

# Annual Report and Financial Statements

For the year ended 31 March 2023



from  
**Southern  
Water** 





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## Welcome to our Annual Report and Financial Statements 2022–23

# Our purpose is to provide water for life to enhance health and wellbeing, protect and improve the environment and sustain the economy

Look out for our key icons in this report:

### Our long-term priorities

-  Understanding and supporting our customers and communities
-  Ensuring a supply of high-quality water for the future
-  Protecting and improving the environment
-  Enabling and empowering our people


Read more about our long-term priorities on pages 42 to 74.

### Keep in touch with us

[southernwater.co.uk](https://www.southernwater.co.uk)

 @SouthernWater

 southernwatermedia

 Southern Water

#### Registered Office

Southern Water  
Southern House,  
Yeoman Road,  
Worthing,  
West Sussex  
BN13 3NX





Registered no: 02366670

### Our strategy

These priorities guide our short and long-term plans and provide a framework for us to deliver essential water services to 2.7 million customers and wastewater services to more than 4.7 million customers across Kent, Sussex, Hampshire and the Isle of Wight.

### Key stakeholders

There are five key stakeholder groups for which we create long-term value. It is essential we understand what matters most to them:

-  Customers and communities
-  The environment
-  Our people and partners
-  Regulators
-  Investors

Read more about engagement with our stakeholders on pages 33 to 39.

# Always improving, for the benefit of our customers, the environment and our communities



We are **committed** to making **sure** our customers have access to **high-quality**, affordable and efficient water and wastewater **services**, while we **protect** and **enhance** our **communities** and the **environment**.

## Our reports this year

Becoming a more responsible and sustainable business is our priority. That is why this year we have used our long-term priorities to frame how we are improving our performance over time. By integrating our commentary in this way, we can better demonstrate how our customers and the environment sit at the heart of everything we do.

You can also read our Annual Performance Report for more detail about our current delivery strategy and targets: [southernwater.co.uk/our-performance/reports/annual-reporting](https://southernwater.co.uk/our-performance/reports/annual-reporting).

# Our priorities can only be achieved with the **support of our people and communities.**

Throughout this report you can find out more about our company and the work we are doing. Follow the signposting below to learn more about our strategy in action.

Improving our services through a constant conversation with our customers  
Nick Eves – Head of Insight

➔ Read more on page 34.

Helping future generations understand the importance of saving water now  
Joanne Wood – Education Officer

➔ Read more on page 51.

## Understanding and supporting **our customers and communities**

We have ambitious goals and can only reach them by working together with our partners in the community.

## Ensuring a supply of high-quality water for **the future**

We plan and innovate to meet our promises, prioritising current and future needs of consumers.

Summer 2022 and our first drought for a decade  
Paul Riordan – Drought Manager

➔ Read more on page 57.

We work 24 hours a day, seven days a week to find and fix leaks on our network  
Matt Foley – Operations Manager

➔ Read more on page 58.

## Together we can improve our harbours

Kate Rice – Natural Capital Strategy Manager

→ Read more on page 67.

## Taking a local approach to reducing storm overflows

Nicole McNab – Engagement and Communications Lead, Clean Rivers and Seas Task Force

→ Read more on page 68.

# Protecting and improving the environment

Working in partnership we will deliver long-term environmental improvements.

# Enabling and empowering our people

We are building the skills and capabilities that our employees need to help create a resilient water future.

## Using immersive experiences to provide groundbreaking health and safety training

James Hills – Health, Safety, Security and Wellbeing Assurance Adviser

→ Read more on page 73.

## A women's network for everyone

Cath Jeffrey – Head of HR






→ Read more on page 74.

Read more about how our long-term priorities inform our current delivery strategy on pages 42 to 74.

# Operational highlights

## We are **making progress**

Our performance is measured through the value we generate for our stakeholders.

<div data-bbox="108 472 419 555">  <h3>Customers and communities</h3> </div> <p data-bbox="108 577 507 701">We work hard every day to make sure that we are improving our services for customers and having a positive impact on our communities.</p> <p data-bbox="108 723 379 752"><b>Progress we are making</b></p> <p data-bbox="108 775 507 925">We did not meet our target to improve our customer satisfaction ranking for 2022–23 and have put in place a Turnaround Plan to address this, see pages 17, 50, 56, 64 and 72.</p> <p data-bbox="108 947 507 1193">We improved the effectiveness of our financial assistance 71% (2021–22: 67%) and maintained satisfaction with vulnerability support 73% (2021–22: 73%). We also increased the discount on bills from 20% to 45% for our vulnerable customers – an annual saving of £200 on dual service bills.</p> <p data-bbox="108 1216 507 1462">While we did not meet our community engagement target of 75%, we met our target for satisfaction at schools visited, achieving 98% (2021–22: 85%). We have also increased the number of customers receiving priority services to 8.3% of our customer base (2021–22: 2.9%).</p> <p data-bbox="108 1485 507 1574">We contributed £94,500 to regional charities, with our colleagues completing 2,534 volunteering hours.</p> <p data-bbox="108 1597 347 1626"><b>Future plans to 2025</b></p> <ul data-bbox="108 1648 507 1888" style="list-style-type: none"> <li>• Creating a new website.</li> <li>• First-time fix improvements.</li> <li>• A video assistant service.</li> <li>• Improved complaint handling.</li> <li>• A new education programme and water-saving campaign.</li> <li>• Improved roadside signage.</li> </ul> <p data-bbox="108 1910 403 1939"><b>Link to long-term priorities</b></p>  <p data-bbox="108 2000 435 2029"><b>Link to executive remuneration</b></p> <p data-bbox="108 2029 491 2058">Satisfaction – Direct. Other – Indirect.</p>	<div data-bbox="582 472 917 555">  <h3>The environment</h3> </div> <p data-bbox="582 577 981 701">While some metrics have improved, we know that we still have work to do to meet the expectations of our regulators and our customers.</p> <p data-bbox="582 723 845 752"><b>Progress we are making</b></p> <p data-bbox="582 775 981 1178">Internal and external flooding incidents reduced to 456 (2021–22: 614) and 3,748 (2021–22: 3,944) respectively. We met all our targets in the EA’s Annual “Delivery of the Water Industry National Environment Programme (WINEP)” metric. Wastewater treatment works compliance improved to 98.22% (2021–22: 97.94%). The number of bathing waters at ‘excellent’ reduced to 57 (2021–22: 60). Increased beach activity during the summer heatwave may account for this decline.</p> <p data-bbox="582 1200 981 1417">We are reporting a provisional figure of 358 (2021–22: 372) Category 1 to 3 pollutions in the EA’s Environmental Performance Assessment (EPA). This figure is currently under review with the EA. We fully expect to achieve a two-star rating for 2022–23.</p> <p data-bbox="582 1440 813 1469"><b>Future plans to 2025</b></p> <ul data-bbox="582 1491 981 1834" style="list-style-type: none"> <li>• Upgrades to the seven largest treatment works releasing into three harbours, improving water quality.</li> <li>• Further investment to reduce the use of storm overflows.</li> <li>• Improvements to wastewater treatment compliance.</li> <li>• Review of our Pollution Incident Reduction Plan.</li> <li>• Further digitalisation of networks.</li> </ul> <p data-bbox="582 1856 869 1886"><b>Link to long-term priorities</b></p>  <p data-bbox="582 1946 917 1975"><b>Link to executive remuneration</b></p> <p data-bbox="582 1975 933 2042">Bathing and river waters – Direct. Other measures – Indirect.</p>	<div data-bbox="1048 472 1316 555">  <h3>Our people and partners</h3> </div> <p data-bbox="1048 577 1447 701">We are continually building the skills that our people and contract partners need to enable them to create a sustainable future for our region.</p> <p data-bbox="1048 723 1311 752"><b>Progress we are making</b></p> <p data-bbox="1048 775 1447 864">For the third year, we were in the Top 50 Inclusive Companies ranking 44th (2021: 46th and 2020: 49th).</p> <p data-bbox="1048 887 1447 1133">We invested £1.5 million in training and development, introducing a new Inspire Leadership Programme, improving our frontline training and apprenticeships. A total of 21% of colleagues are being supported to undertake formal/informal learning as of March 2023 (+3% from 2022).</p> <p data-bbox="1048 1155 1447 1211">We also set up a menopause support group for colleagues.</p> <p data-bbox="1048 1234 1447 1357">We have developed a Supplier Relationship Management (SRM) Framework and carried out a review of our current contracts.</p> <p data-bbox="1048 1379 1279 1408"><b>Future plans to 2025</b></p> <ul data-bbox="1048 1431 1447 1812" style="list-style-type: none"> <li>• Development of our maternity re-onboarding programme.</li> <li>• Expansion of our Inspire development programme.</li> <li>• Virtual reality training for teams in more technical roles.</li> <li>• New colleague resource groups.</li> <li>• A behavioural safety programme, risk safety app and company-wide training.</li> <li>• 20% reduction in lost-time injuries.</li> </ul> <p data-bbox="1048 1834 1335 1863"><b>Link to long-term priorities</b></p>  <p data-bbox="1048 1924 1386 1953"><b>Link to executive remuneration</b></p> <p data-bbox="1048 1953 1447 2020">Ensuring our people and suppliers are trained, healthy and happy – Indirect.</p>
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# Operational highlights continued

## Regulators

To provide high-quality water and effective wastewater services for the South East, we must consider our economic, quality and environmental regulation and create medium and long-term plans that meet requirements.

### Progress we are making

During 2022–23 we made a capital investment of £213.5 million in water and £443.6 million in wastewater on base maintenance and enhancement of our sites and networks, improving our performance in key areas including flooding prevention and delivery of our environmental programme. However, we know that we need to do more to meet expectations.

### Future plans to 2025

Our long-term plans are ambitious, and they need to meet the challenges posed by climate change and rapid population growth. We must work closely with our regulators to make sure we take a pragmatic approach to planning and delivery, as we look to balance the cost of adapting our infrastructure with keeping bills affordable.

### Link to long-term priorities



**Link to executive remuneration** More than 50% of bonus targets are linked to outcomes agreed with our regulators.

## Investors

We aim to deliver a sustainable long-term return to investors. We do this through financial risk management, responsible practices and decision making. Regulatory price controls align shareholder value with customer and environmental priorities. As we have not met certain performance targets, we have not paid any dividends to shareholders since 2017.

### Progress we are making

We have now published our second Sustainable Bond Impact Report, which outlines our investments and activities to reduce pollutions, improve compliance and reduce leakage. We have issued a total of £1.125 billion of sustainable bonds since 2020.

Our investors demand that we operate in a way that creates public value. We monitor a range of external reporting frameworks. This year we have submitted information to Global Real Estate Sustainability Benchmark (GRESB) for the seventh year, and participated for the first time in the Responsible Business Tracker of Business in the Community (BITC).

### Future plans to 2025

Our website contains updates on pollution incidents, flow and spill reporting, wastewater treatment compliance, bathing water compliance, emissions and river levels. We will continue to keep investors informed.

### Link to long-term priorities



### Link to executive remuneration

Delivering on our operational delivery incentives and performance commitments ultimately increases market value for investors – Indirect.

## Our long-term priorities key

-  Understanding and supporting our customers and communities
-  Ensuring a supply of high-quality water for the future
-  Protecting and improving the environment
-  Enabling and empowering our people

### Link to executive remuneration:

**Direct** – there is a specific performance measure included within the bonus scheme that is link to the performance commitment.

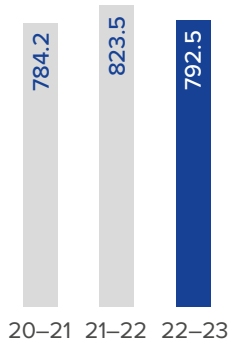
**Indirect** – there is a link to the performance measures in the bonus scheme but that it is a component of one of the metrics used for assessing performance rather than a specific/ individual metric.

# Financial highlights

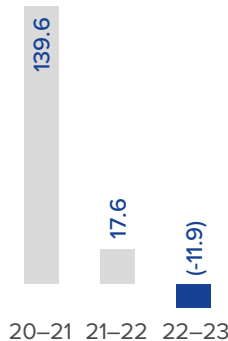
We recorded a loss before interest and tax of £11.9 million, due to lower revenues and increased costs largely from inflation, some significant operational incidents in the year, and ongoing activities to improve performance.

➔ Read more on pages 102 to 113

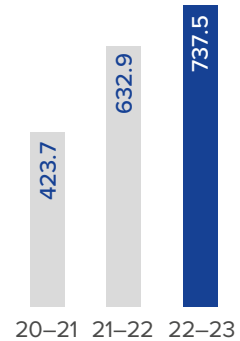
**Revenue<sup>1</sup> (£m)**  
(before amortisation of regulatory settlement provision)



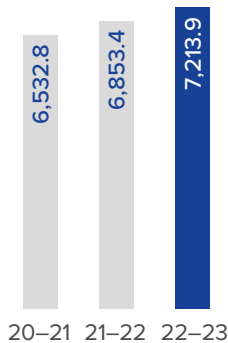
**Profit/(loss) before interest and tax<sup>1</sup> (£m)**



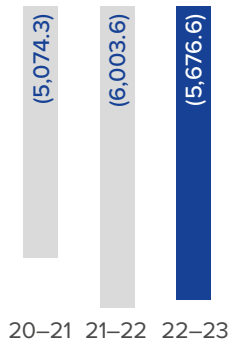
**Capital investment<sup>2</sup> (£m)**



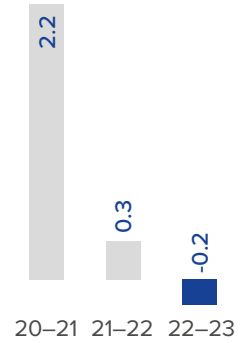
**Non-current assets (£m)**  
(excluding debt)



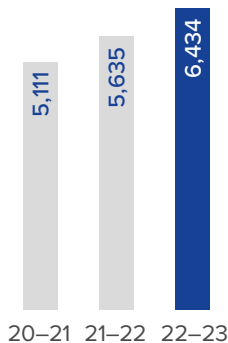
**Net Debt (£m)**



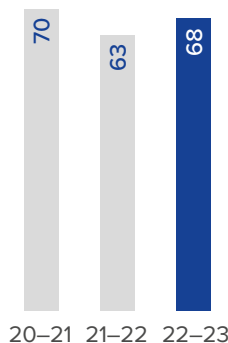
**Return on capital employed (ROCE)<sup>3</sup> (%)**



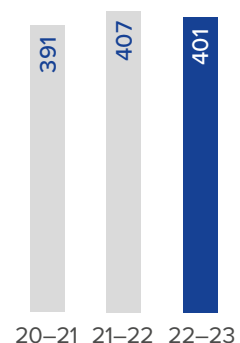
**Regulatory Capital Value (RCV)<sup>4</sup> (£m)**



**Net debt/RCV<sup>5</sup> (%)**



**Average water and wastewater customer bill (£)**



1. Following its investigation into our wastewater treatment works compliance reporting Ofwat imposed a penalty under Section 22A of the Water Industry Act. We provided in full for this proposed regulatory settlement in the financial statements for 2018-19 reducing profit in that year. We are now making rebates to customers, through revenue, over the period from 2020-25 and these are offset in the income statement by the amortisation of the provision made in 2018-19.

2. Capital investment for 2020-21 has been restated to remove the intangible asset recognised for the future payments to Portsmouth Water in relation to the right to water from the construction of the Havant Thicket reservoir as described in note 1 of our Annual Report for 2021-22.

3. ROCE is presented as the ratio of loss before interest and tax (£11.9 million) to non-current assets excluding debt (£7,213.9 million) less current liabilities excluding borrowings and lease liabilities (£507.2 million) from the Statement of Financial Position.

4. Regulatory Capital Value (RCV) a measure of the value of our regulatory capital asset base as published by Ofwat.

5. The net debt to RCV ratio is calculated as the ratio of short and long-term senior borrowings, less cash and short-term deposits to the RCV (all values taken from our Regulatory Accounts).



## Regional highlights

# Understanding the key matters impacting **our region**

### Reducing storm overflows in Kent

The use of storm overflows is no longer acceptable. Our Clean Rivers and Seas Task Force, set up in 2021, is working with partners to install sustainable drainage solutions and reduce sewer flooding in six areas, including Deal, Margate and Swalecliffe in Kent. Pilots are also running in Hampshire, Sussex and the Isle of Wight. Read more on page 68.

#### Our response

**Deal** – pumping station upgrade; working with the local Water Action Task Force to upgrade sewers and roadside gullies; and ‘slow the flow’ trial with residents to provide smart water butts and raingarden planters.

**Margate** – sustainable drainage for local parks and working with local schools to reduce rainwater run-off and flooding.

**Swalecliffe** – installed water butts and planters; improved the efficiency of the local wastewater treatment plant; and extended the storm overflow, reducing the risk of pollution.

#### Our investment

In total we have invested around £5 million in these ‘Pathfinder’ pilots to date, and have plans to accelerate this work, investing around £35 million to 2025 to slow the flow of rainwater and groundwater entering the network.

### Improving our sites and networks

We know our pollution performance is unacceptable and we are focused on reducing incidents caused by technical failure and blockages.

#### Our response

We review our Pollution Incident Reduction Plan (PIRP) annually. It explains where we are investing to make improvements and increase our resilience: [southernwater.co.uk/our-story/our-plans/pollution-reduction-programme](https://southernwater.co.uk/our-story/our-plans/pollution-reduction-programme).

Event Duration Monitors measure spills caused by technical failures. We currently have 978 EDMs, increasing our self-reporting of incidents from 75% to 96% since 2018.

#### Our investment

We have invested £15 million to install 23,000 Sewer Level Monitors that we estimate will help us cut pollution incidents by up to 40% by 2025.

We also continue to publish details about our spills, as well as comprehensive flow data on our website.

### Investing to improve supply resilience across Hampshire and the Isle of Wight

We have put in place agreements with our regulators to take less water from the protected chalk streams of the Rivers Test and Itchen in Hampshire, which currently provide a large proportion of the region’s water supply. This is vital to protect these environments and these water sources for future generations. This means we would face a shortfall in water available for public supply unless we find alternative, more sustainable, sources. A range of solutions are needed.

#### Our response

We are working with Portsmouth Water to deliver the Havant Thicket Reservoir, which will be used to provide water to our customers. A consultation has also begun on our Hampshire Water Transfer and Water Recycling Project, which will see us take water directly from our wastewater treatment works, put it through a series of advanced treatment processes before returning it to supply. This tried and tested technology will make more water available to meet increased demand.

Work on network and storage improvements has also begun.

#### Our investment

We will be investing many hundreds of millions of pounds to transform the way we source, treat and supply water across Hampshire. During 2022–23 we spent £1.2 million on measures to support these rivers.

### Protecting water sources in Sussex

We are facing a water availability challenge in our North Sussex area, which is driving discussions about water neutrality. In simple terms, neutrality means any new development must be proven to not increase the amount of water we take from the environment.

#### Our response

We have reduced the amount of groundwater we take to put into supply, rezoning areas to protect this sensitive habitat. We are working in partnership with government agencies, Local Planning Authorities and developers. Read our Water Resource Management Plan: [southernwater.co.uk/our-story/water-resources-management-plan](https://southernwater.co.uk/our-story/water-resources-management-plan) for more information.

#### Our investment

We continue to invest, and are committed to helping protect the delicate ecosystem of the Arun Valley.

## Chair's statement

# Welcome to our **Annual Report** and **Financial Statements** for 2022–23



### Highlights

- The continued transformation of Southern Water is delivering progress.
- Our focused two-year Turnaround Plan prioritises areas for performance improvement.
- The role of our investors in enabling the acceleration of our activities continues to be crucial.
- The way we have learnt from five major incidents will help us serve our customers and communities better in the future.
- We have continued to listen to all our stakeholders during a period of intense public scrutiny.
- Water scarcity as a result of population growth and climate change is a reality in the South East, so resilience and protecting the environment are central to our plans.
- We fully expect to receive a two-star rating for the Environment Agency's annual Environmental Performance Assessment.

Southern Water recently published a Turnaround Plan for the final two years of this current delivery period. It is a recognition that we both remain a business in transformation and that we have a clear set of priorities to improve our performance and network resilience. We remain challenged by annual targets set for the business in 2019, but with reinvestment of all profits and additional shareholder support, well beyond funds agreed in our 2019 Final Determination from Ofwat, we are a much-improved, more rigorous and more innovative business.

We are currently in discussions with all the company's shareholders with respect to additional funding in the near term; see page 205 for further information regarding this funding and its effect on going concern, including the related material uncertainty.

The next two years are critical in delivering efficiencies and to prepare for what is understood to be a period of higher investment and customer bills, to tackle the challenges of water sourcing in the South East and the management of surface flows and wastewater into the wider environment. Read more on our Turnaround Plan on pages 17, 50, 56, 64 and 72.

We are not yet where we need to be as a business, but I commend the leadership, our colleagues and supportive stakeholders who are committed to helping us deliver our plans.

I have written before that the greatest risk that our region faces is water scarcity, and last summer's drought highlighted this challenge very sharply. Economic development in the South East and associated population growth make our efforts to preserve every drop of water as part of the water cycle, even more important. We have increased our efforts to reduce leakage and keep as much water in supply as we can, our water saving work with customers continues and we look to develop new sources of water, including water recycling.

Over the next decades, all of these initiatives need to succeed and our long-term water management plans make it clear that major infrastructure investments in regional transfers and new reservoirs require early approval and delivery.

Making sure we are resilient against drought in the longer term, while protecting our communities and



the green spaces around us, forms the basis of our Water Resources Management Plan (WRMP) and our commitments under the Water Industry National Environmental Programme (WINEP). These priorities are generational investments and challenge our traditional funding and planning methods; our priority is to focus on what is right for today and in the future.

Over the past year, public scrutiny of the water industry and Southern Water has been intense, focusing on the impacts of our activities on our customers and the environment. We listen to all our stakeholders as we plan, both for tomorrow and for the future. We have shareholder support and are committed to spend and invest significantly more than the capital investment of £2 billion set in our Final Determination for the period 2020–25.

We welcomed Defra's Storm Overflows Discharge Reduction Plan, published in August 2022. It sets targets for water companies to prevent overflows causing ecological harm, protect bathing waters and ensure no overflow activates above an average of 10 times per year by 2050. We are leading the way, already reducing the average number of spills to the 2025 target set by Defra.

### **Investing to improve customer service and experience**

As a result of five major incidents in both Kent and Hampshire which left Southern Water customers

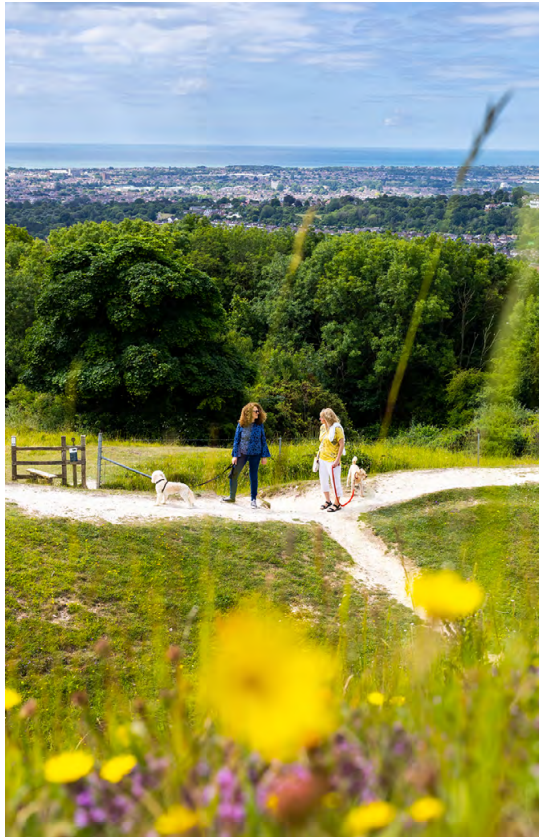
without water for significant periods, we have worked with the Executive team to review the company's incident response, upgrading systems and improving communications.

We have also taken steps to support our customers in financial crisis due to the rising cost of living and increased energy prices, increasing the minimum discount on bills and providing energy grants and financial assistance.

### **Protecting and improving the environment**

The region we serve is a precious natural environment that we want to help protect and improve. From unique chalk streams to national parks, areas of outstanding natural beauty, and more than 700 miles of coastline and 84 bathing waters, we have a responsibility to plan long into the future. That is why we are continuing to focus on driving down pollution incidents, improving leakage and engaging with stakeholders in our catchments with whom we can work and putting customers and communities at the heart of our plans. We wholly support bringing fragmented regulation and environmental investment together in a catchment-wide approach. Our Pathfinder projects to reduce the use of storm overflows point to customer and taxpayer cost benefits from co-operation.

# Chair's statement continued



Our Clean Rivers and Seas Task Force is working in partnership to implement innovative sustainable drainage solutions, taking an integrated approach to the management of surface water in our communities by bringing different sectors together.

Our catchment projects also take this approach, partnering with a wide range of local stakeholders including businesses, local authorities and Rivers and Wildlife Trusts, to take practical, realistic and affordable action to tackle pollution and protect precious natural habitats, like our harbours.

This extends to championing sustainable site management to boost local biodiversity and honouring our commitment to the Environment Agency under the Water Industry National Environment Plan (WINEP) in areas such as invasive non-native species management, biosecurity and protected species awareness.

I am encouraged by the 'green shoots' of improvement in our environmental performance, which has been acknowledged by the EPA two-star rating we expect to receive this year.

## Corporate governance and Board changes

We are quite rightly expected to uphold the highest standards of corporate governance in all that we do.

I am pleased that after a lengthy process, the distraction of our Cayman Islands subsidiary has finally been taken away, and will play no further part in our financing.

Over the past year we have seen a number of changes on the Board through succession planning, and this has continued into the start of the next period. We benefit significantly from the skills and experience brought to the Board by our non-executive directors, and I thank Martin Bradley, Kevin McCullough, Rosemary Boot and Paul Sheffield for their considerable contributions.

I am pleased that Gillian Guy has agreed to replace Paul Sheffield as our senior independent non-executive director. We have also welcomed Steve Fraser, and more recently, Christèle Delbé, Kerensa Jennings and Phil Swift to the Board as Non-Executive Directors. All will bring a fresh perspective and new skills.

We welcomed Lawrence Gosden to the Board on 1 July 2022, appointing him as CEO and bringing with him almost 30 years of water sector experience. His appointment will continue to move the company forwards, as his Turnaround Plan is implemented and the focus on health and safety as well as innovation are increased.

On behalf of the Board, I would also like to welcome our new Chief Financial Officer, Stuart Ledger, who joined Southern Water as CFO on 3 January 2023. He joined us from Affinity Water, where he was both CEO and CFO, and like Lawrence, he brings many years of sectoral experience. Last year I thanked retiring CEO, Ian McAulay, and I also take this opportunity to thank Sebastiaan Boelen and Nadim Ahmad, respectively CFO and Interim CFO.

All of these changes are more fully reflected in our corporate governance. I am particularly pleased that as our Board reshapes, we bring a greater diversity of membership and views.

I recognise that it is the hard work of our colleagues and partners that enables us to succeed together. My thanks go to each and every one of them for their commitment to serving our customers and caring for the environment. Together we can continue to serve our region, while planning for the future.

**Keith Lough**

Chair

7 July 2023

# Our purpose, vision, values and strategy

Our **purpose** is the reason we exist. Our **vision** informs our **long-term priorities** and sets our **ambition**.

Our five-year delivery strategy and focused Turnaround Plan are guided by this long-term vision. Our core values then provide the foundation and ethical decision-making framework by which we operate.

**Vision**

To create a resilient water future for our customers in the South East.


Our purpose is to provide water for life to:


enhance health and wellbeing


protect and improve the environment


sustain the economy

**Long-term priorities**

 Understanding and supporting our customers.

 Ensuring a supply of high-quality water for the future.

 Protecting and improving the environment.

 Enabling and empowering our people.

**Five-year delivery strategy**

 Deliver great service.

 Use water wisely.


 Protect and improve the environment.

 Fit for the future.


**Turnaround Plan**

Aims to deliver a short, sharp ambitious improvement by 2025, particularly in terms of our environmental performance. It includes four clear outcomes that we're promising to deliver, improving our service to customers and the environment.


**Where we aim to be by 2025:**




**Improved customer experience**  
7.5/10 C-MeX score;



**Improved water quality**  
3rd quartile performance against our peers;



**Healthy rivers and seas**  
3 star performance awarded by the Environment Agency;







**Health and safety excellence**  
0.2 Lost-time injury rate.

[➔ Read more on pages 17, 50, 56, 64 and 72.](#)

**Underpinned by our values**

Our vision, purpose and values, alongside our ethical decision making and modern compliance frameworks, help our leadership team, employees and partners make better decisions every day.

# Our strategy for 2020–25



## Our five-year delivery strategy to 2025

### **Deliver great service**

We are focused on delivering a great customer experience. This means resolving customer issues quickly and delivering clean, safe water, through a reliable, future-proof network, at a price that everyone can afford. We are creating assets for schools with the National Schools Partnership and opening sites across our region for school tours. We are improving online tools for customers and developers, via a new website. In terms of our operations, we will continue to upgrade our sites with a focus on improving water quality and preventing pollutions.

 Read more on pages 42 to 50 and 52 to 55.

### **Use water wisely**

We are investing in new technology to find and fix more leaks on our network, while we continue to upgrade and replace our mains. We are working with local authorities and developers to encourage the building of water-neutral homes. We are focused on supporting our customers to reduce their water use and we will continue to work with community partners, local businesses and customers to do this.

 Read more on pages 46 to 48 and 54 to 55.

### **Protect and improve the environment**

We know we need to go beyond our ambition of doing no harm to our environment and look to improve it where we can. To 2025 we are focused on delivering environmental benefits to the region's rivers and bathing waters, while reducing flood risk, cutting our carbon footprint, and supporting schemes that improve the biodiversity of the South East. We continue to transform our sewer network, using smart technologies to predict and prevent sewer blockages and burst pipes.

 Read more on pages 59 to 68.

### **Fit for the future**

We work with neighbouring water companies, local partners and our regulators to create regional water resource and drainage plans looking out to 2050. We do this so we can ensure future generations enjoy the same access to water and wastewater services in the years to come as we do today. Our region is already water stressed and population growth and climate change are real challenges.

 Read more on pages 48 to 50, 55 and 64.

# Our approach to reporting continued

## Evolving ESG expectations

We have adopted frameworks such as the UN SDGs and TCFD to this report as we work towards being an integrated reporting organisation.

To increase transparency with all our stakeholders, we have adapted this report to answer increasing interest in our response to sustainability challenges and to meet expectations to disclose information about the impact of our operations on the communities we serve. We are focused on sharing information that supports our purpose and the topics identified as priorities by our customers and stakeholders.

### Key frameworks



#### United Nations Sustainable Development Goals (SDGs)

Our approach to sustainability and being a responsible business aligns with the United Nations Sustainability Goals (UN SDGs). The SDGs comprise 17 global goals to be achieved by 2030 that were adopted by the UN in 2015. Of the 17 goals we have now identified nine that we feel we can contribute most to through our operations, investments and commitments.



#### The Task Force on Climate-related Financial Disclosures (TCFD)

Climate change impacts, amplified by population growth, present huge challenges to the water industry, particularly in the South East, and are a principal risk to our ability to operate. Mitigating this risk will make sure that we are able to maintain high-quality, resilient services for our customers.

### External recognition and benchmarking

We supply information to independent ratings and indices on a range of ESG matters.



We performed well in the 2022 Global Real Estate Sustainability Benchmark (GRESB), which assesses the ESG performance of infrastructure assets. We were awarded a Green Star rating of five stars, the highest possible number of stars, and a score of 100 out of a possible 100 – an improvement on our 2021 score of 91.



We also improved our position in the 2022–23 Inclusive Top 50 UK Employers, moving to 44th from 46th in the previous year and from 49th in 2020.



We are also members of Business in the Community (BITC) and submit information to its Responsible Business Tracker, helping us to achieve our responsible business ambitions. In 2022 we scored 67% in our first ever submission (compared to the cohort average of 46%).

➔ Read more about our approach to climate change on pages 75 to 95.

# Our approach to reporting continued

## Aligning our strategy with United Nations Sustainability Development Goals (UN SDGs)

Long-term priorities	Alignment to relevant UN SDGs	Commitments
<p><b>Understanding and supporting our customers and communities</b></p>		<ul style="list-style-type: none"> <li>• Supporting customers who are vulnerable due to circumstances – see page 46.</li> <li>• Protecting customers' homes from flooding – see page 61.</li> <li>• Supporting our communities – see page 46.</li> <li>• Managing population growth – see page 48 and 64.</li> <li>• Improving supply resilience – see page 55.</li> <li>• Working together to improve harbours – see case study page 67.</li> <li>• Reducing storm overflows – see case study page 68.</li> </ul>
<p><b>Ensuring a supply of high-quality water for the future</b></p>		<ul style="list-style-type: none"> <li>• Improving water quality – see page 54.</li> <li>• Finding and fixing leaks – see case study page 58.</li> <li>• Drought planning and management – see case study page 57.</li> </ul>
<p><b>Protecting and improving the environment</b></p>		<ul style="list-style-type: none"> <li>• Improving pollutions performance – see page 61.</li> <li>• Water Industry National Environment Programme (WINEP) – see page 62.</li> <li>• Reducing storm overflows – see case study page 68.</li> <li>• Educating on water – see case study page 51.</li> <li>• Biodiversity – see page 65.</li> <li>• Natural capital – see case study page 31.</li> <li>• Adapting to climate change – see page 75.</li> <li>• Decarbonisation – see page 95.</li> </ul>
<p><b>Enabling and empowering our people</b></p>		<ul style="list-style-type: none"> <li>• Diversity and inclusion – see page 70.</li> <li>• Meeting the needs of our partners – see page 71.</li> <li>• Using AI for health and safety – see case study page 73.</li> </ul>