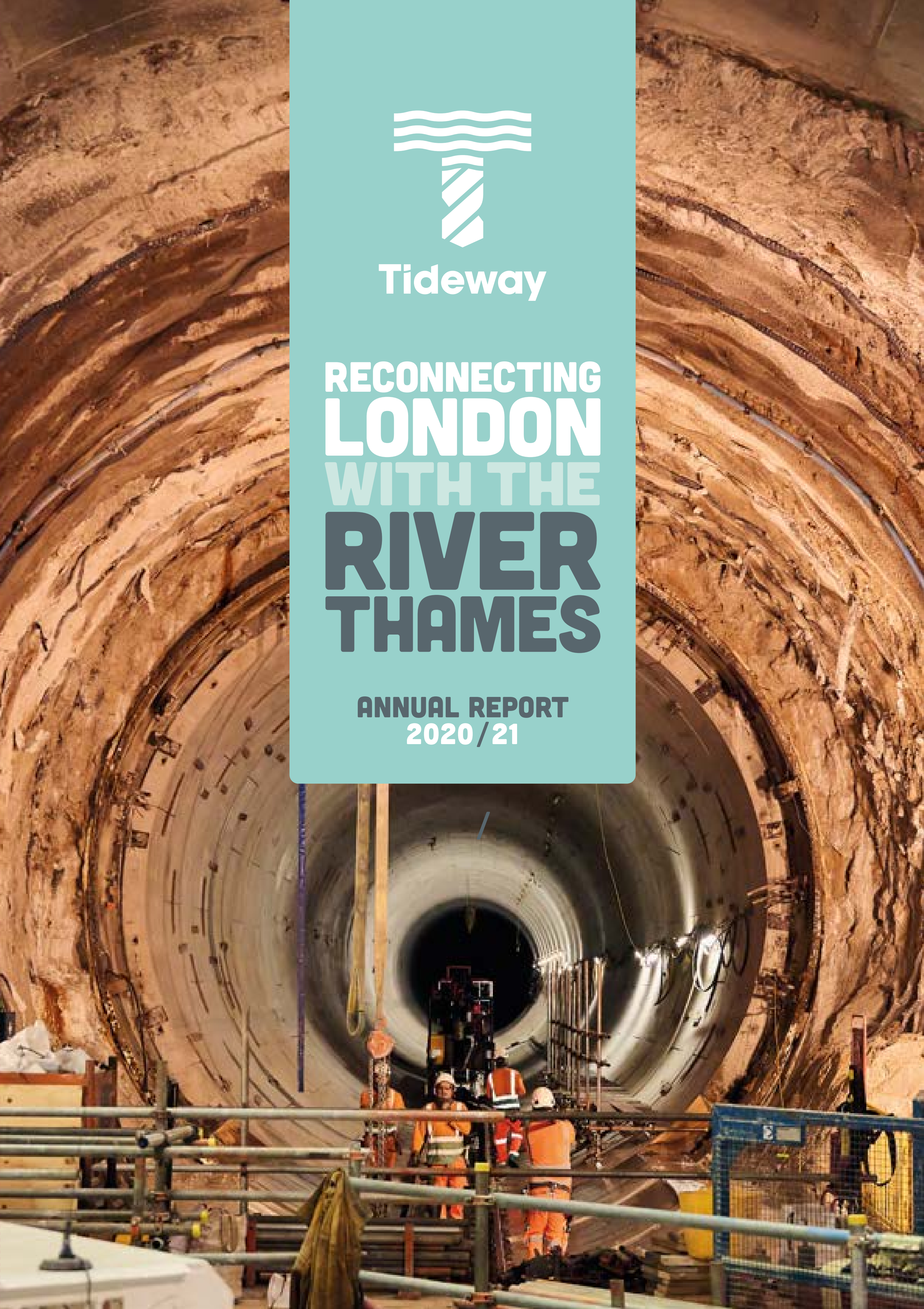


Tideway

RECONNECTING LONDON WITH THE RIVER THAMES

ANNUAL REPORT
2020/21

Contents

About us

Bazalgette Tunnel Limited, trading under the name **Tideway,** began operating as an independent regulated water company in August 2015, when Ofwat awarded us our Licence to design, build, commission, maintain and finance the Thames Tideway Tunnel.

Since Licence Award, our shareholders have invested £1.3bn.
Close to half of the total equity has come from UK investors, including many pension funds, giving 3 million UK pension holders a stake in Tideway.

Tideway

Tideway Highlights

Our year at a glance

OBJECTIVE	RECOGNITION	HIGHLIGHT
HEALTH, SAFETY & WELLBEING	Finalist Employer Initiative of the Year – Inside Out Mental Health Awards 2020	• No major injuries or significant marine incidents • More than 100 Mental Health First Aiders
SCHEDULE, COST & QUALITY	edie Sustainable Business Leaders' Awards 2021: Building/Infrastructure Project of the Year	• Handover by end of calendar Q1 2025 • Costs expected to be £4.1bn (vs £3.4bn regulatory baseline) • More by River strategy: To date 4.5m tonnes transported by river (1.2m this year). 550,000 HGV journeys avoided to date equivalent to 14m miles or 14,500 tonnes of CO2
VISION, LEGACY & REPUTATION	Global Good Awards 2020: Company of the Year	• 90% of live legacy commitments on track against a target of 85% • Community investment programme benefitted over 11,000 people
COMPANY & PEOPLE	Business In The Community Responsible Business Awards 2020 – Responsible Business Champion for Outstanding Employment.	**Staff engaged and enabled survey results:** • **93%** I am treated with respect as an individual • **88%** Tideway values and promotes diversity
FINANCING	Treasury Team of the Year for CSR and Sustainability	• High level of liquidity with sufficient funds secured to cover construction costs • No distributions were paid in 2020/21 • Aligned legacy commitments with Sustainable Development Goals at target level • Excellent culture from S&P's ESG assessment

Strategic Report

TBM Selina at the bottom of the shaft at Chambers Wharf

TBM Selina arrives at Chambers Wharf, transported by a Skylift 3000 barge in July 2020

Strategic Report
Chairman's Introduction

SIR NEVILLE SIMMS
NON-EXECUTIVE CHAIRMAN

As we move toward the commissioning phase of the project, our level of engagement with Thames Water is increasingly important.

Last year was a year of exceptional challenge for people in the UK and around the world. We all felt the impact of Covid-19, at home and at work and were forced to adapt to new ways of living, while facing an uncertain future. My first duty, therefore, on behalf of the Board is to say 'thank you' to everyone who has continued to work tirelessly on the delivery of the Thames Tideway Tunnel, throughout what has been a particularly difficult period and to offer our sincere condolences to those who have lost family and friends as a consequence of the pandemic.

Covid-19 brought a range of new and unexpected challenges to the project. Government restrictions required us to devise and adopt new and different methods of working. Plans for critical activities had to be adapted to allow for previously unforeseen circumstances. Decision-making had to proceed, with less person to person contact and discussion.

I am proud of the way the whole company responded and I am very pleased to report that we were able to make significant progress on the project, while working within the restrictions and guidelines that were essential to keep our workforce safe.

Main Works Contractors, the Programme Manager, the Systems Integrator and our extended supply chain adapted their methods of working and showed great commitment to delivering the works. We were also pleased to have had the support of our regulator, Ofwat, to help us navigate through an extremely difficult period. Shareholders, too, continued to demonstrate their support for the project, contributing to much additional Board activity and agreeing with other Board members to defer the distributions that would ordinarily have been payable, in the year, until there is more certainty.

As we move toward the commissioning phase of the project, our level of engagement with Thames Water is increasingly important. Staff from both Tideway and Thames Water who would ordinarily be co-located at Tideway's head office have continued to work together through the pandemic, albeit remotely, but we have a plan for regular engagement going forward which I am confident will continue to strengthen relationships between the organisations and secure the successful result we both need to achieve.

The target of completion is now in sight and we need to ensure that staff and management resources are appropriate for the current and future phases of the project. Business reorganisation activities took place in the later part of the year and I'm pleased to report that feedback from staff indicates most believe communications about change have been handled well. In line with the ongoing evolution of the project, this will continue to be a focus for the year ahead, as we work to deliver the project efficiently, while maintaining knowledge and capability in critical roles.

In times of change the culture and values of an organisation can provide a welcome level of stability and, despite the extraordinary challenges of the last year, our workforce was determined to continue to support the wider community. Project staff volunteered over 2,000 hours, finding new ways to deliver activities remotely as well as working at food banks, testing and vaccination centres and other community services. In total our teams have supported 180 organisations, through volunteering and fundraising activity. Issues of diversity and inclusion have been prominent, with employees engaging in a programme of talks, discussions and training activities designed to encourage self-learning, reflection and open-dialogue.

As you will see, this Annual Report records not just the achievements of the last year, but also the challenges that lie ahead. At the time of writing there remains uncertainty regarding both the short and the longer term financial impact of the pandemic and the effect of the extraordinary macroeconomic interventions, introduced by government, on revenue calculations and the regulatory response to these matters. We will continue to work closely with stakeholders to tackle the challenges that lie ahead and to deliver a project that both cleans up the River Thames and provides a successful model for future low-cost, long-term private capital investment in critical UK infrastructure.

Sir Neville Simms
Chairman

Chief Executive Officer's Report

I am immensely proud to have led our organisation through this period and I am grateful to everyone at Tideway for what they have done.

ANDY MITCHELL CBE
CHIEF EXECUTIVE OFFICER

Every organisation and company will have its own story of the last 12 months; these have been extraordinary times. But, of course, there will be common themes as businesses reflect on the past year.

Like so many organisations, Tideway has had to adapt in ways that were unimaginable before the pandemic. We are operating within a new set of rules; in every part of our business, from how we work on site to how we communicate with each other, we have had to innovate; beyond all, we have seen the resilience of our people and I believe we have gained a greater sense of empathy for each other. It is against this backdrop that the Tideway project has progressed this year.

Looking back to the start of the business year, virtually all our construction activities were in a state of pause and this lasted between six and eight weeks. Like many others we had to navigate and interpret the official advice, making sure that we were doing whatever was necessary to keep people safe.

Our teams used the pause in operations to come up with new ways of working on sites - one-way systems; staggered start-times; buzzers to enforce social distancing; floor markings; restrictions in visits; individualised travel plans. These are just some of the measures that have become part of everyday life.

Creating this new, safe working environment was a feat of meticulous planning and care and I pay tribute to our teams, including our contractors, for what was achieved. It was this care, as well as the support we provided during the pause, that meant we were able to hit the ground running when we re-started. Our workforce was ready to get on, with the confidence that we had done everything we should to make the environment safe.

By August 2020 we were able to publish an estimate of the likely impacts of the pandemic on our costs and schedule. We announced a nine-month slippage in our schedule, moving completion to 2025 and we also announced an increase in our cost estimate of £233m, taking the total to £4.1bn. Our year-end position is in line with these estimates.

Health, safety and wellbeing performance underpins everything we do on Tideway, and this has taken on greater meaning in the last year. No one working on Tideway suffered a major injury this year and our performance continues to look favourable against industry benchmarks. However, we can never be complacent; we continue to place a high value on a culture of reporting of all incidents, including 'near misses' to understand root causes and prevent harm. We provide more detail on our performance later in this report.

The mental health of our team is just as important as physical safety. In 2017 we were one of the founding partners of the mental health construction charity Mates in Mind and by the time the pandemic hit, we had trained over 100 mental health first-aiders across Tideway. I have no doubt that the expertise, understanding and culture we have built around mental health put us in a stronger position to support our people this year.

Construction progress is explained later in this report but in headline terms, we ended the year with 63 per cent of our programme completed, against our target of 71 per cent, reflecting the delay noted above. We are now into our final phase of tunnelling, with three of our main five sections complete and 21km Tunnel now constructed.

Above the ground, work has started in earnest, including on the land that will be the project's most visible legacy. Our partnership with Thames Water becomes ever more important as we work towards this goal and our two organisations have become closer at all levels this year.

Leaving a positive impact on the communities and environment around us has been a feature of Tideway since day one and has been brought into sharper focus this year as we have seen so many suffer the consequences of the pandemic, including growing inequalities.

Andy Mitchell at Chambers Wharf

This year we achieved the first of our ambitious legacy commitments, with the creation of more than 4,000 sustainable jobs and the completion of our Thames ecology research programme. Detailed analysis of progress against our 54 legacy commitments is included in this report.

At a time when we must consider the global picture, we have continued to focus on how we can contribute towards the net-zero carbon ambition. Even at what is a relatively late stage of this project we are determined to do as much as we can to leave a sustainable legacy.

We have continued to measure our impacts against the UN Sustainable Development Goals (SDGs), after we became one of the first major infrastructure projects to do so in 2019. Our efforts, including our commitment to sustainable financing, continue to be recognised externally, and we were named Project of the Year at the Edie Sustainability Leaders Awards and Company of the Year at the Global Good Awards.

Another feature of this year has been of organisations coming together and as Chair of the Construction Leadership Council (CLC) I have seen the construction industry work together as never before. We developed the first ever site operating procedures – providing critical guidance on how to work safely in this new environment – and we have spoken with one industry voice, representing small and large construction alike. We have shown what is possible when we combine our efforts and I hope we can apply this learning to other areas, whether net-zero and sustainability, or inclusion and safety.

This has been a tough year, for everyone. We have had our challenges but of course these have been nothing to the organisations directly involved in dealing with the pandemic – our gratitude goes to them and we offer our condolences to those who have suffered the most devastating impacts and loss.

I am immensely proud to have led our organisation through this period and I am grateful to everyone at Tideway for what they have done. Our board has given us the support and challenge we have needed; our teams have rallied, looking out for one another and stretching their capabilities; and our stakeholders have been with us at every stage, helping us to navigate the environment. Without the culture we have fostered since the start of the project, our progress during this year would not have been possible. We look forward to more positive times and getting this vital project over the line.

Andy Mitchell

Andy Mitchell CBE
Chief Executive Officer

Our Vision, Purpose & Values

OUR PURPOSE

Tideway is building the Thames Tideway Tunnel under the River Thames – creating a healthier environment for London by cleaning up the city's greatest natural asset, now and for the foreseeable future.

DELIVERING OUR PURPOSE AND VISION

It is not just what we do that is important to us, but how we do it. With our commitment to safety, legacy, collaboration, respect and innovation. We aim to transform the way the industry operates.

We bring our purpose and values to life through what we do and how we do, the way we treat each other and our stakeholders is important to us successfully delivering the project.

We want to see a step change in the health and wellbeing of everyone involved in the project, as well as our partners and stakeholders, whether that is through our focus on safety and wellbeing in the workplace, volunteering with our charity partners, collaborating with our partners, engaging local residents on what we are doing or supporting people to develop skills and find employment. The Covid-19 pandemic has presented specific challenges over the last year however we have found different ways of delivering our Purpose and Vision consistent with our values of safety, legacy, collaboration, respect and innovation. Here we outline how examples of our work align to our Values and the UN Sustainable Development Goals.

VALUES

Examples	Page	Safety	Legacy	Collaboration	Respect	Innovation
Build the Thames Tideway Tunnel	16-17	✓	✓	✓	✓	✓
Engaging with Our Stakeholders & Partners	14-15	✓		✓	✓	✓
Covid-19 Health and Wellbeing	25	✓		✓	✓	✓
Mental Health	29	✓	✓		✓	✓
EPIC	29	✓	✓	✓		✓
More by River	32	✓	✓	✓		
Blackfriars floating culvert	35	✓		✓		✓
Community investment and charitable giving	42		✓	✓	✓	
Inspiring the next generation	43		✓	✓	✓	✓
Ethical supply chain	41	✓	✓		✓	
Staff Engagement	45	✓		✓	✓	
Diversity and Inclusivity	46			✓	✓	✓
People with convictions	47		✓	✓	✓	✓
Women in Construction	46			✓	✓	
Our People	44			✓	✓	✓
Sustainable finance framework	54		✓	✓		✓

SUSTAINABLE DEVELOPMENT GOALS

Examples	3 Good health and well-being	4 Quality education	5 Gender equality	6 Clean water and sanitation	8 Decent work and economic growth	9 Industry, innovation and infrastructure	11 Sustainable cities and communities	12 Responsible consumption and production	13 Climate action	17 Partnerships for the goals
Build the Thames Tideway Tunnel				✓		✓	✓			
Engaging with Our Stakeholders & Partners										✓
Covid-19 Health and Wellbeing	✓									
Mental Health	✓									
EPIC	✓									
More by River	✓						✓		✓	
Blackfriars floating culvert						✓	✓			
Community investment and charitable giving							✓			✓
Inspiring the next generation		✓			✓			✓	✓	
Ethical supply chain					✓			✓		
Staff Engagement										
Diversity and Inclusivity			✓		✓					
People with convictions					✓					
Women in Construction			✓							
Our People		✓			✓					
Sustainable finance framework					✓					✓

Who We Are & What We Do

OUR COMMITMENT TO LEGACY & SUSTAINABILITY

In line with our Purpose and Vision, Tideway has made long term and public commitments as to the value and benefits it is seeking to achieve. These 54 legacy commitments are organised under five themes (environment, health, safety and wellbeing, economy, people and place). We have aligned our commitments to the UN Sustainable Development Goals (SDG),identifying the main ten SDG targets to which Tideway makes a direct contribution.

The project's core environmental benefits will make a long-term direct contribution to SDG 6 Clean Water and SDG 11 Sustainable Cities. During construction, Tideway is making a significant contribution to eight other SDGs – some of these will have a lasting impact and will be handed over to other organisations. We have mapped our 54 commitments against 27 SDG targets that we are actively contributing to through delivery of our legacy commitments.

We have illustrated the linkages between our legacy commitments and the SDGs, showing the progress we have made during the period towards achieving the targets. We have completed 5 of our 54 legacy commitments this year; one related to creating 4,000 sustainable jobs (4,295) (SDG8) and completion of our Thames ecology research programme (SDG 4 and SDG 13).

We acknowledge that we have a negative impact on some of the SDGs, in particular SDG 13 Climate Action in acknowledgement of our carbon footprint (see Vision, Legacy & Reputation section for further information), however we are actively seeking to minimise the impact. We are also having a temporary negative impact during construction on certain SDGs such as SDG 15 Life on Land. While we have had to fell 156 mature trees to proceed with construction we have committed to replacing 2 trees for every 1 tree removed working in partnership with Trees for Cities. The Sustainable Finance Report describes more fully the targets that we are working towards and the progress towards them.

The next year will see the completion of some of our commitments related to People & Economy as we pass peak construction, thereby delivering our contributions to SDG 4 Quality Education and SDG 8 Decent Work and Economic Growth. Our Place legacy commitments related to SDG 11 Sustainable Cities and Communities and SDG 17 Partnerships for the Goals, will be stepped up as our landscape and public realm, public arts and heritage commitments progress. The Sustainable Finance Report is available to view on our *website*.

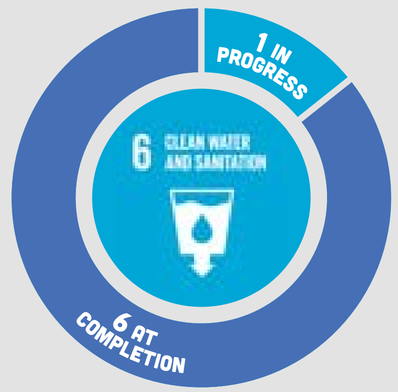
> "The beauty of the UN Sustainable Development Goals is that they provide a framework to address all of these problems together in a consistent and coherent way maximising the effectiveness of action. I have been particularly interested in what Tideway has been doing around the areas of carbon, education and gender equality."

Dr Ashok Sinha,
Chief Executive, London Cycling Campaign and Chair, London Sustainable Development Commission (LSDC)

OUR SUSTAINABLE DEVELOPMENT GOALS

In this decade of action to deliver the UN SDGs, the graphic shows the progress we have made to delivering our legacy programme in relation to our contribution to 10 UN SDGs and 27 targets. Our 54 legacy commitments have been mapped across multiple SDGs. 11 of our commitments are complete, 5 of which were completed this financial year. The majority of our legacy commitments, 34, are in progress and will be delivered over the next few years as construction completes. Nine of our legacy commitments will be measured at completion. These relate to some of our long-term legacies like improved river water quality and reduction in sewage derived litter that will be realised once the tunnel is operational.

Tideway's core environmental benefits will make a long-term direct contribution to SDG 6 Clean Water and Sanitation and SDG 11 Sustainable Cities and Communities.



During construction, Tideway is making a significant contribution to eight other SDGs, and some of these will have a lasting impact and will be handed over to other organisations.

Who We Are & What We Do

Tideway is a privately financed company responsible for building, commissioning, financing and maintaining the Thames Tideway Tunnel.

However, our ambition for this engineering endeavour goes beyond building a 25km tunnel, ‘the super sewer’ to stop tens of millions of tonnes of sewage polluting the Thames each year. We want to transform the River Thames, leaving it cleaner and changing how Londoners use it. We want people to enjoy the Thames in their leisure time, participating in water sports and appreciating the foreshores, views and walks. The joy and prosperity a cleaner river will provide for Londoners will be our legacy once the project is complete.

OUR SHAREHOLDERS

Our shareholder groups are represented on our Board, enabling them to support decision making and provide important project oversight and governance. They bring with them extensive experience of investing in and managing a wide range of infrastructure assets in the UK and overseas, knowledge that supports us in the delivery of the project.

Since Licence Award, our Shareholders have invested £1.3bn. Close to half the total equity has come from UK investors, including many pension funds, giving 3 million UK pension holders a stake in Tideway.

DELIVERING WITH OUR PARTNERS

Tideway has an alliance comprising Tideway, Thames Water, the Programme Manager (PM), three consortia known as the Main Works Contractors (MWCs) and our System Integrator. We work closely with Thames Water and the team co-located at our offices. Thames Water is responsible for important elements of the project and will ultimately operate the system.

The Alliance Agreement incentivises collaboration towards achieving the construction aims, milestones and outcomes, including the objective of meeting overall cost challenges. We have an experienced and competitive supply chain and we share lessons learned that enable us to best deliver the project.

Role	Partners
Programme Manager	• Jacobs
West Contract BMB Joint Venture	• Bam Nuttall Ltd • Morgan Sindall Plc • Balfour Beatty Group Ltd
Central Contract FLO Joint Venture	• Ferrovial Agroman UK Ltd • Laing O’Rourke Construction Ltd
East Contract CVB Joint Venture	• Costain Ltd • Vinci Construction Grands Projets • Bachy Soletanche Ltd
System Integrator	• Amey OWR Ltd

THE DELIVERY MODEL

The Thames Tideway Tunnel has an innovative delivery model, which was established to attract private sector capital to finance infrastructure and deliver value for money to customers.

It includes a bespoke regulatory framework, with a contingent Government Support Package, which recognises the unique nature of Tideway’s business. This framework provides a revenue stream during both the construction and operational periods. Revenues are billed and collected on our behalf by Thames Water from its wastewater customers and passed to Tideway.

For the period until 2030, our revenues are calculated according to the framework set out in our Licence, which is primarily based on a percentage return (2.497 per cent) on the regulatory value of our company (Regulatory Capital Value or RCV). From 2030, we expect to be regulated in line with the rest of the water industry.

TBM Rachel breaks into the shaft at Acton Storm Tanks after a 7km journey from Carnwath Road

Who We Are & What We Do

ENGAGING WITH OUR STAKEHOLDERS & PARTNERS

In delivering a major infrastructure project across London we recognise the importance of engagement, transparency and trust.

We listen to our stakeholders' views directly and through their representatives such as local councillors, MPs and Members of the London Assembly. We ensure that the communities we are working in are kept up to date on the progress being made and potential impacts. At the three main drive sites there are dedicated community relations teams and we hold regular Community Liaison Working Groups and other forums. These methods, plus a 24-hour Helpdesk, ensure that we are always accessible to our neighbours.

To support the project, we have established a range of independent parties and roles for each of our stakeholder groups. These include independent assessors of project information, Chairs for stakeholder groups and bodies for advice, complaints and compensation. We engage with other stakeholders including local authorities and other consent granting bodies. The independently chaired Thames Tideway Tunnel Forum meets quarterly with attendees from local authorities and other statutory organisations.

"Your neighbourhood outreach programme is absolutely fantastic – well done! I feel fully informed and kept onside."

Local Resident at Chambers Wharf

"The flexibility and confidence that Tideway gave us at the start of lockdown allowed us to focus on what we would want and like to do after it was lifted, rather than 'how do we get through this?', which a lot of charities had to focus on. That shift of focus directly helped us to secure new funding for the next phase of Active Row and is hugely appreciated. This is what real partnership looks like."

Matt Rostron
CEO, LYR

The Right Honourable Nick Raynsford Chairs Tideway's Reporting Group, which brings together the three independent stakeholder bodies for the project (ICP, ICC, TTT Forum). Each of these is independently chaired and reports annually to the Reporting Group about their activities. The reports are available on Tideway's ***website***.

Our most recent community survey showed that many of our neighbours remain engaged with the project and are keen to know more as work progresses. There were positive comments about our communication with residents, our work with charities, the appearance of our sites and the behaviour of our staff including our security staff and traffic marshals. The main issues for respondents were noise, dust and lighting and the site teams continue to look at how these can be mitigated.

"Tideway continues to take a proactive approach to engaging with its stakeholders, including people directly affected by its activities. In the last year, the pandemic has made this engagement more challenging – for example with many more people working from home, or home-schooling their children, the potential for impacts from construction sites has understandably been greater. Tideway, supported by the independent bodies – the Thames Tideway Tunnel Forum, the Independent Compensation Panel and the Independent Complaints Commissioner – has adapted its approach to ensure it continues to provide appropriate support, information and meaningful stakeholder engagement. In turn, the three independent bodies have continued to provide expert advice and constructive challenge to the project."

The Right Honourable Nick Raynsford
Chair, Tideway Reporting Group

Stakeholder Groups

Key Government and regulatory stakeholders

Ofwat
Environment Agency
Department for Environment Food & Rural Affairs
Thames Water

Consenting bodies and delivery partners

Transport for London
Historic England
Marine Management Organisation
Port of London Authority
Greater London Authority

STAKEHOLDERS ALSO INCLUDE
LANDOWNERS, ASSET OWNERS & LOCAL AUTHORITIES

Communities directly impacted by construction

RESIDENTS
BUSINESSES & LOCAL SERVICES
SCHOOLS

Engagement Channels

Quarterly Liaison Committee meeting (including Thames Water)	Quarterly Thames Tideway Tunnel Forum	Regular Community Liaison Working Group meetings
	Bilateral meetings	Letter drops about works
	Annual stakeholder survey	Quarterly newsletters
		Community Information Centres
		Dedicated web pages and other communications

Independent Roles and Assurance

Independent Technical Assessor (ITA): The ITA reviews Tideway and Thames Water reporting to the Liaison Committee.

Independent Chairman of Tideway Reporting Group, a group set up to oversee stakeholder reporting. It also oversees the ICP and ICC.

Independent Chairman for TTT Forum.

Independent services available to support stakeholders, which include:

Independent Advisory Service (IAS): Offers independent help and support to stakeholders living and working close to our construction sites.

Independent Compensation Panel (ICP): Oversees and determines claims made under any of the non-statutory compensation policies.

Independent Complaints Commissioner (ICC): Assists stakeholders who are not satisfied with the ICP's response regarding a claim.

The Tunnel Route

25

kilometres long

Travelling from west to east London, the main tunnel will be 25km long. Two connection tunnels will be 4.6km and 1.1km long.

7.2

metres wide

The main tunnel will have an internal diameter of 6.5 metres between Acton Storm Tanks and Carnwath Road Riverside. It will have a 7.2 metre internal diameter at Abbey Mills Pumping Station. The Greenwich connection tunnel will have a 5 metre internal diameter and Frogmore connection tunnel will be 2.6 metres.

66

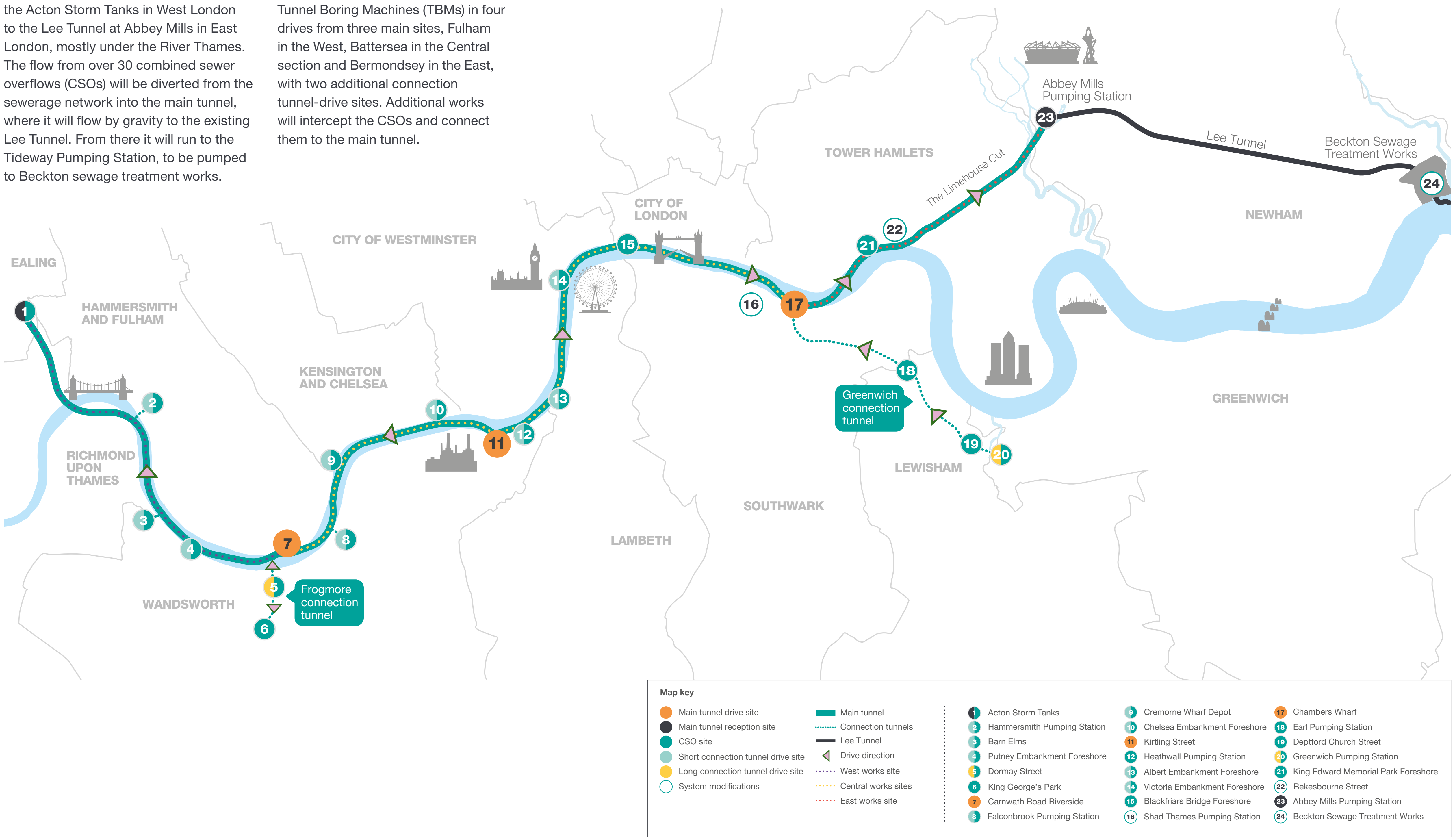
metres deep

The tunnel needs to fall one metre every 790 metres so it can be self-cleaning. Starting from 30 metres deep at Acton Storm Tanks, it will finish 66 metres deep at Abbey Mills Pumping Station.

THAMES TIDEWAY TUNNEL

The 'super sewer' tunnel will run from the Acton Storm Tanks in West London to the Lee Tunnel at Abbey Mills in East London, mostly under the River Thames. The flow from over 30 combined sewer overflows (CSOs) will be diverted from the sewerage network into the main tunnel, where it will flow by gravity to the existing Lee Tunnel. From there it will run to the Tideway Pumping Station, to be pumped to Beckton sewage treatment works.

The main tunnel construction uses Tunnel Boring Machines (TBMs) in four drives from three main sites, Fulham in the West, Battersea in the Central section and Bermondsey in the East, with two additional connection tunnel-drive sites. Additional works will intercept the CSOs and connect them to the main tunnel.



The Timeline

THE TIMELINE

Tideway maintains a schedule with our partners for delivery of the project.

- **Mobilisation of the MWCs**
  This started off site, with mobilisation of people, the start of detailed design work, consenting applications and procurement of subcontractors and materials. Moving on site as these activities progressed, construction sequencing was finalised, and the enabling Thames Water Works were completed.

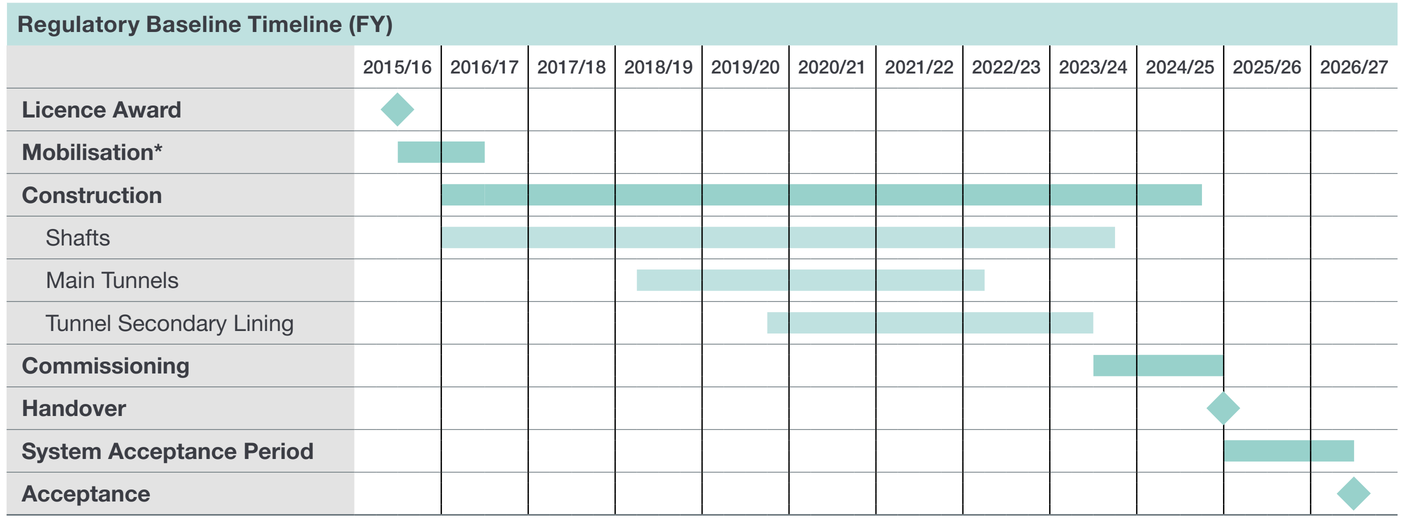
- **Construction**
  This includes excavating deep shafts at the three drive sites and each CSO interception site, followed by tunnelling, tunnel secondary lining, installing mechanical and electronic equipment, and architectural and landscaping works.

- **Commissioning**
  All the worksites and tunnels will be connected to the London Tideway Tunnels (LTT) system and tested. Once this is complete, the MWCs hand over the Thames Tideway Tunnel (TTT) Works to Tideway. At this stage, the MWCs' activities will be complete, and the contractors will be demobilised.

- **System Acceptance period**
  This will be an 18 to 36 month proving period. The LTT will be operated across a variety of storm conditions, to demonstrate that it fulfils the project requirements. Once this is complete, Thames Water will become responsible for maintaining the near-ground structures and assets. Tideway will retain responsibility for the shafts and tunnel structures and ensure the TTT is available to allow flow to pass to the Lee Tunnel. This involves inspecting the deep tunnels and shafts, which we expect to do on a ten-yearly cycle, performing any maintenance as required.

CURRENT SCHEDULE

The outline schedule sets out our current view on the schedule. It reflects out latest view following significant engagement with our delivery partners and includes the expected impact of Covid-19.



* *Mobilisation activities shown from Licence Award to the start of Construction at the three main drive sites. Additional mobilisation activities continue throughout construction (i.e. consents, procurement).*

Aerial image of King Edward Memorial Park Foreshore, where the final shaft on the project was excavated in the summer of 2021

Our Business Model
The Value We Add

PURPOSE
WHAT WE DO

Tideway is building the Thames Tideway Tunnel under the River Thames – creating a healthier environment for London by cleaning up the city's greatest natural asset, now and for the foreseeable future.

OUR VALUES
HOW WE DO IT

SAFETY
Transform the health, safety and wellbeing of all

LEGACY
Create a healthier future for London

COLLABORATION
Work together as an effective team

RESPECT
For people, places and resources

INNOVATION
Strive for excellence in project delivery

CLEANER THAMES

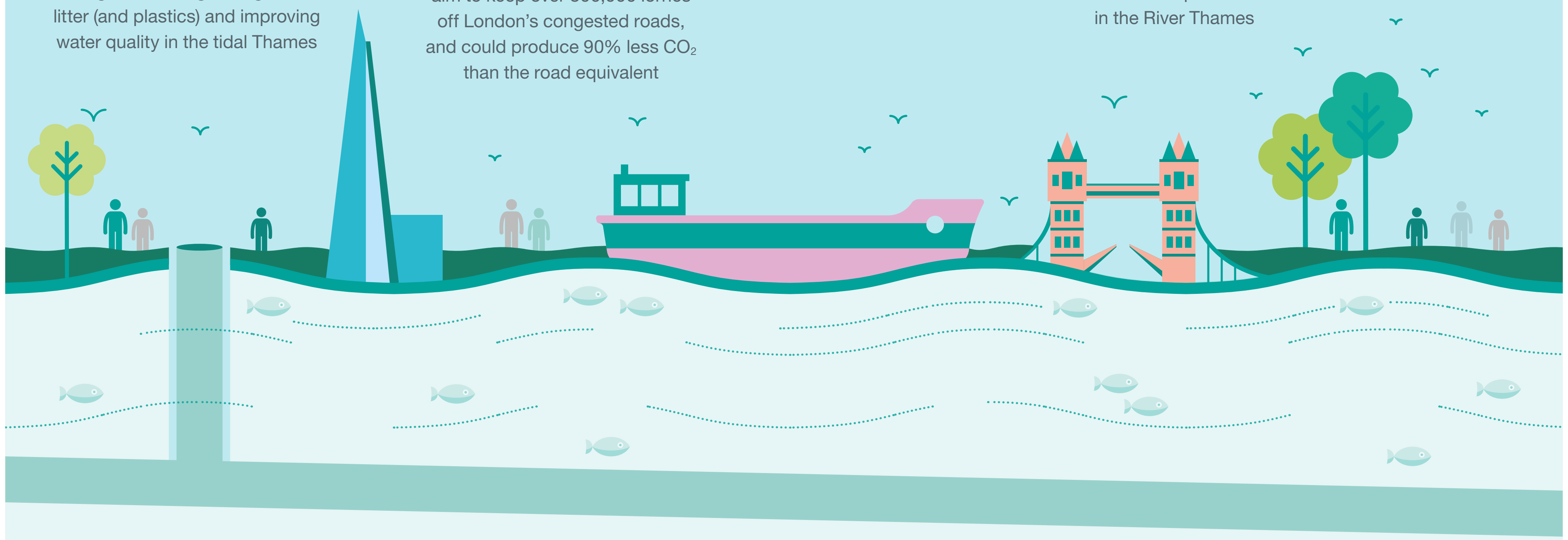
The Thames Tideway Tunnel will dramatically reduce CSO discharges, reducing sewage-related litter (and plastics) and improving water quality in the tidal Thames

MORE BY RIVER

Our river transport strategy will aim to keep over 300,000 lorries off London's congested roads, and could produce 90% less CO_2 than the road equivalent

NEW PUBLIC SPACES

We are creating seven new areas of public land in the River Thames



ENABLERS

SAFE OPERATIONS / DELIVERY
We strive to create and maintain a culture of doing things safely or not at all
See page 26 to find out more

EFFECTIVE GOVERNANCE, RESILIENCE AND OVERSIGHT
Our risk management systems and policy provide a clear framework for managing and reporting risks
See page 79 to find out more

TALENTED AND PASSIONATE PEOPLE
We work to attract, motivate, develop and retain the best talent
See page 44 to find out more

COLLABORATIVE PROCESSES
Tideway and Thames Water collaborate closely, while we maintain an experienced, competitive supply chain
See pages 31 and 38 to find out more

STAKEHOLDER FOCUS
We aim to build enduring relationships with government, local authorities, our neighbours, partners, suppliers and others we impact
See page 38 to find out more

EFFICIENT FINANCING
We aim to finance the project as efficiently as possible to ensure that we minimise our impact on bill-payers
See page 52 to find out more

STAKEHOLDER VALUE

LONDON
- Reconnecting London with the River Thames
- Ensuring that we leave a positive legacy for London
- Developing the river economy

ENVIRONMENT
- A positive impact on the tidal River Thames
- Ensuring, where we can, that we reduce our environmental impact

OUR PEOPLE
- A unique and innovative project with a focus on learning and development
- A safe and inclusive workplace
- A competitive and fair compensation package that incentivises delivery and rewards success

COMMUNITIES
- Providing a river that locals deserve and can use
- Enhanced local landscapes for reclaimed land and public art

BILL PAYERS
- Finance the project efficiently, minimising impact on Thames Water bill payers

INVESTORS
- An appropriate return on investment

SUPPLY CHAIN
- Industry and supply chain with the right incentives across each of our three contract areas
- Providing opportunities for companies and for workers to develop skills and gain experience
- Industry leading innovations that are shared via i3P

Our Strategy

The Executive Team and the Board have reviewed and developed targets and aspirations for 2021/22. In doing so, they reflected on the impact that Covid-19 has had on the project, its people and those we engage with and the impact it would continue to have.

The safety of those involved on the project and public health would remain paramount as we note the positive steps the country has taken on its vaccination programme and the potential for further lifting of government restrictions and guidance. We also look to complete our discussions with Ofwat on the appropriate treatment of the pandemic on our costs and schedule. Furthermore, we continue to have discussions with Ofwat on the extreme macro-economic environment and interactions with our regulatory mechanisms.

Our intent was always to review the delivery programme at this stage in the project. The opportunity is to work alongside our delivery partners to find the best opportunities for construction completion and commissioning of the project. This activity is called T minus 24 and is standard practice for major project companies wishing to clarify and begin to finalise their schedule to completion and expected out-turn costs.

- By the end of March 2022 construction will be over three-quarters complete, the near completion of primary tunnelling and half of secondary lining complete. This year will see a transition in the organization as we embed changes. In terms of delivery we will need to:
- Retain our focus on Health, Safety and Wellbeing while seeking to achieve safety improvements from the previous year
- Maintain high performing tunnelling and marine operations whilst securing good secondary lining performance ensuring that lessons are shared across the programme
- Progress Worksite Close Out Strategies
- Focus on System Commissioning with our partners in particular Thames Water.

HEALTH, SAFETY & WELLBEING

Objective
We are targeting zero fatalities or serious injuries, off or on-site. We will achieve this by setting new standards for health, safety and wellbeing. This is the right thing to do for those involved, as well as improving productivity and reducing the chance of delays or stoppages.

Key Long Term Activities
A HSW programme which is recognised as transformational in comparison to previous projects.

Delivering HSW the 'RightWay', in line with the delivery programme, verified by appropriate assurance.

Maintain a focus on Health & Wellbeing to achieve relative parity with Safety.

Drive for an equivalent high level of HSW performance in the marine environment.

Priorities for 2021/22
- Continue to reinforce HSW in the construction phase, to achieve positive improvements on previous performance in all areas but specifically high-risk activities including marine, tunnelling and secondary lining.
- Implement the HSW strategy for MEICA installation and site commissioning risks and review to determine effectiveness

Relevant Principal Risks:
- Health, safety and wellbeing
- High impact, low probability events

SCHEDULE, COST & QUALITY

Objective
We want to deliver the Thames Tideway Tunnel safely at the right quality and to best value. Finishing earlier would reduce cost, benefiting bill payers and investors, and deliver environmental benefits more quickly and reduce disruption to local residents.

Key Long Term Activities
Enabling all our delivery partners to safely deliver the project more efficiently and at lower cost, and using the Alliance to best effect.

Maintaining our focus on delivering a high-quality, fit for purpose asset and its integration into the wider sewer network.

Priorities for 2021/22
- Working with the Programme Manager, all three MWCs, the SIC and TWUL to deliver the best value for money schedule developed through the T-24 reviews.
- Start to handback areas on completion of construction (including architecture and landscaping) and/or worksite testing & commissioning (as applicable)
- Securing TWUL's commitment, through the joint approach, to the earliest possible SCCD, Start of Systems Activation, Handover and Acceptance.
- Seeking and implementing all appropriate opportunities to increase efficiency, mitigate risk, and minimise the impact of COVID.
- Ensuring that the asset being delivered is of the right quality, demonstrated by contemporaneous quality certification.
- Commercial status of all three MWCs, SIC and TWUL aligned to Tideway's objectives for cost and schedule.

Relevant Principal Risks:
- Programme delivery
- Supply chain failure
- High impact, low probability events
- Interfaces with Thames Water infrastructure
- Regulatory and political
- Financing Cost Adjustment [new].

VISION, LEGACY & REPUTATION

Objective
We want to maintain a supportive environment for delivering the tunnel and build a positive reputation with our stakeholders. We want to continue to be a responsible business in all that we do and demonstrate these credentials in order to build trust.

Key Long Term Activities
To ensure continued good relations with stakeholders including the consent granting bodies.

Promote the Tideway story to a broad range of audiences.

Address the needs and concerns of our neighbours.

Continue to deliver our legacy commitments.

Work with the end in mind to have a structured 'successful delivery' communications and engagement plan, which includes a clear narrative.

Continue to engage with internal audiences to maintain a 'one-team' culture.

Maintain political consensus through engagement with local, regional and national stakeholders.

Priority for 2021/22
- Continue to ensure our stakeholder engagement programme supports efficient delivery of the project
- Evolve the narrative and prepare our 'successful delivery' plan with the end point in mind. Includes engagement with Thames Water to agree a joint approach to comms, engagement and Corporate Responsibility to the end of the project
- Ensure we deliver on our ESG commitments and fulfill our reporting and governance requirements

Relevant Principal Risks:
- High impact, low probability events
- Reputation

COMPANY & PEOPLE

Objective
Deliver effective organisation change in line with project requirements. Continue to support a high-performing, motivated and engaged workforce which will deliver better value and help us recruit and retain people with key skills.

Key Long Term Activities
Reinforcing values and behaviours.

Maintaining our commitment to diversity.

Maintaining a clear strategy for preserving organisational capability in critical roles.

Providing training and development and succession planning.

Offering competitive terms and conditions, benefits and incentives.

Delivering systems, processes and tools to support an effective organisation.

Priority for 2021/22
- Continue to manage the capabilities of the organisation to support and encourage efficient delivery through a motivated and empowered team and deliver restructuring activities in line with project requirements

Relevant Principal Risks:
- High impact, low probability events
- Reputation

Brexit Risk removed for 2021/22, see **Risk Management** section

FINANCING

Objective
We aim to deliver efficient sustainable financing and financial risk management, which minimises our cost of capital and supports our investment grade credit rating.

Key Long Term Activities
Maintaining a low risk financing position by preserving our Baa1/BBB+ credit ratings and strengthening financing sustainability/ESG performance.

Maintaining appropriate levels of liquidity.

Optimise our cost of finance to increase our return to shareholders.

Drive strong financial control and discipline across the company.

To continue to build trust and confidence with our stakeholders through high quality reporting, engagement and assurance.

Priorities for 2021/22
- Maintain the Company Credit rating & deliver IRR and shareholder distributions in line with the financing plan
- Liquidity and investment management –continue focus on capital preservation and liquidity and seek to optimise return
- To achieve appropriate regulatory treatment of Covid-19 impacts and an improvement in the FCA mechanism

Relevant Principal Risks:
- Programme delivery
- High impact, low probability events
- Credit risk rating
- Inflation
- Regulatory and political
- Financing Cost Adjustment [new]

Our Performance

Excavation of the main tunnel passed the halfway mark in February, and all our shafts have now been fully excavated.

Covid-19 has impacted the project and our expectations for the year. We sought to act responsibly and in line with Government Covid-19 guidance during the year. In the Spring 2020, we paused activities on our sites for between 6 to 8 weeks where it was safe to do so and introduced a wide range of new measures to keep our people and the public safe. In August 2020, we announced a 9 month delay to Handover and £233m increase to our costs.

Our performance during the year included:

SAFETY
No major injuries
Although we have seen minor injuries increase in the second half of the year

CONSTRUCTION
19 of 25km primary tunnelling complete

MORE BY RIVER
1.2m tonnes of material by river not road

LEGACY
90% of targets on track

EMPLOYEE SURVEY
maintaining high levels of enablement (81 per cent) and engagement (70 per cent)

TIDEWAY
did not pay distributions to its shareholders

OUR RESPONSE TO THE COVID-19 PANDEMIC

At the start of the national lockdown in spring 2020 we took the decision to temporarily pause almost all work across our construction sites. All staff who could work from home started doing so.

We took an immediate decision to support our MWCs commercially in order to protect our supply-chain. This was the right thing to do and proved to be critical in enabling work to re-start efficiently when the time came, without a loss of expertise and resource.

Tideway, working with the MWC teams used the pause in operations to carry out extensive planning to enable work to re-start safely. A comprehensive assurance review took place for every site, to assess risks and establish new safety protocols. The site plans were prepared in consultation with the workforce and followed the Construction Leadership Council's Site Operating Procedures which were developed specifically for the pandemic. Measures included personal travel plans, social distancing, welfare and hygiene controls, emergency planning and community impact analysis. Almost all activities had re-started within six to eight weeks.

When the national lockdown started, the CEO led daily executive-level review meetings (reducing to three a week in July 2020) to ensure oversight of the site demobilisation and re-mobilisation plans; and also, to ensure communication flows throughout the organisation. We established a working strategy to manage the situation which was reviewed each week and all decisions relating to the pandemic were centrally logged. Covid-19 cases among the workforce were tracked and reported weekly, as were any supply-chain issues and risks. New construction activities were assessed to ensure they could be safely sustained or stopped if the pandemic situation worsened and/or official advice changed.

The systems we put in place enabled us to prepare for the second wave of the pandemic and we continue to regularly review our strategy so that it can be adapted as restrictions are eased.

There was significant collaborative planning to achieve several major milestones during the year while working safely and adhering to Covid-19 guidelines. Ofwat agreed that Tideway had acted appropriately to protect its supply chain.

Tideway and its contractors have supported staff, communities and charities, in London and beyond, during the pandemic. Regular community meetings were moved online and we kept our neighbours informed through regular communications, virtual drop-in sessions and meetings.

Keeping our staff connected with each other has been critical and we adapted our internal communication channels with this in mind. Our aim has been to support mental health and wellbeing; maintain a strong connection to the company; and ensure leaders remain visible and accessible to everyone.

At the start of the year, we gave immediate donations to each of our staff charity partners' emergency appeals: to South London Cares, who created a new programme to tackle loneliness in older people; to Single Homeless Project, who created isolation units in their hostels; and to the Drive Forward Foundation (DFF), who supported hundreds of care-experienced young people facing significant financial and mental wellbeing challenges.

We also supported our 'river reconnection' charity partners Thames21 and London Youth Rowing, bringing forward payments for community programmes that we fund. Our Main Works Contractors also supported their local communities with various donations and support to local charities, including Sands End Associated Projects In Action, based in Fulham; St Mary's Hospital in Paddington; Project Hope, an appeal from Greenwich and Lewisham Councils tot support staff at the Queen Elizabeth Hospital in Greenwich and Nigerian Diaspora Connect (NDC) volunteers, who support young adults from ethnic minorities in London and across the UK.

Tideway supported construction workers' mental health making a £15,000 donation to Mates in Mind, which promotes mental wellbeing in construction, which allowed the charity to run mental health training for managers and to increase support for the self-employed and small businesses, who are among those who have been hit hardest by the crisis.

Health, Safety & Wellbeing

Objective

We are targeting zero fatalities or serious injuries, off or on-site. We will achieve this by setting new standards for health, safety and wellbeing. This is the right thing to do for those involved, as well as improving productivity and reducing the chance of delays or stoppages.

Priority for 2020/21

- Continue to reinforce HSW performance in the construction phase with consistent strong performance in all areas but specifically high-risk activities including marine and tunnelling
- Develop an effective HSW strategy that is fit for the future with a specific focus on managing MEICA installation and worksite testing & commissioning risks

2020/21 Measure

Maintain strong HSW performance

Target	Actual
Safety record better than recent major projects	On Track

Number of major injuries

Target	Actual
0	0

Marine operations Significant incidents

Target	Actual
0 significant incidents due to marine activities	0

Number of reportable accidents*

Accident Frequency Rate 3 (AFR-3)

Target	Actual
0.00	0.24

Accident Frequency Rate 7 (AFR-7)

Target	Actual
0.00	0.18

* *Definitions:*

Major injuries: *any serious injury that results in permanent disability, long-term medical problems or shortened life expectancy (i.e. life changing).*

AFR-3: *12-month rolling average, per 100,000 hours worked, of injuries which occurred as a result of work activities and resulted in more than three days lost time for the individual involved. Excludes Road-Traffic accidents to ensure alignment with RIDDOR 2013.*

AFR-7: *as above, for over seven days lost time for the individual involved. Excludes Road-Traffic accidents to ensure alignment with RIDDOR 2013. Injuries contributing to AFR-7 will automatically be included in AFR-3.*

Performance

No major injuries occurred during construction activities during the year. Additionally, there were no significant incidents as a result of our marine activities. The first half of the year saw the three-day Accident Frequency Rate (AFR-3) maintained in the region of 0.1 which is broadly consistent with prior year performance, however from October onwards an increase to above 0.2 was seen for the first time since the commencement of the project. The deterioration in AFR performance coincided with the second wave of Covid-19 although the link cannot be proved.

The programme's three-day Accident Frequency Rate (AFR-3), despite the additional challenges of the last year, has remained below the highs experienced during other large infrastructure projects. There were 24 lost time incidents in the year, of which 10 resulted in RIDDOR reportable injuries. We remain committed to doing things better and, having investigated these lost time incidents and implemented the resultant lessons learned, we continue to strive to improve as we progress further into the project.

RightWay

RightWay is our approach to establish a working environment that allows individuals to:

- plan ahead,
- challenge,
- continually strive to do things better, and
- reinforce a positive HSW culture through effective leadership.

The 'RightWay in Delivery' initiative continues to provide an opportunity for site teams to showcase innovations and good practices against Tideway's Health, Safety and Wellbeing strategy. Site teams highlight their best practices and the best submission is recognised in each pillar. Quarterly, the winning site team is presented with an award. The initiative was a collaborative development by the Project Managers and the MWC teams. We celebrate and promote enthusiastic ownership of good practice by the site teams and encourage them to adopt best practices from other sites. The initiative was a collaborative development by the Project Managers and the MWC teams. We celebrate good practices on site, promote enthusiastic ownership by the site teams and encourage them to consider and adopt best practices from other sites.

Health and Wellbeing

We actively engaged in promoting and improving the Health and Wellbeing of our workforce as well as mitigating the health risks associated with our works.

Recognitions include finalist:

★ **Employer Initiative of the Year**
Inside Out Mental Health Awards 2020

Health, Safety & Wellbeing

Occupation Health Inspections (OHI)*

We have evolved our OHI approach to focus on task-based inspections combined with a coaching programme delivered by our Occupational Hygienists. The health risk profile has shifted significantly across the alliance during the last year, with West and Central areas completing TBM operations and moving into secondary lining activities and commencement of tunnel drives in the East. We saw 92 per cent of all observations made were positive, which is consistent with previous years, however the quality of the data has been significantly improved allowing more targeted interventions to be included, such as the correct selection and implementation of control measures.

case study

COVID-19 MANAGEMENT HEALTH AND WELLBEING

Covid-19 led Tideway to re-examine its approach to HSW in order to address the unique challenges presented by the pandemic and ensure traditional construction risks could be managed whilst implementing appropriate Covid controls.

We worked closely with our Occupational Health Service Provider, Duradiamond to ensure we were implementing evidence-based, support services across the programme, which include:

- **Lateral Flow** and **PCR testing** – to identify asymptomatic employees.
- **Covid-19 Vulnerability risk assessment** – to identify workers who may have increased vulnerability and required additional safeguards in work, or who would be considered sufficiently vulnerable to be out of the physical workplace during times of regionally higher levels of circulating virus.
- **Management of long Covid** and returning to work.

We adapted our wellbeing programme to support individuals working from home. Some of the additional initiatives included:

- **TimeAway** - staff were given 30 minutes a day to dedicate to their wellbeing of which 79 per cent of staff completing the wellbeing survey in March 2021, said they had used and rated the initiative as 8/10 in terms of how beneficial it had been.
- Creation of **#InItTogether** "Tribes" to allow individuals with similar challenges, (e.g. home-schooling, living alone, caring for others) to meet virtually, share experiences and discuss coping techniques
- **Nudge** – the financial wellbeing app was launched in December 2020 and has sent 160 financial education "nudges" to employees who registered their specific financial interests.
- **Nature, resilience and wellbeing team** sessions, which encouraged staff to find ways to reconnect with the natural world around them and each other during the pandemic.

Mental Health

Mental Health of the workforce continues to be a major driver for the project. It has been supported with the Mates in Mind programme, more than 100 Mental Health First Aiders, Mental Health First Aider Networks, Mental Health focused RightWay Live sessions and initiatives and use of local services such as MIND, the mental health charity. Tideway's Transforming Health and Safety Group (THSG) set up the Mental Health Working Group (MHWG) with the sole purpose of gaining insights from the business to help inform what actions we needed to take, both now and in the future, to improve mental health at Tideway (and in the wider industry).

Initiatives include:

- Collaboration with Mates in Mind on a managerial course for managers/supervisors, launched in October, 202 people have attended the training so far.
- Hosting a Supply Chain Event in October for World Mental Health Day bringing together the supply chain to share lessons learned from Tideway's approach to mental health and support smaller companies as they embark on the same journey.

Mates in Mind

"The support from Tideway was invaluable during a critical year - we were able to enhance our existing suite of Covid workshops and engage with a vulnerable, hard-to-reach cohort of workers."

James Rudoni,
Managing Director, Mates In Mind

Employer's Project Induction Centre (EPIC)

EPIC, our immersive induction programme, set out to make Tideway the safest and healthiest project yet. To date, over 21,000 people have attended the programme, which includes those working on Tideway but also other interested parties, supporting our aim to be transformational and to help improve health and safety across the construction sector. Now well established the EPIC centre has been used by many of our partners and is available for external industry days to promote the experience to the wider industry.

EPIC Logistics is FORS Silver accredited, designed to provide HGV drivers with a visceral experience of a fatal incident. The induction highlights the impact that a chain of poor decisions can have on health and safety and shows the consequences of such an incident for those not directly involved in it. To date, EPIC Logistics has been undertaken by, in the region of 1000 drivers. This supports our More by River strategy, which has already significantly reduced vehicle movements.

The full EPIC and EPIC Logistics days have been affected by the pandemic throughout the whole year, however, a restart is planned for June 2021, government advice permitting. During this period, an interim EPIC was created to ensure behavioural safety training continues across the project. The interim session is a 2-hour, socially distanced, reduced capacity version, that has been rolled out at our EPIC training centre and on site - over 750 people have attended to date.

Schedule, Cost & Quality

Objective
We want to deliver the Thames Tideway Tunnel safely at the right quality and to best value. Finishing earlier would reduce cost, benefiting bill payers and investors, and deliver environmental benefits more quickly and reduce disruption to local residents.

Priorities for 2020/21

- Working with the Programme Manager to deliver the best value for money schedule possible
- Start to handback areas on completion of construction (including architecture and landscaping) and worksite testing
- Securing TWUL's commitment, through the joint approach, to the earliest possible Handover and Acceptance
- Seeking and implementing all appropriate opportunities to increase efficiency
- Ensuring that the asset being delivered is of the right quality
- Commercial status of all three MWCs and SIC aligned to Tideway's objectives for cost and schedule

2020/21 Measure

Delivery against the regulatory baseline – schedule

Target	Forecast
Handover by end of calendar quarter 1 2024	Handover by end of calendar quarter 1 2025

Delivery against the regulatory baseline – cost*

Target	Forecast (2021)
£3.4bn	£4.1bn

** Tideway's element of the programme in outturn prices (based on current inflationary expectations), up to System Acceptance. Ofwat has set a regulatory baseline of £3.1bn (in 2014/15 prices) Which is equivalent to £3.4bn in outturn prices).*

Performance

Our focus continues to be achieving the highest levels of safety, the best schedule possible and the most efficient use of the river which all serve our ambition to deliver the tunnel at the lowest possible cost.

Following the onset of the pandemic, Tideway announced in August 2020 our programme schedule had been impacted by 9 months and costs increased by £233m. Our planned handover date is now March 2025 with an overall cost estimate of £4.1bn.

Our construction progress has been affected by the pandemic, which initially caused us to bring all of our construction to a pause in a safe manner. We then took time to work out how to re-open our sites in a Covid-19 secure way. This involved setting our sites up to ensure safe distancing and adjusting and increasing our welfare facilities and cleaning regimes to keep our workforce safe. Once we completed the modifications, we carried out safe start reviews for all activities and re-opened our sites. With the measures in place we have returned to work on our all sites, albeit at lower production levels.

Our workforce has been excellent in adjusting and we have managed to achieve some major milestones during the year across all three contract areas.

We have continued to develop our plans to handback parcels of land as soon as the project no longer requires the use of the land. Our teams have worked closely with all of the stakeholders and we start to handback some land parcels in the next financial year.

As we move close to starting commissioning in late 2023 our planning for this has increased, this involves dedicated teams from Tideway and Thames Water working together. This work is being monitored by using a joint approach to Handover and Acceptance. This strategic document is being used as a framework for both companies to plan future activities and ensure that they are correctly resourced. This joint effort continues to set good foundations to work together over the coming years so, when we complete construction, both parties are ready to bring the tunnel into service.

Construction Quality

The level of non-conformance and re-work on the project has remained at a satisfactory level, with no critical defects being reported. Construction quality is the responsibility of the MWCs who self-certify their works. This self-certification is overseen through regular surveillance by the Programme Manager. Further technical assurance is provided by inspections from Tideway's NEC Supervisor team with regular oversight by the Chief Technical Officer. All aspects of Tideway's Quality Management System are subject to regular Executive review and internal audit.

These levels of assurance provide the project with a robust framework to drive construction quality compliance and enable an integrated approach for dealing with quality related issues.

Commercial

In line with the provisions of the MWCs each of the MWCs' target prices have been adjusted to reflect Compensation Events (risks retained by Tideway). The primary areas of change to the MWCs relates to finalisation of the construction and programme interfaces between the main works packages including the introduction of incentives for efficient delivery and the settlement of outstanding claims in respect of entitlement to target price adjustment for historical events. Tideway is working collaboratively with the MWCs to finalise their construction schedules for the next twenty-four months and to completion and where appropriate to resolve outstanding claims.

Schedule, Cost & Quality

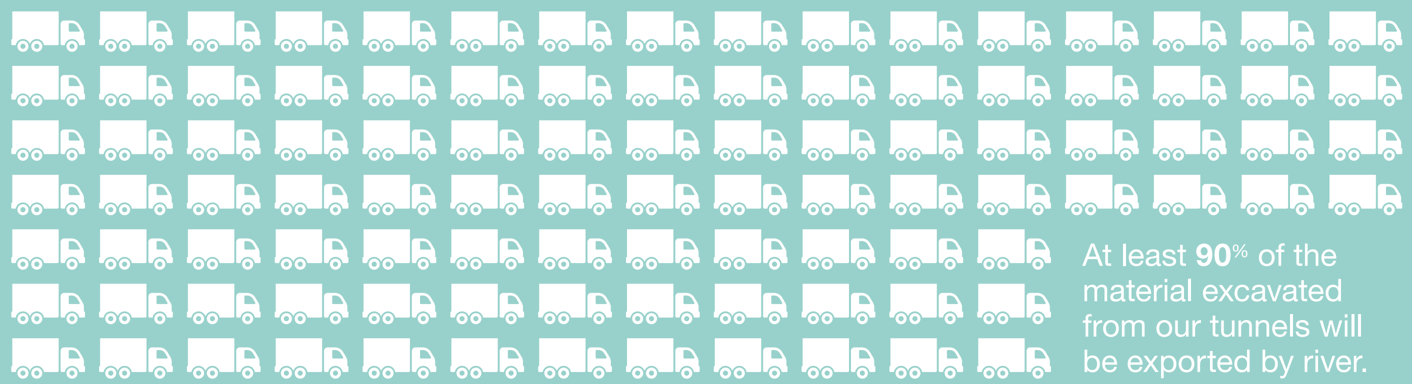
MORE BY RIVER

This year we have continued the use of river transport on Tideway whilst supporting the construction of three main tunnel drives, shafts and connection tunnels. Tideway is investing £54m in its More by River strategy, which has been developed to reduce the number of HGVs needed to deliver the project and to go beyond our planning requirements. The project's use of the river over the period has avoided carrying 1.2 m tonnes of material on London's roads, bringing the total to 4.5m tonnes transported by river.

This includes 190,000 tonnes of additional materials being transported in the year under the More by River strategy, bringing the total to 855,000 tonnes. To date our More by River Strategy has avoided 275,000 HGV arrivals, 550,000 journeys resulting in more than 14m HGV road miles and avoiding in the region of 14,500 tonnes of CO2.

For every barge used to transport material...

100 lorries were kept off the road



At least **90%** of the material excavated from our tunnels will be exported by river.

To date, **our river strategy** has resulted in...

275,000 fewer
HGV arrivals

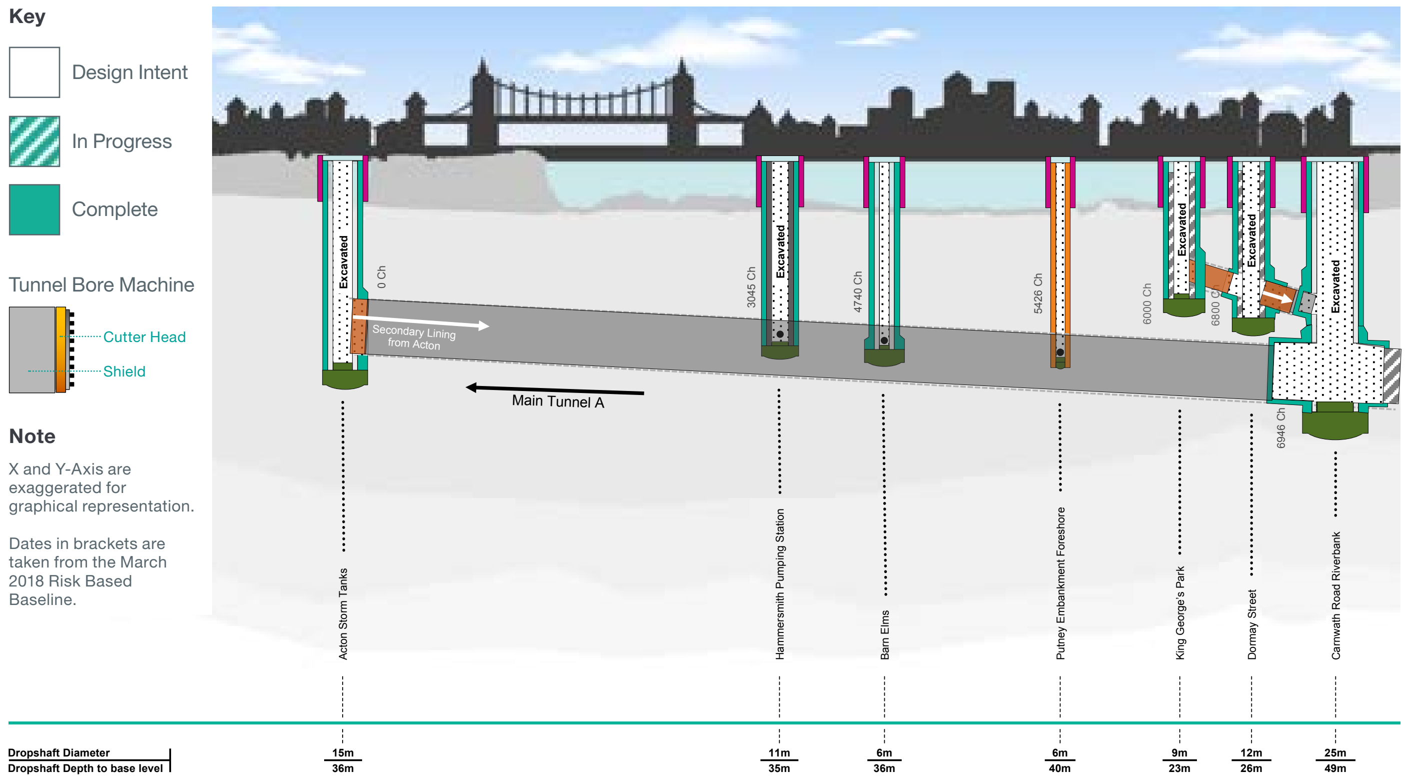
550,000 fewer
HGV journeys

Saving 14,500 tonnes of CO_2 emmisions

Schedule, Cost & Quality

WEST AREA

The west team saw the successful completion of tunnelling in September 2020 with Tunnel Boring Maching (TBM) Rachel safely arriving at Acton after starting her 7km journey from Carnwath Road in May 2019.



The 1.1km Frogmore connection tunnel was also completed by TBM Charlotte in July 2020. Both TBMs were safely removed from site to be refurbished for future projects.

At Putney Embankment the team completed the 46.5m connection tunnel which links the shaft to the main tunnel, including both the primary and secondary lining.

In July the team at Barn Elms saw the completion of their 212m long connection tunnel which broke through to connect to the main tunnel.

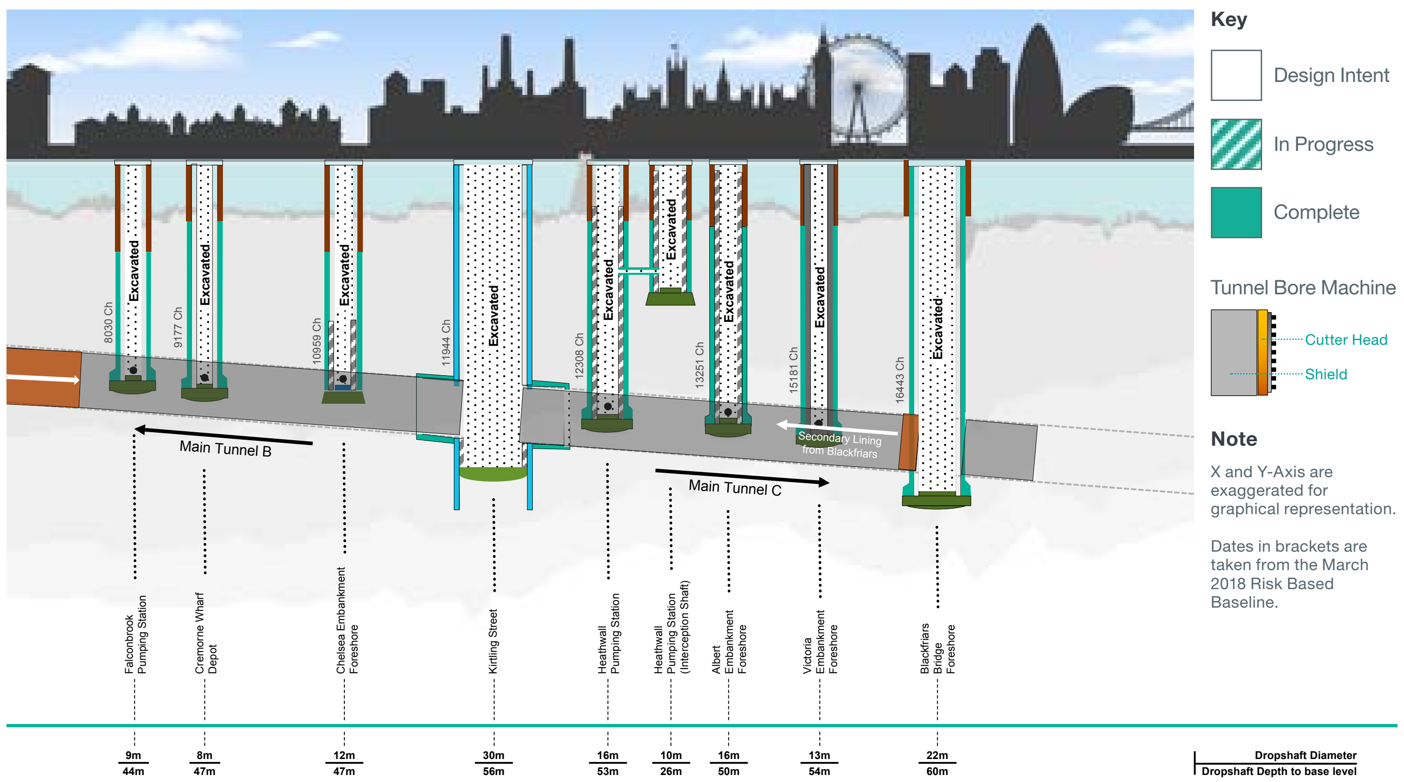
Further milestones included:

- Secondary lining of the Dormay street shaft in December 2020
- The installation of a 65-tonne vortex tube at Hammersmith pumping station in summer 2020
- Preparation for secondary lining has begun at Acton

Schedule, Cost & Quality

CENTRAL AREA

TBM Ursula broke through into the shaft at Tideway's Chambers Wharf site in November 2020, marking the safe completion of the Central section of the main tunnel which stretches from Fulham to Bermondsey.



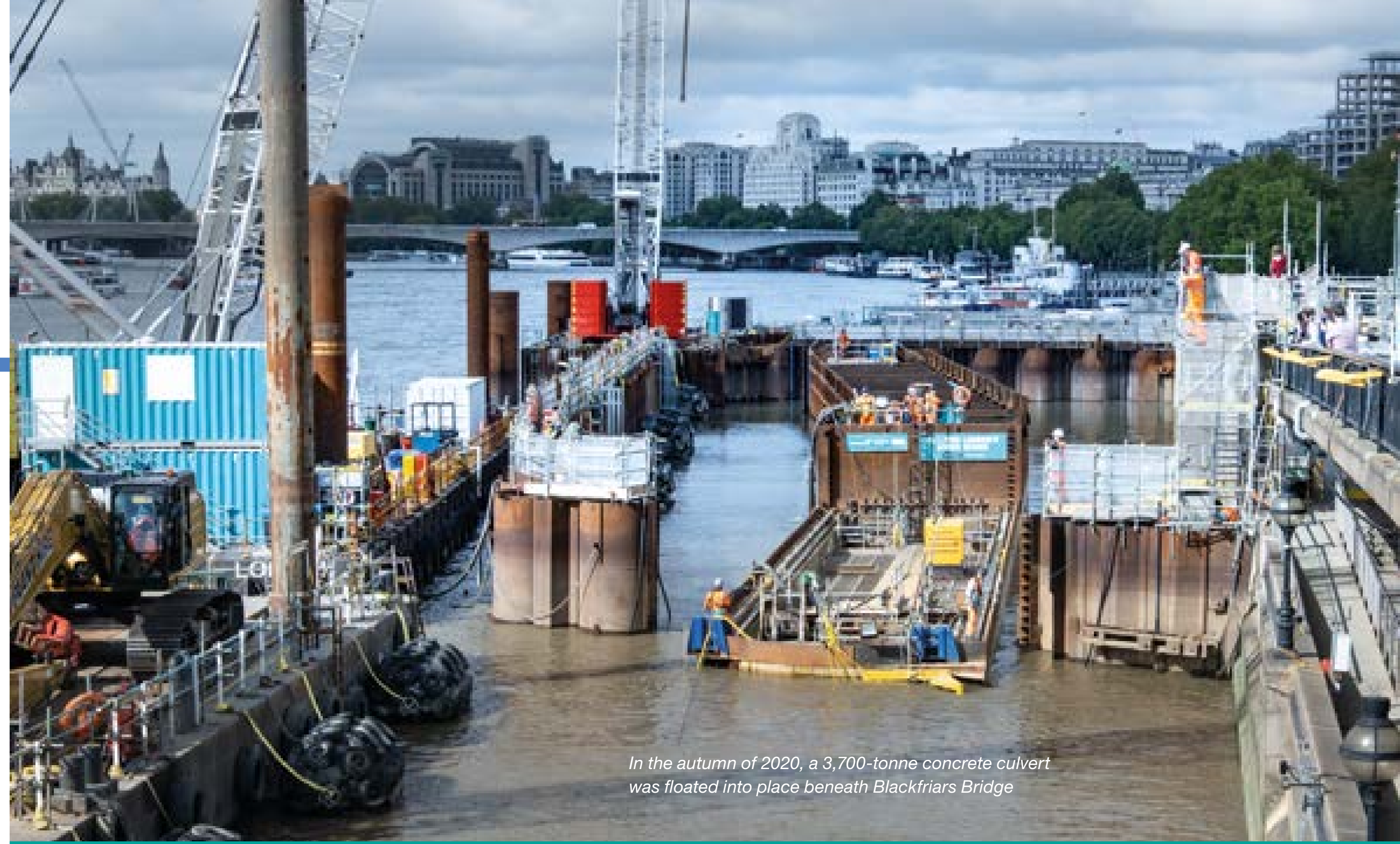
This 12.6km stretch of tunnel was constructed by two TBMs tunnelling in different directions from the shaft at Kirtling Street. Since the completion of tunnelling the team have started casting the concrete secondary lining in the westbound stretch of tunnel.

At Victoria Embankment Foreshore, the secondary lining in the shaft was completed in January and the outline of the new area of public realm is beginning to take shape as work has commenced on the new river wall for this location.

The new land built by Tideway, to the west of Blackfriars Bridge, will include a new City Walkway as well as open space for recreation and leisure, it is planned to be named Bazalgette Embankment in honour of the Victorian engineer Sir Joseph Bazalgette who designed the existing system in the 19th century.

Further milestones included:

- All of the central connection tunnels, which connect the base of shafts to the main super sewer, have been excavated.
- Secondary lining of the Albert, Chelsea, and Heathwall shafts are underway.
- The final and longest connection tunnel in the Central section of the project was completed at Falconbrook Pumping Station. The 249m-long tunnel was excavated using a sprayed concrete lining method. The team will now begin installing a concrete secondary lining in the tunnels to protect the structure against erosion and increase the design life.
- Construction of the new river wall was successfully started at Victoria.



In the autumn of 2020, a 3,700-tonne concrete culvert was floated into place beneath Blackfriars Bridge

case study

BLACKFRIARS FLOATING CULVERT

The Blackfriars site was home to one of the most innovative and complex engineering solutions on the project in the summer of 2020, when a 100m-long, 9m-high, approximately 3,500-tonne concrete culvert was 'floated' into position.

The manoeuvre was described as like 'floating a three-storey building down the Thames,' and was thought to be one of the largest structures ever to float through Central London.

Blackfriars is home to the largest cofferdam on the project. A twin-walled, sheet-piled structure was initially planned to run the entire length of the site upriver from Blackfriars Bridge. But analysis showed that the weight of the cofferdam may cause an issue for the existing embankment – which housed a Victorian gas main, supplying the City of London. Our engineers developed a solution that reduced the twin-wall cofferdam to just the western end of the site, which houses the shaft. The longer, eastern part of the site then became a 'dry dock' in which the concrete culvert linking the site to the Fleet CSO beneath Blackfriars Bridge was cast. Over a period of three months, the on-site team used around 1,200m3 of concrete to form the culvert. Once the culvert was cast, the dry dock was opened and flooded, allowing the culvert to rise with the tide and be carefully manoeuvred into place, linking with the CSO further downstream.

In August when the approximately 3,500-tonne concrete culvert was floated into place. The culvert is connected into the Fleet CSO located directly below Blackfriars Bridge and will redirect the overflows towards the site's shaft some 200m away.

"After more than four years of planning, design and innovative engineering, it's amazing to see this giant culvert come to life and float along the Thames. Through outstanding collaboration and teamwork, we've managed to achieve a unique solution that puts us one step closer to cleaning up the Thames. This feat of engineering will be looked at for years to come in the engineering world."

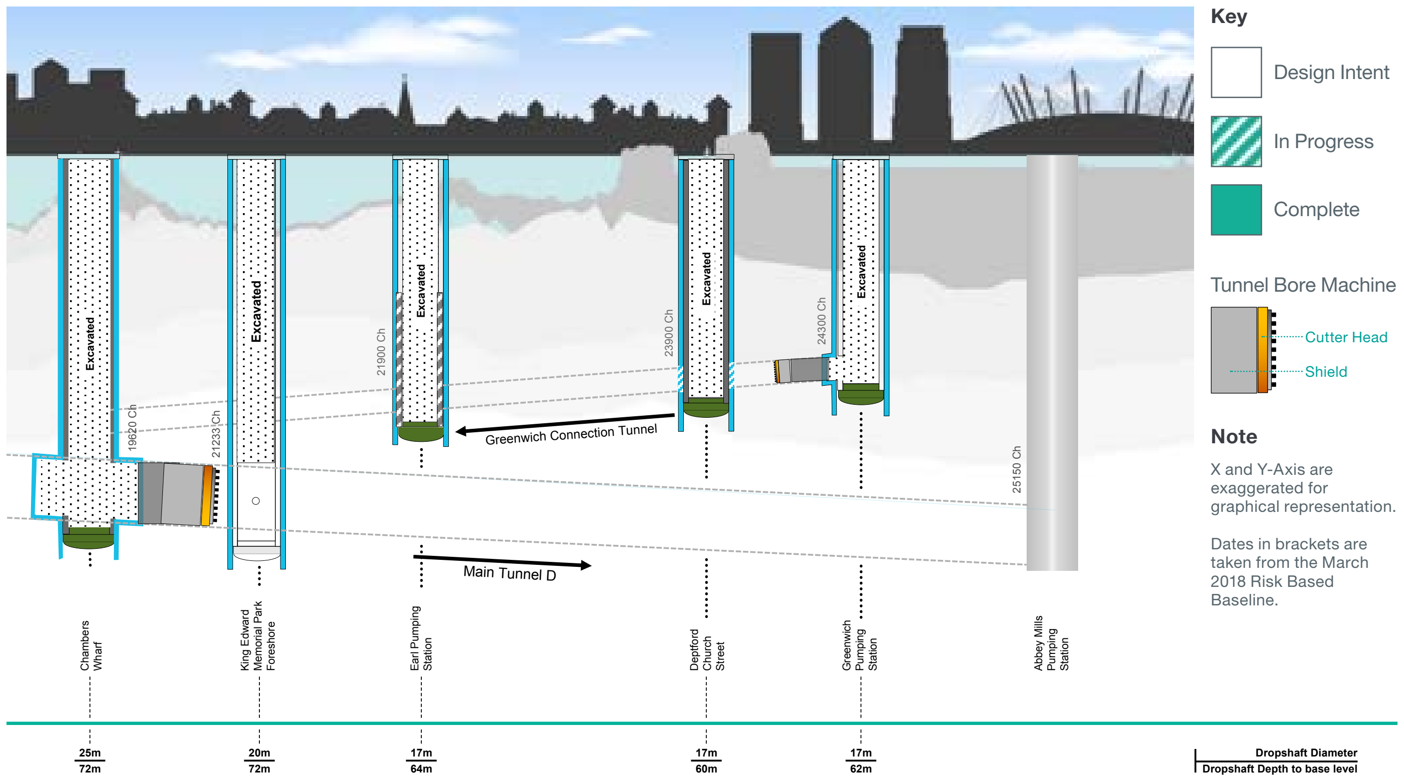
Peter Rouzel
Tideway's Project Manager for Blackfriars Bridge Foreshore

Viv Jones, Project Director for Tideway Central, said "This is an historic milestone for the future of the River Thames. Our team, applying its ingenuity and a whole host of engineering expertise, has executed a bold and innovative solution to the significant challenges posed by this part of the river and London's existing infrastructure. What we've accomplished here is a fitting addition to the system Bazalgette pioneered over 160 years ago."

Schedule, Cost & Quality

EAST AREA

The biggest milestones for the east section of the project was the start of the final section of tunnelling with the launch of the final two TBMs on the project.



In December 2020 TBM Annie began her journey from Greenwich Pumping Station to Chambers Wharf to construct the 4.6km Greenwich connection tunnel while TBM Selina began tunnelling in January 2021 from Chambers Wharf towards Abbey Mills to construct the final 5.5km of the main tunnel.

At King Edward Memorial Park Foreshore the team have been progressing with the shaft; completing the diaphragm walls in August 2020 and excavation of the shaft is due to be completed in May 2021.

At Greenwich pumping station the team completed dredging works in Deptford Creek to maximise the tidal flow of the creek. This means more barges can gain access to remove tunnel spoil by River rather than by road.

Further milestones included:

- Completion of the sewage interception chamber diaphragm walls at King Edward Memorial Park Foreshore.
- Completion of the sewer diversion works at Earl Pumping Station.
- The slurry treatment plant at Greenwich was completed in advance of the start of tunnelling.
- Chambers Wharf saw the arrival of TBM Ursula from Kirtling Street.
- Completion of the shaft and tunnel portals at Deptford Church Street including the secondary lining of the shaft.

TBM Ursula being lifted from site in 2021 after completing its 7.6km journey from Kirtling Street in Battersea. This machine passed beneath a number of central-London bridges

Photo credit: ***tobyhawkes.co.nz***

Vision, Legacy & Reputation

Objective

We want to maintain a supportive environment for delivering the tunnel and build a positive reputation with our stakeholders. We want to continue to be a responsible business in all that we do and demonstrate these credentials in order to build trust.

Priority for 2020/21

- Continue to ensure our stakeholder engagement programme supports efficient delivery of the project
- Evolve the narrative and prepare our 'successful delivery' plan with the end point in mind. Includes engagement with Thames Water to agree a joint approach to comms, engagement and Corporate Responsibility to the end of the project

2020/21 Measure

Measure	Target	Actual
Support from Stakeholders	No material schedule impact as a result of stakeholder intervention	no impact
Percent of live legacy commitments on track	85%	90%
Apprentices per project staff	Target FTE: 1 in 50	Actual FTE: 1 in 43 Monthly Average
STEM* volunteer hours per project staff**	Target (per 3 FTE): 1 hour	Actual (per 3 FTE): 1.6 hours
Community volunteer hours per project staff**	Target (per 3 FTE): 1 hour	Actual (per 3 FTE): 1.6 hours

** Science, Technology, Engineering, Mathematics (STEM)*
*** Includes Tideway and MWC staff*

Performance

Delivering a positive legacy is essential to the success of the Tideway project and significant progress was made through the year. Tideway continued to take a proactive approach to stakeholder engagement and communication, with the aim of reaching a wide range of audiences through our communication channels, some of which were adapted to take account of the pandemic restrictions. We continued with our corporate responsibility programmes, through which we provided practical advice and support to our charity partners during a challenging year.

Legacy

Our legacy programme is organised under five themes – environment; health, safety and wellbeing; economy; people; and place. We have 54 measurable commitments and this year, on average, 90 per cent were on track, against a target of 85 per cent.

Several of the commitments were fully achieved, for example we surpassed our target of creating 4,000 sustainable jobs (4,295) and we completed our Thames ecology research programme. The programme funded or contributed data to five research papers on how smelt fish use the estuary as a breeding ground; the early life stages of fish within the Thames; investigating how habitat interventions could assist fish migration; population and breeding seal surveys and a study on microplastics in the Thames.

We made progress against many of the other commitments, for example we achieved the target of 25 per cent of our workforce (measured by Full Time Equivalent roles) living in the 14 London Boroughs we operate in; at year end this figure was 26 per cent.

Our work to deliver a sustainable legacy received public recognition with a series of award wins:

- ★ **Company of the Year**
  Global Good Awards 2020
- ★ **Responsible Business Champion for Outstanding Employment**
  Business In The Community Responsible Business Awards 2020
- ★ **Building/Infrastructure Project of the Year**
  edie Sustainable Business Leaders' Awards 2021

In 2021, the team at Blackfriars Bridge Foreshore buried a small time capsule containing a number of relics, including a Tideway hardhat, a Covid-19 mask and a sample of Thames water

Vision, Legacy & Reputation
Continued

Carbon

Reducing our carbon footprint is a key element of the environment theme of our legacy programme. This year we continued to work with our supply chain to reduce the embodied carbon of materials used in the construction of the Tunnel, which account for most of our carbon footprint.

One example of reducing our carbon footprint this year was through our work with GPS Marine, the main marine contractor for the Central area, to deliver materials via tugs using 100 per cent Green D+ hydrotreated vegetable oil (HVO). Green D+ HVO generates several benefits including approximately 30 per cent NOx reduction, particulates reduction of 70 per cent and the reduction of greenhouse emissions by approximately 90 per cent. It is estimated that Green D+ HVO produces 2.82 kg less CO2e for each litre used compared with traditional B7 diesel.

At the end of the period, GPS Marine had used more than 140,000 litres of the product, which avoided more than 400,000 kgCO2e, or 400 tCO2e compared with B7 diesel. The entire GPS fleet is now using this fuel, which is an important step towards the marine industry aligning with the government's net-zero carbon target.

Details of our More By River strategy can be found in **Schedule, Cost & Quality** page 32.

We have aligned ourselves to the World Resources Institute and the World Business Council for Sustainable Development definitions of Scope 2 and 3 emissions*. As expected, with tunnelling work increasing, Scope 3 emissions have begun to rise. Our scope 1 – 3 emissions are detailed in the table below.

At the end of the financial year, we have consumed 47% of the predicted CAPEX (Scope 3) carbon, which is in line with our original carbon footprint target. We continue to work with our MWCs and supply chain to find solutions to reducing, and mitigating, our carbon footprint.

	2020/21	
Scope 1 Emissions - Operational (OPEX)	**FY tCO2e**	**PTD tCO2e**
Operation of the tunnel		
Total Scope 1 Emissions	**N/A until operation**	
Scope 2 Emissions		
Grid electricity used by Tideway (Bazalgette Tunnel Ltd) controlled offices at Camelford House and the Cottons Centre	40.58	355,67
Total Scope 2 Emissions	**40.58**	**355,67**
Scope 3 Emissions		
Construction materials	84,075	291,125
Site accommodation and welfare	1,123	9,076
Material transport	1,366	13,417
Waste disposal	659	2,891
Plant and Machinery	7,090	31,516
Personnel transport	116	3,127
Total Scope 3 Emissions	**94,429**	**351,152**

* *Greenhouse gas emissions are categorised into three groups or 'scopes' by the most widely-used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain.*

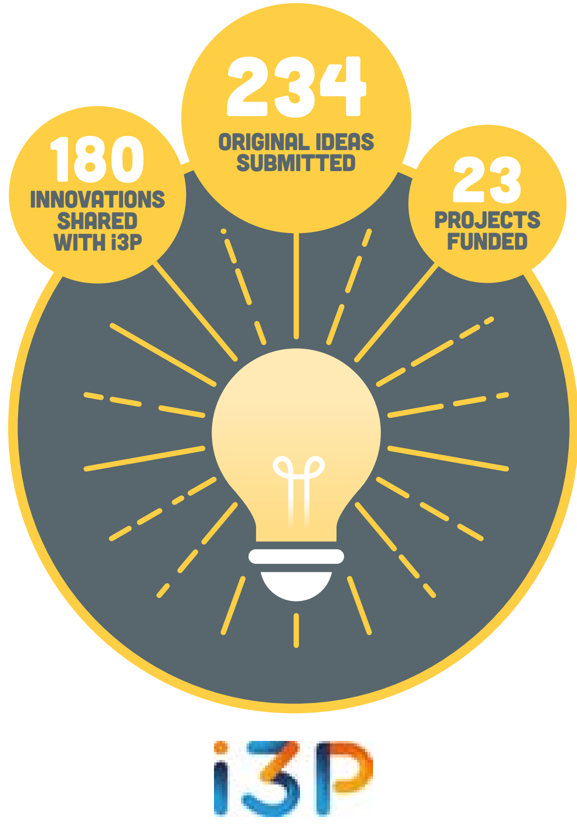
** *Until operational.*

Innovation

Tideway's Innovation Programme, "the Great Think", encouraged and incentivised innovation through our supply-chain and has now generated a return on investment (ROI) based on cost savings for the project of 4.8:1, exceeding the original 3:1 target.

We forecast that the total ROI of the programme will be in excess of 8:1 which will include a £3m saving by using autonomous vehicles for 10-year tunnel inspections, avoiding the need to close the tunnel for manual inspections.

Tideway shares its innovations through the industry wide Infrastructure Innovation Partnership (i3P) and we have had an integral role in developing a new i3P 'membership model' and online portal which was launched in February 2021. To date, Tideway has shared 180 innovations on the i3P site and we will continue to share and track the benefits of our innovations via this portal.



Ethical Supply Chain

Tideway is committed to supporting ethical sourcing practices in the supply chain, including:

- Ensuring everyone on the project is paid the London Living Wage (LLW)
- Paying SMEs within 30 days of invoice under the Fair Payment Charter
- Ensuring staff have job security by working under contracts
- Maintaining a leading position on tackling Modern Slavery including having a robust ***Modern Slavery and Human Trafficking Statement***, being signatories to the Gangmasters & Labour Abuse Authority (GLAA) ***Construction Protocol*** and remaining on the UK ***Modern Slavery Registry***

We were verified to the Building Research Establishment (BRE) Ethical Labour Sourcing Standard (ELS) (BES 6002) for a third year and are proud to report that we have achieved the highest level of performance in eight of the twelve categories.

We are also committed to ensuring that 100 per cent of our key building materials (cement, aggregates, steel) must be certified to either BES6001 Responsible Sourcing of Construction Products, CARES Sustainable Constructional Steel (SCS) or Eco-Reinforcement as applicable. All timber being used on site must be certified as FSC and/or PEFC standard.

Our supply chain spend to date has reached:

1800 COMPANIES

12 UK REGIONS

19 LONDON BOROUGHS

Since Licence Award c93% of our supply chain spend has been within the UK.

Vision, Legacy & Reputation
Continued

Skills and Employment

The pandemic has thrown the issues of climate emergency, biodiversity and social justice into greater focus. With people, policy makers, and businesses across the world collectively seeking to reset the global economy for a fairer and greener future, Tideway partnered with the Institute of Public Policy Research (IPPR) to take an in-depth look at our skills programme. The final report, Skills for a Green Recovery, was published in February 2021, with major construction organisations urging the Government to do more to close the green skills gap and to improve the skills pipeline in order to achieve its 2050 net-zero carbon target.

The report identifies that 750,000 UK-based construction workers are planning to retire in the next 15 years, more than the number likely to enter the sector within this timeframe. Tideway provided two panellists at the report's launch and CEO Andy Mitchell signed a letter to the Chancellor calling for Government support in promoting these skills so the UK can play a leading role in the green recovery.

Engagement and Communication

Tideway strives to engage and excite the public about the benefits and progress of the super sewer, to create a sense of pride and responsibility for cleaning up London's river and bring to life the stories of the people working on the project. We see this proactive approach to engagement and communication as being key to public accountability and also to helping us understand and respond to our stakeholders' needs.

For more **details** on how we engage with our stakeholders see see our section **Engaging With Our Stakeholders & Partners** page 14.

We use a range of communication channels to inform the public about the project and this year we introduced new channels, including a YouTube series called 'Tunnel Vision' and a new podcast called 'Tidal Waves'. We also launched several online campaigns to bring awareness of the super sewer to new, younger audiences. One of these, involving musician Professor Green and grime artists generated high levels of reach on social media as well as national media coverage. Engagement with our social media channels continues to grow year on year.

During the year there were 4,892 contacts with our 24-hour Helpdesk (compared with 5,784 in the previous year), including 810 complaints,which were primarily around noise and vibration issues. All complaints were dealt with promptly.

Community Investment, Charitable Giving and Volunteering

Community investment and charitable giving are crucial to our legacy and engagement aims – and were a vital part of our responsible business approach to the pandemic, supporting charities who faced major reductions in income alongside increased demand for their services.

For **Tideway's support for the community** in Covid-19, see page 25.

For **staff volunteering and fundraising**, see the **People Case Study** in the **Company and People Section** page 50.

Across the year our community investment programme benefited a total of 180 organisations and more than 11,000 people. Tideway gave £56,704 in charitable donations and £2,000 worth of in-kind donations, with an additional £11,830 in donations from staff fundraising.

With our charity partners pausing almost all community volunteering activity during the lockdowns, project staff volunteered 2,197 hours which was reduced from last year but at 1.6 hour per 3 FTE was ahead of our target. Tideway's 864 hours included 534 skilled or professional hours as we shifted our focus to remote help, giving pro bono advice or strategic support as Trustees and Governors.

Our 'river reconnection' partnership Thames River Watch, in which environmental charity Thames21 engages volunteer groups to collect and count litter, held limited events after the first lockdown. Activity during this period showed that the pandemic appeared to drive an increase in single-use plastic pollution - more than 1,600 plastic cups were recovered from clean-ups between July and September, twice as many as the same period last year. The programme surveyed more than 1km of River Thames foreshore in September, showing an average of 322 pieces of plastic per 100m surveyed, with discarded plastic gloves and masks found on 70 per cent of the stretches monitored.

Active Row, our partnership with youth engagement charity London Youth Rowing engaged more than 6,000 young people in indoor and on-water rowing up to March 2020, despite being significantly affected by the pandemic with schools closed and access limited. LYR took their programme online, focussing on weekly workout videos and training packs for teachers so that they could run sessions themselves. One young rower said: "I found it extremely helpful as it helped me get my physical level up as well as motivating me to get back into sports."

Apprentice Muaaz Ul-Haq

case study

INSPIRING THE NEXT GENERATION – VIRTUALLY

With government statistics showing that more than half of the job losses during the pandemic have been among the under-25s, the need to encourage and inspire those starting their careers has never been greater.

With face-to-face events and work experience not possible, Tideway adapted its Science Technology Engineering and Maths (STEM) engagement programme to offer a range of virtual opportunities for young people. We also promoted Tideway's free educational resources through our ***Tunnelworks website*** to support remote teaching and home schooling.

Partnerships with educational outreach organisations such as ***Uptree***, ***Skills Builder***, ***My Spiral*** and ***Urban Synergy*** were at the heart of our virtual STEM programme. Tideway funded and provided volunteers for events engaging young people from disadvantaged backgrounds, from London and beyond. Our MWCs collaborated on these events, as well as running their own.

As well as STEM workshops, career talks and mentoring, online work experience gave young people a flavour of life on Tideway. Before a 'work taster' session in May, four per cent of the 35 students from 26 London schools who attended said they were thinking about an apprenticeship, by the end almost 90 per cent said they would seriously consider it.

A Virtual Careers Week event in August gave 17 to 18-year-old London students a project overview from the team at Tideway's King Edward Memorial Park Foreshore site; a careers session with professionals working in sustainability, architecture, corporate responsibility and digital communications; and concluded with a sustainable design challenge

> "Thank you for the most incredible few days of work experience. It was so beneficial to hear the Tideway team's journeys into their role as well as their day-to-day jobs".
>
> **Phoebe Anderson, 18**

The project engaged around 3,000 young people during the year.

Our STEM partnerships also engaged diverse groups - for example, of 1,529 young people at the two schools (Rotherhithe Primary in Southwark and Sacred Heart High in Hammersmith) who took part in our Skills Builder Accelerator programme, 36.7 per cent had English as an additional language and 48 per cent came from ethnically diverse backgrounds.

Project staff volunteered 1,209 STEM hours in the year, or 1.6 hours per 3 FTE per year, above the target of 1 hour per 3 FTE. Tideway also partnered with the Construction Youth Trust on its Higher Level and Degree Apprenticeship (HLDA) programme, which aims to raise the profile of the vocational route into construction and to enable young people from disadvantaged backgrounds to take up these opportunities.

The HLDA programme engaged more than 1,000 young people in 2020 and mentored 55. Of those mentored, 80 per cent were from ethnically diverse backgrounds, 15 were young women and 22 self-identified with an indicator of disadvantage such as being eligible for free school meals. One success story is Tideway project apprentice Muaaz Ul-Haq, who joined the HLDA programme after attending a masterclass session and is now with BAM Nuttall.

Company & People

Objective
A high-performing, motivated and engaged workforce will deliver better value and help us recruit and retain people.

Priority for 2020/21

- Continue to evolve the capabilities of the organisation to support and encourage efficient delivery through a motivated and empowered team

2020/21 Measure

Employee engagement*

This represents the percentage of employees committed to the organisation and willing to apply discretionary effort in their work – it is based on answers to several questions.

Target	Actual	2019/20	2018/19	2017/18
63%	70%	69%	64%	63%

Employee enablement*

This represents the percentage of employees well matched to their role and who experience job conditions that support them to perform to their full potential – it is based on answers to several questions.

Target	Actual	2019/20	2018/19	2017/18
74%	81%	81%	71%	67%

Employee diversity**

Percentage of women within Tideway at 31 March

Target	Actual	2019/20	2018/19	2017/18
40%	36%	36%	34%	36%

Preserving a values driven, skilled, diverse and engaged workforce

Target	Actual	2019/20	2018/19	2017/18
Subjective	Green	Green	N/A	N/A

* *Tideway employee survey: percentage of favourable responses*
** *Includes Tideway employees and our programme manager. 88 per cent of those eligible took part in the survey.*

Performance

Our employee survey is in its fifth year and our performance remains strong with 61 out of 63 questions outperforming Korn Ferry General Industry benchmarks. With the majority of staff working from home over the year, we were particularly proud that we have continued to see a year on year improvement in the effectiveness of our internal communications, with an 85 per cent positive response, to the question "The Company is open and honest in communications with employees" an increase of 8 per cent.

In line with the continued progress of the project the company engaged in a consultation process with employees, electing an Employee Forum to consult on proposed organisation changes and redundancies.

Whilst it is sad to see colleagues leave, this reflects the need to organise in line with the changing phases of the project. During this time, we have seen an increase in the favourable engagement survey scores to 73 per cent, for "When changes are made where I work communications are handled well".

Tideway has continued to live and promote our values and during the last twelve months of largely remote working we have continued to receive very favourable scores across a range of questions including, Ethical operation 91 per cent, Social responsibility 95 per cent, showing concern for our employees, 91 per cent and respectful treatment of individuals, 93 per cent.

	TIDEWAY IS OPEN AND HONEST IN ITS COMMUNICATIONS WITH EMPLOYEES	I AM TREATED WITH RESPECT AS AN INDIVIDUAL	TIDEWAY VALUES AND PROMOTES DIVERSITY
Favourable	85%	93%	88%
General Industry Norm	57%	79%	72%

"I believe that Tideway always tries to do the right thing. This is why I think staff recognise Tideway as a great company to work for. The opportunities available to staff in terms of training, informative sessions, flexible working and benefits all contribute to the satisfaction and retention of good staff, who in turn help create the great culture that Tideway has."

Staff Engagement Survey 2021

Company & People

Diversity and Inclusivity

Tideway has active staff network groups which help to drive our work around diversity and inclusion as well as providing support.

Under the 'Encompass' umbrella, they include a Carers Network, LGBTQ+, gender equality and disability action.

Following employee feedback our Cultures network group was relaunched and renamed the Race Equality Group.

With a very clear mandate it set about a series of activities to encourage self-learning, reflection and open dialogue. We developed Race Conversation discussion guides which encouraged all teams to have open discussions, initially around privilege, micro aggressions and allyship. We had external speakers including, Afua Hirsch, author and broadcaster; and Professor David Olusoga OBE, historian and producer engage with our people around the history and pervasive presence of racism to help broaden and deepen understanding and encourage dialogue.

We shared data and analysis of our Minority Ethnic populations with all our employees and are now using this increasingly to drive actions. These have included the publishing of our Ethnicity Pay Gap data and the training of 15 colleagues, including three members of the Executive Management Team as Diversity and Inclusivity Champions. Their purpose is to share their observations regarding people decisions or activities and make our unconscious biases conscious to improve decision making.

Our Employee Engagement score question "The Company values and promotes diversity" has seen a decline from the high of 2019 of 96 per cent to 89 per cent in 2021, and whilst this is higher than all external benchmarks, we know that we cannot be complacent and our work and focus continues.

Women into Construction

Women into Construction (WiC), a small organisation, was hit hard both financially and on their operations during the pandemic. Nevertheless, WiC were able to successfully overhaul their operations to support women into construction training and jobs.

Tideway has mentored 10 women and has funded the development of a self-assessment tool to help further the gender diversity progress of smaller organisations. The tool is being piloted by HS2.

"Since I started the mentorship… I have had an increase in progression with job applications. This has further increased my confidence in being able to get back to work."

Tideway mentee

Headcount as at 31 March*	2018			2019			2020			2021		
	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total
Board**	2	11	13	2	11	13	1	12	13	1	12	13
Senior Management	20	33	53	18	22	40	19	23	42	14	21	35
Other Employees	153	271	424	128	250	378	125	226	351	109	191	300
Total *	**175**	**315**	**490**	**148**	**283**	**431**	**145**	**261**	**406**	**124**	**224**	**348**

* *Includes Tideway employees and our project management contractors (Jacobs)*
** *Includes shareholder Directors*

APPRENTICES

Aim
1 in 50

Year Average
1 in 43

(Project to date: 1 in 45)

PEOPLE WITH CONVICTIONS

Aim
1 in 100

Year Average
1 in 166

(Project to date: 1 in 132)

RESIDENTS
across 14 London boroughs

Aim
25%

End of Year
26%

Talent

We annually review our succession plans, to ensure that we understand our strength at a senior leadership team level and identify those individuals who have potential to progress further within the organisation.

This is a regular health check to ensure we have appropriate plans for key roles.

As Tideway progresses, we continue to support individual career aspirations, internally and externally, as activities and therefore roles come to an end. Our corporate and individual development activities have included sessions to ensure that individuals present themselves effectively on LinkedIn, as well as coaching and mentoring and networking tips.

Company & People

Report From Designated Non-Executive Director Baroness Mcgregor-Smith

This is my second annual report as the designated non-executive director representing workforce matters since I accepted the role in July 2019.

The past year has seen considerable challenges in all our lives. As well as responding to the impact of Covid-19, Tideway has also undertaken the process of business reorganisation. The latter was a planned element in the evolution of the project and while it is a necessary step as we move toward the commissioning and handover phases, I acknowledge that for many in our workforce this has been a particularly tough year.

The link between the Board and the workforce has been especially important in these changing times. While I haven't had the opportunity to meet with staff face-to-face, I have met with employee representatives virtually on three occasions, and I have fed-back their views and concerns to the Board at our online Board meetings.

Organisational change has been prominent in those discussions. In November 2020 I was glad to receive comments about the process of the restructuring and the information available to the workforce. Those comments were subsequently addressed by Tideway management. Since then a further two meetings have taken place with the employee representatives and I'm pleased to report that overall feedback has been positive, with staff generally feeling that the reorganisation was handled as well as possible.

I've also spoken to Tideway staff twice through the monthly staff forum, "News with Views". Again, we have been restricted to holding these sessions online, but the format is interactive and it provided an opportunity for me to speak directly to all staff, to report on engagement and the Board's activities, and to welcome further comments.

I'm personally pleased to support the work Tideway doing relating to diversity and inclusion, and I'm happy that our commitment to transparency is reflected in the publication of our ethnicity and gender pay gap data at page 113 of this report.

The Board is committed to hearing the views of staff as the project progresses and I'd like to say thank you to the employee representatives and all other staff who have taken part in our engagement activities this year. I very much hope that next year will allow more opportunity to meet face-to-face.

Baroness Ruby McGregor-Smith
June 2021

An operative at Chambers Wharf preparing to receive TBM Ursula and to launch TBM Selina

case study

OUR PEOPLE

Tideway staff gave their time as local communities tackled the Covid-19 crisis and joined many different fundraising campaigns to raise much-needed money for charity.

Tideway and MWCs staff came together for a giving campaign called **Make a Difference**, which engaged staff working from home and site teams with fundraising events, volunteering and opportunities to donate.
It included the **'Tunnel Challenge'** - to walk, run, cycle, swim or row as many 25km 'lengths' of the Thames Tideway Tunnel as possible.

70 CHALLENGERS COVERED 16,176KM, OR 647 TUNNEL LENGTHS, OVER FIVE WEEKS.

Make a Difference raised £20,844 for over 20 charities and helped 58 organisations and over 950 people. Campaign surveys showed that:

- **97%** of staff improved job satisfaction;
- **97%** improved wellbeing;
- **91%** had fun; and
- **61%** learnt new skills.

The virtual **'Race The Thames'** challenge was another highlight, in which six Tideway teams raised more than £10,000 for London Youth Rowing (LYR) and Tideway's three staff charities by walking, running and rowing 346km, the length of the Thames from source to sea. Tideway Programme Manager Andrew Triggs Hodge volunteered as event director and the whole event raised £120,000 for LYR and about 40 other charities.

"I get out of it way more than I put in. People find themselves needing the food hub for very different reasons and we make no judgement. Over 2,000 families accessed the hub in 2020 and we were also one of the network of organisations that provided school meals during the holidays."

Jennifer Dalby
Strategy Manager
Volunteer at Daily Bread food hub, Brentwood, Essex

TIDEWAY STAFF WERE SUPPORTED TO VOLUNTEER LOCALLY AND THEY TOOK UP THE CHALLENGE BY WORKING AT FOOD BANKS, TESTING AND VACCINATION CENTRES AND FOR OTHER COMMUNITY SERVICES.

"To be able to be a friendly voice at the end of a phone whilst young families are going through such trauma, emotionally and in some cases physically, is the least I can do during lockdown."

Kathryn Nethersole
Senior Project Manager
Phone support for a domestic violence refuge for women and children

"As for so many others, the pandemic has played its part in impacting my mental health. Just starting my first shift made me feel better mentally, but this was nothing compared to the positive energy generated by those leaving the hospital after their vaccination - even the most nervous were leaving with a cheery wave and a smile on their face."

Martin Turner
GIS Manager
Volunteer at a vaccination centre in Farnham, Hampshire

"The patients were excited, some even arriving with chocolates, freshly baked bread and other goodies for the staff. For others it was their first day out since last March and the longest conversation and face-to-face interaction they had had in nearly a year."

Celia Carlisle
General Counsel
Volunteer at a vaccination centre in North Kensington, London

Financing

Objective
We aim to deliver efficient sustainable financing and financial risk management, which minimises our cost of capital and supports our investment grade credit rating.

Priorities for 2020/21
- Maintain the Company credit rating and deliver shareholder distributions in line with the financing plan
- Maintain strong liquidity position

2020/21 Measure	Target	Actual
Company credit rating	Baa1/BBB+	Baa1/BBB+
Distribution	Achieve 20/21 financing plan	Deferred
Liquidity	18 months liquidity	> 4 years

Members of Tideway's finance and sustainability teams

Performance
We achieved most of our financing priorities for the year with the exception of distributions. These were fully deferred in 2020/21 due to the uncertainty on cost and schedule arising from the impact of Covid-19 and uncertainty as to the regulatory response to these.

The maturity of the Revolving Credit Facility (RCF) was extended by one year. As a sustainability-linked loan it includes a rebate linked to a sustainability key performance indicator (KPI) of meeting at least 85% of the live legacy commitments. This year we exceeded the target by meeting 93% of the live commitments. Cash and liquidity continued to be managed effectively and prudently, in accordance with our Investment Management Strategy, while achieving returns above the target Bank of England rate.

Treasury Policy
Tideway's treasury policy incorporates the corporate objective to finance the company while minimising risk. Our target is always to maintain a robust investment grade credit rating. We manage our financing activities in compliance with the constraints imposed by the Government Support Package, the financing documents and the Licence.

Financing Activity
Tideway has reached a point of financial resilience, where sufficient liquidity has been secured to cover construction costs. The pandemic related revised cost estimate announced in August 2020 added c.£100m to the long-term financing needs at current gearing targets. We continued to monitor the market to identify debt raising opportunities, but given our adequate level of liquidity, there was no requirement to borrow additional funds in the year.

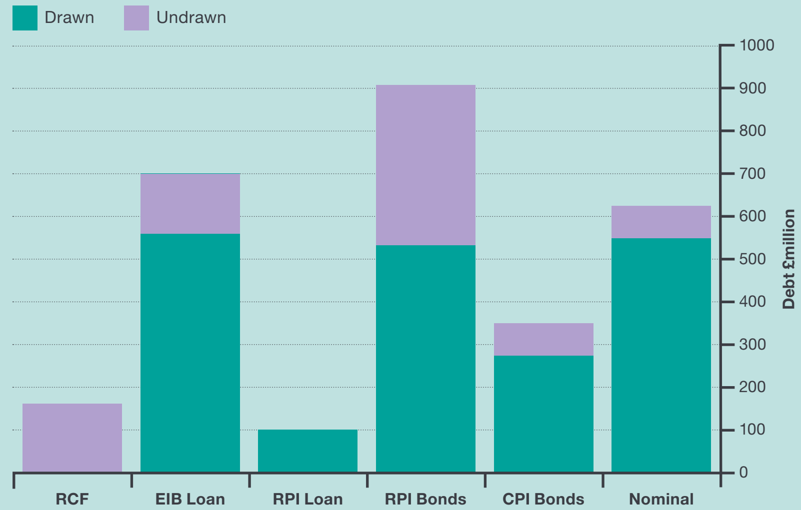
The RCF remained undrawn.

Tideway has secured total committed debt funding of £2,843m. Of these committed debt facilities, £2,018m has been settled and the funds have been received, and £825m is still undrawn.

Our multi-format debt platform supports the raising of long-term debt via structural enhancements that include a bankruptcy-remote structure and a package of covenants and restrictions protecting cash flows. The debt platform includes a multi-currency bond programme, which is listed on the regulated market of the London Stock Exchange.

Given the discontinuation of Libor planned for the end of 2021, we are working with our counterparties to agree and finalise the fallback approach for all of our transactions that currently reference Libor.

Debt £m	RCF	EIB Loan	RPI Loan	RPI Bonds	CPI Bonds	Nominal Debt	Totals
Drawn	-	560	100	533	275	550	2018
Undrawn	160	140	-	375	75	75	825
Total	160	700	100	908	350	625	2843



Financing

Sustainable Financing

Our sustainable financing strategy aligns Tideway's financing both with the long-term target of cleaning the river and with the significant ESG efforts during construction which have been captured in Tideway's legacy commitments. All bonds issued to date are green and are listed in the London Stock Exchange Green Segment. Tideway's total green debt issuance stands at £1,583m, which includes the bonds and a £75m green US private placement. The £160m RCF is structured as a sustainability-linked loan.

The sustainable financing strategy is supported by the Sustainable Finance Framework. It is aligned with the International Capital Markets Association (ICMA) Green Bond Principles and the Loan Market Association Green Loan Principles, as well as with the Loan Market Association Sustainability Linked Loan Principles. It is available on our ***website***.

We have published an updated Sustainable Finance Report to inform investors of the allocation of proceeds and impact of the project. The reporting is aligned with the United Nations Sustainable Development Goals at target level.

Tideway recognises the importance and fully supports the Task Force on Climate-related Financial Disclosures (TCFD). We are committed to ensuring that our climate change disclosures align with TCFD recommendations and are publishing this year our first TCFD report.

Our **bond programme** and the bond series issued under it are covered by a Green Evaluation from S&P Global ratings with a score of E1 - 95/100, which is published on our ***website***.

The **Sustainable Finance Report** is available to view on our ***website***.

★ We were recognized as the **Top Corporate Treasury Team of the Year** for CSR/ESG 2020 in the Treasury4Good Awards for our continuous focus on sustainability

tmi Treasury4Good AWARDS 2020

Hedging

Tideway has entered into long-term swaps with commercial banks to hedge the interest rate for tranches one to eight of the £700m EIB loan and £70m of the £300m US Private Placement notes. These transactions were completed in previous financial years and no swaps were executed in 2020/21.

Distributions

At Licence Award our shareholders committed a total of £1,274m in the form of £509.7m in equity and £764.5m as shareholder loans. This amount has been fully injected into Tideway and investments are being debt financed now. As a result, our gearing is increasing to our target capital structure as we deliver our investment programme and risks are gradually retired.

Prior to System Acceptance, Tideway will not generate distributable profits and as such it will not be able to pay dividends to its shareholders. As a result, during construction Tideway's shareholders receive a cash return on their investment through a combination of payments of interest on the loan and partial repayments of those loans, which now stand at £720.4m. This mechanism was put in place during the Infrastructure Provider (IP) equity procurement process run by Thames Water and overseen by Ofwat and the UK Government and was key to achieving the low cost of capital bid by our shareholders. Ultimately, Thames Water's wastewater customers benefit from the low cost of capital achieved through the procurement through a lower charge in their bills.

Tideway deferred all distributions in the year. This was the result of the company recognising the uncertainties caused by the Covid-19 disruption and delays and uncertainty as to the regulatory response.

Liquidity

At 31 March 2021, we had total liquidity of £1.2bn, comprising £382m of cash, the £160m undrawn RCF, the £140m undrawn part of the EIB loan, £450m of bonds and £75m US private placement. This, combined with expected revenue collections, provides liquidity significantly in excess of our 18-month target, including all liquidity required to the end of construction.

Credit Ratings and Environmental, Social and Governance Assessments

Fitch affirmed the credit rating at BBB+ with stable outlook. Moody's maintained the Baa1 rating, but changed the outlook from stable to negative following the operational announcement on the impact of Covid-19 on cost and schedule published in August. This is further discussed in the Long Term Viability Statement section.

S&P Global Ratings completed an Environmental, Social and Governance Evaluation of Tideway which was published in April 2020. Tideway achieved a 74/100 score with our culture rated as excellent. Our environmental and social (which includes safety, workforce and diversity, and community relations considerations) scores are above the industry average and our governance score is in line with the industry.

Investment Management

The amount of shareholders' funds paid in and the debt drawn to date led to us benefiting from substantial cash balances throughout the period, averaging £445m per daily close. We managed these cash balances by adhering to the set limits and criteria of our approved investment management strategy, prioritising the preservation of principal, ensuring adequate liquidity and striving to optimise the yield.

Financial Performance Review

Accounting Policies

Our financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and our key accounting policies are outlined in note 1 to the financial statements.

During the construction phase of the project, expenditure which is directly attributable to bringing the Thames Tideway Tunnel into its intended use will be capitalised as an asset under construction within the Statement of Financial Position. Similarly, during the construction phase, any regulated revenue amounts received from Thames Water, will be deferred onto the Statement of Financial Position. This is because the performance obligation for recognising these amounts as revenue in the Income Statement will not be met until the tunnel is operational and being used by Thames Water. Post System Acceptance we consider that accounting for the Thames Tideway Tunnel as a finance lease is the most appropriate accounting basis under IFRS.

Non-GAAP Measures

In our financial reporting, we use certain measures that are not required under IFRS, the Generally Accepted Accounting Principles (GAAP). We believe these measures are valuable to the users of the accounts in helping them understand our underlying business performance. Our principal non-GAAP measure is Allowable and Excluded Project Spend.

Under our Licence, our costs are classified as either 'Allowable Project Spend' or 'Excluded Project Spend'. Allowable Project Spend (on a cash basis) is added to our Regulatory Capital Value (RCV). Excluded Project Spend (on a cash basis), such as financing costs, is not added to the RCV.

Allowable costs are stated on an accruals basis, which form part of the Allowable Project Spend when the underlying assets or liabilities are cash settled. Excluded costs are costs stated on an accruals basis which will be Excluded Project Spend when the underlying assets or liabilities are cash settled.

For the purposes of calculating net debt borrowings include all intra-group and third-party borrowings with the exclusion of shareholder loan notes.

Income Statement

During the year Tideway reported a profit of £6.0m (2019/20: £33.3m loss), with no dividends paid or proposed (2019/20: £nil). We did not recognise any taxable profits in the period (2019/20: £nil) and the resulting corporation tax charge for the period was £nil (2019/20: £nil).

We do not consider that the reported profit in the year reflects our business performance, as it results from the movement in the fair value in the Company's derivative financial instruments. These are long-term swaps which we entered into with commercial banks to economically hedge the interest costs of the Company's debt. The swaps fix finance costs for the Company's regulatory period and ensure that we benefit from low-cost financing.

The movement in fair value of these financial instruments is recognised in the Income Statement because, under International Accounting Standards (IAS) 23, these do not represent current borrowing costs incurred for financing the project and so, unlike our other expenditure, cannot be capitalised. Note 11 to the financial statements provides more detail on the financial instruments.

We have made a 'disregard election' to HMRC which means that any gains or losses arising from the movement in the fair value will be disregarded for current tax purposes (the Tax section later in this Financial Performance Report provides more details).

Statement of Financial Position

The total carrying value of the tunnel asset under construction is shown in the table below.

Asset Under Construction (£m)	Year Ended 31 March 2021	Year Ended 31 March 2020
Net Book Value Brought Forward	2,593.5	1,828.6
Additions (Capitalised Costs)*	637.1	764.9
Net Book Value Carried Forward	**3,230.6**	**2,593.5**

** Capitalised Costs is the GAAP measure and aligns to note 6 of the financial statements*

At 31 March 2021, costs of £3,230.6m were capitalised within the asset under construction in the Statement of Financial Position. This represents £637.1m costs during the year and £2,593.5m for the prior periods to 31 March 2020.

The table below reflects the split of this years capitalised costs between the Direct costs, Indirect costs and Excluded costs.

Analysis of Capitalised Costs (£m)	Year Ended 31 March 2021	Year Ended 31 March 2020
Direct Costs	478.5	593.1
Indirect Costs	65.1	80.4
Total Allowable	543.6	673.5
Excluded Costs	93.5	91.4
Total Capitalised Costs	**637.1**	**764.9**

Direct Costs

Direct costs are primarily the Main Works Contractor costs and the System Integrator contract so reflect costs directly related to the tunnelling programme and other related construction activities such as shaft and cofferdam construction. The direct costs incurred in the year have decreased compared with 2019/20, reflecting the impact of Covid-19 on our works during the period. The Covid-19 impact primarily caused our planned works to be temporarily paused as we implemented new Covid-19 secure working requirements across our sites.

Indirect Costs

The largest indirect cost is Resource Costs of £49.0m. This represents the cost to employ the c359 average FTEs (2019/20 c394 average FTEs) either employed or contracted by the Company. Other Indirect Costs totalled £16.1m in the year and this includes the cost of information systems, insurance, Government Support Package, office and other running costs. Overall Indirect costs have decreased compared with 2019/20 due to budget controls and cost cutting measures.

Excluded Costs

The Excluded costs (on an accruals basis) for the year ended 31 March 2021 were £93.5m. These comprise £90.8m of interest expense (including shareholder loans), £3.6m of costs which mainly relate to financing, partly offset by £0.9m interest income.

Financial Performance Review
Continued

Costs and Net Cash Outflow Comparison

The table below shows both the Allowable costs and Excluded costs and the equivalent Allowable Project Spend and Excluded Project Spend.

	Year Ended 31 March 2021			Year Ended 31 March 2020		
Analysis of Project Costs and the Equivalent Net Cash Outflows (£m)	**Costs**	**Timing Differences**	**Cash Outflow**	**Costs**	**Timing Differences**	**Cash Outflow**
Direct Costs	478.5	(3.2)	475.3	593.1	(61.7)	531.4
Indirect Costs	65.1	1.8	66.9	80.4	(6.9)	73.5
Total Allowable	543.6	(1.4)	542.2	673.5	(68.6)	604.9
Excluded Costs	93.5	(62.0)	31.5	91.4	(19.6)	71.8
Total	**637.1**	**(63.4)**	**573.7**	**764.9**	**(88.2)**	**676.7**

For the year ended 31 March 2021, our Allowable Project Spend of £542.2m is £1.4m lower than the Allowable costs of £543.6m. The Excluded Project Spend outflow of £31.5m is £62.0m lower than the Excluded costs of £93.5m. This is mainly due to the accrual of shareholder interest of £57.7m and accretion costs on our debt for which the associated cash flow will not occur until the future.

Net Debt and Financing

Net debt at 31 March 2021 was £1,710.4m, which was £396.0m higher than the £1,314.4m net debt at 31 March 2020.

The table (below) compares the movements in net debt.

Net Debt (£m)	**Year Ended 31 March 2021**	**Year Ended 31 March 2020**
Cash*	331.2	380.8
Borrowings**	(2,036.5)	(1,688.2)
Lease Liabilities	(5.1)	(7.0)
Net Debt	**(1,710.4)**	**(1,314.4)**

* ***Cash*** *excludes short term deposits*

** ***Borrowings*** *exclude the shareholder loans*

At 31 March 2021, the Company's total borrowings were £2,756.9m being £720.4m of shareholder loans and £2,036.5m of other borrowings which include third party borrowings and intra group debt. In addition, the Company has secured deferred loans of £215.0m and deferred bond issuances of £450.0m which will be reflected in the financial statements when they are drawn down in the future. The Revolving Credit facility of £160.0m remained undrawn during the period.

Cash

Cash and cash equivalents at 31 March 2021 was £331.2m, which was £49.6m lower than the £380.8m cash and cash equivalents at 31 March 2020. The table below shows the movement in cash:

Cash Flow (£m)	**Year Ended 31 March 2021**	**Year Ended 31 March 2020**
Cash generated from operations before changes in working capital	-	-
Decrease in trade and other receivables	3.5	0.8
Increase in trade and other payables	64.2	90.7
Increase in advance payment liability	68.9	57.6
Net cash from operating activities	**136.6**	**149.1**
Construction of infrastructure asset	(626.7)	(746.3)
Transfer from/(to) short-term deposits	102.5	(67.5)
Net cash used in investing activities	**(524.2)**	**(813.8)**
Proceeds from new borrowings	340.0	493.1
Repayment of lease liabilities	(2.0)	(2.4)
Net cash from financing activities	**338.0**	**490.7**
Net decrease in cash and cash equivalents during the period	**(49.6)**	**(174.0)**
Cash and cash equivalents at the start of the period	380.8	554.8
Cash and cash equivalents at the end of the period	**331.2**	**380.8**

Net cash flows from operating activities of £136.6m (2019/20: £149.1m) represent movements in working capital and are mainly driven by timing of payments to our Main Works Contractors and the receipt of regulated revenue payments from Thames Water.

Net cash flows used in investing activities of £524.2m (2019/20: £813.8m) show the gross cash outflows used in constructing the Thames Tideway Tunnel as well as movements to short-term deposits which represent money market funds where cash is held on deposit.

The net cash inflows from financing activities of £338.0m (2019/20: £490.7m) are largely the result of new borrowings drawn in the period which included £100.0m of index linked bonds and £240.0m of floating rate loans.

Financial Performance Review
Continued

Financial Key Performance Indicators (KPIs)

Under its Common Terms Agreement (CTA), Tideway must comply with a set of financial covenants including to calculate two key ratios, Senior Regulatory Asset Ratio (Senior RAR) and Funds from Interest Cover Ratio (FFO ICR) and report compliance with certain thresholds in specified circumstances. The performance of the two ratios for 2020/21 are provided below.

1. Senior RAR

This ratio compares the net debt to the RCV. It is calculated as long-term senior borrowings, less cash and short term deposits to the RCV. The Senior RAR trigger in the CTA is 70%.

2020/21 performance = 57.1%
2019/20 performance = 50.0%

	Senior RAR		31 March 2021	31 March 2020
A	Net Debt - per CTA		1,689.5	1,182.0
B	RCV - per CTA[1]		2,958.6	2,366.0
C	Senior RAR	A/B	57.1%	50.0%

[1] *RCV is per the CTA definition not the Regulatory Accounts definition*

The table provides a reconciliation to the net debt in the financial statements:

Reconciliation to reported net debt (£m)	31 March 2021	31 March 2020
Net Debt - per CTA	1,689.5	1,182.0
Short-term deposits	55.0	157.5
Intra group debt	(32.1)	(22.8)
Other adjustments[1]	(2.0)	(2.3)
Reported net debt	1,710.4	1,314.4

[1] *Adjustments for fixed rate bond discount on £250m bond 2027 and cash held by Bazalgette Finance plc*

2. FFO ICR

This ratio compares the level of cash interest cover compared with the funds from operations. The FFO ICR trigger in the CTA is 1.3 times.

2020/21 performance = 4.6 times
2019/20 performance = 5.9 times

	FFO ICR		31 March 2021	31 March 2020
D	Net Cash Flow - per CTA		69.2	68.2
E	Debt Interest - per CTA		15.0	11.6
F	FFO ICR	D/E	4.6	5.9

The table provides a reconciliation of Net Cash flow and Debt Interest to the financial statements:

Reconciliation to the Financial Statements (£m)	31 March 2021	31 March 2020
Increase in advance payment liability[1]	68.9	57.6
VAT adjustment per CTA	0.3	10.6
Net Cash Flow for CTA	69.2	68.2

Reconciliation to the Financial Statements (£m)	31 March 2021	31 March 2020
Net interest (exc. shareholder interest) paid	14.2	8.9
Commitment fees paid	0.8	2.7
Debt Interest - per CTA[2]	15.0	11.6

[1] *Part of "Cash from operations" within the Consolidated Cash Flow Statement*
[2] *Part of "Construction of infrastructure asset" within the Consolidated Cash Flow Statement*

Regulatory Financial Reporting

The Regulatory Accounting Statements are included in the Regulatory Reporting section of this Annual Report and disclose our performance as required under the Regulatory Accounting Guidelines prescribed by Ofwat.

Revenue

Within the financial statements, all regulated revenue is deferred in the Statement of Financial Position, in line with our revenue recognition accounting policy. During the year, we received cash inflows of £68.9m (2019/20: £57.6m) from revenue, which includes some revenue from prior years as shown in Table 5A in the regulatory accounts.

Tax

The Directors are responsible for ensuring that we comply with tax laws in the UK, which is the only territory we undertake our business activities in. We are committed to complying with tax laws in a responsible manner and to having open and constructive relationships with the tax authorities.

The scope of our business activities in the UK mean that we are subject to the scope of corporation tax, employment taxes, Value Added Tax (VAT) and other taxes such as environmental levies related to our project activities. Consequently, the Directors are responsible for ensuring that we calculate, collect and pay the appropriate taxes to HM Revenue & Customs and as a result the taxes we pay make an economic contribution to the UK. We believe we are compliant with all applicable UK tax legislation and pay the correct taxes on time and in full.

During the construction phase of the project, we anticipate that we will not pay any Corporation tax. This is because the tunnel we are building is an asset that will not be ready for economic use until it is fully operational. The System Acceptance date is when Thames Water will accept the tunnel for operational use. The significant amounts of expenditure we incur in construction go towards the development of that asset.

We do receive regulated revenue payments from Thames Water during the construction phase, however we do not recognise these as revenue in the Income Statement. This is because the performance obligations for recognition of this revenue will not be met and fulfilled until the System Acceptance date. This effectively means the recognition of revenue is matched to the same period where economic value can be obtained from the tunnel.

Our Income Statement does recognise profits and losses from the valuation of derivative financial instruments. As a result of the potential volatility of such items and because they are forward looking in nature, HMRC allows companies to take an exemption which effectively removes them the calculation of taxable profit or loss.

As a result of the accounting implications of the above, our Income Statement is unlikely to have taxable profits during the construction phase. This is in line with expectations at the time Tideway was procured and customers benefit in full from lower bills as a result of this. In the post construction taxation periods when the Tunnel asset is fully operational, we expect this position to change.

Financial Performance Review
Continued

Tax Strategy

Tideway's commitments on tax and adherence to them are underpinned by the tax strategy which is based on the following principles:

1. **Tax planning and compliance:**
We will engage in tax planning that supports our business and reflects commercial and economic activity. We will not engage in artificial tax arrangements and will adhere to relevant tax laws and seek to minimise the risk of uncertainty or dispute. Tideway is part of the Bazalgette Equity Limited Group, of which all members are domiciled in the UK. We consider the interaction with company members when we implement our tax policies.

2. **Relationship with HM Revenue & Customs (HMRC):**
We will seek to build and maintain a constructive relationship with HMRC. We will work collaboratively wherever possible with HMRC to resolve disputes and to achieve agreement and certainty. We will engage with the government on the development of tax laws where we can and where the tax law change is relevant to Tideway's business activities.

3. **Transparency:**
We support measures that build greater transparency, increase understanding of tax systems and build public trust.

4. **Tax risk management:** We identify, assess and manage tax risks and account for them appropriately. Risk management measures are implemented including controls over compliance processes and monitoring of effectiveness.

5. **Governance:** The Chief Financial Officer (CFO) is responsible for and implements our approach to tax, which is reviewed and approved by the Audit Committee. The CFO is also responsible for ensuring that appropriate policies and procedures are in place and maintained and that the financial control team, with specialist external support as necessary, has the appropriate skills and experience to implement the approach effectively.

The publication of this strategy is considered to constitute compliance with the duty under paragraph 16(2) Schedule 19 Part 2 of the UK Finance Act 2016.

The shaft within the cofferdam at Victoria Embankment Foreshore opposite the London Eye

Risk Management

Our ability to deliver the positive outcomes we want for all our stakeholders depends on our ability to manage risk. Risk management is embedded in our culture and is central to achieving our objectives and priorities.

We have developed and implemented a framework which gives us a clearly defined process for identifying, analysing and controlling both corporate and project delivery risks. Our approach includes actively monitoring risks maintained on our ‘Active Risk Manager’ database. This includes quantification of project risks, and the potential cost and impact to the schedule and allows us to challenge the effectiveness of our mitigating actions.

Risk Management Framework

Our risk management approach ensures that we continually monitor and review the external environment and mitigate risks where we can. We monitor the uncertainties we face to ensure that we can respond appropriately to external changes and keep our project on track.

It is linked into our annual business planning, when we consider the emerging issues that may impact the project in the future.

The Board Risk Committee reviews our principal risks and risk management processes and reports its findings to the Board. It considers:

- Corporate risks, those that might impact on the financial and reputational viability of the company.
- Programme risks, which impact the physical delivery of the tunnel and associated works.
- Principal risks, which bring together the corporate and programme risks that have the potential for the most material impact on the business.

The Board Risk committee is supported by a Corporate Risk Committee and an Executive Risk Committee that considers on a rolling basis the programme risks across the West, Central and East areas.

The Compliance and Assurance Review Group (CARG) is a CEO-led group focused on reviewing the Company’s activities, both as the client or through the PM and MWCs. It applies the three lines of defence model, to review the appropriateness and compliance with our controls and assurance activities.

Our Risk Management Framework

Principal Risks

Tideway has ten principal risks.

Since the last Annual Report, we have removed Brexit as a principal risk and added the Financing Cost Adjustment.

Notable changes in the external risk environment included:

- The end of the transition period for the UK’s exit from the EU and implementation of the new EU-UK Trade and Cooperation Agreement in January 2021. While certain aspects of the new arrangements between the UK and EU are still subject to refinement, several months’ experience of operating within the new framework has provided Tideway with greater clarity on the nature of Brexit-linked risks and how they can be monitored and mitigated. Linked risks include direct impacts on the supply chain and labour force, and indirect impacts via the effect of Brexit on capital markets and the political environment. We are confident that each of these is captured within other principal risks and have therefore removed ‘Brexit Risk’ as a standalone principal risk.
- The Financing Cost Adjustment has been added due to extreme macro economic conditions and the potential impact on our revenues. It is a regulatory mechanism in Tideway’s licence that seeks to mitigate certain finance risks Tideway may be exposed to during construction.

We assessed our principal risks regularly and updated our mitigations throughout the year and implemented changes to manage our risk exposure. We considered whether there were sufficient material changes to increase or decrease our risk exposure across the ten principal risks and the Board agreed the risk levels should remain unchanged with the exception of Inflation Risk and Regulation Risk which were increased and Political Risk which was reduced.

We continued to consider our principal risks in light of the Covid-19 pandemic. During the coming year we will continue to review, manage, revise and mitigate our principal risks accordingly.

Our Risk Appetite

Tideway’s risk appetite remains unchanged since last year. To manage the risks we face, we define our risk appetite, which is the level of residual risk that we are ready to take. Although this appetite recognises the agreements that underpin our delivery model, such as our Licence and the Government Support Package, our Board can further refine the residual risk through the strategies it sets.

Tideway’s risk policy is to target an overall Company risk profile consistent with an independent UK regulated water company. This reflects our Board’s risk appetite which is low and the importance of resilience. The Board’s appetite for risk has been at the core of the main strategic decisions that it has taken to date, such as:

- setting new standards for health, safety and wellbeing through developing programmes such as RightStart and EPIC, to support our target of zero fatalities or serious injuries, off-site or on-site; and
- mitigating liquidity risk and interest rate risk, by raising significant amounts of debt well in advance of needing the financing.

Risk Management
Principal Risk Table

1 HEALTH, SAFETY & WELLBEING

OVERALL

Description
The health, safety and wellbeing of our employees and the public is paramount. There is a risk that incidents could cause harm to individuals and delay progress.

Effect
A safety failure could cause injury, affect health and wellbeing or lead to loss of life. A single serious event or multiple events could also lead to delays or stoppages that could prevent us meeting our time and cost targets.

Mitigation
Our RightWay programme, which is aligned to the delivery programme includes the RightStart approach establishing the very best facilities and arrangements on-site. We are also continuing and developing our EPIC programme, which is mandated for all people working on our sites.

We developed and implemented procedures aligned to Construction Leadership Council and Government guidance to minimise the risks of Covid-19 exposure. Assurance undertaken has highlighted that the risks have been well controlled. Working with Tideway MWCs have taken action to address the rise in incidents during the second half of the year.

Relevant Objective
HEALTH, SAFETY & WELLBEING

Commentary
NO CHANGE IN RISK LEVEL

MARINE

Description
There is a risk that a single marine incident could lead to multiple persons being affected or harmed and delay progress.

Effect
A safety failure could cause damage to third party assets, injury, affect health and wellbeing or lead to loss of life. A single serious event or multiple events could also lead to delays or stoppages that could prevent us meeting our time and cost targets.

Mitigation
- Tideway continues to monitor marine risks and has implemented a Marine Assurance Plan and marine safety action plan

Relevant Objective
HEALTH, SAFETY & WELLBEING

Commentary
NO CHANGE IN RISK LEVEL

' The change in risk level is in comparison to last year'

2 PROGRAMME DELIVERY

Description
We are delivering a capital investment programme £4.1bn. While there is experience of delivering similar projects in London, it is possible that the construction could take longer than planned and/or cost more.

Effect
A delay in delivering the tunnel would delay Londoners' benefits from the project and could attract regulatory enforcement. Cost increases above the regulatory baseline would increase charges to those customers receiving wholesale services from Thames Water, increase financing requirements and reduce returns for our shareholders.

Mitigation
Our approach to working with our contractors will help us to deliver the programme on time and to budget.

This includes:
- World-class contractors, with experience of major infrastrucuture / tunnelling projects in London
- Contracts that transfer certain risks to our contractors that they are better placed to manage
- An integrated, proactive approach to risk management
- Commerical settlements to ensure MWCs teams remain focused on delivery
- Tideway continues to pursue schedule opportunities and cost savings across the programme. In dialogue with contractors. It has been revising its cost estimates to reflect the current position on the project

Relevant Objective
SCHEDULE, COST & QUALITY
FINANCING

Commentary
NO CHANGE IN RISK LEVEL

3 SUPPLY CHAIN FAILURE

Description
Our delivery strategy is based on outsourcing works. Our ability to deliver therefore depends on our contractors' performance. Our contractors operate in a very competitive environment and may experience financial difficulties through the delivery of the project.

Effect
If our contractors do not deliver at the standards we expect, we may not be able to deliver our investment programme on time and on budget.

Mitigation
The procurement process ensured our contractors were technically excellent and financially strong, and limited our exposure to any one contractor. The contracts contain step-in rights, whereby one contractor could replace another, which would help mitigate against financial failure. The members of all three consortia are joint and severally liable.

Relevant Objective
SCHEDULE, COST & QUALITY

Commentary
NO CHANGE IN RISK LEVEL
We continue to monitor the supply chain closely and have undertaken appropriate contingency planning.

4 HILP – HIGH IMPACT, LOW PROBABILITY EVENTS

Description
Major investment programmes are complex and challenging, and we could suffer incidents that were highly unlikely but have a significant impact. These could affect the tunnel or assets belonging to others.

Effect
HILP events could have a significant effect on cost, schedule, health and safety or our reputation. Their financial impact could exceed our insurance cover, damaging our financial position and our ability to deliver the tunnel.

Mitigation
We minimise the chance of these events occurring by using best-in-class design, programme management and appropriate construction techniques. Our contractors have extensive experience of similar projects in London and conduct detailed Readiness Reviews before the commencement of major activities. We also mandate compliance with the Joint Code of Practice for Risk Management of Tunnelling Works in the UK. In the unlikely event that we make a claim that exceeds the limits of our insurance, the Government Support Package provides support.

Relevant Objective
HEALTH, SAFETY & WELLBEING
COMPANY & PEOPLE
SCHEDULE, COST & QUALITY
FINANCING
VISION, LEGACY, & REPUTATION

Commentary
NO CHANGE IN RISK LEVEL

5 CREDIT RATING RISK

Description
Adverse operational or financial performance, or factors external to the Company, could result in a credit rating downgrade.

Effect
The loss of an investment grade credit rating would affect our ability to raise debt, prevent distributions and would be a breach of our licence.

Mitigation
We have a robust delivery model, within a regulated framework, and a GSP.

We maintain a conservative financial profile and actively manage risks.

We regularly engage with rating agencies.

Relevant Objective
FINANCING

Commentary
NO CHANGE IN RISK LEVEL

Risk Management
Principal Risk Table

6 INFLATION RISK

Description
There is a risk of inflation that is lower than assumed in our business plan or that the Retail Price Index (RPI) reform impacts Tideway's business.

Effect
Our RCV is indexed to RPI until 2030, and lower inflation would reduce nominal cash-flows and returns which are directly linked to RPI.

Mitigation
Tideway has issued 80% of its long-term debt indexed to RPI and Consumer Prices Index (CPI). Reductions in revenue due to low inflation would therefore be partially offset by reductions in interest cost.
The resulting correlation between nominal RCV and nominal debt will help to protect interest cover ratios and equity returns.

The RPI reform will be implemented from 2030, at which time Tideway's licence will have transitioned to CPIH indexation thereby not impacting our revenue. The impact on debt is expected to be neutral.

Relevant Objective
FINANCING

Commentary
INCREASED RISK LEVEL
Inflation decreased sharply in the past year with RPI averaging 1.2% in the year versus 2.6% the previous year.

7 REPUTATION RISK

Description
We are particularly focused on the risk that poor performance on our sites, on the river or with our neighbours could damage our reputation and support.

Effect
The loss of support from our neighbours or consent granting bodies could lead to delays and higher costs.

Mitigation
We actively develop relationships with key stakeholders. For example, through our CLWGs we seek to find the best ways of addressing neighbours' concerns, in advance of works happening.

The More by River strategy uses the river wherever feasible to ease congestion and to promote the use of the river.

We have established the Tideway brand as part of our efforts to build trust and communicate the legacy and long-term benefits we aim to deliver.

Relevant Objective
COMPANY & PEOPLE
VISION, LEGACY & REPUTATION

Commentary
NO CHANGE IN RISK LEVEL
We continue to conduct a proactive communication strategy, to manage the reputational impact of our works.

8 THAMES WATER PERFORMANCE

Description
Thames Water is a key partner for Tideway. We have a number of important interactions with Thames Water, including its delivery of the Thames Water Works during the construction period, the Handover and Acceptance process and in the operational period.

Thames Water also passes revenue through to Tideway.

Effect
Thames Water's failure to deliver its share of the works could affect our ability to deliver our investment programme on time and on budget.

If Thames Water does not comply with the Revenue Agreement, it could have a financial impact.

Mitigation
Tideway and Thames Water have worked closely together through all key milestones to date and have developed a joint approach to System Commissioning, Handover and Acceptance.

The Alliance Agreement incentivises Thames Water to help us deliver the programme.

Thames Water is also incentivised to deliver its share of the works in a timely manner, through its regulatory settlement. Rehearsal of Concept exercises for commissioning, handover and acceptance periods have been undertaken to provide early identification of future issues.
We have worked with Thames Water to develop and agree arrangements for managing the revenue process.

Relevant Objective
SCHEDULE, COST & QUALITY

Commentary
NO CHANGE IN RISK LEVEL

9 REGULATORY AND POLITICAL RISK

POLITICAL

Description
Institutional and policy changes pursued by the Government may have legal, regulatory, reputational and relationship impacts on Tideway.

Covid-19 impacts may affect Tideway's relationship with Defra.

Effect
Brexit will lead to changes in government and regulatory oversight, and potentially to legislation impacting the Tideway project. Gaps in scope or implementation of post-Brexit arrangements could generate legal/regulatory uncertainty.

Any institutional reforms could affect Tideway's relationship with key stakeholders such as Defra and/or its legal and regulatory environment.

Greater engagement with Her Majesty's Government related to Covid-19 impacts.

Mitigation
Mitigations include information gathering and relationship building with political stakeholders, legal horizon scanning, and Defra/ Ofwat engagement. In some cases intensity of engagement has increased in light of Covid-19.

Relevant Objective
SCHEDULE, COST & QUALITY
FINANCING

Commentary
REDUCED RISK LEVEL
Recent Government announcements in are supportive of greater infrastructure investment and a continued role for the private sector in major projects. The re-election of the Mayor of London in May 2021 removes an important element of uncertainty for the Tideway project.

REGULATIONS

Description
Tideway must comply with regulatory requirements, including those in our licence granted by Ofwat. We also aim to meet other regulatory expectations, such as those set out in Ofwat's Vision and Strategy.

There is a risk that Ofwat does not fairly recognise the impact of Covid-19 and extreme macro economic conditions on Tideway.

Effect
If we do not meet Ofwat's requirements, we could face enforcement including financial penalties or the loss of our licence.

Failure to align with regulatory expectations could damage Tideway's relationship with Ofwat and other key stakeholders.

A revised regulatory framework could affect financial performance and investors' returns.

Ofwat failure to fairly recognise Covid-19 impacts or address unintended impacts of the Financing Cost Adjustment (FCA), could lead to undue costs/revenue reductions falling on shareholders.

Mitigation
Tideway's focus is on compliance, high performance, and positive regulatory relationships. We have considered carefully how Ofwat's Vision and Strategy apply to Tideway, including in relation to public value.

Ofwat has consulted on revised regulatory arrangements that will mitigate Covid-19 impacts on Tideway's cost and financial resilience. We are working to agree the details of implementation. Mitigations in relation to FCA are set out in principal risk 10.

Relevant Objective
SCHEDULE, COST & QUALITY
FINANCING

Commentary
INCREASED RISK LEVEL
While good progress has been made with Ofwat, Covid-19 may have significant impacts on shareholders.

10 IMPACT OF FINANCING COST ADJUSTMENT (FCA)

Description
The FCA is a building block in our licence revenue calculation that tracks an observable index as a proxy for Tideway's cost of debt and applies the movement of the index to increases in Tideway's net debt. As part of its financing strategy, Tideway seeks to lock in debt and rates to manage liquidity risk and interest rate risk. The cost of debt that Tideway locks for future issuances is driven by markets expectations at the time the price of the debt is agreed. There is a risk that market expectations will not materialize and the proxy index moves in a different direction or by a different quantum thereby impacting Tideway'.

Effect
The impact of a mismatch between the FCA and the cost Tideway pays for its debt is a potential higher or lower revenue than anticipated.

Mitigation
The extraordinary macroeconomic events of recent years in response to exiting the EU and the pandemic and subsequent policy response, including quantitative easing, led to the mechanism not delivering the intended outcomes.
We have initiated discussions with Ofwat regarding mitigation.

Relevant Objective
FINANCING

Commentary
NEW

* The change in risk level is in comparison to last year'

Long-Term Viability Statement

The UK Corporate Governance Code requires company directors to state whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a long-term period.

To assess the Company's long-term viability, the Board has:

- identified the most appropriate period over which to make the assessment;
- evaluated the Company's current position and future prospects;
- considered the potential impact of principal risks (taking into account availability and effectiveness of risk mitigation plans) over the period and where appropriate, analysed the potential financial impact under a suitable set of sensitivities; and
- overseen the governance process, ensuring robust levels of assurance over the analysis, and drawn conclusions regarding the company's long-term viability.

Appropriate Period

The Board considers that it is appropriate to assess the Company's viability over the period to 2030, in line with Tideway's current regulatory period. This time horizon is supported by the progress made in the implementation of our investment programme to date and the significant de-risking of our financing plan achieved. This period extends beyond the forecast timeline for delivery of the Thames Tideway Tunnel and System Acceptance by Thames Water but is still covered by Tideway's planning horizon which extends to the end of the current regulatory period (2030). The Board is not aware of any specific relevant factors that would affect this statement beyond this period and therefore has no reason to believe the Company will not be viable over a longer period.

Current Position and Future Prospects

The viability assessment takes into account our business and financing plan which is prepared as part of our annual planning process. Tideway has now raised £2.7bn of long-term financing since Licence Award. As of 31 March 2021, this represented 100% of third party funding needs to Handover (March 2025) taking into account the available revolving credit facility. We expect to be able to raise new finance for any additional funding needs in the period to 2030.

Potential Impact of Principal Risks

Where appropriate during the year, we conduct sensitivity analysis on our financial model to stress-test the resilience of the Company and our business model to the potential impact of our principal risks, or a combination of those risks. For the purposes of this assessment, we have considered the likely impact of each principal risk on the Company's viability, taking into account the availability and effectiveness of risk mitigation plans and the measures we could realistically take to avoid or reduce the impact or occurrence of the underlying risks. In considering the likely effectiveness of such actions, we take into account the Board's regular monitoring and review of risk management and internal control systems.

The Board confirms that it has conducted a robust assessment of the principal risks (considering availability and effectiveness of risk mitigation plans) facing the Company, including those that could threaten its business model, future performance, solvency and/or liquidity, and which are set out in the Principal Risks section of this report.

Tideway has ten principal risks and the scenario analysis (outlined in the table below) has covered seven of these. The three risks that have been excluded from the analysis are:

- HILP events (apart from Covid-19 that has been included) as it is considered too remote for meaningful quantification and substantially covered by commercial insurance and/or the Government Support Package (GSP);
- Credit Rating Risk: Our credit ratings have remained unchanged since Licence award at Baa1 by Moody's and BBB+ by Fitch, being two levels above the covenants in the CTA and Licence. Moody's changed the outlook from stable to negative following the operational announcement on the impact of Covid-19 on cost and schedule published in August 2020; Fitch maintained a stable outlook. The factors that could lead to a downgrade remain material construction delays or other significant delivery problems and unfavourable regulatory developments. Moody's added an additional factor being failure to reach a settlement with Ofwat that substantially mitigates the Covid-19 impact, absent other measures to strengthen the balance sheet. This matter has been the subject of a recent consultation by Ofwat and is ongoing. The financial impact of any downgrade is indirectly captured in the programme delivery scenarios 1 and 2 below; and
- Reputational Risk as the financial impact cannot be quantified.

We have assessed the potential impact of the remaining seven relevant principal risks on Tideway's viability by modelling several scenarios, which have been discussed and agreed by the Board. Before mitigations, we consider there are four key routes through which viability could be impacted: i) increases in the total costs of the project (including potential delays in the project as ultimately this will translate into a cost increase scenario), particularly if the Company were to bear a disproportionate share of these costs; ii) reduction in outturn inflation, iii) an increase in bad debt; and iv) impact of the FCA (Financing Cost Adjustment) For each of these routes, we have modelled scenarios representing impacts ranging from plausible downside to severe downside, as well as reviewing a scenario comprising the current estimate considered by the Board.

- *Cost increase:* Our current estimate of £4.1bn compares to our regulatory baseline of £3.4bn (£3.1bn in 2014/15 prices). For our plausible downside scenario, we modelled a 12% increase in the remaining costs to complete, taking the total to £4.3bn. This is consistent with our most recent internal scenarios. We consider a severe downside case to be a 20% increase in the remaining costs to complete, which equates to a total cost of £4.4bn. Two cost scenarios (current and plausible downside) include the estimated impacts of the current Covid-19 pandemic. They incorporate the impact experienced during the financial year and make reasonable assumptions about the ability of the Company to agree an appropriate cost allocation with our stakeholders. Although it is not possible to know the precise impact of any future pandemic crisis, our severe downside cost scenario is intended to be sufficient to cover any significant disruption from a future Covid-19 (or equivalent) event. However, if such an event occurred, then the Company would re-engage with the regulator and other stakeholders regarding potential additional cost allocation, as well as implementing its own cost mitigation measures.

  The Threshold Outturn is the limit up to which the Company will be required to fund expenditure. The GSP provides that the company may request that the Secretary of State provide contingent equity in respect of the cost overrun above the Threshold Outturn. Ofwat compares our total cost against the Threshold Outturn in 2014/15 prices and there is headroom in the plausible downside and severe downside scenarios of circa £200m and £100m, respectively, on the basis of a reasonable sharing of Covid-19 related costs between all stakeholders.
- For *inflation risk* we have modelled scenarios where outturn inflation is 1% and 2% lower than current expectations for 4 years, as well as a scenario of 0% average inflation in the period. We consider this range of scenarios appropriate in view of the current (March 2021) low inflation, below the target set by the Government to the Bank of England and the Bank of England's policy of managing inflation within 1% of the target.
- As the *bad debt* impact has a limited impact on the Company's long term viability, we assumed a conservative 50% lower revenue collection in one, two and four years in the period.
- The FCA is a building block in our licence revenue calculation that tracks an observable index as a proxy for Tideway's cost of debt and applies the movement of the index to increases in Tideway's net debt. The impact of a mismatch between the FCA and the cost Tideway pays for its debt is a potential higher or lower revenue than anticipated. For the impact of FCA risk we have modelled a scenario where interest rates are 50bps and iBoxx credit margin 25bps lower than the current forecasts, as well as a scenario where interest rates are 100bps and iBoxx credit margin 25bps lower than the current forecasts.
- Finally, we have modelled a combined scenario with 12% cost increase, 2% lower inflation, 50% revenue under recovery for 2 years and 50bps lower interest rates with 25bps lower credit margins, which we consider a reasonable composite downside combination of impacts.

Long-Term Viability Statement
Continued

The outcome of the sensitivities has been assessed considering a range of different financial ratios and the output of this analysis is summarised in the following table:

SCENARIO ANALYSIS

Principal Risk	Scenario	Assessment	Mitigation Strategies
Programme Delivery (incorporating delays, also including HSW, Supply Chain Failure, Thames Water performance, Political and Regulatory risks). Principal Risk No. **1. 2. 3. 8. 9.**	**Scenario 1.** An increase of 12% £0.2bn in the remaining cost to complete the project (net of any sharing of costs assumed with the Main Works Contractors). **Scenario 2.** An increase of 20% £0.3bn in the remaining cost to complete the project (net of any sharing of costs assumed with the Main Works Contractors).	Tideway would be able to finance the increase in cost in Scenario 1 and Scenario 2 by flexing the amount of distributions to its shareholders and drawing existing available facilities. Gearing and interest cover ratios would be consistent with an investment grade rating, and compliant with our financing covenants.	The programme risk is most significant during the remaining years of construction, but some risk will still exist post construction as the project enters the commissioning and systems acceptance period. The programme risk is managed through Tideway's risk management framework, which is explained on page 64. The mitigation strategies for Scenarios 1 and 2 include the raising of new debt (within our gearing ratio requirement) and flexing the level of distributions to our shareholders.
Inflation Risk Principal Risk No. **6.**	**Scenario 3.** Outturn inflation 1% lower than current forecast for 4 years then reverts to the long term forecast. **Scenario 4.** Outturn inflation 2% lower than current forecast for 4 years then reverts to the long term forecast. **Scenario 5.** Average inflation 0% until 2030.	Over 80 percent of Tideway's debt portfolio is linked to inflation, and therefore our assets and liabilities would move in a similar way. Gearing and interest cover ratios would be consistent with an investment grade rating and compliant with our financing covenants.	The inflation risk is expected to be more significant in the short term with lower inflation forecasts in the next few years. The key mitigation strategy for Scenarios 3, 4 and 5 is that over 80% of Tideway's debt portfolio is linked to inflation, and therefore our assets and liabilities would move in a similar way. The residual risk is considered acceptable.
Thames Water Performance - Revenue Collection (Bad debt) Principal Risk No. **8.**	**Scenario 6.** A 50% under recovery in one year. **Scenario 7.** A 50% under recovery in two years. **Scenario 8.** A 50% under recovery in four years.	Our revenue includes a building block that deals with under recovery of revenue, and therefore the impact would be temporary and limited. After mitigation gearing and interest cover ratios would be consistent with an investment grade rating and compliant with our financing covenants.	The value of the revenue collection increases each year as revenue is driven by the RCV which accumulates each year. However, the main mitigation strategy for Scenarios 6, 7 and 8 is that there is a building block that deals with the under recovery of revenue which mitigates the risk to an immaterial level.
Impact of Financing Cost Adjustment (FCA) Principal Risk No. **10.**	**Scenario 9:** Base interest rates 50bps lower than the current forecast and iBoxx credit margin 25bps lower than the current forecast. **Scenario 10:** Base interest rates 100bps lower than the current forecast and iBoxx credit margin 25bps lower than the current forecast.	Gearing and interest cover ratios would be consistent with an investment grade rating and compliant with our financing covenants.	We have initiated discussions with Ofwat regarding mitigation measures. Any FCA forecast improvements would increase revenue and likely reduce the need for a change in capital.
Combined Scenario	**Scenario 11:** (1, 4, 7 and 9).	After mitigation gearing and interest cover ratios would be consistent with an investment grade rating, and compliant with our financing covenants.	See above.

Note: For scenarios 8 & 11 our modelling projects a change in capital will be required during 2023/24 to be compliant with our gearing financing covenant. However, as the values required are small, we would look at other actions, such as re-profiling some of the non critical path expenditure, as a sufficient alternative.

Governance, Assurance and Conclusions

In reaching its conclusion, the Board has taken into account Ofwat's statutory duty to secure that companies can finance their functions and has assumed that there will be no changes to the regulatory framework or Government policy that will adversely affect the Company's viability. The Board also believes that financing will be available to Tideway over the period covered by the analysis. In this respect, the Board believes that it is reasonable to assume that the purchasers and lenders of our deferred debts will honour their commitment given the diversification and credit worthiness of the institutions with which Tideway has entered into such agreements.

We have undertaken a range of internal assurance activities, which the Board considers provide a robust degree of assurance over the analysis. The internal assurance activities have included a first and second line of defence review as described in the Board statement on accuracy and completeness of data and information within this report.

On the basis of the robust assessment of our principal risks and on the assumption that we manage or mitigate them in the ways disclosed, the Board's review of the business plan and other matters considered and reviewed during the year, and the results of our sensitivity analysis and assurance described above, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 2030.

Going Concern

The Board has also considered it appropriate to prepare the financial statements on the going concern basis. The Directors believe, after due careful enquiry, that the Company has sufficient resources to continue in operational existence for the foreseeable future and has assumed that there will be no changes to the regulatory framework or Government policy that will affect the Company's viability. Therefore, the Directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Richard Morse
Deputy Chairman and
Independent Non-Executive Director
(Chair of the Audit Committee)

The Strategic Report was approved by the Board on 1 July 2021 and was signed on its behalf by:

Andy Mitchell CBE
Chief Executive Officer

Section 172 Statement

Section 172 of the Companies Act 2006 requires that when making decisions, the directors must act in the way they consider, in good faith, is most likely to promote the success of the company for the benefit of its members as a whole, while also considering the broad range of stakeholders who are affected by the company's activities. Section 172 requires directors to have regard (among other matters) to:

(a) The likely consequences of any decisions in the long term

(b) The interests of the company's employees

(c) The need to foster the company's business relationships with supplies, customers and others

(d) The impact of the company's operations on the community and environment

(e) The desirability of the company maintaining a reputation for high standards of business conduct

(f) The need to act fairly as between members of the company.

This statement, with references to other parts of this Annual Report, explains how the directors have had regard to the matters set out in section 172. We also explain some of the principal activities of the Board, how the interests of stakeholders were taken into account and what the outcomes of those activities were.

Long Term Decision Making

The directors understand the evolving nature of the project and the challenges associated with ensuring the business is prepared for current and future phases of the project. As set out in more detail at page 22 the strategic objectives approved in the 2021/22 Business Plan each include specified long term activities.
A particular focus this year has been the effect of Covid-19 and the extreme macro-economic conditions which impact revenues through the Financing Cost Adjustment. The Board has been actively involved in reviewing these matters and engaging with Ofwat on our long term regulatory mechanisms.

The Interests of The Company's Employees

The directors recognise that Tideway employees are core to the successful completion of the project. It is a strategic priority to manage the capabilities of the organisation to support and encourage efficient delivery through a motivated and empowered team.
The Board has been regularly updated on organisation change and Lady McGregor-Smith, in her capacity as the designated non-executive director representing workforce matters, has met with employee representatives and reported their views to the Board. **See page 48.**

The company's legacy commitments include creating an inclusive environment that will enhance diversity. The Board has been informed of activities designed to encourage self-learning, reflection and open-dialogue on matters relating to race equality and inclusivity. **See page 91.**

Relationships with Suppliers, Customers and Others

The Alliance Agreement brings together Tideway, Thames Water, the Programme Manager, the Main Works Contractors and the System Integrator.
We share lessons learned that enable us to best deliver the project. This year the Board oversaw significant collaborative planning to achieve several major milestones while working safely and adhering Covid-19 guidelines.
Our legacy commitments include supporting ethical sourcing in the supply chain. **(See page 41).**
Our Modern Slavery Statement is reviewed annually by the Board and directors have the opportunity to query and challenge our approach to supply chain procurement.
More generally, it is a strategic objective to maintain a supportive environment for delivering the tunnel and to build a positive reputation with stakeholders. **See page 38.** Tideway takes a proactive approach to engagement, using a range of communication channels to inform the public and engage with our neighbours. **See page 14.**

The Impact of The Company's Operations on the Community and Environment

The directors are mindful of the long-term commitments contained in Tideway's Legacy Plan and this year the Board has been engaged in review of how those commitments are aligned against the UN Sustainable Development Goals. **See page 10.**

The Board's HSSE Committee regularly reviews performance on environmental & sustainability matters and related risks on the risk register. **See page 104.**

This year members of the HSSE Committee also received a presentation on the company's programme of STEM activities for young people and the considerable efforts taken to ensure the programme continued throughout the Covid-19 pandemic. **See page 43.**

Maintaining a Reputation for High Standards of Business Conduct

As noted above, maintaining our reputation is one of Tideway's strategic priorities as set out in the 2021/22 Business Plan. **See page 22.** The company's proactive approach to engagement and communication is regarded as key to public accountability.

Important stakeholder bodies - the Thames Tideway Forum, the Independent Compensation Panel and the Independent Complaints Commissioner - are independently chaired and report annually to the Tideway Reporting Group. Their reports are available on the Tideway website. **See page 14.**

Board members are actively involved in reviewing and approving Tideway's Annual Report and support our transparent approach to reporting against the provisions of Ofwat's Principles for Board Leadership, Transparency and Governance and the UK Corporate Governance Code.

The Need to Act Fairly as Between Members of the Company.

Four directors sit on the Tideway Board where they represent the views of investors in Board discussions and decision-making. The arrangements we have in place to ensure Tideway maintains an independent Board for the purposes of strategic and risk management decisions are set out on **page 94**.
Other detailed information about our Shareholders and their relationship with Tideway is set out on **pages 122-125**.

Section 172 Statement

Examples of Board Activities

	Business Plan and Budget 2021/22	Covid-19	Organisation Change
Activity	Approval of Tideway's Annual Business Plan and Budget followed an in-depth review by the Board of project schedule and milestones, and proposals for strategy and priorities in the year ahead. This included two workshops for Board members, in February and early March, leading to final approval of the Annual Business Plan and Budget 2021/22 in late March 2021.	The impact of Covid-19 has been a major focus for Board activity over the year. In addition to reviews at scheduled Board meetings, Board members attended a Board workshop in April 2020 to consider the potential the impact of the pandemic and the response plan. Weekly update sessions were held in the first quarter, and less regularly after that, giving Board members an opportunity to stay informed of emerging matters and to advise on strategy. A sub-group of the Board was also formed and met separately to focus on the detailed implications of the pandemic for project cost and financing.	In line with the continued evolution of the project the company commenced organisation changes and redundancies. Board members have been regularly updated by the CEO on organisation changes. In her role as the non-executive director responsible for workforce matters, Lady McGregor-Smith has met with employee representatives and provided feedback to the Board.
Stakeholder considerations	Discussions included review of progress in each of the Main Works Areas and Board members were briefed on critical factors affecting each of the Main Works Contractors. There was also a review of ongoing T minus 24 activities relating to preparations for systems commissioning and handover involving the Main Works Contractors, the System Integrator and Thames Water. The position of Tideway's workforce and organisational structure was also considered. The plan reflects the need to deliver effective organisational change in line with the project requirements, and updates health, safety and wellbeing priorities to reflect future MEICA installation and site commissioning risks. The position of Ofwat and Defra in the political and regulatory environment affecting the project was reviewed, and Board members also discussed the position of our supply chain partners and Thames Water in our wider operating environment. Projected shareholder distributions were reviewed in the context of the annual budget and Board members considered the impact of project costs on Thames Water customer bills.	The health, safety and wellbeing of those involved on the project has been the Board's priority throughout the pandemic. Board members received regular updates on the measures implemented to protect the workforce across the project, and provided advice to management based on their experience responding to the pandemic in other organisations. Considering the potential effect of the pandemic on cost and schedule, Board members regularly reviewed the position of a range of stakeholders including the Main Works Contractors, Thames Water bill-payers and shareholders. Board members were regularly updated on and contributed to preparations for engagement with Ofwat.	As noted above, the 2021/22 Business Plan was approved by the Board and takes account of workforce and organisational structure. Priorities for the year ahead include continuing to support a high-performing, motivated and engaged workforce. For the long term, it is recognised that there needs to be a strategy for preserving organisational capability in critical roles.
Outcomes	and budget process Board members were updated on progress in the project and the status of matters affecting the Main Works Contractors. Following review in the first Board workshop, the Board requested further information on the assumptions and sensitivities incorporated in the forecasts. This was developed for the second Board workshop and there was further detailed review at the March Board meeting prior to approval of the Business Plan and Budget 2021/22. The overall outcome of the decision is a business plan and budget that the Board believes supports Tideway's strategic priorities and has taken into account the impact of our activities on a wide variety of stakeholders.	These additional levels of Board activity helped ensure that directors were well informed about the position of our stakeholders and the potential impact of the pandemic on the project. This level of engagement informed a number of Board decisions: • Following detailed assessment of the impact of Covid-19 on operations, the Board approved a revised estimate of the forecast cost and schedule for the project, as subsequently announced to the market in August 2020. • In November 2020 the Board approved the proposal to repay the sums Tideway had received through the government's furlough scheme. • In January 2021 Board approval was given in relation to proposed changes to Tideway's project licence arising in response to the impact of Covid-19. • Throughout the year the Board has reviewed quarterly distributions due to shareholders. In each case directors decided to defer the distribution due to continuing uncertainty regarding the impact of Covid-19 on outturn costs, the macro-economic climate and the associated regulatory response.	Board engagement on workforce matters, and particularly the feedback provided through Lady McGregor-Smith has helped shape company activities relating to organisation changes. Tideway management reviewed the feedback received by Lady McGregor-Smith and provided a formal response which was reported to the Board, confirming follow-up actions taken. In particular, support for staff members staying on the project was highlighted for consideration. This now forms part of the company's strategic priorities for the year ahead as contained in the 2021/22 Business Plan.

Governance

TBM Rachel breaking into the shaft at Acton Storm Tanks in west London

Chairman's Introduction

SIR NEVILLE SIMMS
INDEPENDENT NON-EXECUTIVE CHAIRMAN

The Board has been busy in the year. Over and above the regular decision-making and oversight activities we would expect to arise in this phase of the project, Board members have been actively engaged in the company's operational and strategic response to the impacts of the Covid-19 pandemic. We have benefited from the wide range of skills and experience represented on the Board, with Board members providing both support and challenge, where appropriate, to help the company navigate through a period of considerable uncertainty.

We continue to apply Ofwat's principles for board leadership, transparency and governance as well as the UK Corporate Governance Code (the Code) and I am pleased to report that we comply in all respects, except with the Code's requirement (provision 11) that at least half the Board, excluding the Chairman, should comprise Independent Non-Executive Directors. We currently have six Independent Non-Executive Directors on the Board including myself. This makes the Independent Non-Executive Directors the largest single group, balanced against three Executive Directors and four Shareholder Directors. We continue to keep the Board's composition under review to ensure we maintain a Board that meets the evolving needs of the project.

Since Tideway's inception we have annually monitored Board performance and reviewed and amended our procedures following those reviews. This year, in compliance with the Code we appointed external facilitators from Aspida Advisory Services Limited, to evaluate the performance of the Board, its committees and individual directors. (See page 98). I am pleased to report that the evaluation confirmed that Tideway has a high standard of corporate governance. However, I am also aware that there is no room for complacency. As the project progresses we will continue to review and revise our governance arrangements, to ensure we adopt the best practices for the benefit of the business and all our stakeholders.

The following reports sets out the principal activities of the Board and the Board's committees, together with information about our governance arrangements. Further information regarding our compliance with the detailed provisions of the Code and Ofwat's principles for board leadership, transparency and governance is also available on the Tideway website at: **www.tideway.london**

We have benefited from the wide range of skills and experience represented on the Board, with Board members providing both support and challenge, where appropriate.

A vortex system being installed at Hammersmith Pumping Station

Board Leadership, Transparency and Governance
The Board Members

Key to Committees

A Audit & Finance
N Nomination
R Risk
H Health, Safety, Security & Environment
RE Remuneration
Committee Chair

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sir Neville Simms FREng
Chair of the Board and Chair of Nomination Committee
Appointed August 2015, having met the independence criteria.

Key Skills and Experience

- Chartered civil engineer with significant board-level experience, known for driving change and enhancing value.
- Excellent understanding of policy making and regulation through advising and influencing government policy in the infrastructure sector.

Background

Sir Neville is recognised as an outstanding leader in the industry and has a long track record of leading major organisations. He was Chief Executive of Tarmac plc, Chairman of International Power plc and until May 2005, Chairman of Carillion plc. He was also joint Chairman of the Channel Tunnel contractors' consortium, TML for the final three years of the project. Sir Neville chaired the Building Research Establishment Trust, as well as several construction industry bodies, the regional leadership teams for Business in the Community in the West Midlands and the Solent Regions. He was also a founder member of the government's Private Finance Panel and served for seven years on the Court of the Bank of England.

External Appointments

None

Richard Morse
Deputy Chair of the Board and Chair of Audit & Finance Committee
Appointed August 2015

Key Skills and Experience

- Over 30 years' experience of investment banking in the infrastructure and energy sectors.
- Significant understanding of regulated businesses.

Background

Richard has a background in investment banking with significant expertise in the energy and infrastructure sectors, having been the Deputy Director of Ofgem (1999-2001) and the head of corporate advisory teams at Dresdner Kleinwort Wasserstein, Goldman Sachs International and Greenhill International. He is a Partner at Opus Corporate Finance. Richard has been involved in the project since 2013 when he joined the board of subsidiary Thames Tideway Tunnel Limited, to assist in the set-up of Tideway.

External Appointments

- Chairman – JLEN Environmental Assets
- Chairman – The Woodard Corporation
- Non-Executive Director – Heathrow Southern Rail Limited
- Trustee – The Grange Festival

INDEPENDENT NON-EXECUTIVE DIRECTORS

John Holland-Kaye
Chair of Health, Safety, Security and Environment Committee
Appointed July 2017

Key Skills and Experience

- Significant experience of developing and delivering major UK infrastructure.
- Strong commercial perspective, including from experience in the construction sector.

Background

John has been the CEO of Heathrow Airport Limited since July 2014. Prior to that, he was Commercial Director and Development Director at Heathrow, where he was responsible for delivering £1bn of annual investment, including the new Terminal 2. John has held various senior executive roles, such as Divisional CEO at Taylor Wimpey plc and Managing Director of Bass Brewers.

External Appointments

- Chief Executive Officer – Heathrow Airport Limited
- Member – HRH The Prince of Wales' Sustainable Markets Council
- Member - DEFRA's Council for Sustainable Business

Baroness McGregor-Smith CBE
Independent Non-Executive Director
Appointed June 2019

Key Skills and Experience

- Chartered accountant with significant board-level experience in operations and change management.
- The first Asian woman to become chief executive of a FTSE 250 company.

Background

Baroness McGregor-Smith is the President of the British Chambers of Commerce. She was the Chief Executive of MITIE Group plc from 2007 to 2016. As one of the few female chief executives in the FTSE 250 and FTSE 100, she grew MITIE's employee base from circa 23,000 to 65,000, making it one of the UK's largest private sector employers. She was made a life peer of the House of Lords in 2015 where she sits on the Risk Assessment and Risk Planning Committee. Recognised by the Financial Times as one of the top 50 female business leaders in the world in 2013, she also served as the Chair of the Women's Business Council between 2012 and 2016, and she authored the Independent Report to the UK Government on Race in the Workplace, published in 2017.

External Appointments

- President – British Chamber of Commerce
- Chair – Airport Operators Association
- Non-Executive Director – Department for Education
- Non-Executive Director and Chair of the Remuneration Committee - MindGym plc
- Non-Executive Director - One CAM Limited
- Pro-Chancellor - The University of Surrey

Board Leadership, Transparency and Governance

The Board Members

Key to Committees

A Audit · N Nomination · R Risk · Committee Chair

H Health, Safety, Security & Environment · RE Remuneration · T Treasury

INDEPENDENT NON-EXECUTIVE DIRECTORS

Michael Queen
Chair of Remuneration Committee
Appointed August 2015

Key Skills and Experience

- Proven commercial and strategic skills, gained from running and advising a wide range of organisations.
- Deep understanding of infrastructure investment.

Background

Michael is a chartered accountant with over 30 years' experience in the alternative finance sector. He was CFO and then CEO of 3i Group plc, where he developed 3i's activities in the infrastructure sector by founding 3i Infrastructure plc. He was previously a member of the Prime Minister's Business Advisory Group (2010-2012) and currently brings his commercial and financial expertise to a variety of organisations.

External Appointments

- Chair – Coller Capital
- Chair of Council – University of Surrey

Mike Putnam
Chair of Risk Committee
Appointed July 2018

Key Skills and Experience

- Recognised leader in the construction sector, with expertise in strategy and commercial management.
- Extensive experience in the successful delivery of high-profile infrastructure projects.

Background

Mike is experienced across the development, construction and services sectors. Mike was the President and CEO of Skanska UK plc (2009-2017) and prior to that, he was one of the company's Executive Vice Presidents and main Board Directors (2001-2009). He has been closely involved with the successful delivery of several high-profile infrastructure projects, including the M25 PFI/PPP, the Channel Tunnel, the Channel Tunnel Rail Link, National Grid Power Tunnels, Crossrail, Thameslink, Northern Hub and Waterloo Rail Alliances.

External Appointments

- Non-Executive Director – Southern Water Services
- Non-Executive Director – Network Rail
- Supervisory Board Member – ARCADIS (the global design and cost consultancy business headquartered in Amsterdam)
- Expert Panel Member - Department of Transport's Acceleration Unit

NON-EXECUTIVE SHAREHOLDER DIRECTORS

Gavin Tait
Amber Infrastructure
Appointed May 2015

Key Skills and Experience

- Extensive experience leading investments in major infrastructure projects.
- Expertise in regulated utilities, including water, gas and electricity.

Background

Gavin is the Chief Executive Officer of Amber Infrastructure. Amber is a global infrastructure fund manager with a team of c. 130 infrastructure investment professionals, with responsibility for managing six separate infrastructure funds across the energy, transport, digital and social infrastructure sectors. Before Amber, Gavin worked at Babcock & Brown and ABN AMRO.

Andrew Cox
Allianz
Appointed March 2018

Key Skills and Experience

- Specialist in asset management activities for infrastructure investments.
- Significant experience in infrastructure transactions.

Background

Andrew is Head of Infrastructure and Renewables Asset Management for Allianz Capital Partners, a fully-owned subsidiary of Allianz Global Investors. He has been responsible for all asset management activities for the direct infrastructure investment portfolio since 2016 and from 2020 he has also taken responsibility for the Renewable Energy portfolio as well. He sits on several other boards, including Porterbrook (UK rolling-stock leasing) and Silex (Norwegian offshore gas transmission).

Prior to joining Allianz, Andrew was a senior Principal Investor and Asset Manager for 3i in its infrastructure team for nearly ten years. Before that, he worked at Ambac and Citi. Andrew has an MA in History from Gonville and Caius College, Cambridge.

Board Leadership, Transparency and Governance
The Board Members

Key to Committees

- A Audit
- N Nomination
- R Risk
- Committee Chair
- H Health, Safety, Security & Environment
- RE Remuneration
- T Treasury

NON-EXECUTIVE SHAREHOLDER DIRECTORS

Javier Falero
DIF
Appointed November 2019

Key Skills and Experience

- Significant experience of investment in assets in the UK and Ireland.
- Extensive infrastructure managing projects through the construction and long-term operations phases.

Background

Javier is a Director at DIF where he is responsible for the asset management of a number of UK and Irish investments. Prior to joining DIF in 2016, Javier worked for Barclays Infrastructure Funds Management and then as a director at 3i, where he was involved in the origination and execution of new equity investment opportunities and the asset management of existing investments across infrastructure and energy sectors. Javier has a first-class degree in Mathematics and Computation from Loughborough University and is a qualified Chartered Accountant with the Institute of Chartered Accountants in England and Wales.

Alistair Ray
Dalmore Capital
Appointed May 2015

Key Skills and Experience

- Over 20 years' experience in the infrastructure sector.
- Wide range of board-level experience, spanning several sectors.

Background

Alistair co-founded Dalmore Capital in 2009 and is CIO. He is a Dalmore shareholder and board member, as well as being on the investment and operations committees. Alistair has held senior positions in the infrastructure investment business, including at Edison Capital, Noble Group, Merrill Lynch and 3i Infrastructure plc. He was a founding member of the infrastructure team at 3i and was involved in the acquisition of Anglian Water and the purchase of stakes in Oiltanking GmbH. Alistair was also a Non-Executive Director of CAF Bank and is a Director of Cory Holdco Limited.

COMPANY SECRETARY

Valmai Barclay
Company Secretary
Appointed January 2018

Key Skills and Experience

- Lawyer with specialist knowledge of the construction and infrastructure sectors.

Background

Valmai is Company Secretary and Legal Counsel at Tideway. Throughout her career, she has been involved in a range of UK infrastructure and development projects. Prior to Tideway, she worked in-house at a multinational construction company and before that, as a solicitor in private practice, specialising in construction and engineering.

EXECUTIVE DIRECTORS (ALSO PART OF EXECUTIVE COMMITTEE)

Andy Mitchell CBE, FREng
Chief Executive Officer
Appointed August 2015

Key Skills and Experience

- Civil engineer who has managed high-profile UK and overseas projects.

Background

Andy was appointed CEO of Tideway in 2014 and was formally appointed to the Tideway Board on Licence Award in 2015. He joined the project from Crossrail where he was Programme Director and a Board member. He has worked around the world, including on developments such as Hong Kong Airport and Hong Kong West Rail. He also worked for Network Rail, where he was Project Director for its Southern Power Upgrade project and Senior Programme Director of the Thameslink Programme. Andy is a Fellow of the Royal Academy of Engineering and the Institution of Civil Engineers, and former Chair of the Infrastructure Industry Innovation Platform (i3P) and the Infrastructure Client Group (ICG). Since 2018 Andy has also been Co-Chair of the Construction Leadership Council and in 2020 he was named Personality of the Year at the Building Awards, in recognition of his efforts working with government to prepare for Brexit and to support the industry through the coronavirus pandemic. He was honoured with a CBE for Services to Civil Engineering.

Mathew Duncan
Chief Financial Officer
Appointed November 2018

Key Skills and Experience

- Financial expertise in the construction and infrastructure sectors.
- Experienced on large scale infrastructure project.

Background

Before joining Tideway, Mathew was the Finance Director of Crossrail Ltd, the company responsible for delivering the new high-frequency, high-capacity railway for London and the South East. Prior to that he worked for Balfour Beatty in a number of roles, the last one as interim CEO and Finance Director at Balfour Beatty Support Services, where he was responsible for business sectors such as UK rail and utilities operations, and a workforce of 8,500 people. Mathew is an External Member of the House of Lords Commission and is also Chair of the House of Lords Audit Committee.

Mark Sneesby
Chief Operating Officer
Appointed August 2015

Key Skills and Experience

- Extensive experience in complex water projects.
- Track record of driving operational and commercial performance.

Background

Mark joined Tideway as COO in May 2014 and was formally appointed to the Tideway Board on licence award in 2015. He is a chartered engineer experienced in delivering major infrastructure in the water industry. He was Head of Major Projects at Thames Water, which included the Lee Tunnel project, one of the largest contracts ever awarded in the UK water industry.

Board Leadership, Transparency and Governance

The Board Members

EXECUTIVE MANAGEMENT TEAM

Andy Alder
Programme Delivery Director

Responsible for the delivery of all infrastructure across the project.

Background

Andy joined Tideway in 2015 from Crossrail, where he was Chief Tunnel Engineer and then Project Manager for construction of tunnelling in the West area. He was previously responsible for the design of the London Underground Tottenham Court Road Station Upgrade and DLR Extensions to London City Airport and Woolwich. Andy is a Council Member and Trustee Board Member of the Institution of Civil Engineers, as well as Chair of the ICE's Finance, Assurance and Risk Committee. Andy is also a Fellow of the Association for Project Management.

Roger Bailey
Chief Technical Officer

Responsible for leading the Completion & Handover Team and for technical oversight, property and commercial agreements, compliance with planning permission, system commissioning and the operational integration of the completed Thames Tideway Tunnel asset into the existing London sewer network.

Background

Roger joined the project in 2012 and took on the role of Asset Management Director in 2014 and then Chief Technical Officer in 2018.

He is a chartered civil engineer with more than 30 years' experience in the planning, design and construction of complex infrastructure projects in the UK and overseas. Roger is a Fellow of the Institution of Civil Engineers and a Director of the Thames Skills Academy.

Julie Thornton
Human Resources Director

Responsible for employee engagement, development, diversity and HR strategy.

Background

Julie joined the project in 2013. Her corporate career began over 25 years ago at IBM, where she went on to be Head of HR for Global Services, UK, before moving to Citibank as Vice President for HR in EMEA in Geneva and London. Julie's experience includes business services, oil and gas, and construction sectors.

Lucy Webster
External Affairs Director

Responsible for external and internal communications, brand, stakeholder engagement and public affairs, community engagement, sustainability and legacy and Tideway's corporate responsibility programme.

Background

Lucy joined Tideway in 2016 from Metropolitan, a large housing provider. Prior to this, she held senior communications roles in the transport and regeneration sectors. She spent six years at Transport for London and worked on the preparation for the London 2012 Olympic Games, including planning and land assembly. Lucy sits on the Board of the London Design and Engineering UTC, a mixed university technical college at the University of East London campus.

EXECUTIVE MANAGEMENT TEAM

Celia Carlisle
General Counsel

Responsible for providing strategic legal advice on all aspects of the project, negotiating key contracts and ensuring regulatory compliance.

Background

Celia joined the project in 2013 from the Olympic Delivery Authority. She has over 20 years' experience, both in-house and in private practice, of advising major infrastructure projects on their procurement, construction, governance, regulation and financing. Celia sits on the finance committee of the London Design and Engineering UTC, a mixed university technical college at the University of East London campus and also on the panel of the ICE Independent Assurance panel.

Steve Hails
Business Services and Health, Safety and Wellbeing Director

Responsible for business services, including information systems, quality and environment together with advising on health, safety and wellbeing issues and promoting a positive health and safety Company culture.

Background

Steve joined Tideway in 2016 after gaining over 20 years' experience in the construction, engineering and manufacturing sectors. He was previously Director of Health and Safety at Crossrail, which he joined from Siemens Energy. Steve is Chair of the Board of Trustees of Mates in Mind, Chair of the Infrastructure Client Group H&S forum, a founding member of the Health in Construction Leadership Group and, as of April 2018, Steve was the first Honorary Fellow of the British Occupational Hygiene Society. In 2019, Steve was recognised as one of the top 10 Corporate Allies at the National LGBT Awards.

Matthew Parr
Director of Strategy and Regulation

Responsible for strategy, business planning, corporate risk, revenue, regulatory and government relations, annual and corporate reporting.

Background

Matt joined the project in 2011 to focus on the funding of the Tideway project through its development and delivery phases and to establish its approach to legacy. Prior to this, he was a Director at a management consultancy where he advised governments, regulators, companies and investors in the utility and infrastructure sectors. Before moving into consultancy, Matt held various positions at Ofwat.

Richard Lewis
Asset Ownership Director

Responsible for the commissioning plan and delivering an integrated, operable CSO control system, ensuring the tunnel is ready for operation with the Thames Water network.

Background

Richard joined the project in 2015 in the Project Sponsor team taking on the role of Asset Ownership Director in 2020. He has over 25 years' experience in the water and chemical process industries, both supporting operational assets and delivering complex projects. Richard is a Fellow of the Institute of Mechanical Engineers and Member of the Project Management Institute.

Board Leadership, Transparency and Governance

The Board's Role and Responsibilities

THE ROLE OF THE BOARD

The Board's role is to govern Tideway, so it achieves its strategy and objectives, in particular the successful delivery of the Thames Tideway Tunnel, consistent with the values and purpose of the organisation. The Board is collectively responsible for Tideway's long-term success and for delivering sustainable value to customers, Shareholders and other stakeholders. It sets Tideway's strategy and risk appetite and approves and monitors management's plans for achieving Tideway's strategic objectives and targets, including risk mitigation.

Important aspects of Tideway's business are subject to scrutiny by the Board committees, which report to the Board, and final decisions are made at Board level. Descriptions of the committees' roles and activities are set out later in this section.

The Board has approved a schedule of delegated authority (SoDA) which authorises management to approve certain decisions up to specified limits, beyond which the Board's approval must be obtained. This assists with implementation of decisions relating to funding and investment, contractual commitment and change, invoicing and payments, procurement, recruitment, treasury, the discharge of consents and claim settlement. The Board reviews the SoDA each year and by exception.

Certain matters are reserved to Shareholders for approval and these are set out in full, later in this section. Nevertheless, the Board considers all such issues and advises Shareholders as appropriate. The Board is ultimately responsible for Tideway's overall direction, supervision and management.

The following matters are reserved to be decided by a simple majority of the Board:

- **Significant risks:** determining the nature and extent of the significant risks the Board is willing to take in achieving Tideway's strategic objectives.
- **Chair and Chief Executive Officer:** deciding the division of responsibility between the Chair and the CEO.
- **Directors' remuneration:** approving the Directors' remuneration.
- **Director and executive training:** approving induction training and development programmes for Directors and senior employees.
- **Reporting:** approving of interim and annual reports and accounts.
- **Distributions:** approving any distributions.
- **Accounting policies and practices:** approving accounting policies and practices and any changes to them.
- **External auditors:** approving the Audit & Finance Committee's strategy for maintaining appropriate relationships with external auditors.
- **Risk and internal control policies:** setting the approach to risk management and internal control policies.
- **Risk and internal control review:** reviewing the effectiveness of risk management and internal control systems.
- **Policies:** setting the policy on business conduct, ethics, human rights, anti-bribery and corruption, corporate responsibility and health and safety.
- **Insurance:** setting and monitoring the overall levels of insurance.
- **Shareholder general meeting:** approving resolutions and related documentation to be put to Shareholders at a general meeting.
- **Shareholder communications:** approving any circulars, prospectuses and other documents to be sent to Shareholders.
- **Political and charitable donations:** approving all spend relating to political or charitable donations.
- **Related party transactions:** approving the entry into, amendment to, or a step to resolve any dispute in relation to a related party transaction.

BOARD ACTIVITY

The Board is required by its terms of reference to meet at least six times a year. The Board met formally eight times in the period. A number of Board workshops were also held during the year, and multiple additional updates were also organised giving Board members an opportunity to discuss emerging issues. All sessions were hosted online due to restrictions imposed as a result of Covid-19.

Ordinarily board dinners would provide further opportunity to informally share views and consider issues affecting Tideway. Although such events were not feasible in the year 2020/21, the Chair and Deputy Chair hosted a series of meetings with individual Board members at the start of 2021, providing an opportunity to express opinions outside regular online Board sessions.

The Board has focused on a range of issues including operational delivery, risk management, stakeholder engagement and governance. This table summarises some of the Board's key discussions, and progress made against specific activities.

Leadership and Employees

Actions	Progress
Reviewing the health, safety and wellbeing and engagement of employees	Received regular monthly performance updates on health, safety and wellbeing, including performance against the Health and Safety Performance Index (HSPI).
Engaging with the workforce	Received regular reports from the independent non-executive director representing workforce matters further to her engagement with staff. See page 48 for more information. Discussed the impact of the Black Lives Matter campaign and steps taken to support equality, inclusivity and diversity.
Reviewing the composition of the Board and monitoring its effectiveness	Undertook the annual review of effectiveness of the Board, its committees and individual directors, externally facilitated by Aspida Advisory Services Limited. See page 98 for more information.
Ensuring appropriate succession planning	Considered the review of succession plans.
Monitoring the remuneration strategy, to ensure it remains appropriate	Discussed employee rewards.

Strategy and Performance

Actions	Progress
Monitoring progress against strategic priorities	Discussed topics including: • health, safety and wellbeing • schedule, cost and quality • vision, legacy and reputation • company and people • financing See the Strategic Report section for more on Tideway's objectives and priorities.
Reviewing and approving business activities	Reviewed and approved the Annual Business Plan and Budget. Reviewed and approved operational matters in accordance with the SoDA.
Monitoring operational performance	Reviewed and discussed management's monthly operational performance reports. **Received updates on key business activities, including briefings on:** • the impact of and responses to Covid-19 • tunnels, secondary lining and interfaces • commercial strategy • preparations for commissioning • financial performance • business reorganisation activities

Board Leadership, Transparency and Governance
The Board's Role and Responsibilities

BOARD ACTIVITY

Risk Management

Actions	Progress
Reviewing risk appetite	Reviewed the Board's risk appetite and Tideway's principal risks. See the Risk Management section of this report.
Monitoring risk management and control	Reviewed the effectiveness of the risk management and internal control systems. See the Risk Management section of this report.
Monitoring key operational risks	Received detailed briefings on the impact of the Covid-19 pandemic, schedule, secondary lining, interfaces between main works areas and commercial and legal response plans.

Governance

Actions	Progress
Ensuring appropriate delegation of authority	Reviewed and approved updates to the SoDA.
Reviewing work carried out by Board committees	Received post-meeting reports from the Chairs of each committee, summarising discussions and actions.
Monitoring and ensuring good corporate governance	Received regular governance updates from the Company Secretary.
Ensuring appropriate assurance	Reviewed, via the Audit and Finance Committee, and approved the 2019/20 Assurance Plan.
Refreshing director's understanding of responsibilities	Received training on director's duties relating to health and safety at work responsibilities.
Ensuring compliance with duties under the Modern Slavery Act	Reviewed and approved changes to Tideway's Modern Slavery Statement.

Regulatory Matters

Actions	Progress
Monitoring regulatory requirements	Reviewed and discussed regulatory developments, strategy and consultation responses.
Ensuring regulatory reporting requirements are met	Reviewed and approved the Regulatory Report and Accounts and the Revenue Statement, prior to submission to Ofwat.
Ensuring compliance with the project licence	Reviewed and discussed licence compliance, including reviewing changes to the licence and approving the Risk and Compliance Statement and the Statements on sufficiency of financial and non-financial resources. See page 175 for statements.

Financing

Actions	Progress
Reviewing and approving financing arrangements	Reviewed and approved the Financing Plan. Reviewed and approved the deferral of distributions.

Financial Reporting and Taxation

Actions	Progress
Reviewing past and projected financial performance	Reviewed and approved the Annual Budget. Reviewed and approved the half year and full-year financial statements. Reviewed the monthly management accounts.

Stakeholder Engagement

Actions	Progress
Monitoring engagement with key stakeholders	Received regular briefings on engagement with key stakeholders including Ofwat, Defra, Thames Water and the Main Works Contractors.

THE DIRECTOR'S ATTENDANCE AT SCHEDULED BOARD MEETINGS

Total Meetings Held in Period:		8
Sir Neville Simms	Independent Non-Executive Director	8
Richard Morse	Independent Non-Executive Director	8
John Holland-Kaye	Independent Non-Executive Director	6
Baroness McGregor-Smith	Independent Non-Executive Director	8
Mike Putnam	Independent Non-Executive Director	8
Michael Queen	Independent Non-Executive Director	8
Andrew Cox	Shareholder Director	8
Javier Falero	Shareholder Director	8
Alistair Ray	Shareholder Director	8
Gavin Tait	Shareholder Director	8
Andy Mitchell	Executive Director	8
Mathew Duncan	Executive Director	8
Mark Sneesby	Executive Director	8

Board Leadership, Transparency and Governance
Governance Standards

Tideway has from the outset aimed to achieve the highest standards of corporate governance, and to operate in a way that is transparent and collaborative for the benefit of all our stakeholders.

We are pleased to report that we complied with the objectives set out in Ofwat's 2019 principles for board leadership, transparency and governance, and we also complied with the principles set out in the 2018 UK Corporate Governance Code (the Code) other than the Code's requirement that at least half the Board, excluding the Chair, should comprise Independent Non-Executive Directors[1]. We have six Independent Non-Executive Directors, including the Chair, on the Tideway Board. This makes the Independent Non-Executive Directors the single largest group on the Tideway Board.

The Board believes it has the right combination of Executive Directors, Shareholder Directors and Independent Non-Executive Directors for the role of the Board supporting the organisation. Importantly, no individual or group can dominate the Board's decision making, and the Board is satisfied that the Independent Non-Executive Directors are independent in character and judgement, with no relationships or circumstances which are likely to affect or could appear to affect their independence. Each of the Board committees is chaired by an Independent Non-Executive Director and the Shareholders' Agreement entered into at Licence Award supports these principles, containing legally binding commitments to maintain an independent board.

The significant independent representation and limited matters reserved to Shareholders help ensure that the Board is independent and in control of the regulated business and able to operate in a sustainable way in line with the long-term nature of the sector.

Further information features in the composition of the Board section. The limited matters reserved to Shareholders are set out in full on page 125, and further information on our process for identifying and managing actual or perceived conflicts of interests is available on the Tideway website.

[1] *An overview of these principles and further information on where to find details regarding Tideway's related governance arrangements, is provided on the Tideway website at tideway.london/about-us/leadership.*

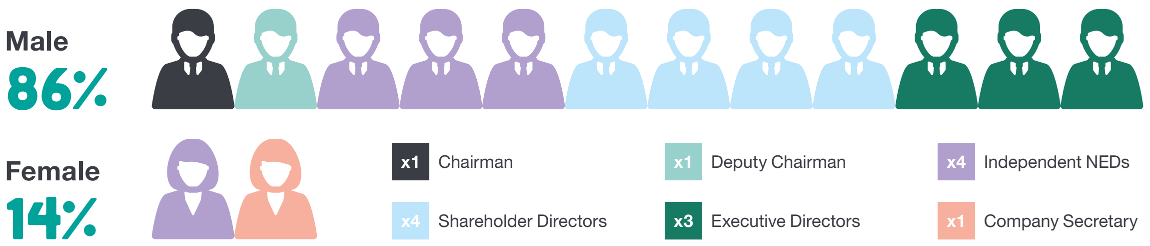
Operatives in the Putney connection tunnel

Board Leadership, Transparency and Governance
Board Composition

THE BOARDROOM TABLE

The Tideway boardroom table consists of 13 Directors, ten of whom are Non-Executive, plus the Company Secretary. Six of the Non-Executive Directors are independent, including the Chair of the Board, Sir Neville Simms.

BOARD COMPOSITION



SECTOR EXPERIENCE

Board members have a wide range of expertise, including financial, operating and regulatory experience in the construction, finance and infrastructure sectors. We recognise that as the project progresses the matters requiring Board consideration will change and we intend to keep Board members' skills and experience under review and to refresh the Board from time to time, to ensure its breadth of sector experience appropriately reflects the project's needs.

CHANGES TO THE BOARD

Last year it was agreed to defer any definitive discussions about Board succession until the pandemic crisis had abated. In a period of significant uncertainty, this allowed continuity of Board membership during 2020/21 and there were no departures or appointments in the period.

Further details of the Tideway Directors, including their dates of appointment, is contained in their biographies. Further information on the process for Board appointments and succession arrangements is available on the Tideway website.

DIVISION OF RESPONSIBILITIES WITHIN THE BOARD

Chair

The Chair's primary role is to provide independent oversight and governance, as leader of the Board.

The Chair is the most senior leader of the business and the guardian of the interests of all Shareholders and stakeholders. He is responsible for leading the Board and ensuring its effectiveness and takes overall responsibility for the Board's composition, capability and performance evaluation.

The Chair's key functions are to:

- manage the Board and run Board meetings promoting a culture of openness and debate;
- take responsibility, with the Board, for agreeing and monitoring Tideway's strategy and its delivery through the Annual Business Plan;
- ensure good corporate governance is maintained, in the interests of all stakeholders;
- discuss with the CEO any recommendations from the Remuneration Committee;
- agree with the CEO all key external communications;
- represent Tideway externally at the most senior level;
- determine with the CEO which matters require Board approval;
- determine with the Company Secretary which decisions are reserved to the Shareholders;
- facilitate constructive Board relations and effective contribution of Non-Executive directors; and
- ensure that directors receive accurate, timely and clear information

It is important that the Chair and CEO work well together, to provide effective and complementary stewardship. The Chair therefore consults regularly with the CEO and is also available to advise and support the CEO.

Chief Executive Officer

The CEO is responsible for all of Tideway's operations, as leader of the Executive Committee.

The CEO is responsible for Tideway's leadership and operational management, within the Annual Business Plan approved by the Board. He is supported by the CFO, COO, and seven other direct reports on the Executive Committee.

The CEO's key functions are to:

- develop Tideway's vision and values;
- manage the Executive Committee and Tideway's day-to-day activities;
- set the operating plans and budgets required to deliver the agreed company strategy;
- ensure that Tideway has appropriate risk management and control mechanisms;
- develop the necessary performance objectives and non-financial programmes required to enhance and develop Tideway's culture;
- determine, strengthen and develop the senior management team; and
- share with the Chair the external representation duties for Tideway.

Senior Independent Director

The Board has appointed Richard Morse as its Deputy Chair, in which role he fulfils the functions of the Senior Independent Non-Executive Director. He provides a sounding board for the Chair and serves as an intermediary for other Directors, when necessary or appropriate.

The Deputy Chair is also available to Shareholders and other stakeholders if they have concerns which it would be inappropriate to raise through the conventional channels of Chair, CEO or the other Executive Directors.

Non-Executive Directors

The Board includes ten Non-Executive Directors, four of whom represent the current Shareholders and six of whom are independent. The Shareholder Directors represent the views of investors in Board discussions and decision-making. The Independent Non-Executive Directors (who form the largest group) ensure there is a balance of perspectives, drawing on a wide range of skills and experience, so that the Board can make high quality decisions that address diverse stakeholder needs.

All the Non-Executive Directors use their breadth of knowledge and experience to challenge, monitor and approve the strategy and policies recommended by the Executive Directors. Each of the Board committees is chaired by one of the Independent Non-Executive Directors, with those roles allocated based on their relevant skills and experience.

Executive Directors

The Executive Directors are the CEO, COO and CFO. The role of the CEO is set out above.

The COO is responsible for delivering the project through the Main Works Contractors, the Systems Integrator and the Programme Manager. The COO works closely with the CEO and CFO.

The CFO manages Tideway's finances, including financial and business planning, management accounting and control processes and treasury, in order to deliver the capital programme effectively, manage ongoing operations and ultimately protect shareholder value. The CFO is also responsible for Tideway's strategy and regulation team and for information systems strategy.

Board Leadership, Transparency and Governance
Board Composition

BOARD DEVELOPMENT, CONFLICTS AND EVALUATION

Development

To ensure Board members maintain a deep understanding of the business and stay abreast of developments affecting Tideway's legal and regulatory environment, we provide a range of opportunities inside and outside the boardroom. During the year the Board received regular presentations and updates from staff and external advisors on topics including health and safety, the main works contracts, project and programme manager activities, operational matters, and the supply chain. Social distancing requirements this year have meant that Board members have not attended site visits, however they have received regular progress reports on site activities and we will resume site visits for Board members as soon as it is safe to do so. In addition this year, Board members received a special briefing session to remind and update them of their duties as directors relating to health and safety at work.

Further information on the information and support available to Board members is available on the Tideway website.

New directors joining the business are given a comprehensive induction programme tailored to their skills, experience and role on the Board.

Board Evaluation

The Chair holds periodic meetings to discuss the performance of management and the Board. These meetings are held with all the Non-Executive Directors without the Executive Directors present and with the Independent Non-Executive Directors without the Shareholder Directors present.

Tideway conducts annual evaluations of the performance of the Board, its committees, the chair and individual directors. In keeping with the UK Corporate Governance Code provision that the Board evaluation should be externally facilitated every three years, this year an independent external facilitator, Aspida Advisory Services Limited, was appointed to carry out a performance evaluation of the Board, its committees and individual Directors. Its review included attendance and observation at the March Board and Committee meetings, and access to supporting materials to assist the evaluator's understanding of how the Board and its committee operate. In addition, tailored interviews were conducted with each Director based on their individual responses to a detailed questionnaire. Finally, a mapping exercise was undertaken to analyse the Board's performance against the Code, the Ofwat principles for board leadership and governance, and the Walker Guidelines for Disclosure and Transparency in Private Equity.

Aspida Advisory Services Limited provides no other services to Tideway.

The overall conclusion from this year's evaluation was that the Board has a high standard of corporate governance and there were no significant points to raise. All areas of the review show that Tideway had largely complied with the corporate governance codes (as listed above) that it adopts, and in the limited area where the Board has decided not to fully adopt the codes, there is clear explanations as to why not.

The Board does not currently have a majority of Independent Non-Executive Directors (excluding the chair) as recommended by the Corporate Governance Code. The Independent Non-Executive Directors form the largest sub-group on the Board and taken with the Chair and the Executive Directors, can out-vote the Shareholder Directors on Board reserved matters. It is considered to be in interests of the Company for the senior executives and each Shareholder to be represented on the Board, and the numbers associated with ensuring a majority of Independent Non-Executive Directors in those circumstances would make the Board unwieldy and unduly costly.

Levels of participation and openness in Board and Board Committee meetings were observed as being good, and also that care was taken to ensure all Board members have an opportunity to contribute to discussions. The Directors reported professional and candid boardroom behaviours and commented favourably on the openness of the Company and comprehensive Board and Committee papers.

The evaluation recognised that as a result of Covid-19 Board members had attended many additional meetings with a significant time commitment during the last year. In particular the close attention given to stakeholder matters was noted, with special effort having been made by the Board to keep stakeholders, including Government and Ofwat, appraised of the impact of the pandemic from an operational and financial perspective.

Board members discussed the findings of the evaluation in a workshop session in May 2021 and agreed to adopt the following recommendations to enhance existing governance practices:

- The register of conflicts of interests will be tabled at BTL Board meetings
- The Board's succession road map to be reviewed and updated for future phases of the project taking into consideration:
- the future role of the company in the short, medium and long term
- the size and make-up of the Board for the forthcoming stages
- succession planning for the Chair and other directors, balancing the need for continuity while allowing development of the Board in line with the progression of the project, and
- skill sets, experience and diversity in the broadest sense.
- Practice regarding preparation and distribution of board papers and minutes to be reviewed, considering changes in the company as the project evolves.

Progress against the recommendations made in this year's evaluation will be reported in full in our Annual Report for the financial year 2021/22.

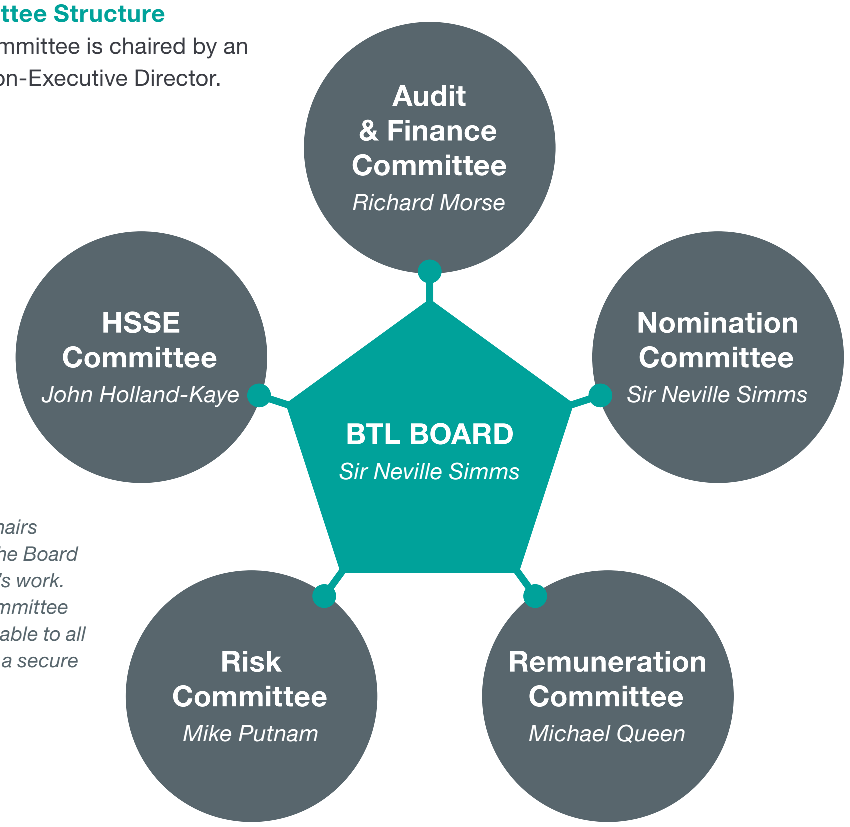
The front of TBM Ursula at Chambers Wharf

Board Leadership, Transparency and Governance

Board Committees

Board Committee Structure

Each Board Committee is chaired by an Independent Non-Executive Director.

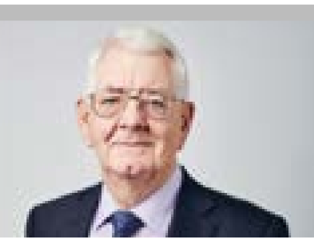


The Committee chairs regularly update the Board on the committee's work. Minutes of the committee meetings are available to all Directors through a secure electronic portal.

The Board has established five Board committees. The committees meet regularly, in accordance with an agreed schedule. All Non-Executive Directors are permitted to attend committee meetings, in addition to the committee members. The Executive Directors are not members of the Board committees, but they are invited to attend the majority of meetings other than Remuneration and Nomination committee meetings, which only the CEO attends, for all business other than relating to his own remuneration.

Each committee has terms of reference, which have been approved by the Board. Each committee's terms of reference and performance are reviewed by the Board each year, to ensure that the committees operate effectively. The Board approves any changes to the terms of reference, which are available on Tideway's website.

Nomination Committee Report



Sir Neville Simms FREng
Chair of Nomination Committee

The Nomination Committee is currently made up of four Independent Non-Executive Directors and three Shareholder Directors. A majority of members are therefore Independent Non-Executive Directors. I have been the Committee Chairman since Tideway was established. I have chaired a number of construction industry bodies and, together with the other members of the Committee, we have an appropriate balance of experience and a deep understanding of Tideway's business and the infrastructure sector.

All Shareholder Directors and Independent Non-Executive Directors are entitled to attend our meetings. The Committee would expect to meet at least once during the year. The Committee meets to assist the Board by:

- reviewing Company succession planning and talent management activity;
- understanding the current bench strength of the Executive Management Team;
- conducting a rigorous and transparent process when recommending or renewing the appointment of Directors to the Board; and
- approving the appointment of new Non-Executive Directors as required.

Role of the Nomination Committee

The Committee is responsible for:

- regularly reviewing the Board's structure, size and composition, including the balance of skills, knowledge, experience and diversity, and making recommendations to the Board regarding any changes;
- considering succession planning for Directors and senior executives, considering the challenges and opportunities facing Tideway, and the skills and expertise needed on the Board in the future; and
- evaluating, the balance of skills, knowledge, experience and diversity on the Board before the Board makes an appointment. In the light of this evaluation, it prepares a description of the role and capabilities required for an appointment.

Activities

The Committee focused on Board succession planning for the Executive Management team as well as reviewing the overall bench strength of the Senior Leadership team and renewing the Independent Non-Executive Directors' appointments.

The Committee is aware that whilst the Board has an appropriate range of skills and expertise, it has seen an overall reduction in gender diversity; this along with achieving broader diversity will need to be considered during any future Board changes.

Membership of the Nomination Committee 2020/21		Attendance
Sir Neville Simms Chair	Independent Non-Executive Director	1
Andrew Cox	Shareholder Director	1
Richard Morse	Independent Non-Executive Director	1
Alistair Ray	Shareholder Director	1
Mike Putnam	Independent Non-Executive Director	1
Javier Falero	Shareholder Director	1
Baroness McGregor-Smith	Independent Non-Executive Director	1

Risk Committee Report

Mike Putnam
Chair of Risk Committee

I am pleased to introduce this report on Tideway's Risk committee, which will be the third since I took over as Chair of the Committee in September 2018.

Composition of the Committee

The Risk Committee is made up of four Independent Non-Executive Directors (including myself) and two Shareholder Directors. Together we share a thorough understanding of the Tideway project, significant experience in the infrastructure sector and an appropriate balance of risk management expertise.

All members of the Board are entitled to attend our Committee and as a matter of course we invite the Chief Technical Officer, the Director of Strategy and Regulation, the Head of Programme Assurance and the Head of Internal Audit. Other relevant experts are also invited to attend Committee meetings where required.

Role of the Committee

The role of the Committee is to review and report to the Board on risk management, mitigation and internal control. This includes determining the nature and extent of the principal risks Tideway faces. (These are described in the Risk Management section of the Strategic Report.) We also assist the Board in its oversight of risk by reviewing Tideway's risk appetite and risk profile, and the effectiveness of its risk management framework.

We are supported by two executive-level risk committees. The Corporate Risk Committee is chaired by the Director of Strategy and Regulation and meets every six months to consider corporate risks that may affect the financial and reputational viability of the business. The Executive Risk Committee is chaired by the Chief Financial Officer and meets monthly to review programme risks that could affect the physical delivery of the project. I have regular meetings with the Director of Strategy and Regulation and the Chief Financial Officer to help ensure proper information flows from these committees, up to the Board's Risk Committee.

Membership of the Risk Committee 2020/21		Attendance
Mike Putnam Chair	Independent Non-Executive Director	3
Andrew Cox	Shareholder Director	3
John Holland-Kaye	Independent Non-Executive Director	3
Richard Morse	Independent Non-Executive Director	3
Michael Queen	Independent Non-Executive Director	3
Alistair Ray	Shareholder Director	0

Activities in the Year

The Committee met formally three times and undertook the following main activities:

Subject	Activity
Restart Process	Received an update on preparations for restarting works on site and measures taken in response to the Covid-19 pandemic.
Risk appetite monitoring	Considered reports on key risk exposures, emerging and potential risks, and matters driving risk across the project. Assessed and challenged the appropriateness of Tideway's overall risk appetite and approved the principal risks.
Risk management and governance	Received regular risk reports covering the principal and corporate risks, the programme and project risks, and the mitigations in place. Received updates from the Compliance Assurance and Risk Group (CARG), which is chaired by the CEO and challenges relevant staff on compliance and assurance matters. Received reports from Internal Audit with observations on the CARG covering management's approach to the process. Considered the risk retirement profile presented by management. Considered the results of an internal audit into Tideway's risk function.
Internal controls	Reviewed Tideway's Risk Management Plan.
Deep dive into supply chain risks	This deep dive considered arrangements in place to monitor and manage the risks associated with potential supply chain failures.
Deep dive into resilience preparation and planning re Covid-19	This deep dive allowed the Committee to review Tideway's preparedness for a second wave of the Covid-19 pandemic and the resilience plans in place to respond to additional lockdown(s).
Deep Dive into T-24 and System Commissioning	Progress toward system commissioning and handover is an increasing area of focus. Committee members received an in-depth briefing on T-24 (the process underway with stakeholders to ensure alignment in the final stages of the project) and arrangements for system commissioning. This included review of related strategic risks and plans for continued tracking of key issues through to handover.
Annual effectiveness review	Carried out an annual review of effectiveness which considered: • Tideway's risk appetite and desired culture in relation to risk; • the operation of risk management and internal control systems, including the determination of principal risks; • the integration of risk management and internal controls with Tideway's strategy and business model, and with business planning processes; • changes in the nature, likelihood and impact of principal risks and Tideway's ability to respond to changes in the business and the external environment; • the extent, frequency and quality of communication from Tideway's management to the Board regarding the results of risk monitoring; • issues dealt with over the course of the year, including actions to address weaknesses or control failings; and • the effectiveness of Tideway's public reporting processes.

Health, Safety, Security and Environment Committee Report

John Holland-Kaye
Chair of HSSE Committee

I am pleased to present this report on the work of the HSSE Committee in the year to 31 March 2021.

The Committee's members have an in-depth knowledge of Tideway's business, and an appropriate balance of expertise in matters concerned with health, safety, security and the environment. In my role as Chair of the Committee I bring a background of leadership in business, construction and infrastructure, and first-hand experience of priorities attached to health, safety, security and environmental matters.

Composition of the Committee

Including myself, the Committee has three Independent Non-Executive Directors and three Shareholder Directors. All members of the Board are entitled to attend the Committee and we also invite the Chief Technical Officer, the Director of Business Services and Health, Safety and Wellbeing and the Head of Sustainability. Further invitations are extended to relevant staff as required.

Role of the Committee

Tideway is committed to best practice, continual improvement and a transformational approach to health, safety and wellbeing, and we recognise the significance of environmental matters. The Board acknowledges that effective leadership on HSSE matters must come from the top of the organisation, and the HSSE Committee therefore has a key role in regularly reviewing, developing and overseeing consistent policy, standards and procedures for managing HSSE risk, and helping to ensure that Board members are sufficiently informed to discharge their individual and collective responsibilities for HSSE.

The Committee's responsibilities include reviewing Tideway's HSSE strategy and objectives and overseeing significant Tideway actions relating to HSSE. This includes incident investigation reports and the close out of actions resulting from any serious incidents the Committee sees fit to review.

The Committee is supported by executive-level Monthly Management Review meetings, which are chaired by the CEO and include an in-depth review of matters related to health, safety and wellbeing. The Director of Business Services and Health, Safety and Wellbeing chairs the Legacy and Environment Committee which meets bi-annually to provide strategic support on legacy, environmental and sustainability issues. Both forums feed into the HSSE Committee.

Membership of the HSSE Committee 2020/21		Attendance
John Holland-Kaye Chair	Independent Non-Executive Director	2
Andrew Cox	Shareholder Director	2
Mike Putnam	Independent Non-Executive Director	2
Javier Falero	Shareholder Director	2
Sir Neville Simms	Independent Non-Executive Director	2
Gavin Tait	Shareholder Director	1

Activities

In accordance with its terms of reference, the Committee met twice in the year 2020/21.

Subject	Activities
HSW performance review	Addressed detailed reports on the HSW performance of the MWCs, Programme Manager and Tideway.
Special report on near misses	Received a special briefing from the Business Services, Health, Safety and Wellbeing Director relating to near misses on sites. The briefing allowed the Committee to consider emerging trends relating to lost-time and significant incidents, and to review the actions taken by Tideway and the MWCs to mitigate the risk of future incidents.
Environmental performance review	Reviewed the environmental performance of the MWCs and Tideway.
HSW risk register	Reviewed and considered the priority of matters included in the HSW risk register.
Environmental risk register	Reviewed and considered the priority of matters on the environmental risk register.

Audit and Finance Committee Report

Richard Morse
Chair of Audit and Finance Committee

I am pleased to present this report which reviews the role and main activities of the Committee for the financial year ended 31 March 2021.

Composition

I chaired the Audit Committee when it was originally established in 2015 and continued on as Chair of the Audit and Finance Committee when it merged with the Treasury Committee in July 2019. I have over 30 years' experience of infrastructure and energy transactions as an investment banker. The Committee members have an appropriate balance of financial and accounting experience, and an in-depth understanding of Tideway's business and the infrastructure sector.

There is a majority of independent Committee members, based on a Committee composition of three Independent Non-Executive Directors and two Shareholder Directors. All of the Independent Non-Executive Directors have recent and relevant financial experience.

All members of the Board may attend our Committee meetings. We invite the Head of Internal Audit to attend as a matter of course, and other relevant staff as required.

Role of the Committee

The Committee reviews and reports to the Board on all financial reporting matters. We review the role and independence of the external auditor, the Internal Audit function, and Tideway's overall approach to compliance and assurance and annual reporting. We also review and report to the Board on Tideway's treasury policy, treasury strategy and financial strategy.

Our main responsibilities are to:

- review the half-year and annual financial and regulatory statements, including considering any significant areas of judgement and the ability of the Board to confirm that the annual report and accounts, taken as a whole, are fair, balanced and understandable and reporting to the Board on the significant issues considered by the Committee and how these were addressed;
- review the scope, planning and effectiveness of the Internal Audit function and Tideway's internal control and risk management systems;
- review procedures for whistleblowing, identifying and reporting fraud and other inappropriate behaviour, and the outcomes from any significant matters identified;
- make a recommendation to the Board for the appointment or reappointment of the external auditor;
- review the scope and results of the annual audit and report to the Board on the effectiveness of the audit process and how the auditor's independence and objectivity have been safeguarded;
- review Tideway's processes for ensuring compliance with its obligations and considerations for any breaches and the adequacy of any actions taken as a result of a breach; and
- review and present to the Board any funding, hedging or investment, or any material change to Tideway's financing arrangements.

Membership of the HSSE Committee 2020/21		Attendance
Richard Morse Chair	Independent Non-Executive Director	7
Andrew Cox	Shareholder Director	6
Baroness McGregor-Smith	Independent Non-Executive Director	7
Gavin Tait	Shareholder Director	6
Michael Queen	Independent Non-Executive Director	7

Activities

The Audit and Finance Committee met formally seven times in the year to 31 March 2021.

Subject	Activities
Financial and regulatory statements	Considered the appropriateness of the accounting policies. Reviewed significant issues in respect of the 2020/21 financial statements. Considered the impact of Covid-19 in the preparations of the accounts and disclosures therein.
Annual audit	Considered issues arising from the statutory and regulatory audits.
Internal audit	Reviewed the plan, activities and effectiveness of the Internal Audit function.
External auditor	Reviewed the reappointment of the external auditor, including considering the external auditor's independence and objectivity, and subsequently recommended reappointment to the Board.
Compliance and assurance	Considered the Company's approach and recommended changes to compliance and assurance arrangements where appropriate, reflecting changes in the Company.
Financial and narrative reporting	Reviewed the Company's approach to annual reporting including regulatory requirements.
Sustainable finance	Reviewed the Company's Sustainable Financing Report. Considered the Company's approach to climate related financial disclosures.
Long-term viability statement	Considered management's approach and recommendations relating to the Long-Term Viability Statement, for adoption by the Board and inclusion in the Annual Report and Accounts.
Treasury strategy and performance	Received detailed reports on financing market conditions and reviewed the performance of Tideway's financing strategy.
Distributions	Considered scheduled distribution payments to shareholders and made subsequent recommendations to the Board to defer such payments.
Funding, hedging and investment	Considered opportunities relating to funding, hedging and investment management. Received detailed reports on the implications of RPI reform. Received updates on LIBOR transition.

Audit Committee Report
Continued

Significant Matters Considered in Respect of the 2020/21 Financial Statements
The Audit and Finance Committee has considered a number of significant issues in relation to the financial statements. These mainly related to the judgements and accounting estimates made by management in preparing the financial statements and the regulatory accounts, and also to the appropriateness of the accounting policies adopted for the year to 31 March 2021, including changes from the prior period.

The Committee reviewed the following key areas in relation to the financial statements:

- the appropriate reporting and disclosure relating to estimated outturn costs for the project;
- the valuation and disclosure of financial instrument arrangements in the period;
- the evidence supporting the assumption that the accounts can be prepared on a going concern basis, including a review of Tideway's liquidity, cash flows and exposure to financial, strategic and operational risks;
- the evidence and assumptions supporting the Long-Term Viability Statement and the Directors' view of Tideway, including a review of Tideway's liquidity, cash flows and exposure to financial, strategic and operational risks;
- compliance with accounting standards and other legal requirements; and
- asset carrying value considerations in the financial accounts.

Internal Control, Risk and Compliance
The Committee is responsible for reviewing Tideway's internal control and risk management systems, and compliance matters. We are supported by the independent Internal Audit function, which reviews the effectiveness of Tideway's risk management and internal control systems throughout the year and regularly reports to the Committee. The Committee provides further review and challenge including:

- reports prepared by the Internal Audit function, management's response to issues raised and their timely resolution;
- the control-related findings presented by the external auditor during its audit of the financial statements;
- approach to assurance, particularly considering requirements contained in Tideway's Project Licence, consents, financial obligations and other legal duties;
- approach and underlying process to assure the Board in relation to the Risk and Compliance Statement which is required in the Annual Report under the Licence granted by Ofwat; and
- the policies and procedures in place to prevent, detect and investigate fraud.

Internal Audit
The Internal Audit function has a remit to carry out risk-based reviews covering the whole of the business, giving the Committee assurance on the adequacy of the internal controls.

The Head of Internal Audit is considered independent of management. The Head of Internal Audit reported functionally to the CFO in the period. To help preserve the independence of the function, he also met regularly with the Chair of the Audit and Finance Committee without executive management being present.

The Committee has a role to oversee the work of the Internal Audit function to ensure it is as robust and effective as possible including:

- reviewing and approving the Internal Audit function's policy;
- considering and approving the function's planned programme of work;
- monitoring the adequacy of the function's resources and skills;
- reviewing the function's performance in terms of reports prepared and subsequent follow-up and close out of actions;
- monitoring progress against the approved programme of work.

Based on the Committee's oversight of the Internal Audit function, the Committee considers that the Internal Audit function is independent and effective.

Confidential Reporting Procedures and Whistleblowing
The Committee is responsible for ensuring that Tideway has systems in place which allow staff to raise, in confidence, concerns about possible improprieties in financial reporting or other matters, and for ensuring that where such concerns are raised, arrangements are in place for proportionate and independent investigation and follow-up action.

Tideway has a confidential whistleblowing policy and procedure for its staff, which has been advertised throughout the organisation. It covers a range of areas where malpractice could occur, such as health and safety, fraud, bribery, money laundering and other human resource related matters. Staff are encouraged to deal with any matters of concern with line management first, and also have direct access to a confidential whistleblowing reporting process with Crimestoppers. The Head of Internal Audit acts as the Whistleblowing Officer and monitors, investigates and reports both to the General Counsel and the Committee on any concerns raised and the resulting outcome.

Auditor Appointment, Independence and Objectivity
This is the sixth financial year in which the Annual Report and Accounts have been audited by KPMG which was appointed following a competitive tendering process, described in our 2016/17 Annual Report. The contract permits us to continue to appoint KPMG, on an annual basis, subject to the requirements of the Companies Act. The current external audit engagement partner is Anna Jones. This is her first year in the role.

The Committee keeps KPMG's performance, independence and appointment under regular review. In addition, the CFO has regular contact with the audit team, as does the Chair of the Board and the Chair of the Audit and Finance Committee, who each have regular dialogue with the lead audit partner at KPMG, sometimes with and sometimes without members of the Tideway Executive team in attendance.

During the period the Committee considered KPMGs performance in relation to:

- audit of the financial statements, including planning materiality;
- execution of the audit approach, including its assessment of key accounting issues, audit judgements and audit adjustments required;
- arrangements to identify, manage and report its own conflicts of interest;
- independence and objectivity;
- the extent of, approval for and quality of the current and future non-audit services carried out by KPMG and their impact on KPMG's independence; and
- the arrangements for the day-to-day management of the audit relationship.

The Committee has considered and approved the fees and activities for non-audit services carried out by KPMG.

	2021 £000	2020 £000
Non-audit services		
Review of interim financial information	0	0
Other regulatory assurance services	29	41
Total	29	**41**

I have met the KPMG engagement partner to discuss matters without the Executive management in attendance. The Committee has also reviewed the performance of the audit with the Executive team and has concluded it is satisfied with the independence of the auditor and the overall quality of the audit process.

Accordingly, the Committee agreed to recommend KPMG's appointment as auditor for the 2021/22 financial year.

Both Executive management and the Committee will continue to monitor the auditor's performance and independence.

This report was approved by the Board of Directors on 1 July 2021

Richard Morse
Chair of the Audit and Finance Committee

Remuneration Committee Report

Michael Queen
Chair of Remuneration Committee

I am pleased to present this report which reviews the role and main activities of the Committee for the financial year ended 31 March 2021.

Tideway continues to strive to be a world-class employer, offering an inclusive culture, fair pay and competitive terms and conditions to its employees. Its remuneration and employment policies and practices are designed to attract and retain the best talent to work on each stage of the project.

Tideway's remuneration policy is designed to support the attraction, motivation and retention of employees in a unique Company and major infrastructure project. Underpinning the remuneration strategy is the Company's culture of respect, fairness and equity of application of the policy across the organisation, irrespective of role or seniority. Therefore, the approach to pay and benefits for both the executive Directors and all employees are applied in the same way. Our Company annual bonus targets are set with the aim of promoting individual and collective motivation to realise the Company's objectives and purpose, focusing on Health and Safety, the time, cost and quality of build and importantly the impact on our communities and support to our people. In this way, we align the interests of customers, who are ultimately paying for the project through their water bills with the investors who are funding the project.

Composition

The Committee has four Independent Non-Executive Directors (including myself) and three Shareholder Directors. The Committee has an appropriate balance of experience and in-depth knowledge of Tideway's business.

Other Non-Executive Directors have the right to attend the Committee if they so wish. The CEO attends the meetings for all business other than that relating to his own remuneration. Independent advisors attend meetings by invitation and the HR Director or nominated deputy acts as Secretary to the Committee.

Membership of the Remuneration Committee 2020/21		Attendance
Michael Queen Chair	Independent Non-Executive Director	4
Andrew Cox	Shareholder Director	4
John Holland-Kaye	Independent Non-Executive Director	4
Richard Morse	Independent Non-Executive Director	4
Alistair Ray	Shareholder Director	3
Javier Falero	Shareholder Director	4
Sir Neville Simms	Independent Non-Executive Director	4

Role of the Remuneration Committee

The Committee has delegated responsibility for:

- setting the remuneration policy for all Executive Directors and the Company's Chairman, including pension rights and any compensation payments;
- recommending and monitoring the level and structure of remuneration for senior management;
- setting and reviewing the ongoing appropriateness and relevance of the remuneration policy;
- commissioning external benchmarking to obtain reliable, up-to-date information in other companies of comparable scale and complexity;
- recommending the design of, and determine targets for, any performance-related pay schemes and recommend the total annual payments made under such schemes;
- recommending the policy for, and scope of, pension arrangements for each Executive Director and other designated senior executives;
- ensuring that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised; and
- overseeing any major changes in employee benefits structures throughout the Company.

Activities

Tideway is a dynamic, multi-year construction project, requiring a progression of skills and expertise over its life, from a competitive employment market. This requires us to constantly review and translate Tideway's remuneration policy into individual remuneration and incentive packages for staff and senior management. We aim to retain and incentivise the whole workforce, including the senior Executive team.

Each year, the Remuneration Committee reviews the overall compensation and benefits for all employees and compares them to various market benchmarks. Construction resources remained in demand across the country and particularly in London and an overall salary increase budget of 3% was approved in the year and adjustments to base salaries were therefore made to reflect external market changes and underlying increases in wage inflation. The Executive Directors each received a standard basic pay increase of 2.75%. I would like to thank our Shareholders for their views and constructive input into this adjustment process.

The Committee reviewed the overall Executive remuneration, to ensure it remains appropriate and fair. The first two long-term incentive plans (LTIPs) were put in place in 2016. These focus on the completion of the Tunnel by achieving key milestones, the first two of which are starting and completing tunnelling. The third LTIP implemented in 2019 is designed to incentivise management to transition the Company smoothly to Handover and Acceptance of the Tunnel. Whilst speed of construction is still an important component of our incentivisation and reward strategy, it does not override either health and safety or the quality of the finished tunnel, which must be fit for purpose.

In the year we reviewed the targets for LTIP2 which were revised due to the impact of the pandemic on the completion of primary lining of three of the tunnels. The target was amended to re-set the potential achievement to a pre-covid position. No changes have been made to LTIP 3 in the year, although we will be reviewing this incentive in 2021 to ensure that it still meets the original objectives. All incentives are still subject to satisfactory Health and Safety performance and the Committee has the discretion of assessing the final award.

In the year, in line with changes to HMRC taper tax relief on pensions the Company contribution was reduced to £4000 for all affected employees, including Executive Directors. The reduction of £6000 in pension allowance was added to base salary as a one-time change.

Over the coming years the project will move into different phases, the Committee therefore continue to review the overall remuneration and incentivisation for the Executive management team and key staff to ensure stability and retention of critical knowledge and experience. Specific awards were agreed based on the required retention period. The Committee agreed that these were proportionate to the commitments required and delivery on the project. These awards are subject to claw back and malus.

Remuneration Committee Report
Continued

REMUNERATION POLICY REPORT

The Company's remuneration policy continues to reflect the complexity and significance of one of Europe's largest infrastructure projects. Directors' remuneration comprises three elements: base salary; an annual bonus; and LTIPs. We assess annual bonuses on a combination of individual and Company performance, to incentivise and reward success in line with our annual business plan objectives.

Willis Towers Watson provided independent salary and benefits benchmarking and consultancy to the Company in the year, to ensure that salaries and bonuses remain in line with market norms.

PAY AND CONDITIONS FOR EMPLOYEES

We have maintained our position regarding pay and conditions, recognising that whilst Tideway is a regulated independent water company, we have several unique characteristics which influence our remuneration strategy. Not least, we are implementing one of Europe's largest infrastructure projects and need to do so in a manner which provides value for money for customers. Our overall compensation structure is designed to attract and retain appropriate skills, experience and talent to achieve the Company's aims. In certain areas there is a very competitive labour market and it is important for the project's success that we offer an attractive overall compensation and benefits package.

We apply our compensation strategy consistently across all employees, from junior members of staff through to the senior management team, with the same principles of fairness and equity.

- Remuneration packages reflect the complexity and significance of one of Europe's largest infrastructure projects.
- Reward is based on total compensation, meaning base pay, bonus and benefits.
- Future increases in base pay are merit based, by reference to market comparators. There is no right to annual increases, although an annual review will take place.
- Pensions are contributory into a defined contribution scheme, with contributions in line with market practice.
- All employees have a base-level benefits package, covering holidays, pension, life insurance and private medical cover. Additional benefits are provided based on job level (such as car allowances and level of medical insurance cover) or personal circumstances (such as relocation allowance).
- Bonuses are discretionary, based on a combination of individual and Company performance, and are a key part of the package to incentivise and reward project and personal success.
- All employees who are eligible for an annual bonus share the same Company-wide targets and have individual objectives set in the same way as those of the Executive Directors. Maximum bonus opportunities for our staff range from 10-50% of salary, depending on their seniority and role. There is one exception set out below.
- An additional bonus implemented for executive managers was implemented in 2017, the structure of which mirrors LTIP 1 with a maximum award of 100% of base salary payable 50/50 over a period of at least two years. In line with LTIP 1 achievement of this bonus was assessed at 44% and the second and final payment was made in September 2020, thereby closing the scheme.

Tideway has no collective agreements in place and salary increases are determined based on an individual's performance and internal and external relativities. The overall salary increase pot was three per cent in 2020/21. Individual annual increase reviews take place in April each year. The Remuneration Committee considers the same criteria for the annual pay award for employees as those used when considering any increase to base pay for Executive Directors.

GENDER AND ETHNICITY PAY GAP REPORTING

As Tideway employs less than 250 people, we are not required to report our gender pay gap, however the Committee took the decision to report in 2019, and this year we have added our Ethnicity Pay Gap data for the first time. This is in line with our principles of transparency.

The Tideway median Gender Pay Gap to April 2020 was 32.87% (31.65% 2019). We recognise that this is significantly above the national pay gap of 15.5%. Our median Ethnicity Pay Gap is 24.7%. Both our gender and ethnicity pay gaps continue to exist because of the structure of our organisation. We have more white male employees in senior positions that are paid higher salaries and commensurate bonuses.

In a traditionally male dominated industry we continue to look at ways to reverse this imbalance through measures such as inclusive recruitment, a focus on new talent in underrepresented groups in our succession planning activity, mentoring and promoting flexible working. However, we recognise that continued focus to improve diversity, particularly at the senior levels within the company, is required if there is to be any improvement.

In 2021 we trained a group of employees to be diversity and inclusivity champions, their role will be to observe and provide feedback on any acts of unconscious bias observed in key people activities such as succession planning, employment interviews and appraisal moderation meetings. We are proud that Tideway employs 53% women, but we recognise that continued focus to improve diversity at the senior levels within the company is required to address the structural imbalance.

We continue to take practical steps to achieve our broader diversity and employment goals, including an employee network, Encompass, with several working groups which focus on gender, disability, LGBT+ and Minority Ethnic employees. Each diversity strand has an executive sponsor, to support diversity and inclusion activities and programmes across the Project. Through our Skills and Employment team, we support a range of activities within schools, to encourage young women to take STEM subjects at school and university, to try to redress the known gender imbalance in the engineering sector. The Company will continue to focus on these issues to work towards increased diversity of representation across all levels of the Company.

Tideway prides itself on being an inclusive employer and this is reflected in our Employee Engagement Survey results. This confirmed that we continue to live our values, with a 93% favourable response to "I am treated with respect as an individual" an increase of 1% since 2019.

Remuneration Committee Report
Continued

PAY AND CONDITIONS FOR EXECUTIVE DIRECTORS

Full details of each component of the Executive Directors' remuneration and the way remuneration was calculated, applicable for the year ended 31 March 2021, are set out here.

Executive Director Base Salary Arrangements	
Purpose and strategy	The overall remuneration package is set to attract and retain Directors of the appropriate calibre, to reflect the organisation's size, complexity and external market competition and company values.
Operation	The base salary of the Executive Directors is reviewed by the Remuneration Committee annually and is normally fixed for 12 months. There is no right to an annual increase. Increases are set by reference to: • individual performance; • internal and external comparators; and • market conditions.
Opportunity	Base salary increases are reviewed at the same time as those across the Company and will usually be in line with market increases. The Remuneration Committee will consider differences to this where there is: • increase in role scope or responsibility, including a promotion; • external market data showing that the salary is not competitive; and/or • a risk of not attracting or retaining executives.
Performance metrics	The individual's performance, external market and internal relativities will determine the salary level. Salary levels for the Executive Directors for 2020/21 are set out later in this report.

Executive Director Annual Bonus Arrangements	
Purpose and strategy	Incentivises and rewards performance against annual targets, which support the Company's strategic direction and personal development.
Operation	Annual targets included Health, Safety and Wellbeing, project milestones, public perception, employee engagement, as well as personal targets. Targets are set annually by the Remuneration Committee and notified to the Board. The Remuneration Committee approves the assessment of achievement. All bonuses are discretionary and can be removed or adjusted at the Committee's discretion.
Opportunity	Maximum bonus opportunities: CEO – 100%, CFO – 80%, COO – 80% Awards for 2020/21 were: CEO – 45%, CFO – 36%, COO – 36%
Performance metrics	See table below

Performance metrics:

	Requirement	2020/21 Minimum	2020/21 Stretch
Health Safety and Wellbeing	Maintain Strong HSW performance	Safety record better than other recent major projects	Good/outstanding compared to other recent major projects
Schedule Cost and Quality	Monthly Schedule Performance	Deliver schedule milestones	Not applicable
	Year-end position in line with outturn budget (Estimate at Completion)	In line with EAC forecast	£50m better than EAC forecast
	Asset Quality, Fitness for Purpose & Durability	No Significant delays due to quality issues	90% of Non Compliance Reports (NCRs) closed in agreed timescales. No Outstanding concerns.
Vision Legacy and Reputation	Support from stakeholders	No material schedule impact as a result of stakeholder intervention	Active support from stakeholders in progressing the project
Company and People	Increase organisation agility whilst preserving a values driven, skilled, diverse and engaged workforce	Subjective (evidence of effective organisation transition including surveys/ polls and feedback from the Workforce Engagement Director)	Not applicable
Personal objectives	Achievement of personal objectives	As per individual plan	As per individual plan

These targets are shared with all staff.

- The Committee has discretion to weight each of the above requirements as it sees fit.
- The Committee has assessed that the Company achieved 50 per cent of its goals overall. This was based on a range of inputs, including the project's health and safety record, performance schedules, employee engagement survey and independent research detailing our reputation in the external market.
- The Committee has discretion to reduce the bonus to zero if there is a significant health and safety or regulatory breach.
- Personal objectives comprise a combination of strategic, project and development measures to support the delivery of project milestones, Company priorities and personal development of the individual.

Remuneration Committee Report
Continued

EXPLANATION OF PERFORMANCE METRICS CHOSEN

The metrics chosen were designed to ensure that all staff members remained engaged with the project's priorities, of time and budget, whilst underpinning the Company's core values of transformational health and safety, stakeholder and employee engagement.

Company targets for Directors and executive management are 50 per cent of the bonus opportunity, with individual targets making up the other 50 per cent. For other employees, the split is 25 per cent Company targets and 75 per cent personal targets. Individual targets focus on all areas of the Company, project delivery and personal development.

Executive Director In Service Benefits	
Purpose and strategy	Ensures the overall package is competitive and supports the recruitment and retention of suitable Directors.
Operation	Executive Directors receive benefits in line with market practice, which include car allowance, medical insurance and life insurance. Other benefits, dependent on individual circumstances, could include travel, accommodation or relocation allowances.
Opportunity	Benefits are determined at an appropriate level based on external market data and, in the case of other benefits, personal circumstances.
Performance metrics	Not applicable.

Executive Director Retirement benefits	
Purpose and strategy	Ensures the overall package is competitive, within current pensions and taxation parameters, to provide post-employment benefits.
Operation	Executive Directors receive a Company contribution towards their pension of £4,000 per annum, in line with current government tax relief taper limits.
Opportunity	The Executive Directors have fully portable self-invested personal pensions.
Performance metrics	Not applicable.

The Company may terminate the contract of any Executive Director in line with their contract of employment, which includes provision for payment in lieu of notice. Employment contracts may be terminated without payment in circumstances of gross misconduct.

Executive Director Termination Policy	
Base salary + benefits	Payment made up to termination date.
Annual bonus	There is no contractual entitlement to a bonus payment. If the Director is under notice or left employment at the time of payment, the Committee may use its discretion to make a bonus award. Typically, in the market this would be pro-rated for time and based on the performance assessed at the end of the bonus year.
Long-term incentive plan	Treatment would be in line with plan rules and at the Remuneration Committee's discretion.

Executive Director LTIP Arrangements Applicable to the CEO, CFO and the COO	
Purpose and strategy	To reward performance and delivery and retain Directors over the life of the project, right through to final commissioning and handover of the tunnel at completion, in line with Company values and legacy commitments.
Operation	The LTIP is split into three Tranches. Each Tranche is designed to encourage completion of the project as swiftly as possible, within budget and without compromising health and safety or quality, and to deliver our stated legacy aims.
Opportunity	**Tranche 1** is awarded on the date on which the final tunnel boring machine at the three main drive sites starts to tunnel and is payable over a three-year period. The maximum amount that may be paid under Tranche 1 of the LTIP is 225 per cent of 2016/17 base salary in the first available payroll occurring after its award and 112.5 per cent of 2016/17 base salary in each of the following two years. **Tranche 2** is awarded on the Tunnelling Completion Date (broadly defined as the date on which all tunnelling is complete). The maximum amount that may be paid under Tranche 2 is up to 150 per cent of the base salary pertaining at the tunnelling start date, on the first available payroll occurring after award, and up to 300 per cent (subject as set out below) of such base salary in the following year. **Tranche 3** is awarded at Handover and is payable as to two-thirds at Handover of the tunnel and one third at System Acceptance. Amounts paid out depend on the timing of system wide Handover and acceptance of the tunnel and the costs of achieving this. LTIP 3 is calculated as up to 200% of salary for each of the years from scheme introduction to Handover.
Performance metrics	100 per cent of the **Tranche 1** LTIP will be awarded if the Committee is satisfied that tunnelling has started at all the main drive sites before a specified date (the Pre Licence Award Date (Pre LAD)) which is before the date scheduled when the Company's Licence was awarded. The award will reduce to nil if no tunnelling has occurred by the date (the LAD) scheduled when the Company's Licence was awarded. The reduction between 100 per cent and nil will be calculated on a site-by-site basis. The award will reduce by 20 per cent for each site that has not started tunnelling by the LAD or such lesser percentage (calculated on a straight-line basis, per tunnel if tunnelling commencement occurs between LAD and Pre LAD.) The Committee has discretion to increase or reduce the award by up to a further 20 per cent, depending on the length of tunnel bored by the LAD. **Achievement:** Based on tunnelling start dates and overall tunnel completed the amount awarded under this LTIP was 44% in September 2019. The performance amounts payable to the CEO and COO are disclosed in the renumeration tables for this financial year. 100 per cent of the **Tranche 2** LTIP will be awarded if the Committee is satisfied that the six individual Tunnelling Completion dates have occurred on or before a specified date. The award will reduce to nil if the Individual Tunnelling Completion Date has not occurred by the specified date and will reduce on a straight-line basis if the Individual Tunnelling Completion Date occurs between those two dates. For **Tranche 3**, 100% of LTIP 3 will be paid if the Committee considers that Handover and System Acceptance has or will occur on the date scheduled at Licence Award (the LAD) and agreed forecast costs have been met. The award is adjusted downwards if either the schedule or cost are not met. The Committee has discretion to reduce all or any tranche of the LTIP to zero for, inter alia, health and safety or regulatory breaches or malus.

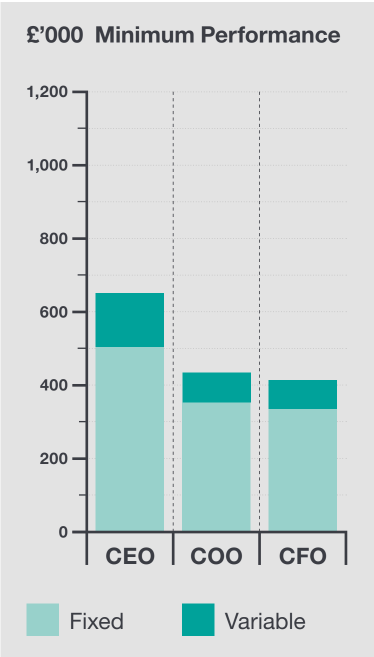
Remuneration Committee Report
Continued

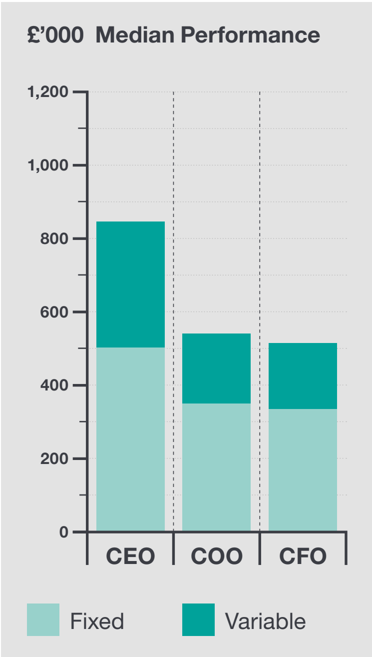
POTENTIAL REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS

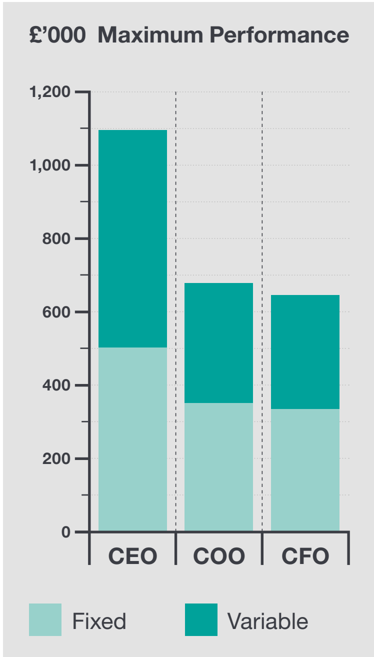
Here we set out the potential remuneration for Executive Directors in various bonus award scenarios.

	Fixed Pay	Annual Bonus
Minimum performance	Fixed elements of remuneration are base salary, benefits and pensions	**30%** of potential annual bonus achieved
Median performance	Individual performance would be expected to have a positive impact **on base salary – see pay and conditions** for Executive Directors	**70%** of potential annual bonus achieved
Maximum performance		**120%** of potential annual bonus achieved

Here we show the relative split of remuneration between fixed (base salary, benefits and pensions) and variable elements (annual and LTIP) for the Executive Directors under the three scenarios described above.







Non-Executive Director's Fees	
Purpose and strategy	Non-Executive Directors receive only a fee, which is set at a level that reflects market conditions and is sufficient to attract individuals with appropriate skills, knowledge and experience. The Chairman and Deputy Chairman receive enhanced fees for additional responsibilities. Non-Executive Directors representing Shareholders do not receive fees from the Company.
Operation	Fees are reviewed either every year, on the change of responsibilities or the appointment of new Non-Executive Directors. The Board determines the remuneration of the Non-Executive Directors within the limits set in the Articles of Association.
Opportunity	Non-Executive Directors do not receive annual bonuses, benefits or pension contributions. Fees are based on the level of fees paid to Non-Executive Directors on the boards of comparable companies and the time commitment expected.

DIRECTOR'S CONTRACTS

The Executive Directors have employment contracts with six months' notice on either side. The Directors who held office during the period are listed in the Governance Report.

The Independent Non-Executive Directors have service contracts with three months' notice on either side. Details of their appointment to the Board can be found in the Governance Report.

Remuneration Committee Report
Continued

REMUNERATION

The total remuneration received by each Director in the financial year is shown in the following tables. LTIP figures represent the value of incentives that have been awarded in the year based on the performance conditions outlined in the LTIP arrangements. These tables have been audited by KPMG.

Year Ended 31 March 2021	Base Salary And Fees £'000	Taxable Benefits £'000	Annual Bonus £'000	LTIP £'000	Pension Contributions £'000	Total £'000
Andy Mitchell	477	15	367		4	863
Mark Sneesby	331	12	202		4	549
Mathew Duncan	317	32	197			546
Sir Neville Simms	275	10				285
Richard Morse	100					100
Mike Putnam	64	6				70
John Holland-Kaye	64					64
Michael Queen	64					64
Baroness Ruby McGregor-Smith	64					64

The CEO, CFO and COO's base salary for the year ended 31 March 2021 included an annual increase pay award of 2.75 per cent. There was no change to the CEO's taxable benefits.

Year Ended 31 March 2020	Base Salary And Fees £'000	Taxable Benefits £'000	Annual Bonus £'000	LTIP £'000	Pension Contributions £'000	Total £'000
Andy Mitchell	450	14	335	824	10	1,633
Mark Sneesby	316	11	185	572	10	1,094
Mathew Duncan	308	31	45			384
Sir Neville Simms	275	4				279
Richard Morse	97					97
Mike Putnam	61	3				64
John Holland-Kaye	61					61
Michael Queen	61					61
Baroness Ruby McGregor-Smith[1]	48					48
Anne Baldock[2]	18					18

[1] *Baroness McGregor-Smith reflects part year earnings based on appointment to the Board in July 2019.*
[2] *Anne Baldock's remuneration reflects part year earnings until her resignation from the Board in July 2019.*

Fees for the Independent Non-Executive Directors have been set in line with the policy described and were last reviewed in July 2020. The committee concluded that the overall level of fees remained competitive and reflective of the current environment and would remain for the next 12 months.

RECRUITMENT REMUNERATION POLICY

We use the policy detailed above when deciding on the overall remuneration package for externally recruited Directors. The Committee has the discretion to include other components outside of the policy, if this is necessary to facilitate the hiring of individuals of the right calibre and experience.

This report was approved by the Board of Directors on 1 July 2021.

Michael Queen
Chair of the Remuneration Committee

Relationship with Shareholders

OUR OWNERS

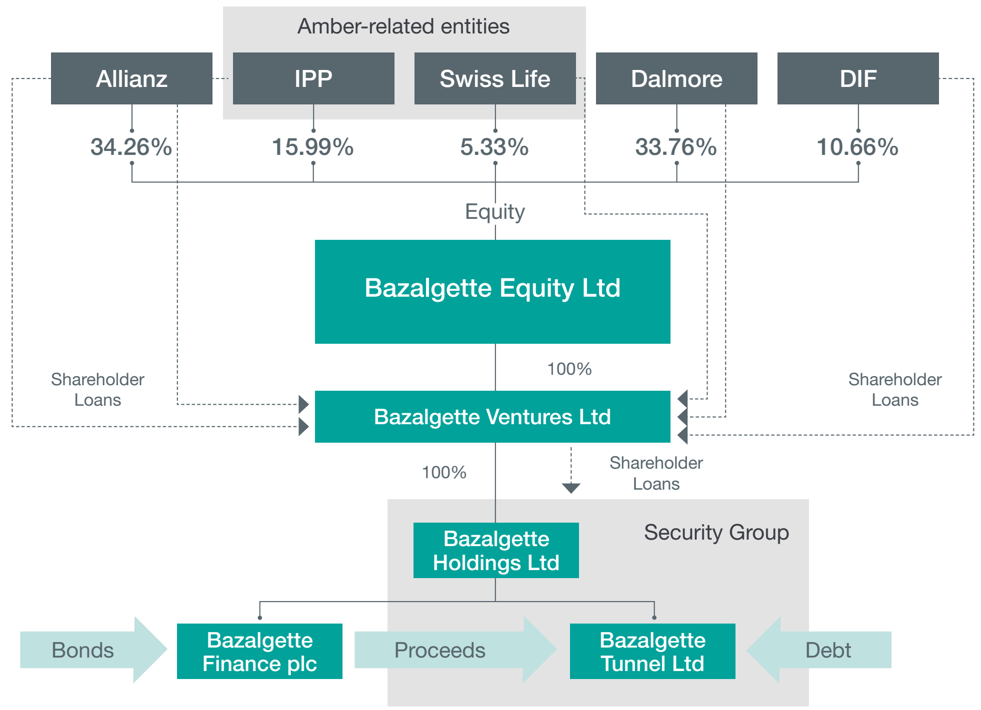
Tideway is owned by a consortium of investors here we set out our equity investors and their equity interests as at June 2021.

Shareholder and Shareholding	Description
Allianz Infrastructure Luxembourg I S.a.r.l. **34.26%**	The Allianz Group is a leading global financial services group, active in insurance and asset management with over 100 million retail and corporate clients in more than 70 countries. In fiscal year 2020 the Allianz Group achieved total revenues of approx. €140bn. It is one of the world's largest asset managers, with third party assets under management of approx. €1.7 trillion at the end of 2020. The investment in Tideway is funded from the balance sheets of various Allianz Group insurance companies.
Dalmore Capital 14 GP Limited **33.76%**	Dalmore Capital is an independent fund manager, with a focus on long-term, limited-volatility infrastructure investments, particularly in the UK. Dalmore has interests in over 120 infrastructure assets and has assets under management of over £5.2bn. For its investment in Tideway, Dalmore established a single purpose fund which has secured commitments from some of the UK's leading pension funds, as well as from a number of European infrastructure investors.
IPP (Bazalgette) Limited **15.99%** Bazalgette (Investments) Limited **5.33%** (Both Amber related entities)	Amber Infrastructure is a specialist international investment manager, focused on investment origination, asset management and fund management. With approximately €5 billion of funds under management, Amber invests across seven funds and a number of managed accounts, including International Public Partnerships Limited (INPP, a London Stock Exchange listed infrastructure company), for public and private sector investors. Amber's core business focuses on sourcing, developing, advising, investing in and managing infrastructure assets across the public, transport, energy, digital and demographic infrastructure sectors that support the lives of people, businesses and businesses internationally. Amber is headquartered in London with offices in Europe, North America and Australia and employs over 150 infrastructure professionals. Amber manages the IPP and Swiss Life Holding AG (Swiss Life) investments in Tideway which are held through IPP (Bazalgette) Limited and Bazalgette (Investments) Limited respectively. Swiss Life Asset Managers is the third-largest manager of institutional assets in Switzerland, with over 2,300 employees and more than 160 years of experience in managing the assets of the Swiss Life Group. Assets under management amount to CHF 269.7bn as of 31 December 2020, with CHF 178.1bn attributable to Swiss Life's insurance business and CHF 91.6bn to third-party asset management. The core competencies of Swiss Life Asset Managers lie in actively managed solutions in Infrastructure, Real Estate, Fixed Income, Equities and Multi-Asset classes.
DIF Bid Co Limited **10.66%**	DIF Capital Partners is an independent fund management company with c. €8.5 bn of funds raised. Through nine investment funds, DIF Capital Partners invests in high-quality infrastructure assets that generate long-term, stable cash flows, including public private partnership projects, concessions, utilities, (renewable) energy projects and other low-risk infrastructure investments with similar charcteristics and risk/return profile in Europe, the Americas and Australasia. DIF Management Holding BV directly or indirectly owns and/or manages all of the DIF entities in the corporate structure above Bazalgette Equity Limited. DIF Management UK Limited is the topmost UK company in the DIF Capital Partners corporate structure. The source of DIF Capital Partner's share of equity funding for the project comprises long-term pension fund, insurance and fund of funds investors.

The Shareholder Directors are the primary conduit by which the Board interacts with the Shareholders and understands their views, both individually and collectively. As described on page 94 a number of arrangements are in place to ensure Tideway maintains an independent Board for the purposes of strategic and risk management decisions. Matters reserved to Shareholders are detailed below, together with a description of the one occasion in the year when these reserved powers were used.

TIDEWAY GROUP STRUCTURE

Bazalgette Tunnel Limited is part of a group of companies. Its immediate parent company is Bazalgette Holdings Limited, which is in turn wholly owned by Bazalgette Ventures Limited, and its ultimate holding company is Bazalgette Equity Limited. The structure of the Tideway group of companies and their role is described here.



Relationship with Shareholders

THE ROLE OF EACH COMPANY

Name	Registration Number	Place of Registration	Description
Bazalgette Tunnel Ltd	9553573	England and Wales	The Infrastructure Provider entity licensed by Ofwat to design, build, commission and maintain the regulated assets of the Thames Tideway Tunnel. It lies within the security ring-fence.
Bazalgette Holdings Ltd	9553510	England and Wales	Bazalgette Tunnel Limited's immediate holding company, established to act as the vehicle where the Secretary of State would inject funds if required. It lies within the security ring-fence.
Bazalgette Ventures Ltd	9553461	England and Wales	The holding company of Bazalgette Holdings Limited. It was established to act as the vehicle for shareholder loan funding.
Bazalgette Equity Ltd	9553394	England and Wales	The ultimate holding company of the group. It was established to act as the vehicle for share-holder share capital funding.
Bazalgette Finance plc	9698014	England and Wales	A sister company of Bazalgette Tunnel Limited and financing subsidiary of Bazalgette Holdings Limited, established to be the issuer of public market bonds. It lends on the proceeds of any bond issuance to Bazalgette Tunnel Limited.

RELATIONSHIP WITH SHAREHOLDERS

Each shareholder controlling 10 per cent or more of the ordinary shares of Bazalgette Equity Limited and loan notes of Bazalgette Ventures Limited is entitled to appoint one Director to the Boards of Bazalgette Equity Limited, Bazalgette Ventures Limited and Bazalgette Holdings Limited.

Each shareholder controlling 20 per cent or more of the ordinary shares of Bazalgette Equity Limited and loan notes of Bazalgette Ventures Limited is entitled to appoint a second Director to the Boards of Bazalgette Equity Limited, Bazalgette Ventures Limited and Bazalgette Holdings Limited.

Each shareholder controlling 20 per cent or more of the ordinary shares of Bazalgette Equity Limited and loan notes of Bazalgette Ventures Limited is entitled to appoint one Observer to the Board of Bazalgette Tunnel Limited.

Each shareholder controlling 30 per cent or more of the ordinary shares of Bazalgette Equity Limited and loan notes of Bazalgette Ventures Limited is entitled to appoint a second Observer to the Board of Bazalgette Tunnel Limited.

The Observers are entitled to attend Board and committee meetings and to speak with the permission of the Chairman of the Board but are not entitled to vote.

SHAREHOLDER RESERVED MATTERS

There are a limited number of matters reserved by the Board for approval by Shareholders. These matters require the approval of Shareholders holding either 75 per cent or 90 per cent of Tideway's equity. Each Shareholder has the number of votes on such matters equal to its shareholding in Bazalgette Equity Limited.

The Shareholder reserved matters are described in full, below, together with a summary of the nature of each matter. Although these matters are reserved to the Shareholders, the Board expresses its view before any Shareholder decisions are taken. The Board retains responsibility for all matters related to Tideway's strategy and is accountable for all aspects of Tideway's business.

In the year, matters reserved to Shareholders arose just once in the Board's decision-making activities, when in March 2021 Shareholders approved implementation of a variation relating to the internal diameters of tunnels in the Central and East main works areas. This matter related to changes to the scope and required delegated authority to a Tideway representative at the Liaison Committee for the variation process.

SHAREHOLDER RESERVED MATTERS REQUIRING 75% APPROVAL

Nature of Matter	Description
General corporate	Matters relating to the issue of any shares in any Tideway group company.
Incurring of commitments, liabilities etc.	Unless contemplated by the Annual Business Plan or Budget.
Acquisitions or disposals	Including capital expenditure over £50 million or not contemplated by the annual Business Plan or Budget.
Accounts, auditor	The change of Tideway's accounting reference date, the removal or appointment of the auditor and any change to the accounting policies, except where required as a consequence of a change in IFRS, GAAP or law.
Manner of carrying on business	• Entering into or materially changing a material contract, to the extent not contemplated by the annual Business Plan or Budget. • Substantial alteration in the nature of the business or cessation of the business. Approval of or making amendments to the Project Licence, Business Plan or Budget, which would result in additional expenditure or indebtedness over £50 million. • Entering into any guarantee in excess of £50 million. • The appointment to the Board or removal of an Executive Director, as recommended by the Nomination Committee. • The conduct of litigation and claims involving any Tideway group company, where the potential liability may exceed £50 million. • Any material submission or application to Ofwat, whether pursuant to the Licence or otherwise. • Any request that Ofwat refer a matter to the Competition and Markets Authority. • The submission of any material tax claim, disclaimer, election or consent. • The issuances or withdrawal of notices pursuant to the Government Support Package. • The replacement of a Main Works Contractor, System Integrator or Project Manager during the Construction Period. • The appointment of a Tideway representative to the Liaison Committee and any voting in relation to material variations to the scope of the project. • The approval of or entry into a related party transaction.

SHAREHOLDER RESERVED MATTERS REQUIRING 90% APPROVAL

Nature of Matter	Description
Partnership, joint venture or other agreement	Entering into any partnership or other profit-sharing agreement in excess of a materiality threshold.
Articles and Board composition	A change to the articles, acting contrary to the articles or a change to the Board composition requirements in the Shareholders' Agreement.
Share denomination	Any consolidation or redenomination of any shares.
Share redemptions or buybacks	The redemption or purchase by Bazalgette Equity Limited, Bazalgette Ventures Limited or Bazalgette Holdings Limited of any share or the reduction of its share capital or any uncalled or unpaid liability in respect thereof, capital redemption reserve or share premium account.
Winding-up or liquidation	Any proposal for the winding-up or liquidation of Bazalgette Equity Limited, Bazalgette Ventures Limited or Bazalgette Holdings Limited.
Control of Bazalgette Equity Limited, Ba-zalgette Ventures Limited and Ba-zalgette Holdings Limited	Any arrangement whereby the Directors no longer determine the general policy, scope of activity and operation or major decisions of Bazalgette Equity Limited, Bazalgette Ventures Limited and Bazalgette Holdings Limited.
Paying up of share capital or debentures	The paying up of any share capital or debenture or debenture stock of Bazalgette Equity Limited, Bazalgette Ventures Limited or Bazalgette Holdings Limited by way of capitalisation or application of any profits or reserves.
Schemes or arrangement and de-mergers	The proposal of any compromise or arrangement within the meaning of section 895 of the Companies Act 2006 or any arrangement pursuant to which Bazalgette Equity Limited, Bazalgette Ventures Limited or Bazalgette Holdings Limited is to make a distribution of the kind described in section 1075 of the Corporation Tax Act 2010.

Directors' Report

The Directors present their Annual Report and the audited Company financial statements of Bazalgette Tunnel Limited (the Company) for the year ended 31 March 2021. The Company is incorporated and domiciled in the United Kingdom. The registered company number is 09553573 and the Company's registered address is Cottons Centre, Cottons Lane, London, SE1 2QG.

The financial statements are the Company's statutory financial statements as required to be delivered to the Registrar of Companies. This Directors' report includes certain disclosures as required under the Companies Act 2006.

Ownership and Relationship With Associated Companies

Bazalgette Tunnel Limited is owned by a consortium of investors. These investors are Dalmore Capital 14 GP Limited, Allianz Infrastructure Luxembourg I S.a.r.l, IPP (Bazalgette) Limited, Bazalgette (Investments) Limited and DIF Bid Co Limited (UK). Further information on our equity investors and their equity interests as set out in the Governance Report.

Directors

The Directors who held office during the year, and thereafter, are listed in the Governance Report.

Directors' Indemnities

Subject to the conditions set out in Section 234 of the Companies Act 2006, the Company has made qualifying third party indemnity provisions for the benefit of its Directors, the Company Secretary and the General Counsel and these remain in force at the date of this report. The Company had in place Directors and Officers Liability insurance for the year.

Corporate Governance

Full disclosure on the Company's Corporate Governance activities is set out in the Governance Report and is incorporated by reference into this Directors' Report.

Principal Activities

The Company's business is to design, build and maintain the Thames Tideway Tunnel. A full explanation of the Company's principal activities is set out in the Strategic Report.

Financial Results and Dividends

Following the Company's accounting policies (see note 1 to the financial statements), all costs that meet the capitalisation criteria are capitalised and all regulatory revenue received is currently deferred on the Statement of Financial Position. This accounting treatment is expected to continue throughout the construction phase of the project.

The Company recorded a £6.0m profit for the year ended 31 March 2021 (31 March 2020, here after referred to as "2020": £33.3m loss). This is a result of fair value movements on the Company's derivative financial instruments. The tunnel asset under construction totalled £3,230.6m at 31 March 2021 (2020: £2,593.5m).

An explanation of the financial results of the Company are set out in the Financial Performance Review. The Company did not pay any dividends in the year (2020: £nil). During the year, £nil (2020: £47.8m) of shareholder loan interest was paid and £nil loan principal was repaid during the year (2020: £nil). Further details of the shareholder loan notes are set out in note 10 of the financial statements.

Financial Risk Management

Full disclosure on the Company's financial risk management is set out in the financial statements in note 11.

Involvement of Employees

Details of how the Company undertakes engagement with its employees is detailed in the Company and People section of the Strategic Report.

The average number of people employed by the Company (including Directors) during the year was 152 (2020: 154). Details relating to the Company's employment policies and values are set in the Strategic Report.

Greenhouse Gas Emissions

The Company's approach to identifying and reducing its greenhouse gas emissions is set out in the Strategic Report.

Charitable and Political Donations

The Company made charitable donations totaling £56,704 during the year (2020: £63,664). Details of the Company's charitable partnerships are set out in the Strategic Report.

The Company did not make any political donations or incur any political expenditure during the year (2020: £nil).

Payment to Suppliers

Settlement terms are agreed with suppliers as part of the contract terms and the Company's policy is to pay in accordance with these terms. Other creditors are paid in accordance with invoice terms. The Fair Payment Charter has been issued to our MWC's and JV Partners as part of their contractual obligations and we monitor their compliance. The creditor days for the year ended 31 March 2021 were approximately 26 days (2020: 27 days).

Events Occurring After the Reporting Period

Details of any events occurring after the reporting date are included in note 17 of the financial statements.

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other Information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report.

Auditor

Having carried out a review of their effectiveness during the year the auditor, pursuant to Section 487 of the Companies Act 2006, will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for the Company for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their profit and loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors have decided to prepare voluntarily a Corporate Governance Statement as if the Company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that compiles with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in Respect of the Annual Financial Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.
- The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principle risks and uncertainties that they face.

The Directors consider the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

M. Duncan

Mathew Duncan
Chief Financial Officer

Cottons Centre
London Bridge
London SE1 2QG
1 July 2021

Annual Report and Financial Statements

For the year ended 31 March 2021
Registered number 09553573

The cutterhead from TBM Rachel being lifted from the shaft at Acton

Financial Statements
Independent Auditor's Report

to the members of Bazalgette Tunnel Limited

1. Our Opinion is Unmodified

We have audited the financial statements of Bazalgette Tunnel Limited ("the Company") for the year ended 31 March 2021 which comprise Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: financial statements as a whole	**£8.5m** (2020:£8.5m)	**1.3%** (2020: 1%) of total expenditure
Key audit matters		**vs 2020**
Recurring risks	Completeness and existence of capitalised costs and creditors	

2. Key Audit Matters: Including our Assessment of Risks of Material Misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarise below the key audit matters (unchanged from 2020), in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings ("our response") from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Completeness and existence of capitalised costs and capital creditors, and any contingent disclosures arising from contractual mechanisms
Capitalised costs: (£637.1 million; 2020: £765.1 million)
Refer to page 139 (accounting policy) and page 143 (financial disclosures).

The Risk	Our Response
Capital costs The Company incurs significant annual expenditure in relation to the construction of the wastewater infrastructure asset. We do not consider the completeness and existence of capitalised costs and capital creditors to be at high risk of significant misstatement. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the areas which has the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	**Our procedures included:** **Control design:** Testing controls over the payment/ cost verification process which includes observing that for a sample of payments they were agreed to certificates, the amounts matched the invoices received and payments by the Company were authorised. **Test of detail:** Inspecting a sample of invoices received before and subsequent to the year end to consider the timing of work performed and therefore whether costs and creditors have been recorded in the correct year. **Test of detail:** For a sample of amounts capitalised in the year, inspecting the related invoices to assess that the amount had been incurred. **Involvement of specialists:** Involvement of Major Project Advisory (MPA) specialists to review contract positions and the Estimate at Completion (EAC), assess whether compensation events should be included as part of Defined cost, and review the independent Project Manager's assessment of these claims and disallowed costs for reasonableness.

3. Our Application of Materiality and an Overview of the Scope of our Audit

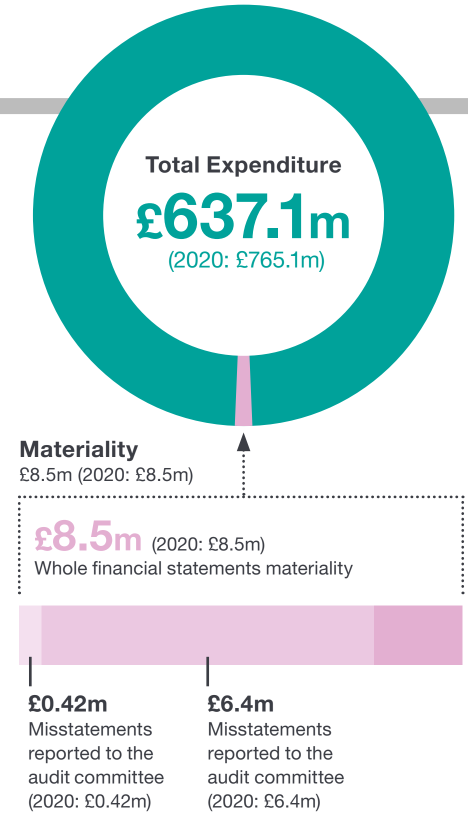
Materiality for the financial statements as a whole was set at £8.5m (2020: £8.5m), determined with reference to a benchmark of total expenditure, of which it represents 1.3% (2020: 1.0%). The benchmark has not changed from prior year. Total expenditure continues to be the relevant benchmark given it indicates the activity in the period. In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Total assets   Materiality

Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £6.4m (2020: £6.4m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any uncorrected identified misstatements exceeding £0.42m (2020: £0.42m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed virtually in conjunction with the Company's head office in London.



4. Going Concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources and metrics relevant to debt covenants over this period were:

- Adequacy of funding available to the Company including its ability to generate liquid funds to honour its commitments under its lending agreements with reference to management's budgets/ forecast; and
- Significant cost overruns to estimate to complete the project that reduces the returns generated from the asset.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Company's financial forecasts.

We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

5. Fraud and Breaches of Laws and Regulations – Ability to Detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment assumptions.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We Have Nothing to Report on the Other Information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements;
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Director's Remuneration Report

In addition to our audit of the financial statements, the directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the directors have decided to prepare as if the Company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006.

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the long term viability statement page 70 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the long term viability statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge. Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

Financial Statements
Independent Auditor's Report
Continued

7. We Have Nothing to Report on the Other Matters on Which we are Required to Report by Exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective Responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 127, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
A fuller description of our responsibilities is provided on the FRC's website at *www.frc.org.uk/auditorsresponsibilities.*

9. The Purpose of our Audit Work and to Whom we Owe our Responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Anna Jones
Senior Statutory Auditor
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
2 July 2021


Operatives in the Frogmore Connection Tunnel

Financial Statements

COMPANY INCOME STATEMENT

For the year ended 31 March 2021

	Note	2021 £m	2020 £m
Net operating costs	*2,3*	-	-
Operating result		-	-
Net finance income/(costs)	*4*	6.0	(33.3)
Profit/(loss) before tax		**6.0**	**(33.3)**
Taxation	*5*	-	-
Profit/(loss) for the year		**6.0**	**(33.3)**

COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	2021 £m	2020 £m
Profit/(loss) for the year		6.0	(33.3)
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to owners of the parent		**6.0**	**(33.3)**

Notes 1 to 17 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	2021 £m	2020 £m
Non-current assets			
Property, plant and equipment	*6*	3,236.0	2,600.9
Trade and other receivables	*7*	49.5	54.9
		3,285.5	2,655.8
Current assets			
Trade and other receivables	*7*	42.6	40.7
Cash and cash equivalents	*8*	331.2	380.8
Short-term deposits	*8*	55.0	157.5
		428.8	579.0
Total assets		**3,714.3**	**3,234.8**
Current liabilities			
Trade and other payables	*9*	(152.1)	(100.5)
Lease Liabilities		(2.1)	(2.1)
		(154.2)	(102.6)
Non-current liabilities			
Advance payment liability	*9*	(218.4)	(149.5)
Lease Liabilities		(3.0)	(4.9)
Borrowings	*10*	(2,756.9)	(2,408.6)
Derivative financial instruments	*11*	(83.0)	(89.0)
Other payables	*9*	(72.1)	(59.5)
		(3,133.4)	(2,711.5)
Total liabilities		**(3,287.6)**	**(2,814.1)**
Net assets		**426.7**	**420.7**
Equity			
Share capital	*12*	509.7	509.7
Retained earnings	*12*	(83.0)	(89.0)
Total equity		**426.7**	**420.7**

Notes 1 to 17 form an integral part of these financial statements. These financial statements were approved by the board of directors on 1 July 2021 and were signed on its behalf by:

M Duncan
Director

Company registered number: 09553573

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Retained earnings £m	Total equity £m
Balance at 1 April 2019	509.7	(55.7)	454.0
Loss for the year	-	(33.3)	(33.3)
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**(33.3)**	**(33.3)**
Total contributions by and distributions to owners	**-**	**-**	**-**
Balance at 31 March 2020	**509.7**	**(89.0)**	**420.7**
Balance at 1 April 2020	509.7	(89.0)	420.7
Profit for the year	-	6.0	6.0
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**6.0**	**6.0**
Total contributions by and distributions to owners	**-**	**-**	**-**
Balance at 31 March 2021	**509.7**	**(83.0)**	**426.7**

Notes 1 to 17 form an integral part of these financial statements.

COMPANY CASH FLOW STATEMENT

For the year ended 31 March 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities before working capital movements		-	-
Decrease in trade and other receivables	*7*	3.5	0.8
Increase in trade and other payables	*9*	64.2	90.7
Increase in advance payment liability	*9*	68.9	57.6
Cash flows from operations		**136.6**	**149.1**
Net cash flows from operating activities		**136.6**	**149.1**
Cash flows used in investing activities			
Construction of infrastructure asset	*6*	(626.7)	(746.3)
Transfer from/(to) short-term deposits	*8*	102.5	(67.5)
Net cash flows used in investing activities		**(524.2)**	**(813.8)**
Cash flows from financing activities			
Proceeds from new borrowings		340.0	493.1
Lease liability payments		(2.0)	(2.4)
Net cash flows from financing activities		**338.0**	**490.7**
Net decrease in cash and cash equivalents during the year		**(49.6)**	**(174.0)**
Cash and cash equivalents at the start of the year	*8*	380.8	554.8
Cash and cash equivalents at the end of the year	*8*	**331.2**	**380.8**

Construction of infrastructure asset includes capitalised interest paid of £15.9m (2020: £63.2m) and capitalised interest received of £1.7m (2020: £6.4m)

Notes 1 to 17 form an integral part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

Bazalgette Tunnel Limited (the "Company") is a private company incorporated, domiciled and registered in England, UK. The registered number is 09553573 and the registered office address is Cottons Centre, Cottons Lane, London SE1 2QG.

The Company financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). The financial statements are prepared in accordance with the historical cost accounting convention except where IFRS require an alternative treatment.

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader's understanding of the Company's financial position.

The accounting policies set out below have been applied consistently to all periods presented in these company financial statements.

Judgements and Estimates

In the process of applying the Company's accounting policies, the Directors are required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. Judgements about how the Company has applied an accounting policy could have a significant effect on amounts recognised in the financial statements. Assumptions or other sources of estimation uncertainty (including judgements about estimations) have a significant risk of a material adjustment to carrying values in the next financial year.

The directors consider the significant judgements made in the application of these accounting policies to be as follows:

Accounting for the Thames Tideway Tunnel as a finance lease

The judgement to account for the Thames Tideway Tunnel as a finance lease means that during the construction period of the project, the tunnel is accounted for as an asset under construction, with expenditure on the asset capitalised in the Statement of Financial Position. Following Systems Acceptance, which is when Thames Water accept the tunnel asset, the asset under construction will be de-recognised and a finance lease receivable will be recognised by the Company.

In determining the appropriate accounting treatment one of the key questions was establishing which party has control over the asset. The applicability of both IFRIC 4 'determining whether an arrangement contains a lease' and IFRIC 12 'service concession arrangements' were considered. It was concluded that the tunnel arrangements were outside the scope of IFRIC 12 and as the Company controls the asset the arrangements fall within the scope of IFRIC 4. Consequently, the accounting policies applied to these financial statements reflect this arrangement.

The Directors consider the assumptions or other sources of uncertainty with a risk of material adjustment to the carrying amounts in the next year are as follows.

Capitalised costs/creditors

The Company has a substantial capital programme and therefore incurs significant annual expenditure in relation to the construction of the Thames Tideway Tunnel asset. All costs incurred are capitalised as assets under construction. Due to the significance of these costs and their materiality in the context of the financial statements, the directors need to ensure their completeness, existence and validity is appropriately monitored, controlled and recorded.

Going Concern

After considering the current financial projections and facilities available, and through modelling plausible and severe sensitivities, the Directors of the Company are satisfied that the Company has sufficient resources for its operational needs and will remain in compliance with relevant financing covenants for at least the next 12 months from the date of approving these financial statements. Further to this, the Directors have assessed the Company's viability over the period to 2030 within the Long-Term Viability Statement section of this Annual Report.

Cash flow forecasts modelled included current, plausible downside and severe downside cost scenarios. The current scenario is consistent with our estimate at completion (EAC) of £4.1bn. For our plausible downside scenario, we modelled a 12% increase in the remaining costs to complete, taking the total to £4.3bn. We consider a severe downside case to be a 20% increase in the remaining costs to complete, which equates to a total cost of £4.4bn. Under the current, plausible and severe downside scenarios the group continues to have sufficient liquidity and is in compliance with covenants throughout the going concern period.

The current and plausible downside include the estimated impacts of the current COVID-19 pandemic. Although it is not possible to know the precise impact of any future pandemic crisis, our severe downside cost scenario is intended to be sufficient to cover any significant disruption from a future COVID-19 (or equivalent) event. However, if such an event occured, then the company has sufficient liquidity via its available cash balances and undrawn financing facilities to cover the going concern period.

At 31 March 2021, the Company had total liquidity of £1.2bn, comprising £382m of cash and short term deposits, the £160m undrawn RCF, £140m undrawn part of the EIB loan, £450m of deferred bonds and £75m deferred US private placement. This, combined with expected revenue collections, provides liquidity over the going concern period.

Consequently, the Directors are satisfied that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Property, Plant and Equipment

Property, plant and equipment comprises assets under the course of construction and right-of-use assets.

Assets under construction - Recognition and measurement

The construction phase of the Thames Tideway Tunnel project commenced in 2015 and is expected to be completed at System Acceptance. During the construction phase of the project, expenditure which is directly attributable to bringing the Thames Tideway Tunnel asset into its working condition for its intended use will be capitalised within assets under construction. The directors consider that the Company is constructing one asset, that being the Thames Tideway Tunnel, and do not consider there to be other individual assets under construction.

The directors consider all expenditure in the year ended 31 March 2021 to have met the capitalisation criteria.

Assets under construction are measured at cost less any accumulated impairment losses.

Land and property acquired for the Thames Tideway Tunnel project by Thames Water is not included in the Statement of Financial Position because the economic benefit of such assets is retained by Thames Water.

Assets under construction - Depreciation

Assets under construction are not depreciated.

Lease Accounting – Lessee

Right-of-use assets and lease liability – Recognition and measurement

The Company assesses whether its leases are within scope of IFRS 16 using the single recognition model for lessees and applies practical expedients available under the standard. If the Company concludes that a lease is within scope and not excluded via practical expedients, the Company recognises a right-of-use (ROU) asset and a lease liability at lease commencement date.

The ROU asset is initially measured at cost and subsequently depreciated over the lease term.

The lease liability is measured at the present value of the outstanding lease payments at commencement date, discounted using either the implicit interest rate in the lease or the Company's incremental borrowing rate if the interest rate cannot be easily determined from the lease.

The Company applies the following practical expedients under IFRS 16:

- The same discount rate to all property leases as they share similar characteristics. The Company used an incremental borrowing rate of 2.375% at transition to IFRS 16;
- Excludes short-term leases with lease terms of less than 12 months;
- Excludes leases of identifiable low-value assets from consideration; and
- The Company separated non-lease components being services charges from lease components (i.e. rental charges) for property leases.

Right-of-use assets – Depreciation and interest costs on lease liability

The ROU assets recognised on transition to IFRS 16, being the Company's existing property leases at 1 April 2019, continue to be depreciated over the remaining lease terms.

The Company continues to incur interest costs calculated periodically on the outstanding lease liabilities on these property leases.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time that those assets are ready for their intended use.

A qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. A substantial period of time is interpreted as being greater than one year.

Impairment
The directors consider assets under construction to consist of a single asset, the Thames Tideway Tunnel. As such, impairment is considered in the context of the whole asset under construction as opposed to review of individual components.

The carrying value of the Company's asset under construction is reviewed at each reporting date to determine whether there is objective evidence the asset is impaired by reference to its recoverable amount. The recoverable amount of the asset is deemed to be the Company's RCV and the regulated return that is generated from that.

For non-financial assets, the Company reviews the individual carrying amount of those assets to determine whether there is any indication of impairment in those assets. If any such impairment exists, the recoverable amount of the asset is calculated in order to determine the extent of any impairment loss.

Financial assets under IFRS 9 are assessed under the forward looking 'expected loss model' at each reporting date to determine whether there are impairment losses.

Any impairment losses are recognised in the Income Statement.

Revenue
The Company's revenue for each financial year is determined by arrangements set out in its licence granted by Ofwat. During the construction period of the Thames Tideway Tunnel the primary component of revenue is the regulated return on the Company's RCV. The Company's Allowed Revenue is notified to Thames Water, which bills and collects this revenue from its wastewater customers and passes this through to the Company. Through the construction period, revenue is deferred as the services associated with this revenue have not satisfied all the conditions of the five-step revenue recognition model under IFRS 15.
Therefore, revenue will be recognised at the point that all conditions are satisfied which will not be until System Acceptance. Revenue is accrued in the period it has been earned, if it has not been invoiced by the Company to Thames Water. Revenues that have been invoiced and collected from Thames Water are treated as an advance payment liability.

Invoiced revenues reflect the actual cash collected by Thames Water from its customers.

Employee Benefits
Defined contribution pension plans
A defined pension contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in the period during which services are rendered by employees.

Other employee benefits
Other short and long-term employee benefits are measured on an undiscounted basis and are recognised over the period in which they accrue.

Provisions
A provision is recognised in the Statement of Financial Position when the Company has a present legal or contractual obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Any provisions recognised by the Company are recorded at management's best estimate of the consideration required to settle the obligation at the Statement of Financial Position date.

Financial Instruments
The Company determines the classification of financial instruments at initial recognition and re-evaluates this designation at each financial year end. The initial and subsequent measurement of financial instruments depends on their classification as follows:

Trade and other receivables
Trade and other receivables that do not have a significant financing component are classified as amortised cost under IFRS 9; initially recognised at their transaction price, rather than at fair value. Subsequent to initial recognition they are measured at amortised cost and any expected credit loss impairments or reversals are recognised through profit or loss.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand balances and deposits with a maturity at acquisition of three months or less. Cash equivalents are readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

Short-term cash deposits disclosed in the Statement of Financial Position comprise cash deposited with a maturity of greater than three months on acquisition, a fixed interest rate and which do not constitute cash equivalents under IAS 7 'Statement of cash flows'.

Borrowings
Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost. Any difference between the proceeds received (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Derivative Financial Instruments
The Company has entered into index-linked swaps to manage its exposure to inflation linked rate risk. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the Statement of Financial Position date. The resulting gain or loss is recognised immediately in the Income Statement unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Income Statement depends on the nature of the hedge relationship.
The Company has not designated any derivatives within hedging relationships and therefore has not applied hedge accounting.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.
A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

In addition, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

Further details of the derivative financial instruments fair values, valuation technique and fair value hierarchy level are disclosed in note 11.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same tax authority and the Company has the right of set off.

New Accounting Standards and Future Changes
The Company has adopted the following accounting standard amendments during the year which were effective 1 April 2020:

- Definition of Material (Amendments to IAS 1 and IAS 8);
- Amendments to IFRS 3 – Definition of a Business;
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- Covid-19 Related Rent Concessions (Amendment to IFRS 16).

None of these amendments had any material effect on the Company at adoption.
At the date of authorisation of these financial statements, there were certain new or revised IFRS's that will be applicable in future years, but the Company does not expect any material impact on the Company's Financial Statements at future adoption. These new or revised IFRS's are noted below:

- IAS 1 Amendments on Classifications; and
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 16).

Financial Statements
Notes continued

2 AUDITOR'S REMUNERATION

	2021 £'000	2020 £'000
Audit services		
Statutory audit - company	116	90
Audit related assurance services		
Regulatory audit services provided by the statutory auditor	11	11
Other non-audit services		
Other regulatory assurance services	29	41
	156	**142**

All of these fees have been capitalised.

3 EMPLOYEE COSTS

The average number of persons employed by the Company (including directors) during the year was 152 (2020: 154). The aggregate employment costs of these persons were as follows:

	2021 £m	2020 £m
Wages and salaries	9.8	16.5
Termination benefits	1.0	-
Social security costs	1.6	2.5
Contributions to defined contribution pension plan	0.6	0.6
Capitalised into asset under construction	(13.0)	(19.6)
	–	**–**

Director's remuneration is disclosed within the Remuneration Report section of this Annual report. The Company operates a single defined contribution pension plan which is open to all employees of the Company.

4 FINANCE INCOME AND COSTS

	2021 £m	2020 £m
Finance income		
Interest income	(0.9)	(5.5)
Finance costs		
Interest expense on borrowings	90.8	92.0
Interest expense on lease liabilities	0.1	0.2
Financing fees	1.8	3.9
Financial instruments at fair value through profit or loss:		
– Index linked swaps	(6.0)	33.3
Capitalised finance interest and expense into asset under construction	(91.8)	(90.6)
Net finance (income)/costs	**(6.0)**	**33.3**

5 TAXATION

	2021 £m	2020 £m
Total current tax	-	-
Total Income Statement tax expense	**-**	**-**

Reconciliation of Effective Tax Rate

	2021 £m	2020 £m
Profit/(loss) before tax	6.0	(33.3)
Expected tax (charge)/credit using UK corporation tax rate of 19% (2020: 19%)	(1.1)	6.3
Items not taxable[1]	1.1	(6.3)
Total Income Statement tax expense	**–**	**–**

1 Items not taxable solely relate to fair value movements on the Company's derivative liabilities which are disregarded for current tax purposes.

Unrecognised Deferred Tax Assets

As at the Statement of Financial Position date, unrecognised deferred tax assets of £82.4m (2020: £65.3m) have been calculated with regards to the Company's tax position. These deferred tax assets have not been recognised due to uncertainty around the timing of the recoverability of these against future taxable profits. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse using tax rates enacted or substantively enacted at the reporting date.

The UK corporation tax rate is expected to increase to 25% from 1 April 2023 as proposed by the UK government (Finance Bill 2021) and any future increase in the UK corporation tax rate would result in an increase in the value of unrecognised deferred tax assets.

6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprised the following at 31 March 2021:

	Right-of-use assets (ROU) £m	Asset under construction £m	Total £m
Cost			
At 1 April 2020	9.3	2,593.5	2,602.8
Additions	-	637.1	637.1
Balance at 31 March 2021	9.3	3,230.6	3,239.9
Accumulated depreciation			
At 1 April 2020	(1.9)	-	(1.9)
Depreciation charge	(2.0)	-	(2.0)
Balance at 31 March 2021	(3.9)	-	(3.9)
Net book value at 31 March 2021	**5.4**	**3,230.6**	**3,236.0**
Net book value at 31 March 2020	7.4	2,593.5	2,600.9

Asset Under Construction

During the construction phase of the project which commenced in 2015 and which will be completed at System Acceptance, all expenditure which is directly attributable to bringing the Thames Tideway Tunnel asset into its working condition for its intended use will be capitalised. All expenditure, excluding fair value movements in the Income Statement, is considered to have met this requirement in the year ended 31 March 2021. The amount of net borrowing costs capitalised during the year was £90.0m (2020: £86.7m) with a capitalisation rate of 100%.

Right-of-use Assets

The right-to-use assets are being depreciated over the remaining lease terms on the Company's existing property leases under IFRS 16. There were no new leases entered into during the year.

7 TRADE AND OTHER RECEIVABLES

	2021 £m	2020 £m
Trade receivables	5.0	4.9
Intra-group loans receivable (see note 15)	11.8	10.9
Accrued income	19.9	14.7
Other receivables	8.3	12.1
Prepayments	47.1	53.0
	92.1	**95.6**
Non-current assets	**49.5**	**54.9**
Current assets	**42.6**	**40.7**

Accrued income of £19.9m (2020: £14.7m) relates to cumulative revenue earned on the project to date that has not been invoiced to Thames Water as at the Statement of Financial Position date. Prepayments include £20.2m (2020: £23.6m) in relation to the Government Support Package and £7.7m (2020: £8.9m) in relation to insurance contracts and £18.6m (2020: £19.6m) financing related costs.

Non-current assets represent £11.8m intra-group loans receivable and £37.7m of prepayments at 31 March 2021. The table below analyses the Company's non-current assets at 31 March 2021 into recovery maturity groupings based on the remaining periods up to their expected future fully recovered date at the Statement of Financial position date.

	2021 £m	2020 £m
Between one and two years	-	-
Between two and five years	14.8	14.2
After more than 5 years	34.6	40.7
Total	**49.5**	**54.9**

8 CASH AND CASH EQUIVALENTS

	2021 £m	2020 £m
Cash and bank balances	16.2	31.8
Cash equivalents	315.0	349.0
Cash and cash equivalents per cash flow statement	**331.2**	**380.8**

Cash equivalents comprise deposits and investments in money market funds with an original maturity of three months or less. The carrying value of cash and cash equivalents approximates their fair value. Short-term deposits with a maturity of greater than 3 months are shown separately on the Statement of Financial Position. At the Statement of Financial Position date these totalled £55.0m (2020: £157.5m).

Restricted Cash

The Company holds a Debt Service Reserve Account to maintain committed liquidity facilities with regards to the prospective financing cost payments for a period of 12 months from the Statement of Financial Position date. The restricted cash value in the Debt Service Reserve Account was £4.2m at 31 March 2021 (2020: £6.1m) which is sufficient to cover the next 12 months of financing cost payments.

9 TRADE AND OTHER PAYABLES

	2021 £m	2020 £m
Trade payables	45.6	60.2
Contract retentions payable	34.6	27.0
Accrued expenses	26.8	28.1
Accrued intra-group expenses (see note 15)	93.2	26.0
Deferred income	24.0	18.7
Advance payment liability	218.4	149.5
	442.6	**309.5**
Non-current liabilities	**290.5**	**209.0**
Current liabilities	**152.1**	**100.5**

The advance payment liability represents deferred revenue that has been invoiced to and settled by Thames Water. This revenue is deferred until System Acceptance as the services associated with the revenue will not be delivered until this time. The deferred income of £24.0m (2020: £18.7m) represents the cumulative balance on the project to date of revenue accrued and revenue invoiced to Thames Water, less the revenue that has been settled by Thames Water at the Statement of Financial Position date.

The Trade payables balance at 31 March 2021 mainly represents invoices payable to the Company's main works contractors totalling £44.0m (2020: £58.9m).

The table below analyses the Company's non-current liabilities at 31 March 2021 into relevant maturity groupings based on the remaining periods up to their future payable date.

	2021 £m	2020 £m
Between one and two years	1.5	2.0
Between two and five years	4.0	7.8
After more than 5 years	285.0	199.2
Total	**290.5**	**209.0**

10 BORROWINGS

The Group raises finance under a multi-currency financing platform in both loan and bond formats. The Company borrows financing directly in loan format.

The Company's sister company Bazalgette Finance plc operates with the sole purpose of raising finance through a multi-currency bond platform for the purposes of the Company's licenced activities. The proceeds from bonds issued under this platform are on-lent to the Company through a series of back to back loans which have the same economic terms and effectively pass the financing arrangements of the external debt held by Bazalgette Finance plc to the Company.

Some of the finance raised by the Group is in a deferred format which means that the proceeds from the borrowing are not received until a future settlement date so as to align when funds are raised with the construction expenditure profile of the project.

Where Bazalgette Finance plc issues bonds with deferred draw dates, the proceeds from these bonds are only passed to the Company when the proceeds are received from the bond purchaser on the future settlement dates.

This note provides information about the Company's borrowings, which are measured at amortised cost. Issue costs for all intra-group borrowings have been borne by the Company.

Intra-group borrowings	2021 £m	2020 £m
£250m 2.375% fixed-rate bond 2027 [a]	248.0	247.7
£75m 0.828% index-linked bond 2047 [a, d, e]	75.0	75.0
£200m 0.740% index-linked bond 2042 [a, d, f]	200.0	200.0
£100m 0.688% index-linked bond 2050 [a, d]	100.0	100.0
£100m 0.755% index-linked bond 2051 [a, d]	100.0	100.0
£100m 0.249% index-linked bond 2040 [a, d, g]	100.0	100.0
£125m 0.192% index-linked bond 2049 [a, d, h]	133.1	133.1
£25m 1.035% index-linked bond 2048 [a, d, i]	25.0	-
£25m 0.951% index-linked bond 2054 [a, d, j]	25.0	-
£50m 0.787% index-linked bond 2052 [a, d]	50.0	-
Shareholder loan notes 8.000% fixed rate 2064 [b]	720.4	720.4
Third party borrowings		
£300m 2.860% fixed-rate loan 2032 [c]	305.9	305.0
£100m 0.010% index-linked loan 2049 [d]	101.8	100.4
£560m Libor+0.360% floating-rate loan 2051 [k]	572.7	327.0
Total borrowings	**2,756.9**	**2,408.6**
Current liabilities	**-**	**-**
Non-current liabilities	**2,756.9**	**2,408.6**

a) Borrowing from Bazalgette Finance plc
b) Borrowing from Bazalgette Holdings Limited
c) The Company has entered into swap agreements that convert £70.0m of this debt into index-linked debt
d) The value of the capital and interest elements of these index-linked bonds and loans are linked to movements in either the Consumer Price Index (CPI) or Retail Price Index (RPI)
e) This debt amortises (requires repayment of debt accretion) from 2038
f) This debt amortises from 2033 and contains a collar mechanism that limits total accretion repayment within a predetermined range
g) This debt amortises from 2036
h) This debt amortises from 2045
i) This debt amortises from 2043
j) This debt amortises from 2049
k) The Company has entered into swap agreements that convert £560.0m of this debt into index-linked debt

Deferred Loans

The Company raised no loans with a deferral period during the year (2020: £75.0m).

As at 31 March 2021, a total of £215.0m (2020: £455.0m) of third-party loans are still deferred. The loan proceeds will be received over the next two years and these loans have maturities of 2041 to 2051. Proceeds of £240.0m (2020: £160.0m) from deferred loans were received during the period.

Deferred Purchase Bonds

Bazalgette Finance plc placed no deferred purchase bonds during the year ended 31 March 2021 (2020: £75.0m).

As at 31 March 2021, a total of £450.0m (2020: £550.0m) of bonds are still deferred. The bond proceeds will be received over the next two years and these bonds have maturities of 2032 to 2054. Proceeds of £100.0m (2020: £233.1m) from deferred bonds were received during the period.

11 FINANCIAL INSTRUMENTS

The carrying values of the financial assets and liabilities of the Company are as follows:

Financial assets

	2021 £m	2020 £m
Financial assets:		
Trade and other receivables	45.0	40.7
Cash and cash equivalents	331.2	380.8
Short-term deposits	55.0	157.5
Total	**431.2**	**579.0**

Trade and other receivables above exclude prepayments. Trade and other receivables are classified and measured at amortised cost under IFRS 9. Impairment of these assets as assessed under the simplified expected credit loss model was immaterial at 31 March 2021 and therefore not recognised within the period.

Financial Liabilities

	2021 £m	2020 £m
Liabilities at fair value through profit and loss:		
Derivative financial instruments	83.0	89.0
Other financial liabilities:		
Trade and other payables	442.6	309.5
Lease liabilities	5.1	7.0
Borrowings	2,756.9	2,408.6
Total	**3,287.6**	**2,814.1**

Fair Value Measurements

The fair value of financial instruments represents the price that would be received to sell an asset or paid to transfer a liability between informed and willing parties, other than in a forced or liquidation sale at the measurement date. The fair values of financial instruments and a comparison to their carrying value is shown in the table on the following page. The Company has not disclosed the fair values for cash and cash equivalents, short-term deposits, trade receivables and trade payables as their carrying amounts are a reasonable approximation of the fair value.

	31 March 2021		31 March 2020	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial liabilities at amortised cost: Non-current				
Borrowings – fixed-rate sterling loans	1,026.3	1,110.3	1,025.4	1,171.2
Borrowings - fixed-rate bonds	248.0	265.9	247.7	260.8
Borrowings - index-linked bonds and loans	909.9	1,303.5	808.5	1,000.1
Borrowings – floating-rate sterling loans	572.7	531.0	327.0	278.6
Financial liabilities at fair value through profit and loss: Non-current				
Derivatives - index-linked swaps	83.0	83.0	89.0	89.0
Total	**2,839.9**	**3,293.7**	**2,497.6**	**2,799.7**

Financial Liabilities at Amortised Cost

Borrowings include index-linked bonds, fixed-rate bonds, floating-rate loans and fixed-rate loans. The fair value of borrowings is determined using observable quoted market prices where this is available or by discounting the expected future cashflows using appropriate available market data and a credit risk adjustment representative of the Company.

Financial Instruments at Fair Value Through Profit and Loss

The Company's index-linked swaps are measured at fair value through profit and loss. Where an active market exists, swaps are recorded at fair value using quoted market prices. Otherwise, they are valued using a net present value model. As there is no quoted market price, the fair value of each swap is calculated as the net present value of the expected future cash flow associated with each leg of the swap, discounted to the reporting date using market rates and adjusted for credit risk. Estimates of future cash flows are based on well-defined and traded market references.

The valuation techniques for determining the fair values of financial instruments are classified under the hierarchy defined in IFRS 13 which categorises inputs to valuation techniques into Levels 1-3 based on the degree to which the fair value is observable.

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs, other than quoted prices included for Level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability are categorised across different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company considers all its derivative financial instruments to fall within level 2 as the calculation of the estimated fair value is based on market data inputs which are observable directly or indirectly. The calculation does include unobservable inputs with regards to the determination of credit risk for the Company but these are not considered significant to the valuation.

The table below sets out the valuation basis of financial instruments held at fair value at 31 March 2021:

	2021 Level 2 £m	2020 Level 2 £m
Financial instruments at fair value		
Derivative financial liabilities:		
- Index-linked swaps	83.0	89.0
	83.0	**89.0**

The carrying value of the derivative financial instruments is equal to the fair value.

Capital Risk Management

The Company's principal objectives in managing capital are:

- To finance the Company while minimising risk – Tideway will adopt a low risk financing strategy. The Company will maintain at all times a robust investment grade credit rating;
- Minimise financing risk through pre-funding, management of maturities and interest rate risk;
- Financing will be a mix of some or all of commercial bank debt, bonds (public and private), EIB loans, lease financing and other instruments. Financing could be raised on a real/or nominal basis;
- The Company's weighted average cost of capital will be minimised by reducing risk, including interest rate, inflation, credit spread, maturity risk, liquidity and currency risk;
- Hedging and pre-financing may be used to reduce risk. The Company will not engage in speculative treasury activity; and
- The Company will manage its financing activities in compliance with the constraints imposed by the Government Support Package, financing documents and the Company's Licence.

The Company seeks to maintain a low risk financing position by preserving the investment grade Baa1 (Moody's)/BBB+ (Fitch) credit ratings. These credit ratings were unchanged in the year although Moody's changed the Company's outlook from stable to negative following the operational announcement on the impact of Covid-19 on cost and schedule published in August 2020; Fitch maintained a stable outlook. The Company monitors gearing targets on a regular basis, taking into consideration risk, financing, legal and regulatory constraints and optimal level of execution within the capital structure.

The Company's revolving credit facility (RCF) was extended by one year during the period, with the facility now maturing in 2026. This £160m RCF facility remained undrawn at the Statement of Financial position date (2020: £nil draw down).

The Company's sister company Bazalgette Finance plc did not issue any further bonds during the year (2020: £75.0m) and the total bond issuance is maintained at £1.5bn (2020: £1.5bn). The bond issuance includes deferred purchase bonds where bond proceeds will be received over the next two years.

Management of Financial Risk

The Treasury team, which reports directly to the CFO, substantially manages the Company's financing, including debt, cash management and interest costs for the Company on a day to day basis. The Audit and Finance Committee, which is chaired by a non-executive director (see Corporate Governance report) reviews and reports to the Board on the Company's treasury policy, treasury strategies and financing strategy. The Company also has an executive level Funding and Financing Committee, chaired by the CFO, which considers financial, treasury, compliance, tax and regulatory matters in detail on a monthly basis.

11 FINANCIAL INSTRUMENTS

The Company's management of specific financial risks is dealt with as follows:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to fund on a timely basis its capital expenditure programme or service its debt. At 31 March 2021, the Company had total liquidity in excess of £1.2bn, comprising £382m of unrestricted cash and short-term deposits, the £160m undrawn RCF, the £140m undrawn EIB loan, £450m of deferred purchase bonds (via back to back loans with Bazalgette Finance plc) and £75m of other undrawn loans. This, combined with expected revenue collections, provides liquidity significantly in excess of our 18-month target, including all liquidity required to the end of construction.

For deferred purchase bonds issued by Bazalgette Finance plc, the Company receives these proceeds at a future settlement date via back to back loans. The Company is therefore exposed indirectly to the counterparties to these deferred bonds on whom it relies to provide funds on the pre-agreed dates. Bazalgette Finance plc evaluates counterparty risk prior to entering into such transactions and manages concentration risk in respect of deferred funding commitments. As part of its risk management, Bazalgette Finance plc has agreed information requirements and covenants with the Deferred Bond Purchasers, and monitors on an ongoing basis the Deferred Bond Purchasers' ability to honour their obligations, allowing it to assess any potential liquidity exposure in advance of settlement dates and to make alternative funding arrangements if necessary.

The Secretary of State for Environment, Food and Rural Affairs, through the Government Support Package, has committed to provide certain contingent financial support during the construction period. Such support is available in exceptional circumstances and includes the Market Disruption Facility providing the Company with a debt facility of up to £500m, for use where it is unable to issue debt in the debt capital markets as a result of market disruption.

The tables below analyse the Company's interest-bearing borrowings and net-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the Statement of Financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest payable.

	2021 £m	2020 £m
Borrowings		
Within one year	(140.3)	(80.0)
Between one and two years	(84.0)	(80.1)
Between two and five years	(260.1)	(242.1)
After more than 5 years	(6,241.8)	(5,710.8)
Total	**(6,726.2)**	**(6,113.0)**
Derivative financial instruments		
Within one year	10.2	7.7
Between one and two years	12.2	11.5
Between two and five years	41.0	38.3
After more than 5 years	(147.7)	(167.6)
Total	**(84.3)**	**(110.1)**

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk for the Company principally arises from trading (the supply of services) and treasury activities (the depositing of cash). The Company's exposure to trading risk is predominantly with Thames Water which is the Company's only significant trading counterparty and who constitute the full outstanding balance of trade receivables at the Statement of Financial Position date. As part of its licenced activities, the Company generates an annual revenue return on its RCV, which it subsequently invoices to Thames Water periodically through the financial year.
At any time the outstanding trade receivable balance is approximately one month's revenue collection and represents amounts already collected by Thames Water from its customers so the risk of default is considered low.

Placements of cash on deposit expose the Company to credit risk against the counterparties concerned.
A treasury policy on investment management strategy provides clear instrument limits for money market funds, liquidity funds and money market deposits. The policy sets counterparty concentration and tenor limits through minimum credit rating requirements (as measured by reputable credit agencies).

At the Statement of Financial Position date there were no significant concentrations of credit risk.

The Company's maximum exposure to credit risk is the carrying amount of financial assets and therefore the maximum exposure at 31 March 2021 was £431.2m (2020: £579.0m). Analysis of this amount can be found in the financial assets section of this note.

Market Risk - Interest Rate Risk

The Company's finance strategy defines long term objectives for the management of interest rate risk, in addition to compliance with the hedging policies contained in the Government Support Package, financing documentation and the Licence. These include, amongst other things, restrictions on over hedging and requirements as to the amount of the Company's debt which bears a fixed, floating or an index-linked rate of interest.

The Company's deferred revenue and operating cash flows are substantially independent of changes in market interest rates. All drawn debt at 31 March 2021 is either borrowed or hedged via swaps at fixed or index-linked rates. A sensitivity analysis has not been disclosed as the impact from interest rate movements is considered immaterial.

The finance costs of the Company's index-linked debt instruments and derivatives vary with changes in RPI and CPI rather than interest rates. These financial instruments form an economic hedge with the Company's revenues and RCV, which are also linked to RPI changes. The financing strategy has involved issuing RPI and CPI linked debt to ensure that reductions in revenue due to low inflation will be partially offset by reductions in interest costs.

The Company has recognized Ofwat's proposals to transition from RPI to CPIH from the next regulatory period starting in 2030 as the underlying measure of inflation for price control periods. In the year, HM Treasury and the UK Statistic Authority confirmed that RPI will be aligned with CPIH from February 2030, which aligns well with Ofwat's transition.

Inflation risk is monitored and reported monthly to the Funding and Financing Committee and subsequently to the Audit and Finance Committee.

The table below summarises the sensitivity at 31 March 2021 of the Company's profit and equity to changes in RPI for the Company's index-linked derivatives only. Due to the adopted accounting policy of capitalising borrowing costs that are directly attributable to the construction of the TTT, the sensitivity analysis excludes the Company's index-linked borrowings. This analysis also excludes any RPI impact on the Company's revenues and RCV. The fair value of the Group's index-linked derivatives is based on estimated future cash flows, discounted to the reporting date and these fair values will be impacted by an increase or decrease in RPI as shown in the table below. This analysis assumes all other variables remain constant.

	2021		2020	
	£m +1%	£m -1%	£m +1%	£m -1%
(Loss)/profit	(58.9)	64.4	(63.4)	70.8
Equity	(58.9)	64.4	(63.4)	70.8

The Financing Cost Adjustment (FCA) is a building block in our licence revenue calculation that tracks an observable index as a proxy for the Company's cost of debt and applies the movement of the index to increases in the Company's net debt. The impact of a mismatch between the FCA and the cost the Company pays for its debt is a potential higher or lower revenue than anticipated. The extraordinary macroeconomic events of recent years in response to exiting the EU and the pandemic and subsequent policy response, including quantitative easing, led to the mechanism not working as intended which is negatively impacting Tideway's revenue until 2032, part of which is realised and part is forecast as it is subject to future movements in market rates. We have initiated discussions with Ofwat regarding mitigation.

12 CAPITAL AND RESERVES

Called-up Share Capital

Allotted, called-up and fully paid ordinary shares of £1 each	Ordinary shares 2021 No.	Ordinary shares 2020 No.
At the beginning of the year	509,672,601	509,672,601
Issued for cash	-	-
At the end of the year	**509,672,601**	**509,672,601**

The holders of ordinary shares are entitled to receive distributions as declared from time to time and are entitled to vote at meetings of the Company in line with the details of the Shareholders agreement. Further information on the role of the shareholders is outlined in the Holding Company Principles statement which is available at *www.tideway.london*.

Retained Earnings

	2021 £m	2020 £m
At the beginning of the year	(89.0)	(55.7)
Profit/(loss) for the year	6.0	(33.3)
At the end of the year	**(83.0)**	**(89.0)**

Financial Statements
Notes continued

13 CONTINGENT LIABILITIES
There are a number of uncertainties surrounding the Company including potential claims, which may affect the financial performance of the Company. Where claims are possible but not probable, or unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the Company Statement of Financial Position but are monitored to ensure that should a possible obligation become probable and a transfer of economic benefits to settle an obligation can be reliably measured, then a provision for the obligation is made. There were no material contingent liabilities at the Statement of Financial Position date.

14 CONTINGENT ASSETS
As at 31 March 2021 there were ongoing commercial negotiations arising in the ordinary course of business under the NEC3 Engineering and Construction Contract. At present the Directors consider an inflow of economic benefit is possible from one or more of the Main Works Contractors. However, the outcome is contingent on the conclusion of the negotiations and more certainty of the total contract values as the project nears completion. The Company has taken the option under paragraph 92 of IAS 37 for non-disclosure of certain information in the extremely rare case where this can be expected to seriously prejudice the entity in a dispute with other parties.

15 RELATED PARTIES
Amounts outstanding on borrowings from Bazalgette Holdings Limited were £720.4m of loan principal (2020: £720.4m) and £57.7m of interest (2020: £nil) at 31 March 2021. During the year £nil (2020: £9.4m) of loan interest was capitalised back into the intercompany loan principal.

Bazalgette Holdings Limited deferred all outstanding interest payable on the intercompany loan by the Company during the year. This was the result of the Company recognising the uncertainties caused by the Covid-19 disruption and delays and uncertainty as to the regulatory response.

Amounts outstanding on loans from Bazalgette Finance plc are £1,056.1m (2020: £955.8m) and interest outstanding on these loans totals £35.4m (2020: £26.0m).

During the year ended 31 March 2021, the Company paid £10.6m (2020: £9.7m) to Bazalgette Finance plc with regards to interest payments under its back to back loan terms.

Amounts outstanding on intra-group loans made to Bazalgette Holdings Limited are £53k (2020: £53k) and made to Bazalgette Finance plc are £11.8m (2020: £10.8m).

Key Management Personnel
Key management personnel comprise the directors of the Company. The remuneration of the directors is provided in the audited part of the Director's Remuneration Report.

During the year ended 31 March 2021, the CEO and COO received an overpayment in relation to the deferred element of LTIP Tranche 1 which was awarded in the prior financial year. This overpayment was due to an administrative error which resulted in the CEO and COO being overpaid £206k and £143k respectively. The overpayments were fully recovered by the Company by 31 March 2021.

16 ULTIMATE PARENT COMPANY AND PARENT COMPANY OF LARGER GROUP
The Company is a wholly owned subsidiary of Bazalgette Holdings Limited. The Company's ultimate controlling parent is Bazalgette Equity Limited which is also the largest group in which the Company is consolidated.

Copies of the consolidated accounts for both the Bazalgette Holdings Group and the Bazalgette Equity Group are available at ***www.tideway.london***.

17 SUBSEQUENT EVENTS OCCURRING AFTER THE REPORTING DATE
No material events have occurred between the year end date and the signing of these financial statements that would require the Company to adjust the financial statements or require disclosure in these financial statements.

The cofferdam at Albert Embankment Foreshore

Regulatory Reporting

Tunnel segments being delivered at Carnwath Road

Regulatory Reporting
Introduction

Tideway is building the Thames Tideway Tunnel under the River Thames – creating a healthier environment for London by cleaning up the city's greatest natural asset, now and for the foreseeable future.

We are an independent regulated water company, licensed by Ofwat to design, build, commission, finance and maintain the Thames Tideway Tunnel and to receive a revenue stream from Thames Water's customers to fund this work. We recognise that this status is a privilege that comes with responsibilities beyond the minimum requirements set out in our project licence and other documents issued by Ofwat.

By pursuing our purpose and working in line with our values of safety, legacy, collaboration, innovation and respect, we aim to deliver the project in a way that serves the public interest and maximises value in its broadest sense. Since Tideway came into existence in 2015, our activities have been focused not only on delivering a high quality asset but also on creating wider, long term benefits to society and the environment. Despite challenges faced as a result of Covid-19 we are proud of the progress made during 2020/21, set out in the 'Our Performance' section of the strategic report.

To maintain the respect and confidence of our stakeholders, we meet all relevant requirements put in place by Ofwat to aid comparability between companies and to help the regulator monitor the sector's performance and financial resilience. Tideway is different from the rest of the sector being a wholesale-only wastewater company, with bespoke regulatory arrangements and different financing – specifically, our shareholders injected £1.3bn including £760m of shareholder loans at the start of the project. Given these differences many of the standard reporting requirements are not relevant to us. This includes most of the new requirements introduced this year by Ofwat in the wake of the 2019 price review, which did not apply to Tideway. We have worked closely with Ofwat to agree the scope for our regulatory reporting.

The following table lists the information that Tideway is required to report and where it can be found. Notable changes for 2020/21 include:

- A Board statement on accuracy and completeness of data and information, replacing and expanding on the previous Data Assurance Summary; and
- A new table 4B, 'Debt analysis'.

This year we have also published a table with information on Tideway's embedded greenhouse gas emissions, which can be found in the Vision, Legacy and Reputation section of the strategic report. We hope this table will be a helpful contribution to the discussion on the form of any future reporting requirements in this area, in line with Ofwat's ambitions as set out in Information Notice 21/02, 'Regulatory accounting guidelines 2020-21: Further guidance on reporting of greenhouse gas emissions'. We plan to engage further with Ofwat and other companies on this issue during 2021/22.

Since March 2020, Tideway has regularly updated Ofwat and Government on its response to Covid-19. During 2020/21 we held discussions with Ofwat on a package of measures that could appropriately address the related costs of Covid-19, the impact on Tideway's financial resilience and risk of schedule penalties. In April 2021 Ofwat consulted on changes to Tideway's licence, which are currently expected to come into effect in summer 2021.[1] We anticipate that the changes will support the delivery capability and resilience of Tideway and its supply chain, while maintaining investor confidence in the project and sector.

[1] *https://www.ofwat.gov.uk/wp-content/uploads/2021/04/Consultation-on-amending-Tideways-project-licence.pdf*

The flume pipe at Hammersmith Pumping Station

Regulatory Reporting
Introduction

Required Disclosure	Source of Requirement	Location in Report	Notes
Regulatory accounting statements	Regulatory Accounting Guideline (RAG) 3.12 (section 2) and Tideway's Licence, Condition F.	This section, pages 158 to 171 Table 4B published separately on Tideway's website.	Companies must provide certain information on their performance, as specified by Ofwat. Tideway has agreed with Ofwat that it will publish a subset of the standard tables plus three tables unique to us.
Financing cost adjustment (FCA)	Tideway's Licence, Part A of Appendix 1.	This section, page 171.	Tideway has a bespoke requirement to report on net debt (as defined by the Licence), and the basis of the calculation of the FCA and its component parts.
Transfer pricing information	RAG 3.12 (section 6).	This section, pages 172-173.	
Risk and compliance statement	Email from Ofwat dated 13 May 2021, updating Information Notice 21/01	This section, page 174.	This is the main means by which companies annually certify compliance with their licences and relevant legislation.
Board statement on accuracy and completeness of data and information	RAG 3.12 (4.41-4.44).	This section, pages 178 to 181.	This requirement has been introduced for 2020/21.
Description of the link between Directors' pay and standards of performance	Section 35A of the Water Industry Act 1991 and RAG 3.12 (3.2-3.8).	Remuneration Committee report, pages 110 to 121.	
Statement as to disclosure of information to auditors	RAG 3.12 (3.9-3.10).	This section, page 171.	
Statement on dividend policy for the appointed business (value and basis of dividend/ distribution)	RAG 3.12 (3.11-3.18).	Financing section of the strategic report, page 55.	Prior to System Acceptance, Tideway will not generate distributable profits and as such it will not be able to pay dividends to its shareholders. As a result, during construction Tideway's shareholders receive a cash return on their investment through a combination of payments of interest on the loan and partial repayments of those loans. At 31 March 2021, shareholder loans were unchanged from 31 March 2020 at £720.4m, with £57.7m of outstanding interest payable.
Note on capitalisation policy	RAG 3.12 (3.21).	**Financial statements:** contained within note 1 under "Property, plant and equipment" (page 139).	Tideway capitalises costs that meet the capitalisation criteria for assets under construction and reports revenue as deferred income during the construction phase. The only entries in the Income Statement are fair value losses on derivative financial instruments and an adjustment relating to interest as a result of differences between RAG and statutory treatments (see notes to Table 1A, in this section).
Note on bad debt policy	RAG 3.12 (3.22-3.25).	**Financial statements:** contained within note 1 (accounting policies) under "Revenue" (page 140). 'Notes' column of this table gives context.	Tideway collects its revenue via Thames Water and does not bill customers directly, so its bad debt policies are different from those of other water and sewerage companies. Tideway continues to assess trade receivables (revenue from TWUL) under the forward looking 'expected loss model' at each reporting date in accordance with IFRS 9 requirements. Note 1 to the statutory accounts ('Impairment' section) refers to the overall approach.

Ofwat has confirmed that other standard reporting requirements set out in RAG 3.12 and Information Notice 21/01 do not apply to Tideway, as they are not relevant to Tideway's business.

Required Disclosure	Source of Requirement	Location in Report	Notes
Statement on sufficiency of non-financial resources	Tideway's Licence, condition K4.4A and RAG 3.12 (3.26).	This section, page 175.	Tideway is required to confirm that (as far as reasonably practicable) it has sufficient non-financial rights and resources to enable a special administrator to carry out its licensed activities.
Statement on sufficiency of resources and facilities ('Condition K certificate')	Tideway's Licence, condition K10, RAG 3.12 (3.27-3.29) and additional Ofwat guidance in Information Notice 20/01, 'Requirements and expectations for ring-fencing certificates'. Information Notice 21/01 notes that these requirements continue to apply for 2020/21 reporting.	This section, pages 175-177.	Tideway is required to confirm that it has sufficient rights and resources (financial and non-financial) to enable it to carry out its licensed activities for at least the next year, and to make a statement of the main factors that the Board has taken into account in endorsing the certificate. For 2020/21, as in 2019/20, we have taken account of Ofwat guidance in Information Notice 20/01; the 'ring fencing certificates' in this document are equivalent to Tideway's Condition K Certificate.
An effective, accessible and clear explanation of how Tideway is meeting the objectives on Board leadership, transparency and governance (BLTG) set out in its licence	Tideway's Licence, condition K2.2-K2.3.	Governance report, pages 81 to 125. Statement on company direction and performance can be found in the strategic report, pages 22 to 25 ('Our Strategy' and 'Our Performance' sections).	This annual report provides information on the BLTG principles in relation to all Tideway group companies.
Tax strategy	RAG 3.12 (3.30-3.31).	Financial Performance Review (pages 61 to 62).	'Tax' section of the Financial Performance Review explains why Tideway does not expect to pay any corporation tax during construction, while 'Tax Strategy' section sets out our overall strategy.
Statement on differences between statutory and RAG definitions	RAG 3.12 (3.32-3.33).	This section: see notes to table tables 1A, 1C and 1D (pages 159 to 162).	All differences relate to capitalised interest values (in period or cumulative).
Long-Term Viability Statement	RAG 3.12 (3.34-3.37) and additional Ofwat guidance in Information Notice 19/07. Information Notice 21/01 notes that these requirements continue to apply for 2020/21 reporting.	Strategic report, pages 70 to 73.	
Interest analysis	RAG 3.12 4.19-4.20.	This section, page 171.	New requirement for 2020/21.
Voluntary reporting on operational greenhouse gas emissions	Information Notice 21/02		Tideway does not have operational greenhouse gas emissions during the construction period. We provide a breakdown of embedded emissions in the Vision, Legacy and Reputation section of the Strategic Report.
Audit reports	Report on regulatory accounts required by RAG 3.12, 2.12-2.14. Report on condition K certificate not formally required by Tideway's licence but obtained in line with good practice and with Ofwat expectations set out in information notices 20/01 and 21/01.	This section, pages 182 to 187.	

Regulatory Accounting Statements

TIDEWAY'S FINANCIAL POSITION AND PERFORMANCE

Tideway has agreed with Ofwat that it will publish a set of tables, including some standard tables (1A-1E, 2D, 4B, 4H and 4I) and some that are unique to the Company (TTTA-TTTC). The standard tables are given the same numbering in this report as in the relevant RAG.[2]

The numbers within these regulatory accounting statements may look different from those reported by other water companies, due to the unique nature of Tideway. Features of the data reported include:

- Tideway capitalises costs that meet the capitalisation criteria for assets under construction and reports revenue as deferred income during the construction phase. The only entries in the Income Statement are fair value losses on derivative financial instruments and an adjustment relating to interest, as a result of differences between RAG and statutory treatments (see notes to Table 1A). Allowed Revenue and revenue collected are reported in Table TTTA;
- In line with the RAGs, the shareholder loans are reported as debt within the net debt metric in tables 1E and 4H which means that the related gearing metric is higher than that reported to our Board and investors. Tideway has a separate net debt definition in its Licence, which is used in calculating its revenue (see 'Financing cost adjustment' section below) and excludes shareholder loans; and
- Tideway's regulatory capital value, which is calculated on a cash basis, was zero at Licence Award. On 31 March 2021, it was £2,889.1m (expressed in March 2021 prices).

[2] https://www.ofwat.gov.uk/wp-content/uploads/2021/02/RAG-3.12.pdf

REGULATORY ACCOUNTS

1A – Income Statement

For the 12 months ended 31 March 2021

	Line Description	Units	Statutory	Adjustments: Differences Between Statutory and RAG Definitions	Adjustments: Non-Appointed	Adjustments: Total Adjustments	Total Appointed Activities
1	Revenue	£m	0.000	0.000	0.000	0.000	0.000
2	Operating costs	£m	0.000	0.000	0.000	0.000	0.000
3	Other operating income	£m	0.000	0.000	0.000	0.000	0.000
4	Operating profit	£m	0.000	0.000	0.000	0.000	0.000
5	Other income	£m	0.000	0.000	0.000	0.000	0.000
6	Interest income	£m	0.000	0.934	0.000	0.934	0.934
7	Interest expense	£m	0.000	-90.983	0.000	-90.983	-90.983
8	Other interest expense	£m	0.000	0.000	0.000	0.000	0.000
9	Profit before tax and fair value movements	£m	0.000	-90.049	0.000	-90.049	-90.049
10	Fair value gains/(losses) on financial instruments	£m	5.925	0.000	0.000	0.000	5.925
11	Profit before tax	£m	5.925	-90.049	0.000	-90.049	-84.124
12	UK Corporation tax	£m	0.000	0.000	0.000	0.000	0.000
13	Deferred tax	£m	0.000	0.000	0.000	0.000	0.000
14	Profit for the year	£m	5.925	-90.049	0.000	-90.049	-84.124
15	Dividends	£m	0.000	0.000	0.000	0.000	0.000

Tax Analysis

	Line Description	Units	Statutory	Differences Between Statutory and RAG Definitions	Non-Appointed	Total Adjustments	Total Appointed Activities
16	Current year	£m	0.000	0.000	0.000	0.000	0.000
17	Adjustments in respect of prior years	£m	0.000	0.000	0.000	0.000	0.000
18	UK Corporation tax	£m	0.000	0.000	0.000	0.000	0.000

Analysis of Non-appointed Revenue

	Line Description	Units	Statutory	Differences Between Statutory and RAG Definitions	Non-Appointed
19	Imported sludge	£m			0.000
20	Tankered waste	£m			0.000
21	Other non-appointed revenue	£m			0.000
22	Revenue	£m			0.000

1A Notes to line items

1 Revenue that the Company receives from Thames Water (see Table TTTA for analysis) is deferred onto the Statement of Financial Position as the associated services will not be delivered until System Acceptance. This is consistent with the accounting policies that are disclosed in note 1 to the statutory financial statements.

6&7 Differences between statutory and RAG definitions relate to interest capitalised under IAS 23 'Borrowing Costs' in the statutory financial statements. These are required to be shown in the Income Statement for regulatory reporting.

14 The difference between the statutory accounts profit and the regulatory accounts profit relates to the net interest expense of £-90.049m.

Regulatory Accounting Statements
Continued

1B – Statement of Comprehensive Income
For the 12 months ended 31 March 2021

	Line Description	Units	Statutory	Adjustments: Differences Between Statutory and RAG Definitions	Adjustments: Non-Appointed	Adjustments: Total Adjustments	Total Appointed Activities
1	Profit for the year	£m	5.925	-90.049	0.000	-90.049	-84.124
2	Actuarial gains/(losses) on post employment plans	£m	0.000	0.000	0.000	0.000	0.000
3	Other comprehensive income	£m	0.000	0.000	0.000	0.000	0.000
4	Total Comprehensive income for the year	£m	5.925	-90.049	0.000	-90.049	-84.124

For details on the adjustment between statutory and RAG definitions see notes to Table 1A.

1C – Statement of Financial Position
For the 12 months ended 31 March 2021

	Line Description	Units	Statutory	Adjustments: Differences Between Statutory and RAG Definitions	Adjustments: Non-Appointed	Adjustments: Total Adjustments	Total Appointed Activities
	Non-Current Assets						
1	Fixed assets	£m	3235.958	-350.994	0.000	-350.994	2884.964
2	Intangible assets	£m	0.000	0.000	0.000	0.000	0.000
3	Investments - loans to group companies	£m	11.814	0.000	0.000	0.000	11.814
4	Investments – other	£m	0.000	0.000	0.000	0.000	0.000
5	Financial instruments	£m	0.000	0.000	0.000	0.000	0.000
6	Retirement benefit assets	£m	0.000	0.000	0.000	0.000	0.000
7	Total non-current assets	£m	3247.772	-350.994	0.000	-350.994	2896.778
	Current Assets						
8	Inventories	£m	0.000	0.000	0.000	0.000	0.000
9	Trade & other receivables	£m	135.375	0.000	0.000	0.000	135.375
10	Financial instruments	£m	0.000	0.000	0.000	0.000	0.000
11	Cash & cash equivalents	£m	331.152	0.000	0.000	0.000	331.152
12	Total current assets	£m	466.527	0.000	0.000	0.000	466.527

1C Notes to line items

1 All costs included within fixed assets are on an accruals basis. This differs from the Annual Actual Project Spend in Table TTTB, which is on a cash basis. The -£350.994m differences between the Company's Statutory fixed asset figure and RAG definitions relates to the cumulative value of capitalised interest since project commencement, which is excluded from the RAG definitions.

9 The £135.4m of 'Trade & other receivables' consists of £80.4m of trade and other receivables (excluding £11.8m loans receivable with group companies reported separately in table 1C) and £55.0m of short-term deposits. This trade and other receivables included current and non-current trade debtors, prepayments and other receivables. Under IFRS, the Statement of Financial Position splits these between £49.5m non-current and £42.6m current. Refer to note 7 to the financial statements.

1C – Statement of Financial Position
For the 12 months ended 31 March 2021

	Line Description	Units	Statutory	Adjustments: Differences Between Statutory and RAG Definitions	Adjustments: Non-Appointed	Adjustments: Total Adjustments	Total Appointed Activities
	Current Liabilities						
13	Trade & other payables	£m	0.000	0.000	0.000	0.000	0.000
14	Capex creditor	£m	-152.102	0.000	0.000	0.000	-152.102
15	Borrowings	£m	-2.092	0.000	0.000	0.000	-2.092
16	Financial instruments	£m	0.000	0.000	0.000	0.000	0.000
17	Current tax liabilities	£m	0.000	0.000	0.000	0.000	0.000
18	Provisions	£m	0.000	0.000	0.000	0.000	0.000
19	Total current liabilities	£m	-154.194	0.000	0.000	0.000	-154.194
20	Net current assets / (liabilities)	£m	312.333	0.000	0.000	0.000	312.333
	Non-Current Liabilities						
21	Trade & other payables	£m	-290.551	0.000	0.000	0.000	-290.551
22	Borrowings	£m	-2759.882	0.000	0.000	0.000	-2759.882
23	Financial instruments	£m	-83.043	0.000	0.000	0.000	-83.043
24	Retirement benefit obligations	£m	0.000	0.000	0.000	0.000	0.000
25	Provisions	£m	0.000	0.000	0.000	0.000	0.000
26	Deferred income - G&C's	£m	0.000	0.000	0.000	0.000	0.000
27	Deferred income - adopted assets	£m	0.000	0.000	0.000	0.000	0.000
28	Preference share capital	£m	0.000	0.000	0.000	0.000	0.000
29	Deferred tax	£m	0.000	0.000	0.000	0.000	0.000
30	Total non-current liabilities	£m	-3133.476	0.000	0.000	0.000	-3133.476
31	Net assets	£m	426.629	-350.994	0.000	-350.994	75.635
	Equity						
32	Called up share capital	£m	509.673	0.000	0.000	0.000	509.673
33	Retained earnings & other reserves	£m	-83.044	-350.994	0.000	-350.994	-434.038
34	Total Equity	£m	426.629	-350.994	0.000	-350.994	75.635

1C Notes to line items (continued)

15 Current borrowings represent the current split of lease liabilities of £-2.092m outstanding at 31 March 2021 on IFRS 16 property leases. The Company has presented lease liabilities as separate line items from borrowings in the Statement of Financial Position.

21 Trade & other payables represent the cash amounts received from Thames Water in relation to the Company's revenue, which is deferred onto the Statement of Financial Position until System Acceptance. The revenue is deferred as the associated services will not be delivered until System Acceptance.

22 Non-current borrowings comprises of the borrowings totalling £-2,756.893m and the non-current split of lease liabilities of £-2.989m outstanding at 31 March 2021 on IFRS 16 property leases.

Regulatory Accounting Statements
Continued

1D – Statement of Cash Flows
For the 12 months ended 31 March 2021

	Line Description	Units	Statutory	Adjustments: Differences Between Statutory and RAG Definitions	Adjustments: Non-Appointed	Adjustments: Total Adjustments	Total Appointed Activities
	Operating Activities						
1	Operating profit	£m	0.000	0.000	0.000	0.000	0.000
2	Other income	£m	0.000	0.000	0.000	0.000	0.000
3	Depreciation	£m	0.000	0.000	0.000	0.000	0.000
4	Amortisation - G&Cs	£m	0.000	0.000	0.000	0.000	0.000
5	Changes in working capital	£m	136.664	0.000	0.000	0.000	136.664
6	Pension contributions	£m	0.000	0.000	0.000	0.000	0.000
7	Movement in provisions	£m	0.000	0.000	0.000	0.000	0.000
8	Profit on sale of fixed assets	£m	0.000	0.000	0.000	0.000	0.000
9	Cash generated from operations	£m	136.664	0.000	0.000	0.000	136.664
10	Net interest paid	£m	0.000	-14.160	0.000	-14.160	-14.160
11	Tax paid	£m	0.000	0.000	0.000	0.000	0.000
12	Net cash generated from operating activities	£m	136.664	-14.160	0.000	-14.160	122.504
	Investing Activities						
13	Capital expenditure	£m	-626.786	14.160	0.000	14.160	-612.626
14	Grants & Contributions	£m	0.000	0.000	0.000	0.000	0.000
15	Disposal of fixed assets	£m	0.000	0.000	0.000	0.000	0.000
16	Other	£m	102.500	0.000	0.000	0.000	102.500
17	Net cash used in investing activities	£m	-524.286	14.160	0.000	14.160	-510.126
18	Net cash generated before financing activities	£m	-387.622	0.000	0.000	0.000	-387.622
	Cashflows from Financing Activities						
19	Equity dividends paid	£m	0.000	0.000	0.000	0.000	0.000
20	Net loans received	£m	338.002	0.000	0.000	0.000	338.002
21	Cash inflow from equity financing	£m	0.000	0.000	0.000	0.000	0.000
22	Net cash generated from financing activities	£m	338.002	0.000	0.000	0.000	338.002
23	Increase (decrease) in net cash	£m	-49.620	0.000	0.000	0.000	-49.620

1D Notes to line items

10 The net interest paid includes £15.9m of interest paid, partly offset by £1.7m of interest received. Net interest includes interest paid on external borrowings, interest received/paid on net settled derivatives and interest received on cash deposits at 31 March 2021.

13 The £626.786m of capital expenditure represents cash outflows for the asset under construction.

1E – Net Debt Analysis at 31 March 2021
For the 12 months ended 31 March 2021

	Line description	Units	Fixed rate	Floating rate	Index Linked: RPI	Index Linked: CPI/CPIH	Total
	Interest Rate Risk Profile						
1	Borrowings (excluding preference shares)	£m	1279.424	572.680	634.870	275.000	2761.974
2	Preference share capital	£m					0.000
3	Total borrowings	£m					2761.974
4	Cash	£m					-331.152
5	Short term deposits	£m					-55.000
6	Net Debt	£m					2375.822
	Gearing						
7	Gearing	%					82.235%
8	Adjusted gearing	%					57.105%
9	Full year equivalent nominal interest cost	£m	72.391	10.618	12.413	4.872	100.294
10	Full year equivalent cash interest payment	£m	72.391	10.618	12.413	4.872	100.294
	Indicative Interest Rates						
11	Indicative weighted average nominal interest rate	%	5.658%	1.854%	1.955%	1.772%	2.810%
12	Indicative weighted average cash interest rate	%	5.658%	1.854%	0.499%	0.764%	2.181%
	Time to Maturity						
13	Weighted average years to maturity	nr	28.012	30.000	27.449	22.364	27.206

1E Notes to line items

3 The borrowings of £2,761.974m represents £720.377m shareholder loans, £1,056.095m intergroup loans, £980.420m third party borrowings and £5.082m lease liabilities.

6 The net debt figure differs from the Company's internal net debt amount of £1,710.4m presented in the strategic report. The company's internal net debt measure excludes both the £720.4m shareholder loans and -£55.0m short term deposits at 31 March 2021.

7 As the Company was not part of the 2019 Periodic Review process, it does not have an RCV determined at the Final Determinations. Therefore, the gearing is based on the RCV at 31 March 2021 (as per table TTTB). Tideway's shareholder loans are included within the debt figure used to calculate gearing.

8 Adjusted gearing, in relation to the Company's financial covenants, as per the terms of its financing documents, is the ratio of senior net indebtedness to adjusted RCV. Refer to ratios calculated in the Financial Performance Review.

Regulatory Accounting Statements
Continued

2D – Historic Cost Analysis of Fixed Assets – Wholesale & Retail
For the 12 months ended 31 March 2021

			Wholesale					Retail		
	Line Description	Units	Retail Household	Retail Non-Household	Water Resources	Water Network+	Wastewater Network+	Bioresources	Additional Control	Total
Cost										
1	At 1 April 2020	£m	0.000	0.000	0.000	0.000	2341.911	0.000	0.000	2341.911
2	Disposals	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
3	Additions	£m	0.000	0.000	0.000	0.000	546.980	0.000	0.000	546.980
4	Adjustments	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
5	Assets adopted at nil cost	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
6	At 31 March 2021	£m	0.000	0.000	0.000	0.000	2888.891	0.000	0.000	2888.891
Depreciation										
7	At 1 April 2020	£m	0.000	0.000	0.000	0.000	-1.941	0.000	0.000	-1.941
8	Disposals	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
9	Adjustments	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
10	Charge for the year	£m	0.000	0.000	0.000	0.000	-1.986	0.000	0.000	-1.986
11	At 31 March 2021	£m	0.000	0.000	0.000	0.000	-3.927	0.000	0.000	-3.927
12	Net book amount at 31 March 2021	£m	0.000	0.000	0.000	0.000	2884.964	0.000	0.000	2884.964
13	Net book amount at 1 April 2020	£m	0.000	0.000	0.000	0.000	2339.970	0.000	0.000	2339.970
Depreciation Charge for Year										
14	Principal services	£m	0.000	0.000	0.000	-1.986	0.000	0.000	0.000	-1.986
15	Third party services	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
16	Total	£m	0.000	0.000	0.000	-1.986	0.000	0.000	0.000	-1.986

2D Notes to line items

All For the purposes of completing table 2D, Tideway has classified all of its activities as falling within the wastewater network + segment. This approach reflects that Tideway is constructing a single asset, the Thames Tideway Tunnel, which will be used solely for sewage collection activities. The Company has no direct relationship with customers and carries out no activities that could be classified as retail. The approach to this table therefore aligns both to the general principles set out in Regulatory Accounting Guideline 2.08, including those of transparency and causality, and with the definitions of wholesale activities set out in Regulatory Accounting Guideline 4.09.

1 The Opening balance at 1 April 2020 reflects both the tunnel asset and ROU assets (Company's property leases) under IFRS 16.

3 All additions in the year were to assets under construction.

10 & 14 The ROU assets are being depreciated over the remaining lease terms on the Company's existing property leases under IFRS 16. The depreciation presented here is accounting depreciation only, and regulatory depreciation remains zero.

2L Land Sales
Tideway has not completed this new table, as the company does not own any land – Thames Water owns all relevant land for the project. We have not therefore received any proceeds from disposals in 2020/21.

At Dormay Street working on the concrete secondary lining shutter

Regulatory Accounting Statements
Continued

4B Analysis of Debt
Due to the size of this table, we have published this table in a separate spreadsheet alongside this report. The spreadsheet can be found on the Financial Publications page of our website *www.tideway.london/corporate-info/financial-publications*. As Table 4B disclosures do not align to table 1E, the Company has included a reconciliation on these differences in the above mentioned spreadsheet.

4H – Financial Metrics
For the 12 months ended 31 March 2021

	Line Description	Units	Current Year	AMP to Date
	Financial Indicators			
1	Net debt	£m	2375.822	
2	Regulated equity	£m	513.230	
3	Regulated gearing	%	82.24%	
4	Post tax return on regulated equity	%	-19.08%	
5	RORE (return on regulated equity)	%	n/a	n/a
6	Dividend yield	%	n/a	
7	Retail profit margin - Household	%	0.00%	
8	Retail profit margin - Non household	%	0.00%	
9	Credit rating – Fitch	Text	BBB+ (Stable)	
10	Credit rating – Moody's		Baa1 (Negative)	
11	Credit rating – Standard and Poor's		n/a	
12	Return on RCV	%	0.00%	
13	Dividend cover	dec	n/a	
14	Funds from operations (FFO)	£m	-14.160	
15	Interest cover (cash)	dec	0.11	
16	Adjusted interest cover (cash)	dec	0.11	
17	FFO/Net debt	dec	-0.006	
18	Effective tax rate	%	0.00%	
19	RCF	£m	-14.160	
20	RCF/Net debt	dec	-0.006	

4H – Financial Metrics
For the 12 months ended 31 March 2021

	Line Description	Units	Current Year	AMP to Date
	Revenue and Earnings			
21	Revenue (actual)	£m	0.000	
22	EBITDA (actual)	£m	0.000	
	Borrowings			
23	Proportion of borrowings which are fixed rate	%	46.32%	
24	Proportion of borrowings which are floating rate	%	20.73%	
25	Proportion of borrowings which are index linked	%	32.94%	
26	Proportion of borrowings due within 1 year or less	%	0.00%	
27	Proportion of borrowings due in more than 1 year but no more than 2 years	%	0.22%	
28	Proportion of borrowings due in more than 2 years but but no more than 5 years	%	0.00%	
29	Proportion of borrowings due in more than 5 years but no more than 20 years	%	23.66%	
30	Proportion of borrowings due in more than 20 years	%	76.12%	

4H Notes to line items

1&3 As shown in table 1E, Tideway's borrowings, which includes shareholder loans, intra-group loans, 3rd party loans and lease liabilities, exceed its cash and cash equivalents and hence it has a net debt position. Applying the line definitions specified by Ofwat results in positive figures for the net debt on line 1 (which is directly taken from table 1E) and consequently regulated gearing in line 3.

2,3&4 As the Company was not part of the 2019 Periodic Review process (PR19), it does not have an RCV determined at Final Determinations. Therefore the regulated equity, regulated gearing and post-tax return on regulated gearing are calculated based on the RCV at 31 March 2021 (in table TTTB)

5 The calculation of RORE is not applicable as the Company was not part of PR19 and does not have a base RORE set at Final Determinations.

6&13 As explained in the Financial Performance Review, there were no dividends paid or proposed during the period. Therefore all the dividend-based financial metrics are reported as not applicable.

7&8 The retail profit margins are not applicable as Tideway has no retail business

9&10 The Company has been assigned a corporate credit rating of Baa1 by Moody's, with a negative outlook and BBB+ by Fitch, with a stable outlook.

14-17 & 19-20 The ratios presented in this table are calculated in line with the RAG methodology. As Tideway has £nil operating profit (Table 1A, line 4) due to its accounting policies, this creates some distortion in the ratios linked to funds from operations (FFO) as required by the RAG methodology. These ratios are not considered to reflect business performance

18 The effective tax rate of 0.00% is a result of the Company having no taxable profits in the year.

21 The revenue the Company receives from Thames Water is recognised as deferred in the Statement of Financial Position until System Acceptance. This is consistent with Table 1A line 1.

Regulatory Accounting Statements
Continued

4I – Financial Derivatives
For the 12 months ended 31 March 2021

	Line Description	Units	Nominal Value by Maturity (Net) 1 to 2 Years	2 to 5 Years	Over 5 Years	Total Value at 31 March 2021 Nominal Value (net)	Mark to Market	Total Accretion at 31 March 2021	Units	Interest Rate (Weighted Average for 12 Months to 31 March 2021) Payable	Receivable
	Derivative Type										
	Interest Rate Swap (sterling)										
1	Floating to fixed rate	£m	0.000	0.000	0.000	0.000	0.000	0.000	%	0.00%	0.00%
2	Floating from fixed rate	£m	0.000	0.000	0.000	0.000	0.000	0.000	%	0.00%	0.00%
3	Floating to index linked	£m	0.000	0.000	620.000	620.000	-79.221	-12.679	%	0.76%	0.78%
4	Floating from index linked	£m	0.000	0.000	0.000	0.000	0.000	0.000	%	0.00%	0.00%
5	Fixed to index-linked	£m	0.000	0.000	70.000	70.000	-3.822	-5.959	%	0.49%	2.86%
6	Fixed from index-linked	£m	0.000	0.000	0.000	0.000	0.000	0.000	%	0.00%	0.00%
7	Total	£m	0.000	0.000	690.000	690.000	-83.043	-18.638			
	Foreign Exchange										
8	Cross currency swap USD	£m	0.000	0.000	0.000	0.000	0.000	0.000			
9	Cross currency swap EUR	£m	0.000	0.000	0.000	0.000	0.000	0.000			
10	Cross currency swap YEN	£m	0.000	0.000	0.000	0.000	0.000	0.000			
11	Cross currency swap Other	£m	0.000	0.000	0.000	0.000	0.000	0.000			
12	Total	£m	0.000	0.000	0.000	0.000	0.000	0.000			
	Currency Interest Rate										
13	Currency interest rate swaps USD	£m	0.000	0.000	0.000	0.000	0.000	0.000			
14	Currency interest rate swaps EUR	£m	0.000	0.000	0.000	0.000	0.000	0.000			
15	Currency interest rate swaps YEN	£m	0.000	0.000	0.000	0.000	0.000	0.000			
16	Currency interest rate swaps Other	£m	0.000	0.000	0.000	0.000	0.000	0.000			
17	Total	£m	0.000	0.000	0.000	0.000	0.000	0.000			
	Forward Currency Contracts										
18	Forward currency contracts USD	£m	0.000	0.000	0.000	0.000	0.000	0.000			
19	Forward currency contracts EUR	£m	0.000	0.000	0.000	0.000	0.000	0.000			
20	Forward currency contracts YEN	£m	0.000	0.000	0.000	0.000	0.000	0.000			
21	Forward currency contracts CAD	£m	0.000	0.000	0.000	0.000	0.000	0.000			
22	Forward currency contracts AUD	£m	0.000	0.000	0.000	0.000	0.000	0.000			
23	Forward currency contracts HKD	£m	0.000	0.000	0.000	0.000	0.000	0.000			
24	Forward currency contracts Other	£m	0.000	0.000	0.000	0.000	0.000	0.000			
25	Total	£m	0.000	0.000	0.000	0.000	0.000	0.000			
	E Other Financial Derivatives										
26	Other financial derivatives	£m	0.000	0.000	0.000	0.000	0.000	0.000			
	F Total										
27	Total financial derivatives	£m	0.000	0.000	690.000	690.000	-83.043	-18.638			

4I Notes to line items

3&5 The calculation of weighted average 12-month interest rates for these swaps considers interest rates applicable to drawn down debt at 31 March 2021.

TTTA – Revenue

	Year	Allowed Revenue (£m)	Payment From TWUL Received in Period: 2020/21 Apr-Sep	2020/21 Oct-Mar	2019/20 Apr-Sep	2019/20 Oct-Mar	Previous Years Apr-Sep	Previous Years Oct-Mar	Total
1	2015/16	11.164	0.022	0.297	0.407	-1.064	16.652	15.709	32.023
2	2016/17	22.439							
3	2017/18	28.559	-0.023	1.269	0.229	1.973	11.725	12.812	27.986
4	2018/19	49.236	-0.525	1.591	10.712	1.003	16.314	18.713	47.808
5	2019/20	63.431	11.179	4.507	20.080	24.270	n/a	n/a	60.036
6	2020/21	76.465	15.445	35.126	n/a	n/a	n/a	n/a	50.571

TTTA Notes to line items

1-6 Tideway's allowed revenue is calculated in respect of each charging year (equal to the financial year in 2016/17 and beyond) using the methodology set out in its Licence. The allowed revenue is notified to Thames Water, which bills and collects this revenue from its wastewater customers and as it is collected passes it through to Tideway, which may be during or after the relevant charging year. This table records the cash amounts received from Thames Water during the periods shown. Total payments received from Thames Water during the period 2020/21 were £68.9m.

1-2 Tideway's allowed revenue was first billed by Thames Water for the 2016/17 charging year, as this could only be calculated following the award of Tideway's Licence in August 2015. Tideway did not receive any payments from Thames Water in 2015/16. As both 2015/16 and 2016/17 allowed revenue were billed together in 2016/17, these amounts are collected together and are not recorded separately in the table above.

1-6 The 'Total' column outlines the total payments received from Thames Water as at 31 March 2021 in respect of each charging year, to show that payments received do not exceed the respective Allowed Revenue.

As explained in the notes to Table 1A, the Company will recognise all revenue as deferred income during the construction phase.

This table is prepared on a cash basis and therefore only revenue payments received in the year are included.

The negative payments received in respect of the 2017/18 and 2018/19 charging years reflects corrections made by Thames Water.

TTTB – Expenditure Analysis

		£m, 2014/15 Prices				£m, Outturn Prices		
		2020/21	2019/20	Previous years	Total Since Licence Award	2020/21	2019/20	Previous Years
1	Annual Base Case Forecast	395.780	485.244	1655.194	2536.218	453.605	549.476	1760.912
2	Total expenditure	500.587	597.599	1825.081	2923.267	573.725	676.704	1945.722
3	Excluded Project Spend	26.906	59.102	322.242	408.251	30.838	66.926	340.406
4	Non-regulated expenditure	0.615	4.347	12.499	17.462	0.705	4.922	13.487
5	Annual Actual Project Spend	473.065	534.150	1490.337	2497.553	542.182	604.856	1591.828
6	Variance from Base Case (£m)	77.285	48.906	-164.856	-38.665	88.577	55.38	-169.083
7	Variance (%)	19.5%	10.1%	-10.0%	-1.5%	19.5%	10.1%	-9.6%
	As at 31 March							
8	RCV	2497.553	2024.487	1490.337		2889.052	2307.916	1655.436

TTTB Notes to line items

1-8 The 'Previous Years' column consolidates 2015/16, 2016/17, 2017/18 and 2018/19 data. These are all consistent with definitions in Tideway's Licence.

1 Tideway's Annual Base Case Forecast, its annually profiled regulatory baseline, is included in its Licence. The figure reported for each financial year is subject to defined inflationary adjustments, as set out in Appendix 1 of Tideway's Licence. For this report, the adjustments for 2019/20 and 2020/21 have been applied using the inflation data as at early May 2021. For this reason, the figures reported above differ from the £497.2m and £407.1m set out in the Licence. The 2019/20 figure also differs slightly from that in the last annual report, as certain construction indices which were provisional at the time of calculation have now been finalised.

2 Excluded Project Spend is defined in Tideway's Licence and includes certain specified categories of spending that are not included in Tideway's RCV. In 2020/21, Excluded Project Spend related primarily to VAT and financing costs.

3 Non-regulated expenditure relates to activity that is neither Allowable nor Excluded Project Spend. For example, this includes office facilities and software for Thames Water staff working on the interface between the two organisations. To avoid customers paying twice for the same expenditure, it is not included in Tideway's Regulatory Capital Value but is recorded as non-regulated expenditure at the point the money is recovered from Thames Water, and Annual Actual Project Spend for the year is correspondingly lower.

4 Annual Actual Project Spend, defined in Tideway's Licence, is the total of Allowable Project Spend incurred by Tideway and verified by the Independent Technical Assessor (ITA) during the reporting period. This amount becomes part of Tideway's RCV, which drives its revenues.

1-7 Expenditure is in both outturn and 2014/15 prices. The figures in outturn prices are deflated to 2014/15 prices using the financial year average RPI.

7 Percentage variance figures for previous years in 2014/15 and outturn prices do not exactly match due to impact of summing outturn figures in different price bases.

8 RCV is in both outturn and 2014/15 prices. The figures in 2014/15 prices are the cumulative Annual Actual Project Spend deflated using the financial year average RPI. The RCV for each year is inflated at the year-end price and therefore differs from the sum of outturn Annual Actual Project Spend (line 5). Previous Years' RCV is RCV at 31 March 2020.

1-8 This table is prepared on a cash basis and therefore only expenditure in the year is included.

1-8 The excluded costs of £31.5m presented in the table on page 58 includes £30.8m of excluded spend and £0.7m of non-regulated spend as shown in table TTTB.

TTTC – Alliance Agreement Payments

		£m, 2014/15 Prices				£m, Outturn Prices		
		2020/21	2019/20	Previous Years	Total Since Licence Award	2020/21	2019/20	Previous Years
1	Alliance Agreement payments received	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2	Alliance Agreement payments made	0.654	0.149	12.940	13.742	0.749	0.168	13.523

TTTC Notes to line items

1&2 The 'Previous Years' column consolidates 2015/16, 2016/17, 2017/18 and 2018/19 data.

1 Expenditure funded by Alliance Agreement payments received will be Excluded Project Spend and therefore excluded from the RCV.

2 This figure includes all Alliance Agreement payments verified by the Independent Technical Assessor.

This table is prepared on a cash basis and therefore only payments received and made in the year are included.

Financing Cost Adjustment

The financing cost adjustment is a mechanism in Tideway's Licence that shares the impacts of movements in the market cost of debt, above certain thresholds, between Tideway and Thames Water's customers. To ensure transparency in relation to this adjustment, Tideway is required by Part A of Appendix 1 of its Licence to report on:

- Net debt (as defined by the Licence). At 31 March 2021 this was £1655.4m. This figure was calculated by taking Tideway's net debt of £2375.8m (as per table 1E) and removing the £720.4m of shareholder loans. Shareholder loans are included in Tideway's net debt using the definitions in the Regulatory Accounting Guidelines but are not included in the net debt figure calculated in accordance with Tideway's Licence.
- The basis of the calculation of the Financing Cost Adjustment and its component parts: this is included in Tideway's annual Revenue Statement *(see www.tideway.london/media/4900/tideway-revenue-statement-181220.pdf)*.

Interest Analysis

Ofwat's RAG 3.12, section 4.19-4.20, requires analysis of the appointed interest expense reported in 1A.7 and the appointed other interest expense reported in 1A.8.

Interest Expense Reported in FY20/21	£m
1A.7 Interest Expense	-90.983
Breakdown of Interest Expense Components	
External borrowings – Interest expense	-12.686
Intra-group borrowings – Interest expense	-78.149
Lease liabilities under IFRS 16 – Interest expense	-0.148
Total	-90.983

We have no appointed other interest expense, as reported in 1A.8

Disclosure of Information to the Auditor[3]

The Directors who held office at the date of approval of the 'Directors' Report' confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

[3] *This information is included in the Directors' Report for statutory purposes and is repeated here in line with Ofwat's requirement that companies make this statement within their annual performance reports.*

Transfer Pricing Information

TRANSFER PRICING INFORMATION

To demonstrate that it is operating at arm's length from other companies in the same group and that no cross-subsidies exist, Tideway is required by Regulatory Accounting Guideline 3.12 to disclose details of transactions with associated companies. The Tideway group structure is described on page 123.

Service Received by Regulated Business	Company	Turnover of Associate	Terms of Supply	Value
Shareholder loans	Bazalgette Holdings Ltd	–	The shareholder loans were included in the financing plan that was part of the bid Tideway's owners made for the company. Bids were evaluated as part of the procurement process for the infrastructure provider, against criteria that included the rate of return required by bidders and the financial resilience of the proposed financing structure. The shareholder loans have a maturity date of 2064.	**£720.4m outstanding** at 31 March 2021 (of £764.5m initially contributed by shareholders)
Intra-group loans	Bazalgette Finance Plc	–	Tideway has £1056.1m of loans payable to its sister company Bazalgette Finance plc, which operates with the sole purpose of raising finance through a multi-currency bond platform for the purposes of the Company's licenced activities. The proceeds from bonds issued under this platform are lent to Tideway through a series of back to back loans, which have substantively the same economic terms and effectively pass to Tideway the financing arrangements of the external debt held by Bazalgette Finance plc. These intra-group loans have maturity dates ranging from 2027 to 2054 (further detail in note 10 to the statutory accounts).	**£1056.1m outstanding** at 31 March 2021

Service Received by Regulated Business	Company	Turnover of associate	Terms of supply	Value
Intra-group loans	Bazalgette Holdings Ltd	-	Tideway has a £53k loan receivable from its immediate parent Bazalgette Holdings Limited, lent for the purposes of Bazalgette Holdings Limited's capitalisation of Bazalgette Finance plc during 2016/17. The loan is on arm's length commercial terms, bearing an annual interest rate of 3-month Libor+50bp.	**£0.05m outstanding**
Intra-group loans	Bazalgette Finance Plc	-	Tideway has an £11.8m loan receivable from its sister company Bazalgette Finance plc, lent for the purposes of funding Bazalgette Finance plc's debt reserve service account. The loan is on arm's length commercial terms, bearing an annual interest rate of 6-month Libor+50bp.	**£11.8m outstanding**

Tideway's shareholder loans are made by an associated company, Bazalgette Holdings Limited, in line with arrangements agreed with Government and Ofwat before Licence Award, and are therefore a relevant transaction. The loan arrangement meets all regulatory requirements for transactions with associated companies. The information in the form required by Ofwat is shown above.

RAG 3.12 requires companies to report:

- corporation tax group relief received or surrendered by the regulated business; and
- the basis of the recharge made by the appointed business, where appointed business assets have been used to carry out non-appointed activities.

Tideway had no such transactions to report in 2020/21.

Risk and Compliance Statement

This section relates to Tideway's compliance with its statutory, licence and regulatory obligations.

For this section, Tideway has identified four sources of obligations, capturing the major regulatory and legal obligations applicable to Tideway that are specific to the Thames Tideway Tunnel or to the water industry. These are:

- the project Licence;
- a modified version of the Water Industry Act 1991, as amended;
- the "SIP Regulations";[4] and
- the Project Specification Notice.

The listed instruments are considered to define the major obligations on Tideway. Any obligations not covered are considered to be at low risk of non-compliance.

This statement complements a number of other Tideway reporting practices, such as quarterly reporting of project information to the Liaison Committee, which is attended by representatives from Ofwat, Government, the Environment Agency and TWUL as well as the Independent Technical Assessor (ITA), and regular information sharing with the ITA, Environment Agency and other sources of scrutiny. These practices help to ensure transparency and accountability regarding Tideway's compliance with its statutory, licence and regulatory obligations. In this regard Tideway's Board confirms that:[5]

- The Company considers that it has full understanding of, and is meeting, its obligations. The Board considers that Tideway had no material instances of non-compliance with the listed statutory, licence and regulatory obligations throughout 2020/21.

Under the umbrella of its assurance policy, strategy and plan, Tideway has a range of processes for ensuring compliance. These processes are captured in the integrated assurance framework overseen by the Compliance and Assurance Review Group, led by the CEO; details of this group are provided in the Risk Management section.

In relation to Tideway's Licence obligations, each obligation is allocated to the owner within Tideway with the most relevant expertise. These owners are responsible for ensuring compliance and putting in place appropriate processes and first line assurance (defined in the Board Statement on Accuracy and Completeness of Data and Information). The assurances given in this statement are underpinned by the Regulation team's risk-based reviews of compliance, in which the frequency and degree of scrutiny applied and the level of evidence requested in relation to each obligation reflects the likelihood and potential severity of breach, as assessed using a common set of standards. This approach is supplemented by quarterly management reviews. Tideway's internal audit function carried out a review of Licence compliance in relation to 2020/21 and concluded that the controls in place were effective.

Tideway's legal team manages compliance with our legal obligations. The team monitors and supports compliance on an ongoing basis, undertakes periodic audits, and identifies and prepares for legislative changes that may impact Tideway. To support compliance, the team promotes awareness of key legislative requirements across the business. Training is provided on specific topics such as fraud awareness and the General Data Protection Regulation.

The legal team also scrutinises procurements, to ensure compliance with the procurement regime applicable to Tideway.

The results of the assurance processes underlying this Risk and Compliance Statement have been reported to Tideway's Audit and Finance Committee, which recommended to the Board that it make the statements in this section.

- The Company has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations. Tideway is committed to continuous improvement and as such we will continue to refine our processes, to support ongoing compliance.
- The Company has appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks.

The steps taken to manage or mitigate material risks are covered in the Risk Management section of the strategic report. At the Board Risk Committee meeting in January 2021, the Committee reviewed Tideway's approach to corporate risk management covering all business areas. Committee members were given an opportunity to discuss the principal and corporate risks facing the business, reflecting the current stage of the project and relevant external influences. The Committee also reviewed Tideway's risk appetite, to ensure it remains appropriate and reflects the current business environment. The Commitee reviewed the risk section of the Annual Report, including the Principal Risks, at its June 2021 meeting.

4 *The Water Industry (Specified Infrastructure Projects) (English Statutory Undertakers) Regulations 2013 (as amended by the Water Industry (Specified Infrastructure Projects) (English Statutory Undertakers) (Amendment) Regulations 2015) (the "SIP Regulations").*

5 *Statements in relation to customers and outputs required by Ofwat's risk and compliance statement guidance are not included here as they are not relevant to Tideway.*

Condition K Reporting

SUFFICIENCY OF NON-FINANCIAL RESOURCES

Condition K4.4A of Tideway's Licence requires it to make an annual statement regarding the sufficiency of its non-financial resources, in case of special administration. The Board confirms that as at 31 March 2021, as far as reasonably practicable, Tideway had available to it sufficient rights and resources other than financial resources so that if, at any time, a special administration order were to be made in relation to it, the special administrator would be able to manage Tideway's affairs, business and property in accordance with the purposes of the special administration order.

SUFFICIENCY OF RESOURCES AND FACILITIES (CONDITION K CERTIFICATE)

Tideway has submitted a Condition K Certificate to Ofwat stating that in the Board's opinion:

- Tideway will have available to it sufficient financial resources and facilities to enable it to carry on the Licensed Activities for at least the 12-month period following the date of submission.
- Tideway will have available to it sufficient management resources and systems of planning and internal control to enable it to carry on the Licensed Activities for at least the 12-month period following the date of submission.
- All contracts entered into between Tideway and any associated company include the necessary provisions and requirements in respect of the standard of service to be supplied to Tideway, to ensure that it is able to carry on the Licensed Activities.

Tideway's Board endorsed the above statements on 1 July 2021. Before doing so, the Board:

- Reviewed and discussed a draft Condition K Certificate and supporting paper at a workshop in May 2021; and
- Reviewed the final form of the certificate at its 1 July 2021 meeting.

KPMG's report is presented on page 187.

The Board's reviews were supported by papers showing the view of the most relevant Tideway Director or internal expert on whether Tideway has sufficient resources for at least the next 12 months in each area listed in the table below. They also described the processes, systems and evidence that had led them to this view. During 2020/21 further sufficiency of resources monitoring was introduced, including quarterly review by the CFO, COO and Director of Strategy & Regulation.

The Board considers that this combination of internal and external assurance means that checks have been carried out by parties with the most appropriate skills and knowledge.

The Board considers that Tideway has sufficient resources in all areas. In reaching this conclusion it paid particular attention to the following:

- Adequacy of processes such as Tideway's Financing Plan, Annual Budget, Annual Business Plan, Financing Reviews and resource planners that provide the Board with an overall view on sufficiency of resources;
- Resources considered critical to mitigating the Principal Risks identified in the Risk Management section of this report, or potentially vulnerable to their impacts.
- Higher levels of confidence in Covid-19 impacts than in 2019/20 informed by experience and by positive wider developments such as progress on the vaccination programme; and
- Governance, assurance and risk management processes that test the robustness of Tideway processes and conclusions on sufficiency of resources.

The table on the **following pages** summarises the processes, systems and evidence considered in confirming sufficiency of resources in each area.

Condition K Reporting

Area	Factor	Summary of Information Considered
Financial resources and facilities	Financial details, e.g. cash position, financial headroom, refinancing undertaken/planned.	Forward looking liquidity; covenants in financing documents; Treasury policies, plans and assurance. Further detail in Financing section of Strategic Report.
	Performance against Final Determinations (FDs) set at the last price review.	As Tideway was not part of the last Ofwat price review, the Board considered performance against Tideway's regulatory baseline and potential direct and indirect impacts of the forecast overspend.
	Credit related factors e.g. credit facilities, ratings, compliance with covenants etc.	Regular reviews with rating agencies and discussions on pandemic impact; re-affirmation of ratings by Moody's and Fitch; credit metrics; Treasury policies; financing document compliance; investor reporting; availability of compliance resource.
	Business plans, long-term viability statements, etc.	2021/22 business plan approved by Board in March 2021; new plans being developed across Tideway, PM and contractors in light of Covid-19; T minus 24 developments; scenarios modelled and results of Long Term Viability Statement (pages 70-73); engagement with Ofwat on impacts of Covid-19 and Financing Cost Adjustment
	Any relevant reports – internal or third-party.	KPMG review of Condition K Certificate for consistency with audit findings. Internal reports considered under other factors wherever relevant.
Management resources	Management skills, experience and relevant qualifications.	Human Resources (HR) processes in place to identify and meet skill, experience and qualification requirements. Review of all roles during 2020/21 with reference to current and anticipated company needs.
	Recruitment process, staff engagement.	HR processes in place; results of annual staff engagement survey. See also Company and People section of strategic report (page 44).
	Succession planning for key management/staff.	Annual reviews of senior roles; scrutiny by Nomination Committee. Risk from Covid-19 or other shocks mitigated by team business continuity plans.
	Quality of management/staff induction and other training and development.	Results of staff engagement survey; regular reviews of induction process by HR function.
	Process for ensuring diversity of perspectives.	**For staff and management:** approach to recruitment; internal activities to promote inclusivity; results of staff engagement survey. **For the Board:** current Board composition; succession planning review.
	Board or management activities, reports or statements.	**Board:** see Governance section. **Management:** monthly performance reviews led by CEO; quarterly reporting to Liaison Committee. Additional reporting in place in response to Covid-19.
	Independence of Board.	See Governance section.
Systems of planning and internal control	Governance procedures; risk management frameworks, oversight procedures.	**Governance:** Board independence; internal control and delegated authority procedures; contract approval process. **Risk management**: see strategic report (pages 64-69). **Oversight:** Compliance and Assurance Review Group (CARG, see page 64) and Tideway's Integrated Assurance Framework.
	Internal and/or external audit policies, processes, activities and/or reports.	**Internal audit** policy, strategy, procedures and reporting; audit plan drives resources required. **External audit** summarised in Board statement on accuracy and completeness of data and information (pages 178-181).
	Systems for maintaining supply / business continuity, stated action plans.	Emergency Preparedness and Resilience Framework, Incident/Crisis Management and Business Continuity Management Process; arrangements for review and integration of lessons learned.
	Policies to prevent fraud and other unethical behaviour; whistleblowing policy.	Ethical behaviours and whistleblowing policies; mandatory training on antifraud, bribery and corruption.
	Risk, compliance other assurance statements.	See Risk and Compliance Statement (page 174) and Board statement on accuracy and completeness of data and information (pages 178-181).

Area	Factor	Summary of Information Considered
Rights and resources other than financial resources	Corporate missions and/or values.	See 'Our vision, purpose and values' section of strategic report (pages 8-9).
	Technology and other systems for ensuring checks and balances.	Technology considerations including range of service providers; cloud-based systems; cybersecurity arrangements. Examples of how these systems are being used to ensure checks and balances.
	Policies to encourage an integrated approach and 'systems thinking'.	Arrangements for integrating our delivered tunnel with the Lee Tunnel and Beckton for operations. Broader context for delivery, including legacy commitments (pages 10-11). Integration across the Alliance.
	Planning systems.	Role of the Programme Manager in integration of planning and scheduling activities; planning resources available Tideway's Programme Integrated Management System (single source of project delivery information) and Tideway assurance. CARG and Integrated Assurance Framework – as above. Arrangements being put in place for long term asset management.
	Assets maintenance / insurance factors.	Insurances in place and renewal arrangements. Third party asset protection arrangements in place. Status of plans for asset management post construction.
Contracting	Position/status of key contracts in place.	Most key contracts were in place at Licence Award; Legal team manages new contracts or variations to existing contracts. Contract approval form and other processes ensure compliance of contract terms with our licence, project documents and financing agreements.
	All contracts between the Appointee and all Associated Companies were checked for compliance with licence requirements on standards.	Assurance via the licence compliance process (see Risk and Compliance Statement, page 174).
	Note on transactions between the Appointee and any Associated Company.	See pages 172-173.
	Compliance with licence provision on cross-subsidies between the Appointee and any Associated Company (Condition I).	Assurance via the licence compliance process (see Risk and Compliance Statement, page 174).
	No Guarantees or Cross-Default Obligations given without Ofwat's written consent.	Assurance via the licence compliance process (see Risk and Compliance Statement, page 174).
Material issues or circumstances	Supply chain availability.	Key risks and mitigations, including consideration of Covid-19 and Brexit impact. See Risk Management section of strategic report, pages 64-69.
	Stakeholder and community support.	See 'Engaging with our stakeholders & partners' and 'Vision, Legacy and Reputation' sections of strategic report, pages 14-15 and 38.
	Schedule and commercial alignment - NEW.	The T-24 programme (see 'Our strategy' section of the strategic report) is not expected to differ materially from the current schedule and cost, and therefore will not have a detrimental impact on sufficiency of resources. Current indications of cost impact do not indicate a concern on either funding or Threshold Outturn limits.

BOARD ENDORSEMENT

All disclosures in this regulatory report, including the Risk and Compliance Statement and Condition K Certificate, were approved by the Board on 1 July 2021 and the report was signed on its behalf by:

Andy Mitchell
Chief Executive Officer

Sir Neville Simms
Chairman

Richard Morse
Deputy Chair and Independent Non-Executive Director (Chair of the Audit and Finance Committee)

Board Statement on Accuracy and Completeness of Data and Information

Tideway recognises the importance of providing accurate and complete information throughout the reporting year and the importance of Board engagement, for our stakeholders to trust it. Tideway has adopted an 'Integrated Assurance Framework', where the Board's role includes satisfying itself as to the identification and addressing of any risks that impact the provision of accurate and complete data. We are required under Ofwat's "RAG 3.12 – Guideline for the format and disclosures for the annual performance report",[6] to provide a statement, signed by, or on behalf of the Board, stating that the data and information, which the company has provided to Ofwat in the reporting year and/or has been published in our role as an infrastructure provider, is accurate and complete and setting out any exceptions to this. This statement is accompanied by a description of how the Board has:

- engaged and challenged on the assurance approaches which have been taken;
- taken action to ensure that any exceptions and weaknesses in the assurance approaches have been addressed;
- satisfied itself that the approaches have appropriately identified and addressed any risks to the provision of accurate and complete data and information; and
- utilised individual directors and committees in carrying out its activities in this area.

Integrated Assurance Framework

Tideway has adopted a Compliance and Assurance Policy. This provides assurance to the Board that our external obligations: legal, statutory, regulatory, contractual and other internal requirements are complied with for the delivery of the project. The policy is supported by the:

- Compliance and Assurance Strategy, which defines how we demonstrate compliance, by using a risk-based approach, based on the 'three lines of defence';
- The Integrated Assurance Plan, which maps our Assurance Framework in line with Tideway's Operating Model.

The accountability for compliance and assurance sits with the Executive Directors. The policy is endorsed by both the Board and the Audit and Finance Committee. The framework for all assurance activities is provided by Tideway's Programme Integrated Management System (PIMS) and implemented by the functions and disciplines within Tideway.

Our Risk-based Approach

We adopt the 'three lines of defence' approach to risk management.

- **First line:** Functional assurance, day to day internal control measures, operational management;
- **Second line:** Internal governance, monitors functional assurance and reporting on compliance; and
- **Third line:** Independent assurance including external and internal audit.

Each of these 'lines' plays a distinct role in the organisation's wider governance framework, reporting to the Board. This ensures our Board is both aware and engaged throughout the reporting year in ensuring accurate, complete and reliable information is provided to Ofwat in Tideway's role as an infrastructure provider.

Scope of our Board Statement

Our Board Statement covers all data and information, which the company has provided to Ofwat in the reporting year and / or has been published in our role as an infrastructure provider. We provide details of the approach for: the 2020-21 Annual Report, Annual Revenue Statement, Liaison Committee and Covid-19 information. We confirm that there were no material exceptions or weaknesses in our approach during the reporting year.

6 *RAG 3.12 – Guideline for the format and disclosures for the annual performance report (Ofwat February 2021)*

Board Statement on Accuracy and Completeness of Data and Information

Continued

2020/21 Annual Report Assurance

The 'three lines of defence' approach to our Annual Report is overseen by our Board and Audit and Finance Committee, including engagement at a Board workshop and Board sub-committees reviewing specific aspects of the report.

Tideway's Internal Audit function reviewed our assurance methodology and provided a written opinion on the approach described here.

First and Second Line Assurance

The functional areas responsible for different sections of the report undertook the first line of defence.

- Each section owner provided the source of all data items in the section and described the relevant assurance activities through the reporting year.
- There was a peer review of each section by a colleague within the business function, with any comments fed back to the section owner to be addressed.
- Section owners, their head of department and the appropriate member of the executive management team certified the accuracy, reliability and completeness of the section.

The second line of defence consisted of oversight by the wider business. An independent central team, with representatives from across Tideway tested the robustness of the first line of defence by verifying data items contained in the report, using the source information provided by the section owner, and by checking consistency within the report.

The team decided which data items to check based on the likelihood and potential impact of error, and any internal stakeholder views on areas requiring additional assurance. This determined the depth and breadth of assurance, with all high-risk items checked back to an assured source. Lower-risk items were subject to spot checks. Any comments arising were addressed by section owners.

Other second line of defence activities included:

- Executive management review of each section.
- Review of relevant sections of the governance report by Board Committee Chairs.
- The Board Risk Committee reviews our risk management framework and principal risks.
- The Audit and Finance Committee review our long-term viability statement.
- Review of the Annual Report by the Board in a workshop held in advance of finalising the report.
- Review of the Annual Report by the Audit and Finance Committee in advance of Board review and approval.

Third Line Assurance

The third line of defence consisted of independent assurance provided by KPMG, our auditors for the Statutory Accounts. They also provided assurance over various other sections of the report, by carrying out an audit and/or other checks. Internal audit reviewed the methodology set out in this statement and checked that it had been followed. Internal audit also audited the year-end licence compliance process, which underpins the risk and compliance statement.

KPMG's opinions in the Annual Report and Accounts cover the results of its statutory and regulatory audits.

Other independent third line of defence assurances included:

- Internal audit function covering financial and non-financial processes across the business.
- External auditor, audits our Financial Statements and carries out a series of agreed checks (known as "agreed upon procedures") on our Revenue Statement submissions to Ofwat.
- Independent Technical Assessor (ITA) reviews information on the progress of the project, verifies Tideway's Allowable Project Spend and produces quarterly reports on Tideway's reporting to Government.

The ITA is co-located with Tideway and is given full access to information.

KPMG Assurance

Section/table	KPMG assurance
Strategic report	Consistency with the accounts
Governance	Within scope of statutory audit opinion where the Corporate Governance Code has been adopted and the element forms one of the provisions of the Code.
Directors' report	Statutory audit opinion covers preparation in accordance with the requirements of the Companies Act 2006.
Regulatory reporting – tables in sections 1 and 2	Regulatory audit (in line with Ofwat guidance)
Regulatory reporting – tables in sections 4 and TTT	A set of specific tests on the calculations to verify their accuracy (known as agreed upon procedures)
Condition K certificate	Review in line with licence requirement
Regulatory reporting – narrative	Consistency with the accounts
Financial statements	Companies Act/statutory audit

Revenue Regulation - Annual Revenue Statement

Tideway's revenue collection process is governed by the Revenue Agreement. The process is segmented into three activities: (i) derivation of the annual infrastructure provider charge estimate, (ii) the Annual Revenue Statement and (iii) the revenue, billing and collection process. Each stage is subject to an agreed process, which includes governance and assurance.

The Annual Revenue Statement sets out the charges for the next year and follows our 'three lines of defence' approach. The statement is first derived internally and subject to internal review, and external audit ("agreed upon procedures"). It is also subject to executive level review, which provides further assurance and confidence to the Board that it can approve a complete and accurate revenue statement for Ofwat.

This process has been established since licence award and has been applied for each revenue statement published.

Liaison Committee Reporting

Tideway provides a quarterly performance report to key stakeholders. The report sets out the latest forecast cost Estimate at Completion (EAC) and schedule.

To ensure the completeness and accuracy of historical information and the strength of forecasts the report is subject to internal review and challenge, including teams led by Board Members. Only on completion of the review and challenge process is the report released to stakeholders. The ITA also provides a quarterly report for presentation to the Liaison Committee, as set out under the ITA Deed.

Covid-19

In response to the pandemic a Board working group, which included members of the Board and the Executive Management Team, was set up to scrutinise cost and financing impacts of the pandemic on the Company.

The Board's strong oversight and engagement included running workshops to identify the potential impact, assess the risks and identification of mitigation strategies. This enabled Tideway to provide Ofwat with the latest available information.

Additional assurances were put in place; these were:

- Client Verification Assurance (CVA) team review of exceptional costs;
- Client assurance of the Programme Manager (PM);
- Internal Audit review.

Board Oversight and Endorsement

The Audit and Finance Committee has shared the outcome of the assurance carried out with the Board. This has enabled the Audit and Finance Committee to assure the Board, that the Annual Report and Accounts, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy' is in line with the UK Corporate Governance Code requirements.

On the basis of this assurance, the Audit and Finance Committee has recommended the Annual Report to the Board for its approval. The Board has:

- adopted our three lines of defence approach to assurance;
- taken action to ensure that any exceptions and weaknesses in the assurance approaches have been addressed;
- satisfied itself that the approach has appropriately identified and addressed any risks to the provision of accurate and complete data and information; and
- utilised individual directors and committees in carrying out its activities in this area.

The Board and its committees have overseen and approved the data and information, which the company has provided to Ofwat in the reporting year and /or has been published in our role as an infrastructure provider for accuracy and completeness.

The report was signed on its behalf by:

The report was signed on its behalf by:

Richard Morse
Deputy Chair and Independent Non-Executive Director (Chair of the Audit and Finance Committee)

Auditor's Report

INDEPENDENT AUDITOR'S REPORT (REGULATORY ANNUAL PERFORMANCE REPORT – SECTION 1 AND 2 TABLES)

Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and Bazalgette Tunnel Limited ("the Company" or "BTL")

Opinion

We have audited the tables within Bazalgette Tunnel Limited's Annual Performance Report for the year ended 31 March 2021 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), and the related notes. In line with the Ofwat guidance issued on 16 June 2021 the financial flows (table 1F) has neither been presented nor audited; and
- the historical cost analysis of tangible fixed assets (table 2D), and the related notes. In line with Ofwat guidance issued on 16 June 2021, the other section 2 tables have neither been presented nor audited.

We have not audited the additional regulatory information in tables 4B, 4H or 4I or the bespoke information in tables TTTA to TTTC.

In our opinion, Bazalgette Tunnel Limited's Regulatory Accounting Statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.08, RAG 3.12, RAG 4.09 and RAG 5.07) and the accounting policies set out on pages 138-141.

Basis For Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors' responsibilities for the audit of the Regulatory Accounting Statements below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Special Purpose Basis of Preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly we make no such assessment.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of international accounting standards in conformity with the requirements of the Companies Act 2006 ("IAS"). Financial information other than that prepared on the basis of IAS does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 158 to 171 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from IASs. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusions Relating to Going Concern

The directors have prepared the Regulatory Accounting Statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Regulatory Accounting Statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources and metrics relevant to debt covenants over this period were:

- Adequacy of funding available to the Company including its ability to generate liquid funds to honour its commitments under its lending agreements with reference to management's budgets/forecast; and
- Significant cost overruns to estimate to complete the project that reduces the returns generated from the asset.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Company's financial forecasts.

We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Other Information

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Auditor’s Report
Continued

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors’ Responsibilities set out on page 127, the directors are responsible for the preparation of the Annual Performance Report in accordance with the Regulatory Accounting Guidelines issued by the WSRA and the Company’s accounting policies.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the Audit of the Regulatory Accounting Statements within the Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

Fraud and Breaches of Laws and Regulations – Ability to Detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, and inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment assumptions.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Regulatory Accounting Statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

The potential effect of these laws and regulations on the Regulatory Accounting Statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the Regulatory Accounting Statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Regulatory Accounting Statements items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Regulatory Accounting Statements, for instance through the imposition of fines or litigation or the loss of the Company’s license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company’s activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the Ability of the Audit to Detect Fraud or Breaches of Law or Regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Regulatory Accounting Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Regulatory Accounting Statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council’s website at ***www.frc.org.uk/auditorsresponsibilities***. This description forms part of our auditor’s report, except for the following:

The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA’s purposes. Accordingly we make no such assessment.

We have not assessed whether the accounting policies are appropriate to the circumstances of the Company where these are laid down by Condition F. Where Condition F does not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Annual Performance Report are consistent with those used in the preparation of the statutory financial statements of the Company.

Auditor's Report
Continued

Use of this Report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Project Licence granted by the WSRA to the Company as an infrastructure provider under section 17FA of the Water Industry Act 1991 (as has effect under paragraph 3(2) of Schedule 1 of the Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013) ("the SIP Regulations") ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2021 on which we reported on 2 July 2021, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Anna Jones
Senior Statutory Auditor
For and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
2 July 2021

INDEPENDENT AUDITOR'S REPORT (CONDITION K CERTIFICATE)

Report of KPMG LLP to Bazalgette Tunnel Limited ('the Company') and the Water Services Regulation Authority ('the WSRA') under Licence Condition K

In accordance with the terms of our engagement letter dated 18 June 2021, we have examined the Company directors' certificate – Condition K dated 1 July 2021 (the "Certificate") which is attached to this report and initialled for identification purposes, in conjunction with the completion of our audit of the Regulatory Accounting Statements within the Company's Annual Performance Report for the year ended 31 March 2021.

Respective Duties of Directors and Auditors

The directors of the Company have sole responsibility for the preparation of the Director's Certificate – Condition K in accordance with Condition K of the Licence. The Certificate is presented as set out in the Project Licence granted by the WSRA to the Company as an infrastructure provider under section 17FA of the Water Industry Act 1991 (as has effect under paragraph 3(2) of Schedule 1 of the Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013) ("the SIP Regulations")".

As specified in our engagement letter dated 18 June 2021, it is our responsibility to examine the Certificate and report to you whether we are aware of any inconsistencies between that Certificate and the Regulatory Accounting Statements within the Company's Regulatory Accounts and any information which we obtained in the course of our work as the Company's Auditors.

For the avoidance of doubt, our audit of the Regulatory Accounting Statements within the Company's Annual Performance Report for the year ended 31 March 2021 was and is not directed towards meeting the requirements of the Company or the directors under the terms of Condition K. We have not carried out and will not carry out specific procedures designed to verify the substance of the matters certified by the directors of the Company. Our sole responsibility is to examine the Certificate for consistency with our knowledge of the Company's financial affairs gained in the course of our normal audit work. Furthermore, we have not carried out any audit procedures on the Company since 2 July 2021, the date of our audit opinion on the Regulatory Accounting Statements within the Company's Regulatory Accounts of the Company for the year ended 31 March 2021.

This report is made solely to the Company as a body and the WSRA in accordance with the Regulatory Accounting Guidelines and other relevant material issued by the WSRA and the terms of our engagement with the Company. Our examination has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company as a body, and the WSRA, for our report, or for the opinions we have formed. We will accept such responsibility to the WSRA on condition that the WSRA agrees in writing to the WSRA's Contract by signing the WSRA's Contract. The terms of our engagement do not confer benefits on any other parties and exclude the application of the Contracts (Rights of Third Parties) Act 1999.

Basis of our Findings

Our work consisted of an examination of the Certificate signed by the Directors, to determine whether there were any inconsistencies with our findings arising from the audit of the Regulatory Accounting Statements within the Company's Annual Performance Report and any information which we obtained in the course of our work as the Company's Auditors.

Findings

Nothing has come to our attention during the course of our audit work on the Regulatory Accounting Statements within the Company's Annual Performance Report for the year ended 31 March 2021 that would indicate any inconsistencies, in all material respects, between the Certificate and the Regulatory Accounting Statements within the Company's Annual Performance Report and any information which we obtained in the course of our audit work on the Regulatory Accounting Statements within the Company's Annual Performance Report of the Company for the year ended 31 March 2021.

KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
2 July 2021

Glossary

Term	Definition
BMB	Joint venture between Bam Nuttall Ltd, Morgan Sindall Plc and Balfour Beatty Group Ltd, which manages the West component of the project.
Building Research Establishment (BRE)	A multi-disciplinary building science centre, which aims to improve buildings and infrastructure, through research and knowledge generation.
Community Liaison Working Groups	Stakeholder groups that Tideway has set up near the active construction sites, to engage and share information with local residents.
Combined Sewer Overflow (CSO)	Pipes designed to release excess sewage during storms.
CVB	Joint venture between Costain Ltd, Vinci Construction Grands Projets and Bachy Soletanche Ltd, which manages the East component of the project.
Defra	Department for the Environment, Food and Rural Affairs.
Employer's Project Induction Centre programme (EPIC)	Tideway's compulsory Health, Safety and Wellbeing training programme, for every person working on the project.
Encompass Diversity Programme	The project's diversity forum, open to all working on Tideway.
FLO	Joint venture between Ferrovial Agroman UK Ltd and Laing O'Rourke Construction Ltd, which manages the Central component of the project.
Government Support Package (GSP)	An agreement with the UK Government, under which it will provide financial support for the project in certain unlikely circumstances.
Handover	The point at which the tunnel is integrated into the wider sewer network, commissioning tests have been successfully completed and Thames Water has issued a handover certificate.
i3P	Launched in October 2016, the Infrastructure Industry Innovation Platform(i3P) is an independent innovation community governed by representatives from its member organisations. Membership is open to clients (currently major infrastructure projects and construction programmes) and their supply chains (Tier 1 contractors and consultants) across the infrstructure industry.
Independent Technical Assessor (ITA)	Reviews a wide variety of information on the project's progress and verifies Tideway's regulatory expenditure.
London Tideway Tunnels (LTT)	A 25 km (16 mi) tunnel running mostly under the tidal section of the River Thames through central London, which will provide capture, storage and conveyance of almost all the combined raw sewage and rainwater discharges that currently overflow into the river. This also includes the Lee Tunnel and other Thames Water works.

Term	Definition
Main Works Contracts	The contracts between Tideway and the main works contractors to engineer, procure, construct and commission the three sections (West, Central and East) of the Thames Tideway Tunnel.
More by River	Tideway's strategy to enhance the use of the River Thames for logistics.
Regulatory Capital Value (RCV)	The value of Tideway's capital base. Tideway's RCV is calculated on a cash basis using a methodology set out in the Company's licence. It comprises project-related expenditure that does not fall into specified excluded categories, and that has been verified by the Independent Technical Assessor.
Revenue Agreement	The agreement under which Thames Water collects revenue from its wastewater customers on Tideway's behalf.
RightWay	Tideway's approach to introducing transformational Health, Safety and Wellbeing.
RightStart	Tideway's approach to getting the Health, Safety and Wellbeing basics right from the very start, to help us avoid incident spikes often seen at the start of major projects.
System Acceptance	The point at which the entire Thames Tideway Tunnel system is accepted to serve as part of Thames Water's sewer network.
Thames Water Works	Thames Water's activities, including enabling and interface works, which are necessary for the development and connection of the Thames Tideway Tunnel to the sewer network.
The Alliance	The alliance between Tideway, Thames Water, the main works contractors and the system integrator, designed to incentivise collaborative working, realise synergies and share best practice.
Tideway Reporting Group	The top tire of governance of the three independent public-facing bodies, the Thames Tideway Tunnel Forum, the Independent Compensation Panel and the Independent Complaints Commissioner, which interface between the Tideway project and the wider public. The Tideway Reporting Group is independently chaired and considers the performance of the three bodies and cross-cutting issues arising therefrom. (See pages 14 to 15 for more information.)
Tunnel Boring Machine (TBM)	Machine used to excavate tunnels with a circular cross section through a variety of soil and rock strata.

Visit: www.tideway.london
Email: helpdesk@tideway.london