



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGY



Dŵr Cymru  
Welsh Water

FEB 2022

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# INTRODUCTION AND PURPOSE

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS ARE AT THE HEART OF OUR COMPANY PURPOSE, WHICH IS FOCUSED ON OUR CUSTOMERS AND THE LONG-TERM INTERESTS OF THE COMMUNITIES WE SERVE.**

There is little we do that does not have a direct link to ESG and this document is aimed at providing an overview of how intrinsic these issues are in the delivery of our services.

"Welsh Water's purpose is to provide high quality and better value drinking water and environmental services, so as to enhance the well-being of our customers and the communities we service, both now and for generations to come."

Our environmental, social and governance journey began with the creation of Glas Cymru in 2001, and a commitment to providing our services in the best interests of current and future generations of customers.

As part of this commitment and as a company dependent on the natural environment around us, we strive to minimise our environmental footprint, embrace the circular economy, and to enhance the natural environment wherever possible whilst providing our essential services.

Our core business provides wholesome water to 3.1m people across our supply area and carries away and sustainably treats wastewater from homes and businesses. Alongside this, our commercial businesses are part of the circular economy in generating power from food waste, recycling household green waste and providing a liquid waste processing service for business.

Our company vision is to Earn the Trust of our Customers Every Day. Our focus on Environmental, Social and Governance issues, our not-for-shareholder corporate structure and our emphasis on providing wider social value in what we do, are all essential elements to continuing to earn our customers' trust. Ours is also a long-term business where decisions made now have a lasting impact.







FOR  
GENERATIONS  
TO COME



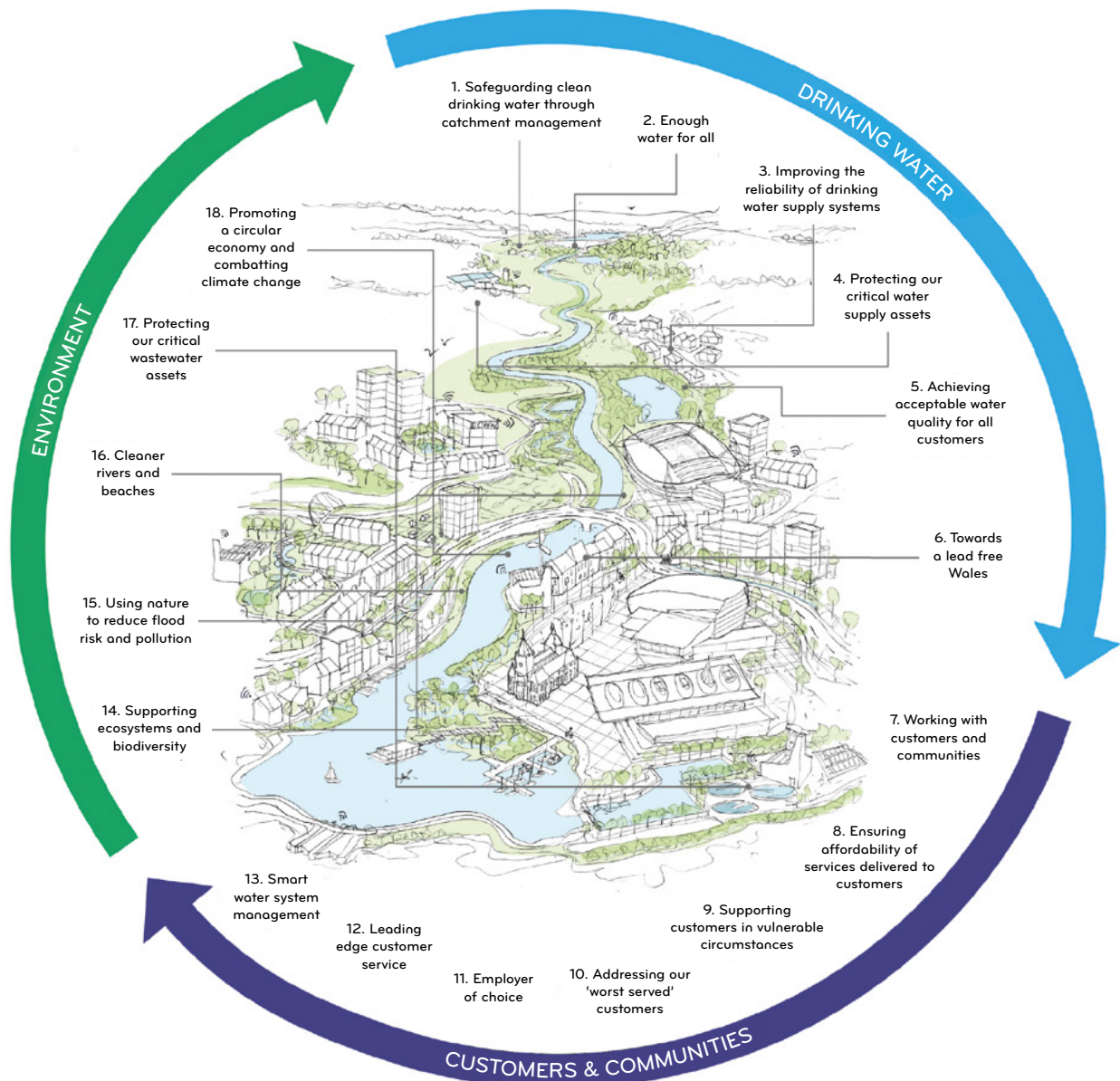
# OUR FOCUS ON DELIVERING SUSTAINABLE SERVICES FOR THE LONG TERM

IN MARCH 2018 WE LAUNCHED WELSH WATER 2050, OUR LONG-TERM STRATEGY DOCUMENT, PLANNING AHEAD TO 2050 TO ENABLE US TO EARN THE TRUST OF FUTURE GENERATIONS OF CUSTOMERS.

The document set out 8 future trends and identified 18 strategic responses based on Wellbeing goals set out in the Wellbeing of Future Generations (Wales) Act 2015.

In 2022 we have updated Welsh Water 2050 to acknowledge the changes in the wider context in which we are now working to achieve our long-term goals. The diagram in Appendix 1 illustrates how these 18 Strategic Responses are all key outputs under our Environment, Social and Governance Strategy.

## EXECUTIVE SUMMARY; OUR STRATEGIC RESPONSES



# OUR ESG OBJECTIVES

## 1. LONG-TERM PLANNING AND SUSTAINABILITY

We are custodians of assets that will be relied upon to provide our essential services, and minimise impact on the environment, for many generations to come. Our corporate structure means we are not driven by shareholder dividends – we plan for the long term and take into account the needs of future generations of our customers.

We will also work to ensure our procurement policy is sustainable and supports local businesses and the circular economy more generally.

## 2. ACHIEVING OUR NET ZERO CARBON STRATEGY

We are committed to achieving net zero carbon emissions of both operational and embedded carbon by 2040 – [corporate.dwrcymru.com/en/journey-to-zero](https://corporate.dwrcymru.com/en/journey-to-zero)

We will work to ensure continuous improvement of our processes in order to minimise our impact on the environment and we ask our key supply chain partners to help us design innovative “green, nature based” solutions that benefit the environment and society generally, within the fulfilment of our functions.

## 3. ADAPTING OUR ASSETS AND SERVICES TO MITIGATE CLIMATE CHANGE RISKS

We will continue to adapt our assets to ensure the services we provide are resilient to the impacts of climate change and can meet the challenges of economic development, population growth, and changes in customer expectations. We must also mitigate our carbon footprint (see 4 below) so as to reduce to zero our contribution to climate change by 2040.



## 4. WORKING TO CREATE TANGIBLE BENEFITS IN THE COMMUNITIES WE SERVE

We will establish a clear baseline for current environment, social and governance issues and will measure improvements against that, with a principal of “net gains” for our operational activities and capital projects programme which deliver tangible benefits to our communities.

## 6. ENGAGING WITH OUR CUSTOMERS

We engage with our customers on a regular and long-term basis, through research and focus groups, our community fund grants, and Water Resilient Communities programmes. Customer expectations are changing and developing, and we need to ensure that we meet these expectations whilst also focusing on the path to achieving the long-term goals we have set in Welsh Water 2050. We are developing a Sustainable Procurement policy, which will deliver benefits to communities through a more localised supply chain. We are also introducing user-centred design for improvements to customer service, and working with a wide range of stakeholders and customers on projects such as the Brecon Beacons Megacatchment initiative.

## 5. ENSURING AFFORDABILITY

During 2021-22 we provided financial assistance (via social tariffs and other forms of support) to a total of 139,000 customers and we assisted many more with water efficiency advice and metering, to help them manage their water bills. We are committed to continuing to provide this level of financial assistance to customers during the period 2020-25.

## 7. ATTRACTING AND RETAINING A DIVERSE WORKFORCE TO REFLECT OUR COMMUNITIES

Our most important asset is our workforce, and attracting and retaining people with the right skills and diversity of experience, background, and personal characteristics to meet the future challenges that our business will face is a key priority. Our culture and values are embodied in our workplace policies such as our Health, Safety & Wellbeing policy, support an inclusive workplace where colleagues can take pride in "Earning the Trust of our Customers Every Day".



## 9. DEMONSTRATING ACCOUNTABILITY

We demonstrate accountability through our transparent corporate governance, focusing our business on sustaining and protecting the natural resources available to us, and engaging directly with the communities we serve. We are committed to transparent reporting of our performance and the challenges facing the business, both in our corporate reporting and through our publication scheme where we make information available on our website – [corporate.dwrcymru.com/en/community/environment/environmental-information-regulations](https://corporate.dwrcymru.com/en/community/environment/environmental-information-regulations)

We ensure fair employment practices through our recruitment and HR policies, and we ask our suppliers to sign up to our Supplier Code of Conduct and to take steps to prevent unfair employment practices. Our operational strategies prioritise our environmental commitments – to minimise our environmental footprint and enhance our environment and communities wherever we can.

## 8. ADAPTING TO FUTURE CHALLENGES

Our corporate structure and the absence of shareholder dividends allows us to focus on the long term, as well as deliver the needs of customers today. The ESG Committee will focus on monitoring progress against our goals and considering and responding to ESG risks to ensure that we adapt to these and build our responses into our company strategy.

The joint Boards of Glas Cymru Holdings Cyf. and Dŵr Cymru Cyf. also monitor strategic risks and considers with the Executive the potential for emerging and "black swan" risks to impact our business and the services we provide.

## 10. WORKING COLLABORATIVELY

In many areas we cannot achieve our objectives by simply working alone; we are already working in partnership with regulators, Governments, customers and other stakeholders to achieve our environmental objectives. We will draw on our experience of contributing to the development of the Wye Nutrient Management Plan where a number of different organisations and sectors worked together towards meeting phosphorous targets (environmental regulators, council bodies, third sector organisations and Welsh Water).

A similar collaborative approach is being developed for other Welsh SAC (Special Areas of Conservation) rivers. We need to work closely with Local Authorities and other local organisations, whose support will be vital in helping us manage surface water drainage issues and thereby reduce discharges from CSOs.

# GOVERNANCE

THE JOINT BOARD OF GLAS CYMRU CYFYNGEDIG AND DŴR CYMRU CYFYNGEDIG HAS ESTABLISHED THE ENVIRONMENT SOCIAL AND GOVERNANCE COMMITTEE AS A COMMITTEE TO PROVIDE OVERSIGHT ON BEHALF OF THE BOARD IN RELATION TO THE GROUP'S ESG STRATEGIES AND ACTIVITIES AND TO ENSURE THEY ARE ALIGNED WITH AND INTEGRATED INTO THE BROADER BUSINESS PURPOSE AND STRATEGY.

The joint Board of Glas Cymru Cyfyngedig and Dŵr Cymru Cyfyngedig has established the Environment Social and Governance Committee as a Committee to provide oversight on behalf of the Board in relation to the Group's ESG strategies and activities and to ensure they are aligned with and integrated into the broader business purpose and strategy.

The ESG Framework has been produced to help monitor progress against the ESG aims and objectives.

Our strategies and policies directly support the ESG Strategy and Framework. Relevant strategies and policies include:

- BIODIVERSITY
- COMMUNITY FUND GRANTS
- OUR RANGE OF OPERATIONAL STRATEGIES – COVERING CATCHMENT MANAGEMENT AND POLLUTION REDUCTION
- OUR 2040 NET ZERO CARBON PLAN
- HEALTH, SAFETY AND WELLBEING
- SUPPLIER CODE OF CONDUCT
- ANTI-SLAVERY
- ANTI BRIBERY AND CORRUPTION
- EQUALITY, DIVERSITY AND INCLUSIVITY

We report on compliance with these policies to the Audit Committee and Board as part of our Risk and Compliance statement reporting to Ofwat annually.

Our statutory planning documents set out our frameworks for managing environmental risks:

- WATER RESOURCE MANAGEMENT PLAN
- (FORTHCOMING) DRAINAGE AND WASTEWATER MANAGEMENT PLAN

Our key manifestos for further work:

- IN 2018, WE PUBLISHED OUR LONG-TERM STRATEGY – WELSH WATER 2050; WE PUBLISHED AN UPDATE IN MAY 2022 TO THE WELSH WATER 2050 STRATEGY.
- IN MARCH 2020 WE PUBLISHED OUR WELLBEING COMMITMENTS WHICH WILL BE INCORPORATED INTO OUR ESG GOALS FROM 2022-23 ONWARDS.

Our progress against our Environment, Social and Governance commitments is challenged and scrutinised by our Customer Challenge Group, the Welsh Water Independent Environmental Advisory Panel and Glas Members.

We will report on progress against our ESG objectives in our statutory Annual Report and Accounts.





FOR THE  
ENVIRONMENT



# EXECUTIVE SUMMARY

## OUR STRATEGIC RESPONSES

### DRINKING WATER

#### 1. SAFEGUARDING CLEAN DRINKING WATER THROUGH CATCHMENT MANAGEMENT

Catchments as a first line of defence: we will face increased levels of pesticides, fertilisers, nutrients and pathogens in raw water, and increased turbidity of water reaching our water treatment works due to the intensification of agriculture and greater intensity of storms. We will co-create an extensive, innovative programme of catchment management with landowners and partners.

#### 2. ENOUGH WATER FOR ALL

Confronted with an increasing water supply demand gap due to population growth and drier summers due to climate change, we will use our Water Resource Management Plan to ensure the water supply demand balance to 2050. We propose to implement water transfers, demand management measures and leakage reduction programmes to address any deficits, whilst recognising the possible need to support other parts of the UK.

#### 3. IMPROVING THE RELIABILITY OF DRINKING WATER SUPPLY SYSTEMS

Faced with an increased risk of outages due to agricultural run-off, extreme weather events, terrorism, and cyber attacks, we will build more flexibility and integration into our water treatment and supply systems.

#### 4. PROTECTING OUR CRITICAL WATER SUPPLY ASSETS

With increasing risks of disruption (for example, from severe weather events resulting from climate change and increased reliance on technology) and limited customer tolerance of supply outages, we will improve the resilience of critical water assets which have high consequences of failure.

#### 5. ACHIEVING ACCEPTABLE WATER QUALITY FOR ALL CUSTOMERS

Ageing water mains and more extreme weather events increase the risk of supplying water which is discoloured or has a poor taste. This will be addressed through a targeted replacement of iron mains.

#### 6. TOWARDS A LEAD FREE WALES

We have the opportunity to help improve public health, and propose a targeted replacement of lead communication and supply pipes, as part of a wider societal effort to address lead in drinking water.

### CUSTOMERS AND COMMUNITIES

#### 7. WORKING WITH CUSTOMERS AND COMMUNITIES

We will work with customers and communities to co-create solutions, share knowledge, and support initiatives which reduce water use, prevent sewer abuse, and provide wider benefits for communities and the environment.

#### 8. ENSURING AFFORDABILITY OF SERVICES DELIVERED TO CUSTOMERS

With inequality, debt, and poverty on the rise we aim to ensure that our services remain affordable for all customers: both in terms of average bills and for those on social tariffs. We will ensure that we continue to provide the best service in increasingly innovative and efficient ways and pass these savings on to our customers.

#### 9. SUPPORTING CUSTOMERS IN VULNERABLE CIRCUMSTANCES

We need to use data effectively, provide personalised customer service and work in partnership with other service providers to give appropriate and effective support to customers in vulnerable circumstances.

#### 10. ADDRESSING OUR 'WORST SERVED' CUSTOMERS

Faced with increasing customer expectations for a good service at all times, we will address the longstanding service complaints of 'worst served customers' to ensure that everyone receives an acceptable level of service.

#### 11. EMPLOYER OF CHOICE

With an ageing population, an increasing shortage of technically skilled employees and increasing demand for more flexible approaches to working, we will need to continue to be an employer of choice; attracting, developing and inspiring people from a diverse range of backgrounds, to deliver an excellent service for our customers.

#### 12. LEADING EDGE CUSTOMER SERVICE

Changing customer expectations, the digital revolution and demographic and lifestyle change are all leading Welsh Water to further develop our customer service culture. We will harness technological change to provide a personalised service for customers through their preferred contact channel.

#### 13. SMART WATER SYSTEM MANAGEMENT

With the opportunity to capitalise on technological advances, we will improve the service performance and resilience of our assets through remote sensing, data analysis and automation; solving problems before they impact on our business, our customers, or the environment.



## ENVIRONMENT

### 14. SUPPORTING ECOSYSTEMS AND BIODIVERSITY

Biodiversity faces threats including habitat loss, fragmentation and over-exploitation. In the longer term, temperature and changed rainfall patterns will also impact biodiversity. We will look for ways to help nature, enhance biodiversity and promote ecosystem resilience while we carry out our water and sewerage activities. Welsh Water has a duty under the Environment (Wales) Act (2016) to enhance biodiversity and promote the resilience of ecosystems in the exercise of our functions.

### 15. USING NATURE TO REDUCE FLOOD RISK AND POLLUTION

RainScaping our communities: confronted with urban creep due to demographic change and increased intensity of rainfall due to climate change, Welsh Water is proposing to reduce the risk of sewer flooding and pollution through sustainable urban drainage systems.

### 16. CLEANER RIVERS AND BEACHES

With increasing pressure on the natural environment from increased population, changing land use, climate change and new sources of pollution, we will improve our wastewater assets to do our part to help achieve 'good' environmental status for our rivers, lakes and coastal waters.

### 17. PROTECTING OUR CRITICAL WASTEWATER ASSETS

Faced with an increased risk of disruption, for example, from an increase in severe weather as result of climate change, and reduced customer acceptability of pollution events, we will improve the resilience of our critical wastewater assets, which have high environmental and customer impacts of failure.

### 18. PROMOTING A CIRCULAR ECONOMY AND COMBATTING

climate change faced with a changing climate and increased energy costs, we will aim to become an energy neutral business, whilst maximising the opportunities to reuse treated water and other potentially valuable natural materials, contributing to the circular economy in our local region.







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