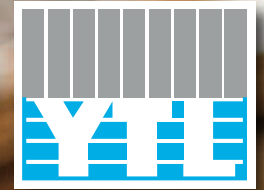


# DELIVERING FOR OUR CUSTOMERS

annual review summary 2018-19

Wessex Water  
YTL GROUP



FOR YOU. FOR LIFE.

[wessexwater.co.uk](http://wessexwater.co.uk)

# Delivering for our customers - our annual review summary 2018-19

**Wessex Water**  
YTL GROUP



To make it easier to find the information you are looking for we have produced three linked documents:

- Delivering for our customers
- Annual report and accounts; and
- Annual performance report.

## Delivering for our customers

A summary document that includes an overview of progress against our regulatory performance commitments as well as our other company measures.

We have been delivering our sustainability vision since 1996. This means more than just 'being green'. It is about excellent customer service, strong community engagement, meeting employees' needs, sound asset management, financial responsibility and good environmental practice, all at the same time. Our report explains how, over time, our strategy, performance, governance and prospects lead to improvements for our customers and communities, the natural environment, our people and the company.

This document also provides an overview of the financial and sustainability accounts for the year. If you are interested in more detail, this is provided in the following supporting documents.

## Annual report and accounts

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

## Annual performance report

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

**All these documents are available on our website:**

[wessexwater.co.uk](http://wessexwater.co.uk)

You can compare our performance against other water companies at [www.discoverwater.co.uk](http://www.discoverwater.co.uk)

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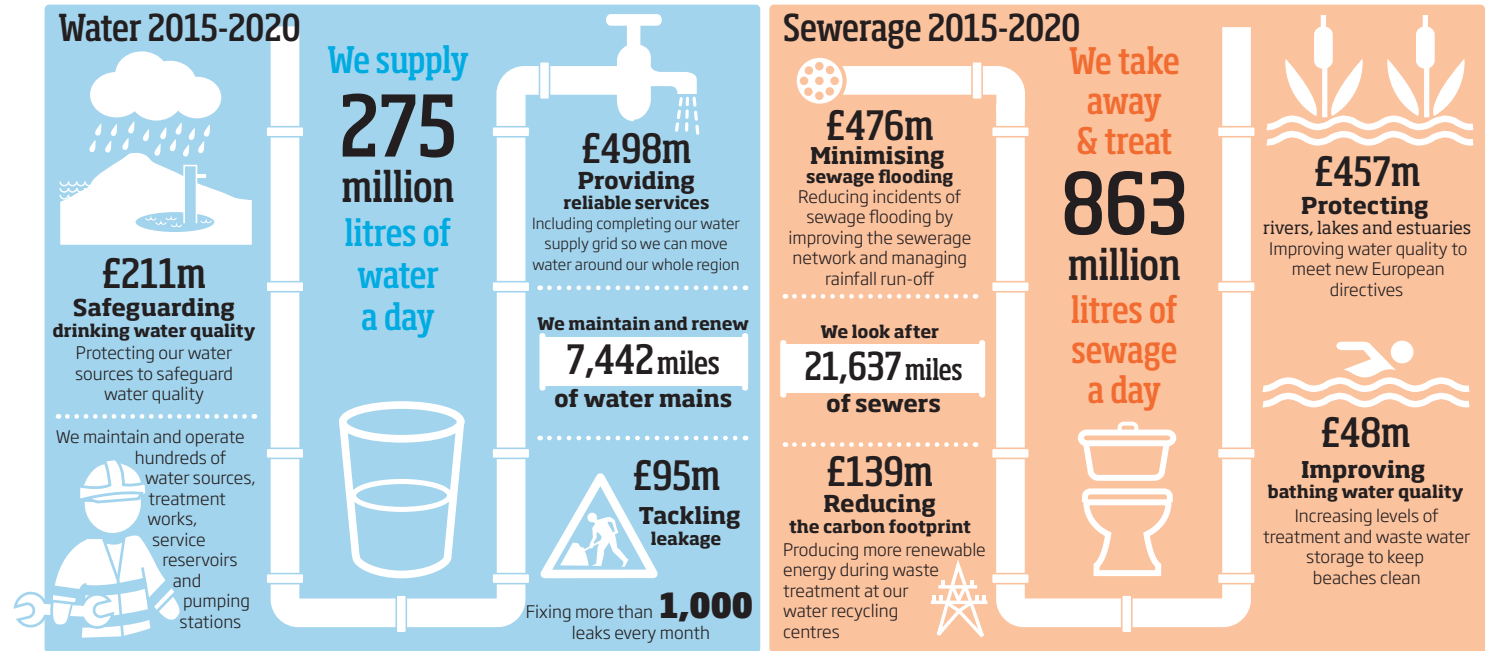


Look out for topics of particular interest and innovation

# About Wessex Water

We provide water and/or sewerage services to more than 2.8 million customers in the south west of England. Our overall mission is to provide outstanding sustainable water and environmental services.

Between 2015 and 2020, we are doing all this...



## Wessex Water Marketplace

We thrive on doing things differently and our vision and future plans are dependent on embracing change. So we have introduced the Wessex Water Marketplace to share our outcomes and our data, championing new, innovative ideas from within Wessex Water and from outside. This will inspire innovation and encourage collaboration to deliver the best value for our customers and the environment.

We've introduced an online platform to interact with wider markets, and we will operate and procure solutions transparently, working with other providers where we can to develop sustainable answers to our challenges.

As a private company delivering essential public services, we want the way that we deliver to add much wider value to society. The Wessex Water Marketplace is our next step on this journey and we hope that you will join us by bringing ideas and solutions that continue to improve services for current and future generations.

Take a look at what's going on in the Wessex Water Marketplace at [marketplace.wessexwater.co.uk](https://marketplace.wessexwater.co.uk)

# Chairman's foreword

**On behalf of the board, I am pleased to present our 2019 annual review summary.**

The water industry in any country is fundamental to the health and wellbeing of its citizens, its environment and its economy. We recognise the great responsibility and opportunity we have been afforded in providing this essential public service in the UK.

I am proud of the continued high levels of performance that we achieve at Wessex Water and this year is no different. That is down to the commitment of our great team of people right across the business. Our record has been hard-earned but we know we must maintain our strong performance and responsible behaviours to preserve our reputation.

We published our plans for the period 2020-2025 this year. In it we are clear that our underlying belief at YTL in stewardship and long-term commitment to the businesses we own will remain central to our approach in the future.

This can only happen with the support of private investors. Renationalising the water industry will not lead to great savings or radical improvements to quality or service. Our quality is already among the best in the world and we are aiming to be in the top 20 service providers, of any industry, in the UK. What is critical is that we maintain the trust of the public and the continuity of investment.

We recognise the importance of our own role as a board in ensuring our leadership and approach to governance engenders the trust of our customers, stakeholders and politicians. We must do this by continuing to strive for excellence in service, in building communities and in protecting the environment in which we live.

Our local communities are more important than ever in helping us to deliver our services. That is why we have committed to introducing an


independent community fund that will support essential local schemes such as debt advice, environmental schemes, and those which improve science, technology, engineering and mathematics (STEM) skills.

As a pragmatic business owner, my experience has convinced me that there is an alternative to the traditional tax-and-spend policies of governments to meet the pressing need for new infrastructure. I believe the solution is to embrace the private sector to innovate and deliver new solutions to the issues we face. This is why we launched the Wessex Water Marketplace this year, to share our challenges and engage with the market to find alternative solutions.

We take our long-term stewardship of the essential services that we provide very seriously. It is important that we are transparent about our performance - both operationally and financially. This annual report is part of how we do that, and I hope that you feel you can trust us to do the right thing as a result.

I would like to thank everybody at Wessex Water for continuing to deliver the excellent levels of service that our customers and stakeholders expect, finding new and innovative ways to improve every day.

I thank the Lord Jesus for his blessings and I am grateful for the opportunity to continue to invest in this special business, supporting the lifeblood of our local community.



**Dr Francis Yeoh CBE**  
Chairman

*"I am proud of the continued high levels of performance that we achieve at Wessex Water and this year is no different."*



# Managing director's introduction

At Wessex Water, our aim is to give all customers excellent standards of service by providing high quality water and environmental services that protect health, improve the environment and give customers good value for money. We work hard to deliver the best levels of service and continually challenge ourselves to find better, cheaper ways of achieving this.

A great example is our introduction of the Wessex Water Marketplace, a hub where we publish the outcomes we need to achieve as an open question, allowing the market to propose solutions rather than asking for a price for a pre-determined answer. We'll work with the market to determine the best blend of solutions, sharing our data and being open and transparent in our assessment of the solutions.

Opening up our data, our challenges and our systems will mean that our customers, stakeholders and suppliers can be part of the solution to our future challenges.

## Our customers and communities

We have recently published our plans for the period 2020-2025. This process started by asking all our customers what they wanted us to achieve in looking after the environment, delivering water efficiency, ensuring the highest water quality and minimising sewer flooding.

We received responses from more than 140,000 customers, which provided an excellent foundation for our plans. This prompted, for example, our ambition to be in the top 20 service providers in the UK, which is testament to the stretching nature of our plans.

It's critical that the communities we serve feel part of what we do and who we are - without their help and involvement, we cannot meet our stretching performance targets.

One area where we particularly need our communities to help us is in reducing blockages in our sewers. The vast majority of these are caused by people flushing wet wipes down their toilet or pouring fats down their kitchen sink. We need everyone to help us spread the message that we should only flush the three Ps - pee, poo and paper.

## Our natural environment

Our region contains a wealth of rivers, streams, beaches and natural landscapes and is rich in wildlife with many areas protected by national and international designations. We work hard to protect and enhance the aquatic environment and our wider natural habitats.

As well as investing more than £106m in environmental improvements over the past year, we continue to make greater use of catchment-based approaches to understand and manage nutrients in the environment.

In the Poole Harbour catchment we have been working with farmers to offset our nitrogen contributions from Dorchester water recycling centre. Through our EnTrade auctions we have consistently beaten our target of 40 tonnes reduced per year over the last three years. We also continue to support catchment partnerships across our whole region, involving dozens of projects and partners and hundreds of farmers and landowners.

We were rated as 'good' in the Environment Agency's annual environmental performance assessment for 2018, with all agreed National Environment Programme schemes completed and 100% compliance with both water discharge permits and sewage sludge standards. We had an increase, however, in the number of pollutions and the proportion of pollution incidents reported by us rather than other parties fell to 74%. This is just below the 75% threshold for a leading rating. We have already made improvements to return us to leading for 2019.

*"It's critical that our community feel part of what we do and who we are"*



# Managing director's introduction continued

In the last year, we have also continued to make ourselves more resilient to external shocks by starting work on the second stage of our north Bristol sewer scheme - a major project that will accommodate economic development and housing growth by transporting waste water for treatment at our Avonmouth water recycling centre.

## Our people

We have a great team at Wessex Water - they live our ethics and values every day, treat our customers, the wider community, the environment and one another with respect.

We welcome the innovation and fresh ideas that come with new colleagues. Equally, our long-term nature can be seen in the number of people who work with us for their entire career - we greatly value the experience and knowledge that comes from 30 or more years' work at Wessex Water.

As these colleagues retire, they are passing on their skills and experience to new generations of apprentices. Our very successful apprentice programme has continued to grow and 92 people have joined our scheme this year.

## Our financial stewardship

We have continued to invest at record levels, with more than £245m invested in maintaining and improving our assets and the services that they underpin. Our operating profit fell £6m (excluding exceptional items) to £228m. Turnover increased by £7m to £548m and operational costs increased by £8m to £213m (excluding exceptional items).

Under YTL's long-term stewardship we have always been structured and financed in a simple and transparent way that ensures we are financially resilient. Our gearing will continue at under 70% and we will continue to maintain a straightforward corporate structure. We paid our taxes, contributing more than

£60m last year in corporation tax, business rates and other taxes and are classed by HMRC as low risk.

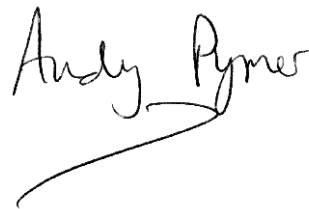
## The future

The coming years present opportunities that are both exciting and critical for the ongoing success of the UK's water industry.

We must work hard to bridge gaps in knowledge and lifestyle, bringing our local communities together to fight against plastics, pollutions and sewer blockages, and ensuring we value our water and use it wisely.

We must continue to invest in critical infrastructure, delivering the highest quality of service and performance at a price that offers value for money to all our customers.

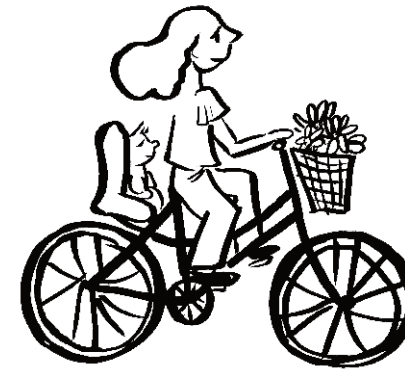
We have achieved some excellent further steps on this journey over the last 12 months and I thank our team and our communities for their help in getting us this far, and for their continued commitment into the future.



**Andy Pymmer**  
Managing director

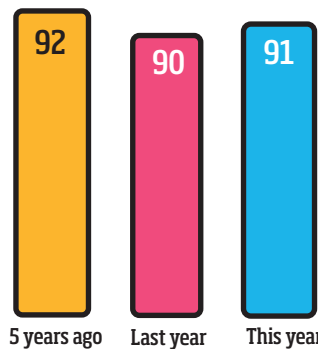
# OUR CUSTOMERS *and* COMMUNITIES

We put customers at the heart of everything we do and encourage our people to go the extra mile whenever they can. Our customer service vision remains very simple. We aim to deliver the highest levels of customer satisfaction, make it easy for customers to deal with us and ultimately build trust and loyalty.

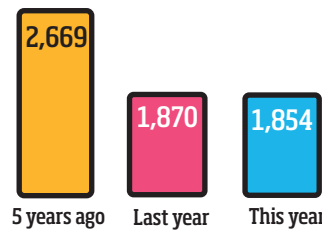


## Customer and community KPIs

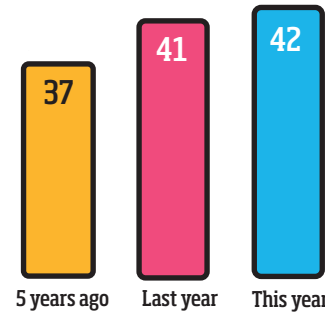
Customer satisfaction (%)



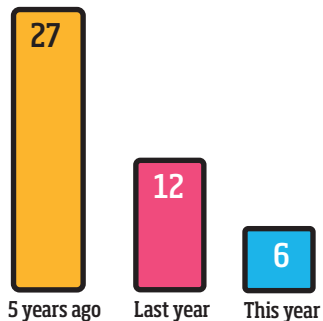
Sewer flooding incidents



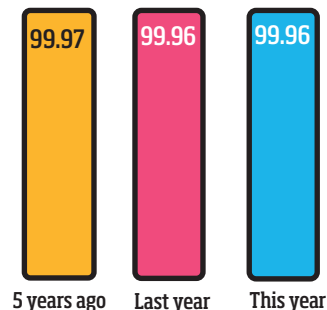
Years since imposition of hosepipe ban



Supply interruptions (minutes lost per property)



Water quality compliance (%)



## This year in brief

- One of the top water and sewerage companies in Ofwat's service incentive mechanism.
- The lowest number of complaints as reported by the Consumer Council for Water.
- Retained our government Customer Service Excellence award, the British Standard for inclusive services provision (BS 18477), the Keep Me Posted award and the Louder than Words charter mark.
- Continued to deliver initiatives within our strategy for customers in vulnerable circumstances. A 15% increase in the number of low-income customers receiving support with their bills or debt and a 15% increase in the number registered for Priority Services.

Further performance indicators on page 28

We've spoken to more than 140,000 customers recently to make sure we are focusing on what's important to them:

- excellent and reliable water and sewerage services at a price they can afford
- a service tailored to meet their individual needs
- choice and flexibility in the way they can communicate and interact with us
- a real person to answer the telephone
- resolving problems quickly and first time
- keeping them informed using their channel of choice
- checking they are happy with the outcome if they have a problem
- compensating without quibble if things go wrong.

### Customer experience

We remain one of the top performers in the water sector for customer service. This is the final year of Ofwat's service incentive mechanism (SIM) and we are aiming to achieve top spot for this five-year period. We consistently perform well on both satisfaction surveys and complaints handling, and we have exceeded our performance commitment target for this year on SIM.

But we do not simply want to be the best for customer service in the water sector; we want customers to be as satisfied with our service as they are with the top household names. We have set ourselves the challenge of being both a top performer on Ofwat's new measure of customer experience (C-MeX), and being in the top 20 UK service providers by 2025 on the Institute of Customer Service's UKCSI survey.

To achieve this, we will deliver a more personalised and effortless service. To many we remain a silent provider, so we need to build stronger relationships with our communities and maximise engagement through bills, our website, magazine, literature, social media, signage and livery.

Going the extra mile remains our mantra for customer service and our own feedback surveys show that customers continue to score us highly on satisfaction, first-time resolution, employee conduct, knowledge and effort-96% of customers rate our service as very good or good.



Going the extra  
mile remains  
our mantra for  
customer service

In September, the Consumer Council for Water confirmed that we still have the lowest number of complaints of the water and sewerage companies. Our teams have delivered a 2.7% reduction in unwanted contacts, a 4% reduction in billing complaints this year and we are resolving 95% of our complaints first time.

### Awards in 2018-19

- **Gold award winner at UK Complaint Handling awards**
- **Customer Service Excellence award**
- **Keep Me Posted - mark of distinction**
- **Institute of Customer Service - ServiceMark with distinction (one of only 15 in the UK)**

We continue to offer a full range of communication channels including personal telephone answering and, most importantly, choice for our customers. The number of customers opting for self-service, text messaging and web chat keeps growing. Our new look website went live at the start of 2019 and the number of customers signed up to e-billing is also growing, with more than 90,000 customers now using the service.



92% of customers found it easy to resolve their problem this year, a slight drop on last year's score of 93%. Our customer excellence programme will conclude during 2019 with new processes and IT systems introduced. These improvements will allow our teams to deliver improved customer experience, both in our call centres and face to face, and make it easier for customers to resolve any problems they have.

We launched our new look bill in 2018 and this year we've made further improvements based on feedback from our online customer panel.

Keeping customers informed through proactive calls or text messages when we have problems on our network, such as a burst water main or when we are fixing a problem at their home or business, remains one of our key drivers of satisfaction.

We have recently increased our compensation levels for customers affected by supply interruptions, which has been praised by the Consumer Council for Water.

Our value for money score has remained stable with 69% of customers rating our service as very good or good value for money. While this is still a strong score, it is lower than we have achieved in the past. As there have been no significant changes in our bills, we put this down to the negative media attention on the water industry over recent months, particularly around nationalisation.

When compared to sectors outside water, our net promoter score is higher than many of the top UK household names.

### **Customer engagement**

We engage extensively with our customers and stakeholders, both in day-to-day business and for specific programmes of work. Our challenge group, the Wessex Water Partnership, oversees all our engagement and how it is used.



Our innovative engagement strategy – Your say, your future – continued last year as we finalised our business plan. We ran focus group discussions with customers on water quality measures and a larger scale online survey on the level of support for outperformance payments.

Our Young People's Panel of sixth formers recruited from schools and colleges across our region has just completed its third year. Last year's panel helped us design an innovative campaign to encourage younger people to care about the waste water system. We used their sewer misuse video and various other materials at several student events across the autumn. This year's panel focused on

engaging communities and, in particular, how we can encourage younger people to drink tap water and how to develop and promote our water refill strategy.

Our Have your say online customer panel continues and this year we sought its views on:

- acceptability and affordability of our business plan
- days, times and methods of contacting us
- our new bill design.

We follow up each survey with a newsletter to participants, published on our website, explaining the findings and what we are doing as a result. We have recently launched Trust Pilot for customers to provide direct feedback on our service.

### **Customers in vulnerable circumstances**

Anyone can find themselves vulnerable at any time and we remain committed to providing extra care and help when and where it's most needed. Our approach to supporting customers in vulnerable circumstances has enabled us to retain the British Standard for Inclusive Service Provision, one of our performance commitments, for another year, along with the Louder than Words charter mark.

Every Customer Matters, our new look vulnerability strategy, was published alongside our business plan. Customer organisations and charities continue to endorse our model of customer care and the variety of support schemes available for their clients.

We continue to deliver the many and varied initiatives contained within the strategy to raise awareness of the support we offer, and increase take up. We have seen a 15% increase in the number of customers receiving support with their bills or debt and a 15% increase in the number of customers registered for Priority Services.

Making sure our people are able to deal with often complex situations is vital so we continuously update our specialist training in areas such as mental health. We have committed to be a dementia friendly utility and more than 800 of our employees are now Dementia Friends, the remainder due to be trained by the end of 2019.

We have developed strong partnerships with the two energy distribution network operators that cover our region, SSEN and WPD, and started a number of local data sharing projects with both. This means mutual customers who need Priority Services only need to register once. We continue to play an active role in the wider work to introduce data sharing at a national level by April 2020.

Our **tap** programme offers customers tailored solutions to their affordability problems via a range of schemes, and low rate tariffs to help them afford their charges and repay their debts, along with practical help to reduce their water and energy use. We deliver **tap** through long standing and very effective partnerships with the debt advice sector, either face to face, or via telephone or online providers.

Under the guidance of our expert affordability advisory group, we are now helping more than 43,000 customers through **tap**. Just under 13,000 are receiving discounts of up to 90% through our main social tariff, Assist, and just over 17,000 low income pensioners are receiving a discount of around 20% on their bills through our Pension Credit discount.

We have launched nine new projects in hard to reach areas, predominantly working with foodbanks this year. We partner with the Quartet Community

Foundation to deliver our Money Matters awards, which are now in their sixth year, and this year have provided grants to 10 different organisations delivering financial capability and money management projects across our region.

We are keen advocates of partnership working, not only with the debt advice community but also with other organisations and charities across our region who work with customers in vulnerable circumstances. We now have more than 100 partners.

Our online partner hub is, therefore, proving very popular, allowing partners to:

- obtain information on the support we offer
- request resources and application forms
- apply for schemes on behalf of their clients
- advertise and request our attendance at community events
- network with one another online.

### Community engagement

Our community engagement, aimed at keeping customers informed about what we do and involving them in our work, has expanded considerably over the last year to include a range of new initiatives.

### Hydrate Feel Great

Our Hydrate Feel Great campaign has been promoting drinking tap water for healthy living with local public health organisations, foodbanks and Citizens Advice in Bath, Dorset, Somerset and Wiltshire.

We have supported and sponsored youth sports teams and dozens of locally organised five and 10km races with water and water refill bottles.

Working in partnership with local communities and councils, we helped to provide public access to water refill points in Freshford and Bradford on Avon, Bath, Salisbury, Trowbridge and Weymouth.

Making sure our people are able to deal with often complex situations is vital so we continue to develop our specialist training in areas such as mental health

### Wild about Wessex

The Wild about Wessex scheme, set up to protect our natural environment for customer health, wellbeing and enjoyment, has supported the local Yellow Fish campaign to raise public awareness of drains connected directly to rivers and streams, protecting local river health.

And we supported Dorset Wildlife Trust to protect and encourage biodiversity through promoting water efficient planting for pollinators and insects.



### Wessex Water Force

More than 400 colleagues took part in the first year of the Wessex Water Force employee volunteer programme, using their day of volunteering to work with local charities across the region on everything from beach cleans, to painting a local school classroom and collecting Christmas trees for charity recycling.

The scheme was successfully relaunched for 2019 with a marketplace, attended by several of the charities we work with, to recruit new volunteers. Feedback was very positive both from the charities that benefit from support and the employees taking part in team days.



### Community champions

As part of our community engagement programme, we identified members of our team willing to be a representative both for and to their local communities on our behalf in Wiltshire, Somerset, Dorset, South Gloucestershire, Bristol, Bath and BANES.

### Community and environmental funding

Our community and environmental funding supported 46 groups across our region in the last year.

Our environmental Watermark awards included Curry Rivel in Bloom who received a grant of £300 towards a water supply, and the Companion Planting community organisation in Bristol who received £1,000 towards their Water Stories project.

And we helped support stronger communities through our partnership work with local community foundations in Bristol, Wiltshire, Dorset and Somerset.

### Recreation and events

We are reviewing all our recreational sites to ensure they are as accessible as possible, including working with organisations such as Dementia Adventure, reviewing signage and improving understanding and interpretation.

We introduced family fishing sessions in association with the Angling Trust and organised events, such as the Clatworthy family and fishing day, attended by several local organisations.

## Education

Our longstanding free education service to schools continues to deliver topics associated with water, sewage, public health and environment.

Our three education advisers cover Bristol, Bath, Somerset, Wiltshire, South Gloucestershire and Dorset and not only visit schools, but also offer sessions at our education centres. Last year 35,212 children and students benefited from school visits and trips to water treatment and water recycling centres, where sessions included interactive presentations, demonstrations and hands-on science investigations.

And as part of Wild about Wessex, our advisers promoted educational access for young people to our reservoirs.

## Business retail market

The retail market enabling business customers to choose their retailer for water services has been running for two years. There are now 20 retailers active in our region, which includes five self-supply licensees and many national retailers.

The wholesale services team are enhancing experiences for retailers and their customers. Its focus on high standards of customer service and continuous improvement cycles has led to big improvements. The team has worked with with retailers, the market operator and other key stakeholders on data and service improvements.

Our performance as a wholesaler against the market performance framework has been strong. We are now looking at ways we can stretch our performance further during 2019-20.



## Water and sewerage

Through innovation we are helping to improve the resilience of our services and reduce disruption. Examples include:

- billion-point cloud - photographic surveying enabling underground shafts to be dug with high accuracy. This is a technique we used successfully on the recent Bournemouth coastal interceptor sewer
- sewer re-rounder - a device we helped develop that fixes partially collapsed pipes in situ, much like an arterial stent. This won the 2019 South West Institute of Water Innovation award.

## Drinking water

We are committed to providing the highest quality drinking water to our customers. Our overall compliance with drinking water standards in 2018 was 99.96% which was below our target of 100%.

Of the regulatory samples taken from customer taps, there were only nine failures out of approximately 26,000 tests for drinking water quality. These failures were all attributed to customers' internal plumbing and service pipes.

The number of customers contacting us about acceptability of water (taste, odour, illness and appearance contacts) fell slightly. It stands at just over 2,000 contacts from our 1.3 million customers to whom we supply water. This is above our target of 1,608 contacts.

We aim to further reduce this figure through our ongoing mains rehabilitation work and optimising the way we supply water through our network.

Last year was the 42nd since we imposed any customer restrictions, such as hosepipe bans, on water use.

## Sewage flooding minimised

When sewage escapes from sewers it can be devastating for our customers so reducing it remains one of our key objectives. Thankfully it is a very rare occurrence - the number of internal flooding incidents from our sewers last year was 1.43 incidents per 10,000 properties, compared to our performance commitment level of 1.68.

This was the result of:

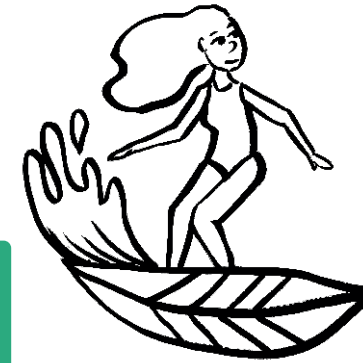
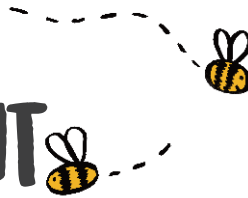
- our campaigns about the problems caused by flushing wet wipes down toilets
- explaining the issues caused by pouring fat down sinks
- planned operational maintenance
- the generally dry weather conditions in the region last year.

As most flooding incidents occur due to blockages caused by inappropriate substances poured down the sink (such as fat) or flushed down the toilet (such as wet wipes), we continue to focus on customer awareness and information.

In January 2019 the water industry introduced a new standard for wipes that can be labelled as 'Fine to Flush'. Only one manufacturer has to date produced a wipe that disintegrates quickly enough to gain this accreditation and we are encouraging others to follow. We have also written to all the major supermarkets requesting they only stock wet wipes that meet this new standard or are clearly marked with 'Do Not Flush'.

Last year we launched a new drainage and waste water management portal on our website, providing information to members of the public about long-term plans for our sewerage network as well as other useful information. The plans are being developed over the next three years and will all be clearly communicated.

# OUR NATURAL ENVIRONMENT

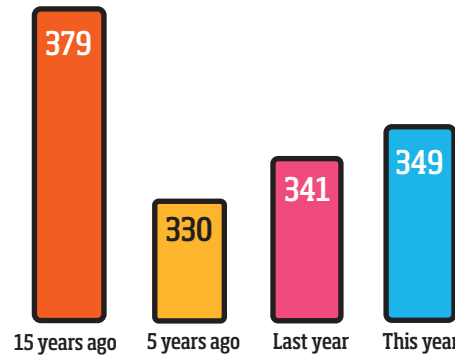


Our region contains many of the country's finest rivers and streams and we are focused on working with other stakeholders in continuing to protect and improve their condition.

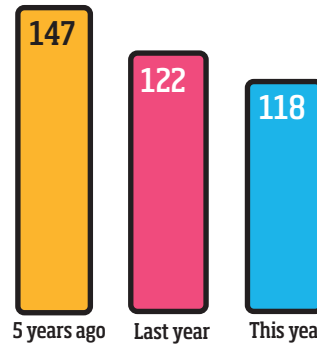


## Natural environment KPIs

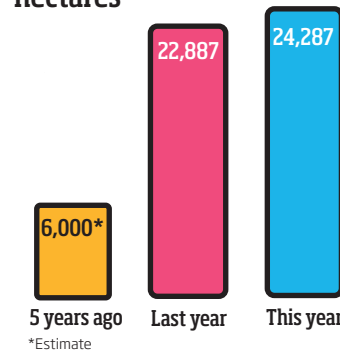
Water taken from the environment (Ml/d)



Carbon footprint (kt) CO<sub>2</sub>e



Catchment management hectares



Environmental Performance Assessment



## This year in brief

- 100% compliance with abstraction licences, water discharge permits and sludge standards.
- 99.5% of our SSSI landholding in favourable or recovering status.
- Good performer according to the Environment Agency's annual environmental performance assessment, with all agreed National Environment Programme projects delivered on time.
- Successfully delivering 41 tonnes per year of phosphorus reduction in the Bristol Avon against a target of 32 tonnes per year, and part of a UK first catchment permitting trial.
- Introduction of the Wessex Water Marketplace, a hub to allow us to champion new, innovative ideas from within Wessex Water and outside, helping us to deliver the open system concept in our business plan.

Further performance indicators on page 28

We work hard to protect and improve the environment in several ways:

- managing abstraction of water by cutting leakage, helping customers reduce usage and working with local communities
- surveying our wildlife-rich land and developing management plans to improve biodiversity, conservation and recreation
- working carefully to avoid harming wildlife as we undertake any projects
- offering grants to partners which help improve our catchment management
- introducing the Wessex Water Marketplace, a hub where we publish the outcomes we need to achieve as an open question, allowing the market to propose solutions rather than asking for a price for a pre-determined answer.

Our water citizenship project in Chippenham successfully engaged with the local community to enhance their relationship with their local water environment. The project involved workshops with local employees and community leaders, Home Check water efficiency visits and education on river water quality through a Yellow Fish volunteering day.

### Wessex Water Marketplace

In April this year we launched the Wessex Water Marketplace, a hub to allow us to champion new, innovative ideas from within Wessex Water and outside, helping us to deliver the open system concept in our business plan. This will inspire innovation and encourage collaboration to deliver the best value for our customers and the environment.

At the heart of the marketplace is an online platform **marketplace.wessexwater.co.uk** that allows us to interact with wider markets and share our data, posing challenges to the market as an open question. We'll work with the market to determine the best blend of solutions, sharing our data and being open and transparent in our assessment of the solutions.

Opening up our data, our challenges and our systems will mean that our customers, stakeholders and suppliers can be part of the solution to our future challenges. We will operate and procure solutions transparently, working with other providers where we can to develop sustainable answers to our challenges.

Our first two challenges have been published on the Marketplace platform. The first links to a proposed PR19 performance commitment, where we are asking for the market's help in reducing phosphorous levels in rivers in the Hampshire Avon catchment.

The second asks how best to communicate with our sites, now and into the future, as technology changes and previous infrastructure becomes obsolete in 2025. Future challenges will cover areas across the business, from leakage and water efficiency to waste water treatment options.

This builds on our work in the past, such as our industry leading approach to catchment management using EnTrade to partner with farmers to deliver environmental improvements, our participation in the bioresources market through GENeco and the partners we work with to serve our customers.

As a private company delivering essential public services, we want the way that we deliver to add much wider value to society. The Wessex Water Marketplace is our next step on this journey and we hope you will join us by bringing ideas and solutions that continue to improve services for current and future generations.

### Water resources

Last year was characterised by a dry and hot summer and autumn. Catchment soils reached record levels of dryness, delaying the start of reservoir and groundwater refill and over the year we received only 80% of the rainfall we expect. At the start of 2019-20 reservoirs are full but some groundwater aquifers are at below average storage levels. Nevertheless, we expect that we will continue to provide service without the need for restrictions like hosepipe bans.

We met our performance commitment for the abstraction incentive mechanism at Mere. We didn't export any water from the catchment when groundwater was below the trigger threshold.

Following public consultation on our draft water resources management plan, in September 2018 we submitted a final version to Defra that is aligned with our business plan. The water resources plan sets out how we will maintain a balance between supply and demand while protecting the environment for the next 25 years.

We forecast a surplus of water supply over demand for the full planning period and set out ambitious proposals to extend our water efficiency work with customers, pursue greater levels of metering and deliver leakage reductions of 15% in the first five years of the plan.

Our work with neighbouring companies and the Environment Agency on regional water resources planning through the West Country Water Resources group has gained momentum in 2018-19. We've developed a work programme to explore the most efficient use of water across company boundaries and are reviewing opportunities for new trading opportunities with Southern Water, supported by modelling and knowledge sharing.

### Tackling leakage and improving water efficiency



Our Money Back guarantee scheme to encourage customers to switch to a meter has been in place for over a year now. More than 90% of customers have saved money as a result of changing to metered charges and we have been proactively contacting those who have paid more to offer water efficiency support to help bring their bills down.

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

During 2018-19 we reduced leakage to below 67 MI/d, which meets our target for the year and we met our target of fixing 80% of leaks reported to us in the same day.

We continued delivery of our Home Check water efficiency programme and made more than 6,000 visits to customer properties to fit water saving devices, fix simple plumbing leaks and offer tailored behavioural advice. We repaired nearly 5,000 of our customers' leaking pipes free of charge to help reduce their water use.



While we met our target for water saved through water efficiency promotion, average daily water use has increased to 147 litres per person, which is above our target. Per capita consumption is influenced by many variables which are outside our control, not least the weather - the heatwave conditions during much of summer 2018 saw demands rise by around 20%.

We will continue to update our leakage management practices as we seek to deliver a 15% reduction between 2020 and 2025 as pledged in our business plan.

### Catchment-based approach

We use catchment-based strategies to deliver sustainable, cost effective solutions; this often means we can deal with the source of the problems not the symptoms. We are currently working with farmers at 20 sites to reduce nitrate levels in groundwater sources or to remove pesticide risks from reservoirs.

We have also taken a more catchment-based approach to understanding and managing nutrients (phosphorus and nitrogen) in the environment.

As part of our catchment permitting trial in the Bristol Avon catchment, we have been assessing the impact from our assets across the catchment rather than at specific sites. This has enabled us to deliver a greater level of phosphorus reduction - 42 tonnes against a target of 31 tonnes this year - at a lower overall capital cost.

In the Poole Harbour catchment we have been working with farmers to offset our nitrogen contributions from Dorchester water recycling centre. Through our EnTrade auctions we have consistently beaten our target of 40 tonnes reduced per year over the last three years.



## Catchment partnerships

We support four catchment partnerships within our region, including co-hosting the Bristol Avon and Dorset partnerships. Since 2016, 14 projects have been delivered via the Bristol Avon catchment fund and have restored 64ha of habitat, improved 15km of river and engaged or supported more than 30 farmers.

Over the last year the Dorset catchment partnership has been involved in 38 projects across the three catchments - Poole Harbour, Stour and West Dorset Rivers and Coastal Streams. There are more than 20 partners involved with further engagement from over 500 people across the catchment, including more than 100 farmers/land owners.

We support Litter Free Coast and Sea project officers in both Dorset and Somerset. They deliver innovative engagement and awareness campaigns promoting behaviour change to residents, tourists and businesses on actions which can be taken to improve bathing water and beach quality.

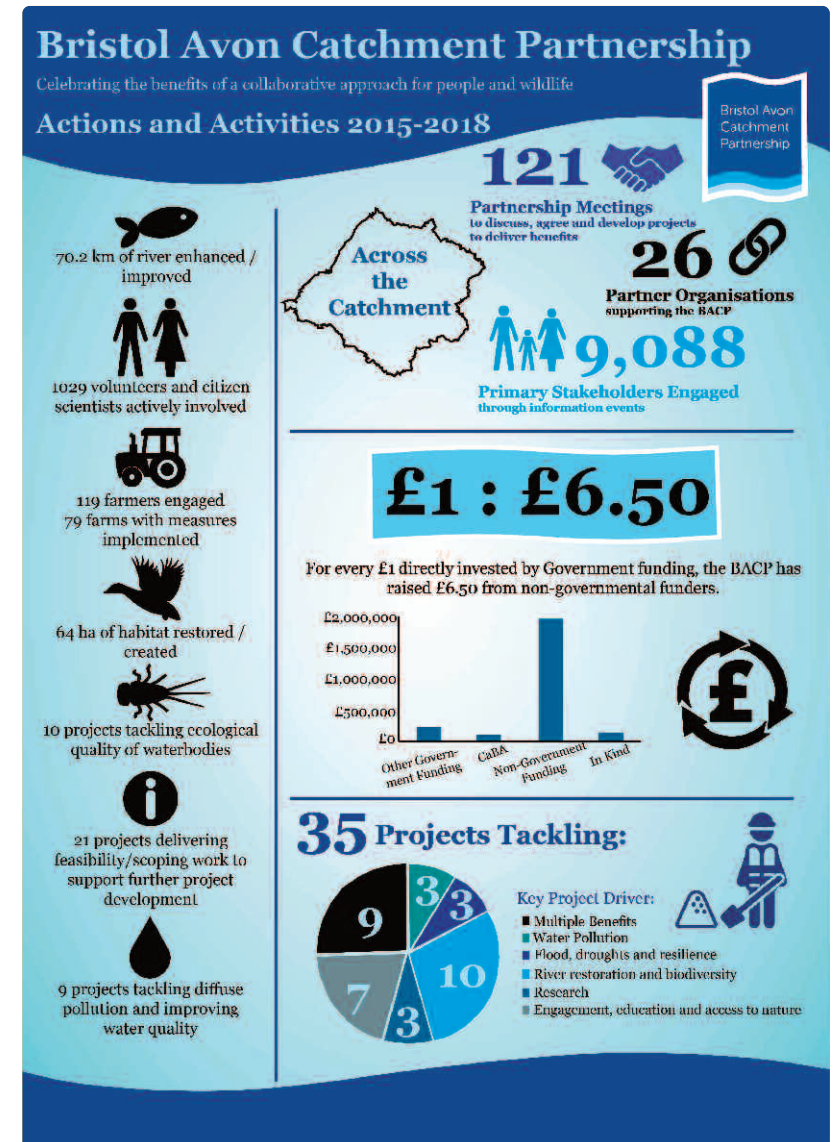
## Environmental performance

While 2018 was not a year of many extreme rainfall events, we have continued to invest in new major sewers in the north of Bristol as part of our plan to respond to climate change, as well as accommodating significant levels of new housing development.

The final phase of the £25m Frome Valley relief sewer was completed in 2018 and is now available to redirect flows from Yate around the north of Bristol to our water recycling centre at Avonmouth. Design work and consultation for the Trym relief sewer is well underway. This £60m investment, which will be completed during 2022-23, will provide additional storage and conveyance capacity to the west of Bristol and facilitate new development.

We have been delivering a programme to monitor overflows throughout our region by 2020 and have now installed event duration monitoring at 665 overflows, significantly ahead of the target of 498.

We were rated as 'good' in the Environment Agency's annual environmental performance assessment (EPA) with all agreed National Environment Programme (NEP) schemes completed and 100% compliance with both water discharge permits and sludge standards. The proportion of pollution incidents reported by us rather than other parties fell to 74%. This is just below the 75% threshold for a leading rating. We have already made changes with the aim of returning us to leading for 2019.



This year 96% of our bathing waters passed strict environmental standards. This is below our aspirational 100% target. Two beaches (Weston Main and Burnham Jetty) were assessed as having below standard water quality. Much of this is outside of our control but we have completed schemes in 2018-19 that could help the bathing water quality including constructing a 2,500m<sup>3</sup> underground storage tank at West Quay car park and a 5,000m<sup>3</sup> storage tank at Colley Lane, both in Bridgwater.

### Environmental investigations

Our environmental investigations programme includes trials of novel techniques, such as at Sutton Bingham reservoir where we are using radio frequency tags and time-lapse photography to monitor sediment movement. Our programme of investigations enables us to better understand our regional environment and the effects of our activities. This means we can base any future investment decisions on sound data and evidence. We modelled the contribution of our assets to help with alternative catchment solutions such as catchment nutrient balancing in the Dorset Stour and Parrett and Tone.

Between 2015 and 2020 we are delivering 45 environmental investigations, with nine outputs delivered in 2018-19, seven relating to the chemical investigations programme, one water resources investigation and one water resources implementation scheme. Many of our investigations are concluding and resultant data has been used as evidence to support improvements in our business plan for 2020-2025.

### Wildlife and conservation

Before construction starts, we investigate any potential impact on the environment, wildlife, archaeology and geology. This includes checking for the presence of protected and rare species. The latest innovation has been to develop the ability to use a sniffer dog to support terrestrial great crested newt surveys.

Our proactive conservation programme is set out in our Biodiversity Action Plan (BAP), through which we aim to halt or reverse biodiversity loss on our land. Our compliance with the national Site of Special Scientific Interest (SSSI) target is now at 99.5% of SSSI-designated land in favourable or recovering

condition of which 62.5% is in favourable condition. This exceeds the national target of 95% favourable or recovering with at least 50% favourable.

This year we continued work to achieve a company performance commitment to assess 100% of our eligible landholding for its biodiversity value by 2020. By the end of the financial year we had brought the total land assessed to more than 95% of over 2,000 ha of eligible land.

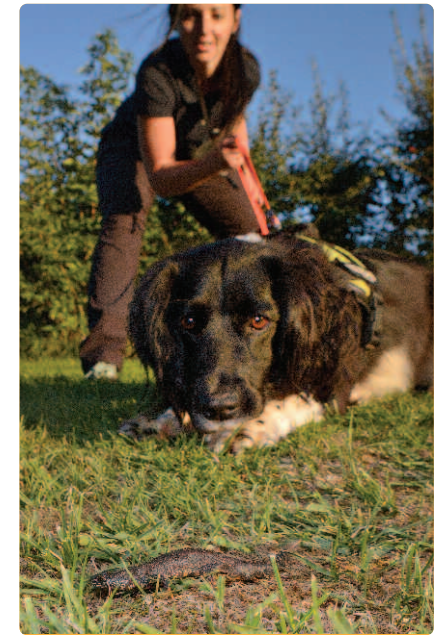
### Reduced carbon footprint

Through our partnership with the University of Bath (the Water Innovation Research Centre), we currently have links with 12 PhD students. Projects include using computer modelling, fluid dynamics and advanced computer graphics to optimise aeration used in waste water treatment, and improving plastics recovery from food waste and sewage.

One of our long-term sustainability goals is to be carbon neutral in our operations. Our net greenhouse gas emissions fell to 118 kilotonnes carbon dioxide equivalent in 2018-19.

This continues a trend of reductions that began 10 years ago and is our lowest annual operational carbon footprint since we began reporting in 1997. It also meant that we met our performance commitment for the year. As in previous years, it was achieved through a combination of energy efficiency improvements, renewable energy generation and the rapidly falling carbon dioxide intensity of UK grid electricity.

Our electricity use fell slightly from 2017-18 but remained close to the long-term average, mainly due to energy efficiency work cancelling out increasing energy use caused by tighter water and sewage treatment standards, and the operation of our regional water supply grid. This year, 25% of our electricity demand came from renewable energy generation on our sites.



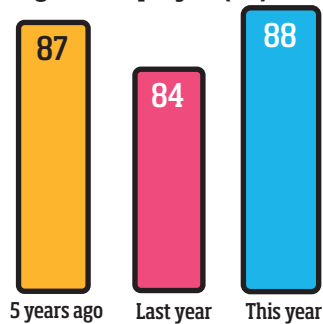
# OUR PEOPLE

We aim to be an employer of choice providing opportunities for people at all stages of their careers, providing development for all levels of talent, and ensuring a safe and healthy working environment.

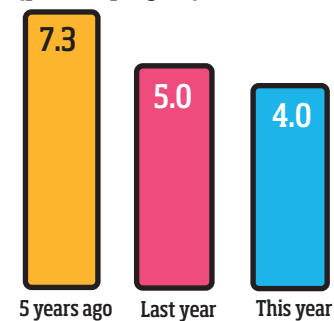


## KPIs

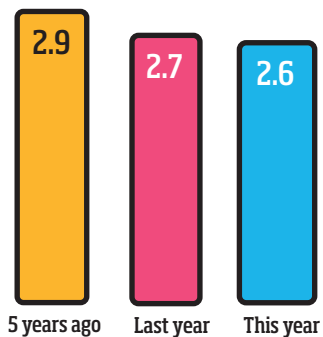
Employees rating company a good employer (%)



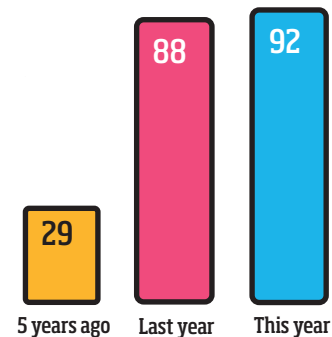
H&S incident rate (per employee)



Sickness absence (%)



Number of apprentices



## This year in brief

- We have developed and launched mental health, wellbeing and resilience building programmes for people managers and colleagues.
- Our people leaders have had development programmes, coaching and mentoring and we've invested an average of 3.4 days' development training for all colleagues.
- We introduced our first management graduate programme attracting young local and national talent into the business.

Further performance indicators on page 28

We actively provide learning and development opportunities for our people at all levels within our business to consolidate their learning and upskilling through further education and professional development programmes.

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

- We develop leadership capability, nurturing and further developing talent from across the business.
- We continue to enhance our early careers and graduate community, which is our talent pipeline for the future.
- Apprenticeships remain a key element of our resourcing strategy to build and maintain a sustainable workforce.
- We support local businesses by sharing our good practice and the success of our apprenticeship programmes.
- Our People Programme is now embedded into our business with focus this year on mental health awareness and training of colleagues in mental health first aid.
- We recognise that difference in personal characteristics is positive and brings a richness to our work environment that is essential to our continued success.



### Training

We have delivered 800 courses with an average of 3.4 days' development training per colleague.

A partnership with Weston College enables Wessex Water colleagues to achieve leadership and management qualifications in line with the National Apprenticeship Standards and this year 45 people leaders have started their studies.

Leadership and management training programmes continue to provide managers with the opportunity to develop their skills in this area. We run in-house development programmes for new and experienced managers as well as a full soft skills training programme and coaching and mentoring initiatives.

To support colleagues' physical and mental health wellbeing, we developed and launched our internal resilience building training programme. This has provided more than 300 leaders and colleagues with the skills to identify and manage their own stress levels and how best to support others.

This year we have focused on further developing our e-learning platform, iLearn, and through delivering a blended approach to learning we have delivered a record amount of training. Training is more accessible than ever before, offered through a mix of interactive courses, learning bites, video content and online training programmes.

### Early careers

In March 2019, we welcomed the Minister of Skills and Apprenticeships as part of National Apprenticeship Week, during which we highlighted the need for schools to have a greater understanding of the employment opportunities within the water industry.



Mental health first aiders (MHFA) have been trained to spot early signs and symptoms of mental health issues, offer initial help and guide a person towards support. We currently have around 100 qualified MHFAs across the business.

Encouraging widening participation in our early careers opportunities has been a key focus this year. To support social mobility we engage with young people excluded from traditional education through activities with pupil referral units and secure units.

We have significantly increased the appointment of people from BAME backgrounds to our early careers opportunities and supported the BAME 5 Cities Project with Bristol City Council.

Apprenticeship recruitment has been successful across the region with widespread interest and a significant increase in applicants for our technical apprenticeship roles. Almost 10% of our workforce currently undertake learning and development through apprenticeships, further or higher education. We work with the local community to promote apprenticeships as a valued and respected career pathway.

Of our technical apprenticeship applications, we have seen a significant increase over three years in our numbers of female graduates. Our work to engage larger numbers of women in the water industry continues.

We work closely with our education providers, Weston College and Bridgwater & Taunton College to develop the skills, knowledge and behaviours of colleagues to increase service quality and productivity within the business.

### Diversity

We value the differences that a diverse workforce brings and are committed to creating and promoting an inclusive workplace for all employees and others who work with us as suppliers, contractors or customers.

We support and encourage flexible working where operationally feasible, ensuring it is accessible to our staff, increases motivation, promotes a better work-life balance and improves both performance and productivity.

This year we have undertaken a significant project on diversity and inclusion across the organisation, canvassing the views of more than 200 colleagues via workshops and interviews, assessing our gaps against best practice and formulating plans to continue improving our diversity and integration. This has included training on avoiding unconscious bias.

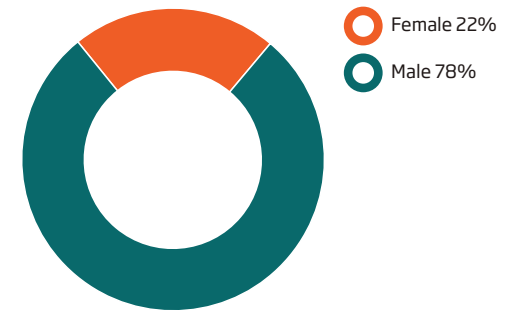


### Diversity scorecard

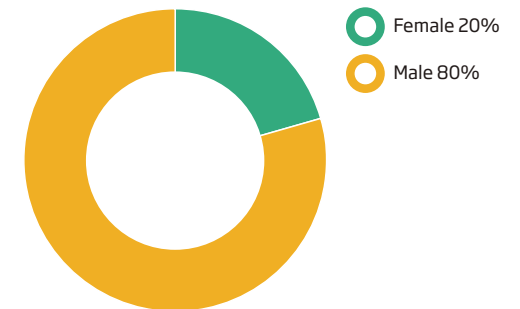
In March 2019, there were 2,533 colleagues, of whom 549 were women and 1,984 were men. There are 12 board directors, of whom 10 are men and two are women, and 55 senior managers of whom 10 are women and 45 are men.

Last year, the number of women colleagues in our workforce remained constant at 22%, while in leadership roles the number of women managers increased by 1% to 20%.

#### Whole workforce



#### Leadership grades





### Culture

We have a strong, friendly and engaging culture, and colleagues enjoy working for us and with each other. In our employee survey this year 88% of colleagues rated us a good company to work for and 79% rated us a great place to work. Our employee engagement increased to 81%. Our people are important to us and we listen to their feedback and put action plans in place to address key areas of feedback.

### Gender pay gap

All companies with more than 250 employees are required to publish their gender pay gap at 5 April each year.

The gender pay gap is the difference in average hourly pay received by men and women. The following data represents our gender pay gap figures as at 5 April 2019. It should be noted that the gender pay gap is different to equal pay, the right for men and women to be paid the same rate of pay for doing work that is of equal value.

Gender pay gap	2019
Wessex Water mean	4.9%
Wessex Water median	4.6%
National median (2018)	17.9%

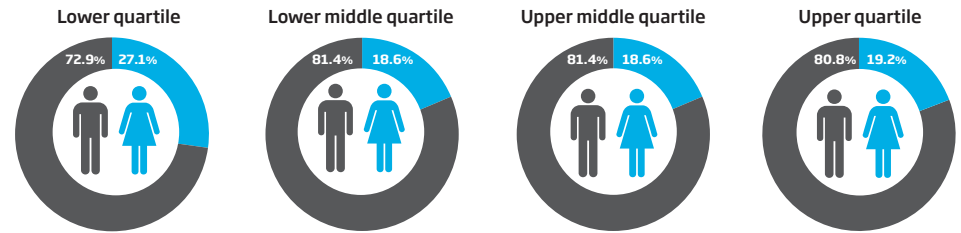
### What is the mean?

The mean gender pay gap is the difference in average hourly pay for men compared to women at all levels across Wessex Water.

### What is the median?

The median represents the midpoint across a list of values in numerical order. If we list the average hourly pay in numerical order, the median is the middle number. The median pay gap is the percentage difference in average hourly pay for the middle man compared to the middle woman across Wessex Water.

### Pay quartiles by gender



Our gender pay gap remains significantly lower than the UK average of 17.9%\* and reflects gender distribution in job roles across our workforce rather than any equal pay issues.

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

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

\*ONS median pay gap 2018

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

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

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



### Health and safety

Our new lone worker protection system went live in June 2018. A Safe Hub app monitors around 1,600 colleagues with up to 750 users deemed to be at greater risk provided with a dedicated SOS fob.

The management of health and safety is critical to us and is embedded across all business areas to ensure we maintain our position as a responsible, safe employer where all employees can work safely and reach their full potential.

Protecting the health, safety and welfare of our staff, contractors and customers is a shared responsibility and we continue to deliver a strong health, safety and welfare culture in our day-to-day operations.

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

For the 12 months to 31 December 2018:

- 601 incidents reported (an increase of 8% from 2017)
- nine incidents were reported to the Health and Safety Executive (HSE) with the loss of 201 days. This is in line with the company target and the three-year average (nine incidents and 295 days lost)
- no fatalities or life changing (permanently disabling) injuries
- one reportable dangerous occurrence
- no enforcement action from the Health and Safety Executive.

### All incidents

Overall, 601 incidents were reported in the 12 months to 31 December 2018, including 133 near misses and 133 service strikes. The principal cause of all incidents after near misses and service strikes, remains as slips, trip and falls. This is in line with other companies and the national picture.



**Reportable incident rate**

This is the measure of the number of reportable incidents per 1,000 employees. There were 4.0 incidents per 1,000 employees, which is in line with the company target of 4.7.

**Lost time incident rate**

This includes all reported incidents involving staff that resulted in absence from work of one or more days. In 2018 there were 32 lost time incidents, an increase of 18% from 2017. The principal causes of lost time in 2018 were slips, trips and falls, and manual handling.

**Enforcement action**

There was no enforcement action from the HSE relating to breaches of health and safety legislation in 2018.

**Health, safety and welfare strategy**

We continue to embed a positive health, safety and welfare culture in our daily activities. This targets zero workplace accidents and supports our company aim to be a great place to work in which all employees can work safely and reach their full potential. Where possible we look to share innovation and best practice and learn from internally and externally reported incidents. To ensure we achieve this aim, our five-year health, safety and welfare strategy details performance measures in four strategic areas (see graphic on page 22).

Performance against the strategy and each area is monitored by the Wessex Water Health and Safety Management group and reported to the Corporate and Social Responsibility committee.

**External recognition**

Our continued commitment to high safety standards and performance has been recognised in 2018 with Engineering and Construction awarded a Highly Commended in the RoSPA Construction Engineering Industry sector award. This demonstrates our consistency after winning the Sir George Earle trophy in 2016 and the Construction Engineering Industry sector award in 2017.

We were also recognised for our work at Hinkley Point C (HPC), receiving the EDF HPC Best Safety Performance - Local Supplier award in the 2018 HPC Excellence awards.



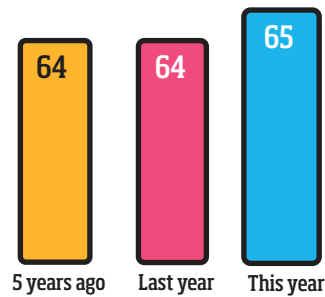
# OUR FINANCIAL STEWARDSHIP

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

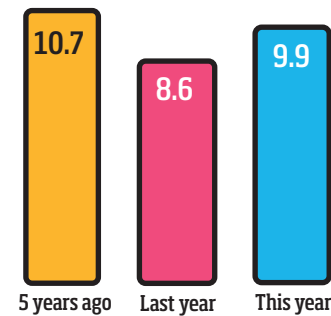


## KPIs

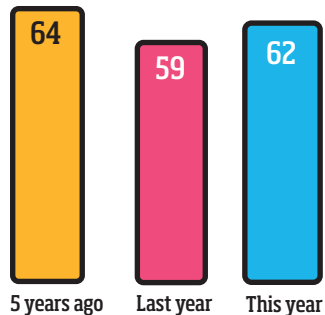
Gearing (%)



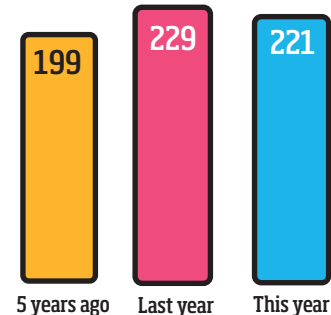
Equity return (%)



Tax paid (£m)



Capital investment (£m)



## This year in brief

- Turnover increased by £7.1m (1.3%).
- The cost of debt increased from 4.2% to 4.4%
- Gross capital expenditure delivered was £244.5m.
- Operating profit (excluding exceptional items) fell by £6.3m.
- Gearing at year end increased to 64.7%.
- £140m of new debt raised.
- More than £60m paid in corporation tax, business rates and other taxes.

Further performance indicators on page 28

We had another year of strong financial performance in 2018-19, reflecting continuing outperformance against our 2015-2020 business plan.

- We have made major investments at a number of water treatment works and water recycling centres, with gross capital expenditure of £244.5m in the year.
- We have driven greater efficiencies and savings across the company.
- Our tax strategy remains consistent with previous years and is fully aligned with the company's overall objectives. We continue to comply with the spirit and letter of UK tax legislation.
- Gearing, as measured by net debt to regulatory capital value, was 64.7%, which remains within the policy set by the board.

### Financial performance

The penultimate year of the current price review saw a reduction in profitability, with operating profit (excluding exceptional items) falling by £6.3m from £234.7m to £228.4m.


### Turnover

Turnover increased by £7.1m (1.3%) from £540.6m to £547.7m.

From 1 April 2018 there was a price increase of 0.1% plus November RPI of 3.9%. By returning past over-recovery to customers, this increase was reduced by 1.9%, resulting in a net increase of 2.1% in line with the price increase allowed by Ofwat.

### Operational costs

Underlying operational costs increased by £13.4m from £305.9m to £319.3m. There were increases in retail services, site operations, Environment Agency charges offset by a decrease in repair costs and a £4.9m increase in depreciation.



We continue to deliver on our targeted capital expenditure programme with major investments at a number of water treatment works and water recycling centres

Last year there was an exceptional credit to operational costs of £32.9m that arose from the agreement of the pension scheme to change the measurement of inflation for pension increases from 2020.

### Net interest charges

Net interest charges increased by £10.3m from £83.4m last year to £93.7m this year.

The increase in interest payable arose because of a rise in the cost of debt from 4.2% to 4.4% in respect of floating rate and index linked borrowings, and an overall increase in net debt during the year from £1,985.5m to £2091.4m. There is a prudent mix of debt instruments and at the year end the split was 45% fixed, 37% index linked and 18% floating, with the index linked debt based on November and March RPI. The maturity of debt is generally long term with £2,040m of debt maturing after 2020.

### **Taxation charge**

The corporation tax charge was £17.7m, a decrease of £4.5m over £22.2m last year. Profit before tax excluding the exceptional item fell from £151.3m to £134.7m. Deferred tax has reduced from a charge of £28.5m last year to a charge of £6.8m this year as a result of the £22.2m exceptional item last year.

The company has a statutory year end of 30 June and the tax computation is prepared for the 12 months to 30 June each year. Corporation tax is paid quarterly.

### **Cash flow and gearing**

Net debt increased by £105.9m from £1,985.5m to £2,091.4m. The cash inflow from operations of £334.5m was reduced by net capital investment of £223.4m, interest and tax payments of £84.9m, dividend payments of £90.0m, working capital outflows of £16.9m and bond accruals of £25.2m.

Liquidity at year end was £99.6m comprising bank facilities not yet drawn down and bank overdrafts.

The regulatory capital grew by £123m, from £3,110m to £3,233m, increasing by £46m in relation to inflation and £77m for growth in assets. Gearing at 31 March 2019, calculated as net debt divided by regulatory capital value, was 64.7%, an increase from 63.9% last year because the percentage increase in the regulatory capital value was proportionally less than the percentage increase in net debt.

### **Capital investment**

In 2018-19 we delivered gross capital expenditure for the penultimate year of the AMP6 programme of £244.5m, which is £5.9m lower than the £250.4m delivered last year (figures include infrastructure renewals expensed through the P&L).

This profile is typical of a five-year capital programme where there is lower expenditure in the first two years of the new price control period as the new programme of work is commissioned, with the highest capital expenditure in the third and fourth years.

# PERFORMANCE AT A GLANCE

We illustrate below our progress against our 32 regulatory performance commitments and other company measures. Our performance commitments were developed in consultation with our customers and stakeholder bodies. Each has confirmed targets up to 2020 in Ofwat's final determination.

We have had another great year for customer service and expect to be one of the top two water and sewerage companies for customer service in Ofwat's service incentive mechanism (SIM).

We have met or exceeded our targets on 25 of our performance commitments, four of which will result in an outperformance payment. There are seven measures where we have not achieved our targeted performance.

For one of these measures (customer contacts about drinking water quality) we will receive a financial penalty. For two measures (compliance with drinking water standards and the Environmental Performance Assessment) our performance was close to the target and therefore no penalty is due. We have also missed our target on four reputational measures.

For a more detailed explanation of the performance commitments and financial implications of this year's performance, please refer to section three of the separate annual performance report, available on our website [www.wessexwater.co.uk](http://www.wessexwater.co.uk)



# Performance at a glance

## Regulatory performance commitments



	2018-19 actual	2018-19 target	2018-19 vs target	2019-20 target	2015-16 to 2019-20
Service Incentive Mechanism (SIM) score	87	>86	✓	>86	
Percentage customers rating service good/very good	96%	>95%	✓	>95%	
Percentage customers rating good value for money	69%	74%	✗	75%	
Bill as a proportion of disposable income	1.4%	Reducing trend from 2014	✓	Reducing trend from 2014	
Percentage customers rating ease of resolution	92%	Improving trend	✗	Improving trend	
Accessible communications	✓	Meet best practice	✓	Meet best practice	
Volume of water used per person (litres per head per day)	147	132	✗	131	
Volume of water saved by efficiency promotion (litres per head per day)	3.06	2.59	✓	3.26	
Restrictions on water use (hosepipe bans)	0	0	✓	0	
Volume of water leaked (megalitres per day)	66.4	67.2	✓	66.5	

Percentage customers rating good value for money: Page 8  
 Percentage customers rating ease of resolution: Page 8  
 Volume of water used per person: Page 15  
 Compliance with drinking water standards: Page 12

Customer contacts about drinking water quality: Page 12  
 EA's Environmental Performance Assessment: Page 16  
 Beaches Passing EU standards: Page 17

	2018-19 actual	2018-19 target	2018-19 vs target	2019-20 target	2015-16 to 2019-20
Customer reported leaks fixed within a day	80%	80%	✓	90%	
Water supply interruptions (minutes per property)	5.9	12.0	✓	12.0	
Compliance with drinking water standards	99.96%	100%	✗	100%	
Customer contacts about drinking water quality	2010	1608	✗	1608	
EA's Environmental Performance Assessment*	Good	Leading	✗	Leading	
Agreed schemes delivered	100%	100%	✓	100%	
Beaches passing EU standards	96%	100%	✗	100%	
Monitoring combined sewer overflows (CSOs)	80%	43%	✓	100%	
River water quality improved (number of water bodies)	38	11	✓	70	
Compliance with abstraction licences	100%	100%	✓	100%	

# Performance at a glance

## Regulatory performance commitments











	2018-19 actual	2018-19 target	2018-19 vs target	2019-20 target	2015-16 to 2019-20
Abstractions at Mere exported (megalitres per year)	0	100	✓	100	
BAP landholding assessed and managed for biodiversity	96%	90%	✓	100%	
Length of rivers with improved flows (kilometres)	111	99	✓	99	
Internal flooding incidents (per 10,000 properties)	1.43	1.68	✓	1.66	
Risk of flooding from public sewers due to hydraulic inadequacy	50,176	50,651	✓	50,651	
North Bristol sewer scheme - Trym catchment	n/a	n/a	✓	n/a	
North Bristol sewer scheme - Frome catchment	Scheme delivered	Scheme delivered	✓	n/a	
Collapses and bursts on sewer network	257	<300	✓	<300	
Properties supplied by a single source	42,000	42,000	✓	42,000	
Water main bursts	1,939	<1,993	✓	<1,993	

	2018-19 actual	2018-19 target	2018-19 vs target	2019-20 target	2015-16 to 2019-20
Greenhouse gas emissions (ktCO <sub>2</sub> e)	118	121	✓	119	
Proportion of energy self-generated	25%	21%	✓	24%	






# Performance at a glance

## Other company measures – sustainability indicators

	2015-16	2016-17	2017-18	2018-19	2015-16 to 2018-19
Households metered (%)	60%	61%	64%	66%	
Number educated (1,000 people)	29	29	26	35	
Water distribution input (megalitres per day)	333	337	341	349	
*Pollution incidents (sewerage) per 10,000km	48	22	23	24	
*Serious pollution incidents (sewerage) per 10,000km	1.7	0.6	0.9	1.2	
Non-sludge waste diverted from landfill (%)	98.00%	97.60%	99.10%	99.8%	
Days lost - all causes (rate per employee)	6.1	6.6	6.0	5.2	
Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (rate per 1,000 employees)	3.7	4.9	5.0	4.0	
Major/fatal accidents (rate per 1,000 employees)	0.5	1.4	0.8	0.8	
Sickness & absence (days per employee)	6.5	5.7	5.7	5.7	

\*Sewer length increased between 2015-16 and 2016-17 because of the adoption of private sewers

	2015-16	2016-17	2017-18	2018-19	2015-16 to 2018-19
Health and safety plan and accident statistics progress		✓	✓	✓	
Employees rating company as a good employer	83%	86%	84%	88%	
Compliance with training plan	100%	100%	100%	100%	
Staff retention	91%	92%	91%	91%	
Diversity plan progress		✓	✓	✓	

For a more detailed explanation of the performance commitments and financial implications of this year's performance, please refer to section three of the separate annual performance report, available on our website [wessexwater.co.uk](http://wessexwater.co.uk)

# GOVERNANCE AND ASSURANCE

## Risk management

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

## Risk management process

Our policy on risk assessment and management is subject to regular review by the board. Identification and management of risk is delivered through a hierarchy of risk management reviews from operational colleagues, senior management and executive directors.

The board reviews and holds ultimate responsibility for the risk process and for identification and mitigation of risks. To assist it in discharging its responsibilities, the Audit and Risk Committee reviews the company's internal control systems and process for managing risk.

The Risk Management Group comprising senior managers meets monthly throughout the year and every six months submits an updated risk register and summary report to the Risk Management Advisory Group, comprising the executive leadership team.

This group scrutinises and challenges the risks included in the register and identifies any additional work necessary to better classify the risk or explore other available mitigation methods. Any significant emergent risks are reported to the advisory group and the board as they arise.

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

We have provided detailed information on each principal risk in our Annual Report and Accounts alongside the financial viability statement.

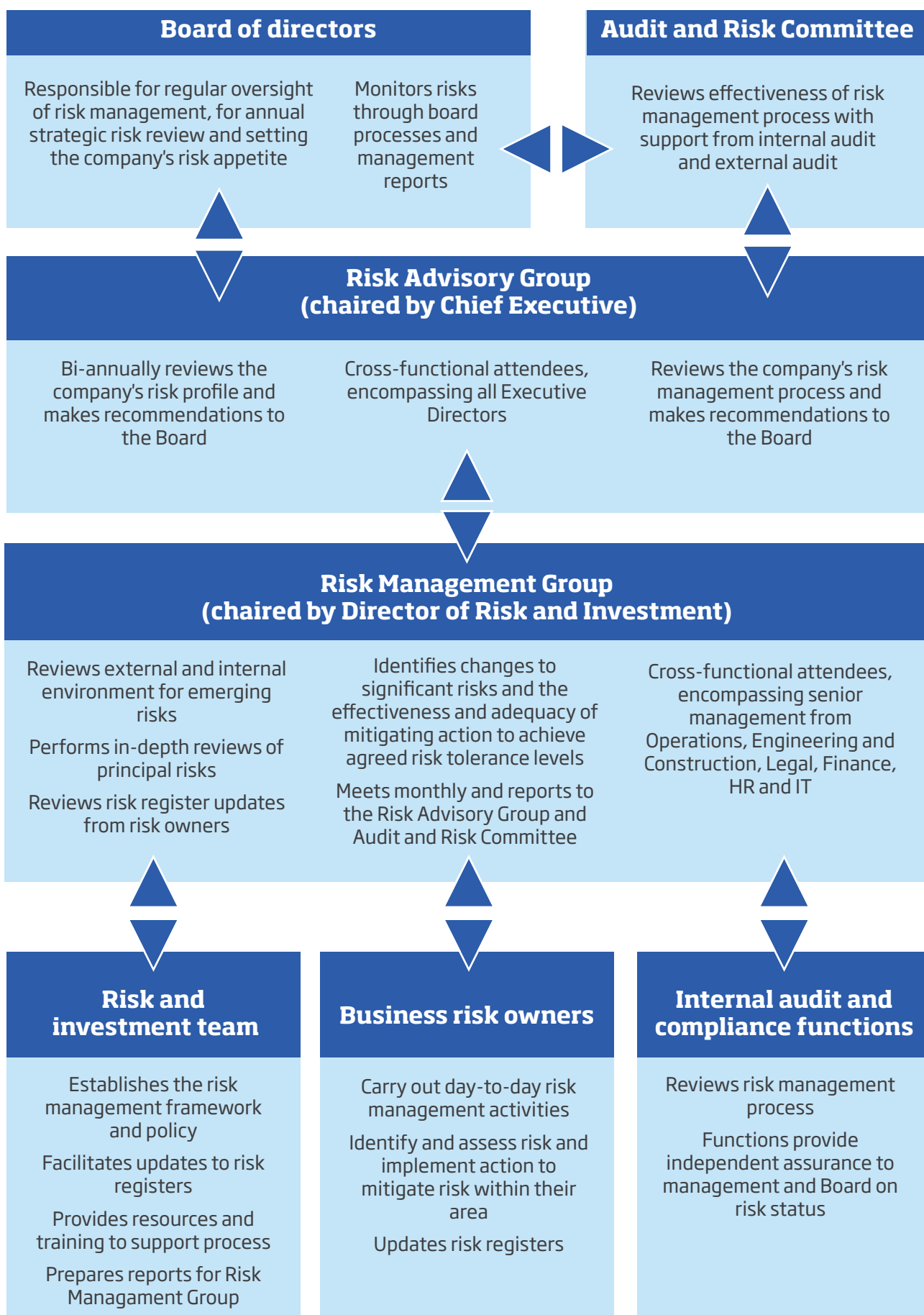
## Risk management governance

The following diagram explains the governance structure for risk across the business.



# Governance and assurance

## Risk process



# Governance and assurance

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

## Summary of changes

Since 2017-18, there have been no new principal risks.

As part of the risk management process, information management (GDPR) has been removed as a principal risk. Its consideration as a principal risk was a result of the significant changes required to the company's processes and systems to become compliant. These changes have now been implemented and business as usual continuous monitoring is now in place and information management (GDPR) is now monitored as part of our information security process.

Brexit remains an emerging risk to the business. Over the past 12 months, we have developed a greater understanding of our risk in the event of a 'no-deal' Brexit and worked in collaboration with the rest of the water industry and the government to ensure our continued resilience. We continue to monitor this risk as the future outcome on Brexit remains highly uncertain.

## Board endorsement of the Annual Review

On 21 June the Audit Committee considered the Annual Review, where it had the opportunity to question the Executive Directors and relevant senior managers. It was recommended to the board on the 1 July.

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

Francis Yeoh  
Chairman

Gillian Camm  
Senior Independent  
Non-Executive Director

Huw Davies  
Non-Executive  
Director

Andy Pymer  
Managing Director

# Sustainability accounting – For the year to 31 March 2019

Since 2002 we have produced accounts that integrate sustainability thinking into the financial accounts. Firstly, they give a monetary overview of environmental impacts related either to actual spend, or to more hypothetical valuation methods. Secondly, they summarise our expenditure on items relevant to sustainability in its broader sense.

## Environmental accounts

### Regulated investment in service improvements and the water environment

Issues addressed by our 2015-20 investment programme include low river flows that can occur during dry weather, phosphorus in rivers and streams, flooding from the sewerage system and bathing water quality. The single largest scheme is the integrated supply grid, which involves investment of more than £200m over eight years.

Alongside investment in physical assets, our work with farmers to better manage groundwater and river catchments means that in many cases we can achieve improvements without significant increases in energy consumption or chemical dosing. Our environmental investigations also help ensure that future capital investment is focused on well evidenced environmental impacts.

### Licences and fiscal measures

We are subject to numerous licences, taxes and other annual charges that have an environmental basis. These include abstraction licences and discharge consents, the Carbon Reduction Commitment Energy Efficiency Scheme and the Climate Change Levy. Combined, we paid approximately £16.3m for these in 2018-19.

### Other valuation methods

Calculating the hypothetical investment to eliminate an environmental impact is another way to assess environmental costs in monetary terms. Examples include the projected cost of renewable energy generation as an alternative to fossil fuel energy sources, and investments to reduce inputs of phosphorus and nitrogen to the water environment.

A further approach is the use of shadow prices, such as the carbon values issued by government for policy and project appraisal, which we apply to estimates of the whole life carbon footprint of investment schemes. There are also established market-based approaches such as carbon offsetting with prices reflecting varying levels of accreditation.

Overall, the monetary cost of our 2018-19 greenhouse gas emissions using UK shadow prices ranges between £0.5m and £8.0m (central values, traded and untraded prices).

Other environmental markets are emerging and we are continuing to develop our own online platform - EnTrade - which was initially developed for buying reductions in nutrient leaching linked to farming practices, but is now evolving to be a broader environmental trading exchange.

### Investment towards sustainability

Expenditure made in the last 12 months is summarised below with two main components: mandatory expenditure driven by legislation and additional discretionary expenditure that benefits our customers, the environment in our region and our employees, while helping our general movement towards being a sustainable business.

	2019 £m	2018 £m
<b>Customers and communities</b>		
Mandatory	112	116
Discretionary	3	1
<b>Environment</b>		
Mandatory	106	111
Discretionary	<1	-
<b>Employees</b>		
Mandatory	60	52
Discretionary	12	10
<b>Totals</b>		
Mandatory	278	279
Discretionary	15	11

# Income statement – For the year ended 31 March 2019

	2019 £m Total	2018 £m Total
<b>Revenue</b>	547.7	540.6
Raw materials and consumables used	(38.4)	(33.7)
Staff costs	(70.9)	(36.6)
Depreciation and amortisation	(106.1)	(101.2)
Other expenses	(103.9)	(101.5)
<b>Total expenses</b>	<b>(319.3)</b>	<b>(273.0)</b>
<b>Operating profit</b>	<b>228.4</b>	<b>267.6</b>
Financial income	0.1	0.4
Financial expenses	(93.8)	(83.8)
<b>Net financing expense</b>	<b>(93.7)</b>	<b>(83.4)</b>
<b>Profit before tax</b>	<b>134.7</b>	<b>184.2</b>
Taxation	(24.5)	(50.7)
<b>Profit for the year</b>	<b>110.2</b>	<b>133.5</b>

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

# Balance sheet – At 31 March 2019

	2019 £m	2018 £m
<b>Non-current assets</b>		
Property, plant and equipment	3,676.0	3,555.5
Investments in subsidiaries	-	-
	<b>3,676.0</b>	<b>3,555.5</b>
<b>Current assets</b>		
Inventories	5.0	5.7
Trade and other receivables	183.9	185.0
Cash and cash equivalents	-	35.8
	<b>188.9</b>	<b>226.5</b>
<b>Total assets</b>	<b>3,864.9</b>	<b>3,782.0</b>
<b>Current liabilities</b>		
Bank overdraft	(20.4)	-
Other interest-bearing loans and borrowings	(31.4)	(145.4)
Trade and other payables	(174.6)	(196.1)
	<b>(226.4)</b>	<b>(341.5)</b>
<b>Non-current liabilities</b>		
Other interest-bearing loans and borrowings	(2,039.6)	(1,875.9)
Other payables	(6.3)	(0.4)
Employee benefits	(140.6)	(153.7)
Deferred income	(269.3)	(259.7)
Provisions	(1.2)	(0.1)
Deferred tax liabilities	(356.6)	(348.9)
	<b>(2,813.6)</b>	<b>(2,638.7)</b>
<b>Total liabilities</b>	<b>(3,040.0)</b>	<b>(2,980.2)</b>
<b>Net assets</b>	<b>824.9</b>	<b>801.8</b>
<b>Equity</b>		
Share capital	-	-
Retained earnings	824.9	801.8
<b>Total equity</b>	<b>824.9</b>	<b>801.8</b>

# Cash flow statement – For the year ended 31 March 2019

	2019 £m	2018 £m
<b>Cash flows from operating activities</b>		
Profit for the year	110.2	133.5
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	106.1	101.2
Financial income	(0.1)	(0.4)
Financial expense	93.8	83.8
Taxation	24.5	50.7
	<b>334.5</b>	<b>368.8</b>
Decrease /(increase) in trade and other receivables	1.1	(9.1)
Decrease in inventories	0.7	1.5
(Decrease) in trade and other payables	(8.1)	(7.2)
(Decrease) in provisions and employee benefits	(10.6)	(38.7)
	<b>(16.9)</b>	<b>(53.5)</b>
Tax paid	(21.6)	(21.4)
<b>Net cash from operating activities</b>	<b>296.0</b>	<b>293.9</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	2.2	2.9
Proceeds from sale of intangible assets	-	4.4
Interest received	0.1	0.4
Acquisition of property, plant and equipment	(236.4)	(220.3)
Proceeds from infrastructure charges and capital contributions	10.8	9.5
<b>Net cash from investing activities</b>	<b>(223.3)</b>	<b>(203.1)</b>
<b>Cash flows from financing activities</b>		
Proceeds from new loans	170.0	-
Interest paid	(63.4)	(61.5)
Repayment of borrowings	(140.0)	-
Payment of finance lease liabilities	(5.5)	(5.0)
Dividends paid	(90.0)	(92.0)
<b>Net cash from financing activities</b>	<b>(128.9)</b>	<b>(158.5)</b>
(Decrease)/increase in cash and cash equivalents	(56.2)	(67.7)
Cash and cash equivalents at 1 April	35.8	103.5
<b>Cash and cash equivalents at 31 March</b>	<b>(20.4)</b>	<b>35.8</b>

# Wessex Water Services Ltd - Board of Directors

## Non-Executive Chairman

### Francis Yeoh CBE

Francis has been managing director of YTL Corporation Berhad, Malaysia, since 1988 and was appointed as executive chairman in June 2018. He was appointed to the board of Wessex Water Services Limited in May 2002.

He has been managing director of YTL Power since October 1996 when he was appointed to the board as an executive director. Since June 2018, he has been the executive chairman of YTL Power. Under his stewardship, YTL Corporation Berhad Group has grown from a single listed company into a global integrated infrastructure developer encompassing multiple listed entities including YTL Corporation Berhad, YTL Power International Berhad, YTL Land & Development Berhad, YTL Hospitality REIT, and Starhill Global REIT.

He is a founder member of the Malaysia Business Council, a member of Malaysia's Capital Markets Advisory Council and independent non-executive director of the Hong Kong and Shanghai Banking Corporation Limited.



## Executive Directors

### Colin Skellett - Chief Executive

Colin was appointed as chief executive of Wessex Water in 1988 and appointed to the board of Wessex Water Services Limited in 1989. He is currently group chief executive of Wessex Water, chairman of The Gainsborough Bath Spa Hotel and Thermae Bath Spa, non-executive chairman of European Connoisseurs Travel and chair of YTL Land and Property UK. Colin is vice-chair of Ventures' Educational Trust and chair of Merchants' Academy.

He has non-executive roles in rail, travel and international infrastructure businesses, served on the board of the South West Regional Development Agency and is involved with a number of charities. Colin is a former president of Bristol Chamber of Commerce, master of the Society of Merchant Venturers and chair of the Initiative for Bath & North East Somerset. He was chair of the West of England Local Enterprise Partnership from 2011 until early 2016.

Colin was involved in the formation of the charity WaterAid and served on its council for several years. Colin is a chartered chemist, holds an MSc in engineering and is a fellow of both the Royal Society of Chemistry and the Institute of Water and Environmental Management. In 2012, he was awarded an OBE to services to business and WaterAid and in 2015, an honorary doctorate in engineering from the University of the West of England. In 2019, Colin received an honorary degree in engineering from Bristol University.





# Wessex Water Services Ltd - Board of Directors

## Executive Directors

### **Andy Pymer - Managing Director**

As managing director, Andy is responsible for the overall performance of the regulated business and for providing strategic advice and guidance to the board. A chartered civil engineer turned economist, he has more than 25 years' experience in the water sector, holding roles both overseas and in the UK. Andy was appointed managing director in 2016 having previously been Wessex Water's director of regulation and customer services since 2012 and head of regulation, policy and audit since 2002.

Andy was appointed to the board of Wessex Water Services in August 2012. Co-chair of Wessex Water's joint venture billing company, Pelican Business Services, he is also a council member for the industry trade association, Water UK. He is chair of Wessex WaterAid, which has raised more than £1.5m for the charity over the past 10 years.



### **Mark Watts - Finance Director**

Mark is group finance director of YTL UK with overall responsibility for accounting, treasury, tax, pensions, procurement, fleet and unregulated businesses within the group. A member of the Association of Corporate Treasurers, Mark has extensive experience in international banking, treasury, fund raising and corporate finance.

He worked for a decade at Barclays International Bank before spending 19 years in the treasury department of Wessex Water followed by nine years as finance director.

He was appointed to the board of Wessex Water Services Limited in March 2010 and is a trustee of the Wessex Water Pension Scheme. In addition, he holds a number of directorships within the YTL and Wessex Water companies in the UK but no external directorships outside the group.



# Wessex Water Services Ltd - Board of Directors

## Non-Executive Directors

### David Barclay - Non-Executive Director

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

David is also a director of Wessex Water Limited, the holding company for Wessex Water Services, and YTL Land and Property Limited. A one-time chairman of the audit committee, he continues to serve as a member of the remuneration and nomination committees. David is currently deputy chairman of the British Library and a senior independent director of Wates Group Limited.



### Mark Yeoh - Shareholder Director

Mark is executive director responsible for the YTL hotels and resorts division. He was appointed to the board of Wessex Water Services Limited in July 2003. He joined the YTL Group in 1989 and serves on the board of YTL Corporation Berhad, YTL Power International Berhad, YTL Land & Development Berhad, YTL Cement Berhad and YTL Vacation Club Berhad.

He is also an executive director and chief executive officer of Pintar Projek Sdn Bhd, the manager of YTL Hospitality REIT. He graduated from King's College, University of London with an LLB (Hons) and was subsequently called to the bar at Gray's Inn, London in 1988. He became a fellow of King's College London in July 2014.



# Wessex Water Services Ltd - Board of Directors

## Non-Executive Directors

### **Gillian Camm - Senior Independent Non-Executive Director**

Gillian has had a lifelong career in change management, ranging from the implementation of significant change programmes through to the coaching and development of senior leaders in a variety of sectors. She has worked with organisations to improve their diversity and has had significant involvement in the recruitment of both executive and non-executive directors.

Appointed to the board of Wessex Water Services Limited in November 2011, Gillian chairs the corporate social responsibility committee and is a member of the Futures Panel and the following committees: audit, nominations and remuneration. She is also a member of the Affordability Advisory group, Money Matters panel and the Young People's panel. She is an observer on the Wessex Water Partnership.

Gillian was until recently the chair of the Leadership Foundation for Higher Education. She is a pro chancellor for the University of the West of England, a vice-president of Quartet Community Foundation, a member of the Merchant Venturers (where she is currently junior warden) and the Honourable Gloucestershire Company and a deputy lieutenant of Gloucestershire.

Gillian is also a Chair of Colston's Girls' School and a Director of Venturers Educational Trust. She has honorary degrees from the University of Bristol and the University of the West of England.



### **Dame Fiona Reynolds DBE, CBE - Non-Executive Director**

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

She was appointed to the board of Wessex Water Services Limited in August 2012. In the same year she became master of Emmanuel College, Cambridge after a long career in the voluntary conservation movement, latterly as director-general of the National Trust from 2000-2012.

At Wessex Water, she is chair of the Futures panel and a member of the audit committee, the corporate responsibility committee and the nomination committee.



# Wessex Water Services Ltd - Board of Directors

## Non-Executive Directors

### **Huw Davies, Non-Executive Director**

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

He is currently a non-executive director of J Murphy Ltd and chair of the children's charity I CAN and a former non-executive director of West Bromwich Building Society, Hydro International plc and WSP plc.

Earlier in his career Huw was CFO of Wates Group Ltd, head of corporate finance at Taylor Woodrow and has held key positions with KPMG, Ernst Young and the government of Oman. He has extensive experience in UK and international corporate finance, risk management and corporate governance within a number of sectors including construction and engineering, residential and commercial development, property investment and financial services.



### **Richard Keys, Non-Executive Director**

A chartered accountant and a former senior partner at PricewaterhouseCoopers, where he held a number of senior management positions including that of global chief accountant. His roles included responsibility for many top clients, both nationally and globally working closely with and advising boards, senior management and audit committees. His extensive business and financial experience developed during his 37 years at PwC encompassed corporate governance, audit, accounting, financial reporting, risk management, transaction support and consulting across many sectors including utilities (electricity and water), air transport, heavy industry, manufacturing and natural resources. Since 2010, he has enjoyed a portfolio of board roles ranging across banking, air transport, utilities, central government and education.

Richard was appointed to the Wessex Water Services Limited board in May 2016 and is a member of the audit, nomination, remuneration and corporate responsibility committees. He is also a non-executive director of Merrill Lynch International and a member of the governance, risk and audit committees; of NATS Holdings Ltd and chair of the audit and risk committee and a member of the transformation and nominations committees; and of the Department for Transport and chair of the group audit and risk assurance committee. Previously Richard was a non-executive director of Sainsbury's Bank plc and chair of the audit committee; of the Department for International Development and chair of the audit and assurance committee; a council member and chair of the audit and risk committee of the University of Birmingham. He is also chairman and non-executive director of Glaziers Hall Ltd and a liveryman of the Worshipful Company of Glaziers and Painters of Glass.



# Wessex Water Services Ltd - Board of Directors

## Non-Executive Directors

### **Hong Yeoh - Shareholder Director**

A director of YTL Corporation Berhad, Malaysia since 1985, Hong is managing director of YTL Power International Berhad and is responsible for YTL Group's utilities and construction divisions.

He has been a director of Wessex Water Services Limited since May 2002 and is chairman of the remuneration committee. He is a trustee of the YTL Foundation.



### **Hann Yeoh - Shareholder Director**

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

A graduate of Oxford University with a Master of Engineering in engineering science, Hann is executive director of YTL Power Generation Sdn Bhd and part of the business development team of YTL Power International Berhad. He also sits on the board of YTL PowerSeraya Pte Limited in Singapore.

