Taskforce on Nature-related Financial Disclosures

Governance

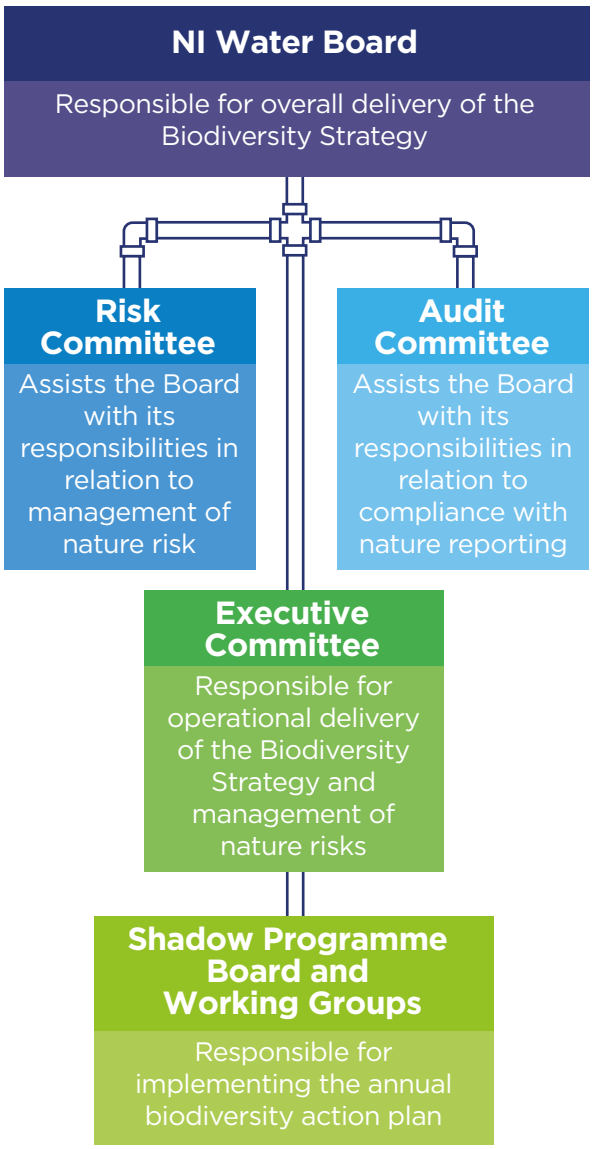
a) Board oversight

NI Water is committed to ensuring that nature-related dependencies, impacts, risks and opportunities are considered in operational and investment decision making and reporting.

Board

The NI Water Board ('the Board') is responsible for the oversight of nature-related dependencies, impacts, risks and opportunities. The Board provides commitment at the highest level and has overall responsibility for maintaining and developing a sound system of internal control that supports the achievement of NI Water's five strategic priorities, with climate change, biodiversity loss and wider sustainability matters considered as part of our priorities, particularly the priorities of 'Nature' and 'Water'. NI Water has developed separate but interlinked strategies on climate and biodiversity, with wider sustainability matters being monitored as part of our Corporate Strategy. The governance arrangements for biodiversity are shown in the diagram. Refer to the TCFD section on page 105 for governance arrangements on climate and to the Governance section on page 144 for wider sustainability matters.

Nature features in many of NI Water's Principal Risks and the Board receives regular updates on the management of nature-related risks throughout the year. Nature-related risks are dependent on funding and include the following Principal Risks: wastewater, water quality and supply, business resilience, climate change, the Living with Water Programme, and stakeholder engagement and education. Further details can be found in our Principal Risks section on page 76.



The Board approves the description of nature-related corporate risks, the risk gradings, and the individual risk appetite, and receives quarterly updates on these areas. The Board has been actively involved in the development of our incoming Biodiversity Strategy, with approval of the final version anticipated in 2025/26.

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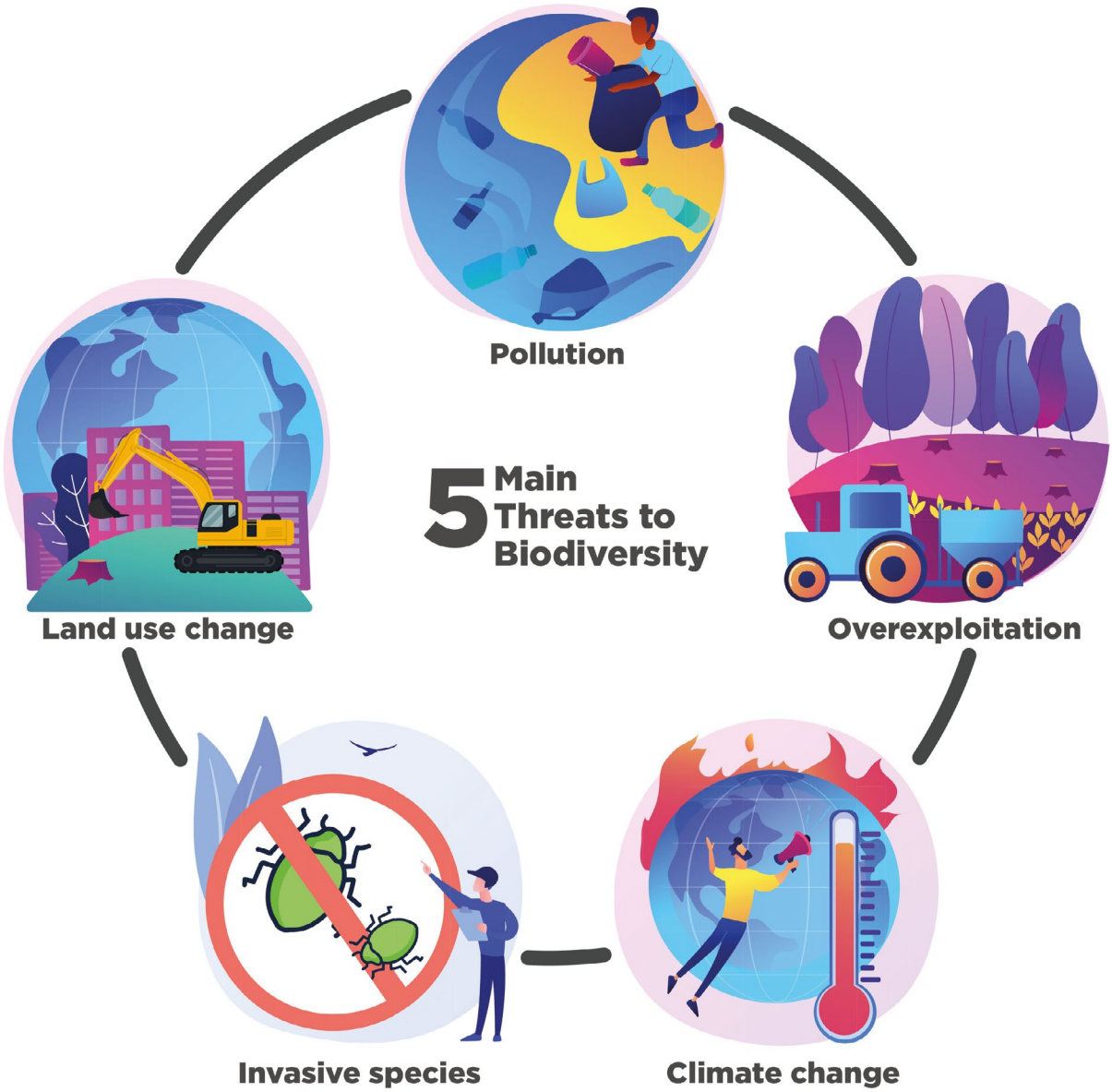
The Board monitors and oversees progress against goals and targets to address nature-related dependencies, impacts, risks, and opportunities. Refer to the Metrics and Targets section of this disclosure on page 139, which includes links to the Sustainable Development Goals and Global Biodiversity Framework targets.

The following drivers of nature change identified by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) are threats to biodiversity, which we recognise in our Biodiversity Strategy. The TNFD uses IPBES as a core scientific reference that underpins the recommendations and guidance:



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Pollution

Agricultural, industrial and domestic pollution can contribute to a significant decline in water quality, which has the knock-on effect of negatively impacting biodiversity. An increase in the frequency and size of eutrophication events, caused by an excessive concentration of nutrients in waterbodies, is a direct consequence of pollution. Aquatic plants, such as algae, grow in such dense amounts that they block sunlight from reaching the riverbed. This reduces the rate of photosynthesis in plants on the riverbed, thus reducing oxygen levels in the affected waters. Lower levels of oxygen and less penetration of sunlight through the waterbody decrease the quality of the habitat reducing the diversity of species that can survive here. Furthermore, algae associated with eutrophication can produce toxins that can harm both humans and animals. The extent of pollution and loss of biodiversity has directly impacted water quality for abstraction in our drinking water catchment areas. For example, in Lough Neagh blooms of blue-green algae have become a significant problem in recent times. This issue has a significant impact as Lough Neagh supplies 40.7% of drinking water within Northern Ireland.

Aerial photograph highlighting the Algae bloom present in Lough Neagh during the summer of 2023 which has had a large impact on local biodiversity.

Invasive species

Invasive, non-native (alien) plant and animal species are the second greatest threat to biodiversity worldwide after habitat destruction. Alien species become invasive when they reproduce rapidly, out-competing and diminishing native species. They can negatively impact native species, transform habitats, threaten whole ecosystems causing serious problems to the environment and impact upon water quality. Many of the most significant invasive species in Northern Ireland thrive along watercourses, such as Himalayan Balsam, Japanese Knotweed and Giant Hogweed. Zebra mussels have also posed a significant threat in Lough Neagh, where recent surveys show their numbers have increased significantly, which is causing serious environmental and infrastructure impacts. Another example is Elodea Nuttallii pondweed as it causes an abstraction risk at Dunmore Point/ Castor Bay (Lough Neagh) and requires continuous removal and management.

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Land use change

The rapid development of housing, roads and other infrastructure, including water services, in our towns and countryside, together with major changes in agricultural practices, have led to significant destruction, fragmentation and loss of habitats. Even practices such as tree planting can have negative consequences if planted in the wrong area as it significantly alters the natural conditions in that area. The shallow root structure of conifer plantations can detrimentally impact water quality, particularly when planted in peat. Whereas the deep root structure of broad-leaved native species can bind soils together and improve water quality, particularly along riverbanks. Additionally, there is an increased risk of wildfire on coniferous plantations compared to native deciduous trees, which would be detrimental to the surrounding biodiversity as well as water quality.

Example of a Forested Blanket Bog.

Overexploitation

Overexploitation of land and water resources has a massively detrimental impact on the natural environment and biodiversity. Overfishing is a problem on local, national and international scales and has resulted in direct and indirect effects, such as displacement of fish populations, destruction of habitat and a reduced ability for marine ecosystems to store carbon. Likewise, agricultural stocking densities present problems and overexploitation in sensitive habitats can have profound impacts e.g., overgrazing in peatland habitats. High nutrient loading onto land from slurry as a direct result of intensive agriculture and the current agricultural policy can impact water quality if not managed appropriately. In light of our improved understanding of the importance of healthy ecosystems and sustainable practices, we need to revise our current relationship with the land. Currently, discussions around carbon farming on wetlands are held to encourage farmers to expand and innovate their practices as opposed to being solely focused on traditional methods. Over abstraction of the water resource could also be an issue with reduced flows causing reduced dilution rates when pollution occurs further creating issues for biodiversity.

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Climate change

Climate change caused by human activity is a major threat to biodiversity and the intricate relationships between ecosystems, species and their genetics. Climate change is driving widespread and rapid changes across the globe. In the UK, winters are projected to become warmer and wetter, while summers are expected to become drier and hotter. The impacts will vary in severity and intensity from place to place but already there is evidence that the structure of plant and animal communities are being significantly altered as a result of changes in the climate. Changes in other parts of the world can also have knock-on impacts on Northern Ireland. For example, warmer weather conditions in the Arctic are leading to changes in the number of birds overwintering in Northern Ireland. Likewise, the increasingly early flowering of some flora due to these warmer conditions has a negative impact on insects and their avian predators.

Furthermore, rivers and coastal habitats are at risk of increased flooding and coastal erosion due to rising sea levels and unforeseen weather events, because of climate change. Moreover, heavier rainstorms in winter and throughout the year lead to more flash flooding, thus increasing pollution loads from soil run-off, increased erosion and peat loss, thus impacting water quality for abstraction in drinking water catchment areas. There is also a heightened wildfire risk during periods of drought and hot dry weather, which can have a significant impact on biodiversity. These areas need to be monitored closely to assess the full, and ever-changing impact.

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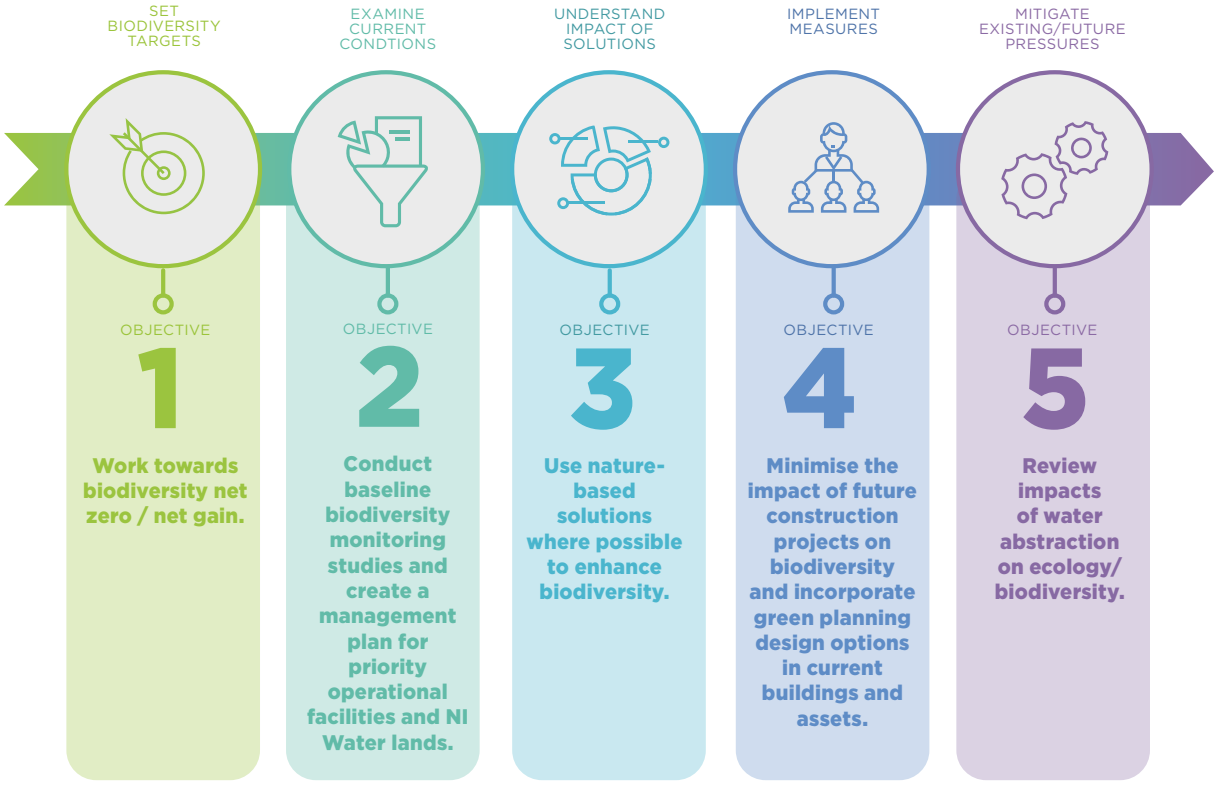
These threats pose potential risks and opportunities for NI Water's business, through our impacts and dependencies on nature. Given these threats, the following strategic objectives have been identified in our Biodiversity Strategy:



The Board is supported by the Risk Committee and the Audit Committee for nature-related risk management and reporting, including for the development of TCFD and TNFD aligned disclosures in our Annual Integrated Report and Accounts.

Board biographies, including any nature-related competencies, are contained in the Corporate Governance section on page 152. Board member competence on nature-related issues will be considered in future Board evaluation exercises. Details on linkage between performance and Directors' remuneration is contained in the Directors' Remuneration Report on page 180. Performance is aligned with delivery of NI Water's Corporate Strategy and includes nature-related strategic performance indicators contained in the Metrics and Targets section of this TNFD disclosure on page 139.

The Audit Committee and Risk Committee support the Board on nature-related risk management and reporting and receive quarterly updates on these areas.

The Audit Committee is regularly briefed on developments in sustainability reporting, including the disclosures required under the TCFD and TNFD frameworks, multi-capitals reporting, reporting under the Climate Change Act (NI) 2022, the ISSB Standards, and the development of UK Sustainability Reporting Standards.

The Executive Committee and the Board are also supported by specialist advisors on nature through professional services frameworks, with several ongoing work packages using external advisors and support to assist NI Water's journey towards a full TNFD disclosure.

Further details on the Board's oversight arrangements are contained in the Corporate Governance section on page 149.

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b. Management role

Executive Committee

During the year, the Executive Committee met on a quarterly basis to assess and evaluate nature-related corporate risks and agreed the necessary improvements required to address evolving business needs. The nature-related corporate and directorate risk registers have clearly defined owners. These registers were reviewed on a continuous basis using risk management software, with monthly reports generated for monitoring purposes. Further details on the Executive Committee's oversight arrangements are contained in the Corporate Governance section on page 149.

Shadow Biodiversity Programme Board and Working Groups

The Director of Engineering and Sustainability is the designated NI Water Board member responsible for nature. The Director is the visible owner of the Biodiversity Strategy, accountable for successful delivery and is recognised throughout the organisation as the key leadership figure in driving the strategy forward. The Director chairs the Biodiversity Programme Board, which is operating in shadow form pending finalisation of the Biodiversity Strategy. The Biodiversity Programme Board includes senior managers from across the business. The Director also chairs the Climate Change Programme Board, supporting a cohesive and unified approach to climate and nature-related disclosures. It is envisaged that the Biodiversity Programme Board will be supported by several working groups, which will feed into the Corporate Strategy and ensure the Executive Committee and Board are updated regularly on its progress. The Biodiversity Strategy is a sub-strategy of the Corporate Strategy and primarily supports the 'Nature' and 'Water' strategic priorities.

The working groups will develop and progress an annual Biodiversity Action Plan, which is aligned with the strategic objectives of the Biodiversity Strategy. NI Water actions and the action owners from across the business will be identified to ensure traction and delivery of the Biodiversity Strategy.

Delivery risks will be managed by the Biodiversity Programme Board and reported quarterly to the Executive Committee. The final structure for the Biodiversity Programme Board, including links with the Climate Change Programme Board, are still to be determined.

NI Water engages with internal and external stakeholders along with members of the wider public, to communicate our work on biodiversity and champion biodiversity protection and enhancement. Further details are contained in the Strategic Report (such as the 'External environment' section on page 22 and the 'Listening to you' section on page 24) and in the Governance section (such as the s172 statement in the Directors' Report on page 176).

c. Human rights

Policies

NI Water has a range of policies approved by management or the Board to both prevent human rights violations and abuses and to take an active role in respecting, protecting, and fulfilling human rights within our areas of influence – our colleagues, customers, suppliers and local communities in which we operate. These policies include the following: Health and safety policy, Equal opportunities and diversity policy, Recruitment and selection policy, Capability policy, Hybrid working policy, Stress management policy, Grievance procedures, Data protection policy, Freedom of information policy, Environmental Information Regulations guidance, Modern slavery policy and Modern Slavery Act statement.

NI Water are also working towards acting on the UN's Sustainability Development Goals (SDGs), progress against which can be found in the Metrics and Targets section of this TNFD disclosure on page 139.

We plan to undertake analysis of our upstream value chain, which will inform our understanding of the environmental impacts on Indigenous Peoples. This analysis will also be used to develop an engagement approach for Indigenous Peoples, where possible and appropriate.

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We will review the need for a Human Rights policy and policy links to relevant international standards. We will also engage with Heads of Commercial, Capital Procurement, and Communications to identify any gaps in existing policies and actions to remediate these.

Details of our activities on promoting diversity and inclusion is contained in the Strategic Report on page 74 and Governance section on page 184.

Value chain

NI Water has implemented 'PPN 05/21 Human Rights in Public Procurement' to ensure compliance with international standards and guidance such as the United Nation's Guiding Principles on Business and Human Rights, and domestic law including the Human Rights Act 1988 and the Modern Slavery Act 2015. NI Water liaises with the Northern Ireland Human Rights Commission for guidance and is a member of the Business and Human Rights Forum.

Read more about the specific actions taken by NI Water at:

https://www.niwater.com/siteFiles/resources/pdf/2023/June/PPN0521HumanRightsCaseStudyMay23-GoodsandServices.pdf

https://www.niwater.com/siteFiles/resources/pdf/2023/June/PPN0521HumanRightsCaseStudyMay23-CapitalWorks.pdf

Engagement

Further details on engagement are contained in the Strategic Report (such as the 'External environment' section on page 22 and the 'Listening to you' section on page 24) and in the Governance section (such as the s172 statement in the Directors' Report on page 176). This engagement is informed by our materiality assessment on page 26, which will be further developed for nature-related risks and opportunities to inform future engagement with stakeholders.

We consider materiality to refer to NI Water's most significant impacts and dependencies on nature in line with the TNFD guidance. Materiality will be further defined and explored through a materiality assessment to support future disclosures.

NI Water ensures that there is representative and equitable access to stakeholder engagement for supplier engagement events and education outreach activities. We play a pro-active role in environmental advocacy that aligns with our statutory responsibilities. NI Water avoids using public funds for lobbying activities that could be construed as political or outside of its statutory remit. Our nature-related stakeholder engagement processes will be aligned with the TNFD and overseen by the Board.

Future steps

To further develop NI Water's TNFD disclosures in future reporting years, we plan to:

- undertake an upstream value chain analysis to include consideration of impacts on Indigenous Peoples and inform engagement strategy where necessary; and
- assess need for a specific Human Rights policy and alignment with international standards, filling in policy gaps where needed; and
- use an updated definition and approach to materiality to inform engagement with stakeholders.

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Strategy

a. Nature-related risks and opportunities

Our business is inherently circular: we abstract water from the natural environment to provide our customers with a vital resource, before taking away their wastewater, treating it and safely recycling the water back into the natural environment. Our ambition is that our services always contribute to a flourishing natural environment from source to sea, spanning sustainable catchment management to sustainable urban drainage and integrated constructed wetlands. We are evolving our strategic approach to manage nature-related risks and opportunities, based on our understanding of our nature-related impacts and dependencies, aligned with the TNFD framework.

The table below identifies the most material nature-related impacts and dependencies in our direct operations, upstream and downstream from our value chains. The impacts and dependencies are primarily long-term given the long asset lives associated with NI Water's infrastructure and the investment horizon spanning multiple price controls.

We assess and manage these impacts and dependencies using our Integrated Risk and Resilience Framework (page 77), and strategies such as our Biodiversity Strategy and Climate Change Strategy. Our role as a major landowner of designated areas and the legal obligations under the Conservation Regulations for Special Areas of Conservation and The Environment Act for Areas of Special Scientific Interest, also require assessment and management of impacts and dependencies to prevent the degradation of important habitats and species.

We have also started to consider how these impacts and dependencies are interlinked, for example, NI Water relies on raw water from sources such as Lough Neagh but also discharges treated effluent into Lough Neagh. This thinking will be expanded upon in future disclosures to further align with the TNFD recommendations.

Realm	We depend/rely on it	We can impact on it
Freshwater	• To source clean water from reservoirs, rivers, and boreholes, from which abstraction licences permit us to take water to be treated and supplied to customers. • To treat wastewater and safely return it to the environment.	• To source clean water from reservoirs, rivers, and boreholes, from which abstraction licences permit us to take water to be treated and supplied to customers. • To treat wastewater and safely return it to the environment. • By improving the condition of rivers and water bodies. • Through our abstractions, leakage, final effluent quality, overflows, pollution incidents, and asset failure.
Land	• To store and clean sources of water. • To attenuate flows of water into our water and wastewater systems. • To treat wastewater using nature-based solutions, such as integrated constructed wetlands.	• By improving the condition of the land we are stewards of, including improving habitat health and biodiversity. • By storing greenhouse gases in our land, e.g. soils, forests and peatlands. • By promoting more sustainable practices through catchment management and stakeholder engagement. • By exploring how a circular economy approach to sewage sludge could be applied e.g. nutrient, water and energy recovery alongside agricultural and industrial uses of by-products.
Atmosphere	• To provide a healthy and safe work environment. • For temperature regulation. • To reduce our fossil fuel consumption through solar and future wind power.	• By releasing greenhouse gas emissions, and other atmospheric pollutants, thereby contributing to climate change and impacting the health of people and nature.

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We are committed to putting nature at the heart of our decision-making: 'Nature' is one of the five Strategic Priorities in our Corporate Strategy, and we define it in terms of our goal of 'protecting and enhancing the natural environment'. This involves actions to support nature in the long-term by:

- improving the biodiversity of water catchments, rivers and lakes to restore our natural resources and ensure that favourable conservation status is achieved;
- adopting a circular economy approach to what many currently consider to be 'waste' to avoid loss of value and where possible provide environmental benefits;
- investing in our treatments works so that they are efficient and reliable, producing the optimum residual byproducts and in the future, energy and nutrient recovery; and
- adopting new and innovative treatment processes which will: provide increased capacity to allow for growth, allow more stringent standards to be achieved in the future, improve resilience to shock loads, reduce odours for neighbouring communities, reduce energy and chemical consumption and provide wider environmental benefits.

NI Water's Biodiversity Strategy also includes five Strategic Objectives to ensure that biodiversity benefits are at the forefront of our business activities. More detail is provided on these in the Governance section of this TNFD disclosure on page 119.

The LEAP Approach

The TNFD has developed an integrated approach for the assessment of nature-related issues known as the LEAP approach:

- **Locate** interfaces with nature;
- **Evaluate** dependencies and impacts on nature;
- **Assess** nature-related risks and opportunities; and
- **Prepare** to respond to, and report on, material nature-related issues, aligned with the TNFD's recommended disclosures.

It is our intention to undertake the LEAP approach and will present this in future TNFD disclosures. This LEAP assessment will help to deepen our understanding by considering nature-related impacts, dependencies, risks, and opportunities across our value chain, our relationship with which is identified in Risks and Impact Management section of this TNFD disclosure on page 136.

Nature-based decision making

We are developing existing planning activities to support nature-based planning and decision making. Our long-term viability scenarios can help assess nature-related dependencies associated with both the upstream (water collection, production and distribution) and downstream (wastewater collection, treatment and disposal) value chains. We plan to develop the long-term viability scenarios and have started to consider biodiversity in our Water Resource and Supply Resilience Plan.

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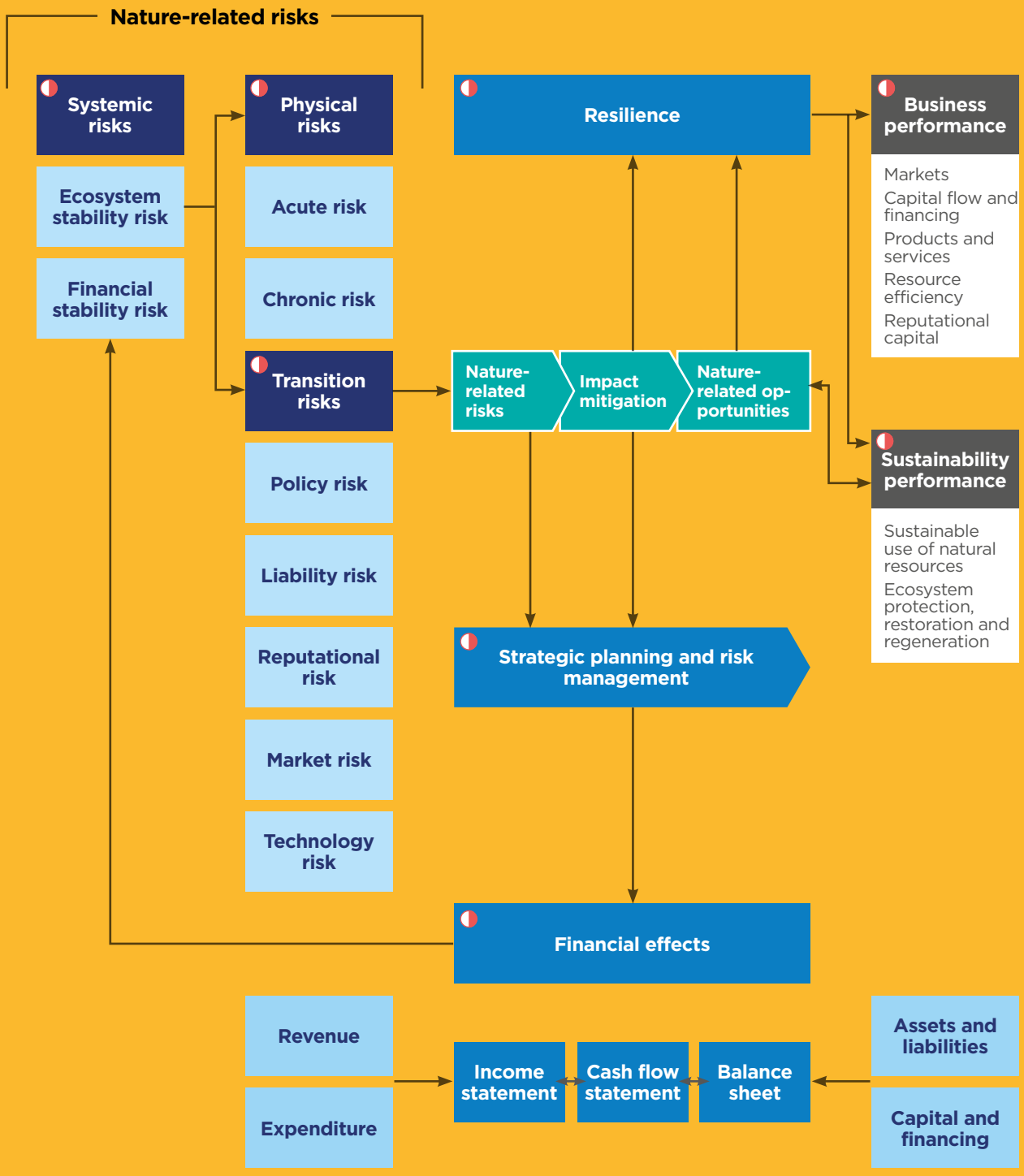
We are also exploring whether our climate risk modelling could be extended to consider the impacts of nature-related physical and transition risks. The modelling will help us understand the linkage between nature-related risks and opportunities, business performance and financial effects as outlined below.



● Full disclosure

◐ Part disclosure

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We also plan to drive improvements to nature-based decision making through pricing nature in investment appraisals and developing a natural capital account to measure and report on the stock and flow of natural capital. Natural capital accounts have been identified by the Natural Capital Committee and the UK National Ecosystem Assessment as a fundamental activity in nature-based decision making.

Value chain

We are committed to reducing nature-based risks through collaboration with partners throughout our value chain, including our supply chain partners. The supply chain represents all the suppliers, contractors, and service providers that are used by NI Water to build and keep the business operating. We regularly engage with our supply chain through a variety of channels. To ensure that nature is considered throughout our supply chain, we plan to expand our supply chain mapping and explore changes to procurement processes to ensure that suppliers support us on our journey to restore nature.

We also create wider value for our stakeholders through our partnerships with universities, water industry peers, and other research organisations. Our value chain is considered in further detail in the TNFD Risk and Impact Management section of this TNFD disclosure on page 136 and will be expanded upon in future disclosures.

b. Business model, value chain, strategy and financial planning

NI Water's Corporate Strategy recognises that we live in a resource-constrained world and have a responsibility to ensure that planet Earth is sustainable for those who come after us. The United Nations' Sustainable Development Goals (SDGs) are 17 goals designed to deliver a more sustainable world by 2030, and we are proud to play our part in supporting delivery of at least 12 of these. Eight of the goals align with the Global Biodiversity Framework targets and inform our approach to understanding the effects that nature-related dependencies, impacts, risks and opportunities have on our business model, value chain, strategy and financial planning.

We have also developed a Biodiversity Strategy to support transition plans and develop further analysis, as part of this we have also undertaken place-based planning to work with local groups to address nature-related impacts and opportunities. The table below summarises the goals and provides examples of activities by NI Water to support the Global Biodiversity Framework (GBF).

We have also joined Business for Nature, a community of leading businesses which have made commitments that will begin to reverse the loss of nature and restore the planet's vital natural systems on which our economies, wellbeing and prosperity depend. This community and its principles inform and guide our business's strategic approach to nature.

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Sustainable Development Goal	Global Biodiversity Framework 2030 Targets	Examples of NI Water's nature-related activities supporting the Global Biodiversity Framework
4 Quality Education	**Target 20:** Strengthen Capacity-Building, Technology Transfer, and Scientific and Technical Cooperation for Biodiversity	• Innovation Programme • UKWIR research partner • Developing partnerships with key stakeholders (including NIEA, Ulster Wildlife, RSPB, Woodland Trust, Loughs Agency and Uisce Éireann) to promote environmental issues and collaborate on biodiversity improvements
	Target 21: Ensure That Knowledge Is Available and Accessible To Guide Biodiversity Action	
5 Gender Equality	**Target 23:** Ensure Gender Equality and a Gender-Responsive Approach for Biodiversity Action	• Refer to the People section of the Strategic Report
6 Clean Water and Sanitation	**Target 7:** Reduce Pollution to Levels That Are Not Harmful to Biodiversity	• Place-based planning with stakeholders to access UK and EU funding for environmental projects • Sustainable catchment management approaches • Integrated environmental modelling • Regreening programme to increase tree planting • Living with Water Programme • Farming for water and weed wiping • Integrated constructed wetlands • Scaling up of nature-based solutions • Phased adoption of the TNFD recommendations • CDP submission • Digitalisation of NI Water land holdings (>1hectares) now complete on our corporate asset register and geographic information system
	Target 10: Enhance Biodiversity and Sustainability in Agriculture, Aquaculture, Fisheries, and Forestry	
	Target 11: Restore, Maintain and Enhance Nature's Contributions to People	
	Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts	
11 Sustainable Cities and Communities	**Target 12:** Enhance Green Spaces and Urban Planning for Human Well-Being and Biodiversity	• Installation of sustainable urban drainage systems • Supporting tourism through nature-related activities • Public access to our sites
12 Responsible Consumption and Production	**Target 9:** Manage Wild Species Sustainably To Benefit People	• Education around water consumption • Refill campaigns to reduce single use plastics • Provision of waterbutts
	Target 16: Enable Sustainable Consumption Choices To Reduce Waste and Overconsumption	
13 Climate Action	**Target 8:** Minimize the Impacts of Climate Change on Biodiversity and Build Resilience	• Large scale peatland restoration and woodland planting for climate change mitigation and adaptation
14 Life Below Water / **15 Life on Land**	**Target 2:** Restore 30% of all Degraded Ecosystems	• Control of invasive species • Consideration of protected sites within strategic planning • Scaling of nature-based solutions • Large scale habitat restoration • All Ireland Pollinator Plan partner
	Target 3: Conserve 30% of Land, Waters and Seas	
	Target 4: Halt Species Extinction, Protect Genetic Diversity, and Manage Human-Wildlife Conflicts	
	Target 5: Ensure Sustainable, Safe and Legal Harvesting and Trade of Wild Species	
	Target 6: Reduce the Introduction of Invasive Alien Species by 50% and Minimize Their Impact	
	Target 12: Enhance Green Spaces and Urban Planning for Human Well-Being and Biodiversity	

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The effect of nature-related risks on business performance is outlined below and will be expanded in the future to assess ecosystem and financial stability risks and cover the whole value chain. The financial effects are set out in the Long-Term Viability Statement. Other plans such as the Water Resource and Supply Resilience Plan contribute to NI Water's understanding of the long-term dependencies, impacts, risks, and opportunities in terms of water supply resilience and investment planning.

Principal risk reference	Type	Description	Effect on business performance	Mitigating actions
TR2	Transition Risk (Policy)	NIEA reform of wastewater compliance	Negative - increased pollution incidents, reputational damage and potential fines. Positive - risk mitigation could result in an improved understanding of wastewater compliance to support future investment needs.	Wastewater Regulation Reform Programme Board oversees governance and delivery of projects to prepare for any regulatory changes.
TR2	Transition Risk (Policy)	Environment Bill planned for Northern Ireland	Negative - increased pollution incidents, reputational damage and potential fines if not supported by investment in wastewater infrastructure. Positive – risk mitigation could be a driver for increased investment in wastewater.	Climate change Programme Board supported by working groups covering a range of climate and nature-related areas including energy, emissions, resilience, land, sequestrating, offsetting, reporting and multi-capitals.
TR9	Transition Risk (Reputational risk)	Wastewater compliance breaches	Negative - increased pollution incidents, reputational damage and potential fines. Positive - risk mitigation could be a driver for increased investment in wastewater.	The removal of storm water is being considered to enable capacity in our sewer network where practical. Investment in storm overflow event duration monitors provides new data on the operation of storm overflows and informs capital investment, base maintenance and operational interventions.
OP2	Transition Risk (Reputational risk)	Lack of stakeholder education on nature impacts	Negative - increased pollution incidents, reputational damage and potential fines. Positive - risk mitigation could lower per capita consumption, decrease sewer blockages and increase appetite for nature-based solutions.	Education and stakeholder engagement across a wide range of groups including students (primary, post primary and university level), farmers, politicians, lobby groups and the public. Advertising campaigns cover water and sewer usage, spanning television, radio and social media platforms.
TR2	Physical Risk (Acute & Chronic)	Wetter and stormier winters and drier summers	Negative - increased pollution incidents, supply interruptions and leakage, reputational damage and potential fines. Positive - risk mitigation could result in an improved understanding of wastewater compliance to support future investment needs.	Working group in place to tackle high priority ingress and infiltration. Development of water resilience and water resource plans to deal with drier summers and high demand.
TR3	Physical Risk (Acute)	Frontline service failure (NI Water or contractor)	Negative - service disruption, reputational damage and potential fines. Positive - risk mitigation could result in faster recovery following incidents.	Regular engagement with supply chain on business continuity and major incident planning.

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Principal risk reference	Type	Description	Effect on business performance	Mitigating actions
TR6	Physical Risk (Chronic)	Poor land management practices in our drinking water catchments and diffuse pollution	Negative – higher costs of treatment due to reduced quality and reliability of the raw water received at NI Water's raw water abstraction points. Positive – risk mitigation could result in an increased uptake of sustainable catchment-based solutions, favourable condition and habitat improvement and greater attenuation for flood alleviation.	Partnership working with stakeholders on sustainable catchment management projects to enhance raw water quality and restore biodiversity. Projects include fire risk management, pesticide mitigation, farm ammonia reduction measures, peatland restoration, tree planting and land management improvements.
TR8	Physical Risk (Chronic)	Internal sewer flooding	Negative – damage to property and reputation, increased costs of claims and insurance. Positive – risk mitigation could result in the removal of impermeable areas and attenuating the flow reduces sewer flooding.	Drainage area studies and integrated environmental modelling helps us better understand flood risk. Nature-based mitigation actions include sustainable urban drainage systems and flood attenuation and may contribute towards optimising other benefits and further contributing to improving ecosystem health.
TR9	Physical Risk (Acute & Chronic)	Fluvial and coastal flooding (tidal and storm surges) and pluvial (rainfall related)	Negative - damage to property and reputation, increased costs of claims and insurance. Positive – risk mitigation could result in the strengthening of flood defences, removal of impermeable areas and attenuating the flow reduces sewer flooding.	
TR9	Physical Risk (Chronic)	Damage or loss of sensitive or designated habitat features	Negative - higher costs of treatment due to reduced ecosystem services impacting the quality and reliability of the raw water received at NI Water's raw water abstraction points. Positive – risk mitigation could result in an increased uptake of sustainable catchment-based solutions, favourable condition and habitat improvement and greater attenuation for flood alleviation.	The Sustainable Catchment Area Management Programme Northern Ireland aims to improve the quality and reliability of the water through sustainable catchment-based solutions that focus on protecting and enhancing the natural environment.
OP1	Physical Risk (Acute)	Living with Water Programme delayed	Negative - decline in Belfast Lough's water quality cannot be halted and reversed. Bacterial, excessive levels of nutrients and sewage related debris will continue to contaminate watercourses, the shoreline and sea. Increased pollution, reputational damage and potential fines. Positive – risk mitigation could result in the flourishing of Belfast Lough ecosystem, an important and safe habitat, including for birds and marine mammals and supporting commercial mussel farming.	NI Water's Strategic Planning Evaluation Group has commenced a review of wastewater capacity constraints for the six wastewater treatment works that discharge into Inner Belfast Lough and the Living with Water in Belfast Plan.

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c. Resilience of the strategy

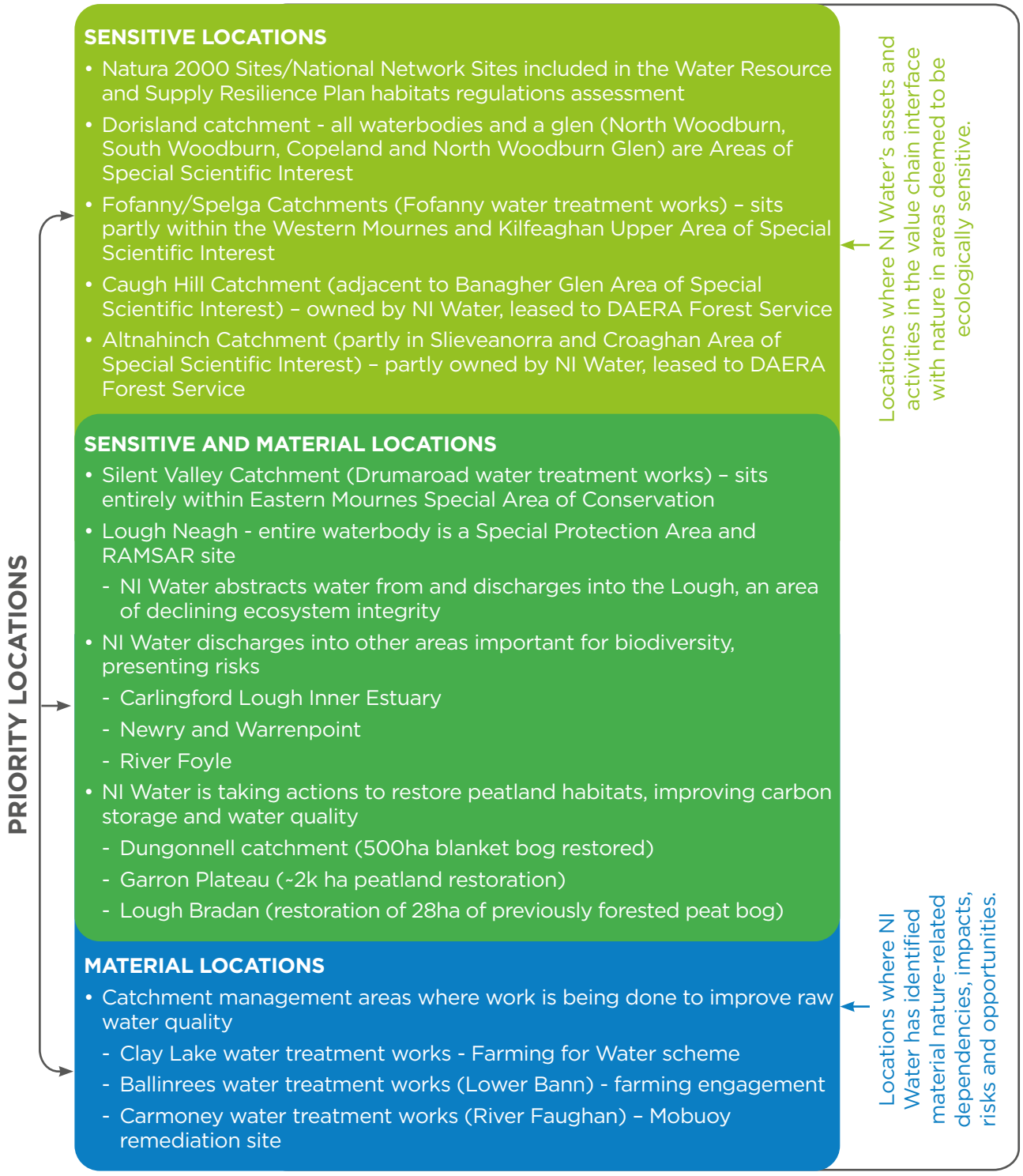
Nature-based resilience is the strategic, organisational capacity of NI Water to resist, react to and recover from disruptive nature-related threats and survive both foreseen and unforeseen nature-related risks. Our Integrated Risk and Resilience Framework describes NI Water's process for identifying, prioritising and managing nature-related risks which may impact either positively or negatively on the achievement of our strategic priorities.

Our Corporate Strategy and PC21 Business Plan are aligned with the Integrated Risk and Resilience Framework as are other supporting strategies, plans and assessments including our Climate Change Strategy, Biodiversity Strategy, Water Resource and Supply Resilience Plan and Long-Term Viability Assessment. We consider a range of scenarios in our strategies, plans and assessments to understand the current level of resilience and identify future investment to improve our resilience. Details on scenarios are contained in the TCFD and Long-Term Viability Assessment sections and in relevant publications on our website. We have set out further information on scenario analysis in the Risk and Impact Management section of this disclosure on page 136. Funding against the TNFD requirements will be determined as part of the PC28 Business Plan process, which is underway.

d. Priority locations

We have identified the following priority locations using information within our Corporate Risk Registers, which draw on relevant strategies, plans and statutory requirements. Our Biodiversity Strategy will outline further work to understand nature-related dependencies and impacts, including management plans for priority locations. It is our intention to undertake LEAP and value chain analysis in future TNFD disclosures to build on this initial high-level overview of priority locations.

Taskforce on Nature-related Financial Disclosures



Future steps

To further develop NI Water's TNFD disclosures in future reporting years, we plan to:

- begin using the TNFD's LEAP approach to improve understanding and management of nature-related impacts, dependencies, risks and opportunities across the value chain, including mapping priority locations for NI Water's interface with nature;
- develop long-term viability scenario analysis to better consider biodiversity and nature loss alongside climate risk modelling; and
- improve nature-based decision making by valuing impacts to nature in investment appraisals and developing a corporate natural capital account.

Taskforce on Nature-related Financial Disclosures

Risk and Impact Management

a. Risk identification and assessment processes

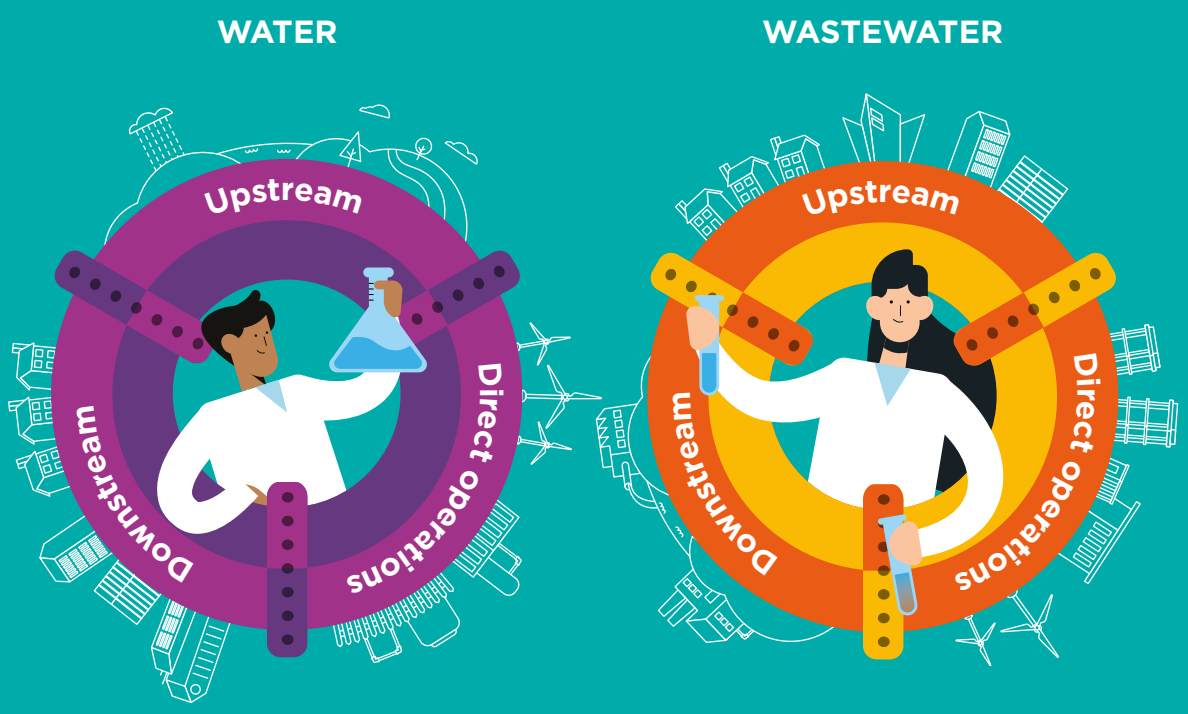
NI Water is at an early stage of identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its value chain, aligned with the TNFD framework. The diagram below demonstrates NI Water's upstream, direct operations and downstream activities at a high level, and will form the basis of a more thorough understanding of the value chain, which will be presented in future TNFD disclosures.

Water

Upstream:
Raw water sources, sustainable catchment and water supply chains.

Direct operations:
Construction and maintenance of assets, treatment, pumping, distribution, leakage management, new connections, meter reading, billing and green energy.

Downstream:
Use of drinking water by domestic and commercial customers.



Wastewater

Upstream:
Wastewater produced by domestic and commercial customers, surface water run-off, and wastewater supply chains.

Direct operations:
Construction and maintenance of assets, wastewater collection, pumping, treatment, sludge incineration, billing and green energy.

Downstream:
Return of treated wastewater to watercourses and the sea.

Taskforce on Nature-related Financial Disclosures

Direct operations

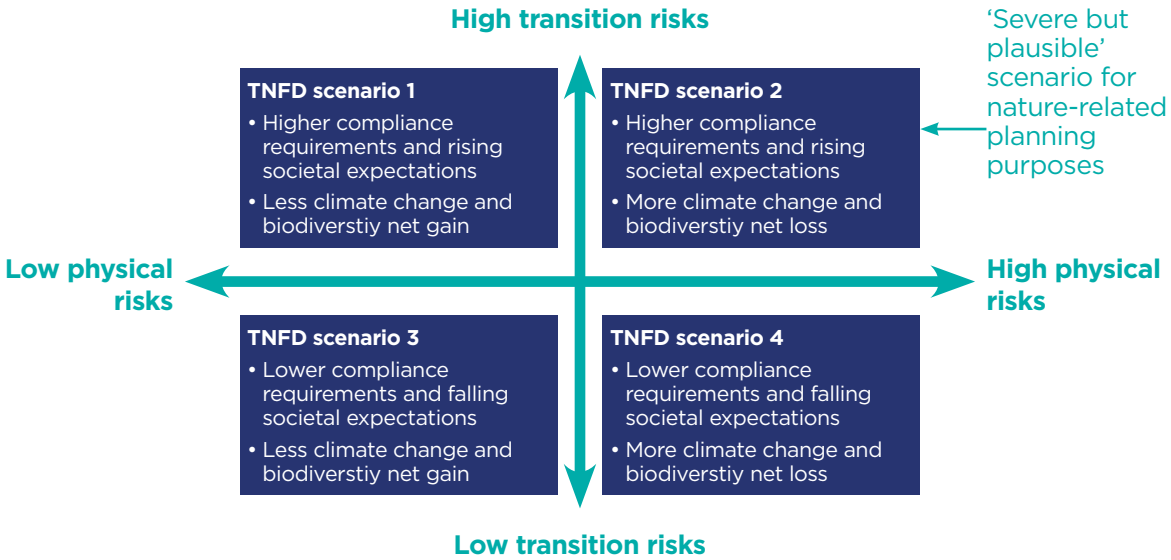
NI Water's processes for identifying, assessing and prioritising nature-related risks and opportunities in its direct operations are set out in the Corporate Governance section of this annual report on page 76.

NI Water's Environmental Management System forms part of the Integrated Risk and Resilience Framework and is independently certified to ISO14001:2015. The System includes all activities at NI Water sites. Significant aspects are managed in a manner that controls the risk and seeks over time to reduce or eliminate the environmental impacts. NI Water seeks to control all medium and high significance aspects and set targets and objectives for continuous improvement for all high significance aspects.

Long-term plans such as the Water Resource and Supply Resilience Plan also provide a means of identifying, assessing, and prioritising nature-related dependencies, impacts, risks and opportunities in terms of water resource supply and demand management. For example, the Plan identifies Lough Neagh as a key natural asset on which NI Water relies and includes a methodology for identifying the key risks of long-term water resource availability and supply resilience within each water resource zone, such as climate change and population increase, and includes a Drought Plan.

The assessment of the financial impact of risks is set out in our Long-Term Viability Statement. The viability assessment is based on severe but plausible risk scenarios, which draw on the Principal Risks. Nature-related risks and opportunities are considered alongside non-nature-related risks and opportunities within the Principal Risks and are integrated into business practices. Long-term viability scenarios 8 to 12 are nature-related and cover our direct operations.

We plan to develop the long-term viability assessment process to support several overarching TNFD scenarios. An indicative approach is shown below. This will widen the range of nature-related scenario approaches considered beyond the 'severe but plausible' scenario approach used in the viability assessment. The assessment is based on the most material risks facing the business.



Taskforce on Nature-related Financial Disclosures

Our Biodiversity Strategy will outline further work to understand nature-related dependencies and impacts in our direct operations as set out in the TNFD strategy section above. For example, the Biodiversity Strategy aims to improve the quality of environmental data through work with NIEA to explore how water abstraction impacts biodiversity.

Upstream and downstream value chains

NI Water's processes for identifying, assessing and prioritising nature-related risks and opportunities in its upstream and downstream value chains are set out in the Corporate Governance section on page 76.

Our commercial and capital procurement teams are engaging with the wider supply chain to understand nature-related impacts, risks and opportunities. Refer to the Strategy section of this TNFD disclosure on page 127.

Our Biodiversity Strategy will outline further work to understand nature-related dependencies and impacts in our upstream and downstream value chains, including carrying out a feasibility exercise on biodiversity pricing mechanisms to ensure the full biodiversity impacts of projects across the value chain are reflected in financial appraisals.

Priority locations for our upstream and downstream activities are contained in the TNFD Strategy section on page 127. Future TNFD disclosures will build on this initial high-level analysis, informed by more detailed value chain analysis based on the LEAP approach.

b. Risk management process

NI Water manages its nature-related dependencies, impacts, risks and opportunities through its Integrated Risk and Resilience Framework as set out in the Corporate Governance section on page 77. Our Biodiversity Strategy will outline further work to understand nature-related dependencies and impacts, including management plans for priority locations. It is our intention to undertake the LEAP approach and value chain analysis in future TNFD disclosures. This work will build on existing assessments within our PC21 Business Plan and supporting plans such as the Water Resource and Supply Resilience Plan and Drought Plan.

c. Integration into overall risk management

The Integrated Risk and Resilience Framework is integrated with our strategic and business planning processes used to develop our Corporate Strategy, PC21 Business Plan, Climate Change Strategy and Biodiversity Strategy. Our Integrated Risk and Resilience Framework is supported by other nature-related risk and resilience processes, including our Environmental Management System, Long-Term Viability Statement and our Water Resource and Supply Resilience Plan.

Future steps

To further develop NI Water's TNFD disclosures in future reporting years, we plan to:

- develop a better understanding of NI Water's value chain and the interfaces with nature across it, using a materiality approach to identify the most material risks and opportunities for NI Water; and
- deepen scenario analysis to better manage the risks of biodiversity and nature loss.

Taskforce on Nature-related Financial Disclosures

Metrics and Targets

a. Nature-related metrics in line with strategy and risk management process

At present, NI Water uses a wide range of metrics and targets to assess and manage material nature-related dependencies, impacts, risks and opportunities. These are used to optimise decision-making and are integral to our business performance. It is our intention to further align these existing metrics and targets with those recommended by TNFD in future disclosures.

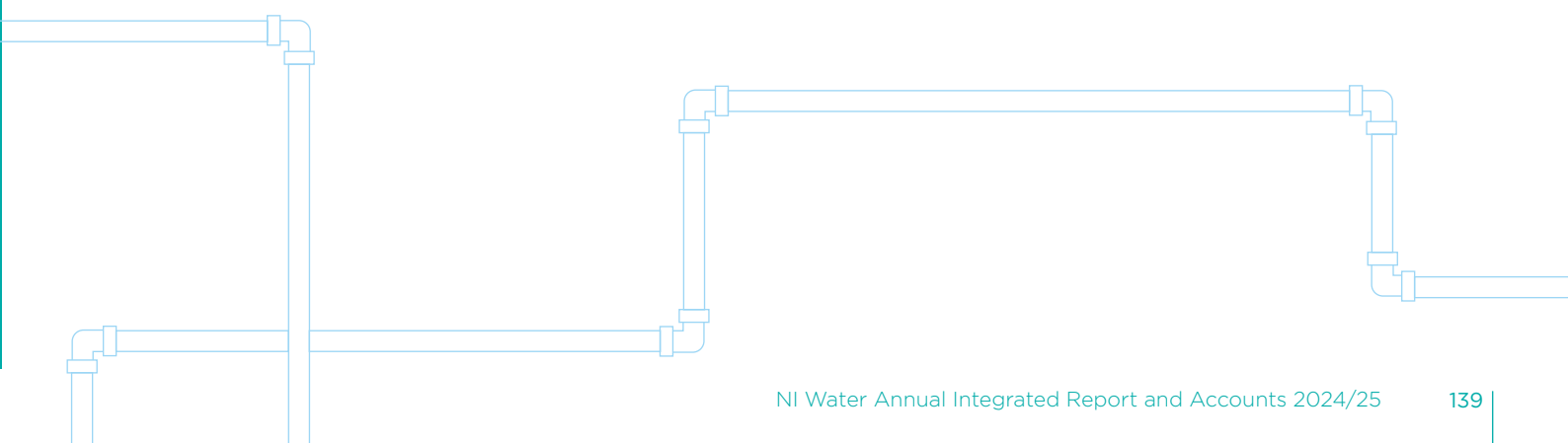
The following Strategic Performance Indicators are recognised as nature-related performance metrics and are reported on pages 31 to 59. The indicators are contained in our Corporate Strategy and embedded in the Integrated Risk and Resilience Framework:

- Reduction in customers reporting service failures;
- Water quality compliance;
- Reduction in leakage;
- Reduction in supply interruptions;
- Bathing water quality;
- Reduction in our pollution incidents;
- Wastewater compliance; and
- Reduction in number of properties at risk of out of sewer flooding.

Our long-term assumptions to inform nature-related risks and opportunities are contained in the Climate Change Strategy and long-term plans such as the Water Resource and Supply Resilience Plan.

b. Metrics and related risks

Further metrics and targets are used by NI Water to assess and manage dependencies and impacts on nature as shown on pages 140 to 142. These indicators are primarily taken from our PC21 Business Plan and Annual Information Return. The metrics have been aligned with the metrics recommended by the TNFD to measure nature-related issues, as well as NI Water's principal threats and opportunities. We will develop our ability to report against all the relevant metrics recommended by the TNFD in future disclosures.



TNFD metric	TNFD metric type	Driver of nature change	Indicator	Strategic priority	Nature-related PC21 metric	Unit of measure-ment	Actual 2024/25	Target 2024/25	Pass/ Fail	Target 2025/26	Principal threat/ opportunity	SDG	GBF
C1.0	Core global	Land use change	Total spatial footprint		Total spatial footprint	Area (km2)	Under development						
C1.1	Core global	Land use change	Extent of land/ freshwater/ ocean-use change		Catchments where management plan recommendations have been delivered	Number	N/A	N/A	N/A	5			
					Plant one million trees on over 500 hectares of land by 2030	Number	475,812	600,000 (over PC21)	N/A	600,000 (over PC21)			
					Peatland restoration	Area (hectares)	28	N/A	N/A	N/A			
					Impermeable surface water area removed - cumulative	Area (m^2)	270,644	267,228	Pass	303,682			

TNFD metric	TNFD metric type	Driver of nature change	Indicator	Strategic priority	Nature-related PC21 metric	Unit of measure-ment	Actual 2024/25	Target 2024/25	Pass/ Fail	Target 2025/26	Principal threat/ opportunity	SDG	GBF
C2.1	Core global	Pollution	Wastewater discharged		Wastewater compliance (% population equivalent served) (SPI) Reduction in number of properties at risk of out of sewer flooding (SPI)	% Number	99.3 31	95.6 26	Pass Pass	95.6 36			
C2.2	Core global	Over-exploita-tion	Waste generation and disposal		Total sewage sludge disposal by NI Water	Total tonnes dry solids	37,622	N/A	N/A	N/A			
C3.0	Core global	Over-exploita-tion	Water withdrawal and consumption from areas of water scarcity		Water withdrawal and consumption from areas of water scarcity	Million litres per day	Under development						
A2.0	Addi-tional global	Pollution	Wastewater treated, re-used/recycled or avoided		Wastewater treated per day	Million litres per day	365	N/A	N/A	N/A			
A2.2	Addi-tional global	Pollution	Pollutants removed		Wastewater compliance (% population equivalent served) (SPI)	%	99.3	95.6	Pass	95.6			
A3.0	Addi-tional global	Over-exploita-tion	Total water consumption and withdrawal		Total water consumption and withdrawal	Million litres per day	605.45	N/A	N/A	N/A			

Taskforce on Nature-related Financial Disclosures

TNFD metric	TNFD metric type	Driver of nature change	Indicator	Strategic priority	Nature-related PC21 metric	Unit of measure-ment	Actual 2024/25	Target 2024/25	Pass/ Fail	Target 2025/26	Principal threat/ opportunity	SDG	GBF
A3.1	Addi-tional global	Over-exploita-tion	Water replenished	Under development									
A3.2	Addi-tional global	Over-exploita-tion	Water reduced, reused or recycled	Under development									
A3.3	Addi-tional global	Driver of nature change: resource use and replen-ishment	Water loss mitigated		Leakage (SPI)	Million litres per day	152.32	153.00	Pass	151.00			
WU.C3.0	Core sector	Over-exploita-tion	Water reduced, reused or recycled	Under development									
WU.C2.0	Core sector	Over-exploita-tion	Sanitary sewer overflows and recovery		Number of high and medium pollution incidents attributable to NI Water (SPI)	Number	8	9	Pass	8			
WU.C3.1	Core sector	Over-exploita-tion	Water loss mitigated		Leakage (SPI)	Ml/d	152.32	153.00	Pass	151.00			
WU.A6.0	Addi-tional sector	Clean drinking water provision	Clean drinking water provision		Water quality compliance (SPI)	%	99.88	99.83	Pass	99.83			

Taskforce on Nature-related Financial Disclosures

c. Nature-related targets and performance against targets

The metrics and targets used by NI Water to manage nature-related dependencies, impacts, risks and opportunities and its performance against these are set out in sections a and b above. We plan to develop these metrics and targets in future disclosures to better align with TNFD, as well as best practice target setting and other reporting frameworks.

The key nature-related reporting frameworks that NI Water are reporting against are identified below, which also serve to evidence NI Water's strong commitment to measuring and reporting our relationship with nature.

Task Force for Climate-related Financial Reporting

The Task Force for Climate-related Financial Reporting (TCFD) provides a best practice climate-related reporting framework. Refer to our TCFD section on page 105.

Science based nature targets

Targets are considered 'science-based' if they are aligned with the Convention on Biological Diversity's Post-2020 Framework and are designed to support the Sustainable Development Goals. We plan to set science-based nature targets with the Science Based Targets Initiative, which defines and promotes global best practice in science-based target setting.

CDP

NI Water has registered with CDP and used the CDP questionnaire to prepare the TNFD disclosures. The CDP is part of a nature-related disclosure framework, which ultimately supports best practice corporate disclosures. NI Water is aiming to improve its CDP score from 'C' (2023) to 'B' in 2025.

Public Body Reporting

The Wildlife and Natural Environment Act (NI) 2011 places a statutory duty on all public bodies regarding biodiversity reporting. In September 2024, DAERA published a revised Environmental Improvement Plan for Northern Ireland. Our Biodiversity Strategy aligns with the Plan, particularly in the areas of water quality improvement, nature restoration and climate resilience. NI Water's performance and actions under the Plan may be subject to reporting requirements by DAERA or the Office for Environmental Protection.

UK Sustainability Reporting Standards

We continue to monitor the development of the standards and the implications for our biodiversity reporting. Refer to our TCFD section on page 105.

Independent Assurance

NI Water engaged specialist advisors to review our approach to biodiversity and wider sustainability reporting. We obtain independent assurance on our environmental management system aligned to ISO14001, and on carbon quantification and reporting aligned to ISO14064 and will consider the ISAE5000 public assurance approach and methodology.

Future steps

To further develop NI Water's TNFD disclosures in future reporting years, we plan to:

- disclose against the TNFD's recommended core and sector specific metrics where possible, explaining any gaps; and
- use the LEAP approach to identify and set TNFD-aligned nature-related targets.

This Strategic Report was approved by the Board of Directors on 10 July 2025 and signed on its behalf by Dr Sara Venning, Chief Executive.

Dr Sara Venning
Chief Executive
10 July 2025