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Public Interest Commitment

Water companies play a unique role in running a vital public service for the public good. Following recent engagement with key national stakeholders, this document sets out how the Board of Water UK will work with companies in England to do more to meet the high expectations which rightly come with that role.

In serving customers within a framework of independent regulation and government policy, companies are party to an implicit contract with society, through which they earn the privilege to serve in return for delivering wider benefits to society and the environment.

That social contract has worked well over the last 30 years. Water quality has improved dramatically to world-class levels and leakage is down by a third. Wildlife has returned to rivers that had been biologically dead since the Industrial Revolution. Bills are broadly the same as 20 years ago when inflation is taken into account and 86% of customers trust their water company.

As we look ahead to the next 30 years, there is a pressing need to reinforce that social contract. Nationally, there is scepticism about big business in general and particularly the role private companies have in providing essential services like water. Locally, companies' ongoing work with customers has made clear that they expect us to do more - not just to improve services, but also to play a full role in tackling wider social and environmental challenges.

In light of what companies are hearing from their communities and national stakeholders, our ambition for the sector is to represent the best in responsible business practice. That means going beyond just regulatory compliance to demonstrate long term stewardship of the environment, delivering social good and giving people a meaningful say as we decide our priorities.

The precise way each company does that will vary, reflecting the priorities of their local communities. Following the sector's biggest-ever customer engagement programme, the improvements recently set out in companies' five-year business plans to 2025 sit at the heart of our commitment, individually and collectively, to reinforce our social contract.

Taken together, companies' plans propose increasing investment to over £50 billion over the period – committing them to the most ambitious programme to fix leaks in 20 years, 8000km of river improvements (benefitting people and wildlife), and nearly doubling the number of customers receiving help with their bills.

At the same time, through improved efficiency and lower financial returns, bills are set to go down on average by over 4% in real terms. All companies have committed to dividends in line with what Ofwat sees as appropriate and have submitted plans for showing a fair balance between customers and investors in terms of sharing outperformance, dividend policies and any performance related element of executive pay.

Companies are currently finalising these plans as part of the latest price review, but there is also a clear expectation from national stakeholders that companies should work together where they can add value. Following initial discussion with stakeholders, we want to complement individual business plans by showing leadership at national level in two ways.

First, we will champion measures through which water companies can enshrine what it means to operate in the public interest within their business purpose, in line with best practice among leading socially-responsible businesses.

Ultimately, any decisions on business purpose are for individual company Boards to take. Options which some companies are considering include taking the fundamental step of amending company licences and/or Articles of Association to reinforce the regard already given to a range of interests alongside shareholder value when making decisions.

We will work with leading independent organisations in this field to report back in April 2020 on what companies are doing to enshrine public interest within their business purpose.

Second, we commit to work together and with others towards five challenging goals for the sector in England as a whole, with companies contributing appropriately given their specific circumstances:

- **Triple the rate of sector-wide leakage reduction by 2030.** As part of a wider long-term strategy to reduce per capita consumption of water and invest in more water transfer and storage, this goal represents an unprecedented rate of improvement to help us to meet the unprecedented challenges posed to water supplies by climate change and population growth.
- **Make bills affordable as a minimum for all households with water and sewerage bills more than 5% of their disposable income by 2030 and develop a strategy to end water poverty.** This requires a package approach tailored to local needs, including measures such as helping customers to be more water efficient, providing social tariffs and additional forms of financial assistance, and working with other organisations to support customers in vulnerable circumstances.
- **Achieve net zero carbon emissions for the sector by 2030.** As energy-intensive businesses, we have an important contribution to make in tackling the causes of climate change. We can make a real difference through measures such as greater water efficiency, buying green energy as well as generating renewable energy ourselves, planting trees, restoring peatland and working with our supply chain.
- **Prevent the equivalent of 4 billion plastic bottles ending up as waste by 2030.** We will end the use of avoidable single-use plastics in our businesses and support the contribution which the public can make by providing water refill facilities and through education. Our ambition is to be world-leading in the role water companies can play in the wider campaign to cut down on plastic pollution.

- **Be the first sector to achieve 100% commitment to the Social Mobility Pledge.** Along with investment in skills, this is part of our wider aim to promote opportunity in local communities and increase talent and diversity within companies. The Pledge commits to action in three areas – partnering with schools or colleges to provide coaching, providing structured work experience and/or apprenticeship opportunities, and adopting open employee recruitment practices – all aimed at people from disadvantaged backgrounds or circumstances.

A member of the Water UK Board will lead a programme of work for each sector-wide goal, working with companies and organisations within and outside the sector to share expertise and identify what needs to be done. We will establish an independent panel to report annually on how well the sector collectively is doing to achieve these goals, starting in April 2020.

We look forward to continuing to work with key stakeholders on how best to take forward the commitments set out in this document, and on further opportunities to enhance the positive contribution which water companies can make towards the public interest.