

## Interim Executive Chairman's statement

# Rebuilding trust



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We have continued to evolve during the year, reaching some important milestones as we realign the business around our customers, rebuild trust with stakeholders and ensure the sustainable provision of our essential services.

The setting of our plans for 2020 to 2025 involved the Board working with teams across the business to ensure our plan was the right one, and truly reflected customer needs in the face of rising external challenge. We must be ready for what the future holds, particularly around climate change and population growth – the fragility of our network was all too evident when we were faced with the “freeze thaw” in March 2018. Ours is a plan that tackles the critical issues head on.

In May we announced Steve Robertson would be stepping down as our Chief Executive. During his tenure, Steve successfully led the business through significant change, putting the building blocks in place for long-term success, and I would like to thank him for his service as our CEO. Under his leadership, we have increased our focus on customer satisfaction, improved

our incident response capabilities, expanded support for families in vulnerable circumstances and invested around £3 billion in our network. We have started the recruitment process for a replacement CEO and, in the meantime, I am acting as Interim Executive Chairman.

### Rebuilding trust

As well as submitting our plans during the year, we completed a major review of our governance to reflect “best in class” standards. I launched the review when I became Chairman back in January 2018, as it was obvious we needed to make some radical moves to rebuild trust with some of our critical stakeholders and refocus our priorities to improve performance in key areas.

As part of the review, we restructured the Board. As well as ensuring Independent Non-Executive Directors are the biggest group, there were critical skills I wanted to recruit, to make sure we were set up in the right way to govern Thames Water on behalf of our customers. With our revised strategic direction putting customer interests at the heart of business decision making, customer service was obviously key. I also wanted to make sure we had expertise in engineering, network operations, regulation and culture change. You’ll see in our new skills matrix on page 106 that these skills are represented with strength on today’s Board. To maintain the highest levels of governance, we’ve appointed Nick Land as Deputy Chairman, while I act as Interim Executive Chairman.

With London and the Thames Valley on our patch, we represent a diverse cross section of the UK, and increasing diversity on the Board has been another key focus for us this year. While we need to hire people with the right experience for the job, we’ve been mindful of reflecting the diversity of our customers and stakeholders, and we’ve been making positive steps.

During the year, we were recognised by our economic regulator, Ofwat, for our improved approach to reporting. I’m delighted we were upgraded to “targeted” status under their Company Monitoring Framework assessment for 2017/18, and we look forward to building on this success. The final closure of our Cayman Islands subsidiaries in February 2019 underlines our commitment to simplifying our structure.

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### Relationship with external shareholders

We’re lucky to have a strong external shareholder base. Two-thirds of our external shareholders represent pension funds, including our two largest external shareholders in Canada and the UK. Their long-term and sustainable investment view, and that of all our external shareholders, very much aligns with our purpose. Getting performance back on track will benefit everyone in the future and they are fully supportive of prioritising investment in the business.

### Brexit

The outcome of Brexit is uncertain. What is certain, is that we’ve been working hard to ensure we’re resilient and ready to protect our customers, whatever the eventuality. We’ve been assessing the potential impact of Brexit and we are taking the necessary actions to minimise disruption to our customers and our water supply (for more information on Brexit risk see page 35).

### Operational performance

The quality of our drinking water remained very high, with 99.96% compliance and we’ve driven improvements in areas such as sewer flooding reduction, social tariff transitions and limiting greenhouse gas emissions. We also reached the closing stages of some critical resilience projects, including our Deephams sewage treatment works upgrade, which won the coveted “Greatest Contribution to London” award at the ICE London Civil Engineering awards.

During 2018, we had zero of the most serious pollution incidents for the first time in ten years. Our overall pollution performance for 2018 was broadly in line with 2017, with current pollution levels being 46% lower than five years ago – 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.

The year has thrown us some challenges; however, we haven’t been knocked off course in the pursuit of our long-term goals. Despite the impact of the “freeze thaw” and the exceptionally hot summer in 2018 causing a spike in leakage, we’ve managed to bring it down a little since last year. However, we recognise performance still isn’t good enough and we’ve not met expectations. We finished the year at 690 MI/d (2018/19: 695 MI/d). The extreme weather also contributed to an increase in customer complaints with over 12,000 calls on 4 March 2018, the height of the “freeze-thaw”, and an average of over 4,000 calls a day between 1 and 10 March 2018 compared to an average of just over 1,000 calls a day during the same period in 2019. A diversion of resources to cope with the increase in calls, and to ensure customers affected by weather-related supply interruptions were prioritised, led to a back log of jobs, therefore contributing to a rise in complaints in 2018/19. Leakage and complaints reductions will be two of our key focus areas during 2019/20 (see performance section pages 62–73).

### Priorities for 2019/20

The development of our business plan was an important step in our evolution. To us, this isn’t just about the next five years. It’s about the future direction of Thames Water. After submitting our 2020 to 2025 business plan in September, and fine-tuning it in April, we now have a plan supported by 87% of our customers and we look forward to working with Ofwat to agree it in the coming months.

2019/20 is set to be another busy year, with our key operational focus being to drive cost efficiency, reduce complaints, successfully transition all our customers to our new customer relationship management and billing platform and secure a larger reduction in leakage as we head towards the start of the next regulatory period and the delivery of our plan for 2020 to 2025.

**Ian Marchant**  
Interim Executive Chairman  
27 June 2019