

Executive Pay

**Feedback from the Love Every
Drop online community**

Prepared for Anglian Water

by incling 26.03.2019

Overview of the engagement



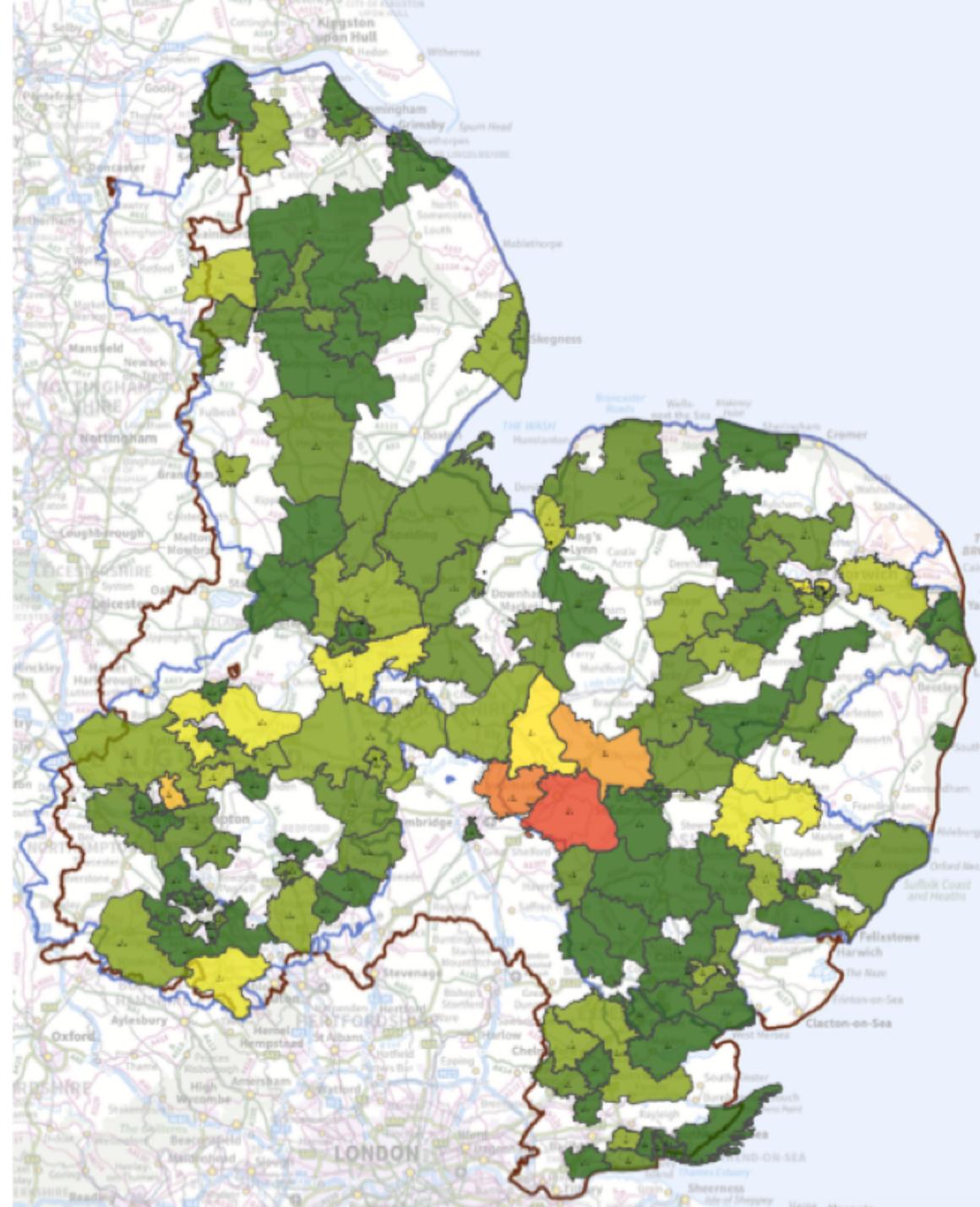
THE AUDIENCE THAT TOOK PART

- 108 participants from Anglian Water’s customer community took part
- Spread of age and gender
- Representation from all 6 customer segments
- Geographical spread across the Anglian Water region



WE EXPLORED THE TOPIC OVER 1 WEEK

- Poll informing customers of the new method that will be used to determine executive’s bonus pay and garnering their reactions and measure ideas.



Executive Pay: information shared & how we engaged with customers

Anglian Water is proposing changes to how it sets the long term component of Executive Directors' pay. Previously, part of Exec Directors' (Chief Executive and Finance Director) financial remuneration (i.e. specifically bonuses / and longer term financial incentives) have been based on the financial profits and shareholder return made by the company. These longer term mechanisms generally are awarded annually and paid out 3-years later.

However, the company are now proposing changes to more closely link the longer term elements of Exec pay to how the business performs on areas important to customers and customers' overall satisfaction.

Overview of the changes:

1. AW will align remuneration for Executive Directors with a suite of customer outcome and delivery mechanisms, so if these outcomes aren't met, Exec's remuneration will be reduced.
2. Company performance requirements will be introduced that must be met to earn these rewards. These will be based on three broad categories:
 - (a) Customer satisfaction measures
 - (b) Customer delivery, largely monitored through the outcome measures we have developed with customers for the business plan; and
 - (c) A measure of efficiency to ensure an incentive to keep the costs of delivering services efficient, to be able to return benefits to customers

For each of these measures, AW will set performance targets with transparency for how and at what level of performance reward is awarded.

To incentivise long term decision making, part of these rewards will be deferred to be paid at a point in the future. This element, likely to be 50%, will only be released if the company has maintained strong performance on longer term measures such as the long term health of their assets and provided there have not been any material performance issues affecting the environment and the health and safety of our employees.

AW will transparently report performance against each of these measures annually.

Do you agree with the change that Executive Director's bonuses and incentives will be determined and set based on company performance more directly (rather than profit)?

Which measures of customer delivery do you consider most appropriate to reflect in the proposed mechanisms?

1) How we shared background information:

We shared an overview of the changes being made to how executive incentives and bonuses are calculated.

2) How we gathered customer reactions:

We then asked customers to answer two poll questions surrounding the executive pay and asked them to explain their answer:

- 1) Do you agree with the change that Executive Director's bonuses and incentives will be determined and set based on company performance more directly (rather than profit)?
- 2) Which measures of customer delivery do you consider most appropriate to reflect in the proposed mechanisms?

Basing incentives and bonuses on performance over profit *makes sense* and seems *fairer*

A large majority of customers feel that basing remuneration on performance over profit is a better incentive for Executives and fairer all around:

- ✓ There is an incentive for Executives to put the needs of their customers and services before profit.
- ✓ Executives have to work towards these needs to earn their bonus rather than chasing profit or receiving incentive by default.

A minority aren't sure that this approach is the best way forward:

- All of the customers that disagree with this approach feel that the concept of Executives receiving incentives *in principle* is undesirable and disagree with the old approach as much as the new changes.
- Many of the **those who aren't certain** also feel the same way, but a handful feel that they don't have the expertise and would like more information before passing comment.

Well, gives an incentive to do the right thing rather than just going and chasing profits.

Family First

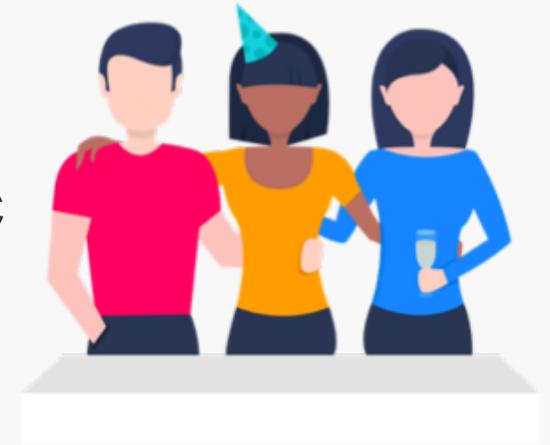
Shouldn't they just get paid for their job rather than what everyone else does to improve the performance of the Company? The labourers doing the work don't get paid 'Bonuses',

Comfortable and Caring

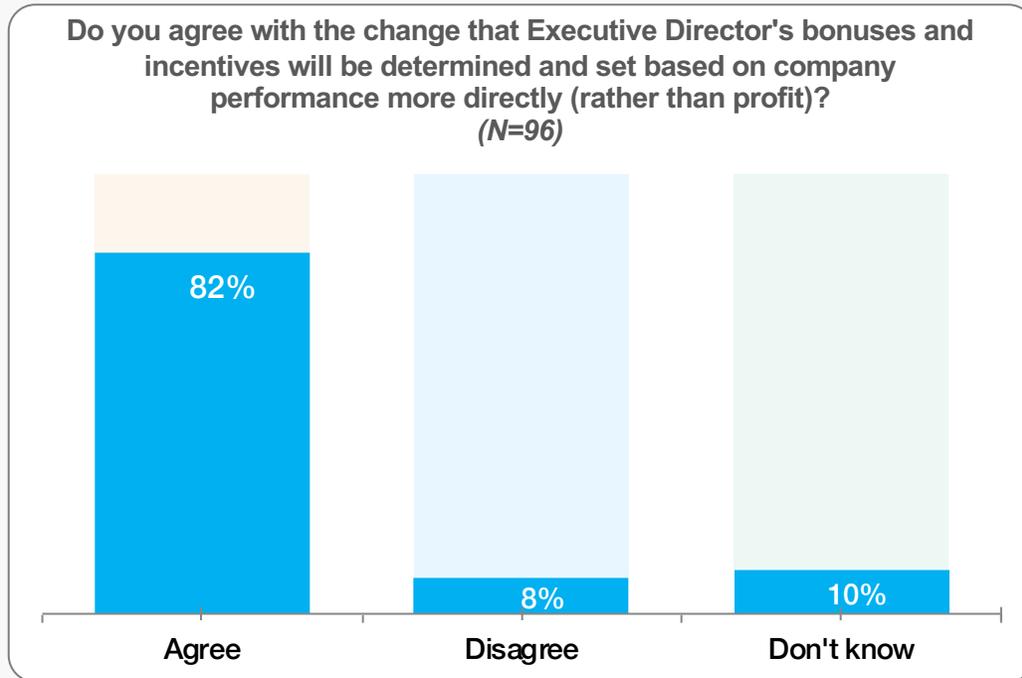
I would need to see the specific measures and performance targets.

Tech Savvy

The vast majority support the change to the incentives mechanic



A look at the poll responses suggest that customers overwhelmingly agreed with the changes to Executive incentives and bonuses.



This sounds very sensible. As customers we don't care about profit, but we do care about delivery performance & long term planning.
Tech Savvy

- ✓ **82% are in agreement:** Most customers agree that it's sensible and fairer for Executive's pay to be based on performance over profit.
- Just **8% percent disagree** with this approach and **10% are uncertain** how they feel about the changes.

Delivering on *AW's core performance goals* are deemed the most important measures

Spontaneously (without any direct reference to the measures of customer delivery), customers most commonly mentioned 3 areas that they feel are most important for the mechanism to be based on.

1

Leaks and infrastructure

Undoubtedly the most important measure to most, **efficiency and reducing water waste** is deemed the best way to measure performance.

The company will have targets for leakage, water quality in rivers and beaches, sewage leaks and consistency of water supply. I guess all these need to also be linked to executives targets and salary.
Comfortable and Caring

2

Water quality and reliability

Another main priority is that they reliably receive high quality water and they see this as a reflection of AW 'doing their job' i.e. ability to not have hosepipe bans, low water cuts/bursts, low flooding.

Water quality through the tap, the availability of water i.e. no hosepipe bans; levels of river and beach pollution. Numbers of burst water mains, numbers of flooding incidents.
Comfortable and Caring

3

Environmental impact

As a company who cares, customers want to see AW making positive changes to common environmental issues before they're offered rewards i.e. low pollution, river quality, beach quality.

Performance issues affecting the environment need to be closely linked to any bonus for the Executive Director so that these are closely monitored and all efforts made to improve. That environment concerns/improvements are a fundamental part of the ethos.
Eco Economiser

Customer *satisfaction* also rose to the top as a key measure

While goals are important, a large number also suggested that exec pay should also be tied to how happy customers are with the service.

With a number of ways to track customer satisfaction, the top 2 that customers suggest are:

- ✓ **Customer feedback:** Traditional surveys or other customer engagement methods will help AW gain an overview on customers' contentment.
- ✓ **Number of complaints:** A quick method to monitor customer satisfaction is to systematically review the number of complaints and efficient resolution.



Again, here the customer who is paying their bills and in the long run, your salary and/or bonuses,, keep the customer satisfied and happy and they will be happy to keep paying for the goods they have received.

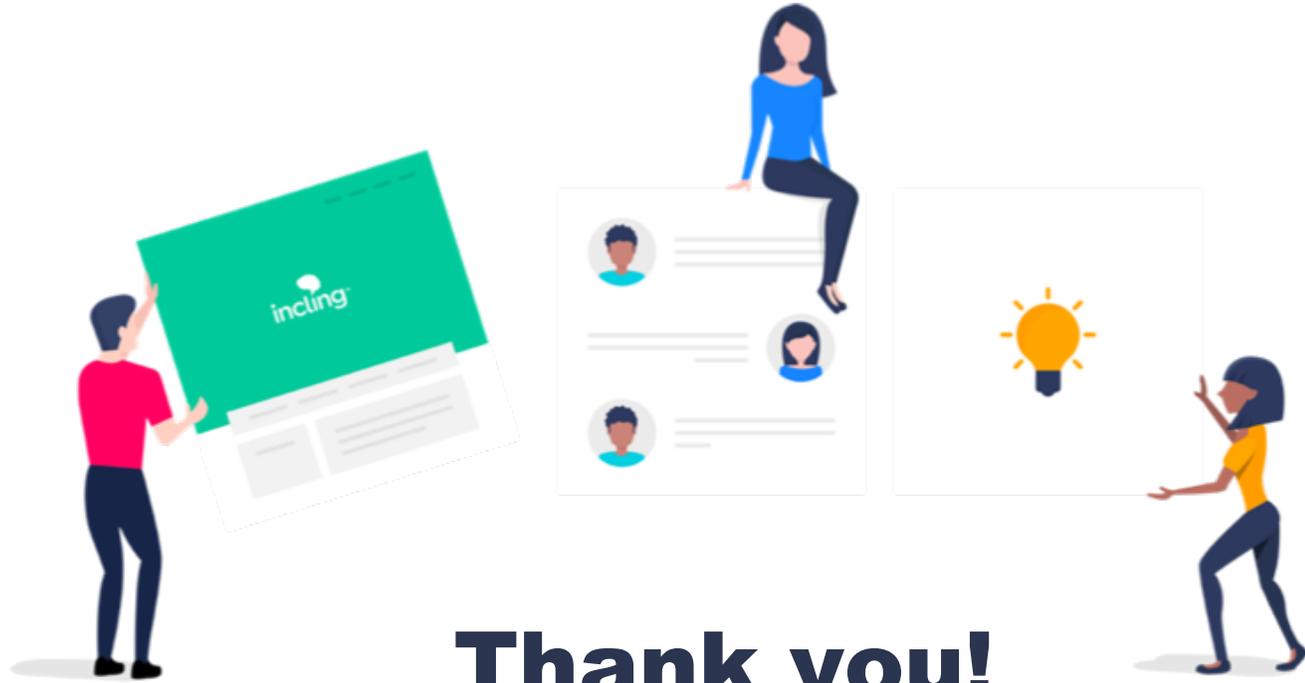
Comfortable and Caring

Customer satisfaction, AW delivering its medium to long term business objectives and projects on time and to budget.

Protective Provincial

Responses to customer satisfaction surveys independently monitored.

Eco Economiser



Thank you!

**Any questions? Just reach out to us on
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