



Supporting document

Deliverability and supply chain



Executive summary

The report outlines the key changes that South West Water (SWW) are employing, building on our experiences from Asset Management Plan 7 to shape our future delivery model and those guiding principles that will enable us to achieve our PR24 programme and AMP8 ambitions.

Deliverability is the key consideration in the development of our business plan and the subsequent investment over AMP8 and the next 25 years, will see the largest environmental programmes we have delivered since the clean sweep programme. It is important that the way we deliver our programme is constantly assessing opportunities to reduce cost whilst delivering value for our customers with sustainable environmental outcomes. It is essential that we get the right balance between quality, cost and sustainability whilst delivering the benefits and programme with momentum, pace, and agility.

We have also recognised that we had to learn from the issues experienced in the delivery of the AMP7 programmes that we needed to re-organise internally, capitalising on the integration with Bristol Water. To support this, we engaged sector leading consultants (specialists in procurement and supply chain) to conduct an independent assessment of our delivery model who identified improvement opportunities informed by widespread and extensive industry engagement.

Having recognised the need to change, our engagement has covered the breadth of our industry from suppliers to potential delivery partners and to organisations such as British Water, Future Water, and the Civil Engineering Contractors Association South West. Their feedback and support were an integral part of our business transformation programme, the development of our delivery model for AMP8 and beyond. We believe this will be the best delivery model in our industry.

With our delivery model established, we required partners to deliver, and we have positioned our contracts to enable and encourage reinvestment in our region. Our procurement strategy is already well advanced with the appointments of our consultants, Tier 1 and Tier 2 contractors concluded. We have our full ecosystem of delivery partners appointed and delivering the transition to AMP8.

To support our partners, we will manage work package allocations within our programme, based on the type of work, value and complexity. By ensuring we provide our partners with the greatest visibility of programme, giving them volume certainty, facilitating effective planning and efficient resource management. This approach will ensure the delivery of capital programme will be achieved through economies of scale and continuity.

Our vision is a fully integrated supply chain where we co-design, innovate, contract, and deliver in a collaborative environment. We are now co-located in offices adjacent to our head office with our partners, enabling a collective approach to problem solving; to co-create value as a single delivery community. We are enhancing our nature-based solutions capability by embedding our award winning 'Upstream Thinking Programme' partners into the delivery model to support the development of best value nature-based outcomes. We are also broadening our capability and aligning our business process to look for opportunities to co-develop and co-create solutions with 3rd parties. This will be done whilst maintaining our pace and agility to ensure the solutions are both best value and delivered on time.

Supported by our expanded delivery support services and our enhanced Asset Management team, we are continuing to grow our energy and carbon function to ensure we are seizing every opportunity to reduce carbon emissions whilst remaining on track to meet our "Promise to the Planet."

As one of the largest companies in our region with a mature and resilient supply chain that has its roots in partnering, we have also focused on the development of regional resources for the delivery of our model.

In building our capital programme for AMP8 we have used external specialists to assist us in identifying the required construction workforce necessary to deliver our plan and the impact on the wider South West.

The impact of our programme over AMP8 effectively doubles the capital delivery workforce over the five-year period and we envisage this will be sustained until at least 2040. This will enable local resources to be developed, creating long term resilience for the future of our region, through apprenticeships and a strong graduate programme. It will extend the provision of social value, training, and development

opportunities whilst working with charities that support local communities and the educational sectors in STEM. This ethos is fully supported by all our delivery partners and is core to our delivery plans.

By focusing on supporting the development of both existing and future skill requirements here in the South West and combined with the wider benefits of our AMP8 capital programme we will be supporting the economy across our region. As a result, we estimate the generation of circa 24,500 new jobs being created across the wider region. This demonstrates our continued commitment to the communities, environment, and economy in which we operate, creating a better future for everybody.

Since the submission of our PR24 Business Plan significant progress has been maintained in mobilising our delivery model for AMP8.

At the time of submission of our plan we had already appointed our eight Professional Services Consultants delivering services across: project and programme management, cost management and multi-disciplinary design. As the business plan went in, we were appointing our Tier 1 Delivery Partners, announced in October 2023: six new suppliers across 4 lots covering water and wastewater across the whole region and we have recently appointed our Tier 2 partners covering CCTV, MEICA and infrastructure.

With AMP8 early start delivery getting underway across all work streams, in February 2024 we opened our new co-located office adjacent to South West Water and launched the new amplify alliance.



In June 2024 amplify was completed with the refresh of our Tier 2 supply chain partners,



bringing nine more leading British companies into the alliance. These nine organisations complement amplify providing mechanical, electrical and instrumentation control and automation services, infrastructure services and CCTV and survey activities.

Delivery work both in the co-located design office and on the ground is already underway, springboarding off the record breaking AMP7 Year 4 investment of over £580m in the period and the mobilised resources in place. Thus, the pace of delivery is already at the desired rate for AMP8, demonstrating the available and mobilised delivery capability.

A monthly mobilisation Board has been established since December 2023 which will transition to an enduring Delivery Board with full participation of South West Water Executive Directors and senior representatives of our partners. The focus of the Board is to enable the partnership and mitigate risks to delivery. In addition, wider water, utilities, and construction industry engagement continues through active participation with British Water, Future Water, and the Civil Engineering Contractors Association events and directly with members to share forward plans enabling innovation and production planning.

A key component of our new model is our refreshed Asset Change Pathway incorporating our nature first approach ahead of hard engineering solutions. Well established catchment partners are being drawn in and championed by our own experts, accelerating the development of low carbon, nature-based solutions. Wider delivery partners include Cornwall Wildlife Trust, Devon Wildlife Trust, FWAG, South West Lakes Trust and West County Rivers Trust building on our award-winning Upstream Thinking Catchment Management programme.

Finally, at every key stage of the promotion and establishment of amplify South West Water Board have scrutinised the model, transition programme, sufficiency, and selected partners to ensure the PR24 plans, and expenditure proposals are deliverable, and risks have been managed.

Model Development and Engagement

In this section, the model development and engagement will be described through explaining our learning from the past and our mobilised experience; Industry engagement and awards; supply chain engagement; research and development and the principles of the delivery model.

Learning from the past and mobilised experience

Deliverability is a key consideration in the development of our business plan as this will be the largest environmental programme we will have delivered since the clean sweep programme. It is important that the way we deliver the programme looks for opportunities to reduce cost whilst delivering value for customers and sustainable environmental outcomes. It is essential that we get the right balance between quality, cost and sustainability whilst delivering the benefits with momentum and pace.

Recognising that we needed to learn from the challenges we faced in our capital delivery model during AMP7, including the financial failure of a major capital delivery partner. We took taking the opportunity to implement an independent assessment of our delivery model by an internationally recognised procurement specialist, who would support the Engineering Directorate by designing and implementing a new capital delivery partner model for the remainder of AMP7 and moving forward into AMP8 and beyond.

The aim was to create the optimum model, learning lessons from the H50 Alliance and other sector alliance models. Undertaken at ‘sprint’ with a rapid discovery phase, reviewing the existing framework agreements our specialist conducted a series of interviews with key stakeholders (Figure 1). The objective was to acquire a high-level view of the current situation to identify current challenges and issues with our existing model and test “what success would look like” for a range of key stakeholders.

The initial report summarised the key themes emerging from the stakeholder interviews & documentation review, looking at sector and market trends, and setting out a high-level plan and approach to implementing a new ‘high performing’ delivery model.

With the water sector adopting a myriad of capital delivery models, with differing degrees of success, our specialist utilised market engagement sessions to evaluate options and determine the best fit for us and our supply chain. This would ensure we understood the market perception of our business and the appetite for a new delivery model.

Building on the above observations the programme moved into an eight week “deep dive” optioneering and development phase.

The output of this phase compromised a full report for our Board, with options, recommendations, a detailed execution plan and change programme.

The key recommendations from the review were:

Figure 1: Sprint and Stakeholder Process



- Develop a more programme focused way of working, providing partners with greater visibility of a pipeline of works batched as programmes vs individual projects.
- Expanding our resources to accelerate client-side design support, enabling the shift to enhance our intelligent client model.
- Run a procurement event to source new partners and transition to a refined operating model by April 2024.
- Evolve the current commercial model to maximise the attractiveness of our delivery model in the market.
- Develop a delivery runway model split by complexity, value, and volume which would offer us greater efficiency, resilience, and flexibility in the delivery of the capital programme.

The following actions were implemented to address these recommendations:

- Supplier Days held with incumbent supply chain to share remaining AMP7 pipeline and briefed on indicative direction of travel of our delivery model and procurement plans.
- Open Supplier events hosted – ‘Meet the Client and our Model.’
- Internal stakeholder engagement.
- A detailed project plan developed to support the procurement of the new framework agreements for Capital Delivery works.

Changes to our commercial model included:

- **Inflation Indexation:** Agreeing appropriate terms and indices for the term of the framework, considering the current inflationary market.
- **Direct Incentivisation:** Implementing an incentivisation mechanism in line with current best market practices.
- **Commercial Terms & Conditions:** Amended to ensure in line with current best market practices.
- **Longer Duration Frameworks:** Offering a minimum of 5 years contract length with options to extend up to 10 years depending on performance.

Capital Delivery Model would also consist of the ‘best fit’ route to market delivery runways, with work package allocations to each runway, as follows:

- **Runway 0 – Reactive** – high volume, low value.
- **Runway 1 – Other Capital Maintenance** – low complexity, low value, high volume with packages.

- **Runway 2 – Complex works / programmes:** Requiring a higher Design and Build capability in the delivery partners.
- **Runway 3 – Major projects:** Single discrete schemes via standalone procurement events to maximise competition and design innovation from major Tier 1 delivery partners.

Supporting our delivery model requires the right behaviour and the quality of our execution is just as important. We will assess our maturity against six main value levers that we believe successful models demonstrate (Figure 2).

Figure 2: Strategic Framework



Table 1: Value levers

Value Levers	Description
Commitment	Commit work volumes to the supply-chain to secure resources, foster loyalty and encourage investment.
Continuity	Provide continuous pipeline of work to enable better utilisation of resources; better productivity; improved skills development (apprentice / graduate schemes); improved safety & sustainability
Collaboration	Engage key suppliers early in the design and planning cycle – close collaboration to drive out cost and maximise efficiency of scheme program
Capability & Capacity	Build a robust supply chain and SWW with demonstrable capability and capacity to fulfil all the Clients requirements – increase knowledge of subcontractors to proactively develop capacity and capability over time
Commercial	Ensure commercial behaviours support collaboration strategy – developing trust, but “strong but fair”. Ensure efficient processes and effective controls
Continuous Improvement	Implement a formal Performance Management framework – focus joint-efforts to drive improvements in areas that make the highest impact on quality outputs

Having recognised the need to change we have ‘listened’ and ‘acted’ upon the feedback and we now passionately believe that we have the best delivery model in the industry. We have ensured that risks of resilience, resource, and capacity are appropriately managed, and that competition can be maintained in our supply chain to drive efficient delivery of the capital programmes. With the engagement of partners ranging from small and medium local enterprises to international top tier partners.

Our enhanced intelligent client model (Figure 3) and new ways of working will ensure we provide our partners with a greater visibility of programmes. This provides a far more attractive proposition for suppliers by providing them with volume certainty, the ability to effectively plan and manage resource requirements and enabling reduction in cost through economies of scale and continuity.

We have reintroduced our Concept team with representation from our entire Tier 1 supply chain and key industry stakeholders. This approach ensures our delivery partners are embedded at every stage, from assisting with the definition of the problem statement, to accelerating optioneering in the Concept Team through to delivery of buildable solutions, and post-project reviews.

PR24 Programme and Deliverability

We know it is essential to be ready to deliver the AMP8 capital programme, with a sustained delivery operation which provides an enduring platform onwards. As the step change in AMP8 investment became clear, our transition to the AMP8 delivery model commenced. We established our substantial transformation programme in 2022 and this is now well advanced. Our delivery model has been informed by widespread and extensive

industry engagement and is founded upon many years of successful delivery.

The effect of this ongoing transformation can already be seen in Figure 4, as our capital delivery has already ramped up over the first four years of AMP7 at £203m, £279m, and £354m, respectively. This included significant increases in enhancement expenditure and

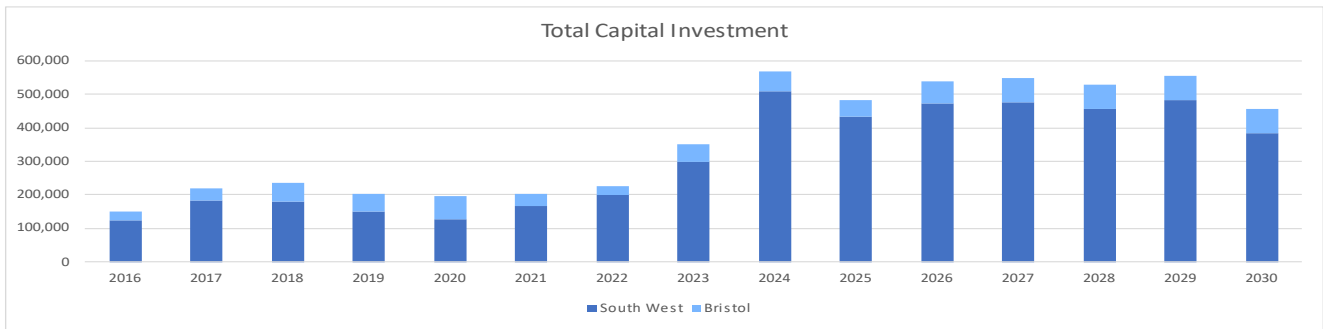


Figure 3: SWW Intelligent Client Model

Whilst our delivery runway model split by complexity, value and volume supports our approach of ensuring the ‘best athlete for the job’ It also ensures we are expediting project governance to enable delivery at pace, in step with our transition to AMP8, and in the spirit of a fully integrated delivery model.

continued expenditure to deliver service improvements to customers which sits outside of enhancement investment. An example of this will be our investment in large new reservoirs, starting with Cheddar2 in Bristol and a water reuse plant in Poole as part of a plan to increase supply by up to 50 million litres per day.

Figure 4: Total Capital Investment 2016 to 2030



We recognise that the AMP8 investment (*base & enhancement*) represents a further step-change in the overall capital programme. Our investment in 2023/24 of c.£579m already represents the successful doubling of investment from AMP6. This demonstrates our confidence that we can deliver our planned investment for customers, communities, and the environment.

The profile for the remainder of AMP7 gives scope for us to deliver early AMP8 investment through transition expenditure as part of the PR24 business plan. The focus of these early works are those interventions to gain the best benefit to our overall program, customers, environment, and wider stakeholders. An important part of this process will be the assessment of risk looking at three key impacts:

- Asset risks
- Program and project level risks
- Ability to achieve the Business plan.

Our confidence in expediting our business plan is underpinned by our AMP8 delivery plan. We were one of the first to go to the market (Figure 5) to secure our partners directly off the back of significant industry and supply chain engagement and have benefited from doing so.

The field of prospective bidders participating in our procurement process was incredibly strong in a market where suppliers can pick and choose who they target.

Recognising the buoyancy of the construction market, the engagement ahead of the procurement process has enabled us to shape our delivery model, approach, and procurement to attract the key industry players.

Our procurement process focused on the elements that matter with a value-based evaluation weighted to the qualitative assessment over the pure commercials to ensure the best outcome. The success of this has been strongly reflected in our prospective bidders, attracting all the key industry players into the process, and submitting tenders.

Consultant partners, three of which are new to us, were appointed in July 2023 covering three key lots on a 5-year plus 5-year basis.

Figure 5: Timeline of appointed partners for the Tier 1 supply chain

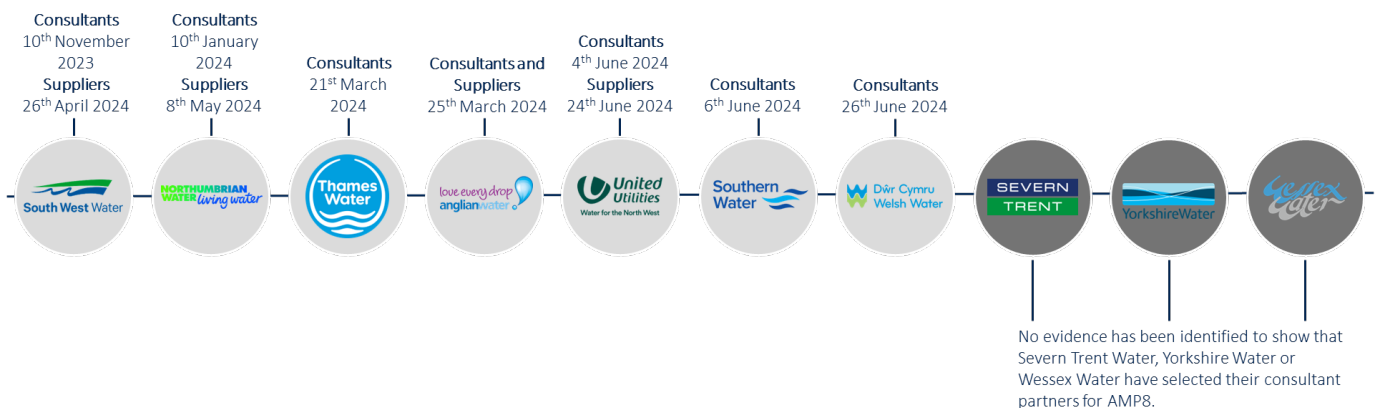


Table 2: AMP8 Tier 1 consultant partners

Lot	Description	Appointees
1	Programme & Project Management	Long O'Donnell Stantec Turner & Townsend
2	Cost Management	AECOM ChandlerKBS Turner & Townsend
3	Multi-Disciplinary Services	AECOM Arcadis Pell Frischmann Stantec WSP

Our consultants are mobilised and progressing on schemes as part of our ‘transition funding’ in preparing ‘no regret’ projects ahead of AMP8.

The selection process of our main Tier 1 delivery partners is now completed with the Pennon Board approving the appointment of six delivery partners at the end of September 2023. Mobilisation commenced the second week of October 2023 on our transition programme, with actual construction anticipated to commence during Q4, Year 5 of AMP7.

The successful partners all hold “open frameworks” across the other non-infra and infra lots, providing flexibility and resilience to undertake regional programmes of work, holding mini-competitions and support workloads across our entire region (Figure 6, 7A and 7B).

Figure 6: Our Regional Coverage

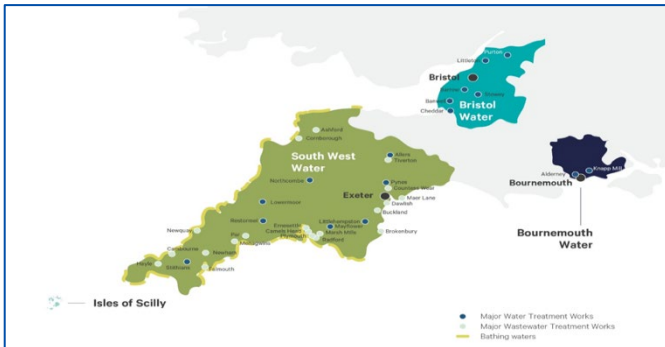


Figure 7A: Our Regional Coverage Model

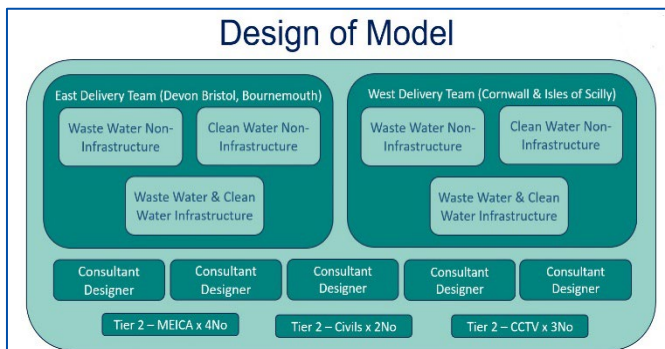
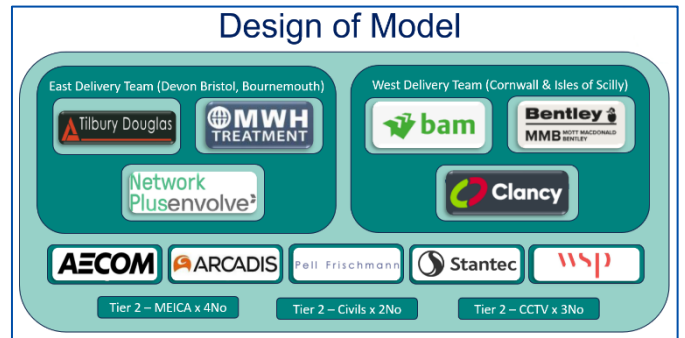


Figure 7B: Our Regional Coverage Appointments



Given the pressure on resources and to mobilise the greatest range of talent we have chosen to diversify our supply chain across the following lots with awards being made to discrete Tier 1 Delivery Partners on 5 years plus 5 years basis, as illustrated in Table 3.

Table 3: Tier 1 Regional Allocation

Wastewater Non-Infrastructure	Devon	Tilbury Douglas
Clean Water Non-Infrastructure	Devon/Bournemouth/Bristol	MWHT
Infrastructure	Devon/Bournemouth/Bristol	Network Plus envelope
Wastewater Non-Infrastructure	Cornwall/Isles of Scilly	BAM
Clean Water Non-Infrastructure	Cornwall/Isles of Scilly	MMB
Infrastructure	Cornwall/Isles of Scilly	Clancy

In our market engagement, the anticipated size of the lots were shared and our AMP8 programme remains aligned with this size and scale.

One of the key criteria in the selection process was the ability to resource the programme with a particular focus on deployable regional resources. This is supplemented by our ongoing engagement and support from the Civil Engineering Contractors Association South West (CECA) and British Water who have both commended our model and approach.

Key sources of deployable resources from concluding regional programmes, accessible by our partners, include:

- A303 upgrade at Sparkford to Ilchester
- A30 works in Cornwall.
- Devonport Naval Base works
- Local highways frameworks
- Hinckley Point C construction winding down through AMP8 from 25,000 construction personnel to 10% of this number on an enduring basis.

Programmes are already underway within our supply chain to redirect and retrain these resources ready for our substantial regional water programme. This is welcomed by the regional construction industry thus retaining the resources in the Greater South West.

The foregoing resources supplements our existing supply chain at both a Tier 1 level and wider Tier 2 and 3 levels which has already seen our annual capital significantly ramp up since the start of AMP7, demonstrating our ability to scale up delivery.



Hingston Down Service Reservoir under construction

With the appointment of our Tier 1 partners, the next phase in our delivery model was enhancing our wider Tier 2 supply chain with a procurement process which commenced in the Autumn of 2023 and appointments were completed on the 1st of July 2024. The composition of our Tier 2 providers comprises 2No. Infrastructure, 3No. CCTV, and 5No. MEICA providers.

Table 4: AMP8 Tier 2 consultant's partners

Description	Appointees
Infrastructure	Glanville Environmental Sapphire Utility Solutions
CCTV	Onsite Central Glanville Lanes Group
MEICA	Tecker Trant Engineering Galliford Try Kier Bridges Electrical Engineering

Announcing our Tier 2 partners on the 1st of July 2024 made us the first in the industry to consolidate our delivery for AMP8, whilst others in the industry are consolidating theirs as illustrated in Figure 8. Supplementing our strategic Tier 1, 2 and 3 partners, specialist partners focused on systems thinking, leading nature-based solutions targeting the root causes. This is further accelerated by our pioneering new research Centre for Resilience in Environment, Water and Waste (CREWW) established with the University of Exeter where we are researching some of the most important challenges faced by the water sector and our customers today.

Our vision for AMP8 and beyond is to have a fully integrated supply chain for the delivery of SWWs Capital Programme where we co-design, innovate, contract, and deliver in a collaborative environment. Co-located with our partners as a fully integrated delivery organisation, identifiable by our partnership brand, with a collective approach to problem solving, we aim to co-create value as a single delivery community. Due to the scale and complexity of AMP8, and the opportunity to deliver an accelerated programme, we have already initiated our transformation programme by building upon the success of our H50 Alliance, to create what we believe is a best-in-class delivery alliance model to be known as

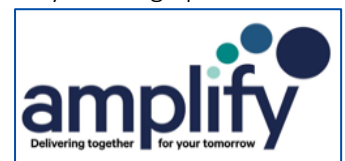
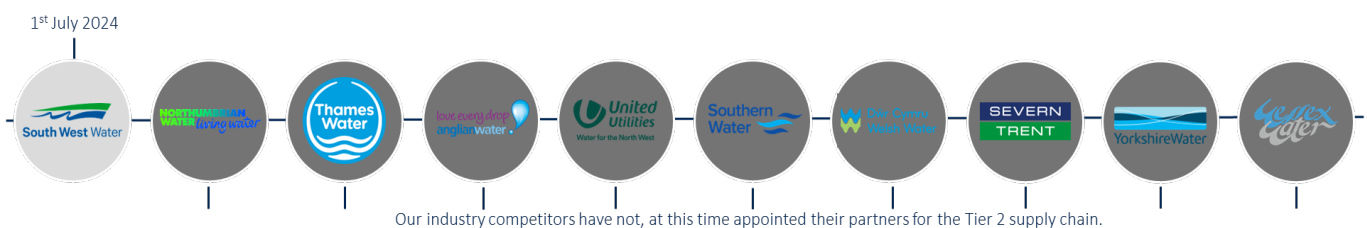


Figure 8: Timeline of appointed partners for the Tier 2 supply chain

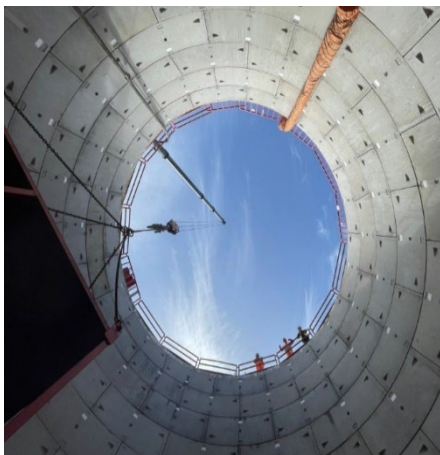


Operational Support and Readiness

In parallel with the engineering transformation within our capital delivery operation, a wider transformation is underway within the operating business. This includes programmes of work that span into capital delivery aligning teams much closer together with clear roles and responsibilities that enable a much smoother, collaborative approach to design, construction and commissioning new works into operation.

Industry Engagement

In our preparation for transitioning to AMP8 as part of our industry and stakeholder engagement, the support of organisations that represent civil engineering, consultants, specialist contractors, and the wider supply chain was a key part of our process. Ensuring our model and our programme for AMP8 were articulated and the opportunities to be part of what will be the largest transformation programme for the Greater South West recognised.



Galmpton - Combined Storm Overflow under construction

Our engagement with Civil Engineering Contractors Association South West (CECA) regarding resourcing in the context of Major Infrastructure delivery in the southwest involved raising awareness whilst enabling members to prepare for the forthcoming journey that we will share.

“The response from CECA members have been extremely positive and I am confident that there will be sufficient capacity within the indigenous supply chain to deliver your AMP8 business plan. This applies equally to the major contractors and the SME companies established in the Southwest.” – Paul Santer, Regional Director at the Civil Engineering Contractors Association (Southwest).

Discussions with Lila Thompson – Chief Executive Officer of British Water drew the following response to our model and our approaches to supplier chain engagement and innovation.

“We also discussed the range of challenges that supply chain companies continue to experience. This included how important it is that Pennon continues to improve the visibility of its project pipelines and ensures consistent delivery timeframes with adaptable procurement processes that are fit for purpose. It takes time for the supply chain to get staff ready to be deployed and instability will only mean that business critical decisions are deferred. It was encouraging to hear your response on these matters and your wish to increase collaboration as early as possible with the supply chain so that they can continue to explore opportunities to deliver new technologies and solutions and play a key part in the planning of your future delivery of water and wastewater services.

We agreed that there is much to do over AMP 8 to improve environmental performance, increase the rate of asset maintenance and renewal, enhance the roll out of digitalisation, ramp up the adoption and roll out of innovation, and attract and retain a diverse range of talent. With this in mind, British Water is supportive of your approach for AMP 8 which will help bring key stakeholders together to strategise and deliver for the future.”

Our plans for AMP8 will involve a multitude of technologies and processes supported by specialist delivery partners and suppliers. Our engagement with the United Kingdom Society for Trenchless Technology involved raising awareness of our programme and opportunities that would arise.

“The support of utility owners is important to our members who represent the varied sectors of the supply chain and who strongly support South West Water in its future delivery programme. The response from UKSTT members is very positive and we are confident there will be plenty of support within the supply chain to deliver on your AMP8 Business Plan.” – Ian Ramsay – Chair of the United Kingdom for Trenchless Technology.

We cannot ignore the engineers of the future. Over the past several years we have sponsored the Smallpeice Trust, an educational charity that inspires young people to pursue careers in science and engineering through events and workshops. This engagement has grown and since 2019 we have supported through the Arkwright Engineering Scholarships awards to those who aspire to a career in engineering, computing, and related areas of technical design.



Arkwright Scholarships

“South West Water is making an important contribution to the development and nurturing of local talent, and actively addressing the crucial skills pipeline required for the future of engineering.

South West Water's partnership exemplifies a commitment to inspiring and engaging young minds in the world of engineering and the water industry. A central theme throughout their funded initiatives is the emphasis on sustainability, resource management, and environmental awareness.

South West Water's provision of role model engineers to support the STEM Days and Arkwright Engineering Scholarship programmes further enhances the impact of their initiatives. Citing research from Engineering UK, interactions with role models significantly influence young individuals' views of engineering. These interactions make careers in STEM fields more desirable and provide clear insights into the next steps towards pursuing such careers.

In conclusion, South West Water's dedication to education, collaboration, skills development, and diversity in engineering is commendable. Their support of our charitable programmes exemplifies their commitment to nurturing young talent and fostering innovation in the water industry and other STEM sectors.” – James Pountney, Head of Corporate Partnership, The Smallpeice Trust (Incorporating Arkwright Engineering Scholarships).

Establishing Delivery through End-to-End life Cycle Management

SWW is transforming its Asset Management and delivery through the establishment of a holistic delivery approach by setting in place, a consistent and coherent approach to targeting appropriate asset intervention and delivery focussing on right first time.

The adoption and early engagement of an integrated delivery approach from end to end, is enabling our plan to be efficient, resilient, and deliverable in AMP8. It is important that the way we deliver our programme looks for opportunities to reduce cost while delivering value for customers and sustainable environmental outcomes with the right balance between solution (Totex), quality, cost, and sustainability.

Our end-to-end delivery model has been informed by widespread and extensive industry engagement and is founded on the adoption of successful models used in the delivery of capital projects. In addition, the move to our new delivery model is creating a legacy in the South West with direct and indirect employment, skills, and talent for our industry and communities demonstrating the 5 pillars of transformation (Figure 9).

One Version of the Truth

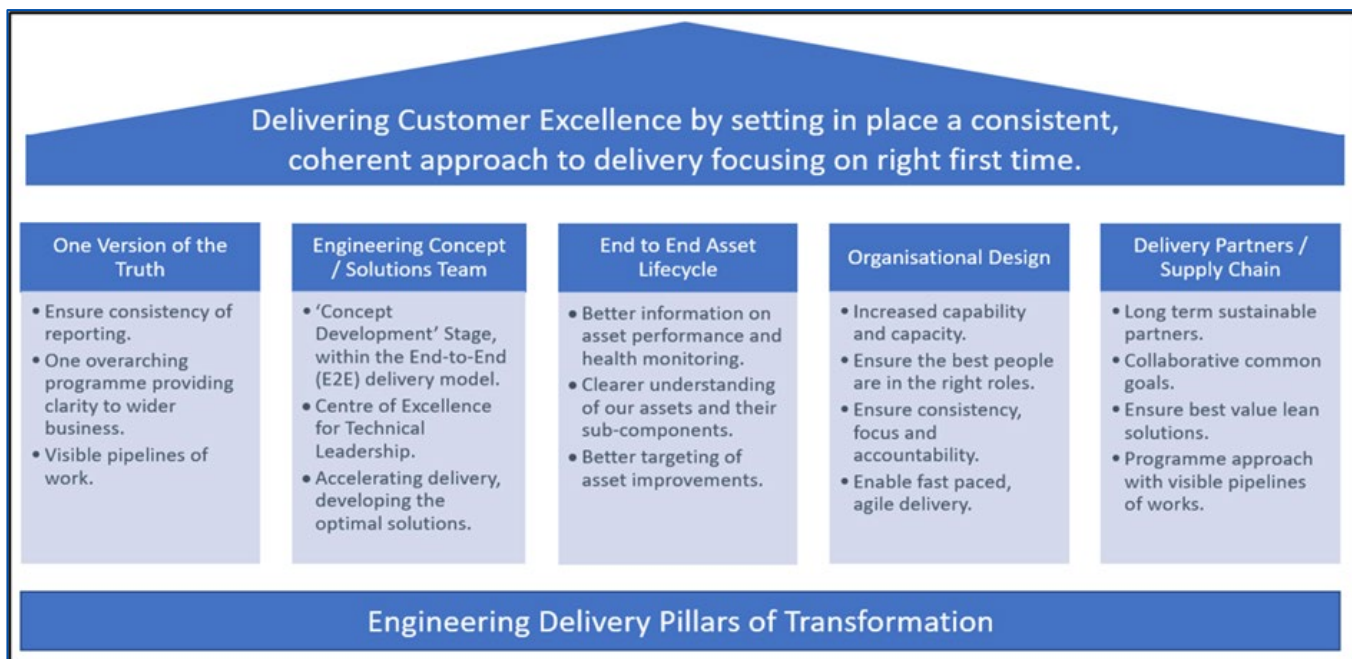
To support our partner's ability to plan and resource our requirements. Our first pillar is a transparent and visible pipeline of work under "One version of the truth" from understanding our needs and their

prioritisation to projects enabling communities, shareholders, regulators, and

partners to see and plan for the execution of the work. This enables community engagement, upskilling and workforce planning, targeted innovation, and smooth, sustainable delivery. A programmatic approach is being used to unlock efficiency and improve deliverability.



Figure 9: The 5 Pillars of Transformation



Clear visibility and the embedment of a programmatic approach will support a larger AMP8 programme in SWW and the industry has never been as important and through consultation is supported by British Water and the wider supply chain.

SWW's programmatic approach has commenced as part of our transition in preparation for AMP8 to allow all our construction partners to be on site early in the AMP period.

A key factor in ensuring our programme is embedded early is the transitional expenditure as this allows the ramping up of the programme during year 5 of AMP7 to achieve the run rate required to sustain AMP8 and deliver environmental benefits early.

Intelligent Client: Concept Solutions Team

The second pillar is enhancing the intelligent client capability within SWW through our Concept Solutions Team to streamline governance and drive efficiency, this team is supported and boosted further by global

talent secured through our newly appointed consultant partners and early contractor involvement



allowing us to understand industry best practice and innovative solutions to the outcomes required.

Following the understanding and prioritisation of needs, this team quickly assesses and moves projects and programmes through to a buildable and consistent solution. Through considering and challenging the latest innovations, we are promoting nature-based solutions and minimising embodied and the enduring carbon footprint whilst enabling the delivery of the required outcomes. At the heart of the delivery model, the Concept Solutions Team accelerates learning and continuous improvement across the whole delivery operation and our technical standards.

End to End Asset Lifecycle Management.

Building our Asset Lifecycle capability is the third core pillar, in 2021 our Asset Management Maturity Assessment (AMMA)

outlined the maturity of our asset management capability, highlighting areas of best practice.

Our AMMA was positively received, noting our systematic and consistent approach to valuation across all asset groups. Our AMMA incorporated a wide variety of elements (social, environmental, statutory), using methods to consider customer views and preferences in our valuation, deployed within well-established decision support tools and processes.



We know our strategic asset management is established. However, we recognise our need to improve the line of sight between our strategic and tactical asset management practices (end-to-end asset lifecycle management), which will be achieved through an Asset Management Transformation programme which commenced in 2023. This programme will be promoting the optimum balance of operations, maintenance, and capital interventions to achieve our outcomes. Whilst continuously reviewing and optimising asset performance to maintain asset health and confidence in the achievement of outcomes.

This pillar is boosted by our “best of both” approach following the acquisition of Bristol Water in 2021. Our Asset Management Transformation will form a centre of excellence for Asset Management at the heart of our business benefiting from the combined talent from across the group.

Supporting this pillar, we have enhanced our Project Management Office (PMO) capability. Part of our PMO is the Engineering Collaboration Hub Online (ECHO):

- The Engineering Collaboration Hub Online (ECHO) – is a bespoke IT platform which has been developed in close collaboration with Information Services team within the new Microsoft SharePoint Online (SPOL) environment.
- It has been delivered to support and assure capital project governance through the Engineering AMP7 Delivery Process.

- ECHO content and workflows are provided to collect and track project management and technical information throughout the delivery cycle from inception through development and delivery to Post Project Appraisal. Different Teams are accountable for completing the process and supporting content at different process stages.
- A project delivery database supports efficient project delivery, the management of interfaces, stakeholder engagements and reviews. As well as capturing project data for review, challenge and maintaining the lifecycle of a project from inception to handover including benefits review.

In readiness for the challenges that are envisaged in AMP8, a collaborative review of the delivery process has been undertaken with a streamlined Delivery Process being produced. Figure 10 shows the Asset Change Pathway, illustrating the delivery route SWW are taking for new asset creation. The Delivery Process produced ensures a process which is programme driven, with clear accountability to allow us to deliver efficiently, consistently and at pace.

Figure 10: AMP8 Asset Change Pathway Process



As the alliance with amplify forms, bringing together 20 organisations to form collaborative teams, the Asset Change Pathway is being embedded within all organisations to ensure a shared understanding of requirements benefits and responsibilities.

Organisational Capability and Capacity

To support our ambition and to further drive resource



resilience the fourth pillar enhances and ramps up our organisational capability, with a 135% increase in talent by 2025. Founded on the best practice

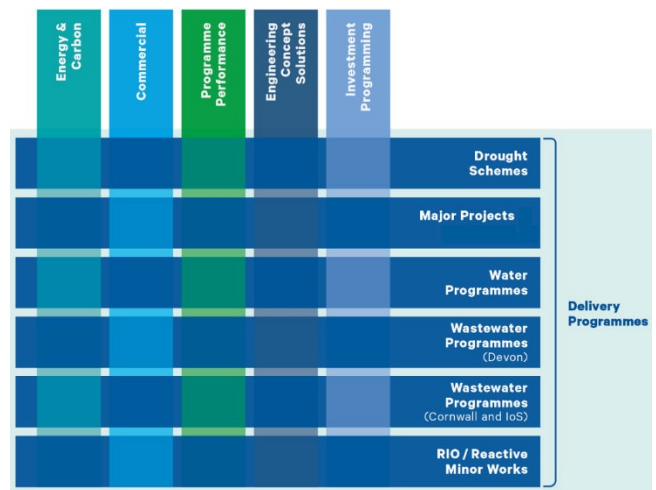
Association of Project Management principles this ensures we have the right process, systems, and talent to deliver.

Our Engineering Transformation programme is ongoing supported by our graduate programme, with 13 graduates in our current engineering programme and a further six who joined in August 2024, supplemented by a further six graduates that the Amplify have engaged, unlocking a sustainable talent pipeline which will benefit the organisation and wider industry well into the future.

To allow synergies to be developed we have organised our teams by infrastructure type, geography, and runway (based on the scale and complexity of programmes) as demonstrated in Figure 11. This has allowed us to align the ongoing programme and enable focused leadership and management.

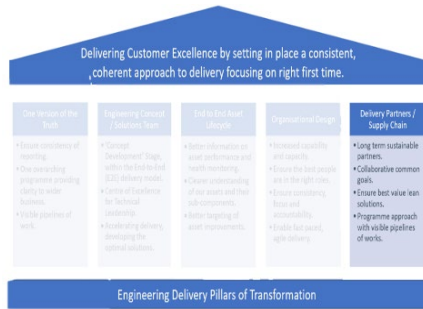
Our supply chain model, described below, aligns with this structure facilitating co-located, collaborative teams and a 'best athlete' for the job approach.

Figure 11: Engineering Delivery Model



Supply Chain Engagement & Delivery Partners

Our last pillar is focused on having the right supply chain partners mobilised and embedded to deliver our programme. As one of the largest companies in the south west, a mature, resilient supply chain is already established.



Through consultation with industry bodies and the wider supply, we presented our delivery model to market, which would:

- Provide long-term sustainable partnerships.
- Instil & develop collaborative common goals.
- Ensure best value lean solutions.
- Provide a programme approach with visible pipelines of work.
- Co-located project managers and teams with engineering delivery to create hubs.

Our transformation is progressing at pace with the selection and appointment of our Professional Services Frameworks in July 2023 ahead of the rest of the market. With our consultants now mobilised and working on our transitional programmes to enable on the ground delivery to commence during Q4, Year 5 of AMP7, a year ahead of AMP8.

Our second phase and the most meaningful change in our delivery given the pressure on resources, and to mobilise the greatest range of talent was the selection process of our main Tier 1 delivery partners who joined us in October 2023 and who are now supporting our consultants on our transitional programme.

These appointments are already delivering advantages to the business for the remainder of AMP7 and prepare us for the challenges of AMP8, for example:

- Early market engagement has enabled engagement with the best delivery partners.
- A diverse supply chain from global consultants through national Tier 1 delivery partners and local regional contractors provides a resilient model for delivery.
- A standardised approach to project delivery ensures the right partner for the task is used.

- Diversity enables us to access national and local talent for delivery.
- Transition expenditure to expedite our ‘early-start’ approach to delivering our AMP8 programme.

The successful partners all hold “open frameworks” across the other lots that they bid proving flexibility to undertake regional programmes of work, hold mini competitions and support workloads across the full geography (Table 5).

Table 5: Tier 1 Regional Allocation

Wastewater Non-Infrastructure	Devon	Tilbury Douglas
Clean Water Non-Infrastructure	Devon/Bournemouth/Bristol	MMB
Wastewater Non-Infrastructure	Cornwall/Isles of Scilly	BAM
Clean Water Non-Infrastructure	Cornwall/Isles of Scilly	MWHT
Infrastructure	Devon/Bournemouth/Bristol	Network Plus involve
Infrastructure	Cornwall/Isles of Scilly	Clancy

With the appointment of our Tier 1 partners, our next phase in our delivery model was enhancing our wider Tier 2 supply chain with a procurement process which commenced in the Autumn 2023 with the appointments completed in June 2024. The composition of our Tier 2 providers, comprise of 2No. Infrastructure, 3No. CCTV, and 5No. MEICA providers.

Having initiated our transformation programme to build upon the success of our H5O Alliance, to create a best-in-class alliance model which will be known as



We are supplementing our consultants and Tier 1, Tier 2 delivery partners with well established, catchment based, local partners focused on systems thinking, leading nature-based solutions targeting the root causes. This is enhanced by our pioneering new research Centre for Resilience in Environment, Water and Waste (CREWW) established with the University of Exeter where we are researching some of the most important challenges faced by the water sector today.

A Co-Location and Collaboration

To support our ambitions around instilling our values and developing a great culture within ‘amplify.’



With AMP8 early start delivery getting underway across all work streams, in February 2024 we opened our new co-located office adjacent to South West Water and launched the new amplify alliance to support co-located personnel, improving transparency and collaboration between the various partners and organisations as there will be a greater understanding of the processes and the way things work in practice.



Estuary House – Exeter



Amplify - Estuary House – Exeter

Delivery work both in the co-located design office and on the ground is already underway, springboarding off the record breaking AMP7 Year 4 investment of over £580m in the period and the mobilised resources in place. Thus, the pace of delivery is already at the desired rate for AMP8, demonstrating the available and mobilised delivery capability.

A monthly mobilisation Board has been established since December 2023 which will transition to an enduring Delivery Board with full participation of South West Water Executive Directors and senior representatives of our partners. The focus of the Board is to enable the partnership and mitigate risks to delivery. In addition, wider water, utilities, and construction industry engagement continues through active participation with British Water, Future Water, and the Civil Engineering Contractors Association events and directly with members to share forward plans enabling innovation and production planning.

A key component of our new model is our refreshed Asset Change Pathway incorporating our nature first approach ahead of hard engineering solutions. Well established catchment partners are being drawn in and championed by our own experts, accelerating the development of low carbon, nature-based solutions. Wider delivery partners include Cornwall Wildlife Trust, Devon Wildlife Trust, FWAG, South West Lakes Trust and West County Rivers Trust building on our award-winning Upstream Thinking Catchment Management programme.

Finally, at every key stage of the promotion and establishment of amplify South West Water Board have scrutinised the model, transition programme, sufficiency, and selected partners to ensure the PR24 plans, and expenditure proposals are deliverable, and risks have been managed.

Ingredients for Efficiency and Success

We are committed to implementing the right values, culture, and behaviours to fulfil commitments and deliver customer excellence.

Safe and Customer Centric Focus

At the core of our values is the principal of 'HomeSafe and well' and it is our commitment to all our people and delivery partners, with the expectation that it flows through our extended supply chain to everyone who works on or engages with our assets and networks.

Robust health and safety (H&S) management is an integral part of all our daily operations. H&S management is embedded in our H&S Strategy -



'HomeSafe.' This is made up of core elements – 'Follow the Rules,' 'Assess all Risks,' and 'Taking Ownership,' all of which are essential in achieving our vision of ensuring that everyone goes 'HomeSafe' every day and preventing occupational ill-health. Our safety programme supports our internal teams and delivery partner's push towards world class H&S performance.



This is underpinned by our 'Take5' approach where we encourage our teams and delivery partners to make positive decisions

and take positive actions to keep each other safe. We also commit that "if we cannot do it safely, we will not do it," which aligns with Pennon Group's commitment to "we do it safely and responsibly or not at all."

Our policies and procedures have been developed for over 30 years, specifically for design and construction in the water industry. Our H&S policies are reviewed by our H&S experts and approved by our CEO. We ensure that all our procedures have been developed to ensure full compliance. Our H&S Executive Group ensures the development of our policies and procedures by monitoring employee and delivery partner compliance with our H&S Policy and our Company H&S Strategy. These set strategic direction to improve performance and compliance.

Our delivery model will ensure that we have a strong core H&S culture which moves with our teams and delivery partners from project to project and sets standards and behaviours for anyone who works on our sites. We ensure H&S is embedded within our frameworks by actively working with all our delivery partners to support our ambition, but also to share learnings and 'best practices' from within their businesses.

This initiative empowers individuals to demonstrate leadership, develop exemplary H&S practices, and make better choices for the safety of their teams and themselves. We regularly launch campaigns to ensure a strong H&S culture throughout our business by rolling them out to all staff including our delivery partners. Other cultural and behavioural H&S initiatives that are rolled out to all staff, including our delivery partners, include:

- **Toolbox Talks** – Delivered on site & offices to identify areas of high risk to planned operations. Employees then sign to record their attendance and take a test to measure understanding.
- **Golden Rules** – Non-negotiable rules requiring full compliance by everyone, they are displayed around sites and briefed at induction. Everyone, including our delivery partners, subcontractors, suppliers, and visitors are responsible for making sure the rules are followed. Rules include always discussing health and safety at the daily briefings, and making sure pedestrian routes are used and maintained for example.
- **Supplier Workshops** – Communication and engagement with our supply chain are crucial to drive improvement. We operate supplier workshops, offering two-way feedback sessions to facilitate performance improvements.

Culture is the foundation that brings value to our IT tools and systems. We have a culture where reporting is encouraged and expected. All incidents, positive interventions and audits are recorded, whether they are entered directly, via our bespoke forms and apps on mobile devices or from paper cards that are also available on sites. We capture hours worked for employees and delivery partners. All delivery partners can also track and report H&S on contracts by logging their Key Performance Indicators through our online portal. Dashboards are then created that show positive interventions, incidents, near misses and reporting to ensure compliance with the regulations covering injuries, diseases, and dangerous occurrences (RIDDORs), and these can be filtered to show performance by client, framework, or project and or programme. These can also present H&S lag and lead indicator data and provide our teams access to the right information at the right time. This enables the accurate reporting of H&S data each month, as required in the framework contract. Our IT tools assist us in accurately reporting incidents to a member of our Management Team within 120 minutes of the incident occurring followed by the interim report within two days and the full incident report within two weeks.

The nature of our capital programme demands that strong health and safety management is at the core of our delivery model. By ensuring that our policies and procedures, cultural and behavioural initiatives and supporting IT systems are available to all parties, we can achieve our vision and keep employees, delivery partners and customers safe during the delivery of our capital programme.

Stakeholder engagement is about knowing who our stakeholders are, understanding them and knowing how best to involve them in our projects and programmes. It involves taking into consideration the different interests and values stakeholders have and addressing them throughout. Engaging the right people in the right way can make a difference in our success and the reputation of our business.

A robust stakeholder management approach for our business plan deliverables will consider the following:

- Involving stakeholders early to develop an understanding of their opinions and concerns which will help us shape our projects based on. Getting to them early makes it more likely that they will support our proposals as they will feel they have inputted and been involved.

- Working in collaboration, utilising resources, and expertise in our activity.
- Consistent and clear communication should ensure that affected parties will understand the benefits and can be trusted voices or third-party endorsers if needed.
- It helps raise the profile of the excellent work that SWW undertakes and some of our key deliverables.
- Stakeholders can function as a bridge to other organisations – giving us access to their existing communication channels.
- Stakeholders can assist in improving policy delivery whilst providing us with honest feedback.

Specific activity and planning stakeholder campaigns are important, but effective stakeholder management has no real beginning and end, and it is an ongoing activity built into our everyday work. We need to keep our stakeholders involved and informed about what is going on and we are committed to delivering excellence in customer service and community engagement.

Delivering our projects and programmes will require our stakeholder and customer engagement strategies to be tailored for the people, businesses and communities who may be affected by the decisions we make.

Our intention always is to build and maintain positive relationships with all key stakeholders, leading to a range of benefits, including improved planning and decision-making, better project outcomes, and reduced risks and issues.

We have acknowledged we need to rebuild trust with our customers. Providing an empathetic, tailored service that delivers extra care for those who need it is a core pillar in our strategy and will allow us to further engage with our customers via the appropriate media.

Providing excellent customer care in the delivery of projects and programmes is an ongoing journey and we will look for ways to continually challenge thinking, build on achievements and make progress.

We are going to move towards a more standardised approach to our work. We have considered the risk and complexity of our portfolio as we look to accelerate the delivery of our low complexity works and are currently trialling design by exception projects for improved time to site at reduced costs, enabling quicker delivery without compromising safety.

Our work to standardise design and specifications will continue in AMP8 and through to AMP9 and will contribute to our risk and value processes.

We have built a customer experience strategy as described in the addressing affordability and delivering for customers document and illustrated in Figure 12 that is focused on ensuring we provide this service at its heart.

Figure 12: Customer Strategy



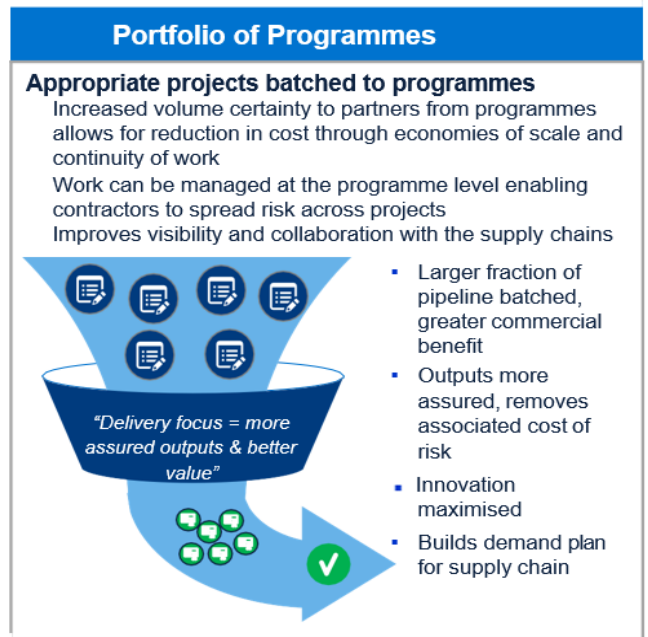
Programmatic Approach

By creating a long-term delivery strategy/programme we are getting projects into delivery sooner, right from the point by which a problem statement is defined. This is further supported by accelerated design and cost through the Concept Team. We are changing our governance approaches from projects to programmes and packages of work, which enables the focus to shift to key issues and increase value (Figure 13).

Our programme strategy is operationalised into our business-as-usual processes, including our new monitoring and governance framework. A cornerstone of this is our integrated delivery model 6, key strands of mobilisation including areas of focus such as workflows, change management, comms, contracts, and systems & reporting, etc.

As a provider of essential services, we are used to planning for the long term and dealing with uncertainty. Our framework has however provided an additional tool to support our approach of planning holistically and adaptively across our business.

Figure 13: Programme Approach



Enhancing our approach has already delivered additional benefits in terms of transparency for our stakeholders and our readiness to adapt quickly to new circumstances. To consolidate these gains, we are embedding our monitoring framework across our strategic planning teams, with accountability to our executive team and Board.

A step change from AMP7 will be providing our partners with a minimum of a 2-year look ahead visibility of program. Also, a 5-year visibility of future works, with the bulk of the programme to be let at the outset (50% of volume no regrets). Paul Santer (CECA) and Lila Thompson (British Water) have acknowledged this approach: Page 9.

To ensure this strategy is delivered in a balanced and affordable way to customers and communities, we will be continuously monitoring and updating our analysis and plans to allow us to adapt where required. This will allow us to continue the appropriate pathway to meet our targets.

As a business, we are developing, and reviewing our look ahead plans to enable us to provide continuity of work for our delivery partners; and to ensure that they can maintain the long-term resources required for smooth delivery of our programme.

To support this, we are allocating as part of our transition expenditure significant elements at the start of the programme, on a no-regrets basis. Project work banks are being developed to support delivery partners and their supply chains, work engagement plans, resource planning, and development.

In support of this smoothing of delivery, we targeting to accelerate delivery dates as appropriate and based on their increasing maturity in asset management and systems thinking being applied at a process, network, and catchment level.

Sustainable Contracts and Risk Allocation

Through AMP7 we have delivered significant efficiencies both in lowering our operating cost base and in delivering our capital programme in an innovative and efficient way which will continue to provide benefits through AMP8.

Our delivery model enables a more effective approach to risk management, ensuring a clear understanding of ownership, impact, and the cost of transferring risks to the supply chain. This approach will also drive innovative approaches to solution development and liberate the culture to drive change.

In preparation for transitioning to AMP8, we have engaged with the market to understand how we incentivise investment in the water industry and secure the partners required to meet the demand. Our extensive market research, which included supply chain surveys, 1-2-1 interviews and workshops. Following the findings, we have implemented the following:

- Longer frameworks to encourage investment in the region.
- Simplified and fairer contractual terms, with a more equitable share of risk.
- Better foresight of the programme; including a more “programmatic” approach to contracting.
- A more agile and intelligent internal client capability.

To incentivise our partners, we have reviewed our commercial model to balance the appropriate pain/gain share between client and partner. We have extensively reviewed the clauses in our contracts to make them as simple as possible. Furthermore, we have engaged with the wider construction industry and listened to their feedback on how we protect the wider supply chain.

We have positioned our contracts so that they will encourage reinvestment in the sector, to ensure we as a business can rise to the challenge of AMP8. Integrated delivery models and alliancing are often challenged for lacking in commercial tension; so, we are aligning our framework partners by geography, principally Devon (Bournemouth and Bristol) and Cornwall, including the Isles of Scilly.

Our approach for the allocation of work is to appoint the best placed supplier to deliver it but retain the option to compete elements of the programme through “mini competitions,” with the potential for suppliers to bid for work in the lot they are not aligned to.



*Matchams Intake -
Riverbank Stabilisation*

Incentives

Our business has reviewed the implications of our capital expenditure programme on our performance targets, known as ODI (Outcome Delivery Incentives). In developing the overall ODI package, we have balanced the need to demonstrate genuine service ambition in AMP8. We have focused on areas to support our customers and calibrated these incentives which achieves a balance of activity and investment that will deliver for our customers, providing an efficient service and ensuring affordable bills for all. Our investment plan will deliver many outcomes for our customers and the communities we serve – significantly more than might be obvious by the 20 common performance commitments in the PR24 framework.

We recognise the need for customers to be appropriately protected. Price Control Deliverables (PCDs) are one of a suite of measures that seek to protect customers, provide a balance of risk, and return between companies, customers, and the environment. This is consistent with the Central Markets Authority (CMA) undertakings and reflects the preferences expressed by the WaterShare+ Panel and our customers. We intend to expand the Watershare+ scheme to allow one in every 10 households to own a stake in the parent company. As part of the acquisition by Pennon Group plc of Bristol Water Holdings UK Limited, several undertakings were given to the CMA.

We propose to have separate performance levels and incentive rates applied to the SWB price controls and BRL price controls to ensure fair and equitable pricing. Noting the overlap with our statutory requirements, we have not deducted the value of outcome Incentives from our Price Control Delivery adjustment rates, given the ODI protections we have included in our plan and that most of our ODIs are appropriate as scheme delivery outputs, rather than outcomes. The PCDs are consistent with the requirements set out in the PR24 Final Methodology and cover all material enhancement expenditures not otherwise covered by an ODI.

Further to this within the KPIs developed for our supply chain, we have mirrored our requirements. We have also imbedded ESG principals around societal impacts and are supporting our delivery model by enabling us to influence our partners with the right incentivisation model. This is linked with the increased visibility of our AMP8 programme enabling us to build delivery programmes ensuring we are targeting the key areas of focus required by the business.



Reference Document & QR Code - Example

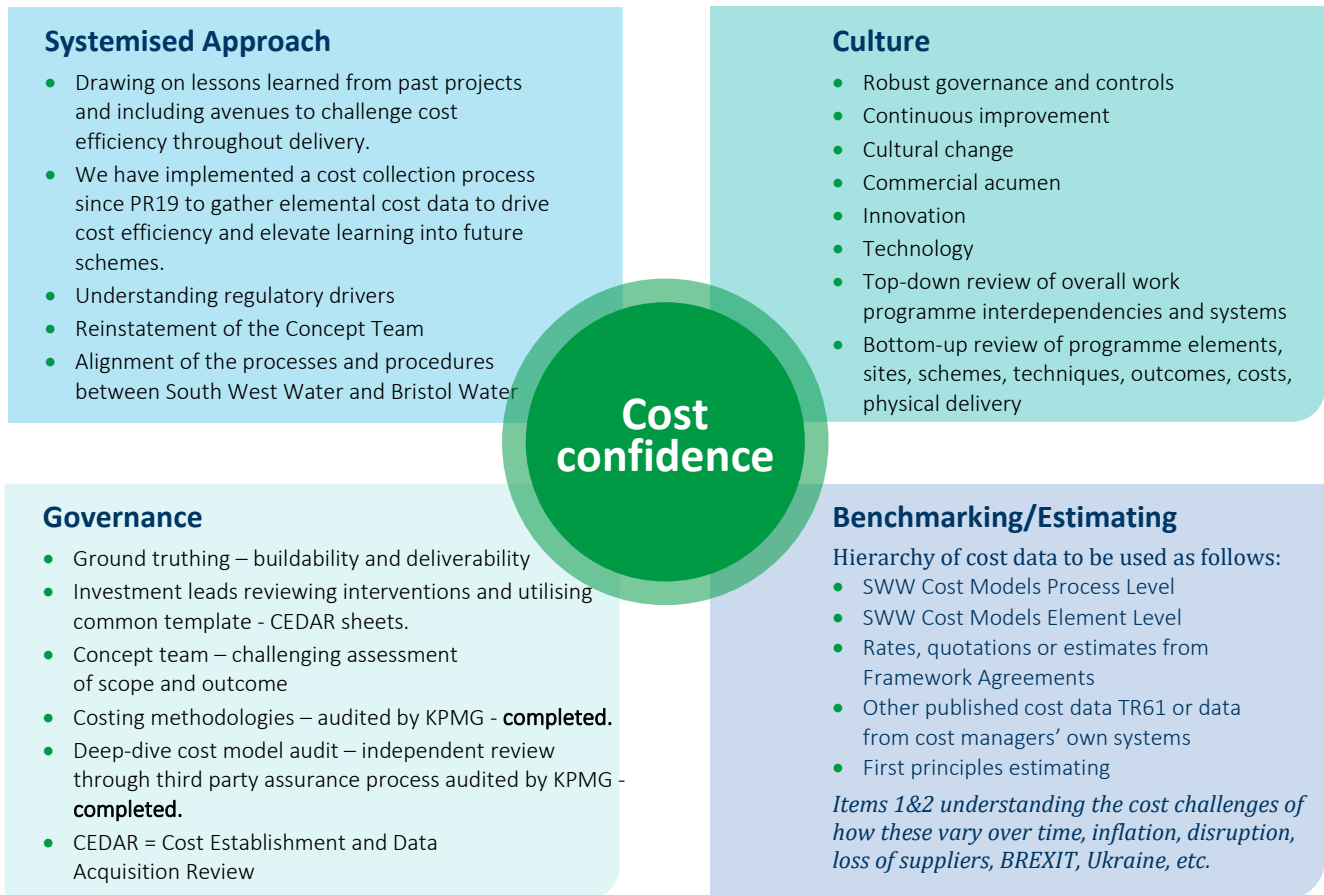
Continuous improvement to drive efficiency

We have mature and robust processes for driving efficiency and continuous improvement. This is part of our culture and reinforced by companywide initiatives. We have demonstrated through AMP7 that we can and do deliver outcomes efficiently and this solid foundation has and will continue to shape our programme for AMP8.

We have a firm focus on cost confidence (Figure 14), making sure the learning from the things we do well, and the lessons from where we fall short, are elevated through the business, and fed into active and future projects.

With initiatives, processes, and governance in place to ensure we consistently deliver customer outcomes efficiently. Figure 14 summarises the above, they are not sequential, but all are needed to meet our ambitions for truly cost-efficient solutions.

Figure 14: Demonstrating Cost Confidence



Systemised approach to costs

We believe there are three main components needed to drive efficiency:

- Understanding our cost drivers.
- Assessing and monitoring variances throughout project delivery.
- Reporting and reflecting on cost performance.

Our processes and systems facilitate consistent cost capture, monitoring, and reporting. Cost data is embedded into our business-as-usual activity through an auditable system. Using our approach means the way costs are captured is standardised across our business and cost data is consistent and transparent to all teams that require it.

Our systemised approach enables us to undertake granular cost reviews to understand our cost drivers across the value chain. Both inside and outside company control. We assess the variance between our forecasts and outturns to understand cost performance, where efficiencies are made, and where there is more work required.

Understanding the key drivers of our costs by price control enables us to take learning from anywhere in the business to target granular efficiency improvements for active projects and to account for the latest efficient practices at the planning and costing stages of future projects and programmes.

Our cost capture methodology strikes a balance between the cost and effort of capturing granular cost data. We have optimised the use of our systems and tools to minimise the cost of capturing cost data and our system of internal monthly cost reporting against outcomes helps reinforce the systems approach and continuously focuses everybody involved in a project on cost efficiency.

Project Reviews

We have continuously strengthened our project review process for AMP7 as we aim to continually improve our business-as-usual processes. As a minimum, all projects undergo bottom-up handover reviews which cover delivery against planned outcomes, costs, cost efficiency and learning points.

All projects and programmes approved by our 'Investment Planning Committee must provide top-down, programme level reviews based on cost, outcome criticality, innovations and/or risk. For all reviews, we identify and action areas for improvements whilst promoting and strengthening areas of success.

This means all projects are reviewed and we continually challenge ourselves on all things including cost efficiency. Our project reviews include but are not limited to:

- a top-down review of overall work programme interdependencies and systems.
- a bottom-up review of programme elements, sites, schemes, techniques, outcomes, costs; and
- RAG statuses for assessed elements and to flag the significance of lessons identified.

Our review methodology is holistic in approach and seeks to categorise the performance of project and programme elements and identify trends and common themes. This means that cost efficiency is assessed at both the project and programme level and by specific project and programme stages, delivery techniques, technology, innovation, or delivery partner.



Horedown Water Treatment Works - Temporary Granular Activated Carbon Plant

The reviews account for final cost of solutions, including subsequent opex to build a complete picture of our cost efficiency. The review process is endorsed by management who are accountable for overseeing the completion of the management actions. Actions are assigned to address areas in need of improvement or to promote success in developing and active programmes to benefit the wider business and customers.

Our project review process forms a key part of our continuous improvement ambition. It enables us to learn and continuously improve projects and programmes going forward. It also elevates successful initiatives within the business to promote cost efficient practices.

Our Culture

Achieving efficient costs requires all parties including our supply chain to buy into the ambition. Our culture means all those engaged in our projects and programmes are:

- well informed and up to date with the latest technology.
- encouraged to innovate and try new things; and
- focussed on continuous improvements in cost and scope efficiency and innovation.

The drive to deliver upper quartile performance and cost efficiency has been a key strategic aim. Staff at all levels are encouraged to consider cost and efficiency improvements and everyone has a voice. Through this approach, the drive for efficiency is felt at all stages of projects, programmes, and directorates.

Our Governance

To achieve efficient costs and effective delivery, delivery itself must be efficient, controlled and monitored. Our governance:

- ensures we only outsource when needed, and when we do, we put the right people on the job.
- ensures schemes receive the right level of scrutiny and approval before they commence; and
- Ensures schemes are monitored regularly on cost and programme and lessons are identified early.

Our new delivery model builds on the successes of the past whilst making improvements to areas where we felt we could have been better. We have made great progress, and our new approach is substantively in place. We have and will continue to change and evolve the way we deliver larger capital schemes, which gives us greater control over efficiency through innovation and throughout the design.

The new delivery model puts us in a strong position to use our partners most effectively, using our Tier 1 partners on large complex schemes and our Tier 2 and 3 for smaller jobs. Having the flexibility within our contractual arrangements provides us better access to innovation deep within the supply chain and the ability to engage and contract directly with the specialists and experts we require to support our AMP8 programme.

This operating model is built to deliver innovation benefits and spread supply chain risk. We have also invested and are continuing to invest in our systems to provide additional control and visibility of our capital programme, and an improved understanding of our costs and the costs within our supply chain.

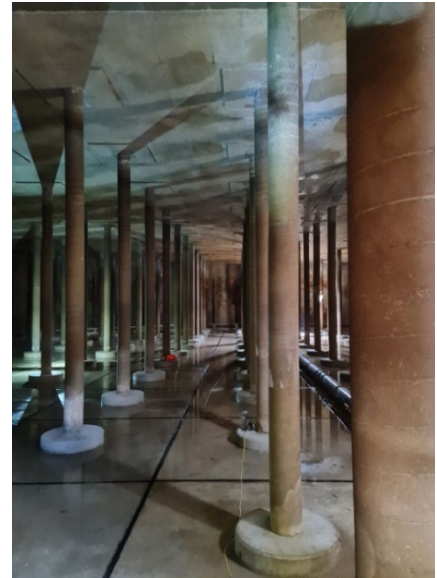
The benefits we are driving through our new delivery model include:

- **Organisational** – Reduced overall programme cost by maximising the opportunities of co-location.
- **Value Engineering** – Enhanced Expert Client function that enables TOTEX thinking and innovation. Investing in our people to make the right investment decisions in the medium and long term.
- **Cost Saving** – Savings made directly through our procurement and contractual processes. We ensure the right work goes to the right supplier. We regulate and benchmark our supply chain performance through other commercial routes (e.g., mini competition). This also gives us better cost transparency.
- **Technology** – We have invested and are continuing to invest in digital tools to support our new delivery model including a Common Data Environment to promote more effective collaboration, a Commercial Management platform to enhance cost, contract, and supplier relationship management, etc.

We are building on our previous successes. This includes continuing with collaborative planning which has enabled us to drive significant programme efficiencies with our delivery partners. The utilisation of standard products, to enable installation learning to be shared and replicated. Technology type batching, which has engendered Lean, Safer, Better and Faster techniques to be successfully deployed.

All capital investment expenditure must be approved and when business cases exceed an approval threshold, all levels up to the approver must endorse the business case first. This ensures the appropriate level of scrutiny of developing projects right up to Board level and that all levels are kept informed and have a vested interest in the success and quality of the proposal.

Every month, active and prospective projects are reviewed for financial performance, outcomes, risks, and opportunities across all our programme streams.



Alderney Service Reservoir – Post Clean

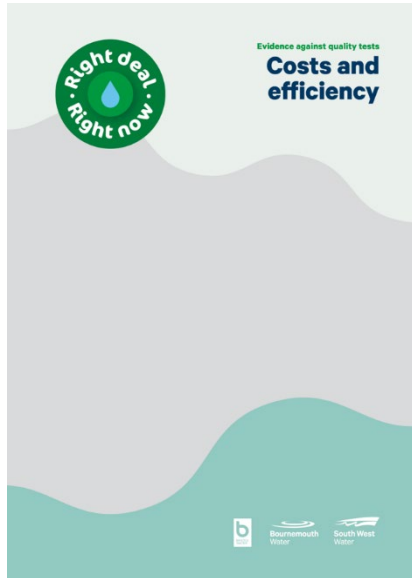
Deep dives are scheduled where concerns emerge, and this can include a review of cost and delivery efficiency.

Our Programme Performance team provide monthly, independent challenges, with the relevant Heads of Delivery completing 2nd line reviews on a monthly and quarterly basis. With reporting issued monthly for further scrutiny and challenge up to Board level. Our Internal Audit function maintains an annual audit plan, reporting directly to the Group Finance Director and Audit Committee.

Benchmarking

We cannot claim to achieve efficient costs without benchmarking ourselves against the industry. By scrutinising our price review determinations and engaging robustly in model development enables us to benchmark our costs and techniques. Whilst fostering collaboration to help others we in turn learn new things.

As outlined in our 'Costs and Efficiency' document we can assure that the programme we present has been through a thorough review. That means that we understand the uncertainties surrounding the enhancement programme and are well placed to manage them through the delivery process.



We have also tested the enhancement programme through analysis of:

- K7 cost and activity information within Annual Performance Reports; and
- available information from WRMP and DWMP submissions.

Working with Oxera, we have looked for meaningful cost comparisons, through different circumstances between companies. The lack of AMP8 forecasts from other companies makes such comparisons challenging. However, where information has been available, it provides some additional confidence that our costs are efficient for the programme we face.

Our hierarchy of Cost Data used in building upon the business plan is as follows:

- SWW Cost Models (PR24) Process Level
- SWW Cost Models (PR24) Element Level
- Rates, Quotations or Estimates from Framework Agreements
- Other published cost data such as TR61 or data from Cost Managers own systems.
- First Principles Estimating

As part of our assurance our PR19 cost model benchmark produced by our Cost Managers created an initial schedule of processes to be included in the PR24 benchmarking exercise. From this, all the estimates completed in the PR24 business plan were analysed and the most significant processes, i.e., those with the highest total value across each of the programme of works, were used to supplement the PR19 benchmark models, to

ensure confidence in the high impact models on the PR24 programme.

In benchmarking project data, we must have a thorough understanding of the component parts of that data. Only when this is understood can we effectively compare ourselves against others. We have an established analysis of our scheme costs as a business-as-usual process which has been in place for over 15 years.

Risks to our plan and application of lessons learned

Focusing specifically on the systems, processes, and controls that we have instigated in transitioning from AMP7 to the significant increase in our capital plan for AMP8. We monitor and manage our supply chain capacity to deliver. In the case of the failure of a significant operational, engineering contractor or partner; particularly given our plans to tender for our major delivery alliance framework contracts to include MEICA, civils and networks.

To mitigate this risk there are several controls which are embedded within key processes. These include:

- Transitioning from AMP7 to AMP8 in a controlled and agreed manner.
- Mobilisation & de-mobilisation of our supply chain (Transfer of employees 'TUPE').
- Robust procurement and due diligence processes with multiple partner selection.
- Internal commercial governance to ensure applications for payment are correct and payments to the supply chain are implemented.
- Utilising inherent flexibility within framework contracts to optimise tactical contracting strategy.
- IPAC compliance.
- Quarterly reviews to gain further insight into the business's performance.
- Monthly programme reviews.
- Regular credit checks and robust financial assessments.

The business has demonstrated its ability to be agile and its ability to respond quickly to put in place alternative contingency arrangements when a delivery partnership fails. As seen with the failure of two delivery partners over the past few years. Despite this further action has been implemented to reduce both the likelihood and impact of a similar event or the inability of a supply chain partner to deliver through a lack of capacity or resources to meet our remaining AMP7 commitments and our proposed AMP8 programme.

Specifically, our resilience has been enhanced by not only broadening the number of major contractors and consultants that we partner with. We also reviewed the framework under which we contract with our supply chain. We have done this to ensure it provides sufficient flexibility over how and when we use our partners and ensures there is adequate protection for subcontractors, to reduce the impact in the event of a delivery provider failure.

This principal is previously described and further expanded in the section ‘Establishing Delivery through End-to-End life Cycle Management,’



Page 14. Pillar five, one of our five pillars of transformation focuses on having the right supply chain partners mobilised for the remainder of AMP7, embedding and ramping up to deliver the AMP8 programme.

Going to the market early has already enabled SWW to engage the best partners to both deliver the transitional programme and achieve the resource capacity required to deliver the AMP8 plan. The suppliers from global consultant partners, national Tier 1 delivery partners and local regional contractors enable a diverse and resilient model enabling the effective delivery of the full spectrum of projects and programmes. Based on our runway approach looking at the most complex projects and programmes through to the most straightforward templated interventions. Our assessment is, they can all be progressed with the right partners for the task. The partners we are engaging enable access to national and international talent and resources to further supplement the national and regional resources already mobilised.

The risk deep dive we have undertaken, focused specifically on ensuring that we have the resilience and capacity to deliver our remaining AMP7 commitments. The mitigation actions we have instigated furthermore, support our ability to deliver our AMP8 capital plan and the ability to react in the event of the failure of a key supply chain contractor/partner. The risk deep dive has also resulted in mitigations that the business is implementing to further manage these risks.

Supply Chain Resilience – Risk

The Risk categorisation for this Principal Risk is Green as adverse performance in this area would result in cost, regulatory, operational, and reputational damage.

There is a basket of measures that are used to gauge our adherence to the Net Risk position contained within the monthly reporting dashboard and the report to the Monthly Investment Planning Committee these are:

- Programme and project schedule and cost performance
- Supply chain sustainability metrics
- Adherence to governance

The thresholds for adherence are in line with the risk impact scales contained within the Pennon Group Risk policy.

Supply Chain Resilience – Overview

SWW conducts all its capital programmes through a variety of frameworks and third-party suppliers.

The AMP7 framework tender process resulted in multiple partners being selected for all lots except for our civil Capital Works Programme.

The principal risks of a major supplier failure are:

- unable to deliver capital projects & programmes.
- impacts on operational performance.
- risk to projects & programmes linked to performance commitments either through business plan / Green Recovery etc; and
- financial regulatory penalties attached to this.

The impact of the Group failing to achieve our performance commitment also has a variety of financial and non-financial implications, as detailed in Table 6.

Table 6: Financial and non-financial impacts on the Group

Potential Impact on the Group	
Regulatory	Failure to meet DWI and EA obligations
Financial	ODI impact
Reputation	Reputation with wider stakeholders, customers, DWI, EA, and investors
Other	Operational performance – deterioration, etc

Risk Influencers

There are several factors which will influence the business's exposure to these risks. They will include both internal as well as external factors which may be beyond the Group's and SWW's control. These are summarised below:

Table 7: Risk factors influencing exposure

Influencing Factor	Commentary	Impact on Group's Risk Exposure		
		High	Moderate	Low
Inflation	Cost of delivery of projects	High	Moderate	Low
Pandemic	General business disruption	High	Moderate	Low
Other	Performance of past projects for other clients' companies and similar regulated & un-regulated clients, etc)	High	Moderate	Low
Labour	Shortage of personnel	High	Moderate	Low
Other	Lack of appetite for working in the water industry	High	Moderate	Low
Other	Profitability of water industry programme	High	Moderate	Low
Supply Chain	Supply chain disruption, long lead times for critical components, sole source suppliers etc	High	Moderate	Low

Of those items listed above the macro-economic factors are continuing to have an impact on the wider supply chain. Specifically, in relation to a contractor's past performance associated with other clients driving them into administration or operating in a constrained manner (Capped max. project values, liabilities, low risk projects, etc).

Given its confidential nature, it is challenging to accurately predict the impact of this. The pressure on contractors and consultants and the expanding construction market is reflected in increased costs, margin expectations and reduced risk appetite across the entire supply chain.

Supply Chain Resilience Governance

Our 'Integrated delivery alliance Model' in a time of significant demand for contract resources, we are seeing more contractor and consultant resources than we have engaged since 'privatisation.' This provides resilience and robustness in our supply chain.

The recent appointments follow the prescribed approach as set out in Pennon governance requirements, signed off at SWW Board and Pennon Board.

As discussed previously:

- a. Internal commercial governance to ensure payment applications are correct and payments to the supply chain are implemented.
- b. Investment Planning and Control (IPAC) compliance
- c. Annual reviews at Executive level to gain further insight into the business's performance.
- d. Monthly programme reviews
- e. Regular credit checks and robust financial assessments by Pennon Procurement
- f. Set out ongoing monitoring arrangements – contract monitoring meetings, periodic reassessment of financial due diligence, performance and KPI monitoring of partners & contracts, etc.

Risk Mitigation

There are several systems, processes and controls which exist that reduce the risk exposure to the Engineering Department and the Group. These are summarised in Table 8 below:

Table 8: Factors reducing the risk of exposure

Influencing Factor	How Does This Reduce the Risk Exposure	Impact in Reducing Risk		
		High	Moderate	Low
Financial due diligence during the tender stage	By providing confidence in the ongoing viability of the businesses / Suppliers	High	Moderate	Low

Multiple contractor partners & suppliers	Resilience providing options to alternate contractors & suppliers	High	Moderate	Low
Ability to step in	All contracts have the option to enable SWW to Step-in as required	High	Moderate	Low
Ongoing monitoring of resilience through contract meetings	Acquiring a deeper understanding of our supplier's wider business performance and appetite.	High	Moderate	Low
Response plans in the event of major contractor failure	Direct mitigation of supplier failure through the implementation of alternative suppliers	High	Moderate	Low
Commercial arrangements	Our contracts are cash neutral minimising the risk of financial loss in a failure situation.	High	Moderate	Low

Promoting Innovation, Net Zero and Nature Based Solutions

We have extensive experience in catchment management, promoting innovation, net zero, and nature-based solutions (NBS), to provide long term environmental resilience, protecting our customers and natural habitats. A good example of this is the work we are delivering around peatland restoration, delivered in partnership across the region since 2010.

Every outcome or intervention is about making a positive difference to the environment, our customers, our staff, and the communities we live in and serve by creating a safer, sustainable future. We are utilising NBS to reduce the water entering our ecosystem and adapt and transform our sewer networks to split sewage and surface water, this will release existing capacity and provide future environmental resilience. As part of the selection process, Tier 1 partners explained and demonstrated how they would collaborate with us in supporting our drive to nature-based solutions. Those appointed provided demonstrable evidence of their expertise and knowledge in pursuit of our 'Green First' framework.

Our 'Green First' Framework for nature-based solutions

We will consider nature-based solutions across investment and operational needs first – following our 'Green First' framework published in June 2023 alongside our Drainage and Wastewater Management Plan. This approach will look for opportunities to work with nature, our stakeholders, and communities to reduce the amount of water entering our drainage network by slowing the flow in our catchments. At least 10% of our activities will be nature-based (such as rain gardens, swales and creating habitats which store more water in the landscape) by 2030 and we will develop our skills, understanding and capacity to deliver more nature-based solutions in the future.



Catchment management through our Upstream Thinking programme

Since 2010, we have been collaborating with local farmers and landowners to deliver our award-winning Upstream Thinking programme. We are well on track to deliver over 120,000 hectares of catchment management by 2025 bringing benefits for water quality, wildlife, water resources and peatland restoration.

We expanded the programme through the Green Recovery initiative which enabled us to expand our influence to benefit the rivers and headwaters of Dartmoor and the surrounding landscapes.

To deliver the programme, we commissioned trusted, local organisations to employ Farm Advisors to engage with farmers and landowners, providing advice, support, and confidence to manage their land differently in ways which are better for water quality, water supply, flood resilience and wildlife.

Diversifying our supply chain to do things differently.

SWW has well established relationships with key delivery partners for our award-winning Upstream Thinking Catchment Management programme. The delivery partners include Cornwall Wildlife Trust, Devon Wildlife Trust, FWAG, South West Lakes Trust and Westcountry Rivers Trust. Those partners have confirmed that they would be willing to supply new services to SWW and were invited to put forward their proposals for delivering collaborative and nature-based solutions to meet the challenges set out in the PR 24 plan.

To ensure wide awareness and engagement of stakeholders in the development of our strategic plans, we established a periodic Stakeholder Engagement Forum which brings together colleagues and groups with an interest in how water is managed and the impact on the environment. As well as receiving regular updates on the development and progress of the PR 24 Business Plan, all Forum members were invited to specific events on the Drainage and Wastewater Management Plan and the Water Resources Management Plan.

SWW has also discussed our PR24 plans and ambitions with the numerous external forums and partnerships with which we are engaged. These include Local Flood Risk Management Committees, Local Nature Partnerships, Catchment Partnerships and many other groups and events that we are invited to attend.

An annual cycle of one-to-one meetings with key stakeholders, including local authorities, Chambers of Commerce, tourism representatives and environmental interest groups was also undertaken.

SWW's supply chain has also been challenged to bring forward a range of collaborative and nature-based solutions and to set out their relevant skills and expertise, as they consider and respond to our call for framework contacts.

Our stakeholders tell us...

The environment is their highest priority, followed by resilience and affordability. They see our 'Green First' approach, using nature-based solutions to deliver improvements as a key strand to our programme. Our WaterFit Live website is a useful tool and has the potential to go further. It is key to our stakeholders that the information we share is up to date and accurate to build trust.

Customers and stakeholders recognise that we cannot solve these issues alone. Agriculture is the largest contributor to river pollution, and we need to collaborate with our stakeholders across the region to reduce Rivers Not Achieving Good status (RNAGs) and improve water quality. Our stakeholders want to work in partnership to co-create and develop solutions, including working with natural processes and nature-based solutions and strongly support our community engagement initiatives.

CREWW

CREWW research was co-created with key partners SWW and UKWIR, drawing on expertise from the University of Exeter to provide a multidisciplinary research team. The research is designed to bring together engineering, nature, economic, and behaviour-based solutions to deliver multiple benefits to the environment, society, and the economy.

This work supports our delivery plans through the provision of an innovation engine to challenge current ways of operating to provide opportunities to innovate, drive efficiencies and support our net zero agenda.

Innovation Promotion

In preparation for AMP8, we have been discussing with suppliers several ways to incentivise investment in the water industry (as outlined earlier in this document). Through changing the way we contract, moving towards a more equitable share of risk, our supply chain is incentivised to be more innovative in their method of delivery. Following are some of the ongoing innovations, opportunities and areas of exploration that will support AMP8.

As an example, our drinking water quality investments are also adaptive. We are preparing to mitigate the risks of raw water deterioration by upgrading one third of the water treatment works (WTW) to allow for the rapid mobilisation and deployment of mobile treatment technologies so that our WTW remain in service during adverse raw water conditions. We intend to reduce abstractions from environmentally sensitive rivers by 12 million litres per day through investment in advanced treatment technologies.

We are dedicating time to support the engagement and education of communities, education bodies and institutions through conferences and workshops. By way of example, we are a United Kingdom Society Trenchless Technology (UKSTT) patron sponsor. Whilst UKSTT's mission is to promote the use of trenchless technology and to promote its benefits for the public and the natural environment by increasing awareness and knowledge through technical information dissemination, research and development, education, and training and as patron we are actively supporting this approach.

Our support and utilisation of such technologies is evidenced by the recent 'Green Apple Award' for the Pennance Mill Rising Main described as 'A successful recipe combining innovative and traditional ingredients.' With the award presentation in November 2023 at 'The Houses of Parliament' in London.



Green Apple Awards

These specific projects acknowledge as a testament to the commitment of the engineering team and our delivery partners in executing environmentally sustainable and efficient projects. The successful mitigation of pollution incidents, timely delivery, and innovative practices exemplified the project's exceptional qualities. We believe that these projects are deserving of the recognition received and will serve as a model for future endeavours in the field.

These comments also reflect the UKSTT's society's chair following his briefing of our AMP8 plan. *"The support of utility owners is important to our members who represent the varied sectors of the supply chain and who strongly support South West Water in its future delivery programme. The response from UKSTT members is very positive and we are confident there will be plenty of support within the supply chain to deliver on your AMP8 Business Plan."* – Ian Ramsay, Chair of United Kingdom Society for Trenchless Technology (UKSTT)

Research, Development & Supply Chain Engagement

Research and development are important to delivery. The utilisation of innovative solutions to help the customer journey, and improve efficiency and effectiveness is important. We are:

- Working with the University of Exeter to undertake research covering: Drinking water quality, Pollution incidents, waste water quality, leakage, and resilience.
- Using funding from the OFWAT innovation fund to explore partnership working, for example:
 - The Water net gain program works with local farmers who are paid to store water on their land that can be used to manage demand by actively releasing flows during droughts.
 - The above also promotes nature-based water treatment that mitigates agricultural pollution in watercourses.
 - CaSTCo – Catchment Systems Thinking Cooperative utilising citizen science and community monitoring through an open information and knowledge sharing platform to enable the collation of up-to-date shared integrated data repository allowing improvements to decision-making about water environments.

- Developing the upstream thinking programme to understand catchment level solutions through collaboration with Exeter University as part of the Centre for Resilience in Environment Water and Waste CREWW.
- The utilisation of AI, satellite, and LiDAR information to assess biodiversity across 2,000 sites to better understand habitat conditions. (AiDash Intelligent Sustainability Management Systems (ISMS))
- Working with new organisations like I-Phyc in the development of algae-based water treatment solutions.
- Exploration of innovative and natural solutions to support the removal of invasive non-native species. For example, the use of pine needles in water sources for zebra mussel control or the engagement of sniffer dogs to speed up the identification of invasive non-native species affected sites.
- Engagement with organisations such as British Water, Future Water, UKSTT, and the Pipeline Industries Guild, etc.
- We are currently conducting research on the removal of microplastics and per-and-polyfluoroalkyl (PFAS) to understand the extent of its presence across our ecosystem to best inform and develop potential solutions.

Case Study

Ceramic Membranes – Following pilot research and working with PWN Technologies wholly owned subsidiary of Nijhuis Saur Industries (NSI) a prototype was evaluated in the early years of AMP6 and was shown to have a significant impact on water quality and operational costs which led to the investment of the Mayflower Treatment Works¹.

This new generation of surface water treatment facility with ceramic microfiltration (CeraMac®) (Figure 15) is on the outskirts of Plymouth, Devon, using this innovative treatment method for the provision of drinking water. The innovative membrane system combined with the equally novel suspended ion exchange (SIX®), in-line coagulation (ILCA®) and ozone membrane cleaning system (CerOzone) demonstrated the potential of ceramic membranes as efficient alternatives to traditional approaches.

¹ <https://www.southwestwater.co.uk/about-us/Projects-investments/mayflower-water-treatment-works/>

**Figure 15: Mayflower Water Treatment Works
(Photo Courtesy of PWNT)**



The project delivered a long-term strategic goal for the area's water supply, providing circa 250,000 consumers and 6,000 businesses with sustainable, top-quality water at significantly lower capital and operating costs than conventional technology. It also deals more effectively with the wide range of raw water quality within the two water sources supplying the site. Due to the success, we are achieving we are now using this technology at two further sites in Bournemouth - Alderney WTW & Knapp Mill WTW

Resourcing Delivery

In today's dynamic and competitive business landscape, success hinges not only on innovative business design and cutting-edge technology but also on nurturing and harnessing the unique talents and potential of individuals within our organisation and local region. We have developed several talent and people-focused initiatives that support our strategic shift in the way we approach growth and sustainability. This forward-thinking approach prioritises the recruitment, development, and retention of top-tier talent, recognising that they are the driving force behind our organisation's innovation and customer satisfaction.

Recognising the importance that we need to consider to the labour demand that our AMP8 programme will have in context to the wider pool of construction resources here in the South West region. Which on average, is expected to employ around 235,660 people per year in the South West between 2023 and 2027².

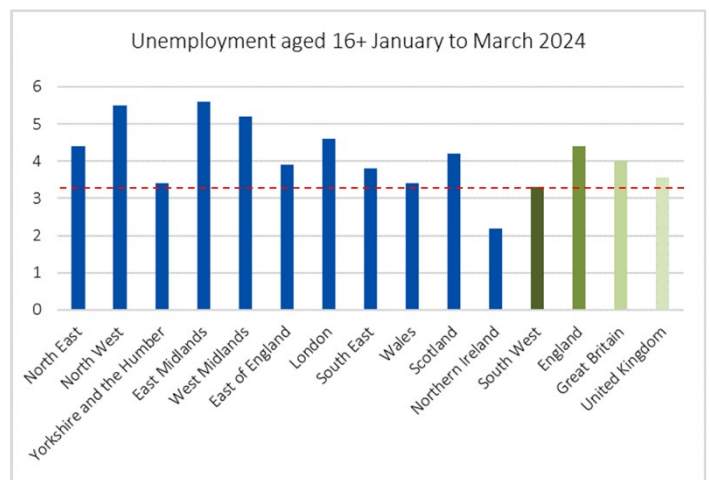
Independent analysis conducted on behalf of SWW assesses our programme will engage around 0.7% of the total average South West construction workforce over the 2023-2027 period. The analysis also concluded that the requirements of our supply chain delivering our planned programme forecasts an average labour demand of around 1,750 people between 2025/26 and 2029/30.

Overall, the labour demand arising from our AMP8 capital programme is relatively low, demonstrating that it is deliverable, and a huge catalyst to regional growth and prosperity, and creating employment opportunities to address inactivity and unemployment across our region.

There is an evident need to create jobs and economic stimulus

As part of our delivery plan, we have sought to understand the regional and national impact our proposals will have on employment. This is to enable us in conjunction with our delivery partners to understand and implement the appropriate interventions to increase employment within our sector both in the short and long term. Figure 16 illustrates those levels of unemployment in the 16+ age group within the South West of 3.3% against a national average of 4.4%³.

Figure 16 – Unemployment for aged 16+ January to March 2024



The national unemployment average has increased by 0.5% from March to May 2023, to January to March 2024. The average unemployment rate in the South West region has remained the same (3.3%).

The Covid-19 pandemic had a detrimental effect on the livelihoods of all our communities and the economy. Figures show that in the second quarter of 2020, the UK economy plummeted due to the 'stay at home' restrictions. Such restrictions caused economic activity to decline and output to fall significantly for sectors such as construction.

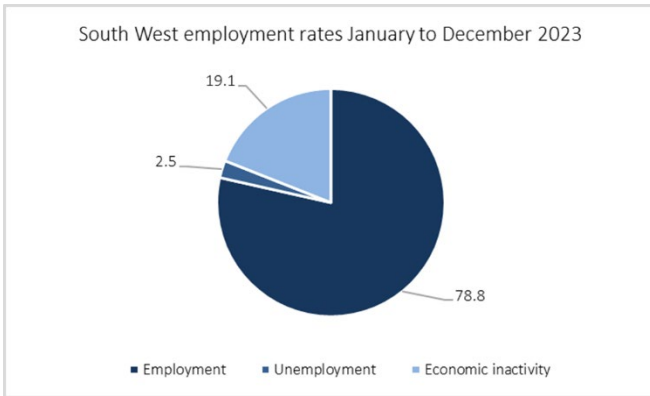
The levels of employment, unemployment, and inactivity in the 16+ age group within the South West are illustrated in Figure 17⁴.

² CITB, 2023. CSN Industry Outlook - 2023-2027. <https://www.citb.co.uk/about-citb/construction-industry-research-reports/construction-skills-network-csn>

³ Labour market overview, UK - Office for National Statistics (ons.gov.uk)

⁴ Employment in the UK - Office for National Statistics (ons.gov.uk)

Figure 17: South West Employment Rates



Comparing 2022 to 2023 the South West region has seen a reduction in unemployment and economically inactive averages of 0.8% and 0.6%, respectively. Whilst employment rates have increased by 0.6%.

Within our region, the areas with the highest level of unemployment rate for those aged 16 and older are located around the main centres of population (Figure 18)⁵. This comes as no surprise; previous recessions have highlighted young peoples’ vulnerabilities to changes in economic conditions when unemployment for this age group has soared. Since then, employers have been encouraged to support the younger generation on the path to sustainable employment, by providing meaningful employment.

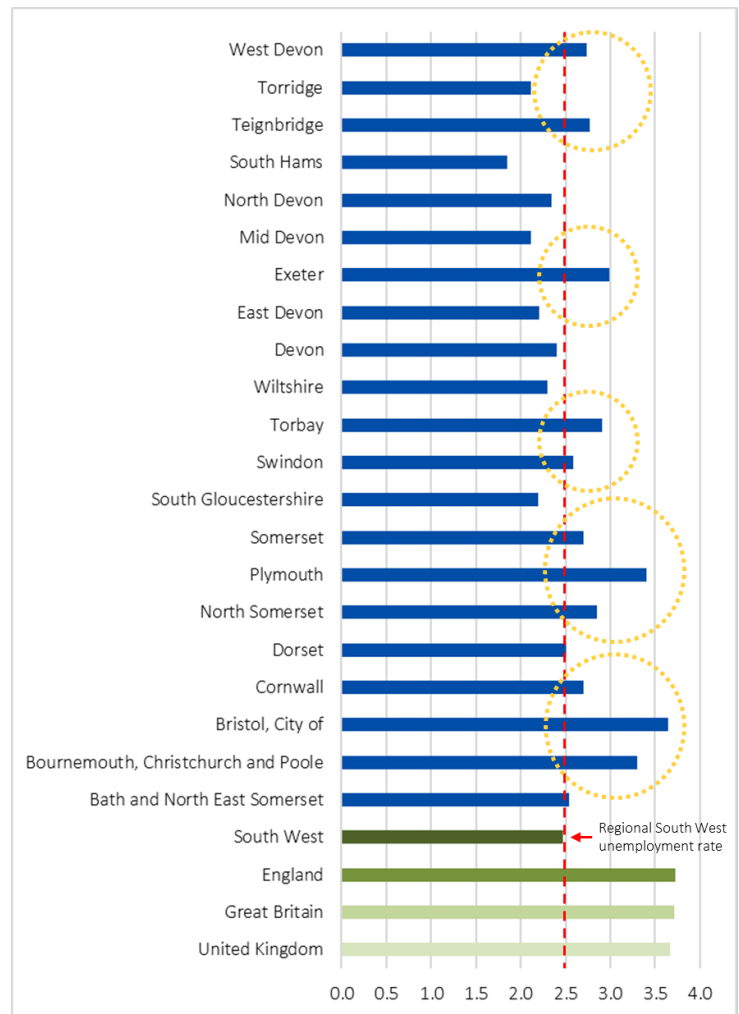
Our programme can play a significant part in helping to avoid a lost generation whose life chances are blighted by a prolonged period out of employment or lack of training opportunities.

With a double coastline and dispersed population, many coastal towns around the southwest suffer from high rates of poverty, unemployment, and health risk factors, together with poor housing, public service provisions, lack of public transport, and communication connections.

The evidence has demonstrated a clear need for economic stimulus, within our region with a clear need for employment opportunities. From our review, we have defined that there is a real need to:

- Boost opportunities for employment within our region.
- Promote job security and resilience within our industry.

Figure 18 – South West unemployment rates ages 16+ January to December 2023



⁵ [Employment in the UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

Jobs and skills required to meet our future challenge

Besides the immediate need, there are also potential long-term issues we need to take into consideration. Considering these issues as part of our business plan means we can ensure that any action we take is in our customers' best interests for the long term – as well as for the regional good in the short term.

Looking at the future, we have an ongoing working group considering the business, do we have the right balance of skills and diverse talents to tackle challenges such as the environmental and climate change in an affordable way?

We have addressed the future of our people and their development by partnering with external academic resources to develop a skills matrix which expands on the competencies required for each role. These competencies are aligned with three different sets shown as technical, soft, and behavioural skills that we will address in the development of our roles at SWW to ensure we meet the demands of both our people and the business.

Skills gaps and shortages can be considered as a 'bottleneck.' It has also been recognised that an ageing workforce and changing technologies are the key influencers in these skills gaps. Our future challenges will require new skills, both for newly emerging jobs and for the existing workforce who will need to adapt.

In developing our business plan, the key areas in which we will be focusing on skills development are:

- **Engineering** – replacement of expert engineers as the current workforce ages and skills to deploy innovative technologies/processes.
- **Construction** – Project Managers, operatives.
- **Climate resilience** – operator level actions to improve climate resilience and risk management such as assessments of future resource availability.
- **Land management (natural assets)** – climate change adaptation; conservation; flood management; operation and maintenance; carbon capture and storage; and carbon management.
- **Emerging skill set not in the existing portfolio** – Digital capabilities, cyber security, artificial intelligence, and other skills gaps.

Our proposals tackle these gaps in the context of each of the challenges we are addressing. We also recognise that a diversity of talent brings different ideas and perspectives which improve how we work as a business and enable us to understand and meet the needs of the communities we serve. As a company, we are making steady progress in our workforce reflecting the communities we serve. Through our proposals, we are striving to encourage the communities we serve to engage with their natural environment and play their part in long-term solutions. This makes it important that our recruitment processes and our delivery partners acknowledge the need for diversity.

Our proposals seek to tackle the skill gaps and future challenges

As a significant employer (directly & indirectly) within our region, we understand the importance of creating a diverse and skilled team. In addition, we recognise the significant role we play in contributing to a successful society and economy across our region by stimulating job creation in our supply chain through investments. Therefore, we are seizing this opportunity to play a bigger role in society and doing so in a way that better equips our workforce and our communities to meet future challenges.

When considering how best to achieve the outcomes in our business plan we have sought to maximise the impact it will have by:

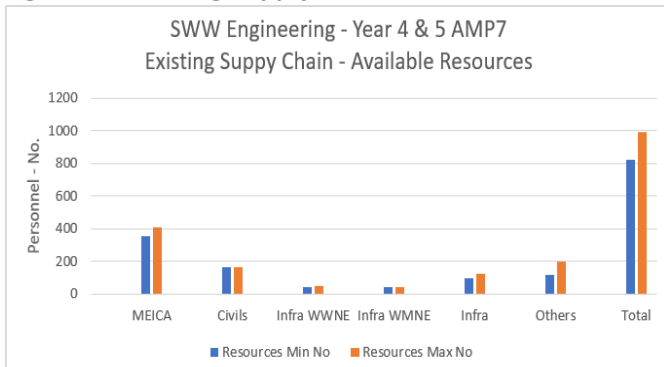
- Targeting employment opportunities for 16-24-year-olds, who are the group that is hardest hit by unemployment/inactivity.
- Retaining jobs in the supply chain (which maximises the impact of the multiplier effect).
- Focusing on improving skills in the areas identified in our independent assessment of resource requirements.

Focusing on driving these three core objectives will ensure the creation of sustainable jobs and skills that will be required for many years to come.

Jobs Creation over AMP8 & beyond

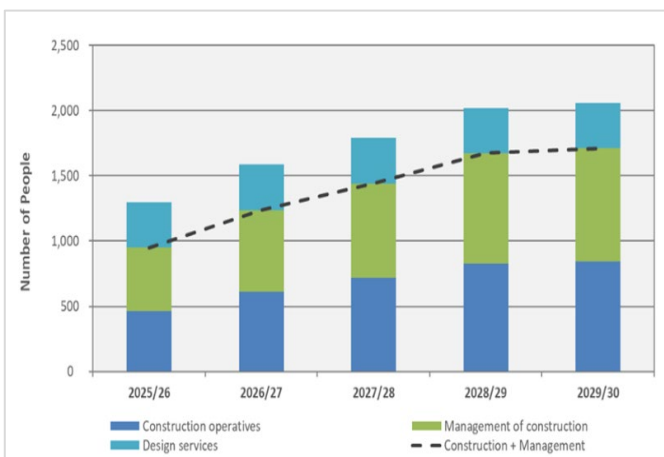
To support an understanding of the resource requirements above our existing AMP7 levels created by our AMP8 programme, an assessment of existing supply chain resources was conducted as illustrated in Figure 19 and subsequently enhanced with the appointments by our Tier 1 partners (consultants & contractors)

Figure 19: Existing Supply Chain Resources



Based on this assessment our supply chain is directly employing between 800 and 1,000 employees in the delivery of our current Year 4, AMP7 programme. Recognising that the AMP8 business plan was a 'step-up' in activity we commissioned an independent detailed analysis of the direct labour demands requirements for our AMP8 programme. The results of which are summarised in Figure 20⁶:

Figure 20: Forecast labour demand from SWW planned AMP8 Capex Spending

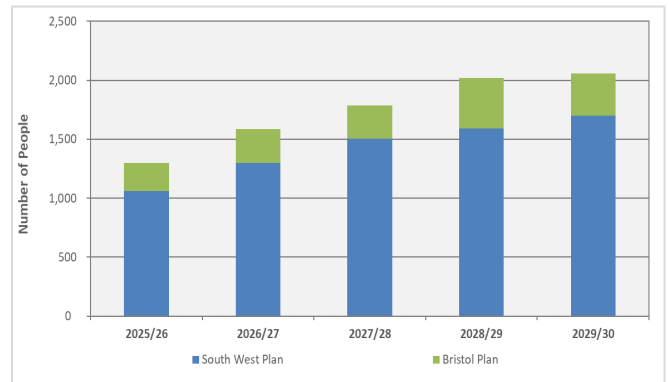


⁶ South West Water: Construction Skills Forecast August 2023 – Whole Life Consultants (WLC)

Modelling and forecasting future labour demand as a function of the value of work undertaken to date and as a factor of future capital spend and summarised in Figure 20 which provides the breakdown of resources required for AMP8 by discipline. The report produced by our independent expert outlined the construction skill gaps and pinch points that would need to be addressed.

Figure 21 illustrates the forecasted labour demand arising from the planned Capex spend broken down by regional operations demonstrating that most of the construction activity would be occurring in the SWW area.

Figure 21: Forecast labour demand arising from the planned Capex spend broken down by regional plan.



The analysis from our external provider identified within Figure 22 and Table 8 the estimated amount of jobs that will be created annually as a direct result of our strategic investment programmes.

Figure 22: Forecast labour creation by strategic investment programme through AMP8.

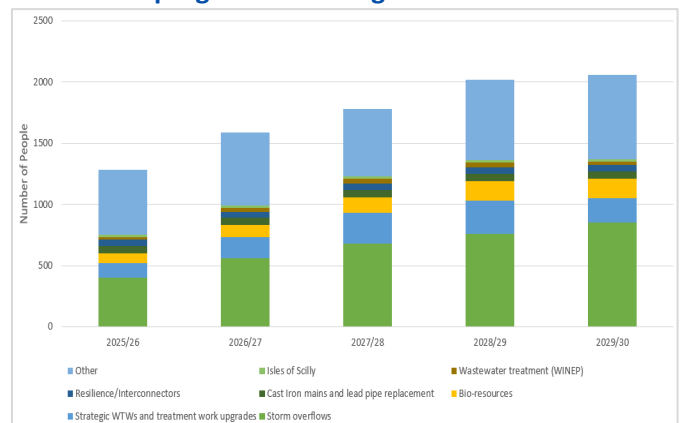


Figure 22 and Table 9 illustrate the breakdown of resources required for AMP8 because of our investment programmes, providing an indication, of the potential construction skill gaps and pinch points that may need to be addressed.

Table 9: Forecast labour creation by strategic investment programme through AMP8

SIP grouping	2025/26	2026/27	2027/28	2028/29	2029/30
Storm overflows	400	560	680	760	850
Strategic WTWs and treatment work upgrades	120	170	250	270	200
Bio-resources	80	100	130	160	160
Cast Iron mains and lead pipe replacement	60	60	60	60	60
Resilience/Interconnectors	50	50	50	50	50
Wastewater treatment (WINEP)	20	30	40	40	30
Isles of Scilly	20	20	20	20	20
Other	530	600	550	660	690
Total	1,300	1,580	1,790	2,020	2,060

We intend to resolve 100% of storm overflows at beaches by 2030, part of a 15-year investment programme.

Table 10 shows the breakdown of average annual labour demand by occupation for SWW over the 2025/26-2029/30 investment period. There are fewer than 28 occupational groups shown in this table because not all the occupations are required for SWW projects (for instance plasterers and glaziers). The numbers have been rounded to the nearest 10 to avoid an unjustified sense of accuracy.

Table 10: Forecast average labour demand by occupational group for AMP8

Occupational group	Average South West Water demand 2025/26 – 2029/30
Non-construction professional, technical, IT, and other office-based staff (excl. managers)	300
Other construction professionals and technical staff ²	220
Other construction process managers ³	140
Labourers nec	140
Senior, executive, and business process managers	120
Civil engineers	110
Civil engineering operatives nec	80
Construction Trades Supervisors	70
Plant operatives	70
Specialist building operatives nec ⁴	60
Wood trades and interior fit-out	60
Plumbing and heating, ventilation, and air conditioning trades	50
Construction project managers	50
Plant mechanics/fitters	50
Surveyors	40
Steel erectors/structural	40
Electrical trades and installation	30
Building envelope specialists ⁵	30
Logistics	30
Bricklayers	20
Non-construction operatives	20
Scaffolders	20
Architects	<10
Total	1,750

Labour Demand in Context

It is important to consider the labour demand forecast to deliver the SWW AMP8 Capex spend in the context of the wider pool of construction labour in the South West region. On average, the wider construction industry is expected to employ around 235,660 people per year in the South West between 2023 and 2027⁷. On average, SWW projects could engage around 0.7% of the total average South West construction workforce over the 2023-2027 period. However, because the mix of occupations required for SWW and the existing workforce in the region will vary, we have considered the following two measures to put the SWW workforce in context and identify potential mismatches in skills.

- The **average demand for labour by occupation in the wider construction sector**. This is taken from the CITB Construction Skills Network Forecast forecasts and averaged over the period 2023-2027.
- The **annual recruitment requirement (ARR) for each occupation in the construction sector** for the short term from 2023-2027. The ARR considers current workforce flows into and out of construction, such as movements between industries, migration, sickness, and retirement. The ARR indicates the number of new employees, in addition to current labour flows (i.e., over and above that which may be expected to occur naturally based on past data), that would need to be recruited into construction each year to realise forecast output. Due to the paucity of data, flows from training are not included. This considers the forecast labour demand across the region and projects which are due to start and complete in the period to 2027.

We have used the 2023-27 forecasts because these are the latest which are available. Figure 23 shows the average SWW demand as a percentage of the average 2023-2027 labour demand across the whole construction sector in the South West. This shows that in the South West, civil engineers on SWW projects account for 4.0% of the overall civil engineers in the South West. This is not because of a particularly high demand for civil engineers in the SWW pipeline but because of relatively low numbers in the wider industry in the South West.

⁷ CITB, 2023. CSN Industry Outlook - 2023-2027. <https://www.citb.co.uk/about-citb/construction-industry-research-reports/construction-skills-network-csn>

Figure 23: SWW average labour demand as a percentage of the total South West average demand 2023-2027

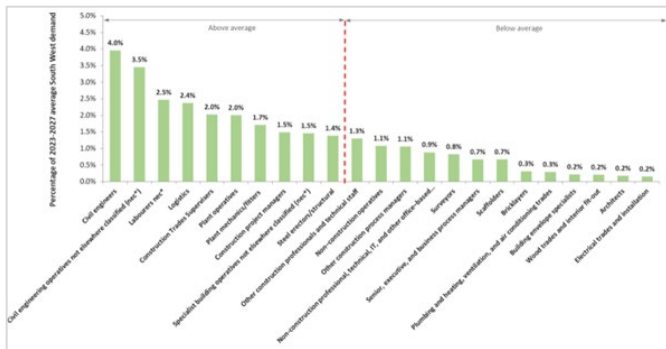


Figure 24 shows the average annual recruitment requirement for each of the 17 relevant occupational groups which have an ARR of more than zero as a percentage of the average total South West construction industry demand for that occupation over the period 2023-2027. This analysis is independent of the SWW pipeline and reflects the wider industry pressures. It shows that architects and civil engineers have the highest share of ARR in the South West.

Figure 24: Average annual recruitment requirement as a percentage of the average 2023-2027 wider industry demand in the South West

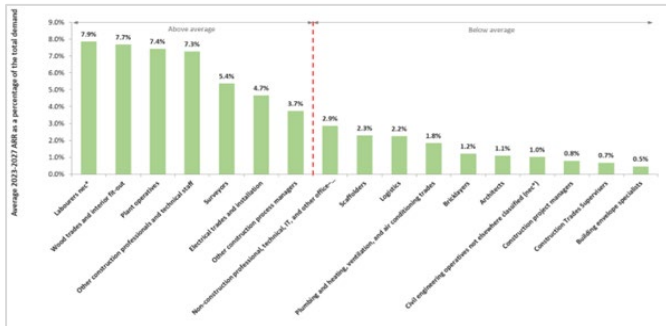


Figure 25 outlines the measures used to describe possible pressures on skills and therefore to identify occupations at risk of skills mismatches. Four measures have been considered:

- The average annual demand associated with the delivery of the SWW AMP8 – Capital Delivery plan.
- The average annual SWW demand as a proportion of the South West construction workforce.
- The South West average annual recruitment requirement (ARR) for each occupation; and
- The share of workforce working in construction.

Figure 25: Measures used to describe pressures on labour

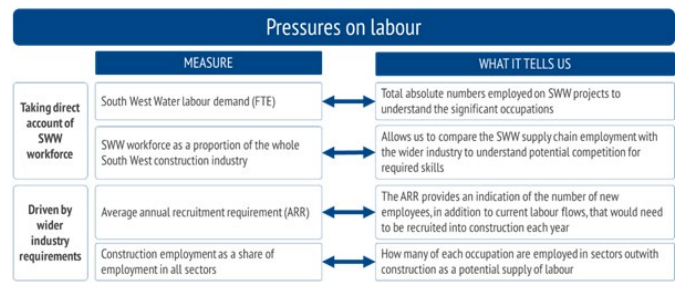


Table 11 outlines the key measures for those occupations which have:
 i) a greater than average ARR; and
 ii) a greater than average SWW share of the wider industry.

These are therefore the relevant occupations which are at most risk of a mismatch of skills in the South West and might be considered high priority. We have also provided in the tables the size of the wider pool of labour in other sectors that construction sector employers might draw on. This is indicated by the 'construction employment as a share of employment in all sectors. A low construction sector share suggests a large potential pool of labour and skills from other sectors which construction sector employers could draw on. This is based on an analysis of the standard occupational classification and standard industrial classification Labour Force Survey Data⁸ from 2019.

Table 11: Key occupational pressures in South West – High priority

Occupation	South West Water supply chain labour demand (Average 2025/26 - 2029/30)	Forecast South West construction industry demand (Average 2023-2027)	SWW supply chain as a proportion of the whole South West construction industry	Annual Recruitment Requirement* (average 2023-2027) for the entire South West construction industry ⁹	Construction employment as a share of employment in all sectors (2019 - UK wide)
Other construction professionals and technical staff (non-civil engineering engineers (eg MEICA ⁹) & all technicians)	220	17,070	1.3%	1,240 (7.3%)	25%
Other construction process managers (incl. production & distribution managers and HSE)	140	13,080	1.1%	490 (3.7%)	3%
Labourers nec	140	5,480	2.5%	430 (7.9%)	81%
Plant operatives	70	3,500	2.0%	260 (7.4%)	28%
Surveyors	40	5,400	0.8%	290 (5.4%)	73%

South West Average ARR = 3.2% (typically ARR >2.5% require attention; Source: CITB)
 Δ Values in brackets refer to the ARR as a percentage of the average 2023-2027 South West construction industry demand

⁹Mechanical, electrical, instrumentation & control, and automation

⁸<https://www.ons.gov.uk/surveys/informationforhouseholdsandindividuals/householdandindividualsurveys/labourforcesurvey>

Table 12 outlines the key measures for those occupations which have:

- i) some ARR; and
- ii) a greater than average SWW share of the wider industry.

These are therefore the relevant occupations which are potentially at risk of a mismatch of skills in the South West along with those listed in Table 9 and considered a medium priority.

Table 12: Key occupational pressures in South West – Medium priority

Occupation	South West Water supply chain labour demand (average 2025/26 - 2029/30)	Forecast South West construction industry demand (Average 2023-2027)	SWW supply chain as a proportion of the whole South West construction industry	Annual Recruitment Requirement* (average 2023-2027) for the entire South West construction industry ^Δ	Construction employment as a share of employment in all sectors (2019 - UK wide)
Non-construction professional, technical, IT, and other office-based staff (excl. managers)	300	33,940	0.9%	970 (2.9%)	5%
Civil engineering operatives nec	80	2,430	3.5%	<50 (1.0%)	43%
Construction trades supervisors	70	3,690	2.0%	<50 (0.7%)	48%
Construction project managers	50	3,140	1.5%	<50 (0.8%)	77%
Logistics	30	1,110	2.4%	<50 (2.2%)	4%

* South West Average ARR = 3.2% (typically ARR >2.5% require attention; Source: CITB)

^Δ Values in brackets refer to the ARR as a percentage of the average 2023-2027 South West construction industry demand

Table 13 outlines the key measures for those occupations which have a greater than average SWW share of the wider industry but for which there is no ARR in the region. Given the high relative demand for these occupations on SWW projects there remains a risk of a mismatch although the absence of a wider industry ARR means that these occupations are considered a lower priority.

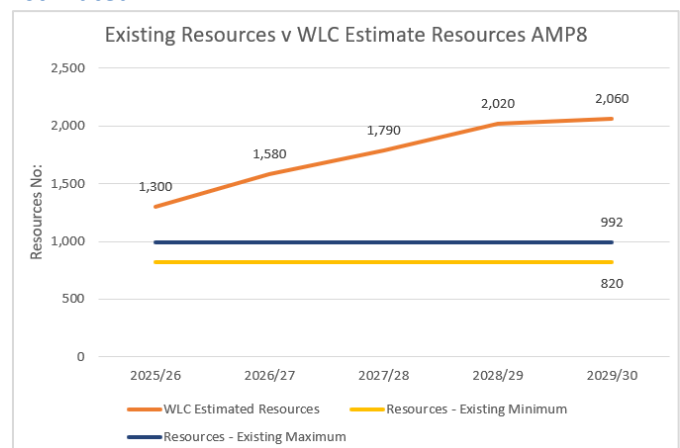
Table 13: Key occupational pressures in South West – Low priority

Occupation	South West Water supply chain labour demand (average 2025/26 - 2029/30)	Forecast South West construction industry demand (Average 2023-2027)	SWW supply chain as a proportion of the whole South West construction industry	Construction employment as a share of employment in all sectors (2019 – UK wide)
Civil engineers	110	2,860	4.0%	71%
Specialist building operatives not elsewhere classified (nec*)	60	4,170	1.5%	43%
Plant mechanics/fitters	50	2,710	1.7%	9%
Steel erectors/structural	40	2,660	1.4%	18%
Non-construction operatives	20	1,890	1.1%	3%

⁹FTE multipliers and effects, reference year 2019 - Office for National Statistics (ons.gov.uk)

As highlighted previously, given the current economic outlook it is essential to create jobs as soon as possible. As displayed in Table 9 jobs created across AMP8 annually, of our proposed programmes, ‘Storm overflows’ and ‘Strategic WTW and treatment upgrades’ create the largest percentage of jobs over the five years in relation to their total investment. This is due to the nature of work, which requires shovel-ready jobs that can be deployed quickly. Through our estimates based on the percentage of investment spent per year, we have estimated that between 2025-30, up to 1,200 additional jobs over and above our existing supply resources will be created as a direct result of our proposed programmes (Figure 26).

Figure 26: Resource comparison – Existing v Estimated.



Recognising that there is the potential for some mismatches in particular occupational groups. The independent analysis conducted also evaluated the 28 construction occupational groups, identifying five areas where we and our delivery partners need to monitor and if necessary, implement appropriate actions to address.

Full Time Equivalent Multiplier and Effect

Every five years the Office for National Statistics (ONS) produces estimates of “Full Time Equivalent” (FTE) multipliers and effects.” These are produced at the level of industry groups, which are categorised by the SU114 codes⁹.

Table 14 – Type I FTE multiplier and effects are an extract of the most current employment multiplier and effects, showing the number for those industry groups that seem most relevant to our proposals.

Table 14: ONS (2022) "FTE multipliers and effects, Reference year 2019

SIC	Industry	Type I FTE Effect	Type I FTE Multiplier
E36	Water Collection, Treatment And Supply	6.566	1.899
E37	Sewerage	4.181	1.666
E38	Waste Collection, Treatment And Disposal Activities; Materials Recovery	12.325	1.919
F41 - 43	Construction	14.896	2.175
M71	Architectural And Engineering Activities; Technical Testing And Analysis	18.379	1.678

Through the engagement of our own employees and our delivery partners with local businesses in carrying out their duties we would anticipate that due to the larger scale of work and activity presented in AMP8 in comparison to AMP7 utilising the multiplier effect as outlined, which estimates that for every £1 million invested results in 20 to 35% flowing back into local businesses and industries supporting our mobilised workforce, we would expect to see increased local economic activity as a result.

The ‘FTE effects’ provide a mechanism intended to estimate the total amount of jobs created throughout the wider economy as a direct result of the per £1m invested. From this, we have been able to estimate that from our intended investment of over £2.0 billion approximately 24,500 jobs could be created across the wider regional economy.

The labour demand arising from our programme is low in comparison to the regional sector, but we also recognise that our programme provides the economic stimulus to address those who are inactive or unemployed and is a huge catalyst to regional growth and prosperity through direct delivery of the programme, environmental benefits achieved, growth of regional employment opportunities, development, and growth of new skills requirements to maintain new long-term assets.

Sustainable Legacy

In every aspect, SWW are focused on how to achieve the most sustainable outcomes for the communities, environment, and economy in which we operate. Operating in a very strict system of regulation in place to safeguard the best interests of its customers and the environment.

Our legacy must be sustainable as technological advancement and artificial intelligence are increasingly common, and the need for new organisational strategies and niche skills increases.

Employment and skills

Employment market flexibility and diversity have been steadily increasing, with more people than ever working in self-employment, part-time jobs, and under zero-hour contracts. An important consequence of these changes is ensuring the skills and talent for the future. As sustainability and the environment become more important, and as technological advancement and artificial intelligence are increasingly common in the workplace, new and niche skills become more important. STEM-based occupations, such as digital literacy and ICT skills, are emerging areas of focus that we and our delivery partners are working actively with organisations and academia to address.

Throughout this document, we have highlighted the initiatives that SWW supports and drives that result in the upskilling of the local labour market and provide local employment and training opportunities.

But regionally as an organisation, we are proud of our heritage however, we are cognisant that the South West of England can be a geographical challenge, restricting talent availability. We have proactively focused on delivering compelling incentives, such as remote work options, relocation packages, and a strong work-life balance to make the South West an attractive destination for our workforce and we are encouraging our delivery partners to reflect our approach. Furthermore, we have developed several approaches to talent attraction and business advocacy to support the organic growth of our region, including:

- Creation of the Pennon Academy in conjunction with the Department of Education to support entry into the workforce for skilled and professionals through tailored graduate & apprenticeship programmes.
- Armed forces covenant to support the transition of veterans into industry.
- Gold membership of 5% Club, currently achieving 10% as an internal target.
- Social mobility business partnership with other local organisations to help with the introduction of a regional workforce to our industry.
- 6-month work placement programmes across for individuals with low means background.



Creating a positive, enduring legacy for the Greater South West, through our delivery model is especially important to us, as demonstrated by the confidence demonstrated by our delivery partners, several of who are entirely new to SWW and our region.

We have the largest ongoing capital programme in the region and our mobilised model is bringing in talent and investment from across the country. In addition, with a 25,000 strong construction resource, mobilised in our region delivering Hinkley Point C we are uniquely positioned to use this capability and capacity as Hinkley's heavy construction ramps down.

In the meantime, we have been actively working with our supply chain partners to profile future resource requirements and resourcing strategies. We have identified other regional projects in the South West and are developing plans to capture this resource to provide regional continuity as well as support our future resource requirements.

Local young people – attracting the next generation to our industry.

Early education and formal training programmes are vital for nurturing skills, fostering career growth, and strengthening our local economy. We pride ourselves on setting a solid foundation for lifelong learning and providing direct experience to bridge the gap between education and employment.

We have recently doubled our apprenticeship and graduate recruitment targets and launched an ambitious work experience programme to further support our social mobility and community plans.

As an organisation we will be responsible for 5000 work placements before 2030 (Figure 27) within our environment & engineering functions, we believe this is vitally important in helping young people understand our business and the water industry and supporting them in their early careers.

This exciting new venture will provide a solid foundation to support future years' early career recruitment.

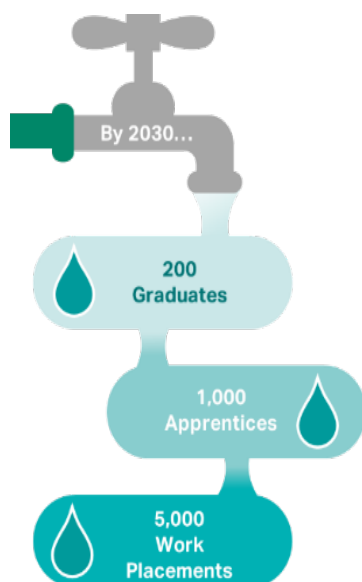
Figure 27: Estimated Number of Early Careers work placements 2023-2030



An additional benefit includes the development of a new programme promoting a range of offerings.

The programme is developing new partnerships with local schools and colleges and broad business support to highlight our exciting company:

- Partnering with the Social Mobility Business Partnership to support disadvantaged youngsters into work placements.
- Implementing a phased growing programme allows for important lessons to be learnt and partnerships to be established supporting PR24.



We believe that we need to tap into the enthusiasm of our young people and increase their awareness of the opportunities within engineering and their drive to be more environmentally conscious we have been working with the Smallpeice Trust to shape a brighter future for the younger generation and advancing careers in the field of engineering. Through a partnership with The Smallpeice Trust, we are making an important contribution to the development and nurturing of local talent, and actively addressing the crucial skills pipeline required for the future of engineering.

“South West Water’s dedication to education, collaboration, skills development, and diversity in engineering is commendable. Their support of our charitable programmes exemplifies their commitment to nurturing young talent and fostering innovation in the water industry and other STEM sectors.” – James Pountney, Head of Corporate Partnerships at The Smallpeice Trust (incorporating Arkwright Engineering Scholarships).

Skills Academy with partners – growing and developing our own talent.

At the heart of any great business are the people who work in it. With over 3,000 employees, our people strategy is centred around talented people doing wonderful things for customers and each other. Our responsibility is one of stewardship for sustainable living, supporting communities, customers, and the environment to thrive, now and into the future.

- We have a strong people development focus which starts with regular 1-to-1 ‘STREAM’ meetings focusing on individual development needs. This is supported by internal and external skills development and training opportunities.
- Further to the above we use this process to identify and nurture future leaders in our business.
- The company has actively looked at succession planning by building skills in its members and encouraging their growth. This has supported other metrics with the business having a low staff turnover in the single digits at 8%. We are actively building our skills academies to encourage people into the sector post-retirement from other early occupations (e.g., Veterans).

- SWW actively supports the development of employee well-being and shares this information with our supply chain. We believe well-being is important for our entire ecosystem and support knowledge share by allowing and encouraging our suppliers and partners to partake in SWW led webinars and initiatives e.g. (Financial Wellbeing, Mental Health, workshops).
- We further augment our engineering capability by drawing in resources from around the country providing a rich tapestry of experiences driving better outcomes and learning to our existing team.
- Further to this and when required we work with our partners to access additional resources from within their organisations both within the United Kingdom and offshoring support providing quality solutions to our customers at the most affordable levels supporting better program resilience.

Supporting our external accreditation as a ‘Great Place to Work’ is a series of corporate volunteering events to support our group priorities of water, youth, and the environment.



As a Top 100 apprenticeship employer in the country, we are committed to building and developing organic talent through focused partnerships with local schools and colleges in specific areas including water analytics, testing, and servicing. Our target is to support 100 apprentices each year with 50 being new starters and 50 being upskilling our existing employees.



Our Green Recovery Initiative includes a plan to create up to 500 new jobs to support the local economy and to develop new green skills.

Whilst it is important to source new talent from outside, we have a strong commitment to investing in the development of our employees and in building and recognising talent across the Group. Throughout 2023/24, we delivered 15,458 training days for our 3,143 employees, ensuring that on average each employee received 36 hours of training – 5 days.



Apprentices and Graduates

Across the Group, we have developed a coherent approach to leadership, culture, talent, and skills development which will not only help us unlock the full potential in our business, ensuring we are match fit today, but also in anticipation of future challenges.



We are delighted that our apprenticeship programme was recognised for Large Employer of the Year at the regional finals and was also awarded Highly Commended in Recruitment Excellent category; confirming the high-quality programme we offer and highlighting the talented apprentices we have.

Detailed below are our flagship initiatives and performance metrics that we are particularly proud of achieving:

- We have doubled our early careers targets and merged the Bristol Water and Pennon programmes, which equates to raising our apprenticeship target from 500 to 1000 by 2030.
- Last year we supported 141 new apprentices across the Group. The total number of new apprentices we have supported since 2021 is now 342; ahead of schedule to achieve our 2030 target.
- Creating a broader apprenticeship programme in addition to completing individual qualifications.

- Doubled our graduate recruitment targets from 100 to 200 by 2030. Currently receiving close to 1000 applications for the graduate programme year on year.
- 74% of graduates are female and we currently have an intake this year of 32, up on 20 from last year.
- Further developing our employer brand for specifically recruiting quality apprentices and graduates.
- We are undertaking a marketing drive with our alliance partners to further attract people into our workforce to support resilience and provide societal benefits for the region.

Our Culture

Whilst we are a water business, we are also a people business. With the acquisition of Bristol Water, and in advance of our PR24 submission, we have been looking at our culture and values, the “golden thread” that focuses on not just what we do, but why and how we do it.

Over the past few months, we have been conducting stakeholder interviews, leadership sessions, sessions with our trade union and employee forums as well as undertaking external and competitor desk research.

Our findings led us to several key insights. We are already a committed values based and driven business, but there is no doubt our people are feeling the effects of the media spotlight and that has been tough on them given their passion for what they do. Galvanising teams and individuals with a reason to think and act differently is an opportunity. Interestingly, in the sector, all values we looked at, all said and looked the same. In the sessions we held, three themes emerged around Trust, responsibility and being future focused. We believe our new values are powerful. Not only will they help us be the absolute best we can be, as individuals, teams and as a business, but there is an added dimension with an external focus on being rock solid in the way we act and build trust.



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



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



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

Employee Engagement and Ownership

Giving our colleagues a voice is important. In 2022 we relaunched our employee forum. RISE our new colleague engagement forum means that all colleagues have representation through 100 representatives at local and company levels. Their feedback and suggestions are heard by the Executive Committee members and are highly valued.

Colleagues are also able to have a stake and a say in how we run our business through our HMRC approved share schemes. Participation across the business is high and we will be exploring options to maximise this.

Our reward strategy plays an important part in ensuring we can retain and attract the best talent to the organisation:

- As one of only 13,000 Living Wage employers in the UK we ensure that everyone who works for us gets paid fairly for the work they do and to ensure that pay meets every day needs.
- Employers are rewarded for their contribution to the success of the business through bonus arrangements which focus on customer delivery linked to the 4-priority areas for customers and communities.

Advancing Industry Knowledge

Spring – UK Water Innovation Centre of Excellence. Established by industry to facilitate collaboration and knowledge share within the water community. SWW presented views in August 2023.

Diversity and Equality promotion

Diversity and equality are paramount in our business. Our diverse workforce brings varied perspectives, creativity, and innovation and enhances problem-solving in our sector.

Continued focus on equality ensures that all our staff are valued, and opportunities are accessible to all, fostering a culture of inclusion and fairness that drives success and sustainability in the region. Diversity initiatives that go beyond legal compliance and supporting a diverse workforce are detailed below:

- **Launched our new employee networks** – Employee networks play a key role in encouraging and supporting employees in bringing the best version of themselves to work, contributing to an inclusive environment, and building a sense of community. The nine employee network groups support Race, Ethnicity and Cultural Heritage, LGBTQ+, Women, Menopause, Grief, Financial Wellbeing, New Parents, Carers and New Starters.
- **Apprenticeship and Graduate Management Trainee programmes** – Our industry is predominantly male and our focus on targeted recruitment of graduates and apprentices has led to a high female recruitment rate, which is higher than our business wide targets.
- **Energy and Utilities Skills Partnership** – We are a member of this partnership which aims to ensure a safe, skilled, diverse, and sustainable workforce in the sector.
- **Female mentorship programme** – We offer female mentorship programmes for middle and senior managers aimed at helping to develop a broader pipeline of women and balance the gender diversity pyramid at all levels of the business. This contributes to the 30% club of which we are members.
- **Graduate Management Trainee mentorship programme** – All our graduate management trainees have been offered a mentor within the business.

- **Professional Development Programme** – Formalised training has been rolled out supporting our programme of Unconscious Bias training to all our senior leadership and hiring managers this year. In 2020, we pledged our support to the Change the Race Ratio initiative, a campaign to increase racial and ethnic participation in senior leadership of companies, as a route to encourage more diversity at all levels and was the first water company to do so.
- **Veteran support and re-skilling** – We are active members of the Armed Forces covenant to support the transition of veterans into industry.

During 2022/23 our pledge and ongoing commitment continued to help shape our business activities and decisions. As a proud sponsor of the 10,000 Black Intern initiative, we completed nine internships which provided opportunities for individuals to experience working in their chosen career functions.



As one of the largest employers in the greater South West, we have a responsibility to promote social mobility, address inequality and drive inclusivity across our region. We published our gender pay gap report for the sixth year and we are delighted to voluntarily publish our very first Ethnicity Pay Gap report:

- The mean gender pay gap in Pennon Water Services were improved by nearly 10% with an improvement of 1.38% in the mean gender pay gap in SWW. This has led to a mean gender pay gap of 8.41% for Pennon Group overall with the median gender pay gap improving by 3%. Compared to an industry average of -1.810 %, and 12.7% in the region.
- Since the 2021 report, the composition of the Group further evolved welcoming over 500 additional colleagues. The first year of including Bristol water in the Pennon Group results. 2022 mean and median pay gaps have both seen an improvement demonstrating positive steps in the right direction.

¹⁰ ONS SIC07 Industry Pay gap.

Recognising that diverse teams are the most successful and by using detailed analysis, we have been:

- Checking all our job adverts for masculinity to reduce the potential risk of alienating female applicants (28% of job applicants were female).
- Ensuring a considerable proportion of our images used in the adverts are of ethnically diverse employees, encouraging more diverse candidates to apply. Around 26% of applicants were ethnically diverse and this figure has continued to rise year on year.

We understand the importance of inclusion in retaining our people, ensuring our employees feel valued, have a sense of belonging and feel able to be themselves. Following the acquisition of Bristol Water, we continue to work hard to build a sustainable workforce underpinned by our investment in new talent programmes with focused support and development for our female colleagues and colleagues from underrepresented backgrounds:

- Ranked 1st in the utility section of the FTSE Women Leaders Review.
- We are one of a handful of top FTSE businesses to have both a female CEO and Chair and have more women on the Board than men for the first time in Pennon's history.
- Ranking in first position in the Utilities section of the FTSE Women Leaders Review, exceeding the 40% target.
- During the last year, the percentage of the Executive Committee and direct reports (increasing to 47.2% from 44.4%) and the percentage of women on the Board (increasing to 55.6% from 42.9%), and we achieved the 7th highest score in the FTSE 250.
- Female representation across the whole group has increased to 31.4% this year from 29.5%, listed in the 2023 Bloomberg Gender Equality Index, as one of almost 500 companies globally committed to disclosing their efforts to support gender equality through policy development, representation, and transparency.
- Over the last two years, we have increased our proportion of ethnically diverse employees significantly, from c.0.5% to 3%.

- Held Lived Experience group sessions to understand what it is like to work at Pennon for employees from minority groups. The outputs were shared with our Diversity Committee to understand these perspectives and consider appropriate actions when issues are raised.
- Proud to be a Disability Confident employer.
- Member of 30% Club, committed to increasing gender diversity in our boardrooms and business.

Case Study

Our actions speak louder than words – Meg Ginsberg – Apprentice Project Manager

"In 2022, I started as an Apprentice Project Manager in the Infrastructure Team at South West Water (SWW) and commenced my Level 4 APM Project Management Qualification.

I manage various drinking and waste water schemes across Cornwall and Devon, installing new pipework and other underground assets. One of my schemes at Budleigh Salterton aims to improve bathing water quality, through upsizing the network storage. Through this project, I have learnt to mediate the communication between designer and contractor, contribute to the development of the solution and manage site surveys. This will lead onto monitoring the project through construction to benefits realisation.

Implementing the UN Sustainable Development Goals¹¹ is core to my approach and has been the driving force towards my charity work, contributing to Goal 5¹² through my advocacy and support for the Young Women's Trust¹³ (YWT). The charity played a pivotal role in kick-starting my career through their 'Work It Out'¹⁴ Service.

From this insight into the charity's work, I met with Susan Davy, SWW CEO, to support my goal to improve the prospects of women in engineering. We have agreed a £25,000 corporate partnership between SWW and the YWT- working together to build a more equal and inclusive, workplace and industry. A key aspect of the

¹¹ [Our mission and work | Institution of Civil Engineers \(ICE\)](#) The infrastructure sector has a critical role to play in addressing these challenges and in creating a better future, using the UN Sustainable Development Goals as guiding principles. Accessed 26/04/2023.

¹² [THE 17 GOALS | Sustainable Development \(un.org\)](#) Goal 5- Achieve gender equality and empower all women and girls. Accessed 26/04/2023.

¹³ [Young Women's Trust \(youngwomenstrust.org\)](#) Young Women's Trust campaigns for young women's equality in the workplace, explore the issues that young women face such as the income gap and discrimination and, through our research, examine the challenges young women face. Accessed 19.04.2023.

¹⁴ [Get support | Young Women's Trust | Charity \(youngwomenstrust.org\)](#) Work It Out is a free service that offers support for women aged 18 to 30. It aims to unlock your potential by building skills, strong mental health and opening up opportunities through CV and job application support. Accessed 26.04.2023.

partnership is the recruitment of women into STEM through apprenticeships and graduate programmes, driving their progression and opening opportunities within the sector.

To promote an engineering career, I was interviewed by Devon and Cornwall Live¹⁵ about my apprenticeship journey, following the birth of my daughter and feet issues. Subsequently, I've had to adapt to life with a disability and using a wheelchair. By sharing my experiences, SWW are improving office and site accessibility, and increasing awareness and training.

I've established an enhanced project reporting tool, which communicates project progress to key stakeholders. This has had a tangible impact on multiple functional departments, sharing standardised information, that has led to better cooperation whilst eliminating duplication.

I'll continue to promote the opportunities for young, disabled women within Engineering".

Meg's work in unlocking young women's potential and addressing the stereotypical assumption that engineering is a male environment by ensuring all businesses build an equal workplace.

Meg has been volunteering with Young Women's Trust since August 2022. We're a charity that aims to champion young women aged 18 to 30 and create a fairer world of work. Meg joined our influencing planning group and has made a brilliant contribution to shaping our organisational priorities and campaigning work. She is articulate, thoughtful, and highly motivated. Both staff and fellow volunteers working alongside Meg have commented on her warmth and inclusive style – she supports others to contribute, listens as well as shares her own views and is highly collaborative.

It's also very clear that Meg is thinking strategically about how to support young women within South West Water and make the connections between her voluntary and professional work.

We have been hugely lucky to benefit from her obvious talents.

- Claire Reindorp, CEO, Young Women's Trust

Meg is a truly inspirational young woman who is trailblazing cultural change within South West Water and inspiring other young people to consider an engineering career in the water industry.

Meg sought out support from the Young Women's Trust to help her with her apprenticeship job application and based on her positive experience has been proactive in establishing a partnership to help share this same helpful service to other young women. Additionally, Meg has signed up to be an Apprentice Ambassador to further encourage young people to consider apprenticeships as a career choice. In addition, to being a successful Engineering Project Manager, Meg leads from the front in inspiring other young women to join the industry as we recruit the next generation of talented apprentices.

- Nigel Fenn MBE, Head of Early Careers, Pennon Group and Chair of the South West Apprenticeship Ambassador Network.

¹⁵[Young mum starts new chapter with South West Water apprenticeship - Cornwall Live](#)
Accessed 18.04.2023.