



Environment, Social and Governance Statement 2019



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Building a better future



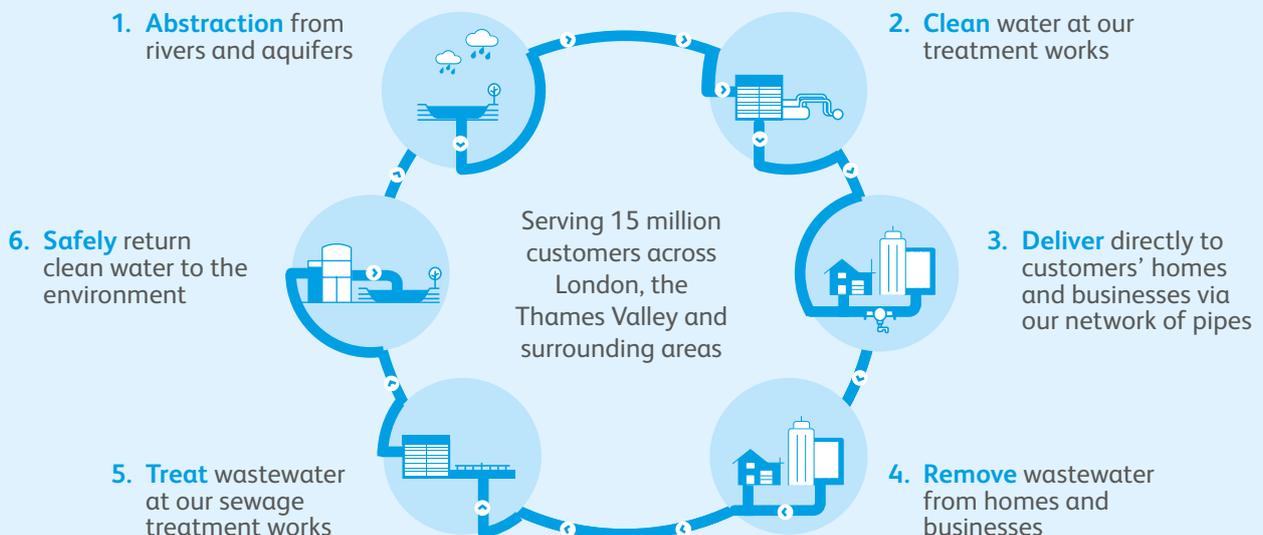
Ian Marchant
Interim Executive Chairman

We've continued to make some important changes at Thames Water as we build a better future for our customers, communities and the natural world.

When I became Chairman in January 2018, it was evident we needed to make some radical moves to rebuild trust with our stakeholders. That's why I launched an immediate and major review of our governance to ensure our approach reflected "best in class" standards and to refocus our priorities to improve performance in key areas. We completed that process earlier this year and, as part of it, we've refreshed the Board. After a raft of new appointments, Independent Non-Executive Directors now make up the largest group on the Board and the skillset of the entire Board is aligned with delivering our strategy and key priorities. We've also appointed Nick Land, our Senior Independent Director, as our Deputy Chairman to ensure the highest levels of governance, while I act as Interim Executive Chairman during the CEO recruitment process.

It has been an important year in the setting of our future direction. In September we submitted our business plan for 2020 to 2025 to Ofwat, as part of the process known as Price Review 19. As a responsible company with long-term shareholders, operating in a monopoly sector, we recognise we have a special duty to our customers and the environment, and we're working with Ofwat to secure the right plan for the future.

How our water cycle works



Creating value

We recognise our essential services are building blocks of a healthy and prosperous society and, in addition, we provide public value in a number of ways. From making a positive impact on the economy, communities and the natural environment, to helping customers in need, we're committed to going above and beyond our fundamental duty, to create long-term value for our customers and the world around us.

Becoming more sustainable is a longstanding commitment of ours and in April 2019 we took it a step further with a pledge to achieve net zero carbon emissions by 2030. At the heart of our sustainable thinking are nine sustainability themes making up our sustainability policy. We use these as our guiding principles to help us make the critical decisions that safeguard the delivery of our services to customers over the long term.

We've also been contributing positively to the circular economy, to drive efficiency in the water cycle and reduce waste (see page 7). We self-generate renewable energy from sewage, wind and the sun, reducing costs as well as minimising our greenhouse gas emissions. We also recycle treated sewage biosolids to land as a fertiliser for crops, and create synthetic aggregate from a by-product of the wastewater treatment process.

With the natural environment being one of our critical 'stakeholders', we're committed to protecting and enhancing the biodiversity at our sites, as well as reducing the impact of our operations. During the year, we had zero of the most serious pollution incidents for the first time in ten years, and our overall pollution incidents are 46% lower now than they were five years ago.



Transparency

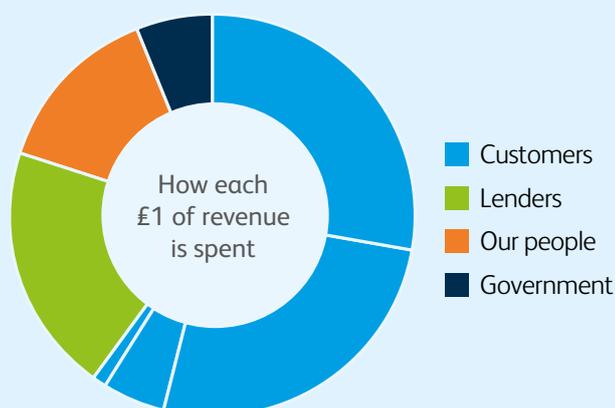
Being open and transparent is part of our refreshed ethos and we've been taking steps to improve our reporting to reflect our approach. This is our second Environment, Social and Governance (ESG) statement, which brings together four years of data in an accessible and transparent format, to give a balanced view of our performance against key ESG measures. With this statement we go beyond our statutory requirements.

It outlines how we're delivering against the following criteria:

- **Environment** – The effect our operations have on the natural environment
- **Social** – Our relationships with employees, suppliers, customers and communities, and our external impact on the economy
- **Governance** – The way the business is governed, covering leadership, remuneration, audits and internal control and external shareholder dividends

While we've published ESG data and information in other documents this year, such as our Annual Report and Annual Performance Report 2018/19 and our Corporate Responsibility and Sustainability Report 2018/19, we're publishing this statement to bring the content together in one place, supported by references to source information.

The value we create for our stakeholders



61p Customers (and suppliers)

27p – Operational expenditure

To provide our essential services and improve our service to customers

28p – Investment in our infrastructure

To ensure a resilient network today, and for future generations

5p – Energy to power operations

To keep our energy costs down, we self-generate electricity

17p Lenders

By borrowing money at efficient rates, we're able to continue investing heavily in our infrastructure, while keeping customer bills as low as we can.

16p our people

To deliver essential services for our customers and protect the environment.

6p Government

We paid over £211 million in business rates, PAYE and national insurance contributions in 2018/19.

We have not paid any corporation tax, primarily due to tax deductions for our interest payments and because of heavy investment in our network, for which we receive tax relief under the Government's "capital allowances" regime. For more information see 'Our finances explained' available on our web site.

1p net profit which is reinvested

External shareholders

Our external shareholders will not receive a dividend until the start of the next regulatory period, so the money can be reinvested in the business to secure a better future.

Key references

[Annual Report and Annual Performance Report 2018/19](#)

[Corporate Responsibility and Sustainability Report](#)

[Our finances explained](#)

This statement is consistent with The Companies, Partnerships and Groups (Accounts and Non-financial Reporting) Regulations 2016.

The material in this document is intended for information only.

Protecting and enhancing the environment



Steve Spencer
Chief Operating Officer

We're passionate about looking after the natural world, to ensure we're able to provide our essential services to customers today, tomorrow and for many years into the future.

We're currently rated 3 stars out of 4 under the Environment Agency's Environmental Performance Assessment framework. The agency awards stars for performance based on delivery of the National Environment Programme.

Reducing leakage

Against the backdrop of increasing pressure from population growth and climate change, reducing leakage is a difficult challenge. While we estimate we completed 448 million litres per day (ML/d) of leakage reduction work during 2018/19, the enduring impact of 2018's extreme weather events knocked our speed of improvement off course.

Our average leakage for the year was 690 ML/d (2017/18: 695 ML/d); however, the average for the final week of the year, at the end of March 2019, was 654 ML/d, a 13% reduction on the same week the previous year. Outlined in our infographic below, we've made some progress in the way we tackle leakage to move towards our 2020 target of 606 ML/d. During 2018/19, we increased the number of 'find and fix' leak repairs by 23% and the number of crews dedicated to fixing leaks by 21%. We've also been investing in the installation of digital technology, such as smart meters and acoustic loggers, to create a more intelligent network and aid leakage detection. You can find more information about our leakage performance in our [Annual Report and Annual Performance Report 2018/19](#) and on our website, where we publish our [monthly performance](#).

As well as working hard to reduce the amount of precious water leaking from our network, we've also been working with customers to reduce the amount of water they use through our award-winning smarter home visit initiative. The programme saw us complete our 250,000th visit in 2019. We've driven a 19.6 ML/d reduction in the amount of water our customers are using, since we launched the programme in 2015.



Pollutions

As well as launching our Smarter Water Catchments initiative to enhance biodiversity, create a safer environment for recreation and drive efficiency in the water cycle to improve river quality, we're committed to ensuring our wastewater network is working as it should, to reduce the likelihood of pollutions both to watercourses and in the community. Our increasing use of digital technology to create a more intelligent network and enable more proactive maintenance and repair will help drive another step change in reductions.

Energy generation

We've made an important pledge to reduce our net operational emissions to zero by 2030. It is an extremely challenging target and we will be building on our longstanding commitment to be more sustainable, to help us meet it.

Before our new April 2019 commitment, we had met our commitment to reduce our greenhouse gas emissions (scope 1 and scope 2) by 34% by 2020 compared to 1990. During 2018/19 we self-generated 22% of our electricity needs from sewage (281GWh), wind (5GWh) and

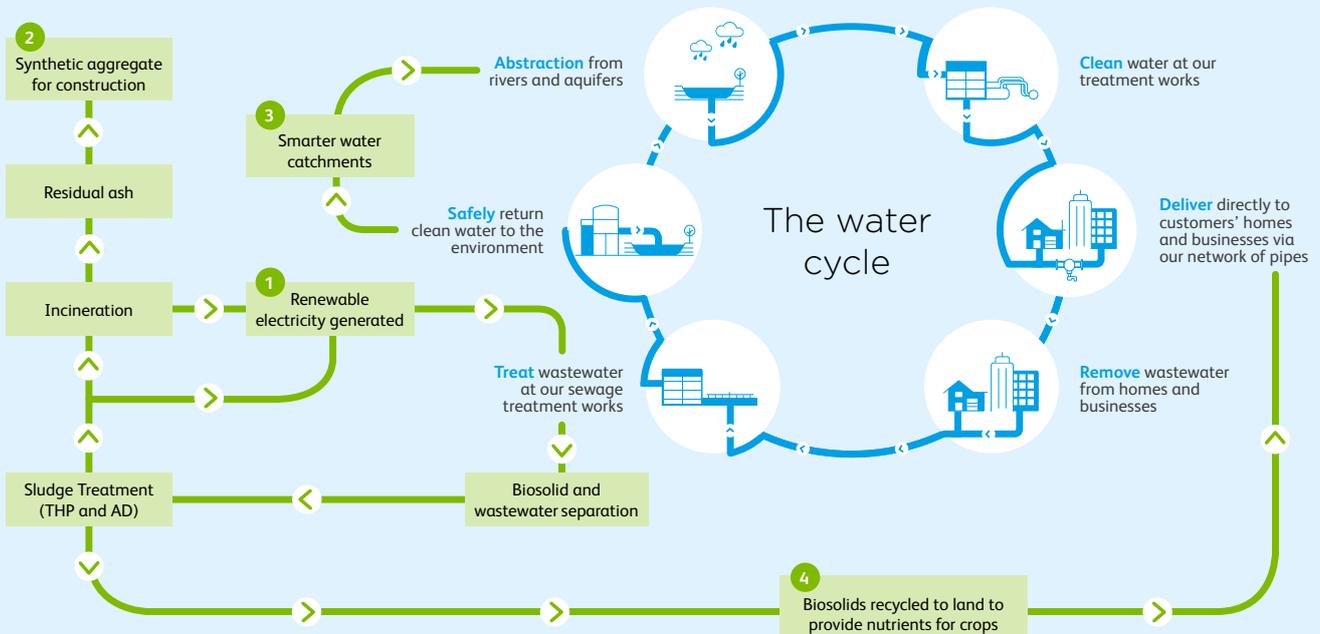
solar power (12GWh) which would be enough renewable electricity to power around 94,000 homes. To make up the difference, we're buying 100% renewable electricity to power our operations, following our agreement with a green tariff electricity supplier.

The natural environment

In 2018/19 we increased biodiversity at five of our sites, including the creation of a wildflower meadow at Hogsmill nature reserve. With 47 of the UK's 224 chalk streams in our region we're committed to protecting these rare and biodiverse sites. One of these streams is Letcombe Brook in Oxfordshire; to protect some of our most 'at-risk' plants and wildlife living in the stream, including brown trout, we're constructing a £14.5 million, 6km pipe to supply customers from groundwater boreholes rather than the stream.

The water and wastewater treatment cycle is an example of the circular economy in action. We're committed to become more efficient, reduce waste, increase how much we recycle and re-use and make wider contributions to the circular economy. See the info-graphic below to find out more.

Contributing to the circular economy



1. Renewable electricity generation
Reduces grid electricity consumption, carbon emissions and costs.

2. Synthetic aggregate
Used for construction displacing virgin aggregate and reducing carbon emissions.

3. Smarter water catchments
Helping improve river water quality in the environment, avoiding the need for additional treatment which could impact on the environment and customer bills.

4. Biosolid recycling
Displaces artificial fertilisers, reduces resource use and carbon emissions in the production of food and improves soil quality.

Environment

Metric	2018/19	2017/18	2016/17	2015/16	Commentary for 2018/19	Data Source for 2018/19
Number of customers – water service (millions)	10	10	9	9	We supply over 2.7 billion litres of high quality drinking water every day.	Cost Assessment Tables 2018/19 , Table 4Q, line 4Q15
Compliance with drinking water quality standards (%)	99.96	99.96	99.96	99.96	Since the change in lead standard in 2013 we have consistently achieved a performance level of 99.96%.	Annual Report and Annual Performance Report 2018/19 , p50 & 276
Annual average of daily water into supply (MI/d)	2696.6	2681	2641	2597	On 3 March, the impact of the ‘Beast from the East’ led to water demand increasing by circa 270 MI/dd. 70% of the increase was due to bursts on customer pipes.	Cost Assessment Tables 2018/19 , Table 4P, line 4P72
Compliance with water abstraction licences (%)	99.95	99.97	99.93	99.85	During 2018/19, we achieved 99.95% compliance with our daily abstraction licences.	Corporate Responsibility and Sustainability Report 2018/19 , Abstractions and low flows
Security of Supply Index (%)	98	97	99	100	This measures our ability to provide water in a dry year. During 2018/19 we have made progress towards restoring SOSI and are now at 98% (2017/18: 97%).	Annual Report and Annual Performance Report 2018/19 , p82
Leakage performance (MI/d)	690	695	677	642	We missed our regulatory target, but outperformed our own recovery plan target by 24 MI/d to get back on track by 2020. We intend to reduce leakage from our network by 15% between 2020 and 2025.	Annual Report and Annual Performance Report 2018/19 , p276
Number of customers – wastewater service (millions)	15.3	15.0	15.0	15.0	We safely handle 4.4 billion litres of wastewater every day through almost 109,000 km of sewer pipes and 351 sewage treatment works.	Cost Assessment Tables 2018/19 , Table 4S, Line 4S16, ‘Population Equivalents’ section
Wastewater treatment works discharge compliance (%)	98.85	99.43	98.28	99.13	The numbers reported are for the 2018 calendar year and forecasts based on known information at the time of publication.	Annual Report and Annual Performance Report 2018/19 , p72 & 277
Annual wastewater treated (MI/d)	4384	4420	4570	4607	This is higher than the water into supply number as we collected wastewater from premises supplied by other water companies. We also have a significant length of combined sewers which collect surface water as well as sewage.	Cost Assessment Tables 2018/19 , Table R, 4R13 Wastewater Networks section
Total category 1–3 pollution incidents from sewage related premises (number of incidents)	295	292	315	232	During 2018, we had zero of the most serious pollution incidents for the first time in ten years. Our overall pollutions performance for 2018 was broadly in line with 2017, with current pollution levels being 46% lower than five years ago.	Annual Report and Annual Performance Report 2018/19 , p277
Total sewage sludge produced (thousand tonnes dry solids/yr)	373.8	366.2	382.6	392.0	All sewage sludge is treated by Thames Water.	Cost Assessment Tables 2018/19 , Table R, 4R25 Wastewater Network and Sludge section
Sludge management compliance with regulations and codes of practice (%)	100	100	100	100	All residual treated sewage sludge complied with regulations and codes of practice.	Annual Report and Annual Performance Report 2018/19 , p73 & 277

WATER

WASTEWATER

Environment

Metric	2018/19	2017/18	2016/17	2015/16	Commentary for 2018/19	Data Source for 2018/19
Net Operational Scope 1 and 2 GHG emissions as CO2e including outsourced Scope 3 – Total	275.7	277.9	498.1*	744.4	In the last year we have reduced our emissions by 220.1 kTCO2e. * From October 2016 our net operational emissions account for the grid electricity we imported being 100% REGO accredited renewable. We use the governments REGO (renewable energy guarantee of origin) accreditation scheme to demonstrate the electricity we consume is from a renewable source.	Annual Report and Annual Performance Report 2018/19 , sum of WC1 and SC1 pages 276 and 277
Net Operational Scope 1 and 2 GHG emissions as CO2e including outsourced Scope 3 – wastewater	230.0	231.7	346.7*	468.5	Last year we reduced our wastewater service emissions by 115 kTCO2e. * From October 2016 our net operational emissions account for the grid electricity we imported being 100% REGO accredited renewable. We use the governments REGO (renewable energy guarantee of origin) accreditation scheme to demonstrate the electricity we consume is from a renewable source.	Annual Report and Annual Performance Report 2018/19 , SC1 page 277
Net Operational Scope 1 and 2 GHG emissions as CO2e including outsourced Scope 3 – water	45.7	46.2	151.4*, **	275.9**	Last year we reduced our water service emissions by 105 kTCO2e. * From October 2016 our net operational emissions account for the grid electricity we imported being 100% REGO accredited renewable. We use the governments REGO (renewable energy guarantee of origin) accreditation scheme to demonstrate the electricity we consume is from a renewable source. ** 2015–16 and 2016–17 have been restated see page 33 of our Annual Report and Annual Performance Report 2017/18 Annual Report 2017/18."	Annual Report and Annual Performance Report 2018/19 , WC1 page 276
Net change in GHG emissions (% relative to 1990 baseline)	-67.0	-67.0	-41.1*	-12.0	Our transition towards providing a lower carbon service has also been supported by our green tariff electricity supply contract which over the last year has contributed towards a big reduction in greenhouse gases from both our water and wastewater operations * From October 2016 our net operational emissions account for the grid electricity we imported being 100% REGO accredited renewable. We use the governments REGO (renewable energy guarantee of origin) accreditation scheme to demonstrate the electricity we consume is from a renewable source.	Corporate Responsibility and Sustainability Report 2018/19 , Reducing our greenhouse gas emissions
Gross change in GHG emissions (% relative to 1990 baseline)	-35.6	-27.0	-16.5	-11.5	Change in underlying GHG emissions with purchase of grid renewable electricity removed.	Corporate Responsibility and Sustainability Report 2018/19 , Reducing our greenhouse gas emissions
Climate change – GHG intensity – water service kgCO2e/ML	20.6	24.6	141.2	273.0	Our GHG intensity for water service has continued to reduce.	Corporate Responsibility and Sustainability Report 2018/19 , Reducing our greenhouse gas emissions
Climate change – GHG intensity – wastewater service kgCO2e/ML	127.0	135.3	225.4	303.0	Our GHG intensity to wastewater service has continued to reduce.	Corporate Responsibility and Sustainability Report 2018/19 , Reducing our greenhouse gas emissions

Environment

Metric	2018/19	2017/18	2016/17	2015/16	Commentary for 2018/19	Data Source for 2018/19
Assessment of climate change impacts completed within the past five years	Yes	Yes	Yes	Yes	We undertake and publish a climate change review assessment at least every five years.	Corporate Responsibility and Sustainability Report 2018/19 , Managing the impacts of climate change
Renewable energy generated (%)	22	22.2	20.1	14.9	Last year we renewably self-generated over 22% of the electricity we used to deliver our water and wastewater service to our customers.	Corporate Responsibility and Sustainability Report 2018/19 , Reducing our greenhouse gas emissions
Renewably self-generated and used electricity (GWh)	286	293	262	217	The majority of renewable energy generated in 2018/19 came from the treatment of sewage sludge.	Thames Water's Energy and Carbon Team
Gross grid electricity purchased (GWh)	936.5	953.8	984.7	1,044.5	This reduction is largely due to our increased self-generated renewable energy.	Thames Water's Energy and Carbon Team
Gross grid renewable electricity purchased (GWh)	936.5	953.8	492.3	0	100% of grid electricity used by the business was renewable. In addition around 80 GWh per year REGO accredited renewable energy is supplied direct by PPA to Beckton STW and Gateway Deslination Plant.	Thames Water's Energy and Carbon Team
Biodiversity – Sites of Special Scientific Interest in favourable condition (% Ha)	50.89	50.89	50.89	50.89	Natural England set targets and undertake monitoring.	Corporate Responsibility and Sustainability Report 2018/19 , Looking after biodiversity
Biodiversity – Sites of Special Scientific Interest favourable condition/ unfavourable recovering (%)	99	99	99	99	Natural England set targets and undertake monitoring.	Data provided by Thames Water's Biodiversity team
Number of sites improved for biodiversity and access (in year)	10	21	23	15	We are legally obligated to protect flora and fauna on our land and work within the conservation, access and recreation code of practice to keep our sites with public access clean, safe and tidy.	Data provided by Thames Water's Biodiversity team
Environment Policy	Yes	Yes	Yes	Yes	This high-level policy sets the direction of travel of the business and applies to partners and contractors.	Thames Water website
Climate Change Policy	Yes	Yes	Yes	Yes	This high-level policy sets the direction of travel of the business and applies to partners and contractors.	Thames Water website
Biodiversity Policy	Yes	Yes	Yes	No	Prior to 2016/17 this was part of the Environment policy.	Thames Water website

CLIMATE CHANGE

BIODIVERSITY

Fulfilling our commitments to society



Richard Aylard CVO
Sustainability Director

We are committed to creating value for all the diverse communities in which we operate – from rural villages in the Cotswolds to boroughs in Central London.

Caring for customers

Driving significant increases in the number of customers we're helping with our social tariffs is a cornerstone of our business plan for 2020 to 2025, as we commit to making our services affordable for everyone. We've been making headway as we prepare to deliver our plan.

At the end of 2018/19 over 82,000 customers were on one of our social tariffs. By insourcing our Local Authority and Housing Association customer relationships, we're now able to have direct contact with these customers, helping ensure we're meeting their individual needs. We've also simplified our social tariffs. Although they're now based purely on income, we're maintaining historical social tariff rates for those who are already on a tariff and would see an increase under the revised calculation.

Our Priority Services Register provides additional support for customers in vulnerable circumstances who need assistance, whether it's for a bill enquiry or during a supply interruption. In 2018/19 we saw the number of customers on our register grow to 69,130 with 9,110 customers joining in the year, our biggest growth year – our goal is to increase numbers on the register to 410,000 by 2025. To do this we are working with a range of partners including Thames Valley Police and the British Red Cross to proactively identify customers who could benefit from this extra support.

Health and safety

In 2018/19, we recorded the longest period in our history, over 40 days, without a single injury that led to someone not being able to return to work the next day. During this period 15,000 of our colleagues and supply chain partners worked for a combined total of 3.7 million work hours. Overall, we saw a decrease in the number of lost time injury incidents during the period, so the nil change in the frequency rate was due to changes in actual hours worked.

Reducing the stigma around mental health illness is an important part of our well-being agenda. Our mental health strategy, 'Time to Talk', covers initiatives including mental health awareness training, open engagement forums and MIND's Time to Change pledge. In 2018/19 we trained 268 mental health first aiders and 468 employees have taken part in the Mind Fit mental health awareness programme. We aim to have one in ten people, in every team across the company, trained in mental health by March 2020.

Looking after our people

Our 'people priorities' outline how we will build a working environment and high-performance culture which inspires us to grow personally and professionally and focus on exceeding our customers' expectations every day. We seek to attract, develop, reward, promote and retain a mix of colleagues who can offer different but complementary attitudes, ideologies, talents and knowledge. We understand the importance of appreciating and harnessing the unique skills, experiences and backgrounds that everyone brings to Thames Water. To support an equal opportunity, fair, diverse and inclusive company free from discrimination, bullying, harassment or victimisation, we are committed to building a working environment and culture that inspires our people to live our values. We are proud to be a Disability Confident Employer, an accolade we have been awarded due to our ongoing work to actively hire, support and develop persons with disabilities.

We are pleased to be able to report that our mean gender pay gap has continued to reduce. As at 5 April 2019 our mean gender pay gap was 10.4% compared to 10.8% on 5 April 2018. Our median pay gap has also reduced, down from 12.5% on 5 April 2018 to 12.2% on 5 April 2019. This is due to an increase in the number of women in our upper pay quartiles. As a business we are continuing to take positive steps towards reducing our gender pay gap further.

The community around us

Our 'Time to Give' programme encourages employees to connect with their local communities. In 2018/19, 1,159 of our colleagues spent 7,658 hours taking part in voluntary activities including river restoration projects, painting schools and helping in hospices. The programme also provides opportunities for personal and professional development, including serving as a school governor.

We also continue to support communities through our community investment programme. As part of this industry-leading programme we supported eight community projects with an investment of £376,000 in 2018/19. To help those further afield, in 2018/19 we raised £269,000 for WaterAid, a charity we've supported for 37 years, with a further £24,000 of income pledged. Our signature campaign, 'Thames loves Malawi', uses these funds to work with local communities and share the knowledge and means to make tangible and sustainable improvements in two towns in Malawi. Through fundraising and capacity development support, we have helped make clean water, decent toilets and good hygiene normal for more people living in Kasungu and Mponela.



Social

Metric	2018/19	2017/18	2016/17	2015/16	Commentary for 2018/19	Data Source for 2018/19
Written complaints resolved first time – water service (%) – WA1	88	96	96	91	Our performance in complaints and complaint resolution during the year was severely affected by the knock-on impact of the “freeze thaw” incident at the end of 2017/18, which affected 75,000 customers and led to a 94% increase in “no water” and low-pressure complaints. Performance was also affected by the joint hottest summer on record.	Annual Report and Annual Performance Report 2018/19 , p62 & 276
Number of written complaints per 10,000 connected properties – water service – WA2	18.61	12.39	9.12	8.84	Our performance in complaints and complaint resolution during the year was severely affected by the knock-on impact of the “freeze thaw” incident at the end of 2017/18. Performance was also affected by the joint hottest summer on record.	Annual Report and Annual Performance Report 2018/19 , p63 & 276
Written complaints resolved first time – wastewater service (%) – SA1	84	94	93	87	Our performance in complaints and complaint resolution during the year was severely affected by the knock-on impact of the “freeze thaw” incident at the end of 2017/18.	Annual Report and Annual Performance Report 2018/19 , p62 & 276
Number of written complaints per 10,000 connected properties – wastewater service – SA2	5.34	4.39	6.21	6.46	We saw an average of 5.34 complaints per 10,000 customers for this measure during the year.	Annual Report and Annual Performance Report 2018/19 , p63 & 276
Service incentive mechanism (SIM) – customer service scored out of 100 – RA6	75.0	78.4	77.3	76.8	Our Service Incentive Mechanism score of 75 out of 100 for 2018/19 is made up of our customer satisfaction score (75%) and quantitative measures (25%). Our complaints performance during the year being severely affected by extreme weather.	Annual Report and Annual Performance Report 2018/19 , p65 & 278
Ofwat customer satisfaction rating charging and billing (out of 5) – RA3	4.58	4.66	4.63	4.61	We saw our customer satisfaction score of 4.58 was slightly lower than the previous year of 4.66.	Annual Report and Annual Performance Report 2018/19 , p64 & 278
Ofwat customer satisfaction rating operational contacts (out of 5) – RA4	4.44	4.43	4.46	4.27	Our customer satisfaction score was adversely affected by the need to divert all resources to dealing with the weather events of 2018, which had an impact on our day-to-day handling of calls.	Annual Report and Annual Performance Report 2018/19 , p64 & 278
Ofwat customer satisfaction rating water service (out of 5) – WA3	4.39	4.42	4.50	4.44	Our customer satisfaction scores were adversely affected by the need to divert all resources to dealing with the weather events of 2018, which had an impact on our day-to-day handling of calls, and ability to carry out day-to-day maintenance and repair. However, performance started to recover in the second half of the year due to a much more proactive approach to communication with customers.	Annual Report and Annual Performance Report 2018/19 , p64 & 276
Ofwat customer satisfaction rating wastewater service (out of 5) – SA3	4.58	4.55	4.57	4.50	We saw a slight improvement in our wastewater service score compared to the previous year.	Annual Report and Annual Performance Report 2018/19 , p64 & 278

Social

Metric	2018/19	2017/18	2016/17	2015/16	Commentary for 2018/19	Data Source for 2018/19
Health & Safety Policy	Yes	Yes	Yes	Yes	We have a clearly defined strategy, safety protocols and standards that are set, monitored and reported to our Board members and executive team each month. We continue to introduce initiatives based on emerging risk areas to reinforce our vision of Zero incidents, Zero harm and Zero compromise every day. The policy applies to all employees and contractors and partners.	Thames Water website
Lost time injury frequency rate (over 1 day per 100,000 working hours)	0.16	0.16*	0.21	0.46	We reached a record 41 days, 3.7 million work hours, without a single injury leading to someone not being able to return to work the next day. * Value restated to reflect reclassification of some injuries.	Annual Report and Annual Performance Report 2018/19 , p91
Notifiable injuries	22	17	19	29	Six of these were Thames Water employees and 16 were contractors working for the business. We are committed to maximising our learning from all incidents and are already implementing the necessary measures to preventative measures to ensure we continue to achieve our vision of sending everyone home safe and well every day.	Data provided by Thames Water's Health and Safety Team
Number of fatal employee accidents	0	0	0	0	There were no fatal employee accidents in the reporting year.	Corporate Responsibility and Sustainability Report 2018/19 , Health and safety
Number of customer or community accidents	0	0	0	1	There were no HSE "reportable" customer/community accidents at Thames Water work sites in the reporting year.	Corporate Responsibility and Sustainability Report 2018/19 , Health and safety
Number of fatal customer/community accidents	0	0	0	0	There were no fatal customer/community accidents in the reporting year.	Corporate Responsibility and Sustainability Report 2018/19 , Health and safety
Community investment (£million)	0.38	0.84	1.4	0.85	This is direct discretionary support from the business to the communities we serve.	Corporate Responsibility and Sustainability Report 2018/19 , Working with communities
Community projects supported (No.)	8	14	16	14	We agreed with Ofwat to make funding available, in lieu of a penalty for misreporting data, to support community projects in our catchment delivered by partners that demonstrate both engagement with what we do, education, and enhance the natural and built environment.	Corporate Responsibility and Sustainability Report 2018/19 , Working with communities
WaterAid support (£K)	269	363	350	275	In 2018/19 we raised £269,000 for WaterAid, a charity we've supported for 37 years, with a further £24,000. Our signature campaign, 'Thames loves Malawi', uses these funds to work with local communities and share the knowledge and means to make tangible and sustainable improvements in two towns in Malawi: Kasungu and Mponela.	Annual Report and Annual Performance Report 2018/19 , p86.
Employee volunteering (Hours)	7,658	6,393	6,633	8,925	In 2018/19, 1,159 of our colleagues spent 7,658 hours taking part in voluntary activities including river restoration projects, painting schools and helping in hospices. It also provides opportunities for personal and professional development, including serving as a school governor.	Annual Report and Annual Performance Report 2018/19 , p86
No. of school children directly engaged	24,897	21,341	20,898	17,491	We seek to engage young people on key topics such as saving water and helping to avoid sewer abuse. We also support students in understanding our business through site visits, workshops, talks and hands-on challenges.	Annual Report and Annual Performance Report 2018/19 , p87

HEALTH & SAFETY

CORPORATE RESPONSIBILITY

Social

Metric	2018/19	2017/18	2016/17	2015/16	Commentary for 2018/19	Data Source for 2018/19
Equal opportunities, diversity and inclusion policy	Yes	Yes	Yes	Yes	We make sure everyone is provided with the same opportunities and is treated with respect, irrespective of their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, gender or sexual orientation. We have an internal policy owned by our Human Resources team.	Honest and ethical behaviour policy
Employee diversity (% female employees)	33.0	33.4	32.4	31.6	We are working hard to become a more inclusive organisation.	Annual Report and Annual Performance Report 2018/19 , p90
Manager diversity (% female managers)	34.5	34	33	31	We have extended our recruitment pipelines and practices to attract a wider audience, including a returner to work programme.	Data provided by Thames Water's Human Resources team.
Executive diversity (% female)	22	30	30	10	Being diverse in our approach is about hiring the right people for the job regardless of their background.	Annual Report and Annual Performance Report 2018/19 , p90
Number of direct employees	6,633	6,245	4,967*	5,057*	All Company employees are based in the United Kingdom. * Refers to average salaried FTE for the year.	Annual Report and Annual Performance Report 2018/19 , p32.
Gender pay gap (%)	10.4	10.8	13.3	N/A	Our mean gender pay gap is now 10.4% which has reduced from 10.8% at 5 April 2018.	Annual Report and Annual Performance Report 2018/19 , p58
Employee turnover (%)	11.9	11.9	11.4	14.5	We monitor leavers and all are offered the opportunity to complete an exit interview which gives us useful data as to why people leave.	Data provided by the Thames Water Human Resources team
Employee training (thousand days)	circa 22	circa 23	circa 24	circa 20.5	We have continued to increase the competency of our workforce through new and innovative training such as our industry-leading water safety course.	Annual Report and Annual Performance Report 2018/19 , p93
Employee absenteeism rate (%)	2.7	2.9	2.8	3.2	Absence is managed by our managers and supported by our Occupational Health team and interventions.	Data provided by the Thames Water Human Resources team
Employee relations – strikes (No.)	0	0	0	0	There were no strikes in 2018/19.	Data provided by the Thames Water Human Resources team
Employee engagement survey engagement score (%)	71	70	69	70	We run an employee engagement survey annually and identify issues requiring response.	Annual Report and Annual Performance Report 2018/19 , p58
Human Rights addressed	Yes	Yes	Yes	Yes	Our Honest and Ethical Behaviour policy expresses our approach to business activities and how we work, providing a clear, ethical and legal framework for our employees, customers and stakeholders. It covers a wide range of human rights issues.	Annual Report and Annual Performance Report 2018/19 , p91 and 95
Statement on Modern Slavery	Yes	Yes	Yes	Yes	You can find our 2018 Modern Slavery Act statement on our website. We also cover Modern Slavery in our Annual Report and Annual Performance Report 2018/19.	Annual Report and Annual Performance Report 2018/19 , p91 and 95 Modern Slavery Act Statement 2019
Whistle Blowing addressed	Yes	Yes	Yes	Yes	We have a confidential 24-hour whistleblowing helpline available whereby any employees can ask questions or raise concerns. This is part of our Honest and Ethical Behaviour Policy.	Annual Report and Annual Performance Report 2018/19 , p37, 44, 91 and 95

Social

Metric	2018/19	2017/18	2016/17	2015/16	Commentary for 2018/19	Data Source for 2018/19	
Procurement spend (£billion)	1.76	1.75	1.88	1.82	Last year our commercial and procurement team managed Thames Water's procurement spend, while striving to make our supply community a more efficient and mutually beneficial place to do business.	Corporate Responsibility and Sustainability Report 2018/19 , Our supply community	SUPPLY CHAIN
Average days taken to pay supplier on receipt of correct invoice (no. of days)	56.08	57.25	N/A	N/A	When setting up payment terms, we take into consideration the size and situation of our suppliers, particularly our small to medium-sized suppliers. Where possible, we try to remain flexible and consider each supplier on a case-by-case basis and, where justified, we're able to reduce the payment terms.	Data provided by Thames Water's Purchase to Pay team	
Annual Water Company Performance Survey (rank out of 12)	7	4	2	4	The British Water Annual Water Company Performance Survey captures the views of individuals working in the UK water industry and provides an understanding of how the supply chain views its major clients.	The British Water Annual Water Company Performance Survey	
Number of strategic frameworks	185	165	N/A	N/A	We operate in a regulated industry which means that the process to become one of our supply partners has a formal structure.	Data provided by Thames Water's Procurement team	
Number of unique suppliers in strategic framework arrangement	375	356	N/A	N/A	We have a diverse network of suppliers delivering everything from everyday equipment to operations and maintenance services.	Data provided by Thames Water's Procurement team	
Honest and Ethical Behaviour Policy including Human Rights	Yes	Yes	Yes	Yes	Our suppliers are obliged to meet the requirements of our Honesty and Ethical Behaviour Policy including all related legal and regulatory obligations. We remain fully committed to ensuring that there is no slavery or human trafficking in our supply chain or in any part of our business. Our position on preventing modern slavery in our business is contained within our Honest and Ethical Behaviour Policy.	Modern Slavery Act Statement Annual Report and Annual Performance Report 2018/19 , p91 and 95	
Environmental convictions (No.)	0	0	1	3	Last year we had no environmental convictions reflecting the progress we have made since the group of pollution incidents, which occurred between 2012 and 2014.	Data provided by Thames Water's Internal Legal team	LEGAL
Number of customers helped to pay their water bills through our customer assistance fund	6,742	7,500	6,161	5,206	We supported 6,742 additional customers with water debt through our customer assistance fund, with payments totalling more than £4.5 million.	Annual Report and Annual Performance Report 2018/19 , p50 and 86	CUSTOMER
Customers on social tariffs (Water Sure and Water Sure Plus) (No.)	82,365	56,671*	37,975	25,921	We increased the number of customers on social tariffs by over 25,000 in 2018/19 achieving our 2020 target of 82,000 ahead of time. In particular we saw a 41% increase in participants of our Water Sure Plus tariff. We're also collaborating with utility and 'third sector' partners, to deliver our ambition to help 200,000 families in financially vulnerable circumstances by 2025.	Annual Report and Annual Performance Report 2018/19 , p4, 50 and 86 Data provided by Thames Water's Customer Strategy and Insight Team	

* Restated in 2018/19

Pursuing ‘best in class’ standards

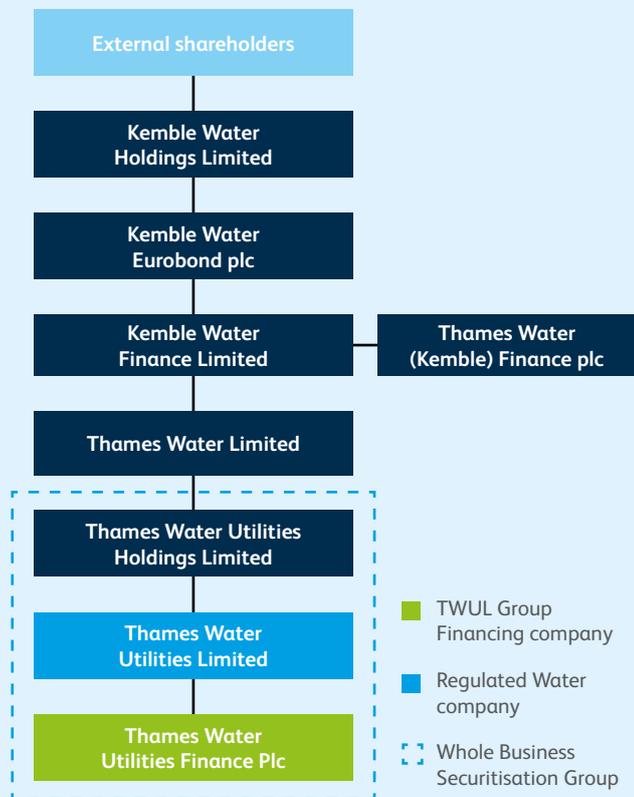


Brandon Rennet
Chief Financial Officer

Achieving ‘best in class’ governance and increasing transparency are both high on our agenda and we’ve been making some important changes during the last year.

- We’ve restructured our Board as part of our major review of governance, with more than a half new to their roles since March 2018. There were critical skills our Chairman wanted to recruit as part of the process, and the skillset of our new Board is very much aligned with the delivery of our strategy and long-term goals.
- We’ve completed the process to close our Cayman Islands subsidiaries, simplifying our corporate structure and we’re now using a UK company for funding.
- We’ve consolidated our financial statements, combining the results of Thames Water Utilities Limited, the operating company and Thames Water Utilities Finance Plc, our financing company, to enhance the understanding of the Thames Water Group’s overall financial picture.
- Our “low-risk” tax status was reconfirmed by HMRC
- We’ve taken steps to reduce our gearing level
- We’ve been promoted under Ofwat’s Company Monitoring Framework, which is its assessment of whether companies are communicating in a clear, accessible and transparent way and that the information gives a fair view of how a company is performing.

Our structure explained



This chart sets out an abridged version of the Kemble Water Holdings Limited Group Structure.

Environment, Social and Governance

To support our strategic priorities and our approach to sustainability, the past 12 months have seen our continued efforts to put the Environment, Social and Governance agenda at the heart of our financial decision making, following the first issue under our green bond framework last year.

In November 2018, we signed an innovative £1,386.8 million 5-year revolving credit facility (subsequently up sized to £1,646 million) with the interest rate linked to annual performance against environmental, social and governance (ESG) metrics.

We are also focused on improving our reporting to reflect best practice, using clear and concise communications, with less jargon, to help users understand how the business works, how we are addressing the key issues and risks, and how we interact with the supply chain. This, our second Environment, Social and Governance Statement, is part of this process.

Approach to governance

Our governance approach, which has been adopted by the Board, is underpinned by the UK Corporate Governance Code and Ofwat’s Board leadership, transparency and governance (BLTG) principles. The Board considers that the Disclosure and Transparency Rules (“DTR”) set out the standard of disclosure that regulated companies should operate, whether they are publicly or privately owned. We as a business endeavour to, where applicable, comply with the DTR.

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

Financial resilience

Our business plan for 2020 to 2025 sets out our ambitions around strengthening financial resilience – to ensure that customers are protected even in extreme circumstances.

We have again analysed our long-term viability over a ten-year time horizon to reflect the very long-term nature of our business and assets. An additional key measure of our financial strength is our credit rating. We continue to maintain an investment grade credit rating as assigned by external rating agencies Moody’s and Standard and Poor’s. Our corporate family rating is Baa1 negative.

Risk process and management oversight



Managing risks

Risk is inherent in our business. Identification, understanding, evaluation and response to the risks we face are fundamental to the effective development and delivery of our strategic priorities to ensure longer term viability and resilience. We encourage an open and accountable culture, promoted by our experienced leadership team. This culture is set by the Board in the way it conducts Board and Committee meetings and cascades through the organisation enabling the same culture for risk management, which continues to form an integral part of our activities. This enables the business to feel free to raise risks, ensure that information is communicated and

for timely consideration of risk at appropriate levels of the business. The Executive team meets quarterly to consider risk and the risk environment, including potential impact/s to the business, supporting the identification of any concerning changes to this profile. The aim of risk management is not to eliminate risk completely from business activities, but to ensure that every effort is made to manage risk appropriately to maximise potential opportunities, minimise the adverse effects of risk and increase our ability to effectively deliver value to our customers, people, environment, stakeholders and shareholders.

Governance

Metric	2018/19	2017/18	2016/17	2015/16	Commentary for 2018/19	Data Source for 2018/19
Ownership	Private	Private	Private	Private	The Group structure chart shown on p113 of the Annual Report and Annual Performance Report 2018/19 sets out the ownership of Thames Water Utilities Limited and its subsidiaries.	Annual Report and Annual Performance Report 2018/19 , p113
Country of incorporation	UK	UK	UK	UK	Thames Water operates solely in the South East of England.	Thames Water website
Board governance detailed and reported in Annual Report and Annual Performance Report	Yes	Yes	Yes	Yes	We describe compliance with the UK Corporate Governance Code 2016 in our Annual Report and Annual Performance Report 2018/19.	Annual Report and Annual Performance Report 2018/19 , p91 to 149
Compliance with UK Corporate Governance Code 2016 Statement	Yes	Yes	Yes	N/A	The Board ensures that the Company's governance processes align with the UK Corporate Governance Code and Ofwat's Principles of Board Leadership, Transparency and Governance, which are built in to our own governance framework.	Annual Report and Annual Performance Report 2018/19 , p106, 116 & 154
Independent Chairman	Yes	Partial	Partial	Partial	Provision A.3.1 of the UK Corporate Governance Code 2014 requires that the Chairman be independent on appointment. Our Chairman, Ian Marchant was considered independent on appointment; therefore, we were compliant with this provision from 25 January 2018 and were able to fully comply during 2018/19. Note: In May 2019 Ian Marchant became Interim Executive Chairman whilst we recruit a new CEO, and Nick Land, our Senior Independent Director was appointed Deputy Chairman to ensure the highest levels of governance.	Annual Report and Annual Performance Report 2018/19 , p102
Independent Board members (%)	50	46	36	36	The Board, chaired by Ian Marchant, with Deputy Chair, Nick Land, consistsof 12 Directors: The Chairman, one Executive Director (currently only the Chief Financial Officer ("the CFO"), while we recruit a new Chief Executive Officer), four Non-Executive Directors and six Independent Non-Executive Directors (together the "Directors").	Annual Report and Annual Performance Report 2018/19 , p100 to 103
Female Board members (%)	16.6	15.4	14.3	14.3	Currently 2 out of 12 Board members are female.	Annual Report and Annual Performance Report 2018/19 , p100-103
Publicly report on Executive reward and remuneration	Yes	Yes	Yes	Yes	Our executive remuneration policy, which we redefined in 2017/18, aligns reward with the delivery of our critical customer and environmental commitments, and is mirrored in remuneration across the business.	Annual Report and Annual Performance Report 2018/19 , p130
Corporate structure and explanation included in Annual Report and Annual Performance Report	Yes	Yes	Yes	Yes	We reported ownership of Thames Water and those subsidiaries that connect Kemble Water Holdings Limited to the regulated company, Thames Water Utilities Limited.	Annual Report and Annual Performance Report 2018/19 , p113
Provision in place to prevent disempowerment of investors	Yes	Yes	Yes	Yes	Thames Water Utilities Limited Articles of Association describe for example how voting rights are assigned to each investor.	Thames Water website
Political donations	No	No	No	No	We do not make political donations.	Annual Report and Annual Performance Report 2018/19 , p144

BOARD

Governance

Metric	2018/19	2017/18	2016/17	2015/16	Commentary for 2018/19	Data Source for 2018/19
Pensions deficit (£million)	293.0	250.2*	343.1*	260.0	The accounting valuation shows that there is a combined deficit across the two schemes. This decrease is mainly driven by a fall in RPI due to expectations of future inflation decreasing over the year, and an update to the mortality assumptions, which has resulted in a reduction in the expected future life expectancy of scheme members. * Restated in 2018/19.	Annual Report and Annual Performance Report 2018/19 , p27 & 158
Regulatory Capital Value (£billion)	14.3	13.7	12.9	12.3	The regulatory capital value ("RCV") has been developed by Ofwat as a measure of the regulatory net book value of our assets.	Annual Report and Annual Performance Report 2018/19 , p26
Underlying revenue (£million)	2,070.1	2,018.0	2,027.1	2,039.5	All revenue is derived from activities based in the UK. Revenue on Bazalgette Tunnel Limited's activities is disclosed separately to the Company's underlying performance.	Annual Report and Annual Performance Report 2018/19 , p183
Credit Rating	Baa1 negative	Baa1 negative	Baa1 stable	Baa1 stable	Representing the consolidated Corporate Family Rating assigned by Moody's.	Annual Report and Annual Performance Report 2018/19 , p26
Publicly available clear and transparent position on tax strategy	Yes	Yes	Yes	No	Our tax strategy is available on our website and was updated in September 2018.	Thames Water website – Our Taxes Strategy
Publicly available clear and transparent position on finances and financial structure	Yes	Yes	Yes	Yes	We regularly update and publish an explanation of our structure and finances in 'Our Finances Explained'. It was last updated in November 2018.	Thames Water website – Our Finances Explained
Underlying Operating Profit (£million)	454.0	505.9*	605.4	742.2	Our operating expenditure increased during the year to continue to drive improvements in customer service. Higher employment costs combined with the costs associated with adverse weather effects drove a £60.4 million year-on-year increase. As a result, underlying operating profits fell to £454.0 million. * The 2017/18 figure was restated due to the impact of the transition to new accounting standard IFRS 15 'Revenue from Contracts with Customers' on 1 April 2018.	Annual Report and Annual Performance Report 2018/19 , p22
Tax paid (£million)	211	192	177	160	In 2018/19, we paid over £211 million in business rates, national insurance contributions, PAYE and other taxes. We incurred £147 million directly, mainly through business rates, and collected £64 million on behalf of our employees. As in prior years, we have not paid any corporation tax to HMRC primarily because of interest costs and tax relief for our capital investment programme.	Annual Report and Annual Performance Report 2018/19 , p26
Dividends paid to external shareholders (£million)	0	0	100	0	No dividends were paid by the Kemble Water Holdings Group to external shareholders for 2018/19 in line with our commitment to withhold paying an external dividend until 2020/21. This commitment will continue to help us increase our equity buffer and broaden financial resilience, to improve our service to customers.	Annual Report and Annual Performance Report 2018/19 , p26
Bad debt (%)	3.0	2.8	2.4	3.1	Bad debt arises predominantly from those who choose not to pay their bill, despite being financially able to, as opposed to those who cannot pay. This year we had an overall increase in bad debt cost of £5.1 million to £62.6 million.	Annual Report and Annual Performance Report 2018/19 , p26

Governance

Metric	2018/19	2017/18	2016/17	2015/16	Commentary for 2018/19	Data Source for 2018/19
Outcome delivery incentive performance penalties (£million)	-51.67	-35.2	-18.4	N/A	Ofwat's outcome delivery incentive (ODI) rewards and penalties link operational performance to company returns. We incurred five penalties and two rewards during the year totalling a net penalty of -£51.67 million.	Annual Report and Annual Performance Report 2018/19 , p62
Transparent risk management process in place reviewed by the Board (including legal/litigation) and material risks reported in Annual Report and Annual Performance Report	Yes	Yes	Yes	Yes	Our Board has ultimate responsibility for maintaining a sound system of risk management and internal control. The Audit, Risk and Reporting Committee evaluates the effectiveness of our overall risk management framework and makes recommendations for improvement. Our risk management process is developed to align with the Risk Management International Standard, ISO 31000, which aids our compliance with the Financial Reporting Council's UK Corporate Governance Code guidance on risk management.	Annual Report and Annual Performance Report 2018/19 , p34 to 44
Stakeholder engagement programme	Yes	Yes	Yes	Yes	Being open and transparent with our customers and stakeholders in a two-way dialogue about how we're running their water and wastewater company is essential. We run an extensive stakeholder engagement programme to build strong relationships and we play an active role in the public debate about important issues affecting the water industry.	Annual Report and Annual Performance Report 2018/19 , p77 to 79
Environment, Social and Governance (ESG) Statement	Yes	Yes	No	No	As part of our commitment to increase transparency of the organisation we have developed this ESG Statement.	This document
Corporate Responsibility policy	Yes	Yes	Yes	Yes	This high-level policy sets the direction of travel of the business and applies to partners and contractors.	Thames Water website
Data privacy policy	Yes	Yes	Yes	Yes	This policy sets out the basis on which we; collect, use and disclose personal data, as well as individuals rights in respect of such personal data.	Thames Water website
Cybersecurity policy/ monitoring/ training	Yes	Yes	Yes	Yes	Recognising the threat of cyber security, particularly in our industry, we rolled out cyber security and general data protection regulation ("GDPR") training across the business. Employees undertake mandatory Cyber Security awareness training annually.	Annual Report and Annual Performance Report 2018/19 , p36 & 93
Honest and Ethical Behaviour policy	Yes	Yes	Yes	Yes	This policy expresses our approach to business activities and how we work, providing a clear, ethical and legal framework for our employees, customers and stakeholders.	Annual Report and Annual Performance Report 2018/19 , p36 & 44
Sustainability policy	Yes	Yes	Yes	Yes	This high-level policy sets the direction of travel of the business and applies to partners and contractors.	Thames Water website
Supply chain sustainability policy	Yes	Yes	Yes	Yes	Our aim is to develop a resilient supply community where suppliers are treated fairly, which operates with a shared set of goals, visions and values and delivers real benefits to our customers to help us become a more sustainable business.	Thames Water website

FINANCIAL

RISK





