account for any potential demand saving benefits associated with the implementation of a Non-Essential Use Ban during a significant drought. This is consistent with the information presented in are Water Resource Planning Table 10 which shows the assumptions included within our baseline WR Planning assessments and then the additional drought actions that we would apply in a drought worse than the 1-in-200 scenario we plan for.

**Comparative Performance**
Whilst all water companies in England and Wales must report on this performance commitment, it should be noted that this commitment is reflective of a company's WRMP plans and thus not directly applicable.

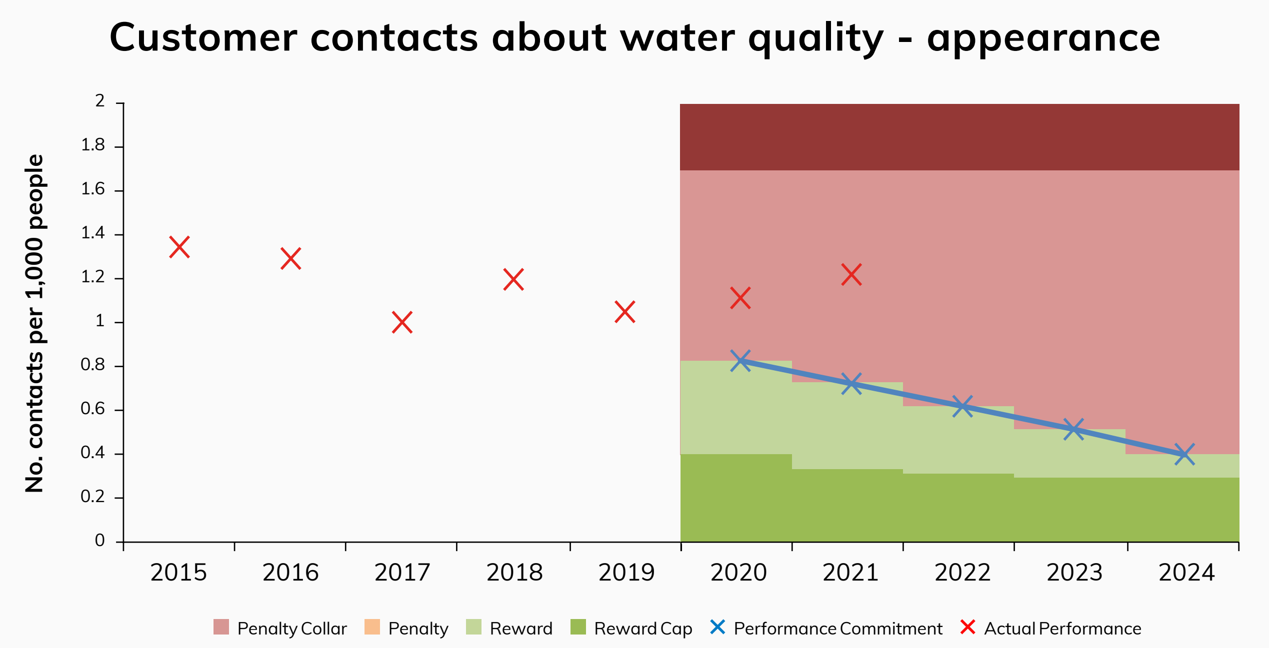
## Customer contacts about water quality – appearance

**Definition and Targets**
The aim of this performance commitment is to reduce water quality contacts made by our customers, relating to the appearance of their water. It is measured as the number of times we are contacted by consumers due to the drinking water not being clear, reported per 1,000 population. The calculation is the number of contacts for appearance multiplied by 1,000, divided by the resident water supplied population as reported to the Drinking Water Inspectorate (DWI).

To be consistent with our approach to DWI reporting, for the limited number of customer contacts that reference both appearance and taste and smell as issues, the contact is only counted against the performance commitment category it was originally assigned to.

This performance commitment is reported in calendar years.

| Number of consumer contacts per 1,000 population | 2019 Baseline | 2020 | 2021 | 2022 | 2023 | 2024 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 0.83 | 0.73 | 0.63 | 0.53 | 0.43 | 0.10 | |
| Performance | 1.03 | 1.07 | 1.11 | | | | | |
| PCL met? | | No | No | | | | | |
| Outperformance Payment/ Underperformance Penalty £m | | -0.042 | -0.067 | | | | | -0.109 |




## Performance

Customer contacts for discoloured (black, brown, orange) water remain the biggest contributor to appearance contacts (at 70% of all contacts). This discolouration can be primarily attributed to the disturbance of harmless iron sediments within the mains network.

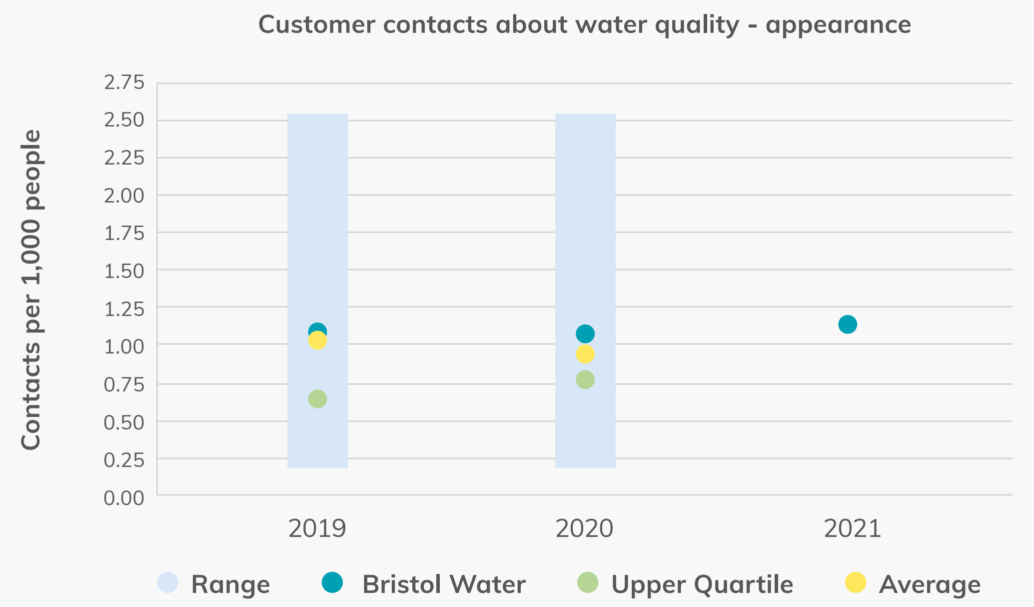
Our performance overall shows the relatively stable performance the Company has achieved to minimise customers experiencing discoloured water. However the target requires and improvement of performance which we have up to 2021 been unable to deliver, due to the disparate and isolated causes of discolouration, which is not linked to current source or treatment works activities. The Company has made good progress in recognising the factors contributing to discoloured water due to burst mains or third parties using our hydrants. A new Customer & Network Scientist has been recruited as a dedicated resource to investigate the underlying causes of discolouration and identify the relevant intervention required to reduce the risk of it recurring.

We are also working with external stakeholders such as the local fire service to provide them with awareness and training for using hydrants in our area without giving rise to discolouration. In December 2021 members of the Avon Fire Service completed the Company's valve training course as part of the calm networks' activities. We have also produced an educational video for anyone wanting to hire a standpipe from the Company demonstrating the correct way to operate a hydrant.

A focused steering group, including members of the Exec and key stakeholders, has established a strategy and action plan for achieving this performance commitment in subsequent report years. Performance in the last six months of 2021 and first three months of 2022 improved to a level in line with the 2022 target, as a result of these interventions.

In addition to the focus on discolouration the Company is continuing to review and improve the information available to customers on its website regarding some of the other issues that develop within the home and are captured by this performance commitment.

**Comparative Performance**
We know that the appearance of our customers' tap water is something which they value highly. Customers can compare our performance on appearance contacts against other companies in the industry at discoverwater.co.uk/colour.



**AMP7 Forecast Total (Outcome Delivery Incentives)**
Improving our performance will require significant investment. As an example of our plans, our water quality and network teams are working in partnership to identify a probable cause for all instances where three or more discoloured water contacts are received in a "single zone" (our network is split into a number of different zones, called Waste Water Districts) and this was extended in 2021 to investigation for single contacts. This has already proven beneficial in identifying contacts associated with third-party use of standpipes as contributory factors. We are therefore forecasting to be back on track later in this reporting period.

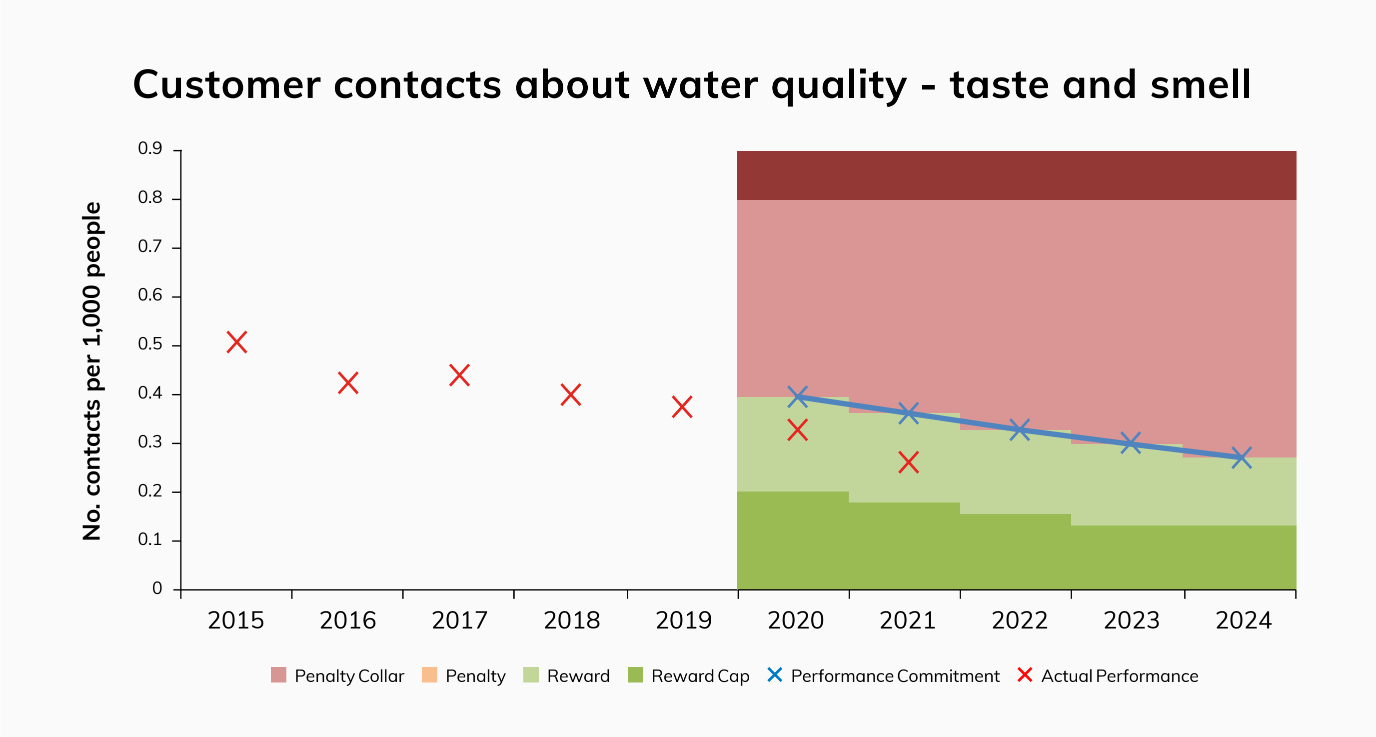
## Customer contacts about water quality – taste and smell

**Definition and Targets**
The aim of this performance commitment is to reduce water quality contacts made by our customers, relating to the taste and odour of their water. The calculation is the number of contacts for taste and odour multiplied by 1,000, divided by the resident water supplied population as reported to the Drinking Water Inspectorate (DWI).

To be consistent with our approach to DWI reporting, for the limited number of customer contacts that reference both appearance and taste and smell as issues, the contact is only counted against the performance commitment category it was originally assigned to.

This performance commitment is reported in calendar years.

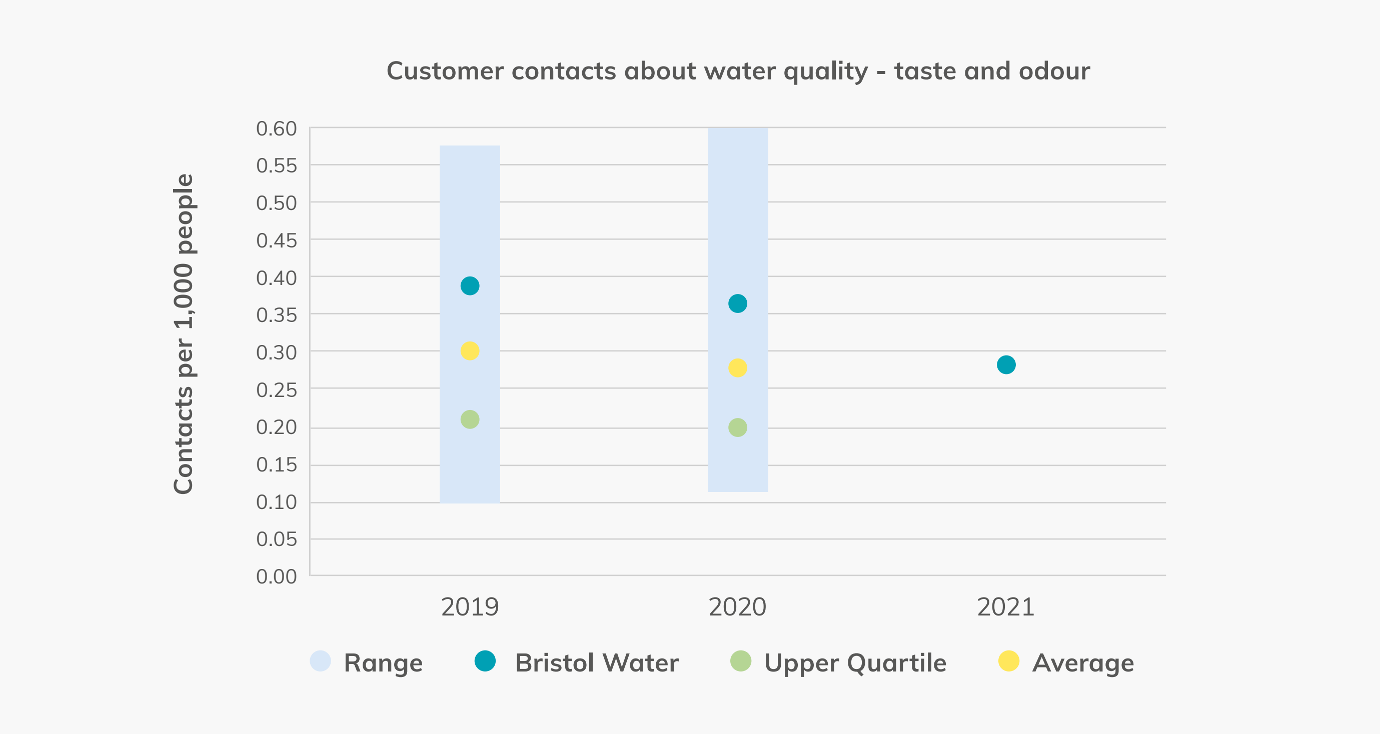
| Number of consumer contacts per 1,000 population | 2019 Baseline | 2020 | 2021 | 2022 | 2023 | 2024 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 0.40 | 0.36 | 0.32 | 0.28 | 0.25 | 0.10 | |
| Performance | 0.39 | 0.35 | 0.28 | | | | | |
| PCL met? | | Yes | Yes | | | | | |
| Outperformance Payment/ Underperformance Penalty £m | | 0.011 | 0.017 | | | | | 0.028 |



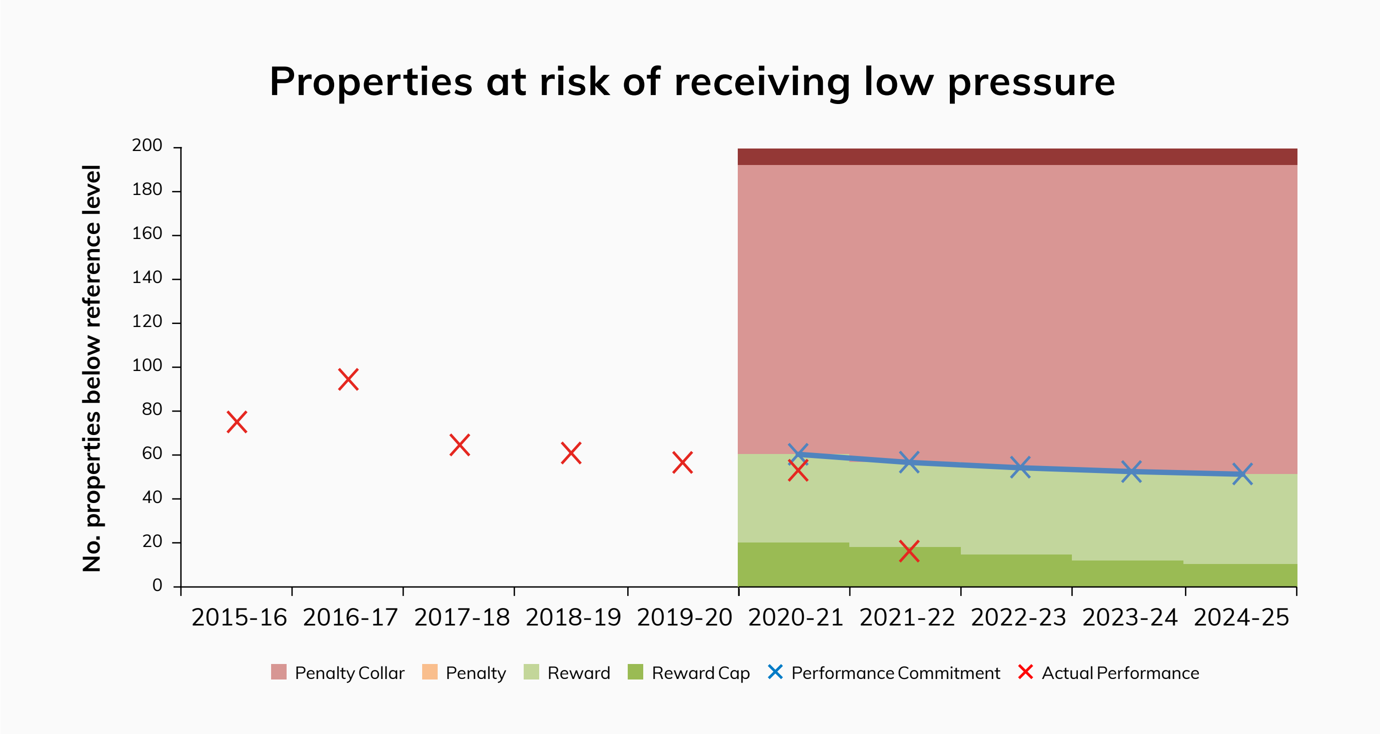

**Performance**
We are pleased to have again outperformed our target for this year, demonstrating the Company's continuing commitment to ensure the aesthetic quality of the water for our customers.

As a large proportion of taste and odour contacts are associated with the internal plumbing system in customers' homes, the Company has continued to make improvements to the information on its website to allow customers to self-serve to resolve this problems as quickly as possible.

**Comparative Performance**
We know that the taste our customers' tap water is something which they value highly. Customers can compare our performance on taste/odour contacts against other companies in the industry at discoverwater.co.uk/taste.




| Number of properties | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 65 | 61 | 57 | 53 | 49 | 20 | |
| Performance | 57 | 57 | 11 | | | | | |
| PCL met? | | Yes | Yes | | | | | |
| Outperformance Payment/ Underperformance Penalty £m | | 0.037 | 0.212 | | | | | 0.819 |




**AMP7 Forecast Total (Outcome Delivery Incentives)**
Based on our historical performance to date we are forecasting further outperformance in this reporting period; there is a clear trajectory of improving performance based on our investment plans.

## Properties at risk of receiving low pressure

**Definition and Targets**
Water pressure determines the strength of water flow from customer taps. The aim of this performance commitment is to identify the number of properties that have received, and are likely to continue to receive, pressure below the reference level when demand is not abnormal. This is measured as the total number of properties in our area of water supply which, at the end of the year, have received, and are likely to continue to receive, a pressure or flow below the reference level.

Our standard of service for mains water pressure is ten metres head (or 1 bar) at the property boundary of a home or business. This normally means that in our customers' home or business, water pressure should be strong enough to fill a 4.5 litre (one gallon) container in 30 seconds from a ground floor tap. This is the minimum level of pressure we expect each house or business to receive, although pressure can be higher.

Identifying new properties at risk of low pressure can arise as a consequence of our proactive monitoring of our network or as a consequence of poor pressure complaints raised by customers.

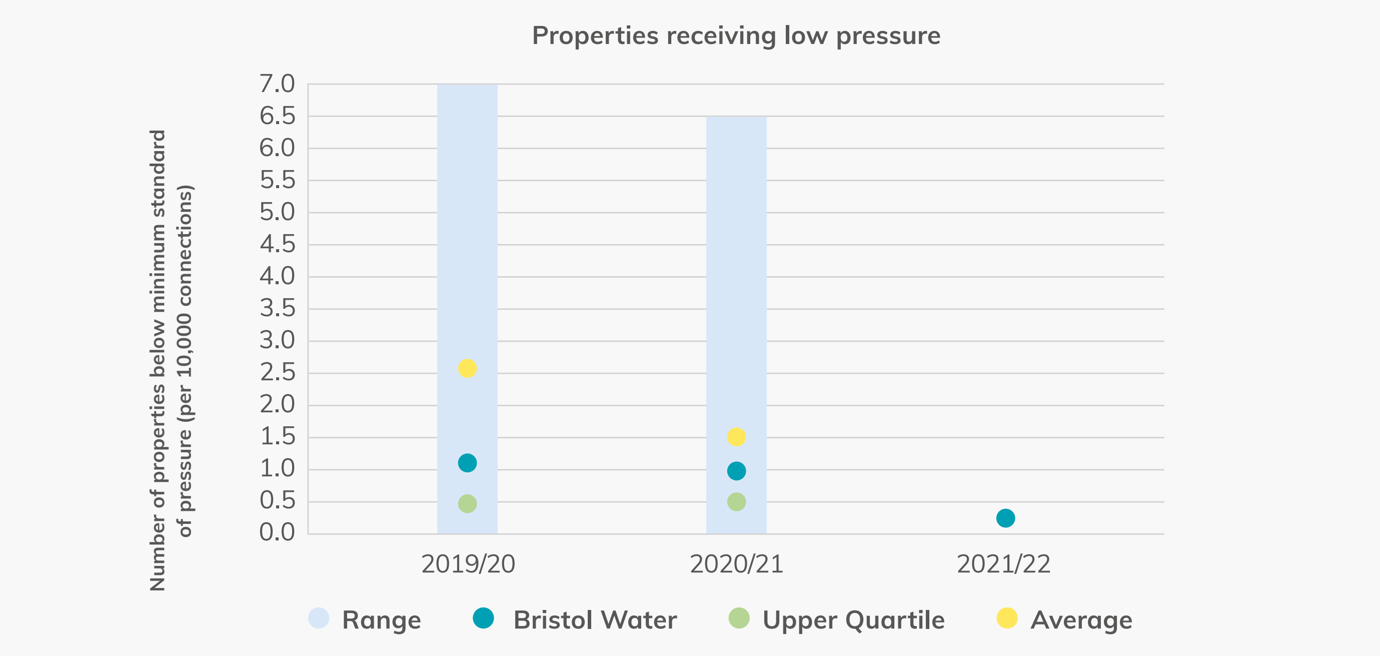
**Performance**
It is unlikely that customers will experience water pressure below the minimum standard and we have successfully maintained our number of properties on Low Pressure Register safely below our penalty threshold, with an approved remedial works programme to drive this number even lower by the end of the year.

This year we have made a determined effort to minimise the properties at risk of receiving low pressure and commissioned several targeted interventions to improve our customers' experience. These have included:

- new mains (e.g. 90m of new main was laid to boost pressure to 12 properties in Stanton Drew),
- network configuration changes (e.g. a cross-connection in St. George enhanced pressures to the end of a district for 15 properties) and
- enhancing some common private supply pipe arrangements (e.g. additional connections to common supply pipes resolved pressure issues for 11 properties in Radstock and 13 properties in Street).

Despite having been made aware of an additional 23 properties being at risk of receiving low pressure (in addition to the existing 57 properties on the Low Pressure Register on 31 March 2021), we have been able to remove 69 properties from our Low Pressure Register and end the year outperforming our targeted performance by a significant margin. Improved network modelling and logging has accelerated our ability to identify and evidence the solution to customers who may receive persistent low pressure.

**Comparative Performance**
Customers can compare our performance on low water pressure against other companies in the industry at discoverwater.co.uk/water-pressure.




**AMP7 Forecast Total (Outcome Delivery Incentives)**
Whilst properties may potentially be added to the register in future years, we are forecasting to continue to outperform in the remaining years of this reporting period due to our planned remedial works programme.

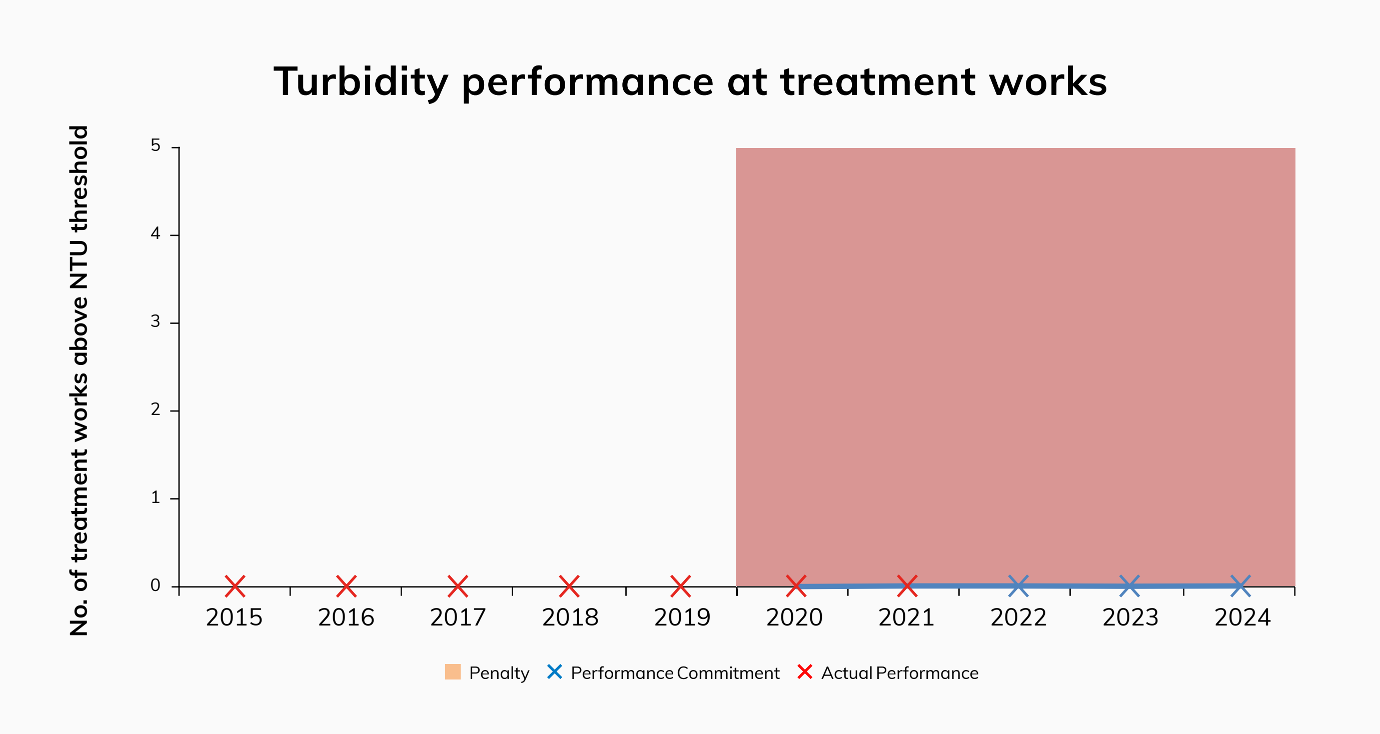
## Turbidity performance at treatment works

**Definition and Targets**
The aim of this performance commitment is to reduce the turbidity experienced at our water treatment works. It is measured as the number of operational potable water treatment works whose turbidity 95th percentile equals or exceeds a 0.5 NTU (Nephelometric Turbidity Units) threshold.

Our performance over the next five years will be reported against performance commitment levels, also known as targets. To understand our performance to date we have included within the table a baseline level of performance, taken from our level of service reported last year.

This performance commitment is reported in calendar years.

| Number of works whose turbidity 95th percentile equals or exceeds a 0.5 NTU threshold | 2019 Baseline | 2020 | 2021 | 2022 | 2023 | 2024 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 0 | 0 | 0 | 0 | 0 | 0 | |
| Performance | 0 | 0 | 0 | | | | | |
| PCL met? | | Yes | Yes | | | | | |
| Underperformance Penalty £m | | 0 | 0 | | | | | 0 |




**Performance**
Turbidity is a measure of the cloudiness of water, normally caused by suspended minerals. It is an important water quality control parameter at our water treatment works. Factors such as turbidity affect the effectiveness of disinfection. This metric enables us to consider the following:

- The use of turbidity as a measure to provide assurance of the optimal operation of filter performance, where filtration is used to address identified risks associated with chlorine resistant pathogens in the source water;
- The impact of turbidity on the efficiency of disinfection processes;
- The effect that turbidity has on the aesthetics of the treated water.

There was one turbidity exceedance during 2021 in a sample collected from Cheddar Treated sample point (TKC-2103282 on 12/11/21). This impacted on the monthly reported figure, resulting in 1 treatment works where the 95th percentile was over 0.5 NTU in November. This did not impact on the year to date figure or the year end figure, as the 95th percentile for Cheddar Treated was below 0.5 NTU using the complete data set.

Three treatment works have have been excluded from the data in 2021 due to being long term out of service – Charterhouse, Clevedon and Sherbourne.

**AMP7 Forecast Total (Outcome Delivery Incentives)**
Based on our historical performance to date we are forecasting to achieve our PCLs in the remaining years of this reporting period.

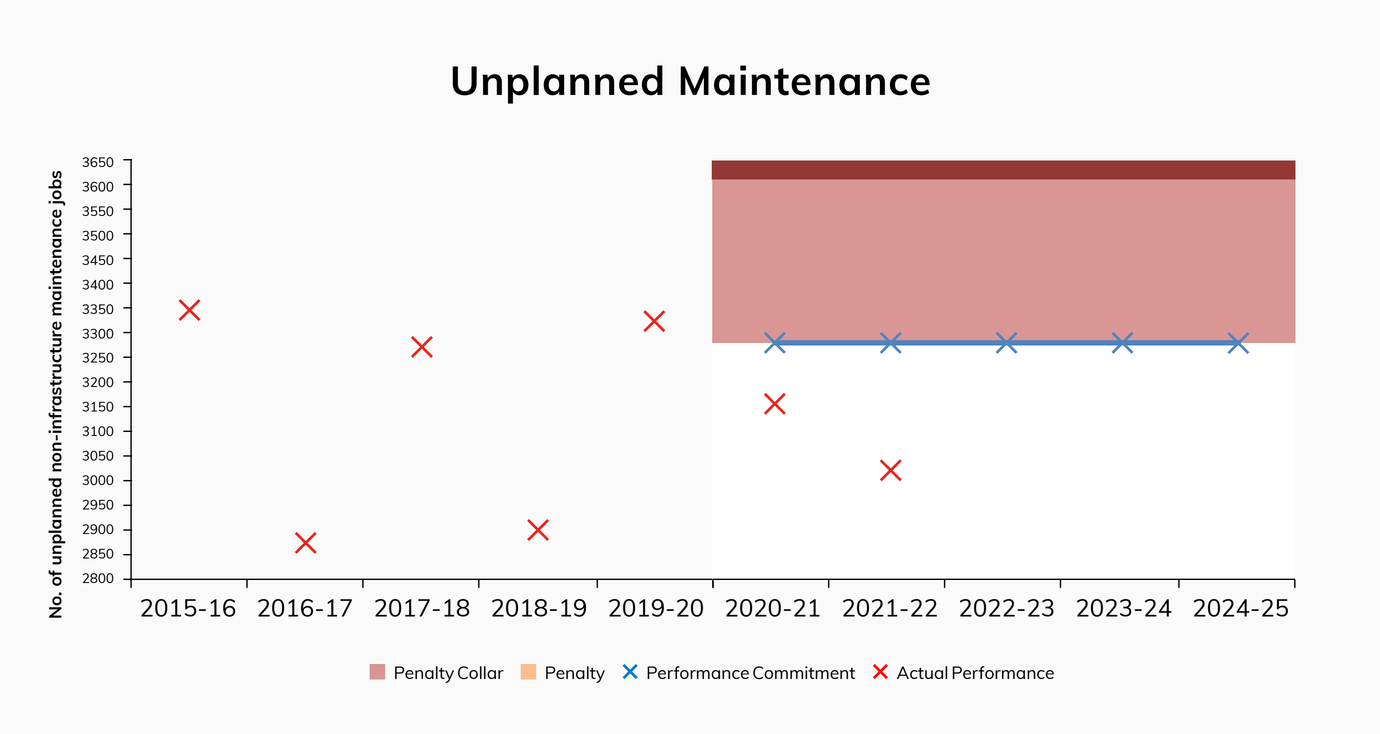
## Unplanned maintenance – non-infrastructure

**Definition and Targets**
The aim of this performance commitment is to ensure that the health of all water non-infrastructure assets is appropriately maintained and improved. It is measured as the total number of unplanned non-infrastructure maintenance jobs, required as a result of equipment failure or reduced asset performance. It typically relates to jobs identified at our treatment works, pumping stations and service reservoirs

Unplanned events mean potential interruptions to the treatment and supply of clean and wholesome water. The more we can reduce the occurrence of unplanned events on our treatment works the more reliable the supply of water; this results in reduced asset downtime and increased reliability of supply for our customers.

Our performance over the next five years will be reported against performance commitment levels, also known as targets. To understand our performance to date we have included within the table a baseline level of performance, taken from our level of service reported last year.

| Number of unplanned non-infrastructure maintenance jobs | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 3,272 | 3,272 | 3,272 | 3,272 | 3,272 | |
| Performance | 3,327 | 3,134 | 3,026 | | | | |
| PCL met? | | Yes | Yes | | | | |
| Underperformance Penalty £m | | 0 | 0 | | | | 0 |




**Performance**
We aim to provide the right maintenance and whole life care to our assets (assets include equipment that is directly serving water abstraction, treatment, distribution so it continues to exclude facilities and equipment work orders raised that are general facilities not linked to the water supply activities such as Heating, Lighting, Building Security, Safety Showers, Eye wash facilities, CCTV) to ensure that they are reliable and efficient. This is consistent with the historical data used to set this target. By providing the right level of care and investment in our assets we are able to provide a resilient supply of quality water with minimal interruptions. This is achieved by assessing all our assets to better understand which have the greater impact on our ability to meet our customer requirements. The targets for the reliability of these assets will be more challenging, therefore placing greater focus and effort to ensure these assets are prioritised. A lower number in this indicator identifies reduced asset downtime and increased reliability.

**AMP7 Forecast Total (Outcome Delivery Incentives)**
Based on our historical performance to date, and the fact we are forecasting no penalties on unplanned maintenance events in future years of the AMP, we are anticipating to achieve our PCLs in the remaining years of this reporting period. This is consistent with all historical performance including 2020/21 and 2021/22.

## Glastonbury Street network resilience

**Definition and Targets**
The aim of this performance commitment is to protect customers should we not deliver the Wells to Glastonbury and Street area mains scheme in Somerset. It is measured as the expected number of months delay to deliver a permanent secondary source of supply to the Glastonbury and Street area, covering a population of approximately 28,000, by 31 March 2025.

Our performance over the next five years will be reported against performance commitment levels, also known as targets. A delay to the scheme must be entered as a positive number of months. If the scheme is expected to be delivered early (i.e. before 31 March 2025) a zero will be entered. To understand our performance to date we have included within the table a baseline level of performance, taken from our level of service reported last year.

| Expected number of months delay | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 0 | 0 | 0 | 0 | 0 | Scheme delivered by March 2025 | |
| Performance | 0 | 0 | 0 | | | | | |
| PCL met? | | Yes | Yes | | | | | |
| Underperformance Penalty £m | | 0 | 0 | | | | | 0 |

**Performance**
This performance commitment relates to our investment plans to introduce a new main that would connect Wells to Glastonbury and Street in Somerset.

Reliability of water supply is a top priority for our customers. The Glastonbury and Street zones are supplied from Cheddar TW via a considerable length of "Critical Main" for which there is no redundancy. This project will ensure that a population of approximately 28,000 have resilience of supply by providing an additional route of supply to Windmill Hill Reservoir, maintaining the supply of water to Glastonbury and Street in the event that the main supply route is lost or compromised. It also ensures that those customers in Glastonbury and Street would be at a significantly less risk of experiencing water supply interruptions of over 24 hours.

The scheme is expected to be delivered in March 2023.

**AMP7 Forecast Total (Outcome Delivery Incentives)**
The Wells to Glastonbury and Street area mains scheme in Somerset is expected to be delivered in March 2023. We are therefore able to report with confidence that we expect no (zero months) delay to the scheme being delivered throughout this reporting period.

This scheme has an internal target completion date by 31 March 2023. For the purpose of ODI reporting the performance will be referenced against the Ofwat target date of by 31 March 2025, as resilience expenditure was assumed throughout the five-year period. Construction is well underway and we are therefore able to report with confidence that we expect no (zero months) delay to the scheme being delivered throughout this reporting period.

# Local Community and Environmental Resilience

We make our services robust to what the future may hold. We achieve this through collaborative working with our communities and through protecting and enhancing our local environment.

## Leakage

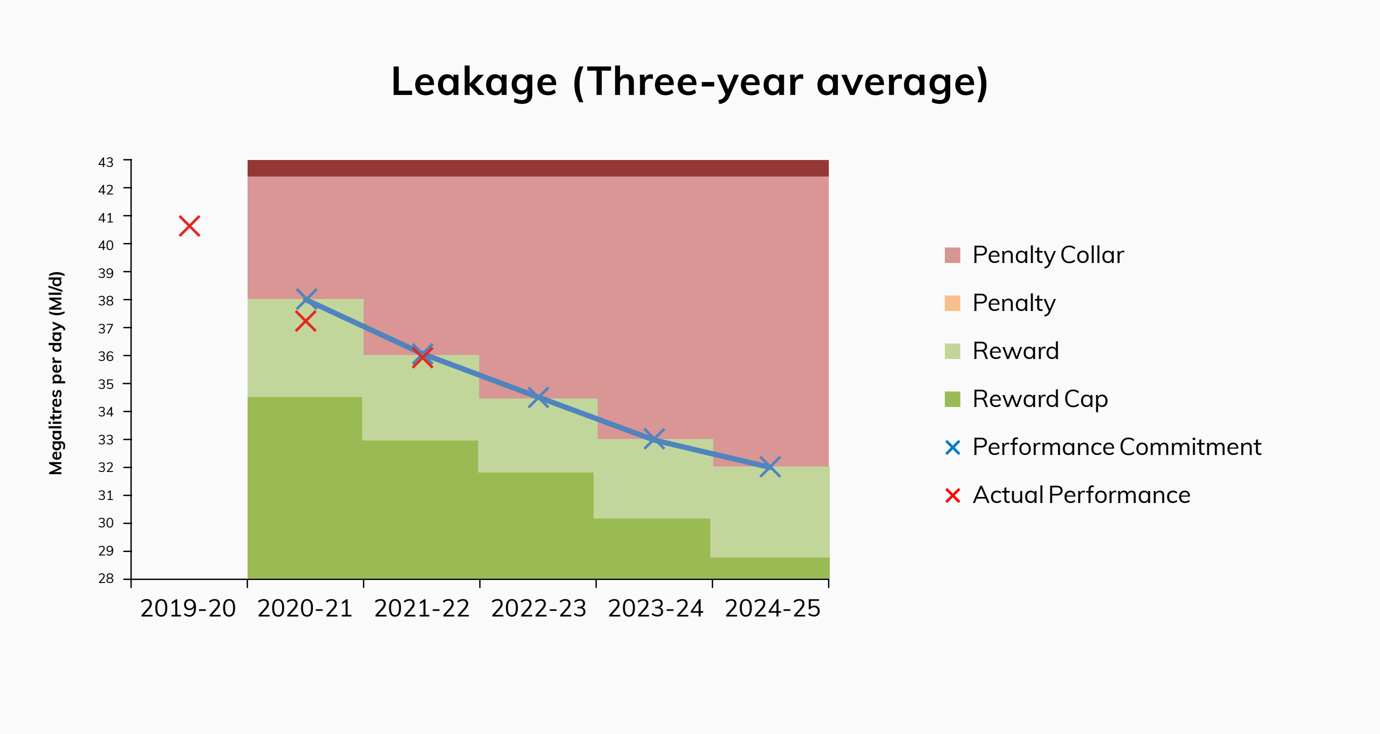
**Definition and Targets**
Water is supplied to customers' homes through thousands of kilometres of underground pipes. For various reasons, including ground movement and degradation of materials, pipes can leak and some water is lost between the treatment works and the home.

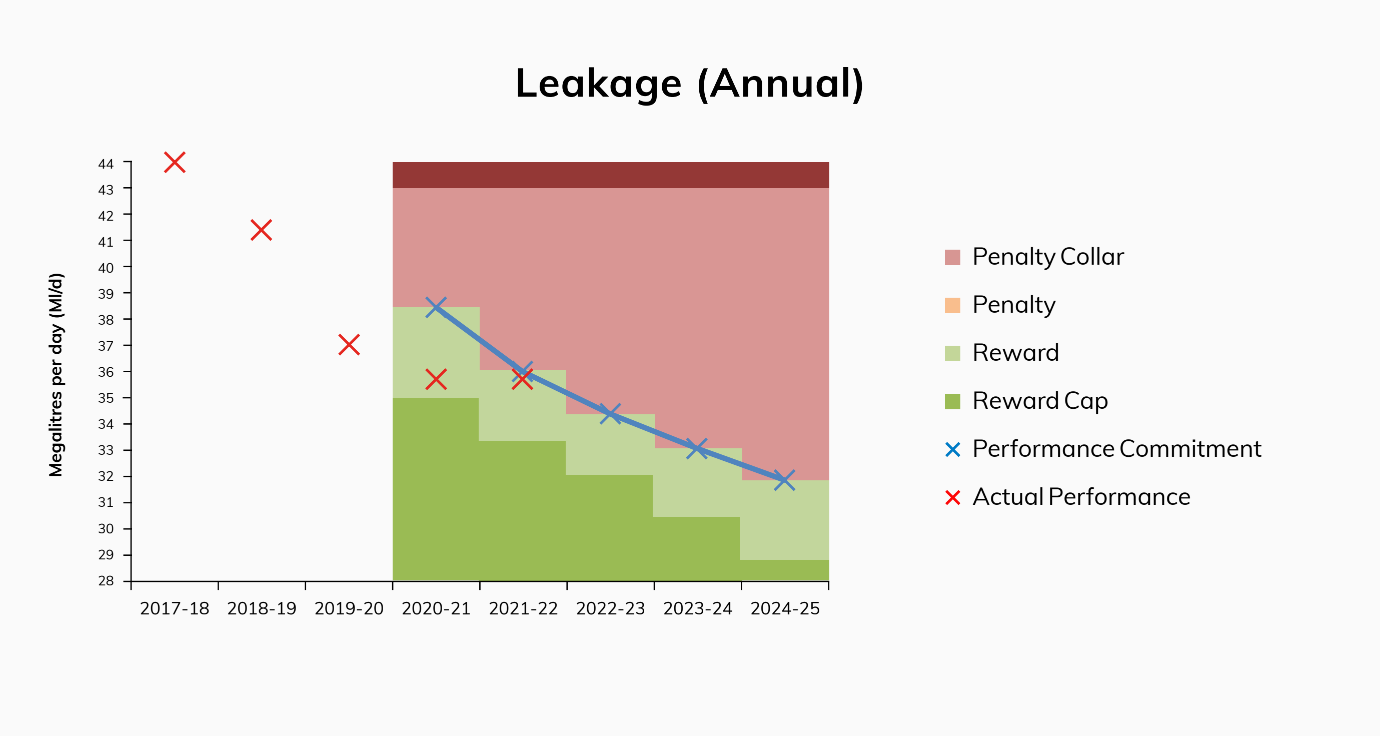
The aim of this performance commitment is to reduce leakage, which leads to improved water resources supply/demand balance, reduced need for water abstraction and increased water supply network resilience. This measure is the amount of water that enters the distribution system but is not delivered to customers because it is lost from either the company's or customers' pipes. Although we are required to report on leakage in megalitre per day (Ml/d), leakage in litres per property per day and leakage in cubic metres per km of main are used to compare companies of different sizes.

There are multiple benefits to managing leakage effectively including reducing the risk of having to impose water restrictions if our area experiences sustained periods of dry weather, reducing our impact on the environment by reducing the amount of water we need to abstract, and reducing disruption to customers when making repairs.

Our performance over the next five years will be reported against performance commitment levels, also known as targets. To understand our performance to date we have included within the table a baseline level of performance, taken from our level of service reported over the last three years. Our leakage performance commitment levels (PCLs) are based on three-year average reductions from this baseline level of service. Therefore, in order to achieve the PCLs we must achieve an annual level of performance, which is greater than the three-year average, due to our performance in previous years. Our future indicative annual levels of performance will then have to be revised, in line with our final outturn annual performance each year.

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|---|
| Annual performance in Megalitres per day (Ml/d) | 43.9 | 41.1 | 37.0 | 35.5 | 35.6 | | | | |
| Three-year average performance in Ml/d | | | 40.7 | 37.9 | 36.0 | | | | |
| Three-year average Performance Commitment Level ("PCL") based on % reduction from baseline | | | | 6.1% | 11.4% | 15.8% | 19.0% | 21.2% | |
| Three-year average PCL based on % reduction from baseline in Ml/d | | | | 38.2 | 36.1 | 34.3 | 33.0 | 32.1 | |
| Indicative annual performance required to meet three-year average PCL in Ml/d | | | | 36.4 | 34.8 | 31.6 | 32.5 | 32.1 | |
| Three-year average PCL met? | | | | Yes | Yes | | | | |
| Outperformance Payment/ Underperformance Penalty £m | | | | 0.049 | 0.016 | | | | 0.000 |




**Performance**
One aspect of performance where we continue to lead the industry is in leakage reduction. We are consistently reporting the lowest leakage levels in the industry. Reducing leakage alone will not be sufficient to meet our longer-term supply-demand balance requirements, however the reduction in leakage is a key part of the overall solution. Leakage varies considerably between companies across England and Wales, which will be related to the complex factors that drive leakage in these areas. The combination of targeted investment in our network, improved monitoring (leak repairs continue to be monitored so that the largest are targeted as highest priority) and control activities, and our proactive approach to leakage management and leakage reduction initiatives, such as pressure management, continues to see us target continuous reduction in leakage.

In 2020/21 we achieved the lowest level of leakage we had ever achieved to date. Following years of progressive reductions, our leakage levels have increased fractionally in 2021/22 at 35.6Ml/d, reflecting the challenge we will see over the next three years in making further reductions in leakage down to 32Ml/d. As we were ahead of our reduction target in previous years, we have remained ahead of the three year average target with a reduction of 11.5% compared to the target of an 11.4% reduction on the three years to 2019/20. The Water UK Leakage Routemap noted that Bristol Water was the only company to already meet the industry's 2030 commitment for lower leakage levels[34].

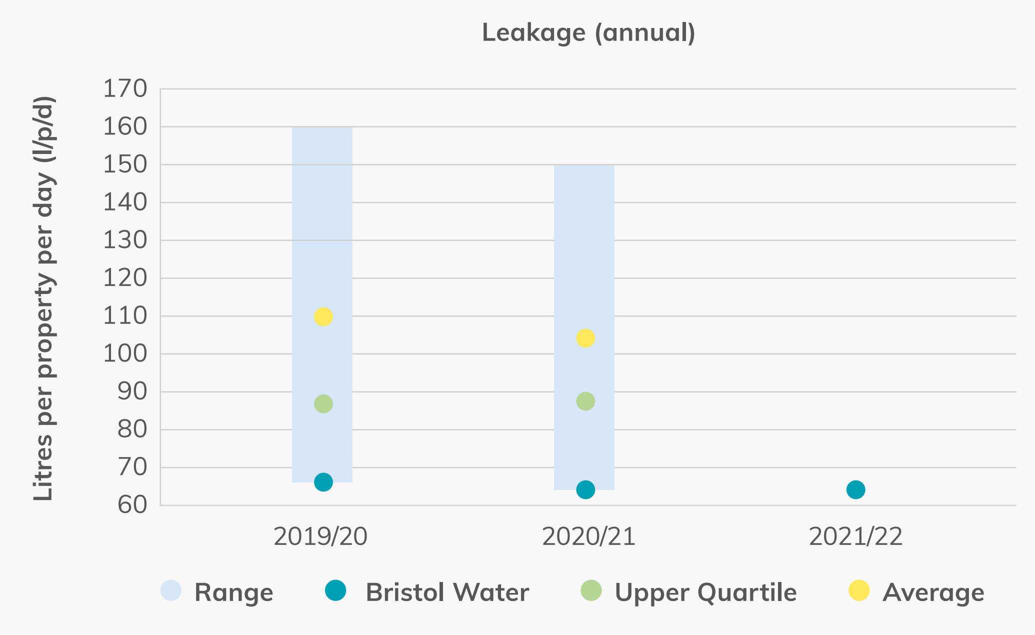
Our leakage performance can be attributed to significant effort to reduce leakage on our distribution network with more leakage inspectors deployed, supported with additional technology, whilst working closely with our customers (to provide advice, support and assistance) to minimise leakage. Proactive and reactive pressure reduction activities have also assisted in optimising and calming the network, as well as contributing to reductions in leakage. We aim to continue to deliver on our industry-leading levels of service through a combination of focused leakage detection and repair activity, enhanced network monitoring through the introduction of "smart networks" and additional pressure management to reduce network volatility and stabilise the pressure received by our customers.

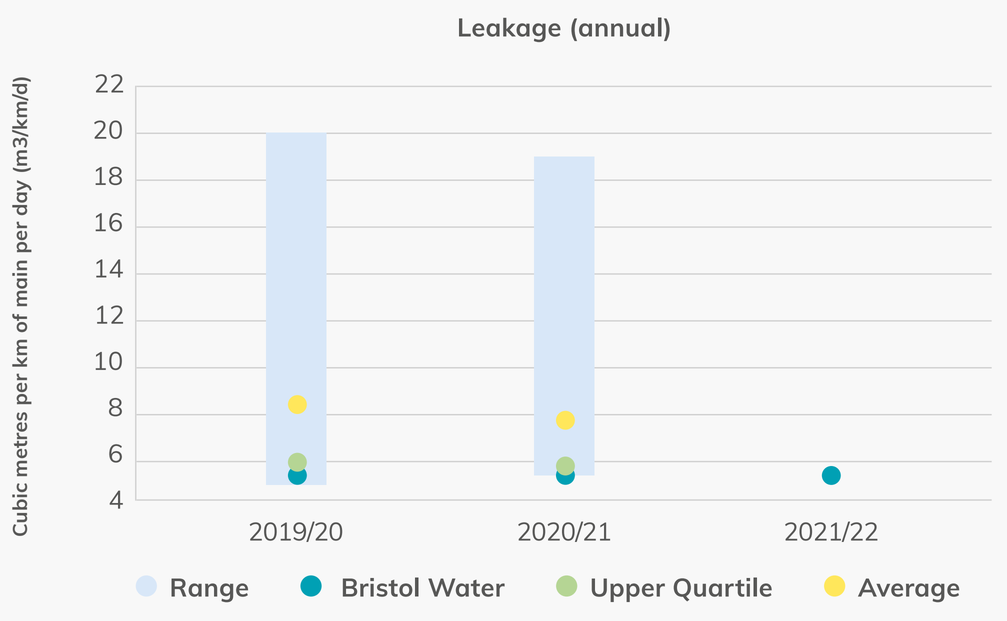
In addition, we also offer customers help with our Bristol Water Leakstop scheme[35]. As part of the scheme we offer help for leaks on underground supply pipes. We offer:

- A free leak assistance service and
- A £100 subsidy payment if a customer repairs the leak or replaces the leaky pipe within 21 days (this is capped to one payment per leaky pipe).

**Comparative Performance**
Customers can compare our performance on leakage against other companies in the industry at discoverwater.co.uk/leaking-pipes. Although we are required to report on leakage per megalitres per day (Ml/d), leakage per litres per property per day and leakage per cubic metres per km of main are used to compare companies of different sizes.

[34] Water UK: A Leakage Routemap to 2050
[35] Leakstop information pack



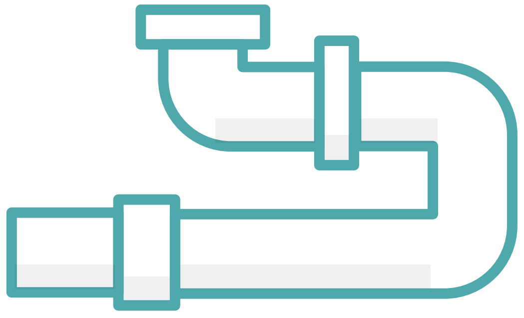




**AMP7 Forecast Total (Outcome Delivery Incentives)**
Leakage reduction is consistently a top priority across all our customer research and engagement, which is why we are focused on delivering further improvements in this area of service. Following years of progressive reductions it will be a challenge over future three years in making further reductions, but this remains an area we are targeting to be at the lowest level in the industry. It is unlikely to be efficient for the long term to target outperformance in leakage over the whole of AMP7 and this is reflected in our forecast.

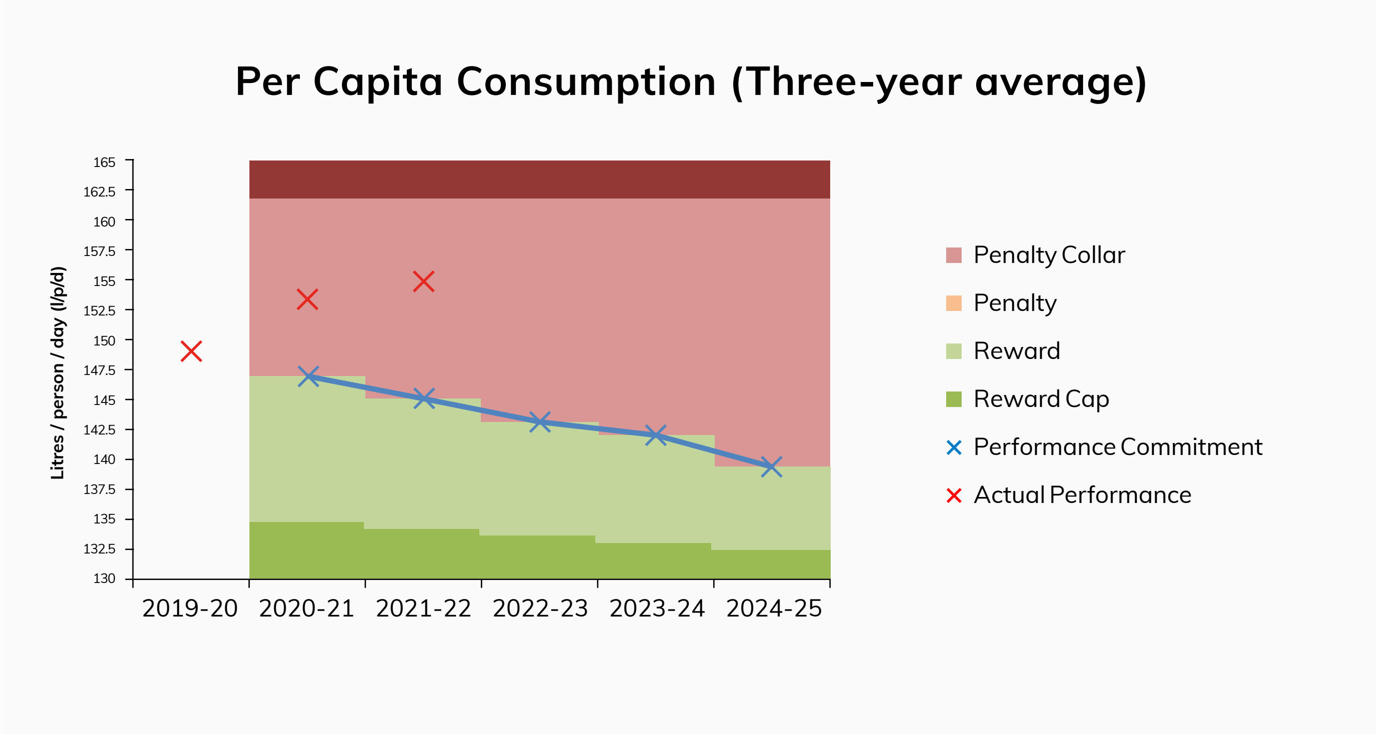
## Per capita consumption (PCC)

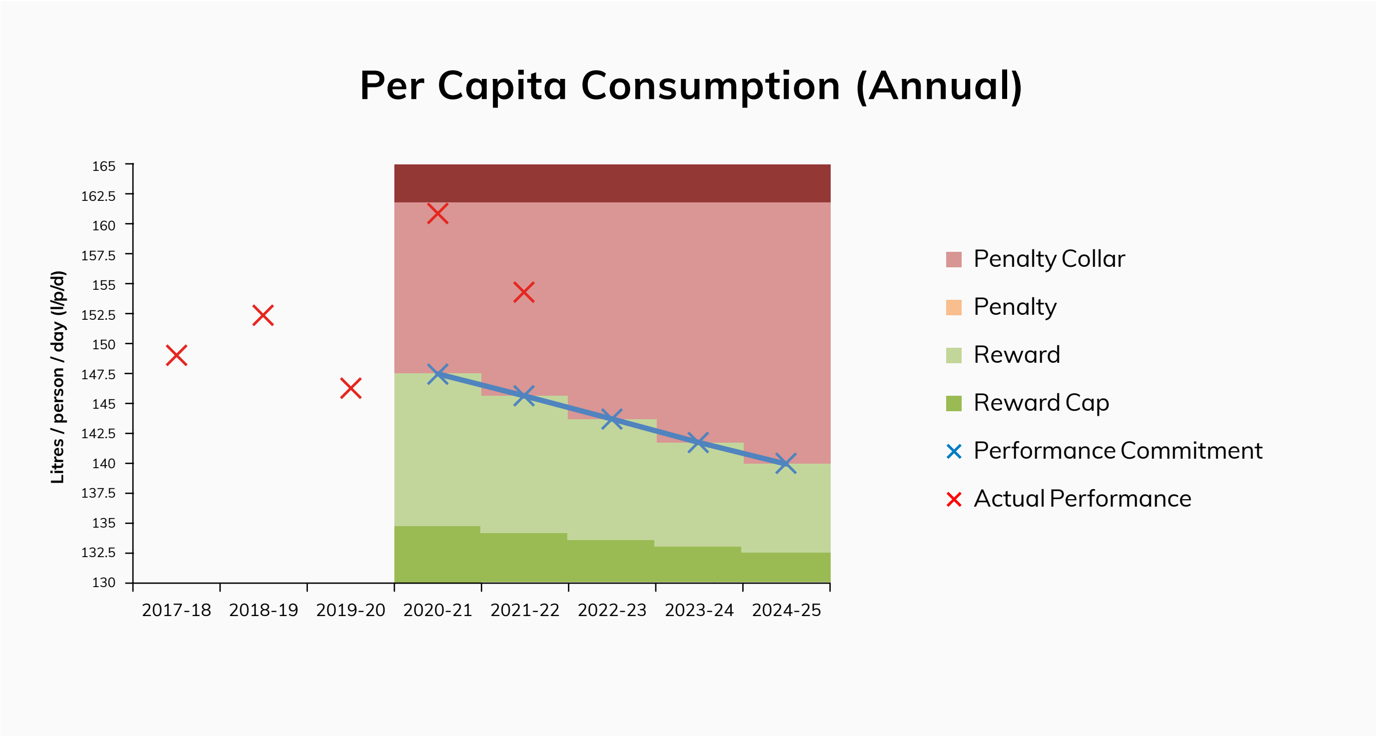
**Definition and Targets**
The aim of this performance commitment is to help customers reduce their consumption. It is defined as the average amount of water used by each person each day; the sum of measured household consumption and unmeasured household consumption divided by the total household population. By knowing this information, our intention is to encourage behaviours to reduce the amount of water we all use, thereby helping customers save money for the future and further adapt to the challenges of climate change.

Our performance over the next five years will be reported against performance commitment levels, also known as targets. To understand our performance to date we have included within the table a baseline level of performance, taken from our level of service reported over the last three years. Our PCC performance commitment levels (PCLs) are based on three-year average reductions from this baseline level of service. Therefore, in order to achieve the PCLs we must achieve an annual level of performance, which is greater than the three-year average, due to our performance in previous years. Our future indicative annual levels of performance may then have to be revised, in line with our final outturn annual performance each year.



| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Annual performance in Litres per person per day (l/p/d) | 148.9 | 151.3 | 146.4 | 161.1 | 154.7 | | | | 110.0 | |
| Three-year average performance in l/p/d | | | 148.9 | 152.9 | 154.1 | | | | | |
| Three-year average Performance Commitment Level ("PCL") based on % reduction from baseline | | | | 1.3 | 2.6 | 3.9 | 5.1 | 6.3 | | |
| Three-year average PCL based on % reduction from baseline in l/p/d | | | | 147.0 | 145.0 | 143.1 | 141.3 | 139.5 | | |
| Indicative annual performance required to meet three-year average PCL in l/p/d | | | | 143.3 | 143.0 | 142.9 | 139.9 | 135.8 | | |
| Three-year average PCL met? | | | | No | No | | | | | |
| Notional Outperformance Payment/ Underperformance Penalty £m[36] | | | | -0.177 | -0.273 | | | | | -1.206 |




[36] This is our notional in-period ODI for PCC but customer bills will not be adjusted until after 2024/25 performance has been reported.

BRISTOL WATER
It's what we're made of.

**Performance**
This is a challenging target, which has been significantly impacted by COVID-19 and regretfully we have not met our target for this year. We are forecasting to underperform throughout AMP7 on per capita consumption.

One of our biggest challenges we face is customer perception and their understanding of the value of water, and in how we work with customers and other stakeholders to educate them on demand management and the benefits of water efficiency. Our future water availability and keeping water in the environment relies heavily on customers, consumers and communities really understanding the value of water and by working with us to make sure we have a better, more resilient future. Unfortunately, our performance, has been severely impacted by COVID-19, with a shift from non-household to household consumption through working at home and increased water use for hand washing.

We do want to help customers to reduce water consumption, through supportive and voluntary measures. However, we recognise that we have to do more to help customers reduce water consumption in line with our long-term ambition to reach 110 litres per person per day by 2050. In order to achieve this, we continuing with a number of initiatives, in particular:

- Proactively increasing meter penetration (via our meter optants, selectives and reversion policies)
- Continuing the provision of free water efficiency equipment
- Continuing the provision of bespoke water efficiency calculations through our website to empower customers to understand their usage and advise and help on how to become more efficient
- Developing new partnerships with stakeholders across our region to create new and innovative ways to help customers to become more resource efficient
- Developing our evidence base and research programme on the most effective water efficiency measures
- Continuing and enhancing our schools education programme
- Working within the industry to share experience and knowledge and lead development of initiatives like the water label
- Work with retailers to help their non household customers to use water efficiently

Our Outcome Delivery Strategy for PCC sets out the four workstreams of activities we have identified to reduce PCC; Understand, Engage, Intervene and Influence. These activities include continuation of existing offers of water efficiency fittings, providing a total of 3639 water efficiency packs to customers in 2021/2022, development of the Resource West partnership, development of the West Country Water Resources water efficiency partnership and improved reporting and monitoring of PCC in 'real time' to enable targeted social media campaigns during periods of hot weather where peak demands occur. This will be complemented by education and awareness activities to demonstrate the value that reduced PCC can being to customers and the environment.

Our understanding of the effects of the COVID-19 pandemic on customer water use and behaviour is a developing area. We are continuing to review and understand the data and information we have and will monitor customer behaviour to assess whether the changes we are experiencing are temporary, or whether there has been a permanent shift in water use. It is our expectation that, if new consumption behaviours from the COVID-19 pandemic emerge, we will respond with targeted activities to address changes to PCC over the AMP.

**COVID-19**
A big impact of COVID 19 was observed in the first year of the AMP 7, with increased hand washing and laundry, and with a large number of people working from home.

However, with the last lockdown period in March 2021 and therefore not affecting this financial year, a lot of the day to day activities have gradually returned to a pre-pandemic level, except for a number of office based activities that have remained on a work from home basis to some extend.

As a result, the observed unmetered PCC has remained at higher levels than pre-pandemic, although significantly lower than in 2020/21.

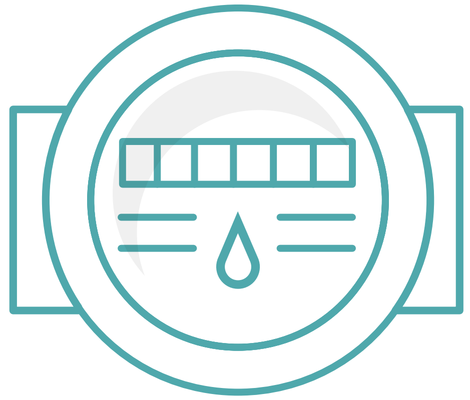
The metered PCC is showing a similar behaviour, higher than pre-pandemic levels, but this is only based on the meter readings collected by the billing company, and these are only taken twice a year. Therefore there could be a lag on the timing of the behaviour changes. Hence the metered PCC is potentially artificially high at this stage because some of the consumption figures are using estimates from a period affected by lockdown, awaiting a more recent reading.

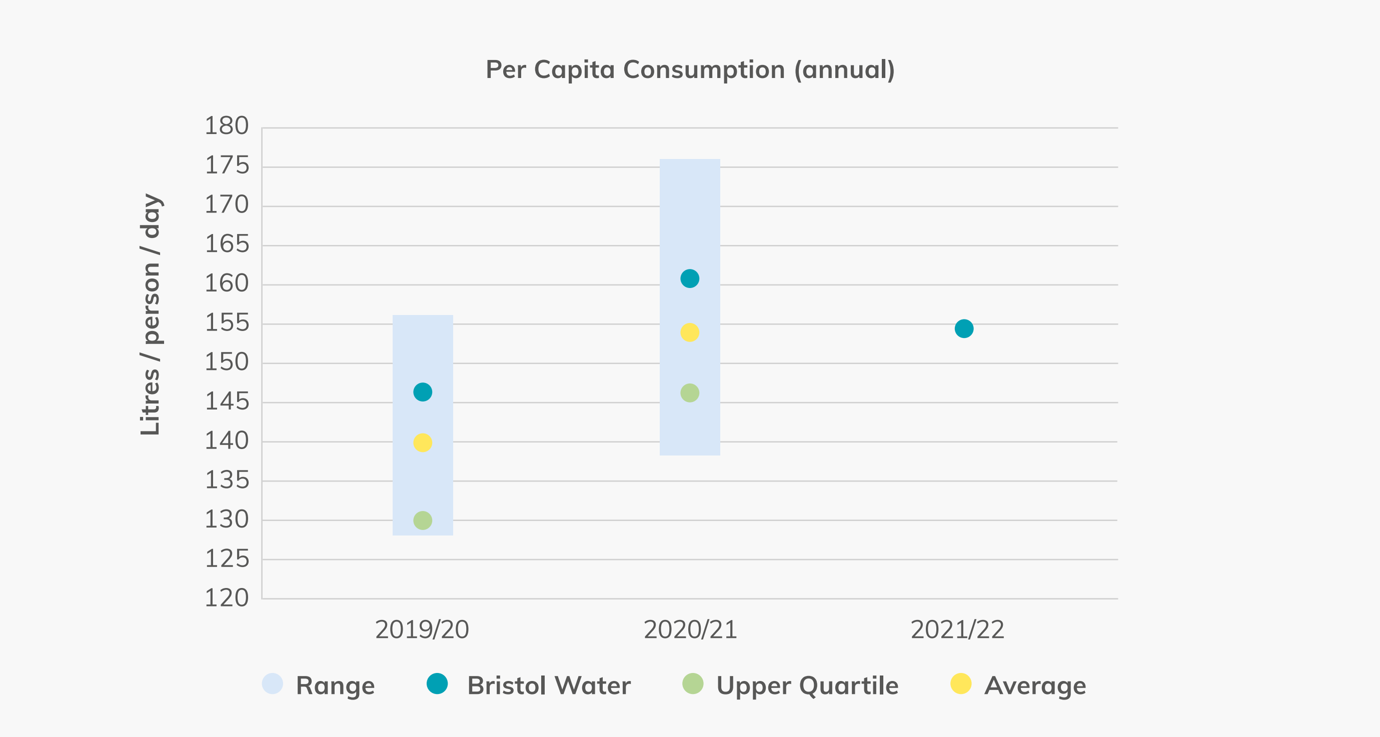
Overall, the PCC for all households is 154.7 l/p/d, which is significantly higher than our initial WRMP target of 143 l/p/d for year 2021-22, largely due to the impact of the pandemic through change of behaviour and work from home.

**Social Contract**
We plan to undertake a range of community initiatives and partnership campaigns as part of our social contract throughout 2020-25. Example of some of our initiatives in 2020-21 are summarised below:

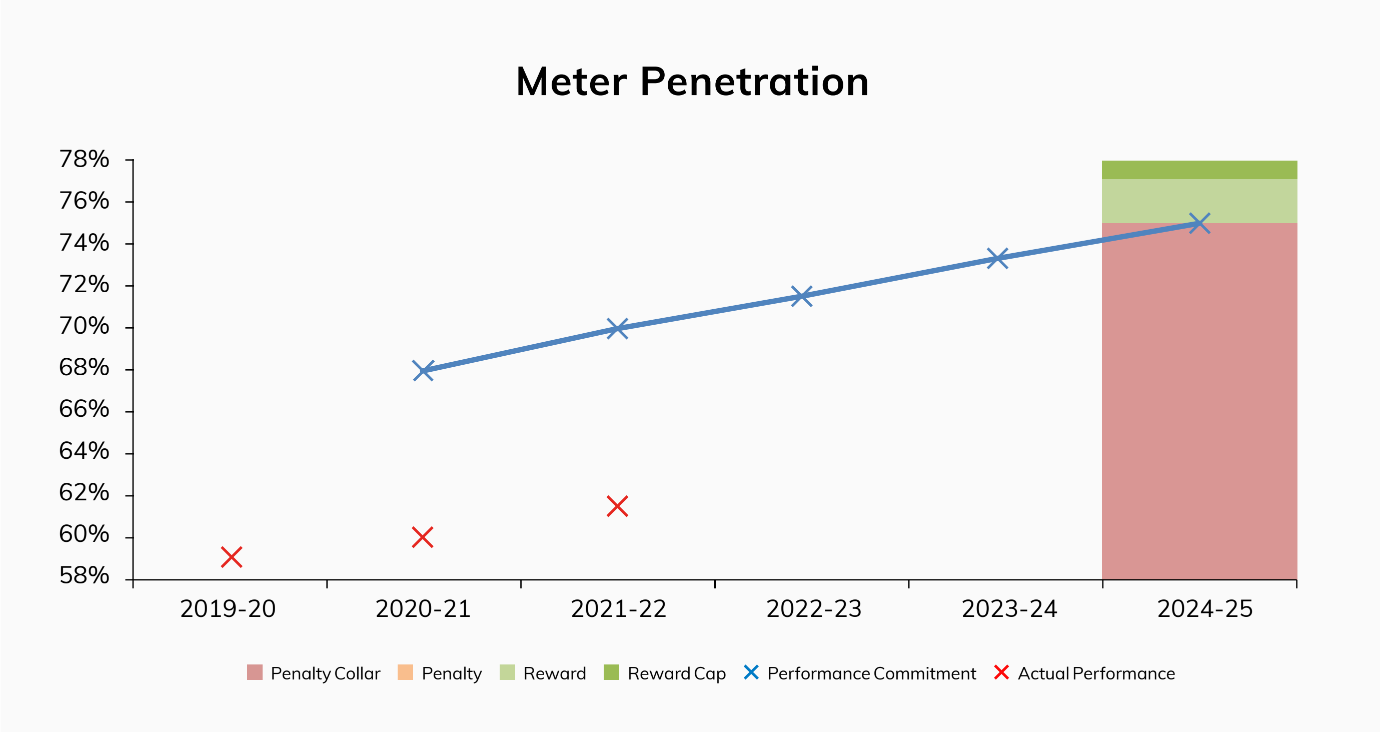
- Resource West: the aim of this programme is to work with local partners to deliver a joined-up approach to reducing consumption across different sectors – combining resources and amplifying messages to customers. Lower consumption will also reduce the total energy we use to treat and transport water, therefore reducing our greenhouse gas emissions, as well as our customers' carbon footprint. By doing so, we will be encouraging reductions in public consumption of resources and increased local resilience.
- Community Engagement projects: the aim of this programme is to work collaboratively with community groups to address issues that impact the wellbeing of the community. By doing so, we will provide public access to free drinking water, encourage reductions in consumption of single use plastic and provide public access to historic assets, providing education and wellbeing and education on the value of water.
- Education projects: the aim of this programme is to inspire a sense of collective responsibility through education on the value of water (and other resources) to develop citizens for the future. By doing so, we will inspire the next generation on the value of water to foster a sense of responsibility and a willingness to act. This will encourage our younger customers to reduce their consumption habits but to also contribute to harnessing 'pester power' to influence

**Comparative Performance**
Customers can compare our performance on the average amount of water used by each household each day against other companies in the industry at discoverwater.co.uk/amount-we-use.






| % household properties charged based on metered consumption | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 67.70 | 69.50 | 71.30 | 73.10 | 75.00 | 90.00 | |
| Performance | 58.98 | 60.26 | 62.41 | | | | | |
| PCL met? | | No | No | | | | | |
| Outperformance Payment/ Underperformance Penalty £m | | 0 | 0 | | | | | 0 |




**AMP7 Forecast Total (Outcome Delivery Incentives)**
Our PCC performance is likely to be higher than our PCLs for some of this reporting period due to the impact of COVID-19, national lockdowns and changing customer behaviours. Our social contract and water resource plans should help us to reduce PCC in the latter years of this reporting period.

## Meter penetration

**Definition and Targets**
Many people regard water meters as the fairest way to charge for their water services as it charges customers for what they use. We encourage our customers to be more efficient in the way they use water by increasing the number of household customers who are billed based on their actual water consumption.

The aim of this performance commitment is to increase the proportion of our household customers charged for water based on metered consumption. It is measured as the percentage of residential properties (at year end) that are charged for water based on metered consumption. Void properties are excluded from this calculation because these are properties with no occupants.

Some companies supply an area of serious water stress and have chosen to aim to achieve universal metering as a way of managing water resources in their area. We know however from continuous engagement activities that our customers on the whole do not wish to see full compulsory metering introduced and we do not have plans to introduce such a programme. Our performance should be seen in this context.

**Performance**
Metering is generally regarded as being the fairest and most accurate way to pay for water. However, our customers have consistently told us through consultations and surveys that they do not wish to see full compulsory metering for all our domestic customers. Therefore, we are not able to achieve our meter penetration target via compulsion, and are reliant upon customer demand, meter installations upon change of ownership and effective, persuasive marketing.

Following our 'Life's sweeter with a meter' marketing, we have continued our 'Peter the Meter' campaign, continuing to encourage customers to take up the benefits of a meter.

As noted in the prior year, we paused our promotion of metering. Since the return into customer properties alongside the staged easing of lockdown restrictions our focus has been on managing and development of our communication and marketing plan. This has seen improvement of the application uptake through all media channels and allowed customers to apply at first opportunity including online and over the phone. To assist with improving confidence, we have introduced incentives to allow customers to make the most informed choice around retaining their Meter Option. Any meter fitted up to May 2021 will benefit from an extended reversion period of a further year to account for the impact of COVID and from March 2022 a "Money back Guarantee" will ensure the customers can explore the choice of a meter without the risk of paying any more than their existing bill and the benefit of potential savings.

Our "Peter the Meter" campaign has also returned with a focus on building key social media assets to help educate and engage with our customers. This has also combined with Radio advertisements and Letter drops. Since relaunch in June there has been a positive increase on optant applications and this commitment will continue into 2022/23 with activity increasing throughout the year inline with our recovery plan back to achieving 75% by the end of this reporting period.

**COVID-19**
As COVID-19 lockdowns began easing during 2021/22 it allowed the team to begin to increase their activity during the year to move towards pre-Covid-19 levels.

During 2021/22 the Meter install/replacements were the equivalent of c.80% of these levels - substantially above the 2020/21 activity which was interrupted due to these lockdowns and inability to access customers' properties

**Social Contract**
We support the Resource West initiative, which aims to build a partnership of local stakeholders which facilitates transformational shifts in consumer behaviour to reduce consumer consumption and waste, directly impacts upon our meter penetration performance commitment. However, this initiative is still in its infancy, meaning that significant tangible results have yet to be achieved.

Additionally, because metered customers collectively reduced their consumption in the last year, charges for metered customers increased by a proportionately smaller amount than unmeasured charges in the latest round of tariff increases. Consequently, we continue to believe that it remains in customers' financial interests to switch to a meter.

**AMP7 Forecast Total (Outcome Delivery Incentives)**
Optant activity has continued to improve throughout 2021/22, returning to 80% of pre COVID-19 levels. The positive work through marketing generated a significant improvement in the second half of the year with March 2022 seeing applications which were in line with 2018/19 levels.

Year three of this reporting period will see an increase in both operationally and marketing focus to look to recover to the end of AMP position of 75%.

This will be achieved by improving the conversion rates of applications and unmeasured moves targeting 80% of all Optant applications resulting in a meter being fitted. Our recovery plan operationally is currently targeting a ramped approach through years 3, 4 and 5 with a targeted 57-60,000 meters to be fitted over the next three years.

Launched in March 2022 our #Watermeterchallenge money back guarantee provides our customers with the opportunity to have a meter and potentially save money on their bills, offering the difference back should they not save money. The money back guarantee is a key incentive to support customers reducing their overall usage, putting them in control of their bills and will be at the core of the marketing activity to promote the uptake in Meter applications.

The Metering team are also working alongside the wider customer touch points to provide non metered customers the opportunity of taking the #watermeterchallenge. This will be achieved by having meters installed on key projects such as mains renovation schemes ready for the customers that would like to take up a Free Meter Option.

Our meter penetration performance has been impacted by COVID-19, national lockdowns and changing customer behaviours, however based on our metering policies (such as optants, selective metering and the meter reversion process) and our social contract plans, we are forecasting to achieve our PCL by 2024/25. Some of the key activities that will help increase our meter penetration rate in future years include:

- We will continue to install meters in domestic properties upon change of ownership and when customers request a meter;
- All void properties will be metered where possible;
- Continuing our extensive marketing programme, such as our "Peter the Meter" character, designed to build on the strong identity of the region and is now the public face of our metering campaign; and
- Water efficiency and the links to metering will be promoted through our resource efficiency partnership "Resource West" and our Social Contract partnership approach on education and public engagement.

Full details of our metering investment plan can be found in our business plan[37].

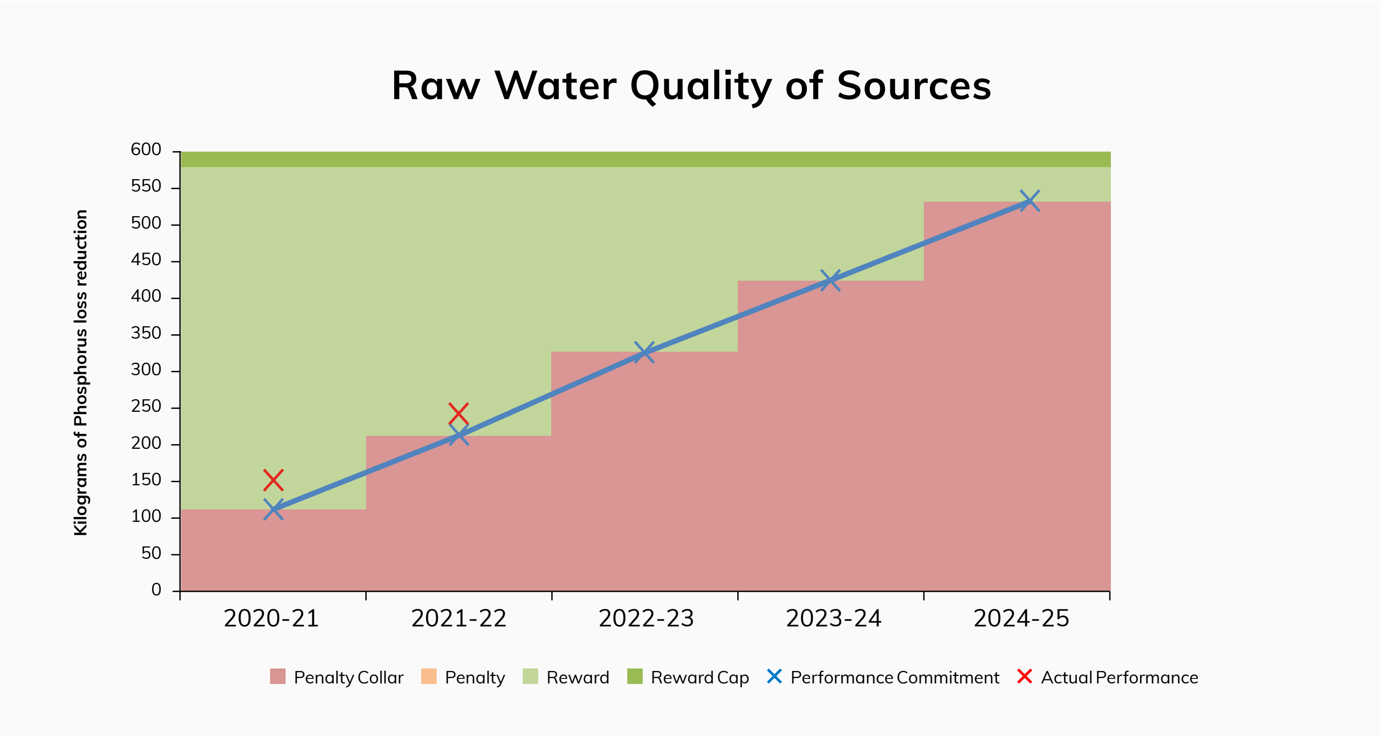
## Raw water quality of sources

**Definition and Targets**
A water catchment is an area of land through which water from any form of precipitation (such as rain, melting snow or ice) drains into a body of water (such as a river, lake or reservoir, or even into underground water supplies – 'groundwater'). It could be a very large area, such as an estuary and any associated coastal waters. Or it could be relatively small – for example, the catchment of a tributary river.

As an assessment of our progress in implementing catchment management activities, the aim of this performance commitment is to reduce the level of nutrients lost to the environment. The level of nutrients is measured as the estimated cumulative kilograms of phosphorus saved from being lost to the environment. The assessment of progress against the target is made using a recognised model (Farmscoper).

[37] C5B Technical Annex 07 Customer Meters Investment Case: Technical Approach and Business Case

| Kilograms of phosphorus loss reduction | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 109 | 216 | 322 | 427 | 531 | 541 | |
| Performance | 0 | 155 | 239 | | | | | |
| PCL met? | | Yes | Yes | | | | | |
| Outperformance Payment/ Underperformance Penalty £m | | 0.008 | 0.004 | | | | | 0.013 |




**Performance**
Our outperformance for this year has been achieved by providing advice to farmers, for example around soil and nutrient management, and by supporting farms to improve their infrastructure where this will reduce pollution risk, for example by improving slurry storage capacity. Over the past two years we have delivered the following support and interventions:

- Nutrient management plans and/or associated soil and manure analysis and in some cases spreading risk maps on 25 farms
- A constructed wetland on two farms
- Watercourse fencing on seven farms
- Yard improvements (roofing/concreting) on five farms
- New slurry stores on three farms
- New dirty water store on two farms
- Slurry / solids separator on one farm
- Advice and support around nutrient and soil management to many farms across the catchments.

There are a number of other schemes which are either under way or in development. The above listed are those that Bristol Water has paid out for during 2020/21 or 2021/22. We only claim for the benefit of nutrient management plans delivered in 2020/21 if we have sat down with the farmer and reviewed them in 2021/22, because by doing so we encourage continued uptake of the plan.

We have also participated in the NatureTrade auction alongside Somerset Rivers Authority during 2020/21 and 2021/22. This has brought a number of applications to the Bristol Water Grant scheme from farmers in the River Axe catchment.

Our catchment management efforts continue to contribute to our aim to maintain raw water quality in our sources, so that the water is easier and less expensive to treat to a potable standard. It will also help to maintain our SSSIs in favourable conservation status and surrounding waterbodies in good ecological status or potential under the Water Framework Directive. This benefits the local communities by improving the environment and enhancing natural capital.

**COVID-19**
Our catchment management programme has been impacted to a limited extent by COVID. For example, we had planned to run a nutrient and slurry management workshop at the start of 2022; this had to be postponed due to the proliferation of infection at the time. However, we successfully ran a summer workshop at a farm in the Blagdon catchment which was well attended by around 25 local farmers.

**Social Contract**
We are working with University of Bristol by co-supervising a PhD student to investigate nutrient movements in the Chew catchment, for example looking at whether Chew Valley Reservoir acts as a source or sink for nitrates. This will be informed by and will support our catchment management programme towards improving the water environment. Our monitoring data will be contributing to the investigation.

We provide teaching and practical support to the University of West of England Environmental Science undergraduate course (Hydrology to Oceanography module).

We provide data for research under the GW4 Reservoir Water Management Research Group, specifically into Geosmin and 2-MIB research.

We lead the Mendip Lakes Partnership which brings together organisations such as CSF, Mendip AONB, Bristol Avon Rivers Trust and Avon Wildlife Trust, with an interest in encouraging improved environmental management across the Mendips. This helps to coordinate our work effectively.

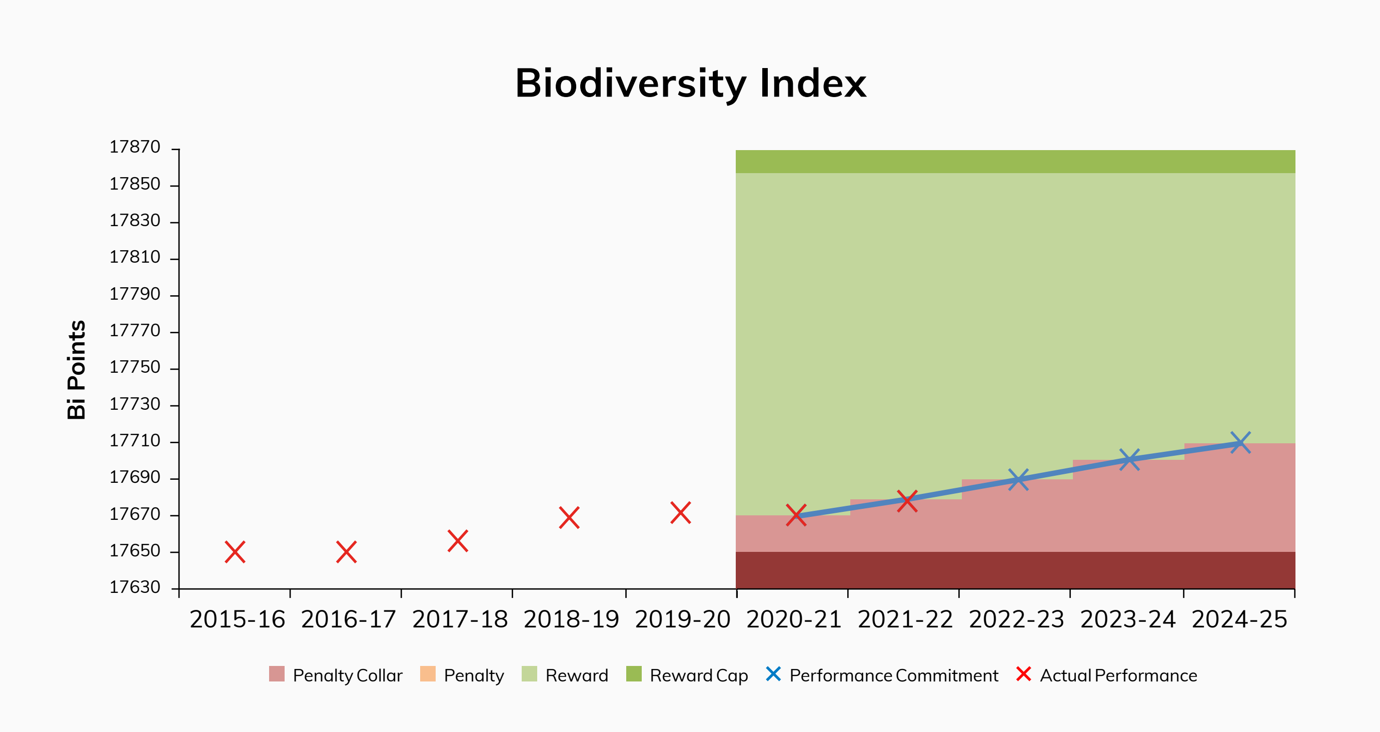
**AMP7 Forecast Total (Outcome Delivery Incentives)**
Our outperformance this year is encouraging but as there is no other historical data available it is difficult to quantify further outperformance. Our PCLs assume a constant rate of effort across the Mendip reservoir catchments in delivering catchment management and advice to farms as funded by Bristol Water. As there are a finite number of farms across the target catchments, it is currently predicted that engagement efforts will record a slowly diminishing rate of return in terms of uptake of measures and management which delivers a kg P loss reduction via the Farmscoper model. It is for this reason, and because they are (as stated in our business plan) cumulative, that the PCLS are considered challenging. We are therefore forecasting to achieve our PCLs in the remaining years of this reporting period.

## Biodiversity Index

**Definition and Targets**
The aim of this performance commitment is to quantify enhancements we have made to the natural environment across our sites. We introduced the biodiversity index (BI) in 2014/15 as a new and innovative approach to protecting the environment. It is measured on the cumulative hectares and metres of habitat (for example, grassland or hedges) and the quality of this habitat across our sites, by:

[Hectares of priority habitat] x [grade of this habitat] x [distinctiveness score of this habitat] plus [Metres of linear priority habitat] x [grade of this habitat] x [distinctiveness score of this habitat]

| BI score | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 17,668 | 17,678 | 17,689 | 17,700 | 17,711 | 18,723 | |
| Performance | 17,670 | 17,668 | 17,678 | | | | | |
| PCL met? | | Yes | Yes | | | | | |
| Outperformance Payment/ Underperformance Penalty £m | | 0 | 0 | | | | | 0 |




**Performance**
Our BI position demonstrates how the natural environment and the company's natural assets require continuous monitoring and maintenance to balance the risks and issues of climate change, invasive species, operational activities, and natural succession of habitats. For transparency, we have provided a breakdown of the Biodiversity Index risks and changes over the 2021/22 reporting year.

| Site | Loss/Gain/Maintain | Net BI change | Project information |
|---|---|---|---|
| **Chew Valley Lake: Recreation Trail** | +12.39<br>- 7.64 | +4.75 | The installation of the Chew Valley Recreational Trail multi-user access route between Woodford Lodge, the Picnic trails and Twycross Lane has resulted in the delivery of habitat enhancements and also losses. |
| **Chew Valley Lake: Reedbed** | Maintain | 0 | Wetland assets requiring intervention and maintenance to remove willow saplings and provide a reed cut, to regenerate new reed growth. |
| **Chew Valley Lake: Grassland** | Maintain | 0 | Reinstating annual hay cut to mitigate condition decline. |
| **Blagdon Lake: Reedbed** | Maintain<br>& -3.28 | -3.28 | Wetland assets requiring intervention and maintenance to remove willow saplings and provide a reed cut, to regenerate new reed growth.<br>One asset was not able to receive maintenance due to resource constraints and rising water levels preventing safe access to the reed bed for cutting. |
| **Axbridge TW: Grassland to Woodland** | Maintain | 0 | Grassland asset had deteriorated due to challenges in delivering maintenance. Asset now upgraded to a plantation broadleaved woodland. No instant material BI change due to the time it takes a woodland asset to mature and reach target condition. This site/ asset now has the potential to increase in BI value with reduced resource for maintenance. |
| **Grassland assets at three sites** | Improve | +8.53 | By agreeing amendments to grass cutting schedule and making resource arrangements to removed cuttings from the asset, the BI value of these assets have improved and act as a positive example for amending other sites grass cutting management plans. |
| **Woodland assets Ash Dieback Management at two sites** | Maintain | 0 | Woodland asset at risk to human health and safety and condition deterioration from an overburden of dead wood. Diseased ash trees felled and removed from site. This maintenance ensured that a loss of BI was prevented from asset deterioration. |

The reported data demonstrates how the natural environment and the company's natural assets require continuous monitoring, maintenance, and investment to balance the risks and issues of climate change, invasive species, operational activities, and natural succession of habitat conditions and types.

During 2021-2022 investment and resource was used to deliver maintenance of assets, maintaining the safety and condition. This delivery has prevented deterioration of habitat conditions and ensured natural assets continue to provide multiple ecosystem services such as biodiversity, recreation, and water quality value. The company delivered a range of natural asset interventions including the installation of a new woodland asset (>1ha) at Axbridge TW near Cheddar Reservoir.

Annual activity will be delivered to maintain asset condition. This activity includes hay cuts, amending grass cutting schedules and routine treatment of invasive plant species. These actions mitigate negative changes in the biodiversity value.

We consult with Natural England when planning enhancement works to its designated sites to determine whether proposals would meet net-gain delivery and qualify for biodiversity Index points accomplished. We also discussed this through an Environment sub-group of the Bristol Water Challenge Panel. The activities above are not associated with what would be delivered through statutory required enhancements. The tool used for the index reflects the biodiversity activities described above, and Turner & Townsend as part of our assurance of this ODI have independently verified the biodiversity index points achieved and claimed.

**COVID-19**
COVID-19 has impacted on the capacity of volunteers to deliver a couple of areas of conservation work.

The reduced capacity resulted in the need for additional contractor resource to complete delivery of the Axbridge tree planting intervention and also resulted in missing the window of opportunity to deliver willow removal (reedbed maintenance) at Blagdon lake before the reservoir water levels had risen, making the asset inaccessible to volunteers on foot.

**Social Contract**
Our Social Contract Conservation programme has supported the delivery of this performance commitment. The Social Contract WildOnes and Tree Planting programmes have enabled tree planting at Axbridge Treatment works and removal of willow from reedbeds at Chew Valley lake. These initiatives have resulted in natural assets (habitat) maintaining their condition and transforming an at-risk grassland asset into a deciduous woodland asset. This new woodland asset will be less intensive to maintain on an annual basis and now provides an asset that will increase in value over time with reduced further intervention.

**AMP7 Forecast Total (Outcome Delivery Incentives)**
There are substantial improvements required each year in order to outperform the BI score further but we continue to prioritise the protection of our natural resources. We are therefore forecasting to at least achieve our PCLs in the remaining years of this reporting period.

## Waste disposal compliance

**Definition and Targets**
Trade effluent, if not controlled, can have harmful effects, which include harm to the environment, particularly our surrounding rivers, streams and estuaries. The aim of this performance commitment is to ensure we dispose of our trade effluent safely without posing a threat to human and environmental health. It is measured as the percentage of total trade effluent discharge samples that meet the consent requirements in the Environment Agency permits.

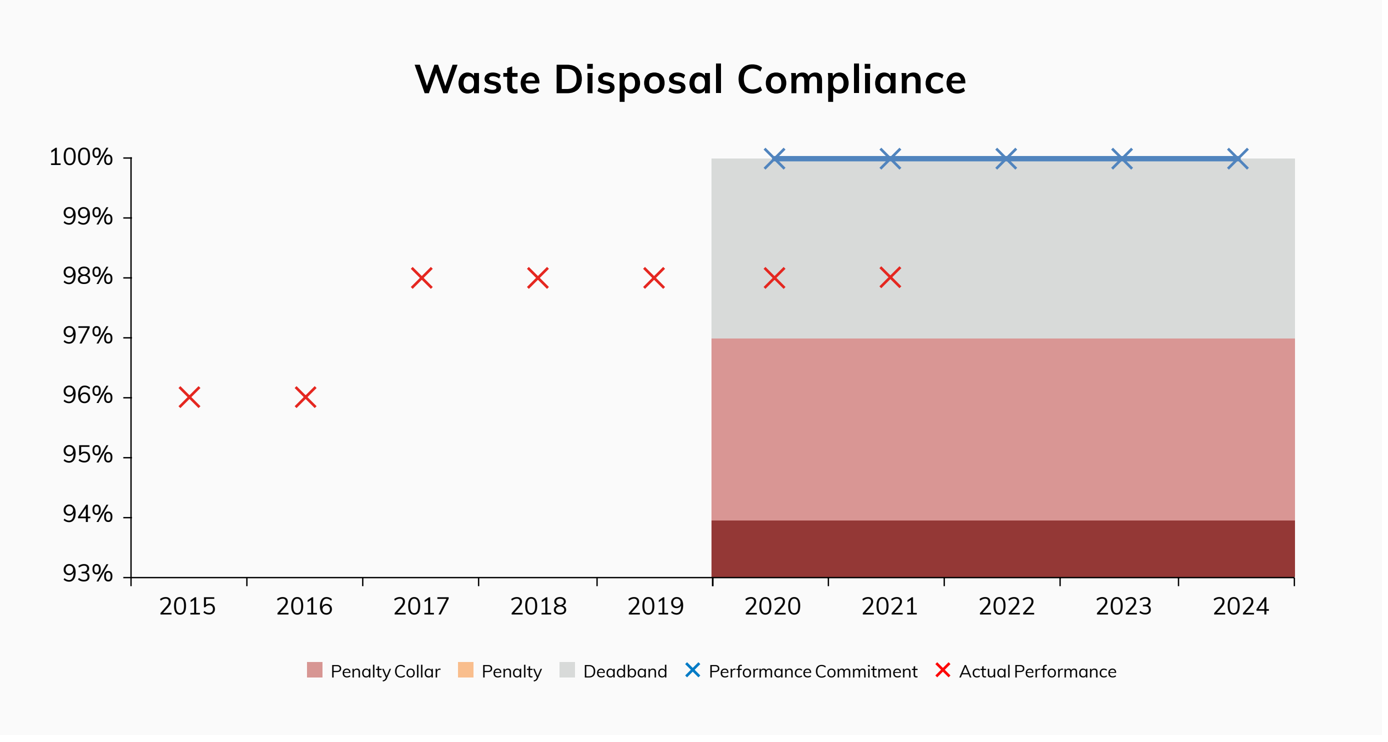
We hold permits for nineteen sites (including Blagdon, which has two discharge points). A number of the sites are however either currently out of service or do not discharge to waterbodies.

| Site | Comments if consented sites are currently either out of service or do not discharge to waterbodies |
|---|---|
| Alderley | N/A |
| Banwell - Lox Yeo | N/A |
| Barrow Fairey well Stream | N/A |
| Barrow Reed Bed | Lagoon isolated in July 2018 and water being pumped to sewer. Still some intermittent discharge if sewer pumps fail or if rain water flows through the Reed Bed. |
| Barrow Return to Res 3 | N/A |
| Barrow Land Yeo | N/A |
| Blagdon Drain | Site not out of service and although it could potentially discharge to other waterbodies, this is a rare occurrence, which is why it is only sampled when fish pens are being drained (which is also a rare occurrence). |
| Blagdon Spillway | N/A |
| Charterhouse | TW out of service |
| Chelvey | N/A |
| Frome | N/A |
| Littleton | N/A |
| Oldford | N/A |
| Purton | N/A |
| Rowberrow | N/A |
| Sherborne (Lamella) | TW out of service (mothballed) |
| Sherborne (Instrument) | TW out of service (mothballed) |
| Shipton Moyne | Since April 2017, wash water returned to the start of the treatment process and any remaining solids are tankered away as required. |
| Stowey | N/A |

The Environment Agency does not prescribe the number of samples that are required from each site. The number of samples we do collect considers the volume and frequency of the discharge, and the resources we have available to undertake the technical tasks. We target, for example, to collect weekly samples at Purton and Blagdon fisheries. This approach has been consistent for a number of years now.

This performance commitment is reported in calendar years.

| % trade effluent discharge samples that meet the consent requirements in the EA permits | 2019 Baseline | 2020 | 2021 | 2022 | 2023 | 2024 | Long Term Ambition | AMP7 Fore-cast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 100 | 100 | 100 | 100 | 100 | 100 | |
| Performance | 98 | 98 | 98 | | | | | |
| PCL met? | | No | No | | | | | |
| Underperformance Penalty £m | | 0 | 0 | | | | | 0 |




**Performance**
Although we have not met our 100% compliance target for this year, we did achieve full compliance in January, February, June, July, August September, October, and 98% of the samples collected overall were fully compliant with the discharge consent conditions, which is consistent with our performance in the last four years. We are constantly reviewing the reasons for the small number of failures that are preventing our ability to achieve full compliance, with a view to implementing remedial measures to drive our compliance higher.

Our ability to report higher compliance for this performance commitment has continued to be significantly impacted by the introduction of a discharge consent at Blagdon fisheries at the outlet downstream of the trout rearing pens, which came into force from 1 February 2018. Since the discharge consent was introduced, compliance for samples collected at the site has proved challenging, particularly given the water quality variations of the four sources which flow into the site. For this year, one third of our total compliance failures were recorded at this site, and these were due to an increase in the suspended solids content of the Langford Spring and Rickford Spring sources flowing into the fish rearing pens, rather than activities taking place on site as part of the fish rearing programme.

As an example to demonstrate the impact Blagdon is having on compliance, removing the two non-compliant samples reported from the site this year would put overall compliance at 99%. It should be noted that there are two discharge permits for held for different operational activities at Blagdon- one is for water flowing from the outlet of the fisheries, and the other is for infrequent maintenance drain-down activity at the two trout rearing pens. 14 of the 19 active permits have been sampled this year. The five permits not sampled are due to no discharges occurring from their respective sites; these include Blagdon Fisheries- Drain from trout rearing pens, Charterhouse Treatment Works, Shipton Moyne Treatment Works, and Sherborne Treatment Works (x2 permits).

There have been six non-compliant samples, from a total of 352 samples collected.

Two non-compliant samples for suspended solids have been reported at the outlet of Blagdon Fisheries at the Spillway. These failures have been attributed to a deterioration of inflow quality from Langdon Spring and Rickford Spring, rather than direct process issues at the fish rearing pens. A sediment trap has been installed near the site discharge outfall and this, combined with a regular cleaning programme to remove accumulated sediment, has aided the removal of larger particulate material created by fish rearing and prevented failures. The failures caused by sudden quality changes in the Spring sources however, confirm that the sediment traps' ability to remove finer material is limited.

One non-compliant sample was reported for aluminium in Purton discharge to the River Severn. The sample is collected from a sample tap on site rather than the outfall pipe at the estuary. The failure was due to a sample collection error, where the Sampler did not allow the tap to run for the prescribed time before filling the sample bottle. This sample has been deemed as 'unrepresentative', but is still included in the reported compliance figures.

One non-compliant sample was reported for aluminium for Barrow Treatment Works waste water return to raw water reservoir number 3. The aluminium failure was a consequence of the thickener blankets temporarily overtopping when the treatment works was running at high flow and the waste system was under heavy load. A waste water 'divert' control process has since been commissioned and out of specification waste is now diverted to a storage tank in the event of thickener over-topping.

One non-compliant sample was reported for chlorine for Barrow Treatment Works discharge to the Fairywell Stream. The failure was caused by treated water passing through a faulty isolation valve from a treated water storage reservoir which ran to a drain, which in turn leads to the Fairywell Stream. Site Staff routines have been enhanced to ensure that the chamber is inspected regularly for leakage and de-chlorination tablets are kept topped in-situ.

One non-compliant sample was reported for aluminium for Barrow Treatment Works discharge to the Fairywell Stream. Out of specification waste was transferred to a redundant Slow Sand Filter (SSF) to enable to the waste system to keep operating at a time when it was experiencing heavy algal loading. The washout valve on the SSF was not fully closed, which allowed water to run to drain and enter the Fairywell Stream. The washout valve has since been closed and discharge from the SSF is only permitted once satisfactory sample results have been reported confirming that the water is within the required discharge consent limits.

**COVID-19**
During 2020/2021, the impact of COVID-19 had some positive outcomes for compliance. Due to restrictions on sampling staff entering customer properties this freed up sampling resource to bolster discharge sampling (471 samples collected). A increase number of samples enabled improved monitoring, particularly at sites with greater historical risk of failure. During 2021-2022 however, as Covid-19 restrictions were gradually lifted, increased resource was once again redirected back to compliance monitoring a customers' taps, which lead to fewer discharge samples being collected (352 samples collected).

**AMP7 Forecast Total (Outcome Delivery Incentives)**
Based on our historical performance to date we are not forecasting any underperformance penalties in the remaining years of this reporting period.

## Water Industry National Environment Programme compliance

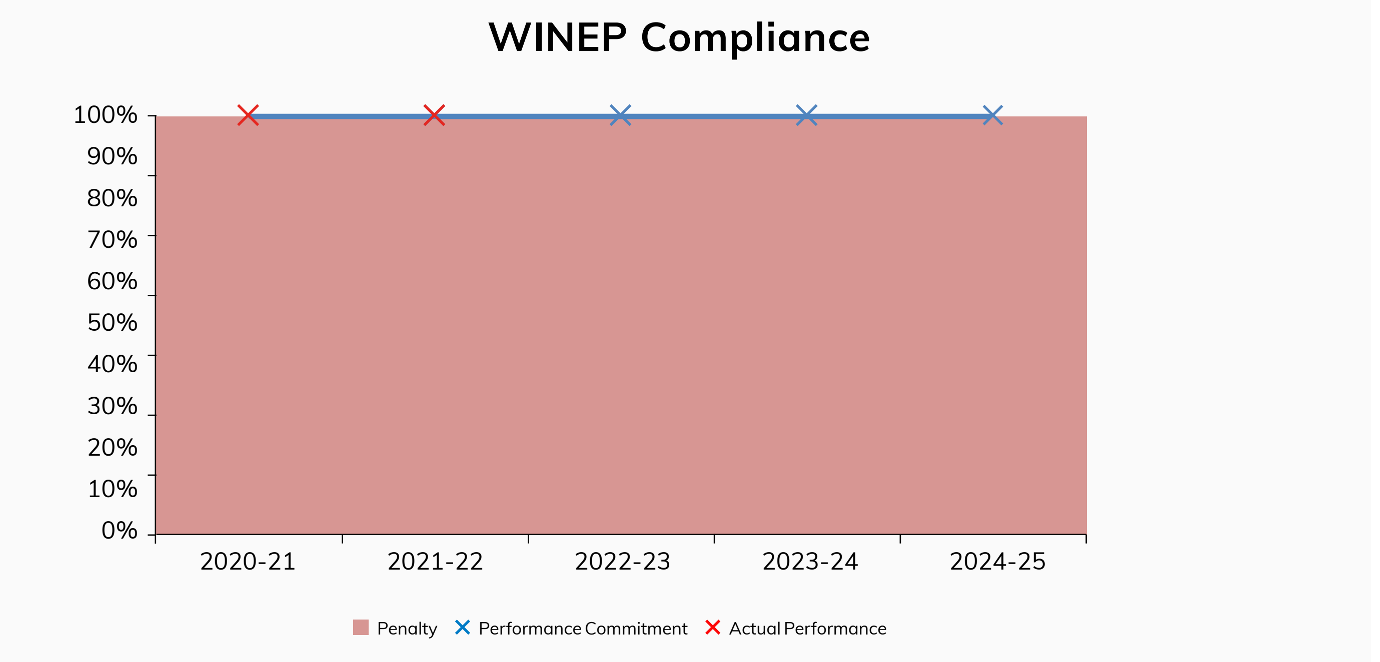
**Definition and Targets**
The Water Industry National Environment Programme (WINEP) represents a set of actions that the Environment Agency have requested we complete between 2020 and 2025, in order to contribute towards meeting our environmental obligations.

The aim of this performance commitment is to ensure that we deliver our agreed WINEP schemes in a timely manner. It is measured as the percentage of WINEP schemes completed each year measured against the programme agreed with the Environment Agency on 1 April 2019. There are 50 lines on the WINEP, which include: schemes, risk assessments, surveillance programmes, a biodiversity action plan and a feasibility study.

Measurement against this commitment will be equally weighted on compliance with delivery of each line of the WINEP by the regulatory dates, as signed off by the Environment Agency and Natural England. For transparency, the deadlines for the various schemes have been summarised in the table below.

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| Number of WINEP schemes due for completion | 0 | 26 | 4 | 3 | 17 |

| % WINEP schemes completed against agreed EA programme | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 100 | 100 | 100 | 100 | 100 | |
| Performance | 100 | 100 | 100 | | | | |
| PCL met? | | Yes | Yes | | | | |
| Underperformance Penalty £m | | 0 | 0 | | | | 0 |



**Performance**
Work to deliver on our WINEP obligations and projects has progressed well through Years 1 and 2. We have completed and had signed off by the EA (and Natural England for certain investigations) 26 projects, which was the stated target at this stage.

We are therefore 100% compliant at the end of year reporting period and are on target. For this year, the projects we have completed include abstraction sustainability investigations at six sites, catchment water quality investigations at Barrow WTW and at Forum Springs WTW, and 18 invasive species and biosecurity investigations.

Ongoing projects include two further abstraction sustainability investigations, catchment management across the River Axe catchment and the Egford boreholes catchment, adaptive management of river flows downstream of Blagdon and Chew Valley Reservoirs, installation of biosecurity signage at a number of sites, MCERTS flow monitoring assessment and certification, feasibility assessment of the effectiveness of reedbbeds and wetlands and installation of elver passage at Chew Valley Reservoir. The WINEP Strategic Biodiversity Action Plan (SBAP) is under way with the company Natural Asset Plans and Strategic Woodland Management drafted during 2020/2021. Delivery of the Biodiversity Index enhancements are being scoped and planned for delivery during AMP7 and will align with the recently developed Natural Asset Plans and Natural Asset Register. All of these projects are progressing well and are on track for delivery as required under the programme.

**Social Contract**
Under the WINEP we are progressing a number of projects which will contribute to social contract delivery. These include:

- Working with local stakeholders in the Chew and Yeo catchments to improve river flow patterns downstream of reservoirs while taking into account concerns around flooding and angling and other river users.
- Development and implementation of a company wide Biodiversity Strategy which will take into account views and learning of numerous community groups with diverse interests.
- Working with university students to research sources and fate of nutrients in the catchments.
- Working with local partnerships and local community groups we will develop our monitoring of Invasive Non Native Species and learn together what their impacts are on our natural environment.

**Other reporting and assurance requirements**
The Environment Agency WINEP tracker spreadsheet has been reviewed by both EA and Bristol Water to confirm that delivery of the WINEP is on track as at 31st March 2022 (a total of 26 WINEP lines have been signed off as complete). This is one additional project compared to the live WINEP tracker, but in line with the WINEP version agreed with the Environment Agency on 1 April 2019 (which this performance commitment reports against).

**AMP7 Forecast Total (Outcome Delivery Incentives)**
Based on our planned schedule of WINEP schemes we are forecasting to achieve our PCLs in the remaining years of this reporting period

## Delivery of Water Industry National Environment Programme requirements

**Definition and Targets**
The WINEP represents a set of actions that the Environment Agency have requested we complete between 2020 and 2025, in order to contribute towards meeting our environmental obligations.

The aim of this performance commitment is to ensure that we deliver our agreed WINEP schemes in a timely manner. It is measured by a confirmation of whether we have "met" or "not met" the requirements of the WINEP.

| Whether the company has met its requirements for WINEP | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | met | met | met | met | met |
| Performance | met | met | met | | | |
| PCL met? | | Yes | Yes | | | |

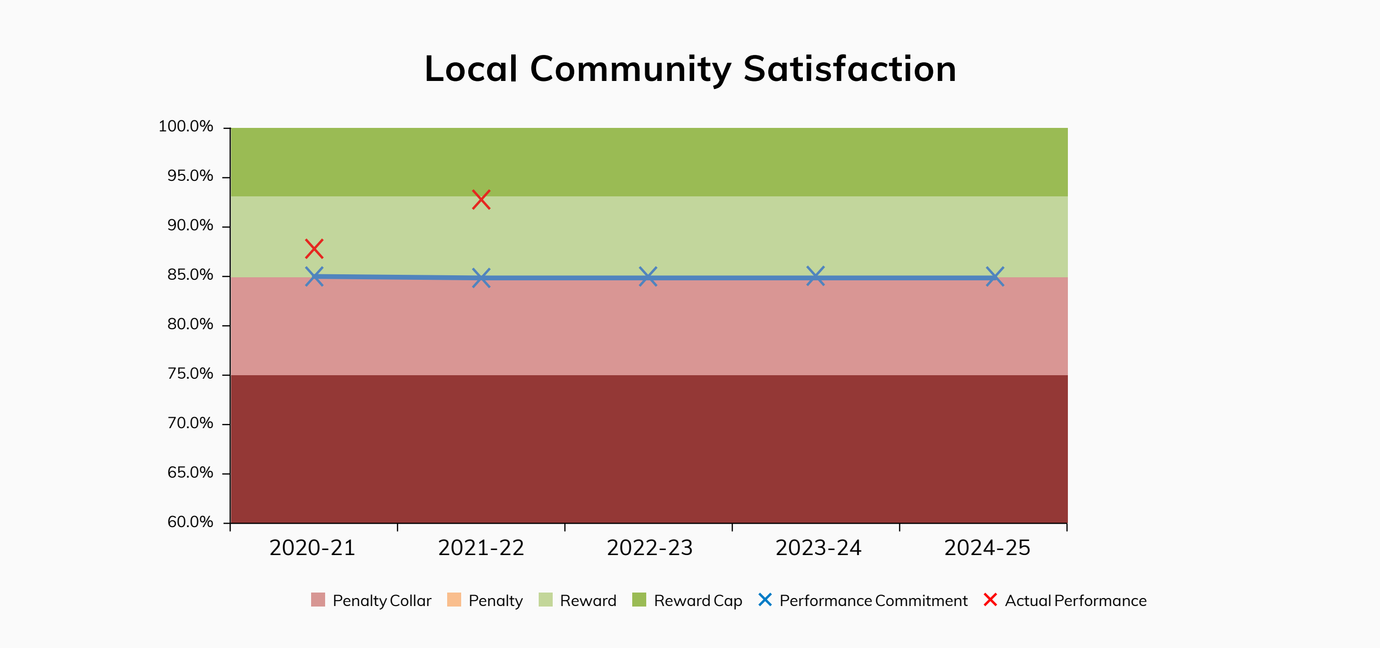
Our performance is explored in detail as part of the section on our WINEP compliance performance commitment.

## Local community satisfaction

**Definition and Targets**
The aim of this performance commitment is to improve our contributions to local communities through specified initiatives. It is measured as the percentage of stakeholders who answer "very satisfied' or 'fairly satisfied' to the following question: "How far do you agree that Bristol Water makes a positive contribution to the communities it serves?"

Following the results of the survey in 2020/2021, and following feedback from the Bristol Water Challenge Panel, we have increased the promotion of the survey. This resulted in a significant increase in of the number of responses: from 17 in 2020/21 to 26 in 2021/22. The satisfaction level has also risen from 88.2% to 92.6%.

| % stakeholder satisfaction | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Long Term Ambition | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") | | 85.0 | 85.0 | 85.0 | 85.0 | 85.0 | 93.0 | |
| Performance | N/A | 88.2 | 92.6 | | | | | |
| PCL met? | | Yes | Yes | | | | | |
| Outperformance Payment/ Underperformance Penalty £m | | 0.067 | 0.158 | | | | | 0.225 |




**Performance**
Our Local Community Satisfaction survey helps us to gather the feedback from the community stakeholders who are involved in various projects during the year as a part of Bristol Water Social Contract. The feedback can help us evaluate our efforts and contribution, as well as plan for the further community projects and engagement. The survey and the report was done by the independent third-party research provider that complies with the Market Research Society Code of Conduct. Turner & Townsend have provided assurance on the survey as part of their ODI assurance work.

Our stakeholders' high satisfaction for this year is based on the positive contribution to the communities that we serve, which our social contract programmes and initiatives aim to achieve. In order to demonstrate to our stakeholders that we have improved our contributions to our local communities, we undertake a range of social contract programmes, with specified objectives for the year. Some of the highlights from this year include:

- Resource West - We are taking a community leadership role for broader issues of resource efficiency and have created partnerships with the University of the West of England, Wales and West Utilities, Western Power Distribution and Bristol Pay CIC. We've kicked off a three-year project starting with a planned series of trials across our supply area, which are focused on testing different messages and approaches. This recognises the need for cultural change in resource consumption, together with combined support for customers who struggle to pay their bills.
- Education and awareness of water issues through our youth board - We host an annual Youth Board programme which brings the views of young people into our decision making, as well as providing development opportunities and business experience for the young people involved. We used our Youth Board this year to explore with six formers why they think the views of their generation may differ from water customers in general. As we found previously, young people perceived themselves to be more conscious of the environment than older generations. We tested the concept of intergenerational fairness and found that the youth board expected investment costs to be spread over multiple generations and were concerned about these being deferred into the future due to concerns around uncertainty or affordability.
- Supporting vulnerable customers - In response to the pandemic, we increased our focus on providing a service to all those vulnerable customers who need our support the most. It has heightened our awareness of vulnerabilities and will continue to shape our work. We have continued to work with our partners to reach those customers who are most in need but unaware of the extra services which we offer. We have seen an increase of households on our Priority Services Register to over 7,760 households.
- Working with our communities and stakeholders - We have continued to play an active role in the Bristol One City Plan through our role in the Environmental Sustainability Board and by working with Bristol Green Capital Partnership to link our own strategies to those of the city. We are now working to explore the benefits of a combined infrastructure planning approach.
- Academic partnerships - we have provided learning experiences to university students through work-based placements. We have also completed our on our Sustainable Urban Nexus (SUNEX) project, which explores the circular economy in relation to water, energy and food in urban regions through an international academic partnership.
- Together for Good - This is a monthly competition which provides £500 to a charity or community scheme – so over the year we supported 12 different projects which benefit our local communities. Some examples of charities and community groups which we supported are Brigstowe (who deliver local HIV support services), Migrateful (who help refugees and asylum seekers on their journey to independence) and Grief Encounter (who support those suffering from grief).
- Improve community experiences and opportunities at our lakes and reservoirs – The Chew Valley Recreational Trail was opened in May 2022 which provides a key delivery against this objective.

In order to keep our stakeholders informed of our social contract progress we have published a separate Social Contract Transparency and Benefits Update Report on the initiatives we have prioritised that contribute to the local communities that we serve. This report can be found on our website at www.bristolwater.co.uk/aboutus/our-story/social-contract, this is in addition to an infographic that summarised the progress we had in our programmes by the end of September 2021.

Customers can still view the infographic online at: www.bristolwater.co.uk/midyear-socialcontract-2021-22.

**COVID-19**
As the majority of our social contract initiatives are by their very nature, social activities, COVID-19 had a major impact on our programmes and many of the initiatives were placed on hold due to the social interactions required. In 2021/22 a number of projects were held online instead of in-person (such as our Youth Board event), however some of the projects that were put on hold we aim to restart, such as public access to our Bristol Water drinking fountains.

**AMP7 Forecast Total (Outcome Delivery Incentives)**
Based on our historical performance to date we are forecasting to at least achieve our PCLs in the remaining years of this reporting period.

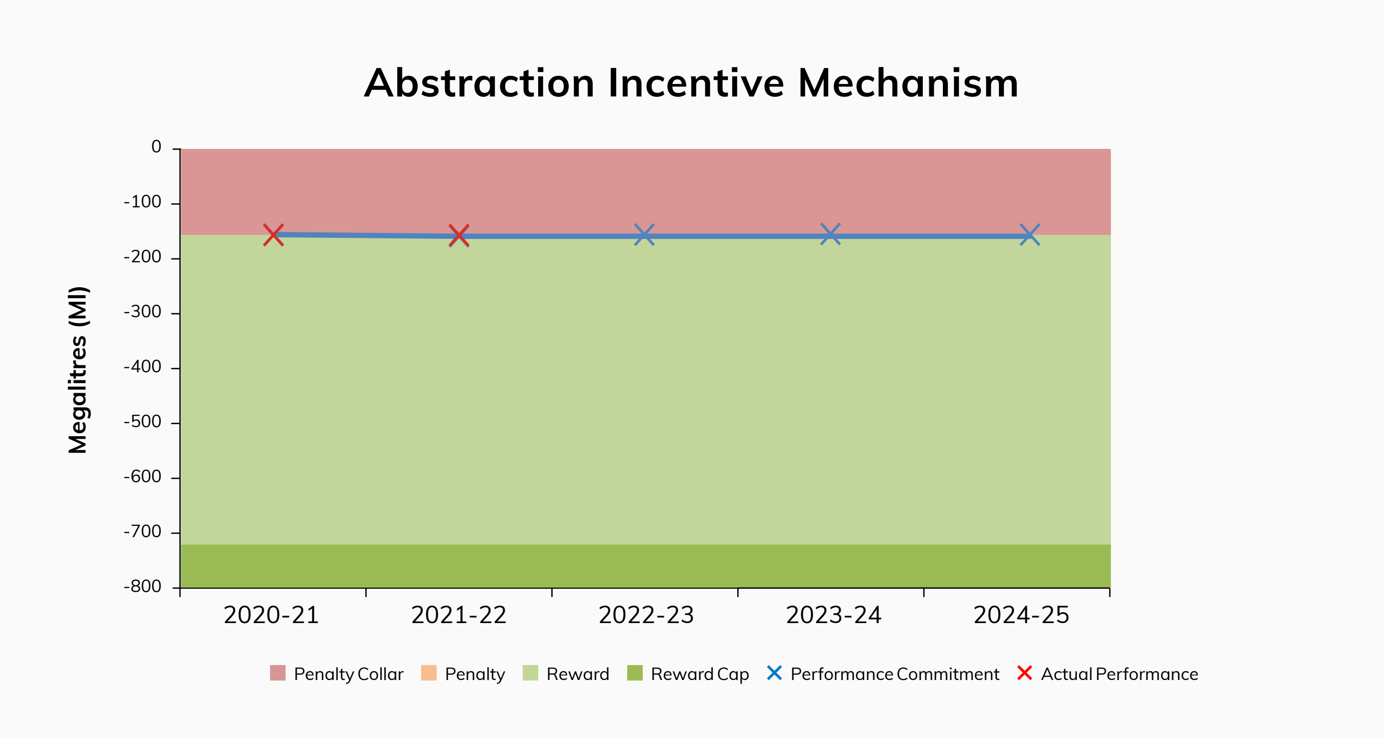
## Abstraction incentive mechanism (AIM)

**Definition and Targets**
The abstraction incentive mechanism (AIM) has the objective of encouraging water companies to reduce the environmental impact of abstracting water at environmentally sensitive sites when water is scarce. The aim of this performance commitment is to reduce abstraction from environmentally sensitive sites when flows or levels are below an agreed point otherwise known as a "trigger". This trigger indicates that there is a heightened risk of environmental impact from abstraction in the year ahead and that measures should be taken to mitigate this risk. The AIM measure supplements the controls we already have in place under our abstraction licencing obligations to safeguard the environment.

We have included one site for AIM for the period 2020-25, the Shipton Moyne Group, which relates to the effects of our groundwater abstractions at Tetbury, Shipton Moyne and Long Newnton on river flows in the Malmesbury Avon. The AIM measure is triggered when groundwater levels on 1st April each year are less than 90.0 meters above ordinance datum (sea level or mAOD). Once and if triggered, the sum total of water abstracted from the area is compared to the baseline of the Shipton Moyne Group, which is 8.3 Ml/day or 3,029.5 Ml.

The PCL is equal to the average daily abstraction during the period when flows are at or below the trigger threshold minus the Shipton Moyne Group baseline average daily abstraction during the period when fows are at or below the trigger threshold, multiplied by the length of the period when flows are at or below the trigger threshold.

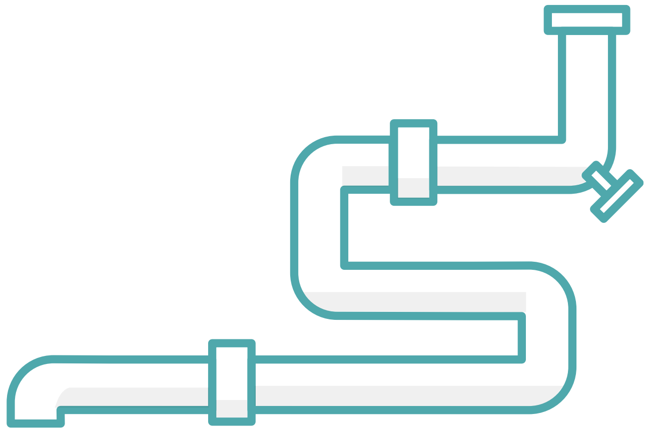
| Megalitres (Ml) | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | AMP7 Forecast Total |
|---|---|---|---|---|---|---|---|
| Performance Commitment Level ("PCL") if AIM triggered | | -186.1 | -186.1 | -186.1 | -186.1 | -186.1 | |
| Performance if AIM triggered | N/A | N/A | | | | | |
| PCL met? | | Yes | | | | | |
| Outperformance Payment/ Underperformance Penalty £m | | 0 | | | | | 0 |




**Performance**
On the 1st April 2021 the groundwater level in the Oolite was 96.508mAOD and thus AIM has not been triggered. Despite this we have abstracted up to the end of March 665Ml less water than baseline. This is partly due to an outage of one of the sources in this Malmesbury-Tetbury area with water being instead supplied by the more energy intensive sources fed from the Sharpness canal. Nevertheless we would have still complied with AIM had it been triggered in 2021/22.

**AMP7 Forecast Total (Outcome Delivery Incentives)**
We take the potential for low river flows and the potential damage this can have on the environment very seriously. We continue to prioritise other options for ensuring our customers have a sufficient supply of water, before abstraction is considered as a solution.

As it is not likely that the AIM will be "triggered" we are forecasting to achieve our PCLs in the remaining years of this reporting period.



## Section 4

# Additional regulatory information - service level

The information provided in Section 4 details financial and non-financial information about the Company. The section presents Bristol Water's cost and operational information for 2021/22 with summary commentary (where applicable) on the key changes compared to the last reporting year. Additional explanations have also been provided to assist understanding of some of the terminology included in these tables.

As a water only company, a number of data tables included in this section of the APR are not applicable to Bristol Water.

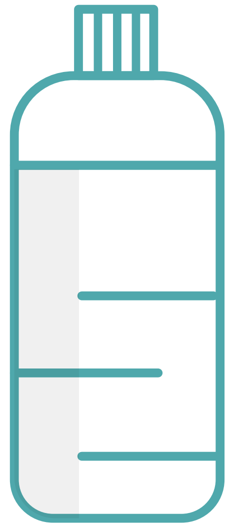
| 4A Water bulk supply information for the 12 months ended 31 March 2022 | Volume Ml | Operating costs £m | Revenue £m |
|---|---|---|---|
| **Bulk supply exports** | | | |
| Newton Meadows | 1,470.240 | 0.960 | 1.083 |
| Marshfield | 7.793 | 0.009 | 0.011 |
| Ashcott | 87.665 | 0.100 | 0.000 |
| Emersons Green Inset | 235.674 | 0.197 | 0.244 |
| Locking Parklands Inset | 11.299 | 0.010 | 0.014 |
| **Total bulk supply exports** | **1,812.671** | **1.276** | **1.352** |
| **Bulk supply imports** | | | |
| Corsley | 11.086 | 0.001 | |
| Chapmanslade | 28.609 | 0.035 | |
| Standerwick | 0.000 | 0.000 | |
| West Lydford | 24.498 | 0.040 | |
| Compton Dundon [Ivythorn] | 68.033 | 0.000 | |
| Shipton Moyne | 3.645 | 0.000 | |
| **Total bulk supply imports** | **135.871** | **0.076** | |

Bulk supplies are large non-household supplies to/from neighbouring water companies or companies to which large non-household wholesale supplies are made outside but inset to the BW supply region. BW has five exports, three of which are to Wessex Water and two of which is to an inset retail customer. BW also has agreements in place for the import of bulk supplies from Wessex Water at six locations, one of which is not used.

Operating costs for exports with exclusion of Newton Meadows are derived using the ratio of total wholesale operating cost vs wholesale revenue – in 2021/22 the ratio of wholesale operating cost to revenue was 82.6%. We have elected to use the previous years cost to revenue ratio, as these tables are completed after 4A, but will review once those tables are completed, and will updated if the percentage is materially different. Operating costs for individual bulk exports were then factored from revenue using this ratio. In the case of inset exports deductions were also subtracted to account for avoided costs - for Household tariffs in 2021/22 this was £100.9/Ml, applied to the insets supplies at Emersons Green and Locking Parklands.

Operating costs for Newton Meadows are taken from bills issued to WW from BW finance. Derivation of these operating cost are specific to the supply agreement. The supply agreement for Newton Meadows apportions a share of the original capital investment for Purton TW and associated trunk mains as well as ongoing operating costs.

**4B Analysis of debt**
Due to the size of this data table we have opted to omit it from this document. The information can be found on our website in our APR 2021/22 Tables excel file at www.bristolwater.co.uk/about-us/our-performance/.



| 4C Impact of price control performance to date on RCV | 12 months ended 31 March 2022 Water resources £m | Water network plus £m | Wastewater network plus £m | Bioresources £m | Additional Control £m |
|---|---|---|---|---|---|
| **Totex (net of business rates, abstraction licence fees and grants and contributions)** | | | | | |
| Final determination allowed totex (net of business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing) | 12.821 | 66.396 | 0.000 | 0.000 | 0.000 |
| Actual totex (excluding business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing) | 9.965 | 70.524 | 0.000 | 0.000 | 0.000 |
| Transition expenditure | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Disallowable costs | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total actual totex (net of business rates, abstraction licence fees and grants and contributions) | 9.965 | 70.524 | 0.000 | 0.000 | 0.000 |
| Variance | -2.856 | 4.128 | 0.000 | 0.000 | 0.000 |
| Variance due to timing of expenditure | -1.104 | -3.467 | 0.000 | 0.000 | 0.000 |
| Variance due to efficiency | -1.752 | 7.595 | 0.000 | 0.000 | 0.000 |
| Customer cost sharing rate - outperformance | 55.00% | 55.00% | 0.000 | 0.000 | 0.000 |
| Customer cost sharing rate - underperformance | 45.00% | 45.00% | 0.000 | 0.000 | 0.000 |
| Customer share of totex overspend | 0.000 | 3.418 | 0.000 | 0.000 | 0.000 |
| Customer share of totex underspend | -0.964 | 0.000 | 0.000 | 0.000 | 0.000 |
| Company share of totex overspend | 0.000 | 4.177 | 0.000 | 0.000 | 0.000 |
| Company share of totex underspend | -0.788 | 0.000 | 0.000 | 0.000 | 0.000 |

| 4C Impact of price control performance to date on RCV | 12 months ended 31 March 2022 Water resources £m | Water network plus £m | Wastewater network plus £m | Bioresources £m | Additional Control £m |
|---|---|---|---|---|---|
| **Totex - business rates and abstraction licence fees** | | | | | |
| Final determination allowed totex - business rates and abstraction licence fees | 4.526 | 3.867 | 0.000 | 0.000 | 0.000 |
| Actual totex - business rates and abstraction licence fees | 4.034 | 3.889 | 0.000 | 0.000 | 0.000 |
| Variance - business rates and abstraction licence fees | -0.492 | 0.022 | 0.000 | 0.000 | 0.000 |
| Customer cost sharing rate - business rates | 77.16% | 96.53% | 0.00% | 0.00% | 0.00% |
| Customer cost sharing rate - abstraction licence fees | 77.16% | 96.53% | 0.00% | 0.00% | 0.00% |
| Customer share of totex over/underspend - business rates and abstraction licence fees | -0.380 | 0.021 | 0.000 | 0.000 | 0.000 |
| Company share of totex over/underspend - business rates and abstraction licence fees | -0.112 | 0.001 | 0.000 | 0.000 | 0.000 |
| **Totex not subject to cost sharing** | | | | | |
| Final determination allowed totex - not subject to cost sharing | 0.439 | 6.151 | 0.000 | 0.000 | 0.000 |
| Actual totex - not subject to cost sharing | 0.504 | 1.834 | 0.000 | 0.000 | 0.000 |
| Variance - 100% company allocation | 0.065 | -4.317 | 0.000 | 0.000 | 0.000 |
| Total customer share of totex over/under spend | -1.343 | 3.439 | 0.000 | 0.000 | 0.000 |
| **RCV** | | | | | |
| Total customer share of totex over/under spend | -1.343 | 3.439 | 0.000 | 0.000 | 0.000 |
| PAYG rate | 81.64% | 73.26% | 0.00% | 0.00% | 0.00% |
| RCV element of cumulative totex over/underspend | -0.247 | 0.920 | 0.000 | 0.000 | 0.000 |

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| | Price control period to date | | | | |
|---|---|---|---|---|---|
| **4C Impact of price control performance to date on RCV** | **Water resources £m** | **Water network plus £m** | **Wastewater network plus £m** | **Bioresources £m** | **Additional Control £m** |
| **Totex (net of business rates, abstraction licence fees and grants and contributions)** | | | | | |
| Final determination allowed totex (net of business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing) | 25.529 | 131.948 | 0.000 | 0.000 | 0.000 |
| Actual totex (excluding business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing) | 19.749 | 142.476 | 0.000 | 0.000 | 0.000 |
| Transition expenditure | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Disallowable costs | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total actual totex (net of business rates, abstraction licence fees and grants and contributions) | 19.749 | 142.476 | 0.000 | 0.000 | 0.000 |
| Variance | -5.780 | 10.528 | 0.000 | 0.000 | 0.000 |
| Variance due to timing of expenditure | -3.698 | 0.022 | 0.000 | 0.000 | 0.000 |
| Variance due to efficiency | -2.082 | 10.506 | 0.000 | 0.000 | 0.000 |
| Customer cost sharing rate - outperformance | 55.00% | 55.00% | 0.000 | 0.000 | 0.000 |
| Customer cost sharing rate - underperformance | 45.00% | 45.00% | 0.000 | 0.000 | 0.000 |
| Customer share of totex overspend | 0.000 | 4.728 | 0.000 | 0.000 | 0.000 |
| Customer share of totex underspend | -1.145 | 0.000 | 0.000 | 0.000 | 0.000 |
| Company share of totex overspend | 0.000 | 5.778 | 0.000 | 0.000 | 0.000 |
| Company share of totex underspend | -0.937 | 0.000 | 0.000 | 0.000 | 0.000 |

| | Price control period to date | | | | |
|---|---|---|---|---|---|
| **4C Impact of price control performance to date on RCV** | **Water resources £m** | **Water network plus £m** | **Wastewater network plus £m** | **Bioresources £m** | **Additional Control £m** |
| **Totex - business rates and abstraction licence fees** | | | | | |
| Final determination allowed totex - business rates and abstraction licence fees | 8.891 | 7.598 | 0.000 | 0.000 | 0.000 |
| Actual totex - business rates and abstraction licence fees | 8.066 | 7.779 | 0.000 | 0.000 | 0.000 |
| Variance - business rates and abstraction licence fees | -0.825 | 0.181 | 0.000 | 0.000 | 0.000 |
| Customer cost sharing rate - business rates | 76.71% | 90.98% | 0.00% | 0.00% | 0.00% |
| Customer cost sharing rate - abstraction licence fees | 76.71% | 90.98% | 0.00% | 0.00% | 0.00% |
| Customer share of totex over/underspend - business rates and abstraction licence fees | -0.633 | 0.165 | 0.000 | 0.000 | 0.000 |
| Company share of totex over/underspend - business rates and abstraction licence fees | -0.192 | 0.016 | 0.000 | 0.000 | 0.000 |
| **Totex not subject to cost sharing** | | | | | |
| Final determination allowed totex - not subject to cost sharing | 0.787 | 12.408 | 0.000 | 0.000 | 0.000 |
| Actual totex - not subject to cost sharing | 0.843 | 3.762 | 0.000 | 0.000 | 0.000 |
| Variance - 100% company allocation | 0.056 | -8.646 | 0.000 | 0.000 | 0.000 |
| Total customer share of totex over/under spend | -1.778 | 4.892 | 0.000 | 0.000 | 0.000 |
| **RCV** | | | | | |
| Total customer share of totex over/under spend | -1.778 | 4.892 | 0.000 | 0.000 | 0.000 |
| PAYG rate | 81.45% | 73.23% | 0.00% | 0.00% | 0.00% |
| RCV element of cumulative totex over/underspend | -0.330 | 1.310 | 0.000 | 0.000 | 0.000 |
| Adjustment for ODI outperformance payment or underperformance payment | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Green recovery | 0.000 | 0.000 | 0.000 | | 0.000 |
| RCV determined at FD at 31 March– | 132.248 | 453.737 | 0.000 | 0.000 | 0.000 |
| Projected 'shadow' RCV | 131.918 | 455.047 | 0.000 | 0.000 | 0.000 |

Totex (net of business rates, abstraction licence fees and grants and contributions and unshared costs) was adverse overall by £1.3m. However this hides an £2.8m favourable variance in water resources as a result of lower than expected base capex, and £4.1m adverse in Network plus as a result of higher power costs (as a result of significant power inflation in the year) and enhancement spend over and above our allowance, offset by lower operating costs following our transformation programme in the prior year. Due to the nature of our capex programme management, a significant part of the variance in capex is due to timing, however we have overspends on metering and stop tap replacement as a result of unit rate increases rather than volume. All Opex variances have been assumed to be efficiency except for IRE which due to its relationship to capex is assumed to be timing. We have assumed all development services variance is as a result of efficiency as the income offset payment variance in the non-sharing costs offsets this, and if it were included in timing would result in a significant uplift to RORE.

Business rates and abstraction was largely in line with allowance. While the Ofwat FD proposed uncertainty mechanisms for business rates and abstraction of 75:25, the CMA final determination set a different sharing rate for business rates at 90:10. As a result of this a weighted average sharing rate (such that the overall share across water resources and water network plus agrees in total) has been calculated as per the table below:

| In-year | WR | | | WNP | | |
|---|---|---|---|---|---|---|
| | Business rates | Abstraction | Total | Business rates | Abstraction | Total |
| Allowance | 1.376 | 3.150 | 4.526 | 3.755 | 0.112 | 3.867 |
| Actual | 1.305 | 2.729 | 4.034 | 3.786 | 0.103 | 3.889 |
| Variance | -0.071 | -0.421 | -0.492 | 0.031 | -0.009 | 0.022 |
| Sharing Rate | 90% | 75% | | 90% | 75% | |
| Share | -0.064 | -0.316 | -0.379 | 0.028 | -0.007 | 0.021 |
| Average Rate | | | 77.16% | | | 96.53% |

| Cumulative | WR | | | WNP | | |
|---|---|---|---|---|---|---|
| | Business rates | Abstraction | Total | Business rates | Abstraction | Total |
| Variance | -0.094 | -0.732 | -0.826 | 0.193 | -0.012 | 0.181 |
| Sharing Rate | 90% | 75% | | 90% | 75% | |
| Share | -0.085 | -0.549 | -0.633 | 0.174 | -0.009 | 0.165 |
| Average Rate | | | 76.71% | | | 90.98% |

Non sharing costs are significantly underspent as a result of the timing of income offset and the number of pre-2018 schemes (not income offset applicable) which have occurred during the year (£4.5m were assumed however only £1.3m were received). In order to calculate the cumulative position following a change in table construction we have restated last year in the same format as this year and then added the numbers together in outturn prices.

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### 4D Totex analysis for the 12 months ended 31 March 2022 - water resources and water network+

| | Water resources £m | Network+ | | | | Total £m |
|---|---|---|---|---|---|---|
| | | Raw water transport £m | Raw water storage £m | Water treatment £m | Treated water distribution £m | |
| **Operating expenditure** | | | | | | |
| Base operating expenditure | 11.005 | 0.774 | 0.000 | 14.328 | 25.639 | 51.746 |
| Enhancement operating expenditure | 0.000 | 0.000 | 0.000 | 0.066 | 0.349 | 0.415 |
| Developer services operating expenditure | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total operating expenditure excluding third party services | 11.005 | 0.774 | 0.000 | 14,394 | 25.988 | 52.161 |
| Third party services | 0.348 | 0.002 | 0.000 | 0.288 | 0.047 | 0.685 |
| Total operating expenditure | 11.353 | 0.776 | 0.000 | 14.682 | 26.035 | 52.846 |
| **Grants and contributions** | | | | | | |
| Grants and contributions - operating expenditure | 0 | 0 | 0 | 0 | 0 | 0.000 |
| **Capital expenditure** | | | | | | |
| Base capital expenditure | 1.300 | 0.021 | 0.063 | 5.540 | 18.001 | 24.925 |
| Enhancement capital expenditure | 1.849 | 0.000 | 0.000 | 0.149 | 6.684 | 8.682 |
| Developer services capital expenditure | 0.000 | 0.000 | 0.000 | 0.000 | 6.428 | 6.428 |
| Total gross capital expenditure (excluding third party) | 3.149 | 0.021 | 0.063 | 5.689 | 31.113 | 40.035 |
| Third party services | 0.000 | 0.000 | 0.003 | 0.149 | 0.021 | 0.173 |
| Total gross capital expenditure | 3.149 | 0.021 | 0.066 | 5.838 | 31.134 | 40.208 |
| **Grants and contributions** | | | | | | |
| Grants and contributions - capital expenditure | 0.000 | 0.000 | 0.000 | 0.000 | 2.305 | 2.305 |
| Net totex | 14.502 | 0.797 | 0.066 | 20.520 | 54.864 | 90.749 |
| **Cash expenditure** | | | | | | |
| Pension deficit recovery payments | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Other cash items | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Totex including cash items | 14.502 | 0.797 | 0.066 | 20.520 | 54.864 | 90.749 |
| **Atypical expenditure** | | | | | | |
| Pennon acquisition costs | 0.018 | 0.001 | 0.000 | 0.021 | 0.035 | 0.075 |
| Total atypical expenditure | 0.018 | 0.001 | 0.000 | 0.021 | 0.035 | 0.075 |

The Ofwat business unit definitions for resources, raw water distribution, treatment and treated water distribution, as given in Regulatory Accounting Guideline 4.10, have been applied to the fixed assets and operating cost elements of the Company accounts to provide the accounting separation analyses.

The operating cost analysis is based on the Company's management accounts which are used to monitor the financial performance of the Company by the Board and managers. These are not structured under the business unit headings. They reflect the operational structure of the Company. A review of these produced a mapping between the Company cost centres and the business units, with 73% of costs being directly allocated to business units, and 27% requiring a method of allocation to be applied. Any operating cost which relates to sites or assets follows the same business unit as applied to the associated current cost fixed assets, ensuring consistency between the treatment of costs and assets.

The historic cost fixed asset register is held in the Company accounting system at a very detailed level. Each asset on it has been reviewed and 95.3% of the net book value has been attributed directly to a business unit. The remaining net book value includes just over 4% of assets allocated to general and support, a category which is then reallocated over the business units. Less than 1% are assets other than General and Support, allocated over the business units. These are operational assets that cannot be directly attributed to one business unit. Internal guidelines have been established, mapping account classes into which all assets are grouped to the business units. All the Company sites have been reviewed and the relevant appropriate business units recorded to ensure consistency when applying business units to new fixed assets. This has been at a granular level, which has minimised the need for recharges between business units. All assets are allocated to business units as they are created.

Details of any significant changes to the calculations are provided in the accounting separation methodology statements.

The accounting separation analyses have been drawn up in accordance with the Company's accounting separation methodology statement which has been published separately on its website. This also provides commentary comparing this year's expenditure and capital maintenance costs with last years.

We report atypical expenditure to include items considered exceptional in our statutory accounts and which have displayed a material movement (typically greater than £1m) compared to the previous financial year. During 21/22 we identified one item as "atypical" - the Pennon acquisition costs.

### 4Di Wholesale costs compared to the allowance

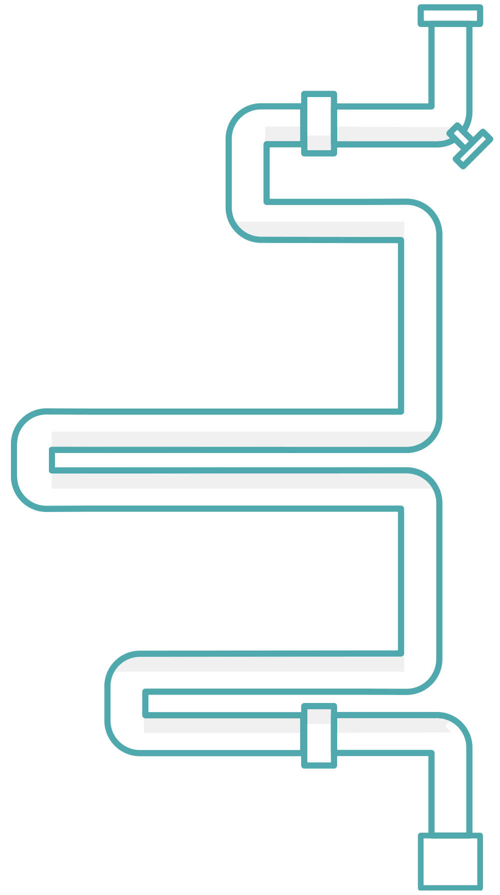
Overall base operating expenditure at £52.8m is £2.5m less than the allowance of £55.3m.

The key drivers of this are: Power which was slightly higher than allowance by £0.4m due to higher than expected price of power in the year (although significantly offset by the hedging in place prior to this increase) offset by; Infrastructure renewals expense was £1.2m favourable to allowance as a result of the mix of renewals jobs between those which are capital in nature versus those which are operating expenditure; Lower other operating expenditure than allowance (£0.8m) as a result of the transformation programme we underwent in 2020/21 improving the efficiency of our operations and back office; and lower spend of traffic management than allowed (£0.5m).

Wholesale base capital expenditure at £24.9m is £1.1m lower than the CMA FD19 allowance of £26.0m. Expenditure on infrastructure was £14.1m against a CMA FD19 allowance of £12.2m, which reflects additional expenditure on mains renewals reflecting focus on job types of a capital rather than operating nature. Non-infrastructure maintenance at £10.8m against £13.5m allowance reflects efficient base maintenance and timing of schemes.

### 4E Totex analysis for the 12 months ended 31 March 2022 - wastewater network+ and bioresources

Table 4E is not applicable to Bristol Water as it is a wastewater table.



## 4F Major project expenditure for wholesale water by purpose for the 12 months ended 31 March 2022

| 4F Major project expenditure for wholesale water by purpose for the 12 months ended 31 March 2022 | Expenditure in report year £m | | | | | | Cumulative expenditure on schemes completed in the report year £m | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Water network+ | | | | | | Water network+ | | | | |
| | Water resources £m | Raw water transport £m | Raw water storage £m | Water treatment £m | Treated water distribution £m | Total £m | Water resources £m | Raw water transport £m | Raw water storage £m | Water treatment £m | Treated water distribution £m | Total £m |
| **Major project capital expenditure by purpose** | | | | | | | | | | | | |
| Regional Strategic Schemes: West Country North Sources (Gate 1) | 0.028 | 0.000 | 0.000 | 0.000 | 0.084 | 0.112 | 0.061 | 0.000 | 0.000 | 0.000 | 0.182 | 0.243 |
| Total major project capital expenditure | 0.028 | 0.000 | 0.000 | 0.000 | 0.084 | 0.112 | 0.061 | 0.000 | 0.000 | 0.000 | 0.182 | 0.243 |
| **Major project operating expenditure by purpose** | | | | | | | | | | | | |
| Regional Strategic Schemes: West Country North Sources (Gate 1) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total major project operating expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Table 4F reports major project expenditure in line with Ofwat's definition of a major project. See below Ofwat's RAG 4.09 guidelines on Major projects. Expenditure is reported as actual annual expenditure for 2021/22 on Major projects:

- Projects listed as Direct procurement for customers (DPC) projects in PR19 final determinations "Delivering customer value in large projects"[38]
- Projects listed as potentially suitable for DPC in PR19 final determinations "Delivering customer value in large projects"
- North East London resilience enhancement programme
- London water network improvement enhancement allowance
- Strategic water resource projects; and
- Havant Thicket winter storage reservoir

While a major project for Bristol Water (Second Cheddar reservoir) was listed in the PR19 final determinations: Delivering customer value in large projects, this scheme has since been removed from the DPC projects requiring licence changes.

The only large project is therefore the Regional Strategic Schemes: West Country North Sources (Gate 1). This project is set up as a capital project within Bristol Water's investment plan for AMP7 under the project code BN-3028 in SAP. In order to align with the assurance feedback from the 2020/2021 reporting year which stated that data reported in this table should be consistent with the RAPID gated submission, the source of data used in this table is now taken from the reporting provided to RAPID by the West Country North Sources project manager.

Year 1 cost covered the project Gate 1 stage, part of the Strategic Regional Options cost-sharing agreement between the three participating companies. The project Gate 2 stage is planned to be completed in Year 2. It now reflects an intra-regional scheme rather than an export of our region.

The total actual cost for project BN-3028 is the actual end of year cost reporting in the Capital Delivery plan and amounts to £0.131m (Line 4F.1), split 25% over the business unit Water Resources (£0.033m) and 75% Treated Water distribution (£0.098m). The Total Capex expenditure Line 4F.11 is £0.131m

The split between Water Resources and Treated Water Distribution is as per our business plan and the Final Determination.

No Opex expenditure has been identified and the reported values for Line 4F.12 and 4F.22 are £0.000m.

The expenditure (£0.131m) for Table 4F on the Regional Strategic Scheme is also reported under Table 4L line 35 – Enhancement expenditure.

## 4G Major project expenditure for wholesale wastewater by purpose for the 12 months ended 31 March 2022

Table 4G is not applicable to Bristol Water as it is a wastewater table.

[38] PR19 final determination Delivering customer value in large projects

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## 4H Financial metrics for the 12 months ended 31 March 2022

| | 2021/22 | AMP to date |
|---|---|---|
| **Financial indicators** | | |
| Net debt | £400.618m | |
| Regulatory equity | £185.367m | |
| Regulatory gearing | 68.37% | |
| Post tax return on regulatory | 4.99% | |
| RORE (return on regulatory equity) | 6.72% | 4.88% |
| Dividend yield | 4.66% | |
| Retail profit margin – Household | 1.65% | |
| Retail profit margin – Non household | 0.00% | |
| Credit rating – Fitch | n/a | |
| Credit rating – Moody's | Baa2 (positive) | |
| Credit rating – Standard and Poor's | n/a | |
| Return on RCV | 4.88% | |
| Dividend cover | -1.16 | |
| Funds from operations (FFO) | £50.709m | |
| Interest cover (cash) | 4.75 | |
| Adjusted interest cover (cash) | 2.63 | |
| FFO/Net debt | 0.13 | |
| Effective tax rate | 9.63% | |
| Tax impact % | | |
| RCF | £42.070m | |
| RCF/Net debt | 0.11 | |
| **Borrowings** | | |
| Proportion of borrowings which are fixed rate | 23.41% | |
| Proportion of borrowings which are floating rate | 26.54% | |
| Proportion of borrowings which are indexed linked | 50.06% | |
| Proportion of borrowings due within 1 year or less | 0.00% | |
| Proportion of borrowings due in more than 1 year but no more than 2 years | 14.06% | |
| Proportion of borrowings due in more than 2 years but no more than 5 years | 0.22% | |
| Proportion of borrowings due in more than 5 years but no more than 20 years | 82.30% | |
| Proportion of borrowings due in more than 20 years | 3.42% | |

A description of the calculation for RORE and performance narrative can be found in section 1F.

Cash interest payable is calculated, and reconciles to the net interest paid in table 1D as follows:

| | Year to 31 March 2022 |
|---|---|
| Interest expense per table 1A | (23.140) |
| Add back indexation (non-cash) | 9.577 |
| Movement in interest creditor | 0.030 |
| Gross interest paid (per interest cover calculations) | (13.533) |
| Interest received | 3.620 |
| Net interest paid (per table 1D) | (9.913) |

## 4I Financial derivatives

Table 4I is not applicable to Bristol Water as the Company does not have any financial derivatives.

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### 4J Base expenditure analysis for the 12 months ended 31 March 2022 - water resources and water network+

| | Water resources £m | Network+ | | | | Total £m |
|---|---|---|---|---|---|---|
| | | Raw water distribution £m | Raw water storage £m | Water treatment £m | Treated water distribution £m | |
| **Operating expenditure** | | | | | | |
| Power | 1.891 | 0.078 | 0.000 | 3.126 | 3.508 | 8.603 |
| Income treated as negative expenditure | -0.011 | 0.000 | 0.000 | -0.019 | -0.020 | -0.050 |
| Bulk supply | 0.009 | 0.000 | 0.000 | 0.020 | 0.047 | 0.076 |
| Renewals expensed in year (infrastructure) | 0.100 | 0.071 | 0.000 | 0.000 | 2.079 | 2.250 |
| Renewals expensed in year (non-infrastructure) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Other operating expenditure | 4.982 | 0.449 | 0.000 | 10.802 | 16.342 | 32.575 |
| Local authority and Cumulo rates | 1.305 | 0.170 | 0.000 | 0.303 | 3.313 | 5.091 |
| **Service Charges** | | | | | | |
| Canal & River Trust abstraction charges/ discharge consents | 1.626 | 0.000 | 0.000 | 0.000 | 0.000 | 1.626 |
| Environment Agency / NRW abstraction charges/ discharge consents | 1.103 | 0.000 | 0.000 | 0.000 | 0.000 | 1.103 |
| Other abstraction charges/ discharge consents | 0.000 | 0.006 | 0.000 | 0.096 | 0.001 | 0.103 |
| **Other operating expenditure** | | | | | | |
| Costs associated with Traffic Management Act | 0.000 | 0.000 | 0.000 | 0.000 | 0.369 | 0.369 |
| Costs associated with lane rental schemes | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Statutory water softening | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Total base operating expenditure** | 11.005 | 0.774 | 0.000 | 14.328 | 25.639 | 51.746 |
| **Capital expenditure** | | | | | | |
| Maintaining the long term capability of the assets - infra | 0.321 | 0.000 | 0.035 | 0.000 | 13.737 | 14.093 |
| Maintaining the long term capability of the assets - non-infra | 0.979 | 0.021 | 0.028 | 5.540 | 4.264 | 10.832 |
| Total base capital expenditure | 1.300 | 0.021 | 0.063 | 5.540 | 18.001 | 24.925 |

| | Water resources £m | Network+ | | | | Total |
|---|---|---|---|---|---|---|
| | | Raw water transport | Raw water storage | Water treatment | Treated water distribution | |
| **Traffic Management Act** | | | | | | |
| Projects incurring costs associated with Traffic Management Act | 0 | 0 | 0 | 0 | 11681 | 11681 |

### 4J Base expenditure analysis

4J represents a calculation of the base wholesale operating expenditure, and is summarised in total in table 4D. A further comparison of these costs in relation to the wholesale allowance are outlined in the commentary associated with 4D.

### 4K Base expenditure analysis for the 12 months ended 31 March 2022 - wastewater network + and bioresources

Table 4K is not applicable to Bristol Water as it is a wastewater table.

| 4L Enhancement expenditure for the 12 months ended 31st March 2022- water resources and water network+ | | Expenditure in report year | | | | | | Cumulative expenditure on schemes completed in the report year | | | | | | Cumulative expenditure on all schemes to reporting year end | Cumulative allowed expenditure on all schemes to reporting year end | Cumulative allowed expenditure on all schemes 2020-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Water network+ | | | | | | Water network+ | | | | | | | |
| | | Water resources | Raw water transport | Raw water storage | Water treatment | Treated water distribution | Total | Water resources | Raw water transport | Raw water storage | Water treatment | Treated water distribution | **Total** | **Total** | **Total** | **Total** |
| **EA/NRW environmental programme (WINEP/NEP)** | | | | | | | | | | | | | | | | |
| Ecological improvements at abstractions | Capex | 0.050 | 0.000 | 0.000 | 0.015 | 0.000 | 0.065 | | | | | | | | | |
| Ecological improvements at abstractions | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Ecological improvements at abstractions | Totex | 0.050 | 0.000 | 0.000 | 0.015 | 0.000 | 0.065 | | | | | | | 0.104 | 1.390 | 3.275 |
| Eels Regulations (measures at intakes) | Capex | 0.907 | 0.000 | 0.000 | 0.000 | 0.000 | 0.907 | | | | | | | | | |
| Eels Regulations (measures at intakes) | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Eels Regulations (measures at intakes) | Totex | 0.907 | 0.000 | 0.000 | 0.000 | 0.000 | 0.907 | | | | | | | 1.088 | 0.180 | 0.423 |
| Invasive Non Native Species | Capex | 0.138 | 0.000 | 0.000 | 0.000 | 0.000 | 0.138 | | | | | | | | | |
| Invasive Non Native Species | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Invasive Non Native Species | Totex | 0.138 | 0.000 | 0.000 | 0.000 | 0.000 | 0.138 | | | | | | | 0.177 | 0.237 | 0.558 |
| Drinking Water Protected Areas (schemes) | Capex | 0.049 | 0.000 | 0.000 | 0.000 | 0.000 | 0.049 | | | | | | | | | |
| Drinking Water Protected Areas (schemes) | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Drinking Water Protected Areas (schemes) | Totex | 0.049 | 0.000 | 0.000 | 0.000 | 0.000 | 0.049 | | | | | | | 0.104 | 0.648 | 1.526 |
| Water Framework Directive measure | Capex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Water Framework Directive measure | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Water Framework Directive measure | Totex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | 0.000 | 0.102 | 0.240 |
| Investigations | Capex | 0.330 | 0.000 | 0.000 | 0.000 | 0.000 | 0.330 | | | | | | | | | |
| Investigations | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Investigations | Totex | 0.330 | 0.000 | 0.000 | 0.000 | 0.000 | 0.330 | | | | | | | 0.379 | 0.207 | 0.488 |
| Total environmental programme expenditure | Totex | 1.474 | 0.000 | 0.000 | 0.015 | 0.000 | 1.489 | | | | | | | 1.852 | 2.764 | 6.510 |

| 4L Enhancement expenditure for the 12 months ended 31st March 2022- water resources and water network+ | | Expenditure in report year | | | | | | Cumulative expenditure on schemes completed in the report year | | | | | | Cumulative expenditure on all schemes to reporting year end | Cumulative allowed expenditure on all schemes to reporting year end | Cumulative allowed expenditure on all schemes 2020-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Water resources | Water network+ | | | | Total | Water resources | Water network+ | | | | Total | Total | Total | Total |
| | | | Raw water transport | Raw water storage | Water treatment | Treated water distribution | | | Raw water transport | Raw water storage | Water treatment | Treated water distribution | | | | |
| **Supply-demand balance** | | | | | | | | | | | | | | | | |
| Supply-side improvements delivering benefits in 2020-2025 | Capex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Supply-side improvements delivering benefits in 2020-2025 | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Supply-side improvements delivering benefits in 2020-2025 | Totex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | 0.000 | 0.000 | 0.000 |
| Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering) | Capex | 0.000 | 0.000 | 0.000 | 0.000 | 0.031 | 0.031 | | | | | | | | | |
| Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering) | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering) | Totex | 0.000 | 0.000 | 0.000 | 0.000 | 0.031 | 0.031 | | | | | | | 0.063 | 0.000 | 0.006 |
| Leakage improvements delivering benefits in 2020-2025 | Capex | 0.000 | 0.000 | 0.000 | 0.000 | 1.435 | 1.435 | 0.000 | 0.000 | 0.000 | 0.000 | 2.295 | 2.295 | | | |
| Leakage improvements delivering benefits in 2020-2025 | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.349 | 0.349 | 0.000 | 0.000 | 0.000 | 0.000 | 0.749 | 0.749 | | | |
| Leakage improvements delivering benefits in 2020-2025 | Totex | 0.000 | 0.000 | 0.000 | 0.000 | 1.784 | 1.784 | 0.000 | 0.000 | 0.000 | 0.000 | 3.044 | 3.044 | 3.044 | 2.146 | 5.095 |
| Internal interconnectors delivering benefits in 2020-2025 | Capex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Internal interconnectors delivering benefits in 2020-2025 | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Internal interconnectors delivering benefits in 2020-2025 | Totex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | 0.000 | 0.000 | 0.000 |
| Supply demand balance improvements delivering benefits starting from 2026 | Capex | 0.036 | 0.000 | 0.000 | 0.000 | 0.000 | 0.036 | | | | | | | | | |
| Supply demand balance improvements delivering benefits starting from 2026 | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Supply demand balance improvements delivering benefits starting from 2026 | Totex | 0.036 | 0.000 | 0.000 | 0.000 | 0.000 | 0.036 | | | | | | | 0.062 | 0.000 | 0.000 |
| Strategic regional water resources | Capex | 0.156 | 0.000 | 0.000 | 0.000 | 0.000 | 0.156 | | | | | | | | | |
| Strategic regional water resources | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Strategic regional water resources | Totex | 0.156 | 0.000 | 0.000 | 0.000 | 0.000 | 0.156 | | | | | | | 0.243 | 1.055 | 2.182 |
| Total supply demand expenditure | Totex | 0.192 | 0.000 | 0.000 | 0.000 | 1.815 | 2.007 | | | | | | | 3.412 | 3.201 | 7.283 |

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| 4L Enhancement expenditure for the 12 months ended 31st March 2022- water resources and water network+ | | Expenditure in report year | | | | | | Cumulative expenditure on schemes completed in the report year | | | | | | Cumulative expenditure on all schemes to reporting year end | Cumulative allowed expenditure on all schemes to reporting year end | Cumulative allowed expenditure on all schemes 2020-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Water resources | Water network+ | | | | Total | Water resources | Water network+ | | | | Total | | | |
| | | | Raw water transport | Raw water storage | Water treatment | Treated water distribution | | | Raw water transport | Raw water storage | Water treatment | Treated water distribution | | Total | Total | Total |
| **Metering** | | | | | | | | | | | | | | | | |
| New meters requested by existing customers (optants) | Capex | | | | | 1.018 | 1.018 | | | | | | | | | |
| New meters requested by existing customers (optants) | Opex | | | | | 0.000 | 0.000 | | | | | | | | | |
| New meters requested by existing customers (optants) | Totex | | | | | 1.018 | 1.018 | | | | | | | | | |
| New meters introduced by companies for existing customers | Capex | | | | | 2.009 | 2.009 | | | | | | | | | |
| New meters introduced by companies for existing customers | Opex | | | | | 0.000 | 0.000 | | | | | | | | | |
| New meters introduced by companies for existing customers | Totex | | | | | 2.009 | 2.009 | | | | | | | | | |
| New meters for existing customers - business | Capex | | | | | 0.000 | 0.000 | | | | | | | | | |
| New meters for existing customers - business | Opex | | | | | 0.000 | 0.000 | | | | | | | | | |
| New meters for existing customers - business | Totex | | | | | 0.000 | 0.000 | | | | | | | | | |
| Replacement of existing basic meters with smart meters | Capex | | | | | 0.000 | 0.000 | | | | | | | | | |
| Replacement of existing basic meters with smart meters | Opex | | | | | 0.000 | 0.000 | | | | | | | | | |
| Replacement of existing basic meters with smart meters | Totex | | | | | 0.000 | 0.000 | | | | | | | | | |
| Smart meter infrastructure | Capex | | | | | 0.000 | 0.000 | | | | | | | | | |
| Smart meter infrastructure | Opex | | | | | 0.000 | 0.000 | | | | | | | | | |
| Smart meter infrastructure | Totex | | | | | 0.000 | 0.000 | | | | | | | | | |
| Total metering expenditure | Totex | | | | | 3.027 | 3.027 | | | | | | | 4.959 | 4.182 | 9.929 |

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| 4L Enhancement expenditure for the 12 months ended 31st March 2022- water resources and water network+ | | Expenditure in report year | | | | | | Cumulative expenditure on schemes completed in the report year | | | | | | Cumulative expenditure on all schemes to reporting year end | Cumulative allowed expenditure on all schemes to reporting year end | Cumulative allowed expenditure on all schemes 2020-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Water network+ | | | | | | Water network+ | | | | | | | |
| | | Water resources | Raw water transport | Raw water storage | Water treatment | Treated water distribution | Total | Water resources | Raw water transport | Raw water storage | Water treatment | Treated water distribution | **Total** | **Total** | **Total** | **Total** |
| **Other enhancement** | | | | | | | | | | | | | | | | |
| Improvments to taste, odour and colour | Capex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Improvments to taste, odour and colour | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Improvments to taste, odour and colour | Totex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | 0.000 | 0.000 | 0.000 |
| Meeting lead standards | Capex | 0.000 | 0.000 | 0.000 | 0.000 | 0.341 | 0.341 | | | | | | | | | |
| Meeting lead standards | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Meeting lead standards | Totex | 0.000 | 0.000 | 0.000 | 0.000 | 0.341 | 0.341 | | | | | | | 1.411 | 0.145 | 0.344 |
| Addressing raw water deterioration | Capex | 0.183 | 0.000 | 0.000 | 0.134 | 0.000 | 0.317 | | | | | | | | | |
| Addressing raw water deterioration | Opex | 0.000 | 0.000 | 0.000 | 0.066 | 0.000 | 0.066 | | | | | | | | | |
| Addressing raw water deterioration | Totex | 0.183 | 0.000 | 0.000 | 0.200 | 0.000 | 0.383 | | | | | | | 0.691 | 0.664 | 1.573 |
| Improvements to river flow | Capex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Improvements to river flow | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Improvements to river flow | Totex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | 0.000 | 0.000 | 0.000 |
| Enhancing resilience to low probability high consequence events | Capex | 0.000 | 0.000 | 0.000 | 0.000 | 1.850 | 1.850 | | | | | | | | | |
| Enhancing resilience to low probability high consequence events | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Enhancing resilience to low probability high consequence events | Totex | 0.000 | 0.000 | 0.000 | 0.000 | 1.850 | 1.850 | | | | | | | 1.964 | 3.606 | 8.561 |
| Security - SEMD | Capex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Security - SEMD | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Security - SEMD | Totex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | 0.000 | 0.054 | 0.127 |
| Security - Non-SEMD | Capex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Security - Non-SEMD | Opex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | | | |
| Security - Non-SEMD | Totex | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | | | | | | 0.000 | 0.000 | 0.000 |
| Total other enhancement expenditure | Totex | 0.183 | 0.000 | 0.000 | 0.200 | 2.191 | 2.574 | | | | | | | 4.066 | 4.469 | 10.605 |
| **Total enhancement** | | | | | | | | | | | | | | | | |
| Total enhancement expenditure | Capex | 1.849 | 0.000 | 0.000 | 0.149 | 6.684 | 8.682 | | | | | | | | | |
| Total enhancement expenditure | Opex | 0.000 | 0.000 | 0.000 | 0.066 | 0.349 | 0.415 | | | | | | | | | |
| Total enhancement expenditure | Totex | 1.849 | 0.000 | 0.000 | 0.215 | 7.033 | 9.097 | | | | | | | 14.289 | 14.616 | 34.327 |

Table 4L reports TOTEX expenditure on enhancement schemes in line with Ofwat's expenditure purpose categories as set out in the table. Expenditure is reported as actual annual expenditure for 2021/22 on enhancement schemes.

Cumulative expenditure is reported for each Rolling Investment Project (RIP) and Projects, as explained below.

- Rolling investment projects (projects which repeat each year and therefore incur costs every year, for example additional active leakage control) are treated as projects started and completed each individual year (scenario Project B). We work on the basis that the end of a financial year represents the end of each of these projects, and hence 2021/22 expenditure on these rolling investment projects is also reported as the cumulative expenditure for 2021/22.
- Projects (Specific projects that run over multiple years). We work on the basis that the end of the financial year that the project is programmed to finish is the final year of the project and so all costs are associated with that project and reported in the relevant APR. For instance, as we are in APR 2022 we report all the Project A (completed in this year) costs but none of the Project C (not completed in this year).

**Annual Expenditure**
In 2021/22, the annual TOTEX enhancement expenditure is reported at £9.097m. Split between OPEX of £0.415m and CAPEX of £8.682m.

**Cumulative Expenditure**
In 2021/22, the cumulative expenditure on all schemes to reporting year end is reported at £14.288m. Compared to the cumulative allowed expenditure on all schemes to reporting year end, as confirmed with OFWAT is reported at £14.615m.

## Progress and Deliverables

**EA/NRW environmental programme (WINEP/NEP)**
Overall Totex enhancement expenditure during 2021/22 for the environmental programme was £1.490m against the business plan DD response planned expenditure of £1.062m. The Cumulative expenditure on all schemes to reporting year end is £1.851m compared the cumulative allowed expenditure on all schemes to reporting year end of £2.764m.

Main variants in expenditure against plan:
Invasive Non Native Species: The bulk of the delivery of the investigation and INNS work has been moved into Year 3 and 4, whilst some of the delivery items were affected by Covid. No anticipated impact on our commitments under WINEP.
Eels Regulations (measures at intakes): Various projects are moving forward. There have been issues with supply chain delays. These delayed projects are all to be delivered by this summer
Drinking Water Protected Areas: Catchment management across Blagdon/Chew Valley and the Cheddar/Axe catchment is in progress and is delivering against our PC commitments despite spending considerably less than the planned expenditure.
Investigations: WINEP abstraction investigation are progressing and on target to meet WINEP targets, we have carried out some investigations earlier in the AMP to enable us to deliver the outcomes.

**Supply – Demand balance**
Overall Totex enhancement expenditure during 2021/22 for the Supply- demand balance programme was £2.007m against the business plan DD response planned expenditure of £2.603m. The Cumulative expenditure on all schemes to reporting year end is £3.412m compared the cumulative allowed expenditure on all schemes to reporting year end of £3.201m.

Main variants in expenditure against plan:
Leakage improvements delivering benefits in 2020-2025: Leakage reduction performance below target levels during 2021/22, but due to having to maintain leakage at lower levels shows an increase of expenditure against planned. Additional activities to transition leakage levels from 35.53Ml/d to 35.65Ml/d through additional Active Leakage Control, Pressure Management, and capitalised repairs, alongside trialling innovative detection techniques.

Strategic regional water resources: Gate 2 of the Strategic Regional Water Resources scheme completed with Gate 3 starting in Year 3. There is a small difference from table 4F due to a timing difference in year end accrued expenditure and the partner reconciliation process.

**Metering**
Overall Totex enhancement expenditure during 2021/22 for the Metering programme was £3.027m against the business plan DD response planned expenditure of £1.893m. The Cumulative expenditure on all schemes to reporting year end is £4.959m compared the cumulative allowed expenditure on all schemes to reporting year end of £4.182m.

Main variants in expenditure against plan:

Metering: We have put extra expenditure into metering to catch-up from Covid delays and using the momentum to keep the installations ahead of target, this hopefully see us reap the benefits later in the AMP.

**Other enhancements**
Overall Totex enhancement expenditure during 2021/22 for the Other Enhancements programme was £2.573m against the business plan DD response planned expenditure of £2.029m. The Cumulative expenditure on all schemes to reporting year end is £4.066m compared the cumulative allowed expenditure on all schemes to reporting year end of £4.468m.

Main variants in expenditure against plan:

Enhancing resilience to low probability high consequence events: The resilience programme for AMP7 consists of several interventions to mitigate against the asset risk of low likelihood, high impact failures. Specific assets (mains) have been identified serving >10,000 population without a direct alternative supply to these customers, with solutions implemented varying from laying new support mains to dynamically operated boundary valve introduction.

The largest single intervention in this programme is the Wells to Glastonbury resilience main, a project exceeding £5m in implementation. The Year 1 cost on resilience has mainly been the detailed design and survey cost of the Glastonbury to Wells main. Implementation of this main is planned be completed by Year 3.

Meeting Lead Standards: This enhancement has been impacted by two main things; first, the leakage strategy where we have been replacing lead comms pipes and secondly, where we have carried out mains rehab work where Lead Pipes have been identified. This has been recorded against this enhancement type.

## 4M Enhancement expenditure for the 12 months ended 31st March 2022 - wastewater network+ and bioresources

Table 4M is not applicable to Bristol Water as it is a wastewater table.

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### 4N Developer services expenditure for the 12 months ended 31st March 2022 - water resources and water network+

| | Water network + | | |
|---|---|---|---|
| | Treated water distribution | | |
| | Capex £m | Opex £m | Total £m |
| New connections | 2.939 | 0.000 | 2.939 |
| Requisition mains | 2.976 | 0.000 | 2.976 |
| Infrastructure network reinforcement | 0.499 | 0.000 | 0.499 |
| s185 diversions | 0.014 | 0.000 | 0.014 |
| Other price controlled activities | 0.000 | 0.000 | 0.000 |
| Total developer services expenditure | 6.428 | 0.000 | 6.428 |

### 4O Developer services expenditure for the 12 months ended 31st March 2022 - wastewater network+ and bioresources

Table 4O is not applicable to Bristol Water as it is a wastewater table.

| 4P Expenditure on non-price control diversions for the 12 months ended 31 March 2022 | Water resources £m | Water network+ £m | Wastewater network+ £m | Total £m |
|---|---|---|---|---|
| Non-price control diversions | | | | |
| Costs associated with NSWRA diversions | 0.000 | 0.224 | 0.000 | 0.224 |
| Costs associated with other non-price control diversions | 0.000 | 0.000 | 0.000 | 0.000 |
| Other developer services non-price control totex | 0.000 | 0.020 | 0.000 | 0.020 |
| Developer services non-price control totex | 0.000 | 0.244 | 0.000 | 0.244 |

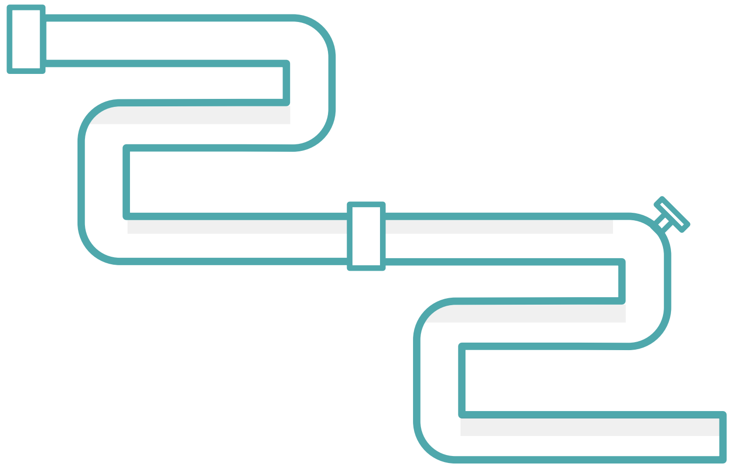
### Table 4P Expenditure on non-price control diversions

Expenditure on NRSWA diversions is higher than anticipated this year due to specific council diversion requests. Other developer services non-price control totex relates to new hydrants.

| 4Q Developer services - New connections, properties and mains | Water | Total |
|---|---|---|
| Connections volume data | | |
| New connections (residential – excluding NAVs) | 1,832 | 1,832 |
| New connections (business – excluding NAVs) | 131 | 131 |
| Total new connections served by incumbent | 1,963 | 1,963 |
| New connections – SLPs | 2,074 | |
| Properties volume data | | |
| New properties (residential - excluding NAVs) | 5,066 | 5,066 |
| New properties (business - excluding NAVs) | 152 | 152 |
| Total new properties served by incumbent | 5,218 | 5,218 |
| New residential properties served by NAVs | 331 | 331 |
| New business properties served by NAVs | 1 | 1 |
| Total new properties served by NAVs | 332 | 332 |
| Total new properties | 5,550 | 5,550 |
| New properties – SLP connections | 2,265 | |
| New water mains data | | |
| Length of new mains (km) - requisitions | 9.775 | |
| Length of new mains (km) - SLPs | 15.322 | |

| 4R Connected properties, customers and population | Unmeasured (000s) | Measured (000s) | Total (000s) | Voids (000s) |
|---|---|---|---|---|
| **Customer numbers - average during the year** | | | | |
| Residential water only customers | 196.440 | 311.857 | 508.297 | 9.380 |
| Residential wastewater only customers | 0.000 | 0.000 | 0.000 | 0.000 |
| Residential water and wastewater customers | 0.000 | 0.000 | 0.000 | 0.000 |
| Total residential customers | 196.440 | 311.857 | 508.297 | 9.380 |
| Business water only customers | 1.067 | 29.834 | 30.901 | 2.478 |
| Business wastewater only customers | 0.000 | 0.000 | 0.000 | 0.000 |
| Business water & wastewater customers | 0.000 | 0.000 | 0.000 | 0.000 |
| Total business customers | 1.067 | 29.834 | 30.901 | 2.478 |
| Total customers | 197.507 | 341.691 | 539.198 | 11.858 |

| | Water | | |
|---|---|---|---|
| | Unmeasured (000s) | Measured (000s) | Total (000s) |
| **Property numbers - average during the year** | | | |
| Residential properties billed | 196.440 | 311.857 | 508.297 |
| Residential void properties | | | 9.380 |
| Total connected residential properties | | | 517.677 |
| Business properties billed | 1.067 | 29.834 | 30.901 |
| Business void properties | | | 2.478 |
| Total connected business properties | | | 33.379 |
| Total connected properties | | | 551.056 |



| | | | Water | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Unmeasured | | | | | | Measured | | | | | | Unbilled | | | |
| | Units | Dps | No meter (000s) | Basic meter (000s) | AMR meter (000s) | AMI meter (capable) (000s) | AMI meter (active) (000s) | Total (000s) | No meter (000s) | Basic meter (000s) | AMR meter (000s) | AMI meter (capable) (000s) | AMI meter (active) (000s) | Total (000s) | Uneco-nomic to bill | Other | Total | Total (000s) |
| **Property and meter numbers - at end of year** | | | | | | | | | | | | | | | | | | |
| Total new residential properties connected in year | 000s | 3 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | 3.917 | 1.149 | | | 5.066 | | | | 5.066 |
| Total new business properties connected in year | 000s | 3 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | | 0.132 | 0.020 | | | 0.152 | | | | 0.152 |
| Residential properties billed at year end | 000s | 3 | 191.339 | 0.543 | 0.000 | 0.000 | 0.000 | 191.882 | 0.000 | 287.961 | 30.683 | 0.000 | 0.000 | 318.644 | | | | 510.526 |
| Residential properties unbilled at year end | 000s | 3 | | | | | | | | | | | | | 0.000 | 0.000 | 0.000 | 0.000 |
| Residential void properties at year end | 000s | 3 | | | | | | 4.102 | | | | | | 5.435 | | | | 9.537 |
| Total connected residential properties at year end | 000s | 3 | | | | | | 195.984 | | | | | | 324.079 | | | | 520.063 |
| Business properties billed at year end | 000s | 3 | 1.033 | 0.014 | 0.000 | 0.000 | 0.000 | 1.047 | 0.000 | 27.579 | 2.455 | 0.000 | 0.000 | 30.034 | | | | 31.081 |
| Business properties unbilled at year end | 000s | 3 | | | | | | | | | | | | | 0.000 | 0.000 | 0.000 | 0.000 |
| Business void properties at year end | 000s | 3 | | | | | | 0.416 | | | | | | 1.914 | | | | 2.330 |
| Total connected business properties at year end | 000s | 3 | | | | | | 1.463 | | | | | | 31.948 | | | | 33.411 |
| Total connected properties at year end | 000s | 3 | | | | | | 197.447 | | | | | | 356.027 | | | | 553.474 |

| | Water (000s) | Wastewater (000s) |
|---|---|---|
| **Population data** | | |
| Resident population | 1239.061 | 0.000 |
| Non-resident population (waste water) | | 0.000 |

| | Water | | | | |
|---|---|---|---|---|---|
| | Units | DPs | Resident population | Non-resident population | Total |
| **Population data** | | | | | |
| Household population | 000s | 3 | 1181.002 | 0.000 | 1181.002 |
| Household measured population (water only) | 000s | 3 | 654.900 | 0.000 | 654.900 |
| Household unmeasured population (water only) | 000s | 3 | 526.102 | 0.000 | 526.102 |

## Customer numbers, property numbers and meter numbers (4R.1-27)

This year has seen a positive increase in the number of domestic customers who have switched from unmeasured to measured, following the return to Metering operations and phased removal of COVID restrictions.

Our Change of Occupier policy benefited from two stamp duty holidays in June and September 2021 and a gradual return to normal consumer behaviours within the property market. In June 2021 the restart of our communication and marketing campaigns improved the uptake from our Optant customers. With the previous pause in metering operations, we did not reach this year's committed performance target for residential properties billed for measured water but this year reflected a much-improved operational performance, as we look to recover back to an "on target" end of AMP position.

We have continued to communicate and market our metering activities and introduced easier and more effective routes for application, for example over the phone at first contact. We have also introduced support and incentives to allow customers to make the most informed choice around retaining their meter. Any meter fitted up to May 2021 will benefit from an extended reversion period of a further year and, from March 2022, a "Money back Guarantee" to ensure the customers can explore the choice of a meter without the risk of paying any more than their existing bill and the benefit of potentially saving.

Domestic voids have stabilised and remained at the reduced levels observed at the end of 2020/21 as a result of continued focus being placed upon this by both Bristol Water and our subsidiary billing company, Bristol Wessex Billing Services Limited. This continued focus on keeping voids as low as possible is reflected in the numbers disclosed above.

Total property numbers remain relatively static in the non-domestic world, although we have observed a decrease in the numbers of previously vacant properties becoming occupied, as the economy continues to recover from the worst impacts of the Covid pandemic. It is anticipated that this increase in occupation will continue.

Voids were broadly stable in the year as a result of increased focus being placed upon this by both Bristol Water and our subsidiary billing company, Bristol Wessex Billing Services Limited. The first 6 months of the year saw a continued high amount of house moves with the stamp duty relief, with numbers increasing slightly over the last 6 months of the year.

**Business void properties (4R.5-9 and 4R.13-14)**
Total Non-domestic property numbers remain relatively static. However, we have observed a decrease in the numbers of vacant non-domestic properties, as the economy continues to recover from the worst impacts of the Covid pandemic. It is anticipated that this increase in occupancy rates will continue into the future. It was noted in financial year 2020-21 that the number of non-domestic void properties had significantly increased due to the prevailing Covid situation, but financial year 2021-22 saw a reduction in the number of vacant non-domestic properties as the economy re-opened.

**Population (4R.28-32)**
The total population is calculated thanks to external data acquired from CACI based on the company supply area, as an average between the total population in April 2021 and the total population in April 2022. The resulting average is then corrected for the estimate of population using a private supply, as opposed to being supplied by the company.

There are no significant changes compared to previous years.

## Section 5

# Additional regulatory information - water resources

### The information provided in Section 5 details financial and non-financial information about water resources.

Additional explanations have also been provided to assist understanding of some of the terminology included in these tables.

| 5A Water resources asset and volumes data for the 12 months ended 31st March 2022 | Current year |
|---|---|
| **Water resources** | |
| Water from impounding reservoirs | 66.33 Ml/d |
| Water from pumped storage reservoirs | 163.51 Ml/d |
| Water from river abstractions | 0.00 Ml/d |
| Water from groundwater works,excluding managed aquifer recharge (MAR) water supply schemes | 45.60 Ml/d |
| Water from artificial recharge (AR) water supply schemes | 0.00 Ml/d |
| Water from aquifer storage and recovery (ASR) water supply schemes | 0.00 Ml/d |
| Water from saline abstractions | 0.00 Ml/d |
| Water from water reuse schemes | 0.00 Ml/d |
| Number of impounding reservoirs | 3 |
| Number of pumped storage reservoirs | 8 |
| Number of river abstractions | 0 |
| Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes | 14 |
| Number of artificial recharge (AR) water supply schemes | 0 |
| Number of aquifer storage and recovery (ASR) water supply schemes | 0 |
| Number of saline abstraction schemes | 0 |
| Number of reuse schemes | 0 |
| Total number of sources | 25 |
| Total number of water reservoirs | 11 |
| Total volumetric capacity of water reservoirs | 38,604 Ml |
| Total number of intake and source pumping stations | 15 |
| Total installed power capacity of intake and source pumping stations | 6,798 kW |
| Total length of raw water abstraction mains and other conveyors | 42.14 km |
| Average pumping head – raw water abstraction | 27.88 m.hd |
| Energy consumption - water resources (MWh) | 13,092.761 MWh |
| Total number of raw water abstraction imports | 0 |
| Water imported from 3rd parties to raw water abstraction systems | 0.00 |
| Total number of raw water abstraction exports | 0 |
| Water exported to 3rd parties from raw water abstraction systems | 0.00 Ml/d |
| Water resources capacity (measured using water resources yield) | 327.71 Ml/d |

**Water resources in Ml/d (5A.1-8)**

The 5A.1-8 lines report on the untreated water sources we abstracted from and used to supply our customers with potable water after treatment. Bristol Water abstract from 25 sources, the majority of which is derived from surface waters that are dominated by our impounding and pumped storage reservoirs. The below average rainfall over the last year has meant that a balanced approach was taken to utilising our sources, focusing on reducing our abstraction from our Mendip Sources (pumped storage and impounding reservoirs) and increasing output from Purton and Littleton (pumped storage) which abstract from the Sharpness Canal.

However, this is not expressed in the figures reported here given that most waters taken from the Mendips are classified as pumped storage, whereby waters abstracted from the Chew Valley reservoirs are stored in Barrow tanks before treatment.

It is difficult to predict next year's values because our source abstraction strategy is dependent on the weather and this subsequently affects our Treatment Works. It is anticipated that the values will reflect a greater utilisation of pumped storage reservoirs, taking into consideration the variation in weather and other hydrological variables.

**Total number of sources and total number of water reservoirs (5A.9-19)**

Total number of sources (Line 5A.17), broken down by category, (Lines 5A.9-16) have remained unchanged since 2011. During year 2021/22 Bristol Water had four source sites (Clevedon TW, Shipton Moyne TW, Charterhouse TW & Sherborne TW) whereby no water was abstracted for operational reasons, these sites are still officially operational sites. Due to these 4 sources still holding full continuous abstraction licences and being neither standby, nor mothballed officially, have been included in the count with a 0.0Ml abstraction value reported in lines 5A.1-8.

We deem mothballed sites to be sources for which an abstraction licence was no longer held; and standby sites to be specifically designed as an 'on-call' source, of which Bristol Water has none.

Number and Capacity of Water Reservoirs (Lines 5A.18-19) remain unchanged from 2020/21 reported figures. Bristol Water has 11 raw water reservoirs with a combined capacity of 38,604 Ml.

**Number of Intake and Source Pumping Stations and their power capacity (5A.20-21)**

Number of Intake and Source Pumping Stations (Line 5A.20) and their installed power capacity (Line 5A.21) remains unchanged from 2020/21 reported figures.

**Raw water abstraction imports and exports (5A.25-28)**

Bristol water does not use any raw water abstraction imports or exports. There is a small single raw water export which is classified as a bulk supply and is captured in Table 6A.11 – Water exported to 3rd parties' water treatment work. Also, there is a single import from a 3rd parties' raw water transport system, reported in Table 6A.9.

There are no raw water abstraction imports/export points or abstraction systems planned in the next year.

**Water resources capacity (measured using water resources yield) (5A.29)**

In August 2019 Bristol Water published our final WRMP19, and this data is used to report water resource capacity.

Bristol Water's system is resource constrained (by hydrology and/or abstraction licence conditions), therefore there are no sources where the water treatment works capacity constrains the deployable output. The water resource capacity reduces slightly each year due to the assessed effects of climate change on water resource availability. This accounts for the 0.1Ml/d reduction between 2020/21 and 2021/22.

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### 5B Water resources operating cost analysis for the 12 months ended 31st March 2022

| | Impounding Reservoir £m | Pumped Storage £m | River Abstractions £m | Groundwater, excluding MAR water supply schemes £m | Artificial Recharge (AR) water supply schemes £m | Aquifer Storage and Recovery (ASR) water supply schemes £m | Other £m | Total £m |
|---|---|---|---|---|---|---|---|---|
| **Opex analysis** | | | | | | | | |
| Power | 0.893 | 0.687 | 0.000 | 0.310 | 0.000 | 0.000 | 0.002 | 1.892 |
| Income treated as negative expenditure | -0.005 | -0.004 | 0.000 | -0.002 | 0.000 | 0.000 | 0.000 | -0.011 |
| Abstraction charges / discharge consents | 0.528 | 1.626 | 0.000 | 0.575 | 0.000 | 0.000 | 0.000 | 2.729 |
| Bulk supply | 0.002 | 0.000 | 0.000 | 0.007 | 0.000 | 0.000 | 0.000 | 0.009 |
| **Other operating expenditure** | | | | | | | | |
| Renewals expensed in year (Infrastructure) | 0.034 | 0.051 | 0.000 | 0.015 | 0.000 | 0.000 | 0.000 | 0.100 |
| Renewals expensed in year (Non-Infrastructure) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Other operating expenditure excluding renewals | 1.441 | 3.111 | 0.000 | 0.429 | 0.000 | 0.000 | 0.000 | 4.981 |
| Local authority and Cumulo rates | 0.815 | 0.215 | 0.000 | 0.275 | 0.000 | 0.000 | 0.000 | 1.305 |
| Total operating expenditure (excluding 3rd party) | 3.708 | 5.686 | 0.000 | 1.609 | 0.000 | 0.000 | 0.002 | 11.005 |

### 5B Water resources operating cost analysis

Table 5B presents a breakdown of Bristol Water's total water resources operating costs for 2021/22 by the following categories: Impounding Reservoirs, Pumped Storage, River Abstractions, Groundwater, excluding MAR water supply schemes, Artificial Recharge (AR) water supply schemes, Aquifer Storage and Recovery (ASR) water supply schemes and Other. For 2021/22 Bristol Water has not reported any expenditure against River Abstractions, Artificial Recharge (AR) water supply schemes or Aquifer Storage and Recovery (ASR) water supply schemes.

The total operating expenditure (excluding third party) in Table 5B must reconcile to the Water resources total operating expenditure excluding third party services in Table 4J.

## Section 6

# Additional regulatory information - water network plus

### The information provided in Section 6 details financial and non-financial information about water network plus.

Additional explanations have also been provided to assist understanding of some of the terminology included in these tables.

**Average Pumping Head (5A.23, 6A.6, 6A.31 and 6B.28)**
Average pumping head (AVPH) is derived as an explanatory factor for power costs. Therefore, the variable needs to reflect the amount of pumping that a company intends to do. In order to do this we need to know, in effect, how much each megalitre of water is pumped through the process along with the head pressure required to move the water whether it is pumped or gravity fed, from abstraction to supply. This cannot be measured in practice, so is calculated in line with the Ofwat guidance for individual sites. Sites are then allocated within price controls and summated to provide the final reported figures for raw water abstraction, transport, water treatment and distribution input.

BRL calculate AVPH using telemetered 15-minute data from individual sets of pumps (referred to as 'sites"). The 15-minute data comprises one or all of the following components – 1) suction pressure; 2) flow and 3) delivery pressure. In some cases, only one or two of these measurements are available for a given site – these are referred to as partially measured sites, whereas if all three measurements are available these are referred to as a wholly measured sites. Where none of these values are available, typically very small sites on the fringes of our network, AVPH is estimated from historic manual readings and/or duty heads and flows recorded during commissioning. The proportions of estimated, partial, and wholly measured AVPH across each price control are as follows:

| | Estimated | Partially Measured | Wholly Measured |
|---|---|---|---|
| Resources | 0% | 3% | 97% |
| Raw Water Transport | 0% | 18% | 82% |
| Treatment Works | 0% | 5% | 95% |
| Distribution | 0% | 48% | 51% |

Note that 48% of Distribution AVPH is considered partially measured – this is due to the derivation of suction pressure at our single largest distribution site based on a telemetered pump sump level, whilst delivery pressure and flow are measured directly.

AVPH is calculated primarily using telemetered 15-minute data of flow and pressure. Only 0.162% of AVPH is estimated, which is derived from reference data (e.g. historic manual flow/pressure readings and manufacturer information).

In 2021/22 reporting year Ofwat required that exports (inset or bulk supplies to neighbouring companies / retailers) were removed from the AVPH calculation. This has been carried out with a minor increase in overall AVPH observed of 0.15m.

In 2021/22 we had a below average rainfall and as a consequence less water was taken from our source at Barrow. However a new resilience system was used to reduce distribution pumping offsetting increased use of our Sharpness sources and making greater use of flashy spring yields that feed Cheddar TW. Other efficiencies have also been made throughout the network as our automated pump scheduling has moved to maturity making reductions in distribution pumping. Littleton TW was removed from supply early in the year and late in the year, significantly reducing raw water transport pumping from Purton and improving overall system efficiency.

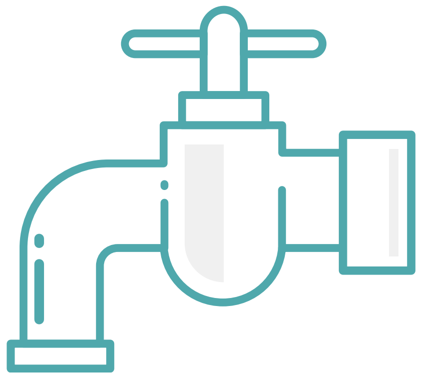
**Energy Consumption (5A.24, 6A.7, 6A.32 and 6B.27)**
91% of BW energy use is consumed in the form electricity for production / treatment and distribution pumping. This year we also started generating electricity from natural gas, leading to an overall increase in energy due to consuming the primary energy source. However comparing like for like, using the generated electricity, we have achieved one of our lowest ever annual energy consumptions (89.6GWh to 80.4GWh replacing gas consumed with generated electricity).

A proportionally small amount of energy in the form of gas, used for heating, and fuel, used for transport, is also consumed and included by converting to equivalent units (for gas and fuel) of mega-watt hours (MWh).

Variability in our energy use is caused due to changes to water supply demand and weather conditions. Under drier conditions, use of our more energy intensive Sharpness sources are increased to conserve storage in our Mendip reservoirs. Similarly in drier conditions customer water demands are higher and production and distribution pumping increase to match demand. The latter part of 2021/22 was drier than average, however throughout the year work to optimise our sources has mitigated an overall increase in energy consumption.

We have continued to improve and extend the operation of our whole network automated pump scheduling system IPSOS, which looks to minimise energy consumption through optimising source selection and operating our assets at their best efficiency points.

We have continued our programme of pump refurbishments and replacements.



| 6A Raw water transport, raw water storage and water treatment data for the 12 months ended 31st March 2022 | Current year |
|---|---|
| **Raw water transport and storage** | |
| Total number of balancing reservoirs | 4 |
| Total volumetric capacity of balancing reservoirs | 688 Ml |
| Total number of raw water transport stations | 8 |
| Total installed power capacity of raw water transport pumping stations | 3584 kW |
| Total length of raw water transport mains and other conveyors | 100.52 km |
| Average pumping head ~ raw water transport | 36.68 m.hd |
| Energy consumption ~ raw water transport | 3631.297 MWh |
| Total number of raw water transport imports | 1 |
| Water imported from 3rd parties' raw water transport systems | 0.01 Ml/d |
| Total number of raw water transport exports | 1 |
| Water exported to 3rd parties' raw water transport systems | 0.27 Ml/d |
| Total length of raw and pre-treated (non-potable) water transport mains for supplying customers | 0.35 km |

| | Surface water | | Ground water | |
|---|---|---|---|---|
| Water treatment - treatment type analysis | Water treated (Ml/d) | Number of works | Water treated (Ml/d) | Number of works |
| All SD simple disinfection works | 0.00 | 0 | 1.42 | 2 |
| W1 works | 0.00 | 0 | 0.00 | 0 |
| W2 works | 0.00 | 0 | 0.00 | 0 |
| W3 works | 0.00 | 0 | 0.00 | 0 |
| W4 works | 29.60 | 1 | 32.87 | 8 |
| W5 works | 211.21 | 5 | 0.00 | 0 |
| W6 works | 0.00 | 0 | 0.00 | 0 |

| Water treatment - works size | % of total DI | Number of works |
|---|---|---|
| WTWs in size band 1 | 0.8 | 5 |
| WTWs in size band 2 | 2.4 | 2 |
| WTWs in size band 3 | 1.8 | 1 |
| WTWs in size band 4 | 7.5 | 2 |
| WTWs in size band 5 | 31.5 | 4 |
| WTWs in size band 6 | 0.0 | 0 |
| WTWs in size band 7 | 56.1 | 2 |
| WTWs in size band 8 | 0.0 | 0 |

| Water treatment - other information | Current year |
|---|---|
| Total water treated at more than one type of works | 0 Ml/d |
| Number of treatment works requiring remedial action because of raw water deterioration | 0 |
| Zonal population receiving water treated with orthophosphate | 1230.788 |
| Average pumping head – water treatment | 9.36 m.hd |
| Energy consumption ~ water treatment | 26121.712 MWh |
| Total number of water treatment imports | 0 |
| Water imported from 3rd parties' water treatment works | 0 Ml/d |
| Total number of water treatment exports | 0 |
| Water exported to 3rd parties' water treatment works | 0 Ml/d |

**Total length of raw water transport mains and other conveyors (6A.5)**
Bristol Water operates 100.52Km of raw and pre-treated (non-potable) water mains for raw water transport purpose Line 05. The total figure in line 05 also includes 17.40Km of a single pipe between two of our largest treatment works, Purton and Littleton. Water treated at Littleton is transferred from the Purton site and can, during times of warm weather, be partially treated at Purton first to prevent zebra mussels growing on parts of the pipe, which can pose a water quality hazard.

**Raw water transport imports and exports (6A.8 - 6A.11)**
Bristol Water has a single raw water transport import from the Cowbridge site at Wessex Water into Shipton Moyne Treatment works. This raw water supply is used when groundwater levels in the Inferior Oolite Aquifer falls below a control curve, monitored at the Environment Agency's Didmarton Borehole.

The value for 6A.9 is similar to the previous year as only a small volume of raw water is transported for operational requirements. A similar value is expected in the following year depending on the probability of extreme weather, particularly hot and dry weather leading to a reduction in groundwater levels.

The single raw water transport export is a small untreated bulk export to an agricultural customer for which the value in 6A.11 is expected to remain similar in the next year.

**Total length of raw and pre-treated (non-potable) water transport mains for supplying customers (6A.12)**
Bristol Water supplies one non-household customer with non-potable water and 68 troughs. The length of main associated with supplying the non-household customer is very short 352m. Therefore, in terms of the reporting for Line 12 which is expressed in kilometres and accurate to 2 decimal places, the figure is 0.35Km.

**Water treatment - treatment type analysis (6A.13 – 6A.19)**
These lines provide a breakdown on the average daily distribution input derived for our Treatment Works, based on the number and complexity of treatment processes operational at each site and whether they treat ground water or surface water. Ofwat has developed categories which seek to differentiate between Treatment Works with few, low complexity and low-cost processes compared to works with several high complexity and high cost processes. Ofwat has developed categories which seek to differentiate between Treatment Works with few, low complexity and low cost processes compared to works with several high complexity and high cost processes as set out in the table below.

| Categories of treatment types: | Examples |
|---|---|
| SD: Works providing simple disinfection only | ▪ Marginal chlorination<br>▪ Pre-aeration |
| W1: Simple disinfection plus simple physical treatment and/or blending only | ▪ Rapid gravity filtration<br>▪ Slow sand filtration<br>▪ Pressure filtration<br>▪ Aeration (solvent removal) |
| W2: Single stage complex physical or chemical treatment<br><br>W3: More than one stage of complex treatment but excluding processes in W4, W5 or W6 | ▪ Super chlorination<br>▪ Coagulation<br>▪ Flocculation<br>▪ Biofiltration<br>▪ pH correction<br>▪ Softening |
| W4: Single stage complex physical or chemical treatment with significantly higher operating costs than in W2/W3<br><br>W5: More than one stage of complex, high cost treatment | ▪ Membrane filtration (excluding desalination)<br>▪ Ozone treatment<br>▪ Activated carbon / pesticide removal<br>▪ UV treatment<br>▪ Adsorption treatment |
| W6: Works with one or more very high cost processes | ▪ Desalination<br>▪ Re-use |

In 2020/21, Bristol Water operated 10 ground water Treatment Works, two of which are simple disinfection works and the remaining eight all treat water at a Level 4 complexity. Of our six surface water Treatment Works operational in 2020/21, one treats water at Level 4 complexity and the remaining five treat water at Level 5 complexity. The total number of treatment works, broken down by category has remained unchanged since 2011.

During year 2021/22 we had three treatment works (Clevedon TW, Charterhouse TW & Sherborne TW) whereby, for operational reasons, no water was treated and transferred into potable water distribution. These sites are still officially operational sites and as such are included in the count, with a 0.0Ml value for water treated (in the volume of water treated in lines 6A.13-19).

Over three-quarters of the total volume of treated water entering our distribution network on a daily basis is derived from surface water Treatment Works treating water at Level 4 & 5 (240.81Ml/d). This relates to our works at Purton, Littleton, Cheddar, Stowey, Banwell and Barrow; therefore, whilst we operate more ground water Treatment Works than surface water Treatment Works, the latter are larger and contribute more to our overall distribution input with only 34.40 Ml/d coming from all GW works. There have been no changes to our operational set-up since 2014/15.

There has been 0 flow through Axbridge Pre-Treatment works this year as the source is only operated when Bristol Water require it due to dry-year conditions.

All water imports and exports are distributed throughout Bristol Water's supply area, it is easier to link the minor transfers to one Treatment Works. This value has been added to Purton Treatment Works to keep all Transfers in one place. The minor transfers, excluding the large Newton Meadows bulk export, account for an average of <1.00% of Purton TW output.

**Water treatment - works size (6A.20 – 6A.27)**
These lines provide a breakdown of the number of our Treatment Works into different sized bands dependent on their total contribution to our overall daily distribution value. The bands for the classification of the Treatment Works are sized by Ofwat and are detailed below:

| Banding | Ofwat Definition |
|---|---|
| Band 1 | < 2Ml/day |
| Band 2 | ≥ 2Ml/day and < 4 Ml/day |
| Band 3 | ≥4 Ml/day and < 8 Ml/day |
| Band 4 | ≥8 Ml/day and < 16 Ml/day |
| Band 5 | ≥16 Ml/day and < 32 Ml/day |
| Band 6 | ≥32 Ml/day and < 64 Ml/day |
| Band 7 | ≥64 Ml/day and < 128 Ml/day |
| Band 8 | ≥ 128 Ml/day |

The proportion of DI values have varied slightly from last year and can be attributed to a few factors. We operated our treatment works similarly to 2020/21, maintained a similar level of abstraction from the Mendip Reservoirs as rainfall was below average and our reservoir storage was high at the start of the financial year. This has led to an increase in treated sourced from works that draw on the Mendip reservoirs and a lower reliance on our Sharpness treatment works.

The WTW bandings have remained similar to last year. There was a ~1.4Ml/d increase in the proportion of DI from Chelvey TW, a groundwater source, resulting in a change from Band 3 to Band 4. Chelvey TW increased to Band 4 as there was a planned outage in the previous reporting year, similar to the pre-2020/21 reporting years.

It is difficult to anticipate next year's values due to the dependence on the weather and how we subsequently operate our treatment works; however, it is anticipated that values would will reflect a greater reliance on pumped storage reservoirs and our source at the Sharpness Canal, similar to previous drier years.

**Number of treatment works requiring remedial action because of raw water deterioration (6A.29)**
In 2021/22, no activity was undertaken at our Treatment Works due to raw water deterioration. This is consistent with the level of activity reported in 18/19, 19/20 and 21/22. Bristol Water has no other water quality related schemes to address raw water deterioration.

It should be noted that there is a legal instrument in place for Cheddar Treatment Works, which has seen work carried out to investigate changes in the raw water and proactively understand the impacts on the operation of the slow sand filters, which may give rise to taste and odour in the final water. This trial programme of work is due to run throughout 2020-25 and whilst there was the installation of a microstrainer and covering of one slow sand filter during AMP6, there has been no work carried out that is aimed to directly mitigate the potential changes in the raw water sources.

**Zonal population receiving water treated with orthophosphate (6A.30)**
Line 30 reports on the number of people served by Bristol Water that received water treated with phosphate in 21/22. The method for estimating this value involves subtracting the number of people not receiving water treated with phosphate (8,273 people) from the total number of people which we serve, Line 4R.26 in the Ofwat report (1,239,061 people). Four of our 16 Treatment Works do not add phosphate to the water as a treatment process. These are our Treatment Works at Tetbury, Forum, Sherborne and Alderley. Customers receiving water from the latter three receive water which is a blend of water from one of Forum, Sherborne and Alderley and another Works, therefore the water they receive does, through mixing, contain phosphate. Only customers receiving water from Tetbury Treatment Works receive water with no phosphate added.

The population receiving water from Tetbury Treatment Works is estimated by multiplying the number of properties supplied from the works by the average number of people living in each property (the occupancy rate), which has been calculated to be 2.30 occupants per property, in line with our water balance calculations.

For 21/22, we reported 1,230,788 people as having received water treated with orthophosphate which is slightly higher than that reported last year (1,225,809 people, 0.4% increase), due to the growth in our overall population supplied.

| 6B Treated water distribution - assets and operations for the 12 months ended 31st March 2022 | Current year | |
|---|---|---|
| Assets and operations | | |
| Total installed power capacity of potable water pumping stations | kW | 24596 |
| Total volumetric capacity of service reservoirs | Ml | 512.0 |
| Total volumetric capacity of water towers | Ml | 3.0 |
| Distribution input | Ml/d | 274.61 |
| Water delivered (non-potable) | Ml/d | 0.32 |
| Water delivered (potable) | Ml/d | 245.92 |
| Water delivered (billed measured residential) | Ml/d | 100.94 |
| Water delivered (billed measured business) | Ml/d | 52.82 |
| Total annual leakage | Ml/d | 35.65 |
| Distribution losses | Ml/d | 25.51 |
| Water taken unbilled | Ml/d | 0.72 |
| Proportion of distribution input derived from impounding reservoirs | Propn 0 to 1 | 0.241 |
| Proportion of distribution input derived from pumped storage reservoirs | Propn 0 to 1 | 0.594 |
| Proportion of distribution input derived from river abstractions | Propn 0 to 1 | 0.000 |
| Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes | Propn 0 to 1 | 0.166 |
| Proportion of distribution input derived from artificial recharge (AR) water supply schemes | Propn 0 to 1 | 0.000 |
| Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes | Propn 0 to 1 | 0.000 |
| Proportion of distribution input derived from saline abstractions | Propn 0 to 1 | 0.000 |
| Proportion of distribution input derived from water reuse schemes | Propn 0 to 1 | 0.000 |
| Total number of potable water pumping stations that pump into and within the treated water distribution system | nr | 112 |
| Number of potable water pumping stations delivering treated groundwater into the treated water distribution system | nr | 9 |
| 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 | 97 |
| Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system | nr | 0 |
| Total number of service reservoirs | nr | 111 |
| Number of water towers | nr | 5 |
| Energy consumption ~ treated water distribution | MWh | 46744.163 |
| Average pumping head – treated water distribution | m.hd | 89.26 |
| Total number of treated water distribution imports | nr | 5 |
| Water imported from 3rd parties' treated water distribution systems | Ml/d | 0.36 |
| Total number of treated water distribution exports | nr | 5 |
| Water exported to 3rd parties' treated water distribution systems | Ml/d | 5.01 |

**Total number and installed power capacity of potable water pumping stations (6B.1 and 6B.20-24)**
Within the past 12 months thirteen potable water pumpset motors have been replaced or upgraded:

- Hopewell PS (CAP ZONE) has had the motor for pump 4 replaced decreasing the overall kW rating from 37kW to 11kW. A material change of 26kW
- Hillhouse PS has had the motors for pumpsets 2 and 3 replaced decreasing the kW ratings from 18.5kW and 16kW to 15kW and 15kW respectively. An overall material change of 4.5kW at this site
- Rhodyate PS (CAP ZONE) has had the motors for pumpsets 1,2,3 and 4 replaced all increasing from 1.1kW to 3kW an overall material change of 7.6kW at this site
- Three sites have had like for like motor replacements with no change to the kW rating for each pumpset:
  - 2 pump motors at Tetbury PS
  - 1 pumpset motor at Elderbush PS (CAP ZONE)
  - 3 pumpset motors at Hopewell PS (CAP ZONE) as well as the reduction of motor number 4
- Knole Park PS and Kingscote PS and their pump and motor combinations are operationally unavailable so have been removed from the count (5 motors totalling 14kW, 3 at Kingscote PS at 2.2kW each and 2 at Knole Park as 3.7kW each).
- This gives a total reduction of 36.9KW (37kW with rounding) or 0.15% change
- Due to Knole Park PS and Kingscote PS being operationally unavailable the totals of both Lines 6B.20 and 6B.23 have reduced by 2.

**Total number and capacity of potable water reservoirs and towers (6B.2-3 and 6B.25-26)**
There are change in the reported figures for lines 6B.3

- The upgrade of Croscombe Reservoir being upgraded from a 0.182Ml installation to a 1.67Ml installation. An increase of 1.488Ml
- Bedminster, Ditcheat and Three Ashes Reservoirs though owned by Bristol Water are not operationally available so their volumes 25.049Ml (24.094Ml, 0.455Ml, 0.5Ml respectively) have been removed from the count
- This is a total reduction of 25Ml

Due to the reasons above the count for line 6B.25 has been reduced by 3 from 114 to 111.

**Distribution input (6B.4)**
Distribution input is the average daily amount of drinking water entering the distribution network from our treatment works and net imports, excluding bulk supply export and inset agreements (the provision of water to third party entities that operate water networks independent of our own).This year's reported figure, includes the maximum likelihood estimate (MLE) adjustment of -0.522 Ml/d.

Distribution input in 2021/22 decreased by 1.706 Ml/d compared to 2020/21, consistent with the forecasts made in the previous annual review.

This stable result is attributed to an on-going programme of leakage detection and repair work. DI in 2022/23 is expected to be similar to this reporting year dependent upon summer demands.

**Water delivered, Total annual leakage, Distribution losses and Water taken unbilled (6B.5-11)**
This year has been another atypical year in the sense that the recovery from the pandemic period has been impacting the various components of the table in different ways, due to the nature of the calculation of these components. In particular, the volume identified as line 6B.8 is showing a recovery behaviour, but still nowhere the yearly volume is quite different to pre-pandemic level. This difference is identified as a reduction of some activities, in particular still an element of working form home for office based workers, but also a time lag in the consumption capture, a direct consequence of the meter reading frequency.

It is understood that a proportion of the real usage for the 365 days of 2021-22 is still on the customer meters awaiting being read, but is replaced in the 6B.8 component by estimates that still influenced by the pandemic and lockdown periods. However, we have not altered the methodology to reflect this.

A similar impact, in reverse, can be assumed for component 6B.7, because the real consumption for the specific 365 days of the year for metered household is likely to be lower, per household, than the consumption captured by the methodology calculation, which relies on the meter readings and estimates based on the last meter readings, possibly influenced by lockdown behaviours.

It is worth noting that like every year, one of the main drivers for the component 6B.7 increasing year on year is of course the continued conversion of unmetered Households into metered households, However the components of table 6B are total volumes in Ml/d rather than volume per property.

We are expecting that an element of working from home will carry on into the next financial year, thus impacting components 6B.8 compared to pre-pandemic levels, and 6B7 to some extend on a usage per property basis, but progressively stabilising throughout the course of the AMP as we move away from the atypical stressed period of the pandemic related lockdowns.

Total leakage for 2021/22 was 35.65 Ml/d which is 0.85 Ml/d (2%) higher than the target of 34.8 Ml/d set out in the WRMP19. This represents a marginal increase of 0.12 Ml/d from the 35.53 Ml/d total leakage for 2020/21. We have maintained our leakage activity and kept leakage low, and are committed to achieving our end of AMP7 leakage target of 32.10Ml/d. At 36.0Ml/d for the three year average. are within the three year average target set by Ofwat as our leakage performance commitment, of 36.1Ml/d.

**Proportion of distribution input (6B.12 – 6B.19)**
The 6B.12-19 lines report on the untreated water sources we abstracted from and used to supply our customers with potable water after treatment. Bristol Water abstract from 25 sources, the majority of which is derived from surface waters that are dominated by our impounding and pumped storage reservoirs. The below average rainfall over the last year has meant that an balanced approach was taken to utilising our sources, focusing on balancing our abstraction from our Mendip Sources (pumped storage and impounding reservoirs) and from the Sharpness Canal at Purton and Littleton (pumped storage). However, this is not expressed in the figures reported here given that most waters taken from the Mendips are classified as pumped storage, whereby waters abstracted from the Chew Valley reservoirs are stored in Barrow tanks before treatment.

It is difficult to predict next year's values because our source abstraction strategy is dependent on the weather and this subsequently affects our Treatment Works. It is anticipated that the values will reflect a greater utilisation of pumped storage reservoirs, taking into consideration the variation in weather and other hydrological variables.

**Treated water distribution imports and exports (6B.29 – 6B.32)**
Bristol Water has 4 small water treatment imports into Ivythorne/Compton Dundon, Corsley, Chapmanslade and Lydford. The values are likely to be similar in the following year. The number has reduced from the previous year as the Standerwick Import is no longer in commission.

The bulk export is made up 90% by the Newton Meadows export, with 2 smaller imports to Wessex Water at Ashcott and Marshfield and 2 minor Inset agreements with 3rd party water services. We expect to see an increase in this figure in the following year as several new minor inset agreements are scheduled to come online. Export values for the next year will be mainly determined by the demand at Newton Meadows which will reflect the prevailing water resource position at Wessex Water.

The value for 6B.30 reduced marginally from the previous year due to a temporary 0.2 Ml/d reduction in the Ivythorne import. The value for total treated water imports in the next year will remain similar with any small variations caused by network operations.

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| 6C Water network+ - Mains, communication pipes and other data for the 12 months ended 31st March 2022 | Current year |
|---|---|
| **Treated water distribution - mains analysis (km)** | |
| Total length of potable mains as at 31 March | 6928.8 |
| Total length of potable mains relined | 0.0 |
| Total length of potable mains renewed | 8.7 |
| Total length of new potable mains | 26.6 |
| Total length of potable water mains (≤320mm) | 6382.3 |
| Total length of potable water mains >320mm and ≤ 450mm | 249.4 |
| Total length of potable water mains >450mm and ≤610mm | 182.2 |
| Total length of potable water mains > 610mm | 114.9 |
| **Communication pipes (nr)** | |
| Number of lead communication pipes | 135452 |
| Number of galvanised iron communication pipes | 7779 |
| Number of other communication pipes | 355388 |
| **Treated water distribution - mains age profile (km)** | |
| Total length of potable mains laid or structurally refurbished pre-1880 | 116.0 |
| Total length of potable mains laid or structurally refurbished between 1881 and 1900 | 843.6 |
| Total length of potable mains laid or structurally refurbished between 1901 and 1920 | 466.9 |
| Total length of potable mains laid or structurally refurbished between 1921 and 1940 | 907.7 |
| Total length of potable mains laid or structurally refurbished between 1941 and 1960 | 885.6 |
| Total length of potable mains laid or structurally refurbished between 1961 and 1980 | 1266.7 |
| Total length of potable mains laid or structurally refurbished between 1981 and 2000 | 1239.4 |
| Total length of potable mains laid or structurally refurbished post 2001 | 1202.9 |
| **Other** | |
| Company area | 2364 $km^2$ |
| Number of lead communication pipes replaced for water quality | 6 |
| Compliance Risk Index | 4.19 |
| Event Risk Index | 14.364 |

**Total length of mains (Table 6C. Lines 1-08)**
Lines 1-08 report on the length of mains that transport water of drinking water quality in our treated water distribution network (from treatment works to customers) and Bristol Water activities associated with the relining and renewing of mains in 2021/22. At the 31 March 2022, we had 6928.8km of mains in operation for the purpose of transporting drinking water, which has been slowly increasing over time reflecting the addition of new mains laid to the total reported figure. In 2021/22 we added 26.6km of new mains to our treated water distribution network (Line 04), a level of activity within the long run average for the Company.

In addition to laying new mains, in 21/22 we also undertook 8.7 km of mains renewal (Line 03). Consistent with previous years we have not undertaken any mains relining activities and this reflects our current approach to asset management. To note, we do however undertake slip lining as a mains rehabilitation technique and this involves inserting a new mains into an old one; such slip lining activities are included in Line 03.

Lines 05-08 report on the total length of mains in our treated water distribution network, broken down by diameter. To note, Lines 05-08 exclude all lengths of mains located inside Bristol Water site boundaries.

**Number of communication pipes by material (Table 6C. Lines 09-11)**
Communication pipes refer to the small diameter pipes which connect distribution mains to individual customers' homes. Lines 09-11 present a breakdown of Bristol Water's communication pipes by material type, split by lead, galvanised iron and other. 27% of Bristol Water's communication pipes are made from lead, with just over two-thirds (71%) classified as other which largely includes different types of plastic and under 2% are made from galvanised iron. There was an increase of 8000 in this year's total figure for Communication pipes with material other, due to a minor error in the way this figure was calculated in previous years. However, the error is within the confidence grade for this line.

**Total length of mains by age (Table 6C. Lines 12-19)**
Lines 12-19 present asset information on the total length of mains as allocated to 20-year time intervals according to when the mains were laid or structurally refurbished. With the exception of 27.2km of mains structurally refurbished between 2002 and 2009 (reported in Line 19), all lengths reported relate to mains laid. This information provides high level insight into the overall age of Bristol Water's mains, as one of the oldest companies in the water sector in the UK and Europe.

For some mains, lack of historical information means that their age is unknown. Where this is the case and we know the material of the main we have allocated it to a cohort when the laying of that particular material pre-dominated – this methodology is possible because in the course of Bristol Water's history there has been a pattern in the use of mains material, reflecting for example improved technologies. For mains where both the age and material of the main is unknown, we have assumed a split based upon the material composition of mains for which we known both the age and material and allocated the mains accordingly. There has been little change in the reporting of these lines compared to last year. Basically, there has been a gradual decrease in the length of assets in the older epochs as they get replaced by new mains and a gradual increase in the length of mains laid post 2000 epoch.

**Company Area (Table 6C. Line 20)**
Bristol Water's company area covers 2,364$Km^2$, a coverage which has reduced slightly. This is because, it excludes the areas related to the following NAV(New Appointee and Variation)s : Leep Utilities inset agreement or Bulk Supply Agreement (1.03 Km*2), IWNL Locking Parklands inset agreement or Bulk Supply Agreement (0.99 Km*2), ICOSA Water inset agreement or Bulk Supply Agreement (0.09 Km*2) and, the area covered by Peninsula Water (4.59 Km*2), with its own source of supply (Private Supply), situated close to Westonbirt Arboretum in Gloucestershire.

**Number of lead communication pipes replaced for water quality (Table 6C. Line 21)**
Number of lead communication pipes replaced due to either a lead water quality sample failure at first internal tap or primary educational establishments as directed by DWI instrument. In 20/21 we replaced 12 lead CP's due to quality purposes this was in part due to the completion of the educational establishment lead CP's and the impact of Covid-19 on entering customer properties. In 21/22 we replaced 6 lead CP's which were solely for sample failures at customer internal taps. Covid-19 impacted the number of samples taken and subsequent failures.

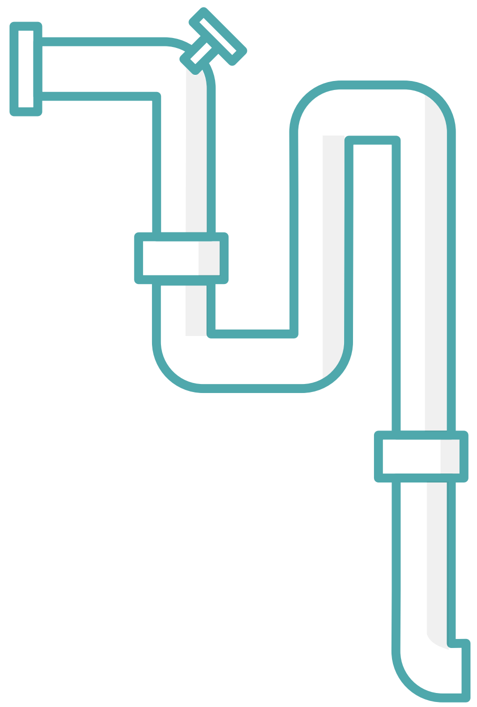
**Compliance Risk Index (6C.22)**
The Compliance Risk Index (CRI) is a performance measure which illustrates the risk to consumers arising from compliance water sample failures. It takes into account the significance of the parameter, the cause of the failure, the Company's investigation and the location of the failure within the supply system.

We have reported improvements across all other areas of Water quality such as Event risk assessment (ERI) and Risk assessment risk index (RARI) but the sensitivity of the compliance risk index and its impact on our performance when failures occur at sites with a high population supplied has led CRI performance to be an outlier.

**Event Risk Index (6C.23)**
The Events Risk Index (ERI) is a water quality performance measure which gives a score based on the risk arising from water quality events and their impact on customers. It takes into account the seriousness of the water quality event, the Company's performance in managing the event, and the impact of the event.

The Company's ERI score for 2021 has slightly increased from 2020. During 2021 there were three more events reportable to the DWI when compared to 2020. The events which did attract an ERI score related to burst mains, loss of supply and air in supply, which only affected a discrete population for a finite period of time and so this limited the impact on ERI.

Whilst ERI is stated to zero decimal places in 6C, for completeness our ERI is 14.364.



| 6D Demand management - Metering and leakage activities for the 12 months ended 31 March 2022 | | | |
|---|---|---|---|
| **Metering activities - Totex expenditure** | **Basic meter £m** | **AMR meter £m** | **AMI meter £m** |
| New optant meter installation for existing customers | 0.925 | 0.124 | 0.000 |
| New selective meter installation for existing customers | 1.822 | 0.183 | 0.000 |
| New business meter installation for existing customers | 0.002 | 0.002 | 0.000 |
| Residential meters renewed | 0.154 | 0.040 | 0.000 |
| Business meters renewed | 0.042 | 0.008 | 0.000 |
| **Metering activities - Explanatory variables (000s)** | **Basic meter** | **AMR meter** | **AMI meter** |
| New optant meters installed for existing customers | 2.789 | 0.554 | 0.000 |
| New selective meters installed for existing customers | 5.492 | 0.819 | 0.000 |
| New business meters installed for existing customers | 0.037 | 0.029 | 0.000 |
| Residential meters renewed | 1.790 | 0.258 | 0.000 |
| Business meters renewed | 0.487 | 0.053 | 0.000 |
| New residential meters installation – supply-demand balance benefit | 1.43 Ml/d | 0.24 Ml/d | 0 Ml/d |
| New business meters installation – supply-demand balance benefit | 0.00 Ml/d | 0.00 Ml/d | 0.00 Ml/d |
| Residential meters renewed - supply-demand balance benefit | | 0.00 Ml/d[39] | 0.00 Ml/d |
| Business meters renewed - supply-demand balance benefit | | 0.00 Ml/d | 0.00 Ml/d |
| Residential properties - meter penetration | 56.4% | 6.0% | 0% |

| Leakage activities | Maintaining leakage £m | Reducing leakage £m | Total £m |
|---|---|---|---|
| Total leakage activity | 6.690 | 1.784 | 8.474 |
| | | | **Total Ml/d** |
| Leakage improvements delivering benefits in 2020-25 | | | -0.12 |

| Per capita consumption (excluding supply pipe leakage) | Current year |
|---|---|
| Per capita consumption (measured customers) | 165.46 l/h/d |
| Per capita consumption (unmeasured customers) | 146.02 l/h/d |

[39] We calculated values to 0.0017 Ml/d but have reported 0 as this is reported to 2 decimal places

**Metering activities - Totex expenditure (6D.1-10)**
During the 2020/21 period, a focus on alternative methods of installation allowed us to upskill individuals within the existing workforce, reducing the number of excavations required. This has continued throughout the 2021/22 period, where we are seeing a reduction in cost to delivery and increased productivity with the use of Melco adaptations to existing assets rather than the cost of a dig to replace the asset.

As Covid-19 lockdowns began easing during 2021/22 it allowed the team to begin to increase their activity during the year to move towards pre-Covid-19 levels. During 2021/22 the Meter install/replacements were the equivalent of c.80% of these levels and substantially above the 2020/21 activity which was interrupted due to these lockdowns and inability to access customer's properties

Metering is generally regarded as being the fairest and most accurate way to pay for water allowing customers to pay for what they use, offering our customers the opportunity to benefit both financially and environmentally.

We achieve this through Free Meter Option applications or Change of Occupier installations.

Following our 'Life's sweeter with a meter' marketing, we have continued our 'Peter the Meter' campaign, continuing to encourage customers to take up the benefits of a meter.

As noted in the prior year, we paused our promotion of metering. Since the return into customer properties alongside the staged easing of lockdown restrictions our focus has been on managing and development of our communication and marketing plan. This has seen improvement of the application uptake through all media channels and allowed customers to apply at first opportunity including online and over the phone. To assist with improving confidence, we have introduced incentives to allow customers to make the most informed choice around retaining their Meter Option. Any meter fitted up to May 2021 will benefit from an extended reversion period of a further year to account for the impact of COVID and from March 2022 a "Money back Guarantee" to ensure the customers can explore the choice of a meter without the risk of paying any more than their existing bill and the benefit of potentially saving.

Our "Peter the Meter" campaign has also returned to social media platforms, Radio and Letter drops. Since relaunch in June, we have seen a positive increase on optant applications.

Operationally we have remained focused on returning into customer properties, with the second half of the year seeing a significant improvement in delivery. This has been supported by the participation in a management development programme "Active Manager" which has seen a productivity increase and process improvements resulting in a 36% increase in meter installations in the final quarter. The Metering team are now able to triage and identify customers that can have a meter installed at the earliest opportunity, applying the most appropriate resource and and now contributing to a reduction in the overall cost of delivery.

**Metering activities - Explanatory variables and Supply-demand balance benefit (6D.11-14)**
Metering is widely regarded as the fairest way to pay for water, and customers on a metered tariff generally pay less than those on an unmetered tariff and have a financial incentive to make efficient use of water in their homes and businesses. In developing our WRMP19, we explored a number of metering options that could be used to manage our forecast supply demand balance deficit. However, based on customer research and the responses to our draft WRMP19 consultation, enhanced metering options in addition to our baseline metering policy were not considered appropriate at this time.

Line 6D.11 focuses on residential meter installation, and the potential demand saving associated with this. In order to calculate this, we have used the data from our micro-component demand forecast model, which sets out assumptions on how much a measured household would use in comparison to an unmeasured household. The meter installation values from lines 6D.6 (New optants) and 6D.7 (New selective) define the number of meters installed. During 2021/22 2789 new basic optant meters were installed, and 5492 basic new selective meters were installed. The difference in consumption from an unmeasured household to a measured household (optant or selective) calculated from the demand forecast model, was used to calculate the potential water saving associated with these meter installations. This resulted in a potential reduction in demand of 1.43Ml/d. The same process was used for the residential smart meters installed.

We do not have different consumption values for basic and smart meters, so the same volumes have been used. This resulted in a potential reduction in demand of 0.24Ml/d

Line 6D.13 focuses on residential meters renewed with smart meters. We do not have a demand saving assumption associated with this scenario in our demand forecast model, so we have used the demand saving assumption set out in our West Country Water Resources demand options appraisal assessment (2021) which was derived from the Water UK report 'Pathways to long-term PCC reduction' (Artesia 2019). Due to the very low numbers of meters installed under this scenario (258 – from Line 6D.9) the demand saving when reported in Ml/d is very low (0.0017Ml/d).

Lines 6D.12 and 6D14 focus on the effect of metering on business customer demand. We have not been able to derive a demand saving value associated with these meter installations for the following reasons:

- We have not got any data or evidence that provides a demand saving assumption associated with the metering of business properties. Our non-household demand forecast was a trend based assessment, and therefore did not explicitly contain assumptions on measured and unmeasured demand.
- The majority (c.95%) of the new business meters installed are for new businesses, therefore there would be no tangible demand saving associated with the meter installation as a new supply.

The number of meters installed under this category is so low that it is not feasible to try and associate a demand saving with them.

In the WRMP19 we forecast that in 2021/22 we would install 13,000 new household meters. Despite continuing COVID restrictions for part of the year, we installed 9,654 new household meters.

**Residential properties - meter penetration (6D.15)**
The number of AMR smart meters in use among our domestic customers continues to increase, as can be seen in the growth in numbers between 2020-21 and 2021-22.

Bristol Water's Business Plan did not propose a strategy of installing smart meters, other than AMR meters, during AMP7.

We have therefore continued with our approach of installing basic and AMR meter types during 2021/22. We are reviewing our approach to smart metering linked to the development of our PR24 plan, taking into account the advances in technology and data processing that have occurred over the last few years.

Our current plan for the remainder of AMP7 is to primarily continue with our non-smart meter roll out with a shift to smart metering starting in AMP8. However we will be reviewing whether the benefits of smart metering could outweigh the additional costs and support an earlier transition or pilot phase during the remainder of AMP7.

**Leakage activities - Totex expenditure (6D.16)**
The TOTEX expenditure for 2021-22 is estimated at £8,473,867 split between £6,689,730 in maintaining leakage at 35.53 Ml/day and £1,784,137 to reduce leakage in 2021/22 and beyond.

The TOTEX expenditure of £8.474m for 2021/221 is a decrease of £0.695m from the level of TOTEX expenditure for 2020/21.

There are two main reasons why the expenditure is different than the 2020/21 levels;

- as our AMP7 starting level of leakage for AMP7 was significantly lower than our original 2018 business plan we will incur higher base costs in AMP7 to maintain this level of performance. We have become more efficient with our leakage management which is why we have managed to make some reduction in maintenance costs, and;
- we have been ramping up our long term programme on leakage reduction to enable us to achieve our targets over the rest of the AMP, a lot of the programme will be delivering benefits in future years.

The TOTEX expenditure analysis follows the methodology as described in the response to the Competition Marketing Authority response (CMI RFIO18A) which refers to our leakage management processes and AMP7 business plan to enhance leakage levels by 2025 by 6.5 Ml/day.

**Enhancing leakage:**
In summary our plan during 2021/22 to reduce leakage has had expenditure on the following:

1. Improve leak detection and repair productivity to minimise the cost of delivering leakage targets, to allow for weather performance fluctuations to be accommodated.
2. Use of innovations in pressure management and a programme to reduce proactively system pressures in the network through new and optimised pressure management schemes.

The enhancement cost of leakage activities is also reported in Table 4L, line 26-28.

**Maintaining leakage:**
The base cost delivery plan expenditure for Year 2 AMP7 reflects the activities related to the cost activities set out in the TOTEX investment plan table in our CMA response (CMI RFIO18A) and can be summarised by the following activities:

a. Maintenance of network meters, loggers and pressure reducing values
b. Active control of leaks to maintain leakage at 35.5 Ml/day (through leak inspector and operating equipment on the network)
c. Repair of reported leaks
d. Financial support to repair leaks on customer supply pipes
e. Leakage strategy and planning costs
f. Leakage delivery resources – mobilisation of leakage and other related network activities.
g. Capital projects to support leakage management, ie upgrade of the Netbase Leakage reporting system.

Cost related to mains renovation activities has not been included in the assessment as the benefits of mains renovation on leakage are low.

**Leakage improvements delivering benefits in 2020-25:**
This figure has crept up this year from 35.53 to 35.65. There are number of reasons for this:

- We have had to adapt our approach to fixing leakage and are investing now in the future years to be able to gain the advantages.
- A quarter of all leakage on the network is recorded on the customer supply pipes, this takes the control away from us. We have tried to support customers with our LeakStop Policy which awards a one of payment to support the repair of a leak.

Moving to smart metering and adopting new innovative technologies now and into the future should allow us to reduce leakage and pioneer future developments in leakage.

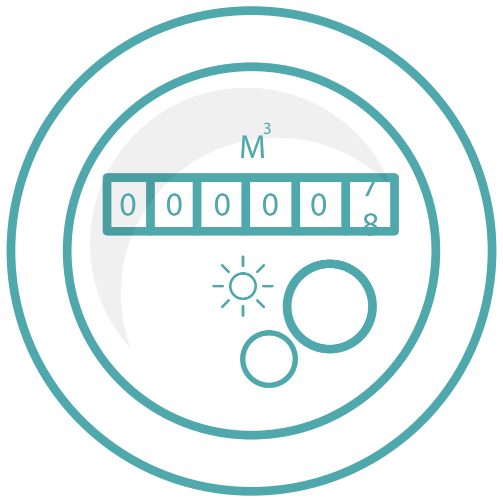
**Smart metering programmes in Table 6D**
We currently fit mixture of standard (dumb) and of AMR (Automated Meter Reading) RF radio frequency (Smart). Our ongoing customer research however does not provide a compelling case for compulsory universal metering or installation of new metering measures such as smart metering on a large scale. This is consistent with our WRMP19 assumptions, although we are reviewing our approach ahead of PR24.

The preferred approach we take when installing a meter is to where possible install a water meter on a company owned asset i.e., outside the boundary of the customer property with a basic meter that requires a visual reading by the meter reader. This allows Bristol water easier access to maintain the asset. If an external approach is unachievable then an attempt will be made where possible to install a meter inside the customer property within one metre of the internal stop tap. When installing inside a customer property a radio frequency meter will be installed. This allows the meter reader to capture the consumption of water usage at the property, recorded on the meter from outside of the property eliminating the need to enter the customer property. When installing a meter outside the property there are three forms of installation technique used:

- Install a meter into an existing asset/stop tap located outside the customer property;
- Install/replace a customer stop tap to enable the meter to be installed; and
- Install a Melco adapter to an existing crutch head tap to enable the meter installation.

**Metering in Table 6D**
During our work to develop our Water Resource Management Plan 2019, we carried out an assessment of likely population growth in the area we supply. This indicates that the population we serve will grow by 7% by 2025. In order to meet this potential increase in demand we need to improve water efficiency and help customers reduce their water consumption. Evidence available indicates that customers on a water meter have a lower per capita consumption and our research also shows that customers consider that payment through a metered supply is the fairest way to charge for water as it puts the water bill within the control of the customer.

Our starting position for metering at the beginning of AMP7 was lower than anticipated in our WRMP19 forecasts. Our performance for this year is also lower than anticipated in our WRMP19 forecasts. We aim to get back on track with our metering programme to achieve the forecast of 73% meter penetration by 2024/25 in our WRMP (compared to our 75% 2024/25 target for regulatory incentive purposes, which excludes voids). Due to the ongoing COVID-19 pandemic, we are currently anticipating that delivery of our metering targets will be largely achieved towards the end of AMP7. This may affect the profile of per capita consumption reduction across the AMP7 period. Post COVID-19 restrictions, metering accelerated to 62.4% at the end of 2021/22, which remains behind our target of 69.5%.



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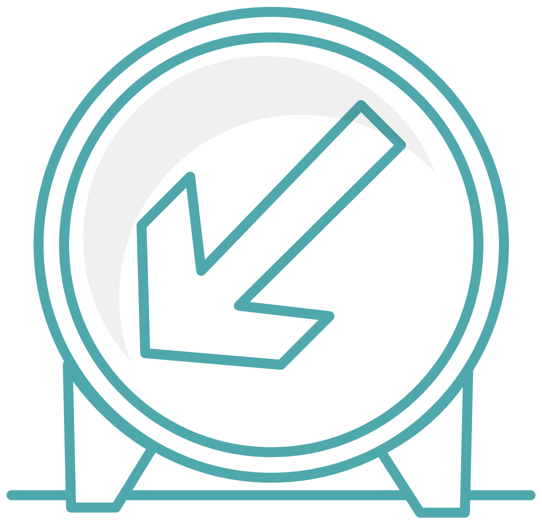
| 6F WRMP annual reporting on delivery - non-leakage activities | | | | Current Year £m | | | |
|---|---|---|---|---|---|---|---|
| | Delivery year in use | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | After 2024/25 |
| **Demand-side improvements** | | | | | | | |
| Capital expenditure (£m) | 2021/22 | 0.031 | 0.149 | 0.149 | 0.149 | 0.149 | 0.149 |
| Opex costs (£m) | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Benefits (Ml/d) | | 0.11 | 0.01 | 0.19 | 0.19 | 0.19 | 0.19 |



Supply-side improvements, internal interconnectors and other supply-demand interventions are nil.

Lines 6F.1 and 6F.2 report on improvements made to increase the supply of water or decrease the consumption of water to ensure that in the long-term Bristol Water can sustain water supplies to meet demand. There are no supply side schemes within the WRMP19 being delivered between 2020 and 2025. Line 6F.1 is therefore a zero return. In terms of demand side schemes, we have a programme of water efficiency measures to support our baseline PCC strategy, including social media engagement (water-saving messaging posts are the top-performing posts in our social media platforms), provision of free water efficiency equipment, and ongoing work with other utility partners such as gas and electricity service providers to identify outreach opportunities for shared messaging on resource efficiency.

The summer period in 2021 was hotter and drier than average, with the Met Office issuing its first ever amber extreme heat warning in July. This covered the West Country, including all the Bristol Water supply area. In order to manage customer demand over this period, we issued a series of media communications, on our website, in local media (Bristol News and Somerset Live) and on BBC Radio Bristol, to appeal to customer to not use their hosepipes during the short heatwave period to reduce the peak demands. As part of our demand management strategy, we will continue to respond to Met Office extreme heat warnings in order to maintain awareness with customers on high water demand in hot weather.

We provide quantified assessment of the impact of our provision of free water efficiency equipment, providing a total of 3639 water efficiency packs to customers in 2021/2022 and 6F.2 therefore reports a 0.07Ml/d saving on demand with an associated capital expenditure of £0.031m. The expenditure reported aligns with that reported in APR table 4L.23.

Line 6F.3 reports the incremental internal interconnection supply demand balance benefits delivered during the reporting year, and the associated costs. Bristol Water operated as one interconnected water resource zone. Therefore, there are no further benefits being delivered in 2020-2025 through internal interconnectors that could provide supply demand balance benefit via additional transport capacity. Line 6F.3 is therefore a zero return.

Line 6F.4 reports supply-demand balance improvements delivering benefits starting from 2026. We do not have any supply or demand side schemes within the WRMP19 from 2026 onwards other than leakage options (which are excluded from this measure). Line 6F.4 is therefore a zero return.

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## Section 9

# Additional regulatory information - innovation competition

The information provided in Section 9 details financial information about the innovation competition.

| 9A Innovation Competition | Current Year £m |
|---|---|
| **Allowed** | |
| Allowed innovation competition fund price control revenue | 0.396 |
| **Revenue collected for the purposes of the innovation competition** | |
| Innovation fund income from customers | 0.396 |
| Income from customers to fund innovation projects the company is leading on | 0.006 |
| Income from other water companies to fund innovation projects the company is leading on | 0.000 |
| Income from customers that is transferred to other companies as part of the innovation fund | 0.020 |
| Non-price control revenue (e.g. royalties) | 0.000 |

| Total amount of funding awarded | Forecast expenditure in year (excl 10% partnership contribution) | Actual expenditure projects in year (excl 10% partnership contribution) | Difference between actual and forecast expenditure | Forecast project lifecycle expenditure | Cumulative actual expenditure | Difference between actual and forecast expenditure | Allowed future expenditure on innovation fund projects | In year expenditure on innovation projects funded by shareholders | Cumulative expenditure on innovation projects funded by shareholders |
|---|---|---|---|---|---|---|---|---|---|
| 0.622 | 0.144 | 0.076 | -0.068 | 0.622 | 0.076 | -0.546 | 0.000 | 0.000 | 0.000 |

| Administration | Value £m |
|---|---|
| Administration charge for innovation partner | 0.019 |

Our allocated revenue for the 21-22 year is £0.396m. £0.006m is income to fund innovation projects we are leading on, as per the Ofwat innovation transfer of funds notification. Income from customers that is transferred as part of the innovation fund is £0.02m, which is our contribution to the Innovation in Water Challenge (IWC) fund paid during the 2021-22 year. Where revenue figures are inflated from the 17/18 price base quoted in PR19 Business Plans, this has been done so using November 2020 CPIH value.

We are leading on one innovation competition project – Flexible Local Supply Schemes. The total amount of funding awarded (excluding the 10% contribution) is £0.622m. Our forecast for the year as per the baseline monitoring report is £0.144m. Our actual expenditure was slightly less at £0.076m. Our progress against plan was somewhat affected by the delays in receiving the funding. Actual expenditure was predominantly associated with project set up and a smaller number of deliverables, as we also made use of the compulsory contribution funding from each partner. We prioritised our work with Frontier Economics to provide the external economic regulation support, particularly on identifying suitable charging arrangements. Frontier have delivered a report reviewing a number of cross-sector case studies for on access charging (for connection and ongoing incumbent network costs) with an outline how different charging approaches are more or less suited to achieving the water market specific objectives. We have discussed the findings with Ofwat.

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 to Bristol Water staff time or overheads.

The administration charge for innovation partners is £0.019m which is associated with the IWC only.

At the end of the financial year the net cash balance related to the innovation fund amounts to £0.675m, reflecting £0.790m received from customers over 2020-2022, less £0.019m contribution to the IWC administration costs, £0.020m transferred to IWC fund winning projects and £0.076m lead project expenditure. No MOSL funds transfer costs were paid during 2021/22.

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## Section 11

# Additional regulatory information - Greenhouse gas emissions

The information provided in Section 11 details operational greenhouse gas emissions reporting for the 12 months ended 31 March 2022.

| 11A Operational greenhouse gas emissions reporting for the 12 months ended 31 March 2022 | Water $tCO_2e$ | Wastewater $tCO_2e$ | Total $tCO_2e$ |
|---|---|---|---|
| **Scope one emissions** | | | |
| Burning of fossil fuels | 3,201.407 | - | 3,201.407 |
| Process and fugitive emissions | - | - | - |
| Vehicle transport | 958.413 | - | 958.413 |
| Total scope one emissions | 4,159.820 | - | 4,159.820 |
| Scope one emissions; GHG type CO2 | 4,136.910 | - | 4,136.910 |
| Scope one emissions; GHG type CH4 | 4.333 | - | 4.333 |
| Scope one emissions; GHG type N2O | 18.737 | - | 18.737 |

| | Water $tCO_2e$ | Wastewater $tCO_2e$ | Total $tCO_2e$ |
|---|---|---|---|
| **Scope two emissions** | | | |
| Purchased electricity - location based | 14,257.000 | - | 14,257.000 |
| Purchased electricity - market based | - | - | - |
| Purchased heat | - | - | - |
| Electric vehicles | - | - | - |
| Removal of electricity to charge electric vehicles at site | - | - | - |
| Total scope two emissions (location based) | 14,257.000 | - | 14,257.000 |
| Scope two emissions; GHG type CO2 | 14,111.295 | - | 14,111.295 |
| Scope two emissions; GHG type CH4 | 53.716 | - | 53.716 |
| Scope two emissions; GHG type N2O | 91.989 | - | 91.989 |
| **Scope three emissions** | | | |
| Business travel | 0.047 | - | 0.047 |
| Outsourced activities | 519.732 | - | 519.732 |
| Purchased electricity; transmission and distribution - location based | 1,261.664 | - | 1,261.664 |
| Purchased electricity; transmission and distribution - market based | - | - | - |
| Purchased heat; transmission and distribution | - | - | - |
| Total scope three emissions (location based) | 1,781.443 | - | 1,781.443 |
| Scope three emissions; GHG type CO2 | 1,761.052 | - | 1,761.052 |
| Scope three emissions; GHG type CH4 | 4.782 | - | 4.782 |
| Scope three emissions; GHG type N2O | 15.608 | - | 15.608 |

| | Water $tCO_2e$ | Wastewater $tCO_2e$ | Total $tCO_2e$ |
|---|---|---|---|
| **Gross operational emissions (Scope 1,2 and 3)** | | | |
| Gross operational emissions - location based | 20,198.262 | - | 20,198.262 |
| Gross operational emissions - market based | 27,159.234 | - | 27,159.234 |
| **Emissions reductions** | | | |
| Exported renewables (market based) | | | - |
| Exported biomethane (market based) | | | - |
| Green tariff electricity offsets | | | - |
| Other emissions reductions | | | - |
| Total emissions reductions | | | - |
| **Net annual emissions** | | | |
| Net annual emissions - location based | 20,198.262 | - | 20,198.262 |
| Net annual emissions - market based | 27,159.234 | - | 27,159.234 |
| Net annual emissions | 47,357.496 | - | |
| | **Water kgCO2e/Ml** | **Wastewater kgCO2e/Ml** | |
| **GHG intensity ratios (location based)** | | | |
| Emissions per Ml of treated water | 179.571 | | |
| Emissions per Ml of sewage treated (flow to full treatment) | | - | |
| Emissions per Ml of sewage treated (water distribution input) | | - | |

# Greenhouse Gas Emissions

## Our approach to reporting on Greenhouse Gas (GHG) emissions.

Climate change is one of the greatest threats and challenges of our time, through innovation and investing in renewable energy we will continue to actively reduce our carbon emissions and consumption of energy. Whilst we do not have a regulatory performance commitment to report on over 2020-25, we are reporting on our operational emissions throughout the period. We have committed to:

- Break these emissions down by scope and the three main GHGs (CO2, CH4, N2O) (for scope 1 and 3)
- Present data on intensity of emissions (Kg per ML), and intensity per £m of turnover
- Provide data on emissions reductions brought about by the purchase and generation of renewable energy.

This information is provided in the two tables in this section. In addition, we continue to develop and implement a programme of improvements to operational efficiency and a number of significant capital investment schemes that aim to reduce our overall energy consumption, such as:

- A whole network automated pump scheduling and optimisation system (IPSOS) to reduce the amount of energy we use to produce and move water to our customers; and
- We are reducing our import from the grid by installing gas generators at Purton TW, our biggest energy consumer. This will marginally increase our carbon footprint and we will seek to mitigate this by seeking opportunities to investigate the use of biogas or other low carbon fuel sources for the generation system

We do not currently have the facility to report embedded emissions.

The majority of our carbon footprint (91%) is from the energy required to treat water to a safe standard and transport it to our customers. While we continue to find new ways to treat and distribute water more efficiently, such as through our latest pump optimisation software, the greatest opportunity for us to reduce carbon is to encourage and support our customers to use less water – in particular less hot water in their homes and businesses.  With rising energy prices, supporting customers in water efficiency gives wider benefits than saving water.

We think that cultural change, rather than shorter term behavioural change, is required to deal with the climate and ecological crisis that society faces – using water thoughtfully needs to become a new social norm. So, as part of our response, we are investing in an education programme and working with our stakeholders to find the best way of getting our messages to younger generations. In addition, we are working with other local utility providers, retailers, education charities and environmental experts to develop a joint education campaign so that we deliver a clear overall message to young people on water, energy and waste. This change in culture will help to influence their parents, landlords, employers and education providers who need to help deliver the lasting changes that we need to make. Building this shared connection to society is the distinguishing feature of our social contract approach.

The aim of the water industry is to achieve net zero operational carbon emissions for the sector by 2030. As energy-intensive businesses, we have an important contribution to make in tackling the causes of climate change. We can make a real difference through measures such as greater water efficiency, generating renewable energy ourselves, planting trees, and working with our supply chain.

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**2021/22 performance**

Energy efficiency is vital to business productivity and supports the transition to a low-carbon business against the backdrop of climate change.

Our gross operational emissions for 2021/22 were equivalent to 20,198 tonnes CO2, defined by the scopes below:

- Scope 1 (direct emissions): Fuel use from transport we own, fuels used for heating and electrical generation.
- Scope 2 (indirect emissions): Electricity purchased and used for operations.
- Scope 3 (other indirect emissions): Electricity transmission and distribution, transport fuel use of our contractors, water treatment waste disposal, and public transport use.

| Scope 1,2 & 3 carbon emissions<br>Source | 2021/22 | | 2020/21 | |
|---|---|---|---|---|
| | $tCO_2e$ | $tCO_2e$ | $tCO_2e$ | Percentage |
| Electricity - grid | 15,518.7 | 76.8% | 18,855.2 | 89.1% |
| Gas | 2,939.5 | 14.6% | 33.3 | 0.4% |
| Transport | 1,478.2 | 7.3% | 1,585.8 | 8.3% |
| Diesel/gas oil | 262.0 | 1.3% | 317.0 | 1.3% |
| Process & fugitive | 0.0 | 0.0% | 0.0 | 0.8% |
| **Total** | **20,198.3** | | **20,791.3** | |
| | | | | |
| **Energy consumption** | 89,543,995 | kWh | 82,675,302 | kWh |
| Intensity ratio - kg of CO2 equivalent per capita | 16.19 | kgCO2e/capita | 16.85 | kgCO2e/capita |
| Intensity ratio – per £m appointed turnover | 167.19 | kgCO2e/£m turnover | 178.58 | kgCO2e/£m turnover |

| Year | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|---|---|---|
| kg CO2e / capita | 35.3 | 31.8 | 28.35 | 22.81 | 18.98 | 16.85 | 16.19 |
| Tonnes CO2e | 41,648 | 38,129 | 33,093 | 27,749 | 23,291 | 20,791 | 20,198 |

Strengths, Weaknesses, Opportunities, Threats (SWOT) assessment for greenhouse gas reporting.

| Strengths | Weaknesses | Opportunities | Threats |
|---|---|---|---|
| ■ Grid electricity and gas represents 91% of our carbon emissions. Our consumption data has a very high accuracy. Nearly all billing meters have been replaced to automatic reading meters. Wherever data is not reporting back actual data is periodically downloaded from the meter by our data collector to replace any estimated readings. Data quality is reviewed monthly and actions taken to resolve gaps. | ■ Embedded carbon has not been considered to date.<br>■ Chemicals emissions factors have historically been hard to get from manufacturers and largely theoretical.<br>■ Sludge produced is based on previously calculated relationships. | ■ Fuel: Improve/updating our fleet management system with one which is easier to update in a timely way.<br>■ Measure chemicals consumed by measured flows out of storage where possible rather than deliveries into storage. | ■ If we choose to purchase "green" tariff electricity, then areas with previously insignificant emissions and their data will become more important. |

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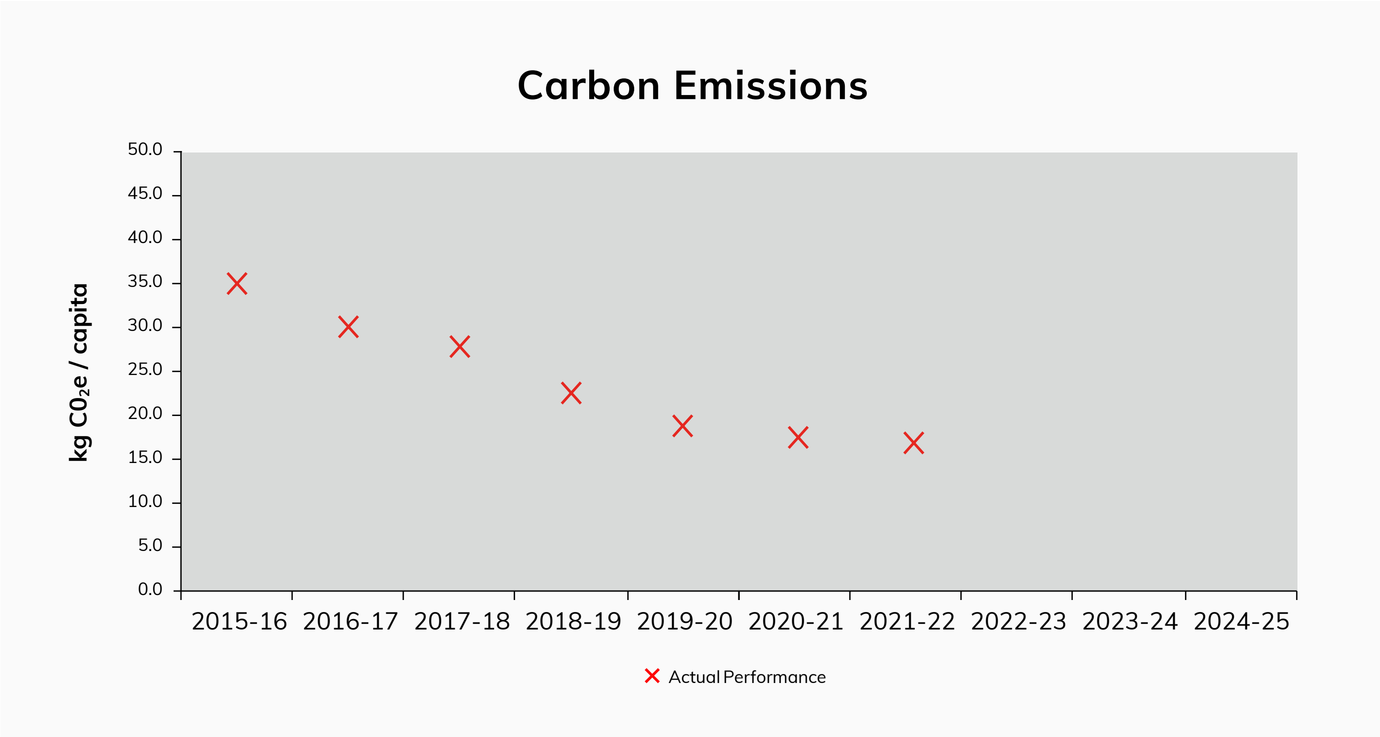
## Operational GHG Emissions - Breakdown by scope

| Section | Description | Dimension | Units | Value Location based | Value Market based |
|---|---|---|---|---|---|
| A | **Gross annual operational GHG emissions** | | | | |
| | **(i)Scope 1 emissions** | | | | |
| 1 | Direct emissions from burning of fossil fuels (including CHP generated onsite) | Emission | tCO2e | 3201.41 | 3201.41 |
| 2 | Process and fugitive emissions | Emission | tCO2e | 0 | 0 |
| 3 | Transport: Company owned or leased vehicles | Emission | tCO2e | 958.41 | 958.41 |
| | **(ii)Scope 2 emissions** | | | | |
| 4 | Purchased electricity | Emission | tCO2e | 14,257.00 | 21,217.91 |
| 5 | Purchased heat | Emission | tCO2e | 0.00 | 0.00 |
| 6 | Electric vehicles | Emission | tCO2e | 0.00 | 0.00 |
| 7 | Removal of electricity used to charge electric vehicles at site | Emission | tCO2e | 0.00 | 0.00 |
| | **(iii)Scope 3 emissions** | | | | |
| 8 | Business travel on public transport and private vehicles used for company business | Emission | tCO2e | 0.05 | 0.05 |
| 9 | Outsourced activities (if not included in Scope 1 or 2) Energy and other | Emission | tCO2e | 519.73 | 519.73 |
| 10 | Purchased electricity – Transmission and Distribution | Emission | tCO2e | 1,261.66 | 1,261.66 |
| 11 | Purchased heat – Transmission and Distribution | Emission | tCO2e | 0.00 | 0.00 |
| 12 | Gross operational emissions | Emission | tCO2e | 20,198.26 | 27,159.23 |
| B | **Net annual operational GHG emissions** | | | | |
| | **(i) Emissions reductions/accounting** | | | | |
| 13a | Exported renewables (generated onsite and exported) | Emission | tCO2e | 0.00 | 0.00 |
| 13b | Exported fuel (generated onsite and exported) | Emission | tCO2e | 0.00 | 0.00 |
| 14 | Green Tariff electricity purchased | Emission | tCO2e | 0.00 | 0.00 |
| 15 | Net operational emissions | Emission | tCO2e | 20,198.26 | 27,159.23 |
| C | **Annual operational GHG intensity ratio values** | | | | |
| 16 | Operational GHG emissions per Ml of treated water | Emission | kgCO2e/ Ml | 179.57 | 245.69 |
| 17 | Operational GHG emissions per Ml of sewage treated (Flow to Full Treatment) | Emission | $kgCO_2e$ | no data | no data |
| 18 | Operational GHG emissions per Ml of sewage treated (water distribution input) | Emission | $kgCO_2e$ | no data | no data |

## Operational GHG Emissions - Breakdown by scope and GHG type

| Direct GHG emissions quantified separately for each GHG and GHG removals | Dimension | Units | CO2e | CO2 | CH4 | N2O | Other GHGs (HFCs, PFCs, $SF_6$) |
|---|---|---|---|---|---|---|---|
| Scope 1 (excluding refrigerants) | Emission | tCO2e | 4159.819 | 4136.910 | 4.333 | 18.737 | 0.000 |
| Scope 1 (including refrigerants, except R22) | Emission | tCO2e | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Scope 2 | Emission | tCO2e | 14257.000 | 14111.295 | 53.716 | 91.989 | 0.000 |
| Scope 3 | Emission | tCO2e | 1781.443 | 1761.052 | 4.782 | 15.608 | 0.000 |
| Scope 3 (SF6 from Treatment & Distribution) | Emission | tCO2e | 82.670 | 0.000 | 0.000 | 0.000 | 82.670 |
| Gross total | Emission | tCO2e | 20280.932 | 20009.257 | 62.832 | 126.334 | 0.000 |
| Reduction | Emission | tCO2e | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Net total | Emission | tCO2e | 20280.932 | 20009.257 | 62.832 | 126.334 | 0.000 |
| **Additional Scope 3 emissions not included in company totals** | | | | | | | |
| Water treatment works sludge disposal to others' land and lagoons | Emission | tCO2e | 178.135 | 0.000 | 95.726 | 82.409 | 0.000 |
| Treatment works screenings and grit disposal to others' land and lagoons | Emission | tCO2e | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Sludge products disposal to others' land | Emission | tCO2e | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Disposal of water and wastewater treatment waste to landfill | Emission | tCO2e | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Use of purchased chemicals | Emission | tCO2e | 6509.129 | 0.000 | 0.000 | 0.000 | 0.000 |
| Disposal of waste from administrative activities | Emission | tCO2e | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |

| Carbon emissions | 2019/20 Baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|---|
| kg $CO_2e$ / capita | 18.98 | 16.85 | 16.19 | | | |
| Tonnes $CO_2e$ | 23,291 | 20,791 | 20,198 | | | |




**Further Information**
Since 2015/16 we have also published the total carbon emissions produced by Bristol Water and contractors working on our behalf. We calculate our carbon emissions through the electrical energy we use in our operations, our consumption of gas and the fuel we use for transport, plant operation and site heating. This equals our annual operational greenhouse gas emissions, based on the Carbon Accounting Workbook and is expressed in kilograms of CO2 (carbon dioxide) equivalent divided by the population supplied. We will continue to provide this information.

# Vulnerability Action Plan

## In our latest business plan we set out our vulnerability and affordability action plan.

The plan addressed how we would proactively support customers in vulnerable circumstances in every aspect of our business, by using data more wisely, increasing awareness of support, improving the customer journey and on developing our people and our culture.

Transparency is important to us, which is why we continue to provide updates to our customers and stakeholders on our action plan progress, as well as providing updates on our partnership working as part of our social contract vulnerability programme commitments. Our latest Social Contract Transparency & Benefits Report was published in December 2021. This report provides an update on how we are engaging with our communities and partnerships on our vulnerability plans. Our vulnerability partnership plans for the next 12 months can be found in our forward programme, published in March 2022.

The table below provides an update on the progress we have made to date on our vulnerability and affordability action plan.

| Action plan commitment | Purpose of commitment | Expected outcome | Target/ review date | 2021-22 Full Year Update |
|---|---|---|---|---|
| Metering campaign including the launch of a new water meter calculator | To promote meter option take-up and give customers the information on how it will impact their bill | Increased meter take up for customers who would benefit financially | 2019/20 (completed) | When we asked our customers how we could make the benefits of having a water meter more transparent, our customers told us that it would be good to have a personalised projection, or calculation based on how their individual household uses water. We committed to developing a water meter calculator, as well as redesigning the end-to-end customer journey across our website to streamline not only the information relating to water meters, but also the application process, including more comprehensive information as to what happens, and the timescales for having a meter installed after the initial application is submitted. This was completed in summer 2019. In February 2020 we launched a new website platform for Bristol Water and our metering calculator had a refresh and rebrand. |
| Communications campaign including launch of struggling to pay videos | To raise awareness of support available for those who struggle to pay their bills and may be eligible for support | Increased take-up of social tariffs and achieve our commitments for 0% of customers in water poverty | 2019/20 (completed) | We completed our Pension Credit research (which was delayed due to COVID-19) in September 2020. We have taken the following learnings from this:<br><br>The Pension Credit Discount was renamed "discount for low-income pensioners" as our research highlighted that the original name was confusing and may exclude some customers. Further information on this discount can be found on our website.[40]<br>Since February 2021 we have prioritised the messaging on the customer bill to be about help for customers struggling to pay. |
| Implement data checking process | To ensure customer data on PSR is accurate and up to date | Achieve commitment to proactively contact customers on the PSR every two years | 2019/20 (completed) | We have proactively contacted eligible customers as part of the data cleanse audit to meet our PC.<br><br>In addition we also contacted those not eligible for the data checking regarding the changes to the legal basis for collecting information. The Substantial Public Interest (SPI), as in UK law, is now used as our legal basis to process special category data for the purpose of providing a priority service to vulnerable customers based on their health data.<br><br>Process is now in place for these bi-annual audits to continue. |
| New billing platform | Greater capability to flag missed payments and proactively contact customers | Enhanced billing capabilities | 2022/23 | The new billing platform is still in progress. |
| E-billing portal enhancements | To provide customers with more capability to self-serve | Increased customer satisfaction and reduced cost to serve | 2022/23 | The opportunities to deliver this action plan commitment will start after the new billing platform is complete i.e., it is linked to the action above regarding the new billing platform. |

[40] Discount for low income pensioners

| Action plan commitment | Purpose of commitment | Expected outcome | Target/ review date | 2021-22 Full Year Update |
|---|---|---|---|---|
| Refresh of customer segmentation | To gain a refreshed view of our unique customer segments and demographics | Improved customer satisfaction | 2022/23 | We are making some improvements to our segmentation data and moved to property level as opposed to postcode. This will allow us to target comms more intelligently promoting ways in which we can help. |
| National data share with WaterUK Working Group | To share data nationally with all utility companies | Achieve target of 7% of customers on PSR | 2022/23 | The national project has been paused.<br><br>Work is still being coordinated across the industry to deliver the national data share, but conversations are still ongoing between water (Ofwat) and energy (Ofgem). |
| British Standards institution (BSI) standard for inclusive services | To demonstrate our commitment to improving accessibility to services for all | Achieve the 85% satisfied with the service provided by customers registered on the PSR | 2022/23 | We are working towards BSI 22458 customer vulnerability. This includes how Bristol Water contact and respond to those in vulnerable circumstances with a more digital focus. Measure is due to be released in final version in June 22. We will conduct an audit on meeting the expectations during 22/23. |
| Achieve AA accreditation for website accessibility | To demonstrate our commitment to improving accessibility to services for all | Achieve the 85% satisfied with the service provided by customers registered on the PSR | 2022/23 | We have had a website accessibility review by scope who are industry leaders in this area.<br><br>We are working on the accessibility of our website and are making ongoing changes. |

| Action plan commitment | Purpose of commitment | Expected outcome | Target/ review date | 2021-22 Full Year Update |
|---|---|---|---|---|
| Bill re-design | To make the bill easier to understand for all | Increased customer satisfaction | Ongoing | We have had a bill review carried out by scope for accessibility and we are aware of changes that we need to make.<br><br>Changes can be categorised as med to long term projects. |
| Maintain Institute of Customer Service ServiceMark Accreditation | To ensure we have an adequate strategy for delivering customer service that it is communicated, and staff are trained. | Accreditation maintained throughout 2020-25 | Ongoing | The ServiceMark is a national standard, independently recognising an organisation's achievement in customer service and its commitment to upholding those standards.<br><br>We are currently going through the re- accreditation process, which occurs every three years. |
| Hard to reach projects with local charities | To raise awareness and increase take up of our affordability support amongst our hardest to reach customers | Increased take-up of social tariffs and achieve our commitments for 0% of customers in water poverty | Ongoing | We have funded three hard to reach projects with North Bristol Advice, Oasis Community Hub and CHAS. Some of these projects are ongoing into mid-2022.<br><br>We will look to fund further projects in Autumn 2022. |
| Social tariff eligibility maps for targeting support | To establish how many of our customers might be eligible for support, and to obtain spatial analysis on affordability issues among our customer base | Increased take-up of social tariffs and achieve our commitments for 0% of customers in water poverty | Ongoing | We are making some improvements to our segmentation data and moved to property level as opposed to postcode. This will allow us to target comms more intelligently promoting ways in which we can help. |
| Pension credit mail shots | To raise awareness of our Pension Credit tariff amongst those who are most likely to be eligible | Increased take up of Pension Credit social tariff | Ongoing | We have been doing some trials with targeted data for those who may be eligible for our 'Discount for Low-income Pensioners'. We are currently contacting 550 customers per month to promote. |
| Accredited agency pilot | To provide a better experience for customers who are applying for help with payments through our debt advice partners | Improved customer satisfaction for customers applying for social tariffs | Completed | We launched our Accredited Agency pilot in early 2019, which was designed to provide a better experience for customers who were applying for help with payments through our debt advice partners.<br><br>This project has been completed. Following the pilot, we have now put into place a new funding model which has additional rewards for those charities who offer our PSR services and our discount for low-income pensioners. |

| Action plan commitment | Purpose of commitment | Expected outcome | Target/ review date | 2021-22 Full Year Update |
|---|---|---|---|---|
| Outreach community events i.e. Blue Monday | To raise awareness of support available for those who struggle to pay their bills and may be eligible for support | Increased take-up of social tariffs and achieve our commitments for 0% of customers in water poverty | Ongoing | Since COVID restrictions have eased we have been able to move away from purely virtual events. We have been raising awareness at a number of Village Agent events and also been working with Food banks and clubs and visited their centres to raise awareness in the community. |
| Review partnership funding | To raise awareness of support available for those who struggle to pay their bills and may be eligible for support | Increased take-up of social tariffs and achieve our commitments for 0% of customers in water poverty | Completed | This project has been completed and the information was cascaded to our partners in January 2020. |
| Increase partner work | To work with a greater range of partners that interact with customers who may need additional support with bills | Increased take-up of social tariffs and achieve our commitments for 0% of customers in water poverty | Ongoing | As part of our social contract vulnerability programme, we work with local stakeholders to help provide extra support to those customers who need it.<br><br>We have been working closely with a number of organisations, increasing our partnership working to promote our schemes and PSR |
| Launch of new online application forms | To provide customers with more choice on how to sign up and update their preference for additional support services | Achieve the 85% satisfied with the service provided by customers registered on the PSR. Achieve commitment to proactively contact customers on the PSR every two years | Completed | This has been completed and be found on our website: www.bristolwater.co.uk/priority-services<br>Proactively contacting customers on the PSR every two years forms part of our performance commitment for PSR |
| Local data share implementation and enhancements | To improve our local data share with Western Power Distribution | Achieve target of 7% of customers on PSR | Ongoing | Our partnership with Western Power Distribution is now established and progress is reported as part of our social contract vulnerability programme. |
| Capability to access data and sign customers up to PSR in the field | To enable our fieldworkers to sign customers up for additional support services during visits and appointments | Achieve target of 7% of customers on PSR | Ongoing | This is part of our business as usual service. Field teams have 'helping hand' cards to distribute to customers if they see the need and we also as part of our field feedback surveys include a referral to PSR to enable easier registrations for customers. We will continually look for new channels to aid registration. |

| Action plan commitment | Purpose of commitment | Expected outcome | Target/ review date | 2021-22 Full Year Update |
|---|---|---|---|---|
| Vulnerability training across the business | To ensure all staff that interact with customers are continuously trained on the best way to service customers in vulnerable circumstances | Achieve the 85% satisfied with the service provided by customers registered on the PSR | Ongoing | We have appointed vulnerability heroes across the business so they can support our wider teams. We have also released business wide vulnerability training to improve awareness and understanding |
| Vulnerable customers incident support review | To continually improve our support to vulnerable customers during supply interruptions | Achieve the 85% satisfied with the service provided by customers registered on the PSR | Completed | Changes have been made to our reporting to help provide more accurate data on needs codes to enable a better service in an incident. No further changes are planned. |
| Increase partner work | To work with a greater range of partners that interact with customers who may need additional support due to physical or mental vulnerability | Achieve target of 7% of customers on PSR | Ongoing | This is ongoing and we are continually forging new partnerships that will help us reach more customers who need additional support. |

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