

# Becoming the Purposeful Company in the utilities sector

We're proud to be working as a pathfinder purposeful company. We believe that if we're united by a clear social purpose, we'll deliver better outcomes for all our stakeholders – our customers, our colleagues, our investors, the society we live in and the environment that we depend on.

This is our journey so far.

**WONDERFUL ON TAP**



# We exist to serve our communities and build a lasting water legacy. This is our purpose and it underpins everything we do.

We believe that our purpose connects us with our customers, inspires our people, attracts investors, and reinforces that in the long term, we share the same interests:

- **Customers.** Our customers expect us to be a company they can trust. Providing a safe, reliable and affordable service is vital, but for many of our customers this isn't enough. They want to know that we do the right things for the right reasons, and that they and the communities we live in and serve are at the forefront of everything we do.
- **Colleagues.** We all want good career opportunities, fair reward and recognition, and for our employer to invest in us and our wellbeing. But it's a feeling of purpose that really helps to create a company that we're inspired to work for. We're motivated by the real sense that we're here to serve and that during our stewardship of Severn Trent, we can build a legacy that we're all proud of.
- **Investors.** For anyone who invests in us, strong financial performance that is achieved responsibly is a minimum expectation. So too is providing a fair return that is commensurate to the risk they take on through that investment. But they are right to challenge us to do more – to be a company that is ambitious, a company that will push forward what our sector can achieve, while sharing its successes with its stakeholders along the way. Aside from a positive return, ultimately they want us to be a company that can make a wider difference with the money they invest in us.

So at Severn Trent we operate our business consistently with our purpose, towards our vision of being the most trusted water company, and according to our values:

- we put our customers first
- we're passionate about what we do
- we act with integrity
- we protect our environment
- we're inspired to create an awesome place to work.

And we're proud to be the only utility working as a pathfinder with the Purposeful Company, an initiative that seeks to transform British business with purposeful companies that are committed to creating long term value through serving the needs of society.

## **Our purpose in practice**

As part of our pathfinding role, we've been working to show the role that purpose plays in meeting the needs of our three key stakeholders – customers, colleagues and investors - using a concept that has its roots in Maslow's hierarchy of needs. It was borne out of the two-year engagement programme we undertook for our 2020-25 business plan.

We believe each hierarchy is mutually reinforcing – for example, we cannot deliver strong operational performance if we do not meet the fundamental needs of our customers, and we cannot do this without a motivated and engaged workforce.

To bring these hierarchies to life, in the following pages we've included examples of the progress we've made and some of the new commitments we're making over the next five years (AMP7). We now want to build on this.

# Our journey so far

Our journey to becoming a purposeful company started some time ago but has been given energy and direction over the past two years. As we continue to engage with like-minded stakeholders, we are inspired to push our ambitions further but acknowledge we still have much work to do. We hope that along our journey we can bring others with us to contribute to this growing business community.

## Unconscious 'natural' purpose

Our business model naturally lends itself to having a clear purpose.

We provide an essential resource for life. In order to fulfil this public service to the best of our ability we must naturally be mindful of the way we interact with the environment we operate within, taking care of precious natural water resources and maintaining the ecology of our region as we return cleaned wastewater back to the environment.



The monopolistic nature of the industry creates a stronger need for us to put customers' interests at the heart of our decision-making so they would choose us if they had the option. In 2015 we set an ambition to be the most trusted water company by 2020 and we're well on the way to achieving that.

Our regulatory model incentivises balanced performance for customers, communities and the environment.

## Natural purpose meets customer intent

As part of our PR19 work we carried out our most extensive customer research ever and established our customers had a clear hierarchy of needs to establish trust.

This insight awakened our natural purpose and broadened our thinking to allow us to more clearly link our purpose to the needs of the stakeholders we serve and the society we operate within.

Our AMP 7 plan includes commitments driven by this insight, including:

- Using 1% of profits for a new community fund;
- Improving 2,100km of rivers by 2025;
- Reducing Leakage by 15% in the next 5 years and tripling the rate of reduction by 2030; and
- Investing £10m for a new technical training academy for the Midlands.



## Creating a conscious purpose

As our ambitions and vision for the future evolve around our purpose, we are continuing to work with a wide variety of partners, organisations and stakeholder groups so that the way we go about our business is aligned to commitments we have set ourselves. For example:



- We are refreshing our purpose, vision and goals to reflect our evolution and to make our commitments tangible;
- We were ranked 16th in the FTSE100 for our modern slavery approach and we are a founding member of the Slave Free Alliance;
- Our Sustainable Supply Chain charter sets our social and environmental expectations of suppliers;
- The Hampton Alexander Review placed us fourth for women in leadership; and
- We are exploring the role accreditation can play in providing legitimacy for our approach.

## Taking others with us

We have an ambition to be a leader in our thinking around purpose and were delighted to be recognised as a Pathfinder company.

We are a leading force in the water sector, committing to a series of pledges, such as the eradication of water poverty and the prevention of 4 billion plastic bottles going to waste, both by 2030.

We are one of only a handful of companies in the UK to have made the triple pledge on carbon – net zero carbon emissions, 100% of energy from renewable sources, and 100% electric vehicles by 2030.



We pioneered the World Water Innovation Fund, bringing together water companies from around the globe to tackle challenges together.

# CUSTOMER

## What our customers said they wanted from us

4. Be a company customers can trust



We'll use **1%** of profits for a new community fund

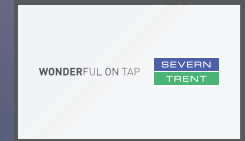
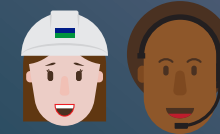


Customer panel with c.15,000 customers providing instant feedback and insight



**£3.5m** Trust Fund donations annually. 2.62 social return on investment

**40%** of employees volunteering to improve local communities



Improved customer engagement including first TV adverts in over a decade

3. Do more for communities and play a bigger part in society



World Water Innovation Fund  
Initiated the World Water Innovation Fund utilising open innovation and large scale trials



Achieve net zero carbon emissions by 2030

**4m** days out at our visitor sites each year and our top 5 sites have received certificates of excellence from Tripadvisor



Offering everyone in a generation of school children the inspiration to change water usage behaviours, leaving a legacy of reduced consumption

We'll help **47%** more struggling customers to pay their bills by 2025 and develop a strategy to end water poverty'



3. Do more for communities and play a bigger part in society



Biodiversity improvements on the equivalent of 1,500 football pitches by 2025



Prevent the equivalent of four billion plastic bottles ending up as waste by 2030

We'll improve **c.2100km** of river ecology by 2025



Founding partner of WaterAid charity and almost £30 million pounds has been raised thanks to Severn Trent's support

We'll increase the number of customers on our Priority Services Register to up to **400k**, and we're the only company to commit to help 100% of vulnerable customers during an incident by 2025



2. Treat customers as individuals. Listen, understand and respond - especially if we get something wrong

1. Prevent the problems - from the little irritations to the bigger inconveniences that disrupt customers' days

**85%** Customer satisfaction



**Upper quartile** for utilities on UKCSI Index

**Sector leading**

Customer ODI performance for all 3 years of the AMP on the things that matter most to our customers



Pledged to **triple** the rate of leakage reduction across the sector **by 2030**

Environment Agency  
**4 Star status** 3 years in 4

**82%** performance commitments on track for the AMP (2017/18)



# COLLEAGUE

4. Be a company that we're inspired to work for

**97%**  
retention rates on all apprentices and graduates

Employee engagement which is an amazing **7%** points ahead of UK and Ireland average benchmark

**78%**  
proud to be part of Severn Trent

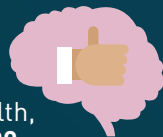
Leading by example: rated **4th in the FTSE 100** by Hampton Alexander for gender diversity

**85%**  
feel trusted by Severn Trent to do their job



3. Do more to support our development and wellbeing

**70% of leaders** trained in mental health, and **over 400** mental health first aiders available



**£10m**  
investment in new technical academy for the Midlands

**Silver award** achieved in MIND (wellbeing) index



Pioneering company to shape the **Dying to Work pledge** that supports employees with critical illnesses

Named as **trail-blazers** for **Menopause Awareness** in Government research and finalist for **People Initiative of the Year 2018**



Above EU average for training investment with over **16,000 training days** plus **25,000 e-learning hours**



First in sector to adopt and achieve new 'Trail-blazer' Apprenticeship qualification



Free Employee Assistance programme offering free independent advice for key life issues, including financial support and personal counselling



Enhanced health care provision for employees including free Virtual GP services

2. Recognise and fairly reward everyone's contribution

**Performance related pay** for all managers linked to the service our teams deliver for customers

Only company in sector to offer **all-employee** bonus scheme

**Flexible benefits programme** available to all employees

1. Provide everyone the opportunity to succeed in a job that the community depends upon

Employability scheme to **support people with learning difficulties** to gain work experience

Sector leading **health and safety** performance

**Top 20 company** in the UK's social mobility index and offering 1,000 jobs in social mobility cold spots



Increasing our BAME representation with **15% of apprentices, 21% of new starters and 34% of graduate roles**

Applying Maslow's hierarchy



4. Be a company that creates more value for society



**FTSE4Good**  
FTSE4Good status since 2001



Positively contributing to 11 of 17 of the UN Sustainable Development Goals

Only utility company to be selected as a **Pathfinder for the Purposeful Company**

Held the Carbon Trust standard since 2009 in recognition of our ongoing carbon reduction



Ambition to self-generate over **50%** of the energy we consume reducing cost and carbon impact



**Zero** carbon emissions  
**100%** renewable energy  
**100%** electric vehicles  
by 2030

3. Do more to push the frontier and let stakeholders share in that success

ODI, Financing and TOTEX performance delivered for customers yielding sector upper quartile cumulative RoRE of **9.3%** over AMP6



Investment in Farming for Water Scheme has reduced metaldehyde by 60% and given over 1,300 grants to enhance Biodiversity and reduce cost of treatment for future generations



**Doubled the funding for innovation** in the 5 year period with a culture that nurtures best innovative ideas worldwide



Greatest opportunity to outperform with ODI RoRE range for AMP7 at **-2.7% to 1.5%**

Cumulative ODI performance in AMP6 of **£142m**



**£6.4bn** approved totex



**£156m** of real options approved



Largest listed RCV growth secured by improved services for future generations

**£** Investing in **Non-Regulated Assets** with attractive IRRs

2. Provide a fair return, commensurate to risk



Dividend policy **reflects the performance it delivers** for its customers

**11%** TSR since beginning of AMP6

Active treasury policy reducing cost of debt from

**5.4% to c.4%**

1. Deliver a solid performance, achieved in a responsible way

**Responsibly financed** with gearing close to notional levels



One of 2 companies to link Executive remuneration to **UQ performance** over the long term

Responsible tax payer, with a **total tax rate in line** with the UK corporation tax rate

Wholesale base costs **below Ofwat's efficient levels for AMP7**

## Your views

We've presented our emerging view of the role our purpose plays in meeting the needs of our stakeholders, but we'd welcome your views and feedback.

You can talk to our team at:

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