Liv Intro – Capital Markets Day

Hello everyone and thank you to Christine for kicking off our Day with some lovely insights into why we were the lucky ones you chose to join.

And thanks to all of you for coming to our Head Office in Coventry to experience (and it is an experience) what we have to say around our approach to Sustainability and what Societal Purpose means to us.

(IMAGERY FROM BRUNTINGTHORPE)

But before we do that I think it’s worth just re-capping on what has happened since the last time we got together at our Capital Markets Day 18 months ago.

I remember it well! If you recall it was September 14th and just a week before, full of hope and anticipation we had submitted the best part of 3,000 pages of plans to Ofwat. It had been labour of love where we had listened carefully to the regulator, we had listened carefully to our customers and of course our broader stakeholders to craft a plan that we felt balanced the needs everyone across both the short and long term.

You’ll note I said ‘balanced the needs’ and not ‘satisfied every need’ because sometimes life is like that. You’re not going to be able to deliver all things to all people - but we did come up with the best plan for us.

(INFOGRAPHIC FROM PR19)

And the regulator agreed with our approach. We were one of three companies to be awarded the hallowed fast-track status, and since that point we actively engaged with Ofwat on the finer points on our plan to make sure the final outcome was right for the same set of stakeholders we wrote the plan for in the first place.

(SIMPLE SLIDE SHOWING TOTEX FROM PLAN)

Now it didn’t stay static, there were negative industry adjustments to the WACC but for us at least these were balanced more positive company specific adjustments around Totex and ODIs so that in the round we were largely kept whole.

Between the Severn Trent Plan and Hafren Dyfrdwy we were two of the 3 companies that actually got slightly more Totex than our original plan which puts us in good shape heading into AMP7.

It doesn’t mean that our plan isn’t ambitious and stretching, it is both of those by the bucket load. But it does mean that all the hard work we have put in since that day in Bruntingthorpe where we launched our plan to our been time, effort and money well spent. When you think that some companies could still going to be negotiating their settlement for potentially another 12 months, that puts us 2.5 years ahead of the game. We are masters of our destiny and for us it is about brilliantly executing our plan from this point on.

(becomes about delivery and careful decision making from this point on.

(SOCIAL PURPOSE DOCUMENT OR SOME NICE IMAGERY)
The final point I’ll make about our AMP7 plan, which leads me into the rest of the day is about our Social Purpose. This isn’t a last month or even a last year concept for us. We’ve been building our plans with Social Purpose in mind for the past three years. It is at the heart of what you will see today in both the actions we are taking and the way we think about our business for the long term.

For us, Purpose is not about being purely altruistic in the way that we go about things. To actually make a difference and still be here in 50 years time, we need to look after natural resources such as water, we need customers who trust us, we need the most talented and engaged minds helping us to innovate and improve, and we need investment.

Investment that comes from being an efficiently run and profitable business that delivers a fair return. Profit should not be seen as an ugly word and throughout the course of the day we are going to highlight how embracing the big sustainability issues will not only positively contribute to Society, it also makes good business sense.

These are not bolt-on additional activities, these are integral to actually delivering for our customers. We built them into our plan which is why we can confidently say we’re going to spend £1.2billion on delivering them and as in the next five years and why in many cases we have incentive mechanisms in place to acknowledge our efforts.

Such we have the financial resources to work on them and potential rewards for delivering them.

(WWF Video)

(WATER IMAGERY)

It’s pretty compelling stuff right? What’s equally compelling is the momentum that is gathering around the need for action and what I loved about the video is that is doesn’t just talk about survival of the planet, but how only those companies that ‘get it’ will survive also. Well we think we get it.

And that isn’t because there has been some light bulb moment, it is because you can’t run a waste and water business without being acutely aware that your business model depends on how you interact with your natural environment. The environment is our Supply Chain.

(VERY SLOW MOVIE OF SUN RISING OVER EARTH)

As you would expect with any business, we take a keen interest in the risks that could impact our supply chain and nobody can deny that climate change is a key risk.

But it is one that we plan for in great detail every year. As part of our resource planning we typically run 10,000 climate change scenarios and test how resilient we are to them.

Our central scenario plans for an increase in temperature of 2 degrees by 2045 and 3 degrees by 2080. The impacts of such an increase in broad terms are likely to be wetter periods from November to March and drier from April to October with the difference more pronounced the further South you go in the UK.

You only have to cast your mind back over the last couple of years to see evidence of greater extremes in weather from the cold of 2017, to hot dry weather of 2018 and now the flooding we see playing out before our eyes right now. Of course we have to plan and invest for the slow and gradual changes, but the immediate resilience you need for the extreme changes needs investment too and the money we spent in AMP6 on resilience is definitely paying off today.

MONTAGE OF PEOPLE IMAGES (NATURE, EDUCATION, Ops, RENEWABLES PIC)
Throughout the day you’ll travel around three zones dedicated to the role we can play in the environment.

- We’ll show you how nature can be the best source of innovation
- How technology and behavioural change are vital to managing long term water resources
- And how we are taking our role in mitigating climate change through our triple carbon pledge seriously – these aren’t hollow commitments.

They are super interesting and I promise you they are worth the train ride from London alone!

For me I am genuinely excited by the fact that through our Biodiversity pledge we are going to deliver 1% of the national target on our own. And I’m even more excited to share all the plans we have in place deliver our net zero carbon commitment by 2030. We were bold to make our Triple Pledge earlier than everyone else but now it feels like it was just the right thing to do.

There is another zone you will experience today which focuses on people.

Sustainability is not just about the environment we live in. A sustainable future is also built around the customers we serve, the people who work for us every day and communities we all live in. For a company like there is little difference between the three. For the vast majority of our people they are our customers and they live in patch. It’s why it so personal them and it is why I think our culture so special here.

But that was the other reason I wanted you to come to Coventry today. I can tell you about our culture but some people need to see it for their own eyes to believe it. The folks you will meet today are a true reflection of the talented and committed workforce we have at Severn Trent and one of the reasons I love coming to work here.

And as if all of that wasn’t enough we’ve got our fifth and final zone back here this afternoon where Christine and Bronagh will give their thoughts on Governance and the vital role it plays in keeping us true to who we are as an organisation. Governance is pivotal in earning and maintaining stakeholder trust and done well can be a real differentiator.

Now hopefully I’ve done my job to whip you up into a frenzy of anticipation for the day. You certainly all look excited! But if you think you are excited – we took our 300 most senior leaders through this day yesterday and gosh! - the energy that came from them at the end of the day was magical. Being able to understand how their day jobs can contribute to something bigger has left all of us so up for the challenge to come.

And what motivates our people isn’t just the final outcome of our work, it’s the way we are going about it. As you go around today you are going to see lots of issues that the Water industry and business in general are facing into. There will undoubtedly be more than one way to address these but what you will see from us is a genuine attempt to do the right thing for our planet and our people along the way. We’ve announced some big ambitions today that show we are genuinely leading the way and hopefully by the end of the day you will share my belief that we have the plans and expertise to deliver them.
So before I send you all off into your groups for an engaging day I thought I would just play a quick video with some of those big headline commitments that will come from today so you can look out for all of the detail on your way round.

(PLAY SAINSBURY STYLE VIDEO)
Thanks Bronagh and Christine – an awesome double-act I’m sure you’ll agree.

I absolutely love the values [video you saw at the start of that slot] because it is real people in our business telling us what working here means to them. At the start of the day I said I wanted you to experience our culture for yourselves and I hope that video in some way reflects what you saw today.

And what a day it has been! You all look exhausted! I hope we haven’t been too much for you. We don’t like to have people sitting around for too long, it’s not in our nature.

But I also hope that in all of the excitement you now understand what we mean when we talking about purpose and sustainability. These concepts are literally our world.

Whether it is using nature to manage how water enters into the rivers, being efficient with how we use it, creative with what we do with the end product and mindful of how all this impacts our customers and communities. This is core to us. And hopefully you will see from our commitments this is not one year or even five year thing. This is core to our long term vision for the business for the next 25 years.

So before we close this exciting day I thought I would open up for questions –I’m sure you have lots!

So to close I’ll start by saying this is the first and last sustainability led Capital Markets Day that you will see from us. We see this as business as usual and the absolute best way to deliver our goals in the interests of our all of our stakeholders.

We know we are far from perfect and there is still much to do to deliver on our ambitions. But I hope leave you from today believing our intentions are credible our commitments are ambitious but the plan we have to get there is clear.

So thank you for coming, thank you for your ongoing support and have a very safe journey home. Which is why this is the first and last sustainability led Capital Markets Day that you will see from us. We see this as business as usual and the absolute best way to deliver our goals in the interests of our all of our stakeholders.