

Q&A with Ian Cain



Ian reflects on the last 12 months and looks ahead to 2022/23.

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Ian Cain
Chief Executive Officer

Q Looking back over the past year, what have been the company's biggest challenges and achievements?

I am very proud of what we, as a company, have delivered in the last 12 months, in the face of the unprecedented challenge of the COVID-19 pandemic. This year we have met 15 out of 25 of our performance commitments.

Throughout, we have focused on three core areas, namely:

- 1. Protecting and supporting our employees**
- 2. Meeting the needs and wishes of our customers**
- 3. Taking care of the communities we serve, including the environment.**

In this context, we have achieved a huge amount, most notably responding to and successfully meeting high demand for water from our customers, with a focus on making sure our operations remained resilient. We also outperformed our targets on reducing leaks on our network of pipes, which once again is industry leading. We have also minimised the number of supply interruptions and occasions when customers' water supplies have been interrupted. Plus, we launched a new digital billing system, being the first company in the UK to use it, and have provided extensive training to our staff.

In addition, under our 'Here for you' programme, we have continued, and

will continue, to provide our customers with a wide range of support around paying their bills – with many households dealing with financial problems stemming from the impact of the pandemic and the rising cost of living. As we move forward, we will work to further raise people's awareness of the support we offer, so that they can access it – for example, should their circumstances change.

As noted in the Key Performance Indicator (KPI) review section later on, I'm pleased to see substantial success across a number of our performance commitments in years one and two of our current Business Plan.

We fully recognise we need to make improvements to our customer service, both for households and developers, as measured under the UK water industry performance tables for 2021/22, and we are working hard to do so. This includes improved complaints handling, listening to and acting on customer feedback and reducing bill shock.

We have also learnt from the water quality issue we had in October 2021, where, as a precautionary measure, we asked customers in the Oxted area to boil their water due to potential contamination from E-coli bacteria. While the levels of contamination were very low, we submitted a full report on the incident to the Drinking Water Inspectorate (DWI) and have thoroughly reviewed our procedures and put additional measures in place to minimise the risk of a similar incident in the future.

In November Ofwat published its assessment of water companies' financial resilience and performance against Ofwat's commitments to customers for the financial year up to 31 March 2021. We were named as one of three water companies Ofwat highlighted as having "lower levels of financial resilience" compared to other companies. While we respect Ofwat's opinions, there are times when we strongly disagree and this was one of those occasions, as we have continued to maintain strong financial resilience over the last few years.



Ian Cain helping to build a water efficient sensory garden for local charity The Orpheus Centre in Godstone

The Board and I are absolutely confident the Company's financial standing remains strong and we have taken positive steps to further improve the strength of our finances, particularly in light of the COVID-19 pandemic. Furthermore, one of the key measures used to assess individual water companies' financial standing is their credit rating – an assessment of credit worthiness. Our credit rating has improved since March 2021. The rating agency Moody's upgraded us from a "Baa2 negative" rating to "Baa2 stable" in October 2021, which is a good rating. Ofwat did not appear to have reflected this in their conclusion.

The financial year ended 31 March 2022 continued to be another challenging year, with the impact of COVID-19 still being seen through lower demand and revenue from our non-household customers, the impact of high inflation increasing our financing costs on our index linked bond, as well as supply chain pressures increasing our operating costs. In addition a number of one offs including a change in tax rate significantly increased our deferred tax charge and one off financing costs.

Becoming a more agile organisation has played a major part in maintaining services to our customers over the last year. The initial large-scale shift to homeworking changed to a hybrid approach – with staff that have flexibility in their role to work from home, or in the office, or out on site. During this period,

it was vital to increase our focus on health and safety, particularly around maintaining mental wellbeing. This is something that has been recently recognised by us receiving a Gold Award from RoSPA, the Royal Society for the Prevention of Accidents.

The learning we have gained from the experience of shifting to remote working from home, and on to hybrid working, is helping to inform how we are planning to use digital technology to make a 'step change' in the way we work as a Company.

We have a firm foundation for moving forward on our digital transformation, as 2021/22 saw us become the first water company in the UK to have a completely smart network of pipes and mains. This means we now know about leaks and bursts before they affect our customers and we have a wealth of information about the performance of the network to make more informed investment decisions.

Furthermore, during one of the most challenging years for us as a business, we launched a new digital billing system on the Salesforce platform, opening up a wide range of future opportunities for us. This represents the largest change we have made to this area of our business in more than 20 years and the largest technology investment in our history. Alongside our smart supply network, the new billing system is a key part of our work to become a fully smart water utility, enabling us to provide

Q&A with Ian Cain continued

customers with further improved levels of service. We have been working hard to build our data skills and capabilities across our organisation. We see data as the fuel that will drive our digital transformation.

We also launched our Universal Metering Programme, which, by 2025, will provide water meters to the majority of our customers that don't already have them. This is a key element in our work to secure resilient water supplies for the decades ahead, as households on a meter typically use around 15 per cent less. It's also a fairer way to pay for water, as you pay for the amount you use, just like with gas and electricity. As part of the metering programme, we are looking to roll out smart water meters in future, something that would further enhance our wider smart supply network's capabilities.

In terms of our ongoing commitment to protect and improve the environment, we launched our routemap for how we will become carbon net zero by 2030, in line with the overall goal set by the UK water industry. Our efforts are focused on becoming more energy efficient, reducing demand for water, generating more energy from renewable sources and decarbonising our fleet of vehicles.

We also contributed to the development of the new regional plan for South East England to secure resilient water supplies for the future – as part of Water Resources South East (WRSE), the alliance of the six water companies that serve the region. The plan's aims include reducing damaging abstractions from the environment, such as chalk streams, through further investment to tackle leakage and help customers use water more efficiently.

I'm also delighted to say we retained The Wildlife Trusts' Biodiversity Benchmark for our Elmer Treatment Works in Leatherhead for the second year running – the only water company to hold the award. We also achieved the award for our site at Fetcham Springs and are working towards gaining the same accreditation for Bough Beech Treatment Works in Kent within the next three years.

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Chief Executive Officer

Finally, we supported the Run Reigate event for the first time, providing 5,000 runners with high-quality water from our standpipes, which prevented 25,000 plastic bottles being provided to competitors and spectators at the event.

Q There is a lot of work going on in the background to refresh your company purpose and strategy. What benefits will this have moving forward?

Day in, day out, our priority remains providing top quality water to our customers, at a price that everyone can afford, and in a way that protects and benefits the environment and wider society.

However, following a period of unprecedented challenge due to the COVID-19 pandemic and two years into delivering our Business Plan for 2020-25, it's important for us to take the opportunity to look forward and update our Company purpose accordingly. This will bring more clarity and detail to what it means and what we need to do to deliver even more for our customers, communities and nature.

In short, the world has changed and so the time feels right to re-examine who we are as a Company and why we are here. In turn, refreshing our purpose will inform our strategy for the coming two and half decades – how we will make our vision a reality and achieve our

objectives. The first five years of the strategy will be set out in our new business plan for 2025-30.

So, we've been discussing our Company purpose, in the context of a wide range of challenges, including:

- Meeting the needs and wishes of a growing and aging population
- Affordability and the cost of living
- Dealing with our contribution to, and the impact of, climate change
- Harnessing the power of new technology, in particular to provide our customers with service that's more personal and tailored to their needs.

In addition, the COVID-19 pandemic has provided a whole new dimension to our focus on being resilient as a business – making sure we continue to supply households and businesses with the water they need, when they need it, no matter what.

In the coming months, we will share our updated Company purpose, which has continued to be developed since last year, with our customers and stakeholders and reflect how they have already helped us shape it. However, our discussions to date have focused on a number of key themes, including:

- **Changing our relationship with our customers, so we have a much stronger connection with them and their trust and pride in us is further**

increased. This will create a platform for a different conversation with customers and communities, focused on the 'value of water' in their everyday lives – for example, for health and hygiene, enabling economic growth and supporting nature and wildlife

- **Becoming the first truly smart water utility, with our operations, our people, our customers and our communities all fully digitally connected.** This will make us more agile and efficient and enable us to provide customers with an excellent level of service that's tailored to meet their individual needs and preference

- **Putting customers and the environment at the heart of all our investment decisions and actions.**

Whether we're considering how we build and maintain our treatment works and network of pipes, or who supplies us with goods and services, how we enhance the environment and sustainability will be a central factor in what we decide to do.

The work on refreshing our purpose and strategy continues and we look forward to sharing more on this in the coming year.

What are your key priorities for 2022/23?

Our focus remains on delivering the best possible service to our customers and communities, while safeguarding and improving the environment we rely upon. Alongside this, we will further develop our long term strategy and Company purpose, feeding into the development of our new business plan for 2025-30 through the new price review process.

We know we have more to do to improve our customer satisfaction and with the launch of our new billing system we are confident we will be able to achieve this.

With the growing pressures on household finances, we will continue to offer a variety of support to customers who are struggling to afford their water bills – under our 'Here for you' programme.

This will include working to further promote the help that's available, so that customers are aware and can get in touch straight away, or in the future – as we know that people's circumstances can change. In particular, we want to work to better target the support we can provide, so it's directed to where it's needed most – something that can be challenging due to the complex range of factors that can determine if someone is able to afford their household bills.

Affordability and water efficiency are closely linked, as saving water also saves energy and money on utility bills. Using water wisely is also key to making sure there's enough water for all in the future and to supporting nature and wildlife by helping reduce what we need to take from local rivers, for instance.

So, we want to build on our work to support customers to save water and improve the way we engage with people on this issue. Central to this effort is our Universal Metering Programme, which launched last year, with the number of meters being installed each week set to steadily increase as the project progresses. The programme provides a real opportunity for us to have a 'conversation' with our customers about how they use water in their daily lives and to support them to reduce what they use by making small changes – for example, by providing free water-saving products and tailored advice on being more water efficient from our team of experts. We are also further signposting the support we can provide on bills. Of course, when we are asking customers to save water, we need to do our bit too. So, we will be building on the launch of our smart water supply network to help us further bring down the amount of water lost through leaks – in line with our pledge to reduce leakage by 15 per cent by 2025, and halve it by 2045.

Currently, we are installing water meters under our metering programme, ahead of moving to smart water meters in the future. Smart meters would add significantly to our already smart water network, providing further benefits in terms of being able to reduce leakage on customers' properties and provide

customers with a much clearer picture of their water use. However, it's also important to carefully consider all factors. The ongoing effects of the pandemic have significantly increased cost and delivery times for many components used in smart metering, and we are working hard to secure the commencement of smart roll-out as soon as we can.

More broadly, innovation will continue to be a major theme for the business during 2022/23, with our ongoing push towards becoming net zero carbon by 2030 – such as via the roll out of more fully electric vehicles in our operational fleet. And, following the launch of our new digital billing system, we will be working to extend this to give our customers the ability to manage their account and bills online.

We will continue playing our part in further developing the regional water resources plan for the South East, based on new thinking and ways of working, such as adopting an adaptive planning approach to take account of the wide range of future scenarios we could face, depending on what happens with population growth, climate change and technology. The outputs of the new regional plan will feed into our own Water Resources Management Plan, which we will be publish for consultation in the coming year.

Finally I'm looking forward to forming stronger partnerships with groups, charities and organisations within our community to ensure we are providing as much support as we can, outside of our primary role as a water supplier. There is so much potential for us to make a real difference to people's lives and be the Company that all our customers can trust and rely upon.

Ian Cain
Chief Executive Officer

8 July 2022