

## Our business model – our external drivers

The North West region

What we do is influenced by several key factors that make our region unique. We are committed to understanding and actively responding to these.

### Economic factors

We are building resilience to continue serving our growing population and support jobs and the tourism industry.

**7.4m**

population expected to grow significantly in the next 25 years

**22,700<sup>(1)</sup>**

jobs actively supported by our work, with over 5,000 direct employees

**Tourism**

relied on by Lake District, Manchester, Liverpool and coastal areas

<sup>(1)</sup> Based on our 2020–25 business plan.



### Social factors

We are leading the sector on supporting customers with affordability and vulnerability.

**54%**

of the most deprived areas in the country

**47%**

of households have less than £100 savings to cope with unexpected bills

**12%**

of households are affected by water poverty, more than 50 per cent higher than the national average

### Environmental factors

We have a long coastline, protected rural areas and dense urban areas, all of which create different demands.

**30%**

of land is National Park or Area of Outstanding Natural Beauty or Sites of Special Scientific Interest

**25**

designated coastal bathing waters

**830mm**

rainfall each year, higher than the UK average

## Engaging with our stakeholders

We actively engage with stakeholders to understand what matters most to them through strong and constructive relationships.

To create longer-term value for all it is essential that we identify and engage with our stakeholders to understand what matters most to them.

We do not operate in isolation and it is not for us alone to determine what the region needs us to deliver. Engaging with stakeholders across the North West enables us to identify shared solutions to shared challenges. We value the diverse perspectives that a broad range of stakeholders, representing different and often competing interests, can bring to our decision-making.

Understanding what matters to stakeholders will only be achieved by building strong, constructive relationships and engaging regularly. This is important to building and maintaining trust. These relationships are subject to robust governance to ensure the insights generated are taken into account in

decision-making at executive and board level. The board's corporate responsibility committee meets four times a year, with stakeholder engagement as one of its standing agenda items, and the chair of the independent customer challenge group (YourVoice) attends board meetings to provide its perspective.

The following pages detail how we engage with, and are influenced by, each of our key stakeholder groups. Our analysis of what matters most to stakeholders, and how these issues affect our ability to create long-term value, is set out in our material issues matrix on page 35.

As shown below, there are nine key stakeholder groups that influence our planning and activities, and six of these groups benefit from the value we create.





# Our business model – our external drivers

Engaging with our stakeholders

Our approach to engagement extends across all of our stakeholders, from those who influence what we do and benefit from the value we create, to those who just influence what we do.



## Communities

### Why we engage

We seek to support communities to be stronger based on mutual trust, respect and understanding the impact and contribution our work has on everyday life. Our work puts us at the heart of local communities, places where customers and employees live and work. We play a constructive role in tackling issues through engagement and investment, and by identifying what matters most to communities we can develop collaborative solutions.

### How we engage

- Face-to-face meetings with local and parish councils to discuss projects.
- Online portals for large capital projects to get the views of communities where we are working.
- Facilitated workshops with partners to scope out solutions.
- Public events across the North West to promote sustainable use of our services.

### Top three material issues

- Land management, access and recreation
- Supporting communities
- Trust, transparency and legitimacy

### What we are doing

- Balancing decisions based on often competing interests of stakeholders.
- Identifying common issues where partnerships could provide a solution.



## Customers

### Why we engage

We actively seek feedback on what domestic and wholesale customers think about us so we can make our services better and address the issues that matter. To provide a great service in a way that customers value, we need to listen and engage with them to understand both short-term issues, and longer-term expectations of us as their water company. As customer expectations change, we need to evolve our own services to ensure we meet those expectations.

### How we engage

- Contacts through our operational call centre and social media channels.
- Visits to customer properties to resolve issues.
- Direct customer research on our service provision.
- Face-to-face engagement with groups representing vulnerable customers, such as MIND.

### Top three material issues

- Drinking water quality
- Customer service and operational performance
- Affordability and vulnerability

### What we are doing

- Improving services for customers such as GetWaterFit and Priority Services.
- Helping customers who are struggling to pay their bills.



## Employees

### Why we engage

Our employees are the face of the company and we simply could not deliver our services without them. Employees know our business better than anyone, with a diverse range of views and experience, making them well placed to identify opportunities for improvement. It is essential we build productive relationships with our employees based on trust. In a world of work that is rapidly changing, employee engagement is crucial to develop new ways of working.

### How we engage

- Annual opinion survey enabling confidential feedback.
- Regular manager one-to-one meetings providing two-way engagement.
- Employee Voice panel providing a link to the board.
- Monthly trade union forums.

### Top three material issues

- Employee engagement
- Diverse and skilled workforce
- Health, safety and wellbeing

### What we are doing

- Acting on survey results to create a better place to work.
- Delivering our people plan and encouraging action on inclusivity.



## Environment

### Why we engage

We depend on the environment and play a key role in protecting and enhancing it across the region. Given the environment has no voice of its own, we engage with interested groups such as environmental regulators, non-governmental organisations, campaigners and local communities to find the best ways to tackle environmental issues, like climate change and land management. Working together is often the best way to find the right solution.

### How we engage

- Meetings with national and regional environmental regulators, such as the Environment Agency.
- Customer research to shape our environmental investment plans.
- Workshops with environmental stakeholders.
- Partnerships where we have common interests.

### Top three material issues

- Sewer flooding and storm overflows
- Climate change
- Water resources and leakage

### What we are doing

- Working with partners to deliver improvements to rivers.
- Delivering our carbon and Better Rivers: Better North West commitments.



## Investors

### Why we engage

It is important that investors have confidence in the company and how it is managed, given their investment in our business. We provide regular updates to debt and equity investors so they can be assured that the company is being managed responsibly. Increasingly, this includes environmental, social and governance updates alongside financial and performance data as investors take a broader view of value and risk.

### How we engage

- Capital market days and investor roadshows.
- Annual General Meeting open to all shareholders.
- Direct dialogue with relationship banks and credit agencies.
- Participation in investor-led ESG ratings and indices.

### Top three material issues

- Customer service and operational performance
- Financial risk management
- Corporate governance and business conduct

### What we are doing

- Maintaining high levels of corporate governance.
- Performing well across a range of respected ESG indices and ratings.



## Suppliers

### Why we engage

Good relationships with suppliers help ensure that we get projects delivered on time, to good quality, at efficient costs and can identify and realise innovative approaches and solutions. Awareness of issues throughout the supply chain means we can address them together and become more resilient. We rely on suppliers to deliver our services and create value for all.

### How we engage

- Directly through supplier relationship management process.
- Setting challenges through our Innovation Lab.
- Supplier databases such as Achilles, to assess market opportunities.
- Direct discussion through United Supply Chain (USC).

### Top three material issues

- Trust, transparency and legitimacy
- North West regional economy
- Responsible supply chain

### What we are doing

- Consistently paying suppliers on time.
- Providing access to innovative new products and services.





Our business model – our external drivers

Engaging with our stakeholders

We maintain close relationships with three stakeholder groups that influence what we do and how we do it.



Media

**Why we engage**  
The media is influenced by the issues that matter most to our stakeholders as well as influencing them through what it reports. Many of our stakeholders receive their information about us and our activities from both traditional media and social media. Given the nature of our services, it is important that coverage is fair, balanced and accurate. This requires effective two-way dialogue between the company and the media.

- How we engage**
- 24/7 press office available to respond to media requests and publish content for direct media use.
  - Dedicated social media team covering multiple channels.
  - Active media and social monitoring focused on the company and sector.

Top three material issues

- Sewer flooding and storm overflows
- Customer service and operational performance
- Trust, transparency and legitimacy

What we are doing

- Regular press releases and social posts on key activities.
- Providing media training to key senior managers.



Politicians

**Why we engage**  
Politicians influence the long-term national water strategy and environmental priorities, matters that affect how all businesses operate, and champion issues raised by their constituents.

Local government, elected representatives and devolved administrations provide insight into shared social, environmental, economic and governance issues across the North West.

- How we engage**
- Direct engagement with regional and national politicians across the political spectrum.
  - Working groups with devolved administrations and local authorities on common interests.
  - Direct engagement with parish councils linked to planning applications.

Top three material issues

- Political and regulatory environment
- Customer service and operational performance
- Affordability and vulnerability

What we are doing

- National and constituency level engagement on common issues.
- Responding to enquiries through corporate affairs team.



Regulators

**Why we engage**  
Through proactive, constructive engagement with economic, quality and environmental regulators, we agree commitments over specified time periods and finalise the expectations they have of our business planning and performance.

We actively engage to shape the policy and regulatory framework within which we operate, covering customer, economic, environmental, social and governance matters.

- How we engage**
- Regular meetings with all regulators on objectives and performance.
  - Responses to consultations where we have something to contribute.
  - Joint working on projects to explore how regulation could evolve.
  - Support the work of the independent customer challenge group, YourVoice.

Top three material issues

- Political and regulatory environment
- Customer service and operational performance
- Resilience

What we are doing

- Direct engagement with regulators on emerging issues.
- Responses to regulatory consultations on the future of the sector.



“

We believe that this engagement, alongside community and woodland funds totalling over £1 million, will leave a lasting legacy long after the pipeline is finished, benefiting people and communities across Cumbria for years to come.”

Managing multiple stakeholder interests in West Cumbria

In 2022, we will stop abstracting water from Ennerdale Water and the River Ehen in West Cumbria to avoid the risk of damage to the protected species that rely on these water bodies. To achieve this, we’re linking West Cumbria to our regional water network by building a major new pipeline from Thirlmere.

Community involvement and stakeholder engagement have been at the heart of the strategy for West Cumbria. This is the single biggest project to go through the Lake District National Park in recent times and required a sector-leading approach to stakeholder management to ensure a success.

Engagement with stakeholders began in 2013, allowing parties to come together and collaboratively formulate the plan. Core to our stakeholder approach was a planning performance agreement funded by us and created in conjunction with Natural England, the Environment Agency, the three local planning authorities, and Cumbria County Council. We submitted a planning application in January 2016 and in November 2016, four months ahead of schedule, all three local planning authorities voted unanimously to grant full planning permission.

We were clear from the outset that local communities and stakeholders would be encouraged to have their say on any plans, creating opportunities for communities to give their views. It was key that during planning and construction our stakeholders

were on the journey with us and could raise concerns easily. Engagement took many forms, from individual meetings to workshop events, as well as formal consultation and attendance at community events such as agricultural shows.

COVID-19 led to an urgent review of our engagement, as traditional face-to-face exhibitions could not take place. We developed a hybrid engagement plan unique to Cumbria, accounting for the geography and technology challenges across the county. A virtual consultation was developed alongside webinars with real-time, live chat functionality that proved a huge success. As lockdown eased, the virtual sessions were supplemented with a return to face-to-face meetings. The hybrid approach resulted in better overall engagement and will be considered on all future large projects.

As the project approaches completion, and we return the land back to how we found it, engagement continues. By the time the project is complete we will have attended over 150 parish council meetings and held 50 public exhibitions. Continuous engagement has helped minimise the impact that construction inevitably brings to local communities. We believe that this engagement, alongside community and woodland funds totalling over £1 million, will leave a lasting legacy long after the pipeline is finished, benefiting people and communities across Cumbria for years to come.

Delivering value for:

- Communities
- Customers
- Environment