

SERVING OUR CUSTOMERS AND COMMUNITIES

Severn Trent
Business Plan 2020-2025

WONDERFUL
WATER TOUR



WONDERFUL ON TAP



SERVING YOU AND YOUR COMMUNITY

Introducing our plan for our customers

Today, we all expect the companies that serve us to be a positive influence in our lives, and to benefit the society we live in. Being 'almost good enough' is, frankly, just not good enough - we'll only give our custom to the brands we trust.

While none of us have a choice about who provides our water - so we can't vote with our feet - customers quite rightly have very high expectations of water companies. At Severn Trent, we know we are uniquely privileged. We see the next five years as a critical opportunity to show how we're running a public service for the public good. And we're going to build on our long term track record and take service standards to new, ambitious levels. We'll do this by:

- further reducing the service failures that irritate and inconvenience you;
- giving you the respect, attention and personalised service you deserve, particularly when things go wrong; and
- playing a much bigger role in your community.

And we're going to do all this while lowering bills and providing financial support to customers who still struggle to pay.

But is this good enough? We understand the scepticism about 'big business' and the role 'private' companies have in providing essential services like water. So we want to be a role model for private companies delivering a public service. We're going to show that we're a responsible organisation that does things for the right reasons – that makes balanced decisions for the long term and always considers you and your interests. A company that's more than a 'silent partner' in your life, we want to be a company that you'd positively choose to provide your water, if you had the choice.

Our goal is to be the most trusted water company by 2020 and every year thereafter. But trust has to be earned - it is given, not taken, and it has to be given by you, our customers.

What you told us

Good listeners make better decisions. So before we started writing a single word of our plan for 2020-25, we started by listening to what you think and want from us. We focused on having good *quality* conversations, rather than quantity, because we want to keep these conversations going in the future. Even so, more of you than ever before took part in our research - over 32,000 of you - and we looked again at 24,000 complaints we'd received, as well as taking on board criticisms made on social media. In brief, this is what we learnt:

You want bills that are no higher than absolutely necessary. Water is essential - and it must be affordable for all. At the same time, you're concerned that even the lowest bill can be too high for some people. So you want us to find new and better ways to help the 11% of our customers who told us that they might struggle to pay, and to understand that your personal circumstances may change from time to time.

You think that a reliable supply of clean water and an effective wastewater service are absolute non-negotiables, and you want us to keep improving in these areas. But it's also clear that we need to focus on other important aspects of service that haven't been high enough on our radar (because we hadn't always seen them from your perspective) - such as low pressure.

You don't want us to cut corners when it comes to looking after and improving water infrastructure – you want to know that your children and grandchildren will also have access to reliable water and wastewater services. And you want us to do everything we can to conserve water.

Like us, you know that we don't always get everything right. But while this frustrates you, what really upsets you is when we don't take responsibility for a problem, fail to fix it first time or don't give you the respect and care you deserve.

You expect us to do more for the towns, cities and villages where we all live and work. You value your local environment and rivers, so you want us to look after them properly. And you support our efforts to improve habitats on our sites, and to create more green spaces for you to enjoy.

You also understand the importance of us being financially sound and not carrying too much debt. A sense of fair play and transparency matters. So while you don't want us to pay excessive dividends, you agree that really good performance should be rewarded, as long as poor performance is penalised. And when we do perform well, you expect us to share the benefits with everybody, not just with shareholders.

So what are we going to do?

This is what you can expect from us over the next five years:

Affordability

Not content with having the lowest average bills in the country since 2010, we're now going to go even further to help your household finances by reducing bills by 5% (excluding the impact of inflation) - that's more than double our 2015-20 plan on a like-for-like basis. So we'll keep delivering the lowest average bills in England.

Over the next five years our investors will be earning a lower return – so there'll be a drop in bills straight away in 2020/21. We're also committing to become more efficient – by around 13%. These efficiencies will help us to keep bills down in the following four years, as we deliver around £6.6bn of investment to maintain and improve services.

And we've also thought carefully about when is the right time to deliver these savings – for customers today or for customers in the future? We asked some of you in research, and 88% supported the balance we've struck.

Supporting those in need

We already help almost 36,000 people per year who are struggling to pay their bills with our social tariff. But we know that even more people need support. We're going to almost triple the number of customers benefiting from our social tariff, which you helped us design. We're also introducing more options, like payment breaks, because some of you told us your money worries were temporary, and you just needed some breathing space to get back on track. We'll be making this much easier for you by proactively contacting you and making the process easier. In total, we'll be helping 47% more customers.

Some of you have circumstances that can make you more vulnerable if there's an issue with our service, or mean that you find it difficult to contact us. You told us you don't want to be treated differently, just as a valued customer like any other, and given a service that meets your needs. So we not only designed our service with our customers, but also with the help of experts like St John's Ambulance and Guide Dogs for the Blind. We'll keep working with them and others to identify those of you who may benefit from a more tailored service – ideally before you even ask.

A better service

The last few years have seen us make some solid improvements in the service we provide. For example, your wastewater services are amongst the best standard and value in our industry. We consistently score in the top two on the Environment Agency's assessments, and since 2015, customers have experienced 6,000 fewer sewer flooding incidents. But we want to set the bar even higher. So we're targeting another 8% reduction in all forms of sewer flooding and a 17% reduction in pollutions in the next five years.

In some areas we haven't performed as well. We know the frustrations some of you felt with our water service during the extreme freeze and rapid thaw weather conditions in late February and early March 2018. Some customers didn't receive the service they rightly expect, so we're reviewing where we invest in our infrastructure, how we make sure any disruption to you is minimised if something does go wrong, and in the case of very cold weather, how we can better help you to protect your pipes.

We're targeting real improvements in other areas too, so that we give you a water service that's one of the best in the industry. We're committing to a 48% improvement in managing drinking water quality risks, 5% fewer complaints about the appearance of drinking water, and we're making a new commitment to resolve 95% of low pressure complaints first time (because previous measures we used weren't quite getting to the root of your issue). And we'll keep reducing interruptions to your supply, so that we're in the top 25% of all the water and wastewater companies.

We're also going to do more of the things that can lift your day a little. Showing that we really do care can make a real difference – you want a service that's human and receptive, especially if we've got something wrong. We'll do our very best to sort your problem out - compensating you if appropriate - and learn lessons from it. We've already extended our non-emergency contact hours to 24/7, just like our operational contact centre, so you can contact us about anything, at any time.

Investing for the long term

We're planning ahead so that the generations to come can rely on us. In our last plan, we were given the go ahead to safeguard the next 100 years of water supply to Birmingham with a major infrastructure scheme - and while we don't have any projects of this magnitude planned over the next five years, we're going to continue investing in our strategic grid to improve the ability of our water supplies to cope with shocks and strains - like the extreme weather we experienced in February and March 2018.

We need to safeguard the future of the water environment and make sure that when we draw water from it, we're not putting it at risk. And we know that we need to prepare for population growth and uncertainty from climate change. To meet these challenges and protect our water for future generations, we're committing to reduce leakage by 15% - our biggest ever reduction in a five year period. We know that many of you want to help too, so we're aiming to triple the rate at which we install water meters and do even more to encourage everyone to use water more efficiently.

And where there's uncertainty about how climate change could impact us, we'll only share the costs of any investment with you once we know that it's needed.

So how are we going to deliver?

How (and why) we deliver is just as important as what we'll deliver. We'll hold fast to our values of putting you first, acting with integrity, protecting our environment, and creating an awesome company for our people... by supporting our culture and our commitment to diversity and inclusion for all... and by using our skills to build relationships which provide practical benefits to our communities.

For example, we've created a culture that encourages all of our people to think of each day as an opportunity to do something better. Many of our best ideas come from our people - helping to improve our service and keep our costs down. Our most ambitious goals will depend on brilliant ideas. So in the case of leakage, we're already using satellites and trialling robots to detect leaks in pipes.

Being innovative also means looking at how we can work with others to improve our services. So we've started to trial trading sludge, explore trading water and going out to the market to seek creative proposals to increase the availability of raw water in the East Midlands. And we're playing our part in the nationwide picture by working with others to look at how an interconnecting pipe could move water from the North West to customers in the South East.

Playing a bigger part in society

We want to show the difference that we can make to the communities we all call 'home'.

Almost a third of the UK's social mobility 'coldspots' are in our region. While we already focus our apprenticeships and graduate schemes in these areas, we're going to change our recruitment practices so that everybody in our region is aware of the fantastic career opportunities we offer. We're also going to put £10m of our own money into a technical academy that will not only bolster our own engineering skills - it will help to underpin the skills of the Midlands as a whole, and also be a place where other water experts, such as local authorities and smaller water companies, can come together to share expertise.

We'll do our bit to help make where you live greener. Over the next five years, we'll improve up to 2,100km of rivers, taking the total since 2015 to 3,600km - more than half of the rivers in your region. Working with other organisations like the Wildlife Trusts, we're going to encourage local communities to help us improve biodiversity in areas covering the equivalent of 1,500 football pitches. Where we're working to fix sewer flooding, we're going to take the opportunity where we can to create new green spaces to enjoy - adding up to £600,000 of new natural capital. And volunteering by our own people will keep playing an important role too. Over the last year, 40% of us have volunteered our time to clean up around 40km of riverbank.

Some of the problems our communities face can't be solved by us alone, like complicated flooding issues that need different organisations to work together to fix. We've got experience of working in partnership and we're going to keep working with local

authorities, the Environment Agency and local communities to tackle these tough issues.

We're making sure we provide as much support to your children and grandchildren as we do to you. We want to inspire a generation to change their water use, so we're taking an innovative roadshow into primary school playgrounds across our region. We'll also promote the benefits of hydration and spark their interest in a career with us in the future. At the same time, we're helping almost 500 schools in our region to find and tackle issues with lead in their pipework.

And throughout all this, we'll make sure we keep you really informed, because when you do hear a little bit more about what we do, you're usually positive about it and want to know more. So, we'll tell you about how your money is spent, how you're making a contribution to your community, how your service compares to others and how you can get more out of it. One of the first examples of this commitment in action is that this summer, for the first time in over a decade, we've used TV adverts to promote how we can all use water wisely.

Being a responsible company

Who owns water companies and how they're financed has been a hot topic lately. While many of you don't worry about it, others are uncomfortable with the idea of a private company providing a public service. But what you all have in common is the desire for things to be fair and transparent.

As one of the country's 100 largest companies listed on the London Stock Exchange, we have a responsibility to identify and implement best practice, and to be a role model for others. For example, we're helping set the standard for our sector regarding transparency and fairness on a range of topical issues such as executive pay and financing, as well as on the taxes and dividends we pay. And we know the importance of explaining how we've reached the decisions that we've made, and how we've considered your interests.

Explaining how our finances work and how we've calculated dividends in everyday language can be difficult. So to keep things simple, we've established a set of principles, and every year we'll keep you informed about how we've followed them.

Sharing the benefits with everybody

When we deliver better performance to you than we promised, we're rewarded financially. We're going to carry on sharing those benefits between our customers and our business - just as we have done in the last five years for example we chose to reinvest £220m of our cost savings into areas such as water quality, security, improving the health of our assets, innovating for the future and supporting vulnerable customers.

We're also going to continue linking the bonuses of everyone in our business directly to the performance we achieve for you. This isn't a one-sided deal - if we don't deliver what we've promised, we give money back to you.

From 2020/21 onwards, we're going to do even more to serve our communities by creating a new community dividend. Comprising employee volunteering time, donations to the Severn Trent Trust Fund and 1% of our profits (which could amount to £2.5m a year), this package will help our most vulnerable customers, enhance the environment and make a real difference to communities. We'll be establishing an advisory board – that will include representatives from customers - to guide where best to spend the money and also obtain match funding from other bodies.

Our plan - responsible, challenging but can be done

We believe we've created a responsible, challenging but achievable plan that will set the benchmark for how a privately owned company can deliver public good, not just in the water sector but across UK industry in general. But the last word should be yours. You gave our plan an 85% acceptability rating – we now need to deliver it.