Task Force on Nature-Related Financial Disclosures

FOR THE YEAR ENDED 31 MARCH 2026

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EXECUTIVE SUMMARY

Northumbrian Water Limited recognises the critical interdependence between our operations and the natural ecosystems we rely on. As a water and wastewater company, our operations depend on natural capital, such as healthy rivers, wetlands, soils, and the ecosystem services these natural assets provide. We recognise that protecting and restoring nature is not only essential for the resilience of our services, but also for the communities we serve and the ecosystems within them.

We are committed to embedding nature-positive principles into our core business strategy to ensure we understand and manage the most material nature-related risks and opportunities that we face. This year, we have taken an important step in our journey to integrate nature into our decision-making processes: we are making our first disclosure using the Taskforce on Nature-related Financial Disclosures (TNFD) framework. The TNFD is currently a voluntary disclosure framework supported by the UK Government which is already being adopted in the UK water sector.

By adopting the TNFD framework and making our first disclosure, we demonstrate our commitment to sustainable water stewardship, environmental resilience, and transparent reporting. By integrating nature into our governance and strategic planning, we aim to protect and enhance the ecosystems that underpin our services and support thriving communities across our regions.

This report represents the starting point on our TNFD journey. It is written to highlight the areas where we already align with some of the TNFD recommendations based on existing information. We have also started to prioritise the actions we can take to improve our reporting and management of nature-related dependencies, impacts, risks, and opportunities to align with the TNFD more closely over time. This report is structured around the TNFD's four pillars: Governance, Strategy, Risk & Impact Management, and Metrics & Targets.

GOVERNANCE

- **First disclosure:** Oversight of nature-related risks and opportunities is embedded at the highest levels of our organisation. The Board of Directors, supported by the Environment, Social and Governance Committee (ESGC), ensures robust risk management and ethical governance. Our governance structure integrates nature-related considerations into strategic planning, supported by a comprehensive risk management framework and departmental registers.
- **Future disclosures:** Provide greater detail on aspects such as terms of reference, features of board-level oversight on nature-related issues specifically, how performance on nature-related issues are tracked and renumerated, and mapping our human rights, local communities, and stakeholder engagement policies and activities to the most material nature-related risks and opportunities we face.

STRATEGY

- **First disclosure:** Our long-term vision is guided by the *Restore and Regenerate: Our Environment Strategy to 2050*. This strategy sets out our environmental ambitions, along with a series of commitments and guiding principles – one of which is to prioritise natural solutions. We have undertaken an initial assessment to identify a range of physical and transition nature-related risks — such as climate change, biodiversity loss, and shifting stakeholder expectations — as well as opportunities to enhance ecosystem services and deliver biodiversity net gain. Scenario analysis using Representative Concentration Pathways (RCPs) helps us assess the evolving nature of these risks and opportunities across short- and long-term horizons. We also provided an initial analysis of priority locations. The work provides a valuable starting point for subsequent TNFD disclosures and represents an evolving picture.

- **Future disclosures:** We aspire in future to link these risks and opportunities to the impacts and dependencies we have on nature not only in our direct operations, but in our upstream and downstream value chain where possible, and distinguish these over the short, medium, and long-term, where evidence is available. We intend to use the TNFD's Locate, Evaluate, Assess and Prepare (LEAP) process to help identify which of these are the most material for NWL, clarify our definition of materiality for nature-related issues, and improve of analysis of priority sites to align with the guidance. This would update the risks and opportunities we have identified and is an important part of our adaptive planning approach.

RISK & IMPACT ASSESSMENT

- **First disclosure:** We have described the process used by NWL to identify, assess, prioritise, and monitor risks. This starts with understanding if they are emerging risks or principal risks, and those deemed significant enough are assessed within our corporate risk model. We show how our heat map provides a visual representation of our greatest risks by category, as currently assessed, in our corporate risk model. We highlight that nature-related risks, impacts and dependencies are relevant across the majority of these categories, and that there is not currently a separate category for nature-related risks within the heat map. We also describe how nature-related issues are managed through our Environment and Sustainability Risk Register, and through strategies such as our Water Resources Management Plan (WRMP) and Drainage and Wastewater Management Plan (DWMP).
- **Future disclosures:** Future TNFD reporting will consider mapping the risks in our heat map to our most material nature-related impacts, dependencies, risks and opportunities identified by undertaking the TNFD's Locate, Evaluate, Assess, Prepare (LEAP) approach. This would help demonstrate the extent to which these are already captured in the existing model and inform any updates to our corporate risk model or their categorisation. This will also be undertaken for the Environmental and Sustainability Risk Register.

METRICS & TARGETS

- **First disclosure:** In our first TNFD disclosure, our reporting on our nature-related metrics and targets is focused on our existing regulatory targets, internal company scorecard, and our existing environmental commitments. We describe how our these are aligned with the UK Government's Environmental Improvement Plan (EIP). This demonstrates we already have processes in place for monitoring metrics and targets, some of which are nature-related, and therefore provides a strong starting point for aligning with the TNFD over time.

- **Future disclosures:** Future TNFD disclosures will consider undertaking an exercise to map these targets and commitments to the most material nature-related risks and opportunities identified through a LEAP assessment. They should also be mapped to the TNFD's core and additional sector disclosure metrics. This would help inform whether our existing metrics and targets are sufficient for monitoring and managing the most material nature-related impacts, dependencies, risks and opportunities we face, and inform updates to these where appropriate.

CONCLUSIONS AND NEXT STEPS

Our first TNFD disclosure establishes a starting point for reporting on our approach to managing nature-related impacts, dependencies, risks and opportunities. By providing a baseline position across all four TNFD pillars, we have been able to prioritise the actions we need to take to improve our alignment with the TNFD framework to improve how nature is incorporated into decision making.

These actions include developing a structured roadmap and scorecard for TNFD adoption, developing a high level diagram of our value chain, and screening our nature-related dependencies and impacts using the TNFD guidance. This would then inform a focused LEAP exercise to refine our nature-related risk and opportunity analysis and management process, and strengthen integration with other sustainability reporting processes such as CFD.

These next steps will not only improve the alignment of our TNFD disclosures with industry standard guidance and improve sustainability reporting transparency. They are crucial to our ambition to reduce environmental impacts while actively contributing to the restoration and regeneration of the natural systems on which the business and its communities depend.

1. INTRODUCTION

At Northumbrian Water Limited (NWL) we provide water and wastewater services to 2.7 million customers in the North East of England, and water services only to 1.8 million customers in Essex and 0.3 million customers in Suffolk.

As a water and wastewater company, our operations depend on natural capital, such as healthy rivers, wetlands, soils, and the ecosystem services these natural assets provide. We recognise that protecting and restoring nature is not only essential for the resilience of our services, but also for the communities we serve and the ecosystems within them. We are embedding nature into our long-term planning and decision-making to ensure we understand and manage the most material nature-related risks and opportunities that we face.

Nature-related risks are potential threats due to dependencies and impacts we have on nature, while opportunities are activities that create positive outcomes by avoiding or reducing our impact on nature, or contributing to its restoration. Examples of nature-related risks could include increasing treatment costs due to declining raw water quality caused by erosion of riverbanks and by wildfires on degraded peatlands, both exacerbated by biodiversity decline. River restoration and peatland restoration could form part of a nature-based solution to these issues and also presents opportunities to build stronger relationships with our stakeholders and communities we serve. Nature risks and opportunities may also originate in our supply chain, such as water scarcity affecting the production costs of materials we provide, or biological hazards affecting the operations of our suppliers.

Due to the nature of our business operations, we plan for the long-term to enable us to shape our approach looking at future scenarios, such as climate scenarios. Because we cannot predict the future, our plans take an adaptive planning approach to optimise interventions over time, ensuring that options are kept open until there is sufficient clarity around the best course of action. By embedding nature into our governance structure and long-term plans, we aim to protect the environment we rely on while supporting more sustainable services for the communities we serve.

This year, we have taken an important step in our journey to integrate nature into our decision-making processes: we are making our first disclosure using the Taskforce on Nature-related Financial Disclosures (TNFD) framework. The TNFD is currently a voluntary disclosure framework supported by the UK Government which is already being adopted in the UK water sector. This is in anticipation of it becoming incorporated into mandatory sustainability reporting requirements over time. The advantage of using the TNFD now is that it will position us ahead of mandatory requirements and aligns with our vision is to be the national leader in the provision of sustainable water and wastewater services.

Restore and Regenerate: Our Environment Strategy to 2050 highlights how we put natural solutions first and our commitments to support nature and regeneration while still operating to meet the needs of our customers. The TNFD framework provides a structured approach to identify, assess, manage, and disclose ‘material’ nature-related dependencies, impacts, risks, and opportunities for NWL. These are the nature-related issues that matter most for delivering our core services to the communities we serve and are crucial to both our financial and environmental performance. Aligning with the TNFD recommendations will therefore help us to demonstrate value for customers' money by ensuring action is focused strategically on the most material nature-related issues.

This report represents the starting point on our TNFD journey. It is written to highlight the areas where we already align with some of the TNFD recommendations[1]. It reflects our commitment to understanding and managing nature-related risks and opportunities that materially affect our business. This report is structured using the TNFD's four pillars: Governance, Strategy, Risk & Impact Assessments, and Metrics & Targets. It explores these in relation to the nature-related risks and opportunities we are currently aware of based on existing information. This has helped us to prioritise what actions we can take to improve our reporting and management of nature-related issues to align with the TNFD more closely in the future. These priorities are set out in the conclusions and next steps chapter.

2. GOVERNANCE

This section discloses our governance of nature-related dependencies, impacts, risks and opportunities.

2.1. BOARD OVERSIGHT OF NATURE-RELATED ISSUES

At Northumbrian Water, we have strong governance, assurance, and risk management arrangements in place, which are overseen by the Board of Directors of NWL, its Committees and Sub-Committees, as demonstrated in the diagram below. The Board, supported by its Committees, has overall responsibility for risk management, which includes the management of nature-related risks and opportunities. The Board monitors the management of risks and approves major decisions affecting the NWL's risk profile. Figure 1 below illustrates the structure.

Future TNFD reporting will build on this to demonstrate in greater detail how nature-related risks are considered by the Board and Committees. This will include describing their terms of reference, the main features of board-level oversight on nature-related issues, whether and how performance metrics on nature-related issues are tracked and if they are incorporated into renumeration policies. This will also include the processes by which the board or committees are informed about nature-related issues, and board level competency and any training on nature-related issues.

[1] The TNFD's final recommendations were set out in September 2023 and can be accessed at https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/

Figure 1: Structure of NWL Board, Executive Leadership Team, and Committees

Northumbrian Water Limited
Board of Directors

Northumbrian Water Limited's (NWL) Board has full responsibility for all aspects of the Group's business, including the freedom to set, and accountability for, all aspects of NWL's strategy.

Executive Leadership Team (ELT)

Everyday business relationships are managed by the ELT under the supervision of the Board.

Audit Committee

The role of the Audit Committee (AC) is to assist the members of the Board of the NWL and its subsidiaries to discharge their individual and collective responsibilities in relation to financial accounting systems, regulatory reporting systems, and assessing integrity of financial controls.

Environmental, Social & Governance Committee

The role of the Environmental, Social & Governance Committee (ESGC) is to assist members of the Board fulfilling its oversight responsibilities relating to ESG matters. The committee comprises at least two shareholder nominated representatives, at least two NWL INEDs and the CEO. The Committee oversees key sustainability topics that underpin the delivery of our Long-Term Delivery Strategy.

Nominations Committee

The role of the Nominations Committee is to ensure the Board and its committees possess the appropriate balance of skills, knowledge, experience, and diversity to function effectively.

The committee acts under a policy approved by the Board to manage the composition of the Board and senior management.

Remuneration Committee

The role of the Remuneration Committee is pivotal in ensuring that our remuneration strategy is robust and intrinsically linked with the sustainable delivery of exceptional value to all of our stakeholders. Key to this is the delivery of a balanced set of targets spanning our five strategic priorities.

Risk & Compliance Sub Committee

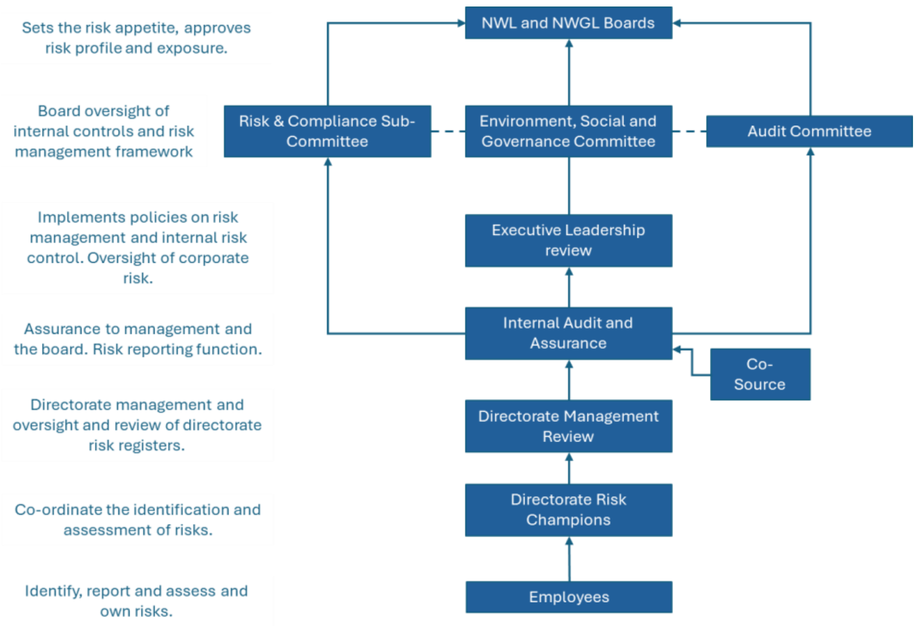
The role of the Risk & Compliance Sub Committee (R&CSC) is to assist the CEO, Non-Executive Directors, and INDEDs, to discharge their individual and collective responsibilities in relation to assessing the scope and effectiveness of the Group's risk management systems and the integrity of its financial controls.

2.2. MANAGEMENT'S ROLE IN ASSESSING AND MANAGING NATURE-RELATED DEPENDENCIES, IMPACTS, RISKS AND OPPORTUNITIES

NWL's Risk Management Framework sets out our process for identifying, analysing, and evaluating all risk across the business. The Board is responsible for ensuring management identify and assess the impact of risks to the business using a corporate risk model. The Executive Leadership Team (ELT) implements policies on risk management and internal control and ensures that risks are appropriately identified and managed within the business. The corporate risk register, comprising significant risks, is reviewed monthly by the ELT and at each meeting of the Risk & Compliance Sub Committee (R&C SC). The emerging risk register, which includes foreseeable risks, is reviewed by a sub-group of the board annually whilst also being reported to the R&C SC at each of their meetings. The Environment, Social and Governance Committee (ESGC) has the oversight, responsibility and specific duties of environment, social and governance aspects of our organisation to ensure that the company is run ethically and transparently.

Figure 2 below describes NWL and Northumbrian Water Group Limited's (NWGL) overall approach to risk management and responsibilities of various groups within the process.

Figure 2: NWL and NWGL risk management approach and responsibilities



The board is actively involved in approving all strategic plans, including our Drainage and Wastewater Management Plan (DWMP) and Water Resources Management Plan (WRMP). These plans require the board to oversee the consideration of long-term scenarios to ensure resilience and sustainable water and wastewater services. This includes anticipating future environmental challenges and identifying opportunities to enhance the natural environment through integrated planning. Further details on our long-term plans such as our DWMP and WRMP can be found in Section 3.4 Long-Term Plans.

Our Annual Report details our overall risk management at board level in further detail. Please see here to read more.

In future, our TNFD reporting will be expanded to disclose which nature-related impacts, dependencies, risks and opportunities are considered by the three committees and through the DWMP and WRMP processes.

2.3. APPROACH TO HUMAN RIGHTS, STAKEHOLDER ENGAGEMENT, AND LOCAL COMMUNITIES

The TNFD framework recommends that organisations disclose their approach to Human Rights, engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in their assessment and response to nature related issues.

At NWL, the overall responsibility for human rights and modern slavery law and best practice lies with our CEO, with oversight from the board. We are legally required to publish an annual “slavery and human trafficking statement” pursuant to the Modern Slavery Act 2015, for each financial year. This is annually reviewed and approved by the NWL Board before being published on the NWL website and can be found here in our Modern slavery statement.

We are committed to working ethically, including with our customers, communities, colleagues, stakeholders and suppliers, in line with our Code of Conduct, Our Code for Working Ethically with Integrity. This code reflects our values and ensures we do the right thing every day.

We operate a robust system of internal risk assessment and control which helps us to enhance the efficiency of our operations and the reliability of internal and external reporting, as well as helping us to comply with laws and regulations. NWL is committed to continuously improving our risk management systems. We have a structured risk model which helps us to effectively identify and manage risk across our business. This system includes the identification and management of nature-related risks and opportunities on not only our operations, but the people we work with and alongside.

Restore and Regenerate: Our Environment Strategy to 2050 was tested with external experts and stakeholders representing environmental groups. This enabled us to shape our strategic direction, use common language, and make sure our priorities are up to date with those of our stakeholders. Our strategy demonstrates how our priorities were set with stakeholder input. A partnership mindset was highlighted within the strategy as essential for working collaboratively with stakeholders to deliver restoration and regeneration.

In future TNFD reporting, the interactions and linkages between our most material nature-related issues will be mapped on to our human rights, local communities, and stakeholder engagement activities, and where these apply to our value chain.

3. STRATEGY

This section outlines our long-term strategies and plans, and discloses the effects of nature-related dependencies, impacts, risks and opportunities on our business.

3.1. THE NATURE-RELATED DEPENDENCIES, IMPACTS, RISKS AND OPPORTUNITIES WE HAVE IDENTIFIED SO FAR

It is important that as a company we assess the nature-related risks and opportunities facing the business and how they affect the communities we serve. Nature-related risks are potential threats posed due to dependencies on nature and nature impacts, while opportunities are activities that create positive outcomes by avoiding or reducing impact on nature or contributing to its restoration. The most material nature-related risks and opportunities are understood to be those that can affect our business model, value chain, strategy, or financial position.

Tables 1 and 2 below identify our current understanding of the nature-related risks and opportunities across our business, their potential impact, and the risk mitigation associated with each. These have been developed from an initial review based on existing information and focus on the physical and transition risks and opportunities[2]. It provides a valuable starting point for subsequent TNFD disclosures and represents an evolving picture.

We aspire in future to link these risks and opportunities to the impacts and dependencies we have on nature not only in our direct operations, but in our upstream and downstream value chain where possible, and distinguish these over the short, medium, and long-term, where evidence is available. We intend to use the TNFD's Locate, Evaluate, Assess and Prepare (LEAP) process to help identify which of these are the most material for NWL[3] and clarify our definition of materiality for nature-related issues. By doing so, the initial risks and opportunities we have identified in the table could change or be added to and inform the mitigations that we use. This is an important part of our adaptive planning approach.

[2] The TNFD's glossary defines nature-related physical and transition risks as follows:

- "Nature-related physical risks: Nature-related physical risks are risks resulting from the degradation of nature (such as changes in ecosystem equilibria, including soil quality and species composition) and consequential loss of ecosystem services that economic activity depends upon. These risks can be chronic (e.g. a gradual decline of species diversity of pollinators resulting in reduced crop yields, or water scarcity) or acute (e.g. natural disasters or forest spills). Nature-related physical risks arise as a result of changes in the biotic (living) and abiotic (non-living) conditions that support healthy, functioning ecosystems. These risks are usually location-specific."
- "Nature-related transition risks: risks to an organisation that stem from a misalignment of economic actors with actions aimed at protecting, restoring, and/or reducing negative impacts on nature. These risks can be prompted, for example, by changes in regulation and policy, legal precedent, technology, or investor sentiment and consumer preferences. They can also arise from activities aimed at restoring nature that no longer align with, for example, revised policies."
- Note that TNFD does not distinguish nature-related opportunities into physical and transition.

[3] Guidance on the identification and assessment of nature-related issues: the LEAP approach – TNFD

Table 1: Initial assessment of NWL's physical and transition nature-related risks, business impacts, and existing mitigation measures

Impact Type	Risk	Potential Impacts on Business	Risk Mitigation Examples
Physical	Changing climate poses a risk to nature	A changing climate threatens nature by altering water cycles, degrading habitats, and challenging the resilience of the ecosystems we depend on	Over 2025 – 2030 we are investing £1.7 billion to improve the environment, which will increase overall resilience. This includes further development of sustainable drainage systems (SuDS), schemes to protect and restore habitats (e.g. Branch Out, Bluespaces), implementation of innovative catchment-management and nature-based solutions.
	Extreme heat impacting biological processes	We rely on natural processes using microbes as part of our treatment processes for water and wastewater, which may be adversely impacted by a changing environment, for example through extreme heat	Investment in innovation and research projects such as the trail of the "SuPR Loofah" system. Adoption of advanced thermal treatment (e.g. Howdon STW). On-going monitoring and reporting of our treatment processes
	Scientific advances demonstrate harm for a greater range of pollutants than those addressed using existing treatment processes	Additional costs of treatment for water and wastewater to combat microplastics, Anti Microbial Resistance (AMR), and persistent organic pollutants including PFAS.	Implementation of innovative automated monitoring systems to tackle pollution (e.g. AI-powered "Smart Sewers"). Monitoring a range of pollutants through the UK Chemical Investigation Programme. Monitoring and mitigation of PFAS levels led by the Drinking Water Inspectorate (DWI). Various public awareness campaigns to educate consumers (e.g. Bin the Wipe campaign).
	Declining water quality	Nutrient run off, pesticides, microplastics, algal blooms	Innovative nature-based solutions (e.g. Tees estuary project). Catchment partnerships work aimed to reduce the input of phosphorus, nitrates and pesticides.
	Ecosystem degradation	Wetland loss, deforestation, soil erosion leading to weaker natural filtration, less reliable recharge	Sustainable land management initiatives such as the South and North Tyne holistic catchment programmes.
	Biodiversity Loss	Reduced natural resilience of catchments, greater reliance on engineered solutions.	Holistic catchment projects to improve river and water quality.

Transition			Schemes to protect and restore habitats (e.g. Branch Out, Bluespaces). Grassland enhancement initiatives across our operational sites.
	Shifts in customer expectations	Demand for nature-positive water stewardship, scrutiny over river pollution.	Regular customer engagement through schemes such as Local Action and customer and stakeholder surveys. On-going consultation to help shape our strategic plans
	Reputational damage	Sewage spills, over-abstraction, or biodiversity impacts.	Infrastructure upgrades as part of our AMP8 capital delivery programme. Transparency regarding the progress of infrastructure investment, and environmental protection projects

Table 2: Initial assessment of NWL's nature-related opportunities, business impacts, and existing measures for harnessing those opportunities

Impact Type	Opportunities	Potential Impacts on Business	Measures Examples
Various	Engineered and nature-based solutions	Opportunity for us to leverage new approaches while improving our positive environmental impact	Restoring wetlands, planting trees and using landscaping and vegetation to manage flood risk and improve water quality.
	Biodiversity and habitat restoration	Collaborate with local stakeholders to restore habitats, benefiting biodiversity and community engagement	Providing financial support to our partners to enable landscape scale improvements to biodiversity through Branch Out and Bluespaces. Deliver our BNG commitment to deliver a minimum 10% improvement for all our construction activities
	Sustainable finance instruments	Enhanced access to capital for eco-friendly infrastructure can improve our operational efficiency while reducing our environmental impact	Develop our approach to using sustainable finance instruments such as green bonds to finance our business. Reporting our nature-related risks in line with TNFD recommendations

3.2. EFFECT OF NATURE-RELATED ISSUES ON OUR BUSINESS AND PLANS AND ANALYSIS ALREADY IN PLACE

The TNFD recommends disclosing on the effects of nature-related issues on organisations' business model, value chain, strategy and financial planning, as well as any transition plans or analysis already in place. Section 3.1 above sets out an initial view of the potential effects of nature-related issues on our business model and the mitigations already in place. The section below describes in further detail some of our existing strategies and plans that relate to these based on existing information.

As part of our first TNFD disclosure, we have identified the following relevant strategies and plans which are described below:

- Long-term Strategy
- Environment Strategy
- Water Resources Management Plan (WRMP)
- Drainage and Wastewater Management Plan (DWMP)

These are key long-term plans that inform and influence our nature-related decision making. They allow us to build resilience, reduce our environmental footprint and support the health of the natural systems that our services depend on. Again, this information provides a starting point for subsequent TNFD disclosures, and in future we will use the TNFD's LEAP process to link these to the most material nature-related risks, opportunities, impacts and dependencies throughout the value chain and over different timescales. This process may lead us to identify other relevant strategies, plans, and analyses in future.

LONG-TERM STRATEGY

Shaping our future: our long-term strategy 2025-50 looks at how we plan to face future challenges, and adapt to meet the needs of our customers and the communities we serve, while restoring and enhancing the environment we live in.

This strategy highlights the statutory requirements we have to meet by law. Many of these legal obligations include specific long-term targets that form the cornerstone of our Long-Term Strategy. Some of these obligations include the WRMP, Government's 25 Year Environment Plan (25YEP) and Environmental Improvement Plan (EIP), DWMP, and the Government's Storm Overflows Discharge Reduction Plan (SODRP).

A lot of targets set under these obligations are nature-related, and due to the legality of the plans we are required to track and meet these. For example, under the 25YEP we have a target to protect and enhance the environment through environmental destination requirements. Under the SODRP we must eliminate all adverse ecological impacts from storm overflows by 2050. We must also protect bathing waters and most of our most sensitive and protected habitats from storm overflows sewage discharges by 2035.

Our core pathway is outlined in our Long-Term Strategy. It maintains a strong focus on reducing leakage and supporting and enabling customers to reduce their demand. It reflects the 'least cost' approach to achieving our statutory environmental requirements. Within this pathway, the key nature-related activities and interventions are outlined as follows:

- Delivery of WRMP, DWMP and WINEP requirements
- Storm Overflow Discharge Reduction Plan requirements
- Delivery of net-zero plan

Our Environmental Challenges Scenario within our Long-term Strategy sees the need to invest in more advanced wastewater treatment, water treatment, sludge incineration, and sewer flooding to align with more stringent environmental legislation.

ENVIRONMENT STRATEGY

In 2023, we published our Environment Strategy, which builds on what was set out in our Long-Term Strategy, outlining our path forward for the environment to 2050. The strategy is guided by an Environmental Ambition and contains five Environmental Priorities that work together to help deliver this ambition. These priorities are:

- Water management for the environment and people
- Healthy catchments, rivers and coastal waters
- Effective climate action
- Valuing resources and eliminating waste
- Thriving nature and communities

Our three guiding principles within the strategy set out how we will work to achieve our commitments. These are particularly important in helping create a more resilient system in a changing climate.

- Systems thinking: we take a big picture view to create the optimal balance of actions within a catchment to maximise long-term benefits for all
- Natural solutions first: our default is to look to nature for inspiration when making decisions. We consider natural, suitable solutions before engineered ones. This may result in the use of nature-based solutions on their own, or in combination with engineering projects
- Partnership mindset: we work hand-in-hand with our customers, suppliers and stakeholders to co-create mutually beneficial solutions

WATER RESOURCES MANAGEMENT PLAN (WRMP)

Our WRMP sets out how we can make sure we can continue to deliver clean, clear drinking water from 2025 to 2050 and beyond, even in the most severe droughts. The plan considers our impact on nature and the environment while we adapt to deliver this. As well as the WRMP, every five years we agree with our regulators a list of environmental improvement actions we will take in order to improve the environment around the rivers we use, our reservoirs and land.

DRAINAGE AND WASTEWATER MANAGEMENT PLAN (DWMP)

Our DWMP looks at the long-term steps to create sustainable and resilient drainage and wastewater systems. It is a plan that enables us to ensure our regions' drainage and wastewater systems remain reliable and resilient for the years ahead, ready to meet future challenges including changes to our climate and population growth. The DWMP identifies risk to our networks from a range of different or uncertain future pressures. Included in these pressures is the environment, and the DWMP addresses the increased risk in pollution to our rivers and beaches.

We are not in full control of the volume, or the items added to our flows, but through various public engagement initiatives, such as our "Bin the Wipe" campaign, Local Action program, and our "Just an hour" volunteering program we help to prevent fly-tipping, misconnections, and the flushing of items that cause blockages. Our ambitious goals, outlined in the DWMP, are to demonstrate leadership in catchment management to enhance natural capital and deliver net gain for biodiversity, and to have the best rivers and beaches in the country.

Our plan will meet the targets of the SODRP. We will improve 1,017 storm overflows to achieve this and we will prioritise them in line with the guidance we have received from the Environment Agency. Improvements will be a combination of building storage tanks and delivering green infrastructure - a more natural way of returning rainwater to the environment, such as by directing surface water to ponds and swales. We will also improve screening on 849 storm overflows to help minimise the impact of spills.

3.3. RESILIENCE OF OUR STRATEGY TO NATURE-RELATED RISKS AND OPPORTUNITIES, TAKING INTO CONSIDERATION DIFFERENT SCENARIOS

For our first TNFD disclosure report we have used the same Representative Concentration Pathways (RCPs) that were selected in our Climate Related Financial Disclosure (CFD) to allow comparability across our analyses.

The RCPs are modelled to help predict future climate and provide underlying assumptions regarding economic, social and physical changes to our environment that will influence climate change (RCP Met Office). To expand on our scenario analysis, we have included a medium-term time horizon. In our latest CFD we grouped long and medium-term together. We believe this will provide greater clarity and allow for a more meaningful assessment of how nature-related risks and opportunities may evolve over time. This, combined with looking at both physical and transition risks and opportunities, provides a more targeted and clearer understanding of the impacts to our business. This analysis will be updated in future TNFD disclosures through refining the risks and opportunities assessed using the TNFD's LEAP approach and identifying where in the value chain these issues arise.

Table 3: Timeframes and scenarios

Short-Term	Long-Term
2025-2030	2030-2050

RCP 2.6	RCP 6	RCP 8.5
Best Case Limit global warming to 1.6 degrees.	Middle Ground Scenario of warming at 2.8 degrees.	Worst Case Warming scenarios at 4.3 degrees.

Following the same approach as our CFD scenario analysis, we have conducted a low to high rating on each of our identified risks. For our TNFD report, we have also rated the nature-related opportunities. The definitions for these ratings can be seen in Tables below.

Table 4: Risks ratings definitions

Low	A risk which sits in this area is considered as appropriate in relation to NWL's objectives and is the most desirable position.
Medium	Risks in this area are still key risks and may affect NWL's ability to meet its objectives, therefore, risk treatment should be considered.
High	A risk which sits in this area has an inappropriate risk exposure relative to NWL's objectives. This is undesirable and risk treatment options need to be considered.

Table 5: Opportunities risk rating definitions

Low	An opportunity which sits in this area is considered as least likely to impact NWL and its operations. NWL is least likely to benefit from this.
Medium	Opportunities in this area are still key opportunities and may affect NWL's ability to meet its objectives and therefore opportunity enhancement should be considered.
High	An opportunity which sits in this area has a high potential to enhance the NWL's objectives. This is desirable and therefore NWL should grasp the opportunity.

Tables 6 and 7 below shows our initial scenario analysis against our identified nature-related risks and opportunities.

Table 6: Initial nature-related risks and scenarios analysis

Impact Type	Risk	2025-2030			2030-2050		
		RCP2.6	RCP6	RCP8.5	RCP2.6	RCP6	RCP8.5
Physical	Changing climate poses a risk to nature	Medium	Medium	Medium	Medium	High	High
Physical	Extreme heat impacting biological processes	Low	Low	Low	Low	Medium	High
Physical	Scientific advances demonstrate harm for a greater range of pollutants than those addressed using existing treatment processes	Medium	Medium	Medium	High	High	High
Physical	Declining water quality	Low	Low	Low	Medium	High	High
Physical	Ecosystem degradation	Low	Low	Low	Medium	Medium	High
Physical	Biodiversity Loss	Low	Low	Low	Medium	Medium	High
Transition	Shifts in customer expectations	Low	Low	Low	Medium	Medium	Medium
Transition	Reputational damage	Medium	Medium	Medium	Medium	Medium	Medium

Table 7: Initial nature-related opportunities and scenarios analysis

Impact Type	Opportunity	2025-2030			2030-2050		
		RCP2.6	RCP6	RCP8.5	RCP2.6	RCP6	RCP8.5
Various	Engineered and nature-based solutions	High	High	High	High	High	High
Various	Biodiversity and habitat restoration	High	High	High	High	High	High
Various	Sustainable finance instruments	Medium	Medium	Medium	High	High	High

Completing this scenario analysis against the RCPs across short and medium time horizons enables us to produce a business model in which we can understand and manage our nature-related risks and opportunities. Assessing against a short-term time horizon allows us to identify immediate risks and opportunities, which helps to inform strategic decisions and investment strategies. Over the medium term, this analysis enables us to prepare for future nature impacts. A forward-looking approach ensures that our business model is resilient and adaptable to anticipated risks and opportunities.

To deliver our long-term targets and address the challenges that we have in our operating regions we have identified four areas where new investment will be required. These areas are:

- Ensuring sustainable water supplies;
- Protecting the local environment;
- Delivering Net Zero; and
- Maintaining resilience.

These are reflected in our core plan to 2050, but we will also need to adapt to new information and change as it arises, and as we progress our TNFD disclosures in future. We have also identified a series of key trigger points where we expect new information to be available which will inform choices on future investment pathways.

3.4. PRIORITY LOCATIONS

The TNFD framework involves reporting on the locations of assets and/or activities in our direct operations and, where possible, upstream and downstream value chain that meet the criteria for priority locations. It is therefore important to demonstrate how we manage priority locations.

The TNFD guidance defines priority locations as those which are:

- Material: where there are material nature-related dependencies, impacts, risks or opportunities in direct operations or upstream and downstream value chain ; and/or,
- Sensitive: where assets or activities in our direct operations or upstream or downstream value chain interface with nature, and the areas are important for biodiversity, have high ecosystem integrity, are areas of rapid decline in integrity, have high physical water risk, or are important for ecosystem services provisions to indigenous peoples, local communities and stakeholders.

For the purposes of our first TNFD disclosure, we have focused on sensitive priority locations only, and sites that are designated for nature, such as Sites of Special Scientific Interest (SSSI).

We own approximately 2,160 ha of land that has the conservation designation of SSSI. One third of this is in the Northumbrian Water (NW) operating area and two thirds in the Essex and Suffolk Water (ESW) operating area.

In NW, we own small proportions of large SSSIs, which typically consists of boundary areas surrounding a reservoir. In ESW, we own all or large proportions of several SSSIs, including the entire SSSI at key sites such as Abberton, Hanningfield and the majority of the Trinity Broads.

Abberton Reservoir is an example of a priority site identified as a Special Protection Area (SPA). It plays a critical role in supplying water and is internationally important for birds. It could therefore be considered a material priority site as well as a sensitive priority site, given the potential for nature-related dependencies and impacts to originate here. We assess this site closely by monitoring water quality, evaluating environmental impacts, and engaging with stakeholders to manage nature-related risks and opportunities. Through detailed special analysis and ongoing risk assessments, we ensure sustainable management aligned with both operational needs and biodiversity.

We use digital data layers in a Geographic Information System (GIS) to represent geographic information in a dynamic and visually optimal way. This includes, but is not limited to, national datasets for priority habitats and designated sites overlaid with internal data covering the presence of priority species on our sites. There is therefore potential for our future TNFD disclosure reporting to draw on these datasets to map out our material and sensitive priority locations.

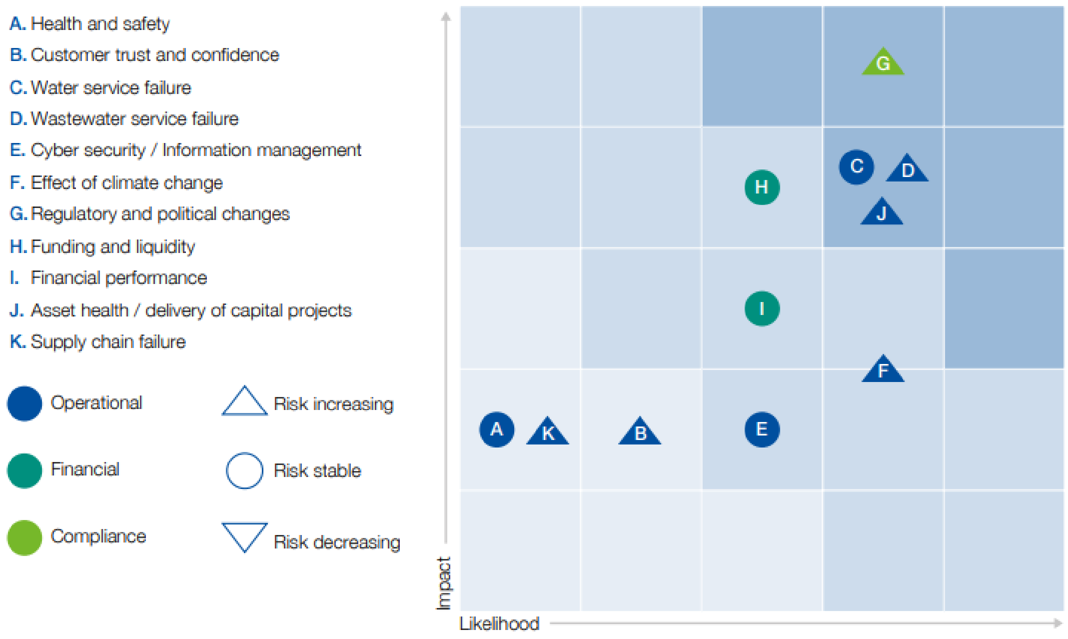
4. RISK & IMPACT ASSESSMENT

The TNFD framework recommends reporting on the process's organisations use to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities. In our first TNFD disclosure, we focus on describing the process used by NWL to identify, assess, prioritise, and monitor risks.

We assess risks by understanding if they are emerging risks or principal risks. Emerging risks are those which are foreseeable, but not of sufficient clarity to be assessed within our corporate risk model. Principal risks are those which are deemed significant enough to be assessed within our corporate risk model. Principal risks are assessed against our business model, future performance, solvency or liquidity and the results of this assessment are summarised on our heat map (see Figure 3 below). The heat map diagram below provides a visual representation of our greatest risks by category, as currently assessed.

Nature-related risks, impacts and dependencies are relevant across the majority of these categories. Due to the nature of our business as a water company, many nature-related risks align closely with our broader company-wide risks, and therefore there is not a separate category for nature-related risks within the heat map. In future, our TNFD disclosure reporting will map these risks against the most material impacts, dependencies, risks and opportunities identified by undertaking the LEAP process. This will help us to demonstrate the extent to which these are already captured in the existing model and where they occur in our value chain. Informed by an analysis of their materiality, this will inform any updates to our corporate risk model or their categorisation.

Figure 3: Principal risks heat map



Alongside the corporate risk model, we explore nature-related risks and impacts independently within the Environment and Sustainability Risk Register. This ensures that those whose roles are most closely related to nature on a day-to-day basis are aware of the risks posed to both them and nature, biodiversity and habitats when conducting our work. This register is reviewed at least every 6 months. Nature-related risks included here are similar to those in our corporate register, however it is beneficial for employees directly related to these risks to understand them and have the opportunity to discuss them independently. Our future TNFD disclosure reporting will map the risks in the Environmental and Sustainability Risk Register against the most material nature-related impacts, dependencies, risks and opportunities identified by the LEAP process. The register will be updated accordingly.

Our long-term strategies and plans provide the foundation for assessing all key risks and environmental impacts across our business operations. When looking at nature-related risks, the WRMP and DWMP alongside the Long-Term Strategy, specifically align to this. These plans take a forward-looking view, identifying future challenges such as climate change and environmental pressures, and setting out how we will manage them sustainably while providing reliable services. The Water Industry National Environment Programme (WINEP) also plays a vital role in shaping our environmental commitments and investment priorities as a 5 year forward look approach. These plans and WINEP ensure our approach is robust and evidence-based while responsive to regulatory requirements and the evolving needs of people and nature. The role of these programmes will be considered as part of a future TNFD LEAP assessment to support future disclosure reporting.

5. METRICS AND TARGETS

The TNFD framework requests organisations to disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities. The guidance specifies that reporting should demonstrate how nature-related targets align with company strategy and risk management processes. It specifies that reporting should describe how they are used to monitor the company's performance on nature-related impacts, dependencies, risks and opportunities.

Annex 1 of the TNFD framework[4] recommends the use of core global disclosure metrics, which are relevant across the majority of sectors globally, and some additional sector disclosure metrics applicable to the water utilities and services sector. The TNFD guidance states it is not expected that all organisations will be able to report on all core disclosure metrics immediately, and recommend that metrics should be reported on a "comply or explain" basis.

In our first TNFD disclosure, our reporting on our nature-related metrics and targets is focused on our existing regulatory targets, internal company scorecard, and our existing environmental commitments. Setting targets for the most material nature-related issues is part of the final step "Prepare" in the TNFD LEAP process. The metrics and targets described below therefore provide a starting point that can be refined over time. Future TNFD disclosures will undertake an exercise to map these targets and commitments to the most material nature-related risks and opportunities identified through a LEAP assessment and mapping them to the TNFD's core and additional sector disclosure metrics.

5.1. REGULATORY TARGETS

Our long-term strategies and plans play a crucial role in shaping and guiding the development of our nature-related goals and targets, helping us to meet both legislative requirements and our own environmental ambitions. These plans support our commitment to restore and regenerate the natural environment by providing a structured approach to biodiversity, ecosystems and climate resilience. This long-term focus ensures that we contribute positively to nature, now and in the future.

Our Annual Performance Report outlines our targets and Performance Commitments (PCs) and progress against them. For AMP8, these PCs include areas such as biodiversity, greenhouse gases and external sewer flooding.

5.2. INTERNAL COMPANY SCORECARD

Our company scorecard reflects the Measures of Success (MoS), and Performance Commitments (PCs) set in our PR24 Final Determination (FD). Within this scorecard, we track progress against some of our environmental commitments and nature-related risks, such as leakage and pollution events. This scorecard is updated monthly and everyone in the business

[4] Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations – TNFD

has visibility of this. Key headlines of our company scorecard can be seen in our Annual Performance Report in which the overall year results are disclosed.

5.3. ENVIRONMENTAL COMMITMENTS

As part of our commitment to national environmental goals, we monitor progress against targets such as those set out in the Environmental Improvement Plan (EIP), building on the Government's 25 Year Environment Plan. The EIP includes objectives relating to improving water quality, enhancing biodiversity, increasing resilience to climate change, and reducing pollution from wastewater.

Our Environment Strategy aligns closely to these objectives and supports the UK's commitment to leave the environment in a better state than we found it. Table 8 below illustrates the headline commitments from our Environment Strategy that support our nature-related risks and opportunities, relevant to this TNFD.

We track our performance through a range of environmental metrics and reporting frameworks, ensuring alignment with these long-term national priorities. This also supports transparency and accountability in how we contribute to nature recovery and sustainable water management.

Table 8: Headline commitments from our Environment Strategy relevant to TNFD

Area	Targets
Water Management for the Environment	• Actively manage our resources and licences to minimise environment impacts at all times • Reduce leakage by 50% by 2050 • Reduce household consumption by 19% to an average of 122 litres per person per day by 2038 and by 27% to 110 litres by 2050[5]
Enhancing the Quality of the Water Environment through Regeneration of Nature and Catchments	• Zero serious pollutions[6] now and always and reduce the number of category 1-3 pollutions by 50% by 2040 • All bathing waters at good or excellent status by 2030 • Year on year reductions in the number of storm overflows operating more than ten times a year on average, and none doing so by 2050 • Water quality monitoring installed at the highest priority storm overflow locations by 2025 • Reduce external sewer flooding by 60% by 2050
Thriving nature and Communities	• By 2050 all our construction activities, including those that do not require planning permission, result in a net gain in biodiversity of 10% • Enhance or restore 500ha of priority habitat every five years via partnership working • Significantly reduce the risk of land and water based invasive non-native species (INNS) through proactive

[5] The percentage (%) reductions are based on the 2019/20 three-year average baseline
[6] Serious pollution incidents are those classified using the Environment Agency criteria as Category 1 or Category 2 events. These are the highest impact pollution events affecting the water environment.

	management and education activities. Achieve a net increase in the biodiversity richness and connectivity of our land in line with UK biodiversity targets and Local Nature Recovery Strategies • Improve 250km of blue spaces by 2025 and 500km by 2030

6. CONCLUSION AND NEXT STEPS

The health of the natural environment is fundamental to the resilience of our services, the wellbeing of our communities, and the sustainability of our business. Through our first TNFD disclosure report, we have demonstrated our current position for all four pillars of the TNFD framework. This has provided the starting point for developing a more comprehensive understanding of our nature-related dependencies, impacts, risks, and opportunities over time through application of the TNFD framework and LEAP approach.

By having already embedded certain aspects of nature risk and opportunity management into some of our governance structures, long-term planning, and operational decision-making, we are already taking steps to mitigate environmental risks and enhance ecosystem resilience. Our approaches — anchored in our Long-Term Strategy, Environment Strategy, WRMP, and DWMP — reflect a commitment to nature-based solutions, adaptive planning, and regulatory alignment.

In our first disclosure we have identified some important nature-related risks through an initial assessment, such as climate change, biodiversity loss, and pollution, and have described how we are addressing them through targeted investments, innovation, and partnerships. Our initial nature scenario analysis also provides the basis for us to remain responsive to future uncertainties. We can also build on our existing metrics and targets to provide a transparent framework for tracking progress and driving accountability increasingly aligned with the TNFD framework over time.

As we move forward, we will continue to evolve our TNFD reporting to better align with the TNFD recommendations and LEAP approach, as well as emerging best practices, stakeholder expectations, and regulatory developments. Our ambition is not only to reduce our environmental footprint but to actively contribute to the restoration and regeneration of the natural systems we depend on—ensuring a sustainable future for both people and nature.

In undertaking our first TNFD disclosure, it has helped us to prioritise the actions we can take to improve our reporting and management of nature-related issues. This will help us to increase our alignment with the TNFD framework more closely over time. The following actions have been identified as the most important next steps for developing our TNFD disclosures following our first TNFD report:

- **TNFD roadmap and scorecard:** create a TNFD roadmap to plot our journey to increasing TNFD alignment over time and a scorecard to help report on our alignment, prioritise future disclosure activities, and demonstrate progress.
- **High level value chain and business model mapping:** create a high-level diagram to guide subsequent identification of nature-related impacts and dependencies, and to distinguish between those in our direct operations, upstream, and downstream value chain.
- **Nature dependency and impact screening:** screen which of our business activities, and which activities upstream and downstream in our value chain, are associated with potentially moderate and high dependencies and impacts on nature to help prioritise the focus of future TNFD analysis and reporting.
- **LEAP scoping:** exercise to prioritise the focus of a LEAP assessment. This will help align senior management on the parameters of the assessment to be undertaken, such as aspects of the business model and value chain to be assessed, as well as identify required resources, potential synergies and efficiencies with our CFD, natural capital account and other sustainability reporting work.

- **LEAP assessment:** use TNFD guidance to undertake the scoped LEAP assessment. The output will include a risk map or matrix to provide an overview of nature-related risks and opportunities and to identify critical areas that should be brought to the ESG Committee's attention for the purposes of TNFD. This will include refining our approach to identify priority sites in our direct operations to cover both dependencies and impacts. This will build on the initial risk analyses reported in our first disclosure.