

Portsmouth Water Limited

Annual Sustainability Report
2025–26



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Front cover images:
 Main: Working with households to understand their water use through our smart water metering programme
 Top right: A visualisation of Havant Thicket Reservoir
 Bottom left: Generating renewable energy from solar panels

Introduction

Welcome to Portsmouth Water’s first standalone Sustainability Report.

Sustainability is central to who we are and how we operate. Although there is still more we can do, we have embedded sustainability across our organisation for many years.

Water is at the heart of our communities and environment and almost all of our supply is drawn from local chalk aquifers. This places a responsibility on us to protect water resources, enhance the environment and adapt to climate change as it increases pressure on our natural world.

This first standalone annual Sustainability Report marks the significant shift we have made to formalise our approach and record our achievements and decisions. It reflects our commitment to transparency, continuous improvement and open accountability.

And it introduces our newly developed sustainability strategy, which reflects the long-term priorities of our business and sets a clear path towards a more resilient, low-carbon and sustainable future.

In this report we outline our sustainability goals, how we are working towards them, our latest initiatives and the opportunities and challenges we face along the way.

Our reporting builds on our steps to more consistently embed sustainability principles across our business, having established an Environmental, Social and Governance (ESG) committee in 2025 with oversight from our Board.

Our aim is to demonstrate our on-going commitment to care for the environment, support our local communities, look after our people and deliver a reliable, affordable service for our customers.

A summary of our activities during the year is also available in our Annual Performance Report and Accounts 2025-2026, which sets out how sustainability supports our broader strategy, resilience and long-term value.

“Publishing our first standalone Sustainability Report demonstrates our intent to be transparent, accountable and ambitious in how we respond to challenges. As a company so closely connected to the environment and the communities we serve, we know our long-term success depends on managing resources responsibly and continually improving how we operate.”

Bob Taylor
 Chief Executive Officer



Who we are

Portsmouth Water is a regional water company providing drinking water services to nearly 740,000 customers across Hampshire and West Sussex. Our role is to supply high-quality, affordable water every day, supporting households, businesses and essential services. As a regulated company, we operate within a strong governance framework which ensures we balance the needs of our customers, the environment and wider society.

Our sustainability strategy

Our sustainability strategy sets out how we will deliver long-term value through goals centred around our three core strategic pillars:

Our customers and communities


Our people


The environment


These are rooted in our purpose, vision and values, underpinned by responsible and resilient business practices and aligned with the United Nations' Sustainable Development Goals.

Our strategy is guiding our decisions and actions to protect natural resources, reduce our environmental impact and support the wellbeing of the communities we serve.

“Our sustainability strategy reinforces our long-term commitment to our customers, ensuring resilient water supplies, protecting the environment we rely on and making decisions today that deliver lasting value for the future.”

Chris Milner
Chief Financial Officer



Engaging on our strategy

Our strategy has been informed by engagement with our customers and employees, to identify the sustainability priorities most relevant to our communities. We also engaged with our established Havant Thicket Reservoir Stakeholder Advisory Group.

Their combined feedback highlighted a strong expectation we will prioritise our core role – providing clean, reliable and affordable water through investment in water resource resilience, leak reduction, water quality and infrastructure improvements.

There was also clear emphasis on protecting the local environment, particularly the chalk streams, enhancing biodiversity and addressing emerging water quality risks.

The feedback identified a growing challenge in driving water-saving behaviours. This has strengthened our focus on clearer communication of water stress, supported by practical, data-led solutions such as smart water metering and targeted education.

Affordability also remains a key concern, particularly for vulnerable customers, reinforcing the importance of balancing investment with customer impact.

We will use these insights as we continue to refine our sustainability strategy, making sure our priorities remain aligned with expectations and focused on long-term, sustainable outcomes.

See page 12–13 for our wider engagement with customers and dedicated stakeholder groups.

Our purpose, vision and priorities

Our purpose is Excellence in Water. Always.

Our vision, against the backdrop of climate change and population growth, is to provide an affordable, reliable and sustainable supply of high-quality water for our customers.

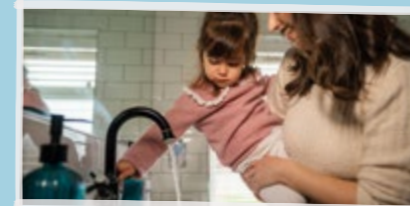
By being smart in our approach, we will work with our local communities to meet our goals, while protecting and enhancing the environment for generations to come.

Our priorities are:

- Secure and deliver water supplies which are high quality, reliable and sustainable.
- Work in partnership with our customers, communities and stakeholders.
- Invest in the future to meet growing environmental challenges.
- Achieve affordable water for all. Always.

Sustainability goals

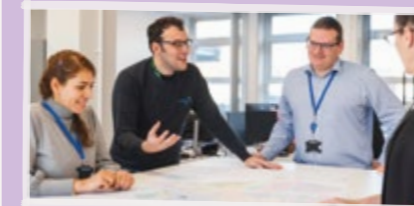
Our customers and communities



Our goals:

- **Ensure access to clean and affordable water for all our customers. Always.** Including those in vulnerable situations and those struggling to afford water
- **Empower our local communities** through community initiatives and charitable contributions
- **Support our customers to conserve water resources**

Our people



Our goals:

- **Drive a culture of health, safety and wellbeing** in everything we do
- **Foster community engagement** and promote employee wellbeing
- **Promote diversity and inclusion** within the company

The environment



Our goals:

- **Invest in the future** to meet growing environmental challenges
- **Reduce our climate impact**
- **Enhance biodiversity** across our sites

Governed by our responsible business practices

- Safeguard transparency and governance of operations
- Advance effective stakeholder engagement and collaborative partnerships
- Align regulatory compliance to international sustainability standards

Aligned to 11 UN Sustainable Development Goals



Highlights of the year

First standalone sustainability report



£63,400
in grants to boost biodiversity

20,367
customers benefitting from support tariffs



Awarded a RoSPA Order of Distinction for 21 years of health and safety excellence



1.79 million kWh
energy generated from renewable sources

45
employee wellbeing initiatives



74%
employee engagement score



78%
employee satisfaction score

Ranked **2nd** for customer measure of experience (C-MeX)

2nd for developer services measure of experience (D-MeX)

1st for business customer and retailer measure of experience (BR-MeX) (out of 17 water companies)



40
community engagement activities



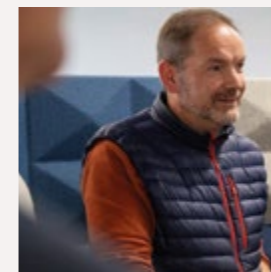
Executive remuneration linked to Environmental, Social and Governance



80-year rewilding project initiated at South Holt Farm in support of Havant Thicket Reservoir



Environmental, Social and Governance Board sub-committee met four times



Our customers and communities



Our goals

- Ensure access to clean and affordable water for all our customers. Always
- Empower our local communities
- Support our customers to conserve water resources

Access to clean and affordable water for all. Always

Everyone should have access to high-quality, reliable water for a price they can afford and we have significantly strengthened our efforts to reach more households with financial and practical support in recent years. We are also in the first year of a five-year investment programme to make sure our supplies remain reliable, safe and resilient to the challenges ahead for our customers.

We are a community-based company which delivers some of the highest levels of service in the water sector for the lowest bills. We pride ourselves on the reliability and quality of our supplies, our supportive and efficient customer service and our partnerships in our communities. Insight shows our customers trust us to deliver for them.



Affordable water for low-income households

Our sustainability key performance measures:

Customers supported by social, WaterSure and arrears assist tariffs

20,367

Customers on Priority Services Register

53,424 (18.3% of households)

Vulnerability stakeholder survey satisfaction score

90% satisfied or very satisfied

Our social commitment to our customers is to provide reliable, affordable water for all. Always.

We offer schemes to support low-income households and those who need to use a lot of water for health reasons. During the year we supported more than 20,000 customers through one of the following schemes:

- **Social tariff** – a tariff for those on low incomes - during 2025-26 this capped household bills at £91 if household income was less than £21,000 per year
- **WaterSure** – for customers receiving benefits who have three children aged 19 or under, or a medical condition requiring above average water use; capping bills at the average
- **Arrears assist** – supporting customers who are in arrears but making payments; where we match payments made by eligible customers.

Smart water meter support

During the year, we introduced specific support for customers moving to metered charges in our smart water metering programme. An automatic 'lowest bill guarantee' scheme is applied for eligible households when a smart water meter is installed. This means for the first 12 months they will receive the lower of their new metered bill or the equivalent unmeasured charge. This gives them time to adjust and engage with our support and advice on how to save water and money. In addition, we will automatically move eligible customers on to our social tariff. We have sourced external income data to provide insight on who is eligible but not currently benefitting from this financial support.

Support for vulnerable customers

Along with the rest of the sector, we run a Priority Services Register (PSR) to support our customers with additional needs, particularly around communication and during interruptions to supply.

During the year, we made it easier for customers we have not heard from in two years to stay registered on the PSR with a simple, automated process for them to re-confirm their details.

We also developed a new Vulnerability Strategy in 2025-26, which sets out how we will support customers over the next five years. Shaped by customer insight, data and partnership working, the strategy explains how we will identify vulnerability earlier, tailor support more effectively and remove barriers to engagement.

We have increased the size of our vulnerability team and are extending our reach with local councils and Citizens Advice who can help us reach more of our communities.

Vulnerability satisfaction

Our annual survey of representatives of interested groups and organisations which support vulnerable customers in our region, undertaken in 2026, found 90% of the 37 respondents were either satisfied or very satisfied with the services we provide our vulnerable customers.

Our customers and communities

Ensuring quality and resilient supplies

Maintaining supplies which our customers can trust and rely on round the clock is central to our work.

During the year, we continued to prioritise our investment to meet customer needs, regulatory commitments and our long-term sustainability goals.

Our investment focused on maintaining high water quality and increasing resilience and included:

- £7 million to improve water treatment and supply sites to protect water quality
- £3 million to renew old water mains, reinforce our network and cater for growth – reducing the likelihood and impact of burst pipes and increasing resilience against climate change
- Assessing the impacts of future climate scenarios and power and flood risks to our operation – to inform our resilience projects in the next four years.

Alongside this investment, we continued to improve our asset assessments and embed mature asset management standards, aligned to ISO 55001 principles, to support our risk-based, whole-life decision making for future years. ISO 55001 details the criteria necessary for establishing, implementing, maintaining, and improving an asset management system.

Removing lead pipes

A key part of our investment for 2025-30 is the removal of legacy lead pipes, with a primary focus on nurseries and schools.

Lead was banned for new pipes from the 1960s as it can impact the health and development of very young children. We currently use harmless chemical additives to reduce traces of lead in our water, alongside a programme to remove it at source. Our programme includes:

- Replacing lead pipes (communication, internal and external) in at least 60 nurseries or schools focusing on Fareham, Gosport and Portsea Island by 2030
- Replacing lead pipes if a customer, nursery or school has requested a lead check and where levels were found to be above 5µg/l and we confirm lead pipes are the cause
- Recording lead pipes we find as we install smart water meters, which will be replaced in order of priority as part of our lead replacement programme
- Replacing lead communication pipes when customers replace their own internal lead supply pipes.

We replaced 108 lead communication pipes during the year and are engaging with nurseries and schools to programme the replacements into their schedules.

Supporting our customers to conserve water

A key part of protecting our environment and securing resilient resources for our customers is to support a reduction in water use.

Installing smart water meters for all our customers by 2035 is the first step and as households become more aware of their water use we will work in partnership with them to support further savings. (See page 26 for more on our smart water meter programme).

Partnerships to promote water saving

We consider the demographics of our communities to understand what motivates and incentivises our customers to reduce their water use.

Based on this, we are developing strategies to work with community groups and representatives to build partnerships so we can engage more effectively through tailored approaches.

This includes working with retailer Ikea to promote the provision of alternative water efficiency products to its customers in 2026-27.

We are also working with water retailers and local businesses to find leaks and reduce water use. More than 90% of businesses we supply are metered, so they already have greater visibility of their use and potential savings.

We offer free water efficiency visits for commercial properties, focusing on potential fittings and savings for toilets, washrooms and overnight accommodation.

We have partnered with water retailers Wave and Business Stream to deliver water efficiency services to around 40 schools, with 15 scheduled for early 2026-27.

Consumer Council for Water customer panel

In 2026, we supported the first accountability session with a panel of our customers convened by the Consumer Council for Water (CCW), the independent statutory watchdog which represents consumers of water companies. These panels are being introduced for all water companies as part of a new Ofwat rule on involving customers in decision making. CCW engaged 54 of our customers in research and the session, where they were able to put their questions directly to our Executive Team. We created an action plan based on their input, which is published on CCW's website, and we are keeping the panel updated on our progress.

Mountbatten Centre

During the year, we worked with Portsmouth's Mountbatten Centre, a popular leisure centre with a range of facilities, including an Olympic-size swimming pool. For a small investment we were able to help them save around four million litres of water each year – the equivalent of 50,000 baths or 80,000 showers.



Leading customer service

Our sustainability key performance measures:

Customer satisfaction scores (out of 17 water companies):

C-MeX	2nd
D-MeX	2nd
BR-MeX	1st

We have a long-standing reputation as a leading water company for customer service and have been consistently ranked in the upper quartile of water companies since 2020.

During the year, we ranked second in C-MeX, out of 17 water companies. This is Ofwat's measure of overall customer satisfaction based on independent surveys of customers.

We also ranked second in D-MeX, the measure for developer services and first in BR-MeX, the measure for business customers and retailers.

Our partnership with Octopus Energy's software partner, Kraken and early adoption of their Customer Relationship Management technology in 2024 means our customers are already benefitting from more agile and tailored communications with us.

The cutting-edge technology is supporting the roll out of smart water meters and water-saving incentives and allows customers to manage their account and interactions with us more effectively.

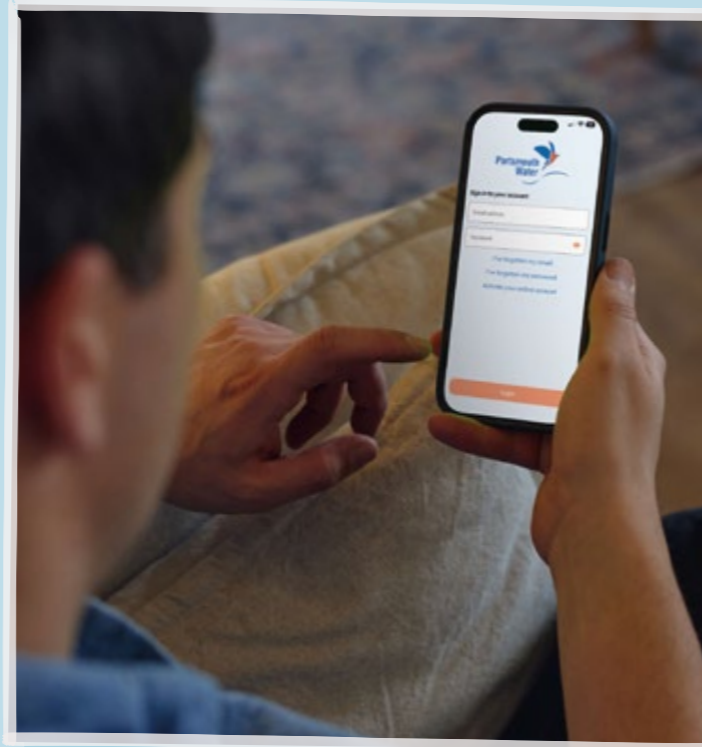
Our customers and communities

Customer insight to drive improvements

We can only be sure we are meeting our customers' needs if we understand what is most important to them and where they would like to see improvements. Working in partnership with our customers and stakeholders is key to this.

We regularly conduct our own surveys with customers to understand their perception of us, their needs and their levels of satisfaction.

Our Water Talks panel of 1,000 customers has been in place for more than four years and is a key engagement group which feeds into our business planning and service delivery. We use the group to constantly check in with our customers on key issues such as cost of living and wider affordability. The panel has contributed to the development and prioritisation of our Environmental, Social and Governance work.

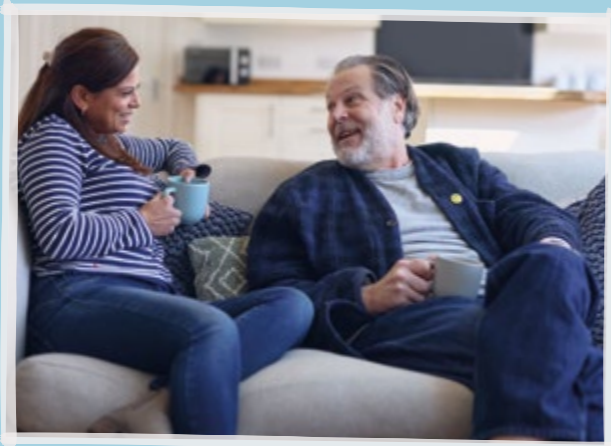


Digital portal and app

We have launched a digital portal and app for our customers, giving them access to information on their hourly water use and the costs. It also shows the cost of their wastewater services, which are provided by Southern Water, so they can easily relate their water savings to additional bill savings. We have launched virtual journeys so customers can relate their water use specifically to their home and devices and we will monitor this in 2026-27 to identify how customers are engaging. The virtual hub not only provides support with reducing water use but also supports customers to engage interactively, using camera technology, to self-serve 24 hours a day.

Customer happiness index

We implemented a new internal 'customer happiness index' during the year, which will support us to gather real-time survey results from customers who have engaged with us. While C-MeX is our overall company measure of customer experience, this more detailed feedback will highlight where we can target improvements for the most impact. This tool will be used from 2026-27 to gain insight from customers who contact us by phone and through our digital channels.



Our customers' views on saving water

We have also been exploring our customers' views on their knowledge of the need and benefits of saving water, to understand what can impact their views.

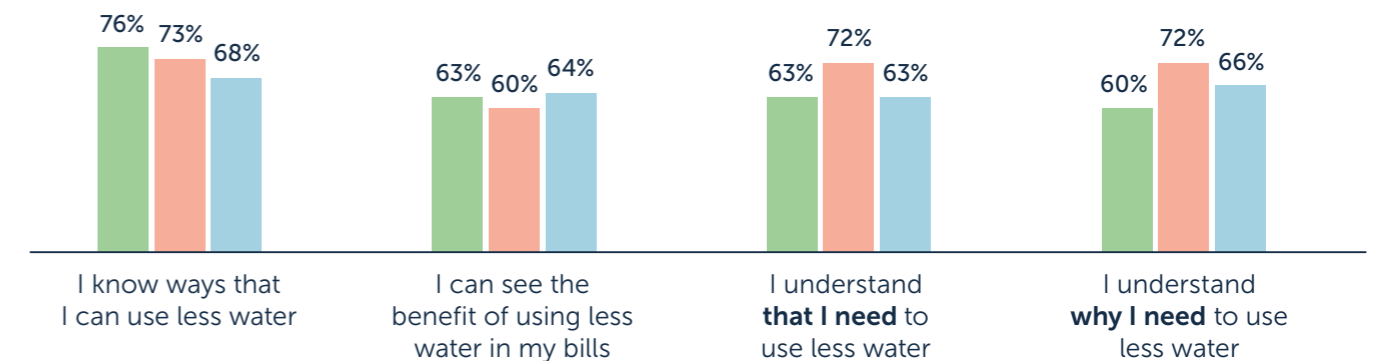
A survey demonstrated our customers' understanding of their water use is limited – 70% feel they are already efficient. This is despite our customers having the highest personal water use in England and Wales.

The results below show how weather can have an impact. Awareness peaked in October 2025, when other companies had drought restrictions in place, resulting in TV coverage.

We can also see awareness of the financial benefits of saving water is more consistent and endures irrespective of weather or national campaigns. This insight is informing the way we engage with our customers to support their water reduction.

Three-year water use tracking survey

To what extent do you agree or disagree that...



Engaging our communities' representatives

In addition to our extensive engagement with our customers, we also engage widely with representatives of organisations in our area, including environmental, consumer and local authorities.

We have established two key stakeholder groups, which regularly bring together stakeholders in structured forums to represent their speciality areas and the communities they work in.

Independent Challenge Group

We refreshed our customer scrutiny panel during the year to create an Independent Challenge Group (ICG), made up of 25 representatives of interested local organisations. The ICG's role is to challenge us to make sure our customers' voices are heard in our planning and taken account of in our decisions. The group is far reaching with members including representatives from councils, Citizens Advice, CCW and rivers trusts. Four subgroups support the main group:

- **Vulnerability:** making sure customers in vulnerable circumstances receive a service which meets their needs and our charges remain affordable for all. In 2025-26 the subgroup focused on publication of our first vulnerability strategy and roadmap, with a focus on data sharing opportunities to auto enrol customers onto our support tariffs and Priority Services Register.

- **Demand Reduction:** with a focus on effective engagement with customers to achieve our target demand reduction.
- **Environment:** focusing on our approach to protecting the environment, including water supply, abstraction and Havant Thicket Reservoir.
- **Communications:** with a focus on supporting our communications strategy with wider stakeholders to bring their voices into our work.

Havant Thicket Reservoir Stakeholder Advisory Group

We have a long-standing Havant Thicket Reservoir Stakeholder Advisory Group which has expanded to include several associated subgroups. Through these groups we bring together statutory bodies, interested groups and partners to provide updates, discuss issues and gather feedback on the development of the reservoir and the associated environmental and community benefits. The forums support transparent dialogue and help the reservoir team identify and respond to suggestions, concerns and requests for more information. During the year, meetings have supported engagement on the development of the reservoir wetland, the design of the visitor centre, access routes and the environmental mitigation projects.

Our customers and communities

Empowering local communities

Our sustainability key performance measures:

Work placement opportunities

7

New recruits hired locally

64%

We pride ourselves on being an integral part of the communities we serve and encourage our employees to give back and add value by sharing their expertise and time, as well as supporting fundraising initiatives and events.



Our apprentices join Shaping Portsmouth's Apprenticeship Bus

Supporting apprenticeships

Supporting people to thrive in education and work-based learning is particularly important to us.

During the 2026 National Apprenticeship Week, we shared our employees' apprenticeship stories to inspire others. These ranged from early careers and mid-career changes to new challenges to support continuous career progression.

Some of our current apprentices also joined an Apprenticeship Bus initiative – an annual roadshow which travels around Portsmouth supporting secondary school students to meet apprentices and hear first-hand about the career opportunities on offer. This was facilitated through our work as patron of Shaping Portsmouth, an organisation which brings businesses and communities together in the city.

We have recently been shortlisted as a finalist in the Best Apprentice Employer category in awards led by a leading local training and consultancy service provider. Our first female IT apprentice has also been shortlisted as a finalist in the Rising Star of the Year category.

Supporting community initiatives

Our sustainability key performance measures:

Employee volunteering days (from Nov 2025)

34

Community engagement activities

40

Our community ethos also means we have a role to play in supporting local businesses and community initiatives. We know we can be most effective if we do this in partnership with others.

In our role as patron of Shaping Portsmouth, we provide support for social mobility and equity in the local community. The partnership also creates new opportunities for networking, work experience, internships and industry placements for those interested in a STEM career.

We also collaborate with the Women's Utilities Network and Armed Forces Covenant to promote careers in the sector.

Volunteering is another area which gives our employees valuable opportunities to grow, develop new skills and make a difference beyond their day-to-day roles.

During 2025-26 we:

- Offered subsidised swimming lessons to 100 children in partnership with Horizon Leisure and Havant Borough Council
- Gave each employee two paid volunteering days to take part in activities which give back to the community
- Ran a volunteer day planting 380 aquatic plants in Havant Thicket woodland
- Supported our contractors in a collection for Leigh Park Food Bank and donated Easter eggs to the Munch Pantry Foodbank at Park Community School
- Engaged more than 1,600 customers at 11 community events – with practical ways to save water at home, information on tariffs, smart water meters and updates on Havant Thicket Reservoir.

We also support several charities both as a business and through our employees. During the year we:

- Raised £2,450 for WaterAid at internal events with our employees
- Promoted WaterAid to our customers and ways to donate through their bills and online
- Contributed £1,000 to two local foodbanks – making donations for each community representative who completed our annual vulnerability satisfaction survey.

We are also exploring how we can encourage our customers to support local charities through their water bills, by either rounding up their bill or through targeted promotions.



International Women's Day

Inspired by the theme of this year's International Women's Day 'Give to Gain', we launched a food, clothing and toiletries donation drive in support of Two Saints – an outreach charity based in Havant. Two Saints provides vital, practical support to people of all ages who are homeless or vulnerable and helps individuals and families rebuild their stability and independence. We also had colleagues volunteer at Sparks Community Space in Portsmouth, serving refreshments for the day.

Our people



Our goals

- Drive a culture of health, safety and wellbeing in everything we do
- Foster community engagement and promote employee well being
- Promote diversity and inclusion within the company

Our people are what make our business and our commitment to sustainability successful. In turn, we commit to maintain a safe and healthy working environment, nurture our inclusive culture, develop our people's capabilities, support their wellbeing and engage diverse talent.

A culture of health, safety and wellbeing

Our sustainability key performance measures:

Health and Safety Executive reportable incidents (RIDDOR)

0 for Portsmouth Water employees **1** for a contract partner

Lost-time injuries

0

The wellbeing of our employees, contractors and the public is incredibly important and we create the safest possible environments through our comprehensive approach to continuous improvement.

Fostering our 'Safety Always' culture was a key focus this year as we brought our contracted workforce on board to deliver our ambitious five-year asset improvement programme and began large-scale construction of Havant Thicket Reservoir.

This saw our combined employee and contracted workforce grow to a peak of 900 employees, with our construction delivery partners working more than 1.8 million hours.

To support this, we introduced enhanced controls and focused on engaging the workforce in health and safety to cement a strong safety culture.

Our health and safety performance

Despite the scale and intensity of construction activity, we achieved a very strong health and safety performance during the year.

We are incredibly proud to have been awarded the 2026 RoSPA Order of Distinction in recognition of 21 consecutive annual Gold Awards. The high standards required to achieve this award further demonstrate our commitment to health and safety leadership.

We also benchmark our performance within the sector and we are consistently one of the highest performers in terms of reporting injuries, incidents and days lost. During the year we reported:

- No Health and Safety Executive (HSE) Reportable Incidents (RIDDOR) for Portsmouth Water employees, with one incident reported by a contract partner on Havant Thicket Reservoir
- No injuries which resulted in an employee being absent (lost-time injury).

Managing incidents and learning

To maintain this record, we encourage the reporting of all incidents and accidents, however minor, and report on near miss events and those with high potential for serious injuries.

We promote a 'learning not blaming' culture to help identify issues and take preventative action before incidents occur.

We carry out facilitated incident investigations to identify immediate and underlying causes and contributing factors. We then strengthen controls, enhance communication and share lessons learned with all teams to embed these into their day-to-day operations.

Our health, safety and wellbeing performance is also supported by robust governance, including regular monitoring and reporting, safety inspections and senior level reviews with Board visibility.

As Havant Thicket Reservoir is an ongoing significant construction project, we recognise we need to be continuously vigilant on health, safety and wellbeing as the work continues to evolve.

Workforce wellbeing

We recognise wellbeing as a critical part of safe delivery. Our engagement with employees identified they were experiencing increased pressure associated with the changes in working conditions at Havant Thicket Reservoir as activity stepped up on site and in other areas of the business. We now routinely discuss this at briefings, in toolbox talks and in leadership forums. Our open communication has supported high levels of participation in our safety initiatives.

Risk assessments

Risk assessments are a vital tool when planning activities. We have continued to improve our teams' skills in identifying and mitigating hazards, particularly to meet the needs of our many and varied construction activities.

Key training delivered during 2025-26 included:

- Reviewing and updating risk assessments and method statements (RAMS). We delivered a hazard awareness, assessment, management and mitigation programme to all managers
- Institution of Occupational Safety and Health (IOSH) Safety Leadership and Managing Safely courses
- Training on our duties to provide clear information and briefings to our contractors, in accordance with the Construction Design and Management Regulations
- Training incident investigation facilitators across the business to become independent leads for root cause analysis, to identify immediate and underlying causes and promote collaborative improvement, avoiding blame and fostering a learning culture.

This training has supported stronger client-side assurance, improved our challenge and oversight of contractor activities and given our workforce greater confidence to manage construction risk at scale.



Our people

Employee wellbeing and career development

Our sustainability key performance measures:

Employee engagement survey:

74% completion rate **78%** engagement score

Employee wellbeing initiatives **45**

Employee turnover rate **11.5%**

Online statutory and mandatory training **3,743** hours
(Since Nov 2025)

The wellbeing of our employees, their satisfaction in their day-to-day roles and their career progression are the cornerstone of delivering excellent service for our customers.

We prioritise investing in the career development of our employees and offering training opportunities, including upskilling in sustainability practices.

A key focus during the year has been equipping our employees with the skills they need to support our customers as we install smart water meters for every household and promote water saving.

Programmes are underway to train customer-facing employees on how to support customers to understand the data provided by their smart water meter and how to access it. The training also focuses on how and when customers want and need this support.

We have also implemented a training programme for employees to become water champions to promote water efficiency across our business and to our customers and communities.

A new Learning and Development lead is prioritising our training needs and statutory and mandatory training for employees and managers.

Our employee turnover rate is 11.5% (against our target of 12%) and well below the voluntary turnover rate for the UK utilities sector at 21%.



Water Ripple Effect

We funded attendance at the Institute of Water's Ripple Effect for nine employees in 2026. The three-day programme supports professionals in the water sector who aspire to leadership roles. It is an opportunity to develop confidence, network, meet industry leaders, learn and develop skills and improve presentation and communication.

Providing health support

Our 12-month rolling average absence rate (available days lost per employee due to sickness) in 2025-26 was 2.58%, a reduction on 3.1% the previous year. This decrease was due to a fall in long-term absences.

Providing ongoing mental health support and access to counselling services is an important part of supporting our employees to thrive and be present at work.

We run a wellbeing group, provide access to a virtual GP, mental health first aiders, hormone health champions and a Health Hero Employee Assistance Programme, as well as mandatory training in mental health awareness and emotional intelligence.

In June 2026 we introduced a new occupational health provider arrangement with Health Partners. This will significantly enhance our workplace health surveillance, monitoring and reporting capabilities.

Our approach addresses work life balance, considering mental, physical, emotional and social aspects. Initiatives during the year included:

- Running awareness initiatives to promote women and men's health and wellbeing
- Five days each year as paid leave for menopause or menstruation symptoms
- Free prostate cancer screening
- Wellness walks and volunteering days
- Introducing pulse surveys to monitor health and wellbeing.

Promoting diversity and inclusion

Our sustainability key performance measures:

Senior leadership roles filled by women **26%**

Mean gender pay gap **20.75%**

Employees trained in Equity, Diversity and Inclusion and Environmental, Social and Governance programmes **85.3%**

We promote diversity across all our employees and our commitment to inclusion is a value we live by.

We want every person to feel safe, respected and empowered to be their true, authentic selves. This is particularly promoted through our People and Culture group, which has sub groups including our Women in Water Community, Equity, Diversity and Inclusion (EDI) Culture Group, Men's Space and Armed Forces Community.

In 2025, we celebrated Pride Month as a community sponsor of the UK Pride Event in Portsmouth, creating an opportunity to celebrate LGBTQ+ voices through employee stories. We have also partnered with Portsmouth Pride for the next three years.

Training support

We are supporting our managers and employees to recognise unwelcome behaviours and sharing advice on how to address them through a mandatory training programme. This includes bullying and harassment awareness, emotional awareness, EDI and menopause awareness. We have also developed a new bespoke training course on challenging bias, preventing harm and promoting respect. This is supporting managers to recognise inappropriate behaviour, how and when to step in safely and their responsibilities. Following legislative changes, we have also introduced sexual harassment awareness training for all employees.

Targets for gender and ethnic diversity

Our latest Gender Pay Gap (GPG) report (2024-25) shows mixed progress on equality for women. Our median gender pay gap has improved, which more accurately reflects the roles of typical employees. However, our mean gender pay gap has increased by 1%, due to male over-representation in higher paid roles. We are addressing this imbalance by accelerating our progress in hiring and retaining talented women. Since the last GPG report, we have appointed 30 new female colleagues, including six senior leadership roles.

There has also been improvement in the mean and median bonus gender pay gap, with more women receiving a bonus this year across all levels. This reflects our efforts to embed fairness and consistency in our bonus reward process.

We are also supporting employees to progress their careers internally and have continued our partnership with Women in Utilities (WUN) to support networking and mentoring.

Women in Water

Our Women in Water Community was re-launched in 2025 and developed a roadmap to amplify women's voices, support their development and remove barriers, based on a survey of employees.

“Women in Water is helping us to drive an inclusive future, ensuring we support, develop and empower colleagues today while setting the standard for those who join us tomorrow.”

Carol Cairns, Chief Asset Officer



The environment



Our goals

- Reduce our climate impact
- Invest in the future to meet growing environmental challenges
- Enhance biodiversity across our sites

We are dependent on the local environment for our water resources and we are focused on reducing our environmental impact.

We consistently meet all our environmental obligations, are actively reducing our carbon emissions and we are improving the biodiversity of the sites we manage.

Our supply area encompasses rare and sensitive environments surrounding chalk streams and rivers, including the Itchen, Ems, Meon and Lavant rivers, as well as the West Sussex rife (drainage streams and watercourses which run into the English Channel).

So, it is vital we embrace their wider care if we are to secure the long-term resilience of our operations, particularly against the increasing and wider pressures of climate change and population growth. This includes reducing our abstractions where current levels are harming the local environment.

Reducing our climate impact

Our sustainability key performance measures:

Greenhouse gas emissions for Scope 1,2 and 3* **6,722.69** tCO₂e

Havant Thicket Reservoir embodied carbon emissions **5,747** tCO₂e

Total energy generated from renewable sources **1.79 million** kWh

**Measured on a location-based basis, excluding PG&S and capital projects. Includes emissions avoided through renewable electricity export.*

Climate change presents a significant challenge for a business reliant on resilient water resources to deliver affordable water for all, always.

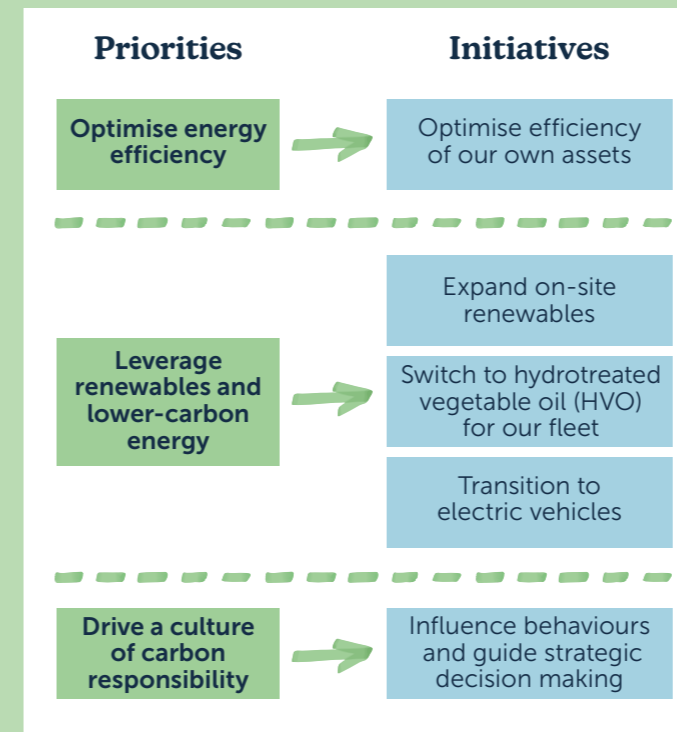
Frequent and severe droughts, flooding, and extreme weather are increasingly heightening the pressure on our assets, operations and supply systems, as well as the natural environment in which we work.

In response, we are adapting our processes to protect water resources, strengthen resilience and safeguard our essential services, while also reducing our contribution to greenhouse gas (GHG) emissions and supporting the transition to a low-carbon future.

We have an ambition to reach net zero by 2040 for our operational emissions. Our detailed pathway to delivery is currently being developed in alignment with the Water UK Net Zero Routemap.

Our strategy to reduce greenhouse gases

We have identified three long-term strategic priorities and supporting initiatives to achieve our net zero goals, as shown below:



Managing capital carbon at Havant Thicket Reservoir

In 2025, Havant Thicket Reservoir became our first major capital project to successfully measure whole life carbon, considering the greenhouse gas emissions associated with both operation and the embodied carbon in supply of materials and construction. In this flagship example we developed an Integrated Carbon Management Plan (ICMP) to provide a consistent framework to measure, manage and reduce carbon across the project and through our delivery partners. The ICMP is aligned with PAS 2080* and guides our carbon governance, target setting, quantification and continual improvement from design to construction. A dedicated Carbon Working Group and ongoing workshops have enabled collaboration with our contractors and supply chain and the assessment of lower-carbon options to reduce emissions.

** PAS 2080 is a global standard for managing carbon across the entire lifecycle of buildings and infrastructure.*



The environment

Our carbon footprint

In 2025, our total operational carbon footprint was 6,722.69 tonnes of carbon dioxide equivalent (tCO2e)*

This represents a decrease of 9% compared to 2024. During 2025 we decommissioned gas at one of our treatment sites and targeted operational and asset-based improvements to reduce our energy use and associated emissions.

These included:

- Upgrading heating systems to electric alternatives
- Enhancing energy monitoring with half-hourly metering
- Refurbishing treatment processes to improve efficiency and resilience

- Replacing older pumps with more efficient models
- Expanding on site solar generation.

Ultimately, we saw a reduction in our overall emissions. However, we also faced challenges throughout the year with persistent, above-average dry weather during the summer of 2025. This led to lower groundwater levels and increased pumping to maintain reliable water supplies. These impacts highlight the growing influence of climate variability on operational demand and our energy use.

**Measured on a location-based basis, excluding PG&S and capital projects. Includes emissions avoided through renewable electricity export.*

	2025-26	2024-25
Energy (kWh)		
Total energy consumption Scope 1 and 2 emissions (kWh)	26,631,974.24	26,141,361.34
Electricity imported	23,058,573.40	22,374,932.00
Electricity generated (Solar PV)	1,787,784.00	1,591,226.34
Gas	383,596.00	613,985.00
Vehicle transport	1,402,020.836	1,561,218.00
Greenhouse gas emissions (tCO2e)		
Total Scope 1 (tCO2e)	433.88	520.87
Burning of fossil fuels (location-based)	87.18	150.33
Process and fugitive emissions	11.42	2.54
Vehicle transport	335.28	367.99
Total Scope 2 (tCO2e) location-based	4,081.37	4,632.73
Purchased electricity (location-based)	4,081.37	4,632.73
Purchased electricity (market-based)	789.35	962.71
Total Scope 3 (tCO2e)¹	2,237.18	2,253.16
Business travel	11.30	9.41
Outsourced activities	242.26	299.94
Purchased electricity – extraction, production, transmission and distribution (location-based)	1,577.21	1,525.30
Purchased fuels – extraction, production, transmission and distribution	95.20	118.33
Chemicals	179.65	178.92
Disposal of waste	131.57	121.26
Total emissions avoided (tCO2e)	-29.74	-
Emissions avoided from renewable electricity we export	-29.74	-
Total Scope 1, 2 and 3 (tCO2e) – location-based²	6,722.69	7,406.76
Total Scope 1, 2 and 3 (tCO2e) – market-based³	3,430.67	3,736.74
Total Scope 3 Purchased goods and services (PG&S) and capital projects	17,014.58	25,572.65
Purchased goods and services	7,115.91	6,139.30
Capital projects (cradle-to-gate)	4,151.67	19,433.35
Capital projects (cradle-to-build)	5,747.00	-
Total gross footprint⁴	23,767.13	32,979.41
Energy intensity		
tCO2e / £m revenue	111.82	122.00
tCO2e / ML	0.10	0.09

Footnote 1: Excludes PG&S and capital projects.

Footnote 2: Excludes PG&S and capital projects, includes emissions avoided through renewable electricity export.

Footnote 3: Total Scope 1, 2 and 3 (market-based) emissions, includes emissions avoided through renewable electricity export and excludes emissions associated with purchased goods and services and capital projects. Market-based electricity emissions reflect emissions from purchased electricity using supplier-specific factors; Portsmouth Water procures 100% renewable electricity backed by Renewable Energy Guarantees of Origin (REGOs).

Footnote 4: Includes all reported greenhouse gas emissions across Scope 1, Scope 2 and Scope 3, calculated on a location-based basis. This includes emissions from purchased goods and services and capital projects, representing the organisation's full operational and value chain carbon footprint. This value excludes emissions avoided through renewable electricity export.

Understanding our carbon footprint

Understanding our carbon footprint enables us to develop a meaningful reduction strategy. The chart below breaks down our GHG emissions for the year.

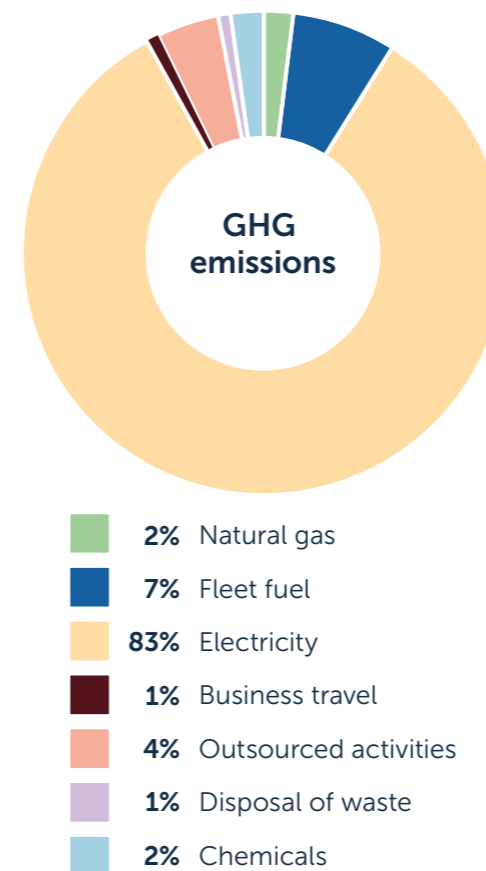
They are principally driven by electricity use (83%) and reducing this is our greatest challenge and opportunity. Our focus is on improving energy efficiency and increasing the role of renewable energy.

Fuel used by our operational fleet is the second main contributor (7%). While travel is essential to support our geographically widespread assets, our transition from diesel to hydrotreated vegetable oil (HVO) will deliver meaningful reductions (See page 24). The next largest contributor is outsourced activities (4%).

The specialist chemicals we need to maintain high water quality contribute 2%. Our approach to reducing the amount of chemicals we use is to reduce the amount of water we need to treat, particularly through the installation of smart water meters and leakage reductions. Natural gas (2%) plays a similar role as we continue to move away from gas heating, as does waste (1%). We are working closely with our supply chain to strengthen our approach to waste reduction and long-term waste management.

See page 25 for our plans to increase solar energy use.

Overview of our greenhouse gas emissions



Our greenhouse gas emissions regulatory commitments

In our business plan for 2025-30, we have a performance commitment to reduce operational GHG emissions by 14% by 2030 (from a 2024-25 baseline).*

In 2025-26, our target was to reduce our in-year emissions by 4.22%, equating to 7,004.31 tCO2e, against a 7,312.92 baseline.** We ended the year at 7,383.39 tCO2e which is an increase of 1%, so missing our target.

In comparison to the emissions table reported on the previous page, reporting against our performance commitment uses fixed emission factors which make sure any reduction against our baseline is primarily driven by direct reduction in energy consumption and does not account for any decarbonisation of the National Grid.

Although we successfully implemented energy efficiency improvements throughout the year, our ability to reduce operational carbon emissions was significantly affected by prolonged dry conditions and the need for more intensive pumping to maintain secure water supplies.

For a breakdown of our GHG emissions linked to our performance commitment, please refer to our Annual Performance Report and Accounts 2025-2026.

**This target excludes emissions associated with Purchased Goods & Services and capital projects. Emissions are calculated using the UKWIR CAW, fixed on 2022 emission factors, for Outcome Delivery Incentive (ODI) reporting.*

***Ofwat has set the year-on-year emissions reduction baseline using the final determination forecast value (7,312.92 tCO2e), rather than Portsmouth Water's actual reported emissions for 2024-25 using the Outcome Delivery Incentive methodology which applies 2022 fixed emission factors (7,443.79 tCO2e). As a result, performance is assessed against a forecast baseline rather than the actual outturn for that year.*

The environment

Decarbonising our fleet

We developed a new fleet strategy in 2025 to support our wider net zero ambition, including switching fuel from conventional diesel to hydrotreated vegetable oil (HVO).

In early 2026, we installed a dedicated HVO fuel tank at our head office site and in the short term this switch to HVO is supporting our operational carbon reductions, with potential savings of up to 300 tCO₂e a year.

HVO is a renewable fuel made from waste-derived vegetable oils and fats. Unlike diesel, which is fossil-based, HVO delivers substantially lower lifecycle carbon emissions while maintaining the same performance and reliability we need for critical operations.

In the longer term we plan to transition our fleet to include electric vehicles.

Supporting supply-chain fleet decarbonisation

Alongside decarbonising our own fleet, we are engaging with our supply chain to encourage a transition to lower-carbon fuels, including HVO. We will work collaboratively with our partners to share best practice, understand barriers to adoption and embed lower-carbon fuel expectations into contracts and procurement processes where appropriate.

This approach will help extend carbon reductions beyond our direct operations and support a more resilient, low-carbon supply chain aligned with our net zero ambitions.

“By acting now to reduce emissions through lower-carbon fuels like hydrotreated vegetable oil, we are strengthening the resilience of our operations while making real progress towards our net zero ambition. This approach reflects our commitment to taking practical, future-focused decisions to create a more sustainable business.”

Chief Operating Officer, Iain Vosper



Adapting to climate change

During 2025, the prolonged dry weather led to sustained low groundwater levels and a higher demand for water. These conditions directly impacted our operational efficiency, energy requirements and associated emissions.

They underline the growing influence of climate risk on our day-to-day operations and the critical nature of our work to adapt and secure the long-term resilience of our business. Climate adaptation guides our investment strategies to make sure we are resilient to the primary and secondary impacts of climate change, including flooding of critical assets and risks to power.

We submitted our latest Climate Change Adaptation Report to the Government in 2024. This sets out our most recent climate risk assessment and the actions we are taking to manage and mitigate these risks. Key risks we identified include extreme heat, drought and flooding. For each risk, we modelled the potential impacts to understand our vulnerabilities and how we can strengthen our resilience.

In 2025, we began a deeper, more targeted assessment of flooding and power resilience across our assets. This is helping to identify where innovative approaches and smarter investment can deliver stronger resilience outcomes. We will continue to develop and deliver these plans over the next year.



Refuelling with HVO fuel

Case study: Increasing our solar capacity



During the year we accelerated the expansion of our on-site solar and battery capacity, reducing our reliance on external energy sources, supporting our transition to sustainable energy and strengthening our operational energy security. Our focus included:

1. Adding 470kW additional solar generation capacity, increasing our total to 2.4MW on or adjacent to our operational sites; where we expect to offset up to 15% of our annual electricity consumption from the grid and reduce operational energy costs.
2. Entering into an Energy Supply Agreement to deliver a 2.7MW rooftop solar installation at our Highwood reservoir. When combined with a grid scale battery system, this will enable the River Itchen Water Treatment Works, our largest and most energy intensive site, to meet more than 85% of its annual electricity demand.
3. Signing an agreement with a local developer to support the deployment of a 150MW battery energy storage system at one of our sites; providing resilient energy for our operations as well as wider community benefits by supporting grid stability during peak demand.

Investing to meet environmental challenges

Our sustainability key performance measures:

Per Capita Consumption (3-year average) **154.1** litres per day

Leakage rate (3-year average) **34 million** litres per day

Water abstraction **70,259 million** litres per year

Our five-year investment for 2025-30 prioritises the steps we need to take to secure resilient supplies for the future, which are also sustainable and affordable.

Our investment is driven by the need to reduce demand for water, through a smart water metering programme, partnerships with our customers to save water, reducing leakage and developing new sustainable sources such as Havant Thicket Reservoir.



Viewing work in progress at the Havant Thicket Reservoir site

The environment

Smart water meters to reduce consumption

We are installing smart water meters for most of our household and non-household customers by 2035. We are able to implement this following the declaration of our area as a water-stressed region in 2021 and acceptance of our Water Resources Management Plan in August 2024.

Smart water metering encourages water efficiency, helps to identify leaks faster and is fairer for customers as they pay for what they use. This in turn will support reduced abstraction from the environment and a reduction in energy use to abstract, treat and pump water.

To date, our smart water meter customers have an average per capita consumption (PCC) of 130 litres per person per day, compared to our average PCC of 154 litres per person per day.

During 2025-26, we installed 15,095 smart water meters for our customers, a significant outperformance on the 3,200 planned during the first trial year. Meters provide customers with more insight into their water use, helping them manage their use and bills.

We are already seeing reductions in water use and more leaks being identified and repaired, following the meter installations.

- To date our smart water meter customers have reduced their use by 24%, with some achieving 31% reductions
- 33% of our customers have had a leak identified through their smart water meter data
- 78% of customers have already taken steps to fix identified leaks.

These early reductions in water use are higher than we had assumed in our plans. However, one challenge we are finding is customers do not always fix the leaks when they are identified. This can be because they are small leaks, the cost of repairing them outweighs savings on bills or they are not engaged in the process. Our aim is to make it easy for our customers to repair leaks at their homes. To support this, we are providing a free one-hour leak detection service and guidance on engaging the services to make the repair.

We ran five dedicated customer information events focused on the rollout of our smart meters in 2025. These sessions gave customers the chance to ask questions, share concerns and learn more about what smart water metering means for them, while helping us maintain a visible and supportive presence in the community.

Case study: Supporting leak repairs



A leak of 25,000 litres per day was identified under a customer's property after a smart water meter was installed – enough to supply around 160 people each day. We attempted to engage with the customer several times and identified them as being in vulnerable circumstances. We interacted directly with the landlord, a social housing provider, and were able to fast track the repair – saving significant amounts of water and protecting the customer from excessive bills.

Leakage monitoring, detection and repair

Our customers expect us to lead by example on reducing leakage as we encourage them to reduce their water use and repair leaks in their homes. However, this year has been challenging and we recorded a 15% increase in leaks against our three-year average.

The particularly dry summer caused ground movement, stress on pipes and increased pressure from higher demand, which in turn increased leaks, bursts and repairs across our network.

In 2025-26 we recorded and repaired 4,600 leaks against a three-year average of closer to 4,000. As a result, our leakage performance is still not where we need it to be – 34 million litres per day (ML/d) against our target of 30.8 ML/d (based on a three-year average).

In spite of the challenges of the dry summer, we began to show positive signs of consistent leakage reduction towards the end of the year.

Tackling leakage

Leakage is a priority for us so during the year we brought forward investment in new pressure management and smarter controls.

We identified 10 extra locations where we can optimise pressure while maintaining service standards. This makes our network 'calmer', which in turn reduces bursts and leaks.

We also accelerated investment into identifying and pinpointing leakage, by:

- Increasing the areas where we monitor flow (District Meter Areas)
- Investing in new, AI-enabled acoustic monitors (which 'listen' to our network and recognise telltale sounds of a leak breaking out)
- Continuing satellite sweeps to identify areas of potential leakage.

Parallel investment to renew water mains reaching the end of their life will also help reduce leaks, as well as our programme to install smart water meters.

We will continue our investment into new and innovative ways of identifying leaks to help meet our leakage targets, which become increasingly tighter as we work towards halving leaks by 2040.

Leakage sniffer dogs

We have employed leakage sniffer dogs during the year who are trained to identify the presence of treated water. This approach is particularly useful for assessing more rural trunk mains where traditional approaches are more difficult to put in place.



Our leakage targets

In 2026, industry regulator Ofwat, accepted our request to rebase our leakage position. This followed a significant amount of work to improve the way we calculate and report leakage using more insightful data, getting us ahead of industry best practice. The rebasing does not change the level of leakage reductions we have to make, only resets the starting measurement point.

Incentives to build water efficient homes

We are also working in partnership with developers to incentivise them to make developments and house building more water efficient.

In 2025 we introduced a water efficiency incentive payment programme, providing eligible developments with a 50% reduction to the charges we make for installing the water infrastructure they require for their developments.

We intend to build on this with a tiered approach to widen eligibility and take up, as well as explore linking it with water-saving tariffs for the householders who buy the new properties.

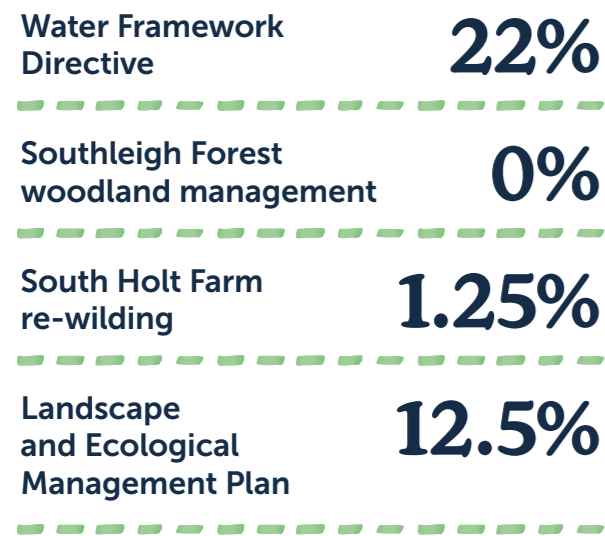
We will also link this to our bulk infrastructure connections for New Appointments and Variations (NAV) sites to drive further efficiencies (NAVs own and operate the water infrastructure for some new developments, providing billing, customer services and network maintenance directly to residents).

The environment

Developing future water resources – Havant Thicket Reservoir

Our sustainability key performance measures:

Percentage of Havant Thicket Reservoir environmental projects delivered to meet net gain planning commitments:



Alongside reducing demand for water and tackling leakage, we also need to develop new resources to protect the environment and adapt to the challenges of climate change and population growth.

We are making significant progress on delivering Havant Thicket Reservoir, the first major new UK reservoir to be built in more than 30 years. It will support reductions in abstraction from globally rare chalk streams by providing a new, sustainable source of water.

The project entered its construction phase in earnest in 2025. This was followed by the installation of a 20-tonne steel wall to sit beneath the main embankment in early 2026 and the start of the main earthworks season in March.

Current planning permission allows for the reservoir to be filled with spring water, to enable us to supply up to 21 million litres of water per day to Southern Water’s customers during times of emergency or drought from our other sources, supplying our own customers from the reservoir.

The reservoir will be future proofed, with the capacity to accommodate a second source of supply of highly purified recycled water if Southern Water secures approvals for its proposed Hampshire Water Transfer and Water Recycling scheme.

Then the benefits of the reservoir would be significantly enhanced – delivering water directly to Southern Water daily and providing up to 111 million litres of water per day during times of emergency or drought.

Protecting and enhancing the environment

The reservoir is an environmentally-led project, which aside from protecting the rare chalk streams, will bring many benefits to nature and communities in the Havant area.

Despite the transition into large-scale construction, the project recorded a strong environmental performance during the year. Monitoring included independent audits, inspections and engagement with statutory parties, including the Environment Agency.

The project’s Biodiversity Mitigation and Compensation Strategy (BMCS) was agreed as part of the planning permission in 2021 and during 2025-26, key areas delivered included:

- The development of a long-term woodland management agreement with the Hampshire & Isle of Wight Wildlife Trust for the conservation of Southleigh Forest
- Habitat creation, restoration and rewilding initiatives; including an 80-year rewilding project at South Holt Farm
- Long-term ecological monitoring and management planning.



Havant Thicket Reservoir construction started in 2025

Water Framework Directive commitments

The project’s BMCS also outlines the measures required to address Water Framework Directive (WFD) requirements.

In 2025-26, these were delivered alongside construction and included watercourse enhancements, baseline and post-construction monitoring, aquatic monitoring and engagement with regulators and ecological specialists.

Contracts to support enhancement works for the nearby Hermitage Stream in Havant are due to be awarded in 2026-27, with others to follow in subsequent years.

Managing surface water and water quality

We effectively managed surface water drainage and water quality at the reservoir site during the year through a robust surface water management plan.

An exceptionally wet winter placed sustained pressure on managing surface water and sediment, however, the drainage and treatment systems in place operated as intended. Our measures were able to reduce suspended solids and protect the receiving watercourses, making sure water quality was managed in compliance with the Environment Agency’s discharge permit.

Surface water was also collected on site and retained to use during drier conditions to suppress dust, reduce abstraction and minimise the water going off site.

See our Annual Performance Report and Accounts 2025-26 for a full account of our activities around Havant Thicket Reservoir for the year.

Investigations for the future

Alongside developing new resources, we are taking significant steps to ensure the sustainability of our current sources and protect the environment for future generations.

In 2025 we initiated a £4 million comprehensive environmental study to assess and implement actions to secure the sustainability of our future water abstraction from our existing sources.

The study encompasses nine catchments and will identify key locations where habitats can be improved to benefit wildlife and what is needed for all our rivers to reach ‘good’ environmental status, recognising that more needs to be done. This could include limits on how much water we can abstract from the ground in the future.

The findings will inform the options and approach in our next long-term Water Resources Management Plan, which is due to be published for consultation in 2028.



Fish surveys on the River Wallington as part of our £4 million environmental study

The environment

Enhancing biodiversity across our sites

Our sustainability key performance measures:

Biodiversity grant scheme payments made **£63,400**

Grounds maintenance delivered **99.3%**

Pollution incidents Serious (category 1 and 2) **0**

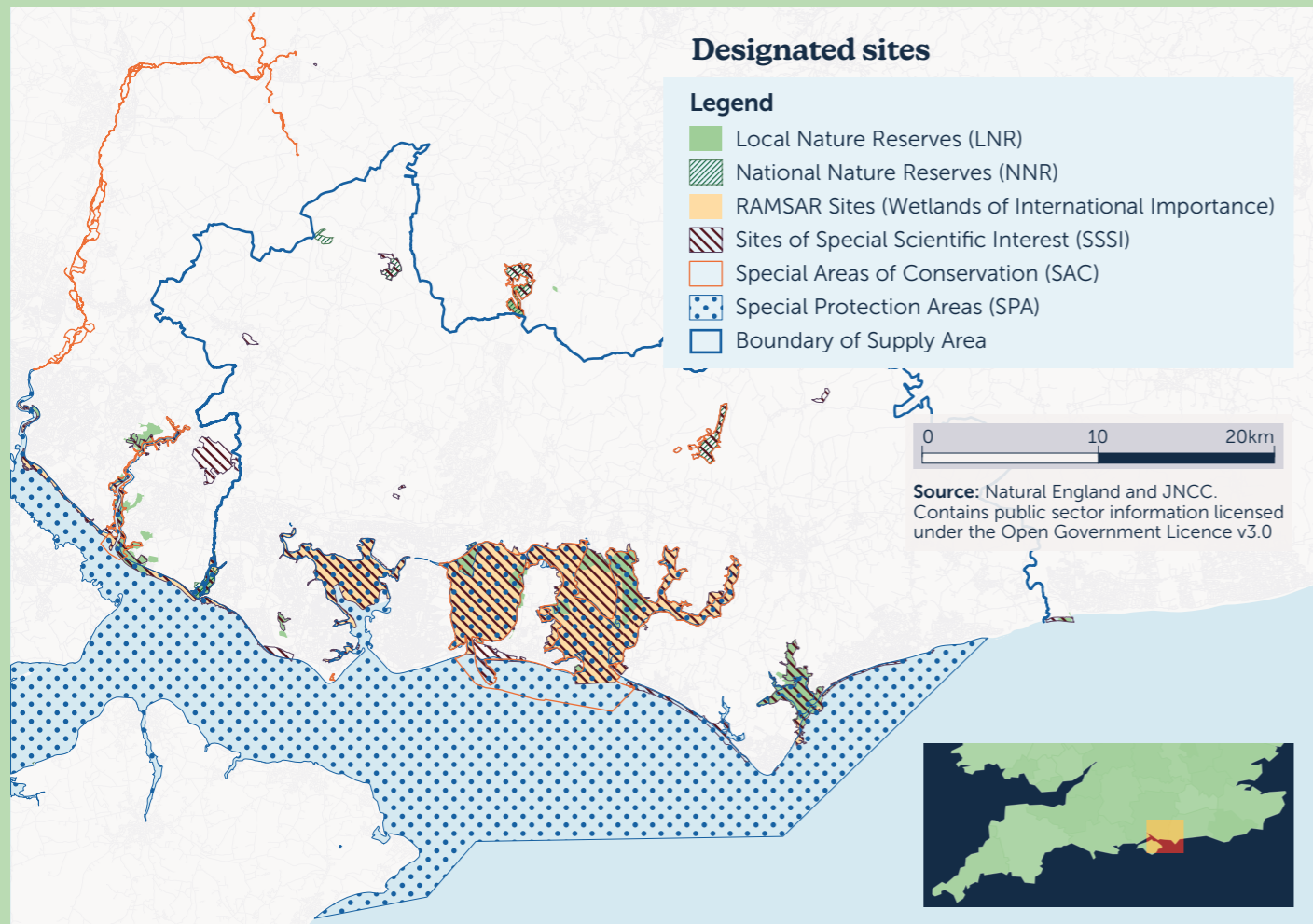
Category 3 **2**

Managing our impact on nature and improving biodiversity across our sites is important and we identify these as priority actions in our Climate Change Risk Assessment, to help limit global warming.

Within our operational area there are six Special Areas of Conservation (SACs), five Special Protection Areas (SPAs), 19 Sites of Special Scientific Interest (SSSIs), three RAMSAR sites, four National Nature Reserves (NNR), four Local Nature Reserves (LNRs) and NERC Act Section 41 habitats of principal importance (priority habitats), within 500 metres of, or hydrologically related to, our reaches.

A further 48 Local Nature Reserves (LNR) and National Nature Reserves (NNR) are recorded in our area or are considered hydrologically connected to the river systems.

Our aim is to help safeguard these and, where possible, improve them.



Our biodiversity commitments

We have a biodiversity performance commitment to meet during 2025-30, which measures the net change in the number of biodiversity units on four of our sites. This is based on surveys every four years against a baseline survey.

The biodiversity units will be assessed for each piece of land, using a statutory biodiversity metric calculation tool, with the first survey due to take place in 2026.

This commitment also requires 'no deterioration' of biodiversity on all other land we own.

Most of the land we own is operational, so construction work will take place on many sites between now and 2030, leading to a temporary loss of biodiversity.

We have agreed with Natural England the land will be recovered to its original condition within 18 months of reinstatement to count as 'no deterioration' and 90% of projects need to hit this target.

Cattle grazing

We continue to manage a Site of Special Scientific Interest (SSSI) at our Hampshire water treatment works, in partnership with Itchen Valley Country Park. We allow cattle grazing of the meadow to maintain the wet grassland habitat through a Natural England High Level Stewardship agreement.

Our approach to managing our land is guided by environment and biodiversity specialists and we engage with external interested parties (such as landowners, large estates, farmers, land managers and agronomists) as well as our employees to raise awareness.

Working with partners to maximise opportunities and environmental benefits, our key conservation activities during the year included:

- Detailed vegetation monitoring guided by an experienced botanist, which is guiding our mowing and grounds maintenance regimes
- An invertebrate survey at a high-value conservation site, leading to the creation of habitat niches favourable to the species we found
- Monitoring species with cameras to understand how our sites are used by wildlife, so we can create more of the habitat and facilities we know are being used already
- River management at a treatment works to increase glades and reduce scrub on riverbanks
- Removing invasive non-native Himalayan Balsam during staff volunteer days and controlling invasive non-native Japanese Knotweed at several sites
- Trialling cardboard tree guards as an option for our hedge and tree planting.

Biodiversity grant schemes

We also provide biodiversity grant schemes for others to enhance the habitats close to our land and within our supply area.

This was the first year of our five-year grant scheme and we supported six applications totalling around £63,400. These included grants for:

- Restoration of chalk grassland at Downs Farm, Slindon (National Trust)
- Restoration of an important dew pond in Slindon (National Trust)
- Great Salterns restoration (Portsmouth City Council's Countryside Service)
- Chalk pit restoration at Paulsgrove (Portsmouth City Council's Countryside Service)
- Creation of a new conservation pond at Brickiln (South Downs National Park)
- Creation of a new conservation pond at Hat Hill (South Downs National Park).

Preventing pollution

We have maintained an exceptional environmental record, achieving zero serious pollution incidents (Categories 1-2) for six consecutive years.

We are particularly proud of this given the exceptional environmental sensitivity of the area we operate in. Our performance reflects our strong operational discipline, proactive asset management and a well-established prevention-first culture.

In 2025, we recorded only two minor Category 3 incidents, both burst mains on our water distribution network due to corrosion and age of pipes. Both were quickly contained with no lasting environmental impact.

We published our Pollution Incident Reduction Plan (PIRP) in March 2026 which fulfils our statutory duties under the Water (Special Measures) Act 2025. As our first PIRP, it provides:

- A clear review of pollution incidents in 2025, their seriousness and root causes
- The steps we took in 2025 to maintain our system and reduce pollution risks and additional measures for 2026
- Our approach to maintaining our exceptionally low number of incidents.

We are significantly investing in our network, monitoring and people over the next few years to make sure we remain proactive and resilient in our protection of the environment.

Responsible business foundations

Overview of responsible business foundations

Our sustainability key performance measures:

Gender diversity of Board: **67%** Male
33% Female

Independent directors: **50%**

Director tenure: **4** 3-5 years **2** 6-9 years

Number of Environmental, Social and Governance Committee meetings: **4**

Executive remuneration linked to Environmental, Social and Governance: **Yes**

Environmental, Social and Governance-related Board-approved policies: **5**

High-risk suppliers assessed on Environmental, Social and Governance: **37%**

Political donations: **None**

Our governance framework

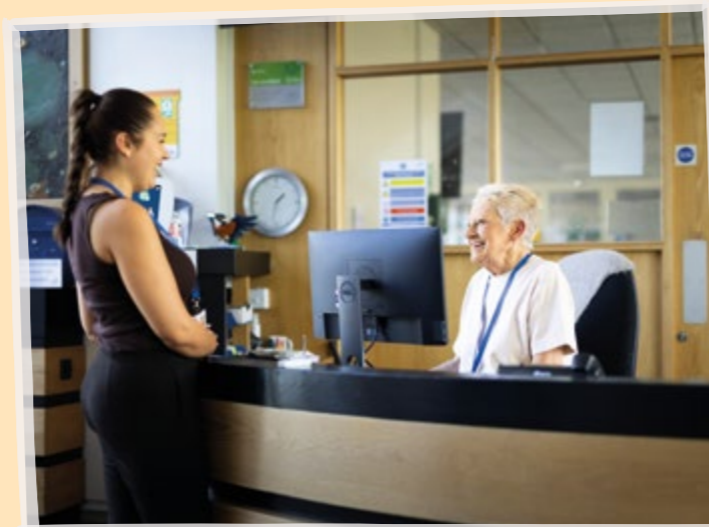
We are a privately-owned organisation, with independent and non-independent directors on our Board and committees and shareholder representation from our owners, Ancala Partners.

Our Board has overall responsibility for our purpose, value and strategy and approves our business plan and annual budget. It delegates certain roles and responsibilities to its sub-committees, namely Audit and Risk, Nomination and Remuneration.

The Board has ultimate responsibility for maintaining a sound system of risk management and internal control, while the Audit and Risk Committee evaluates the effectiveness of our overall risk management framework. The process is developed in line with the Risk Management International Standard, ISO 31000. This aids our compliance with the Financial Reporting Council's UK Corporate Governance Code guidance on risk management.

Principal risks are reported and reviewed at every Board meeting, with our Audit and Risk Committee additionally reviewing material controls – aligned with Provision 29 of the UK Corporate Governance Code 2024.

During the year we created a Risk Review Board to further support risks and controls through quarterly reviews of principal risks and emerging risks and risk deep dives.



Maintaining the highest standards of governance is integral to the effective delivery of our strategy and this needs to underpin everything we do.

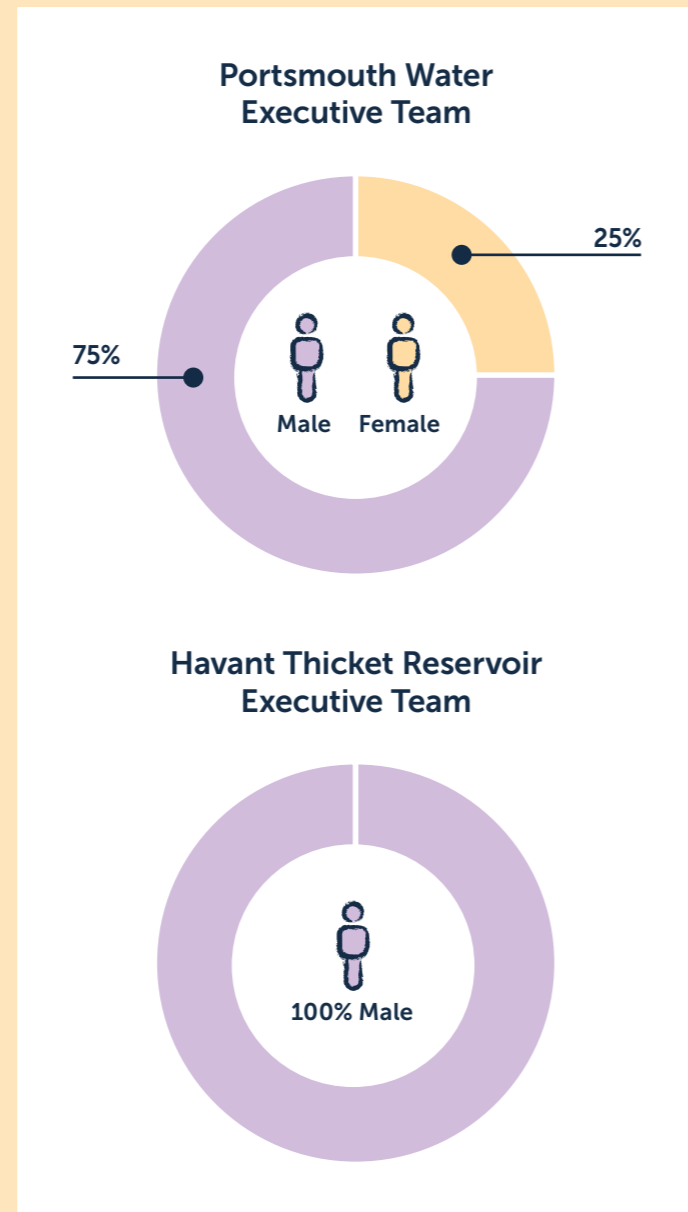
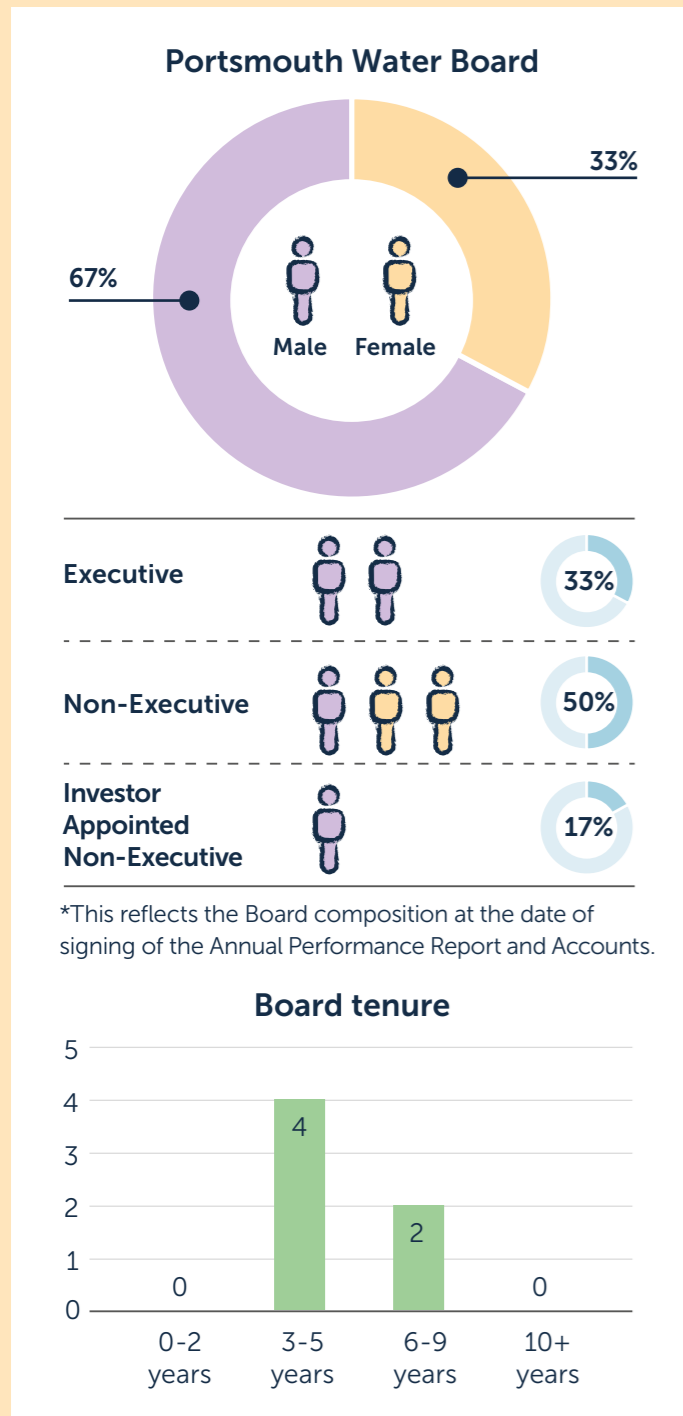
We need to make sure our business and leaders take decisions to create sustainable long-term value for the mutual benefit of our customers, communities, employees and shareholders.

Responsible business foundations

Our Board and Executive Team

We have six members on our Board – Chief Executive Officer (CEO) and Chief Financial Officer (CFO), three Non-Executive Directors (including our Chair and Senior Independent Director), and an investor appointed Non-Executive Director. The gender breakdown and length of director tenure is illustrated in the diagrams below.

More information on our Board members can be found in our Annual Performance Report and Accounts 2025-26. We also have eight senior leaders on our Portsmouth Water Executive Team and five leaders on our dedicated Havant Thicket Reservoir Executive Team, who are collectively responsible for the day-to-day leadership of our business and operations. The gender representation of these teams is shown below. As mentioned in our Gender Pay Gap reporting on page 19, we are conscious of male overrepresentation in senior roles and are accelerating our progress in hiring and retaining talented women.



Our Environmental, Social and Governance sub-committee

We launched an Environmental, Social and Governance (ESG) sub-committee in 2025, chaired by our Chief Financial Officer, with Board representation from independent Non-Executive Director, Sharon Darcy.

The committee is supported by the Group's Company Secretary, with membership and attendees from across the business; Customer, People, Environmental and Water Resources, Governance, Havant Thicket Reservoir, Regulation and Strategic Planning (including carbon management). The committee met four times in the year to monitor our sustainability strategy, roadmap, KPIs, sustainability-associated corporate policies and reporting for our customers and investors.

To support the work of the ESG Committee, we established an internal Sustainability Working Group, again with representatives from across the business. In 2026 the working group developed the ESG Key Performance Indicators (KPIs) you can see in this report, which we will continue to report our progress against in future years.



Business conduct and ethics

Code of conduct

The overall objective of our Supplier Code of Conduct is to build trusting and open relationships to drive improved performance which adheres to the highest standards of ethical and professional behaviour.

We expect our suppliers to act in a manner which is compatible with our corporate values, upholds the reputation of the water sector and promotes innovation and expertise. We recognise in many cases a supplier can only be as good as its customer, so in return, suppliers can expect us to place risk with the party best able to manage it, create the right conditions for innovation and a culture of collaboration between suppliers, subcontractors and regulators, as well as pay promptly.

Our standards of behaviour focus on ethics, fraud and corruption, transparency, fairness, prompt payment and corporate social responsibility.

Speaking up and whistleblowing

We believe good communication, operating in an open and honest culture and working in line with our values promotes better business practice.

Our aim is to encourage and empower our people to 'speak up' and report wrongdoing as soon as possible, safe in the knowledge their concerns will be taken seriously and investigated as appropriate.

Creating a good 'speak-up' culture is a key component of effective risk management as it fosters transparency, trust and an early warning system. This allows issues to be identified and rectified before they can escalate.

We have introduced an external reporting tool, EthicsPoint by NAVEX, as a mechanism for confidential reporting and investigations for those who wish to remain anonymous.

Our Company Secretarial team administers the whistleblowing reporting system and escalates reports to the Chair of the Audit and Risk Committee. The CEO and Chair of the Board of Directors are also informed of high-risk reports.

Our whistleblowing policy also provides guidance for people to report their concerns directly to regulators, including the Environment Agency and Ofwat, if they believe it is in the best interests of the public and environment.

Responsible business foundations

Human rights and modern slavery

Slavery is a serious global issue and it is critical we recognise our role in helping to eliminate it.

In line with our value of integrity, we operate as an ethical organisation and strive to make sure everyone who works for us, or on our behalf, operates in decent working conditions, works of their own free will and receives fair pay in return.

We take all necessary steps to ensure we do not employ anyone who has been brought into our workplace through modern slavery or human trafficking and we expect the same high standards from our contractors, suppliers and partners.

Our key principles include:

- Conducting our business lawfully in a manner which respects and promotes equality for all
- Recognition and respect of the fundamental human right to allow people to lead a dignified and independent life, free from abuse, violations, slavery and discrimination
- Recognition that people's human rights can be directly and indirectly affected by our operations and services; taking steps to identify and reduce our impact on communities and the environment
- A commitment to have contractual relations with third parties who demonstrate a desire to apply similar principles on modern slavery.

Our mitigation focuses on validating, accrediting and reviewing our supply chain for modern slavery compliance. The most challenging cohort to verify data from are SMEs and micro-suppliers, who have no statutory duty to publish information. However, all our suppliers are required to have a documented policy to help make sure neither slavery nor human trafficking take place.

Our contingent labour is either hired as fixed-term contracts under standard payroll onboarding, or through our approved supplier list with appropriate qualification, due diligence and contractual mechanisms in place to ensure our suppliers remain compliant.

Our Board maintains responsibility for making sure we comply with our legal and ethical obligations and considers and approves our annual Modern Slavery statement and policy.

Conflicts of interest

We encourage the timely disclosure and management of actual, potential or perceived conflicts of interest in order to protect the integrity and reputation of our business.

Our employees are expected to declare these when they are appointed and during their tenure with us. Managers, executives and Board directors are expected to declare any potential or real conflict at meetings where circumstantial conflicts may be relevant to the discussions or decisions.

The Company Secretarial team is responsible for collating conflicts of interest and maintaining registers. Decisions on whether a conflict should be lodged on the register rests with the Company Secretary and heads of the Finance and People teams.



Aligning remuneration with sustainability

Our remuneration policy is built on principles designed to attract, retain and motivate our leaders and make sure they are focused on delivering our priorities. This is set within a framework designed to promote the overall long-term success of the company.

Our executives and employees are remunerated in line with our performance, with measures for bonuses for all employees and longer-term performance targets through a Long-Term Incentive Plan (LTIP) for executives and senior leaders.

Bonus and LTIP remuneration are linked to service and delivery for customers and the environment, as well as financial targets. This includes customer satisfaction, outcome delivery incentives (ODIs), carbon measures, pollution and spills performance and effective and efficient delivery of our capital programme. Our Board Remuneration Committee considers bonus and LTIP remuneration against performance in the round and against targets which are stretching.

Our Executive Team bonus scorecards are weighted to align with Ofwat's guidance, with 60% factored on customer, community and the environment, and 40% on financial performance, efficiency and resilience.

Where appropriate, we set three levels when assessing bonus awards:

1. Threshold (the point at which a bonus is earned)
2. Target (performance commitment target or upper quartile performance)
3. Stretch (exceeding target and performance).

Details of our executive remuneration policy can be found in our Annual Performance Report and Accounts 2025-26.



Changes in legislation

New legislation in 2025 has strengthened and clarified our approaches to our governance practices, including employment, remuneration and consumer matters.

The Water (Special Measures) Act 2025 strengthened several rules for water companies, including:

- The prohibition of executive bonus payments where standards fall below those linked to company performance measures on the environment, consumer matters, financial standards and resilience, as well as criminal liability.
- The Fitness and Propriety Rule, which requires companies to implement a 'fit and proper person' test to make sure only those who meet specified standards are appointed, or remain in place, as Board directors. These standards cover honesty and integrity, knowledge and experience and financial soundness.
- A new consumer-focused rule requiring consumers to be involved in business decisions which have a material impact on consumer matters.

The Employment Rights Act was also passed in 2025, marking a significant overhaul of worker protections and placing greater obligations on employers regarding worker security, pay and union access. These included day-one, family-friendly rights (paternity and parental leave and sick pay), a ban on exploitative zero-hours contracts, enhanced protection against sexual harassment and trade union and industrial action rights.

We already have a strong record of supporting our people with enhanced benefits aligned to the provisions of the Employment Rights Act.

More information on our governance is available in our Annual Performance Report and Accounts 2025-26.

Our sustainability performance

Strategic priority	Key performance indicator	2025-26	2024-25	Assurance**
Our customers and communities	Customer satisfaction scores:			
	– C-MeX	2nd	4th	External
	– D-MeX	2nd	1st	External
	– BR-MeX	1st	*	External
	Vulnerability stakeholder satisfaction score	90%	87%	External
	Customers on support tariffs	20,367	15,774	External
	Customers on the Priority Services Register	53,424	48,280	External
	Per capita consumption (3-year average)	154.1 litres per person per day	155.6 litres per person per day	External
	Employee volunteering days	34	*	Internal
	Community engagement activities	40	28	Internal
	New recruits hired locally	64%	*	Internal
	Work placement opportunities	7	*	Internal
Our people	Female percentage of senior leadership roles	26%	30%	Internal
	Gender pay gap (mean)	20.75%	19.69%	Internal
	Employee engagement survey:			
	– Response rate	74%	75%	External
	– Engagement score	78%	74%	External
	Employee wellbeing initiatives	45	*	Internal
	Employee turnover rate	11.5%	12.8%	Internal
	Online statutory and mandatory training	3,743 hours (since Nov 2025)	*	External
	Employees trained in Equity, Diversity and Inclusion and Environmental, Social and Governance programmes	85.3%	*	External
	Lost-time injuries	0	0	Internal
	Health and Safety Executive reportable incidents (RIDDOR)	0 Portsmouth Water 1 Contract partner	0	Internal

*New measure for 2025-26 so no data for 2024-25

**The key performance indicators are assured through a combination of internal and external activities. Internal assurance includes control checks and review processes to ensure data accuracy and consistency. External assurance is applied, where appropriate, to provide independent validation of performance data.

Strategic priority	Key performance indicator	2025-26	2024-25	Assurance**
The environment	Greenhouse gas emissions for Scope 1,2 and 3	6,722.69 tCO2e	7,406.76 tCO2e	External
	Havant Thicket Reservoir embodied carbon emissions	5747 tCO2e	6921.7 tCO2e (total prior to 2025-26)	Internal
	Total energy generated from renewable sources	1,787,784 kWh	1,591,226.34 kWh	Internal
	Grounds maintenance delivered	99.3%	97.2%	External
	Biodiversity grant scheme payments made	£63,400	£50,369.50	Internal
	Leakage (3-year average)	34 million litres per day	29.5 million litres per day	External
	Pollution incidents:			
	– Serious (category 1 and 2):	0	0	External
	– Category 3	2	1	External
	Water abstraction	70,259 million litres per year	69,561 million litres per year	External
	Havant Thicket Reservoir projects completed for Section 106 environmental net gain commitments:			
	– Water Framework Directive	22%	21%	Internal
	– Southleigh Forest woodland management	0%	20%	Internal
	– South Holt Farm re-wilding	1.25%	3.75%	Internal
	– Landscape and Ecological Management Plan	12.5%	37.50%	External
Responsible business foundations	Gender diversity of Board	67% male 33% female	67% male 33% female	Internal
	Independent directors	50%	50%	Internal
	Director tenure	4 3-5yrs 2 6-9yrs	1 0-2 yrs 4 3-5 yrs 1 6-9yrs	Internal
	Environmental, Social and Governance Committee meetings	4	0	Internal
	Executive remuneration linked to Environmental, Social and Governance	Yes	Yes	External
	Environmental, Social and Governance-related Board-approved policies	5	5	Internal
	High-risk suppliers assessed on Environmental, Social and Governance	37%	38%	Internal
	Political donations	0	0	Internal



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