

# 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.

# 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

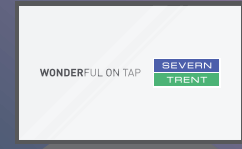


Customer panel with c.15,000 customers providing instant feedback and insight



**£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

### Environment



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



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

### Community

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



### WaterAid

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

### Education & training



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

### Vulnerable customers

We'll help **47%** more struggling customers to pay their bills by 2025



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

**85%** Customer satisfaction



**Upper quartile** for utilities on UKCSI Index

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

### Sector leading

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

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

82% performance commitments on track (2017/18)



Applying Maslow's hierarchy

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

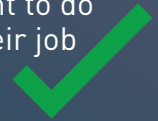
**97%**  
retention rates on all apprentices and graduates

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

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

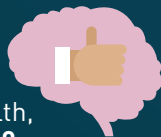
Leading by example: rated **4th in the FTSE 100** by Hampton Alexander for gender diversity

**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**

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



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

Investing in Farming for Water Scheme 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 **-3% to 2.6%**

Cumulative ODI performance in AMP6 of **£147m**



Long term planning with **£220m reinvested** this AMP to improve service and keep bills low for future generations



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

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



**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



**Upper quartile** for utilities on UKCSI Index

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



**4 Star status** 3 years in 4

82% performance commitments on track (2017/18)



# Our purpose in a global context

We've been a committed signatory to the UN Global Compact since 2004, and this year (2017/18) we took the opportunity to align the work of Severn Trent Plc and Severn Trent Water's business plan for 2020-25 with the UN's sustainable development goals (SDGs). It helps to reinforce that, as we work towards our purpose, we're also working towards the SDGs.

<p>How what we do also works towards the UN sustainable development goals...</p>	<p><b>1 NO POVERTY</b></p>  <p>Targeting water poverty with a challenging performance commitment to reduce the percentage of customers who find their bills unaffordable by 47%.</p>	<p><b>4 QUALITY EDUCATION</b></p>  <p>An ambitious schools programme, bringing to life the world of water, with an educational experience co-created with teachers and school children. Committed to developing new talent through our award winning graduate and apprentice schemes.</p>	<p><b>5 GENDER EQUALITY</b></p>  <p>A gender pay gap of just 2.4% and a strong record of women in senior executive and non-executive roles.</p>
<p><b>6 CLEAN WATER AND SANITATION</b></p>  <p>Our most fundamental activity – see 'Serving our customers and communities' our 2020-25 business plan – with £0.5 million raised for WaterAid in the last two years – helping to provide clean water and sanitation for 23,000 people worldwide.</p>	<p><b>7 AFFORDABLE AND CLEAN ENERGY</b></p>  <p>38% of energy generated from renewable sources (regulated and non-regulated companies) on track for 50% by 2020. We are also committed to electrifying our fleet.</p>	<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p>  <p>Committed to tackling social mobility cold-spots in our region. Creating a technical centre of excellence in our region. A zero tolerance approach to modern slavery, working closely with charity Hope For Justice to eradicate the risk of it in our business and supply chain.</p>	<p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b></p>  <p>Double the funding for innovation in this five year period, with an open innovation approach that nurtures the best innovative ideas worldwide.</p>
<p><b>10 REDUCED INEQUALITIES</b></p>  <p>Increasing our BAME representation with 15% of apprentices, 21% of new starters and 34% of graduate roles.</p>	<p><b>11 SUSTAINABLE CITIES AND COMMUNITIES</b></p>  <p>Creating new green spaces and £0.6m of natural capital in urban areas with our new green communities commitment.</p>	<p><b>13 CLIMATE ACTION</b></p>  <p>Reducing our carbon emissions year on year and we have held the Carbon Trust Standard since 2009 in recognition of this achievement and our carbon management process.</p>	<p><b>15 LIFE ON LAND</b></p>  <p>Committing to the equivalent of 1,500 football pitches of biodiversity improvements.</p>

## 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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