

## Board statement

# A view from our Board

The purpose of this statement is to outline how, as the Board of Thames Water Utilities Limited (“Thames Water”), we’re committed to building a better future for our customers, our region and our planet.



### Building a better future

It has been a pivotal year for the Board of this essential business. With more than a third of us new to our roles, including four new Independent Non-Executive Directors, we bring a new dynamic and skills vital for governing a changing Thames Water – one that is fit for today, and tomorrow.

Our year has been defined by the submission of our business plan for 2020 to 2025, an important stepping stone in the delivery of our purpose, to **build a better future for our customers, our region and our planet**. Working with the Executive team, we’ve helped guide the business planning process to create a plan which will deliver improved services and resilience at an affordable price. As well as being based on insight from over one million customers, it comes with resounding customer support. We look forward to working with our economic regulator, Ofwat to agree our plan in the coming months.

In May 2019, we announced Steve Robertson would step down as our Chief Executive Officer (“CEO”) – Steve made a valuable contribution to the business, successfully leading the company through significant change. While we recruit for a replacement CEO, Ian Marchant will act as Interim Executive Chairman.



### United commitment to deliver more for customers

Our external shareholders, represented on the Board by four Non-Executive Directors, are committed to our long-term vision, and an improving service to our customers which is resilient to the challenges of our changing world. They support the Board’s decision to forgo dividends to external shareholders until the start of the next regulatory period to increase investment in critical areas.

During the year, we confirmed our dividend policy, with further details on page 144. To ensure transparency, when shareholder dividends are paid in the future, we will be clear about their level, how they relate to the delivery for customers, and why they have been awarded. We will also set out how any dividend compares to the returns our external shareholders would have received if our debt levels were lower.

Our executive remuneration policy, which we redefined in 2017/18, aligns reward with the delivery of our critical customer and environmental commitments, and is mirrored in remuneration across the business. (See remuneration policy on page 130.)

### We’ve redefined our strategic priorities:



**Brilliant customer engagement**



**Data to insight to action**



**Resilient systems and assets**



**Environmental protection and enhancement**



**A collaborative and capable team**

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### Performance and longer-term aspirations

Of our 55 performance commitments set with Ofwat, of those with targets for this regulatory year, we achieved green status for 54%, 12% were amber and 34% were red (2017/18 61% green, 19.5% amber, 19.5% red). You can find more information about our performance on pages 62–73 and about the initiatives we have in place to improve performance in areas where we’re not performing, in our strategic report. A summary can also be found in table 3A on page 277.

As part of the 53 performance commitments we plan to deliver for 2020 to 2025, we’ve committed to reducing leakage by 15% compared to our 2019/20 target of 606Ml/d, and by a larger percentage if we don’t meet that target, to ensure we still meet our business plan target of 509Ml/d for 2024/2025. We also aim to reduce pollutions by 30%, written complaints by 50% and to help 200,000 customers with our social tariffs. The next year is crucial as we set the foundations to deliver our ambitious 2020 to 2025 targets and we’re taking some important steps in our commitment to drive cost efficiency.

### Fostering the right culture

Once fully embedded, the restructure of Thames Water as “One Thames” will break down the remaining silos between our water, waste and retail businesses to increase collaboration and drive improvements for customers. It’s been a period of unprecedented change, and, added to the other changes we’ve made during the past two years, including restructures of our supply partnerships and the embedding of a new strategic direction, it’s crucial we foster the right culture within the business. Being open and transparent is becoming synonymous with the new approach to the management of Thames Water, and is the only way to deliver the required service improvements – as a Board we’re working with the leadership team to ensure this reaches all areas of the business. We’ve been revising our values to capture the essence of our new direction and themes such as being proactive and communicating clearly.

Our day-to-day customer engagement has continued to strengthen during the year, with an additional 500,000 proactive texts sent to customer contacts during the heatwave alone. As we continue to build on our robust approach to engagement, we’re bringing together the benefit of customer and data insight to make better business decisions and work collaboratively with our customers to deliver benefits in areas such as demand management.

Being open with our customers, and engaging with them at all levels, is an important part of our commitment to openness and transparency. As such, we, as a Board, have been immersing ourselves in direct customer engagement – meeting customers who have experienced problems with our services, so we can better understand their needs and ensure those needs are reflected in our governance. We also meet regularly with our Customer Challenge Group (CCG) and host events with stakeholders including our Annual Stakeholder Review, attended by more than 100 stakeholders such as NGOs, banks and our regulators. In addition, our Interim Executive Chairman, Ian Marchant, introduced a disability conference to raise awareness of issues faced by people with a disability, and to empower them in the workplace (see page 146).

### A sustainable business

Providing high quality water and safe sanitation to our customers, every day, is our fundamental purpose; however, our social contract goes much further than that. We are committed to being socially responsible in the communities we operate in, and to the employees we rely on to deliver our services. As well as maintaining our

focus on being a good corporate citizen, we look forward to continuing to work with Ofwat on the vision for the water sector.

Sustainability is crucial to the delivery of our essential services over the long term and we’re committed to protecting the environment we both rely on and enjoy. The extreme weather events in 2018 reminded us all of the impact of climate change on our ability to deliver our services, and the threat will only intensify. In April 2019, we made a pledge to achieve net zero carbon emissions by 2030, underlining our commitment to mitigate climate change. We spent time during the year working as a Board to test our risk profile, and ensure we have the right mitigating activities in place to manage our risks and ensure the sustainability of our services over the long term in the face of external challenges.

Thames Water has been continuing to evolve, and 2019/20 will be another crucial year as we set our future direction and confirm our plans for 2020 to 2025 with Ofwat. As the guardians of this essential services company, serving over 15 million customers and the heart of the UK economy, we’re committed to “best in class” governance and ensuring Thames Water is recognised by our customers and stakeholders as living true to our purpose.

External shareholders is the term used to describe the ultimate owners of the company. Most of our external shareholders are pension funds. They own the shares in our ultimate parent company, Kemble Water Holdings Limited.