

## How we assess and prioritise material themes

Our strategic priorities reflect the areas of highest focus for our business and our stakeholders. In order to ensure our disclosures cover all areas of material interest, we regularly refresh our materiality assessment, which ranks material themes based on their potential impact on our ability to create value for the company and for our stakeholders.

### Stakeholder views and priorities

There are a number of stakeholders who take an interest in the water industry, its role in society, and the North West region. We actively engage with these stakeholders to help us understand their views and priorities.

➤ Read more about **how we engage with stakeholders** on page 26

Understanding what matters to our stakeholders helps us to prioritise areas for focus and investment, enabling us to factor their views into strategic decision-making at board level, as set out in our S172(1) Statement on pages 90 to 91.

This understanding feeds into our materiality assessment, giving rise to the materiality matrix on page 30, which drives the matters disclosed across this report, helping to ensure we are disclosing all material information of interest to our stakeholders.

### Other considerations

In defining the strategic relevance of a theme to the company, we continue to adopt the integrated reporting <IR>

framework definition of materiality and value creation. This means considering the impacts of the company on all of our stakeholders, alongside our dependencies, i.e. the impacts of the material themes on the company. This value may be financial or non-financial, and this approach is consistent with the concept of double materiality.

We consider the impact on value created for stakeholders (based on a balance of views from those who influence what we do and/or benefit from the value we create), in addition to the potential effect on our ability to create value as a company (based on the potential effect on our ability to create financial and non-financial value over the short, medium and long term).

Disclosure guidance from the ISSB suggests that material sustainability-related risks and opportunities are discussed using a four-pillar approach, in line with the TCFD and TNFD frameworks. We have adopted this approach to report on our most material themes (which represent areas of risk and opportunity), as set out on page 30.

### 2024/25 assessment

We have carried out a thorough review of our material themes and materiality matrix. Striking the right balance between different interests and views is not easy, but our assessment process consolidated feedback based on a balance of views obtained from all of our stakeholders.

The applicability of industry-specific topics in the Sustainability Accounting Standards Board (SASB) standards were also considered as part of this assessment, as required by ISSB S1: General requirements for disclosure of sustainability-related financial information. We also considered the UN Sustainable Development Goals that we contribute towards, as set out on pages 12 to 13.

Our materiality assessment is aligned closely with our assessment of principal risks and uncertainties, with close linkage between the themes highest in terms of company value (horizontal axis) and our top principal risks and common causal and consequence themes identified.

Our assessment process this year identified 29 material themes.

## Our materiality assessment process

### 1 Define

We reviewed current best practice in materiality reporting. The assessment criteria was confirmed as potential value creation for both the company and stakeholders. Building on our existing matrix, we evolved the matrix design to integrate fully with our strategic priorities. This assessment provides the basis for disclosures included in this report, with more detailed commentary on the most material themes.

### 2 Engage

Views were obtained from across all our stakeholder groups. Insight from consultations and data was made available through the engagement processes described on page 27. Key internal subject matter experts and stakeholder relationship managers provided further insight on themes.

### 3 Assess

Comments and data were drawn together to form an initial view of the themes. The rationale for theme selection and its significance was reviewed and approved by the executive team. This included potential new themes, removal of themes, and movement of existing themes.

### 4 Align

We cross-referenced and aligned identified themes with SASB industry-specific topics and our principal risks and uncertainties, as set out on pages 58 to 65. Matrix visuals were then created to easily display the prioritisation of themes.

### Reporting on our material themes

One way that we use the assessment and ranking of material themes is to ensure that our disclosures, in this integrated report and across our other reports and corporate website, are comprehensive.

Information on all material themes can be found within our reporting, with the most material of these themes being covered by the fullest disclosures. The material themes matrix, and signposting to key disclosures, can be found on page 30.

The top three are overarching themes that are addressed extensively across the report.

For the remaining material themes in the top two segments of the matrix, which cover the next 15 highest areas of interest, we provide voluntary disclosures across the four pillars set out by the ISSB – strategy, governance, risk management, and metrics and targets – on pages 29 to 57.

These are grouped in line with the key elements of our purpose – greener, healthier and stronger. The 'greener' elements cover our disclosure requirements under TCFD (climate-related) and voluntary disclosures under TNFD (nature-related), as shown on page 03.

Other material themes are addressed to the level of detail deemed appropriate.

# How we assess and prioritise material themes

## Material themes matrix

Themes are plotted on the matrix from higher (top right) to lower (bottom left) in terms of their potential to impact company value and impact on the value we create for stakeholders.

### 1 Trust, transparency and legitimacy

Our comprehensive disclosures and integrated reporting approach provide leading levels of transparency throughout this report.

### 2 Resilience

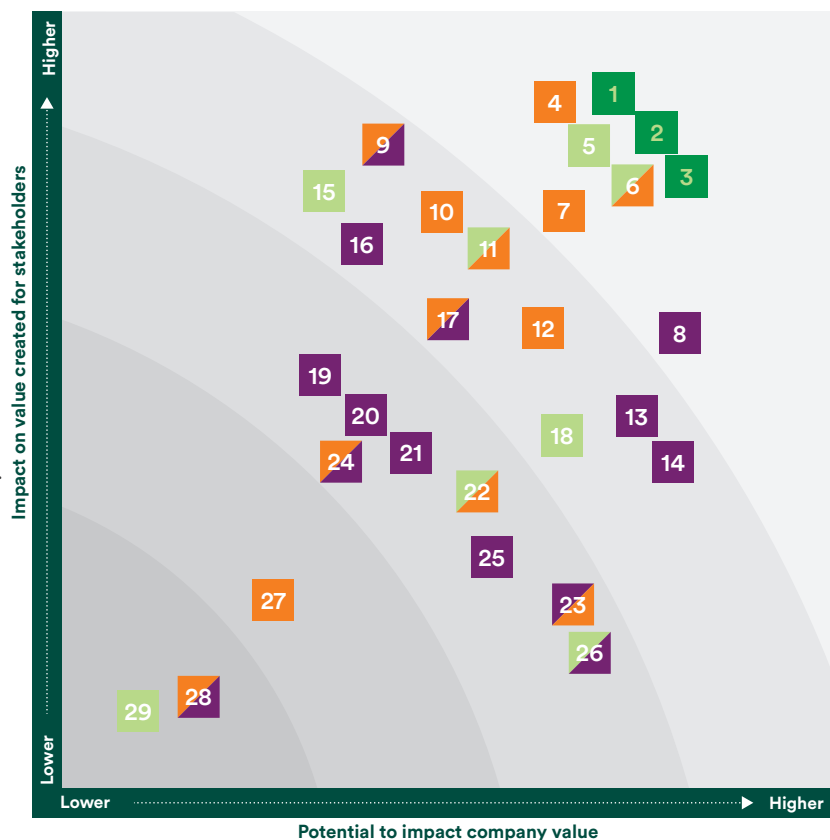
Resilience is a key consideration in our long-term planning (page 21), the way we manage our key resources (pages 22 to 23), and the ultimate focus of our risk management approach (pages 58 to 65).

### 3 Political and regulatory environment

Our external environment, including the political and regulatory environment, is covered on pages 24 to 25.

**Key:** Our material themes are aligned to one or more of the key ambitions of our purpose – stronger, greener and healthier.

Overarching theme	Healthier
Greener	Stronger



**Greener**

Top material themes related to climate change are covered across the four pillars in our TCFD disclosures on pages 31 to 41

- 6 Climate change adaptation
- 15 Climate change mitigation

Other material themes related to climate change are covered in the performance section

- 26 Energy management > pages 75 to 77

Top material themes related to nature are covered across the four pillars in our TNFD disclosures on pages 41 to 49

- 5 Environmental river water quality and storm overflows
- 11 Water resources and leakage
- 18 Natural capital and biodiversity

Other material themes related to nature are covered in our water cycle, risk management and performance sections

- 22 Recycling biosolids > pages 18, 39 and 42 to 49
- 29 Waste management > page 72

**Healthier**

Top material themes related to customers are covered across the four pillars on pages 50 to 51

- 4 Customer service and operational performance
- 9 Affordability and vulnerability
- 10 Drinking water quality
- 12 Emerging contaminants

Other material themes related to customers are covered in the regulatory environment section

- 27 Competitive markets > page 24

Top material themes related to colleagues are covered across the four pillars on pages 52 to 54

- 7 Health, safety and wellbeing
- 17 Diverse and skilled workforce

Other material themes related to colleagues are covered in our TNFD governance pillar and performance section

- 24 Colleague engagement > pages 78 to 81
- 28 Human rights > page 46

**Stronger**

Top material themes related to efficiency are covered across the four pillars on page 56

- 13 Financial risk management
- 14 Corporate governance and business conduct

Other material themes related to efficiency are covered in our key resources and performance sections

- 21 Land management > page 22
- 23 Innovation > pages 23 and 85
- 25 Responsible supply chain > page 87 to 88, 139, 144 and 175

Top material themes related to communities are covered across the four pillars on page 55

- 16 Supporting communities

Other material themes related to communities are covered in our economic environment and stakeholder value creation sections

- 19 North West regional economy > page 25
- 20 Recreational land and waters > page 10

Top material themes related to cyber and data security are covered across the four pillars on page 57

- 8 Cyber and data security