

OUR COMMITMENTS

Better value, better services and a healthier environment:
Severn Trent Water's business plan commitments for 2015 to 2020





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A MESSAGE

from Liv Garfield

This business plan which has been driven by – and for – our customers shows the commitments we’re making to our customers to deliver even better value for money, better services and a healthier environment between 2015 and 2020.

Our commitments are based on three years’ of consultation and discussion with our 4.3 million household and business customers throughout the Midlands and mid-Wales. They told us what issues they wanted us to address and how we should balance priorities. Our aim in building our plan has always been to do more, delivering what customers want and the environment needs and still keep water bills down.

From what customers told us we developed a detailed plan that was submitted to our economic regulator, Ofwat, in December 2013. Ofwat challenged us in a number of areas. We re-submitted our plan in June 2014 and accepted Ofwat’s final determination in January 2015. Our final plan incorporates lower financing costs in line with market conditions, broader and more stretching performance commitments with penalties for failure and rewards for better performance, and completing our work on resilience for Birmingham’s water supplies by 2020.

There are three essential elements to our plan.

1) It delivers even better value for money.

We’re proud to already offer our customers the lowest average combined water and wastewater bills in the country. We’ve reduced bills (before the effect of inflation) over the last five years; we’re now committed to reducing them by a further 5% (before the effect of inflation) between 2015 and 2020.

At the same time as reducing our bills, we’re increasing the amount we invest in improving or safeguarding services. It’s up from £2.6 billion in the 2010-15 price control period to £3.3 billion in this five-year period. How are we able to deliver more for less? By being ever more efficient and taking advantage of lower borrowing and financing costs.

2) It’s fair and balanced.

We’ve built fairness into our plan by signing up to a series of 45 stretching performance commitments and 33 Outcome Delivery Incentives, of which six relate to our Birmingham resilience scheme. In general terms, if we do better than promised against our targets in service areas that are important to customers, we will be amongst the best in the industry and stand to benefit from a reward. If we do worse than promised, we will face financial penalties.

We’ve also developed a comprehensive package of appropriate support for customers who genuinely struggle to pay their bills.

3) It does the right thing for the long term.

We’ve long advocated a more socially, environmentally and financially sustainable water industry. This philosophy is at the heart of our plan for 2015-2020. We’ve aimed to strike the right balance between keeping bills affordable for today’s generation of bill payers and investing to keep bills affordable for future generations.

The challenge now is to implement the plan successfully. It is a challenge to which we’re looking forward.



Liv

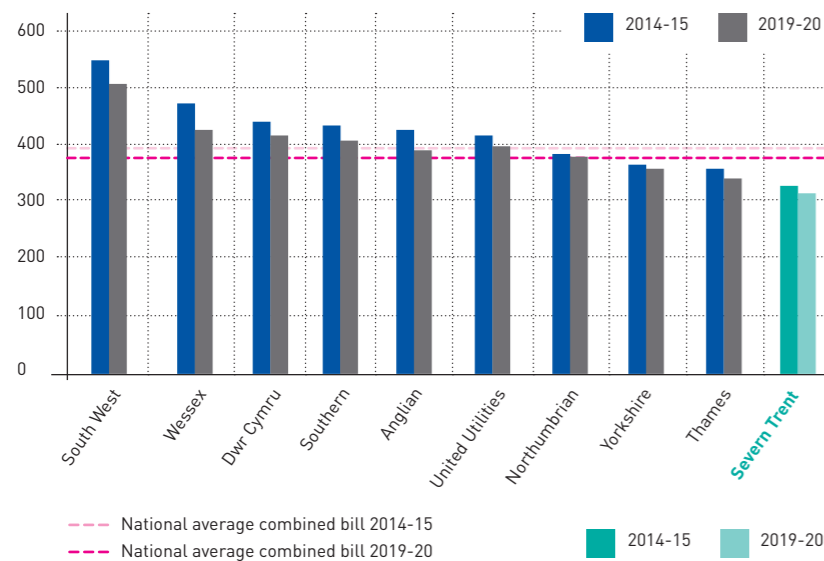
Liv Garfield
Chief Executive

MORE FOR LESS

During the five-year period our business plan covers, we'll reduce our customers' bills whilst investing to deliver improvements in our network.

The highlights of our plan

Our bills are already the lowest in England and Wales and we're reducing them further (£, 2014-15 price base)

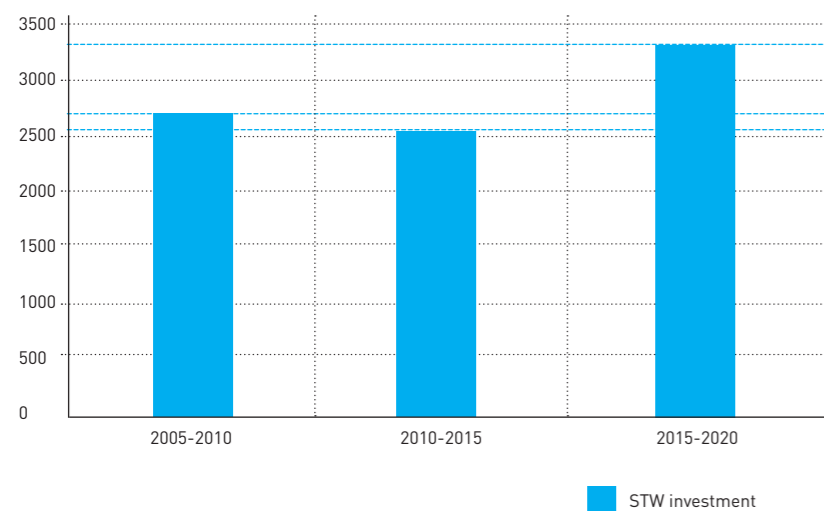


Severn Trent Water average bill 2014-15
£333

Severn Trent Water average bill 2019-20 will be
£316

Severn Trent bills remain the
LOWEST

And we're committing to a record capital investment programme of £3.3 billion



2005-10
£2.8bn

2010-15
£2.6bn

2015-20
£3.3bn

And this record breaking investment will deliver a better performance over 2015-2020



Leakage reduced by

6%



Internal sewer flooding incidents reduced by

13%



Carbon footprint reduced by

6%



Water supply interruptions reduced by nearly

50%

How we're able to do this:

Ofwat has reduced our financing costs (the weighted average cost of capital (WACC)) from **5.1%** to **3.74%**.

We are able to invest more through committed efficiency savings of

£370m

Areas of major investment

Environmental programme

£329m

compared to £187 million in AMP5

Strategic resilience schemes

£376m

compared to £140 million in AMP5

Sewer flooding

£137m

compared to £110 million in AMP5



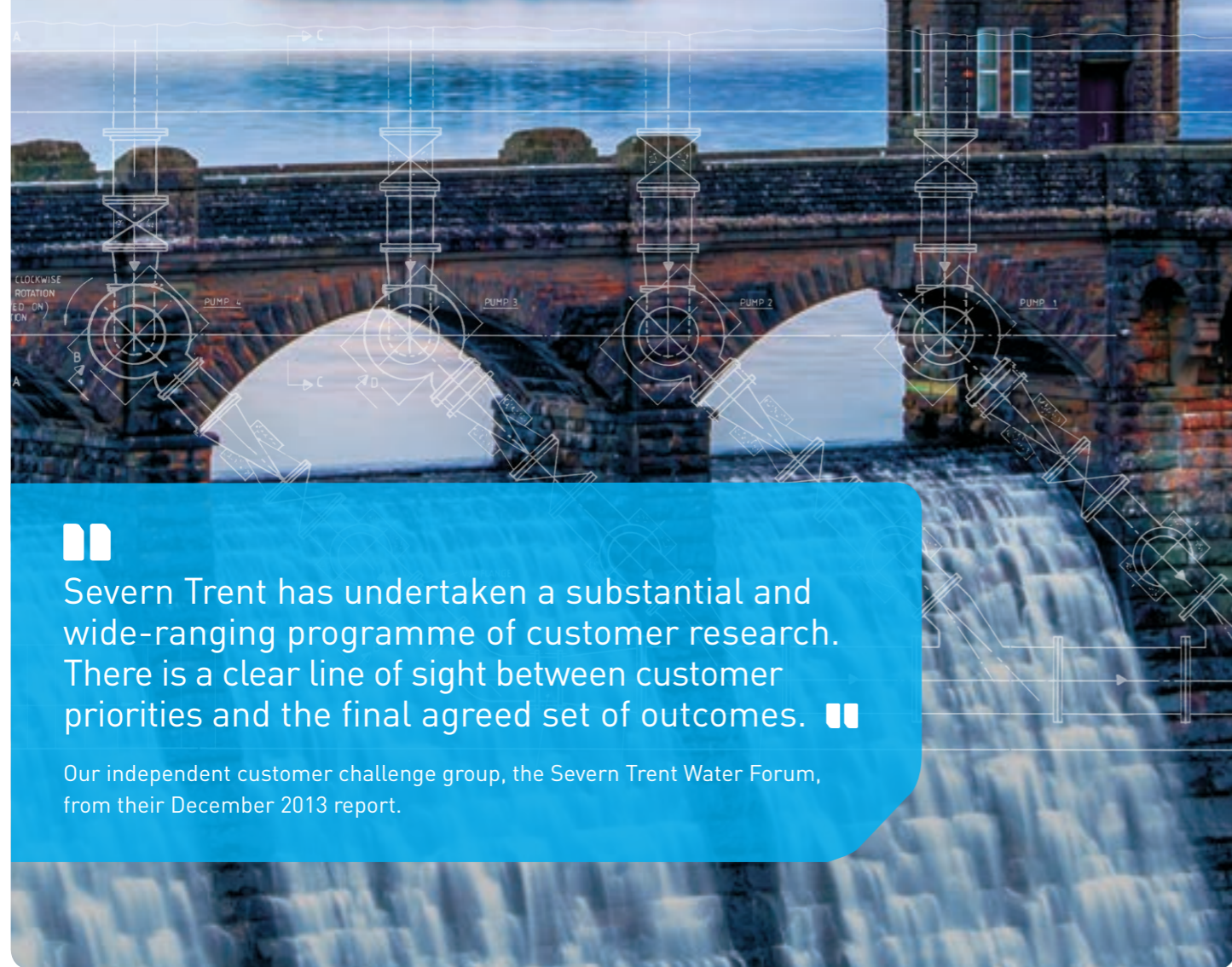
Our plan commitments for the next five years are driven by - and for - our customers. 

HOW OUR PLAN WAS DEVELOPED

Our economic regulator Ofwat sets limits every five years on what we can charge customers.

The latest price review saw the biggest changes since privatisation to how Ofwat undertook this task. The significant changes included:

- Customers being given far greater involvement in the process.
- Companies taking much greater ownership of their plans.
- The introduction of new incentive mechanisms to encourage us to minimise our total expenditure (Totex) and become more efficient.
- The introduction of a series of outcome delivery incentives (ODIs) incentivise us to deliver performance improvements required by customers.



Severn Trent has undertaken a substantial and wide-ranging programme of customer research. There is a clear line of sight between customer priorities and the final agreed set of outcomes.

Our independent customer challenge group, the Severn Trent Water Forum, from their December 2013 report.

CUSTOMERS SHAPED OUR CONSULTATION

STAGE 1 DECEMBER 2011

We asked customers and other stakeholders how we should engage with them.



CUSTOMERS SHAPED OUR PLAN

STAGE 2 DECEMBER 2012

We asked for feedback on the objectives we'd set based on customer input.



CUSTOMERS IMPROVED OUR PLAN

STAGE 3 APRIL 2013

We invited customers to challenge us about how our plan could be improved and gave them real, costed choices.



CUSTOMERS SUPPORTED OUR PLAN

STAGE 4 DECEMBER 2013

We published our customer-driven plan and submitted it to Ofwat. Our proposals achieved an 88% acceptability rating among the customers we surveyed. Our Water Forum submitted their report to Ofwat.



WE REVISED OUR PROPOSALS

STAGE 5 JUNE 2014

We submitted a revised version of our plan to Ofwat based on their feedback to our December 2013 plan.



WE RECEIVED OUR DRAFT DETERMINATION

STAGE 6 AUGUST 2014

Ofwat issued our Draft Determination that challenged us in a number of areas, including our resilience schemes, our wholesale water costs and the assumed rate of return we had used to secure sustainable financing.



WE RECEIVED OUR FINAL DETERMINATION

STAGE 7 DECEMBER 2014

Ofwat issued our Final Determination, which we accepted on 28 January 2015. Our focus is now to deliver our plan successfully to deliver better performance for customers.



OUR OBJECTIVES AND PERFORMANCE COMMITMENTS

As a company we have a clear strategy.

Severn Trent is transforming service today, driving growth, and shaping our industry for tomorrow – for the mutual benefit of our customers, communities and investors.

Our business plan helps us achieve this strategy through the delivery of the 10 objectives we have set out in the plan. The 10 objectives have 45 performance commitments associated with them by which we can be held to account for delivery. Of these performance commitments 33 have financial penalties and rewards attached to them as Outcome Delivery Incentives (ODIs) – six of which relate to our Birmingham resilience scheme.



The full details of our specific commitments can be found in Ofwat's Final Determination of our plan. This can be downloaded at <http://www.ofwat.gov.uk>

| Objective | | Our performance commitments |
|---|---|--|
| 1. We will provide water that is good to drink | 1 | Number of complaints about drinking water quality |
| | 2 | Compliance with drinking water quality standards |
| | 3 | Number of sites with coliform failures |
| | 4 | Number of successful catchment management schemes |
| 2. We will ensure that water is always there when you need it | 5 | Resource efficiency (the amount of water we take from the environment per customer) |
| | 6 | Leakage levels |
| | 7 | Speed of response in repairing leaks |
| | 8 | Number of minutes customers go without supply |
| | 9 | Percentage of customers with resilient supplies |
| | 10 | Mains bursts |
| | 11 | Customers at risk of low pressure |
| | 12 | Restrictions on water use |
| | 13-18 | Commitments to support our resilience schemes |
| | 3. We will safely take your wastewater away | 19 |
| 20 | | Number of external sewer flooding incidents |
| 21 | | Partnership working to reduce flooding |
| 22 | | Reducing sewer blockages |
| 4. We will provide you with excellent customer service | 24 | Customers' satisfaction with their service |
| | 25 | Customers' experience with dealing with us (based on Ofwat's Service Incentive Mechanism) |
| 5. We will have the lowest possible charges | 26 | Customers rating our service as good value for money (Wholesale Water) |
| | 27 | Customers rating our service as good value for money (Wholesale Wastewater) |
| | - | We will reduce prices by 5% in real terms between 2015-2020 |
| 6. We will help you if you struggle | 28 | Number of customers helped by a review of their tariff and water usage and/or supported by our social fund |
| | 29 | Percentage of customers who do not pay |
| 7. We will protect our local environment | 30 | Improvements to river water quality against Water Framework Directive (WFD)* criteria (Wholesale Water) |
| | 31 | Improvements to river water quality against WFD criteria (Wholesale Wastewater) |
| | 32 | Number of Category 3** pollution incidents (Wholesale Wastewater) |
| | 33 | Environmental compliance (Wholesale Water) |
| | 34 | Environmental compliance (Wholesale Wastewater) |
| | 35 | Biodiversity improvements (Wholesale Water) |
| | 36 | Biodiversity improvements (Wholesale Wastewater) |
| | 37 | Sites with eel protection at intakes |
| | 38 | Sustainable sewerage treatment |
| | 39 | Serious pollution incidents (Categories 1** and 2**) (Wholesale Wastewater) |
| | 40 | Overall environmental performance (Wholesale Wastewater) |
| 41 | Number of Category 4** pollution incidents (Wholesale Wastewater) | |
| 8. We will protect the wider environment | 42 | Size of carbon footprint (Wholesale Water) |
| | 43 | Size of carbon footprint (Wholesale Wastewater) |
| 9. We will make a positive difference to the community | 44 & 45 | Improved understanding of our services through education (Joint Wholesale Water and Wholesale Wastewater) |
| 10. We will finance our business sustainably | - | Manage our finances sustainably |

* The EU legislation that sets the environmental standards for rivers and other water courses. ** Environment impact assessment where Category 1 has the most, Category 4 the least.

Key

| | | | | | |
|-----------------------|----------------------|---------------------------|---|--|-----------|
| Household retail plan | Wholesale Water plan | Wholesale Wastewater plan | Wholesale Water and Wholesale Wastewater plan | Performance commitments outside the cap and collar | All plans |
|-----------------------|----------------------|---------------------------|---|--|-----------|

IN DETAIL

More about our objectives and performance commitments



OBJECTIVE



We will provide water that is good to drink

What our customers told us Being able to rely on the quality of the water we supply to their homes and businesses is their highest priority. That's why this is our first objective.

- The key challenges we face**
- We need to improve water quality performance and our treatment works performance on coliforms at both groundwater and surface water treatment sites.
 - We're facing increased levels of pollution of raw water sources from activities in our catchment areas.
 - We need to manage and maintain the performance of our extensive asset base as it ages.
 - We're experiencing more extreme weather, which puts further strain on our networks.
 - Our distribution system needs to be maintained and improved so water quality is secured to our customers.
 - We need to reduce the build-up and mobilisation of deposits in our pipes. These cause discolouration and around 75% of customer complaints are about water quality.
 - We need to be able to move water around our region without impacting water quality.
 - We need to address potential health risks associated with lead customer pipes in around 600,000 homes (18% of properties).

Our strategy Invest where appropriate in improving physical infrastructure – particularly in our treatment works – and work in partnerships with landowners to improve our catchments.

Our plan Our plan for the next five years is to invest to: increase our compliance with drinking water quality standards; reduce the number of our water treatment works that suffer coliform failures; improve the appearance of our water to reduce the number of discolouration complaints; and develop successful catchment management schemes addressing pollution at its source.

Our performance commitments

| Measure of success | Current performance | 2020 target | Improvement | Incentives applied for above/below target ¹ |
|--|--------------------------|---------------|-------------|--|
| Number of complaints we receive about drinking water quality | 13,000 complaints a year | 9,992 | 23% | £900 reward or penalty per complaint |
| Compliance with drinking water quality standards | 99.95% | 100% | 0.05% | £1.72 million penalty for every 0.01% below the target each year |
| Number of water treatment works with coliform failures | Stable | Less than six | N/A | £463,000 for every site above the target each year |
| Successful catchment management schemes | N/A | 12 | N/A | £1.03 million reward or penalty per scheme |

¹ See Ofwat Final Determination for full details, including deadbands and measurement rules.

OBJECTIVE 2



We will ensure that water is always there when you need it through managing supply and demand and keeping supplies on

What our customers told us That leakage is their number one priority and they want their service to be available at all times.

- The key challenges we face**
- We have to meet the demands of a growing population.
 - We're experiencing greater variability in weather patterns and more frequent weather extremes.
 - If we do nothing, forecast data shows that we'll only have sufficient water in 2040 to meet demand fully for 20% of our customers.
 - In some areas our abstraction is unsustainable.
 - We need to increase the strategic resilience of our supply system to address key risks of customers losing supply.

Our strategy Work with customers to reduce unnecessary usage and make sure we do everything we reasonably can to fix leaks as quickly as possible. We'll also improve our network's connectivity and invest to make sure our major cities aren't overly dependent on a single source of supply.

Our plan Our plan for the next five years is to invest to prevent leaks happening in the first place and, if they do happen, to fix them more quickly. We will promote metering to help vulnerable customers, extending to 24 months the option to switch back. Our plan is also to invest in resilience schemes, so that our customers are better protected against the risk of disruption to their supplies.

Our performance commitments

| Measure of success | Current performance | 2020 target | Improvement | Incentives applied for above/below target ² |
|---|--|--|-------------|--|
| Resource efficiency (the amount of water we take from the environment per customer) | 229 litres per person per day | 213 litres per person per day | 7% | Reputational |
| Leakage levels | 450ML (Megalitres) per day | 424ML per day | 6% | A reward of up to £123,000 a year for every ML per day below target, and penalties up to £200,000 a year for every ML per day above target |
| Speed of response in repairing leaks | 50% repaired within 24 hours | 100% repaired within 24 hours | 100% | £24,663 for each per cent either side of the deadband target for each year |
| Number of minutes customers go without supply | 15 minutes | Eight minutes | 47% | £1.1 million per every minute either side of deadband target for each year |
| Percentage of customers with resilient supplies (those that benefit from a second source of supply) | 77.0% | 77.7% | 0.9% | £1.77 million for each per cent either side of the target (not including Birmingham Resilience Scheme) |
| Mains bursts | Stable | Less than 7,758 mains bursts | N/A | £2,307 penalty for every burst over the target |
| Customers at risk of low pressure | 300 connected properties | 250 connected properties | 17% | £790 reward or penalty each year for each property either side of the target |
| Restrictions on water use | Zero water restrictions in place in a five-year period | Zero water restrictions in place in a five-year period | N/A | Penalty of up to £18.75 million. Reward of up to £1.36 million |
| Resilience schemes – six commitments outside the cap and collar mechanism | N/A | See Final Determination for full details | N/A | Significant penalties for delayed completion |

²See Ofwat Final Determination for full details, including deadbands and measurement rules.

OBJECTIVE 3



We will safely take your wastewater away

What our customers told us We should invest proportionately to reduce incidents of sewer flooding. Sewer flooding – particularly inside people's homes – is comparatively rare, but it's extremely distressing if it does happen.

- The key challenges we face**
- Our sewers are having to cope with higher demand from an increasing population, more extreme rainfall and the loss of permeable areas.
 - The network we're responsible for has expanded rapidly with the transfer of private drains, sewers and pumping stations to our ownership.
 - Our network is ageing, with 20% of our sewers over 100 years old.
 - We have some complex and expensive sewer flooding problems left to resolve because we've addressed the simpler issues.
 - We need to work with other organisations, such as local authorities and developers, to create a more sustainable approach to flood risk management.

Our strategy Our strategy is to adapt to the challenge posed by climate change, population growth and urban creep and maintain our sewer network to reduce the causes of sewer flooding so we can deliver the service our customers expect.

Our plan Our plan for the next five years is to invest to maintain our sewers in better condition, to work with our customers to prevent unsuitable material being flushed into the sewer network and to increase the number of sustainable drainage solutions through partnership working.

Our performance commitments

| Measure of success | Current performance | 2020 target | Improvement | Incentives applied for above/below target ³ |
|---|----------------------------|---|-------------|--|
| Number of internal sewer flooding incidents | 1,031 customer properties | 892 customer properties | 13% | £42,820 per incident reward or penalty |
| Number of external sewer flooding incidents | 7,714 customer properties | 7,220 customer properties | 6% | Reward or penalty of £19,779 for each incident |
| Partnership working to reduce flooding | Seven projects | 21 projects | 200% | £61,172 per year per scheme either side of the target |
| Reducing sewer blockages | Marginal | Less than 48,900 sewer blockages a year | N/A | Penalty of £2,079 per additional blockage per year |
| Statutory obligations (S101A) | 595 connectable properties | 312 connectable properties | 48% | Reputational |

³See Ofwat Final Determination for full details, including deadbands and measurement rules.

OBJECTIVE 4

We will provide you with excellent customer service – household retail and business retail

What our customers told us They want a trouble-free service that gives them few reasons to have to contact us. When they do contact us, we should communicate in a straightforward way, take ownership of the issue and keep them informed of progress.

- The key challenges we face**
- We have a diverse customer base with different needs, expectations and preferences.
 - Our customers' satisfaction with us (based on the UK Customer Satisfaction Index) is only just above average for the utilities sector. We can do better.
 - Our customers' expectations and preferences for how they contact us are changing rapidly.
 - We must improve our digital offering.

Our strategy We'll reduce the reasons why people need to contact us. And if they do have to contact us, we're changing the way we work to make the process as easy for them as possible.

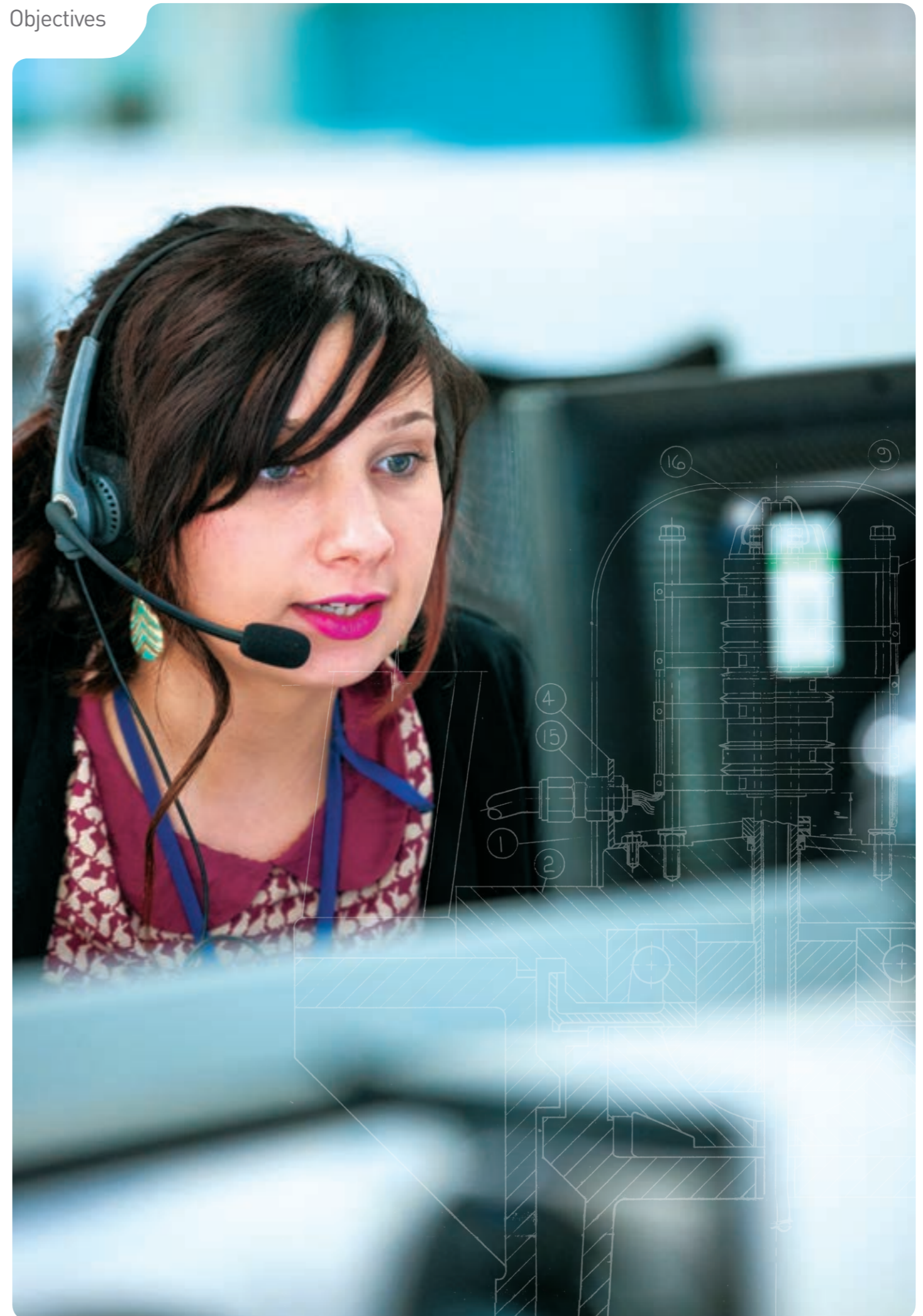
Our plan Our plan for the next five years is to invest to make it easier for customers to contact us using a variety of communication channels, and to empower our staff with the right systems and processes to deal with customers' concerns in a simpler, one-stop manner.

Our performance commitments The performance commitments by which we can be held to account for delivering this plan are:

| Measure of success | Current performance | 2020 target | Improvement | Incentives applied for above/below target ⁴ |
|--|---------------------|----------------|-------------|--|
| Customers' satisfaction with their service | Median | Upper quartile | 25% | Reputational |
| Customers' experience of dealing with us (Service Incentive Mechanism) | Median | Upper quartile | 25% | Determined by Ofwat |

⁴See Ofwat Final Determination for full details, including deadbands and measurement rules.

Objectives



OBJECTIVE 5

We will have the lowest possible charges

What our customers told us They want us to keep our bills as low as possible, but not at the cost of sacrificing necessary investment for the future.

- The key challenges we face**
- We need to deliver lower bills at the same time as delivering higher service standards and tougher environmental targets.
 - More of our operational spend is moving outside our control, meaning that we have less flexibility to manage costs.
 - Central to keeping customers' bills low is being able to attract a wide range of investors – we need to maintain an attractive investment climate.

Our strategy Focus on being as efficient as possible and take a risk-based approach to new investment.

Our plan

We already have the lowest bills in the country. Our commitment is to keep price rises below the rate of inflation for the next five years.

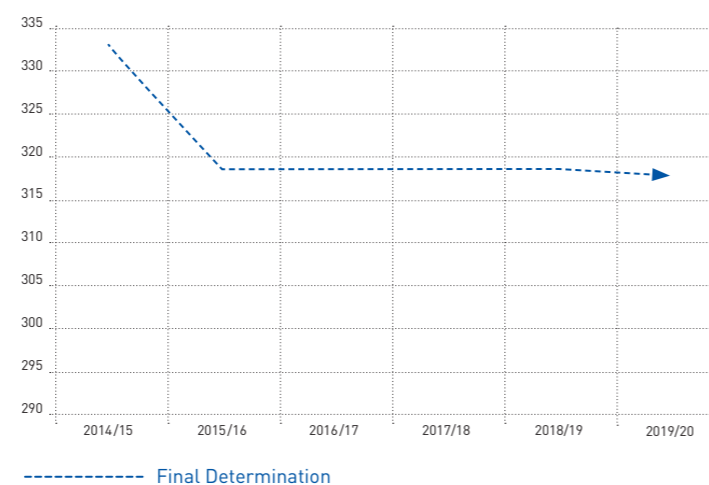


Our performance commitments

| Measure of success | Current performance | 2020 target | Improvement | Incentives applied for above/below target ⁴ |
|---|---------------------|-------------|-------------|---|
| Customers rating our service as good value for money (Water) | 45% | 55% | 22% | £125,000 reward or penalty either side of the deadband target |
| Customers rating our service as good value for money (Wastewater) | 45% | 55% | 22% | £125,000 reward or penalty either side of the deadband target |

Our commitment for the next five years is to reduce bills by 5% overall (before inflation).

Severn Trent average household bills, (£, in today's prices before inflation)



OBJECTIVE 6

We will help you if you struggle

What our customers told us They want us to ensure all customers who can pay their bills, do pay. But they also want us to provide targeted support to those customers who genuinely struggle to pay. 74% of the customers we surveyed supported the introduction of a social tariff, funded by a £3 cross subsidy.

- The key challenges we face**
- The real incomes of some of our lowest income customers have fallen in recent years – they have less money to spend.
 - Welfare reform creates some risks and uncertainties in the short term.

Our strategy Our strategy is to keep all of our bills as low as possible, and to provide targeted support for those customers who genuinely struggle to pay.

Our plan We've set two transparent performance commitments by which we can be held accountable for delivering this objective.

Our performance commitments Our plan for the next five years is to reduce our bills by 5% (before inflation), improve our debt management strategies and existing support options with 'water health checks', an enhanced WaterSure-based scheme and a new social tariff. The social tariff will be administered by the Citizens' Advice Bureau to ensure financial help gets to those who need it most.

| Measure of success | Current performance | 2020 target | Improvement | Incentives applied for above/below target ⁵ |
|---|-------------------------|------------------|-------------|--|
| Number of customers helped by a review of their tariff and water usage, and/or supported by our social fund | 11,500 customers helped | 50,000 customers | 335% | Reputational |
| Percentage of customers who do not pay | 2.69% | 2.70% | -0.37% | Reputational |

⁵See Ofwat Final Determination for full details, including deadbands and measurement rules.



OBJECTIVE 7

We will protect our local environment

What our customers told us They value the environment, but they want us to take a balanced approach to investments so that bills don't rise unnecessarily. More than anything, they want to see us delivering practical results for the money invested.

- The key challenges we face**
- Only 30% of the rivers in our region are at good ecological status.
 - A quarter of rivers in our region don't reach required standards because of our activities.
 - Lack of real-time visibility of our network prevents us avoiding some pollutions and operating efficiently.
 - We need to maintain our four-star Environmental Performance Assessment from the Environment Agency.

Our strategy Take a cost-benefit approach to our environmental investments and seek out sustainable, low-cost solutions wherever possible.

Our plan We've set 12 transparent performance commitments by which we can be held accountable for delivering this objective.

Our performance commitments Our plan for the next five years is to invest to improve our treatment works' compliance with environmental regulations and to help meet the requirements of the Water Framework Directive (WFD) by helping to improve the quality of water flowing into rivers. We will also work to improve the biodiversity of land within our control.

| Measure of success | Current performance | 2020 target | Improvement | Incentives applied for above/below target ⁶ |
|---|--|---|-------------|--|
| Improvements to river water quality against WFD criteria (Water) | N/A | 31 WFD classification improvements | N/A | £150,000 per classification per year penalty or reward |
| Improvements to river water quality against WFD criteria (Wastewater) | N/A | 202 WFD classification improvements | N/A | £150,000 per classification per year penalty or reward |
| Number of Category 3* pollution incidents (Wastewater) | 457 Category 3 pollution incidents | 374 Category 3 pollution incidents | 18% | £53,900 per incident penalty or reward |
| Environmental compliance (Water) | Stable audits | 100% | N/A | Reputational |
| Environmental compliance (Wastewater) | Stable audits | 100% | N/A | Up to £1.4 million penalty for each percent short of deadband target |
| Biodiversity improvements (Water) | 334 hectares improved | 409 hectares improved | 22% | Reputational |
| Biodiversity improvements (Wastewater) | 334 hectares improved | 409 hectares improved | 22% | £956 per hectare reward or penalty per five-year period |
| Sites with eel protection at intakes | N/A | The number of schemes delivered | N/A | Reputational |
| Sustainable sewage treatment | N/A | Mitigate investment required due to increased population equivalent | N/A | £28,547 per works per year |
| Serious pollution incidents (Categories 1* and 2*) (Wastewater) | Eight serious pollution incidents (Categories 1 and 2) | Zero serious pollution incidents (Categories 1 and 2) | N/A | Reputational |
| Overall environmental performance (Wastewater) | N/A | Meet 3 of 4 targets from basket of environmental measures | N/A | Penalty or reward of £2.4 million |
| Number of Category 4* pollution incidents (Wastewater) | 246 Category 4 pollution incidents | 182 Category 4 pollution incidents | 26% | Reputational |

⁶ See Ofwat Final Determination for full details, including deadbands and measurement rules.
 * Environment impact assessment where Category 1 has the most, Category 4 the least.

OBJECTIVE 8

We will protect the wider environment

What our customers told us We should do more to reduce our carbon footprint by seeking lower carbon ways of operating our business, generating renewable energy and working with others to reduce emissions. They also told us that we should do this without significantly increasing their bills.

The key challenges we face

- Government policies aim to achieve an 80% reduction in carbon emissions by 2050 and move us to a zero waste economy.
- Population growth and increasing environmental requirements would drive our carbon emissions and our costs up if we did nothing.

Our strategy We'll seek to increase the amount of energy we self-generate using renewable sources. And we'll continue on the path to operating our network as efficiently as possible to reduce the carbon we use.

Our plan Our plan for the next five years is to invest to make our processes more efficient, so they require less energy. We will also invest to self-generate more renewable energy.

Our performance commitments

| Measure of success | Current performance | 2020 target | Improvement | Incentives applied for above/below target ⁷ |
|---------------------------------------|--|---|-------------|--|
| Size of carbon footprint (Water) | 229 ktCO ₂ e (Kilotonnes carbon dioxide equivalent) net annual greenhouse gas emissions | 216 ktCO ₂ e net annual greenhouse gas emissions | 6% | £14,630 per ktCO ₂ e penalty or reward per year |
| Size of carbon footprint (Wastewater) | 259 ktCO ₂ e net annual greenhouse gas emissions | 242 ktCO ₂ e net annual greenhouse gas emissions | 7% | £14,630 per ktCO ₂ e penalty or reward per year |

⁷See Ofwat Final Determination for full details, including deadbands and measurement rules.

OBJECTIVE 9

We will make a positive difference to the community

What our customers told us They want us to help them use services more efficiently and are keen for us to invest in a significant customer education programme.

The key challenges we face

- We need to work with our customers to help them modify their behaviour, to use water more efficiently and to flush away only what our sewers are capable of taking away.
- We need to ensure safe, pleasant access to our 12 visitor sites throughout our region – sites that attract around four million visitors a year.
- We need to minimise localised disruption to our communities as we undertake work to improve our network.
- We need to build on our strong heritage in delivering education programmes.

Our strategy We will educate our customers and future customers about the responsible use of water and wastewater services, provide a great experience at our visitor sites and be a considerate contractor when we are working on our sites or in the roads.

Our plan Our plan for the next five years is to increase our education programme. This will include an increased provision of lessons to local school children about the importance of using water efficiently.

Our performance commitments

| Measure of success | Current performance | 2020 target | Improvement | Incentives applied for above/below target ⁸ |
|---|---|--|-------------|--|
| Improved understanding of our services through education (Joint Water and Wastewater) | 75,000 people benefiting from education programme | 125,000 people benefiting from education programme | 67% | Reputational |

⁸See Ofwat Final Determination for full details, including deadbands and measurement rules.

OBJECTIVE 10

We will finance our business sustainably

What our customers told us They don't want to see excessive returns to investors.

The key challenges we face

- We invest more than we receive from customers – we need to borrow money to bridge this gap and invest for the future.
- We need to borrow money as cheaply as possible.
- To maintain investor confidence, we need to maintain an investment grade credit rating.

Our strategy Strike a fair balance between customers and investors, maintain a significant proportion of equity finance and be transparent about our financing arrangements. We'll also do what's necessary to maintain an investment grade credit rating.

Our plan Our plan is to continue to manage our finances sustainably over the longer term. In this context, and in line with market conditions, we have announced that we are reducing our dividend to shareholders in 2015/16 by 5% with a commitment to then increasing it each year to March 2020 by at least the RPI measure of inflation.

In addition, our aim is to move towards a net debt/RCV gearing ratio of around 62.5%, which is in line with Ofwat's assumptions. We will also continue to manage our treasury operations to ensure the best outcomes for customers and other stakeholders.

Our performance commitments

Manage our finances sustainably.



WANT TO KNOW MORE?



Further information, including a detailed description of performance measures, can be found in Ofwat's Final Determination at <http://www.ofwat.gov.uk>

