

Delivering for our customers

annual review summary 2019-20



Our people have helped maintain essential services and volunteered during the COVID-19 crisis

wessexwater.co.uk

Wessex Water
YTL GROUP



FOR YOU. FOR LIFE.

Welcome to Delivering for our customers

As part of our annual review we publish three documents:

Delivering for our customers

Our annual review summary explains what we have delivered for our customers and communities, the natural environment, our people and the company.

The report includes an overview of progress against our regulatory performance commitments and other company measures as well as an overview of the financial and sustainability accounts for the year.

Annual report and accounts

The governance report explains how the board undertakes its duties and provides our full non-statutory financial accounts.

Annual performance report

This reconciles the statutory financial accounts with the regulatory accounts and gives more detailed information regarding the company's progress against our performance commitments.

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All these documents are available on our website: [wessexwater.co.uk](https://www.wessexwater.co.uk)

You can compare our performance against other water companies at www.discoverwater.co.uk

About Wessex Water

We provide water and/or sewerage services to more than 2.8 million customers in the south west of England. Our mission is to be a world-leading water and sewerage company.

Our aims

Customers

To provide our customers and communities with excellent service and value for money.

Environment

To protect and improve the environment.

Employees

To provide our people with the opportunity for personal development and a satisfying career.

Investors

To provide our investors with a fair return for their investment.

As a private company delivering essential public services, we want the way that we deliver to add much wider value to society. We thrive on doing things differently and our vision and future plans are dependent on embracing change. We have introduced the Wessex Water Marketplace to share our outcomes and our data, championing new, innovative ideas from within Wessex Water and from outside. This will encourage collaboration to deliver the best value for our customers and the environment. Take a look at what's going on in the Wessex Water Marketplace marketplace.wessexwater.co.uk

During the coronavirus pandemic we are working to protect customers while delivering services as normal. Please see wessexwater.co.uk/coronavirus for more information.

At a glance

We supply 290 million litres of water a day

7,474 miles of water mains

303 water sources and water treatment centres

315 service reservoirs and water towers

We take away and treat 1,040 million litres of sewage a day

400 water recycling centres

2,119 sewage pumping stations

21,704 miles of sewers

Chairman's foreword

On behalf of the board, I am pleased to present our 2020 annual review summary.

In these times of global turmoil, countries, governments, businesses, and all of us individually must support one another in every way we can. There is no easy way through the crisis. For many, there has been, and will continue to be, a great personal cost. As an organisation, we continue to do all we can to help those in need. On a personal level, my thoughts and prayers are with all those who are suffering.

Our thoughts had already turned to the people who interact with us or are affected by what we do and how we do it, even before this crisis. In the last 12 months, the board has worked to embed our social purpose. We developed it with our customers, our stakeholders and our employees. And we are encouraged that our people understand our aims and live our values every day. We will maintain this through visible messaging, training, policies and regular reviews to ensure that everyone feels our strength of purpose.

As a private company doing public good, we commit to being ethical and honest in the way we work, to value everybody's contribution, and to work respectfully for the long-term. We recognise that we have a critical role to play that goes far beyond the responsibility of providing an essential public service. We have an opportunity to help tackle the climate emergency, to support the communities we serve and to contribute to the growth of the UK economy.

In that vein, I am delighted that we have committed to achieve net zero carbon operations by 2030. This will require significant investment in long-term infrastructure. And delivering that investment will need some reform to the way we are currently regulated.

In December our regulator, Ofwat, published its final decision on Wessex Water's bills, investment and performance targets for the five years from 2020-2025. After significant deliberation, our board resolved not to appeal the decision as it allows us to deliver the short-term expectations of customers, our mandatory

environmental obligations and the reasonable expectations of our employees. We are concerned, however, that the decision has come at the expense of long-term operational and financial resilience. We should learn from this missed opportunity and ensure the regulatory mechanisms are in place to deliver long-term value for customers and the environment in future reviews.

We start our delivery of these five years from a very solid base. We have continued to deliver high levels of performance thanks to a great team of people right across the business. This annual report gives you, our customers and stakeholders, a review of the last 12 months and looks to the future. It is a critical part of our open and transparent approach to sharing information that ensures you can have trust and confidence that we continue to do the right thing.

Throughout this report you will find numerous examples of the great work our people are doing. From winning 'innovation of the year' awards to receiving the lowest number of complaints in the industry and working with our local communities to reduce plastic waste, I would like to thank everybody at Wessex Water for continuing to deliver excellent levels of service.

I thank the Lord Jesus for his blessings, and I am grateful for the hard work, professionalism and humanity being shown by people at Wessex Water, as well as all those working in other critical services across the world. The world has changed very quickly and whilst the disruption and uncertainty caused by COVID-19 continues, we will continue to do what we do well and look after our customers and our people.



**Tan Sri Francis Yeoh KBE
Chairman**



**Tan Sri Francis Yeoh
KBE Chairman**

Chief Executive's introduction

This report covers the year ending 31 March 2020, with some additional reflections on the five-year price and investment period 2015-2020. But, of course, it is overshadowed by the current COVID-19 crisis which, while it only touched the end of the reporting year, has fundamentally changed the way we now operate and the way we think about the future.

The crisis has affected our household and business customers, the communities we serve, our supply chain and all our employees. I am proud of the way that everyone in the business has responded: our high levels of customer service have continued unchanged, compliance with quality and regulatory standards has remained very high and we have been able to provide help to communities, businesses and individual customers. Our social tariffs, and other support for customers, are enabling us to respond quickly to those affected by the financial consequences of COVID-19.

Around one third of our employees are working from home, including all of our billing and customer service staff. Our operational and construction staff have continued their on-site work using safe distancing and specialist PPE where appropriate.

Wessex Water has not taken any support funding from the government and none of our staff have been furloughed. Where staff have a reduced workload because of the lockdown restrictions, they have either been redeployed to support other business areas or are assisting in voluntary community work.

One of the most satisfying initiatives was our offer of a £50 rebate on metered bills for frontline NHS staff to cover the cost of additional uniform washing as a result of COVID-19. More than 10,000 key NHS employees have signed up for this rebate.

We have accelerated payments for our supply chain to help with their cashflows. The staff canteen at our operations centre in Bath has been kept busy providing free meals for shielded individuals and families, with staff volunteers helping distribute the meals for a range of charities.

These and many other examples embody the spirit of our social purpose. The world is changing fast with great technological, political and social transformation taking place all around us. Throughout these changes, our aims and values, unchanged for more than 30 years, provide a sound base on which we continue to evolve and strengthen that purpose. Its continued evolution involves the entire business, all of our colleagues and all of our stakeholders. But ultimately it is set and owned by the board who hold the executive management to account for its delivery.

Opportunities to tackle the climate emergency, support economic growth and regeneration and to play a full part in the communities we serve, formed the core of our strategic direction statement and the subsequent business plan we submitted to our economic regulator, Ofwat.

Our plan reflected the views of customers and stakeholders. We engaged with more than 140,000 customers to understand what mattered most to them and we consulted all our major stakeholders, representing vulnerable customers, local river, wildlife and conservation bodies. Our Young People's Panel also provided valuable insights and suggestions and all these inputs were independently reviewed and evaluated by the Wessex Water Partnership.

The message was clear; the majority favoured stable bills and more investment. So, it was disappointing that the Ofwat price determination required bill reductions and missed the opportunity to invest in greater resilience.

Our performance

In the reporting year 2019-2020, Wessex Water achieved top place in Ofwat's efficiency ranking, delivered industry leading customer service and operational performance, returned to "industry leading" status in the Environment Agency's environmental performance assessment and, for the ninth year running, had the fewest complaints per 10,000 customers of any water and sewerage company. Of our customers, 98% rated our service as good or very good and our Customer Service Excellence award was renewed for the fourth time.

We again met our leakage target as we continue to drive down levels of leakage. This, combined with our work to reduce per capita consumption and major investment in creating a regional water grid, has ensured that it is now 43 years since there were any restrictions whatsoever on the use of water within our region.

Ofwat are introducing a new measure of customer experience (C-MeX), which was trialled during last year. We were pleased to be ranked as one of the top performing companies under the new measure.

However, we prefer to also compare our service with the best performing businesses outside the water industry. So, during the year we began using Trustpilot ratings, encouraging customers to publicly rate and comment on our services. It was pleasing to see that to date 83% of our ratings are five star.

Our natural environment

Wessex Water is dedicated to protecting and improving the environment - our treatment works remove thousands of tonnes of polluting material every year and our continued investment in upgrading treatment has been a major factor in raising river water quality standards across the region. Our region now contains many of the country's finest rivers and watercourses. Over the last five years, we have brought a range of stakeholders together into river catchment panels to co-ordinate work in protecting and further improving water quality and biodiversity.



Colin Skellett
Chief Executive

We pioneered the use of catchment-based approaches to deliver sustainable, cost effective solutions by dealing with the source of pollution, not just the symptoms. We are currently working with farmers at 21 sites across our region to deliver bespoke, sustainable solutions.

In addition to being rated as an industry-leading performer by the Environment Agency, we have maintained 100% compliance with our abstraction licences, the requirements of biosolids treatment and disposal, and delivery of the National Environment Programme.

Our innovative Wessex Water Marketplace provides a transparent mechanism for bringing new ideas and solutions to the problems we face. It has already helped us find new approaches for using data to reduce unnecessary overflows in the sewer network and to help us in detecting leaks from supply pipes.

During the year we also published our water resources management plan explaining how we will balance supply and demand to protect the environment and ensure resilient supplies over the next 25 years. This plan also includes our commitment to further reduce leakage levels by 15% by 2025.

Wessex Water is also playing its part in driving out single-use plastic bottles. We have begun a programme to install public water points where everyone will be able to refill their reusable bottles free of charge.

Our people

Across all areas, our team have shown their commitment, professionalism and versatility during the COVID-19 crisis. They have continued their work to maintain all our services and deliver our on-going investment programme to ensure future resilience. Many of them have also taken part in volunteering within their local communities, supporting a wide range of initiatives.

The Wessex Water Academy offers development opportunities and training for all parts of the business to ensure our staff maintain the level of skills and knowledge they need. The academy also works with our apprenticeship programme - each year we take around 50 apprentices across the business, helping us to create our workforce for the future.

A major initiative during the year has been the formation of a company-wide group focusing on diversity and inclusion. This group has looked at the way we present ourselves to potential employees so we can access the widest possible range of candidates, and at our policies to simplify them and ensure they encourage diversity as well as helping all colleagues to have their voices heard. Alongside this, we have created a Group People's Council, chaired by non-executive director, David Barclay, and subsidiary peoples' councils in each major part of the business. We have also launched training in areas including unconscious bias.

Our gender pay gap reduced to 5.7% this year and remains significantly lower than the latest UK national average of 17.3%. The core values that support our social purpose mean that we are honest and ethical in the way we conduct our business. We value everybody's contribution and ensure the health, safety and welfare of all our colleagues. Our relationships are built on respect and, as a long-term business, we plan, innovate and invest for future resilience.

Our financial stewardship

We have continued to invest at record levels, with more than £271m invested in maintaining and improving our assets and the services that they underpin. Our operating profit fell by £15.9m to £212.5m. Turnover increased by £4.6m to £552.3m.

We have always been structured and financed in a simple and transparent way under YTL's long-term stewardship that ensures we are financially resilient. Our intention is that gearing will continue at under 70% and we will continue to maintain a straightforward corporate structure. We paid our taxes, contributing more than £60m last year in corporation tax, business rates and other taxes, and are classed by HMRC as low risk.

Looking ahead

While the future feels less certain today than it did six months ago, our performance over the last five years and through the COVID-19 crisis to date, gives us cause for optimism. During the five-year regulatory period ending 31 March 2020, Wessex Water was consistently rated as one of the top water and sewerage companies for service, efficiency, standards and environmental performance.

We are extremely fortunate to have a long-term, prudent investor in YTL, the sole owners of Wessex Water, for more than 20 years. Their prudence has avoided the excesses of some companies who have engaged in special dividends, complex financial structures and offshore arrangements. This long-term stewardship is important for a business that has to plan over many years and one that is so vital to public health and environmental quality.

The innovation, dedication and expertise of our employees have ensured that through the challenges such as "the beast from the east", extremes of rainfall and now COVID-19, our excellent service and performance has continued unchanged.

We will continue to deliver these high standards and support economic recovery across our region, playing a full part in the communities we serve and ensuring everyone can benefit from and afford our services.

The exit from COVID-19 provides an opportunity to work with government and regulators on delivering a green recovery, not just business as usual. Our drive to deliver net zero carbon by 2030 has already started and will gather pace as we continue to deliver sustainable, resilient investment in the face of climate change.

You will hear us speaking out clearly and visibly on all of these issues, articulating our story and taking others with us.

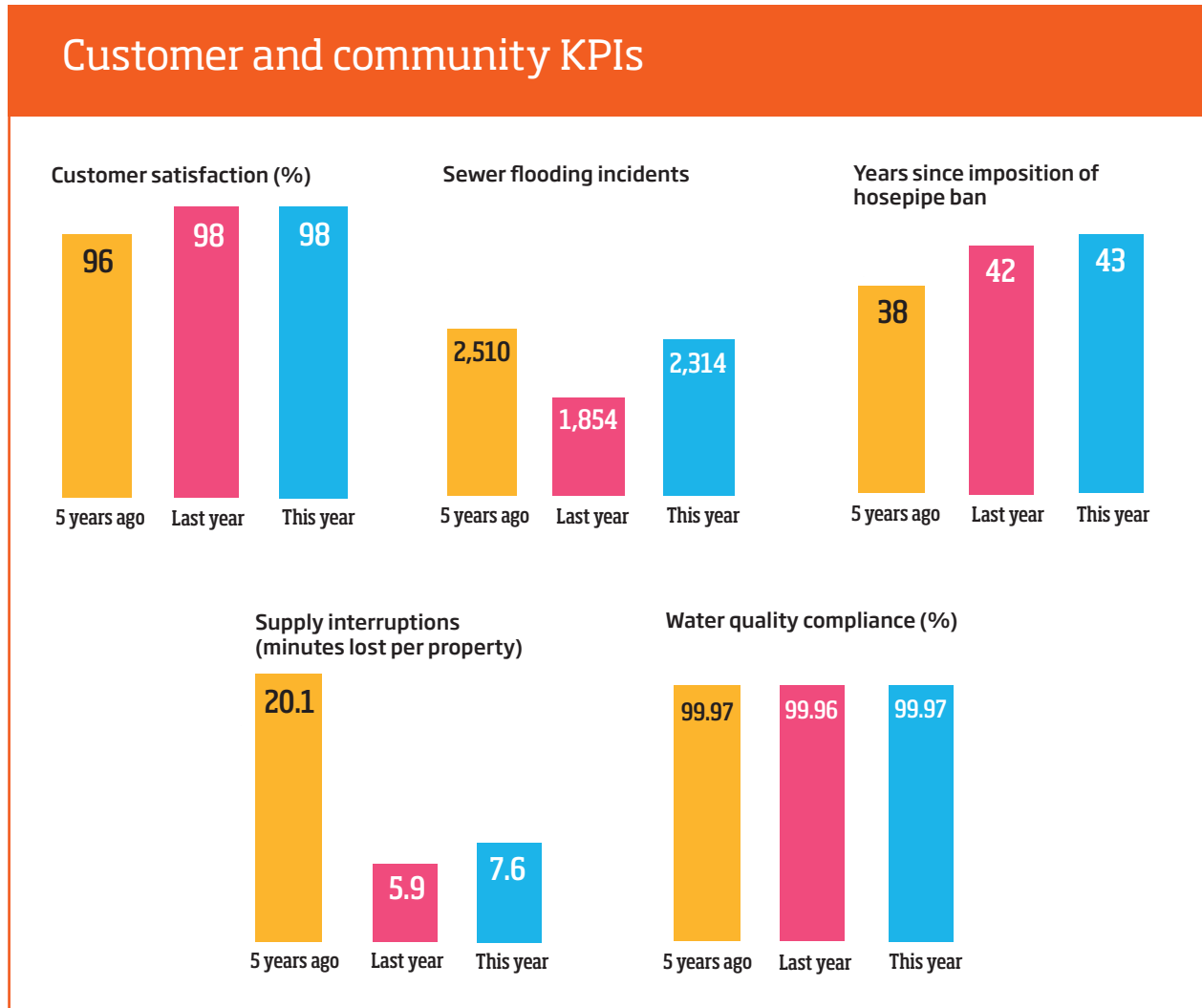
I hope you will join us on the journey.



Colin Skellett
Chief Executive

Our customers & communities

We put customers at the heart of everything we do and encourage our people to go the extra mile whenever they can. We aim to provide our customers and communities with excellent service and value for money.



This year in brief

- One of the top two water and sewerage companies in Ofwat's new measure of customer experience (C-MeX).
- The lowest number of complaints as reported by the consumer body CCW.
- Retained our government Customer Service Excellence award, the British Standard for inclusive service provision, the Keep Me Posted award and the Louder than Words charter mark, as well as continuing with ServiceMark with Distinction from the Institute of Customer Service.
- A 9% increase in the number of low-income customers receiving support with their bills or debt and a 67% increase in the number registered for Priority Services.
- Launched Trustpilot to seek customer opinion on our service, achieving a five-star rating on 83% of our reviews.
- Continued business as usual service to customers throughout the Covid-19 crisis and helped those in need; provided rebates to more than 10,000 NHS workers who have needed to wash their uniforms more.

Drinking water

We are committed to providing the highest quality drinking water to our customers. Our overall compliance with drinking water standards in 2019 was 99.97%. Of the regulatory samples taken from customer taps, there were 13 failures out of approximately 29,000 tests for drinking water quality. These failures were all attributed to customers' internal plumbing and service pipes.

The number of customers contacting us about acceptability of water was similar to the previous year, standing at just over 2,000 contacts from our 1.3 million water supply customers. This is above our target of 1,608 contacts and we aim to reduce this figure through our ongoing mains rehabilitation work and optimising the way we supply water through our network.

It is now 43 years since we imposed any customer restrictions, such as hosepipe bans, on water use.

Sewage flooding

Although thankfully a rare occurrence, when sewage escapes from sewers it can be devastating for our customers so reducing these occurrences remains one of our key objectives. Most sewage leaks are the result of partial blockages by material that has been put into the sewer, for instance when customers flush wet wipes down the toilet or fat down sinks. We work hard each year to reduce the amount of sewer misuse that occurs.

In 2019-20 the number of internal flooding incidents arising from issues not related to capacity was 146, compared to our target of 207. Despite the wettest February on record and the fifth wettest autumn in the UK, only two properties flooded internally due to a lack of hydraulic capacity. However, the number of properties that experienced external sewage

flooding due to both lack of capacity and other causes such as blockages, increased by 10% above the five-year average to 2,166 incidents.

Whilst our performance has deteriorated slightly in the year, it remains one of the best in the industry.

Customer experience

We remain one of the top performers in the water sector for customer service. In Ofwat's new measure of customer experience (C-MeX) trial we were placed second of all the water and sewerage companies.

This year we launched Trustpilot® to gather customers' views on our service. So far, 83% of customers have given us a five-star rating.

In our own feedback surveys, 74% of customers rated our service as good or very good value for money. This is an increase from 69% last year, but slightly below our target of 75%.

Although 92% of customers found it easy to resolve their problem this year, this was a slight drop on last year's score of 93%. Our new "Report a problem" service allows customers to report a range of operational problems online and receive updates on their contact.

We continue to offer a full range of communication options for our customers and, most importantly, choice. The number opting for self-service, text messaging and web chat keeps growing. And, more than 90,000 customers are now signed up to e-billing.

We want customers to be as satisfied with our service as they are with that from the top household names. We have set ourselves the challenge of being in the top 20 UK service providers by 2025 on the Institute of Customer Service survey.

CUSTOMERS RATING SERVICE AS GOOD OR VERY GOOD

98%

In our own feedback surveys, 98% of customers rated our service as good or very good.

COMPLAINTS RESOLVED FIRST TIME

95%

We still have the lowest number of complaints of the water and sewerage companies. This year, our teams have delivered a 4% reduction in billing complaints and we are resolving 95% of our complaints first time.

NUMBER OF CUSTOMERS REGISTERED FOR PRIORITY SERVICES

+67%

Overall, we have seen a 67% increase in the number of customers registered for Priority Services. We continue to push for national data sharing to increase numbers at a faster pace and have implemented a new, improved Priority Services Register.

CUSTOMERS HELPED THROUGH TAP

>47,000

Under the guidance of our expert Affordability Advisory Group, we are now helping more than 47,000 customers through tap, an increase of 9% this year.



Customer engagement

We engage extensively with our customers and stakeholders, both in day-to-day business and for specific programmes of work. The Wessex Water Partnership oversees all our engagement.

Our Young People's Panel of sixth formers from schools and colleges across our region has just completed its fourth year. This year, the panel focused on designing a smart home to identify innovative ways of encouraging customers to use water more efficiently and reduce sewer misuse.

Through our online customer panel, Have your say, we sought views on Wessex Water's involvement in the local community and attitudes towards water metering. We carried out a full review of our image tracking survey and commissioned a piece of work with low income pensioners to better understand what will motivate them to apply for our 20% bill discount.

Customers in vulnerable circumstances

Our vulnerability strategy Every Customer Matters shows how we are committed to providing extra care and help to customers when and where it's needed most. We have again retained the British Standard for Inclusive Service Provision along with the Louder than Words charter mark.

Initiatives this year to raise awareness of the support we offer included promotional videos for Priority Services. We also launched our vulnerability experts programme, providing specialist training to staff around the business to provide ongoing expert guidance, support and training to their colleagues.

We continuously update our specialist training in areas such as mental health, autism and dementia. More than half of our employees are now official Dementia Friends.

We have strong partnerships with the two energy distribution network operators that cover our region and operate local data sharing with both. Mutual customers only need to sign up once for Priority Services.

Our **tap** programme offers customers tailored solutions to their affordability problems through a range of schemes, and low rate tariffs to help them afford their charges and repay their debts, along with practical help to reduce their water and energy use. Just over 14,000 customers are receiving discounts of up to 90% through our main social tariff, Assist, and more than 20,000 low income pensioners are receiving a discount of around 20% on their bills through our Pension Credit discount.

Our affordability assistance and partnering with the debt advice sector will become more important over the coming months as society and the economy attempt to recover from the impact of COVID-19. We've been supporting customers in the short term with payment holidays or lower value payment plans, but are expecting more to require our help and support to get back on track through lower rate tariffs and debt repayment schemes. For our frontline, uniformed NHS workers we've offered a £50 bill rebate to offset their additional laundering costs.

We have launched six new projects in hard to reach areas this year and through our partnership with the Quartet Community Foundation, made nine Money Matters awards to organisations delivering financial capability and money management projects across our region.

We are keen advocates of partnership working, not only with the debt advice community but also with other organisations and charities across our region who work with customers in vulnerable circumstances. We now have around 240 partners, many of them making use of our online partner hub to work with us.

Business retail market

Business customers have been able to choose their retailer for water and waste water services since 2016-17 and there are now 22 retailers active in our region. Our wholesale services team remain focused on enhancing both the retailer and customer experience. Since market opening, we have improved our performance each year in both the operational and market performance standards (OPS and MPS) and these now stand at over 94%.

Community engagement

Developing stronger relationships with customers across our region is a key aim of our community engagement work. Over the last year we have provided tap water refill points, funding, volunteers, events and recreational activities to many of our customers. We have introduced local area newsletters and a new community area on our website.

Community and environmental funding

Our community and environmental funding supported more than 100 groups and charities across our region in the last year, helping people to build stronger communities through our partnership work with local community foundations in Bristol, Bath, Wiltshire, Dorset and Somerset.

Some of the groups across the region to whom we provided funding included the following.

- **Forest Child** works with vulnerable families and children in Bristol, teaching them about the great outdoors, conservation and environmental issues. Our funding will help the group to hold sessions for families who have experienced domestic violence.
- **River Bourne Community Farm** in Salisbury can now purchase new equipment for its classroom thanks to funding. This will help the community farm to support many people in the area, but especially children with special educational needs.

Refill not landfill

Our water refill campaign has provided mobile water refill points at shows and events throughout the year and continued to promote drinking tap water for healthy living with local health organisations, foodbanks and charities.

To help reduce the use of single-use plastic, we have installed permanent tap water refill points in Trowbridge and Salisbury with more planned in Weymouth, Poole, Bath and other locations across the south west.



- **The Bus Stop Café** in Wimborne provides those in debt and others who are vulnerable with hot meals on Friday evenings. Our funding will cover staff, food, utilities and training costs, helping the café to provide its vital service
- With the help of funding, **Yeovil Rivers Community Trust** can carry out a project which aims to teach local children about water in the environment. The project will involve three classroom-based sessions around this theme.

Community events

Throughout 2019 we attended a number of events, both large and small, to promote many of our key messages for customers and to engage with our regional communities.

We provided a reservoir open day at Clatworthy and attended major county agricultural shows, local village fairs, Wiltshire Wildlife comes to Town in Salisbury, and Bristol Festival of Nature. Our rangers supported Bath Festival of Nature with live trout displays and fly-fishing activities for families. Over the year we reached more than 8,000 customers face to face and 84 of our colleagues helped support events to talk to customers about campaigns and local issues.

Water Force volunteering

Last year, more than 500 employees gave up their time to lend a helping hand to good causes, volunteering for a total of 3,188 hours. Our volunteers took part in more than 50 activities, from cleaning beaches and maintaining nature reserves to building benches and painting classrooms. Their efforts received great feedback.

Claire Davies, communications co-ordinator at Bath City Farm, said: ***"We now have clear pathways, which are safe for our visitors and these activities allowed us to focus on delivering our core projects for people facing adversity. Support from Wessex Water helps us to remain open and operating."***

"Without corporate support like this, we would struggle to re-build a lot of the farm's infrastructure as we do not receive any funding," said Ian Fielder, volunteer co-ordinator at Lawrence Weston Community Farm.

Over winter, Wessex Water volunteers helped Dorothy House hospice raise more than £40,000 by collecting Christmas trees across Bath and Trowbridge.

Wild about Wessex

We provided recreational activities through our reservoir and fisheries, supported by a dedicated team of expert rangers. We are fortunate to have reservoirs in beautiful natural locations in the south west and are working to ensure the best levels of accessibility and enable as many people as possible to visit and enjoy their local natural environment.



We provided high-quality trout and coarse angling at our reservoirs and worked with groups like Fishing for Life, who support women in recovery from breast cancer in undertaking therapeutic recreation by learning to fish. We work closely with local sailing and water sports clubs to support access to recreation at our larger sites.

As part of the development of future improvements at our two flagship destinations, Sutton Bingham and Clatworthy, we have set up local user and stakeholder groups to help provide feedback on local priorities for the sites.

Education

Our longstanding free education service to schools continues to deliver topics associated with water, sewage, public health and environment, with engaging sessions in schools and at our sites.

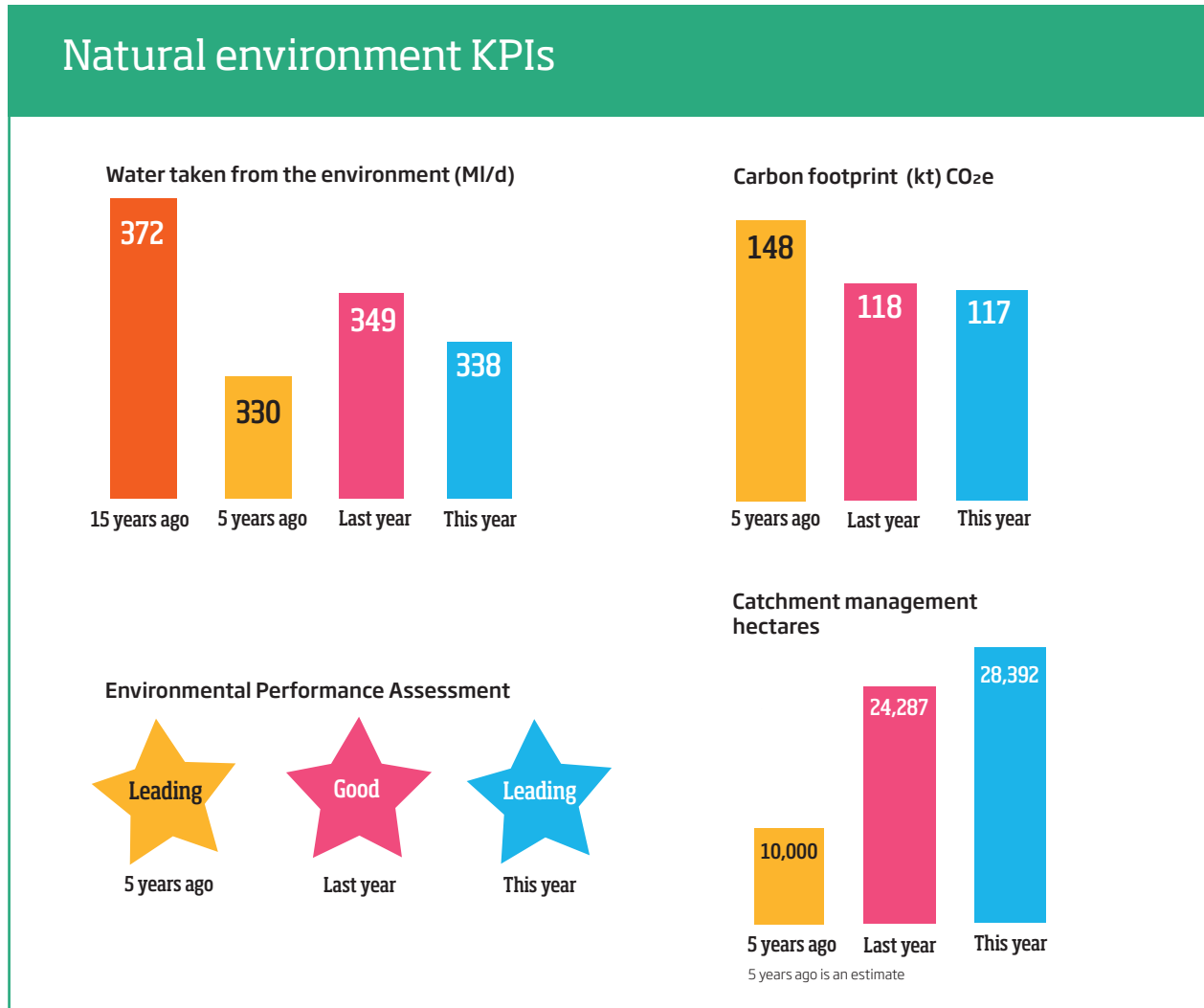
Our four education advisers not only visit schools, but also offer sessions at our education centres. Last year, around 24,000 children and students benefited from school visits with targeted curriculum sessions and trips to water treatment and water recycling centres, interactive presentations, demonstrations and hands-on science investigations.

Community communications

As well as our customer magazine, we have launched a new local area email newsletter and a new community area on our website. This provides a focus on local news and information for events, volunteering and funding as well as essential work, campaigns and investment taking place in their area.

Our natural environment

Our aim is to protect and improve the environment. Our region contains many of the country's finest rivers and streams and we are focused on working with other stakeholders in continuing to protect and improve their condition.



This year in brief

- Four-star leading performer according to the Environment Agency's annual environmental performance assessment.
- 100% compliance with abstraction licences, sludge standards and National Environment Programme outputs.
- 98.5% compliance with water discharge permits.
- 93% of our SSSI landholding in favourable or recovering status.
- Successfully delivering 54 tonnes per year of phosphorus reduction in the Bristol Avon against a target of 44 tonnes per year as part of a UK first catchment permitting trial.
- Growing use of the Wessex Water Marketplace to help bring new ideas and solutions to the challenges we face.

Wessex Water Marketplace

Launched in April 2019, the Wessex Water Marketplace allows us to champion new, innovative ideas from within Wessex Water and outside. The aim is to inspire innovation and encourage collaboration to deliver the best value for our customers and the environment.

At the heart of the Marketplace is the online platform **marketplace.wessexwater.co.uk** that allows us to interact with wider markets and share our data, posing challenges to the market as an open question.

To date we have run nine challenges through the Marketplace, focusing on a variety of business outcomes across waste and supply as well as customer engagement. We will continue to build on these challenges over the coming year.

Ofwat requires all companies to publish bid assessment frameworks (BAFs) to support the bidding market for water resources, demand management and leakage services. In a bidding market, third parties submit bids that provide solutions to help the water company meet its future water needs. The framework fits well with our marketplace. Our BAF can be found on our marketplace website.

We have committed to reporting annually on our activity under the BAF. To date we have not received any bids under the BAF to provide services to us. However, we have run two marketplace challenges that follow the principles of the BAF.



One of the Marketplace challenges is focused on making better use of the data from our combined sewer overflows. We asked whether we could process alarms more intelligently during rainfall events, as well as using the data to identify blockages and network incidents before they cause a spill. We are partway through trialling three systems to see if any can help improve our network management.

Another challenge asked for assistance in leakage detection and whether we could improve the use of data from the loggers we deploy in areas suspected of having leaks, with the aim of increasing our leak identification rate and improving the efficiency of our leakage inspectors. We are currently meeting with shortlisted suppliers to understand their approach and see if any can offer the improvements we are looking for.

Water resources and leakage

The first few months of 2019-20 were drier than usual but this was followed by substantially higher than average rainfall for the rest of the year. From October 2019 to March 2020, rainfall was 127% of average, with February being one of the wettest ever recorded for our region. As a result, groundwater levels in all our major aquifers were higher than average and all our impounding reservoirs were full at the start of 2020-21.

Our final water resources management plan was accepted by Defra and published in August 2019. The plan sets out how we will maintain a balance between supply and demand while protecting the environment for the next 25 years. It includes our commitment to reduce leakage levels by 15% over the next five years. This year, we reduced leakage to 61.4MI/d, beating our target. We also met our target of fixing 90% of leaks reported to us in the same day.

Our work with neighbouring companies and the Environment Agency on the West Country Water Resources Group has increased over the last year. We published our first regional initial resource position report in March 2020. This document sets out the likely water needs for the region for the period to 2050 and will be used to shape further development of our first regional plan - see here. We have also started work on feasibility studies for schemes that would provide water to other nearby companies.

We continued to meet our performance commitment for the abstraction incentive mechanism (AIM) at Mere this year, where we voluntarily reduce abstraction to conserve stream flows. We didn't export any water from the catchment when groundwater was below the trigger threshold.

Improving water efficiency

We are committed to reducing the amount of treated water that is used unnecessarily. This maintains the resilience of our services, helps to keep bills affordable and leaves more water in the environment.

NUMBER OF WATER SAVING DEVICES ISSUED

11,000

We sent out nearly 11,000 water saving devices and engaged with more than 13,000 school children on water efficiency.

This year we have continued to engage with customers on using water wisely. We completed delivery of our Home Check programme, visiting customers to fit water saving devices, fix simple plumbing leaks and offer tailored behavioural advice.

We offered our “Winter ready home visit” to customers in vulnerable circumstances, where we help to fit lagging or external tap covers, and check for internal leaks.

While we met our target for water saved through water efficiency promotion, average daily water use is 145 litres per person, which is above our target. Part of this was the higher household demand in March 2020 due to COVID-19, which we expect to continue until measures are relaxed.

Catchment-based approach

We use catchment-based strategies to deliver sustainable, cost effective solutions that deal with the source of the problem not the symptoms.

Examples include:

- EnTrade auctions to reduce nitrate leaching in Poole Harbour, exceeding the 40 tonne target
- our public health project to reduce pharmaceuticals in the environment through green and social prescribing and improving medicine disposal
- developing a joint phosphorus offsetting auction, through EnTrade, with Wiltshire Council, in the Pewsey Vale, aiming to reduce phosphorus to the river by around 230kg in 2020-21.

We are currently working with farmers at 21 sites to reduce nitrate levels in groundwater sources, offset phosphorus loading to rivers or remove pesticide risks from reservoirs.

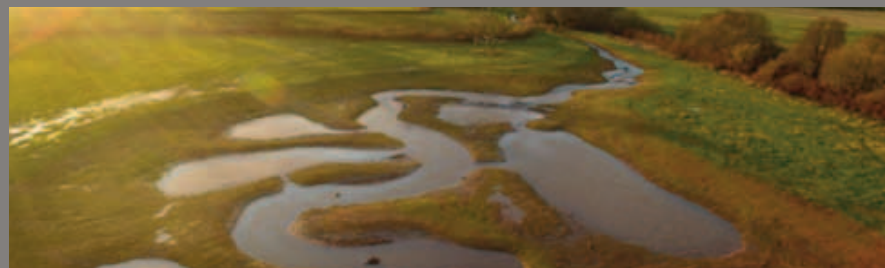
TONNES OF PHOSPHORUS
REMOVED

54 tonnes

Our catchment permitting trial in the Bristol Avon reduced phosphorus loads by 54 tonnes, against a target of 44 tonnes

Multi-functional wetlands

We have constructed two multi-functional wetlands to provide water quality, flood attenuation and biodiversity benefits. A new wetland at Durleigh comprises two elements: a constructed wetland to provide sustainable water quality treatment for the raw water abstracted from the Taunton and Bridgwater Canal (below); and a river restoration scheme to provide wetland habitat.



Catchment partnerships

We continue to support four catchment partnerships within our region, including co-hosting the Bristol Avon and Dorset Catchment Partnerships.

Since 2018, the Bristol Avon Catchment Partnership has been involved with the development of five landscape-scale, strategic projects such as River Frome Reconnected. This has enabled partnership working with a wider range of organisations to align priorities to improve the water environment, in particular working more effectively with the five unitary authorities that are spread across the catchment.

A further six projects have been supported via the Bristol Avon Catchment Partnership Fund during 2019-20. These have focused on project development, feasibility work and education/engagement, including:

- developing a landscape vision for the North Somerset Levels and Moors
- feasibility work on a fish passage on the Bristol Frome river
- engaging with stakeholders on the By Brook sub catchment to develop a joint action plan.

During 2019-20, the Dorset Catchment Partnership worked with a broad range of partners to deliver improvements in the Poole Harbour, Stour, and West Dorset Rivers and Coastal Stream catchments. This involved bringing in additional funding from a range of sources to deliver more than 40 projects to improve biodiversity, water quality and nutrient management, as well as addressing barriers to fish passage and physical modifications in the river channel, and inspiring positive behaviour change among water users. More than 20 partners are involved, engaging around 2,500 people, including more than 500 landowners and farmers.

Our biodiversity action plan partners programme has supported four key projects across our region over the last five years, investing £350,000 in on-the-ground nature conservation delivery. Two key projects have been the Dorset Wild Rivers and Wessex Chalk Streams Project:

- **Dorset Wild Rivers** - delivered 18km of river restoration, created 135 hectares of habitat along watercourses and, for every £1 provided by Wessex Water, a further £5.80 has been matched (excluding in-kind or volunteer contributions) from other funding sources
- **Wessex Chalk Streams Project** - delivered 25.4km of river restoration, with a total value of £880k (including volunteer time) invested in the Hampshire Avon, providing a ratio of 1:8.8 to Wessex Water contributions.

Environmental performance

We were rated as “leading” in the Environment Agency’s annual environmental performance assessment (EPA), having reduced the number of pollution incidents to 76 and increased the level of self-reporting of incidents to 85%.

In 2019 we made great strides to reduce sewage flooding and pollution incidents. Our Pollution Incident Reduction Plan was developed during the year and is now published on our website. Approximately half the pollutions were a result of blockages - prevention of which has been a big focus.

We have been delivering a programme to monitor overflows throughout our region and we have now installed event duration monitoring at 75% of our intermittent discharges. We will reach 100% by 2022.

Construction work has begun on the £60m Trym relief sewer, a 14km long tunnel providing additional capacity in West Bristol to tackle existing flooding issues as well as accommodating new developments. The work will be completed in 2023.

Artificial intelligence for sewer survey

We are undertaking a collaborative project on the potential of Artificial intelligence (AI) to survey the condition of sewer walls. A specially designed boat is used to scan the walls and an AI algorithm interprets the scans. This can identify, for example, how hydrogen sulphide has affected the sewer and if the walls are developing structural issues. This technology will help reduce the need for people to go into sewers.

This year 96% of our bathing waters passed strict environmental standards. This is below our aspirational 100% target. Two beaches (Weston super Mare Uphill Slipway and Burnham Jetty) continue to be assessed as having below standard water quality. We have invested £39m in improvements in the area over the last five years including increased storage capacity in the sewerage network and advanced treatment (ultraviolet disinfection) at Cannington water recycling centre. However due to the multiple impacts on water quality that go beyond our control, Burnham Jetty has now been de-designated as a bathing water by the Environment Agency.

Environmental investigations

We have completed 45 environmental investigations during the last five years. These are focused on understanding the environmental impact of our activities and trialling alternative, more sustainable options. The outputs of these investigations inform our environmental investment from 2020, to ensure it is based on sound science, robust evidence and will deliver an improvement to our rivers and catchments.

More information about this programme of investigations can be found on our website, [here](#).

Wildlife and conservation

Our proactive conservation programme is set out in our Biodiversity Action Plan (BAP), through which we aim to halt or reverse biodiversity loss on our land. Our compliance with the national Site of Special Scientific Interest (SSSI) target is now at 93.2% of SSSI-designated land in favourable or recovering condition, of which 62.7% is in favourable condition. This exceeds the national target of 50% of land in favourable condition.

We have achieved our company target of assessing 100% of our eligible landholding for its biodiversity value by 2020, which covers 2,160 hectares of eligible land.

Reduced carbon footprint

One of our sustainability goals is to achieve net zero operational carbon emissions by 2030. Our net greenhouse gas emissions fell to 117,000 tonnes carbon dioxide equivalent in 2019-20.

This continues a trend of reductions that began 10 years ago and is our lowest annual operational carbon footprint since we began reporting in 1997. This was achieved through a combination of energy efficiency improvements, renewable energy generation and the rapidly falling carbon dioxide intensity of UK grid electricity.

Our electricity use increased from 2018-19, mainly due to wet weather from September onwards. Notwithstanding this, we continue to look for energy efficiency opportunities that can counteract rising energy use caused by tighter water and sewage treatment standards, and the operation of our regional water supply grid. This year, 26% of our electricity demand came from renewable energy generation on our sites.

The RESCCUE project

We are a partner in the EU-funded RESCCUE project, which aims to provide a framework for city resilience to climate change, particularly focusing on the effects of sea level rise, more extreme rainfall conditions and the cascading impact of flooding on other city functions such as transport, power supply and waste management. Bristol is one of three European cities being used to develop and prove methodologies. The work involves close collaboration between Bristol City Council, Wessex Water and the Environment Agency as well as other utility and city service providers. A Resilience Action Plan is being developed for Bristol and assessment of future flood-prevention infrastructure is well advanced. This will inform the capital investment required in Bristol in the future.

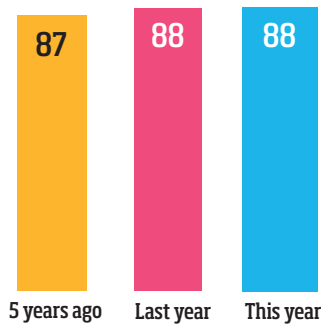


Our people

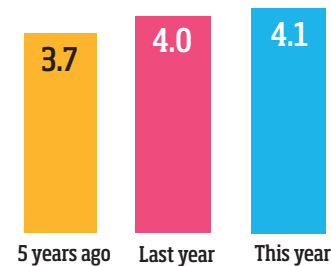
We aim to provide our people with the opportunity for personal development and a satisfying career, ensuring a safe and healthy working environment.

People KPIs

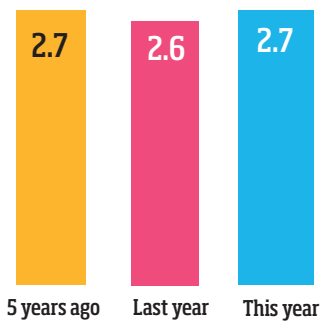
Employees rating company a good employer (%)



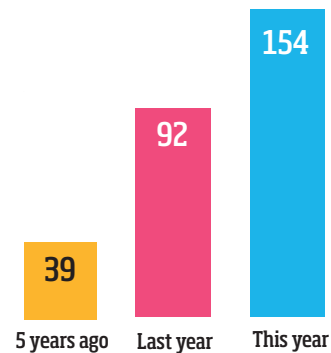
Reportable incident rate per 1,000 staff



Sickness absence (%)



Number of apprentices



This year in brief

- This year, we launched our culture, inclusion and diversity vision, 'Everybody Belongs', which is at the core of our commitment to promoting these areas.
- Of our apprentices starting this year, 10% come from government recognised disadvantaged postcodes.
- This year we have begun to work with a local BAME based charity working with people in Bristol from disadvantaged backgrounds.
- We actively provide learning and development opportunities for our people at all levels within our business to consolidate their learning and upskilling, through further education and professional development programmes.

Promoting and encouraging diversity and inclusion has again been a key focus this year. We want the diversity of our workforce to reflect the diversity of the communities we serve.

- This year, we launched our culture, inclusion and diversity vision, 'Everybody Belongs', which is at the core of our commitment to promoting these areas.
- We continue to develop leadership capability, nurturing and further developing talent from across the business.
- We continue to enhance our early careers and graduate community - our talent pipeline for the future.
- Apprenticeships remain a key element of our resourcing strategy to build and maintain a sustainable workforce.
- We continue to support mental health wellbeing through awareness, training of colleagues in mental health first aid and providing colleagues with skills to build resilience.

Training

This year we have delivered 600 courses with an average of 2.7 days' development training per colleague. We have again partnered with West of England Mentoring and delivered a third consecutive year of mentoring to students at St Mark's school in Bath. This year it resulted in a nomination for

South West mentor of year for one of the team involved.

Our current leadership and management programmes are being reviewed. We are creating a blended learning approach to training using more e-learning content (iLearn), maximising the time a learner spends in the training room to focus on application of skills.

We have used the iLearn platform to create new ways of alerting colleagues to changes in risk assessments or health and safety updates, with the ability to test their comprehension through the iLearn functionality.

Our first technical course was created for working at heights and we were given ROSPA (Royal Society for the Prevention of Accidents) approval after an industry benchmarking process.

Early careers

This year we have widened participation in our work experience opportunities. We have introduced a structured programme following one of three pathways: Construction and Engineering, Science and the Environment, and Corporate Business. This year, we have delivered week-long work experience placements to 34 students, of whom 24% were female.

To ensure that our early careers intake reflects our customer base, we have increased the number of universities to whom we promote this. Using Higher Education Statistics Agency (HESA) data to identify appropriate universities based on area of study, gender split and ethnicity has allowed us to target our recruitment. We now use the online portals of more than 20 universities in addition to our three local institutes.

We continue to work with young people excluded from traditional education and target specific areas. This year we have begun to work with Babassa, a local BAME based charity working with people in Bristol from disadvantaged backgrounds.

To support this work, we are now recognised as a Cornerstone Employer for the Careers & Enterprise Company, which will bring attention to the social mobility and opportunity area of Minehead and Taunton in the west of our region. Of our apprentices starting this year, 10% are from government recognised disadvantaged postcodes. Our early careers team continues to develop holistic people and employability skills in all our apprentices. Of the 350 applicants for our technical apprenticeships roles, 10% are female; above the national average for engineering and construction-based apprenticeship applications. Our work to engage larger numbers of women in the water industry continues.

Our career development apprenticeship programmes continue to grow with more than 60 members of staff, many of whom have no formal qualifications, now studying at advanced levels.

APPLICATIONS FOR APPRENTICESHIPS

350

Apprenticeship recruitment has been strong across the region with 350 applicants for our 35 technical apprenticeship roles.



We aim to be a friendly place where everyone enjoys working and feels they belong. We are committed to a culture which recognises the value of differences and understands that diversity and inclusion is good for our people and good for our business. This year we launched our culture, inclusion and diversity vision, which is at the core of our commitment to promoting these areas.

Diversity

We have an active group of culture champions who promote inclusion and diversity across the business, supported by our leadership team. Our current projects focus on updating our people manager training, supporting working families and enhancing recruitment activities. The work of our early careers team has increased our socio-economic diversity and female representation in engineering and construction.



We continue to support and encourage flexible working where operationally feasible. Following the successful change to flexible working and

homeworking for many of our people during the COVID-19 pandemic, we are reviewing the way we work, which will promote a better work-life balance while improving performance and productivity.

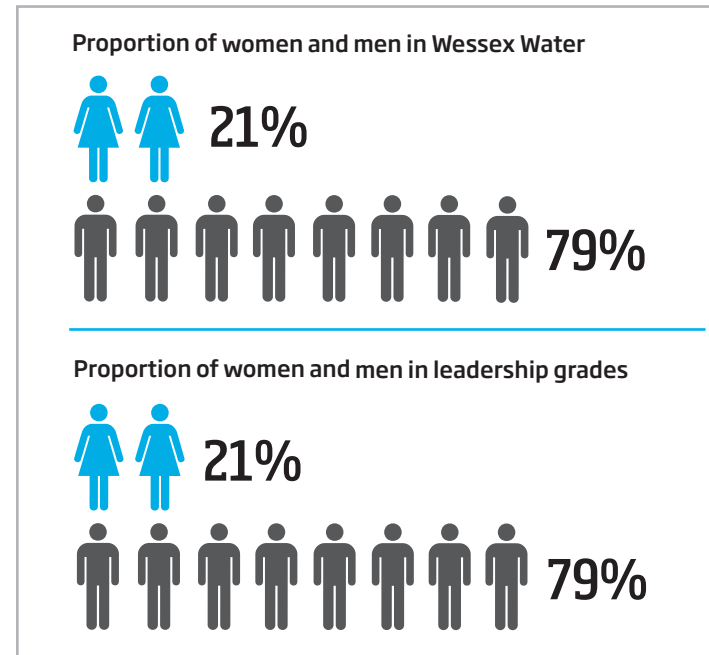
We listen to and empower our people through activities such as people's councils and live question and answer sessions with leadership teams. In addition, there are numerous interest groups created and run by our colleagues.

Diversity scorecard

In March 2020, there were 2,547 colleagues, of whom 534 were women and 2,013 were men. There are 13 board directors, of whom 10 are men and three are women, and 43 senior managers of whom eight are women and 35 are men.

Last year, the number of women colleagues in our workforce reduced by 1% to 21%, while in leadership roles the number of women managers increased by 1% to 21%.

As part of our diversity and inclusion initiatives we are continually looking at how best to attract a wide range of candidates.



Our culture, inclusion and diversity vision

All parts of the Wessex Water Group will:

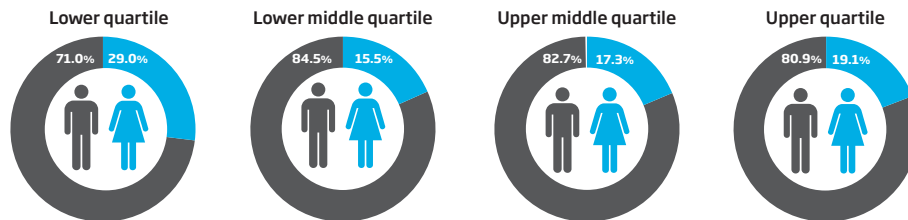
- celebrate diversity and encourage inclusion
- enable everyone to take ownership and accountability through empowerment
- listen to our people's views, ideas and concerns and act on them
- reject any form of discrimination or bias
- reflect the diversity of the communities we serve.

Gender pay gap

All companies with more than 250 employees are required to publish their gender pay gap at 5 April each year. The gender pay gap is the difference in average hourly pay received by men and women. The following data represents our gender pay gap figures as at 5 April 2020. It should be noted that the gender pay gap is different to equal pay, the right for men and women to be paid the same rate of pay for doing work that is of equal value.

Gender pay gap	2019
Wessex Water mean	4.8%
Wessex Water median	5.7%
National median (2019)	17.3%

Pay quartiles by gender



Our gender pay gap remains significantly lower than the UK median of 17.3%* and reflects gender distribution in job roles across our workforce rather than any equal pay issues.

We have a robust job evaluation process. We operate a framework of grades and pay ranges within each grade, and we are confident our approach on pay is not influenced by gender.

*ONS median pay gap 2019

In common with many businesses with a predominance of STEM skills, the water industry is heavily male dominated. We recognise that diversity is a strength and we continue our efforts to create a diverse and inclusive environment to improve the representation of women within our business and the industry.

We value the differences a diverse workforce brings and are committed to creating and promoting an inclusive workplace for employees and all those who work with the company. We have clear areas of focus which we believe will contribute to reducing our gender pay gap. Current areas of focus include:

- reflecting the diversity of the community we serve
- community education
- apprenticeships, graduates and early careers
- promoting and encouraging flexible working
- improving all forms of diversity and inclusion at all levels.

We believe these areas of focus will have a positive impact on further reducing our gender pay gap over time.



Health and safety

The management of health and safety is critical to us and is embedded across all business areas to ensure we maintain our position as a responsible, safe employer where all employees can work safely and reach their full potential. Protecting the health, safety and welfare of our staff, contractors and customers is a shared responsibility and we continue to deliver a strong health, safety and welfare culture in our day-to-day operations.

Our aim is for zero accidents and we monitor all accidents, incidents and observations reported by employees. The information we collect assists in determining problem areas or emerging trends and allows resources to be allocated to prevent accidents or illnesses.

For the 12 months to 31 December 2019:

- 571 incidents reported (a slight decrease of 5% from 2018)
- 10 reportable incidents were reported to the Health and Safety Executive (HSE) with the loss of 498 days. This is in line with the annual company target (disabling) injuries and all colleagues involved have returned to work
- one reportable dangerous occurrence
- three specified injuries
- no enforcement action from the HSE.



All incidents

As with all other companies our aim is to reduce incidents. Of the 571 incidents reported in 2019, the principle causes were near misses, service strikes and slips, trips and falls.

Safety observations

Overall, 1,172 safety observations (good and bad) were reported in 2019 by colleagues using the health and safety incident and

observation reporting app. Each observation is reviewed by a safety or compliance adviser and passed to relevant managers for action.

Reportable incident rate

This is the measure of the number of reportable incidents per 1,000 employees. There were 4.1 incidents per 1,000 employees, which is in line with the company target.

Lost time incident rate

This includes all reported incidents involving staff that resulted in absence from work of one or more days. In 2019 there were 34 lost time incidents, a slight increase of 6% from 2018. The principal causes of lost time in 2019 were slips, trips and falls, and manual handling.

Enforcement action

There was no enforcement action from the HSE relating to breaches of health and safety legislation in 2019.

Health, safety and welfare strategy

We continue to embed a positive health, safety and welfare culture in our daily activities. This targets zero workplace accidents and supports our company aim to be a great place to work in which all employees can work safely and reach their full potential. Where possible we look to share innovation and best practice and learn from internally and externally reported incidents.

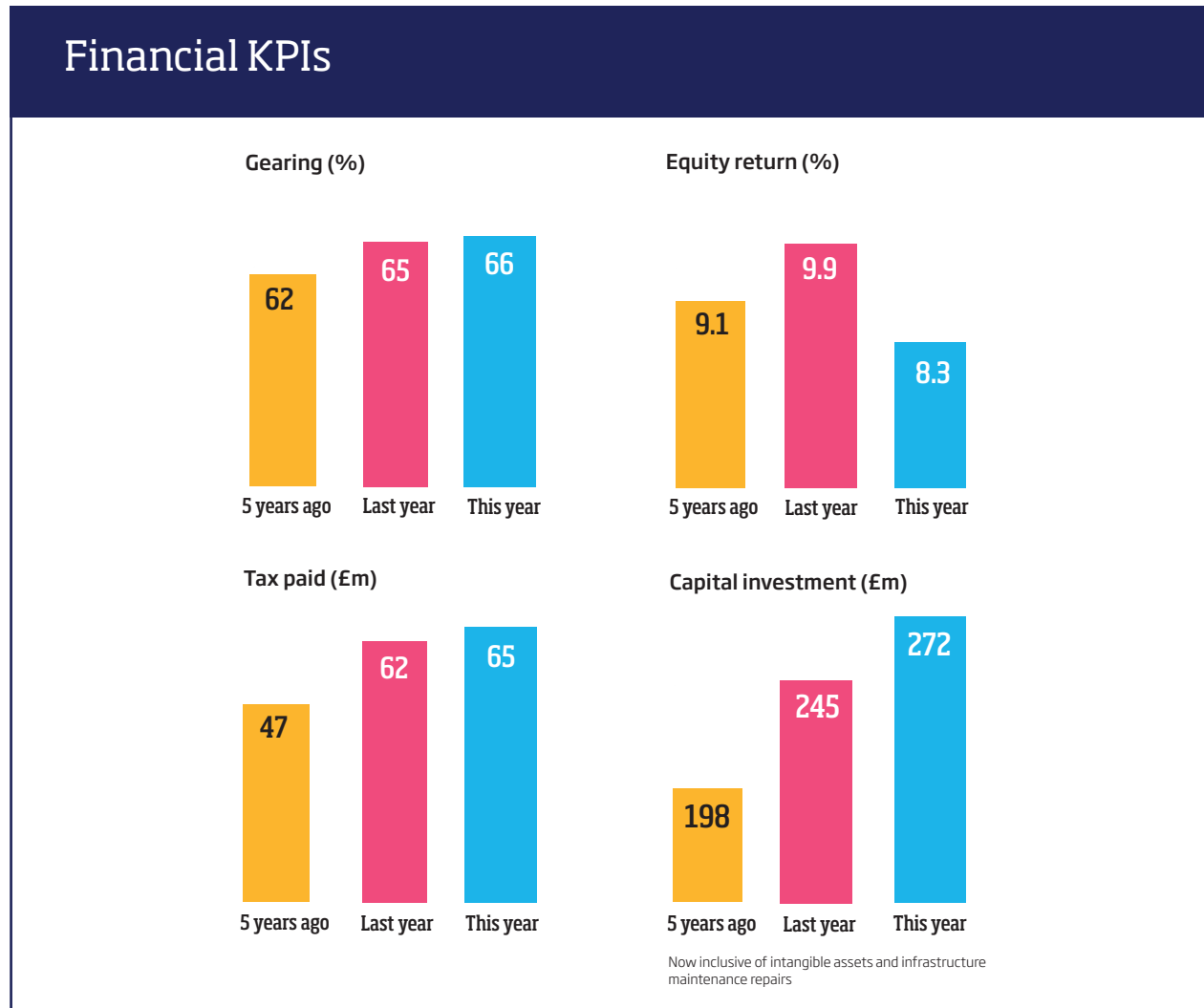
To ensure we achieve this aim, our five-year health, safety and welfare strategy details performance measures in four strategic areas as shown on the left. Performance against the strategy and each area is monitored by the Wessex Water health and safety management group and reported to the Corporate and Social Responsibility committee.

External recognition

Our continued commitment to high safety standards and performance was recognised in 2019 with Engineering and Construction awarded the RoSPA Gold Medal Award (eight consecutive golds).

Our financial stewardship

We aim to provide our investors with a fair return on their investment. We maintain a prudent balance sheet and a flexible dividend policy that takes account of the performance of the company for customers.



This year in brief

- Turnover increased by £4.6m (0.8%).
- Our cost of debt reduced from 4.4% to 4.2%.
- We delivered one of our highest ever levels of capital investment of £271.7m, contributing significantly to growth and jobs in the region
- Operating profit fell by £15.9m.
- Regulatory gearing at year end increased to 66.2%.
- £200m bond issued and revolving credit facilities extended by £75m.
- More than £60m paid in corporation tax, business rates and other taxes.

We had another year of strong financial performance in 2019-20, reflecting continuing outperformance against our 2015-2020 business plan.

- We made major investments at a number of water treatment works and water recycling centres, with gross capital expenditure of £271.7m in the year.
- Our tax strategy remains consistent with previous years and is fully aligned with the company's overall objectives. We continue to comply with the spirit and letter of UK tax legislation.
- Regulatory gearing, as measured by net debt to regulatory capital value, was 66.2%, which remains within the policy set by the board.

Financial performance

The final year of the PR14 price review saw a reduction in profitability, with operating profit falling by £15.9m from £228.4m to £212.5m.

Turnover

Turnover increased by £4.6m (0.8%) from £547.7m to £552.3m. From 1 April 2019 there was a price increase of 0.04% plus November RPI of 3.2%. By returning past over-recovery to customers, this increase was reduced by 3.8%, resulting in a net decrease of 0.6% in line with the level allowed by Ofwat.

Operational costs

Underlying operational costs increased by £20.5m from £319.3m to £339.8m. There were increases in site operations, Environment Agency charges and a £7.4m increase in depreciation offset by a decrease in centralised overheads.

As a result of COVID-19, an additional bad debt charge of £1.1m has also been recognised in this year's accounts.

Net interest charges

Net interest charges reduced by £2.4m from £93.7m last year to £91.3m this year. The reduction in interest payable arose because of a fall in the cost of debt from 4.4% to 4.2% in respect of floating rate and index linked borrowings, countering an overall increase in net debt during the year from £2,091.4m to £2,219.3m. There is a prudent mix of debt instruments and at the year end the split was 51% fixed, 35% index linked and 14% floating, with the index linked debt based on November and March RPI. The maturity of debt is generally long term with £1,803m of debt maturing after 2025.

Taxation charge

The corporation tax charge was £16.1m, a reduction of £1.6m compared to the £17.7m last year. Profit before tax fell from £134.7m to £121.2m. Deferred tax has increased from a charge of £6.8m last year to a charge of £38.5m this year, primarily as a result of the UK government decision to reverse the reduction in the corporation tax rate.

The company has a statutory year end of 30 June and the tax computation is prepared for the 12 months to 30 June each year. In the current year, the company paid six rather than the usual four quarterly instalment payments as it transitioned to the new quarterly instalment regime.

Cash flow and gearing

Net debt increased by £127.9m from £2,091.4m to £2,219.3m. The cash inflow from operations of £326.0m was reduced by net capital investment of £232.6m, interest and tax payments of £92.6m, dividend payments of £88.0m, working capital outflows of £16.3m and bond accruals of £24.4m. Liquidity at year end was £327.3 comprising bank facilities not yet drawn down, bank overdrafts and cash held on deposit.

The regulatory capital grew by £117m, from £3,233m to £3,350m, increasing by £31m in relation to inflation and £86m for growth in assets. Gearing at 31 March 2020, calculated as net debt divided by regulatory capital value, was 66.2%, an increase from 64.7% last year because the percentage increase in the regulatory capital value was proportionally less than the percentage increase in net debt.

Capital investment

In 2019-20 we delivered gross capital expenditure for the final year of the AMP6 period of £271.7m, which is £27.2m more than the £244.5m delivered last year (figures include infrastructure renewals expensed through the P&L). This profile is typical of a five-year capital programme where there is lower expenditure in the first two years of the new price control period as the new programme of work is commissioned, with the highest capital expenditure in the latter years.

CAPITAL INVESTMENT

£271.7m

TURNOVER

£552.3m

OPERATIONAL COSTS

£339.8m

Income statement

For the year ended 31 March 2020

	2020 £m Total	2019 £m Total
Revenue	552.3	547.7
Total operating costs	(339.8)	(319.3)
Operating profit	212.5	228.4
Financial income	0.5	0.1
Financial expenses	(91.8)	(93.8)
Net financing expense	(91.3)	(93.7)
Profit before tax	121.2	134.7
Taxation	(54.6)	(24.5)
Profit for the year	66.6	110.2

As there are no non-controlling interests, the profit for the year is wholly attributable to the owners of the parent company.

Sustainability accounting

For the year ended 31 March 2020

Licences and fiscal measures

The licences, taxes and other charges that have an environmental basis include abstraction licences and discharge consents and the Climate Change Levy among others. We paid approximately £17.5m for these in 2019-20.

Investment towards sustainability

Expenditure made in the last 12 months has two main components: mandatory expenditure driven by legislation and additional discretionary expenditure that benefits our customers, the environment in our region and our employees.

	2020 £m	2019 £m
Customers and communities		
Mandatory	122	112
Discretionary	3	3
Environment		
Mandatory	124	106
Discretionary	<1	<1
Employees		
Mandatory	62	60
Discretionary	13	12
Totals		
Mandatory	308	278
Discretionary	16	15

Balance sheet

For the year ended 31 March 2020

	2020 £m	2019 £m (restated)
Non-current assets		
Property, plant and equipment	3,768.8	3,641.3
Intangible assets	58.1	34.7
Investments in subsidiaries	-	-
	3,828.9	3,676.0
Current assets		
Inventories	3.9	5.0
Trade and other receivables	182.7	183.9
Cash and cash equivalents	42.3	-
	228.9	188.9
Total assets	4,055.8	3,864.9
Current liabilities		
Bank overdraft	-	(20.4)
Other interest-bearing loans and borrowings	(5.8)	(31.4)
Trade and other payables	(168.7)	(174.6)
	(174.5)	(226.4)
Non-current liabilities		
Other interest-bearing loans and borrowings	(2,255.8)	(2,039.6)
Contract liabilities	(6.3)	(6.3)
Employee benefits	(90.6)	(140.6)
Deferred grants and contributions	(289.1)	(269.3)
Provisions	(0.2)	(1.2)
Deferred tax liabilities	(415.4)	(356.6)
	(3,057.4)	(2,813.6)
Total liabilities	(3,231.9)	(3,040.0)
Net assets	823.9	824.9
Equity		
Share capital	-	-
Retained earnings	823.9	824.9
Total equity	823.9	824.9

Cash flow statement

For the year ended 31 March 2020

	2020 £m	2019 £m (restated)
Cash flows from operating activities		
Profit for the year	66.6	110.2
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	113.5	106.1
Financial income	(0.5)	(0.1)
Financial expense	91.8	93.8
Taxation	54.6	24.5
	326.0	334.5
Decrease in trade and other receivables	1.8	1.1
Decrease in inventories	1.1	0.7
(Decrease) in trade and other payables	(4.9)	(8.1)
(Decrease) in provisions and employee benefits	(14.2)	(10.6)
	(16.2)	(16.9)
Tax paid	(25.8)	(21.6)
Net cash from operating activities	284.0	296.0
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	2.2	2.2
Proceeds from sale of intangible assets	-	-
Interest received	0.5	0.1
Acquisition of property, plant and equipment	(210.3)	(222.7)
Acquisition of intangible assets	(31.2)	(13.7)
Proceeds from infrastructure charges and capital	6.6	10.8
	(232.2)	(223.3)
Cash flows from financing activities		
Proceeds from new loans	198.3	170.0
Interest paid	(67.3)	(63.4)
Repayment of borrowings	(30.0)	(140.0)
Payment of finance lease liabilities	(2.1)	(5.5)
Dividends paid	(88.0)	(90.0)
	10.9	(128.9)
Net cash from financing activities	10.9	(128.9)
Increase/(decrease) in cash and cash equivalents	62.7	(56.2)
Cash and cash equivalents at 1 April	(20.4)	35.8
Cash and cash equivalents at 31 March	42.3	(20.4)

Performance at a glance

Our progress against our 32 regulatory performance commitments and other company measures is shown below.

Performance commitments

Our performance commitments were developed in consultation with our customers and other stakeholders. Each has a confirmed target up to 2020.

We have met or exceeded our targets on 25 of our performance commitments, four of which will result in an outperformance payment. There are seven measures where we have not achieved our targeted performance. For one of these measures (customer contacts about drinking water quality) we will receive a financial penalty. For two measures (mean zonal compliance and the risk of flooding from public sewers due to hydraulic incapacity) our performance was close to the target and therefore no penalty is due. We have also missed our target on four non-financial measures.

For a more detailed explanation of the performance commitments and financial implications of this year's performance, please refer to pages 7-23 of this report and section four of our annual performance report, available on our website wessexwater.co.uk

Other company measures

Areas such as employee metrics, diverting non-sludge waste from landfill and the proportion of customers with water meters are all covered here.

For further detail on our sustainability indicators please see our website wessexwater.co.uk

Wessex Water Partnership report

The Wessex Water Partnership conduct an independent assessment of the company's performance against its targets. Their annual report can be found on their website wessexwaterpartnership.co.uk



Performance at a glance

Regulatory performance commitments



	2019-20 target	2019-20 actual	2019-20 vs target	2015-16 to 2019-20
Service Incentive Mechanism (SIM) score	>86	86	✓	
Percentage customers rating service good/very good	>95%	98%	✓	
Percentage customers rating good value for money	75%	74%	✗	
Bill as a proportion of disposable income	Reducing trend from 2014	1.4%	✓	
Percentage customers rating ease of resolution	Improving trend	91%	✗	
Accessible communications	Meet best practice	✓	✓	
Customer contacts about drinking water quality	1,608	2,097	✗	
Volume of water used per person	131	145	✗	
Volume of water saved by efficiency promotion	3.26	3.34	✓	
Restrictions on water use (hosepipe bans)	0	0	✓	

	2019-20 target	2019-20 actual	2019-20 vs target	2015-16 to 2019-20
Compliance with drinking water standards	100.00%	99.97%	✗	
Water supply interruptions	12.0	7.6	✓	
Volume of water leaked	66.5	61.4	✓	
Customer reported leaks fixed within a day	90%	90%	✓	
EAs Environmental Performance Assessment	Leading	Leading	✓	
Agreed schemes delivered	100%	100%	✓	
Beaches passing EU standards	100%	96%	✗	
Monitoring combined sewer overflows (CSO's)	100%	100%	✓	
River water quality improved	70	70	✓	
Compliance with abstraction licences	100%	100%	✓	

*We have submitted a request to Ofwat to change our target in 2019-20 from >86 to >84. Please see our Annual performance report for further details. Any targets that are missed are explained in the relevant section of this report.

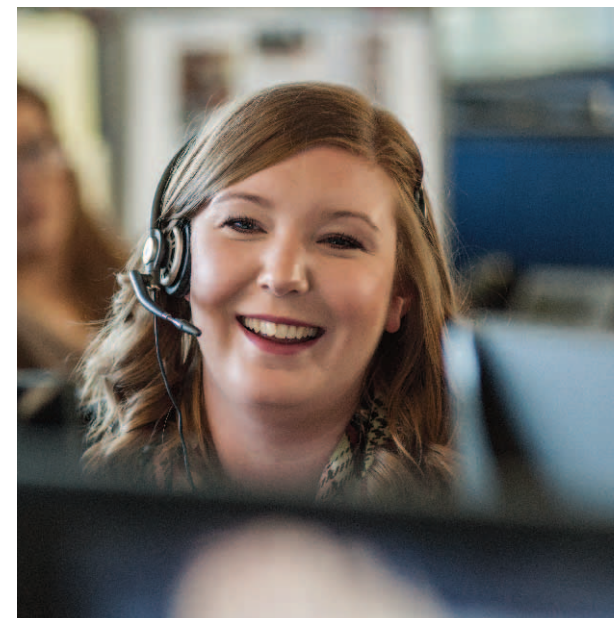
Performance at a glance

Regulatory performance commitments



	2019-20 target	2019-20 actual	2019-20 vs target	2015-16 to 2019-20
Abstractions at Mere exported	100	11	✓	
BAP landholding assessed and managed for biodiversity	100%	100%	✓	
Length of rivers with improved flows	99	111	✓	
Internal flooding incidents	1.66	1.16	✓	
Risk of flooding from public sewers due to hydraulic inadequacy	50,651	52,262	✗	
North Bristol Sewer Scheme - Trym catchment	n/a	n/a	✓	
North Bristol Sewer Scheme - Frome catchment	n/a	n/a	✓	
Collapses and bursts on sewer network	< 300	251	✓	
Properties supplied by a single source	42,000	42,000	✓	
Water main bursts	< 1,993	1,783	✓	

	2019-20 target	2019-20 actual	2019-20 vs target	2015-16 to 2019-20
Greenhouse gas emissions	119	117	✓	
Proportion of energy self-generated	24%	26%	✓	



Performance at a glance

Other company measures - sustainability indicators

	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16 to 2019-20
Households metered (%)	60%	61%	64%	66%	68%	
Number educated (1,000 people)	29	29	26	35	27	
Water into supply (megalitres / day)	333	337	341	349	341	
Pollution incidents (sewerage) per 10,000km	48	22	23	24	22	
Serious pollution incidents (sewerage) per 10,000km	1.7	0.6	0.9	1.2	0.3	
Non-sludge waste diverted from landfill (%)	98.0%	97.6%	99.1%	99.8%	99.7%	
Days lost - all causes (rate per employee)	6.1	6.6	6.0	5.2	6.9	
Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) incidents (rate per 1,000 employees)	3.4	4.5	4.6	3.6	4.1	
Major/fatal accidents (rate per 1,000 employees)	0.5	1.4	0.8	0.8	1.2	
Sickness & absence (days / employee)	6.5	5.7	5.7	5.7	7.5	



Performance at a glance

Other company measures - internal targets

	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16 to 2019-20
Health and safety plan and accident statistics progress		✓	✓	✓	✓	
Employees rating company as a good employer	83%	86%	84%	88%	88%	<p>A line chart showing the percentage of employees rating the company as a good employer. The y-axis ranges from 80% to 90%. The data points are: 83% (2015-16), 86% (2016-17), 84% (2017-18), 88% (2018-19), and 88% (2019-20). The line starts at 83%, rises to 86%, dips to 84%, and then rises to 88% for the final two years.</p>
Compliance with training plan	100%	100%	100%	100%	100%	<p>A line chart showing compliance with the training plan. The y-axis ranges from 80% to 100%. The data points are constant at 100% for all years from 2015-16 to 2019-20. The line is a flat horizontal line at the 100% mark.</p>
Staff retention	91%	92%	91%	91%	91%	<p>A line chart showing staff retention rates. The y-axis ranges from 90% to 94%. The data points are: 91% (2015-16), 92% (2016-17), 91% (2017-18), 91% (2018-19), and 91% (2019-20). The line starts at 91%, rises to 92%, and then remains flat at 91% for the last three years.</p>
Diversity plan progress		✓	✓	✓	✓	



Risk management

The effective management of risk is central to our success. It is critical that we have a robust risk management framework in which material risks to the business are proactively identified, communicated and managed. Risks are defined as any factor that can impede our ability to achieve our objectives.

Our policy on risk assessment and management is subject to regular review by the board. Identification and management of risk is delivered through a hierarchy of risk management reviews from operational colleagues, senior management and executive directors. The board reviews and holds ultimate responsibility for the risk process and for identification and mitigation of risks.

To assist it in discharging its responsibilities, the audit and risk committee reviews the company's internal control systems and process for managing risk. The risk management group comprising senior managers meets monthly throughout the year and submits an updated risk register and summary report to the executive leadership team (ELT) every six months. The ELT is chaired by the chief executive. This group scrutinises and challenges the risks included in the register and identifies any additional work necessary to better classify the risk or explore other available mitigation methods. Any significant emergent risks are reported to the ELT and board as they arise.

The chief executive submits a bi-annual risk review paper to the board for its review. This paper details the risk review process, identifies the current principal risks to the business and the mitigation measures in place. It also records the status of emerging risks that have been identified.

We have provided detailed information on each principal risk in our Annual report and accounts, alongside the financial viability statement. This includes a statement on the context, strategic objectives affected and the mitigation in place to address each risk.



Summary of changes

Since 2018-19, there has been one new principal risk, pandemic infection. Pandemic infection has always been on our corporate risk register, however, with the outbreak of COVID-19 it is clear that either this virus will have an on-going impact or that another virus could arise within the foreseeable future. We are also much clearer in terms of the potential root cause effects of such a virus on our business and as a result we have escalated pandemic infection to be a principal risk. The table below shows our principal risks.

Principal risk	Description
Political/ regulatory action	Actions taken by government or regulators that fundamentally change the operating environment in which we work, affecting the business and/or cash flows.
Digital resilience	A malicious attack or failure of cyber security that results in the corruption or loss of data and/or inefficient operations.
Widespread unfit water	External factors (eg, contamination of supply or customer pipes) or internal factors (eg, asset failure or poor operating performance) that result in the supply of unfit water affecting public health.
Major pollution incident	External factors (eg, sewer misuse or asset failure caused by a third party) or internal factors (eg, asset failure or poor operating performance) that result in a major pollution incident significantly affecting the natural environment.
Health and safety	Failure of operational controls or an external hazard that affects the health and safety of employees, contractors or the public.
Insider threat	A disgruntled, vulnerable or radicalised employee or contractor causes malicious damage to operational activities and/or the company's reputation.
Anti-competitive behaviour	Ineffective internal controls resulting in anti-competitive behaviour.
Failure to meet performance commitments	Failure to manage delivery of performance commitments resulting in a net penalty and /or reputational damage to the business.
Ability to raise finance	We are unable to fund the business sufficiently in order to meet our liabilities as they fall due.
Pandemic infection	Loss of resources (goods/services/people) and/or revenue inhibit our ability to operate

Our board of directors

Our board of directors plays a key role in the running of Wessex Water Services Ltd. They have responsibility for providing leadership, setting strategy, reviewing management performance, ensuring we have the financial and human resources needed to achieve our objectives and ensuring that the company meets its obligations to stakeholders and shareholders.

Our board includes six independent non-executive directors who are appointed from diverse backgrounds, each bringing a breadth and depth of experience to the board and contributing to strong board leadership and governance.

You can find more details about the board members on the Meet the Board section of our website.

Board endorsement of the Annual Review

On 19 June the Audit and Risk Committee considered the Annual Review and had the opportunity to question the Executive Directors and relevant senior managers. It was recommended to the board on 30 June.

On behalf of the Wessex Water board, we confirm that we approve this annual review and are satisfied that it is accurate in all material respects.

Tan Sri Francis Yeoh KBE
Chairman

Colin Skellett
Chief Executive

Gillian Camm
Senior Independent
Non-Executive Director

Huw Davies
Independent Non-Executive
Director, Audit and Risk
Committee Chairman

The board as at 31 March 2020

Tan Sri Francis Yeoh KBE, Non-Executive Chairman

Francis has been managing director of YTL Corporation Berhad, Malaysia, since 1988 and was appointed as executive chairman in June 2018.

Colin Skellett, Chief Executive

Colin was appointed as Chief Executive of Wessex Water in 1988 and appointed to the board of Wessex Water Services Limited in 1989.

Andy Pymer, Managing Director Finance & Regulation

Andy has been Managing Director of Wessex Water's regulated water and sewerage business since 2016 and director of regulation and customer services since 2012.

Gillian Camm, Senior Independent Non-Executive Director

Gillian has had a lifelong career in change management, ranging from the implementation of significant change programmes through to the coaching and development of senior leaders in a variety of sectors.

Appointed to the board of Wessex Water Services Limited in November 2011, Gillian chairs the corporate social responsibility committee and is a member of the Futures Panel and the following committees: audit and risk, nominations and remuneration.

Huw Davies, Independent Non-Executive Director

Huw was appointed as an independent non-executive director in September 2014. He is chair of the audit and risk committee, and chair of the Wessex Water Services Pension Trustee board. He is also a member of both the remuneration and nomination committees.

He has extensive experience in UK and international corporate finance, risk management and corporate governance within a number of sectors including construction and engineering, residential and commercial development, property investment and financial services.

Jim McKenna, Independent Non-Executive Director

Jim has a background in technology and services, working with a number of early stage technology companies as both an investor and mentor.

Appointed to the board of Wessex Water Services Limited in June 2019, he is a member of the nomination committee, remuneration committee and audit committee.

Kate Mingay, Independent Non-Executive Director

Kate has extensive experience of energy and transport infrastructure in both the public and private sectors, as well as the economic regulatory environment. Building on her corporate finance background, Kate has worked on

structuring and funding investment in large scale, complex, projects in a variety of senior roles.

Appointed to the board of Wessex Water Services Limited in June 2019, Kate is a member of the audit and risk, remuneration, nomination and corporate social responsibility committees.

Tim Gardam, Independent Non-Executive Director

Tim has held several senior roles across a variety of commercial, regulated and consumer sectors.

Appointed to the board of Wessex Water Services Limited in January 2020, Tim is a member of the audit and risk and nomination committees. He is also a member of the Futures Panel.

Dame Fiona Reynolds, DBE - Independent Non-Executive Director

Dame Fiona has run or chaired large and small charities, many of which were going through change; she has campaigned for progress on conservation and environmental matters; engaged millions of people in conservation causes and has a wide range of experience in public speaking, writing and the media.

She was appointed to the board of Wessex Water Services Limited in August 2012 and is chair of the Futures Panel and a member of the audit and risk and corporate social responsibility committees.

David Barclay, Non-Executive Director

As an investment banker, David assisted YTL Corporation with its acquisition of Wessex Water in 2002, and since then has been a director of Wessex Water Services Limited. His aim is to promote and defend high standards of integrity and corporate responsibility in the boardroom.

David is also a director of Wessex Water Limited, the holding company for Wessex Water Services, and YTL Land and Property Limited.

Hann Yeoh, Non-Executive Director

Hann is executive director of YTL Power Generation Sdn Bhd and part of the business development team of YTL Power International Berhad. He has been a director of Wessex Water Services Limited since August 2012.

Hong Yeoh, Non-Executive Director

A director of YTL Corporation Berhad, Malaysia since 1985, Hong is managing director of YTL Power International Berhad and is responsible for YTL Group's utilities and construction divisions. He has been a director of Wessex Water Services Limited since May 2002 and is chairman of the remuneration committee. He is a trustee of the YTL Foundation.

Mark Yeoh, Non-Executive Director

Mark is executive director responsible for the YTL hotels and resorts division. He was appointed to the board of Wessex Water Services Limited in July 2003.