DRIVING LASTING CHANGE

Severn Trent Plc
Annual Report and
Accounts 2024

SEVERN TRENT

WHAT'S IN THIS REPORT?

Strategic Report

How we bring our 'performance driven, sustainability led' strategy to life

Governance Report

How we govern our business responsibly

Financial Statements

Our financial performance for the year ended 31 March 2024

Financial Statements

Other Information

GROUP HIGHLIGHTS

Group turnover (£m)

2023/24	£2,338.2
2022/23	£2,165.1
2021/22	£1,943.3

8.0% ↑

Group profit before interest and tax ('PBIT') (£m)

2023/24	£511.8m
2022/23	£508.8m
2021/22	£506.2m

0.6% ↑

Shadow Regulated Gearing (%)

2023/24	59.7%
2022/23	59.8%
2021/22	58.9%

0.2% ↑

Dividend per share (p)

2023/24	116.84p
2022/23	106.82p
2021/22	104.14p

9.4% ↑

Basic earnings/(loss) per share ('EPS') (p)[1]

2023/24	51.0p
2022/23	52.7p
2021/22	(35.2)p

3.2% ↓

Adjusted basic EPS (p)[1]

2023/24	79.4p
2022/23	58.2p
2021/22	96.1p

36.4% ↑

1 Earnings and the weighted average number of ordinary shares for the purpose of adjusted earnings per share are defined in note 14 to the financial statements.

Market Review

Our PR24 Business Plan

Every five years, water companies in England and Wales put together their plans for the future. We talk to our regulators, Government and, most importantly, our customers to find out what's important to them.

Our PR24 Business Plan covers 2025-30, but the changes we're making will have an impact for decades to come.

Find out more about our PR24 Business Plan on **pages 6 to 7**.

Our reporting suite

Strategic Direction Statement

Sustainability Report

Get River Positive Report

Green Recovery Report

Community Fund Annual Report

Gender and Ethnicity Pay Gap Report

Customer Vulnerability Strategy

SEVERN TRENT
AT A GLANCE

Our strategy to be 'performance driven, sustainability led' acknowledges our relentless drive to deliver the operational and financial performance that our stakeholders expect, in a sustainable way.

We are two of the 11 regulated water and wastewater businesses in England and Wales. Our regulated businesses provide essential services to over 4.7 million households and businesses in a region stretching across the heart of the UK, from the Bristol Channel to the Humber and from North and Mid-Wales to the East-Midlands. Our non-regulated businesses operate across England, Scotland and Wales.

We serve a diverse range of customers with different cultures, interests and experiences. Our region includes some of the most affluent areas of the country as well as some of the most deprived. There are more conurbations than any other water company's region, yet we also serve predominantly rural counties and communities. It is a region which is characterised by, and benefits from, its diversity.

Our purpose

Taking care of one of life's essentials

Driven by our strategy

Performance driven, sustainability led

Scan the QR code to find out more about our Sustainability Report.

How we are structured

Our regulated water and wastewater businesses are Severn Trent Water ('STW') and Hafren Dyfrdwy ('HD'). The primary activities we focus on are:

Providing clean water

We provide over 9 million people across our region with fresh, clean drinking water every day.

See **page 21**.

Treating wastewater

Over 3 billion litres of wastewater are treated every day, cleaned and returned to the environment.

See **pages 21 to 22**.

Generating renewable energy

Severn Trent already generates the equivalent of 56% of our own energy use from renewable sources.

See **page 83**.

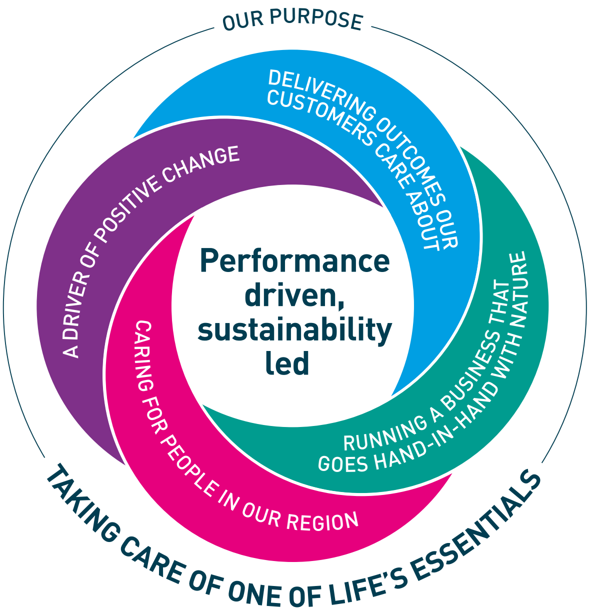
Our values

Having Courage

We always do the right thing and have courage to challenge the norm and speak up if things aren't quite right. We are prepared to step out of our comfort zones and act with both today and the future in mind.

Showing Care

We keep our promises to customers and show care by treating everyone fairly and equally. We try to enhance the environment around us and spend every pound wisely.



Find out more about our strategy on **pages 2 to 3**.

Our Corporate Strategy

DELIVERING OUTCOMES OUR CUSTOMERS CARE ABOUT

- Investing for the long term
- Resilient to our changing climate
- Putting the customer first
- Right first time every time

RUNNING A BUSINESS THAT GOES HAND-IN-HAND WITH NATURE

- Actively improving the places we touch
- Creating opportunities to enjoy nature
- Valuing our most precious natural resources
- Always thinking about our impact

CARING FOR PEOPLE IN OUR REGION

- Helping our own people thrive
- Supporting our suppliers
- Creating opportunities in our communities
- A force for good for our customers

A DRIVER OF POSITIVE CHANGE

- A role model for others
- Collaborating widely to support innovation
- Creating a market that works for everyone

Non-Regulated Business

Business Services operates a UK-based portfolio that complements the Group's core competencies and is well positioned to capitalise on market opportunities in these areas:

Operating Services

Operating Services provides a variety of operational water and wastewater services to private businesses across the UK.

See **page 82**.

Green Power

Severn Trent Green Power generates renewable energy from anaerobic digestion, hydropower, wind turbines and solar technology.

See **page 83**.

Property Development

Our Property Development business manages the sale of surplus land.

See **page 82**.

Taking Pride

We make a difference for our customers every day, owning problems and working with others until they are solved. We take pride in what we do and champion our work in the communities we work and live in.

Embracing Curiosity

We search out safe, better and faster ways of doing things through innovation and are always curious and willing to learn.

MARKET REVIEW
THE WATER SECTOR

There are 17 regional businesses supplying water services in England and Wales. These businesses serve over 50 million household and non-household customers. Of these, 11 also provide wastewater services, including Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig.

How we plan for the long term

We recognise that the future is uncertain and that we cannot predict with accuracy what will happen. Therefore, we employ a strategic planning process to understand the risks we may face and identify the most appropriate response.

1 Horizon scanning

Considers key trends and their implications, together with potential market developments, to identify and model alternative versions of the future and the pathways to them.

2 Future priorities

Describes our future priorities based on the challenges posed by key trends, together with our organisational purpose, the needs of our customers and other stakeholders, and current performance.

Key trends

By considering what the most influential trends might be, we can assess the different drivers of change and start to visualise how the future may look and respond to any opportunities that arise from a rapidly shifting sector.

3 Enablers

Identifies the enablers which underpin our future priorities, and the level of ambition appropriate for each one.

Allows us to look holistically across our business and ensure we have a coherent plan, which balances the needs of different stakeholders.

4 Delivery plans

Creates a plan for each priority area and enables us to deliver on our ambitions, reflecting current commitments and delivery capabilities.

Plans include reference to the implications on our people and technology systems as well as major infrastructure assets.

Climate change

Key trends and challenges

Climate change will continue to impact global weather patterns and create more extreme weather events such as flooding and drought.

We anticipate further interventions around decarbonisation and a focus on reducing carbon emissions.

How we are responding

In response to climate change, we will improve the resilience of our network and infrastructure, whilst maintaining a safe and high-performing culture.

We will continue to focus on reducing our carbon footprint and that of our supply chain. As a Group, we have committed to being net zero on our Scope 1 and Scope 2 operational emissions by 2030.

Linked Principal Risks: **11 and 12**.

Read more: **pages 100 to 101**.

Environmental change

Key trends and challenges

Change in land use as a consequence of demographic change (such as more housing developments) and climate change (extreme weather) has potential to impact the environment and ecosystems.

Awareness of environmental issues and the value and role of our natural environment is increasing in society.

How we are responding

We will identify, design and adopt more sustainable practices to support the natural environment in response to these challenges. We have invested £1.2 billion this year, bringing the total investment this AMP to over £3 billion, improving our network resilience.

We will minimise waste and support the principles of a circular economy wherever possible.

Linked Principal Risks: **11 and 12**.

Read more: **pages 100 to 101**.

Demographic and social change

Key trends and challenges

The UK population is expected to grow over the next 25 years. Our population is expected to have a higher proportion of single occupancy households and an increasingly ageing population. This growing population is likely to result in a higher demand for water, pressure on existing housing and a greater need for food and subsequent demand for water in agriculture.

How we are responding

Given the increased demand for water, we have made significant investments to bolster our resilience to source and deliver water and help our customers to become more water conscious.

We will continue to offer multiple channels to allow our customers to contact us in the most convenient way to them.

Linked Principal Risks: **10**.

Read more: **page 100**.

Affordability challenges

Key trends and challenges

The impacts of future recessions and periods of economic growth will not be shared equally, with impacts unevenly spread across our household and non-household customers.

Responding to future environmental and social change will require investment by water companies, which will need to be balanced against the impact on customer bills.

How we are responding

In AMP8 we are increasing our affordability support to £550 million. We will continue to review our systems and processes to support our customers, and deliver a high-quality, affordable service.

We will work with our communities to make a positive social difference, including building skills capability and employment opportunities in our region.

Linked Principal Risks: **4**.

Read more: **page 97**.

Maturing technologies

Key trends and challenges

The increasing use of developing technologies is likely to result in the greater use of smart devices, Artificial Intelligence ('AI') and machine learning, automation, data and cyber security technologies.

How we are responding

To support future resilience, we will continue to invest in our physical assets and also utilise new technologies to ensure we can run those assets efficiently and safely, especially at times of stress. Combining AI and machine learning will enable us to combine real-time sewer data with historical performance and meteorological data to predict network performance and identify problems before they materialise.

Linked Principal Risks: **6**.

Read more: **page 98**.

Working with our regulators and stakeholders

We are subject to regulation of our price and performance by economic, quality and environmental regulators, as outlined below. You can read more about how we engaged with our regulators and other stakeholders this year on pages 108 to 121.

We also work with a range of other regulators, including:

- Health and Safety Executive to ensure that the health and safety of our employees, customers and visitors is preserved;
- Ofgem, the economic regulator of gas and electricity markets, whose remit extends to renewable energy generation; and
- Ofsted, the regulator for education, children's services and skills, since our Academy became accredited.

Policy

The Department for Environment, Food & Rural Affairs ('Defra') in England, and the Welsh Government, provide strategic and policy direction for the industry and our regulators.

Department for Environment Food & Rural Affairs

Llywodraeth Cymru Welsh Government

Regulation and representation

The Consumer Council for Water ('CCW') speaks on behalf of water consumers in England and Wales.

The Drinking Water Inspectorate ('DWI') independently checks that water supplies in England and Wales are safe and that drinking water quality is acceptable to consumers.

The Environment Agency ('EA') regulates and allows us to collect water from reservoirs, rivers, and aquifers and return it to the environment after it has been used by our customers and treated by us.

Natural England advises the Government on the natural environment in England and helps to protect nature and the landscape, especially for plant and animal life in both fresh water and the sea.

Natural Resources Wales ('NRW') is the environmental regulator in Wales. It oversees how the country's natural resources are maintained, improved and used, both now and in the future.

Ofwat is the economic regulator for the water and wastewater industry in England and Wales. Ofwat principally exercises its duty to protect the interests of customers through periodic reviews of charges (price reviews) every five years.

A key year in our regulatory cycle

Every five years, Ofwat reviews the prices we charge for the forthcoming five-year period. They also review our plan setting out how we intend to deliver for customers and the environment. In October 2023, we submitted our Severn Trent Water and Hafren Dyfrdwy Business Plans for AMP8, which run from 2025-30. Further information about Severn Trent Water's Business Plan is included on page 6.

MARKET REVIEW
OUR PR24 BUSINESS PLAN

Planning in a changing world

Every five years, water companies in England and Wales put together their plans for the future. We talk to our regulators, Government and, most importantly, our customers to find out what is important to them. Our Severn Trent Water PR24 Business Plan (our 'Plan'), submitted in October 2023, is the most ambitious in our history. It is built on a strong track record and developed in consideration of over 68,000 customers' views and feedback. It shows we want to play a leading role in restoring our sector's credibility today, whilst also making significant investment for sustainable change for future generations.

Subject to regulatory approval, this ambitious Plan looks to invest £12.9 billion to deliver benefits for our customers and communities, the environment and shareholders, underpinned by a sector-leading £550 million affordability package and strong shareholder support following a successful £1 billion equity raise in October 2023 (read more on page 164).

Investment

Our Plan proposes £12.9 billion of total expenditure across our network, including £5 billion of investment focused on enhancing capacity and service beyond current levels, almost all of which is focused on the environment. Our Plan seeks to invest over £1 billion of capital expenditure each year, over five years, the scale of which means that for every household we serve, we will invest £2,400 back into the region, delivering a further step change in service for more than four million customers across the Midlands.

In line with over 68,000 customer views that we sought as part of our Plan's development, our investment will deliver improvements on the measures that our customers care about most, including a 16% reduction in leakage and a 30% reduction in spills from storm overflows, putting us firmly on track to deliver the Government's 2050 targets at least five years early. We will also build on our industry-leading environmental performance, as demonstrated by securing 4* EPA status for four consecutive years, by driving a further 30% reduction in pollutions. We will invest £5 billion across 11 enhancement cases, as follows:

- Transforming the natural environment (Water Industry National Environment Programme ('WINEP'))
- Protecting raw water quality
- Meeting future water needs
- Our journey to net zero – reducing process emissions
- Alternative water supplies
- Physical security
- Enhancing cyber security
- Reservoir safety
- Water resilience
- Urban catchments of the future
- Reducing lead pipes

Our Plan is expected to create up to 7,000 jobs directly in the business and our supply chain and will also enable thousands of new work experience placements, apprenticeships and internships.

Our Plan has been developed to balance the need for scale investment and sector-leading ambition while committing to keep bills affordable. We recognise that while increases to bills are spread over a long period, this is a difficult time for some of our customers. That is why we have included a £550 million financial support package as a core part of our Plan (see page 7).

But we're not waiting for AMP8 to make a difference. We're making the right investments now, with at least £450 million additional expenditure accelerated into AMP7 to get a head start on our targets and enhance our current performance. We have a strong track record on deliverability, supported by our robust governance procedures, effective organisational structure and strong talent and expertise. This ensured we achieved the required AMP8 run rate in 2023/24 and we are on track to do so again in 2024/25, demonstrating that we can deliver the levels of investment required in AMP8. You can read more about our approach to deliverability on page 11.

Our full Plan is available on the Severn Trent Water website at stwater.co.uk/about-us/our-plans-2025-30.

Investment

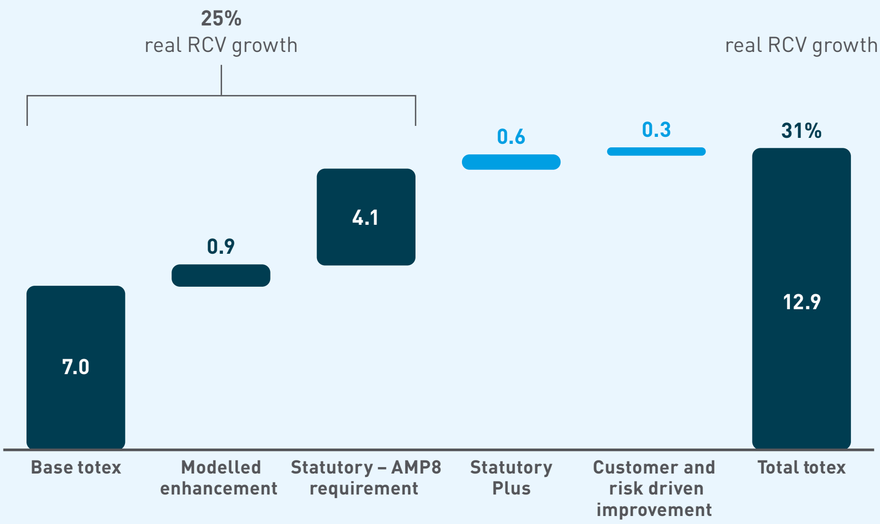
Base total expenditure ('totex') and modelled enhancement – The running costs of our business, driven primarily through econometric models.

Enhancement totex: Statutory AMP8 requirement – This enhancement investment is to meet statutory targets by 2030 or earlier. This is non-discretionary spend and represents 82% of the £5 billion of enhancement cases.

Enhancement totex: Statutory Plus – This enhancement investment is required in order to meet statutory targets beyond 2030, which we are choosing to accelerate in order to deliver benefits to customers and the environment earlier than required.

Enhancement totex: Customer and risk driven – This enhancement investment goes beyond our statutory requirements and is driven by our assessment of customer requirements and risk mitigation, supported by comprehensive business cases.

£bn, 2022/23 prices

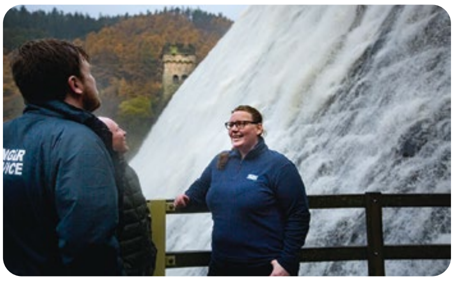


Our key areas of focus

Our Plan will deliver across the three pillars that our customers have told us are important to them:

1 High quality and reliable

A high-quality, reliable service that can be depended on no matter what, where our customers know they are valued.



2 Sustainable

Confidence we are doing the right thing for the environment, society, and future generations.

3 Affordable

Water should be affordable for everyone – so that no person or generation is left behind.

Read more about how we have engaged with our customers on pages 110 to 111.

Delivering an affordable service for everyone

Affordability and support

Our bills are £29 a year lower than the industry average, and £85 a year lower than the highest. We've worked hard to ensure we aren't passing on unnecessary costs to customers, building on our strong track record of delivering our totex programme efficiently. The scale of the investment we're proposing means that bills will need to go up between 2025 and 2030 by an average of £2.32 per month, over the next five years. With other water companies also planning large investment programmes, we anticipate our bills will stay amongst the lowest.

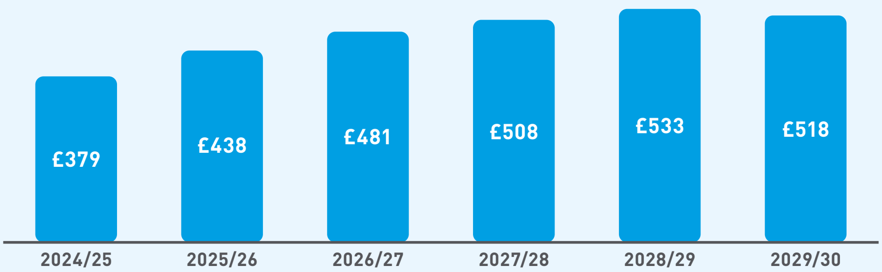
We recognise and understand that our customers are feeling the effects of economic uncertainty and cost of living pressures. Our Plan challenges us to keep driving efficiency further, to minimise the impact of our increased level of investment on bills and we are committed to the principle that customers won't pay for the same thing twice.

Our sector-leading affordability package will build on our existing programme of support and will help c.700,000 customers who need help paying their bill each year by 2030, the equivalent of one in six customers.

The number of our customers expected to benefit from financial support exceeds those forecast to be in water poverty by 2030. This includes those who may be at risk of falling behind with their bills, or experiencing short-term challenges, by offering payment breaks and payment plans, while offering a range of other support options tailored to our customers' needs, including support in increasing water efficiency, backed by our extensive metering programme.

Alongside our affordability package, we have also developed our Customer Vulnerability Strategy during the year to ensure our support is accessible to customers who need it now, and in the future.

Keeping our bills as low as possible for our customers now and for generations to come*



*Average annual combined household bills 2025-30 (before inflation)

OUR
BUSINESS MODEL

Our purpose

At Severn Trent, we are driven by our purpose – taking care of one of life's essentials. When we are united by our clear social purpose, we can drive positive change and deliver positive outcomes for all our stakeholders – our customers, colleagues, investors, regulators and Government, the society we live in and the environment we depend on.

Now, more than ever, we know that taking care of one of life's essentials means that what we do really matters to the families, businesses and communities we serve. This is why our values of Having Courage, Showing Care, Taking Pride and Embracing Curiosity are so important to us. Being a company that can be trusted, taking care of the environment, helping people to thrive and providing the best value service means we all need to be focused on living our values, by Doing The Right Thing, every single day – the Severn Trent way.

Key:
Strategic objectives

Outcomes
Nature
People
Change

Our resources and relationships

Physical assets

We maintain over 50,000 km of clean water pipes, over 93,200 km of sewer pipes, and c.130 water and c.1,000 wastewater treatment works.

Principal Risks: **2 and 3**

Strategic objectives:

Natural resources

We take care of some of the UK's most impressive natural resources and make them accessible to support the health and wellbeing of communities.

Principal Risks: **2, 3, 11 and 12**

Strategic objectives:

Financial capital

Our shadow RCV is in excess of £12 billion. Our net debt represents 59.7% of our shadow RCV.

Principal Risks: **8 and 9**

Strategic objectives:

Technology and innovation

As a large organisation, we rely on technology in our business every day to communicate, store and manage data, operate our assets and monitor our operations. We are always exploring innovative technology to deliver efficiencies and continuously improve our processes.

Principal Risks: **4, 6 and 10**

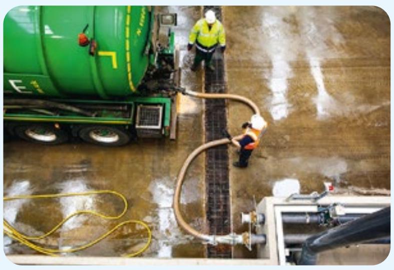
Strategic objectives:

Our people and culture

We look to attract, develop and retain talented people from all backgrounds. We directly employ over 9,000 people.

Principal Risks: **1 and 13**

Strategic objectives:



Suppliers and partnerships

We work with over 1,600 direct suppliers. 100% of contracted suppliers have signed up to our Sustainable Supply Chain Charter.

Principal Risks: **5**

Strategic objectives:

What we do

We provide clean water and wastewater services and develop renewable energy solutions through our businesses. In the course of providing these services, we create social and environmental value.

1 Collect raw water

We collect water from reservoirs, rivers and underground aquifers across our region.

2 Clean raw water

Our groundwater and surface water treatment works clean raw water to the highest standards, making it safe to drink.

3 Distribute clean water

Our network of pipes and our enclosed storage reservoirs bring a continuous supply of clean water direct to our customers' taps.

4 Customers enjoy our services

4.7 million households and businesses use our services, delivered by a team of over 9,000 employees, and supported by our contact centres, always ready to help.

5 Collect wastewater

Our network of sewers and pumping stations collect wastewater from homes and businesses and take it to our wastewater treatment works.

6 Clean wastewater

Wastewater is carefully screened and treated in our wastewater treatment works to meet stringent environmental standards.

7 Recycle water to the environment

We safely return treated water to rivers and watercourses.

8 Green energy

The green energy we generate through our Business Services activities contributes to meeting our net zero targets and keeping our energy costs down.

Households and businesses served
4.7m

Total Group employees (average)
8,691
Average during 2023/24
See note 8 to the financial statements

Litres of drinking water supplied each day
2bn

Litres of wastewater treated each day
3.3bn

The value we create for all stakeholders

Our customers

We aim to anticipate and meet changing customer and wider societal needs, as well as improve and protect the natural environment.

How we measure this
ODI performance (% of targets/measures met or exceeded target)

2023/24	76%
2022/23	79%

Our colleagues

Our greatest asset is our experienced, diverse, and dedicated workforce. Our relationship with them is open and honest, and they are appropriately supported, developed, and rewarded to encourage them to be their best in all that they do.

How we measure this
Employee engagement score (out of 10)

2023/24	8.6
2022/23	8.4

Our communities

We create value for the communities we operate in by providing direct employment to local people, engaging with local businesses in our supply chain, and paying business rates to local government.

How we measure this
Severn Trent Community Fund (£m donated to charitable projects in our region)

2023/24	2
2022/23	2

Our shareholders and investors

We create value for equity investors through a reliable, index-linked dividend, underpinned by strong operational performance, and a growing RCV, which will lead to higher returns in the future.

How we measure this
Return on Regulated Equity ('RoRE') (%)

2023/24	5.7
2022/23	12.2

Our suppliers and contractors

Strong supplier relationships ensure sustainable, high-quality delivery for the benefit of all stakeholders, supporting our business operations in line with our Code of Conduct and Modern Slavery commitments.

How we measure this
Average time to pay suppliers (days)

2023/24	33
2022/23	31

Regulators, Government and NGOs

The policy framework for our sector is set by the UK and Welsh Governments. Our industry is regulated by Ofwat and others. Our non-regulated businesses drive competition in the market, improving the quality and value in the water sector supply chain.

CHAIR'S
STATEMENT

Serving our stakeholders, now and for the long term

Severn Trent has a long history of industry-leading operational and environmental performance and strong financial resilience. The last 12 months have re-emphasised the importance of these critical pillars, whilst at the same time highlighting the need for us to demonstrate consistent leadership beyond the day-to-day running of our business.

Dividend per share
116.84p
2023: 106.82p

Group PBIT
£511.8m
2023: £508.8m

Group turnover
£2,338.2m
2023: £2,165.1m

Our sector has been subject to heightened public interest and we must, as a whole sector, respond to this by stepping up to the challenge that this brings to rebuild trust and meet the expectations of our customers and wider stakeholders, both now and for the long term. I am proud of the role Severn Trent has played in forging a path to meet these expectations – by setting bold ambitions, accelerating investment, with the support of our shareholders, and embodying the social purpose we so passionately believe in. At the same time, we acknowledge that there is more to do in the areas that matter most to our customers and wider stakeholders.

Planning for the future

Our Business Plan for 2025-30 (our 'Plan') will support this through an investment proposal of £12.9 billion to secure water resources for the future, transform river health in our region and deliver operational net zero by 2030. Our investment will also deliver improvements in the service we deliver for our customers, with a planned 30% reduction in combined sewer overflow ('CSO') spills and pollutions, and a further 16% reduction in leakage over the course of AMP8. You can read more about our approach on pages 38 to 41 and page 20.

"Severn Trent is setting bold ambitions, accelerating investment with the support of our shareholders, and embodying the social purpose we so passionately believe in."

Christine Hodgson
Chair

Underpinning our ambitious Plan are a number of core pillars. As a Board, we developed the strategy that underpins our Plan and spent time considering detailed updates throughout its development ahead of our Plan being submitted, with a particular focus on:

- **Ambition** – through challenging our own ambitions to drive better outcomes for our customers, communities and the environment both now and over the long term;
- **Deliverability** – ensuring we have the people and supply chain in place to deliver our investment. The Board scrutinised the Company's approach to AMP8 deliverability to ensure that robust governance procedures are in place, supported by an effective organisational structure and strong talent and expertise within the Company and its supply chain;
- **Affordability** – offering a comprehensive package of support for customers who might struggle to pay their bill. The Board scrutinised the Company's affordability and societal approach – with detailed consideration given to potential impacts to customer bills in view of our existing commitment to keep absolute bills as low as possible for all customers whilst also delivering improved resilience, sustainability and customer outcomes. Alongside our affordability activity, the Board also oversaw the development of our Customer Vulnerability Strategy, which seeks to outline the support and services offered to customers in vulnerable situations, particularly those who need extra help accessing our services. Read more on page 125. The Board also considered the vital role that we play in our communities to drive positive change and leverage our resources to make a positive impact across our region. This is best embodied by our 10-year Societal Strategy which you can read more about in the pages that follow;
- **Transparency** – to provide all of our stakeholders with confidence that our strategy for data assurance and governance processes support high-quality data across all aspects of our Plan;
- **Resilience** – to ensure that our Plan will deliver operational, financial and corporate resilience over the next control period and long term; and
- **Financeability** – securing the appropriate funding to safeguard our financial resilience.

On this final point, on behalf of the Board I would like to express my thanks for the support of our shareholders in raising £1 billion to fund our proposed investment. The equity raise we conducted in October 2023 was multiple times oversubscribed, with overwhelmingly positive feedback from our shareholders, reflecting their confidence and belief in the future success of this company.

I would also like to express my thanks to the 68,000 customers we consulted with in the development of our Plan. It was useful to meet our customers and members of our communities to discuss their priorities, through attending our customer focus groups and 'Your water, your say' sessions, which provided insight on their views and the challenges they face. I am confident that the Plan we have developed and submitted fully reflects customer expectations.

Read more about our Plan on **pages 6 to 7**.

68,000
customers helped form our plan

Climate resilience

A key theme of our Plan is resilience and the last two years have reinforced the need for resilience today and for the long term, with one of the driest years on record being followed by one of the wettest. Increasing weather extremes such as extended periods of hot and/or wet weather are expected to become more commonplace as we feel the impact of climate change. We must therefore find innovative ways to ensure we continue to deliver our essential services, whilst also safeguarding the environment.

Our teams have worked determinedly to manage the challenging conditions of the last 12 months, which have seen 10 named storms from September to March. From the leadership team through to the frontline, the hard work and commitment shown to continue to deliver strong operational, environmental and financial performance has been evident.

To bolster our preparedness for the future, the Board has overseen the Company's management of storm events, incorporating learnings from our established Summer Readiness and Winter Readiness approaches. In response to Storm Babet, we oversaw the Company's approach for future storm events, focusing on proactive measures to be implemented in anticipation of storm events, prioritisation of resources, communications with customers and communities and reactive actions to be deployed to mitigate the impacts to the greatest extent possible.

More fundamentally, we are investing in our long-term resilience. Our 25-year Long-Term Delivery Strategy ('LTDS') indicates that, without investment, by 2050 we face a 600 million litres per day ('Ml/d') deficit of clean water, and 45% more homes would be at risk of internal flooding. Our Plan includes scale investment to mitigate these risks, with 99% of our proposed £5 billion enhancement spend categorised as either no or low regrets under all of the scenarios we have modelled, giving the Board confidence that we are investing in the right areas for the long-term resilience of the business.

As well as adapting to climate change, we must also play our role in mitigating it. We launched our Net Zero Hub at Strongford wastewater treatment works in May 2023. Our £40 million investment, supported by the Ofwat Innovation Fund, is enabling us to implement a range of new, innovative technologies, that combined will completely mitigate the site's annual operational emissions. The learnings from our Net Zero Hub will enable us to meet our goal of operational Net Zero by 2030 – one of the three commitments in our Triple Carbon Pledge. Read more on page 68.

Environmental performance

Another area of significant customer and wider stakeholder focus is environmental performance. Our long-term investment continues to deliver performance improvements, and we have invested £1.2 billion in 2023/24, a 63% increase year on year, bringing our total investment this AMP to over £3 billion.

It is pleasing to see this investment reflected in our EPA performance, as we achieved EPA 4* for the fourth consecutive year for our 2022 performance, and we have had no serious pollutions this year. This is an area of significant focus for the Board. We are highly confident that we will achieve EPA 4* for a fifth consecutive year for our 2023 performance – something no other company has ever achieved. We have also reduced our share of Reasons for Not Achieving Good Status ('RNAGS') to 14% as our Get River Positive programme drives long-term improvement in river quality.

However, this year has highlighted that, despite the performance improvements made in some areas, we know there is more we can do to improve. We want to deliver faster improvements on areas such as CSOs and pollutions, where we have set bold targets to drive performance improvements. Our sustained investment has driven a number of improvements, which makes the Barlaston pollution particularly disappointing. There was Board-level oversight of the pollution, and you can read more about our environmental performance and, in particular, our response to the Barlaston pollution and action taken to implement lessons learned to bolster our preparedness for similar pollutions in the future on pages 23 to 24. You can also read more about the significant, scale investment we are making on CSOs on pages 38 to 41.

Delivering for all stakeholders

The past 12 months have re-emphasised the role that our company and our sector must play in society, particularly for the customers and communities we serve, and the importance of delivering our social purpose ambitions.

As a Board we recognise the vital role that our company plays in our communities and are committed to driving positive change, leveraging our resources to make a positive impact across our region. This is best embodied by our 10-year Societal Strategy which aims to support 100,000 people in, or at risk of, poverty to provide them with the opportunity and skills to improve their life chances through access to high-quality employment-related experience and training. This important work extends beyond our extensive package of affordability support, through tackling the long-term drivers of poverty. We have made good progress in the first 18 months of the programme, supporting around 9,000 people and have generated more than £2 million of Social Value, as measured under the National Themes, Outcomes and Measures ('TOMs') Framework. The partnerships and projects we have established provide a firm foundation to inform our programme and expand into more areas of our region where our help is needed. To reflect the strategic importance we place on our social purpose commitments, we have incorporated Social Value into our proposed Remuneration Policy. You can read more about this on page 187.

Social purpose is part of our culture at Severn Trent. The interests of our stakeholders – our customers, communities and employees – are strongly aligned. The majority of our colleagues live in our region and are also our customers, and many are also shareholders. This strong link with our communities means that our people care deeply about the role we play in their communities, and our Societal Strategy has energised our organisation, with many volunteering to support in a variety of ways.

Our people are more engaged than ever before, with our most recent annual employee engagement survey score of 8.6 out of 10 placing us in the top 3% of utilities globally. Moreover, every single directorate in the Company scored at least 8.5 out of 10, which is a testament to the leadership and passion demonstrated at every level of the organisation. As well as reviewing the results of the annual engagement survey, the Board seeks regular and direct feedback from our people, with regular attendance at the Company Forum, visits to our operational and office-based sites, and recently our first in-person 'Meet Our Board' session which was attended by graduates and apprentices from across the organisation, enabling a two-way feedback process. You can read more about how the Board engages with our people on pages 132 to 133.

Our role is to create and maintain a culture that enables our people to bring their best selves to work every day and contribute to our sector-leading performance, which our people work hard to deliver every day. It is also critical that our people feel safe and secure to raise any concerns and we have extensive support in place to ensure that they can, at all times, do the right thing.

Finally, on delivering for stakeholders, the Board has considered a range of factors in recommending our dividend this year, including the Company's performance delivery for customers and the environment, both now and over time, the broader performance of the Company and the long-term financial resilience of the Company. You can read more about the process that the Board undertook to assess the Company's performance in the round on page 131 and, in relation to our English regulated water company, in the Severn Trent Water Limited Annual Performance Report that will be published on 15 July 2024. In recommending the proposed dividend, the Board considered the impact of its decision on all stakeholders, including our shareholders, many of whom are small, retail holders and pensioners, reliant on dividend income in return for their continued investment in our company. In consideration of all of these factors, the Board has proposed a final dividend of 70.10 pence for the year ended 31 March 2024.

Leadership and the year ahead

The next 12 months are pivotal, as we close out the last year of AMP7, including our £566 million (2017/18 prices) Green Recovery Programme, and work hard to deliver our 2025 commitments, whilst readying ourselves for the significant investment period ahead in AMP8.

The Board is well prepared for the challenges and opportunities ahead. Following the retirement of James Bowling, Helen Miles has seamlessly assumed the role of Chief Financial Officer, demonstrating the strength of our succession planning. We also welcomed a new member to the Board, Richard Taylor, in April who brings a wealth of experience in strategy, corporate finance, risk management and M&A.

I am confident that our Executive Committee will deliver the commitments we have made and continue to demonstrate exemplary leadership both within our organisation and across the broader sector.

We are at a critical and exciting point in our history. We must step up to meet the increasing expectations of our customers and broader stakeholders, which will require more investment, ambition and leadership than ever before. We have strong foundations in place to achieve this and I look forward to seeing the positive change we can deliver in the next year and beyond.

Christine Hodgson
Chair

CHIEF EXECUTIVE'S **REVIEW**

Progressing against bold ambitions

I'm pleased to share my Chief Executive's Review for 2023/24 in which I will highlight some important moments from the year and provide an update on our performance over the last 12 months.

2023/24 Capital investment
£1.2bn

Proposed PR24 investment plan
£12.9bn

Net ODI reward
£55m
2023: £53m

We have made bold progress in some of the areas that we know our stakeholders truly value. We know there is more to do, and we continue to push further, faster, as we embody our strategy of being 'performance driven, sustainability led'.

Liv Garfield
Group Chief Executive

Highlights of the year

We have delivered a good set of results in 2023/24 and I'm pleased with the progress we have made in key areas.

Accelerating our Capital Programme

This year we have invested £1.2 billion in our capital programme – a 63% year-on-year increase, putting us ahead of the required run rate to enter AMP8, which is set to be the biggest investment period in our history.

We've delivered all of our commitments under the Water Industry National Environmental Programme ('WINEP') in the year and have made significant progress in our Green Recovery Programme which is already delivering benefits for our customers and the environment. You can read more about our Green Recovery progress on pages 34 to 35.

To bring to life one of our projects, in Stroud we will shortly complete a £25 million project to upgrade the sewer network and have already installed a new concrete storm tank that uses smart controls to hold up to 7.4 million litres of wastewater back during severe weather events before returning it to our treatment works when rainfall has subsided and capacity to treat it is available.

Delivering operational excellence

The long-term investments we have made over recent years have enabled us to deliver sustained improvements on operational performance and I'm pleased to report that we have met 76% of our performance commitments for this financial year.

And crucially, we're continuing to deliver improvements in areas our customers tells us they really care about:

- We've delivered our best ever leakage performance, reflecting an increase in the number of jobs completed in our network, and a reduction in the time to complete our most significant customer reported jobs to an average of 3.3 days, which includes the time to reinstate and clear site.
- Our customers were off supply for 6 minutes and 40 seconds – whilst this is still above our Final Determination target, it reflects a reduction of 27% on last year and our best ever performance.
- We have delivered our best ever low pressure complaints performance, thanks to targeted investment across a range of capital schemes.
- Blockages in our network have reduced by 17% year on year, 30% ahead of our target, benefitting from our extensive cleansing programme and customer education on correct sewer use.

Focused on the environment

We expect to once again achieve the highest possible rating in the Environment Agency's annual Environmental Performance Assessment ('EPA'). This would make it the fifth consecutive year of 4* EPA status which is something no company has ever before achieved. The EPA is a rigorous measure of our performance, consisting of seven individual metrics which become progressively more stretching every year. You can read more about what is included in the EPA, and on our performance against each of the measures, on page 22.

Our performance this year includes no serious pollutions, defined as pollutions which could have a significant impact on the environment. Preventing serious pollutions is a priority for every single person in our organisation and while pleasing to have achieved zero serious pollutions this year, it is something we remain absolutely focused on maintaining.

More broadly on river health, our overall impact is best measured by the RNAGS attributable to us, as recorded by the Environment Agency. Our assessment of this data supports that we are now responsible for 14% of all RNAGS in our region. We're working hard to reduce that share to 10% this year.

Engaging our people

One of my personal highlights for the year was embarking on an all-employee roadshow to share our PR24 Business Plan (our 'Plan'). Through these visits I was able see first-hand just how engaged our people are, driven to deliver for the communities they live and work in, and I was delighted to see this reflected in the results of our most recent employee engagement survey score of 8.6 out of 10 which places us in the top 3% of utilities globally.

We know that a key driver of engagement for our people is their connection to our communities. We're proud as an organisation to donate 1% of our profits to local charities in our region, and this year we donated over £2 million to over 100 organisations in our region. Our people are already playing an active role in our 10-year Societal Strategy, and it has been inspiring to see the strong connection they have with the region they live and work in. Further detail can be found in the Chair's Statement.

Performance focus areas

Our achievements this year have been delivered against a backdrop of some truly challenging weather conditions; this year was 35% wetter than last, with 10 named storms between September and March and nearly 30% of river gauging stations in our region recording their highest ever levels.

This weather undoubtedly contributed to a disappointing performance on some critical waste measures. In particular, I was disappointed by our performance in three areas:

- Total pollutions – despite having no serious pollutions this year, a 24% increase in the number of Category 3 pollutions meant we missed our pollutions target for the first time since Performance Commitments were introduced in 2015.
- Sewer flooding – a significant increase in hydraulic flooding resulted in more external sewer floodings, meaning we missed our stretching target again this year.
- Spills from storm overflows – greater utilisation of overflows was not unexpected given the higher levels of rainfall, however we were still disappointed in the increase.

While we've felt its impact, weather cannot be an excuse for us or our sector – climate change is something we must all adapt to, and it is our job to protect our customers and the environment from its impact on our operations. The unprecedented weather this year has highlighted that we need to go further, move quicker, and find more creative and innovative solutions to meet the expectations of our stakeholders, in particular on combined sewer overflow ('CSOs').

In our investment plans for the next five years we set ourselves the most ambitious targets in the sector for minimising the use of CSOs, with targets that go further and faster than the Government's Storm Overflow Discharge Reduction Programme ('SODRP').

Meeting our target of an average of 20 spills by 2025 is a priority, and we are determined to achieve our stretch ambition to halve our number of spills between now and 2030. Our whole organisation is energised and focused on this activity, and we are now finalising the procurement of thousands of assets, utilising the £1 billion of funding our investors contributed last October to help us accelerate our five-year investment plan. This investment will have a dramatic reduction on the use of CSOs once installed this year. Overall, we expect these capital works to benefit 900 sites, representing over 40% of all CSOs that spilled last year.

To ensure we make demonstrable progress on our investment programme, at the pace our stakeholders expect, we have assembled a dedicated team of hundreds of people working across hundreds of sites. By the end of this year we will deliver a combination of solutions as follows:

- over 700 storage solutions at our treatment works and network assets. These will allow us to capture and store more flows during periods of high rainfall and dramatically reduce spills at those sites;
- 25 submerged aerated filter ('SAF') treatment units that will enable us to expand the treatment capacity through the additional processes, dramatically reducing spills into the environment;
- over 70 reed beds that will provide for nature-based treatment of sewage at the storm route for smaller sites, which would eliminate untreated sewage entering rivers;
- nearly 200 enhancements at specific CSOs on our network, which will enable us to increase the flow of sewage to our treatment works, reducing the potential for a spill into the river;
- over 100 flap valves that will prevent river ingress into our network, which would otherwise overload the capacity of our sewers with river water; and
- over 8,000 water butts in 10 communities to trial at-scale surface water separation.

This activity is being supported by international partnerships, an international solutions scouting programme and a guaranteed payment scheme.

This complex, scale activity will be overseen by our dedicated CSO programme, that reports directly into my weekly Executive Committee meetings, to ensure we maintain absolute focus on delivery of our investment plan as quickly as possible. We intend for all these solutions to be installed by the end of the year, enabling us to rapidly reduce the use of CSOs once in operation. I recognise how critical it is to be transparent about our CSO performance, so in this year's Annual Report we have included a dedicated storm overflow section, setting out our detailed plans to improve our performance, which you can find on pages 38 to 41. Alongside this, we launched our Storm Overflow Map in April, showing the status of all storm overflows in our region. I look forward to sharing with you our progress on this vitally important measure next year.

Barlaston pollution

This year also saw the Company fined £2 million for a serious pollution that occurred in 2020, following a pollution at our wastewater treatment site in Barlaston. Our operational failings meant that there was a risk of environmental harm, and that is unacceptable to me, my team and everyone at Severn Trent. We took valuable lessons from this pollution and have put in place measures to prevent pollutions of this nature happening again.

To demonstrate how seriously we take this pollution, we have included a dedicated section within this report on pages 23 to 24, which sets out our response, lessons learned and action taken to prevent similar pollutions in the future.

Strong platform to drive positive change

As I look forward to the year ahead, I am excited by the opportunity it presents. We are on track to meet our 2025 commitments and close out AMP7 stronger than ever, with the foundations in place to push further, faster, to meet the needs of our stakeholders and deliver sustainable change for future generations.

I especially look forward to seeing the impact of:

Expanded capital delivery capabilities – By the end of this year, we expect to have accelerated £450 million of investment, delivering benefits more quickly and smoothing our transition to the next AMP. Building on the work undertaken over AMP7 to diversify our supply chain and foster excellent working relationships, we have bolstered our in-house capabilities, expanded our digital expertise and implemented automation to significantly reduce the time taken to design projects. We've also developed an innovative approach to delivery using the concept of Plug and Play, which has the potential to deliver assets much faster than ever before.

Investing in insourcing – While we remain a sector leader in waste, we know that we have the ability to push the frontier further, securing our position as operational leaders for years to come. A key enabler of this is the insourcing of around 400 people into our Waste Networks teams, which was completed in the past year. Insourcing of this scale is an organisational challenge, requiring the investment of substantial resources to ensure success, so it's pleasing to have delivered this programme in advance of the next AMP. As our new colleagues embed into the organisation, we anticipate seeing benefits in our waste performance in the next 12 months.

Innovation in customer platforms – In October 2023, we announced that we would be migrating our customer platforms to Kraken – an innovative, world-class system that we expect to deliver significant benefits across multiple business areas. Enabled by the installation of more than 400,000 smart meters this AMP, and a further one million smart meters in AMP8, Kraken will support customers to actively manage their consumption and help us to pinpoint leaks more quickly and accurately than ever before. Smart technology in-built into the system will also allow water specialists in our contact centres to focus on delivering the best possible customer service. We've already migrated more than 20,000 customers to the new system and expect to have four million in Kraken by the end of the year.

Our Net Zero blueprint – Over the past year we have invested £40 million in transforming one of our largest sites, Strongford, to be a Net Zero Hub. All of the exciting new technology is installed and operational, and we expect it to be fully commissioned by the Summer. Our Plan includes a proposal for £430 million to roll out the blueprint that Strongford has provided across our estate, to achieve our operational net zero by 2030 commitment. We've also invested in increasing our energy generation capabilities, with the equivalent of 60% of our total consumption self-generated in the last 12 months.

Final reflections and thanks

Reflecting on the past year, it has been one of considerable challenge, as we felt the impact of climate change on our operations, and continued to face heightened scrutiny as a sector, but it has also been one of considerable progress. We have delivered our biggest ever capital programme, achieved our best ever performance on a number of critical measures, met key milestones needed to deliver our long-term commitments and submitted a Plan that has the power to transform our business.

We know we have much more to do to ensure we are delivering the best possible service for our customers, and the environment. The Plan we submitted in October 2023 (read more on pages 6 to 7) is a key enabler of progress, and I look forward to seeing the final outcome of our Plan later this year.

Meeting the challenges of the future goes beyond our regulatory plans – we must go further than what is simply required of us to meet the expectations of our stakeholders. It will need leadership, hard work and determination, meaning our people are absolutely critical to our success.

And finally, I'd like to take this opportunity to thank my c.9,000 wonderful colleagues who inspire me every day with their tireless commitment to taking care of one of life's essentials. With an average tenure of nearly a decade, and almost three quarters also shareholders, I am thankful for their loyalty and for their endless enthusiasm for our ambition to lead the field.

I'm grateful to my brilliant leadership team for their relentless passion, drive and determination, and their ability to continue stepping up to every challenge that comes our way. And, to Christine and the Board I am appreciative of the continued guidance, stewardship and challenge, which supports our success today and for the long term.

Liv Garfield
Group Chief Executive

OUR PERFORMANCE AND KEY PERFORMANCE INDICATORS

OUTCOMES

Water quality complaints
(number of complaints)

2023/24	7,696
2022/23	7,467
2021/22	8,123

7,696 ↓
(ODI target: 9,500)

Definition:
The number of complaints about taste, odour and appearance that we receive

Stakeholders:

Remuneration:

Customer Measure of Experience
('C-MeX') (Rank)

2023/24	11th
2022/23	9th
2021/22	8th

11th

Definition:
An industry standard view of customers' experience, measured through both quantitative and qualitative metrics

Stakeholders:

Remuneration:

Inspiring our customers to use water wisely
(number of commitments)

2023/24	172,260
2022/23	122,159
2021/22	80,656

172,260 ↑
(ODI target: 31,050)

Definition:
Number of customers agreeing to change one or more of the three target behaviors after participating in an engagement session as part of our education programme

Stakeholders:

Remuneration:

Water supply interruptions
(average number of minutes)

2023/24	6:40
2022/23	9:10
2021/22	12:39

6min 40 sec ↓
(ODI target: 5:23)

Definition:
The average number of minutes lost per customer

Stakeholders:

Remuneration:

Compliance Risk Index
('CRI') (index)

2023/24	6.19
2022/23	5.65
2021/22	2.43

6.19
(ODI target: 0.00)
(Deadband: 2.00)

Definition:
A calculated score for each compliance failure

Stakeholders:

Remuneration:

Internal sewer flooding
(number of incidents)

2023/24	710
2022/23	698
2021/22	677

710 ↓
(ODI target: 615)

Definition:
The number of sewer flooding incidents that occur inside customers' properties

Stakeholders:

Remuneration:

Leakage (three-year average)
(Ml/d)

2023/24	398
2022/23	405
2021/22	411

398 Ml/d ↑
(ODI target: 399 Ml/d)

Definition:
The average volume of water that leaks from our water network each day (measured as a three-year rolling average)

Stakeholders:

Remuneration:

Developer Measure of Experience
('D-MeX') (Rank)

2023/24	1st
2022/23	3rd
2021/22	2nd

1st

Definition:
An industry standard view of developers' experience, measured through both quantitative and qualitative metrics

Stakeholders:

Remuneration:

Pollutions
(number of incidents)

2023/24	239
2022/23	193
2021/22	204

239 ↓
(ODI target: 209)

Definition:
The number of pollution incidents that occur from our activities

Stakeholders:

Remuneration:

PEOPLE

External sewer flooding
(number of incidents)

2023/24	6,721
2022/23	5,353
2021/22	4,526

6,721 ↓
(ODI target: 3,456)

Definition:
The number of sewer flooding incidents that occur in customer gardens, driveways and external buildings

Stakeholders:

Remuneration:

Employee engagement
(score out of 10)

2023/24	8.6
2022/23	8.4
2021/22	8.2

8.6

Definition:
Top 3% of energy and utility companies globally

Stakeholders:

Priority Services Register
('PSR') (% of customers)

2023/24	9.2
2022/23	7.7
2021/22	5.7

9.2 ↑
(ODI target: 8.9)

Definition:
Percentage of our customers that require bespoke support during incidents that are signed up to our PSR

Stakeholders:

Remuneration:

Public sewer flooding
(number of incidents)

2023/24	1,831
2022/23	1,526
2021/22	1,296

1,831 ↑
(ODI target: 1,915)

Definition:
The number of sewer flooding incidents that occur on public open spaces

Stakeholders:

Remuneration:

Lost Time Incidents
('LTIs') (per 100,000 hours worked)

2023/24	0.08
2022/23	0.11
2021/22	0.14

0.08

Definition:
The number of employees unable to work due to injury or illness from their job

Stakeholders:

Remuneration:

Value for money
(% score)

2023/24	60
2022/23	64
2021/22	65

60 ↓
(ODI target: 64)

Definition:
Our customers' view of value for money measured by a quarterly survey

Stakeholders:

Remuneration:

NATURE

Biodiversity
(number of hectares ('ha'))

2023/24	11,554
2022/23	7,728
2021/22	4,696

11,554 ha ↑
(ODI target: 831 ha)

Definition:
The number of hectares of land with improved biodiversity since 2020

Stakeholders:

Remuneration:

Help to Pay When You Need It
(% of customers)

2023/24	56
2022/23	52
2021/22	48

56 ↑
(ODI target: 42)

Definition:
Percentage of our customers who need our support that are part of one of our affordability schemes

Stakeholders:

Remuneration:

Key:

Strategic objectives
Outcomes
Nature
People
Change

Performance against target
↑ Outperformance against target
↓ Missed target

DELIVERING **OUTCOMES** OUR CUSTOMERS CARE ABOUT

Our services are an essential part of customers' lives. We take this responsibility seriously and strive to keep water flowing and continuously take wastewater away, whilst working with customers to manage demand.

What this means for what we do...

- **Right first time, every time.**
- **Putting the customer first.**
- **Investing for the long term.**
- **Resilient to climate change.**

This is also aligned with our Sustainability Framework. Find out more in our **Sustainability Report 2024**.

Frankley water treatment works

Customer experience

Everyone in Severn Trent, from the frontline to the boardroom, is focused on ensuring the very best experience for our customers whatever the circumstances. Our ambition is to ensure that every customer interaction is dealt with in a timely manner and that we deliver an outstanding experience for them.

Whilst we are making many improvements, it has been a mixed year on customer experience, and we are disappointed that our C-MeX score ranked us 11th in the sector this year (2022/23: ninth). We recognise there is more to do and have set ourselves an ambition to achieve a top three C-MeX position. To achieve this ambition, we have made significant investments as follows:

Customer Innovation: In October 2023, we announced our exciting new partnership with Kraken Technologies to implement its industry-leading platform to drive improvements in customer experience, particularly billing. We're confident that partnering with Kraken Technologies will help to accelerate the timeline for meeting our AMP8 customer experience priorities and help to revolutionise how we deliver our billing service to our customers.

Waste Insourcing: Insourcing of around 400 people into our waste networks teams to improve our operational performance for years to come. Insourcing of this scale is an organisational challenge, so it is pleasing to have delivered this programme in advance of the next AMP. As our new colleagues embed into the organisation, we anticipate seeing benefits in our waste performance in the next 12 months.

Customer Inspector Programme within Water: A dedicated programme that will focus on providing quality advice and support to our customers – helping them reduce their water usage, reduce their bills and support our plan to reduce household water consumption. We are now the highest-ranking water company on Trust Pilot, at 4.6 and Excellent.

County Cup: In January 2024, we launched our Severn Trent County Cup Champions initiative for all Severn Trent Water employees. The County Cup is an organisation wide initiative that allocates every one of our c 9,000 employees to a county team, with the objective of improving customer experience by having a regional focus and, in doing so, achieving sustained improvements in customer service. By focusing on measures we know are important to our customers, all of our employees will be able to play their part in improving services provided to our customers and communities. This activity is supported by a local customer engagement approach, including local media and social media coverage, so we can tailor our communications to the communities we serve.

We continue to deliver upper quartile performance in Developer Services, having returned to the top of the podium as the industry leading company on D-MeX, with our best ever score in 2023/24.

Water always there

Working hard to reduce supply interruptions for our customers

Reducing supply interruptions remains a priority given the direct impact any loss of supply has on our customers, particularly our vulnerable customers. We are pleased that our significant investment over the past few years has helped us deliver our best ever performance at 6 minutes and 40 seconds. Whilst this is above our Final Determination, it reflects a 27% improvement from last year.

Similarly, our investment in our water network and our culture of continuous improvement enabled us to navigate the hot weather conditions last summer with zero hot-weather-related supply interruption events, despite the hottest June since Met Office records began. We are applying learnings to other areas of our business, including our approach to storm events.

Last year, we achieved a significant improvement in the impact from outlier events (events causing over 15 seconds of impact) and we have sustained the reduction this year with outlier events causing a much smaller impact to overall performance compared to the first two years of the AMP.

The growth of our Network Response Team and Trunk Main Repair Team has been a key driver of our positive performance, with more teams out in the field, minimising the time our customers go without supply. Our Academy facilitates the continual training and upskilling of our colleagues, improving our effectiveness and helping us to learn from each event we resolve. You can read more about our Academy on page 26.

Lowest ever annual levels of leakage

Alongside our supply interruptions activity, we have also been working hard on our supply capacity. We are delighted to have delivered a 10.8% reduction over AMP7 so far and we are currently at our lowest ever annual levels of leakage of 380.7 Ml/d.

We are incredibly proud of our performance in this area, having achieved our target for 12 out of the last 13 years, putting us on track to achieve our commitment to reduce leakage by 15% by 2025 and 50% by 2045 (from our three-year average baseline set in 2019/20).

We are finding and fixing more leaks than ever before which is helping us drive down leakage and in 2023/24 we fixed around 10,000 more leaks than we did in 2022/23. We are now repairing significant visible leaks faster than ever before with an average time to complete the full end-to-end job of 3.3 days. This includes the time it takes to reinstate and clear site after the leak is fixed. We continue to deliver pressure management schemes to improve network stability, which reduces the number of leaks caused by high pressure by optimising pressure-reducing valves.

Our leakage reduction activity is supported by our smart metering programme. Smart meters enable us to proactively identify potential leaks, mitigating risks to customers' properties and, crucially, helping customers to save money on their water bills, all whilst reducing our overall level of leakage. We have accelerated our activity and we're on track to install more than 400,000 smart meters this AMP. You can read more about our metering work in our Green Recovery section on pages 34 to 35.

Our ongoing engagement with customers to reduce their demand also continues to yield positive results. We continue to build on our use of acoustic loggers and we are trialling new technologies, including hydrophones.

Drones Team spotting leaks from the sky

Our Drone Team is helping detect leaks earlier from the skies using the latest technology to help customers and the environment. Our flying fleet, which photographs and maps our sites including reservoirs and treatment works, is fitted with thermal imaging, which can detect drops in temperature on land below – indicating a below-ground water leak. Drones are regularly used in live leak scenarios to determine what extra resources or repairs are needed on site to help ensure a rapid resolution.

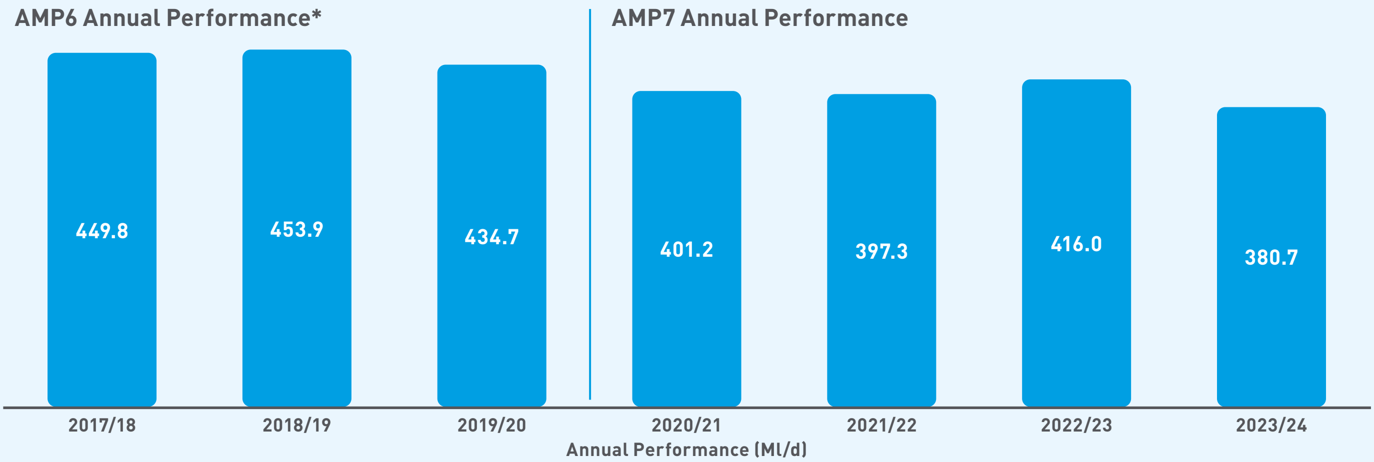
In urban areas, drones are used to quickly map bursts and relay information (such as pictures and videos) to our Incident Team to support decision making and equipment prioritisation.

Working in partnership with our customers to reduce demand

We maintain a positive, continual dialogue with our customers, engaging with them directly on demand management through our water efficiency programme. With the help of our customers, our aim is to achieve Per Capita Consumption ('PCC') of 122 litres per day by 2038 and 110 litres per day by 2050 against our current performance of 126.2 litres per person, per day.

Our water efficiency programme has delivered a number of customer benefits this year, including water efficiency advice through nearly 22,000 home water efficiency visits; delivering water efficiency products, such as water saving

Leakage performance



* These are the 3 years that make up our 2019/20 3-year average baseline

shower heads; and over 22,500 customers have signed up to our water survey platform ('Get Water Fit') this year alone.

Our teams engage with thousands of customers every year to make them aware of how they can save water and reduce their bills, educating them on the correct use of their drains, in the context of sewage treatment processes, and sharing how we are reducing our carbon footprint to help protect the environment.

Alongside this direct customer engagement, our dedicated schools programme helps educate children living in our region. Last year, we continued our programme of school visits, delivering assemblies, workshops and classroom sessions. Using our interactive Wonderful Water Tour vehicles, the 'digi-bus' and the 'experi-bus', we introduce children to everything water and wastewater related using virtual reality and hands-on water activities, such as fixing leaks, water quality sampling and sewer misuse exercises.

At the end of our sessions, we ask children to pledge their commitments and, this year, we once again collected a record number of behavioural change commitments. Over 170,000 commitments were made, the highest ever number of pledges we've had in a single year, bringing our AMP7 total to over 400,000. As well as our core education offer, our Education Team led our Societal Strategy school programme, engaging with thousands of children, and has taken our Wonderful Water Tour around the region, popping up at our visitor sites and at numerous community events in our region.

Good to drink

Strong performance on water quality complaints

In 2023, we had a total of 7,696 drinking water quality complaints, which was less than our regulatory target, meaning we've now achieved our target for every year of AMP7. We remain confident that we can achieve our end of AMP target of 9,500.

Our mains cleansing and flushing programme continues to progress well and we have stepped up our activity this year having flushed 1,256 district metered areas (a 25% increase on last year). We have also developed automated designs using network analytics, meaning we can produce instant flushing plans during water quality events to reduce impacts for customers, and deliver proactive messaging to customers when undertaking flushing in their area. We're also providing more guidance for customers to self-diagnose issues on our website.

We have ambitious plans to improve our performance and in 2024 we are undertaking a new strategy to target aeration issues to prevent complaints that might not otherwise be resolved by flushing. We'll do this by installing newly designed air valves in problematic areas within our region.

Looking ahead, further investment is planned for AMP8, including installation of additional water quality monitors to provide greater insight on our network and, where required, implementation of targeted interventions to drive further performance improvements for customers.

Water quality standards in the UK are some of the highest in the world and whilst our performance benchmarks well against global peers, we are disappointed to have missed our Compliance Risk Index ('CRI') score this year, driven by asset failures at our largest water treatment works, including Strensham. An internal incident team has been established to identify root causes and implement mitigation activities, including the deployment of ultraviolet ('UV') technology at Strensham, as well as reviewing options to accelerate longer term asset and process improvements.

Total sample failures are down nearly 13% from last year (122 from 140), our lowest ever number of sample failures in a calendar year since the beginning of CRI in 2014 (excluding COVID-19 years). We continue to benchmark brilliantly globally.

Our work to understand bacteria within our processes, using online flow cytometry, which provides live data on water quality, has enabled us to deliver improvements at our distribution service reservoirs. We have recently refreshed our dedicated improvement plan, Compliance Risk Index Sustainability Plan ('CRISP'), with the objective of eradicating high-impacting events in our water network and addressing bacteriological risk at water treatment works.

Wastewater taken away safely

Every day, we take over 3 billion litres of wastewater away, ready to be made safe before returning to the natural environment. We have invested significantly in our waste operations over the last 30 years to deliver the services that our customers rightly expect and reduce our impact on the environment.

The last 12 months have seen some of the most challenging weather conditions in our history, as reflected in the significant increase in wastewater volumes this year. For example we treated 3.3 billion litres of wastewater per day compared with 2.8 billion litres per day in 2022/23 – driven by the increase in rainfall in our region over the year.

Our teams have worked determinedly in particularly challenging conditions this year to keep our services operating efficiently and reduce the impacts on our customers and the environment. However, we recognise that there is more we can do to deliver the improvements our customers expect.

Internal and external sewer flooding and blockages

Sewer flooding remains a key focus, and we are disappointed not to have delivered against our stretching targets this year. Hydraulic flooding incidents are significantly up year on year due to the sustained rainfall and flash floods which occurred in our region. In particular, Storm Babet and Storm Henk resulted in a large number of flooding incidents – for example, during Storm Babet there were 10 times more floodings than in an average (non-storm) week.

Our teams worked determinedly to keep our services operating efficiently and minimise the impacts felt for our customers and the environment. This year we implemented a 'first responder' strategy to enhance our capacity for handling incidents promptly; and a new vulnerable customer process, to ensure we are proactively identifying and prioritising our most at-risk customers.

Following Storm Babet, we applied learnings for future events including a documented Storm Readiness approach, focusing on proactive measures to be implemented in anticipation of storm events, prioritisation of resources (including people and tankers), communications with customers and communities, and reactive actions to be deployed to mitigate potential impacts to the greatest extent possible. These changes were applied in preparation for Storm Ciaran but did not need to be executed.

We have outperformed our public sewer flooding target every year in AMP7 since the creation of the measure and this year we've outperformed our target by over 4%.

We've achieved our best ever performance on blockages of 28,547, outperforming our 2023/24 target by 30%. This is a 17% improvement from last year and a 34% improvement from the end of AMP6. Our performance will also be helped by the insourcing of our waste operational teams, benefiting from greater internal control over the quality of work delivered. The insourcing will also help us benefit from an improved time to attend blockage jobs which will reduce the likelihood of blockages causing flooding as we're able to take action before our customers are affected by internal or external flooding.

We are continuing to work in partnership with food service providers in our region to prevent fats, oils and greases from entering the network.

We firmly believe that our performance led culture and desire to do the right thing set us up for success to tackle sewer floodings and bolster our sector-leading waste performance.

Delivering Outcomes continued

Worksop wastewater treatment works

Our pollutions performance

Our pollutions management approach ensures oversight of our business performance and service delivery for customers, the environment and wider stakeholders in order that activity can be prioritised within the organisation, action taken in response and learnings from events used to improve our approach moving forward.

Whilst we achieved zero serious pollutions this year, the unprecedented weather has driven an increase in Category 3 pollution incidents: 239 this year compared with 193 in 2022. A serious pollution is defined as a Category 1 or 2 incident.

Having consistently delivered on our total pollutions targets for the last eight years, we are disappointed not to have met our total target on pollutions this year with our 2023 performance reflecting a year-on-year increase of 24%.

We know there is more we can do and we are confident that our substantial investment in our network over recent years will improve our performance.

Our new pollutions training river opened at the Academy in 2023, enabling frontline operatives to get hands-on experience during their training on how to deal with certain types of pollution incidents in order to manage events effectively and minimise potential environmental impact.

We continue to use detailed data and analytics to identify hot spots and high-risk areas where we can target our cleansing work to keep the sewerage network clear of obstructions and blockages. By using the information provided by our network monitors we have a greater understanding of the real-time conditions allowing us to act to prevent problems occurring.

Our Pollution Focus Group is in place to optimise current ways of working, and to implement improvements. Our approach ensures that events are prioritised and assessed at the right level within the organisation, to ensure a consistent approach, prompt action taken and that potential learnings from events are cascaded throughout the Group in an expedient manner.

Our impact on the environment is closely regulated by the EA and we report our performance against Category 1, 2 and 3 events in the Environmental Performance Assessment ('EPA'), Category 3 being minor or minimal in its impact on the environment.

The EPA undertaken by the EA assesses and compares the performance of water companies in England against the metrics set out below.

Despite the year's challenges, we are pleased to have had no serious pollution incidents this year. We are highly confident that we will achieve the highest possible rating, 4*, in our annual EPA for 2023, making it five consecutive years. No other company has achieved more than three consecutive years.

EPA metrics

	EPA Green Target	Our 2022 performance	Our 2023 performance*	
Serious pollutions	**2**	1	0	✓
Category 1 – 3 waste pollutions	**201**	193	239	×
Discharge permit compliance	**99%**	99.3	99.5%	✓
Self-reported pollutions	**80%**	87%	89%	✓
Water Industry National Environment Programme ('WINEP') delivery	**100%**	100%	100%	✓
Supply Demand Balance Index	**100**	100	100	✓
Satisfactory sludge use and disposal	**98.2%**	100%	100%	✓

* Subject to Final Determination by the EA.

Our EPA performance for AMP7 to date is summarised below:

Calendar year	2022	2021	2020
EPA rating*	**4***	**4***	**4***

Barlaston pollution

In February 2024, Severn Trent Water Limited was fined £2 million for a pollution that occurred at our wastewater treatment works in Barlaston in 2020. Our operational failings meant there was a risk of environmental harm, and this is unacceptable to everyone at Severn Trent, from the boardroom to the frontline. The pollution occurred during storms and when the neighbouring river was in flood and, as a result, the actual level of environmental harm was low. We correctly reported the pollution to the Environment Agency ('EA') and the EA agreed with the assessment at that time. The pollution was therefore included as a Category 3 pollution in our 2020/21 financial year reporting.

When the pollution was later prosecuted in February 2024, the Court, applying its sentencing guidelines, classified it as a Category 2 pollution based on the potential harm that could have arisen from the pollution whilst accepting there was no evidence of actual harm.

We took valuable lessons from this pollution and we have analysed in-depth the cause, and implemented a host of solutions, which has included additional investment. Throughout their investigation we worked with the EA and delivered a number of improvements to prevent pollutions of this nature occurring in the future.

There was Board-level oversight of the pollution, including oversight of action taken and implementation of lessons learned to improve our approach moving forwards. To bring this activity to life, this case study sets out the high-level sequence of the pollution, our response to it and action taken to implement lessons learned to improve our preparedness for, and minimise the likelihood of, similar pollutions in the future.

Screw pumps at Barlaston

The site is equipped with three large screw pumps which lift wastewater flows into the works to an elevated position to facilitate gravity flow to the rest of the works. They operate on an industry standard 'duty/assist/standby' arrangement, meaning there is one pump for normal flows, another available for times of heavy flow and a spare third ready-installed in the event of a pump failure.

Barlaston pollution continued

22 December 2019

One of the three screw pumps at the site failed. Our duty/assist/standby pumping arrangement meant there was no impact on our ability to deal with permitted flows. A request for a new gearbox for the failed pump was immediately made, with a delivery date of 4 March 2020. Contingency plans were subsequently initiated in the event of a second pump failure, although as we note below they proved to be insufficient.

14 February 2020

A second screw pump failed. We immediately contacted our reactive pump supplier for assistance and subsequently discovered that they did not have the necessary equipment that we required and expected. We recognise that our contingency planning was insufficient and this has been part of our post-incident lessons learned. We informed the EA and they attended the site for inspection later that day and undertook sampling of the river. When the second screw pump failed, we also identified that over the period 25 November 2019 to 14 February 2020 the weir that controls full flow treatment ('FFT') was set between 3 and 5% lower than permitted, diverting some of the flow to the site's storm tanks in order to manage an on-site flood risk. Whilst this had been done with good intentions, it was done outside of our operating procedures, without the knowledge of senior management and should not have happened. This breach of the site's permit meant that in wet weather the site's storm overflow will have discharged to the environment earlier than would otherwise have been permitted. We informed the EA of this issue as soon as it was identified.

15 February 2020

Temporary diesel pumps were installed as a mitigation measure, while we awaited delivery of the new gearbox.

Storm Dennis then hit our region, bringing significant, heavy rainfall and severe flooding.

17 – 18 February 2020

By 17 February one of the larger over-pumps had been received, installed and was operational, enabling the site to receive approximately 2,600l/s, just below full FFT.

On 18 February, an engineer attended the site to programme the temporary pumps. This enabled complete control of the temporary pumping system, alongside the single screw pump. The works were thereafter capable of achieving FFT.

In immediate response to the pollution, we commenced an investigation which supported the EA's testing that the environmental impact had been minimal. An independent expert instructed for the court case provided a report to further support this.

We take all pollutions of this nature very seriously, at all levels of the Group, from the frontline to the boardroom. We pleaded guilty at the first available opportunity and accepted responsibility for the failures. We have spent time reflecting deeply on the prosecution, including a review of prior investment, our processes and training, and actions that can be taken to ensure that pollutions of this nature do not occur in the future.

A summary of the interventions and activities put in place in response to the pollution are outlined below. All actions and remedial investment have been delivered.

Site learnings	Training	Management systems
Installed condition-based monitoring on screw pumps to proactively detect any potential issues emerging, allowing intervention before failure.	Dedicated lessons learned stand-down for all wastewater treatment employees, supported by training and 'toolbox talks' on flow management.	Implementation of an updated 'assets out' process, which triggers a risk assessment and mitigation plan from site managers in the event assets are out of service, with escalation to senior leaders and process scientists.
Bolstered critical spares supplies for screw pumps on site, including spare motors, gearboxes, bearings and Programmed Logic Controllers, to reduce repair timeframes.	Guidance, flow standards and mandatory e-learning cascaded to the whole operational business.	Implementation of dedicated proactive maintenance management, with a focus on reducing asset failures and increasing asset reliability.
Mandatory enhanced asset care package implemented to standardise routine operation and maintenance tasks.	Dedicated Continual Professional Development events held for team managers and business leaders.	New 'Asset Golden Measures' standard introduced for all wastewater employees, whereby each process stage is assessed against our asset standard and recorded. All issues and feedback are managed as part of our established comm cell system.
Bolstered contingency plans for temporary submersible pumping and tested the new arrangements.	All wastewater teams taken through a dedicated knowledge assessment, facilitated by our in-house Academy team.	
Deployment of new leadership at Barlaston, with responsibility for training the site team on contingency plans, escalation processes and expectations.	Updated competency framework for all operators and maintenance personnel, cascaded to relevant teams.	Installation of additional flow-related alarms and analytics, overseen by a dedicated Flow Process Team and Waste Network Control Team with visibility of performance across our estate.

CARING FOR PEOPLE IN OUR REGION

Showing care is one of our values and we want that to shine through whenever we meet people in our region. We know that our sector-leading performance is made possible thanks to our dedicated people. This section of our report sets out how we are taking positive action to deliver our strategic pillar to care for people in our region.

What this means for what we do...

- **Helping our own people to thrive.**
- **A force for good, for our customers.**
- **Supporting our suppliers to be the best they can be.**
- **Creating opportunities in our region.**

This is also aligned with our Sustainability Framework. Find out more in our **Sustainability Report 2024**.

Helping our people to thrive

Our people are fundamental to taking care of one of life's essentials and we believe our culture is what makes us special. Our teams are passionate about the positive role they can play in helping customers and communities thrive and want to nurture an environment where everyone can feel comfortable to bring their whole self to work.

You can read about how we have engaged with our employees throughout the year in our dedicated stakeholder engagement section entitled 'Engagement in Action – Our Colleagues', on **pages 112 to 113**.

Keeping our people safe and well

We believe passionately that no one should be hurt or made unwell by what we do, and our people have done a great job of keeping themselves and those around them safe. For a fifth consecutive year we have achieved our best ever Lost Time Incident ('LTI') rate with a total of 14 LTIs this year (2022/23: 16). Notwithstanding this excellent performance, 14 of our colleagues getting hurt while working is still too many, and we continue to focus on improving our performance. Since we refreshed our Goal Zero strategy in 2018/19, we have seen consecutive year-on-year improvements (with a 63% reduction in our LTI rate to date), giving us confidence that our strategy is working and will continue to drive improvements.

Although this year's results are promising, we are not at all complacent and continue to strive for improvements across all aspects of our operations, for example we collaborate in external Health and Safety forums, ensuring our approach incorporates best practice from a range of companies and sectors.

Employee support

We continue to raise awareness of the different types of support available to employees and have a team of dedicated Mental Health First Aiders and Champions, who wear yellow lanyards to be easily identifiable and are available to provide in-the-moment support.

We recognise that in-house support may not be the right answer for everyone, and as such we continue to promote the support available via our Employee Assistance Programme. This is a confidential service available 24 hours a day for emotional, legal or career support. It is also available to spouses or partners, and any dependants between the ages of 16 and 25.

We are mindful of the effect that the ongoing cost of living challenges are having on our employees and we continue to do everything we can to help support our people. We were delighted to have agreed a competitive two-year pay deal for all of our employees in 2023, giving our people certainty on their pay increases during a period of ongoing cost challenges. The pay deal was recommended by all three of our Trade Unions. All of our employees have the opportunity to become part-owners of the Company through our popular Sharesave Scheme and an amazing 72% of all employees participate, with one in four participants saving the maximum of £500 per month. We are especially delighted that so many employees decide to retain their shares.

Listening to our people

Providing opportunities for our employees to stay connected to the direction of the Company and be involved in business decisions is a key part of our culture, and we are always looking for new and different ways for the Board to engage with employees from across the business.

Developing our people

We remain focused on driving business performance facilitating talent progression and building long-term technical skills resilience. We work to ensure that we can recruit and retain the talent and skills needed to deliver our performance today and have plans in place for the skills needed in the future.

Our Academy opened in February 2021, supporting our ambition to be a socially purposeful company in all that we do, giving back to the communities we live and work in, and providing opportunities for people to learn, develop and retrain with us in our industry. The Academy training syllabus continues to evolve and now contains a suite of over 600 training interventions across multiple disciplines, including the launch of our first water treatment apprenticeships on our in-house programme. Our Academy was subject to its first Ofsted inspection during the year, and we were delighted to receive an overall Good rating and an Outstanding rating in the personal development theme, after just over two years delivering our operational apprenticeships.

Throughout 2023/24 we have delivered 3,637 learning events, accounting for over 170,000 hours of instructor-led training. This training has ranged across all five learning streams, as well as development days for teams from across the business, and communities and schools' discovery events.

Talent management and succession

Our Inspiring Great Performance and Talent Calibration approach continues to inform our talent management approach across the business, providing clarity on employee expectations, feedback on performance and reflections on achievements and learning opportunities. Understanding potential for progression remains a key output of these conversations which then drive succession planning and individual development interventions.

Currently half of our vacancies are filled internally and we have a strong track record of developing internal talent, as evidenced by recent Executive Committee appointments from internal talent pipelines. Supporting internal promotions and succession forms the foundation of our approach to building skills and leadership resilience in our organisation. In the last two years, 27% of employees have progressed to a broader role or been promoted, with nearly 400 of these colleagues moving from frontline or advisory roles to Team Manager or Technical Expert level, and over 60 promotions to Business Lead or Senior Professional level roles.

As important as the range of opportunities provided is how our people feel about them. We continue to ask colleagues, through our annual employee engagement survey, several questions relating to their perceptions of learning, careers and growth at Severn Trent. All of these measures have improved year-on-year, recognising our delivery in these areas.

> We continue to ask colleagues through our annual engagement survey, several questions relating to their perceptions of learning, careers, and growth at Severn Trent. All of these measures have improved year on year, recognising our delivery in these areas.

PRINCESS ROYAL TRAINING AWARD 2023

We're thrilled that in November 2023, our Academy received a Princess Royal Training Award from The Princess Royal, President of the City and Guilds of London Institute, recognising our exceptional commitment to learning and development through our two Apprenticeship Standard Technical Development programmes. City and Guilds CEO, Kirstie Donnelly MBE, complimented our "unwavering dedication to training and the remarkable positive impact it has had on our organisation and people".

RACE EQUALITY MATTERS™ BRONZE TRAIL BLAZER

We were delighted to be awarded the Race Equality Matters Bronze Trailblazer Status during the year, which recognises how we're driving change when it comes to race equality.

Wonderfully You – Providing a diverse and inclusive place to work

At Severn Trent, we celebrate diversity and inclusion, and embrace individuals' contributions, no matter what their age, gender, race, ethnicity, disability, sexual orientation, social background, religion or belief. Having a culture that enables individuals to truly be themselves is a vital part of our future success.

In September 2021, we launched 'Wonderfully You', our diversity and inclusion ('D&I') ambition to ensure our organisation continues to reflect the communities we serve.

> Our ambition for inclusion is to develop and maintain a fair working environment where everyone can succeed. We measure our progress through our annual engagement survey and monitor the parity or disparity between different ethnicities and genders.

Success means our customers and communities can benefit from the talent pool in our region, and that we can best serve our customers because we understand their needs. Our plans to achieve that include widening our outreach programmes so that we attract more applications from under-represented groups, breaking down some of the historical stereotypes that might prevent people from considering certain career paths, and making sure that we continue to have a level playing field at the selection stage.

Our ambition for inclusion is to develop and maintain a fair working environment where everyone can succeed. We measure our progress through our annual engagement survey and monitor the parity or disparity between different ethnicities and genders. Reverse mentoring and our Employee Advisory Groups have also helped to give our employees a voice across the organisation so that we can educate each other about our differences and have a say in our Company policies and procedures.

Over the last year, we have continued to champion the voices of colleagues from diverse backgrounds, in part through our four Employee Advisory Groups for LGBTQ+, Ethnicity, Disability, and Women in STEM and Operations. You can read more about their achievements throughout the year in our Sustainability Report.

We are proud of our track record on gender diversity, and we were delighted that Severn Trent achieved first place as the best performing FTSE100 company for representation of women on the Board in the FTSE Women Leaders Review 2024. Following Helen Miles' appointment as Chief Financial Officer in July 2023, Severn Trent became the first company in the FTSE100 to have a female Chair, CEO and CFO.

As at 31 March 2024, our Executive Committee comprised four female and five male members (44.4% and 55.6% respectively). 22 (42.3%) of our senior leaders (including our Executive Committee) were female and 30 were male (57.7%). Female representation in the Group was 28.1% (2,582 women), with male representation at 71.9% (6,610 men). Six members of our Board were female (75%) and two were male (25%). The table below sets out a gender breakdown of Directors, senior managers (as defined in the 2018 UK Corporate Governance Code and Companies Act 2006) and employees of the Company as at 31 March 2024.

Gender representation
as at 31 March 2024

	Directors		Senior leaders		Graduates and apprentices		All employees	
	Number	%	Number	%	Number	%	Number	%
Female	6	75	22	42.3	67	21.9	2,582	28.1
Male	2	25	30	57.7	239	78.1	6,610	71.9

Ethnicity representation
as at 31 March 2024

	Directors		Senior leaders		Graduates and apprentices		All employees	
	Number	%	Number	%	Number	%	Number	%
Asian/Asian British	1	12.5	5	9.6	65	21.2	654	7.1
Black/African/Caribbean/Black British	–	–	–	–	18	5.9	199	2.2
Mixed/Multiple ethnic group	1	12.5	–	–	11	3.6	159	1.7
Other ethnic group	–	–	–	–	1	0.3	37	0.4
Not specified/prefer not to say	–	–	–	–	15	4.9	1,103	12
White British or other White (Including minority-White groups)	6	75	47	90.4	196	64.1	7,040	76.6

With the launch of 'Wonderfully You' we publicly set long-term gender and ethnicity targets. We also committed to reviewing these when the latest census data was released, and this has resulted in our ethnic diversity target increasing from 14.1% to 18.9% to better reflect the communities we serve. Recognising the make-up of our existing workforce and low attrition levels, particularly in frontline and operational teams (the largest part of our business), our new female hires continue to exceed our ambitions.

You can read about our approach to Board diversity in our Nominations Committee Report on **pages 148 to 152**.

We continue to engage in a series of outreach and employability initiatives for under-represented groups within our communities, to break down perceived barriers which may prevent people from considering a career with us. We recognise that there is no quick fix, and that a sustained and consistent approach is needed over a long period of time. We continue to focus on increasing additional diversity data sharing beyond gender and ethnicity of which c.88% are sharing, including data on disability, sexual orientation, gender identity, trans and socio-economic background, and 59% of colleagues are now sharing some or all of this data, up from 19% three years ago.

We measure progress on inclusion primarily through our annual engagement survey, and we are delighted that our scores continue to remain strong and well ahead of benchmark. Our equality score of 9 out of 10 for the question 'People from all backgrounds are treated fairly at Severn Trent' places us in the top 5% for energy and utilities.

We continue to have a strong presence in D&I indices, including:

Eighth
on the Social Mobility Index, placing us in the top 10 for the fifth year running

Level 2
Disability Confident employer

23rd
in the Stonewall Workplace Equality Index and a Gold employer for our commitment to being a truly inclusive LGBTQ+ employer 2023

4.5/5
Glassdoor score continues to perform well

Gold Award for Employees' Recognition Scheme with the Armed Forces Covenant

Our commitment to the Armed Forces has been recognised by the Armed Forces Covenant, after receiving a Gold Award for Employer Recognition Scheme in 2023.

The prestigious award – the highest available – recognises the important and positive role that organisations can play in supporting the Armed Forces community.

Severn Trent's internal Armed Forces Network was set up in 2021, and since then has been a big driver in support for ex-military colleagues and their families with settling back into the community, while also providing skills and training to help ex-military members find work.

Building our future skills through diverse new talent

An inclusive environment is the foundation of a truly diverse organisation, with all of the rewards that brings. Having the right people with the right skills to deliver positive outcomes for our customers and the environment today, and for the future, is a core part of our approach to building future skills. The launch of our Societal Strategy and continuation of our outreach activities, internships and new talent programmes are critical to our success in attracting diverse candidates from under-represented groups, removing barriers to entry and creating a level playing field, whilst still recruiting the best person for the job.

Our graduate programmes remain the most successful gateway into the organisation and have a successful track record in onward progression, with one in five being promoted to Business Lead or above.

Our graduate programmes include tailored placements and projects that help individuals to develop the knowledge and skills to become our future technical experts and leaders. They typically last 27 months and are made up of three placements across our business. We currently have a number of graduate programmes, including Technology, Cyber Security, Finance, Engineering, Strategy and Regulation and the Graduate Leadership Programme.

This year we also launched our new Operational and Environmental Leadership Programme, with the aim to develop our operational team managers of the future.

The 2023 cohort of those on graduate programmes and Year in Industry placements.

Our vision as an apprenticeship provider is to develop the most skilled teams in our industry through outstanding technical development programmes. We currently offer two Apprenticeship Programmes for new starters and New Talent apprentices in frontline operational roles. These are water treatment and wastewater. We remain one of only three water companies that are fully accredited and delivering apprenticeships as an employer apprenticeship provider.

Applications opened in 2024 for our second biggest ever intake of 110 apprentices, with roles available right across our region, ranging from level 2 (equivalent to GCSEs) to level 7 (equivalent to a degree) apprenticeships across Operations, Commercial, HR, Customer Service, Business Administration and Engineering. We have two colleagues on our 'Apprentice Sales Executive' scheme who started in August and September 2023. We are also in the early stages of obtaining centre recognition for functional skills delivery. This will enable us to take a more flexible approach to the delivery of Maths and English tuition and testing, which will be better suited to our learners' and operational business needs.

According to the Institute of Student Employers, on average employers retain 71% of school leavers and 72% of graduates after three years. At Severn Trent, we are significantly over-achieving this: since 2014 we have had 581 apprentice joiners and 81% are still with us today.

We are delighted to have welcomed four new interns from Derwen and Hereward Colleges this year to gain first-hand work experience. By having partnerships with the colleges, it means we can support students with special educational needs and disabilities ('SEND') and make a huge difference to their futures.

Around 23% of the working age population have a disability and the proportion of adults with a learning disability in paid employment has decreased over time. Due to this, the Employability Working Group was established to foster a collaborative approach with colleges, aimed at enhancing the prospects of securing employment for students once they complete their college education and internship with Severn Trent.

Severn Trent scoops top award at the Multicultural Apprenticeship Awards

In October 2023, we were proud to gain national recognition at the Multicultural Apprenticeship Awards for our work and investment in nurturing talent through our apprentice scheme, which was awarded Engineering & Manufacturing Employer of the Year. Additionally, two of Severn Trent's apprentices were shortlisted under the Management, Legal & Professional Apprentice of the Year and the Judges' Choice Apprentice of the Year categories.

The Multicultural Apprenticeship Awards recognise talent and diversity within multicultural communities through the celebration of individuals who have overcome adversity to achieve their goals through apprenticeships. They also highlight the achievements of apprentices and the contribution of employers and learning providers who have assisted them along their journey.

> All of our employees have the opportunity to become part-owners of the Company through our popular Sharesave Scheme and an amazing 72% participate across all schemes, with one in four participants saving the maximum of £500 per month across all schemes.

Fairly rewarding our people

We have been working hard to create a consistent framework which includes transparent pay ranges to support us in measuring our fair pay processes and we were pleased that in June 2023, the Company's pay offer was accepted by members following the recommendation by the Joint Trade Unions. You can read more about this on page 112.

All of our people share in our success by participating in our all-employee bonus plan, ensuring all employees are aligned with the same measures and rewarded for achieving our key objectives. Additionally, we offer a market-leading defined contribution pension scheme and double any contributions that employees make (up to a maximum of 15% of salary).

In March 2024, we published our second combined Gender and Ethnicity Pay Gap Report, highlighting a decrease in both the median and mean gender pay gaps between women and men, with both now at the lowest level seen in the seven years that we have been reporting. The Report shows a median pay gap of 7.8%, down from 9.4% in 2022, and a mean gender pay gap of 2.0%, down from 2.9% in 2022.

We know that to improve our gender balance, we need to place focus on recruitment and retention and provide everyone with the best possible opportunities to learn and grow their careers with us.

Our median ethnicity pay gap is 6.3% (2022/23: 4.1%) and our mean gap is 7.2% (2022/23: 5.7%). This year there has been a slight increase in both compared to last year, despite an increase in the hourly rate for employees. Although we have seen an overall increase in representation of colleagues from minority ethnic backgrounds, up to 12% from 10% last year, we are now placing more focus on our senior roles, to better represent our communities at all levels of our organisation.

The full Gender and Ethnicity Pay Gap Report can be found on the Severn Trent Plc website and further information regarding employee pay can be found in our Directors' Remuneration Report on pages 169 to 194.

Remuneration

The Company Remuneration section, in the Directors' Remuneration Report, sets out the steps we take to make sure that our pay and reward framework, below Executive and senior management, is transparent, meaningful and useful for stakeholders. You can read more on pages 182 to 188.

A force for good for customers

To be truly impactful in our communities, we need to help more of our customers who need support today.

Our average combined bill for the year remains one of the lowest in the country, and we will continue to offer one of the lowest bills for the remainder of the AMP. Even though our bills are low, some customers have difficulty paying and we make it clear to our customers that we don't want anyone to struggle to pay.

In May 2022, we announced a £30 million affordability package allowing us to help a further 100,000 people to reduce their water bill by up to 90% through our social tariff. By 2025, our financial support schemes will be supporting about 315,000, or 6% of our customers, in line with the number of customers assessed as living in water poverty in our region. Approximately 260,000 of our customers are benefiting from support on their bills already.

We recognise the importance in building more partnerships to ensure we are finding customers who really need our support. We are working closely with local authorities, securing c.£500,000 of arrears support through the Government's Household Support Fund and the introduction of our care leaver's support package. We have signed 12 partnership agreements to either signpost or passport customers to our Big Difference Scheme.

We have also reviewed our Trust Fund, which has historically supported customers through an annual grant of £3.5 million, to maximise the support this can provide to our customers. Over 80% of successful Trust Fund applicants were also receiving support though our Big Difference Scheme. As such, we saw an opportunity to amalgamate the Trust Fund and Big Difference Scheme processes, reducing barriers to customers receiving support and reducing the costs associated with supporting customers. We subsequently announced our Big Difference Scheme Plus offering, which has been received positively by customers.

Supporting our vulnerable customers

We aim to reach out to as many customers as possible to find those who might need additional support from us and we now have over 9% of our customers signed up to our Priority Services Register ('PSR'), an increase of around 20% on the prior year. Our PSR ensures those who need additional support are prioritised during an incident so we can provide them with bespoke communication and a personalised service.

A hassle-free winter

We know that winter can be hard for lots of our customers, so we launched our winter campaign – 'Weather the winter together' – a joint campaign across water, waste and affordability which ran until the end of March 2024. Our customers received an email, with messages also shared through our social channels, outlining information and tips for the colder months, such as supporting those who are worried about paying their water bill, protecting customer pipes from freezing and saving money around the home.

> Our Priority Services Register ensures those who need additional support are prioritised during an incident so we can provide them with bespoke communication and a personalised service.

CREATING OPPORTUNITIES IN OUR REGION

On 22 November 2022, we launched our Societal Strategy, with the objective of helping up to 100,000 people in our region, giving them improved chances in life and tackling the underlying causes of water poverty. Our 10-year plan is a huge undertaking, and we are passionate about helping households across our region and will achieve this by working closely with communities and partner organisations.

This section showcases some of the progress we have made over the past year.

Over 10 years, we want to give 100,000 people in, or at risk of, poverty the tools to improve their life chances, through access to high-quality employment-related training and career opportunities.

Our Societal Strategy Ambition One Year On

Our Commitment | **Progress**

Education and Skills

We increased the number of placements to 300 and developed new work experience opportunities. Young people can choose between a traditional work experience week or to join a Discovery Day.

Run at our Academy or Head Office, Discovery Days allow school groups to come and meet a range of departments and take part in workshops and group projects. Working with new partner schools in East Birmingham, Derby and Coventry, meaningful work experience consolidates and brings to life the employability skills training that pupils receive in schools as part of our new schools offer.

- **5,413** students engaged with in schools
- **94** students on short-term work experience (1 – 2 weeks)
- **79** students on long-term work experience (1 – 3 months)

Student, Discovery Day

"Thank you so much for the opportunity to attend and be a part of the Discovery Days. I found it very informative and definitely enjoyed it – everything was so well organised. All the staff were very welcoming and gave me a positive insight on what it's like to work for you and the different roles in which I could do that. I look forward to applying for an apprenticeship role after completing my A-Levels."

Employability

We are working with community groups in East Birmingham, Derby and Coventry providing free employability skills sessions including CV and interview advice workshops.

We run training sessions for people out of work or seeking a career change; supporting people to grow their confidence and explore career opportunities. We link the training sessions with access to advice on available affordability support and, in Derby, current open roles at Severn Trent.

- **1,629** people attending Big Boost careers fairs
- **1,455** people attending employability events

Riordan Knott, careers fair attendee

"The Severn Trent Team quickly made me feel welcome and comfortable. I had an engaging talk with Surinder and her team discussing job and development possibilities at Severn Trent. This lifted my spirits and made me feel included and welcome and in turn was the catalyst for me applying then and there. I look forward to the career I can build at Severn Trent."

Mentoring Young People

In parallel with our place-based approach in East Birmingham, Derby and Coventry, we are working with a specific group of young people not in education, employment or training ('NEET'). In partnership with charity Trailblazers, Severn Trent staff mentor young people weekly for their last six months in prison and up to 12 months post release in the community. This work complements our existing work with NEETs, such as our apprentice and internship offer. As part of our mentoring sessions, we provide employability workshops to encourage and support prison leavers into work post release and reduce the risk of re-offending.

- **16** people mentored through the Trailblazers programme

Nathan Worton, Trailblazer

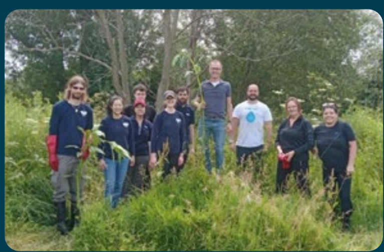
"For the first mentoring visit I was accompanied by a member of the Trailblazer's team and subsequently I attended HMP Brinsford weekly. This was an incredibly rewarding experience, offering real personal growth, and I am pleased that since release my mentee has applied for an apprenticeship with Severn Trent and I wish them every success during the assessment process."

Volunteering

At Severn Trent, we're big believers in volunteering, which is why we encourage and empower our employees to get out and about in local communities with two days paid volunteering leave per year. Our volunteering scheme is really popular with an average of 30% of our employees volunteering each year.

We encourage volunteering that supports the environment, biodiversity, tree planting and water efficiency, and work in partnership with a number of key partners across our region to deliver this.

- **464** students on Discovery Days
- **7,895** hours of volunteering



Sonia Pengelly, Warwickshire Wildlife Trust

"They all did an incredible job, working very hard to achieve excellent results. Many hands do make lighter work and their efforts have made a huge contribution to the area. The people I worked with on the day were a really friendly group, easy to work alongside and a pleasure to chat to, and I hope they can all join us again in the future."

Caring for People in our Region continued

Social Mobility Index

We've officially been named one of the country's top performing companies for improving social mobility. For the fifth year running, we've landed in the top 10 on the Social Mobility Index, coming in at eighth place out of 75.

The Social Mobility Index, which is in its seventh year, ranks UK employers on the actions they're taking to ensure they're open to accessing and progressing talent from all backgrounds.

Lumumba, a Chemical Engineering student at the University of Birmingham, was awarded with a bursary to support with his studies through the Andy Duff Bursary programme. Lumumba said:

> "The support from Severn Trent has been very helpful because I didn't have to think about going to work to pay for university, I could focus solely on my degree and the bursary helped cover some of the expenses. The placement and mentor at Severn Trent also helped me grow as a person and develop some skills, and really helped build my confidence, so I'm really thankful for the support and opportunities."

Helping our communities to achieve their goals

During the year, we launched our new and improved online community learning platform, created by our Academy Team. The platform is available for everyone in our communities to use. We want everyone to have the best chance of success and our Academy Team is there to support our communities every step of the way. There is a huge variety of free online learning resources available, from videos and articles to a range of online training courses.

Access the resources **here**.

Community Fund

In our PR19 Business Plan, we pledged to create a new Severn Trent Community Fund that donates 1% of Severn Trent Water's annual profits after tax (more than £10 million over five years) to good causes in our region.

In 2023/24, the Fund awarded over £2 million, to over 100 organisations. Since the Fund's inception, we have awarded nearly £10 million to organisations across our region.

£10m
donated to organisations across our region since 2020

You can read more about our Community Fund here: **stwater.co.uk/about-us/severn-trent-community-fund/**

Fair pay and working conditions

We are proud to be an accredited Living Wage Employer. We also contractually require suppliers to sign up to the real Living Wage. We are signatories of the Prompt Payment Code and are committed to paying suppliers on time and giving clear guidance on payment terms. We aim to pay 95% of our small suppliers within 30 days, in line with the Prompt Payment Code. For the payment practices reporting period ended 31 March 2024, the average time to pay for Severn Trent Water was 33 days.

Living Hours is a newer concept designed to ensure that workers are on contracts where they can earn enough to support a decent standard of living. In April 2024 we became an accredited Living Hours Employer. The standards to which it holds employers includes: a right to a contract which reflects the hours worked; offering a minimum of 16 hours per week (employees can request less); and providing at least four weeks' notice of a change to working patterns. It currently applies to all our employees, and we are working to implement it across our supply chain.

Read more about how we have engaged with our suppliers in our 'Engagement in Action – Suppliers' disclosure on **pages 118 to 119**.

Keep making waves

In November 2023, in partnership with Aston University, we proudly hosted a group of engineering Masters students during Industry Week – the students took part in a transformative one-week Innovation Challenge as part of the Asset Intelligence and Innovation Wavemakers programme.

The initiative harnessed the creative potential within our communities and was used to address critical challenges linked to our innovation hubs: Zero Spills; Water Resilience; Net Zero; and Circular Economy.

The students collaborated with innovation experts and SMEs from various areas of the business. They also received invaluable training from our Academy and Aston Business School. This collaborative effort delivered a range of ideas and perspectives, creating a space where they could be creative and solve problems.

Throughout the week, students immersed themselves in the challenges presented by the innovation hubs, demonstrating exceptional creativity and ingenuity. Under our guidance, they explored and proposed solutions that have the potential to drive positive change across the business, showcasing the amazing talent within Aston University.

The week-long event ended with presentations judged by industry experts, with the winning entry exploring how we can use innovation to reduce the amount of water we use in the agricultural community.

A DRIVER OF POSITIVE **CHANGE**

The world we operate in and the needs of our customers and society change continually. We seek to embrace the challenges and opportunities this presents, not only driving change in what we do, but also acting as a catalyst in our sector, our region and for the people we serve. This section sets out how we are taking action to deliver our strategic pillar to be a driver of positive change, setting out our progress against our Green Recovery Programme, Get River Positive river pledges and our Storm Overflow Action Plan ('SOAP').

What this means for what we do...

- **Collaborating widely to support innovation.**
- **Creating a market that works for everyone.**
- **Putting our regions on the map.**
- **Providing a role model for others.**

This is also aligned with our Sustainability Framework. Find out more in our **Sustainability Report 2024.**

GREEN RECOVERY PROGRAMME

In July 2021, Ofwat approved an additional investment of £566 million (2017/18 prices) for our ambitious Green Recovery Programme. Nearly three years on, our projects are making excellent progress – already yielding substantial benefits for our customers, communities and the environment, and the learnings from the programme are informing our future strategic plans.

Bathing Rivers

Our goal
Improve River Leam and River Teme water quality by upgrading three sewage treatment works, treating and reducing spills from storm overflows and installing river quality monitoring.

Our progress
We have made good progress with the programme and are on track to deliver against our goal by March 2025. Detailed design of our sewage treatment works ozone disinfection upgrades is complete and we are progressing with off-site assembly of the plant which is quicker, more cost effective and supports equipment testing and commissioning. This programme has now been aligned to our Drainage and Wastewater Management Plan ('DWMP'), capturing recent statutory changes, and facilitating a further 15.9% reduction in spill volume from our original plan (over 230,000 m^3 per year). These changes also increase the length of river we will improve, to deliver even greater benefits for customers, communities and the environment, and we are working through the impacts of this with Ofwat. This programme has seen us collaborating with the Rivers Trust to better understand how our communities are using rivers, inform local communities of our plans and share how we can collectively take care of rivers.

24
storm overflows planned for improvement to support our Bathing Rivers project

Protecting customer supply pipes

Our goal
Replace up to 26,000 lead or leaking customer-owned supply pipes in Coventry and Bomere Heath, removing lead and reducing leaks by around 1 million litres a day from customer-owned pipes. In Bomere Heath, removing all the lead pipes also means that we can reduce our treatment process that mitigates the impact of lead, thereby reducing the carbon impact of our water treatment processes.

Our progress
We have delivered over 7,300 supply pipe replacements in Coventry, and have ramped up our delivery pace. We have completed more than 1,000 replacements for social housing properties, bringing benefit to customers who may be more financially vulnerable. Supply pipe replacements in Bomere Heath have also continued, with 35 out of an estimated 600 completed and we have begun a sampling programme to help identify any remaining lead pipes. This process will also confirm lead removal and support simplification of our treatment process. We have shared our learnings from this project across the industry, including hosting a 'lead pipes event' in November 2023. We have continued to provide bespoke updates on our trials to other water companies.

7,331
supply pipe replacements in Coventry since the project inception

Water resources

Our goal
Increase water supplies by up to 93 Ml/d – enough to serve a city the size of Derby – using low-carbon-impact treatment processes, and share our knowledge with other water companies, supporting the sector's aim to achieve net zero operational emissions by 2030. In addition, our work to achieve this will increase the biodiversity of 46 hectares of habitat at our Witches Oak water treatment works.

Our progress
Our 31 floating wetlands were completed ahead of schedule. The floating wetlands biologically pre-treat the raw water before we abstract it, reducing the amount of traditional treatment required. Our Raw Water Abstraction and Transfer Project construction is on track to be completed ahead of schedule in October 2024, despite exceptional weather and flooding events during the last quarter of the year. We completed our innovative Ceramic Membrane Pilot Plant in December 2022 and it has been in operation over the last year, collecting critical data to support real-time optimisation of the new treatment works. Construction of our Witches Oak water treatment works is also progressing well, with the main structures complete and the mechanical and electrical installation underway.

31
floating wetlands were completed ahead of schedule

Green Recovery Report
Our dedicated Green Recovery Report will be available in our Regulatory Library on the Severn Trent Water website from 15 July 2024.

Scan or click to read more.

Flood-resilient community

Our goal
Create the UK's first catchment-scale flood-resilient community in Mansfield, using an innovative 'nature-based' approach to reduce surface flooding risk.

Our progress
We are installing Sustainable urban Drainage Systems ('SuDS') across Mansfield to absorb rainwater, providing additional storage capacity. We have facilitated more than 4,900 m^3 of surface water storage through our interventions, provided 48 rain gardens and bioretention tree pits with a capacity of almost 600 m^3 and delivered more than 4,870 m^2 of permeable paving with an estimated 1,243 m^3 of storage.

We have had great success with eight bioswales and detention basins, which have provided a storage capacity of 3,076 m^3. Additionally, the bioswales and detention basins deliver significant environmental benefits and reduce the pressure on the wastewater network.

We have learned a huge amount about the actual costs of these types of retro-fitting SuDS and how to roll them out at scale. We have learned how, when and where retro-fitting SuDS is viable or not – something which had not been explored at scale before this programme. We believe this will help us, and others, in deploying SuDS in the right places in the future.

4,909 m^3
of surface water storage delivered through our interventions to date

Improving our region's rivers

Our goal
Support environmental improvements to 500 km of rivers, accelerating our planned Water Industry National Environment Programme ('WINEP') investment by three years. This includes delivering 47 Water Framework Directive ('WFD') statutory obligations faster by carrying out schemes to reduce storm overflows and remove phosphorus. We will also undertake Storm Overflow Assessment Framework ('SOAF') investigations to inform and prioritise future investment.

Our progress
We are ahead of schedule to deliver our WFD obligations, resulting in earlier improvements to our rivers. We are installing more chemical dosing systems, reedbeds and mechanical filters to reduce the amount of phosphorus in the rivers resulting from our wastewater operations. Our first 21 projects, reflecting over 47% of the programme, are in contract, and work has commenced on site at nine projects. This will deliver the majority of our 2025 obligations and result in a significant benefit to the related watercourses. We continue with our storm overflow assessment in line with the guidance laid down in the published SOAF.

You can read more about our plan to reduce storm overflows on pages 38 to 41.

500 km
of rivers will be supported with environmental improvements

Smart water meters

Our goal
Help customers save water by installing over 157,000 smart water meters to individual household properties, giving customers instant access to their usage information.

Our progress
We are working towards our goal to deliver the full programme ahead of March 2025, and have installed over 111,000 smart meters to date and have more than 60% of meters online transmitting data every day. The programme has provided valuable learnings in relation to meter connectivity and, in view of these learnings, we have improved our coverage to 77% through a number of activities including raising antennas. Over 76,000 customers have been welcomed and have access to the Smart Tracker platform, which displays the smart meter readings as well as lots of other helpful tools and water saving tips, and more than 27,900 customers have engaged with this functionality.

The success of this programme to date is reflected in our leakage and Per Capita Consumption ('PCC') performance, and we are continuing to build on our positive progress by providing additional support for vulnerable customers, such as streamlining leak resolution activity.

111,853
smart meters installed since the project began

GET RIVER **POSITIVE**

In March 2022, alongside Anglian Water and Hafren Dyfrdwy, Severn Trent Water launched Get River Positive pledges, our five pledges to improve the health of rivers in our region. Since then we have delivered a number of important benefits.

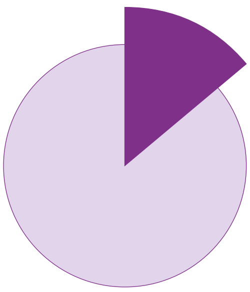
Pledge One:

Ensure storm overflows and sewage treatment works do not harm rivers

At Severn Trent we all take responsibility for the health of our rivers. We have made good progress and continued to reduce our impact on rivers. We believe we have reduced our contribution to Reasons for Not Achieving Good Ecological Status ('RNAGS') in our region's rivers to 14%, and it is our ambition to reduce RNAGS in our operational area to 10% by 2025.

By 2030, our goal is that our storm overflows will cause no harm to rivers. We plan to ensure our assets are responsible for less than 2% of RNAGS by 2030.

We are working on dramatically reducing our CSO spills. More details about our storm overflow reduction programme can be found on pages 38 to 41.



14%

Severn Trent Water is responsible for 14% of RNAGS in our region

Pledge Two:

Create more opportunities for everyone to enjoy our region's rivers

More people now see the value in their local rivers when it comes to health and wellbeing activities. We remain on track to deliver river quality improvements as part of our £78 million Bathing Rivers programme. We have begun installing innovative ozone treatment at three of our wastewater treatment sites – one in Shropshire and two in Warwickshire.

This is a pioneering process which aims to enhance the effluent quality of the normal sewage treatment process. We are the first UK water company to trial this technology and are excited to understand its effectiveness in removing micropollutants and pharmaceuticals.

We know that creating opportunities for everyone to enjoy our region's rivers isn't just about improving water quality. That's why we want to support water-based leisure activities, including exploring what we can offer at our reservoirs. This includes the recent launch of paddleboarding at our beautiful Ladybower Reservoir in the Upper Derwent valley for the first time.

> This is a pioneering process which aims to enhance the effluent quality of the normal sewage treatment process.

Pledge Three:

Support others to improve and care for rivers

Over the last year we have continued to engage with communities, schools and organisations across our region to support them in helping to improve river health.

We are delighted to be working with the Shropshire Wildlife Trust to help restore and re-naturalise a section of the River Corve. In 1992, the channel was declared ecologically dead as a consequence of historical dredging; our funding will restore the channel, making it a vital habitat for trout, and provide an opportunity to reintroduce white clawed crayfish to support the downstream population at Stanton Lacy, in addition to broader biodiversity gains.

Our Community Fund has awarded over £256,000 over the last year to projects that help protect river health. The biggest award went to the Severn Rivers Trust's Black County River Schools project, which received nearly £200,000 for an education and physical infrastructure programme.

Our unique collaboration with the agricultural community has seen us support over 5,000 farmers in the last decade to help protect water quality through a range of schemes. Since launching our new package to promote regenerative farming practices in May 2022, we have awarded over 400 Severn Trent Environmental Protection Scheme ('STEPS') grants for on-farm improvements that help protect water quality and biodiversity – worth almost £5 million.

> Our River Rangers have completed over 7,000 inspections of rivers and we have funded the improvement of over 600 hectares of river through partnership with the Nottinghamshire Wildlife Trust.

Pledge Four:

Enhance our rivers and create new habitats so wildlife can thrive

Our River Rangers are at the heart of the work we do to protect and enhance our rivers and to improve river health. Since January 2022, our River Rangers have been working closely with local stakeholders and communities, attending more than 280 meetings with partners and environmental groups to discuss river health. They have also completed over 7,000 river inspections to help inform our activity and deliver further improvements.

Since 2020, we have funded a wide range of projects with Nottinghamshire Wildlife Trust, improving over 600 hectares of river through this partnership. These projects focus on improving natural wetlands and wet meadows to provide diverse habitats and prevent flooding, as well as species-specific work such as the reintroduction of beavers and water voles to watercourses.

Every employee can spend two working days a year doing voluntary work and further support our Get River Positive pledges. Over the last year, more than 400 of our people, in partnership with local environmental groups, spent around 2,500 hours cleaning rivers, litter picking, removing non-native species and finding/removing a collection of larger items that don't belong in our waterways.

7,000
river inspections to help inform our activity and deliver further improvements

Pledge Five:

Be open and transparent about our performance and our plans

We are continuing to explore ways in which we can be more open and transparent about our performance. We published our Storm Overflow Action Plan in March 2024, which details our investment plans to improve storm overflows. Our Storm Overflow Map went live on 30 April 2024, providing near real-time storm overflow data, enabling our customers to see the current status of each storm overflow across our region.

We sought feedback from our independent Get River Positive Advisory Panel (the 'Panel'), alongside other interested stakeholders, to develop the map, to ensure it is meaningful for interested stakeholders and is easy to navigate.

After a successful year, all members have agreed to remain on the Panel to help focus our AMP8 programme of investment running up to 2030. We have enhanced the Panel's membership to include more representation from river users, alongside land use and habitat experts.

Get River Positive Annual Report
Read more details about our Get River Positive journey in our Get River Positive Annual Report on our website, where you can also find our Storm Overflow Action Plan.

Scan or click to read more.

OUR COMMITMENT TO IMPROVING **STORM OVERFLOWS**

Storm overflow spills are one of the biggest issues facing our sector today and we are firmly committed to reducing their usage as quickly as possible to meet the expectations of our customers and wider stakeholders. Over the next 25 years we will invest £4.4 billion to meet government requirements at least five years early and we are accelerating our investment to deliver benefits for our customers and the environment as quickly as possible.

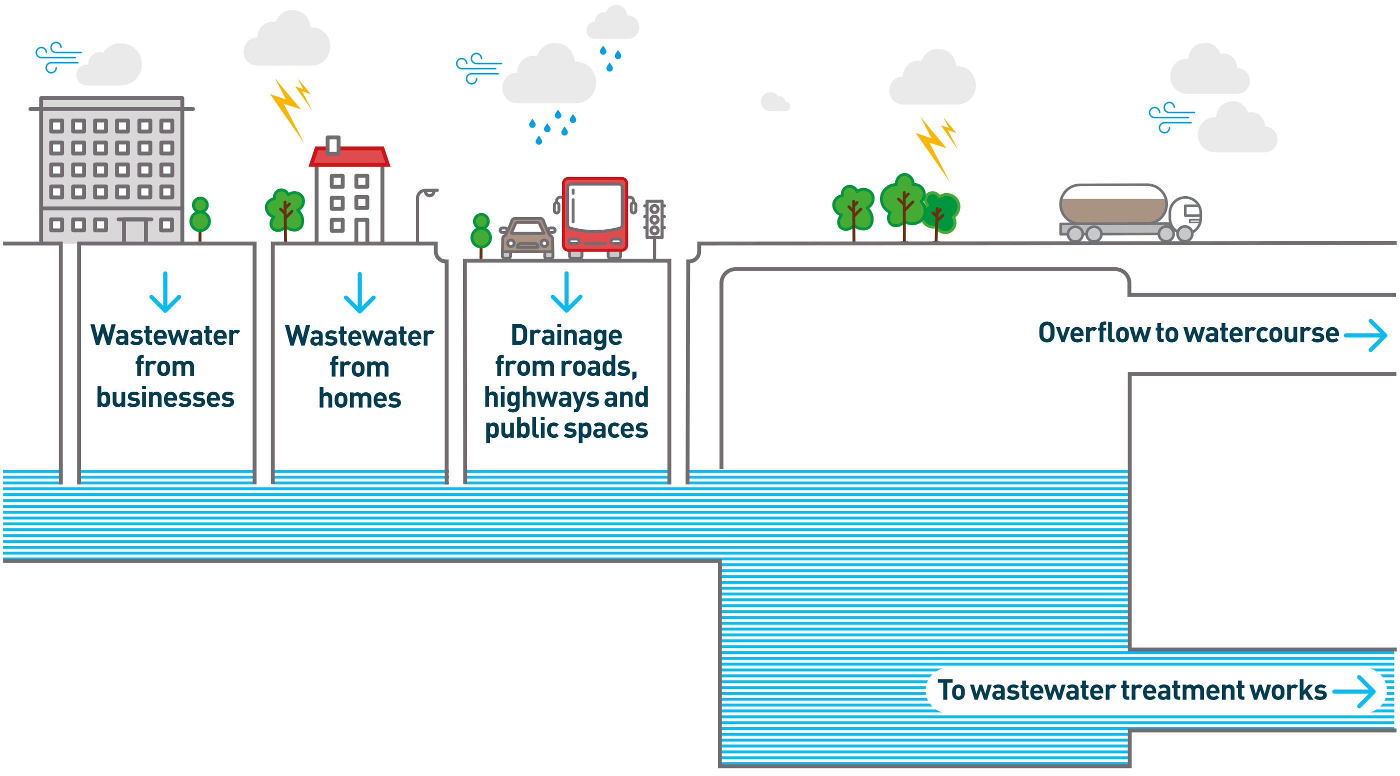
What are storm overflows?

On an average rainy day in England, about two million litres of rainwater will fall on every square kilometre. **And all that water needs to go somewhere**. Every day, we take away 3.3 billion litres of wastewater from toilets, bathrooms and kitchens in homes and businesses. But wastewater also flows into our network because of drainage from roads, highways and public spaces, and flows through our 93,200 km network of pipes to one of our 1,000 wastewater treatment works to be treated and safely returned to the environment. During periods of sustained rainfall the volume of wastewater entering our network increases significantly and, as we have seen this year, weather patterns are changing and recently we saw some of the wettest months on record.

Like many other countries, the UK's sewerage system was designed as a combined system, with a single piped network which collects wastewater from homes and businesses and also collects rainwater from roofs, roads and other hardstanding areas. To mitigate the risk of flooding properties when there is too much water in the system, for example in periods of sustained rainfall, the combined sewerage system was designed with overflows which act as relief points during heavy rainfall allowing diluted flows to discharge into rivers and watercourses to protect customers' homes from flooding. We have 2,472 overflows within our wastewater system and these are made up of a mix of overflows on our network (commonly referred to as combined sewer overflows ('CSO')) and those located on our wastewater treatment sites (commonly referred to as settled storm overflows ('SSO')).

Each overflow is designed in accordance with a permit condition as outlined by the Environment Agency ('EA'). The permits specify the conditions under which a spill is permitted ensuring no detrimental impact to the receiving watercourse.

Whilst these overflows operate within permit conditions and serve an important purpose, our stakeholders care deeply about reducing their usage – and so do we. Our entire organisation is energised and focused on reducing our number of spills and we are determined to achieve our stretch ambition to halve our number of spills by 2030. We're investing and working hard to deliver the reductions we have committed to, while at the same time protecting customers' homes and businesses from flooding as we implement our solutions.



How do we monitor storm overflows?

How we monitor and report overflow performance is strictly defined by the EA, and every year all water and sewerage companies in England are required to formally submit performance data to the regulator.

All of our storm overflows have Event Duration Monitors ('EDMs') installed which report the number of times they activate, when they are activating, and the length of time each overflow discharged. We were the first water company in England to install EDMs on 100% of our overflows. Pulsing every 2-15 minutes and providing over 300 million data points per year, this insight is helping to inform our knowledge and prioritise what action and investment is needed. In addition to our EDMs, we also have thousands of early warning monitors fitted across our network which continually analyse changes in depth and/or flow so we can proactively identify any potential problems before they occur.

We take the delivery of our commitments incredibly seriously and we believe transparency is vital to demonstrate our progress to customer and broader stakeholders. Our EDM data is subjected to several levels of internal and external assurance before it is reported to the regulators. To ensure we are being transparent with our customers and stakeholders we publish our annual EDM data on our website each year, which contains all the monitoring information from storm overflows across our region, and have developed a storm overflow map in an accessible format.

Our performance of 24.9 spills on average in 2023 (against 24.7 in 2021 and 18.4 in 2022) is not in line with the pace of progress that we want. An increase in utilisation of overflows was not unexpected given the higher levels of rainfall observed this year – being 35% more than in 2022 – however we were still disappointed in the increase. While we've felt its impact, weather cannot be an excuse for us or our sector – climate change is something we must all adapt to, and it is our job to protect our customers and the environment from its impact on our operations. The unprecedented weather this year has highlighted that we need to go further, move quicker, and find more creative and innovative solutions to meet the expectations of our stakeholders, in particular on storm overflow spills.

> We are investing £1.1 billion between 2025 and 2030, and £4.4 billion up to 2050, to meet targets at least five years earlier than the date set by our regulators.

Ambitious investment plans

In August 2022, the Government published its Storm Overflow Discharge Reduction Plan ('SODRP') which sets stringent new targets to protect the environment. The SODRP sets out specific deadlines to ensure no storm overflow is causing harm by 2045, with an interim target that 75% of overflows are improved by 2035. In addition, no storm overflow will be permitted to discharge above an average of 10 times per year by 2050, measured using EDMs.

Aligned with the requirements of the SODRP, we have developed our Storm Overflow Action Plan ('SOAP'), to ensure every storm overflow we are responsible for meets the targets set out in the SODRP – ahead of required timescales. In our investment plans for the next five years we set ourselves the most ambitious targets in the sector for minimising the use of CSOs, with targets that go further and faster than the SODRP.

Meeting our target of an average of 20 spills by 2025 is a priority, and we are determined to achieve our stretch ambition to halve our number of spills between now and 2030. Our whole organisation is energised and focused on this activity, and we are now finalising the procurement of thousands of assets, utilising some of the £1 billion of funding our investors contributed last October to help us accelerate our 5-year investment plan. This investment will have a dramatic reduction on the use of CSOs once the new assets are installed this year. Overall, we expect these capital works to benefit 900 sites, representing over 40% of all CSOs that spilled last year.

Modular storage capacity: Sudbury additional storage

We are installing modular additional storage at our wastewater treatment works and network assets to allow us to capture and store more flows during periods of high rainfall to dramatically reduce CSO spills. Data and site reviews have helped us identify suitable sites.

At Sudbury wastewater treatment works we have increased our storage by 60 m^3 through installation of modular storage. This additional storage has helped us better manage storm flows and in April 2024 we noted zero spills.

Accelerating progress in 2024/25

To ensure we make demonstrable progress on our investment programme, at the pace our stakeholders expect, we have assembled a dedicated team of hundreds of people working across hundreds of sites to focus on spills. By the end of this year we will deliver a combination of solutions as follows:

- over 700 storage solutions at our treatment works and network assets. These assets will allow us to capture and store more flows during periods of high rainfall and dramatically reduce spills at those sites;
- c.25 submerged aerated filter ('SAF') treatment units that will enable us to expand the treatment capacity through the additional processes, dramatically reducing spills into the environment;
- c.70 reed beds that will provide for nature-based treatment of sewage at the storm route for smaller sites, and prevent untreated sewage entering rivers;
- nearly 200 enhancements at specific CSOs on our network, which will enable us to increase the flow of sewage to our treatment works, reducing the potential for a spill into the river;
- over 100 flap valves that will prevent river ingress into our network, which would otherwise overload the capacity of our sewers with river water; and
- c.8,000 water butts will be supplied to 10 communities to trial at scale surface water separation.

This activity is being supported by international partnerships, an international solutions scouting programme and a guaranteed payment scheme.

Examples of how these solutions work is explained in the table on page 41. To bring to life the scale and complexity of these schemes, page 41 provides case studies of schemes delivered during the year. To deliver these improvements we are growing our business. This year we redesigned sections of wastewater operations, insourced some of our customer waste teams, and as part of our new accelerated programme, we will be using our supply chain to deliver spill reductions as they work on our wider environmental programme. This complex, large-scale activity will be overseen by our dedicated CSO programme, which reports directly into our Executive Committee on a weekly basis, to deliver our investment plan as quickly as possible. We intend for all these solutions to be installed by the end of the year, enabling us to rapidly reduce the use of CSOs once in operation.

This important activity will be supported by data and innovation, including our Zero Spills Hub in Nottingham to trial innovative technologies at pace to work towards zero spills. More detail on our Zero Spills Hub is provided in the schematic below.

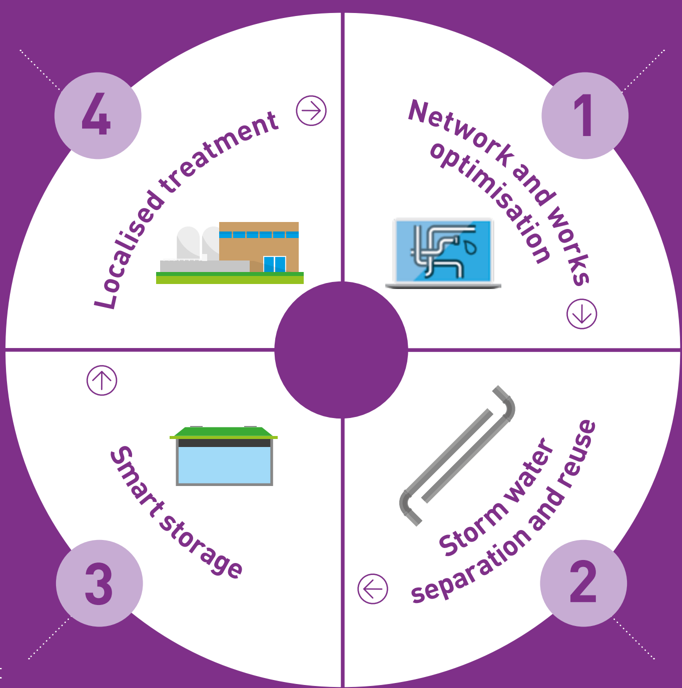
Focus on innovation: our Zero Spills Hub

CSO spills are a challenge shared by other wastewater companies internationally. As such, we have been learning how others have approached spill reduction, including Aarhus Vand in Denmark. While traditional solutions including separating combined sewers have an important role to play, it is also clear that emerging smart interventions, when used in the right combination, can help to drive down spills and have the potential for faster deployment than larger capital schemes.

Our Zero Spills Hub in Nottingham incorporates this learning and is a testing ground for innovative solutions for spill reduction of the type we are planning to deploy in 2024/25. It is designed to act as a catalyst for progress in four areas:

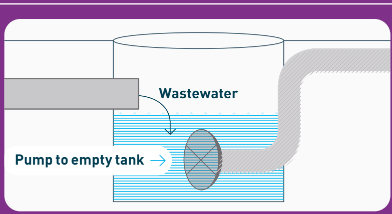
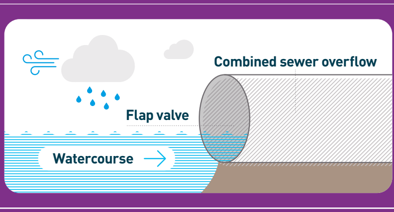
Creating new treatment options within river catchments as well as at works. Engaging communities in solution development.

Using learning from Artificial Intelligence ('AI') to optimise flows and capacity in our existing infrastructure.

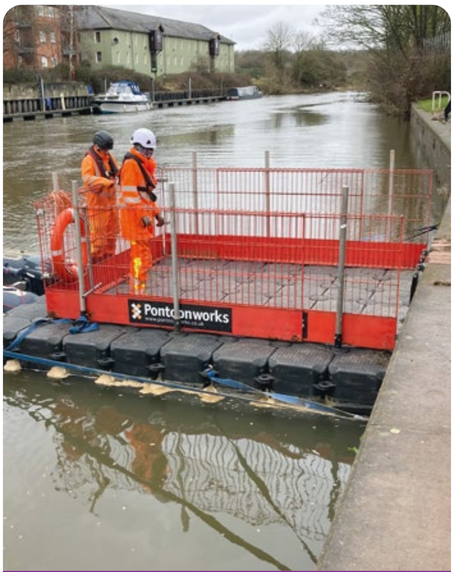


Managing storm water using AI enabled temporary and permanent storage and nature based solutions.

Reconfiguring networks, slowing storm water flows and trialling new commercial rainwater harvesting and re-use schemes with learnings from Singapore and Australia.

Investment	Number	Solution – how it works	
New storage capacity, including large-scale storm tanks and smaller modular solutions, including SAFs, that can be deployed at scale. Water butts supplied to customers' homes across 10 communities to reduce surface water.	c.700 c.8,000		Storm tanks hold wastewater back during severe weather events before returning it to our treatment works when rainfall has subsided and capacity to treat is available.
Nature-based treatment, such as reed beds.	c.70		Reed bed systems help treat increased wastewater flows during severe weather events, reducing the treatment required when rainfall has subsided and capacity to treat is available.
Installation of solutions to optimise assets, such as flap valves and enhancement at specific CSOs.	c.300		Flap valves work as a safety mechanism during periods of severe weather, by stopping river inundation into our treatment works when river levels are high.

To bring to life the complexity and scale of each of the investment types, the case studies below illustrate three storm overflow investments we have delivered during the year.



Optimising assets: flap valve installation in Shropshire

In Shropshire, we have installed two flap valves to protect against inundation from the River Severn. These valves protect our wastewater treatment works from flooding, and improve our resilience to severe weather, meaning that we can continue to treat our customers' wastewater even when river levels are high, which is becoming increasingly frequent in this area.

Reed bed treatment: refurbishment at Fenny Compton

We have completed the refurbishment of our reed bed treatment at Fenny Compton wastewater treatment works using innovative technology to restore the reed bed and re-lay pipework. The £169,000 scheme is one of seven trials to combine reed bed effluent with final treated effluent before returning it safely to the river, minimising CSO spills and providing essential data to inform future investment.

Additional storage capacity: storm tank solution at Stroud

We have invested in Stroud to install a new concrete storm tank with smart controls that can hold up to 7.4 million litres of wastewater back during severe weather events. This scheme will improve the resilience of our network, holding back wastewater before returning it to our treatment works when rainfall has subsided and capacity to treat is available.

RUNNING A BUSINESS THAT GOES HAND-IN-HAND WITH NATURE

Our natural environment catches, holds, carries and helps purify our water. And the climate drives many of our critical functions, from the filling of our reservoirs to the ways in which our customers use water.

Our environment cannot be taken for granted and, as such, our strategy to be 'performance driven, sustainability led' pushes us to deliver strong performance in balance with the long-term needs of our environment – not only because it's the right thing to do, but because we see it as a fundamental opportunity to innovate, grow and create long-term value for our stakeholders.

This section of our report sets out our Task Force on Climate-related Financial Disclosures ('TCFD'), our initial Task Force on Nature-related Financial Disclosure ('TNFD') and Net Zero Transition Plan – clearly labelled to aid readers of this report.

What this means for what we do...

- **Valuing our most precious natural resources.**
- **Always thinking about our impact.**
- **Actively improving the places we touch.**
- **Creating opportunities for everyone to enjoy nature.**

This is also aligned with our Sustainability Framework. Find out more in our **Sustainability Report 2024.**

Great Big Nature Boost ('GBNB')

In 2020 we announced our GBNB, one of the biggest programmes to support nature recovery across our region by 2027 and to plant 1.3 million trees. We said we would work to boost nature across 5,000 hectares of land by 2027 and, having exceeded our target ahead of schedule, in May 2023 we announced that we would be accelerating our target to 10,000 hectares by 2025.

Since 2020, we have planted over 800,000 trees, delivered 72 Tiny Forests and have planted 600 acres of new woodland as part of the Commonwealth Legacy Forests. This takes us over halfway towards our 1.3 million target for tree planting by 2027.

We do need to manage our trees to counter the fragmentation of ecosystems and promote landscape resilience, as well as to keep people and our infrastructure safe. At many of our sites we carry out planned maintenance to coppice woodland to ensure it can continue to thrive and is safe. In some circumstances this unfortunately means that we have to remove or cause harm to trees in order to carry out our work – both on and beyond our own land. The reasons for this could be that the operation of our assets is compromised, trees are obstructing construction of essential infrastructure or the tree is a danger to people. We will only consider removing a tree if it is for one of these reasons, and we do not remove trees for cosmetic reasons, such as shading or leaf fall. When we do remove trees, we will comply with all relevant legislation.

Clywedog reservoir

OUR APPROACH TO CLIMATE CHANGE

We are committed to the recommendations of the TCFD, providing our stakeholders with transparent information on climate-related risks and opportunities that are relevant to our business. This is our sixth TCFD disclosure and provides an update on what we have published previously.

This section of the report sets out our climate-related financial disclosures, consistent with all of the TCFD recommendations in compliance with the requirement of Listing Rule 9.8.6R. Our TCFD disclosure has been prepared in line with the four TCFD recommendations and the 11 recommended disclosures set out in the report entitled 'Recommendations of the Task Force on Climate-related Financial Disclosures', published in June 2017 by the TCFD and the supplementary guidance entitled 'Implementing the Recommendations of the TCFD' published in October 2021. In preparing our disclosure, we also take into account the wider guidance issued by the TCFD, and the work of the International Sustainability Standards Board ('ISSB').

This disclosure also complies with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 ('CFD').

Each year our disclosure continues to evolve, providing greater granularity where possible, supported by financial information to give additional insight into how we identify, assess and manage our climate-related risks and opportunities, and embed them into our strategy. This section of the report also sets out the metrics and targets we have set ourselves and this year we have begun to evolve our disclosure to incorporate the recommendations of the Task Force on Nature-related Financial Disclosures ('TNFD'). Throughout this report we have incorporated summary boxes on the TNFD requirements, to outline the work we have done to date, and to outline our proposed approach, to seek feedback from our stakeholders. Like the TCFD, we think the TNFD recommendations provide a useful framework for businesses to embrace the benefits of nature, to understand the impact their operations have on the environment and to identify where to invest for improvement. Whilst not all aspects of the TNFD framework are relevant to our business, this report seeks to highlight some of the positive contributions we make to nature and help us to identify ways to improve and focus our investment in the right way. A more detailed TNFD disclosure will be included alongside our 2024/25 TCFD disclosure, outlining more detail on the benefits we are identifying through this work. A summary of our progress against the TNFD requirements, and relevant information presented elsewhere in this Annual Report and Accounts, is cross referenced within each section, and we welcome feedback on our approach.

Our TCFD disclosure is supported by our separate Sustainability Report, which includes additional detail on the progress we are making on our sustainability ambitions. Our Corporate Strategy is to be 'performance driven, sustainability led', and draws together our Environmental, Social and Governance ('ESG') ambitions which are delivered as part of our Business Plan and operations.

In March 2020, we committed to invest £1.2 billion in sustainability and report on our progress in a transparent and genuine way. The table below provides detail on where we have invested against our plans to 2025 and how our objectives align to external climate and nature objectives. We have already exceeded our original target, investing over £1.5 billion to date. More detail on our key metrics and targets is included on pages 63 to 67.

Our ambitions	Our priorities	Climate-related risks and opportunities	Nature-related risks, opportunities, dependencies and impacts	Where to find more on our progress	Our investment to date
Carbon and climate change	Triple Carbon Pledge Science-Based Targets Climate adaptation			**Page 68** in this Annual Report and Accounts Our Sustainability Report	**£220m**
Enhancing nature	Biodiversity Pollutions reductions River water improvements Catchment management			**Pages 36 to 41** in this Annual Report and Accounts Our Sustainability Report	**£549m**
Water resources for the future	Leakage reduction Per Capita Consumption ('PCC') reduction Meter installations Strategic resource option investment			**Pages 18 to 24** in this Annual Report and Accounts Our Sustainability Report	**£634m**
Affordability and accessibility	Reducing water poverty Building our Academy Creating a Community Fund Increasing conservation			**Pages 25 to 32** in this Annual Report and Accounts Our Sustainability Report	**£153m**

CLIMATE CHANGE GOVERNANCE

Governance

Robust governance underpins everything we do. Climate change and its associated risks, opportunities and organisational implications are overseen by the Severn Trent Plc, Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig Boards, Board Committees, Executive Committee, Senior Management Team and Group Subsidiary company boards.

Our Governance Framework

Our governance processes are aligned with the Group's Corporate Strategy – ensuring that the Board is effective in its oversight of the Group's objective to be sustainability led, consideration of climate-related risks and opportunities, and scrutiny of management's assessment and management of climate-related risks and opportunities.

Our Board, led by Chair Christine Hodgson, has ultimate responsibility for sustainability and oversight of the Group's Corporate Strategy is a matter reserved for the Board. The Board delegates certain sustainability and climate-related risk oversight activity to its Committees to support the continued delivery of the Group's Corporate Strategy.

To facilitate effective delegation, the Group Authorisation Arrangements ('GAAs') are the mechanism by which the Severn Trent Plc Board delegates its financial authority. This authorises our people to be involved in the decision-making processes that commit the Company to financial obligations, rather than every decision having to be approved by the Board. The GAA is reviewed annually to ensure that delegation limits remain appropriate.

The Governance Framework that underpins our Corporate Strategy is also subject to periodic review to ensure that it remains appropriate. The Chief Executive and the Severn Trent Executive Committee ('STEC') have day-to-day responsibility for climate change and environmental matters and are responsible for the development of the Group's strategy, including in relation to sustainability-related matters, as demonstrated in the Governance Framework opposite.

Severn Trent has reported against the Governance TCFD recommendations and CFD requirements below

TCFD recommendation	Progress this year	Read more
CFD requirement a) Describe the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities	**Board oversight** Responding to the challenge of climate change is central to Severn Trent's Corporate Strategy. Throughout 2023/24, climate-related issues were assessed in dedicated strategy sessions and during Board meetings. Board sessions considered both transitional and physical climate-related opportunities and risks and took these into account in the decisions it made. The Board is supported by a series of Board-level and Executive-level governance committees in carrying out its role to oversee climate-related opportunities and risks. This is set out in the Governance Framework opposite. In October 2023, the Board held its annual Board Strategy Day, with time spent exploring opportunities relating to ESG matters and the future resilience of the business in this regard. Our Business Plan for 2025-30 published in 2023, sets out the priorities of the Company supporting the long-term sustainability of our business for customers and stakeholders alike.	**Read more on pages 140 to 141** – Board activities. **Our plans 2025-2030 | About Us | Severn Trent Water (stwater.co.uk)**
TCFD recommendations – Governance (a) Describe the Board's oversight of climate-related issues	**Board climate expertise and evaluation** The operation of our Board is supported by the collective experience of the Directors and the diverse skills and experience they possess. Our Board skills matrix on page 136 details the individual Non-Executive Directors who support these attributes. Our succession planning complements the composition of the Board, with an emphasis on sustainability and climate-related topics to ensure that we continue to build upon the excellent progress we have made to date. Our annual Board Effectiveness evaluation provides the Board and its Committees with an opportunity to consider and reflect on the quality and effectiveness of its decision making, the range and level of discussions, and for each member to consider their own contribution and performance. As part of this evaluation, knowledge and experience with regard to sustainability and climate-related matters are considered and in 2023 the evaluation process was revised to include sustainability-specific elements for discussion, which were also considered in the externally facilitated process this year.	Board biographies and skills matrix – **pages 134 to 136**. Board and Senior Management Team succession planning – **page 149**. Board effectiveness and Board evaluation – **pages 146 to 147**.
	Remuneration Our transparent remuneration framework aligns reward and incentive structures throughout our business from our frontline operatives through to our Executive Committee, ensuring that every employee is incentivised and rewarded to deliver the same objectives. These incentives are reviewed and signed off by our Remuneration Committee. This is in addition to ESG measures which already form part of the Annual Bonus Scheme metrics. As part of the 2024 Remuneration Policy Review, the Remuneration Committee approved changes to the structure of our short and long-term incentive plans to reflect broader stakeholder priorities. Within the annual bonus, the weighting of our storm overflow spill reduction target will increase, as will the weighting on our Environmental Performance Assessment ('EPA') for 2024. This element of the bonus will only pay out if there are no serious pollutions in year, and 4* EPA status is achieved, with a nil payout for any lesser status. These changes mean that the weighting placed on environment performance increases from 30% to 35% for the 2024/25 bonus. The full Remuneration Policy is presented from page 195. Within the Long-Term Incentive Plan ('LTIP'), the Remuneration Committee has recommended for shareholder approval an increased weighting of non-financial measures from 20% to 50% of the LTIP, and the inclusion of three new LTIP measures; a long-term River Health measure, a customer measure, and a communities measure. Please see the Directors' Remuneration Report from page 169 for more detail.	Performance targets/milestones for the 2024 award in the Directors' Remuneration Policy – **page 180**. Remuneration Report – **pages 169 to 194**.
(b) Describe management's role in assessing and managing climate-related risks and opportunities	**Board meetings and effective reporting from management** Specific roles and responsibilities for the oversight of climate change have been delegated to management. These are defined within the Governance Framework opposite. The Board has oversight of all ESG responsibilities and performance as well as approval of ESG strategies and investment decisions relating to climate change. Sustainability matters are included as a standing agenda item at every Board meeting and the Board holds dedicated sessions to consider, identify and assess climate-related risks and opportunities, monitoring of progress against goals and targets and sustainability-related topics. Identification and assessment of climate-related risks is delegated to Board Committees as outlined on page 45. The Board receives detailed management reports on ESG matters at each Board meeting, and senior leaders within the Group and external guest speakers are invited at regular intervals to offer independent expertise and insight at Board and Committee meetings.	

Our Governance Framework

Strong governance of sustainability issues, including climate-related risks and opportunities specifically, is led by the Board. Key activities are delegated to a number of Board Committees, as outlined below.

THE BOARD

The Board's role is to ensure the long-term sustainable success of Severn Trent by setting our strategy through which value can be created and preserved for the mutual benefit of our shareholders, customers, employees and the communities we serve.

Our Board, led by Chair Christine Hodgson, has ultimate responsibility for sustainability and oversight of the Group's Corporate Strategy is a matter reserved for the Board. The Chief Financial Officer is responsible for how market risks connect to our investments, including how climate-related risks are identified, considered and managed.

The Board's responsibilities include:

- overseeing the Group's Sustainability Strategy;
- providing rigorous challenge to management on progress against goals and targets;
- ensuring the maintenance of an effective risk management and internal control systems, review of six-monthly Enterprise Risk Management ('ERM') updates and annual approval of the Principal Risks;
- approval of the Board's risk appetite and policy;
- facilitation of sustainability-related discussion at each Board meeting through a standing agenda item as tabled by the Chair of the Corporate Sustainability Committee, and a range of sustainability-focused topics throughout the year; and
- maintaining a high level of sustainability expertise on the Board as a whole (see Board skills matrix on page 136).

Informing

Reporting

The Board delegates certain sustainability oversight matters to its principal Committees. All Committees meet at least four times per year.

Audit and Risk Committee

Ensures that risks and opportunities, including sustainability and climate-related risks and opportunities, are effectively managed across the Group. The Committee is also responsible for overseeing the production of the Group's financial statements, including the TCFD disclosure.

Further detail of the work of the Committee can be found from **page 153.**

Corporate Sustainability Committee

Scrutinises and provides guidance and direction on the Corporate Strategy. Reviews sustainability and climate-related risks and opportunities. Four Directors of the Board sit on the Committee, including the Chair, and the CEO has a standing invitation to attend meetings.

Further detail of the work of the Committee can be found from **page 165.**

Nominations Committee

Monitors the Board's overall size, composition and balance of skills, and ensures sustainability expertise is given sufficient prominence in Board and Executive succession and recruitment activity.

Further detail of the work of the Committee can be found from **page 148.**

Remuneration Committee

Ensures alignment of the Group's remuneration policies and procedures to achievement of sustainability aims by incorporating ESG measures into bonus scheme requirements and carbon reduction measures within the LTIP.

Further detail of the work of the Committee can be found from **page 169.**

Treasury Committee

Ensures incorporation of sustainability into the Group's financing strategy, with a key area of focus on introduction and monitoring of the Sustainable Finance Framework under which the Group can raise debt to support the financing or refinancing of sustainable projects.

Further detail of the work of the Committee can be found from **page 162.**

The Chief Executive and the Severn Trent Executive Committee

The Chief Executive has overall responsibility for the delivery of the Group's strategy, including climate change and environmental matters, and is accountable to the Board for delivery of this strategy. Responsibility for the development and implementation of the Group's strategy, including in relation to sustainability, rests with the Chief Executive, who is supported by STEC, which meets weekly.

STEC members – **pages 136 to 137**

STEC delegates certain climate-related oversight matters to its management committees

Carbon and Energy Steering Committee

Sets the Group's overall carbon and energy strategy and targets, ensuring that robust plans are in place to deliver them. Monitors progress and performance against plans.

Strategic Risk Forum

A cross business group which takes a holistic view of ERM risks and focuses on horizon scanning to identify new and emerging risks, including climate-related risks.

Disclosure Committee

An Executive Committee responsible for overseeing the Group's compliance with its disclosure obligations, considering the materiality, accuracy, reliability and timeliness of information disclosed and assessment of assurance received. The Committee is also responsible for overseeing the Group's financial statements and non-financial disclosures, including climate-related financial disclosures.

TCFD and TNFD Working Groups

The TCFD Working Group was established in 2020 to provide oversight and drive implementation of the TCFD recommendations and the Group's wider climate change strategy. The Group reports to the Disclosure Committee and the Corporate Sustainability Committee. It includes representatives from business areas including strategy, risk, finance, treasury and compliance. A TNFD Working Group was established in 2023 to oversee the Group's future TNFD reporting requirements, including how we will disclose our progress to stakeholders in a meaningful way.

OUR NATURE GOVERNANCE – PROGRESS TO DATE

Task Force on Nature-related Financial Disclosures

In line with the approach for TCFD, the TNFD framework is expected to become a mandatory disclosure requirement for companies in the next few years, increasing transparency and helping businesses to understand their impact on nature, with a view to ensuring investment drives nature and biodiversity improvement. Our impact on nature and the environment is central to our business, and as such we are committed to developing meaningful TNFD reporting for our stakeholders. As outlined in the introduction, throughout this report we have included summary boxes on the TNFD requirements, to outline the work we have done to date and our proposed approach moving forward. We welcome feedback on this approach ahead of more detailed disclosures in our 2024/25 Annual Report and Accounts.

Governance – TNFD requirements

- Describe the Board's oversight of nature-related dependencies, impacts, risks and opportunities.
- Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.
- Describe the organisation's human rights policies and engagement activities, and oversight by the Board and management, with respect to Indigenous peoples, local communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.

Our nature governance

As outlined in the Governance section of this TCFD disclosure, the Board has responsibility for overseeing the Group's Corporate Strategy, within which nature-related risks and opportunities form a key component. Our impact on nature is an important element of our core plans and strategies and our core operations, and many of our regulatory requirements are directly related to our crucial relationship with nature, such as water abstraction and preventing pollution into water courses.

Stakeholder engagement is essential to the long-term success of our business. Our in-depth customer surveys as part of our business planning process, which saw us engage with over 68,000 customers, revealed that climate change and nature are high on the list of priorities for our customers and, as such, we plan to invest more into these areas. In 2023/24 we awarded over £2 million from our Community Fund to support projects in our region, with 20% focusing on connecting with nature and just over £250,000 awarded to projects to protect river health.

As well as regular engagement activities with customers and community groups, we launched our Societal Strategy in November 2022 to support people in our local communities in a range of ways. More information can be found in our Sustainability Report, and on page 31 of this report. Our Section 172 Statement outlines how the Board takes the needs of our stakeholders and customers into account in its decision making.

We will expand on the detail of how nature plays a major part in our governance, strategy, risk management and metrics processes in future annual reports as we seek to report fully against the requirements of the TNFD.

TNFD maturity – Governance processes

We assess ourselves as having mature governance processes that already incorporate many of the requirements of TNFD, and so we will be able to report against the TNFD Governance requirements in full next year.

Tittesworth reservoir

CLIMATE CHANGE STRATEGY

Severn Trent has reported against the Strategy TCFD recommendations and CFD requirements below

Disclosure requirements	Progress this year	
CFD requirement d) Describe the principal climate-related risks and opportunities arising in connection with the company's operations, and the time periods by reference to which risks and opportunities are assessed. e) Describe the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy. f) Analyse the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios.	In October 2023, we submitted our Plans to Ofwat for the period 2025-30 (Asset Management Period 8 ('AMP8')), and our proposals to Ofwat include a large investment package to tackle climate change. The submissions included for the first time a Long-Term Delivery Strategy ('LTDS'). The LTDS seeks to link our proposed five-year investment programme to 2030 with longer-term objectives to 2050 and in doing so has considered all recommended warming scenarios, from 1.5°C to 4°C. It provides insight into how our investment plans would differ under a diverse range of assumptions across climate change, demand, water abstraction conditions and technology. This informed our core and adaptive pathways, supported by monitoring a range of triggers to evaluate if, in future business cycles, we should make different investment choices to respond to changing circumstances, including key climate change metrics. A total of 6% of our enhancement investment proposals in our PR24 Plan is for low-regrets investment to mitigate externally driven risks such as climate change. We outline how we have assessed our resilience in different climate-related scenarios on pages 49 to 50 within this TCFD disclosure. Our AMP8 plans include installing one million smart meters, leakage reductions of 16%, and more than doubling the rate of mains renewals, to secure sufficient water supplies for the Midlands over the next 25 years. Our proposed demand measures will save around 110 Ml/d, and with new and replacement supply capacity we plan to create more environmentally sustainable sources and close the gap in our forecast 2030 supply/demand deficit. On the waste side, our focus is on reducing the ecological harm from storm overflows, improving water quality by reducing phosphate, ammonia and hazardous chemicals in wastewater. This year has highlighted the exceptional impact that climate change can have on the sector, as experienced through 10 named storms from September 2023 to February 2024 and close to 30% of rivers in our region recording their highest ever levels. These exceptional conditions are reflected in significant increases in wastewater volumes, and consequently in flooding.	
TCFD recommendations – Strategy a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning. c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Our approach to risk management, and the risks and opportunities we have identified over the short, medium and long term, is set out in the Risk Management section of this TCFD disclosure on pages 52 to 62. We continue to expand our work across our risk management system to incorporate climate change drivers. We internally report all risks above a materiality threshold of £10 million, and anything over £75 million is reported at Board level. These values were established according to materiality to our business and are reviewed regularly. The last review signed off by the Board was in November 2022. Our work to prepare voluntary EU Taxonomy disclosures has supported us in going further with climate adaptation plans by highlighting areas of focus and engaging teams. As a result of embedding more detailed climate adaptation risk procedures, we are reporting increased alignment in this year's disclosure, which is included in this report from pages 76 to 81. We published a revised draft of our WRMP in September 2023 and the final version of our DWMP in March 2023. The impacts of climate change are a key part of the underlying analysis behind these documents, which are used to set and evidence our five-year regulatory business plans. Our Plan includes £170 million to take our learnings from our innovative surface water management approach at our Mansfield Green Recovery project, and replicate this across a further four higher-priority catchments.	See the following reports on our websites: **stwater.co.uk, www.hdcymru.co.uk** or **severntrent.com**: Strategic Direction Statement ('SDS') Draft Water Resources Management Plan ('WRMP') Drainage and Wastewater Management Plan ('DWMP') Drought Plan Climate Change Adaptation Report See **page 49** for our assessment of resilience against the scenarios outlined
TCFD – additional recommendations Describe the potential impact of different scenarios, such as 1.5°C, 2°C and 4°C scenarios, on the organisation's businesses, strategy and financial planning. Demonstrate vocal advocacy for action on climate change and collaboration with peers and other stakeholders to achieve change.	We are strengthening our climate risk assessments across the business, using principles set out in ISO 14090 and ISO 14091: Adaptation to climate change. For example, we are currently undertaking site-specific risk assessments of our biosolids facilities and a treatment process-level assessment of our sewage treatment operations. We have increased engagement on the implications of climate change across the business, including working with our senior manager population to incorporate climate thinking into business decisions. We have increased our involvement with key sector and cross sector Working Groups including acting as Co-Chair of the Water UK Carbon Group and participating in several technical groups related to net zero including the reporting of chemicals and capital carbon. We work with the Forum for Circular Infrastructure and chair the Water UK Adaptation Network and the West Midlands Adaptation Working Group. Our CEO is a member of the Net Zero Council, a high-level forum for government, business and finance leaders co-chaired by the Minister for Energy Security and Net Zero and Co-op Group Chief Executive Shirine Khoury-Haq to support industry to cut emissions. We will continue the momentum we've built through our investment in innovation and global collaboration including our international Net Zero Partnership with Melbourne Water and Aarhus Vand. This work has been supported by Ofwat's Innovation Fund, Horizon Europe and our own £28 million investment. Construction is complete at our Net Zero Hub at our Strongford wastewater treatment works, delivering the technologies to reduce and remove process emissions from the site, as well as increasing the production of biomethane. We have hosted several visits to showcase the technologies that will be deployed, including with the Energy Minister. Our learnings formed part of our enhancement proposal to Ofwat for net zero investment, and the results of the project will be shared across the industry. Visits have been made by several of our innovation partners to experience first-hand the technologies and trials. A shared roadmap has been created with our international partners.	See our Sustainability Report **on our website** for more detail on our climate resilience plans.

Running a Business that Goes Hand-in-Hand with Nature continued

OUR CLIMATE CHANGE STRATEGY

Mitigating and adapting to climate change remains a critical priority for us and, as such, forms a common thread through all of our strategic documents and plans, ensuring that every part of our organisation is focused on reducing our environmental impact and improving the sustainability and underlying resilience of our business.

A changing environmental landscape

We believe that our net zero strategy and ambition remain appropriate and are fully aligned with the latest climate change science and our strategy to be sustainability led. We are working hard to deliver our pledge to have net zero operational emissions by 2030, to remain aligned to our own Group-level Science Based Targets ('SBTs'), our Triple Carbon Pledge and government targets.

> We are working hard to deliver our pledge to have net zero operational emissions by 2030 to remain aligned to Government targets and our own Group-level Science Based Targets ('SBT') and Triple Carbon Pledge.

That said, we do not operate in isolation and seek to collaborate with stakeholders to the greatest extent possible. To that end, we work closely with the Government, our regulators, customers and shareholders, and other companies across the sector, to improve understanding and application of climate change science, to share learnings and to explain our plans. Through this approach we seek to leverage our experiences to benefit the whole sector.

We remain committed to our climate change ambitions and the targets we have set. However, looking forward, there is a risk that the industry as a whole fails to meet the water sector's route map to operational net zero, originally set out in November 2020. Within the next price review period running from 2025-30, the overall rate of investment for the sector will not be sufficient to keep wastewater emissions on the right trajectory to hit the government interim target of 78% emissions reduction by 2035, as the sector seeks to balance intergenerational fairness and prioritise investment in line with stakeholder priorities and expectations. Furthermore, data shows that at a company and a national level, process emissions from wastewater are much higher than previously thought, meaning that industry-level emissions are at least twice those previously calculated using the Carbon Accounting Workbook ('CAW') v17.

We remain resolute in our determination to deliver on our commitments to our customers, as clearly demonstrated by the fact that over a third of the sector's PR24 funding submissions relating to climate were from Severn Trent.

Price review 2024

As a predominantly regulated business we are required to submit plans to our regulator, Ofwat, every five years. In October 2023 we submitted our latest Business Plans for both Severn Trent Water and Hafren Dyfrdwy for AMP8. Our Plans include the investments we deem necessary in the short term to keep us on track with our climate commitments and to mitigate and adapt to the predicted impacts of climate change. We believe they represent the most ambitious plans in the sector to transform the carbon impact of our operations.

In plotting our course to net zero operational emissions, our plans consider a range of factors, including statutory and self-imposed targets, the priorities of our regulators and customers, the technological solutions available and deliverability. We also consider available funding sources and the impact on costs and ultimately customer bills. This approach supports a steady, balanced investment profile focusing initially on areas where viable, proven and cost-effective technologies already exist. Where they do not yet exist or are unproved in our sector, we have established our Net Zero Hub, which brings together novel digital, data, physical and biological technologies for the first time to lower emissions from sewage treatment. This will help create the blueprint for future investment phases.

Our Plan includes crucial investments to reduce pollution incidents and storm overflows, help reduce water wastage (through tackling both leakage and household consumption) and improve the environment, especially the condition of our rivers and waterways.

We anticipate that across AMP8 we can reduce our greenhouse gas emissions by 338 ktCO_2e (see pages 69 to 73 for our Net Zero Transition Plan), all whilst keeping bills affordable for our customers. This includes a dedicated enhancement investment of £430 million to deliver a package of interventions focused on reducing emissions from our operational processes, including heat and fuel and those we create through normal operations of our business, such as water or wastewater treatment.

£430m
of our proposed investment focuses on reducing our process emissions

338 ktCO_2e
reduction in our greenhouse gas emissions across AMP8

For Hafren Dyfrdwy ('HD'), our Welsh regulated business, our plans reflect both the smaller scale of resources needed and the local priorities of stakeholders in areas they have told us are important to them. Our Plan for HD for comparison is £250 million of total investment, with £5 million allocated directly to net zero operational activities, including more than 500 hectares of peatland restoration around Lake Vyrnwy.

While the size and nature of our investment schemes and the outcomes they deliver are important, there is a paradox in that many investments will increase our total greenhouse gas emissions given the need for more infrastructure and reliance on traditional construction methods and chemicals. This clearly demonstrates the challenges the sector faces: increasing resilience and adapting to the impacts from climate change, reducing leakage through mains renewal, improving customer service levels and outcomes, both now and in the future, and protecting the environment; all whilst reducing carbon emissions.

Our Plans build on previously published strategic documents such as our draft WRMP, DWMP, Climate Change Adaptation Report and Net Zero Transition Plan, which is set out on pages 69 to 73.

Ultimately which investments are progressed will be decided by our regulator, Ofwat. Our PR24 Final Determination is expected before the end of 2024.

An overview of our Severn Trent Water Plan is presented on pages 6 to 7.

CLIMATE-RELATED SCENARIO ANALYSIS

The impacts of climate change are critical to the way Severn Trent operates. We have an advanced and established approach to how we integrate climate into our business processes and risk management. As a business we look at a wide range of temperature scenarios, from a 1.5°C Paris-aligned scenario to a 4°C 'business as usual' scenario, to inform our strategy for investment in future resilience. The specific assumptions, parameters and scenarios applicable are set out below, and more information can be found in the corresponding reports, where indicated.

Our approach to scenario analysis and our key documents that utilise the modelling work

Scenario analysis is a key component of assessing both the likelihood and consequence of our major climate-related risks. Stress testing our ability to deliver customer outcomes against a range of variables highlights our resilience and informs our long-term strategy and investment plans. These are outlined in several key documents as referenced below:

WRMP, Drought Plan and DWMP

Our WRMP and DWMP focus on the Environment Agency's ('EA') preferred scenario, which includes changes to rainfall patterns (drought and flood), demand forecasts arising from population growth, changes to building regulations and water device labelling, requirements to reduce abstraction licences, and changes to assumptions made around technology.

Draft Water Resources Management Plan

Our draft WRMP – published for consultation in September 2023 – sets out how we intend to provide supplies of water to our customers for the next 25 years and also looks ahead to 2085 to help us understand and prepare for the future.

It considers both demand – how much water customers will need in the future, considering factors such as climate change and population; and supply – how much water is available for use now and how this may change in the future due to the impact of climate change, as well as potential reductions in the volume of water we are allowed to take from rivers and groundwater.

Drought Plan

It is a statutory requirement under the Water Act (2003) for water companies to produce and maintain a Drought Plan every five years. Our Drought Plan 2022-27 sets out how we will manage our resources and supply system during dry and drought years, whilst balancing the interests of customers, the environment and the wider economy.

Drainage and Wastewater Management Plan

Our final DWMP, published in March 2023, sets out the 25-year (2025-50) challenges faced by our wastewater system in light of future pressures such as climate change, population growth and urbanisation. It also informs strategic investment choices to determine the best value plan on how to extend, improve and maintain robust and resilient drainage and wastewater systems.

Long-Term Delivery Strategy

As part of our PR24 Business PLan submission to Ofwat, we developed our Long-Term Delivery Strategy ('LTDS'), which brings together for the first time every aspect of our planning for the next 25 years – strategic planning frameworks, statutory environment programmes and planned enhancement activities – into a single adaptive strategy that covers both water supply and wastewater services (including bioresources). Both our draft WRMP and final DWMP fed into our LTDS and wider AMP8 plans.

As part of our LTDS, we explored multiple strategies to achieve our long-term outcomes under a range of potential futures including the eight Ofwat common reference scenarios ('CRS')[1] and the EA preferred scenario. This allowed us to understand how our investment plans would differ under a diverse range of assumptions across climate change, demand, water abstraction conditions and technology.

Using this insight, we created our core pathway which includes four types of investment, aligned with Ofwat definitions:

- 'No-regrets' investment: Required to meet statutory obligations by 2030.
- 'No-regrets' investment: Required in all plausible futures by 2050.
- 'Low-regrets' investment: Required in most plausible futures.
- Investment required to keep future options open.

This is supported by three adaptive pathways, as outlined in our case study on page 50.

PR24 Business Plan investment

Our PR24 Plans include those investments which support our core pathway between 2025 and 2030.

In the short term these are based on:

- population growth assumptions in line with Office for National Statistics and local planning authority projections;
- medium climate change scenarios in line with guidance from the EA and based on UK Climate Projections 2018 ('UKCP18');
- an environmental destination based on our legal obligations but with studies to better understand how we could do more; and
- an optimistic view of the level of technology and innovation that can be deployed to support delivery of our outcomes, to support our customers.

These pathways are derived from our analysis of the expenditure required to use less water.

Where we have a choice on the pace of improvement by 2050, we have sought to ensure a broadly even bill impact in line with feedback from our customers.

82% of our AMP8 enhancement investment is needed to deliver 2030 statutory obligations, 12% to make a proportionate step towards a statutory deadline required after 2030 and the remaining 6% for low-regrets investment needed to deliver customer request improvements or to mitigate externally driven risks to ensure we are keeping pace with pressures such as climate change.

1 As part of Ofwat's guidance for PR24 they specified eight common reference scenarios that all water companies should use in their planning. They represent simple, plausible approximations of the future, and cover the most material areas of uncertainty around future water company activities and costs within: climate change, technology, demand and environmental ambition.

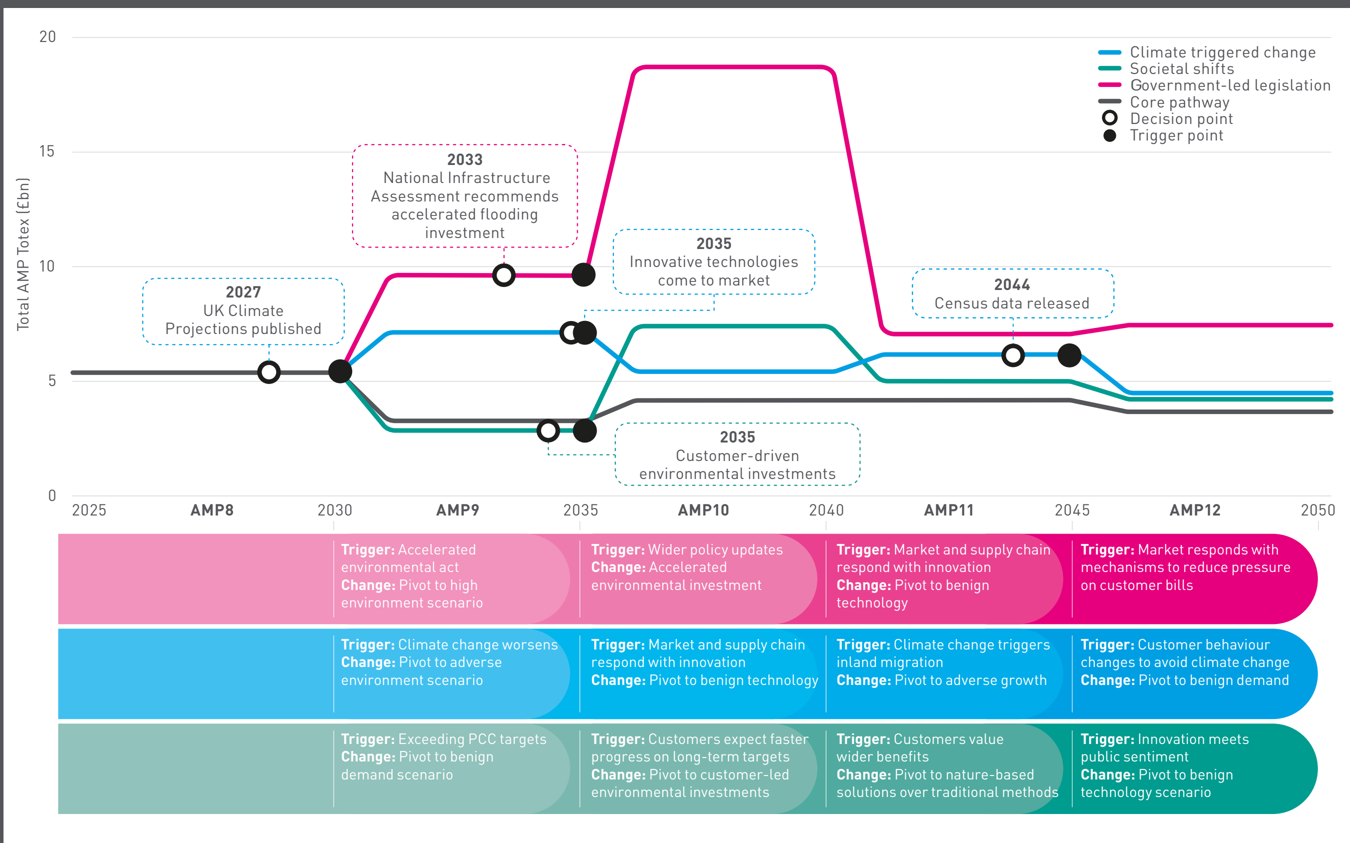
KEEPING FUTURE OPTIONS OPEN

There are many factors that can lead to future uncertainty, of which climate change is a significant element. Consequently, in addition to our core pathway, we have created three adaptive pathways which cater for a broader set of futures and the uncertainty associated with planning over several decades.

These pathways are derived from our analysis of the expenditure and intervention forecasts for each of Ofwat's eight common reference scenarios which include assumptions about a range of factors including climate change, population growth and technology (see pages 48 to 56 of our LTDS for more details), which in turn were based on over a thousand 'What If' simulations. These simulations allowed us to understand exactly how the optimal investment choices differ under a wide range of assumptions and to identify the most material issues, i.e. those that would change the extent or pace of need or the efficiency of solutions.

For example, the impacts of climate change felt locally might trigger increased concern for the environment and therefore greater investment needed to mitigate potential impacts, but would also stimulate a market and customer response to help solve these issues.

By considering how such issues might change over time and interact, our adaptive pathways compromised: adverse climate-triggered change, societal shifts and government-led legislative future, as illustrated below with examples of specific triggers that are considered in each category.



These adaptive pathways are all plausible, but we do not think it is possible to calculate the likelihood of any particular route or future. Therefore, our investment programme was optimised to take into account all three adaptive pathways and ensure it included all the no-regrets investments in 2025-30 needed to cover off all three, as well as any low-regrets investments to cover the most plausible futures (if a project appeared 70% (or higher) of the time in all scenarios or higher by 2050, it was included in the low-regrets scenario). We also looked for areas where investment should be prioritised to keep future options open, though these were predominantly in relation to gathering more information to reduce uncertainty and inform future AMPs.

This optimisation exercise resulted in one change to our core pathway. In our original core pathway optimisation, we selected two water resource schemes to resolve the current AMP8 deficit. However, in all three of the adaptive pathways, that solution had potential to fail in more adverse circumstances. We reviewed a wide range of options and found that the lowest-cost solution would be to construct a larger solution in the short term, i.e. to increase reservoir capacity, to avoid potential future cost.

To help understand when it may be appropriate to transition to an alternative pathway, we have identified and will monitor potential triggers, which includes a range of climate change metrics. For example, if UKCP28 shows that the Representative Concentration Pathway ('RCP') is on course for 2°C or higher and the impacts are greater than currently assumed, then we will consider moving to an adaptive pathway aligned to that forecast, which will drive different investment choices more relevant to those conditions. We have included £2.5 million for climate impact modelling to validate our risk models and to assess the impact of any AMP8 mitigation measures to improve the resilience of our assets to the impacts of climate change in recognition of the scale of potential impact that could arise from adverse climate impacts.

OUR NATURE STRATEGY – PROGRESS TO DATE

Task Force on Nature-related Financial Disclosures

Strategy – TNFD requirements

- Describe nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.
- Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.
- Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.
- Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.

Our nature strategy

As a provider of water services we are heavily reliant on nature and the environment around us. The provision of good quality drinking water and the treatment of wastewater to 4.7 million households and businesses in our region goes hand-in-hand with nature. Its importance to the lives of our customers and communities is fundamental to how we do business, which is why our strategy, to be performance driven and sustainability led, guides us to being a business that ensures nature is at the forefront of our strategic direction.

Our environment is vital to the success of our reservoirs, treatment works and pipelines; capturing, holding, cleaning and carrying our water. Without nature, we could not do our job, and a flourishing environment plays an important role in delivering our core activities more effectively and efficiently. The most significant impacts in relation to our operations are water quality, water supply, flood risk, and biodiversity and habitats.

Society is currently facing into a range of headwinds which have the potential to make this more challenging – nature loss, climate change and demographic change are all putting pressure on the environment and ecosystems around us. As such, we are already embarking on a range of activities to enhance our natural environment, whilst also supporting the ongoing, sustainable delivery of our core services.

- **Biodiversity:** We have increased our commitment to improve biodiversity in our region by doubling our commitment to improve 10,000 hectares by 2025.
  In addition, on our own capital schemes we are going above and beyond national targets, to deliver 15% biodiversity net gain and help combat regional biodiversity loss.
- **Catchments:** We are committed to improving the health of our region's rivers through working with farmers to reduce harmful runoff within our catchments. This includes the extension of our STEPS programme, helping farmers across our region protect their local environment and river health.
- **Nature-based solutions:** Increasing urbanisation can lead to increased surface run-off, driving an increased risk of flooding and poor water quality. Nature-based solutions, such as our schemes in Mansfield, can help prevent these impacts, whilst enhancing biodiversity and community engagement.
- **Net zero:** Our operational processes are naturally energy intensive and produce emissions that contribute to climate change. We have committed to achieve net zero operational emissions by 2030, and created our Net Zero Hub at Strongford to support this.
- **River pledges:** We are committed to five Get River Positive pledges to improve the health of our rivers by 2030. We believe that we are currently responsible for 14% of the RNAGS for rivers in our region and we are committed to reducing this to 10% next year. Read more on pages 33 to 34.

As a large landholder, our operations and land holdings cover various habitats across our region, including Sites of Special Scientific Interest ('SSSIs'). In our Caring for the Environment report, we set out how we manage our diverse estate and the environment around it, including our region's 6,800 km of rivers. We also have a number of visitor sites, including nature reserves, which provide opportunities for our customers and communities to get closer to our region's rich natural environment.

Nature is a fundamental consideration in the development of our longer-term strategies. Within our draft WRMP, we set out how we will manage our natural water resources and ensure the water cycle remains sustainable for generations to come – in doing so, ensuring the impacts on nature (such as those presented by sustainable abstraction) are central to our considerations. Our DWMP considers how our activities will impact the natural environment and river water quality and sets out how we will continue to protect our rivers, waterways and the wider environment in the face of a changing climate and population. Our Business Plan, including its accompanying LTDS, sets out our ambitious plans over the next five years and beyond. In developing these plans, we have set out a range of programmes to enhance the natural environment around us, while helping us respond to some of the challenges we face. To ensure we are resilient to the range of nature-related risks and opportunities, we use modelling to estimate and assess the impacts our activities have on nature, which allows us to make informed decisions on how best to look after and work with the environment. As set out in the Risk Management section of our TCFD disclosure, we take an active approach to managing the range of nature-related risks we face as a business.

This year we have set out our initial approach to TNFD reporting. Our work to date focuses on our direct value chain. Disclosures in future years will be expanded to include upstream and downstream value chain activity and its impact on nature, and we will continue to refine and enhance our TNFD disclosures in future Annual Reports.

TNFD maturity – Our strategy

We are confident that our existing strategies consider both our impact and dependencies on nature, and have used our initial internal Locate, Evaluate, Assess, Prepare ('LEAP') assessment to assess our upstream and downstream value chains. However, we acknowledge we have more work to do to effectively report against the TNFD requirements by disclosing more detail and improving our understanding. We look forward to expanding on our work to date to report against the TNFD requirements in our 2024/25 Annual Report.

Running a Business that Goes Hand-in-Hand with Nature continued

OUR RISK APPROACH TO CLIMATE CHANGE

Severn Trent has reported against the Risk Management TCFD recommendations and CFD requirements below

Requirements	Update 2023/24
CFD requirements b) Describe how the business identifies, assesses and manages climate-related risks and opportunities. c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the business' overall risk management process. **TCFD recommendations – Risk Management** a) Describe the organisation's processes for identifying and assessing climate-related risks. b) Describe the organisation's processes for managing climate-related risks. c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Our focus this year has been to integrate climate change into our risk management processes. We completed a programme of work to link all ERM risks to climate change modelling and scenario planning, using the DWMP and draft WRMP as key references. ERM risks have been linked to existing and emerging regulatory requirements and risk mitigation strategies have been reviewed. We updated our corporate risk reporting system in 2023, enabling us to make these changes and demonstrate where the likelihood could be exacerbated by climate change. We want to take this work further to incorporate nature drivers and reflect biodiversity loss and other nature impacts that exacerbate existing risks to our business. Robust relationships across our internal teams ensure alignment and knowledge sharing of climate-related risks, incorporating them into our existing ERM system, and assessing them against our existing framework. We continue to use the 'Risk Bow Tie' management tool to assess risk causes, controls (proactive and reactive) and consequences for different scenarios, and link causes to relevant climate drivers to determine the effect on likelihood, impact and target risk position. Core teams across the business continue to own and assess climate risks as part of ongoing operations. Looking ahead, we continue to incorporate climate risk in our annual horizon scanning and to monitor existing and emerging risks to determine if our mitigation strategies remain appropriate. The Central ERM Team will continue to work with stakeholders to ensure early warning processes operate effectively, and we will perform maturity assessments to provide greater insight and identify opportunities to quantify climate risk. Our work to analyse alignment to the EU Taxonomy has supported embedding new and more detailed climate adaptation risk procedures across our business activities, engaging risk owners and managers and increasing awareness and documentation.

Our approach to managing climate-related risks is outlined in the table on the following page. This highlights how we consider climate-related risks over different time horizons (i.e. the short, medium and long term), which we determine by reference to our planning cycles for Ofwat and other regulators. We use 0-2 years as a short-term timeframe for tactical response, a medium-term horizon of five years to reflect the price view cycle determined by Ofwat, and up to 25 years as a long-term horizon as determined by our DWMP, draft WRMP and LTDS. Climate change will impact existing risks to our business, rather than present as new risks: for example, an increase in storm frequency and severity has the potential to challenge our ability to deliver water and wastewater services to our customers.

Climate risks are assessed utilising key documents including the DWMP, WRMP and Drought Plan, as outlined in the Strategy section of this TCFD disclosure. This means that our plans and our investment are based on the climate we expect to be operating in over the next 25 years. These investment plans are broken down into five-year periods to align with Ofwat's regulatory cycle. We have a dedicated ERM-level risk to monitor our Business Plan through to the Final Determination, which recognises the importance of the decisions on our climate-related risk mitigation strategies. Each ERM risk has an executive-level owner, who also has a critical role in developing the right investment plan to balance operational risk and long-term strategy.

River Leam

Time horizons	0-2 years (Short-term)	Up to 5 years (Medium-term)	Up to 25 years (Long-term)
Summary	– In the face of acute physical risks, we implement tactical response plans to ensure delivery of our annual performance targets. – We assess and make recommendations for improvement.	– Our Business Plan describes the improvements that we will commit to delivering in the next AMP cycle.	– We use long-term plans to explore and account for future potential risks we may face, including climate change uncertainty. – We consider how to meet future challenges, and the steps that could be taken.
Critical documents	– ERM Framework and supporting processes – a consistent approach is taken across the Severn Trent Group to embed climate and nature-related risks. – Incident management plans and process-driven response plans. – Root cause analysis outputs. – Drought Plan. – Localised response strategies.	– ERM Framework – the framework incorporates medium-term risks to ensure there is a proactive approach, with appropriate risk mitigation strategies. – Regulator-approved AMP investment plan. – Rolling internal five-year Business Plan.	– Our ERM Framework, including our strategic Principal Risks. – Our WRMP, which is produced every five years. Our revised draft version was published in September 2023. – Our first full DWMP, produced in March 2023. – Our Strategic Direction Statement ('SDS') 2050, published in May 2022. – Our Business Plan and LTDS, submitted in October 2023 for the regulatory period beginning 1 April 2025 and ending 31 March 2030.
How we shape our approach to climate- and nature-related risks	– Our Drought Plan 2022-2027 sets out how we will manage our resources and supply system during dry and drought years. It sets out the demand and supply actions we will take, triggered by drought conditions of two to three months.	– Our Climate Change Adaptation Report provides an overview of climate risks. – Our draft WRMP sets out our strategy to address risks relating to water availability and security of supply, taking into account a changing climate and population demands. – Our DWMP sets out our approach to ensuring an effective wastewater process.	– Our SDS outlines the key trends and challenges that we believe will be key to shaping the future to 2050. This is used to inform and guide our future strategy and long-term investment plans. – Our draft WRMP sets out our long-term strategy for the next 25 years and also looks ahead to 2085. This considers potential risks to our value chain due to drought, climate change, population and economic changes. – The DWMP outlines our long-term strategy for wastewater. The impact of severe weather is modelled over the next 25 years to help prepare future investment plans and our LTDS. – Our LTDS includes long-term risks, ambitions and investments beyond our Business Plan. This uses adaptive planning. – Our Climate Change Adaptation Report provides an overview of long-term climate risks. – Our Biodiversity Strategy and Action Plan sets out how we protect habitats and species and drive nature recovery. – Our Protecting and Enhancing SSSIs document sets out our approach for SSSIs that we own or which might otherwise be impacted by our work.
Key elements	– We undertake a granular and dynamic appraisal of the health of our assets, including operational tasks and operation and maintenance of assets, using an Asset Health Dashboard. – We use data collection for a longer-term approach. – We have a localised approach to delivery of improvement plans. – Outputs drive small-scale operational and capital spending.	– We engage key external stakeholders to agree response plans, including the EA, Ofwat and DWI. – We model scenarios to determine response strategies. – Outputs drive capital investment and delivery of large-scale capital upgrades.	– We consider the potential long-term impacts of climate change on our essential services. We identify and assess the most significant and influential trends and the biggest challenges that we will face. – We analyse longer-term trends utilising UKCP18 datasets combined with internal modelling. – We perform data-focused reviews through technical assessments and modelling. – We adapt and document our risk strategies.

Running a Business that Goes Hand-in-Hand with Nature continued

Our processes for identifying and assessing climate-related risks

Importance of climate change to our business

As a company that depends on supporting and interacting with the natural capital within our region, we have an important role to understand, prepare for and respond to a changing environment. We know that climate change, along with other factors such as population growth and urbanisation, will increase the pressure on delivering our essential services. We link our risks to the water cycle, which means we assess risks for the end-to-end process and the impact of climate change (e.g. frequent storms, prolonged dry weather) in different scenarios.

Embedding climate change into our existing ERM Framework

Our well-established ERM Framework is underpinned by standardised tools, practices and risk management methodologies to ensure consistency across the Severn Trent Group. The ERM cycle is divided into four main stages: identify; assess and evaluate; mitigate and monitor; report and assure. We use financial thresholds to measure the materiality of each risk and the level to which risks are reported within the business. Risks valued at over £10 million are reported through internal risk management processes, and captured in our ERM system. Four further levels exist above this with the highest valued at over £75 million. The risks in this bracket are required to be reported at Board level. Risks below £10 million are managed by the business. Risk identification and assessments are supported through horizon scanning; emerging risk assessments; regular cycle of risk updates; biannual risk reporting; deep dives; reviews by our Strategic Risk Forum, Audit and Risk Committee and Executive Committee. Our ERM-level risks are managed through our operational approach to risk (see pages 92 to 94 for more information).

Our processes for managing climate-related risks

Climate change is embedded in day-to-day management and strategic decision making

Adopting a risk-based approach to managing climate change is embedded throughout our business, from operational activities through to our strategy. Severn Trent has 13 Principal Risks (set out on page 95 to 101), which are the overarching risks and opportunities that are critical to the delivery of our strategy. To reflect the importance of climate change, we identify a specific risk in relation to our climate change strategy and a separate risk for natural capital. Climate change impacts a number of our other Principal Risks, resulting in it being at the forefront of our strategic decisions, and more detail is outlined on the following pages. Key investment decisions are made based on climate change modelling. This enables us to stress test our risk mitigation plans and ability to deliver under different climate scenarios.

The outputs of the scenario testing and associated strategies can be found in our key published documents (i.e. DWMP, draft WRMP and Drought Plan) and are accessible to all our colleagues and stakeholders. Climate change risks are also considered individually and collectively to ensure they are effectively managed across the business.

Our overall risk management

Holistic risk approach to climate change

There are embedded processes for the business and the central ERM Team to manage risks, with a clear strategy to connect everyone in the business under an overarching goal for risk management. The Board has overall responsibility for ensuring that risk is managed effectively across the Group and there is an effective risk management framework in place. The Executive Committee has specific responsibilities and accountabilities for topics connected to climate considerations, including our strategy and operations, and regulatory requirements. See the Internal Controls and Risk Management disclosure in our Audit and Risk Committee Report on pages 153 to 161 for more information. The risks we have already recognised inform and help mitigate against the predicted impacts caused by 2°C of warming.

Experienced risk community

We have a dedicated risk network which comprises of a network of risk co-ordinators and Risk Champions. They are the principal point of contact for the central ERM Team to understand the risk landscape and any changes, including climate-related risk. Our risk community are trained and supported by our central ERM Team to perform risk assessments throughout the year and proactively manage risk. They also have a key role in embedding an appropriate risk culture and behaviours across the organisation.

Embedding climate-related risks

We dynamically assess potential changes in the risk environment through our investment plans, which means we plan for and invest based on the climate we expect Severn Trent to be operating in over the next 25 years. These plans form the key basis for our five-year investment plans that we submit to Ofwat. Our three-tiered system shown below helps ensure appropriate actions are taken given the relative risk to our operations. The tiered approach enables us to identify and categorise climate-related risks and determine where focus is needed.

TCFD TYPOLOGY

Physical

Risks caused by physical shocks and stressors to infrastructure and natural systems, e.g. extreme weather.

- Acute physical
- Chronic physical

Transition

Risks that arise as a result of economic and regulatory transition toward a low-carbon future, e.g. changing consumer behaviour and preferences.

- Policy/legal
- Technology
- Market
- Reputational

TCFD TYPOLOGY	WHAT THIS MEANS
Modelled	For our core operations, our risk management processes will fall into the modelled category. We complete holistic system modelling to test different climate trajectories, including the Met Office's UKCP19 and IPCC's RCP climate scenarios. This enables us to determine the impact on the water cycle (e.g. our ability to collect raw water if we have hotter and drier summers). Our DWMP and draft WRMP publications demonstrate how climate change has been integrated into our plans.
Focused	This broadly aligns with our 5-year investment plans, the latest being our PR24 Business Plan. These investment plans are based on the long-term outlook detailed in DWMP type plans and prioritises the investment decisions we'll need to take over the next five years to continue providing a reliable service to all customers and keep pace.
Monitored	Our risks are actively monitored to identify changes in the risk profile and determine whether monitored risks need to transition into modelled or focused risks, and vice versa. Both our framework and our risk community ensure any changes are captured on a timely basis and climate-related risks are clearly identifiable.

Linking modelled risks to TCFD

Each modelled risk is integrated into a wider risk framework which includes Principal Risks, ERM-level and operational-level risks.

This enables a systematic approach to managing climate-related risks. Our modelled risks are shown in the table below, alongside the drivers, impact, mitigations and opportunities. To signal our intended approach to TNFD reporting, we have highlighted the risk reporting requirements that are intertwined within our existing approach. These requirements, including references to our Principal Risks, are highlighted throughout this section using the enclosed key.

TNFD reporting approach   Principal Risk

Modelling

In assessing climate change, we have used the following models. For water we used UKCP18 RCP2.6, RCP6.0 and RCP8.5 in our scenario analysis. 12 Regional Climate Model ('RCM') scenarios and 20 probabilistic datasets are included in our water resource systems climate change analysis. RCMs provide comparable outputs across regions due to their representation of spatial coherence of climate change. Current modelling is to the 2070s, and then extrapolated to 2085 to cover the WRMP24 planning period. For waste we used RCP2.6, RCP6.0 and RCP8.5, including industry derived rainfall uplifts for 2050. Within our DWMP we modelled present day flood risk during a 1 in 50-year rainfall event. We then use rainfall uplifts derived from climate change projections to determine how climate is likely to affect rainfall intensities. Current modelling is to 2050.

Modelled risks (short-, medium- and long-term)

Outlined in the tables on pages 56 to 60 are the transition and physical climate-related risks associated with our business.

Transition Risk   Physical Risk

1. Safe and secure supply of drinking water

Key risk: We do not supply a safe and secure supply of drinking water to our customers.
Demand for water will increase due to population growth and changing weather conditions.

Overview:	We provide 4.7 million homes and businesses with drinking water and supply about 2 billion litres each day. We divide our water supply areas into 15 water resources zones and these vary in scale and water resources challenges.
Examples of integration into the wider risk environment:	Failure to provide water treatment capacity to meet requirements in future AMPs. Failure to ensure our network is resilient to meet supply requirements in future AMPs.

Drivers:

- Hotter, drier summers and changes in precipitation will reduce water resources availability, restricting the amount we can abstract and supply. Deployable output drives the supply/demand deficiency challenge.
- Acute physical risks (e.g. floods) may impact our infrastructure and increase the risk of water contamination.
- Regulatory changes and water resources planning requirements also impact the water available to supply our customers.
- Demand is a critical factor and comprises water efficiency and household and non-household consumption. This is influenced by population growth and macroeconomic changes.

Impact:

- The risk composition has been assessed for each of our water resources zones. Each water resources zone's response to varying drought, severity and patterns has been reviewed and a wider system assessment performed on our water resources network.
- Climate-change scenarios show how the frequency, intensity and duration of hot weather periods are likely to increase, with significant changes in monthly rainfall and temperatures. This will add more stress on our network.
- Modelling indicates a reduction in the amount of water available for distribution - deployable output. In 2050 the expected reduction of deployable output is 4% in an RCP6.0 climate scenario and 9% in an RCP8.5 climate scenario.
- Key financial impacts include increased remediation and investment needs, as outlined in our draft WRMP.
- We have not restricted our customers' use of water since the 1995/96 drought. However, recent experience has shown us that overall demand for water increases by 24% in temperatures above 26°C.
- Our 25-year LTDS indicates that, without investment, by 2050 we face a 600 Ml/d deficit of clean water.

Opportunity:

- We will deliver a range of schemes to ensure water supplies can cope with a 1 in 500-year drought by 2039, whilst keeping pace with EA requirements.
- Our draft WRMP outlines our recommended strategy for delivering a service to our customers and our plan over the next 25 years to balance supply and demand.
- Our goal is to increase water supplies by up to 93 Ml/d, creating additional resilience to hotter, drier summers and securing water resources for future generations.
- Our drinking water protection strategy is to use proactive catchment management techniques to improve resilience in the face of climate change and population growth.
- Our ongoing programme of capital maintenance continues to improve asset integrity and supports investment in early leak detection technologies, increasing headroom to meet increased demand.
- Mitigation strategies will reduce leakage by 50% by 2045.
- Longer term, our plans will increase the water available for distribution, reducing the amount of investment required.
- We have made a commitment to reduce non-household demand by 15% by 2050 and have a number of customer engagement programmes to help reduce usage, including rolling out smart meters.

2. Transport and treatment of wastewater

Key risk: We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment.

Overview:	Our wastewater networks serve more than 9.5 million people and our 93,200 km of pipes collect 3.3 billion litres of wastewater per day. This is treated by c.1,000 wastewater treatment works before being safety returned to the environment.
Examples of integration into the wider risk environment:	Failure to safeguard future wastewater treatment capacity to meet future demand or increased environmental obligations. Failure to ensure waste capacity network is resilient to meet future demand.

Drivers:

- Water UK, in collaboration with regulators and stakeholders, has published a strategic framework for all water companies to follow that standardises the process for evaluating risks and plans to ensure the sustainability of drainage infrastructure and services.
- We have run around 11,000 separate hydraulic model scenarios to reflect the drivers of climate change, population growth and urbanisation in our PR24 plan.
- Extended dry periods and extreme rainfall events impact the capacity of our sewers, the risk of rivers bursting their banks, ground water levels and flash flooding.
- Increased population and land cover could also increase run-off.

Impact:

- By 2050 there will be more heavy rainfall (frequency and intensity) and we expect an increase in population of 1.1 million in our region alongside increased urban creep that will pave over existing green permeable areas. The cumulative impact is an increased demand on our wastewater network.
- Flooding will impact more customers, more frequently, with greater severity. Modelling indicates that by 2050, if we do nothing, we can expect 61% more flood water to escape from the sewer network and 44,000 more properties to be affected by internal sewer flooding in a severe 1 in 50-year rainfall event.
- Storm overflow spills are expected to increase by 2050 if no intervention is made.
- Increased rainfall could reduce the effectiveness of our biosolids storage and disposal operations.
- Customers are increasingly concerned about how changes in the weather and increasing extremes will affect their wastewater service. They recognise there is an increased risk of flooding and environmental impact, and strongly support investment to reduce the risk of disruption to services and to meet future challenges.
- Key financial impacts include increased remediation and investment needs, which are outlined in our DWMP.

Opportunity:

- There is an inherent relationship between base maintenance activities (asset health) and enhancements to provide resilience and meet future demand.
- To plan for uncertainty, we have taken an adaptive pathway approach to inform our strategy and investment planning, as outlined in our LTDS.
- Our DWMP looks at how our system works now, and the investment we need to meet the challenges we'll experience over the next few decades. This is our first published DWMP and we will regularly review it to ensure we are focusing on the right areas in years to come.
- We have identified high-risk storm overflows and will target actions accordingly. We will also improve surface water drainage in our highest risk areas to alleviate a 1 in 50-year flood risk to around 24,000 properties.
- Our DWMP includes two core investment options to address network capacity constraints: nature-based, sustainable surface water separation solutions and traditional sewer capacity upsizing and storage. We plan to harness the value of our waste to support a more circular economy.

3. Affordability

Key risk: The investment required to improve resilience and meet long-term targets will impact customer bills and affect affordability for some.

Overview:	Spreading the costs and benefits fairly across generations is at the heart of our strategy. We cannot allow future generations to carry an unfair share of the total cost of improvement.
Examples of integration into the wider risk environment:	Failure to successfully deliver the benefits of our change programme. The investment required will impact customer bills and affect affordability for some.

Drivers:

- Investment will be required to meet more stringent environmental standards, improve resilience, adapt to climate change and meet long-term targets.
- Our regulatory model means that our investments are ultimately funded through customer bills.
- Customers have an expectation that their water bills will need to increase.
- Our net zero plans may not be funded if regulators decide to keep bills low in the short term.

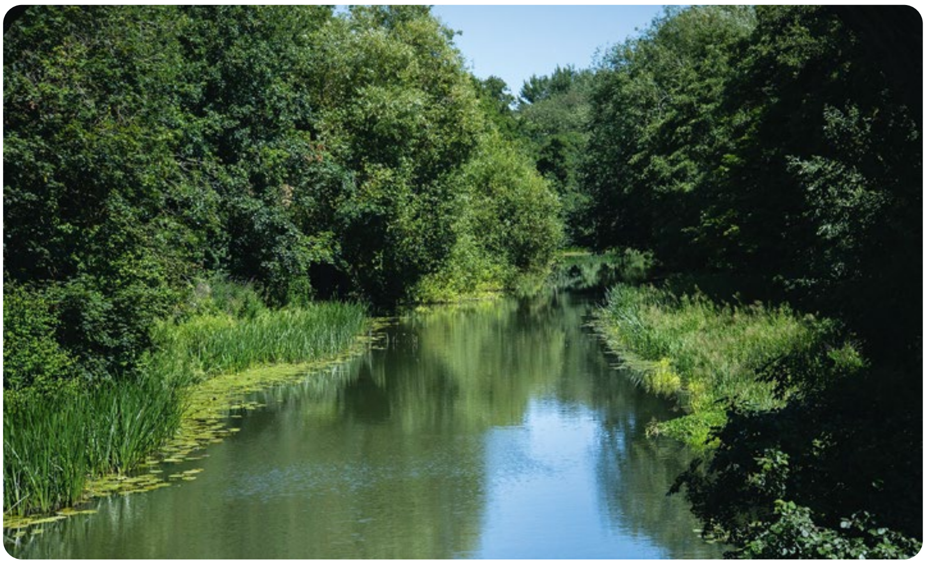
Impact:

- We will be delivering an increase in our investment programme in the next AMP (2025-30) which includes our statutory environmental programme (WINEP).
- Reflecting this investment, our water bills are going up by just over £2 per month (£28 per year) during 2025-30. We recognise this increase will affect affordability for some customers who struggle to pay, and we have developed our affordability approach in view of potential impacts.
- Cost of living and other factors are placing pressure on greater numbers of people, making our support vital, and approximately 6% of customers in our region are estimated to be in water poverty. This could increase if there is no sustained economic growth to support incomes or additional support to pay water bills.
- Customers want reassurance that existing funds have been spent wisely and details about where the money is going and what improvements it will deliver.
- Most customers prefer a gradual bill increase, which will be consistently applied between now and 2050.

Opportunity:

- The scale of the investment we are proposing will mean that the average combined household bill will increase. We know we need to ensure this investment is affordable and earn our customers' confidence that their money will be well spent.
- Our bills are currently 1.2% of the median household's disposable income and by 2030 this will increase to 1.3%.
- We share our customers' view that, as an essential public service, water should be affordable for all. This means not only providing meaningful support to those facing financial struggles, but also keeping bills as low as they can be.
- The Board has fully engaged with the LTDS and has taken steps to secure long-term affordability and fairness, including oversight of the Company's affordability approach.
- We have a strategy that considers trends in affordability and ensures that we update our support offerings to reflect economic circumstances. No one need struggle to pay their bill as our financial support package will go further than ever before. Almost 700,000 customers will receive help with their bills by 2030.

Linking focused risks to TCFD



Focused risks are linked to our wider risk environment to ensure our climate-related risks are fully integrated.

This ensures we are effectively prioritising climate-related risks and have appropriate plans in place. The tables in this section provide a summary of our key climate-related focused risks and also indicate where they relate to the TNFD.

Focused risks (short-, medium- and long-term)

4. Regulation/Policy

Key risk: Changing societal expectations, resulting in stricter legal and environmental obligations, commitments and/or enforcement, increase the risk of non-compliance.

Overview:	Increasing societal expectations are driving further climate-related obligations and commitments which impact water companies. Customers, stakeholders and regulators all play a critical role in shaping the future of the water industry. Proactivity is critical to ensure we set the right internal performance targets and make the right investment decisions to enable us to be ahead of the change curve.
Examples of integration into the wider risk environment:	Failure to comply with combined sewer overflow ('CSO') permits or stakeholder expectations. Failure to build trust with the Severn Trent brand with our key stakeholders.

Drivers:

- Media coverage around climate change and the level of environmental pollution can raise public awareness and increase calls for policy makers (Ofwat, DWI, EA, NRW) to strengthen regulation.
- Increased focus on environmental protection and delivering climate change strategy could also change government policy and our regulators' approach to setting performance targets.
- A key Ofwat theme is 'Delivering everyday excellence. Water is an essential service and customers' growing demands should be met', which illustrates the commitment to listening to public opinion.
- Increased regulatory scrutiny and accelerated regulatory change will drive behaviour to protect the environment.
- We will need to ensure resilience around changes to carbon taxes and readiness to act with nature-based solutions and explore new opportunities.

Impact:

- Expectations of water companies will increase: to be sustainable in their operations; to pay for any damage they cause; and face greater scrutiny over environmental performance.
- Our ODI penalty/reward position could change, depending on Ofwat performance targets.
- Operational costs associated with taxes on carbon emissions could increase.

Opportunity:

- Regular engagement with the UK Government, Welsh Government, regulators and other stakeholders helps us to work together in order to address the impacts of climate change.
- Our established Governance Framework, policies and training ensure our ongoing compliance with all applicable laws and regulations.
- We use external legal advisers to complete detailed reviews in respect of upcoming legislation that may affect the Group.
- We recognise that, as a provider of essential public services, we have an obligation to consider stakeholder concerns at a company and a sector level. We have considered our performance on matters such as operational resilience in the face of climate change, river health and storm overflow spills, and performance against our statutory and regulatory obligations, when determining the appropriate level of dividend.
- We engaged with over 68,000 customers in development of our PR24 Business Plan to ensure that their priorities were considered in the plan's development.

5. Sustainability strategy

Key risk: Severn Trent's sustainability strategy does not enable us to respond to the shifting natural climatic environment and maintain our essential services.

Overview:	Mitigating and adapting to climate change remains a critical priority for us and forms a common theme through all our strategic documents and plans, from our Corporate Strategy downwards. This ensures that every part of our organisation is focused on reducing our environmental impact, improving sustainability and the underlying resilience of our business.
Examples of integration into the wider risk environment:	Failure to deliver an effective, high-quality and ambitious price review for 2024 (PR24) strategic plan. Failure to deliver our accelerated Green Recovery Programme to time cost or quality.

Drivers:

- We are aiming to reach zero operational carbon emissions by 2030, 20 years ahead of the UK's national target of 2050.
- Potential government policy interventions are likely to be focused on speeding up decarbonisation. More stringent standards may be enforced alongside increased reporting.
- Our core principle is to protect essential services and the environment from climate-related risks.

Impact:

- As the water sector contributes at least 1% of UK emissions, we will be required to reduce emissions in line with the Government's interim targets of a 78% reduction (since 1990) by 2035.
- The need for greater understanding, visibility and transparency increases the need for more granular data collection and reporting.

Opportunity:

- We use a range of decision-making tools and optimisation models to identify solutions that represent both least cost and best value under all plausible futures. This analysis has been used to facilitate informed conversations with customers, stakeholders and ultimately our Board before determining our final investment choices.
- We have also refreshed the net zero metrics in our Long-Term Incentive Plan ('LTIP') for senior management to reflect our low-carbon priorities.
- Our strategy has been tested using all eight of Ofwat's common reference scenarios ('CRS'). For example, we have considered how investment plans would change under high and low assumptions about climate change, technology and demand impacts.
- The Board places particular emphasis on ensuring that we have resilient long-term plans that consider the impacts of population growth, drought, our environmental obligations and climate change uncertainty. This will enable us to continue to deliver our essential services for customers now and in the long term, whilst transitioning to a net zero world.

6. Natural capital

Key risk: We fail to positively influence natural capital in our region.

Overview:	Habitat preservation, restoration and biodiversity will become increasingly important as the value and role of nature are more widely recognised, and the loss of the globally significant habitats inspires action. As a landowner with an estate of 10,500 hectares, we need to show we are making the best use of our land and improving its natural capital.
Examples of integration into the wider risk environment:	Failure to deliver our accelerated Green Recovery Programme to time cost or quality. Failure to abstract sufficient raw material for our customers or over-abstract, damaging the natural environment.

Drivers:

- We are heavily dependent on nature for providing good water quality (e.g. healthy soils, woodlands, and peatlands for filtering) and a sustainable supply, in order to provide water security in the future.
- Hotter, drier summers cause changes to habitat composition and distribution, along with biodiversity loss on land and in rivers.
- Increased urbanisation, which extends hard impermeable surfaces, against the backdrop of more rainfall, increases the risk and speed of run-off, with potential to impact sewer overflows. Agriculture is also a critical driver, which can impact operations and our value chain.
- A growing population and increased water consumption can place additional pressure on natural resources, negatively impacting biodiversity and our ability to effectively manage natural resources.

Impact:

- Resilience to climate change and extreme weather events could decrease and there is a risk our raw water quality deteriorates.
- Changes to the valuation of natural capital may have financial impacts in the future. Delaying the investment for climate-resilient or adaptation solutions may increase future costs.
- Failure to manage pollutions could create environmental harm and erode trust with our customers and other stakeholders, and impact our financial penalty/reward position.

Opportunity:

- We have made public commitments to protect our local environment (e.g. targeting 15% Biodiversity Net Gain for our capital projects).
- We are investing in habitat restoration, which reduces pressure on assets and lowers asset failure rates.
- Adopting a catchment management approach in partnership with landowners in our region will mitigate the effect of pesticides, fertilisers and organic nutrients, and reduce additional investment.
- Management plans and controls mitigate damage to SSSIs and enhance them through our operations.
- Our Green Recovery Programme consists of six schemes that will deliver benefits for our customers, communities and the environment, both now and over time.
- We have made a significant difference to our natural habitat through our Commonwealth Games legacy (72 Tiny Forests and Legacy Forest), our Great Big Nature Boost for Biodiversity (enhancing it on 5,000 hectares of land) and by restoring 2,000 acres of peatland in England and Wales.
- Ecosystems have been enhanced, improving resilience through decreased flood risk and improving water quality.

Linking monitored risks to TCFD

Each of our ERM risks is assessed as part of the annual review utilising the 'Risk Bow Tie' methodology.

All of our ERM risks are actively monitored to identify changes in the risk profile and determine whether monitored risks need to transition into modelled or focused risks. Our established ERM Framework and risk community ensure any changes are captured on a timely basis and any climate-related risks are clearly identifiable. An example of a monitored risk is shown below.

7. People and culture

Key risk: Our people and culture do not adapt in response to a changing environment and do not take advantage of technological advancements to deliver enhanced business performance.

Overview:	We have a team of over 9,000 employees based across our region, each playing their part to provide clean water and wastewater removal to homes and businesses across the heart of the UK. We've created a culture that encourages all our people to think of every single day as an opportunity to do something better. We embrace new ideas, technologies and knowledge that can help us to achieve our goals.
Examples of integration into the wider risk environment:	Failure to develop our people with the appropriate skills, knowledge and behaviours to enable them to fulfil their role effectively. Failure to attract and retain the right people.

Drivers:

- Reaching our climate change ambitions will require us to introduce and scale up the introduction of technology-related solutions.

Impact:

- Innovation is key in helping us improve our operational performance and deliver our ambitious sustainability goals, including improving river quality and mitigating the impacts of climate change on every stage of our value chain.
- Technology is a key enabler for addressing climate change and needs to be embraced by colleagues in order to achieve our goals.

Opportunity:

- Our success in sustainability depends on innovation, and we've recognised the need for a wider-ranging, inclusive approach. We've adopted the 'open innovation' model, involving suppliers and industry partners, rather than relying on just our own research and development, and this has supported the development of a number of innovative approaches.
- Our framework allows us to utilise new technology that is close to being ready for deployment, while targeting research into new technologies that, if proved, will boost resilience and reduce process emissions in the future. We are also embracing nature-based solutions to complement technological advancements.
- Cutting-edge technology enables us to capture the volume of emissions emitted on an asset-by-asset, site-by-site basis and make the right interventions on the right assets.
- We have taken a very open and collaborative approach to identifying and implementing technologies; as a result our colleagues have been supportive and view us as an enabler.

One of the key factors for mitigating climate-related risks is through exploring opportunities and delivering our mitigation strategies. Innovation plays a critical role in reaching our targets within the committed timescales. Our plan is to build resilience for changing climate conditions, including more frequent extreme weather events, which will help us to deliver a great service to our customers. We recognise it is vital to understand the risks we face as the climate changes, and we need to deal with the impact of climate change now so we can adapt for the future.

Quantifying the impact of physical and transition risks

As we continue to evolve our TCFD disclosure we are adapting our reporting processes to provide greater clarity on the financial impact that climate change could have on our business. Outlined below are examples of events driven by a changing climate, and the impacts they have had on our business. These examples demonstrate scenarios that, due to climate change, are increasing in likelihood, and as a result we have used our learnings to adapt both our operational response and our proactive investment approach, to ensure we reduce future reactive costs and realise the opportunities through learning from the impacts. More detail on the investments we make to mitigate the likelihood and impact of these events is included in the Metrics and Targets section of this report, on pages 63 to 67. Post-mitigation, none of the below risks are considered material to our business.

Relevant key risk:

Demand for water will increase as a result of population growth and changing weather conditions.

Example event

In 2018, hot weather events resulted in an extra requirement for 300 million litres of water, impacting our operating costs by £22 million.

Impact

Reactive costs to deliver water to water-scarce areas impact overall operational costs.

This year we took the opportunity to engage with customers early, resulting in lower reactive costs.

Opportunity

Our PR24 Business Plan already includes investment plans for additional supply schemes, smart metering and demand management totalling £700 million, to better respond to increased demand and increase our resilience to changing weather. With better proactive management we expect to encounter lower reactive costs in future hot weather events, and as these increase in frequency this means a potential annual saving.

Opportunity (avoided additional annual cost in prolonged hot weather)

£22 million

Relevant key risk:

We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment.

Example event

Severe rainfall increases the risk of flooding and pollution events. Increased flooding in 2016 and 2018 resulted in fines of £0.8 million and £1.5 million respectively. This year has seen 10 named storms between September 2023 and February 2024.

Impact

Sustained heavy rainfall impacts our operational costs. This year we analysed our costs during storms and incurred additional operational costs of around £10 million in our waste business, relating to tankering between sites, additional energy use and overtime.

Opportunity

We already have plans to invest across our WINEP programme, using surface water separation and small works upgrades with nature-based solutions. This year we invested £81 million to reduce sewer flooding and £12 million in data improvement on storm overflows. Our PR24 Plan outlines investment of £1.1 billion in storm overflows alone in the next five years. As we invest to protect our network, we expect to improve performance and reduce reactive costs as a result.

Opportunity (avoided additional annual cost in prolonged severe rainfall)

£10 million

Relevant key risk:

Changing societal expectations, resulting in stricter legal and environmental obligations, commitments and/or enforcement increase the risk of non-compliance.

Example event

Governments and regulators are expected to increase taxes in future to drive businesses to act and reduce emissions. The UK Emissions Trading Scheme ('ETS') was recently expanded to include additional industries, which from 2028 will include waste incineration and waste from the energy sector.

Impact

If the UK Government expands the ETS to apply to our operational activities, this would mean a carbon tax of £35/t CO_2 against our Scope 1 emissions of 366,338 tonnes would result in a cost of £13 million.

Opportunity

Through our Triple Carbon Pledge and commitment to SBTs for emissions reduction, we are targeting zero operational emissions by 2030, energy from 100% renewable sources and a fleet of 100% electric or low-carbon vehicles. We expect a future carbon tax to have little to no impact if we embed the right processes now, and would benefit from an annual tax saving compared to others.

Opportunity (potential annual tax saving if ETS is expanded)

£13 million

Relevant key risk:

The investment required to improve resilience and meet long-term targets will impact customer bills and affect affordability for some.

Example event

The increase in investment required to tackle climate change could impact our bad debts if we don't have the right support in place.

Impact

We have a statutory obligation to supply our services even when bills are unpaid. This year our bad debt charge was £27 million.

Opportunity

Our societal strategy is aimed at changing the lives of 100,000 people to tackle the underlying causes of water poverty. The launch of our enhanced Big Difference Scheme this year will support an average of 15,000 more customers per year by 2030, by donating nearly £1 million towards their debt. There is an opportunity that by supporting more people with affordability challenges, we could realise an annual saving of c.£350,000 through a reduced bad debt provision, realising a saving of c.£2 million by 2030.

Opportunity (potential avoided increase in bad debt provision by 2030)

£2 million

Running a Business that Goes Hand-in-Hand with Nature continued

OUR NATURE RISK MANAGEMENT – PROGRESS TO DATE

Task Force on Nature-related Financial Disclosures

Risk Management – TNFD requirements

- Describe the organisation's processes for identifying and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.
- Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain.
- Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.
- Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.

Our nature risk management

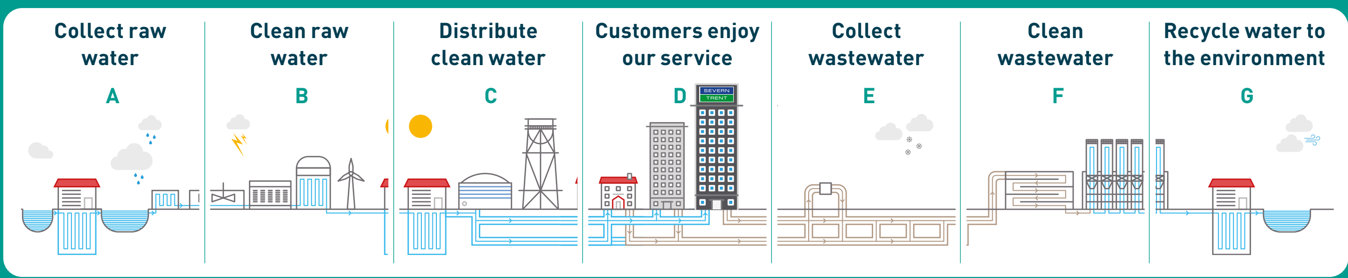
As outlined within the Risk Management section of our TCFD disclosure, we have a strong risk and controls environment with effective risk management processes across all levels of our organisation. Our Principal Risks encompass nature-related dependencies, such as how we influence natural capital in our region. Key documents address nature-related risks: for example, our SSSI strategy outlines steps to mitigate harm to SSSIs in delivering our essential services. Manual interventions that are required to help address issues such as Invasive Non-Native Species are drawn up as part of detailed biodiversity plans for individual sites. Nature is embedded in the work we do, and we want to expand on our existing risk management approach to capture the impact of nature drivers on our existing risk profile.

TNFD recommends that companies undertake an internal LEAP assessment, which is a review to:

- Locate interfaces with nature;
- Evaluate dependencies and impacts on nature;
- Assess nature-related risks and opportunities; and
- Prepare to respond to nature-related risks and opportunities and to report on material nature-related issues.

As part of our preparedness for full TNFD reporting, we have completed an initial LEAP assessment. The outcomes of this assessment help us understand how nature supports our value chain, as set out in the diagram below, through examples of nature-related dependencies and drivers.

Our value chain



Drivers

A – We are reliant on ecosystems to provide water that we can abstract and use to serve customers. There is a risk that if we abstract too much water we damage our rivers and aquatic life. There is also a dependency on woodlands, peatlands and farmland to provide high-quality water.

B – We use filtration and chemicals to clean raw water. This requires energy and can result in waste that we must deal with responsibly to avoid chemicals getting into the environment. There are carbon emissions associated with this process.

C – Distribution requires energy, which will have an associated carbon emission cost. Leakage from our network means that we are not making as efficient use of the water as possible.

D – Energy is required to maintain water pressure. While we can try and influence responsible use of water and what goes into our waste system, we do not have direct control over this. Therefore, in hot weather, very high volumes of water can be used, putting stress on aquatic ecosystems.

E – Blockages and high rainfall can result in internal or external sewer flooding, causing pollution. When it works well, pollution events are rare, and riverine and aquatic systems are preserved. Energy is required to maintain water pressure to move wastewater through the system.

F – This stage in the process uses energy and, in some stages, chemicals. Various wastes are produced, such as biosolids and cellulose. We rely on farmland being able to take biosolids without causing undue harm to the environment.

G – If all processes are followed, final effluent released to the environment is clean, and will have no adverse effect on the river. It may restore flow to low rivers.

> As an extractive company providing one of life's essentials, water, we are heavily dependent on nature for providing good water quality (e.g. healthy soils, woodlands, and peatlands for filtering), consistent quantity, and water security in the future. We are also reliant on habitats and river hydrology to control the flow of, and to store, water for flood resilience.

All of our nature-related risks are managed in accordance with our established risk management framework, as set out on pages 92 to 94, with the same levels of materiality. Our strategy incorporates a clear ambition to protect nature and this is evidenced in the innovative risk mitigation strategies which are being applied across the business.

TNFD maturity – Risk Management

We have established risk management processes in place and a strong controls environment. Our framework will be expanded to explicitly incorporate nature drivers and how these impact risks to our business, as we have done for climate drivers. We don't expect this to be a significant shift from how we already operate our risk management processes, and given how integral nature already is to our risk profile we don't anticipate implementation issues. We are adopting a similar approach to that used for climate risks, to incorporate nature drivers in our existing risk management approach. We have more work to do but assess ourselves at a good level of maturity for TNFD Risk Management requirements, and expect to be able to report against these in full in our next disclosure.

METRICS AND TARGETS

We measure and manage a wide range of metrics, which help us assess how effective these are in minimising our risks in a changing future. These include a range of metrics that measure our ability to provide and take away water, our influence and impact on natural capital, our adaptation measures and any changes in the regulatory environment. These are reported annually in our Annual Performance Report to Ofwat, which provides a transparent assessment of our performance.

This section of our TCFD disclosure sets out the industry and cross industry metrics and targets against which we have reported. We have incorporated metrics used by the Board and management to measure progress towards our targets, and the impact this has had in terms of financial investment. These meet the ISSB and FCA guidance and our metrics go above and beyond what the Sustainability Accounting Standards Board ('SASB') recommends. The table on page 75 shows how measures map across to the recommendations of SASB, and further detail can also be found within our Sustainability Report.

Severn Trent has reported against the Metrics and Targets TCFD recommendations and CFD requirements below

TCFD recommendation	Progress this year
CFD requirements g) Describe the targets used by the company to manage climate-related risks and to realise climate-related opportunities, and performance against those targets. h) Describe the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities, and the calculations on which those key performance indicators are based.	We were again awarded an A- from the Carbon Disclosure Project ('CDP') for our 2022/23 disclosure (awarded in 2023/24). CDP requests information from companies about climate change and scores each company on the quality and completeness of responses. Our climate change information is publicly accessible. We continue to expand on our TCFD disclosure to incorporate financial information, as we recognise the importance of this in providing greater transparency over the impact climate change has on our investment decisions. This will continue to expand as we set new targets and challenge ourselves to deliver against our net zero ambitions in the next five years. Our PR24 Business Plan incorporates new metrics and targets against a range of objectives, including tackling the challenges of water scarcity and flood risk alleviation.
TCFD recommendations – Metrics and Targets a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ('GHG') emissions and the related risks. c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We implemented an internal carbon tax in 2022/23 which continued into 2023/24 across all directorates. This raised another £5.2 million of funds, in addition to £5.2 million in 2022/23, that were invested in our Net Zero Transition Plan, including new research and development innovations. We continue to hold the Advancing Tier for the Carbon Trust Route to Net Zero Standard: this certification recognises the progress of an organisation on its route to net zero. Our financial planning processes – both for this AMP and for AMP8 – integrate carbon prices within both our annual processes and our investment objectives, to support delivery of our ambitious transition plan over the next AMP. In collating our submission to Ofwat for our PR24 Plan, we used a benefits assessment tool ('BAT') to ensure our decisions are driven by least cost and best value, taking into account natural capital, social, biodiversity and other non-monetary benefits, alongside financial return. Our analysis and research for our PR24 Business Plan also provided customer insights into the impact of increased investment on affordability. Customers support increased bills to benefit future generations, provided that bill impacts are gradual. More information can be found in our LTDS.

Set out below are cross industry metrics and targets against which we aim to report, and our current process maturity which helps us assess where to develop and enhance our reporting to meet evolving requirements.

Cross industry metrics and targets	Reference	Process maturity
GHG emissions	See table on page 72	3
Transition risks – the amount and percentage of assets or business activities vulnerable to transition risks	See sections 1 – 3 of Key Metrics and Investment table on pages 65 to 66	2
Physical risks – the amount and percentage of assets or business activities vulnerable to physical risks	See sections 4 – 6 of Key Metrics and Investment table on pages 65 to 66	2
Climate-related opportunities – the amount and percentage of assets or business activities aligned with climate-related opportunities	See Key Metrics and Investment table on pages 65 to 66	2
Capital deployment – the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities	See Key Metrics and Investment table on pages 65 to 66	3
Internal carbon prices (amount and explanation of how it is used)	See section 1 of Key Metrics and Investment table on pages 65 to 66	3
Remuneration (% remuneration recognised in current period that is linked to climate-related considerations, and how these are factored in)	See section 3b of Key Metrics and Investment table on pages 65 to 66. Further detail can be found within the Directors' Remuneration Report on pages 169 to 173	3

We have rated our disclosure by reference to the maturity of our processes and readiness to disclose the required level of detail against the above cross industry metrics:
3 = we have incorporated the required detail within this disclosure across the subsequent pages.
2 = we have sought to provide detail on some of the required information while we establish more mature processes to improve the level of information available in future.
1 = we are working to establish new processes that support our work to provide a more detailed disclosure in future.

Our key targets and milestones

In our business, we appreciate that water is a precious natural resource that we can't take for granted. It is also one of the first resources impacted by climate change, so we have set ourselves ambitious targets towards net zero and taken action to build resilience against the potential impacts of climate change on our business, customers and communities, as outlined below.

Our plan

Triple Carbon Pledge commitment to:

- **Net zero operational emissions by 2030 from a 2019/20 baseline**
- **100% energy from renewable sources by 2030**
- **SBT targets: 46% reduction in Scope 1 and 2 by 2031 from a 2019/20 baseline**
- **100% electric or low carbon vehicles by 2030, where possible**

Protecting our environment

Our Green Recovery Programme launched in 2021 target of 58,000m³ of blue-green infrastructure for surface water storage

Our Great Big Nature Boost increasing and exceeding our 2020 targets to enhance the biodiversity on 10,000 hectares of land, and restore 2,000 acres of peatland in England and Wales by 2025

Get River Positive Our five Get River Positive pledges were announced in March 2022. More detail is outlined on pages 36 to 37.

Expansion of our catchment management programme 1,088 STEPS grants awarded to date

Our operations

Managing demand

65% of customers onto a water meter by 2024/25

3.5% reduction in Per Capita Consumption by 2024/25

15% reduction in leakage by 2024/25

Managing supply

New water treatment works at Witches Oak

Pre-planning work started on our **Strategic resource options** including North-South water interconnector

Our value chain and the communities we serve

AMP7 commitment we have spent over £1.5 billion, exceeding our commitment to spend £1.2 billion on sustainability this AMP

Our £10m Community Fund and wider affordability package supporting customers who struggle to pay

Official Nature and Carbon Neutral partner for 2022 Commonwealth Games

Launch of our Societal Strategy over 10 years we want to change the lives of 100,000 people, investing **£30 million** to tackle the underlying causes of poverty in our region

Science Based Targets 13.5% reduction in emissions from sold products by 2026 from a 2019/20 baseline

70% of supply chain (by emissions) to set SBT by 2026

Launched use of EcoVadis to assess supplier environmental and social performance

Governance, resource and reporting

Continued commitment to meet TCFD requirements

Ongoing disclosure via CDP

Established net zero governance and resources

Launch of an internal **carbon tax** for 2022/23, reissued for 2023/24 raising further funds of £5.2 million

Executive remuneration linked to climate and environmental performance

Sustainability LTIP launched in 2021 and targets adapted each year

External third-party assurance of TCFD and EU Taxonomy disclosures and LTIP measures

Carbon Trust Route to Net Zero Standard (Advancing Tier)

Key planning documents

Draft WRMP
Final DWMP
SDS
PR24 Business Plan
LTDS

MEASURING OUR PROGRESS

Key metrics and investment table

Outlined in the following table are the key metrics and targets that align with the transition (purple) and physical (green) risks and opportunities associated with our business, as covered in the Risk Management section on pages 52 to 62 of this disclosure. These are outlined below alongside the financial investment we have made this year to demonstrate the financial impact of climate change on our investment programme and planning processes. We have identified both climate risks and climate opportunities in our strategy and capital deployment approach, within both mitigation and adaptation objectives. We have also proposed a stretching package of commitments for 2030 to Ofwat as part of our PR24 Business Plan, which are incorporated alongside our existing targets in the table below.

	Metrics	Investment update
1	**A safe and secure supply of drinking water** Demand for water will increase as a result of population growth and changing weather conditions.	
1a	**Customer meters**	
	We need our customers to help save water, and giving them more insight on usage helps them and us to focus in the right areas. We set a target to get 65% of customers onto a water meter by 2025, as well as to install 1.1 million new smart meters and 1.4 million upgrades by 2035.	In 2023/24, we invested £6.1 million to install 36,980 smart meters. We are on track to meet our AMP 7 target in 2024/25.
1b	**Per Capita Consumption ('PCC')**	
	We have committed to an ambitious target to reduce PCC by 3.5% by the end of 2024/25. This equates to an annual target of 130.6 litres per person per day (l/p/d).	This year we invested £2 million in reducing PCC through customer engagement projects. We are working with customers directly to change behaviours around water usage, and provide quick and easy ways to report leaks to us. Our PCC figure for this year is 126.2 l/p/d, which is already ahead of our 2024/25 target.
1c	**Strategic resource options**	
	We are collaborating with others in the water industry and beyond to investigate and plan for strategic resource options ('SRO'). These will move water from areas of water surplus to areas of water scarcity, or better utilise the water locally in those areas. Our target by the end of 2024/25 is to have a plan approved by Ofwat to begin construction of relevant schemes in AMP8.	We have invested £3.2 million this year on SRO projects, including beginning the pre-planning consultation for the Grand Union Canal transfer, an alternative water source for the South East. Alongside this we are continuing to assess the engineering and environmental viability of the Severn to Thames Transfer, and we are working with RAPID to identify potential new SROs, alongside third parties, that could benefit Severn Trent or neighbouring water companies.
1d	**Leakage reduction**	
	Reducing leakage is a key area of focus. By helping engage customers to preserve water, we can also reduce energy and chemicals waste. We have set an ambitious leakage reduction target of 15% by the end of AMP7 (averaged over three years at 14.3%) and 50% by 2045 (since 2019/20).	This year, we deployed capital investment of £56.1 million in both proactive and reactive repairs to our pipes alongside proactive management of our network. We have so far delivered a 10.8% reduction since 2019/20, and are on track to meet our targets.
2	**Transport and treatment of wastewater** We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment.	
2a	**Public sewer flooding**	
	In 2020 we committed to 7.4% reduction in public sewer flooding – the only company in the industry to have such a measure for AMP7.	This year we invested £81 million to prevent sewer flooding. We have outperformed on our public sewer flooding target by 4% and we are outperforming this measure by 10% on average across the AMP. Unfortunately we missed this year's challenging target for external sewer flooding by 94%. More detail is set out on pages 21 to 22, although we remain frontier in the sector. Storm events over the winter had a significant impact on our network, and some areas experienced more than 35% of the average monthly rainfall. We are working to get back on track and improve performance significantly, as we have ambitions to demonstrate great outcomes here. This year, our ambitious insourcing approach brought 400 new people from our reactive waste teams inhouse, enabling us to increase focus on meeting customer needs.
2b	**External sewer flooding**	
	We set ourselves an ambitious target at the beginning of AMP7 to reduce external sewer flooding incidents by 8%. We know how important it is to our customers to see performance in this measure improve, and to our business to build resilience to the effects of climate change.	
2c	**Combined sewer overflows ('CSOs')**	
	As part of our Get River Positive river pledges (see pages 36 to 37), we set a target to reduce spills from storm overflows to an average of 20 per year by 2025 and it is our ambition to reduce RNAGS we are responsible for to 10% by 2025, with less than 2% of waste RNAGS remaining by 2030.	This year we have deployed capital investment of £12 million in improving the data we have on storm overflows, creating new processes to manage and monitor triggers. Whilst storm overflow spills increased this year from an average of 18.4 to 24.9, our investment plans include £4.4 billion to tackle this up to 2050 and we are targeting no more than 10 by 2045.
3	**Affordability** The investment required will impact customer bills and affect affordability for some.	
3a	**Financial support**	
	Although we have one of the lowest bills in the country, we know that 6% of households in our region are in water poverty. In May 2022, we launched our Affordability Strategy, a £30 million package of additional financial support to an additional 100,000 customers.	This year, we have supported 160,167 customers through our Big Difference Scheme, and will continue to support customers who struggle to pay their bill.
3b	**Community Fund**	
	In the period 2020-25, we are aiming to award more than £10 million to support new projects run by local charities and community groups in our region.	We have invested over £2 million this year to support 103 organisations through the Severn Trent Community Fund, directly benefiting over 329,000 people and facilitating investment in people, place and environment across our communities.

Running a Business that Goes Hand-in-Hand with Nature continued

	Metrics	Investment update
4	**Regulation and policy** Changing societal expectations resulting in stricter legal and environmental obligations, commitments and/or enforcements, increase the risk of non-compliance.	
4a	**Carbon tax**	
	To prepare ourselves for a future of potential carbon taxes, in 2023/24 we continued to apply our internal carbon tax.	This year, we allocated all of the £5.2 million of carbon tax funds raised to trials and new projects aimed solely at driving down our operational emissions.
4a	**Carbon pricing**	
	We set ourselves a goal to adapt our internal processes before the end of this AMP, in order to begin considering external carbon prices when appraising capital projects.	We incorporate a price of £248 per tonne from Government Green Book shadow prices for carbon into our process for capital investment appraisal. We have used these prices for project assessment in preparation for PR24, alongside our benefits assessment tool and price models that take carbon prices and adaptation costs into account.
5	**Climate change strategy** Severn Trent's climate change strategy does not enable us to respond to the shifting natural climatic environment and maintain essential services. Mitigating climate change will require rapid decarbonisation.	
5a	**Net Zero Transition Plan**	
	In 2019, we made a commitment to achieve net zero operational emissions by the end of 2030. We set out our targets within our Triple Carbon Pledge. We have since committed to SBTs for Scope 1 and 2 emissions, our supply chain and sold products. These are outlined on page 68.	This year, we invested £56.2 million in our Net Zero Transition Plan and progression against our SBTs. This includes investment of £13.9 million this year to begin transforming one of our sites into our Net Zero Hub.
5b	**Executive remuneration**	
	In 2021, we restructured our Executive remuneration to incorporate a sustainability element into the LTIP. 20% of the bonus paid under this plan is based on sustainability performance measures and targets for both innovation and actual carbon reduction.	The sustainability element of the LTIP vests for the first time in FY24, when we will report on the bonus amounts and criteria. This year our Remuneration Committee recommended for shareholder approval an increased weighting of non-financial measures from 20% to 50%, and the incorporation of three new measures focused on customers, river health and communities. More information on our current remuneration structure, and proposed changes to our 2024 policy being tabled for shareholder approval at our AGM, can be found on page 195.
6	**Natural capital** We fail to positively influence natural capital in our region.	
6a	**Green recovery**	
	In July 2021, Ofwat awarded us £566 million (in 2017/18 prices) to invest in our ambitious Green Recovery Programme. Projects include collaborative flood resilience, via which we set a target to store 58,000m^3 of surface water to reduce flooding risk to homes. You can read more about this and our progress on page 34 to 35.	This year we invested £27.2 million in collaborative flood resilience as part of our project in Mansfield to store more surface water and prevent flooding. We also invested £15.4 million to support environmental improvements to rivers, through our Bathing Rivers programme.
6b	**Biodiversity**	
	In 2020, we launched our Great Big Nature Boost, committing to: enhance the biodiversity of 5,000 hectares of land, which in May 2023 we increased to 10,000 hectares by 2025; plant 1.3 million trees; and restore 2,000 km of rivers, by 2027. We also committed to improve rivers in 44 catchments covering 432,000 hectares through our Farming for Water programme by working with two-thirds of all farmers in our region. Over 380 hectares of our land will be managed using an approved biodiversity action plan.	This year we have invested £1.3 million to plant 118,853 trees, reaching a total of 823,100 to date. We exceeded our target of enhancing the biodiversity of 5,000 hectares four years early, and have now enhanced over 11,500 hectares to date. 1,088 STEPS grants have been awarded since 2020, with a total investment applied for of £7.4 million. You can read more about these initiatives on our dedicated website pages: stwater.co.uk/about-us/environment/biodiversity/

Our PR24 Business Plan seeks to address the shortfall identified in our draft WRMP to address water scarcity and tackle the challenges of increased demand and a changing climate. Our Business Plan also sets out detail of our monitoring programme to evaluate if and when we need to trigger a move to adaptive pathways. We use demand, environmental and technology indices, as well as metrics, to measure climate change trends more broadly. To support this, we will track the impact on our assets and services as it occurs. Having a live view of the impacts that can be compared against current and future models will enable us to evaluate our resilience in real time to inform future investment choices. More detail on our monitoring plan for PR24 can be found in our LTDS.

OUR NATURE METRICS AND TARGETS – PROGRESS TO DATE

Task Force on Nature-related Financial Disclosures

Metrics and targets – TNFD requirements

The TNFD outlines detailed metrics by which to measure a company's progress on investing in nature. We are establishing processes to report against these metrics effectively and look forward to incorporating these into our future disclosures.

- Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.
- Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.
- Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.

Our nature metrics and targets

There are a variety of ways in which the scale and scope of our dependencies and impacts on nature can be measured, and there is considerable overlap between suggested TNFD metrics and many of the metrics we already use. For example, we report on progress against our ODIs, and the WINEP requirements, in our Annual Performance Report and as part of our Business Plan. Given the complexity of reporting nature metrics which, unlike climate metrics, use several factors to determine performance and depend on the ecosystem and the scale used for measurement, we are still establishing processes to report effectively against the TNFD requirements and look forward to incorporating these into our future disclosures.

We have started work on measuring our natural capital baseline which documents the type, extent and condition of natural assets we rely on, as well as the scale of the goods and services provided by those natural assets and their economic impact at catchment scale. This is captured in our dedicated Sustainability Report.

Through our work to establish our eligibility and alignment under the EU Taxonomy, we are now better able to identify how to measure financial metrics aligned to nature, although we need to develop new reporting processes to effectively deliver this in detail for the TNFD.

TNFD maturity – Metrics and targets

The TNFD outlines a large number of both core and additional nature metrics that businesses can use to measure themselves against. Whilst not all metrics apply to us or aren't relevant to our business, there will be an additional demand on our existing processes to be able to report against the TNFD Metrics and Targets requirements. Setting up new reporting processes will be our focus to enable delivery of a full TNFD disclosure in future. We have confidence in delivering the TNFD requirements given our strong track record of implementing similar requirements in the past, such as TCFD.

OUR TRIPLE CARBON PLEDGE AND SCIENCE-BASED TARGETS COMMITMENT

The following outlines performance against our existing targets and highlights of our 2023/24 activities. Please refer to our dedicated Sustainability Report online for more information.

Our Triple Carbon Pledge

Net zero

operational emissions Scope 1 and 2 across our business by 2030 from a 2019/20 baseline (includes renewable energy exports)

Baseline | 100% reduction (target)

21% (reduction) | 2030

- We developed and submitted our Business Plans with requests for investment for the next regulatory cycle, 2025-30, targeting climate change mitigation. This included a dedicated business case for £430 million to invest in technologies that reduce operational emissions.
- We developed and submitted bespoke regulatory incentives for capital carbon.
- The technologies at our Net Zero Hub at Strongford are now being commissioned, as we prepare to run a full range of technologies in tandem to minimise our operational emissions, utilising the knowledge gained through ongoing trials and through our international partnerships.
- We have maintained high internal engagement across the organisation to mobilise resources, skills and our supply chain to deliver our transition plan.

100%

of energy from renewable sources ('RS') by 2030

Baseline | 100% (target)

83% (RS) | 2030

- Continued procurement of 100% renewable-backed electricity.
- Sustained investment in energy efficiency activities to mitigate impact of wet weather.
- Continued to increase our renewable generation this year, supplying 56% of our own electricity.
- Renewable energy generation continues to expand, including this year's acquisition of Andigestion.

100%

electric vehicles, where available, by 2030

Baseline | 100% (target)

26% (EV fleet) | 2030

- 69% of cars replaced by electric vehicles ('EV') (increased from 36% in 2022/23).
- 16% of Light Commercial Vehicles replaced by EVs (increased from 1% in 2022/23).
- Total of 729 EVs in fleet.
- 26% of our fleet (across cars and vans) are EV.
- Hydrotreated vegetable oil trials have concluded with positive outcomes and modelling is now being conducted to review wider business applications to support carbon reduction.
- Utilisation of existing EV site charge points is increasing, and home charge growth has exceeded our target with 548 units installed.
- Further deployment is challenged by the market maturity of vehicles, the growth in our own fleet as a result of insourcing and the lack of funding for public infrastructure growth.

Our Science-Based Targets

46% reduction

in Scope 1 and Scope 2 emissions by 2031 from a 2019/20 baseline

Baseline | -46% (target)

30% (reduction) | 2031

- Good progress has been made towards our target. We've seen reductions from our process emissions this year, which make up 80% of our Scope 1 emissions.
- We continue to improve our data by expanding our monitoring of process emissions at site and increasing collection of actual data for capital projects.
- Despite an increase in energy consumption, energy efficiency improvements have helped towards balancing our overall energy use.
- We continue to restore peatland (c.485 acres this year) through work we have funded ourselves, third-party grants on our own land, and through partnership work on third-party land.

70%

of our supply chain (by emissions) having set a Science Based Target ('SBT') by 2026

Baseline | 70% (target)

58% (coverage) | 2026

- A total of 58% of our supply chain have now set a SBT.
- We regularly review our supply chain and engage with new contractors to ensure that we have a live view of progress against our target.
- Contractual mechanisms have been introduced to incentivise supply chain sustainability performance.

13.5% reduction

in emissions from the use of sold products by 2031 against a 2019/20 baseline

Baseline | -13.5% (target)

17% (increase) | 2026

- Our emissions have increased by 17% from the use of sold products. This increase has continued to be driven by utilisation of propane when injecting biomethane into the national gas grid to meet energy criteria regulations, which have been set at a higher level over most of 2023. It has also increased as a result of the acquisition of Andigestion.
- As our business expands and maximises the value inherent in our core resources by recovering more inputs such as ammonia and cellulose and sell them as valuable products, this will increase our emissions from the use of sold products whilst reducing the Scope 1 and 2 emissions for those we supply. Given this is supportive of a circular economy, creating products from waste and reducing the impact of production, we will revisit the best targets for our Scope 3 emissions going forward.

OUR NET ZERO TRANSITION PLAN

What are we aiming for?

Our Net Zero Transition Plan brings together our Triple Carbon Pledge (which we set in 2019) and our SBTs, approved in 2021. We need to achieve these targets whilst continuing to support a thriving environment and provide the high-quality, affordable service our customers expect.

What do we mean by net zero?

Net zero means achieving a balance between the amount of emissions produced and those removed from the atmosphere in order to limit the impact from climate change. Our target is to achieve net zero operational emissions (our Scope 1 and 2, and some outsourced Scope 3) by 2030. We will prioritise our net zero investment to achieve this without purchased offsets, but if we do need them, we will only use high-quality offsets to meet our 2030 target.

Our glidepath and future strategy

Our strategy considers the best operational, technological and economic route to meeting our climate goals. We constantly review this as part of our net zero programme to ensure decisions reflect latest advancements and best practice and this is reflected in our PR24 Business Plan.

Our approach

Achieving our plan is requiring us to re-think every aspect of our business processes and adopt new ways of working. Our approach is to follow the carbon hierarchy to achieve our 2030 targets:

REDUCE
Reduce our emissions

REPLACE
Replace fossil fuels, for example replacing natural gas with green energy

REMOVE
Remove carbon emissions, for example through carbon sequestration and insets from our landbank and assets

SCOPE 1

Since introducing process emission measurement systems from 2021, we have been using more accurate data and our Scope 1 emissions continue to reflect enhancements in our reporting.

SCOPE 2

Since 2021, our electricity imports have been supplied by renewable-backed sources which reduce our market-based emissions to zero. Our renewable energy generation capability continued to expand during the year.

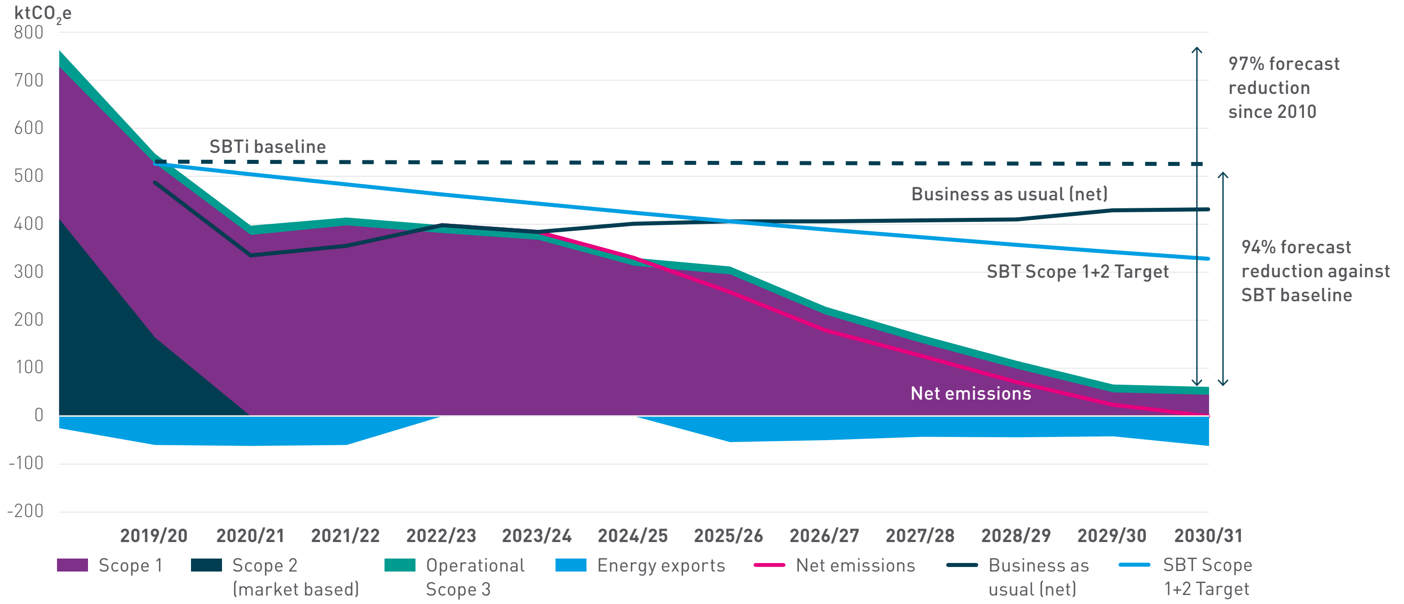
SCOPE 3

Scope 3 is a major source of emissions with our biggest categories consisting of capital carbon, chemicals and purchased goods and services. We continue to focus on this area with our suppliers.

What are we aiming for?

The chart below shows the significant progress we have already made on our carbon reduction journey, having delivered a 64% reduction since 2010/11 and a 30% reduction against our SBT of 46% by 2031 (against our baseline in 2019/20). We have invested £56 million to date on progress towards our net zero targets and SBTs. In 2023/24 our reported location-based Scope 1 and 2 total greenhouse gas ('GHG') emissions were 526 $ktCO_2e$ compared with a 2020 baseline of 562 $ktCO_2e$. A summary of the values reported is given in the tables on page 72. This is forecast to rise to 565 $ktCO_2e$ by 2030 as a result of upward pressures from growth and statutory drivers, if no interventions are made. Our plan is designed to address these incremental demands – but we still have a significant amount of work after 2030 to deliver on these.

Operational net zero glidepath since 2010/11



We highlighted last year that our net zero journey will not be linear. The focus over 2023/24 has been on leveraging the results of the research and development programmes, and building a business case to secure funding and ensure sufficient capital allocation to deliver our net zero programme. There has been significant progress in two key areas: establishing our Net Zero Hub so it can become operational in 2024/25 and submitting our PR24 Business Plan to put us on the right trajectory to deliver the 2050 statutory requirements – a summary of which is outlined below.

The emphasis on transparent and rigorous reporting remains a key priority to ensure that we invest in the right areas. As the science and requirements of reporting standards and frameworks evolve, it is important to distinguish between changes in reporting methodology and actual data. We continue to improve the granularity and confidence of our data as we move from estimates to actual data as much as possible across all our scope emissions.

Net Zero in our Business Plans for AMP8

Our recently submitted five-year Business Plan (the 'Plan') shows that we remain deeply committed to achieving net zero and addressing the challenges that climate change brings. This is critical to the future success of our business. Our Plan sets out how we are going to reduce the GHG emitted from two of the most significant contributors to our footprint: wastewater and sludge treatment processes and heat and fuel.

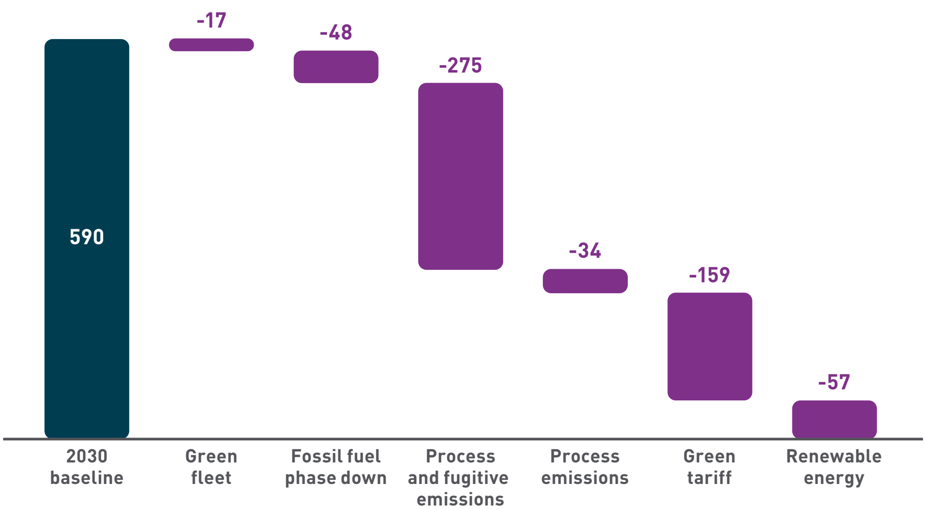
Our aim is to deliver a stretching GHG emissions reduction of 338 kt in AMP8, making a 72% reduction to our 2030 Scope 1 emissions reduction target as shown in the chart below. This builds on the existing reduction of 159 kt from buying a renewable backed tariff. These new activities are made up of a combination of our core plan and a dedicated enhancement request for investment, worth £430 million, to deliver a package of interventions in AMP8 to make decisive steps towards our long-term targets.

Our Scope 1 and 2 emissions sources make up 46% of our total GHG footprint and are directly within our control. Our most material source of emissions is nitrous oxide and then methane from wastewater treatment, both of which are potent greenhouse gases. Reductions in methane in particular has been recognised as the best way to slow the rate of warming due to being short-lived in the atmosphere, with the Global Methane Pledge launched at COP26 to reduce global methane emissions by at least 30% from 2020 levels by 2030. Consequently, we are seeking funding for a range of tested technologies to reduce this, as shown in the Enhancement Investment summary table on the following page. Within this, activated sludge processes ('ASP') account for approximately three-quarters of our wastewater treatment process emissions based on the population served by ASP sites.

Climate change action plan, including our Net Zero Transition Plan

Given the status of our Plan, the Board intends to defer the non-binding advisory vote on the Company's long-term approach to climate change until its 2025 AGM, to ensure that the Plan reflects the Final Determination expected in December 2024 from our regulator, Ofwat. This will ensure that the Company's climate change plan can properly reflect the new asset management period for 2025-30. We remain on track with the approach supported by shareholders at our 2021 AGM, the Plan remains unchanged and there are no material changes proposed to the Plan at this time, which supports the Board's intention to defer the non-binding advisory vote until its 2025 AGM. You can read more in our Notice of Meeting.

Our AMP8 proposed reductions



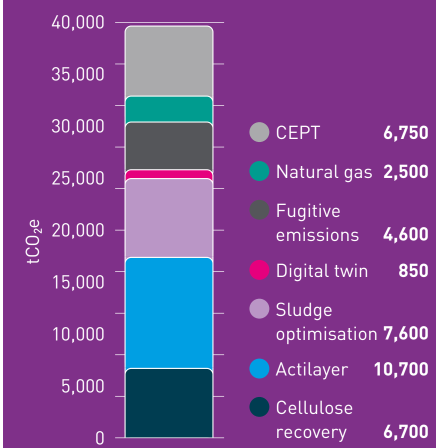
Net Zero Hub — Innovating for the future

As described on page 68, the work on our Net Zero Hub is now substantially complete and is being commissioned.

We have established a route to reduce our operational process emissions at the Hub. From a starting position of 34kt CO_2e, outlined below is the amount we estimate each technology to reduce using a mass balance approach to understand the sites GHG baseline emissions and carbon reduction efficacy of each technology.

The technologies that we selected are:

- Cellulose recovery (from toilet paper): we will be installing the UK's first cellulose recovery plant.
- Actilayer: covering the activated sludge plant lanes with the world's first catalytic cover.
- Sludge optimisation: optimising the sludge digestion process.
- Digital twin: to make sure that all the technologies work together.
- Fugitive emissions from methane leaks.
- Natural gas displacement with biogas.
- Chemically enhanced primary treatment ('CEPT'), optimising dosing with chemicals.



We are now commissioning technologies at the Net Zero Hub to prove the efficacy of the individual technologies and how they operate as a complete system, and we are working with the Carbon Trust on putting in place a detailed monitoring and testing programme to enable future accreditation in line with ISO 14064-3.

See our Sustainability Report for more details on the technologies.

Enhancement Investment Summary Table

Activity	Detail	Funding route	Annual emissions reduction ($ktCO_2e$)
Reduce: Optimise processes to reduce GHG emissions	Stop natural gas engines	From business as usual expenditure	23
	Methane leakage (find and fix)		38
	Cover secondary tanks		32
	Process optimisation	£351 million additional funding requested from Ofwat	37
	Digital twin		30
	ASP intensification		43
	Active gas capture		40
	Cover and treat ASP N2O		56
Replace: Adapt assets to remove GHGs once emitted	Heat and fuel projects	£79.4 million additional funding requested from Ofwat	14
	Cellulose recovery		11
	Low-carbon fleet	From business as usual expenditure	17
	Green Tariff		159
Remove: Change processes to prevent GHG production	Peatland	£1.26 million of additional funding requested from Ofwat	1

After process emissions, the next largest category of direct GHG emissions is natural gas, diesel and fuel oil, which account for 14% of our Scope 1 emissions. Our use of imported natural gas for sludge treatment is set to increase as we develop new processes to meet higher environmental standards set by the Environment Agency. Reducing emissions from other heat and fuel sources will therefore be critical to achieve our targets.

We have decided not to invest in areas where uncertainty is high, for example where the science behind the production and control of process emissions is not well understood, or markets such as hydrogen, where we are not major drivers of the market. Our Business Plan also does not include use of purchased offsets.

Our Scope 3 challenge

Our Scope 3 emissions are forecast to increase over AMP8, driven by expanded statutory obligations, including the Water Industry National Environment Programme ('WINEP') and water resources aimed at improving a range of outcomes including cleaner rivers and sustainable water abstraction which will drive up our usage of chemicals and construction activity. Our capital programme is forecast to increase from £3.7 billion in AMP7 to £6.2 billion in AMP8. While we are committed to working with our supply chain and reducing Scope 3 emissions, this will take time, significant collaboration and further innovation (and this is part of our SBT); this makes it more important to make significant reductions where we have direct control, notably in the process emissions that are unique to our sector and in heat and fuel emissions, and where we can proceed at pace. We have also requested a bespoke regulatory incentive on capital carbon in our Plan to focus on improving and incentivising carbon reductions through our capital design.

As our business expands, and seeks to recover precious resources such as ammonia and cellulose to sell them as valuable products, this will increase our emissions from use of sold products. In addition, once we achieve our engagement target, which faces challenges with some large organisations and hard-to-reach sectors, such as the chemical industry, (with hundreds of smaller suppliers) we will revisit the best targets for our Scope 3 emissions going forward.

Affordability and our customers' views

Investing significantly over AMP8 to tackle process emissions is necessary because of the urgency of the net zero challenge, and the need to deliver sufficient progress and enough solutions so that the whole sector can efficiently and effectively deliver Scope 1 and 2 reductions in AMP9, thus aligning with the UK's statutory targets.

Customer research undertaken for our regulatory plans, including the views of 68,000 customers taken in developing our Plan, shows that customers are focused on climate change and, in particular, the impacts of climate change on future generations. Although combating climate change is seen as vital, customers aren't necessarily well informed about net zero. They expect us to play our part in reducing GHG emissions and achieving net zero. Compared with other investment areas, working towards net zero is a medium-level priority. This means that they are prepared to support some increase in their water bills to reduce process emissions. Some customers would like us to go further and faster on reducing GHG emissions but acknowledge that affordability is a concern. See our investment case on page 15 for further information.

Our long-term net zero plan takes into account customer affordability and intergenerational fairness. Our analysis demonstrates that delaying investment will be more expensive in the long term. Delaying this investment beyond AMP8 is likely to result in larger bill increases for future customers, impacting affordability and intergenerational fairness. See our LTDS for how we've made evidence-based decisions about the pacing of our investment over 25 years.

Our GHG performance

The following table shows our annual GHG performance and accounts. Our reporting method is documented overleaf along with a summary of this year's performance, with supporting technical detail to ensure full transparency, reflecting the complexity and growing granularity of our data.

GHG reporting method

2023/24 is the 11th year we have reported GHG emissions. For Severn Trent Water, which accounts for 96% of our total Group emissions, we have been publicly reporting our emissions since 2002. We also continue to report our energy use and generation data to provide more detail on how we manage energy use. Our GHG emissions are reported in tonnes of carbon dioxide equivalent ('tCO_2e'), for the period 1 April 2023 to 31 March 2024. We report our location-based and market-based emissions separately and report on 10 Scope 3 categories. We report using a financial control boundary and follow the practices set out by the Greenhouse Gas Protocol.

Running a Business that Goes Hand-in-Hand with Nature continued

Annual operational emissions – location and market based

Operational greenhouse gas emissions (tonnes CO_2e)	ST Plc 2019/20 baseline	ST Plc 2020/21	ST Plc 2021/22	ST Plc 2022/23	ST Plc 2023/24
Scope 1 Emissions – Combustion of fossil fuel on site	18,215	29,669	48,716	51,167	51,905
Scope 1 Emissions – Process emissions – CAW[1]	150,266	155,441	149,515	138,724	146,739
Scope 1 Emissions – Process emissions – Revised methodology[2]	326,340	329,714	329,592	310,411	291,584
Scope 1 Emissions – Transport fleet	17,639	17,914	18,968	19,656	22,849
Scope 1 Total Emissions	**362,194**	**377,297**	**397,276**	**381,233**	**366,338**
Scope 2 Emissions (Electricity purchased for own use) – Location Based	199,635	182,768	159,638	149,964	159,295
Scope 2 Emissions (Electricity purchased for own use) – Market Based	163,581	1	–	8	112
Scope 1 and 2 Total Emissions – Location Based	**561,829**	**560,065**	**556,914**	**531,197**	**525,633**
Scope 1 and 2 Total Emissions – Market Based	**525,775**	**377,298**	**397,276**	**381,241**	**366,450**
Scope 3 Emissions (Business travel)	1,447	343	620	958	1,204
Scope 3 Emissions (Outsourced Bioresources activities)	3,187	3,340	2,424	2,463	2,683
Scope 3 Emissions (Electricity transmission and distribution)	16,985	15,718	14,127	13,719	13,781
Total Annual Gross Operational Emissions – Location Based	**583,448**	**579,466**	**574,085**	**548,337**	**543,302**
Total Annual Gross Operational Emissions – Market Based	**547,394**	**396,699**	**414,447**	**398,381**	**384,118**

Annual GHG intensity ratio (tCO_2/unit)	ST Plc 2019/20 baseline	ST Plc 2020/21	ST Plc 2021/22	ST Plc 2022/23	ST Plc 2023/24
Gross Location Based Operational GHG emissions per £m turnover	316	317	295	253	232

1 The Carbon Accounting Workbook ('CAW') has been our historical and industry standard reporting method for process emissions, so it is provided for transparency and comparison.
2 Process emissions based on our trial and monitoring data; see page 73 for more details. Historical process emissions have been updated to reflect revised data and emissions factors. Intensity factors have been updated to reflect these adjustments.

Avoided emissions

Our generation of energy from anaerobic digestion within our Severn Trent Water and Severn Trent Green Power businesses provides us with the opportunity to export renewable energy to the grid. This energy displaces natural gas and electricity that might have come from other sources. We estimate the benefit of these avoided emissions below versus average grid emissions factors for electricity and natural gas in the UK.

Avoided emissions (tCO_2e)	ST Plc 2019/20 baseline	ST Plc 2020/21	ST Plc 2021/22	ST Plc 2022/23	ST Plc 2023/24
Estimated emissions benefit of the renewable electricity we export	46,954	40,648	33,961	29,547	31,533
Estimated emissions benefit of the renewable biomethane we export[1]	32,926	45,006	54,032	73,393	77,699
Total avoided emissions	**79,880**	**85,654**	**87,993**	**102,940**	**109,231**

1 Benefits calculated using the latest UK grid emissions factors.

Scope 3 emissions

The table below shows our estimated Scope 3 emissions which are not included as part of our operational footprint. These emissions are part of our SBT. We will be disclosing improved data on these areas in future, as explained in our dedicated Sustainability Report.

Scope 3 emissions	ST Plc 2019/20 baseline	ST Plc 2020/21	ST Plc 2021/22	ST Plc 2022/23	ST Plc 2023/24
1) Purchased goods and services	161,171	160,710	219,777	242,856	213,113
2) Capital goods	250,546	250,546	197,376	183,702	273,124
3) Fuel and energy-related activities – transmission and distribution	21,148	15,718	14,127	13,719	13,781
3) Fuel and energy-related activities – upstream well to tank emissions	N/A	8,715	13,909	13,714	19,438
4) Upstream transportation and distribution	18,963	20,480	19,488	19,603	18,083
5) Waste generated in operations	6,440	6,084	10,280	10,380	14,513
6) Business travel	1,447	343	620	958	1,204
7) Employee commuting	3,471	3,471	5,250	4,907	6,590
8) Upstream leased assets	N/A	N/A	N/A	N/A	2,341
9) Downstream transportation and distribution	N/A	N/A	N/A	N/A	N/A
10) Processing of sold products	N/A	N/A	N/A	N/A	N/A
11) Use of sold products	32,907	33,568	37,454	36,995	38,564
12) End of life treatment of sold products	N/A	N/A	N/A	N/A	N/A
13) Downstream leased assets	10,469	10,469	15,104	14,493	13,109
14) Franchises	N/A	N/A	N/A	N/A	N/A
15) Investments	N/A	N/A	N/A	N/A	N/A
Total Scope 3	**506,562**	**510,104**	**533,385**	**541,327**	**613,860**

1 Benefits calculated using the latest UK grid emissions factors.

Method for calculating process emissions

We used the UK Water Industry Research ('UKWIR') standardised methodology for estimating operational GHG and the Carbon Accounting Workbook ('CAW') to calculate our 2019/20 baseline. However, developments in scientific consensus led us to start an industry-leading programme of direct monitoring in 2021 reflecting guidance from the Intergovernmental Panel for Climate Change ('IPCC') to improve global emission factors by taking measurements at country and facility-specific levels. The results from this monitoring demonstrated that process emissions from wastewater treatment were substantially higher than the previous CAW estimations.

We have now rolled out direct effective monitoring at wastewater and sludge treatment facilities responsible for treating 42% of our wastewater and 40% of our sludge loads. This data has already given us valuable insights into seasonal and diurnal profiles as well as an early indication of process-level differences in emissions. Our commitment to collect long-term datasets from these sites will inform the development of country and process-level emission factors.

This year we have refined our methodology to use a combination of IPCC estimates and our measured site specific data where long-term dataset exists. Whilst much higher than the CAW estimates, the emission factors across our process emissions have decreased from last year at our monitored sites. This methodology has been applied to our historical emissions, leading to an update on previous years to provide transparent comparison values.

Assuring our data

The GHG data we report is tracked internally during the year through our Corporate Sustainability Committee and shared with the Board. We have subjected our GHG data and processes to external assurance by Jacobs. Jacobs completed a full audit of our Scope 1, 2 and 3 data in line with the principals of the ISO 14064 international standard for GHG emissions and found our processes for reporting are consistent with the reporting requirements of the GHG Protocol.

In addition, we continue to hold the Advancing Tier for the Carbon Trust pilot Route to Net Zero Standard – this certification recognises the progress of an organisation on its journey to net zero with an interim verification that took place on our 2022/23 GHG performance. This included assurance against the principles of the ISO 14064-3 international standard for GHG emissions for our Scope 1 and 2 data, and a small portion of our Scope 3 data. We intend to re-certify our 2023/24 footprint and net zero plan over the summer of 2024 with the Carbon Trust to maintain our accreditation.

Summary of performance

Our emissions have fallen by 30% against a 2019/20 baseline, representing good progress against our SBT of 46% reduction by 2031, driven predominantly by moving to 100% renewable backed electricity from our suppliers.

Our Scope 1 emissions have reduced by 6% from 2022/23 mainly due to a reduction in process emissions. This is primarily due to lower measured emissions at our monitored sites this year, which applies to over 40% of our process emissions. In addition to this we have also switched reporting at our unmonitored sites using the IPCC tier 1 level emission factor, which is lower than the factor we used the previous year. Year-on-year variability on measured emissions exist at site level, which is in line with global observations, where emissions have shown variation due to local weather conditions; although the definitive relationship is not yet fully understood.

Our use of natural gas continues to be higher due to the ongoing deployment of thermal hydrolysis sludge treatment processes ('THP') at an increasing number of sites, which produces better quality sludge digestate and more renewable energy, but requires high temperatures to achieve this. This is balanced by a reduction in our process emissions, which continue to make up the majority of our Scope 1 emissions at 80%. Even though we are processing higher volumes of sludge, approximately 60% of our sludge is now being treated using advanced digestion, including THP and acid phase digestion ('APD'), which has approximately half the emission factor of traditional anaerobic digestion.

For Scope 2, we have used more electricity than in 2022/23 and explain why on page 74. We also report the benefit of our 100% renewable backed tariff as reflected in the market-based emissions.

Also shown in our avoided emissions table is the carbon benefit of the renewable electricity which we export and biomethane we export to the grid. We generate renewable energy in both our regulated and non-regulated businesses and continue to see growth in both these areas. We use the proceeds to invest in our research and development programme to reduce Scope 1 emissions.

We have continued to see an increase in our use of sold product and associated emissions, due to higher use of propane to inject biomethane into the national gas grid. The propane is required to ensure our renewable gas meets energy standards within the grid for metering purposes and we are seeking ways to reduce/replace the propane and improve our performance. In addition, our use of sold product has been increased as our business expands with the purchase of Andigestion.

Our total Scope 3 footprint has increased by 13% from 2022/23 driven mainly by increased expenditure and activity on capital goods, as our investment starts to accelerate and our capital programme increases volume of delivery towards the end of AMP7. For example, expenditure on our capital programme has increased by over 50% in 2023/24. In addition, there continues to be more complete reporting of our Scope 3 emissions in Severn Trent Business Services. Conversely we have seen a decrease in emissions in purchased goods and services, which is the second highest source of Scope 3 emissions. This is a consequence of a reporting method change where we have seen a reduction in our emissions factors to better reflect latest industry practices and changes in feedstock. See our Sustainability Report for additional information on our Scope 3 journey.

REPORT ON ENERGY

Below is data on our energy consumption and generation for the last six years across the Severn Trent Group. This is source data for the carbon data reported above and is tracked internally on a monthly basis. All data is collected from metered data for electricity and gas imports and exports. Biomethane combustion information is calculated using assumptions based on metered data. Fuel use is reported based on financial records of fuel purchased. We have applied assumptions on standard calorific values to convert all liquid and gas fuel types to a common energy metric ('GWh') and data is reported for the period 1 April 2023 to 31 March 2024. All energy is used in the UK.

Energy performance

Our electricity consumption for this year was 983 GWh, with the increase primarily driven by wetter weather and specifically, the 10 named storms that occurred between September 2023 and February 2024. This caused an increase in energy consumption across our wastewater operations.

The figures below include the large quantity of renewable biogas from organic waste, which we generate from sludge and food waste and then either combust in combined heat and power engines or export to the national gas grid. Our import of gas has increased over the last three years, driven by the commissioning of new heat-intensive sludge treatment processes and our deployment of CHP generation fed by imported gas to mitigate high electricity costs. We have also increased our export of biomethane into the gas grid and decreased the amount of biogas we combust in CHP.

Energy efficiency

Although energy prices have fallen from record highs, the costs to our business are still significant. We have been able to manage these costs through our proactive work and a dedicated team. This year we have invested £2.4 million in our energy efficiency programme with a total of £36 million invested over the last nine years. This includes proactive maintenance of our energy-intensive assets, such as pumps and air blowers, investment in improved controls and monitoring to reduce energy use. Our Energy Management Policy and programme reflect best practice outlined in ISO 50001, the International Energy Management Standard.

We will shortly be submitting our response to Phase 3 of the Government's Energy Savings Opportunity Scheme, which has involved reporting total energy usage and looking for opportunities that cover 95% of our consumption, and we will work through the findings and build them into our plans, where possible.

Energy generation

We've generated record levels of renewable energy this year, including renewable biogas which is produced from the anaerobic digestion of sludge and food waste from both Green Power and our own bioresources. Our Group businesses also produce energy through solar, wind, hydro and crop anaerobic digestion.

As part of our Triple Carbon Pledge, we have set a target to source all of our energy from renewable sources by 2030. This means that the energy we use will either be directly renewable or covered by a renewable-backed source of gas or electricity, such as a Renewable Energy Guarantee of Origin ('REGO') or green gas certificate. To achieve this target, we will need to increase our use of electricity and phase out the use of fossil fuels in our business.

Promoting awareness

We engage in continuous discussions on energy-related topics throughout our Group, with a specific emphasis on individuals who are involved in or responsible for energy-intensive assets, such as asset owners, project managers, asset strategy teams, operators and maintainers.

Our continued metering and billing activities have been especially beneficial this year to ensure what we are paying is true and accurate.

We participate in National Grid's energy flexibility schemes and engaged extensively with operational and office staff on our use of energy. We evaluate, develop and review business cases for operating assets flexibly, which involves adjusting demand in response to market incentives.

Energy performance table

Energy type	Source	Units	2019/20	2020/21	2021/22	2022/23	2023/24
Electricity	Electricity imported	GWh	780	784	752	775	769
	Electricity generated from renewable sources and used on site	GWh	194	184	170	153	151
	Electricity generated from renewable sources and exported	GWh	184	174	160	153	149
	Electricity generated from fossil gas and used on site	GWh	0	12	43	48	63
Gas fuels	Gas imported from the grid	GWh	44	120	208	233	241
	Biogas generated and combusted on site	GWh	1,061	1,003	921	843	799[1]
	Biomethane generated and exported to the grid	GWh	181	245	336	403	457[2]
Liquid fuels	Fuel used by plant (gas oil and diesel)	GWh	20	23	31	31	28
	Fuel used by company fleet	GWh	70	77	71	74	90
	Fuel used for business travel (personal cars)	GWh	6	4	2	2	3
Totals	**Total energy used** (i.e. annual quantity of energy consumed from activities for which the Company is responsible, including combustion of fuel and operation of facilities)	GWh	**2,175**	**2,195**	**2,156**	**2,112**	**2,081**
	Total energy imported (i.e. annual quantity of energy consumed resulting from the purchase of electricity and gas. No imports of heat, steam or cooling)	GWh	**921**	**1,008**	**1,064**	**1,116**	**1,131**
Normalised metrics	Total energy per unit of revenue	GWh/£m	1.18	1.20	1.11	0.97	0.89
	Energy imported per unit of revenue	GWh/£m	0.50	0.55	0.55	0.52	0.48
	Clean water electricity use per unit treated	kWh/Ml	698	718	726	744	698

1 We have restated 'biogas generated on site' volumes to update the density of biogas used in the calculation.
2 The value includes 42 GWh of propane which has become a larger proportion of our biomethane exports due to a change in requirements of the gas network's acceptance tests.

DISCLOSURE UNDER SUSTAINABILITY ACCOUNTING STANDARDS BOARD

Companies in the Water Utilities and Services industries are recommended to report against the following metrics and topics for SASB standards in the standard IFRS S2 (Climate-related Disclosures).

Topic	Accounting Metric	Severn Trent Disclosure
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Annual Report and Accounts
Distribution Network Efficiency	Water main replacement rate	Annual Performance Reports
	Volume of non-revenue real water losses	Annual Performance Reports
Effluent Quality Management	Number of incidents of non-compliance associated with water effluent quality permits, standards, and regulations	Annual Performance Reports
	Discussion of strategies to manage effluents of emerging concern	Drainage and Wastewater Management Plan ('DWMP')
Water Affordability & Access	Average retail water rate for (1) residential, (2) commercial, and (3) industrial customers	Refer to our 2023/2024 Scheme of Charges – Household Customers Refer to our 2023/2024 Scheme of Charges – Wholesale Charges Non-Household
	Number of residential customer water disconnections for non-payment, percentage reconnected within 30 days	We do not disconnect household customers for non-payment of bills
	Discussion of impact of external factors on customer affordability of water, including the economic conditions of the service territory	Annual Report and Accounts
Drinking Water Quality	Number of incidents of non-compliance associated with drinking water quality standards and regulations	Annual Performance Reports
	Discussion of strategies to manage drinking water contaminants of emerging concern	Annual Report and Accounts
End-Use Efficiency	Percentage of water utility revenues from rate structures that are designed to promote conservation and revenue resilience	Annual Performance Reports
	Customer water savings from efficiency measures, by market	Annual Performance Reports
Water Supply Resilience	Total water sourced from regions with High or Extremely High Baseline Water Stress, percentage purchased from a third party	Refer to the EA Water Scarcity Strategy Report ('WSSR'), our reporting on sourcing from high-stress regions is outlined within the EA WSSR
	Volume of recycled water delivered to customers	Annual Performance Reports
	Discussion of strategies to manage risks associated with the quality and availability of water resources	Draft WRMP
Network Resiliency & Impacts of Climate Change	Wastewater treatment capacity located in 100-year flood zones	DWMP
	(1) Number and (2) volume of sanitary sewer overflows (SSO), (3) percentage of volume recovered	Event Duration Monitor ('EDM') annual report
	(1) Number of unplanned service disruptions, and (2) customers affected, each by duration category	Annual Performance Reports
	Description of efforts to identify and manage risks and opportunities related to the impact of climate change on distribution and wastewater infrastructure	Annual Report and Accounts DWMP and draft WRMP

The reports referenced above can be located on the regulatory library section of our website.

Running a Business that Goes Hand-in-Hand with Nature continued

OUR EU TAXONOMY DISCLOSURE

Our Group Strategy to be 'performance driven, sustainability led' drives us to invest in a way that contributes to social and environmental value. As a business we think it's important to operate in a way that goes hand-in-hand with nature and to drive positive change, whilst at the same time being transparent about the impact we have on the world around us.

This disclosure provides a summary of how we align to the EU Green Taxonomy, which we have chosen to use as it is the most established system and aligns with our sustainable investment objectives. It places focus on businesses to do more, and is designed to highlight sustainable choices for both investors and businesses.

This is our third disclosure, with our first included in our Annual Report for the year to 31 March 2023 and our second published as a standalone document in November 2023.

We continue to report *eligible* Turnover, Operating Costs ('Opex') and Capital Expenditure ('Capex') of 95%, 95% and 99% respectively for our Group. Following our previous alignment review, we have completed a further detailed analysis of our activities, and now report *aligned* Turnover, Opex and Capex of 74%, 71% and 83% respectively. Given our substantial investment focused on our rivers and biodiversity, we are delighted to benchmark favourably against other companies that have reported alignment to date. We recognise that the detailed criteria of the EU Taxonomy ensure a high standard is met, and we have used the outcomes of this review to identify areas we can further improve.

We expect our alignment to the EU Taxonomy to increase as we act on the insights it provides, and have already seen an increase of over 15 percentage points in each of the three financial key performance indicators ('KPIs') as a result of action planning against our previous gap analysis. In addition, as the scale of our investment increases over the five-year period to 2030 (from £6.6 billion in 2020-25 to £12.9 billion in 2025-30), not only will absolute values of investment aligned to the Taxonomy increase, but our plan includes a greater mix of green investment than previously delivered.

We expect that our alignment will expand across the six objectives, giving greater breadth to the disclosure and increasing transparency of how much our business contributes to these aims.

The companies included within this review are Severn Trent Water Limited, Hafren Dyfrdwy Cyfyngedig, Severn Trent Green Power Limited, and Severn Trent Services Operations UK Limited. These are the key operating companies in our Group.

Governance

We established our Taxonomy Working Group in February 2023 to embed new processes and adapt our existing reporting approach so it was in line with the EU Taxonomy requirements. The Working Group includes finance and sustainability professionals, is sponsored and guided by senior Finance leadership, and reports monthly to the Chief Financial Officer ('CFO'). To ensure the robustness of this analysis, we invested in licensing specialised EU Taxonomy analysis software from Celsia.

We appointed a third-line external assurance provider, DNV Business Assurance Services UK Limited ('DNV'), to assure our analysis ahead of publication. Third-line assurance is not currently a mandatory requirement of the EU Taxonomy; however, we chose to engage a specialist sustainability assurance provider to ensure the rigour of our disclosure and the underlying processes.

Eligible and aligned activity

Where the EU Taxonomy identifies an activity as being environmentally sustainable, it refers to it as 'eligible' or 'aligned'. An activity is eligible if it is listed under any of the six climate and environmental objectives. For each eligible activity, we then assess the following to determine if it is aligned:

EU Taxonomy alignment assessment

1. Does it make a substantial contribution to an environmental objective?

2. Does it do no significant harm ('DNSH') to other objectives?

3. Does it meet minimum social safeguards ('MSS')?

The EU Delegated Acts

To compile this disclosure we looked in detail at our economic activities based on the EU Taxonomy Regulation. This includes associated legislative acts (the 'Delegated Acts') described below, together with any additional guidance released up until the date of reporting:

- **The Climate Delegated Act (EU) 2021/2139** – this establishes the rules for deciding whether an economic activity qualifies as contributing substantially to one of the climate objectives:
  - Climate change mitigation
  - Climate change adaptation

  It also determines whether the economic activity does no significant harm ('DNSH') to any other environmental objectives.
- **The Disclosure Delegated Act (EU) 2021/2178** – covers the content and format of any information that we are disclosing about environmentally sustainable economic activities. It also determines the methods we use to assess those activities.
- **The Environmental Delegated Act (EU) 2023/2486 ('EDA')** – determines whether any economic activity has a substantial impact on any of the following non-climate-related environmental objectives:
  - Sustainable use of water and marine resources
  - Transition to a circular economy
  - Pollution prevention and control
  - Protection and restoration of biodiversity and ecosystems

Our approach

We carry out our analysis in three stages:

1. **Eligibility assessment** – we use final and draft legislation available to identify all eligible activities in our business. We create a list of these activities to identify SMEs within each business area to support the next stage of analysis.
2. **Activity analysis** – we assess which activities we could align to the EU Taxonomy with a detailed review against all of the Technical Screening Criteria, DNSH and MSS requirements. The software we use ensures a clear and supported audit trail and we partner with Celsia, the software provider, to ensure effective training and engagement for all SMEs.
3. **Financial mapping** – following identification of eligible and aligned activities we use existing and adapted reports from our financial systems to report the financial KPIs set out in the Taxonomy.

OUR ALIGNMENT TO THE EU GREEN TAXONOMY

As a Group, we are reporting alignment to the EU Taxonomy of over 70% within each of the three financial KPIs: Turnover, Operating Costs and Capital Expenditure. This section provides an update on our summary position resulting from a full alignment review against all of the six climate and environmental objectives included in the EU Taxonomy.

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

We report alignment under the 'Climate change mitigation' and 'Sustainable use and protection of water and marine resources' objectives.

Our aligned activities

The activities we report as aligned to the EU Taxonomy are set out in the table below:

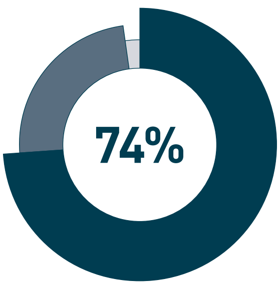
EU Taxonomy activity	Objective	Severn Trent activity that aligns to the criteria	Turnover (£m)	Operating Costs (£m)	Capital Expenditure (£m)	Turnover (%)	Operating Costs (%)	Capital Expenditure (%)
Construction, extension and operation of water collection, treatment and supply systems	CCM	Raw water transport, raw water storage, water treatment and treated water distribution	603	418	413	26%	30%	31%
Renewal of water collection, treatment and supply systems	CCM	Raw water transport, raw water storage, water treatment and treated water distribution	210	146	145	9%	11%	11%
Construction, extension and operation of wastewater collection and treatment	CCM	Sewage collection and sewage treatment	692	325	479	30%	24%	36%
Climate change mitigation alignment (A)			**1505**	**889**	**1037**	**65%**	**65%**	**78%**
Water supply ('EDA')	SPW	Water resources	173	78	36	7%	6%	3%
Sustainable urban drainage systems ('SuDS')	SPW	Sustainable urban drainage systems ('SuDS') in our Green Recovery Programme	44	10	27	2%	1%	2%
Sustainable use and protection of water and marine resources alignment (B)			**217**	**88**	**63**	**9%**	**6%**	**5%**
Total aligned activities (A+B)			**1722**	**977**	**1100**	**74%***	**71%***	**83%***
Other eligible activities (see page 79)			562	278	223	24%	20%	16%
Total eligible activities (C)			**2283**	**1255**	**1323**	**98%**	**91%**	**99%**
Non-eligible activities			55	120	6	2%	9%	1%
Total business activities (A+B+C)**			**2338**	**1375**	**1329**	**100%**	**100%**	**100%**

CCM Climate change mitigation SPW Sustainable use and protection of water and marine resources

* Our final alignment percentages of 74% of Turnover, 71% of Opex and 83% of Capex were subject to third line assurance by DNV Business Assurance Services UK Limited ('DNV')

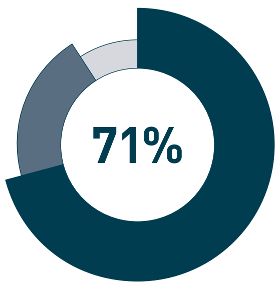
** Totals are derived from the statutory accounts included on pages 216 to 273 of this report. Operating costs here exclude depreciation and the charge for bad and doubtful debts and capital expenditure excludes assets adopted at fair value.

Turnover



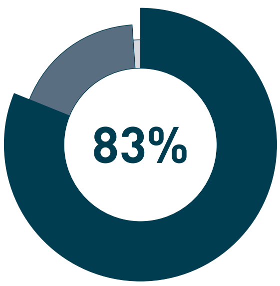
- Eligible and aligned 74%
- Eligible and not aligned 24%
- Not eligible 2%

Operating Costs



- Eligible and aligned 71%
- Eligible and not aligned 20%
- Not eligible 9%

Capital Expenditure



- Eligible and aligned 83%
- Eligible and not aligned 16%
- Not eligible 1%

More detail on our eligible and aligned activities across the three financial KPIs has been captured and reported in our ESG data book to assist investors in modelling our alignment.

Running a Business that Goes Hand-in-Hand with Nature continued

Detailed results

Since our last disclosure, published in November 2023, we have implemented action planning focused on climate adaptation resilience. Using EU Taxonomy criteria, best practice guidance from Defra and insight from ISO standards ISO 14090 and ISO 14091 (Adaptation to Climate Change), we have established centralised processes to identify, document and plan for climate adaptation risks across our business. We have been able to prioritise implementation of these new processes in our Bioresources and Sewage Treatment business areas, as a result of high levels of engagement in both leadership and operational teams.

Our increase in alignment

Our work to expand climate adaptation risk planning is the most significant contributor to increased Taxonomy alignment in our eligible activities this year, as outlined in the table below. Beyond this, our work is beginning to embed new thinking and encourage the right behaviours that will increase our resilience and enable better strategic planning around our climate projections and climate risk management. More detail on our climate risk management approach is set out in our TCFD disclosure on pages 42 to 67 of this report.

EU Taxonomy activity	Objective	Severn Trent activity	Additional aligned Turnover (£m)	Additional aligned Operating costs (£m)	Additional aligned Capital expenditure (£m)	Additional aligned Turnover (%)	Additional aligned Operating costs (%)	Additional aligned Capital expenditure (%)
Construction, extension and operation of wastewater collection and treatment	CCM	Sewage treatment	391	178	401	17%	13%	30%
			391	**178**	**401**	**17%**	**13%**	**30%**

CCM Climate change mitigation

Our alignment 2022/23

Turnover
53%

Opex
53%

Capex
62%

Our alignment 2023/24

Turnover
74%

Opex
71%

Capex
83%

Our sewage treatment activity

We operate and maintain 1,005 waste treatment works, investing around £500 million a year (across Opex and Capex) and work hard to reduce blockages and to prevent flooding and pollution, whilst taking action to reduce greenhouse gas emissions.

The DNSH criteria in the EU Taxonomy set out challenging requirements to report alignment, ensuring no harm to biodiversity, water resources, pollution prevention or climate change adaptation. These include appropriate measures to mitigate excessive storm overflows, and activity to ensure maximum pollutant limits are not exceeded. Whilst we are proud to have zero pollution failures against the Urban Waste Water Treatment Regulations in 2023/24, we recognise this is a hugely important area. Over the next 25 years we will invest £4.4 billion in storm overflows alone; £1.1 billion of which will be by 2030, to meet targets at least five years earlier than UK Government requirements. For more information, please refer to pages 38 to 41 of this report.

We have incorporated relevant legislation updates since our last disclosure, including expanded requirements to meet Minimum Social Safeguards criteria and the now finalised Environmental Delegated Act. We continue to ensure we meet all DNSH criteria for our aligned activities. For completeness, where EU directives do not apply directly to our activities, we report alignment only where we comply with relevant legislation transposed into UK law, or equivalent requirements already included in UK legislation.

Our other eligible business activities

The nature of our business means we have a wide range of activities that are eligible under the EU Taxonomy. As reported previously, we identify 34 activities relevant to our business and we are fully aligned to the EU Taxonomy criteria within five of these. For the remaining 29 activities, we have further work to do to establish alignment, as set out in the summary table below.

Our business activities	EU Taxonomy objectives	Alignment next steps
Wastewater collection and treatment		Technical screening criteria to investigate further
– Renewal of wastewater collection and treatment	CCM CCA	
– Urban wastewater treatment	SPW	
Bioresources		
– Anaerobic digestion of sewage sludge	CCM CCA	
– Electricity generation from bioenergy	CCM CCA	
– Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels	CCM CCA	
– Cogeneration of heat/cool and power from bioenergy	CCM CCA	
– Production of heat/cool from bioenergy	CCM CCA	
Severn Trent Green Power		Climate adaptation risk planning to embed and document
– Recovery of bio-waste by anaerobic digestion or composting	TCE	
– Electricity generation using solar photovoltaic technology	CCM CCA	
– Electricity generation from wind power	CCM CCA	
– Electricity generation from hydropower	CCM CCA	
– Electricity generation from bioenergy	CCM CCA	
– Cogeneration of heat/cool and power from bioenergy	CCM CCA	
– Anaerobic digestion of bio-waste	CCM CCA	
– Composting of bio-waste	CCM CCA	
– Installation, maintenance and repair of renewable energy technologies	CCM CCA	
Other activities		Technical screening criteria to investigate further
– Conservation, including restoration, of habitats, ecosystems and species	PRBE	
– Afforestation	CCM CCA	
– Forest management	CCM CCA	
– Restoration of wetlands	CCM CCA	
– Nature-based solutions for flood and drought risk prevention and protection	SPW	
– Renovation of existing buildings	CCM CCA	
– Installation, maintenance and repair of energy efficiency equipment	CCM CCA	
– Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM CCA	
– Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM CCA	
– Acquisition and ownership of buildings	CCM CCA	
– Close to market research, development and innovation	CCM CCA	
– Flood risk prevention and protection infrastructure	CCM CCA	
– Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems	SPW	

CCM Climate change mitigation CCA Climate change adaptation SPW Sustainable use and protection of water and marine resources

TCE Transition to a circular economy PRBE Protection and restoration of biodiversity and ecosystems

Running a Business that Goes Hand-in-Hand with Nature continued

Our gap analysis

Primarily the gap between the value of our eligible and aligned activities relates to three key areas:

Climate adaptation planning

- As a business we have a Group-level **Climate Change Adaptation Report** and will be publishing our next iteration of this in December 2024. We also undertake extensive scenario modelling as part of our **Water Resources Management Plan ('WRMP')** and **Drainage and Wastewater Management Plan ('DWMP')** and bring these together in our **Long Term Delivery Strategy**. We highlighted in our previous alignment review that we need to place greater focus on ensuring our assets and activities are resilient to a changing climate on a more granular level. This includes embedding more detailed climate adaptation risk plans across our assets and activities, and creating dedicated climate action plans. We have already made great progress in the last six months, and now report increased alignment percentages for our Sewage Treatment activity as a result.
- As part of our AMP8 Business Plan we have proposed c.£5 billion of enhancement expenditure, of which 6% relates to closing the gap between current resilience and 2050 forecasts for the impact of climate change on our business.

Complexity of criteria

- We undertake a broad range of activities eligible under the EU Taxonomy. We have a great opportunity to review how we make a substantial contribution across different objectives. As we progress this review and translate the complex criteria for different activities, we expect to see greater alignment.

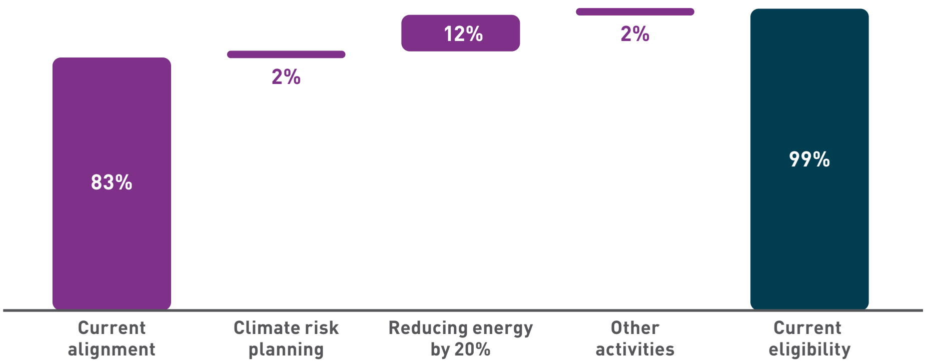
Challenging targets

- Whilst we are committed to ambitious targets, including biodiversity and river pledges, we acknowledge that the EU Taxonomy requires heightened ambition to tackle climate change. In our wastewater activities, the EU Taxonomy sets a target for renewal work to our waste network to reduce energy consumption by 20%. As part of our commitment to reduce emissions under our Triple Carbon Pledge, we already target a reduction in energy use across our business. We don't yet meet the specific reduction target set by the EU Taxonomy, but we continue to work towards this through our future investment planning and ambitions to focus on nature based solutions.

The chart below sets out the key gaps between eligibility and alignment for Capex. Given the greater level of insight we now have into the EU Taxonomy system, we look forward to incorporating our findings into our strategic plans, and welcome the insight and opportunity this creates for our business and the investor community.

We will continue to disclose the results of our analysis in future publications of our Annual Report and Accounts, ensuring visibility of our Group's alignment to the EU Taxonomy and our gap analysis.

Gap analysis between eligibility and alignment for Capex



You can read more about our activities, achievements and plans, both contributing towards, and ensuring we do no significant harm to, the environmental objectives, in the documents set out in the table below.

Connected to this, you can also find more detail on our Principal Adverse Impact assessment in our ESG data book on **our website at severntrent.com**.

Delivering against the six environmental objectives – other documents

Environmental objectives	Read more in our other reports and disclosures
1 Climate change mitigation 2 Climate change adaptation 3 Sustainable use and protection of water and marine resources	**Please see the following documents:** Our TCFD disclosure within this Annual Report on **pages 42 to 75** Our Water Resources Management Plan Our Drainage and Wastewater Management Plan Our Drought Management Plan Our Sustainability Report
4 Pollution prevention and control	**Please see:** Page 22 of this Annual Report
5 Protection and restoration of biodiversity and ecosystems	**Please see:** Page 42 of this Annual Report Our Sustainability Report
6 Transition to a circular economy	**Please see:** Our Sustainability Report

Financial methodology

We voluntarily report against the three financial KPIs set out in the EU Taxonomy legislation: Turnover, Operating costs and Capital expenditure. We report these for all business activities against each environmental objective, following guidance and rules set out in the EU Taxonomy User Guide, alongside expert support and advice.

We report the KPIs based on our standard cost allocation approach used for both entity and regulatory reporting. For the regulated entities Severn Trent Water and Hafren Dyfrdwy we use price controls to report our activities to Ofwat, and these broadly map to some of the EU Taxonomy activities, so for these businesses we already report costs by business activity and consider it is reasonable to map the related financial values to the EU Taxonomy activities. As required by the legislation, the actual values reported have been adjusted by the differences between Ofwat regulatory reporting and statutory reporting under International Financial Reporting Standards ('IFRS'), in order to arrive at a proportion of the Turnover, Opex and Capex reported in our Annual Report and Accounts.

Calculating the financial KPIs

- The Turnover KPI is reported as the proportion of net Turnover derived from products or services (including intangibles) that are taxonomy-aligned or taxonomy-eligible.
- The Capital Expenditure KPI includes Capital Expenditure that is either already aligned or is part of a plan to extend or reach environmental sustainability in the next five years and is credible and feasible. It is calculated based on intangible and tangible asset additions, excluding any depreciation or amortisation. We have included in the disclosure our Capital Expenditure related to our leakage reduction targets. These costs are associated with our long-term reduction activity as Severn Trent Water is targeting a 50% reduction by 2045 from a (three year averaged) 2019/20 baseline, and this company expects to achieve at least a 20% reduction (the target set by the EU Taxonomy) by 2025/26, i.e. within the next five years.
- The Operating Costs KPI relates to costs such as maintenance or servicing assets associated with taxonomy-aligned or taxonomy-eligible activities, building renovations, research and development, or short-term leasing costs. It can also include enabling costs associated with the aligned activities as well as costs associated with a plan to reach environmental sustainability in the next five years. We have included Operating Costs associated with our leakage reduction targets on the same basis as those included for the Capital Expenditure KPI.
- The legislation sets out that for the Climate change adaptation objective, only the Operating Costs and Capital Expenditure associated with making an activity climate resilient are considered. As we expand on our work to document the risks and solutions associated with adapting to climate change, we expect to increase investment in adaptation-aligned activities and for this to be visible in future EU Taxonomy disclosures.

Assumptions and assertions

We ensure that centralised costs not directly attributable to business activities, such as those related to executive costs, HR, Finance and Strategy, are excluded, in line with EU Taxonomy legislation. We include a pro-rata allocation of turnover and costs from within our retail price control, representing the costs for delivering our services to customers. We follow **Regulatory Accounting Guideline 4** which outlines the costs and associated activities to be captured for each of our appointed business activities, ensuring only the retail costs associated with our regulated activities are captured. We believe this remains in line with the EU Taxonomy requirements to include only costs directly attributable to our business activities when reporting them as eligible and aligned.

Where our existing financial reports don't support the breakdown required to report under the EU Taxonomy, we have applied a reasonable apportionment, using proportions from underlying data to allocate values between activities.

The EU Taxonomy identifies separate activities for 'Renewal' and 'Construction' of water and wastewater assets and systems. We continue to allocate these costs between the separate activities by reference to our Capex profile, although we have to make some assessments in this approach. This includes assuming that the interpretation of what might be classed as a 'Renewal' for EU Taxonomy purposes would be the same as that already used in the UK water industry for regulatory and statutory reporting purposes.

Assurance

As part of our commitment to disclose robust and transparent information, we continue to use a third-line assurance provider to review our analysis. DNV reviewed the detailed workings for our Severn Trent Water business, where all of our currently aligned business activities are reported. The remainder of our analysis for other companies in our Group was subject to internal first and second-line assurance. The assurance statement can be viewed on our website.

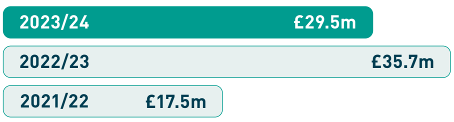
BUSINESS SERVICES PERFORMANCE REVIEW

Business Services operates a UK-based portfolio that complements the Group's core competencies and is well positioned to capitalise on market opportunities in three areas: Operating Services, Property Development and Green Power.

Operating Services EBITDA

Property Development EBITDA

Green Power EBITDA



Operating Services

Operating Services provides a variety of operational water and wastewater services to private clients across the UK. The main customers are the Ministry of Defence ('MoD'), a variety of businesses requiring legionella monitoring and internal water treatment services (including several large facilities-management companies, universities and government departments), regulated water companies and new appointments and variations. We also have a reports-based service which produces water and drainage search reports for conveyancing solicitors with clients that are buying both domestic and commercial properties.

This year, Operating Services' businesses generated £104 million revenue (an increase of 5% on the prior year), primarily from the MoD contract, including supplementary project work, and our water hygiene and treatment business. Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA') of £19.9 million has been achieved through exceptional customer service and operational excellence, which has helped to offset the slowdown in our property searches business as the property market continues to remain depressed.

Aqualytix, our legionella monitoring and water treatment business, successfully integrated an acquired business during the year and completed a further acquisition towards the end of the year. Further targets are being explored, reflecting our growth ambition in this area.

Delivery of excellent customer service (98% customer KPI score) and a world-class Net Promoter Score of +90, supported by our investment in automation to improve efficiency and accuracy of our services.

Property Development

Our operational footprint continues to evolve as we deploy innovation to deliver our services, which can result in land becoming available for the development of new homes and businesses in our region. We remain on track to deliver £150 million PBIT from the sale of surplus land between 2018 and 2032.

Since 2018, we have sold land with planning permission to build 1,650 new homes and 1.7 million square feet of commercial space, creating over 2,000 new jobs. We are currently promoting 1,000 acres of land for redevelopment, part of our plan to deliver a further 3,000 new homes and over 6 million square feet of commercial space, which will create a further 6,500 new jobs.

During the year, we completed two sales following the grant of planning permission. Meir Depot, a 4.4-acre site in Stoke-on-Trent, was sold. Newbold, a 4.2-acre site in Rugby, was sold to a developer to enable the construction of a new storage and distribution facility to meet the demands of regional manufacturing and distribution companies with the opportunity to create up to 70 jobs.

We continue to progress our major planning applications. For example, in October 2023, the planning committee approved our planning application for a logistics and employment scheme on our 22-acre site at Junction 15 of the M40 Longbridge, Warwick. Our planning application submitted in 2022 at Hayden seeks to deliver 1,100 new homes on a site to the west of Cheltenham, delivering high-quality, well-designed sustainable housing to meet local and regional needs. Alongside this, the application includes affordable housing as well as a flexible mixed-use area with a community hub, a primary school and green recreational space for community enjoyment.

Green Power

As the UK's largest producer of renewable energy from food waste in the UK, we provide cost-effective and sustainable recycling solutions through our award winning network of facilities across England and Wales. We then turn waste into renewable energy to power UK homes and businesses and produce a nutrient-rich liquid biofertiliser for farmland to help grow new crops. The green energy produced from food waste contributes to meeting our net zero targets and keeping our energy costs down.

We operate a high-quality portfolio of assets including 11 anaerobic digestion facilities and five composting sites that recycle over 500,000 tonnes of food waste and more than 100,000 tonnes of green waste every year. In addition, we operate a diverse portfolio of renewable energy production facilities, including 33 solar parks, six wind turbines and three hydro-electric turbines.

In September 2023, we also confirmed the acquisition of Andigestion Ltd. This gives Green Power new reach into South West England, covering cities such as Bristol, Gloucester and Exeter, helping more businesses to process and recycle their food waste into renewable energy.

In 2023/24, we generated 302 GWh of green energy, an 11% year-on-year growth. This has been achieved by delivering an average 94% plant efficiency across our portfolio, commissioning our plant expansion at Stoke Bardolph, the acquisition of Andigestion Ltd and refurbishing our anaerobic digestion facility in Derby during the autumn, bringing an additional 30 GWh of energy generation.

94%
plant efficiency across our Green Power portfolio

302 GWh
of green energy generated, an 11% year-on-year growth

Lightning Strike at Cassington, Oxfordshire

On 2 October 2023, one of our Green Power sites at Worton Farm, Cassington was struck by lightning. The strike ignited three of the digester tank roofs.

Our safety procedures and protocols operated effectively and the site was immediately evacuated. None of our employees or any of the local communities were injured. Emergency services responded promptly and the site was made safe. The Health and Safety Executive and the Environment Agency were notified promptly in line with our reporting obligations.

The nature of our operations, enabled us to promptly divert food waste lorries to other sites in our portfolio, Wallingford, Bishop's Cleeve and Roundhill, so that we could treat the volumes of food waste normally processed at our Cassington site, thereby minimising disruption to our food waste customers.

In response to the event, an independent lightning protection specialist was appointed to undertake a risk assessment across the Group's estate. In parallel, an internal review was commenced, including physical asset inspections at all of the Green Power sites to review assets and site records related to the Dangerous Substances and Explosive Atmosphere Regulations ('DSEAR'). This review included a review of previous risk assessments to ensure no further actions were required in response to the event.

500k
tonnes of food waste recycled every year

100k
tonnes of green waste recycled every year

CHIEF FINANCIAL OFFICER'S
REVIEW

We have delivered robust financial performance in the year, in line with expectations. Profit before interest and tax ('PBIT') of £511.8 million (2022/23: £508.8 million) was in line with the previous year, and with lower finance costs, due mainly to lower inflation on index-linked debt, profit before tax was 19.9% higher at £201.3 million.

A summary of our financial performance for the year is set out below:

	2024	2023	Change	
	£m	£m	£m	%
Turnover	**2,338.2**	2,165.1	173.1	8.0
PBIT	**511.8**	508.8	3.0	0.6
Net finance costs	**(281.5)**	(362.6)	81.1	22.4
Gains/losses on financial instruments, share of results of joint venture and impairment of loans receivable	**(29.0)**	21.7	(50.7)	(233.6)
Profit before tax	**201.3**	167.9	33.4	19.9
Tax	**(61.1)**	(35.7)	(25.4)	(71.1)
Profit for the year	**140.2**	132.2	8.0	6.1

£2,338.2m
Group turnover in 2023/24

£173.1m
up from previous year

Group turnover was £2,338.2 million (2022/23: £2,165.1 million) up £173.1 million (8.0%), driven mainly by higher revenues in our Regulated Water and Wastewater business (up £156.6 million).

Group PBIT was broadly in line with the previous year, up £3.0 million to £511.8 million.

In Regulated Water and Wastewater, PBIT grew by £12.1 million, partially offset by lower PBIT in Business Services. The segmental performance is set out in more detail below.

Net finance costs were lower as falling inflation in the period reduced the cost of our index-linked debt. Our effective interest cost was 150 bps lower at 4.7% (2022/23: 6.2%); our effective cash cost of interest (which excludes the inflation uplift on index-linked debt) increased to 3.2% (2022/23: 3.0%).

The tax charge of £61.1 million reflects our full (including current and deferred tax) effective tax rate this year of 30.4% (2022/23: 21.3%). This is higher than the statutory rate of tax of 25% (2022/23: 19%) due to true-ups for prior year provisions, which increased the effective rate by 3.7%, and depreciation on non-qualifying assets and other permanent differences, which increased the effective rate by 1.7%. During the year, full expensing of qualifying capital expenditure replaced the super deduction, which in the previous two years had given a 130% tax allowance. The significant allowances derived from this resulted in our current tax charge, excluding true-ups for prior year provisions of £0.5 million and our adjusted effective tax rate of 0.2% (2022/23: nil). As a result of the enhancements to the capital allowances regime in recent years, the Group has losses carried forward of £871 million that are available to set off against future taxable profits.

Group profit after tax was £140.2 million (2022/23: £132.2 million) and our adjusted basic earning per share ('EPS') was 79.4 pence

(2022/23: 58.2 pence) reflecting the increase in adjusted earnings partially offset by the increase in the number of shares from the equity placing in October 2023. Basic EPS was 51.0 pence (2022/23: 52.7 pence).

Our balance sheet remains strong. At 31 March 2024 our adjusted net debt was £7,187.9 million (2023: £7,123.9 million based on our revised definition – see note 43). Our shadow regulated gearing, taking into account our Green Recovery Programme, was 59.7% (2023: 59.8%) and our regulated gearing using FD RCV (see page 86) was 61.3% (2023: 60.5%). This was higher due to investments in relation to Green Recovery, transitional expenditure and other items that will be reflected in the regulated capital value ('RCV') as 'midnight adjustments' at the end of the AMP.

Our net pension deficit on an IAS 19 basis is £213.0 million (2023: £279.4 million). The discount rate, which is based on the yield observed on high-quality corporate bonds, increased by 10 bps and inflation expectations over the life of the liabilities decreased by 10 bps which, combined, reduced the deficit by £53 million. We also paid contributions of £68 million, in line with our funding plan. This was partially offset by other actuarial adjustments of £37 million, service and administration costs of £5 million and £13 million from unwinding of the discount on the opening deficit.

Operational cash flow was £760.8 million, (2022/23: £713.1 million). Earnings before interest, tax, depreciation and amortisation ('EBITDA') increased by £14.0 million and pension contributions were £32.6 million lower as in the previous year we paid two years' deficit reduction contributions in the year. Cash capex was £1,146.2 million, up £459.6 million due to the increasing capital programme including transitional expenditure for AMP8. After the net receipt of £1 billion from the issue of shares, net cash inflow before changes in adjusted net debt was £64.9 million (2022/23: outflow of £440.4 million).

Severn Trent Water's Return on Regulated Equity ('RoRE') for the year was 5.7%, 180 bps above the base return of 3.9% and bringing our cumulative RoRE for the AMP to 8.1%. Outperformance came mainly from our customer ODI rewards of £55 million, with 76% of our measures in reward, and financing, reflecting our continued low cash interest cost and the impact of higher inflation in the year compared to Ofwat's assumption in the Final Determination.

Although in the current year we have continued to see an adverse impact from higher inflation on our operating and finance costs, in the longer term we expect to see the benefits through indexation of our RCV, revenue growth and lower gearing, all of which underpin our inflation-linked AMP7 dividend policy.

Our proposed final dividend of 70.10 pence (2022/23: 64.09 pence), is in line with our inflation-linked dividend policy and payable on 17 July 2024.

Although in the current year we have continued to see an adverse impact from higher inflation on our operating and finance costs, in the longer term we expect to see the benefits through indexation of our RCV, revenue growth and lower gearing, all of which underpin our inflation-linked AMP7 dividend policy.

Helen Miles
Chief Financial Officer

Regulated Water and Wastewater

Turnover for our Regulated Water and Wastewater business was £2,152.0 million (2022/23: £1,995.4 million) and PBIT was £479.6 million (2022/23: £467.5 million).

	2024	2023	Change	
	£m	£m	£m	%
Turnover	**2,152.0**	1,995.4	156.6	7.8
Net labour costs	**(200.9)**	(158.2)	(42.7)	(27.0)
Net hired and contracted costs	**(251.8)**	(217.2)	(34.6)	(15.9)
Power	**(283.0)**	(204.6)	(78.4)	(38.3)
Bad debts	**(27.3)**	(24.5)	(2.8)	(11.4)
Other costs	**(291.9)**	(284.6)	(7.3)	(2.6)
	(1,054.9)	(889.1)	(165.8)	(18.6)
Infrastructure renewals expenditure	**(207.2)**	(238.4)	31.2	13.1
Depreciation	**(410.3)**	(400.4)	(9.9)	(2.5)
PBIT	**479.6**	467.5	12.1	2.6

Turnover increased by £156.6 million with the main movements being:

- an increase of £138.6 million from the annual CPIH + K increase in prices;
- a £91.7 million decrease representing the recovery of higher revenue in 2021/22 under the RFI mechanism where revenue recovered quicker than expected post COVID-19;
- £131.4 million increase for the in-AMP fast money allowance for the Green Recovery Programme and ODI reward recognised in revenue in year;
- £10.4 million reduction due to lower Non-Household consumption and increased support given to customers as part of the Big Difference Scheme, supporting customers struggling to pay their bill; and
- a net decrease of £11.3 million due to lower gas and electricity export income in Bioresources as a result of significantly lower export prices partly offset by higher renewable energy incentive income and increased tankered trade and domestic waste.

Net labour costs of £200.9 million were 27.0% higher year on year. Gross employee costs increased by £80.3 million, of which £25.7 million was driven by a pay increase of 7.5% and £16.7 million was due to higher National Insurance and employer pension contribution costs. A planned increase in our headcount driven by the insourcing of our reactive sewage services teams from Customer Solutions Plus earlier this year, and additional resource to support the delivery of our biggest ever capital programme, resulted in an increase of £27.7 million. This was partly offset by higher capitalisation of employee costs as expected due to the significant size of our capital programme.

Net hired and contracted costs increased by £34.6 million (15.9%), £15.8 million of which is due to the planned step-up in the Green Recovery Programme. The remaining increase is driven by higher spend on third-party gangs to support with leakage and other operational improvement activities, and increases on building maintenance contracts and third-party technology contracts.

Power costs were £78.4 million or 38.3% higher, mainly driven by the higher wholesale price of electricity on imports, hedged over the course of 2022 which was affected by the significant increase in wholesale market energy prices at that time. Power consumption on our pumping stations was around £2 million higher due to the exceptionally wet weather. Higher power prices are partially offset by self-generation and incentive income in both our Bioresources and Green Power businesses.

Bad debt charges increased by £2.8 million and represented 1.5% of household revenue (2022/23: 1.7%) reflecting the impact of higher revenue on our bad debt cost, partly offset by improved collection performance in the latter part of the year as pressure on household incomes started to ease.

Other costs were up by £7.3 million, including higher costs of repairing third-party damage, increased insurance costs and higher regulatory fees, partly offset by lower chemical costs.

Infrastructure renewals expenditure was £31.2 million lower compared to 2022/23. This was driven by less reactive activity required as well as improved efficiency and cost per km on distribution mains renewals, partly offset by additional activity on comm pipe renewals. Our work mix switched towards more capital activity in the year.

Depreciation of £410.3 million was £9.9 million higher due to completion of Strongford THP, Minworth CHP and additional vehicle leases as we progress towards a 100% electric fleet and vehicle purchases for the insourced reactive sewage services teams.

Return on Regulatory Equity

RoRE is a key performance indicator for the regulated business and reflects our combined performance on totex, customer ODIs and financing compared to the base return allowed in the Final Determination.

Severn Trent Water's RoRE for the year ended 31 March 2024 and for the four years ended on that date is set out in the following table:

	2023/24 %	AMP7 to date %
Base return	3.9	3.9
Enhanced RoRE reward[1]	–	0.1
ODI outperformance[2]	0.7	1.1
Wholesale totex performance[3]	(3.8)	(0.8)
Retail cost performance	–	(0.2)
Financing outperformance	4.9	4.0
Return on Regulatory Equity[4]	**5.7**	**8.1**

1 Fast track reward taken over the first three years of AMP7.
2 ODI performance includes Per Capita Consumption ('PCC') and forecast C-MeX and D-MeX outturn. Includes in-period ODI outperformance only.
3 Includes impact of land sales. All calculated in accordance with Ofwat guidance set out in Regulatory Accounting Guideline 4.12, which precludes adjustment for corporation tax.
4 Calculated in accordance with Ofwat guidance set out in RAG 4.12, which excludes Ofwat's AMP7 tax true-up mechanism.

We have delivered RoRE of 5.7% in the year, outperforming the base return by 1.8% as a result of:

- ODI outperformance of 0.7%, driven by strong performance across the majority of measures, with 76% meeting or exceeding regulatory targets;
- financing outperformance of 4.9%, driven by our AMP7 financing strategy of maintaining a low level of index-linked debt and the tax benefit of 100% capital allowances; and
- partly offset by the impact of high energy costs on our totex as previously guided.

Regulatory performance measures

In addition to RoRE we have developed further performance measures to highlight aspects of value created by the Group that are not reflected in our financial performance indicators. These are set out below.

Economic Equity Value Added

This measure gives an indication of the economic value generated by the Group over the AMP to date. The RCV, which has no equivalent under IFRS reporting, is the most significant component of this measure.

Each year Ofwat publishes the RCV for each company which sets out the RCV from the Final Determination, updated for inflation (the 'FD RCV'). This metric does not include costs that we have incurred and that will be added to the RCV as 'midnight adjustments' between the end of the current AMP and the start of the next AMP. Our new RCV measure, which we refer to as our Economic RCV, includes estimates of these items along with the FD RCV for Severn Trent Water and Hafren Dyfrdwy combined.

Our Economic Equity Value Added metric measures the growth in our Economic RCV and our investment in our non-regulated business net of changes in Group adjusted net debt, pension liabilities and cash tax. We measure this over the AMP period:

	2023/24 £m	AMP7 opening £m	Value added £m
Economic RCV	**12,540**	9,382	3,158
Revenue earned not billed	**238**	–	238
Regulated economic value	**12,778**	9,382	3,396
Other Group investments			68
Change in adjusted net debt, pensions and tax			(963)
Retained Economic Equity Value Added			2,501
Cash flows from equity holders			(181)
Economic Equity Value Added AMP to date			2,320

The components of the Economic RCV are shown below:

	2023/24 £m	AMP7 opening £m	Value added £m
FD RCV	**12,004**	9,382	2,622
Green Recovery	**329**	–	329
Real Options	**87**	–	87
Transitional Expenditure	**47**	–	47
Other RCV adjustments	**73**	–	73
Economic RCV	**12,540**	9,382	3,158

The Green Recovery RCV represents our investment to date in the Green Recovery Programme that will be recovered in future AMP periods.

Real Options are commitments that were agreed with Ofwat at PR19 to be adjusted to the RCV at the end of the AMP contingent on the delivery of environmental benefits, which are either delivered or on track.

Transitional Expenditure is investment that we have brought forward into AMP7 from AMP8 under Ofwat's transitional expenditure mechanism but will not be included in the RCV until the start of AMP8.

Other RCV adjustments consists of 'true-ups' that are made to the RCV at the end of the AMP under the regulatory model, including the RCV element of totex performance sharing. This adjustment is split between RCV and revenue in the regulatory model and so part of the adjustment is included here, and the remainder is included in revenue earned not billed below.

The Green Recovery adjustment is included in Ofwat's shadow RCV measure. If we had included all of the adjustments in our Economic RCV metric, our shadow regulated would have been 58.7%.

Regulatory Income

This measure reflects income that will be recognised in IFRS financial statements in future years. IFRS financial statements do not currently reflect rights that we have earned in the period to bill additional revenue in future periods.

In addition, the inflation accretion on the principal amount of our index-linked debt is charged to finance costs in our IFRS financial statements but the inflation uplift on our RCV is not recognised under IFRS. Our regulatory income metric includes the benefit of inflation on RCV and the cost of inflation on index-linked debt for Severn Trent Water and Hafren Dyfrdwy combined.

	2023/24 £m	2022/23 £m
Adjusted IFRS earnings (see note 14)	**218**	146
Change in year of revenue earned not billed	**76**	(14)
RCV inflation	**526**	1,093
Total Regulatory Income	**820**	1,225

The movement in revenue earned not billed in the year is set out below in its major components:

	Revenue £m	ODIs £m	Totex £m	True-ups £m	Total £m
At 1 April 2023	13	159	38	(48)	162
Inflation	1	15	4	(4)	16
Earned in year	9	50	96	(18)	137
Billed in year	14	(91)	–	–	(77)
Change in the year	24	(26)	100	(22)	76
At 31 March 2024	37	133	138	(70)	238

Revenue – this is an adjustment for the difference between revenue billed and the amount allowed in the Final Determination. These adjustments are generally billed two years in arrears.

ODI rewards earned in a given period can be recovered through revenue after two years (or carried forward further at the company's choice). This is shown net of tax, in current prices.

Differences between totex spent and the amount allowed are 'shared' with customers in the following AMP. Part of this difference is recovered through adjustments to revenue (included here) and the remainder through adjustments to the RCV (included in Economic RCV above).

True-ups – the regulatory model includes a number of 'true-ups' for differences from original assumptions arising through the AMP and recovered from customers in the next AMP. These true-ups include tax, land sales, cost of debt and the RPI-CPIH wedge in AMP7.

Business Services

	2024 £m	2023 £m	Change £m	Change %
Turnover				
Operating Services and Other	**104.3**	98.5	5.8	5.9
Green Power	**87.6**	78.6	9.0	11.5
	191.9	177.1	14.8	8.4
EBITDA				
Operating Services and Other	**25.6**	28.1	(2.5)	(8.9)
Green Power	**29.5**	35.7	(6.2)	(17.4)
Property Development	**4.1**	2.0	2.1	105.0
	59.2	65.8	(6.6)	(10.0)

Business Services turnover was £191.9 million (up 8.4%) and EBITDA was £59.2 million (down 10.0%).

In our Operating Services and Other businesses, turnover increased by £5.8 million due to activity on the MoD and other Aqualytix contracts. EBITDA was £2.5 million lower as the increased revenue was offset by the impact of the 7.5% pay increase and higher technology licence costs.

In Green Power, turnover was £9.0 million higher year on year from increased generation, higher renewable energy incentive income and gate fees. Generation increased by 23 GWh from the Andigestion acquisition and 4 GWh due to our Derby Food Waste Plant being commissioned in the second half of the year.

Green Power EBITDA was £6.2 million lower compared to 2022/23 due to one-off Andigestion acquisition costs of £3.7 million, a pay increase of 7.5% and higher food waste and haulage costs.

EBITDA from Property Development was £4.1 million, £2.1 million higher year on year. Despite some delays in our 2023/24 plans, we remain on track to achieve long-term plans to deliver £150 million profit by 2032.

Corporate and other

Corporate costs were £10.5 million (2022/23: £8.7 million). The increase is driven by higher legal costs related to the Leigh Day defence as well as pay increase on corporate overheads. Our other businesses generated PBIT of £1.1 million (2022/23: £0.7 million).

Net finance costs

Net finance costs for the year were £81.1 million (22.4%) lower than the prior year at £281.5 million. Although average net debt was up 7.4% at £7,216.6 million (2022/23: £6,720.6 million), lower inflation in the year reduced the cost of our index-linked debt by £107.7 million. Our effective interest cost was 4.7% (2022/23: 6.2%).

We raised around £1.5 billion of new debt at competitive rates but higher than the embedded debt it replaced and as a result our effective cash cost of interest (excluding the RPI uplift on index-linked debt and pensions-related charges) was higher at 3.2% (2022/23: 3.0%).

Capitalised interest of £69.6 million was £13.0 million higher year on year, due to increased capital work in progress compared with the previous year, partially offset by the lower effective interest cost.

Our EBITDA interest cover was 3.5 times (2022/23: 2.6 times) and PBIT interest cover was 1.9 times (2022/23: 1.4 times). See note 43 for further details.

Gains/losses on financial instruments

We use financial derivatives solely to hedge risks associated with our normal business activities including:

- exchange rate exposure on foreign currency borrowings;
- interest rate exposures on floating rate borrowings;
- exposures to increases in electricity prices; and
- changes in the regulatory model from RPI to CPIH.

We hold interest rate swaps with a net notional principal of £442.9 million floating to fixed, and cross currency swaps with a sterling principal of £674.6 million, which economically act to fix the sterling liability on certain foreign currency borrowings.

We revalue the derivatives at each balance sheet date and take the changes in value to the income statement, unless the derivative is part of a cash flow hedge.

Where hedge accounting is not applied, if the risk being hedged does not impact the income statement in the same period as the change in value of the derivative, then an accounting mismatch arises and there is a net charge or credit to the income statement. During the year there was a loss of £9.0 million (2022/23: gain of £35.7 million) in relation to these instruments.

Note 11 to the financial statements gives an analysis of the amounts charged to the income statement in relation to financial instruments.

As part of our power cost management strategy, we have fixed the wholesale price for around 100% of our estimated net energy usage for 2024/25, and around 43% for 2025/26, through physical hedges with suppliers and natural hedges from the export of self-generated energy.

Share of loss of joint venture

Water Plus incurred a loss after tax of £8.1 million, mainly due to increased bad debt charges. Our share of Water Plus's result for the year was a loss of £4.1 million (2022/23: £nil).

Taxation

We are committed to paying the right amount of tax at the right time, and were pleased to be awarded the Fair Tax Mark for the fifth successive year. We pay a range of taxes, including business rates, employer's National Insurance and environmental taxes such as the Climate Change Levy as well as the corporation tax shown in our tax charge in the income statement.

Further details on the taxes and levies that we pay can be found in our report 'Explaining our Tax Contribution 2023/24', which will be made available at on our website when our Annual Report and Accounts is published in June.

	2024 £m	2023 £m
Tax incurred:		
Corporation tax	**0.5**	–
Business rates and property taxes	**90.4**	84.4
Employer's National Insurance	**39.2**	35.3
Environmental taxes	**6.6**	6.6
Other taxes	**6.7**	6.0
	143.4	132.3

The corporation tax charge for the year recorded in the income statement was £61.1 million (2022/23: £35.7 million) and we received net corporation tax repayments of £9.0 million in the year (2022/23: net payments of £4.0 million). The difference between the tax charged and the tax paid is summarised below:

	2024 £m	2023 £m
Tax on profit on ordinary activities	**61.1**	35.7
Tax effect of timing differences	**(53.2)**	(28.3)
Impact of deferred tax at 25%	**–**	(7.7)
Overprovisions in previous years	**(7.4)**	0.3
Corporation tax payable for the year	**0.5**	–
Amount payable in the next year	**(0.5)**	–
Net (receipts)/payments in respect of prior years	**(9.0)**	4.0
Net tax (received)/paid in the year	**(9.0)**	4.0

No tax was paid relating to the year as the allowances available from full expensing resulted in a loss for tax purposes (2022/23: nil due to super deduction).

Note 12 in the financial statements sets out the tax charges and credits in the year, which are described below.

The current tax charge for the year was £5.5 million, which arose from £0.5 million corporation tax payable in respect of our Guernsey-based captive insurance subsidiary and £5.0 million adjustments to tax provisions from previous years (2022/23: £0.2 million). The deferred tax charge was £55.6 million (2022/23: £35.5 million).

Our effective tax rate was 30.4% (2022/23: 21.3%), which is higher than the UK rate of corporation tax in both years (25% in 2023/24 and 19% in 2022/23), mainly due to the true-up of prior year provisions and permanent differences arising from costs incurred that are not deductible for tax. In the prior year, deferred tax on temporary differences arising during the year charged at 25% was partially offset by the benefit of the 30% element of the super deduction in excess of the cost of the assets.

Our adjusted effective current tax rate was 0.2% (2022/23: nil) (see note 43).

UK tax rules specify the rate of tax relief available on capital expenditure. Typically this is greater in the early years than the rate of depreciation used to write off the expenditure in our accounts. In the current year a significant proportion of our capital expenditure qualified for 100% deduction for tax in the year of spend. In the previous year, this was enhanced by the super deduction for certain capital expenditure, which gave a 100% tax deduction in the year of spend plus an additional allowance of 30%.

The impact of this timing difference applied across our significant and recurring capital programme tends to reduce our adjusted effective current tax rate and corporation tax payments in the year. By the same token we make a provision for the tax that we would pay in future periods if the depreciation charge arising on expenditure for which tax relief has already been received is not offset by further tax allowances in those periods. However, the nature of our business, including a significant rolling capital programme and the long lives of our assets, means we do not expect these timing differences to reverse for the foreseeable future, and they may never do so. This is the most significant component of our deferred tax position.

Our net deferred tax provision is reduced by the benefit of taxable losses amounting to £871 million that we have incurred as a result of the capital allowances claimed under the super deduction and full expensing.

Profit for the year and earnings per share

Total profit for the year was £140.2 million (2022/23: £132.2 million).

Basic earnings per share was 51.0 pence (2022/23: 52.7 pence), down due to the share issue in the year. Adjusted basic earnings per share was 79.4 pence (2022/23: 58.2 pence) as the growth in adjusted earnings was greater than the impact of the share issue. For further details see note 14.

Cash flow

	2024 £m	2023 £m
Operational cashflow	**760.8**	713.1
Cash capex	**(1,146.2)**	(686.6)
Net interest paid	**(210.3)**	(203.5)
Purchase of subsidiaries net of cash acquired	**(41.5)**	(0.4)
Net payments for swap terminations	**(4.4)**	(11.2)
Net tax received/(paid)	**9.0**	(4.0)
Free cash flow	**(632.6)**	(192.6)
Dividends	**(301.4)**	(261.3)
Issue of shares	**1,000.7**	15.3
Purchase of own shares	**(1.8)**	(1.8)
Change in adjusted net debt from cash flows	**64.9**	(440.4)
Non-cash movements	**(128.9)**	(212.1)
Change in adjusted net debt	**(64.0)**	(652.5)
Opening adjusted net debt	**(7,123.9)**	(6,471.4)
Closing adjusted net debt	**(7,187.9)**	(7,123.9)

	2024 £m	2023 £m
Bank loans	**(783.5)**	(713.0)
Other loans	**(7,357.9)**	(6,474.2)
Lease liabilities	**(120.0)**	(110.9)
Net cash and cash equivalents	**951.4**	28.7
Fair value accounting adjustments	**29.8**	47.9
Exchange on currency debt not hedge accounted	**19.7**	22.3
Loans due from joint ventures	**72.6**	75.3
Adjusted net debt	**(7,187.9)**	(7,123.9)

Operational cash flow was £760.8 million (2022/23: £713.1 million). The increase arose from higher EBITDA and lower pension contributions.

Net cash capex increased to £1,146.2 million (2022/23: £686.6 million), reflecting progress against our core capital programme, increased spend on Green Recovery and transitional spend for AMP8.

Our net interest payments of £210.3 million (2022/23: £203.5 million) were in line with the previous year as the impact of higher average adjusted net debt, with the effective cash cost of interest (which excludes the non-cash indexation charge on index linked debt) broadly in line with the previous year.

The benefits of the full expensing capital allowances meant that we had no taxable profit in the year and therefore paid no corporation tax but received repayment of the amount recoverable at the previous year end. In the previous year we paid net tax payments of £4.0 million related to prior years.

We raised £986.4 million net proceeds from the equity placing in October 2023 and received £14.3 million from the exercise of options under the employee Save As You Earn share scheme. In the prior year we received £15.3 million from such option exercises. Our dividends paid increased in line with our policy to increase by CPIH each year during AMP7.

These cash flows resulted in a decrease in debt of £64.9 million (2022/23: increase of £440.4 million).

At 31 March 2024 we held £951.4 million (2023: £28.7 million) in net cash and cash equivalents. Average debt maturity was around 14 years (2023: 14 years). Including committed facilities, our cash flow requirements are funded until February 2026.

Adjusted net debt at 31 March 2024 was £7,187.9 million (2023: £7,123.9 million). Regulated gearing (adjusted net debt of our regulated businesses, expressed as a percentage of estimated RCV) was 61.3% (2023: 60.5%). Shadow regulated gearing was 59.7% (2023: 59.8%).

Our long-term credit ratings are:

Long-term ratings	Severn Trent Plc	Severn Trent Water	Outlook
Moody's	Baa2	Baa1	Stable
Standard and Poor's	BBB	BBB+	Stable
Fitch	BBB	BBB+	Stable

We invest cash in deposits with highly rated banks and liquidity funds. We regularly review the list of counterparties and report this to the Treasury Committee.

The estimated fair value of debt at 31 March 2024 was £465.3 million lower than book value (2023: £366.2 million lower). The change in the difference between book and fair value is largely due to the impact of inflation expectations on the fair value of our index-linked debt.

Our policy for the management of interest rates is that at least 40% of our borrowings should be at fixed interest rates, or hedged through the use of interest rate swaps or forward rate agreements. At 31 March 2024 interest rates for 67% (2023: 67%) of our gross debt of £8,213.7 million were fixed; 6% were floating and 27% were index linked. We continue to carefully monitor market conditions and our interest rate exposure.

Pensions

We have three defined benefit pensions arrangements, two from Severn Trent and one from Dee Valley Water. The schemes are closed to future accrual.

The most recent formal actuarial valuation for the Severn Trent Pension Scheme ('STPS'), which is by far the largest of the schemes, was completed as at 31 March 2022. The future funding plan agreed with the Trustee was unchanged from the 2019 valuation (save for inflationary uplifts where applicable) and includes:

- deficit reduction payments to be made each year until 31 March 2027, with a payment of £39.2 million in the year ended 31 March 2024, increasing in line with CPI (based on increases in the inflation measure covering the 12-month period to the previous November);
- payments under an asset-backed funding arrangement of £8.2 million per annum to 31 March 2032, which will only continue beyond 31 March 2025 if the scheme's assets are less than the scheme's technical provisions; and
- inflation-linked payments under an asset-backed funding arrangement, with a payment of £20.0 million in the year ended 31 March 2024, potentially continuing to 31 March 2031, although these contributions will cease earlier should a subsequent valuation of the STPS show that these contributions are no longer needed.

In June 2021 we executed a bulk annuity buy-in for the Severn Trent Mirror Image Pension Scheme, which represents around 4% of the Group's defined benefit liabilities. Under the buy-in, the liabilities of this scheme will be met by an insurance policy and as a result the Group's risk is substantially reduced.

Hafren Dyfrdwy participates in the Dee Valley Water Limited Section of the Water Companies Pension Scheme ('DVWS'). DVWS funds are administered by Trustees and held separately from the assets of the Group. The DVWS is closed to new entrants. The most recent formal actuarial valuation of the DVWS was completed as at 31 March 2020 and no deficit reduction contributions are required. In March 2023, the DVWS also entered into a bulk annuity buy-in insurance policy that covers the majority of the scheme obligations and, in March 2024, the DVWS closed to future accrual.

On an IAS 19 basis, the net position (before deferred tax) of all of the Group's defined benefit pension schemes was a deficit of £213.0 million (2023: £279.4 million) and the funding level increased to 89% (31 March 2023: 86%).

The movements in the net deficit during the year were:

	Fair value of scheme assets £m	Defined benefit obligations £m	Net deficit £m
At start of the period	1,785.3	(2,064.7)	(279.4)
Amounts credited/(charged) to income statement	78.3	(96.2)	(17.9)
Actuarial gains/(losses) taken to reserves	(17.0)	33.4	16.4
Net contributions received and benefits paid	(41.6)	109.5	67.9
At end of the period	**1,805.0**	**(2,018.0)**	**(213.0)**

The income statement includes:

- current service costs of £0.1 million on the DVWS, which was open to further accrual during the year but is now closed;
- scheme administration costs of £4.2 million; and
- interest on scheme liabilities and expected return on the scheme assets – together a net cost of £13.4 million.

Higher interest rate expectations increased the discount rate, which is derived from yields on high-quality corporate bonds, by 10 bps. Inflation expectations have decreased by around 10 bps since the previous year end. The impacts of these changes resulted in a net decrease in the scheme liabilities of around £53 million.

Changes to demographic assumptions, partly offset by an update to the most recent CMI data tables reduced scheme liabilities by around £6 million.

The actual outturn in the year for inflation and other assumptions was worse than the long-term assumption and this increased scheme liabilities by £26 million.

Higher bond yields impacted the value of scheme assets, which decreased in value by £17 million more than the return included in the income statement in the year.

Contributions paid to the STPS in the year included:

- the amounts due under the asset-backed funding arrangements (£28.2 million); and
- the deficit reduction payment of £39.2 million.

There were also payments of benefits under the unfunded scheme amounting to £0.5 million.

Dividends

In line with our policy for AMP7 to increase the dividend by at least CPIH each year, the Board has proposed a final ordinary dividend of 70.10 pence for 2023/24 (2022/23: 64.09 pence). This gives a total ordinary dividend for the year of 116.84 pence (2022/23: 106.82 pence).

The final ordinary dividend is payable on 17 July 2024 to shareholders on the register at 31 May 2024.

MANAGING RISKS AND OPPORTUNITIES

We operate a robust risk and opportunity framework to effectively identify, assess and mitigate risks to delivering our strategic priorities.

2023/24 risk environment

2023/24 has seen continued attention and scrutiny on the water sector to challenge the industry to improve its environmental performance. Within the regulatory framework we continue to perform well and are confident of achieving EPA 4* status for the fifth consecutive year, demonstrating our commitment to the environment. The UK economic growth slowed over 2023 in the face of rising interest rates, high inflation and elevated levels of uncertainty. These have impacted disposable household income and some of our customers' ability to pay bills. We offer several schemes to support our customers who are struggling to pay their bills (see pages 110 to 111 for more information).

Globally, geopolitical issues have intensified and spread across the Middle East, which has the potential to impact global supply chains, as shipment delays through the Suez Canal can hinder the supply of components and increase the cost of raw materials. In response to this, we completed a full review of our supply chain and are confident in our ability to manage any issues that could arise.

Severn Trent operates Critical National Infrastructure ('CNI') and we performed a detailed review of the National Risk Register which covers economic, social, environmental, and technological risks. This ensures we are aligned with the Government's assessment of the risks facing the UK in the short, medium and long term.

This year was the second warmest on record for the UK, narrowly behind the record set as recently as 2022. 2023/24 was also relatively wet, with 1,290mm of rainfall and we experienced the most active start to the storm season since naming storms began in 2015.

We are embracing opportunities enabled by technology, for example there is a leading AI trial to predict weather conditions and this will allow us to take appropriate preventative action to protect our network.

In October 2023, we submitted our ambitious PR24 Business Plan (the 'Plan') to Ofwat, outlining our strategy and objectives over AMP8. We successfully completed a £1 billion equity placing in 2023 in order to raise funding to support the significant step up in investment planned for AMP8. Our Plan has been developed to ensure we are prepared to meet future challenges, which include climate change, population growth and new legislation.

Our aim is to continue to make a positive difference to our customers, communities and the environment both now and in the future.

Risk appetite statement

All businesses are exposed to a variety of uncertainties and need to take a degree of risk to achieve strategic objectives. Severn Trent will only take calculated risks that are consistent with our purpose, values and strategy, are thoroughly understood and can be effectively managed. The Board has overall responsibility for determining the nature and extent of the risks Severn Trent takes and for ensuring our risks are well managed across the Group.

The Board monitors the Group's risk profile to achieve an appropriate balance between risk and leveraging opportunities which are critical to delivering our strategic objectives. Additionally, the Board considers risks, and combinations of risk, in the short, medium and long term to ensure we have appropriate mitigation strategies in place. Risks related to our longer-term prospects and the viability of the Group have been assessed (see our Viability Statement on pages 103 to 107).

The water sector has inherent risks, particularly due to the nature of operations and services provided. As such, risks need to be appropriately managed in line with the scale of our infrastructure, with a strong focus on the environment and the health, safety and wellbeing of our colleagues and the communities we serve.

Our sector is subject to high levels of political, regulatory, and financial scrutiny, and we recognise the importance of our stakeholders' evolving expectations and the impact of climate change when we are planning and responding to risk.

Within the Severn Trent Group, we operate both regulated and non-regulated businesses, which have different risk profiles and tolerances:

- Our regulated water and wastewater businesses are monopoly providers that are regulated and characterised by relatively stable, inflation-linked cash flows.
- Our non-regulated businesses have more variable cash flows and operate in less predictable and competitive environments.

Our risk priorities

In addition to managing the inherent risks associated with our business, we prioritise the following due to their alignment with the strategic areas of focus for Severn Trent:

- The health, safety and wellbeing of our people and the communities we serve and we have no appetite for risks brought on by unsafe actions.
- Protecting the environment is a key long-term commitment. We aim to enhance the water environment, including rivers, and improve the biodiversity in our region through effective risk management.
- Adherence to laws and regulations is a fundamental requirement and we are committed to ensuring compliance with all UK water regulations and to operate within our licence permits. As a result, we have no appetite for compliance-related risks.
- Our approach to financing is to take measured risks which are consistent with providing resilience, delivering sustainable outperformance and offer the best long-term value for our customers and shareholders.
- We are determined to play a leading role in addressing the impact of climate change through mitigating our own impact and that of our supply chain. We will adapt to the challenges which climate change may bring in the future.

Our risk and opportunities management framework

Our approach to risk allows us to adapt to changing internal and external factors through utilising the three lines of defence model and combining top-down with bottom-up risk management approaches. This model provides both a clear articulation of risk appetite and a comprehensive process for risk identification, assessment and management. Combining top-down and bottom-up approaches is necessary to be agile and respond to a continuously changing environment and consequently, a changing risk landscape.

Our approach cannot, and does not, seek to eliminate all risk entirely, but ensures we can effectively navigate the challenges and opportunities we face, only taking risks that are within our risk appetite.

A key component of our framework is the range of cross-departmental groups which facilitate and support collaboration, analyse data, provide insight and enable risk-based decision making. Our risk management framework outlines the groups and the roles performed in risk management across Severn Trent, which is underpinned by effective communication channels.

Risk governance and oversight

The Board:
- Sets the risk culture.
- Defines and regularly reviews the risk appetite.
- Challenges the level of risk taken to pursue objectives.
- Makes risk-informed decisions and provides oversight for key strategic risks.
- Responsible for effective risk oversight of enterprise-wide risks at Group level.
- Undertakes an annual assessment of Principal Risks.
- Provides insight and challenge to horizon scanning.

The Audit and Risk Committee:
- Supports the Board in monitoring significant risks and tracking progress against risk mitigation plans.
- Approves the ERM Risk Management Policy.
- Ensures that risks and opportunities are effectively managed across the Group.
- Discussions on both existing and emerging risks.

Risk management and oversight

The Executive Committee:
- Supports the Board in the management and oversight of risk.
- Assesses the level of risk taken in achieving objectives by challenging the AMP7 Business Plan and the forthcoming AMP8 Business Plan.
- Individual members of the Executive Committee are assigned relevant risks and review the risk mitigation strategies.
- Sets and evaluates risk tolerances.
- Identifies and assesses Principal and Emerging Risks.
- Reviews horizon scanning.

Risk ownership, management and oversight

Top-down

Bottom-up

1st line of assurance

Strategic planning:
- Develops longer-term, holistic risk response plans, e.g. WRMP.
- Establishes critical controls for ensuring the operational effectiveness of essential services.

Service Area Boards:
- Assesses capital investment programme management.
- Implements strategic risk management processes, such as the DWMP.
- Assesses all categories of risk at an operational level.

ERM Co-ordinators and Risk Champions:
- Day-to-day risk and incident management.
- Identifies, assesses and responds to risks at a local level through continual monitoring.
- Produces risk response plans and strategies.
- Develops, implements and monitors key controls.
- Follows our Risk Management Framework.

2nd line of assurance

Strategic Risk Forum:
- Assesses the Business Units reported risks and mitigation plans, and challenges any ERM information or deliverables.
- Reviews and validates all ERM reporting and risk-related information prior to Board meetings, including the Principal Risks.

Central ERM Team:
- Applies the risk management framework and establishes best practice risk processes.
- Owns the corporate ERM system and reports key risk information, including response plans and risk tolerance.
- Provides guidance and training for the risk community.

Technical and Governance Assurance:
- Ensures the 1st line of assurance is effectively designed, embedded and operating as intended.
- Provides expertise to support, monitor and challenge on risk related topics.

3rd line of assurance

Internal Audit:
- Provides assurance for significant risk mitigation strategies.
- Assesses the effectiveness of risk programmes by testing key controls.
- Evaluates the internal control environment.

Our risk management process

Risk management principles are embedded throughout the business and are a core component of our overarching structure to achieve our strategic priorities.

We have an established ERM cycle, shown to the right, with a strong focus on continuous improvement and feedback. Our ERM cycle is divided into four main stages which help us to identify, evaluate, manage, report and assure our risks. This ensures a consistent approach to risk management is applied across Severn Trent.

Our ERM approach also provides a comprehensive overview of significant risk events, including emerging risks through horizon scanning, which must be managed within the Group's risk appetite and supported by appropriate assurance activity.

Our Central ERM Team oversees the ERM Risk Management Policy, which forms part of our governance process and supports our values and culture. Our risk community, which includes ERM Co-ordinators and Champions, helps to embed and drive risk management across our business.

Our strong continuous improvement culture ensures that risk discussions occur on a consistent basis at all levels of the business. The bottom-up approach helps ensure risk management is informed by, and embedded in, our everyday operations. From day-to-day asset operation and monitoring, medium-term through the deployment of capital investment, to the long-term modelling of our asset health and performance. We also adapt our approach to reflect societal expectations and environmental changes. A standardised criteria is used to consider the likelihood and velocity of risk occurrence and provides a framework to quantify potential financial and reputational impacts.

Risk Bow Tie

We utilise the 'Risk Bow Tie' management tool which is used by many organisations to simply convey complex risks. The tool enables a clear differentiation between proactive and reactive risk management and creates a consistent structure for capturing causes and consequences.

The potential causes, impacts and controls related to each risk are documented in our corporate risk system. The risk causes have also been linked with recognised climate drivers, where the likelihood could be exacerbated by a different climatic future.

The 'Risk Bow Tie' assessment provides confidence that we have developed and deployed effective risk response strategies. This also provides an opportunity for the Central ERM Team to challenge whether additional controls are required.

Risk reporting

Risk information from our business units is combined to form a consolidated view of risk across the Group. Our significant risks form our Group risk profile which is reported to the Strategic Risk Forum ('SRF'), and subsequently the Executive Committee for review and challenge. This is then formally reported to the Audit and Risk Committee and the Board every six months. The report provides an assessment of the effectiveness of controls for each risk in our Group profile, and action plans to improve controls where necessary.

Our ERM risks are linked with our Licence to Operate obligations. This helps to create a dynamic link with our core commitments as a water company and improves our risk reporting to the Board and Audit and Risk Committee.

OUR PRINCIPAL RISKS

In accordance with the 2018 UK Corporate Governance Code, the Board is responsible for determining the nature and extent of the Principal Risks of the business.

Our Principal Risk profile is updated each year to reflect the changing risk landscape. The Board and Executive Committee have completed a robust review and assessment of the Principal Risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This review ensures we have appropriate coverage for risks which have the potential to:

- adversely impact the safety or security of the Group's employees, customers, communities and assets;
- have a material impact on the financial or operational performance and resilience of the Group;
- impede achievement of the Group's strategic objectives and financial targets; and/or
- adversely impact the Group's reputation or stakeholder expectations.

Following our latest review, the number of Principal Risks has increased from 11 to 13. These changes do not reflect any deterioration in our overall risk position and are necessary to reflect changes in our risk environment and ensure our mitigation strategies remain appropriate. The changes provide greater alignment with our strategic objectives and ERM risks.

Risk assessments form a key part of our business and decision-making processes, enabling us to respond promptly to risks when they arise and ensure that our stakeholders are well informed. To appropriately detect early warning signals and prepare for Emerging Risks, we track and report these as part of the embedded reporting cycle. We also undertake regular horizon scanning and this is reviewed by the SRF, Executive Committee, Audit and Risk Committee and Board. A summary of the key Emerging Risks is shown on page 102.

Severn Trent Water is the principal operating subsidiary of the Group and this structure is reflected in how we categorise and report our Principal Risks. For each Principal Risk reported on pages 95 to 101 we have included the following:

- examples of risk mitigation strategies;
- changes to risk profiles since the last report; and
- key risk indicators to track the probability of a Principal Risk materialising.

We have also provided details of how each Principal Risk is aligned to our strategic objectives under our Corporate Strategy:

How our Principal Risks link to our Corporate Strategy

Stakeholders

- Our customers
- Our colleagues
- Our communities
- Shareholders and investors
- Suppliers and contractors
- Regulators and Government

Change in year

- Increase in risk exposure
- Decrease in risk exposure
- No change in risk exposure
- Re-scoped risk
- New risk

Health and safety

Principal Risk 1

Due to the nature of our operations, we could endanger the health and safety of our people, contractors and members of the public

Strategic objectives

Stakeholders

Examples of risk mitigation

- The Group's Goal Zero Policy clearly sets out our target that no one should be injured or made unwell by what we do.
- We have a well-established Health, Safety and Wellbeing Framework to ensure all our operations and processes are conducted in compliance with health and safety legislation and in the interests of the safety of our people and contractors. The Framework is subject to regular review.
- We have a competency framework and compliance with mandatory training is regularly monitored.
- Our supply chain is monitored through site manager forums and on-site inspections, including health and safety reviews to ensure compliance.
- Health and safety bulletins are cascaded throughout the Group, including our supply chain.
- A dedicated Health, Safety and Wellbeing Toolkit, called Safety Net, allows real-time data recording to capture, analyse and report on all health, safety and wellbeing incidents. Targeted interventions are tracked to ensure they are implemented in a timely manner.
- We monitor and investigate relevant health and safety incidents to identify lessons learned.

Key updates in the year

- The Health and Safety Team supported the transition and insourcing of the Customer Solutions Plus wastewater contract activities into our Waste Networks Team. The Team worked closely with the business to ensure the onboarding and induction processes provided all the appropriate health and safety prior to the go-live. The focus on health and safety continues in this area.
- On 2 October 2023, one of our Green Power sites at Worton Farm, Cassington was struck by lightning. The strike ignited three of the digester tank roofs. Our safety procedures and protocols operated effectively and the site was immediately evacuated. None of our employees or any of the local communities were injured. In response to the event, an independent lightening protection specialist was appointed to undertake a risk assessment across the Group's estate. In parallel, an internal review was conducted, including physical asset inspections at all of the Company's DSEAR sites to review assets and site records. The process also included a review of previous risk assessments to ensure no further actions were required in response to the event (read more on page 82 to 83).
- Additional auditing is underway of our Tier 2 suppliers to ensure our health and safety protocols are adhered to. This is particularly pertinent due to the high level of investment required in AMP8.
- Health and safety performance is shared with colleagues through our monthly Team Talk.
- Our Goal Zero report provides interactive Health, Safety, Security, and Wellbeing information in relation to colleagues and contractors. The report enables us to drill down into the data for every team.

KPIs

- Lost Time Incident ('LTI') rate target, see page 17

Infrastructure failure and asset resilience

Principal Risk 2

We do not provide a safe and secure supply of drinking water to our customers

Strategic objectives

Stakeholders

Examples of risk mitigation

- We have developed comprehensive resilience plans, such as our WRMP and Drought Plan, to inform our capital investment programme and Business Plan.
- Key operational employees are required to complete mandatory water quality competency training.
- We have invested in our in-house capability to bolster repair teams and accelerate response times.
- Our 24/7 Control Centre monitors our operations and assets, including real-time telemetry coverage from our loggers.
- We run strategic modelling to assess potential changes to supply and demand on our water network, including the impact of climate change. See Principal Risk 11.
- We regularly review and update processes, standards and operational procedures.
- Business continuity plans are in place across the Company for incident management and our teams are well versed in the actions which need to be taken in the event of a hot weather incident, including a standby rota for colleagues to provide additional support.

Key updates in the year

- We have refreshed our CRI sustainability plan to ensure we focus on the right improvement areas to further drive our baseline CRI performance. Our reservoirs are at higher levels than previous years, with water storage in the Severn Trent region at 98.5% of capacity on 25 March 2024.
- Our draft WRMP 2024 provides details on how we secure our water supply, taking into account future challenges (e.g. climate change, increased demand).
- We have outlined in our AMP8 Business Plan that we will use a combination of enhanced treatments, including ultraviolet ('UV') and advanced ceramic membranes, to ensure our customers continue to benefit from high-quality drinking water.
- To reflect our commitment to supporting customers and Licence Condition G: Principles for Customer Care, which was introduced by Ofwat in February 2024, we will be publishing our Customer Vulnerability Strategy in the summer of 2024. This will include details on how we: provide a high level of service to vulnerable customers; ensure inclusivity by design; effectively capture extra needs; and provide additional support when required. We also have a Priority Services Register and we actively encourage customers, friends or family to let us know of anyone who might benefit from extra help, for example, if there is an issue on the network or if they would appreciate receiving their bills in a different format.

KPIs

- Supply interruptions (no. of minutes), see page 16
- Leakage % (Ml/d) target, see page 16
- CRI (index), see page 16
- % water quality competency training competed target
- Priority Services Register (%), see page 17

Infrastructure failure and asset resilience

Principal Risk 3

We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment

Strategic objectives

Stakeholders

Examples of risk mitigation

- We complete strategic modelling, such as for the DWMP, to assess potential changes to the supply and demand on our wastewater network. This enables us to proactively reduce service issues and potential damage to the environment.
- Our 24/7 Control Centre monitors our asset performance, including real-time telemetry coverage.
- We have an in-house Wastewater Network Response Team and key operational employees are required to complete mandatory training programmes to ensure continued competence with evolving standards.
- We run educational programmes for customers to promote safe use of the wastewater system, including appropriate disposal of wet wipes and cooking fat.
- We monitor all sites with Flow to Full Treatment ('FFT') permit requirements via our dedicated Flow Performance Team.

Key updates in the year

- In May 2023, we in-sourced over 400 people to our reactive waste team to further improve our services for customers. This allows us to react even faster to pipe blockages and flooding.
- We have experienced several named storms in 2023 and 2024 placing increased stress on our waste network. Our operational teams responded quickly to the extreme weather events and we increased the number of colleagues available to help meet the increased demand on our network.
- We have 24/7 Incident Response Teams who provide extra support during events, including delivering additional tankers.
- There are more than 2,400 storm overflows across our region, which are designed to protect homes and businesses from flooding and we are working towards having 40,000 sewer sensors within our network by 2025. This is a game changer as they provide data at least once every 15 minutes so we can constantly monitor and proactively address any issues before they arise.
- We are transforming wastewater management with an industry-leading AI trial to predict weather conditions, forecast maintenance and control waste flow to effectively predict issues and prevent them before they occur.
- Our WINEP programme of 'no-regrets' investment will deliver benefits to protect and enhance the water environment, whilst also preparing for future requirements. Our AMP8 WINEP programme was developed over 18 months and represents an EA approved, best-value programme of work that satisfies our statutory obligations.

KPIs

- Internal sewer flooding (no. of incidents), see page 16
- External sewer flooding (no. of incidents), see page 17
- Public sewer flooding (no. of incidents), see page 17
- Pollutions incidents (no. of incidents), see page 16

Customer service and experience

Principal Risk 4

We do not meet the needs of our customers or anticipate changing expectations through the level of customer experience we provide

Strategic objectives

Stakeholders

Examples of risk mitigation

- Service Level Agreements ('SLAs') are in place and are communicated to our customers who require assistance.
- We have a specialist Digital Team that monitors activity and enables us to engage with and respond to customers digitally, whether on social media or WhatsApp, to inform them of planned and reactive work.
- With customer-tested acceptability levels of 76%, our AMP8 Business Plan is well supported by our customers.
- The Priority Services Register supports customers with special requirements to give them a more personalised service.
- We have a robust incident management process, which includes procedures for vulnerable customers in the event of operational events that impact service levels.
- Our Retail Transformation Plan and Customer Experience Steering Group help drive further improvements in relation to our customers' end-to-end journeys.
- Our Developer Services Team proactively engages with local new-build developers, to ensure the appropriateness of supply planning and connections.
- A dedicated Non-Household Customer Team actively engages with and responds to market retailers.

Key updates in the year

- Our billing system will be replaced with the cutting-edge and award-winning utilities Kraken system to transform the experience our customers receive. We are working hard to ensure there is a smooth transition, without any data loss or reduction in customer service levels which could impact C-MeX performance
- We want to ensure our customers receive a high level of service and adhere to Licence Condition G, which was introduced by Ofwat in 2024. We have focused on ensuring we have an appropriate strategy and supporting processes for keeping our customers informed and updated. The full diversity of our customer needs has also been identified and understood.
- We recognise that applying a regional focus can deliver significant improvements across the Group. Our County Cup initiative is a county-based challenge for all colleagues at Severn Trent Water. Everyone has the opportunity to get involved and go above and beyond for our customers and communities (you can read more on page 19).
- Our customers can now use the Video your Notes ('Vyn') platform to send a video of any issues directly to our engineers for review and then contact customers to book a visit.
- We launched a new initiative 'Going the Extra Mile' to promote greater customer service and colleagues taking ownership of the end to end customer journey.

KPIs

- C-MeX (index), see page 16
- D-MeX (index), see page 16
- Customer written complaints (no. of complaints)
- Priority Services Register for customers in vulnerable circumstances (%)

Supply chain and capital project delivery

Principal Risk 5

Key suppliers cannot meet contractual obligations, causing disruption to capital delivery (cost and quality) and/or critical operational services

Strategic objectives

Stakeholders

Examples of risk mitigation

- We have framework agreements covering multiple contractual partners, to provide a flexible and diverse supply chain.
- We use a gated capital process to provide assurance around the design and delivery of our projects.
- We have dedicated quality and assurance teams who perform in-depth quality reviews. Commercial auditing is performed on key activities which are delivered by suppliers.
- We regularly review contracts and have contract performance meetings. These include a review of KPIs and proactive supplier and market assessments.
- Appropriate regular training is provided for contract management teams.
- We regularly verify the financial stability of the Severn Trent supply chain through a robust process, which includes lead measures.
- We have regular management reviews with our critical material suppliers, including at CEO level if needed.
- We audit our supply chain on various key indicators, such as Modern Slavery.

Key updates in the year

- We undertook a review examining the resilience of our supply chain, identifying supply chain risks and building mitigation actions associated with the Middle East conflict and in particular associated attacks on commercial vessels in the entry/exit to the Red Sea.
- We continue to conduct supplier heat-mapping for all our contracted supply chain, which helps provide ongoing monitoring and early warnings, including financial stability.
- AMP8 will see us launch our biggest investment programme of £12.9 billion. We have tested the strength and resilience of our supply chain to ensure readiness for AMP8. You can read more on pages 6 and 7.
- We have a wide range of Tier 2 and 3 suppliers in our framework, increasing the reliability of the supply chain, with quality alternatives in the event a supplier is no longer available.
- We perform an annual exercise to confirm our capital delivery suppliers are compliant with the contract and other key aspects (e.g. health and safety certificates).
- A review has been performed to determine interdependencies within the water sector in relation to the supply chain, and appropriate actions have been taken to reduce any risk.
- Our Cyber Security Team have completed surveys on our supply chain.
- We use EcoVadis to assess suppliers' sustainability risk and maturity levels.

KPIs

- Number of project milestones completed on time (no. of projects)
- Ratio of critical single source supplier (%)

Security and resilience

Principal Risk 6
Core operational capabilities are compromised through physical, people or technological threats

Strategic objectives

Stakeholders

Examples of risk mitigation
- Our Information Security Team and Data Privacy Officer are responsible for monitoring information security and cyber threats.
- A dedicated Security Team and Alarm Receiving Centre, a requirement of Defra (Department for Environment, Food and Rural Affairs) /DWI (Drinking Water Inspectorate), allows us to monitor and respond remotely on our most critical sites that have had physical and electronic security upgrades.
- Proactive and robust support is in place for our monitoring technology (e.g. alarms and cameras), with appropriate maintenance plans.
- Mandatory annual cyber security training for all employees.
- A robust operational security programme, including physical access controls, on-site and remote system protection. There is a programme of regular internal and third-party testing of our security network and systems.
- An effective vulnerability management system, including penetration testing of publicly accessible systems, behavioural alerts, patching processes, data disposal and access controls, including multi-factor authentication.
- We work closely with third-party IT service partners to manage risk and improve technical standards.
- We have disaster recovery plans that are stress tested and updated annually.
- Migration to cloud platforms is improving the resilience of our disaster recovery and business continuity plans.
- Security standards are understood with relevant 'What If' scenarios documented and tested. Documented security investigation processes are in place, including root cause analysis.
- We have appropriate operational asset protection including both physical and electronic protection.
- All operational and office sites have business continuity and crisis management plans in place, which are regularly tested.

Key updates in the year
- We have refreshed the wording of this Principal Risk to include physical and people threats as they can all compromise our core operational capabilities.
- To further drive our strong security position, we have submitted two security enhancement cases with our AMP8 Business Plan: enhancing cyber security to increase cyber resilience in line with National Cyber Strategy 2022; and physical security to meet the Security and Emergency Measures (Water and Sewerage Undertakers and Water Supply Licensees) Direction 2022 ('SEMD').
- We achieved compliance with the Network and Information Systems Regulations ('NIS-R') a year early, demonstrating our commitment to early adoption and the protection of our operational capabilities.
- We have an IT Business Continuity Board to ensure risks are effectively managed.

KPIs
- Number of high- and medium-priority incidents (no. of incidents)

Political, legal and regulatory

Principal Risk 7
Changing societal expectations, resulting in stricter legal and environmental obligations, commitments and/or enforcements, increase the reputational risk of non-compliance

Strategic objectives

Stakeholders

Examples of risk mitigation
- A fundamental process when developing our plans (e.g. AMP8) is to perform detailed customer research. This enables us to understand the views and priorities of customers and key stakeholders.
- We actively engage with the UK Government, MPs, the Welsh Government, regulators and other stakeholders about the future direction of the water sector.
- We operate an established Governance Framework, comprising policies and training, to ensure ongoing compliance with applicable laws and regulations. This includes Competition Law for the operation of separate wholesale and retail businesses and between our Group businesses and the General Data Protection Regulation ('GDPR'). These are regularly reviewed to capture any changes.
- Investment plans are subject to regular reviews, at least on an annual basis, to take account of changes to legislation, regulation and our business.
- External legal advisers provide detailed updates in respect of upcoming legislation that may affect the Group.
- As part of our Licence to Operate process, we ask relevant managers, Strategic Leaders and Directors to complete a self-declaration twice a year.

Key updates in the year
- In February 2024, Severn Trent Water was fined £2 million for a pollution event which occurred at our wastewater treatment works in Barlaston during 2020. We take all events of this nature very seriously, at all levels of the Group. We have implemented lessons learned to improve our preparedness, and minimise the likelihood of similar events in the future. Please refer to page 15 for more details.
- There has been continued public and media attention, especially for combined sewer overflow ('CSO') spills. We want to go further and faster than we've been asked to do, by reaching the Government's 2050 target five years quicker.
- We have created a Zero Spills Hub where we will deploy solutions, at scale and in combination, to ensure we understand our catchment system and can take wastewater safely away to reduce overflow spills and flooding. This will utilise AI, machine learning, alongside other technologies in order to improve our network optimisation.
- We have a dedicated CSO Team and are taking our commitment to performance a step further by creating an ODI Centre of Excellence. This includes a team of analytical specialists from across the business who will critically review our plans for key ODIs and identify improvement opportunities.

Financial liabilities

Principal Risk 8
We fail to fund our Severn Trent defined benefit pension scheme sustainably

Strategic objectives

Stakeholders

Examples of risk mitigation
- Our deficit recovery plans are agreed by the Trustees and the Company. The plans state the cash contributions required from Severn Trent to the scheme.
- In November 2022, the Company agreed the triennial actuarial valuation as at 31 March 2022, including unchanged repair payments of c.£65 million per annum.
- Interest rate, inflation and equity risks are managed through appropriate hedging strategies to manage downside risks, with regular monitoring in place.
- We continue to work with the Trustees in considering the Pensions Regulator's consultation on its Funding Code Of Practice.
- The Company is represented on the Investment Committee of the scheme and the Investment Policy is formally approved by the Chief Financial Officer.

Key updates in the year
- The IAS 19 pension deficit at the year end has reduced to £213 million (net).
- Our current position remains above our funding journey plan agreed at the last valuation.

KPIs
- Pension deficit (£m)

Financial liabilities

Principal Risk 9
We do not have access to funds to meet ongoing commitments and finance the business appropriately

Strategic objectives

Stakeholders

Examples of risk mitigation
- The Group's treasury activity is overseen by our Treasury Committee, with support from dedicated advisers.
- The Group has a diversified capital structure, in terms of both tenor and access to global debt capital markets, in order to mitigate risks.
- The Group maintains liquidity headroom of at least 15 months in line with the Board approved Liquidity Policy.
- The Group has committed credit facilities for five years.
- The Group cash balances are deposited across a range of investment-grade counterparties to spread and mitigate risk.
- The proportion of the Group's debt maturing in any AMP period does not exceed 40% of the Group's total debt in order to reduce refinancing risks.
- Treasury policy statements and procedure manuals are in place and operating effectively. These are reviewed at least annually.
- We successfully completed a £1 billion equity raise to fund unprecedented long-term growth opportunities in preparation for AMP8.

Key updates in the year
- As at 31 March 2024 the Severn Trent Group is in a strong liquidity position with £953 million cash and £1.1 billion undrawn committed facilities, providing liquidity until early 2026.
- In September 2023, Severn Trent Plc raised £1 billion in new equity to support our AMP8 investment programme, ensuring financeability of our AMP8 Business Plan.
- We have also been active in the debt markets having raised around £1.4 billion in new debt from a range of diverse sources, including a €500 million sustainable EUR bond.
- Our strong balance sheet, stable investment grade credit ratings and sector-leading operational performance means we are well positioned to continue to raise new finance as we move into AMP8.
- Please also refer to our Viability Statement on pages 103 to 107.

KPIs
- Months of liquidity (no. of months)

Strategy

Principal Risk 10
Unforeseen changes in the external environment could impact our ability to achieve our ambitions within the regulatory framework

Strategic objectives

Stakeholders

Examples of risk mitigation
- Our ambitious PR24 Business Plan sets out the progress we will make from 2025-30 towards the 2050 aims outlined in our Long-Term Delivery Strategy ('LTDS').
- Our LTDS brings together every aspect of our planning over 25 years and uses Ofwat's adaptive planning approach to create the best long-term strategy for our customers and our region. Our approach ensures we have strategic flexibility built in to adapt to changing circumstances.
- Our Strategic Direction Statement sets out our long-term priorities based on our view of future trends and the areas of importance to our customers, regulators, investors, employees and wider society.
- Horizon scanning is completed on a regular basis to monitor external trends, including political, economic, social, technological, environmental and legal ('PESTEL') factors to help identify potential threats and opportunities early.
- Scenario planning is completed to explore different potential outcomes and impacts, ensuring we have robust strategies which can adapt to changes.
- We foster a culture of innovation to develop new products, services or business models that can adapt to changing market needs.

Key updates in the year
- The Central ERM Team has led the Group's annual horizon scanning exercise for 2023/24, identifying Emerging Risks through a systematic assessment of potential threats and opportunities. Early insights enable us to proactively manage risks and identify opportunities to drive growth within our business. We have leveraged well-recognised external publications for the horizon scanning exercise.
- Our Plan sets out the progress we will make towards the aims outlined in our LTDS. The Strategy is based on a rigorous adaptive planning approach, which has involved many iterative steps and engagement with customers, stakeholders and our Board. It accounts for future uncertainty by using different pathways and scenarios to test investment propositions. This gives us confidence we are making the right long-term choices in our plan. A copy of the plan is available on our website.

Climate change, environment and biodiversity

Principal Risk 11
Severn Trent's climate change strategy does not enable us to respond to the shifting natural climatic environment and maintain our essential services

Strategic objectives

Stakeholders

Examples of risk mitigation
- We utilise scenario planning and data modelling to understand the impact climate change could have on our essential services (see Principal Risks 2 and 3).
- Our WRMP and DWMP provide a 25-year, longer-term planning approach to address future challenges, including climate change.
- Our AMP7 and AMP8 Business Plans support increased resilience against the potential impacts of climate change through the delivery of capital schemes (see Principal Risk 5).
- We have a climate change strategy (described in more detail on pages 47 to 48, which ensures a robust response in order to protect our value chain.
- Our Triple Carbon Pledge commits us to net-zero operational emissions, 100% renewable energy and an all-electric fleet (where available) by 2030 (see page 68 for more details).
- We have committed to significantly reducing our greenhouse gas emissions by 2030 (read more on pages 68 to 75).

Key updates in the year
- During 2023/24, details of climate-related risks were shared with the Board and discussed.
- In October 2023, the Board held its annual Board Strategy Day, where time was spent exploring topics relevant to the future of our business, including ESG considerations.
- Our Plan sets out the priorities of the Group to support the long-term sustainability of our business for customers and stakeholders. The Business Plan recognises that our world is changing faster than ever before through: new technologies; climate change; shifts in demographics, societal expectations; and the economy, which create both challenges and opportunities.
- In our 2022/23 Annual Report we published our first ever EU Taxonomy disclosure and expanded on this with a standalone disclosure in November 2023, outlining both our eligibility and alignment under the rules. Our latest disclosure is incorporated into this Annual Report on pages 76 to 81.

KPIs
- See the Metrics and Targets section that forms part of our approach to climate change on pages 63 to 67

Climate change, environment and biodiversity

Principal Risk 12

Failure to act as a steward of natural capital in our region providing social, environmental and economic benefits

Strategic objectives

Stakeholders

Examples of risk mitigation

- Our Get River Positive pledges demonstrate our passion to make a positive impact on the communities and the environment where we live and work.
- We support the Get Nature Positive journey in our region to protect biodiversity by working in partnership with regulators and other stakeholders.
- Strategic plans and a number of ODI commitments are in place to enhance biodiversity in our region and protect the local environment, including reducing the likelihood of pollution incidents, delivering biodiversity improvements and ensuring environmental compliance.
- Catchment management practices are used to work with landowners in our region to mitigate the effect of pesticides, fertilisers and organic nutrients on the environment and biodiversity.
- Modelling is utilised to determine the impact of increasing pressures on nature, for example from climate change through drought or extreme weather events (see Principal Risk 11) and biodiversity loss that has potential to impact ecosystems.
- Using our in-house ecology expertise to enhance the Group's capability to work towards enhancing biodiversity.

Key updates in the year

- As part of our AMP8 Business Plan and LTDS we have outlined a number of initiatives to enhance the natural environment of the various habitats across our sites. This ensures we are resilient to a number of nature-related risks and are able to explore opportunities. Modelling and scenario planning have been used to inform our decisions.
- Nature is critical as we move to more nature-based solutions. Our approach builds on a track record of delivering significant improvements to the biodiversity of our natural environment, both independently and through third-party co-operation. For example, our Zero Spills Hub will enable us to trial combinations of different approaches, including AI to optimise asset use and nature-based solutions to prevent spills.
- You can read about our approach to managing the range of nature-related risks and opportunities, and how we are preparing for TNFD, in our TCFD disclosure on pages 42 to 67.
- As part of our Green Recovery Programme we are installing over 157,000 smart water meters for our customers. A further 250,000 will be installed before March 2025.
- Our groundbreaking work, which includes the creation of a new £40 million Net Zero Hub, won the coveted title of 'Net Zero Carbon Initiative of the Year' at the 2023 Water Industry Awards.

KPIs

- Biodiversity (no. of hectares improved), see page 42

People and culture

Principal Risk 13

Our people and culture do not adapt in response to a changing environment and take advantage of technological advancements to deliver enhanced business performance

Strategic objectives

Stakeholders

Examples of risk mitigation

- We have a robust recruitment strategy which is focused on attracting top talent with the desired skills for both now and in the future.
- There are dedicated apprenticeships and graduate schemes available to ensure we have the right skills for the future. We also embraced the Government's Kickstart Scheme by supporting 16-to-24-year-olds who are at risk from long-term unemployment by creating six month work experience opportunities.
- Our Ofsted-accredited Academy facilitates the training and upskilling of our colleagues in order to embrace technological advancements. The team at our Academy works closely with the business to understand the training needs and then targets training accordingly. We also recognise that everyone learns in different ways and the Academy goes beyond classroom learning, using a combination of the latest technology, with virtual reality, simulation and online learning. These all help to ensure our colleagues are equipped with the right skills to adapt to a changing environment.
- Our Diversity and Inclusion ('D&I') Strategy and our 'Wonderfully You' D&I ambition ensures we continue to reflect the communities we serve.

Key updates in the year

- As part of our Innovation Strategy, which was published in 2023, we have developed four trial hubs and each is focused on a specific strategic challenge. We will work with water companies, third-party suppliers and academics on the hubs, which provide a platform for proving technologies that support the delivery of commitments outlined in our AMP8 Business Plan, ODIs and UMEs. We will bring together artificial intelligence, machine learning and other critical technologies in order to deliver appropriate solutions.
- We want to embrace AI as a tool to be more creative and productive, while also protecting our privacy and data.
- Our colleagues now have access to Copilot, which offers the capabilities of GPT-4, with commercial data protection from Microsoft.
- We have created podcasts and held roadshows and leadership events for both colleagues and external stakeholders to share our plans for technology and demonstrate how it will be a key enabler.

OUR PRINCIPAL RISKS

EMERGING RISKS

We define Emerging Risks as upcoming events which present uncertainty; and those that we are currently monitoring as a potential threat. These Emerging Risks are not yet fully quantifiable, but we monitor developments carefully. The SRF, Executive Committee, Audit and Risk Committee and Board have carried out a robust assessment of the Group's Emerging Risks.

Emerging Risk management ensures potential risks are identified, with plans evaluated and stress tested in case they were to materialise. Our processes aim to identify new and changing risks at an early stage and analyse them thoroughly to determine the potential exposure for Severn Trent. We continually identify and monitor Emerging Risks using our top-down and bottom-up processes. Our network of ERM Co-ordinators, ERM Champions and Risk Owners use techniques such as cross functional workshops and PESTEL analysis. This culminates in an Emerging Risk horizon map which is shared with the SRF, Executive Committee, Audit and Risk Committee and Board on a regular basis.

We closely monitor Emerging Risks that may, with time, become complete ERM risks and be incorporated into the existing corporate risk reporting process; be superseded by new Emerging Risks; or cease to be relevant as the internal and external environments in which we operate evolve.

Our regular horizon scanning exercise identifies Emerging Risks that have the potential to increase in significance and affect the performance of the Group.

The table below provides examples of Emerging Risks.

Title	Detail	Relevant Principal Risk	Relevant Strategic Objective	Time Horizon
Escalating global geopolitical tensions and supply chain disruption	– Ongoing conflicts around the world could intensify and spread, with possibilities for sanctions to discourage further escalation and increase pressure on supply chains. – Supply chain shortages and resource security pressures increase commodity prices and could result in an economic slowdown. – State sponsored cyber attacks target key sectors, including the water industry.	– 5, 6 and 7		Short-term and medium-term
AI driven innovation	– AI presents many opportunities, but needs to be developed in an ethical way to mitigate against potential data security and cyber attack risks and address growing concerns across consumer groups. We expect further legislation following the EU AI Act 2023, the first regulation on artificial intelligence. – AI-generated content becomes more prevalent with the possibility of spreading misinformation. – Increased processing power will automate basic activities and support decision-making (e.g. maintenance schedules).	– 4, 7 and 13		Short-term and medium-term
Evolving legislation	– The UK General Election, which must be held by 28 January 2025, could result in a change of Government and an acceleration of legislation changes as per the published manifestos issued by political parties. – Increasing research into the impact of per- and polyfluorinated substances ('PFAS'), known as 'forever chemicals', could result in changes to existing regulations and impact testing and treatment processes. – Tighter reporting requirements and greater public focus on our environmental performance (e.g. CSOs). – Changing legislation to reduce the use of chemicals as it is deemed to be unsustainable due to the carbon footprint, (e.g. phosphate chemicals as a protective scale on lead pipes).	– 2, 3 and 7		Medium-term and long-term

VIABILITY STATEMENT

Assessment of current position and long-term prospects

The directors' assessment of the Group's current financial position is set out in the Chief Financial Officer's review on pages 84 to 91. Important aspects of that assessment that are most relevant to the assessment of viability are:

- The shadow regulated gearing is 59.7%, well within Ofwat's acceptable range;
- The Group has sufficient cash and available facilities to fund its financial commitments, including returns to debt and equity investors, operating and capital expenditure until February 2026;
- The Group's credit ratings from three agencies (S&P, Fitch and Moody's) are above the investment grade base level and are stable; and
- The defined benefit pension deficit decreased to £213 million in the year, and we are ahead of our deficit reduction plan in the most recent triennial valuation as at 31 March 2022.

Severn Trent Water, the Group's principal subsidiary, is a regulated long-term business characterised by multi-year investment programmes and relatively stable revenues. The water industry in England and Wales is currently subject to economic regulation rather than market competition and Ofwat, the economic regulator, has a statutory obligation to secure that water companies can (in particular through securing reasonable returns on their capital) finance the proper carrying out of their statutory functions. Ofwat meets this obligation by setting price controls for five-year Asset Management Periods (AMPs) including mechanisms that reduce the risk of variability in revenues from the regulated business in the medium term by adjusting future revenues to balance over or under recovery compared to the original plan.

AMP7 runs to 31 March 2025 and Severn Trent Water has developed its plans to deliver the operational and financial performance set out in Ofwat's determination. We have based our assessment of prospects for the next year on those plans.

PR24, the price review for AMP8, is currently underway. We submitted our Business Plan to Ofwat in October 2023 and their Draft Determination will be published in June 2024. We will respond to the Draft Determination by 14 August and expect to receive Ofwat's Final Determination in December 2024. We have included the AMP8 Business Plan submitted to Ofwat in the base case for our assessment of viability. In view of Ofwat's duty to ensure that water companies can finance the delivery of their statutory obligations we consider that any adverse outcomes in the Final Determination would be covered by the stress test scenarios that we have modelled.

When considering the Group's prospects beyond 2030, it is necessary to make assumptions about the price review process for the period 2030-2035 (PR29), which will take place in 2029. In making this assessment we have taken account of:

- Ofwat's statutory duty to secure that companies can finance the proper carrying out of their functions;
- Severn Trent Water's financial structure, which is within Ofwat's acceptable range;
- Severn Trent Water's plans for AMP8, the successful execution of which would deliver benefits to all stakeholders and financial incentives that would help to further strengthen our financial resilience in the period beyond 2030; and
- Severn Trent Water's longer-range plans, set out in our Water Resources Management Plan and Drainage and Wastewater Management Plan.

We have significant investment programmes, largely funded through access to capital markets. Our strategic funding objectives reflect the long-term nature of the Severn Trent Water business and we seek to obtain a balance of secure long-term funding at the best possible economic cost. Our Treasury Policy requires us to maintain sufficient liquidity to cover cash flow requirements for a rolling period of at least 15 months to limit the risk of restricted access to capital markets. Our Group treasury team actively manages our debt maturity profile to spread the timing of refinancing requirements and to enable such requirements to be met under most market conditions. The weighted average maturity of debt at the balance sheet date was 14 years.

Our Business Plan for AMP8 includes a significant increase in the size of our capital programme. We have made an early start to this and are already operating at the run rate required to deliver the AMP8 programme. We recognise the requirement for equity funding to play its part in financing this increase. To that end we raised £1 billion in a private placing of equity in October 2023.

We have an established process to assess the Group's prospects. The Board undertakes a detailed assessment of the Group's strategy on an annual basis and the output from this assessment sets the framework for our medium-term plan, which we update annually.

Our medium-term plan reflects the Group's prospects and considers the potential impacts of the Principal Risks and uncertainties. We perform stress tests to assess the potential impact of combinations of those risks and uncertainties. The plan also considers mitigating actions that we might take to reduce the impact of such risks and uncertainties, and the likely effectiveness of those mitigating actions.

Period of assessment

The Board considered several factors in determining the period covered by the assessment. The long-term nature of our principal business, together with relatively stable revenues and a model of economic regulation that places a duty on the regulator to secure that water companies can finance the proper carrying out of their functions, support a longer period of assessment.

However, the changing nature of regulation of the Water industry and the uncertain geopolitical and macroeconomic outlook increase the uncertainty inherent in our financial projections. We have an established planning and forecasting process and the Board considers that the assessment of the Group's prospects is more reliable if based on an established process. Our latest medium-term plan extends in detail to the end of the AMP8 period in 2030, with less detailed projections looking beyond this.

A longer period of assessment introduces greater uncertainty because the variability of potential outcomes increases as the period considered extends.

Bearing in mind the long-term nature of our business; the enduring demand for our services; our established planning process; and the changing nature of the regulation of the Water industry in England and Wales, the Board has determined that seven years is an appropriate period over which to assess the Group's prospects and make its viability statement this year.

Assessment of viability

In assessing our future prospects, we have considered the potential effects of risks and uncertainties that could have a significant financial impact under severe but plausible scenarios. The risks and uncertainties considered were identified in the Group's ERM process, which is described on pages 156 to 157, and from the key assumptions in the financial model.

While we have estimated the size of each of the severe but plausible scenarios described below, we have grouped scenarios with similar impact types together and performed stress testing for the scenario with the greatest impact. Where the scenario occurs at a point in time, we have assumed that it occurs at the point in the plan with the lowest headroom.

The risks and scenarios tested are described below:

Risk assessed	Severe but plausible scenario	Stress test applied
Due to the nature of our operations we could endanger the health and safety of our people, contractors and members of the public.	Serious injury, ill health or death of employees, contractors or members of the public as a result of what we do.	An extreme one-off event.
We do not provide a safe and secure supply of drinking water to our customers.	Catastrophic breach of a large raised reservoir (>25,000 cubic metres). Service failure leads to increased operating expenditure or failure to meet performance commitment targets.	An extreme one-off event. Totex underperformance in each year of the forecast. ODI penalty in a single year.
We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment.	An extreme breach in a sludge lagoon at a large sewage treatment works. Service failure leads to increased operating expenditure or failure to meet performance commitment targets.	An extreme one-off event. Totex underperformance in each year of the forecast. ODI penalty in a single year. A financial penalty.
We do not meet the needs of our customers or anticipate changing societal expectations with the level of customer service we provide.	Our customer performance is well below their expectations across a range of measures.	ODI penalty in a single year.
Key suppliers cannot meet contractual obligations causing disruption to capital delivery and/or critical operational services.	Significant increase in capital programme costs. Service failure leads to increased operating expenditure or failure to meet performance commitment targets.	Totex underperformance in each year of the forecast. ODI penalty in a single year.
Core operational capabilities are compromised through physical, people or technological threats.	A cyber attack results in a critical loss of personal data leading to regulatory action.	An extreme one-off event. A financial penalty.
Changing societal expectations, resulting in stricter legal and environmental obligations, commitments and/or enforcements, increase the risk of non-compliance.	A breach of law or regulations results in a significant one-off penalty. Failure to deliver regulatory obligations and expected performance levels.	A financial penalty. ODI penalty in a single year.
We fail to fund our Severn Trent defined benefit pension scheme sustainably.	Increasing pension deficit leading to higher deficit reduction contributions.	Increased pension contributions.
We do not have access to funds to meet ongoing commitments and finance the business appropriately.	N/A	N/A
Unforeseen changes in the external environment could impact our ability to achieve our ambitions within the regulatory framework.	Failure to provide water network and treatment capacity to meet requirements in future AMPs. Failure to safeguard wastewater network and treatment capacity to meet demand or increased environmental obligations in future AMPs.	Totex underperformance in each year of the forecast. ODI penalty in a single year.
Severn Trent's climate change strategy does not enable us to respond to the shifting natural climatic environment and maintain our essential services.	Service failure leads to increased operating expenditure or failure to meet performance commitment targets.	Totex underperformance in each year of the forecast. ODI penalty in a single year.
Failure to act as a steward of natural capital in our region providing social, environmental and economic benefits.	Failure to deliver regulatory obligations and expected performance levels.	ODI penalty in a single year.
Our people and culture do not adapt to a changing environment and take advantage of technological advancements to deliver enhanced business performance.	Failure to adapt leads to operational inefficiencies and increased expenditure.	Totex underperformance in each year of the forecast.

We also applied stress tests relating to economic factors: higher and lower inflation (including deflation); higher interest rates and a combined scenario taking into consideration totex under-performance, ODI penalties and a financial penalty.

The amounts of the stress tests applied were:

Stress test applied	Amount modelled
An extreme one-off event	A one-off impact of £250 million at the point in the forecast with the lowest headroom.
Totex underperformance	An increase in Totex of £260 million in each year of the forecast.
ODI penalty	A penalty of £172 million in a single year.
Financial penalty	A penalty of £125 million in a single year (c.6% of turnover).
Increased pension contributions	Contributions increase by £32 million per annum.
Combined scenario 1	An increase of Totex of £260 million in each year, an ODI penalty of £86 million in one year, and a one-off impact of £250 million in one year.
Combined scenario 2	Combined scenario 1 plus a 10% spike in CPIH inflation.
Combined scenario 3	Combined scenario 1 plus deflation (CPIH of -1%) for two years.
Higher inflation for three years	10% spike in CPIH followed by two years at 5%.
Lower inflation in each year	Decrease of 2% in CPIH.
Deflation for two years	CPIH of -1%.
Higher interest rates	New debt financed at 2% above the iBoxx index; or A sustained 400bps increase to the cost of debt.

We assessed the impacts of the scenarios on our financial metrics, credit metrics and debt covenants. Where the result of the stress test indicated more than a limited impact, a risk of a downgrade of credit rating or a breach of a bank covenant, we considered what mitigating actions would be available and whether they would be sufficient to mitigate the potential impact of the stress test.

The table below sets out the potential impacts of the stress tests and the mitigating actions that would be available to address the impacts.

Stress test applied	Potential impacts on viability without mitigating action	Mitigation available (see below)
An extreme one-off event	Increased gearing and deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings although still at investment grade.	Engage with ratings agencies to discuss the short-term nature of the impacts. Manage liquidity by temporarily reducing working capital. Close out derivative financial instruments in asset positions to generate cash. Consider new sources of funding, including hybrid debt. Reprofile capital programme to ease short-term pressure on ratings. Consider reducing dividend in the year or downgrading the Dividend Policy.
Totex underperformance	Pressure on earnings and cashflows, but with average earnings higher than the dividend indicated by our current policy. Increased gearing and significant deterioration in credit metrics that, without mitigating action might lead to a downgrade below investment grade. Headroom against debt covenants significantly reduced.	Cost reduction programme focused on reducing discretionary expenditure to support profitability. Manage liquidity by temporarily reducing working capital. Close out derivative financial instruments in asset positions to generate cash. Consider new sources of funding, including hybrid debt. Consider downgrading the Dividend Policy.
ODI penalty	The penalty would flow through revenue two years after the performance commitment was breached, and in that year profit is lower than the dividend indicated by our policy. Increased gearing and deterioration in credit metrics that, without mitigating action, might lead to a downgrade although still at investment grade.	Accelerate recognition of accumulated ODI rewards not yet taken. Engage with ratings agencies to discuss the short-term nature of the impacts. Manage liquidity by temporarily reducing working capital. Consider reducing dividend in the year.
Financial penalty	Lower profits lead to dividend cover less than one. Deterioration in credit metrics that, without mitigating action, might lead to a downgrade although still at investment grade.	Engage with ratings agencies to discuss the short-term nature of the impacts. Manage liquidity by temporarily reducing working capital. Consider reducing dividend in the year.
Increased pension contributions	Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings although still at investment grade.	Manage liquidity by temporarily reducing working capital. Close out derivative financial instruments in asset positions to generate cash. Consider new sources of funding, including hybrid debt.
Combined scenarios	Significant reduction in profitability and cash flow, with earnings in the year lower than the dividend indicated by our policy. Significant increase in gearing and deterioration in credit metrics that, without mitigating action, might lead to a risk of downgrade in credit ratings below investment grade and a breach of covenants.	Engage with ratings agencies and banks to discuss the impacts on ratings and covenants. Manage liquidity by temporarily reducing working capital. Close out derivative financial instruments in asset positions to generate cash. Cost reduction programme focused on reducing discretionary expenditure to support profitability. Reprofile capital programme. Consider downgrading the Dividend Policy.
Higher inflation	Short term adverse impact to profit, dividend cover and cash. However, in the longer term higher inflation increases revenue and RCV leading to higher profits and lower gearing.	Engage with ratings agencies to discuss the short-term nature of the impacts. Manage liquidity by temporarily reducing working capital. Close out derivative financial instruments in asset positions to generate cash.
Sustained lower inflation	Pressure on profit and cash, but with average earnings higher than the dividend indicated by our current policy. Increased gearing and deterioration in credit metrics that, without mitigating action might lead to a downgrade in credit ratings below investment grade. Pressure on gearing covenants.	Engage with ratings agencies to discuss the short-term nature of the impacts. Cost reduction programme focused on reducing discretionary expenditure to support profitability. Our Dividend Policy is index-linked and therefore low inflation would reduce the dividend payable. We would also consider downgrading the Dividend Policy.
Deflation for two years	Pressure on profit and cash in the years following the deflation years, that may sustain in future years. Increased gearing and deterioration in credit metrics that, without mitigating action might lead to a downgrade in ratings below investment grade.	Engage with ratings agencies to discuss the short-term nature of the impacts. Consider new sources of funding, including hybrid debt. Cost reduction programme focused on reducing discretionary expenditure to support profitability. Our Dividend Policy is index-linked and therefore deflation would reduce the dividend payable. We would also consider downgrading the Dividend Policy.
Higher interest rates	Reduction in profit. Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings below investment grade.	Engage with ratings agencies to discuss the impacts and the regulatory true-up mechanism that would mitigate the impacts in the longer term. Cost reduction programme focused on reducing discretionary expenditure to support profitability. Manage liquidity by temporarily reducing working capital. Consider reducing dividend in the years impacted or downgrading the Dividend Policy.

The mitigating actions available are described in more detail below:

Mitigating action	Details
Engage with ratings agencies and banks	While ratings agencies and banks apply formulaic calculations as part of their ratings and covenant assessments, judgment is also applied. Where a threshold for a particular rating is breached or a covenant ratio not met, a downgrade might not be applied or a temporary covenant waiver might be granted if the agency/bank considers the situation to be temporary and likely to reverse in the near future.
Manage liquidity by temporarily reducing working capital	We would seek to accelerate collection of amounts receivable with particular focus on overdue accounts. We would work with our suppliers to negotiate longer credit terms where appropriate.
Cost reduction programme	We would review discretionary expenditure to identify costs that could be avoided or reduced without a detrimental impact to customer service.
Reprofile capital programme	By deferring elements of capital expenditure, we could mitigate the impact of significant events on our cash flow and smooth the effect on key ratios over a number of years, reducing the size of the impact in any one year.
Close out derivative financial instruments in asset positions	Derivative financial assets such as swaps can be closed out with the agreement of the counterparty, generating cash in the short term.
Consider new sources of funding, including hybrid debt	The Group has access to a wide range of capital markets and maintains a diverse range of funding sources. However, there are instruments that we do not currently use that would be available when more traditional funding was not. Hybrid debt instruments are a form of debt that has some of the characteristics of equity, for example a bond that features an option to convert to equity.
Consider reducing dividend in the year	Our current Dividend Policy for AMP7 is to grow the dividend by CPIH each year. If necessary, we would consider diverging from this Policy to deal with short term pressure on credit metrics or ratings.
Consider downgrading the dividend policy	In circumstances where the pressure on metrics, ratings or covenants was sustained, we would consider amending our Dividend Policy for the AMP to relieve the pressure while giving investors a basis to set their expectations for returns.

In selecting which mitigating actions to apply, we would seek to balance the interests of all stakeholders and, in particular, would prioritise mitigating actions that would not lead to a breach of our commitments to customers.

We have significant funding requirements to refinance existing debt that falls due for repayment during the period under review and to fund our capital programme. Under all scenarios considered, the Group would remain solvent and have access to sufficient funds in normal market conditions. Our Treasury Policy requires that we retain sufficient liquidity to meet our forecast obligations, including debt repayments for a rolling 15-month period.

In making its assessment, the Board has made the following key assumption:

- Any period in which the Group is unable to access capital markets to raise finance during the period under review will be shorter than 15 months.

On this basis, the stress tests indicated that none of these scenarios, including the combined scenario, would result in an impact to the Group's expected liquidity, solvency or debt covenants that could not be addressed by mitigating actions and are therefore not considered threats to the Group's viability.

Governance and assurance

The Board reviews and approves the medium-term plan on which this Viability Statement is based. The Board also considers the period over which it should make its assessment of prospects and the Viability Statement. The Audit and Risk Committee supports the Board in performing this review. Details of the Audit and Risk Committee's activity in relation to the Viability Statement are set out in the Audit and Risk Committee report in this Severn Trent Plc Annual Report.

This Statement is subject to review by Deloitte, our external auditor. Their audit report is set out on page 209.

Assessment of viability

The Board has assessed the viability of the Company over a seven-year period to March 2031, taking into account the Company's current position and Principal Risks.

Based on that assessment, the Directors 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 to 31 March 2031.

Going concern statement

In preparing the financial statements the Directors considered the Company's ability to meet its debts as they fall due for a period of one year from the date of this report. This was carried out in conjunction with the consideration of the Viability Statement above.

The Directors have reviewed the cash and committed facilities available to the Group alongside a cash flow forecast extending beyond the period considered for this Going Concern Statement. The Directors have considered the potential impacts, in the period of one year from the date of this report, resulting from the scenarios described in the Viability Statement set out above.

The Directors are satisfied that the Group 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 that the severe but plausible downside scenarios considered indicate that the Group will be able to operate within the amount and terms (including relevant covenants) of existing facilities.

On this basis the Directors considered it appropriate to adopt the going concern basis in preparing the financial statements.

STAKEHOLDER ENGAGEMENT

We are focused on driving long-term sustainable performance for the benefit of our customers, shareholders and wider stakeholders.

This section provides insight into how the Board engages with our stakeholders to understand what matters to them and further inform the Board's decision making and the actions taken as a consequence. You can read more in our dedicated Section 172 Statement ('s.172') on pages 122 to 125, which sets out our approach to s.172 and provides examples of decisions taken by the Board during the year, with a particular focus on how stakeholder views and inputs have been considered in its decision making. The principles underpinning s.172 are not only considered at Board level, they are part of our culture.

They are embedded in all that we do and impacts on stakeholders are considered in the business decisions we make across the Company, at all levels, and strengthened by our Board setting the right tone from the top.

Pursuant to the Companies Act 2006, this information is incorporated by cross reference in the Governance Report from page 128. You can also read more in our separately published Sustainability Report which can be found on our website.

Our Engagement in Action section showcases some of the exciting opportunities we have had throughout the year to engage with our key stakeholders.

We welcome any feedback from our stakeholders.

Who are our stakeholders?

Regulators and government
The policy framework for the water sector in England and Wales is set by the English and Welsh Governments respectively. We seek to engage constructively to achieve the best outcomes for customers and the environment. Below the policy framework, our industry is regulated by Ofwat and others. We agree commitments with our regulators and report our performance against these. We work closely with our regulators to shape our industry to help ensure the right outcomes for customers and the environment.

Our customers
In serving our customers, we want to provide strong service delivery over the long term. Our consultation with customers helped our Severn Trent Water Limited 2020-25 Business Plan to be fast-tracked by Ofwat and we have engaged with our customers in development of our PR24 Business Plan.

Suppliers and contractors
Along with our employees, our suppliers support us in delivering for our customers. Strong supplier relationships ensure sustainable, high-quality delivery for the benefit of all stakeholders.

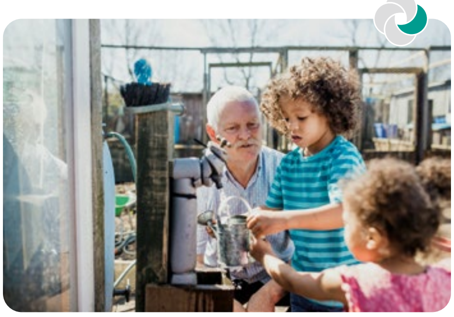
Our colleagues
Our relationship with our colleagues is open and honest, and they are appropriately supported, developed and rewarded to encourage them to do their best in all that they do.

Shareholders and investors
Continued access to capital is vital to the long-term performance of our business. We work to ensure that our shareholders, investors and investment research analysts have a strong understanding of our strategy, performance, ambition and culture.

Many of our shareholders are also our customers, employees and pensioners.

Our communities
Our aim is to be a force for good in the communities we serve and, in doing so, create value for all our stakeholders.

Why are our stakeholders important to our strategy?



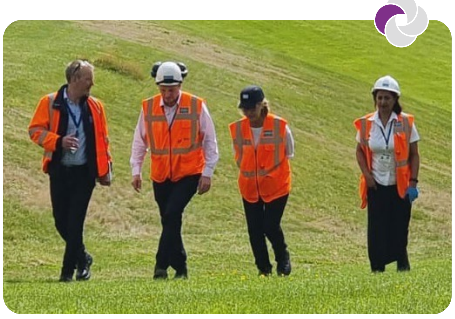
Our customers
To deliver value for customers, we need to understand their immediate and longer-term expectations of us. As our customers' expectations change, we need to evolve our services to ensure we continue to meet them.

Our colleagues
Our colleagues are the face of our company and we could not deliver our services without them, so maintaining productive relationships built on trust is vital to delivering our purpose.

Our communities
Our work puts us at the heart of local communities, the places where our customers and colleagues live and work. We want to support our communities and increase understanding of the impact and contribution our work has on everyday life.

Shareholders and investors
It is important that investors have confidence in the organisation and how it is managed. Investors are critical to ensuring that continued investment can be made to deliver improved outcomes for our customers now and over the long term.

Suppliers and contractors
We rely on suppliers to deliver our services. Good relationships help ensure projects are delivered on time, to high quality and at efficient costs. Awareness of potential issues in the supply chain means we can address them together and become more resilient.



Regulators and government
Our regulators and government influence the long-term national water strategy and environmental priorities, which has the potential to impact how all businesses operate.

Key:
Strategic objectives

Outcomes Nature

People Change

Stakeholder Engagement – Engagement in Action

OUR CUSTOMERS

We have a relentless focus on improving service delivery for customers. Our continuous engagement with them ensures that we are able to understand what matters to them and deliver further improvements in service, both now and over time.

What matters to them

- Customer service and performance
- Leakage and supply reliability
- Affordability and value for money
- Assistance in times of need
- Responsible investment
- Environment, river quality and climate change

How we engage across the Company

- Quarterly management level meetings with Consumer Council for Water.
- Frequent discussion and consultation with our online customer community.
- Quarterly tracking of customer perceptions against key indicators including trust and satisfaction.
- Online self-service options for customers and made it easier to check for and report problems through our 'Check My Area' app and 'Report a Problem' services.
- Customers can contact us 24/7 including through two-way messaging functionality through SMS, WhatsApp, TapChat and Apple Business Chat channels.

How we delivered on feedback this year

- Developed Customer Vulnerability Strategy.
- 'Weather the Winter Together' campaign.
- Good progress on our affordability and societal strategies.
- Published our second Get River Positive Annual Report on progress against our river pledges.
- Net Zero Hub at Strongford.
- Created our ODI Centre of Excellence.

Outcomes from engagement

- ODI outperformance of £55 million.
- Supported c.260,000 customers through our Affordability Schemes this year.
- 9% of our customers signed up to our Priority Services Register.

Driving lasting change – Development of our PR24 Business Plan

Every five years, water companies in England and Wales put together their plans for the future. We talk to our regulators, Government and, most importantly, our customers to find out what is important to them. As part of the development of our PR24 Business Plan (our 'Plan'), we carried out our largest ever programme of engagement with customers, including in-depth research of affordability and acceptability. From the 68,000 customers and 630 stakeholders who took part in our research, three main priorities were made clear:

- High quality and reliable;
- Sustainable; and
- Affordable

> We talk to our regulators, the Government and, most importantly, our customers to find out what is important to them.

High quality and reliable

A high-quality, reliable service that can be depended on, where our customers know they are valued.

How we are responding to feedback

- **New water resources** – 100 million litres per day from new and replacement sources – so we are not taking too much from existing ones.
- **Bigger tanker fleet** – to keep our customers on supply if an issue occurs.
- **A better connected network** – so we can move an extra 280 million litres a day to where our customers need it most during periods of sustained, hot weather. That's enough to fill 112 Olympic swimming pools – every day.
- **Water saving customers** – helping customers save water, with rewards for smarter water users, more than 1 million free smart water meters and face-to-face expert advice.

Sustainable

Confidence we are doing the right thing for the environment, society and future generations.

How we are responding to feedback

- **Operational net zero** – cutting 240,000 tonnes of CO_2, the equivalent of taking 152,000 petrol cars off the road.
- **Less pollution** – cutting pollution incidents by 30%, setting a new frontier for the sector's performance.
- **Fewer spills** – improvement of at least 562 storm overflows, deploying improvements faster so we can meet the Government's target five years early.
- **Tackling surface water** – using nature, AI, and tried and tested engineering solutions in four urban areas to remove almost 160,000 m^3 of rainfall from sewers.

Affordable

Water should be affordable for everyone – so that no person or generation is left behind.

How we are responding to feedback

- We are keeping the **impact on households as low as possible**. Our bills are currently 1.2% of the average household's disposable income, and by 2030 our bills will have increased only to 1.3% of a household's median income.
- Bills will **increase gradually** between 2025-30. On average, a combined monthly household bill will increase by £2.32 each year over the next five years.
- **No one need struggle to pay their bill**. Our financial support package will go further than any other water company and means almost 700,000 of our customers getting help with their bill by 2030.

Open challenge session for our Business Plan

In April and November 2023, we held two 'Your water, your say' sessions where our customers and stakeholders helped shape our Plan. These sessions provided a great opportunity for individuals and organisations to hear about our plans to help deliver change in the next five years, and to ask any questions they may have. The sessions focused on a range of themes including customer service priorities, environmental outcomes and affordability.

Your water your say

Our PR24 customer roadshows

In 2023 we went on tour with an open invitation to all of our customers to share more about how our huge £12.9 billion investment programme will benefit local communities – including the creation of 7,000 new jobs and £550 million of financial support.

The 10 county customer roadshows covered the whole of our region and every customer was welcome as we showcased our future plans, including guaranteeing secure water supplies for generations to come, ensuring storm overflows cause no harm to rivers, and that customers continue to receive a sector-leading service.

We were excited to unveil our new £550 million package of financial support for our customers, including a pledge to install money-saving smart water meters to a million households. The proposals means that around 700,000 customers will get help paying their bills – around one in seven of our customers.

As part of our roadshow events we took the opportunity to engage with customers providing winter readiness advice, including pipe lagging, plus tips on saving water and energy around the home and our free leak detection service.

Scan the QR code to find out more about our Business Plan.

OUR COLLEAGUES

Our people are highly engaged across our organisation, which plays a crucial role in building trust and facilitating open and effective communication at all levels. We dedicate a significant amount of time listening to colleagues, offering opportunities for them to contribute ideas and suggestions, and express their perspectives. Our culture of openness and trust fosters collaboration.

The activities discussed below are just a few examples of how we live our values and respond to our employees' feedback to create a positive work environment.

What matters to them

- Health, safety and wellbeing
- Diverse and inclusive workplace
- Opportunities to reach full potential
- Open and honest environment
- Fair pay and reward

How we engage across the Company

- Employees are invited to attend the 'Meet Our Board' events.
- In addition to Board member attendance, our Company Forum brings together employee representatives at quarterly meetings, including Trade Union representatives.
- Continual communication to employees on mental and physical health awareness.
- Employees are invited to attend the all colleague roadshows held throughout the year.

How we delivered on feedback this year

- Further developed our Employee Advisory Groups.
- Hosted our 2023 Leadership event.
- Continued to narrow our gender and ethnicity pay gaps.
- Improved our all-employee benefits, including discounted childcare and support for elderly dependants.
- Facilitated the 2023 two year pay offer with Trade Unions.
- All-people roadshows with Liv, hosting over 59 events over 13 locations and seeing nearly 5,000 of our people.

Outcomes from engagement

- **Our employee engagement survey score of 8.6 out of 10 ranked us in the top 3% of utility companies globally.**
- **14 LTIs this year compared to 16 in 2022/23, our best ever performance.**
- **8th on Social Mobility Index.**
- **Level 2 Disability Confident Employer.**
- **Glassdoor Ranking of 4.5/5.**
- **350 Senior leaders attended our leadership event.**

Our employee voice

Employee voice means different things to different people and, as such, we use multiple employee engagement initiatives to ensure the views and perspectives of our people are fully understood. We have a combination of collective and direct employee feedback mechanisms that focus on two-way inclusive dialogue across the business. These include:

Collective voice	Direct voice
Company, business and local Trade Union forums	Annual employee engagement survey
Departmental meetings and communities of practice	Comm cells
Annual leadership events	Whistleblowing procedure
OnTap news and Friday 'News Splash' updates	Line manager meetings and catch-ups
Monthly Team Talk	Ask Liv
All-people roadshows	Yammer
Diversity and Inclusion ('D&I') advisory groups	SafetyNet reporting
Meet Our Board events	Feedback at the Tech Bar and Ask HR roadshows

All of these communication and engagement mechanisms are well established, well utilised and cover the full breadth of our organisation. Overall, when we speak to other businesses, we are confident that our approach to engagement and listening to our workforce is mature and effective.

Engagement with our Company Forum

Providing opportunities for our employees to stay connected with the direction of the Company and be involved in business decisions is a key part of our culture. Our Company Forum facilitates this in a structured way.

The Company Forum meets four times a year and attendees are invited from Trade Unions, all leadership levels, the Executive Committee and the Board. Through the Company Forum, we engage with employees on all ways of working and matters of strategic significance to the Group to ensure employee views are considered. It is jointly chaired by the Director of Capital and Commercial Services and the Joint Secretaries of our Trade Unions (Unison and GMB). Board directors are invited to attend and participate at meetings and, over the last 12 months, Christine Hodgson, Tom Delay and Sarah Legg, as well as Liv Garfield, have attended meetings, to listen to the discussions and to talk about their areas of responsibility and interests.

The agenda is wide-ranging and topics for discussion this year have included PR24, our Societal Strategy, our annual employee engagement results, our women's welfare programme, occupational health, learning and training at our Academy and Company-wide initiatives such as Diversity and Inclusion. Additionally, regular updates are provided on Company performance, year end results and significant change programmes. Our strong and enduring relationships with our Trade Unions allow for constructive two-way dialogue and challenge on many areas impacting the workforce and, earlier this year, helped us reach a two-year pay settlement.

The Company Forum feeds back to the Company on the value that they get from Board member attendance and the Trade Union national officers highlight how unique this is to the experience that they have in other organisations.

Business and local forums

In order to reach all parts of the business and tailor conversations relevant to each area, we hold local forums chaired by area Business Leaders to discuss performance, health and safety, successes and areas of concern. Over the past year, more local forums have been created to further increase their reach, including in our Water Networks business and through the introduction of a specific Hafren Dyfrdwy-focused forum.

To act as a bridge between the Company Forum and local forums, there are operational and customer business forums. They meet to discuss business updates and to resolve matters that cannot be solved at a local level. There is also a separate Health and Safety Company Forum and Business Services has its own non-unionised Employee Forum.

All company engagement

We are constantly reviewing our communication and engagement channels to ensure that they are effective in supporting our employees. We recognise that line manager relationships are essential, so we provide training, especially for new managers, on how to be visible, trustworthy, and supportive of employee feedback. We also place emphasis on the importance of local team meetings, and our monthly Team Talks provide a consistent and structured forum for open dialogue.

To provide another method of localised engagement, during the year we launched our new Ask HR roadshows. The roadshows include visits to our more remote and smaller sites to help colleagues get their questions answered in a more convenient way and can often help resolve queries quicker. The sessions allow us to listen and give employees and teams an opportunity to air any issues or concerns they have. We have received lots of positive feedback from colleagues, including many requests for revisits.

In May 2023, we held our Ask Our Board session which gave colleagues the opportunity to meet virtually with our Board members, to get to know them better and put forward questions. During the year, the Ask Our Board sessions evolved into our first ever Meet Our Board event, where graduates and apprentices from across the business were invited to engage informally with Board members in person. Read more about how the Board engages with colleagues on page 132.

For questions or ideas to improve the business we have the Ask Liv intranet site which allows employees to submit questions to the Chief Executive and Senior Management Team, encouraging open dialogue at all levels of the organisation.

Yammer continues to be a popular communication tool used across the business, especially in operational areas, where employees showcase work and start discussions on work-related topics. In addition to two-way communication channels, we also provide top-down communications through our OnTap intranet news and Friday News Splash magazine-style round-up of key news articles.

In person engagement

We know that coming together and taking time to connect to our strategy and ambitions is important to our colleagues and drives engagement and curiosity amongst our teams. We take pride in delivering engaging collaborative leadership events year on year, bringing our leaders together to build networks and make links to our performance opportunities. This year's leadership event was held in October 2023 and was focused on PR24. It brought together all our leaders over three days from right across the business to understand the plans and begin the preparation for the delivery of our PR24 Business Plan.

In March 2024, we held our annual Business Leadership Event hosting 350 of the Company's most senior leaders to focus on strategic aims and operational targets. This year, our event was focused on delivery of the final year of our AMP7 Business Plan and ensuring a cohesive and proactive approach for AMP8.

Every two or three years, Liv hosts extensive all-people roadshows to share how we are doing as a business, talk about future plans and what we need from each other. This year, Liv hosted 59 events over 13 locations in 10 weeks and met nearly 5,000 of our people. Engagement sessions of this scale are something that very few companies do and we know from our engagement scores that our employees truly value these sessions.

Our employee engagement survey

Our annual employee engagement survey helps us to understand what is going well and where we can improve. The survey is conducted by an independent research company to ensure the results are anonymous. In 2023, our overall engagement score across the whole Group was 8.6 out of a possible 10 points. This was our highest-ever engagement score and placed us in the top 3% of energy and utility businesses globally.

As important as the range of opportunities provided is how our colleagues feel about them. We continue to ask colleagues questions relating to their feelings about learning, careers and growth at Severn Trent. We are really pleased that all topics scored above benchmark, recognising our delivery and focus in these areas.

On career paths, employees scored the question 'I see a path for me to advance my career in our organisation' as 8.0 out of 10, 1.4 above benchmark. When asked whether their job enables them to develop and learn new skills, our people agreed, scoring us 8.6.

Reporting wrongdoing and speaking up

It is important that we have the right processes in place for our colleagues to raise concerns should they need to. We are proud of our approach that allows all colleagues and our supply chain to speak up and we do this by providing an open and transparent environment which fosters a culture where everyone has the confidence to speak out about issues that concern them. Whistleblowing procedures are in place for all Group companies and our suppliers to deal with any allegations of breaches of our Code of Conduct, Doing the Right Thing.

All employees have access to independent psychological support and legal advice through our confidential Employee Assistance Programme, and we regularly communicate and increase awareness of all whistleblowing routes, including our confidential Safecall 'Speak Up' line.

October 2023 Leadership Event

OUR COMMUNITIES

We know what we do really matters to the families, businesses and communities we serve – which is why our purpose is to take care of one of life's essentials. We work hard to provide our essential services to our millions of customers 24 hours a day, 365 days a year. But there is more to Severn Trent than that.

What matters to them

- Operational impact and disruption
- Local employment
- Economic contribution
- Protection of the environment
- Cost of living pressures

How we engage across the Company

- Our employability scheme inspires our people and makes a real difference to people's lives.
- Regular engagement with Government officials and elected representatives on water and environment-related issues.
- Our people volunteer through our Community Champions programme, working to improve our communities and environment.
- Regular community workshops and drop-in sessions held across our region.

How we delivered on feedback this year

- Societal Strategy Pop-up events held.
- Developed our Customer Vulnerability Strategy.
- Welcomed 110 new apprentices.
- Welcomed four new Hereford and Derwen College interns.
- Work experience opportunities offered.
- Employee volunteering days organised.
- New Care Leavers Scheme launched.
- Improved the biodiversity of 5,000 hectares of land, four years early,
- Severn Trent Community Fund.

Outcomes from engagement

- Financial support was given to care leavers through our Big Difference Scheme.
- Over £2 million awarded to 103 projects through our Community Fund this year.
- 7,727 hectares of land improved
- Met our target to deliver our 100,000 employability hours.
- Over £256,000 donated to projects to help protect river health, this year.

We think it is important to give back to the communities where our customers and people live – not because we have to, but because we think it's the right thing to do. Whether that means caring for the environment, supporting the next generation or just making our region a better place to live, we want to make a positive difference in our communities. Our engagement sessions provide us with an opportunity to hear directly the issues that matter most to our communities.

Highlights of our engagement activities throughout the year

2023

June
- Stoke/Staffordshire stakeholder roadshow
- Farming for Water event

July
- Big Boost for Brum, showcasing our Societal Strategy
- Strongford local residents event

September
- Chester community pop-up
- Shrewsbury community pop-up
- Worcester community pop-up
- Big Boost for Brum stakeholder breakfast event, showcasing our Societal Strategy

October
- Telford community pop-up
- Coventry Societal Strategy launch
- Redditch community pop-up
- Coventry community pop-up

November
- Worcester stakeholder roadshow and customer drop-in
- Big Boost for Derby, showcasing our Societal Strategy
- Warwickshire and West Midlands Association of Local Councils – rivers engagement

December
- Stoke community pop-up

2024

February
- Shrewsbury community pop-up
- Big Boost for Brum, showcasing our Societal Strategy

March
- Telford community pop-up

Our £10 million Community Fund

In February 2020, we announced we would invest 1% of our profits, equating to £10 million over AMP7, to support projects with local charities and community groups in our region – helping to make a real and tangible difference.

Since our Community Fund was launched, we have made awards of almost £10 million to support the places where our customers live, including our £1 million Emergency Fund donated to communities to help them deal with the impact of the COVID-19 pandemic. At the same time, we provided a further £212,000 in core funding to help local community organisations facing rising operating costs. In the last year, our Community Fund has awarded over £2 million, helping over 103 organisations.

£10m
almost £10m awarded since 2020, to support projects in the communities

£212,000
provided in core funding to help local community organisations facing rising operating costs

Warwickshire Search and Rescue

A new incident support vehicle to help vulnerable people – Awarded £54,900

Warwickshire Search and Rescue has a simple aim: to help members of the community when they are missing and return them to loved ones. Covering all of Warwickshire, plus Coventry, Solihull and parts of Birmingham, Warwickshire Search and Rescue are called into action by the local police, fire service and sometimes other Lowland Rescue teams.

Warwickshire Search and Rescue operational volunteers have specialist roles and are trained in search techniques, first aid, radio communications and navigation. 100% run by volunteers, the group relies on fundraising to generate its operating income.

With the large number of rivers, canals and bodies of water across our region, the team has found itself increasingly carrying out water-based searches. The Incident Support Unit vehicle supports this activity, carrying four kayaks and kit such as dry suits, buoyancy devices and throw lines.

The previous Incident Support Unit vehicle was 18 years old and becoming unreliable. With the help of our Community Fund grant, Warwickshire Search and Rescue has replaced its vehicle, leading to an even more reliable service for the people it supports, for years to come.

Severn Rivers Trust

Black Country River Schools – Awarded £199,500

The Severn Rivers Trust is a charity established in 2008, made up of local river experts, which covers the whole of the UK's longest river from source to sea. The Trust's vision is:

> A healthy, resilient River Severn for everyone.

Our grant will support the Trust in running an education and physical infrastructure programme to help local young people from urban areas in the Black Country discover their rivers and take action to protect them. With assemblies, classroom-based workshops, riverside visits and community celebrations, children will not only gain skills, they will boost their physical, mental and emotional wellbeing too.

This project will also reduce the risk of surface water flooding at the selected schools. With features such as rain gardens, water butts, attenuation ponds, green-roof structures, hedgerows and mini-woodlands, these schools – and their pupils – will be river-friendly in more ways than one.

Read more: Our Community Fund Annual Review for 2023/24 is available to view online (stwater.co.uk/about-us/severn-trent-community-fund) and includes inspiring stories of people from all walks of life coming together to support others and make the most of the places they live.

SHAREHOLDERS AND INVESTORS

Our intention is to drive value for all of our stakeholders, delivering a high-quality, sustainable service for the long term. Engagement with our investors is critical to ensuring that continued investment can be made to deliver improved outcomes for our customers now and over the long term.

What matters to them
- Strategy and business model
- Financial performance and returns
- Reputation
- ESG performance
- Financial and climate-related risk management
- Strong leadership
- Company culture
- Energy pricing risk management
- Executive remuneration

How we engage across the Company
- We have a comprehensive programme of investor engagement including investor site visits, so that shareholders can experience our operations and culture first hand.
- Regular dialogue with shareholders to support them in their investments.
- Q&A sessions held with the Executive Committee bi-annually.

How we delivered on feedback this year
- Interim dividend for 2023/24 of 46.74 pence.
- Final dividend for 2023/24 of 70.10 pence.
- Published our second EU Taxonomy disclosure.
- Delivered against our Get River Positive river pledges, societal strategies and affordability strategies.
- Submitted our AMP8 Business Plan to Ofwat.
- Launched ODI Centre of Excellence.

Outcomes from engagement
- Total Shareholder Return.
- AMP7 Dividend Policy with a growth rate of at least CPIH – 2023/24 final dividend of 70.10 pence.
- £1.2 billion capital spend this year.
- All resolutions received over 92% of votes in favour at our 2023 AGM.
- Investment into our Green Recovery Programme.
- AMP8 Business Plan submitted to Ofwat.

During the year, we held around 180 investor meetings and met with nearly 140 existing and potential investors, representing 70% of our share register. The meetings focused on the Group's financial performance, our commitment to the environment, our outlook on AMP8 and our approach to helping customers in the current climate.

Investor meetings are primarily attended by our CEO, CFO and Head of Investor Relations, although other Executive Committee members also attend. The Chair, individual Directors and the Group Company Secretary regularly engage with major shareholders to understand their views on governance and performance against our strategy.

The Board attended shareholder events throughout the year, including the recent 2024 Governance Roadshow, which involved Christine Hodgson meeting with 18 of our shareholders.

The Chair of the Remuneration Committee and Group Company Secretary met with 10 of the Company's top 30 shareholders and proxy agencies during January – February 2024, as part of our Remuneration Policy consultation. These discussions have been largely positive in nature.

Capital Markets Day 2023

On 12 October 2023, we held our Capital Markets Day which focused on four key areas of our recently submitted PR24 Business Plan:

1. **Outcome Delivery Incentives ('ODIs') for AMP8**
2. **Delivering value for customers**
3. **Unmodelled expenditures ('UMEs') – our big investments for AMP8**
4. **Deliverability of our PR24 Business Plan**

In total, we were joined by around 120 external attendees, with representation from a range of investors and analysts as well as from wider stakeholders including Ofwat and the Consumer Council for Water. For those unable to attend, we issued a detailed announcement to the market on the morning of the event, and published content on our corporate website.

The day prior to the Capital Markets Day we also took seven of our largest shareholders to Strongford for a site visit of our Net Zero Hub. Bob Stear, our Chief Engineer and an Executive Committee member, presented information on our net zero strategy and the innovations that will be crucial to our Strongford Net Zero Hub.

All presentations from our Capital Markets Day are available to watch online at stwater.co.uk/investors/capital-markets-day-23.

Annual Report

Our Annual Report is available to all shareholders, and we aim to make it as accessible as possible. Shareholders can opt to receive a hard copy in the post or a PDF copy via email, or download a copy from our website. Please contact the Group Company Secretary to request a copy.

Annual General Meeting

Our 2023 AGM was held on 6 July 2023, at which 79.59% of the issued share capital voted. We were delighted to receive in excess of 92% votes in favour for all of our resolutions. The AGM was held as a hybrid meeting, meaning that shareholders were able to follow the business of the meeting virtually as well as in person. Shareholders were invited to submit questions to a dedicated AGM mailbox and a process was put in place for the Board to respond to any questions directly and publish responses on the Company's website.

This year's AGM is to be held on Thursday, 11 July 2024 at 10.00am. Shareholders are able to submit questions in writing through our website in advance of the AGM. The physical location of the AGM will be the Severn Trent Academy, Hawksley Park, St Martins Road, Finham, Coventry, CV3 6PR.

In addition to the AGM, the Group Company Secretary communicates with individual investors, making sure we respond promptly to questions in relation to their shareholding. Our share registrar, Equiniti, also has a team to take care of our shareholders' needs.

Corporate website

We continually monitor our website to ensure it is user-friendly for our stakeholders. It has a dedicated investors section which includes an overview of Severn Trent Plc and our history, our company information and results, our Annual Reports, results presentations (including webcasts) and an investor news section containing information which may be of interest to our shareholders.

Engagement with our Debt Investors

Our principal operating subsidiary, Severn Trent Water Limited, is a long-term business characterised by multi-year investment programmes. Our key sources of borrowing include bond and European Medium Term Note issues, private placements, bank loans and finance leases. We have continued an active programme of debt investor engagement throughout 2023/24 in support of our funding strategy.

This has included the following activities:

- Regular meetings with relationship banks throughout the year, providing updates on business and sector activities and discussion of bank product offerings.
- Presentation to our relationship banks at Capital Markets Day, setting out how our Business Plan could impact our treasury activities.
- Regular meetings with investors to discuss business performance and provide sector updates.
- Attendance at an Australian roadshow meeting debt and equity investors.
- Attendance by the Group Treasurer at the US Private Placement Conference, meeting existing and new US investors and hosting a roundtable event discussing the water sector. Over the course of three days we met 21 investors, and many of our banks USPP teams and a number of Treasurers from other utility companies.
- Virtual deal roadshow in February 2024 ahead of our €500 million EUR debt issue, meeting with over 40 investors over the course of three days with over 100 investors accessing our investor presentation and voiceover.

2024 Governance Roadshow

The key themes of the Roadshow included:

- Our PR24 Business Plan
- Succession planning and talent management
- Regulator engagement
- Remuneration Policy changes

Feedback from the Roadshow was positive and investors indicated their support for the Board, our approach to Governance, the robustness of succession planning and the Company's performance in the sector.

LONDON → PARIS → NETHERLANDS → FRANKFURT → AUSTRALIA → SWITZERLAND

49 institutions met

30% of our share register met

91% of meetings held in person

SUPPLIERS AND CONTRACTORS

Our investment plans require a resilient and highly engaged supply chain. AMP8 will see a significant step-up in investments through a large capital programme and fostering a positive relationship with our supply chain is therefore essential to our plans to ensure we have access to the knowledge and expertise to design and deliver the right solutions for our customers and communities.

What matters to them

- Fair engagement and payment terms
- Collaboration
- Responsible supply chain
- Sustainable procurement
- Reputation

How we engage across the Company

- Meetings with suppliers at the outset of the relationship to agree on performance metrics and ensure continual monitoring of performance; supplier questionnaires and satisfaction surveys/stakeholder materiality surveys.
- Regular meetings with our suppliers, including training on Modern Slavery, and our Code of Conduct, Doing the Right Thing.
- Audits and inspections of suppliers.
- Periodic performance and commercial reviews.
- Supplier whistleblowing hotline.

How we delivered on feedback this year

- Net zero engagement with supply chain.
- AMP8 Supplier Engagement event.
- Supply Chain Sustainability School.
- Net Zero Hub at Strongford.
- Capital Markets Day.
- Six Delivery Partners increased to 60.

Outcomes from engagement

- 115 suppliers assessed through EcoVadis this year.
- CDP Supplier Engagement Leader 2023.
- CIPS Procurement Excellence. Standard Accreditation.
- 14.7 score by Sustainalytics.
- Carbon Trust Accredited.
- Carbon Disclosure Project Advanced Rating.

A diverse and experienced supply chain

Building on our approach from AMP6 and AMP7, decisive action to diversify and deepen our supply chain has proved beneficial, at a time when others were consolidating. As a result, we have grown from six delivery partners to 60 today. We have also added a further 12 contractors to an environmental framework to support delivery of our novel and nature-based solutions. This not only provides extra resilience, but also creates capacity to support our delivery of at least £1 billion of enhancement investment every year in AMP8.

Alongside this activity, we have developed local, small suppliers and industry manufacturers with specialist knowledge who are ready to support the delivery of our complex programmes. This gives us extra resilience, and more choice and flexibility in our delivery strategy. We have extended our current frameworks, enabling us to smoothly transition from AMP7 to AMP8 activity. We engaged our supply chain early, giving them the visibility of our work for our largest year of capital investment, spending around £1 billion to improve service for our customers, enhance our network and prepare for the scale of delivery needed in AMP8.

In readiness for AMP8, we have also reviewed our governance procedures to ensure they are robust, supported by an effective organisational structure and strong talent and expertise within the Company and its supply chain. We are supporting our supply chain to deliver the increased investment programme in the following ways:

- **Providing visibility of the programme** – batching of work has been a core strategy during AMP7 which will continue into AMP8, aided by our in-house design capability. As part of our AMP8 engagement, our Tier 1, 2 and 3 suppliers have shared with us details of their design resources and profile, resource and project geography, work type and mix, and growth plans and aspirations. This will allow us to improve our batching approach, making efficient use of the available capacity in the market.
- **Balancing size of projects and risk profile** – the analysis allows us to review capacity by preferred work type so we can deliver the mix of work within our AMP8 Business Plan. We can also balance the size of projects across individual suppliers to help manage their portfolio risk, allocating work to the supplier best capable of delivering and within current risk profile.
- **Strong Supplier Relationship Management strategy for ongoing monitoring and feedback** – we have developed a category bespoke Supplier Relationship Management process and are in the process of recruiting a dedicated manager to focus on enhancing and developing our capability. For specific work programmes and projects, we already collaborate with our supply chain. Examples of this work include: running joint recruitment events; reviewing resource availability in the market; and jointly attracting resource to the industry either on a client or contractor basis. We have also implemented an automated process for tracking workload and allocation, vital to ensure we are neither overloading nor underutilising.
- **Regional preference** – our central location is attractive to the supply chain, providing easy access to work from both North and South as needed. We are also benefiting from the completion and scaling back of other large capital programmes such as HS2, the Commonwealth Games and major highways projects. This gives us access to a wide pool of skilled labour and supply chain capacity. There is a risk that scaling back our plans may have a detrimental impact on the region, and we would need to rebuild again once capacity is lost from the region/industry.

Accelerating investment, with confirmed supply chain capacity

We have collaborated with our supply chain on our AMP8 plans to understand their risk appetite and to reduce potential barriers to programme delivery.

Through detailed delivery modelling, we have identified opportunities to accelerate investment, and with £450 million of transition spend planned for the last year of AMP7, to provide improved outcomes for customers now. We have also engaged with the supply chain in relation to their current and future capacity in order to factor this into our approach. The responses (which were independently tested) show that supply chain capacity is c.120% of our average AMP8 requirement and 103% of our expected peak. If we allow for the growth our suppliers have indicated, these figures would be 144% and 124% respectively. This gives us further confidence that there is sufficient capacity available to deliver on our plans, and if modest capacity shrinkage were to occur, our programme would be unaffected.

By insourcing our design capability, we have been able to take a programme-wide view of the critical assets required to deliver our capital programme. To secure efficient delivery in the face of rising prices, supply constraints and market uncertainty, we took the decision to approach the market early and secure guaranteed delivery of c.£70 million of key process assets. This approach has been welcomed by contractors and asset suppliers, leading to more efficient (and scale) planning and production, as well as generating cost efficiencies. This helped us to establish strong direct relationships with SME organisations operating in civil engineering, mechanical/electrical/instrumentation and control, environmental and manufacturing sectors.

Innovative procurement approaches – Digitalisation of Design and Contracting Strategy

We have a strong track record of innovation and have been exploring new ways to drive efficiency and reduce our demand on the supply chain.

Working closely with the Manufacturing Technology Centre and automotive supply chain, we are developing innovative manufacturing capability to either part or fully build assets in controllable factory conditions. Plug and Play is part of our unique capital plans, putting us in a unique position for AMP8.

Capital projects typically take years to complete, and each one is designed on a bespoke, tailored basis. Our new Plug and Play approach utilises standard parts that can be connected in different ways and work together to deliver the design solution more efficiently. Common examples include dosing rigs and tanks. This innovative approach enables us to create a whole range of different products providing wide-ranging benefits as follows:

Benefits

✓ Lower carbon footprint.

✓ Schemes can be fully assembled off-site and delivered ready made.

✓ Faster production time.

✓ Products are pre-tested and pre-commissioned in the factory.

✓ Safer construction.

✓ Easier maintenance and repairs and less downtime, meaning better for the environment and better service for our customers.

Skill and expertise resilience

✓ We have instant access to our in-house experts meaning we can be quicker and more efficient.

✓ We are able to respond quickly to challenges, from global microchip shortages, through to local flooding or drought.

✓ We are upskilling our teams on emerging technology such as AI, and creating some future proof roles such as automation and mechatronics.

This innovative approach will be shared with the wider sector, allowing others to benefit from our investment and enhance their own delivery routes for the benefit of multiple stakeholders, particularly customers.

CDP Supplier Engagement Leader

We were delighted to be recognised, for the second consecutive year, as a Supplier Engagement Leader in the 2023 Supplier Engagement Rating conducted by CDP, an international non-profit organisation focused on environmental disclosure.

We were among the top organisations assessed for supplier engagement on climate change, based on our 2023 CDP disclosure.

CDP's Supplier Engagement Rating assesses how effectively companies are working with suppliers to address climate change issues. Specifically, it focuses on the key areas of governance, targets, ambition, management (Scope 3), supplier engagement and overall CDP climate change performance.

CDP
DISCLOSURE INSIGHT ACTION

We received a CDP A- rating and were recognised as a Supplier Engagement Leader.

REGULATORS AND GOVERNMENT

Our relationships with the Government, our regulators and other agencies support us in ensuring that we meet the highest customer service and environmental standards, whilst providing value for money services to customers.

What matters to them

- Outcomes for customers, the environment and long-term operational and financial resilience
- Performance against regulatory targets
- Trust and transparency
- Governance and compliance
- Environmental impact
- Sustainable procurement

How we engage across the Company

- Regular meetings with our regulators at management level including, the EA, NRW, Natural England, Ofwat, the DWI and Defra.
- Regular engagement with Government officials and elected representatives on water and environment-related issues.

How we delivered on feedback this year

- Ensuring resilient supply chain.
- Sharing knowledge and expertise to find solutions and opportunities for innovation.
- Developing responsible business strategies and achieving continuous sustainable development.
- Meeting shared targets for growth and development.

Outcomes from engagement

- Highly confident of achieving EPA 4* status for the fifth consecutive year, a unique accolade in the sector.
- Awarded London Stock Exchange's Green Economy mark.
- Submission of our AMP8 Business Plan.

Site visits for the Ofwat cost assessment team

In July 2023 we hosted two sites visits by the Ofwat cost assessment team. On 3 July 2023 the team visited the Finham and Minworth wastewater treatment works and on 12 July 2023, we visited the Witches Oak water treatment works Green Recovery site.

The purpose of the visits was to show the Ofwat team in real life the assets we discuss in our Green Recovery and PR24 Business Plan submission.

On the first visit the site managers explained to the Ofwat team how our wastewater treatment process works and some of the challenges we face, for example with meeting a tight phosphate consents at Finham reflecting the relatively small watercourse the site discharges to.

On the second visit the site managers explained the innovations in the new Witches Oak water treatment works we are building and the innovative water treatment processes we are testing, such as floating reed beds to improve the quality of the raw water which will be used by the works.

The Ofwat team welcomed the opportunity to see our sites close up and to ask questions to the teams managing sites and carrying out construction works. This has given the Ofwat team a better understanding of our assets when assessing our PR24 Business Plan proposals and a chance for us to strengthen our positive relationship with our economic regulator.

Highlights of our engagement activities throughout the year

2023

June


- Tour of Strongford Net Zero Hub with MP for Stoke on Trent South.
- MP organised Rivers Roundtable in Derbyshire.
- Bathing Rivers and River Rangers site visit with the MP for Derbyshire Dales.

July
- Mansfield Green Recovery Project tour with CEO of the Rivers Trust.
- Green Recovery tour and STW site visits at Finham and Draycote with Ofwat PR24 Team.

August
- STW showcase tour at the Academy and Draycote with Water Minister.

September
- Operational site visits with the Chair of Ofwat.
- Customer discussions with the MP for South Staffordshire.

October


- CSOs visit at Dowdeswell with the MP for Cheltenham.

November
- Tour of our Net Zero Hub at Strongford with Government Minister.

December
- Minworth wastewater treatment works tour with Defra Water Minister.

2024

March
- Annual House of Commons Dinner with all regional MPs.
- Flood Summit event with the MP for Tamworth.

Tour of Strongford Net Zero Hub with MP for Stoke on Trent South

In June 2023, we invited Stoke-on-Trent South Conservative MP Jack Brereton and the Councillor for Hanford, Trentham and Newstead, Daniel Jellyman to meet with our project leaders to hear about our £40 million scheme to create a 'net zero hub', which for the first time, will integrate technologies from around the world designed to reduce and remove carbon.

Mr Brereton said: "I was very pleased to visit the Strongford wastewater treatment works to see the work Severn Trent are doing to create their Net Zero Hub and better manage sewage from across north Staffordshire. I was pleased to learn of the world-leading work they are doing in Staffordshire to reduce the environmental impact of the site and reduce emissions to achieve net zero. It was also particularly useful to be able to discuss the actions they are taking locally to improve water quality and minimise the impact of storm overflows.

Read more about our Strongford Net Zero Hub on **page 70**.

£40 million
Net Zero Hub

Tour of Finham with Taiwo Owatemi MP for Coventry North West

In June 2023, we invited the Coventry North West Labour MP Taiwo Owatemi to our training facility, the Academy, to learn more about wastewater management and our ongoing investment to improve river health, before taking a tour of the Finham sewage treatment works. During her tour, Ms Owatemi was shown a virtual river, complete with CSOs as well as a virtual home to see first-hand the process of wastewater management.

Ms Owatemi was given an overview of our Get River Positive programme – our commitments to make rivers the healthiest they can be. Severn Trent is moving faster, with the Get River Positive pledges already having a positive impact across Coventry and Warwickshire.

In the programme's first year, the impact of our operations on rivers has reduced and monitors have been installed on all storm overflows, providing more than 300 million data records over the course of a year.

Ms Owatemi said: "I am grateful to Severn Trent for inviting me to their Academy and Finham sewage treatment works to hear more about their work, including the Get River Positive programme which aims to improve the health of rivers across our region. It was fascinating to hear about the other work they do across Coventry with their Community Fund, apprentice schemes and their work on water efficiency with free water saving devices available through their website."

SECTION 172 STATEMENT

Stakeholder engagement is central to the formulation and execution of our strategy and is critical in achieving long-term sustainable success. The needs of our different stakeholders, as well as the consequences of any decision in the long term, are considered in depth by the Board.

Our stakeholder engagement processes enable our Board to understand what matters to stakeholders and consider carefully all the relevant factors to select the course of action that best leads to high standards of business conduct and the success of Severn Trent in the long term. The principles underpinning s.172 are not only considered at Board level, they are part of our culture. They are embedded in all that we do as a company. The differing interests of stakeholders are considered in the business decisions we make across the Company, at all levels, and are reinforced by our Board setting the right tone from the top. All of the Board's significant decisions are subject to a s.172 evaluation to identify the likely consequences of any decision in the long term and the impact of the decision on our stakeholders. It is not always possible to provide positive outcomes for all stakeholders and the Board sometimes has to make decisions based on balancing the competing priorities of stakeholders.

In performing their duties during 2023/24, the Directors have had regard to the matters set out in s.172 of the Companies Act 2006. You can read more on how the Board had regard to each matter, during the year, as follows:

S.172 factor	Relevant disclosure	Page
The likely consequences of any decision in the long term	Corporate Strategy	**2 to 3**
	Our Business Model	**8 to 9**
	Performance Review	**16 to 83**
	Dividend Policy	**130**
	Sustainability	**42 to 81**
The interests of the Company's employees	Corporate Strategy	**2 to 3**
	Performance Review	**16 to 83**
	Caring for Our People	**25 to 32**
	Diversity and Inclusion	**27 to 28**
	Employee Engagement	**112 to 113**
	Whistleblowing	**157**
	Company Culture	**132 to 133**
The need to foster business relationships with suppliers, customers and others	Corporate Strategy	**2 to 3**
	Responsible Payment Practices	**32**
	Performance Review	**16 to 83**
	Modern Slavery	**168**
	Sustainability	**42 to 81**
	Our Business Model	**8 to 9**
	Whistleblowing	**157**
The impact of the Company's operations on the community and the environment	Corporate Strategy	**2 to 3**
	Sustainability	**42 to 81**
	Corporate Sustainability Committee	**165 to 168**
	Sustainability Report available on our website	
The desirability of the Company maintaining a reputation for high standards of business conduct	Corporate Strategy	**2 to 3**
	Market and Industry Overview	**4 to 5**
	Whistleblowing	**157**
	Internal Controls and Risk Management	**157**
	Sustainability	**42 to 81**
The need to act fairly as between members of the Company	Corporate Strategy	**2 to 3**
	Stakeholder Engagement	**108 to 121**
	Annual General Meeting	**116**
	Dividend Policy	**130**
	Sustainability	**42 to 81**

Principal decisions in 2023/24

Some of the principal decisions taken by the Board in the year are detailed on the next pages. Our approach below sets out how the Board is supported in carefully considering all the relevant factors that lead to its selection of the best course of action to ensure the long-term success of the Company:

Leadership and management receive training on Directors' duties to ensure awareness of the Board's responsibilities.

Stakeholder engagement activities recorded and detail included in Board papers where applicable.

Board information

Board papers include a table setting out s.172 factors and relevant information relating to them.

The Group's culture ensures that there is proper consideration of the potential impacts of decisions on stakeholders both now and over time.

The Board performs due diligence in relation to the quality of the information presented and receives assurance where appropriate.

Board strategic discussion

s.172 factors are considered in the Board's discussions on strategy, including how they underpin long-term value creation and the implications for business resilience.

The Chair ensures decision making is sufficiently informed by s.172 factors.

Follow-up actions with Board oversight

Board decision

Engagement and dialogue with stakeholders

How the Board engages with our stakeholders

Our customers

- Our Board met with customers throughout the development of our PR24 Business Plan.
- 'Your water, your say' events held in April and November 2023.
- Service delivery for customers is discussed at every Board meeting.
- Customer perceptions of value for money are reported to our Corporate Sustainability Committee.
- Customer-shareholders engage with the Board and submit questions in advance of, or in person at, our AGM.

Our people

- An in-person employee engagement event, 'Meet Our Board', held in November 2023.
- The Chair, Non-Executive and Executive Directors attend Company Forum sessions and D&I Advisory Group meetings and provide feedback at Board meetings.
- The Board considers employee engagement survey results and steps taken to address feedback.
- The Remuneration Committee reviews workforce policies and practices and makes recommendations to the Board.
- Company purpose and culture, talent development and our people strategy are discussed at Board meetings.
- Employee-shareholders have the opportunity to meet the Board and submit questions at the AGM.

Our communities

- Members of the Board attend community events to engage with the communities we serve.
- Employees who live and work in our communities 'meet' the Board at the Employee Forum, AGM, and through Board site visits.
- Employees who live and work in our communities also engage with the Board through dedicated employee engagement events: 'Ask Our Board', held in May 2023; and 'Meet Our Board', held in November 2023.
- Environmental matters, including progress on our Get River Positive River pledges, are considered by the Board at every meeting.
- Corporate responsibility, community activities and volunteering programmes are discussed at Board meetings.

Shareholders and investors

- The Chair hosts a governance roadshow annually to meet with shareholders, hear views and answer questions.
- The Chair of the Remuneration Committee met with the majority of the Company's top 30 shareholders through the 2024 Remuneration Policy consultation.
- The Chair, SID, CEO, CFO and Non-Executive Directors attend investor meetings and feedback is reported to the Board.
- Regular meetings take place between Investor Relations and the Chair to discuss feedback from investors and strategy.
- The Head of Investor Relations gives an update to the Board on a regular basis and the Investor Relations Strategy is discussed by the Board.
- The Board receives quarterly trading updates.

Suppliers and contractors

- The Board receives updates on the Group's capital programme at every meeting and participated in an AMP8 Deliverability deep dive as part of the development and oversight of our PR24 Business Plan. Updates include engagement activity with the supply chain.
- Supplier representatives attend the Capital Markets Day and the Company Forum alongside Executive Directors.
- Commercial performance is discussed at every Board meeting, including an update on relationships with suppliers.
- Our Corporate Sustainability Committee regularly monitors progress on sustainability in our supply chain.

Regulators and government

- Regulatory matters are considered regularly by the Board, including Business Plans, the Water Resources Management Plan and Scheme of Wholesale Charges.
- To deepen Board-level understanding of our regulators, our Chair and Non-Executive Directors met with regulators including Ofwat and the EA during the year.
- Regulatory stakeholders attend Board meetings and undertake site visits with the Board, including from Ofwat, the DWI, CCW and the EA.
- Regulatory consultation updates are considered by the Board.

Engagement in action

Severn Trent PR24 Business Plan

Context

On 2 October 2023, we submitted our AMP8 Business Plan for 2025-30, setting out the progress we will make over the next five years towards the 2050 aims set out in our Long-Term Delivery Strategy.

The Board invested a significant amount of time preparing for PR24, including understanding the way in which the Company can deliver positive customer outcomes and greater environmental and social value, drive improvements through efficiency and innovation, and increase focus on the long term.

To inform this activity, individual Directors, and the Board as a whole, determined that the Board should spend time engaging with customers to understand their views and priorities, and inform the development of the Business Plan. This should be facilitated by the Company, the Board as a whole and individual Directors spending time engaging with all of its stakeholders, including customers, shareholders, Ofwat, CCW and local communities to listen to and understand their views and potential impacts of the Company's Business Plan on them. The Company's Business Plan was then developed in full consideration of these discussions.

Consideration of s.172 impacts by the Board in its decision making

Customers: Potential impacts on customers were central to Board discussions in view of its existing commitment to keep bills affordable for all customers whilst also delivering improved resilience, sustainability and enhanced customer outcomes. To inform Board discussions, individual Directors, and the Board as a whole, spent time engaging with customers, attending community events – including affordability workshops – and having discussions with the Chair of the Expert Challenge Panel, Bernard Crump. The views of over 68,000 customers were factored into the Plan's development. Insights gathered from customer feedback were considered to produce a plan that the Board is confident will deliver the outcomes our customers want, both now and over time.

Communities: With the potential to create 7,000 jobs in our region, the Board is confident that our investment will have an important regional impact over the next decade, helping a much more diverse range of people benefit from these opportunities. To inform Board discussions, individual Directors spent time engaging with customers at community events. For example, Sharmila Nebhrajani provided an overview of her observations from the PR24 Affordability Workshop in Ward End, noting that the session had brought to life the difficulties faced by those in poverty and the way in which the Company's approach would improve the life experiences of communities.

Consideration of s.172 impacts by the Board in its decision making continued

Shareholders and investors: The Board recognised the importance of having a fully funded equity plan for 2025-30, to provide capacity to accelerate investment and improve service and customer outcomes sooner. The Board's decision to undertake a £1 billion equity raise during the year supported the enhancement investment business cases totalling c.£5 billion in the Business Plan, and the desire to accelerate £450 million of investment over the next 18 months.

Regulators: The Board held frequent meetings with its regulators throughout the Business Plan's development to ensure that their perceptions of our performance were factored into development of the Business Plan. Our Business Plan will be reviewed by Ofwat, our economic regulator, who will assess it under the framework set out in its methodology released in December 2022. We expect to receive our Final Determination in December 2024.

Supply chain: A successful price review will allow Severn Trent to deliver significant investments through a large capital programme in AMP8, which will require the support of the supply chain. The Board participated in an AMP8 Deliverability deep dive as part of the development and oversight of the PR24 Business Plan, which included ensuring that robust governance procedures were in place, supported by an effective organisational structure and strong talent and expertise within the Company and its supply chain. This builds on the work undertaken over AMP7 to diversify our supply chain and foster excellent working relationships, putting us on a trajectory to deliver at least £1 billion of enhancement investment every year in AMP8.

Outcomes and impact on the long-term sustainable success of the Company

In developing our Business Plan, the Board considered carefully the Company's Long-Term Delivery Strategy, with a 25-year time horizon. As part of this activity, the Board considered the impact of the Business Plan on every aspect of our strategic planning frameworks, statutory environment programmes and planned enhancement activities, accounting for potential future uncertainty to test the PR24 proposition. This process gave the Board confidence that the PR24 Plan aligned with the Company's long-term strategy and, as such, supported the long-term sustainable success of Severn Trent for the wider benefits of its stakeholders, both now and over time.

Our Plans 2025 – 30 | About Us | Severn Trent Water (stwater.co.uk)

Read more on **pages 6 and 7**.

PR24 engagement **pages 110 to 111**.

Read more on our £1 billion equity raise on **page 164**.

Remuneration Policy

Context

Our Remuneration Policy is designed to deliver balanced outcomes for our stakeholders, driving long-term sustainable performance for the benefit of all stakeholders. As part of developing the new Directors' Remuneration Policy (the 'Policy'), the Company engaged with various stakeholders including customers, shareholders, regulators and employees to understand their views of the proposed Policy and the alignment of remuneration to our strategy and priorities in supporting improved outcomes for customers and the environment both now and over time.

Stakeholder views were shared with the Board and Remuneration Committee alongside information on the wider workforce remuneration structure, external market practice, corporate governance regulations and institutional guidelines.

Consideration of s.172 impacts by the Board in its decision making

Customers and communities: The Board recognised the importance of ensuring the Policy was designed to deliver balanced outcomes and drive long-term performance for the benefit of all of our stakeholders, particularly customers and the environment. To achieve this, the Policy increases the weighting of customer and environmental-focused measures within the Long-Term Incentive Plan and proposes the inclusion of a long-term river health measure, in addition to environmental measures included within the annual bonus. The weighting of our storm overflow spill reduction target will be increased within the bonus as will our EPA for 2024. This element of the bonus will only pay out if 4* EPA status is achieved, with a nil payout for any lesser status.

The Company engaged with customers to ensure their views were considered in the development of performance-related pay structures.

The Board remains committed to tackling the underlying causes of poverty and improving the lives of people in our communities as announced within its 10-year Societal Strategy. The Committee therefore determined to incorporate a new Social Value metric into the Company's long-term incentives.

Shareholder and investors: Our 2021 Remuneration Policy received overwhelming support from our shareholders at the 2021 AGM, with 99.66% approval. We have enjoyed consistently strong shareholder support for our Directors' Remuneration Report, evidenced most recently by a 95.40% vote in favour at the 2023 AGM.

During the year, the Remuneration Committee conducted a comprehensive review of the current Remuneration Policy following which the Committee Chair consulted extensively with our largest shareholders and their representative bodies on the proposed changes for the new Policy. The Committee was briefed well on shareholder views and feedback from the consultation, which informed the Committee's review and development of the new Policy. The Committee recommended the Policy to the Board for approval, which will be subject to a binding shareholder vote at the 2024 AGM.

Regulators: The Board recognises the unique responsibility that comes from being a private monopoly provider of an essential public service and strives to deliver excellent performance that leads the sector and that is recognised by our regulators. The Policy changes ensure that we incentivise the delivery of exceptional, sector-leading performance for the benefit of our broader stakeholders, whilst aligning to Ofwat's latest performance-related pay guidance. The Chair and Remuneration Committee Chair attended a sector roundtable in relation to performance-related pay and engaged directly with Ofwat on the proposed changes for the new Policy. The Committee received a detailed brief on the regulator's views and feedback from this engagement.

Employees: The Board is committed to ensuring that all of our people share in our success and ensuring all employees are aligned with the same measures and rewarded for achieving our key objectives and delivering improved outcomes for customers and the environment, both now and over time.

The impact of remuneration of employees was also a key determinant in retaining the health and safety element of the annual bonus to support the Company's commitment to keeping our employees safe and well at all levels of the organisation.

Read our Remuneration Policy on **pages 195 to 204**.

Outcomes and impact on the long-term sustainable success of the Company

Changes to our Remuneration Policy demonstrate our commitment to setting, and implementing, a Policy that reflects the Company's strategic objectives, delivers value for all stakeholders and provides a substantial link to delivery for customers and the environment, both now and over time.

Customer Vulnerability Strategy

Context

The Company's regulator, Ofwat, defines vulnerability as "a customer who, due to personal characteristics, their overall life situation or due to broader market and economic factors, is not having reasonable opportunity to access and receive an inclusive service which may have a detrimental impact on their health, wellbeing or finances". In February 2024, the new customer-focused licence condition 'G' came into effect, which outlined service expectations which included the 'service for all' vulnerability guidance.

In developing our Customer Vulnerability Strategy, the Company engaged with key stakeholders, including Ofwat, CCW, local community stakeholders and local authorities, to listen to and understand their views and the challenges they face. The Customer Vulnerability Strategy was then developed in full consideration of these discussions, with the objective of addressing vulnerability in our region.

Consideration of s.172 impacts by the Board in its decision making

Customers: The Board has a continual focus on customer service, through standing agenda items at every Board meeting complemented by deep dives into customer topics throughout the year. As such, the Board approaches all the decisions that it takes with a firm understanding of the customer lens and potential consequences of strategic decisions on customers. In developing the Company's Customer Vulnerability Strategy, the Board applied particular focus to changing customer needs as a consequence of life challenges, life changes and our services. In shaping the Strategy, the Board considered:

- the support that customers needed now, and in the future – such as financial assistance schemes and smart metering to make bills more affordable;
- services that the Company currently provided to meet customer needs – and where services could be enhanced in the future – such as further growth of the Priority Services Register, ensuring the Company was accessible to vulnerable customers;
- the accessibility of the Company's services – including the critical role of data to identify customers, and ensuring that customers had simple experiences when they needed the Company's support; and
- holistic support for our communities through the Company's continued investment in our communities – through the Societal Strategy – to create employability opportunities and give life skills to boost customer incomes.

Board discussions were supported by real-life case studies of vulnerable customers, who had shared their direct experiences with the Board. These considerations are reflected in the Customer Vulnerability Strategy.

Regulators: The Board seeks to foster a positive relationship with its regulators, including Ofwat. In developing and agreeing the Company's approach, the Board considered carefully regulator expectations in relation to customer vulnerability, with a particular focus on the new customer-focused licence condition, which sets out five key objectives: Provide a high standard of service and support; Develop services that are inclusive by design; Identify customers who need extra help; Record their needs; and Develop and implement vulnerability strategies. Alongside the standing 'Customer' Board agenda item, the Board scheduled two dedicated working sessions on the Customer Vulnerability Strategy to scrutinise management's approach to meeting regulatory expectations. As outlined above, notwithstanding the regulatory requirements, the Board's activity was primarily focused on improving the support for customers who need extra help accessing our services.

Communities: In developing our Customer Vulnerability Strategy, the Company engaged with a range of community stakeholders, including community groups, local authorities, schools and councillors, to listen to and understand their views and the challenges they face. The Customer Vulnerability Strategy was then developed in full consideration of these discussions, with the objective of addressing vulnerability in our region.

Investors: Alongside development of the proposals through a customer lens, the Board considered carefully the need to deliver value for the Company's shareholders. The proposed Customer Vulnerability Strategy aligns with our ESG ambitions and particularly our Societal Strategy commitments, which contribute to the long-term success of Severn Trent and investor returns. The Strategy also aids customer affordability, which supports future investment programmes and RCV growth, whilst ensuring our bills remain amongst the lowest in the sector.

Outcomes and impact on the long-term sustainable success of the Company

Our Customer Vulnerability Strategy seeks to outline the support and services offered to customers in vulnerable situations, particularly those who need extra help accessing our services.

The Strategy sets out our approach to tackling holistic vulnerabilities, ensuring that our services are accessible for all – particularly those who need help – and we continue to push forward with our commitments to improve our offering within our region through associated programmes such as our Societal Strategy.

The Customer Vulnerability Strategy will be published on our website in the summer of 2024.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

This section of the Strategic Report constitutes the Non-Financial and Sustainability Information Statement of Severn Trent Plc, produced to comply with sections 414SA and 414CB of the Companies Act 2006. The information listed in the table below is incorporated by cross reference.

Reporting requirement	Policies and standards which govern our approach	Additional information and risk management
Stakeholders	– Our **Customer Policy** outlines how our people are responsible for ensuring we keep our promises to our customers and deliver great customer service. – Our **Group Data Protection Policy** supports our people in taking responsibility for protecting our employee and customer data whilst considering and implementing the commitments made within the Policy when performing their work and making decisions. – Our **Group Commercial Policy** outlines what is expected of all those involved in procurement activities, enabling them to uphold our values of acting with integrity and putting our customers first. Complying with this policy enables employees to maintain proper standards of fairness and integrity in business relationships with colleagues and suppliers.	Stakeholder Engagement, **pages 108 to 121** s.172 Statement, **pages 122 to 125** Board Activities, **pages 140 to 141**
Environmental Matters	– Our **Group Environment Policy** supports our environmental plans and our commitment to environmental leadership. It sets out guiding principles of how we as a Group operate to protect the environment and the commitments our people need to consider when performing work activities and when making decisions.	TCFD and Net Zero Transition Plan, **pages 42 to 81** Corporate Sustainability Committee Report, **pages 165 to 168** Sustainability Report, severntrent.co.uk Stakeholder Engagement, **pages 108 to 121** s.172 Statement, **pages 122 to 125**
Employees	– Our **Group Health, Safety and Wellbeing Policy** outlines what is expected of employees as regards health, safety and wellbeing, ensuring that no one gets hurt or is made unwell by what we do. This policy extends to anyone employed by, or who carries out work on behalf of, Severn Trent Plc and its Group companies, contractors, temporary staff and agency workers. – Our **Group Speak Up Policy** – we truly believe that our values are an essential and vital part of the life and culture of Severn Trent, and that is why we take seriously any reports about illegal practices or inappropriate conducts within our company. We hold ourselves to the highest ethical standards and encourage our colleagues to Speak Up if they are worried about wrongdoing affecting our company, customers, colleagues or suppliers. – Our **Group HR Policy** outlines our commitment to maintaining a work culture that is diverse and inclusive, that is supportive and nurturing, which makes the most of everyone's growth potential. We will also protect the human rights of all of our colleagues.	Caring for our people, **pages 25 to 32** Stakeholder Engagement, **pages 108 to 121** Gender and Ethnicity Pay Gap, **page 28** Culture, **pages 132 to 133** Governance Report, **pages 128 to 204** Audit and Risk Committee Report, **pages 153 to 161** Directors' Remuneration Report, **pages 169 to 194**
Respect for Human Rights	– **Anti-Slavery and Human Trafficking Statement** – **Diversity within our workforce**	Anti-Slavery and Human Trafficking, **page 168** Governance Report, **pages 128 to 204** Corporate Sustainability Committee Report, **pages 165 to 168**

Reporting requirement	Policies and standards which govern our approach	Additional information and risk management
Anti-Corruption and Bribery	– Our **Group Financial Crime and Anti-Bribery and Anti-Corruption Policy** outlines acceptable and non-acceptable behaviours to ensure compliance with anti-bribery and anti-fraud laws and includes improper payments, gifts or inducements of any kind to and from persons including officials in private or public office, customers and suppliers. This policy also covers our approach to Insider Dealing, Political Donations, Conflicts of Interest and Continuous Disclosure. – Our **Group Conflicts of Interest Policy** provides guidance around managing conflicts of interests arising from obligations pursuant to the Companies Act 2006, UK Corporate Governance Code and associated rules and guidance issued by the Financial Conduct Authority ('FCA'). – Our **Group Security Policy** aims to minimise the likelihood of a threat being realised through the use of appropriate security solutions that reduce the impact of these threats through the deployment of robust response and recovery measures. – Our **Group Competition and Competitive Information Policy** – competition law applies to all parts of our Company, and we take our position within the market, and our compliance with competition and antitrust laws, seriously. For us though, it is not enough just to comply with the law. In everything we do, we strive to do it with openness, fairness and honesty, which is supported by our values and the stringent rules we have in place.	Governance Report, **pages 128 to 204** Audit and Risk Committee Report, **pages 153 to 161**
Social Matters	– **Doing the Right Thing**, our Code of Conduct, helps us put our values into practice. Our values and Code of Conduct embody the principles by which the Group operates and provide a consistent framework for responsible business practices. – **Group Environment Policy** – **Customer Policy**	TCFD and Net Zero Transition Plan, **pages 42 to 81** Corporate Sustainability Committee Report, **pages 165 to 168** Directors' Report, **pages 205 to 207** Sustainability Report, severntrent.co.uk Stakeholder Engagement, **pages 108 to 121**
Description of Principal Risks and Impact of Business Activity		Our Approach to Risk, **pages 92 to 94** Principal Risks, **pages 95 to 101** Emerging Risks, **page 102** Our Business Model, **pages 8 to 9**
Description of the Business Model		Our Business Model, **pages 8 to 9**
Non-Financial Key Performance Indicators		Strategic Report, **pages 2 to 127** Key Performance Indicators, **pages 16 to 17**
Climate-Related Financial Disclosures		TCFD Report **pages 42 to 67**

The policies mentioned above form part of Severn Trent's Group policies, which act as the strategic link between our purpose and values and how we manage our day-to-day business. During the year, the Board determined that the policies remain appropriate, are consistent with the Company's values and support its long-term sustainable success.

Approval

This Strategic Report was approved by the Board.

By order of the Board.

Hannah Woodall-Pagan
Group Company Secretary

21 May 2024

CHAIR'S INTRODUCTION TO GOVERNANCE

> With our experienced leadership team, I'm confident that we are well positioned to deliver exceptional outcomes for our stakeholders over the next five years. Our ambitious Business Plan will drive transformative change, through delivering improvements and investment where our customers tell us it matters most. All of this will be underpinned by our robust governance approach, to ensure we give our customers, regulators and other stakeholders confidence that we will deliver in line with their expectations for AMP8 and beyond.

Christine Hodgson
Chair

My governance highlights from 2023/24

- Submission of our PR24 Business Plan – with the Board investing a significant amount of time overseeing its preparation, with a particular focus on customer engagement, financeability and deliverability. The Board also oversaw the Group's £1 billion equity placing to ensure a fully funded equity plan for 2025-30 – read more on page 164.
- Succession and contingency planning:
  - smooth transition of recent Executive appointments, including the Chief Financial Officer, Director of Customer Operations, General Counsel and Company Secretary, demonstrating the strength of our talent management within the Group; and
  - planned approach to Board succession, including the Audit and Risk Committee Chair handover and appointment of a new Independent Non-Executive Director, Richard Taylor, with effect from 1 April 2024, in readiness for Gillian Sheldon's retirement from the Board.
- Focus on innovation both within the Group and externally, to support sustainable, affordable change, in the development of our PR24 Business Plan and to realise immediate benefits. The Board visited one of our international collaborative partners, Aarhus Vand, during the year, to observe innovative approaches first hand. Read more on page 166.
- Focus on culture and colleague engagement, through a programme of site visits and dedicated activities, and scrutiny of our employee engagement survey results, to satisfy ourselves that the Group's culture supports delivery of our AMP8 plans – read more on pages 132 to 133.
- Commissioning a rigorous and independent evaluation of the Board, its Committees and individual Directors to ensure the Board remains effective in its oversight of the Group's purpose and strategy – read more on pages 146 to 147.
- Continued evolution of our corporate governance arrangements, including reviewing our preparedness for the 2024 UK Corporate Governance Code (the '2024 Code'), which will apply to us from the 2025/26 financial year.

Dear Shareholder

I am delighted to introduce our Governance Report for 2023/24, on behalf of your Board and in accordance with the 2018 UK Corporate Governance Code (the '2018 Code'). This report outlines how we have ensured that best practice and effective corporate governance procedures are in place to support the creation of long-term value for the mutual benefit of all of our stakeholders. As highlighted in my Chair's Statement, on pages 10 to 12, this has been an exceptionally busy period for the Board, and particularly the Audit and Risk Committee, with a significant amount of time being spent finalising our PR24 Business Plan. I would like to convey the Board's thanks to John Coghlan for his dedication and support to the Board as Chair of the Audit and Risk Committee during this time and throughout his tenure. My report, and the pages that follow, set out a summary of the important work that the Board, and its Committees, have conducted during the year in discharging its oversight over the Group's strategy, performance and supporting the long-term sustainable success of the Company, generating value for our shareholders, customers and employees, and contributing to wider society.

Your Board

As announced during the year, Gillian Sheldon retired from the Board on 14 May 2024, having served on the Board for almost three years, to focus on her recent Executive appointment. On behalf of the Board, I would like to thank Gillian for her valuable contribution to the Board's work. We welcomed Richard Taylor to the Board on 1 April 2024 and his extensive induction programme is now underway. Richard has already visited a number of our operational sites to meet our teams in person. Further detail can be found on page 145.

During the year, we bade farewell to two longstanding members of the Board: James Bowling stepped down as Chief Financial Officer at the conclusion of the AGM in July 2023, ahead of his planned retirement from the Company; and John Coghlan, Independent Non-Executive Director and Chair of the Audit and Risk Committee, retired from the Board in December 2023, having served just over nine years. On behalf of the Board, I would like to thank them both for their significant contribution to the Company during their tenures.

Succession planning is a priority for the Board and a key activity of the Nominations Committee and Board. As such, we were positioned well to manage these changes at Board and Executive Committee level. The Board was delighted that, following rigorous internal and external search and selection processes, Helen Miles was appointed as Chief Financial Officer, demonstrating the talent we nurture within our business. Sarah Legg, who joined the Board as an Independent Non-Executive Director on 1 November 2022, has taken on the role of Audit and Risk Committee Chair. The considered succession planning process enabled a thorough and detailed handover between John and Sarah, who introduces her first Audit and Risk Committee Report to shareholders on page 153.

PR24 – a Business Plan developed with our stakeholders

To ensure the long-term success of our business, the Board and individual Directors need to build and maintain successful relationships with a wide range of stakeholders, taking account of and responding to their views. These relationships will only be successful and enduring if they are based on respect, trust and mutual benefit. Accordingly, we want to promote a culture of integrity and openness, which values diversity and is responsive to the views of shareholders and wider stakeholders. The Board values feedback from our stakeholders and seeks to maintain close relationships with them and respond to their views.

A good example of how our stakeholder-focused approach operates in practice was the development of our PR24 Business Plan. As outlined in my report last year, a key area of focus for 2023/24 has been to position the business for success during the next regulatory period. The Board invested a significant amount of time preparing for PR24, including understanding the way in which the Company can deliver positive customer outcomes, greater environmental and social value, drive improvements through efficiency and innovation, and increase focus on the long term. To inform this activity, individual Directors, and the Board as a whole, spent time engaging with customers, attending community events and having discussions with the Chair of the Expert Challenge Panel, Professor Bernard Crump, a former Regional Chair of the Consumer Council for Water. The views of over 68,000 customers were factored into the Business Plan's development – our most extensive customer engagement activity in our history.

The Board also engaged with colleagues and suppliers to ensure our ambitious AMP8 investment programme was deliverable, with adequate supply chain capacity in place, supported by robust governance procedures, effective organisational structure and strong talent and expertise, to position the Company to achieve a run rate of c.£1 billion every year in AMP8. The Board participated in a dedicated AMP8 Deliverability deep dive as part of the development and oversight of the Business Plan, and you can read more about our approach to deliverability on page 11.

As outlined at the outset of my report, the Board recognised the importance of having a well funded equity plan for 2025-30, to provide capacity to accelerate investment and improve our services for customers and the environment as quickly as possible. As such, the Board engaged with shareholders and investors to gain financial support for our plan and undertook a £1 billion equity raise during the year to support investment business cases totalling c.£5 billion in the Business Plan, enabling us to accelerate over £450 million of investment over the next 18 months.

This insight and stakeholder feedback gave the Board a solid foundation on which to create a comprehensive, detailed Business Plan – co-created with stakeholders and built around their priorities, both now and for the long term.

You can read more about how the Board has engaged with our stakeholders on pages 108 to 121, and our Section 172 Statement can be found on pages 122 to 125.

Environmental performance

Another area of significant customer and wider stakeholder focus is environmental performance, an area where our long-term investment continues to deliver performance improvements. However, we are not at all complacent and this year has highlighted that, despite the performance improvements made in some areas, we know there is more we can do to improve. We have invested £1.2 billion in 2023/24, a 63% increase year on year, bringing our total investment this AMP to over £3 billion. It is pleasing to see this investment reflected in our EPA performance; we achieved EPA 4* for the fourth consecutive year in 2023, and have had no serious pollutions this year. We are highly confident that we will achieve EPA 4* for a fifth consecutive year this year. We have also reduced the Severn Trent Water share of RNAGS to 14% as our Get River Positive programme drives long-term improvement in river quality. You can read more on pages 36 to 37.

Whilst there have been good areas of performance, we want to deliver faster improvements on areas such as CSOs and pollutions, where we have set bold targets to drive performance improvements. The Board considered the Company's targets to deliver the Government's targets early and the investment plans for 2024/25 which include a record investment at our CSO sites. You can read more about this activity on page 39. This investment has driven a number of improvements, which makes the Barlaston pollution, outlined in my Chair's Statement and detailed on pages 23 to 24, particularly disappointing. There was Board-level oversight of the incident and you can read more about our environmental performance and, in particular, our response to the Barlaston pollution and action taken to implement lessons learned to bolster our preparedness for similar events in the future on page 24.

Our people

One of the most valued and enjoyable aspects for our Board is the opportunity to meet and spend time with colleagues across the Group. The conversations that take place inform our direct understanding of the sentiment of our workforce and their views on the Group's operations, risks, successes and challenges.

We each enjoy attending the Company Forum, our chosen workforce engagement mechanism, to hear directly from employees and members of the Trade Unions, but also to share the topics on the Board's agenda and answer any questions on these. During the year, we held a 'Meet Our Board' event, which was attended by apprentices and graduates from across the Group. I would like to thank those who took the time to attend and share their experiences with us.

As set out on pages 132 to 133, these interactions assist the Board in assessing and monitoring the Group's culture, beyond the scores and feedback from employee engagement surveys. The Board has concluded that our desired culture is embedded across the Group and we observe it being demonstrated consistently at all levels.

UK Corporate Governance Code

The version of the Corporate Governance Code applicable to this Annual Report is the 2018 Code. The Board is pleased to confirm that Severn Trent Plc was compliant with all of the principles and provisions set out in the 2018 Code for the financial year ended 31 March 2024.

The year saw continued evolution of our corporate governance arrangements, with time spent refining our processes and procedures in readiness for implementation of the 2024 Code, which will apply to us from the 2025/26 financial year. The Board welcomed the Financial Reporting Council's publication of the 2024 Code and we have undertaken a full review of our Governance Framework and arrangements in light of the updated 2024 Code to ensure that any recommendations can be addressed in a timely manner to ensure full compliance ahead of it coming into force.

Dividend

Whilst this report sets out the matters considered in relation to the Severn Trent Plc dividend (the 'Group dividend'), in response to increased stakeholder focus on regulated company dividends within the water sector, the Board applied particular focus to the proposed Group dividend during the year, in consideration of:

- our regulated company performance in the round and over time, particularly service delivery for customers and the environment;
- the Company's long-term investment needs; and
- financial resilience.

Detailed disclosures on the Severn Trent Water Limited dividend can be found within that company's Annual Report and Accounts and Annual Performance Report. A link to where these reports can be found when they are published on 15 July 2024 is provided opposite. To provide transparency for our shareholders and wider stakeholders, we have summarised the process that the Board undertook to assess the Company's performance in the round and stakeholder impacts, ahead of determining whether a Group dividend should be paid. Further detail can be found in the schematic on the next page.

Following this assessment, in line with our formal dividend policy, the Board determined that the proposed Group dividend would not impact the financial health of the regulated company, nor its credit ratings. The Board also considered that the proposed dividend was supported by the regulated company performance in the round for customers and the environment, both now and over time. The Board is therefore proposing a final dividend of 70.10 pence per share, to be paid on 17 July 2024, taking the total dividend for the year to 116.84 pence per share.

Given that many small retail shareholders, including Severn Trent pensioners, rely on our dividend payments, we are pleased to be able to sustain our dividend commitments against a backdrop of increased costs, which has resulted in a challenging year for so many shareholders. I had the pleasure of meeting many shareholders again this year to discuss our performance. Our consistent results emphasise that we are well placed to uphold our high standards of service delivery for customers and provide a sustainable platform for investment and performance improvements in areas that are important to our stakeholders.

Board evaluation

My focus continues to be on maintaining a strong, value-adding Board, with a diverse range of professional backgrounds, skills and perspectives. Succession planning has been a key priority for the Nominations Committee and, to inform this work, the Committee commissioned an externally facilitated Board Effectiveness evaluation during the year, conducted by Ffion Hague of Independent Board Evaluation ('IBE'), in line with the requirements of the 2018 Code.

The review assessed the Board's progress since the last external review in 2021, which was also undertaken by IBE, and provided an opportunity to consider the Board's overall effectiveness. The review concluded that the Board operates very effectively and it was evident that the Board places a strong emphasis on ensuring that it considered the views of stakeholders in its discussions and decision making. I would like to thank Ffion for her rigorous review and assessment of the Board and its Committees. You can read more about the process and outcomes of the Board Effectiveness evaluation on pages 146 to 147 of this report.

Looking forward

Overseeing the development of my first Business Plan as Chair of your Board, I have spent time reflecting on everything that I have learned about Severn Trent since I joined – the talent and commitment of our employees, the focus on operational excellence and resilience, our contribution to society and our environmental achievements. Building our Business Plan has reinforced that we are in a strong position for the challenges and opportunities ahead – with ambitious plans formulated to deliver benefits for our customers, the environment, our communities, the region and our shareholders. Whilst we still await Ofwat's determination, we have already started on our investments to deliver improvements in areas that our stakeholders have told us are important to them.

The final year of AMP7 will provide an opportunity to reflect on activity that we can take forward into AMP8, and identify and embrace new and innovative ways to deliver our services more effectively and efficiently.

I want to thank everyone involved this year – our customers, communities, investors, regulators and suppliers. But above all, thank you to our colleagues, for their commitment to end this AMP strongly, ready to take on the next five years of providing a high-quality, essential public service.

Christine Hodgson
Chair
21 May 2024

The Severn Trent Water Annual Report and Accounts and Annual Performance Report will be available in the Regulatory Library from 15 July 2024.

Quick facts

- Christine Hodgson was considered independent upon appointment to the Board on 1 January 2020.
- The Board considers that all Non-Executive Directors remain independent.
- The biographies of individual Directors are set out on pages 134 to 135 and include details of the skills and experience each brings to the Board to contribute to the Company's long-term sustainable success.
- All Directors are subject to election at the Annual General Meeting ('AGM') which will be held on 11 July 2024. Following the completion of this year's evaluation, the Board concluded that each Director standing for appointment or reappointment continues to contribute effectively. The Board recommends that shareholders vote in favour of those Directors standing for appointment or reappointment at the AGM, as they will be doing in respect of their individual shareholdings.
- This report explains how we have applied the principles of the 2018 Code and confirms our compliance with its provisions. Read more on page 137.

PERFORMANCE IN THE ROUND

To provide transparency for our shareholders and wider stakeholders, the below schematic sets out a summary of the performance in the round process undertaken by the Board in relation to the Group dividend to support the Board in assessing all areas of the Company's performance, and stakeholder impacts, both now and over time, ahead of determining whether a Group dividend should be paid. Detailed disclosures on the Severn Trent Water Limited dividend can be found within that company's Annual Report and Accounts and Annual Performance Report, to be published on 15 July 2024.

Performance for customers / Performance for the environment

The Board considered the proportion of measures where targets were achieved, where targets were not achieved and assessed the Company's performance across its performance commitments relative to other companies.

The Board undertook deep dives into challenging areas, which included investment plans for how performance could be improved – for example, the Board instigated specific reviews as follows:

- Deep dive on the Company's C-MeX performance and improvement activity. Read more on page 19.
- Deep dive on the Company's Customer Vulnerability Strategy. Read more on page 125.
- Deep dive on the Company's Societal Strategy. Read more on page 31.
- Deep dive on the Company's performance and plans on river health. Read more on page 36.
- Deep dive on the Company's performance and use of CSOs. You can read more about the Company's dedicated spills improvement programme on page 38.
- Deep dive on the Barlaston pollution. Read more on page 23.

The Board considered an assessment against the EA's overall framework, including EPA and how the Company performed both in year and over time, and opportunities to improve the Company's performance through investment or operational improvements.

This reporting-based approach is supported by site visits to bring operational challenges to life and enable the Board to meet employees involved first hand. Read more on pages 132 and 133.

Interests of the Company's employees

Robust assessment of the Company's commitment to its employees, supported by deep dives and consideration of impacts on employees as follows:

- Assessment of employee benefits – including talent management, career development and broader incentives.
- Health and Safety performance – including our people, supply chain and the customers and communities we serve.

In its assessment, the Board also considered the impact of the proposed dividend on employee shareholders, including the overwhelming majority of our employees who own Severn Trent shares, either directly or through our share plans, such as Sharesave – which over 72% of our employees participate in.

Performance for communities we serve

Robust assessment of long-term value creation for the mutual benefit of our customers and communities, shareholders in our communities, the environment and our people, supported by deep dives into the following key areas:

- Affordability – read more on page 7.
- Societal Strategy – read more on page 31.
- Health and Safety performance – read more on page 26.
- Deep dives into River Health and Bathing Rivers progress – read more on page 36.

This reporting-based approach is supported by meetings with our communities and employees to enable direct interaction with the Board.

In its assessment, the Board also considered the impact of the proposed dividend on retail shareholders, including c.40,000 individual retail shareholders (many of whom live in our region) and pension funds within our region.

Financial performance and resilience

Assessment and scrutiny of the proposed dividend in the context of Ofwat's PR19 methodology, subsequent guidance and Companies Act 2006 requirements, in particular that dividends may only be paid out of profits available for the purpose. This process included an assessment of the proposed dividend, and historic dividends paid, in the context of the Company's:

- Ongoing liquidity and solvency to ensure the Company's ongoing financial resilience.
- Performance against its determination.
- Scrutiny of the various scenarios and sensitivities underpinning the Company's viability assessment, financial performance and resilience.

The assessment also considered the impact of the proposed dividend on the strength of Severn Trent Water's covenant as the sponsor of its defined benefit pension schemes.

Legal and regulatory requirements

Consideration of legal requirements under the Companies Act and regulatory requirements in relation to the Group's regulated water companies. The Board's assessment sought confirmation that:

- The Company has sufficient distributable reserves to pay the proposed dividend.
- The dividends declared will not impair the Company's ability to continue as a going concern.
- Ofwat's requirements relating to dividends paid by the Group's regulated companies are considered in those companies' Annual Performance Reports.

Interests of shareholders and debt investors, and the need to act fairly between members of the Company

To make the investment needed, companies need committed long-term investors to fund the significant investment for AMP8 and beyond, improve service delivery for customers and the environment over time, whilst promoting intergenerational fairness. The Board's assessment included consideration of:

- Gearing impacts, in particular that dividends should support appropriate gearing to maintain the balance of risk between existing equity and debt investors.
- Attracting investment in the sector, recognising that dividends are a key factor in investment decisions for shareholders, which represent the main return to equity both now and to promote long-term investment into the sector.
- Investor expectations to earn a fair return on their investment and the higher risk taken by equity investors relative to debt investors.

Decision in determining whether a dividend should be paid

Following this assessment, in line with our formal dividend policy, the Board determined that the proposed dividend would not impact the financial health of the regulated company, nor its credit ratings. The Board also considered that the proposed dividend was supported by the regulated company performance in the round for customers and the environment, both now and over time. The Board therefore proposing a final dividend of 70.10 pence per share, to be paid on 17 July 2024.

Inform Future Activity

1 Plan → 2 Measure → 3 Improve → 4 Review → 5 Monitor →

All areas of performance, and stakeholder impacts, are considered in the Board's decision in determining whether a dividend should be paid.

OUR
CULTURE

Why is culture important to the Board?

Culture drives effective thinking, behaviour and action. As such, it is crucial that we have the necessary culture in place in order to achieve the Company's purpose of 'taking care of one of life's essentials'.

Severn Trent's culture, underpinned by our Code of Conduct "Doing the Right Thing", ensures that the Group's values are embodied by our people and teams when they make decisions and elect to take a certain course of action. This builds trust and fosters an environment of transparency, open communication and collaboration.

The Board recognises the need for the Group's culture to be inclusive, so that all colleagues are able to bring their whole selves to work, fulfil their potential and perform at their best so, as an organisation, we can deliver our strategy. Culture is also a key ingredient in attracting and retaining the talent we need in the workforce to deliver for our customers and other stakeholders, both now and in the future. It is also inextricably linked to our succession planning processes.

The Board is cognisant that each Director must act with integrity and lead by example in order to promote the desired culture, which is why Board members complete the same mandatory e-learning modules as colleagues, covering topics including Doing the Right Thing, Anti-Bribery and Anti-Fraud, and Modern Slavery Awareness.

Our values

Read more about our values on **pages 2 and 3**.

How does the Board satisfy itself that our culture is aligned with our purpose, values and strategy, and is embedded throughout the Group?

The Board spends a significant amount of time engaged in activities that provide insight into Severn Trent's culture. Through this engagement with our people, the Board can observe how the culture is established throughout the Group, aligned across directorates and demonstrated by each and every colleague. More detail is provided below.

Company Forum

Our chosen workforce engagement mechanism, the Company Forum, provides an opportunity for employee and Trade Union representatives to meet with Board members on a regular basis, helping them to stay connected to the direction of the Company and be involved in business decisions.

Members of the Board and Executive Committee attend the Company Forum on a rotational basis, so each Director has the opportunity to listen directly to what employees have to say and for our employees to hear about the matters that the Board is reviewing and considering. Agendas are comprehensive and varied, so attendance at the Company Forum affords Board members a better understanding of day-to-day operations, the practical execution of strategy and the cultural context in which employees work. It ensures that views from a diverse cross section of the workforce – in terms of seniority, gender, ethnicity, tenure of employment and job types – are considered in Board discussions and decision making, and each meeting generates wide-ranging exchanges of opinion and insight. Feedback from the Company Forum consistently indicates the great value placed on the attendance of Board members.

> Employee engagement at Severn Trent goes far beyond an engagement survey statistic, measure or response. The in-person, immersive approach at our Company Forum gives me, and the entire Board, an authentic view of our colleagues' connection to the Company, its strategy and the crucial role that each and every one of our people plays in delivering for our customers.

Tom Delay
Chair of the Corporate Sustainability Committee

Through attendance at the Company Forum, Directors can observe whether the Board's chosen workforce engagement mechanism remains effective. Directors provide feedback to the Board as a whole through reports tabled at subsequent Board meetings.

Read more in our Stakeholder Engagement section from page 108.

Ask Our Board and Meet Our Board events

Board members engaged with graduates and apprentices during a dedicated engagement event in November 2023

Following the success of our virtual 'Ask Our Board' events, introduced to continue the direct dialogue between the Board and workforce during the COVID-19 pandemic, our first in-person 'Meet Our Board' event was held in November 2023.

This session saw c.25 graduates and apprentices from a wide range of business areas engage informally with Board members to inform their understanding of the Board's and individual Directors' roles at Severn Trent, in the context of their own career paths. They also posed questions directly to the Board. Feedback from the event has been wholly positive, with both Board members and attendees reporting that the informal structure of the session provided a relaxed yet informative approach to engaging with each other.

Board members visited our Witches Oak water treatment works construction site and Church Wilne laboratories during November 2023

Site visits

Board members frequently undertake site visits to gain further insight into our culture by meeting colleagues whilst observing the Group's operations in action. Our values are truly brought to life in the way colleagues behave in carrying out their roles, and this is really seen during site visits. Board members use these opportunities to observe the commitment and dedication of our people, who work tirelessly to supply our essential services to customers and communities, whilst also increasing their understanding of how the systems and processes we have in place support our workforce to deliver consistent operational performance.

Employee advisory groups

Sarah Legg
Chair of the Audit and Risk Committee

People from all backgrounds want to know their voice and contribution matter. The work of our employee advisory groups shines a light on D&I activity across our business, attracting and fostering talent from all backgrounds to ensure our company reflects the customers and communities we serve.

Board members attend meetings of the four employee advisory groups – LQBTQ+, Ethnicity, Disability, and Women in STEM and Ops – to hear about the progress made against our diversity and inclusion plans across the business. Outputs from these sessions are used to shape future Board agenda topics and employee updates.

Leadership events

Kevin Beeston
Senior Independent Director

Our leadership events connect the dots between individual managers and the goals of our organisation. Seeing first hand the strength of that connection, and the energy managers get from their work, further promotes our culture of autonomy and trust.

Board members are invited to attend leadership events that are held during the year, to hear directly the key messages we are sharing with our managers about our company's strategy, current performance and future plans. The events also bring our leaders together to build networks and provide opportunities for collaboration and development of solutions for the challenges we face as a business.

What does the Board do to assess culture?

The Board holds the CEO and the Executive Committee to account for creating and fostering a positive culture, and therefore continually assesses that the necessary culture exists to deliver our strategic goals. This is facilitated through dedicated agenda updates at Board and Committee meetings and Directors are able to draw on their experiences observed first hand as part of their discussions on culture.

Employee engagement survey

The Board reviews the results of the annual employee engagement survey. The Board receives data on how engaged our workforce is compared to our peers and how Severn Trent's values link to our purpose and affect colleague behaviours. The Board places great importance on understanding the strengths and opportunities identified by colleagues and actions are monitored through to completion. The Board also considers regular agenda topics structured around our people. Read more on pages 112 to 113.

Workforce policies and practices

The Remuneration Committee and Board review, at least annually, the wider workforce policies and practices to ensure they remain consistent with the Company's values and support its long-term sustainable success in light of its obligations under the 2018 Code. Read more about how we invest in and reward our people on pages 26 to 30 and in the Directors' Remuneration Report from page 169.

Employee voice and engagement

The Board receives feedback from the workforce on the various company-wide initiatives in place to enable two-way inclusive dialogue and facilitate open and effective communication. The Board uses this information to satisfy itself that these well-established communication and engagement mechanisms, including the Company Forum, remain effective and well-utilised, and cover the full breadth of the organisation. Read more on pages 112 to 113.

BOARD OF DIRECTORS

We have a strong, experienced Board, with a diverse range of professional backgrounds, skills and perspectives.

The collective experience of the Directors and the diverse skills and experience they possess enable the Board to reach decisions in a focused and balanced way, supported by independent thought and constructive debate, which is crucial to ensuring the continued long-term success of the Company. Integrity and mutual respect are the cornerstones of relationships between our Directors, with a Board dynamic that supports open and honest conversations to ensure decisions are taken for the long-term success of Severn Trent in full consideration of the impact on all stakeholders.

Effective succession and contingency planning has enabled the smooth transition of recent Board appointments during the year, including the Chief Financial Officer, the effective handover of the Audit and Risk Committee Chair position and recruitment of Richard Taylor, who joined the Board as an Independent Non-Executive Director on 1 April 2024.

N C R

Christine Hodgson CBE BSc (Hons), FCA

Chair

Appointed:
Independent Non-Executive Director on 1 January 2020, Chair on 1 April 2020.

Career and experience:
Until her appointment as Chair of the Severn Trent Board, Christine was the Executive Chair of Capgemini UK Plc, one of the world's largest technology and professional services groups. Christine joined Capgemini in 1997 and built her career in a variety of roles including CFO for Capgemini UK Plc and for the Global Outsourcing business, CEO of Technology Services North West Europe and the Global Head of Corporate Social Responsibility.

Christine was previously an Independent Non-Executive Director of Ladbrokes Coral Group Plc and Senior Independent Director and Chair of the Remuneration Committee at Standard Chartered Plc.

In January 2020, Christine was appointed Commander of the Order of the British Empire in the Queen's New Year Honours for services to education.

Skills and attributes which support our strategy and deliver long-term sustainable success:
Christine has extensive Board and governance experience, as well as a deep understanding of business, finance, technology and leadership. She is a committed advocate of the need for companies to serve all of their stakeholders effectively and deliver their social purpose.

Christine is a Fellow of the Institute of Chartered Accountants in England and Wales.

Key external appointments:
- Chair of Newton Group Holdings Limited
- Non-Executive Director of Spencer Stuart
- Senior Pro-Chancellor and Chair of Loughborough University Council

D E

Liv Garfield CBE BA (Hons)

Chief Executive

Appointed:
Chief Executive on 11 April 2014.

Career and experience:
Before joining Severn Trent, Liv was Chief Executive Officer of Openreach, part of the BT Group, where she spearheaded and oversaw the commercial roll-out of fibre broadband to two-thirds of the country. She joined BT in 2002 and held the pivotal roles of Group Director of Strategy and Regulation, Managing Director Commercial and Brands, Global Services and UK Customer Services Director. From 1998 to 2002, Liv worked for Accenture as a consultant in the Communications and High-Tech Market Unit, designing and implementing business change solutions across a number of industry sectors.

In October 2020, Liv was appointed Commander of the Order of the British Empire in the Queen's Birthday Honours for services to the water industry.

Skills and attributes which support our strategy and deliver long-term sustainable success:
Liv brings to the Board a wealth of experience managing customer service delivery and complex infrastructure and organisations in a regulated environment. She has vast knowledge of developing and implementing strategy, and is passionate about ensuring businesses operate sustainably.

Key external appointments:
- Non-Executive Director of Water UK
- Non-Executive Director of Brookfield Asset Management Limited
- Director of Water Plus Limited – joint venture with United Utilities
- Chair of the Council for Sustainable Business
- Member of the Takeover Panel, and its Hearings Committee and Nomination Committee
- Member of the Government Net Zero Council
- Member of the UK Investment Council
- Member of The 30% Club

D E

Helen Miles ACMA

Chief Financial Officer

Appointed:
Chief Financial Officer Designate on 1 April 2023, Chief Financial Officer on 6 July 2023.

Career and experience:
Helen joined Severn Trent in November 2014 as the Chief Commercial Officer, and in 2020 became the Capital and Commercial Services Director, before being appointed as Chief Financial Officer Designate in April 2023 and formally taking on the role of Chief Financial Officer in July 2023.

Helen was previously Chief Financial Officer for Openreach, part of the BT Group. Prior to the BT Group, Helen worked in a variety of organisations including Bass Taverns, Barclays Bank and Compass Group.

Skills and attributes which support our strategy and deliver long-term sustainable success:
An experienced finance professional, Helen has delivered major business transformation and infrastructure projects within the Group and across a variety of sectors including telecoms, leisure and banking.

Helen brings a breadth of operational and commercial knowledge to the Board, having worked within a range of regulated businesses.

Helen has recent and relevant financial experience as a member of the Chartered Institute of Management Accountants.

Key external appointments:
- Non-Executive Director of Breedon Group Plc

A N R T

Kevin Beeston FCMA

Senior Independent Non-Executive Director

Appointed:
Independent Non-Executive Director on 1 June 2016, Senior Independent Non-Executive Director on 20 July 2016.

Career and experience:
Kevin spent 25 years at Serco Plc, where he held the roles of Finance Director, Chief Executive and finally Chairman until 2010.

Kevin was previously Chairman of Domestic & General Limited, Partnerships in Care Limited, Equiniti Group Plc and Elysium Limited and was also a Non-Executive Director of IMI Plc, Marston Corporate Limited and The Premier League.

Until February 2020, Kevin was Chairman of Taylor Wimpey Plc, where he had been on the Board since 2010.

Skills and attributes which support our strategy and deliver long-term sustainable success:
Kevin has a wealth of commercial, financial and high-level management experience.

Kevin has recent and relevant financial experience as a Fellow of the Chartered Institute of Management Accountants.

Key external appointments:
- Senior Non-Executive Director of Turnstone Equityco 1 Limited (trading as Integrated Dental Holdings)

C N

Tom Delay CBE BSc (Hons), MBA, CEng, MIMechE

Independent Non-Executive Director

Appointed:
Independent Non-Executive Director on 1 January 2022.

Career and experience:
Tom was Chief Executive of the Carbon Trust from 2001 until March 2024. During that time, he grew the company to become a world leader, advising businesses and governments on carbon emissions reduction and the development of low-carbon technologies, markets and businesses. More recently, he took the company's unique capabilities further afield, extending its mission to accelerate the move to a sustainable, low-carbon future.

A chartered engineer with extensive experience of the energy sector, Tom worked for Shell for 16 years in a variety of commercial and operational roles before moving into management consultancy with McKinsey and Company and then as a Principal with the Global Energy Practice of AT Kearney.

Tom is a member of the advisory boards of the Centre for Climate Finance and Investment at Imperial College London and the Global CO_2 Initiative at the University of Michigan.

In 2018, Tom was appointed Commander of the Order of the British Empire by the Queen for services to sustainability in business.

Skills and attributes which support our strategy and deliver long-term sustainable success:
Tom brings extensive strategy, sustainability, energy and engineering experience to the Board.

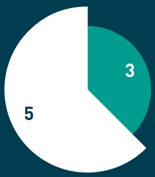
Key external appointments:
- Member of the advisory board of the Centre for Climate Finance and Investment at Imperial College London
- Member of the advisory board of the Global CO_2 Initiative at the University of Michigan

Key

- A Audit and Risk Committee
- C Corporate Sustainability Committee
- N Nominations Committee
- R Remuneration Committee
- T Treasury Committee
- D Disclosure Committee
- E Executive Committee
- Denotes Committee Chair

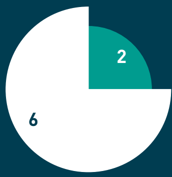
Board composition at a glance

Gender representation
as at 21 May 2024



Male:	3
Female:	5

Minority ethnic representation
as at 21 May 2024



White British:	6
Minority ethnic:	2

Board independence
as at 21 May 2024

Chair
(Independent on appointment)

Executive Directors

Senior Independent Director

Independent Non-Executive Directors

Chair and Non-Executive Director tenure
as at 21 May 2024

Kevin Beeston	7 years 11 months
Christine Hodgson	4 years 4 months
Sharmila Nebhrajani	4 years
Tom Delay	2 years 4 months
Sarah Legg	1 year 6 months
Richard Taylor	1 month

A C N T

Sarah Legg MA, MSc, FCMA, FCT

Independent Non-Executive Director

Appointed:
Independent Non-Executive Director on 1 November 2022.

Career and experience:
Sarah has spent her entire career in financial services with HSBC in various finance leadership roles. She has been the Group Financial Controller, a Group General Manager, and also Chief Financial Officer for HSBC's Asia Pacific region.

Sarah is currently a Non-Executive Director at Lloyds Banking Group Plc, Chair of its Audit Committee and a member of its Risk and Responsible Business Committees, and a Non-Executive Director of Man Group Plc where she also serves on its Audit and Risk Committee and Nominations and Governance Committee.

Sarah is also Chair of the Campaign Advisory Board at King's College, Cambridge University, Board Member of the Audit Committee Chairs' Independent Forum and Trustee of the Lloyds Bank Foundation for England and Wales.

Sarah also spent eight years as a Non-Executive Director on the board of Hang Seng Bank Limited, a Hong Kong listed bank.

Skills and attributes which support our strategy and deliver long-term sustainable success:
Sarah brings to the Board wide-ranging corporate finance and significant audit and risk experience gained in the financial services sector.

Sarah has recent and relevant financial experience as a Fellow of both the Chartered Institute of Management Accountants and the Association of Corporate Treasurers.

Sarah is the Group's designated Non-Executive Director in respect of Cyber Security.

Key external appointments:
- Non-Executive Director of Lloyds Banking Group Plc
- Non-Executive Director of Man Group Plc
- Trustee of Lloyds Bank Foundation for England and Wales
- Chair of the Campaign Advisory Board at King's College, Cambridge
- Board Member of the Audit Committee Chairs' Independent Forum

R C N

Sharmila Nebhrajani OBE MA (Hons), ACA

Independent Non-Executive Director

Appointed:
Independent Non-Executive Director on 1 May 2020.

Career and experience:
In her executive career, Sharmila spent 15 years at the BBC, latterly as Chief Operating Officer for BBC Future Media and Technology, and was most recently Chief Executive at Wilton Park, an executive agency of the UK Foreign and Commonwealth Office convening international dialogues for senior policy makers from around the world with a special focus on global health.

Sharmila is Chairman of the National Institute for Health and Care Excellence, the organisation responsible for assessing the clinical and cost effectiveness of medical innovations in the NHS, and is a Non-Executive Director at Oxford University, Halma Plc, ITV Plc and Coutts Bank.

Previous Non-Executive roles include Deputy Chair of the Human Fertilisation and Embryology Authority and Chairman of the Human Tissue Authority, and she also has served on the board of the Pension Protection Fund.

Sharmila was appointed Officer of the Order of the British Empire in 2014 for services to medical research.

Skills and attributes which support our strategy and deliver long-term sustainable success:
Sharmila has vast Board and governance experience, gained in a variety of roles spanning the private sector, public sector and NGOs. A chartered accountant, she brings insight from a wide range of regulated sectors, including medicine, bioethics, financial services and the media.

Key external appointments:
- Chairman of the National Institute for Health and Care Excellence
- Non-Executive Director of ITV Plc
- Non-Executive Director of Halma Plc
- Non-Executive Director of Coutts & Company
- Member of Council of University of Oxford
- Trustee of the Thomson Reuters Founders Share Company

T A N R

Richard Taylor BSc (Hons), FCA

Independent Non-Executive Director

Appointed:
Independent Non-Executive Director on 1 April 2024.

Career and experience:
Richard is Chair of Greenhill & Co International, an investment bank focused on providing financial advice globally on significant mergers and acquisitions, restructuring, financing and capital advisory to companies and other organisations. Greenhill was acquired by, and became part of, Mizuho Financial Group in 2023.

Prior to joining Greenhill in 2020, Richard was Chairman of Global Corporate and Investment Banking at Barclays Plc, where he had been since 2011. Prior to joining Barclays, Richard spent nearly 11 years at Bank of America Merrill Lynch, where he was Head of UK and Ireland Corporate and Investment Banking.

Richard holds a degree in civil engineering and is a great advocate for organisations which demonstrate strong social purpose.

Skills and attributes which support our strategy and deliver long-term sustainable success:
Richard brings to the Board extensive strategy, corporate finance, risk management and M&A experience. He also has vast experience of organisations with strong social purpose, in particular through his roles as Trustee of Teach First and as a Board member of The Sutton Trust.

Richard has recent and relevant financial experience gained through his roles in the banking and finance sectors and as a Fellow of the Institute of Chartered Accountants in England and Wales.

Key external appointments:
- Chair of Greenhill & Co International
- Trustee of Teach First Limited
- Board member of The Sutton Trust

Gillian Sheldon BSc (Hons)

Independent Non-Executive Director

Appointed:
Independent Non-Executive Director on 1 November 2021.

Retired:
14 May 2024.

Career and experience:
Gillian is Managing Director and Vice-Chair of the UK Investment Banking Division of Morgan Stanley where she provides advice on a broad range of complex transactions to clients across multiple industries. Gillian is also a member of the Salesforce Europe, Middle East and Africa Advisory Board, providing strategic guidance and supporting the company's growth into international markets.

Gillian was previously a Senior Advisor at Credit Suisse within the Investment Banking Division. Her previous experience includes roles at N M Rothschild & Sons and as a Trustee and Chair of the Investment Committee of BBC Children in Need. Until February 2021, she was the Senior Independent Director at Capita Plc. Gillian is also a Corporate Board member of the Royal Academy.

Skills and attributes which support our strategy and deliver long-term sustainable success:
Gillian brings to the Board extensive strategy, corporate finance, risk management and M&A experience.

Gillian has recent and relevant financial experience gained through her roles in the banking and finance sectors.

Key external appointments:
- Member of the Salesforce European Advisory Board
- Managing Director and Vice-Chair of UK Investment Banking Division of Morgan Stanley
- Corporate Board Member of the Royal Academy
- Board Member of Business LDN

Gillian stepped down from the Board on 14 May 2024 to focus on her recent Executive appointment, having served as a Director since 1 November 2021.

Hannah Woodall-Pagan BSc (Hons), FCG

Group Company Secretary

Appointed:
2 December 2022.

Hannah joined Severn Trent in October 2015 and became Group Company Secretary on 2 December 2022. She has extensive experience of operating in listed companies and regulated sectors, gained in a number of senior leadership roles spanning the FTSE100 and FTSE250 and is responsible for providing governance advice and guidance to the Board and senior management, as well as leading the Company Secretariat function. Hannah is a Chartered Company Secretary, being a Fellow of the Chartered Governance Institute, and she also attended INSEAD Business School.

In addition to her role at Severn Trent, Hannah is a Trustee of University Hospitals Birmingham Charity.

Directors serving for part of the year

John Coghlan BCom, ACA

Independent Non-Executive Director

John stepped down from the Board on 31 December 2023, having served as a Director since 23 May 2014.

James Bowling BA (Hons) Econ, ACA

Chief Financial Officer

James stepped down from the Board on 6 July 2023, having served as a Director since 1 April 2015.

BOARD SKILLS

An effective Board requires the right mix of skills and experience, complemented by individual approaches and thinking styles reflective of Directors' varied backgrounds. As demonstrated by their biographies on pages 134 to 135, our Board members together form a diverse and effective team focused on promoting the long-term sustainable success of the Group.

The skills matrix below details some of the key skills and experience that our Board has identified as particularly valuable for the effective oversight of the Company and execution of our strategy, and indicates which Directors bring those particular skills to the boardroom from their roles both within and outside Severn Trent.

The skills matrix is reviewed at least annually to make sure it continues to meet business needs, today and in the future. It is aligned with our strategic priorities, to ensure the Board remains fully equipped to deliver our strategy and purpose, and provide challenge to the experienced and knowledgeable Executive Committee.

Skills to support our strategy and deliver long-term sustainable success

Our Corporate Strategy

Skills – mapped to strategic outcomes

	Strategy	Customer	Utility sector	M&A	Corporate finance/Treasury	Accounting	Brands	Regulation	Technology/Innovation/Cyber	Science and engineering	Sustainability, including climate change	Commercial procurement	Construction/ Infrastructure delivery	Large capital programmes	People management	Political affairs	Societal
Kevin Beeston	✓	✓	✓	✓	✓	✓		✓				✓	✓	✓	✓	✓	✓
Tom Delay	✓	✓					✓	✓	✓	✓	✓	✓			✓	✓	✓
Liv Garfield	✓	✓	✓	✓			✓	✓			✓		✓	✓	✓	✓	✓
Christine Hodgson	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓
Sarah Legg	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓		✓	✓		✓
Helen Miles	✓	✓	✓	✓	✓	✓		✓				✓	✓	✓	✓		✓
Sharmila Nebhrajani	✓					✓		✓	✓	✓	✓				✓	✓	✓
Richard Taylor	✓		✓	✓	✓	✓		✓		✓					✓		✓

Executive Committee

Full biographies are available on the Severn Trent Plc Website.

As at 21 May 2024

D
E

Liv Garfield CBE BA (Hons)

Chief Executive

D
E

Helen Miles ACMA

Chief Financial Officer

D
E

Shane Anderson BA (Hons) Econ

Director of Strategy and Regulation

E

Jude Burditt BA (Hons)

Director of Customer Solutions

E

Steph Cawley BA (Hons), MSc

Director of Customer Operations

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018

The Group's long-term sustainable success is contingent on our commitment to exceptional corporate governance standards and the Board continues to be guided in its approach through the application of the UK Corporate Governance Code 2018 (the '2018 Code').

We believe good corporate governance is about effective oversight, including how we provide confidence both in the delivery of our performance to our stakeholders and in how we report on our performance. With this in mind, we welcome the proposed enhancements to the UK Corporate Governance Code announced by the Financial Reporting Council in January 2024, against which we will report our compliance in our 2026 Annual Report.

Through their work, the Board and Committees uphold the provisions of the 2018 Code and during the year ended 31 March 2024, we have fully applied the principles of good governance and have been compliant with the 2018 Code, which is the version of the UK Corporate Governance Code applicable to the 2023/24 reporting period.

The Board remains dedicated to open and transparent reporting, and the table below sets out where shareholders can evaluate how the Company has applied the principles of the 2018 Code and where key content can be found in this report.

The full wording of the 2018 Code is available on the Financial Reporting Council's website.

Board Leadership and Company Purpose

The role of the Board is set out in the Governance Report from page 128.

The Chair's Introduction to Governance can be found on pages 128 to 130.

How the Board engages with stakeholders is detailed on pages 108 to 121.

The Board's Section 172 Statement is included on pages 122 to 125.

An overview of our purpose and values, including how these were established, is set out on pages 2 to 3.

How the Board oversees the Company's strategy is detailed on pages 140 to 141.

A list of our Group policies and practices can be found on pages 126 to 127.

How we assess risk and our Viability Statement is set out on pages 92 to 107.

Our strategy, including performance against our ODIs and KPIs, can be found on pages 2 to 81.

Division of Responsibilities

The Governance Framework set out on page 138 provides an overview of the Board Committees in place at Severn Trent. Further details of each Committee, along with members' attendance during the year, are provided in the respective Committee Reports.

The division of responsibilities between the Chair and CEO is clearly defined (page 139) and set out in writing within our Charter of Expectations. We fully support the separation of these two roles.

Audit, Risk and Internal Control

Our approach to risk and our assessment of our Principal Risks are outlined on pages 92 to 102.

The Audit and Risk Committee Report, set out on pages 153 to 161, provides details of the Committee's review of our risk and control environment, our fair, balanced and understandable process, and its responsibilities relating to Internal and External Audit.

Composition, Succession and Evaluation

Details about the composition of the Board, along with individual Board members' biographies and tenure, are on pages 134 to 135.

The outputs of this year's external Board evaluation are set out on pages 146 to 147.

The Nominations Committee Report is on pages 148 to 152 and provides information on the Committee's work this year, including Board succession planning.

Remuneration

The Remuneration Committee, comprising only Non-Executive Directors, is responsible for developing the Remuneration Policy and determining Executive and senior management remuneration. The Directors' Remuneration Report can be found on pages 169 to 194. The proposed Remuneration Policy, to be put to shareholders at the 2024 AGM, can be found on pages 195 to 204.

D E

Didar Dhillon
BA (Hons), GLDP

Group General Counsel

E

James Jesic
BSc (Hons), PhD, MIChemE, CEng

Director of Capital and Commercial Services

E

Neil Morrison
BSc (Hons), Chartered FCIPD, FRSA

Director of Human Resources

E

Bob Stear
MEng (Hons), PhD, MCIWEM, CWEM, FIWater

Chief Engineer

James Bowling
BA (Hons) Econ, ACA

Stepped down from the role of Chief Financial Officer at the AGM in July 2023 and retired from the business in December 2023

Key

D Disclosure Committee

E Executive Committee

Denotes Committee Chair

GOVERNANCE FRAMEWORK

We pride ourselves on having a high-functioning, well-composed, independent and diverse Board and being transparent in all that we do. Maintaining the highest standards of governance is integral to the successful delivery of our strategy.

Our Board-led Governance Framework ensures that the Board remains effective in both making decisions and maintaining oversight by mapping where accountability sits in line with the Board's delegated authorities, whilst also adhering to our well-established culture of Doing the Right Thing.

The Board

The Board's role is to ensure the long-term sustainable success of Severn Trent by setting our strategy through which value can be created and preserved for the mutual benefit of our customers, employees, shareholders and the communities we serve. In making its decisions, the Board considers the Group's purpose, strategy and culture, and discusses stakeholders' wide-ranging views and priorities. The Board also provides rigorous challenge to management and ensures the Group maintains an effective risk management and internal control systems.

Stakeholder Engagement
See **pages 108 to 121**.

Section 172 Statement
See **pages 122 to 125**.

Roles and Responsibilities
See **page 139**.

Board Activities
See **pages 140 to 141**.

Informing

Reporting

Board Committees

The Board delegates specific areas of focus to its Committees, which comprise Non-Executive Directors only. Committee members have the requisite skills and experience to enable the Committee to deep dive into certain topics of importance on behalf of the Board. The Chair of each Committee formally reports to the Board at every meeting, demonstrating accountability for the recommendations made by the Committee to the Board and ensuring that the Board retains suitable oversight of the matters delegated to its Committees.

Audit and Risk Committee

Assists the Board in discharging its responsibilities for the integrity of the Company's financial statements, risk management, assessment of the effectiveness of the system of internal control and the effectiveness of Internal and External Auditors.

Read more on **pages 153 to 161**.

Corporate Sustainability Committee

Provides guidance and direction to the Company's sustainability strategy and sustainability matters linked to policies, pledges and commitments, including River Health, Anti-Slavery and Human Trafficking, our Community Fund, Societal Strategy and the Triple Carbon Pledge.

Read more on **pages 165 to 168**.

Nominations Committee

Assists the Board by keeping Board composition under review and makes recommendations in relation to Board appointments. The Committee also assists the Board on issues of Executive Director succession and contingency planning, conflicts of interest and independence.

Read more on **pages 148 to 152**.

Remuneration Committee

Determines the Company's policy on the remuneration of Executive Directors, other members of the Executive Committee and the Chair of the Board. The Committee also reviews workforce policies and practices.

Read more on **pages 169 to 194**.

Treasury Committee

Provides oversight of treasury activities in implementing the Group's Funding and Treasury Risk Management plans approved by the Board. The Committee also reviews and approves the Group Treasury Policy Statements and ensures that these are applied consistently.

Read more on **pages 162 to 164**.

Informing

Reporting

The Chief Executive and the Severn Trent Executive Committee ('STEC')

Responsibility for the development and implementation of the Group's strategy and overall commercial objectives rests with the Chief Executive, who is supported by STEC.

STEC oversees the Steering Committees and Working Groups needed at an operational level to achieve delivery of the Group's strategy. The Chief Executive, Chief Financial Officer and other members of STEC are responsible for providing updates on Executive matters at Board meetings through standing reports.

Informing

Reporting

Disclosure Committee

An Executive Committee responsible for overseeing the Group's compliance with its disclosure obligations, considering the materiality, accuracy, reliability and timeliness of information disclosed and assessment of assurance received.

DIVISION OF RESPONSIBILITIES

As at the date of this report, our Board comprised the Chair, five Independent Non-Executive Directors and two Executive Directors. There are clear divisions between Executive and Non-Executive responsibilities, which ensure accountability and oversight.

The roles of Chair and Chief Executive are separately held and their responsibilities are well defined, set out in writing in the Charter of Expectations, and regularly reviewed by the Board. The Chair and the other Non-Executive Directors meet routinely without the Executive Directors, and individual Directors meet outside formal Board meetings in order to gain first-hand experience of our operations and engage with our workforce. The Executive Directors meet weekly as part of the Executive Committee to attend to the ongoing management of the Group. Any significant operational and market matters are communicated to the Non-Executive Directors on a timely basis outside of Board meetings. The Board is supported by the Group Company Secretary, to whom all Directors have access for advice and corporate governance services.

Non-Executive Directors

Chair
Christine Hodgson

- Leads our unified Board and is responsible for its effectiveness and governance.
- Fosters a culture of inclusivity and transparency by demonstrating the Company's values, establishing the right 'tone from the top'.
- Guides the Board in shaping long-term strategy, ensuring alignment with the Company's purpose.
- Sets agendas and ensures timely dissemination of information to the Board, to support sound decision making and allow for constructive discussion, challenge and debate, in consultation with the CEO, CFO and Group Company Secretary.
- Responsible for scrutinising the performance of the Executive Committee and overseeing the annual Board Effectiveness evaluation process, including identifying required actions.
- Facilitates contribution from all Directors and ensures that effective relationships exist between them.
- Ensures that the views of all stakeholders are understood and considered appropriately in Board discussion and decision making.
- Responsible for the composition and evolution of the Board, together with the Nominations Committee and SID.

Senior Independent Non-Executive Director ('SID')
Kevin Beeston

In addition to his responsibilities as a Non-Executive Director, the SID also carries out the following duties:

- Supports the Chair in the delivery of their objectives.
- Acts as an alternative contact for shareholders should they have a concern that is unresolved by the Chair, CEO or CFO.
- Leads the appraisal of the Chair's performance with the Non-Executive Directors.
- Undertakes a key role in succession planning for the Board, together with the Board Committees, Chair and Non-Executive Directors.

Independent Non-Executive Directors
Tom Delay, Sarah Legg, Sharmila Nebhrajani, Richard Taylor

- Promote high standards of integrity and corporate governance.
- Uphold the cultural tone of the Company and monitor actions to support inclusion and diversity.
- Constructively challenge and assist in the development of long-term strategy by providing independent insight and support based on relevant experience.
- Monitor the delivery of strategy by the Executive Committee and measure the performance of management within the risk and control framework set by the Board.
- Satisfy themselves that internal controls are robust and that the external audit is undertaken properly.
- Engage with internal and external stakeholders and feed back insights to the Board, including in relation to employees and the culture of the Company.
- Have a key role in succession planning for the Board, together with the Board Committees, Chair and SID.
- Serve on and chair various Committees of the Board.

Executive Directors

Chief Executive ('CEO')
Liv Garfield

- Represents Severn Trent externally to all stakeholders, including the Government, regulators, customers, suppliers and the communities we serve.
- Sets the cultural tone of the organisation and ensures that the Group operates in a way that is consistent with its purpose and values.
- Facilitates a strong link between the business and the Board to support effective communication.
- Develops and implements the Group's long-term strategy, as approved by the Board, through leadership of the Executive Committee.
- Responsible for overall delivery of all strategic objectives, ensuring that decisions made and actions taken support the Group's long-term sustainable purpose.
- Promotes and conducts Group affairs with the highest standards of integrity, probity and corporate governance, in line with our strategic framework and values. The CEO's Review can be found on pages 13 to 15.

Chief Financial Officer ('CFO')
Helen Miles

- Manages the Group's financial affairs and proposes policies to support sound financial decision making. The CFO's Review can be found on pages 84 to 91.
- Supports the CEO in the implementation and achievement of the Group's strategic objectives.
- Oversees Severn Trent's relationships with the investment community.
- Represents Severn Trent externally to all stakeholders, including the Government and regulators, customers, Pension Trustees for the Company's defined benefit pension schemes, lenders, suppliers and the communities we serve.

Group Company Secretary

Hannah Woodall-Pagan

- Ensures sound information flows to the Board in order for the Board to function effectively and efficiently, in support of balanced decision making.
- Advises and keeps the Board updated on Listing and Transparency Rule requirements and on best practice corporate governance developments.
- Facilitates a comprehensive induction for newly appointed Directors, tailored to their individual requirements, and oversees the Board's professional development programme.
- Ensures compliance with Board procedures and provides support to the Chair.
- Co-ordinates the effectiveness evaluation of the Board in conjunction with the Chair.
- Facilitates the Board's ongoing engagement with employees.
- Provides advice and services to the Board.

Group General Counsel

Didar Dhillon

- Ensures monthly reporting to the Board on regulatory and legal risks, including potential claims and/or prosecutions to ensure that the Board is fully sighted on such matters and the resulting risks.

Board and Committee Meeting Attendance 2023/24

Director	Role	Board (inc. Strategy Day)	Audit and Risk Committee	Corporate Sustainability Committee	Nominations Committee	Remuneration Committee	Treasury Committee
Christine Hodgson	Chair	10/10	–	4/4	5/5	5/5	–
Liv Garfield	Chief Executive	10/10	–	–	–	–	–
James Bowling	Chief Financial Officer (until 6 July 2023)	4/4	–	–	–	–	–
Helen Miles	Chief Financial Officer (from 6 July 2023)	10/10	–	–	–	–	–
Kevin Beeston	Senior Independent Non-Executive Director	10/10	4/4	–	5/5	5/5	5/5
John Coghlan	Independent Non-Executive Director (until 31 December 2023)	8/8	3/3	–	3/3	–	3/3
Tom Delay	Independent Non-Executive Director	10/10	–	4/4	5/5	–	–
Sarah Legg	Independent Non-Executive Director	10/10	4/4	4/4	5/5	–	5/5
Sharmila Nebhrajani	Independent Non-Executive Director	10/10	–	4/4	5/5	5/5	–
Gillian Sheldon	Independent Non-Executive Director (until 14 May 2024)	10/10	4/4	–	4/4	5/5	5/5

BOARD ACTIVITIES

The Board is committed to maintaining a comprehensive schedule of meetings and a forward agenda to ensure its time is used most effectively and efficiently, and it is supported by the Group Company Secretary to facilitate this. Flexibility in the programme is important to permit key items to be added to any agenda, so that the Board can focus on evolving and important matters at the most appropriate time.

Key: Strategic objectives

Outcomes Nature People Change

Board meeting discussions are structured using a carefully tailored agenda that is agreed in advance by the Chair, in conjunction with the CEO and Group Company Secretary.

A typical Board meeting will comprise the following elements:

- Written reports from the Chairs of our Board Committees on the proceedings of those meetings, including the key discussion points and particular matters to bring to the Board's attention.
- Following every Company Forum, a report on the topics discussed is circulated and the Directors who attended that particular session add further context at the Board meeting.
- Performance reports, including: CEO Overview; CFO Review; and Operational Performance Reports.
- Deep dive reports into areas of particular strategic importance, opportunities and risks, to evaluate progress, provide insight and, where necessary, decide on appropriate action. Details on some of the key topics considered during 2023/24 can be found in our Section 172 Statement on pages 122 to 125.
- Legal and governance updates, including: approval of arrangements for delegated financial authority across the Group; review of adequacy of Whistleblowing Procedures; and approval of the Anti-Slavery and Human Trafficking Statement.

Time is set aside at the end of every Board meeting for the Chair to hold a private meeting with Non-Executive Directors, where it is considered appropriate, which provides the opportunity for discussion on key agenda items and other matters without the Executive Directors and management present.

On the evening before most scheduled Board meetings, all the Non-Executive Directors meet either by themselves, or together with the entire Board and the Group Company Secretary, or with STEC. This time is usefully spent enabling Board members to build a rapport with each other and a relationship on a personal level, share external views and consider issues impacting the Company, resulting in better Board dynamics and decision making.

The information on these pages aims to bring the Board's rich programme to life.

During 2023/24, Board meetings, sessions and site visits were held in the following months:

2023									2024		
Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
●	●	●	●	●	●	●	●	●		●	●

Performance and standing items

The Board oversees and challenges management on performance.

Standing items considered by the Board at its meetings: CEO's Overview – CFO's Review – Performance Reports – Reports from the Board Committees – Reports from the Company Forum – Legal and Governance Updates.

Read more about our PR24 Business Plan on **pages 6 to 7**.

Internal controls, risk management and governance

The Board sets the approach to risk management and oversees that we have an effective system of internal controls in place, whilst promoting responsible leadership and adherence to our governance framework.

Topics considered by the Board during the year included: Enterprise Risk Management Update – Cyber Update – Year End Governance Matters – Board Objectives – Health, Safety and Wellbeing – Environment and Zero Pollutions – Effectiveness of Whistleblowing Procedures – Anti-Slavery and Human Trafficking Statement – Annual Insurance Update – Doing the Right Thing Annual Review – Annual Report on Reservoir Safety – External Audit Tender – Annual Review of the Group Authorisation Arrangements – UK Corporate Governance Code 2024 – Annual Review of Matters Reserved to the Board, Charter of Expectations and Committee Terms of Reference.

Read more about the effectiveness of our internal controls and risk management processes on **pages 156 to 157**.

Our people and culture

The Board seeks to understand employee views and assesses the culture to ensure it is nurtured.

Topics considered by the Board during the year included: Organisation Wide Talent Review – Diversity and Inclusion Update – Employee Voice and Engagement – Annual Employee Engagement Survey Results – Review of Workforce Policies and Practices – Diversity and Inclusion Strategy – Gender and Ethnicity Pay Gap Report.

Read more about Our People on **pages 25 to 30**.

Strategic and regulatory

The Board sets our strategy through which value can be created for our stakeholders, including our regulators.

Topics considered by the Board during the year included: PR24 – AMP8 Deliverability Update – Societal Strategy – Strategic Resource Option Update – Board Strategy Day Proposal – Indicative Wholesale Charges – C-MeX – Cleanest Rivers – Customer Vulnerability Strategy – Innovation Update.

Read more about our 2023/24 performance on **pages 16 to 17**.

Financial

The Board monitors financial performance and sets parameters for financial management and strategy within the Group.

Topics considered by the Board during the year included: Viability and Going Concern Statements – Group Budget – Final and Interim Dividends – Annual Report and Accounts – Performance Update – Defence Readiness Review – Pension Scheme Update – Post Investment Appraisal – EU Taxonomy Disclosure – Annual Tax Update – Treasury Policy Statement Annual Review – Annual Funding and Treasury Risk Management Plan – Investor Relations Strategy.

Read more in the Chief Financial Officer's Review on **pages 84 to 91**.

PR24 Business Plan

The Board invested a significant amount of time preparing for PR24, including: understanding the way in which the Company can deliver positive customer outcomes and greater environmental and social value; driving improvements through efficiency and innovation; and increasing focus on the long term. To inform this activity, individual Directors, and the Board as a whole, spent time engaging with customers, attending community events and having discussions with the Chair of the Expert Challenge Panel, Professor Bernard Crump. The views of over 68,000 customers were factored into our Business Plan's development. PR24 was discussed at every Board meeting through its development and two additional Board PR24 strategy sessions were scheduled, in June 2023 and August 2023, to discuss the detailed aspects of our Business Plan prior to its submission. Our Business Plan was submitted to Ofwat on 2 October 2023.

Read more about our PR24 Business Plan on **pages 6 to 7**.

Stakeholder engagement

The Board listens to the wide-ranging views of its stakeholders to ensure these are considered in its decision making.

The following stakeholders attending Board sessions during the year: CEO of Ofwat – Chair of Ofwat – Chair of the Environment Agency – Chief Inspector of the Drinking Water Inspectorate – Chief Executive of Water UK.

Read more about how the Board engages with its stakeholders on **pages 108 to 121**.

Site visits

The Board engages with the workforce, whilst also deepening its understanding and knowledge of our operations.

Green Recovery, Mansfield – inspecting the progress made on the £76 million (2017/18 prices) scheme to reduce pressure on the local sewers through the utilisation of nature-based solutions.

Manufacturing Technology Centre, Coventry – exploring innovative manufacturing-led approaches to design and construction, alongside other future innovation opportunities.

Aarhus Vand, Denmark – visiting the Aarhus Vand water company, part of the Net Zero Partnership, to explore areas of innovation and share learnings. Read more on **page 166**.

Witches Oak, Derby – observing first hand the work undertaken as part of the Green Recovery Decarbonising Water Resources project.

Read more about the Board's site visits on **page 133**.

Strategy Day

Every year, the Board holds a dedicated Strategy Day with the Executive Committee to help consider the strategic direction of the Company for the short, medium and long term.

This year's Strategy Day covered the following topics:

- Being a Purposeful Business – discussing what it means to be purposeful, our journey to date and the ongoing direction of travel.
- Fit for a Data-Driven Future – taking stock of our plans to build capability to derive value from data and artificial intelligence and exploring what a data-driven future might look like across our operational and customer environments.
- A Circular Economy of People – including how we retain and retrain our people by understanding our future organisational capabilities.

Company Forum

The Company Forum was convened four times during 2023/24, with Board member attendance as follows:

- 21 June 2023 – Christine Hodgson.
- 27 September 2023 – Tom Delay and Liv Garfield.
- 6 December 2023 – Sarah Legg.
- 13 March 2024 – Liv Garfield.

Other company events

- Severn Trent Plc AGM on 6 July 2023 – attended by all Directors.
- Leadership Events in October 2023 – attended by Christine Hodgson and Kevin Beeston.
- Governance Roadshows during January and February 2024 – hosted by Christine Hodgson.
- Remuneration Policy Consultation Sessions during January and February 2024 – hosted by Sharmila Nebhrajani.

BOARD LEADERSHIP AND COMPANY PURPOSE

The Board's role is to be effective in securing the long-term success of Severn Trent by ensuring the delivery of our strategy and that its overarching objectives remain aligned with the Company's purpose and values. Maintaining the highest standards of governance is integral to this, together with ensuring that the Board takes decisions that create sustainable long-term value for the mutual benefit of our shareholders, customers, employees and the communities we serve.

An effective Board

The operation of our Board is supported by the collective experience of the Directors and the diverse skills and experience they possess. This enables the Board to reach decisions in a focused and balanced way, supported by independent thought and constructive debate between the Directors. Trust and mutual respect are the cornerstones of relationships between our Directors, with a Board dynamic that supports open and honest conversations to ensure decisions are taken for the long-term success of Severn Trent in full consideration of the impact upon all stakeholders.

As outlined on page 139, there is a clear division of responsibilities between the roles of Chair and Chief Executive. To allow these responsibilities to be discharged effectively, the Chair and Chief Executive maintain regular dialogue outside the boardroom, to ensure an effective flow of information.

In order to build relationships, the Non-Executive Directors have direct and unfettered access to senior management at all times. Informal as well as formal contact with the wider business is encouraged to develop a deeper understanding of Severn Trent's operations and broaden the Non-Executive Directors' sources of information. This engagement provides Non-Executive Directors with the context to challenge management effectively and assists with their consideration of the wider impact of any Board decisions on stakeholders more broadly. The effectiveness of the Board is reviewed at least annually and conducted according to the guidance set out in the 2018 Code and the Financial Reporting Council ('FRC') Guidance on Board Effectiveness. You can read more about this year's externally facilitated Board Effectiveness evaluation, which fully adhered to the Corporate Governance Institute ('CGI') Principles of Good Practice for listed companies using external board reviewers, on pages 146 to 147.

Board independence

The independence of the Board is a matter of utmost importance given the vital role Non-Executive Directors play in scrutinising the performance of management and holding individual Executive Directors to account against agreed performance objectives. The Chair regularly holds meetings with Non-Executive Directors without the Executive Directors or any management present, and Non-Executive Directors can obtain independent professional advice, at the Company's expense, in the performance of their duties. All Directors have access to the advice and services of the Group Company Secretary, whose appointment and removal are matters reserved for the Board.

The independence of our Non-Executive Directors is formally reviewed by the Nominations Committee on an annual basis, and as part of the Board Effectiveness evaluation. Particular focus is applied to Directors who have served over six years on the Board, to ensure that these Directors continue to demonstrate independent character, judgment and objectivity. This is assessed by considering a number of factors including, but not limited to, the Director's:

- ability and willingness to make objective decisions and hold management to account;
- demonstration of independence through participation at meetings with management and interactions with stakeholders;
- arm's-length approach to dealing with Executive Directors and continued challenge of management where appropriate; and
- external directorship appointments and whether these conflict, or have the potential to cause a conflict, with the Company.

The Nominations Committee and Board consider that there are no business or other circumstances that are likely to affect the independence of any Non-Executive Director and that all Non-Executive Directors continue to demonstrate independence. Read more in the Nominations Committee Report on pages 148 to 152.

All of the Non-Executive Directors who served during 2023/24 were considered by the Board to be independent for the purposes of the 2018 Code and the Chair was considered to be independent upon her appointment.

In accordance with the 2018 Code, all Directors will retire at this year's AGM and submit themselves for reappointment or, in the case of Richard Taylor, for appointment by shareholders. Each of the Non-Executive Directors seeking appointment or reappointment are considered to be independent in judgment and character.

Conflicts of interest

Severn Trent Plc has a Conflicts of Interest Policy in place for all Group companies. Our Board and its Committees consider potential conflicts at the outset of every meeting and the Board formally reviews the authorisation of any potential conflicts of interest every six months, with any conflicts being recorded in the Conflicts of Interest Register. The Conflicts of Interest Register sets out any actual or potential conflict of interest situations which a Director has disclosed to the Board in line with their statutory duties and the practical steps that are to be taken to avoid conflict situations. When reviewing conflict authorisations, the Board considers any other appointments held by the Director as well as the findings of the Board Effectiveness evaluation.

Board members hold external directorships and other outside business interests and we recognise the significant benefits that greater boardroom exposure provides for our Directors. However, we closely monitor the nature and number of external directorships our Directors hold in order to satisfy ourselves that any additional appointments will not adversely impact the time commitment to their role at Severn Trent, and to ensure that all of our Board members remain compliant with applicable shareholder advisory groups' individual guidance on 'overboarding'. These requirements specify a limit on the number of directorships both Executive and Non-Executive Directors are permitted to hold and the resultant position is believed to be consistent with the current guidelines on overboarding, with no Directors exceeding these guidelines, as outlined in the AGM Notice of Meeting. Our Non-Executive Directors commit sufficient time to discharging their responsibilities as Directors of Severn Trent in line with the requirements set out in our Charter of Expectations. Details of the Directors' external directorships can be found in their biographies on pages 134 to 135.

Directors are required to obtain formal approval from the Board ahead of undertaking any new external appointments and before accepting an additional role, Directors must: declare the existence of any potential or actual conflicts; confirm that the role will not breach the Company's overboarding limit; and provide the necessary assurance that the appointment will not adversely impact their ability to continue to fulfil their role as a Director. In each case before granting its consent, the Board considers carefully whether there would be any impact on the time commitment required for each Director, or on the independence and objectivity required to discharge the agreed responsibilities of each role.

Approvals were sought from the Board during the year for Directors' additional roles and due consideration was given to any potential conflicts of interest and ability to devote sufficient time to the Company before consent was granted. In each case, the Board determined that there would be no impact on the time commitment required for each Director, nor on the independence and objectivity required to discharge the agreed responsibilities of each role. The resultant position is believed to be consistent with applicable shareholder advisory groups' guidelines on overboarding.

The Conflicts of Interest Policy continues to be applied practically throughout the year, such as considering the potential conflict presented by Directors having roles on the Boards of other Group companies.

Schedule of Matters Reserved to the Board

To ensure the Board maintains oversight of the areas material to the delivery of the Group's strategy and purpose, the Board undertakes an annual review of the Matters Reserved to the Board. The latest review took place in March 2024 and the Board agreed that the Schedule contained areas appropriate to require Board involvement, including in relation to strategy, structure and capital, financial reporting, controls and communication with stakeholders. The Board also regularly reviews its skills matrix to determine whether any additional skills or development opportunities are needed in order for the Board to discharge its duties effectively. The Schedule of Matters Reserved to the Board is available on the Severn Trent Plc website.

Strategy

Appropriately evaluated strategic decisions are crucial to help us to deliver our strategy and achieve our purpose of 'taking care of one of life's essentials'. Responsibility to all of our stakeholders for the approval and delivery of the Group's strategy and for creating and overseeing the framework to support its delivery sits with the Board. During the year, the Board monitored the implementation of the Group's corporate strategy, which was introduced during 2022/23. As well as standing strategic items at every Board meeting, the Board also holds a dedicated Strategy Day with the Executive Committee to help consider the strategic direction of the Company for the short, medium and long term.

Responsibility for the development and implementation of the Group's strategy and overall commercial objectives rests with the Chief Executive who is supported by the Executive Committee.

The Directors present their report and the audited financial statements for the year ended 31 March 2024. The performance review of the Company can be found within the Strategic Report. This provides detailed information relating to the Group, its business model and strategy, the operation of its businesses, future developments, and the results and financial position for the year ended 31 March 2024.

Stakeholder engagement

Stakeholder engagement is central to our strategy and, as such, a detailed disclosure setting out stakeholder engagement activity conducted during the year is included in our Strategic Report on pages 108 to 121. The Board ensures that the Company engages effectively with its stakeholders and encourages a two-way dialogue in order that the decisions made by the Board take into account the views of, and potential impacts on, stakeholders. Our dedicated Section 172 Statement on pages 122 to 125 sets out how the Board has considered and contemplated the interests of stakeholders. A detailed overview of the Board's engagement with our workforce is set out on pages 132 to 133.

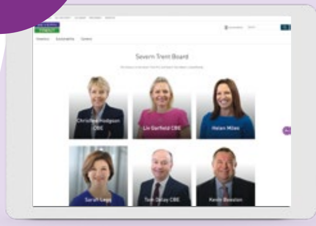
Annual General Meeting ('AGM')

Our 2023 AGM was held on 6 July 2023, at which 79.59% of our shareholders (by voting capital) voted either in person, through the Chair of the AGM as their proxy, or by submitting their proxy forms electronically or by post. We were delighted to receive in excess of 92% votes in favour for all of our resolutions, including in relation to the Directors' Remuneration Report. Shareholders were invited to submit questions to a dedicated AGM mailbox in advance of the AGM and shareholders could also raise questions during the AGM via the virtual platform, or in the room if attending in person. No questions were posed to the Board in advance of the AGM, but six questions were asked and responded to during the AGM.

This year's AGM is to be held on Thursday, 11 July 2024 at 10.00am and will be convened as a physical meeting. There will not be a virtual facility at the 2024 AGM given low utilisation since its implementation. Shareholders are encouraged to attend in person in order to pose their questions to the Board and take the opportunity to engage with individual Board members directly, although shareholders are also able to submit questions in writing through our website in advance of the AGM. The AGM will be held at the Severn Trent Academy, Hawksley Park, St. Martins Road, Finham, Coventry, CV3 6PR.

Full details of the resolutions being tabled for shareholder approval can be found in the Notice of Meeting on the Severn Trent Plc website.

Scan the QR code to access these documents on our website.



Board governance

The requirements of the Board are clearly documented in the Severn Trent Plc Articles of Association, Charter of Expectations and Schedule of Matters Reserved to the Board. All of these documents are available on the Severn Trent Plc website, along with Terms of Reference for each of the Board Committees, the biographies of individual Board members and their letters of appointment.

Scan the QR code to access the Investors section of our website.

Corporate website

We continually monitor our website, severntrent.com, to ensure it is accessible for our stakeholders. The website has a dedicated Investors section, which includes an overview of Severn Trent Plc, our history, company details, results and reports, along with an investor news section containing information which may be of interest to our shareholders.

Scan the QR code to access our published Annual Reports on our website.

Annual Report

Our Annual Report is available to all shareholders, who can opt to receive a hard copy in the post or a PDF copy via email, or download a copy from our website. We aim to make the document as accessible as possible and welcome feedback on all of our reports. Scan the QR code above to access electronic copies of our Annual Reports, past and present, via our website, or contact the Group Company Secretary to request a hard copy of this year's Annual Report.

COMPOSITION, SUCCESSION AND EVALUATION

The Board visited our Green Power site in Derby during April 2024

As at the date of this report, our Board comprised the Chair (who was independent on appointment), five Independent Non-Executive Directors and two Executive Directors. The details of their career backgrounds, relevant skills, Committee membership, tenure and external appointments can be found within their individual biographies on pages 134 to 135. Further detail on the role of the Chair and members of the Board can be found on page 139.

Board composition

The Chair, Senior Independent Director and Non-Executive Directors are each appointed for a three-year term, subject to annual re-election by shareholders following consideration of the annual Board Effectiveness evaluation outputs. Directors serving over six years on the Board are subject to a particularly rigorous review. The current Letters of Appointment are available on the Severn Trent Plc website.

The composition and effectiveness of the Board are subject to regular review by the Nominations Committee which, in particular, considers the balance of skills, tenure, experience and independence of the Board, in accordance with the Board Diversity Policy, which is available on the Severn Trent Plc website.

Any new appointments to the Board result from a formal, rigorous and transparent procedure, responsibility for which is delegated to the Nominations Committee (although decisions on appointments are matters reserved for the Board).

The Board and the Nominations Committee have spent a significant amount of time considering Board composition during the course of the year to ensure that the Board has the right mix of skills and experience, as well as the capability to provide effective challenge and promote diversity. This activity was a key contributor in developing the specification for Board recruitment activity during the year.

Further information on the work of the Nominations Committee can be found on pages 148 to 152.

Directors' skills and experiences

An effective Board requires the right mix of skills and experience and, as can be seen from the individual biographies on pages 134 to 135 and the Board skills matrix on page 136, our Board members contribute a diverse range of backgrounds, skill sets and experiences that, combined together, produce an effective team, focused on promoting the long-term success of the Group.

The skills matrix is reviewed at least annually to ensure that the right balance of skills and experience is in place to enable the effective oversight of the Company and execution of our strategy.

Diversity

A diverse organisation benefits from differences in skills, regional and industry experience, background, ethnicity, gender, sexual orientation, religion, belief and age, as well as culture and personality. The Board is pleased that Severn Trent is recognised as a leader in this area and remains focused on promoting broader diversity and creating an inclusive culture across the organisation, including on the Board itself. More details about the Board Diversity Policy and how the Company has performed against its Board Diversity Targets in relation to membership of the Board and its Committees can be found in the Nominations Committee Report, on pages 151 to 152.

Development, training and resources

The environment in which we operate is continually changing. It is therefore important that our Executive and Non-Executive Directors remain aware of recent, and upcoming, developments and keep their knowledge and skills up to date, so the composition of the Board continues to operate effectively and support delivery of our long-term strategy.

The Board as a whole, and Board members individually, regularly discuss training topics with the Group Company Secretary and, as required, we invite professional advisers and subject matter experts to provide in-depth updates. These updates are not solely reserved for legislative developments but aim to cover a range of strategic issues including, but not limited to, environmental deep dives, the economic and political environment, sustainability, technology and innovation. Our Group Company Secretary also provides regular updates to the Board and its Committees on regulatory and corporate governance matters.

The aim of the training sessions is to refresh and expand the Board's knowledge and skills. In doing so, the Directors can contribute to discussions on technical and regulatory matters more effectively. The sessions also serve as an opportunity for the Board to discuss strategy, performance and risks with management below Executive Committee level and gain further direct insight into our businesses and management capability.

During the year, the Board took part in a number of training and deep dive sessions, including in relation to PR24, environmental performance, customer affordability and vulnerability, exceptional weather preparedness, innovation and diversity and inclusion.

Directors also have access to our online resource library, which is continually reviewed and updated. The library includes a Corporate Governance Manual, tailored training and development content, a Results Centre and Investor Relations section, and briefings on regulatory topics. It also contains a further reading section which covers updates and guidance on changes to legislation and corporate governance best practice.

Board succession

Along with ensuring an appropriate mix of skills and experiences on the Board as a whole for the effective oversight of the Company's strategy and operations, the composition of the Board is also informed by the need for orderly succession across key Board and Committee roles.

The Nominations Committee and Board have once again applied focus to this important area over the last 12 months. Following the announcement on 1 December 2023 that Gillian Sheldon intended to retire from the Board to focus on her recent Executive appointment, the Committee commenced a process to recruit a successor. Richard Taylor was appointed as an Independent Non-Executive Director of the Board from 1 April 2024. Further detail can be found in the Nominations Committee Report from page 148.

Induction

We develop a detailed, tailored induction for each new Non-Executive Director. This includes one-to-one meetings with the Chair and each of the existing Non-Executive Directors. One-to-one meetings are also arranged with the CEO, CFO and the Group Company Secretary, along with other members of the Executive Committee and Senior Management Team. New Directors also meet members of the operational teams and visit our key sites and capital projects to ensure they gain a detailed understanding of the water and wastewater businesses, and the legal and regulatory framework applicable to the sector, and have a chance to experience our unique culture first hand. We provide briefings on the key duties of being a Director of a regulated water company and proposed appointees meet with Ofwat ahead of their formal appointment. Richard Taylor met with Ofwat during March 2024, ahead of his appointment to the Board.

We enhance the Board's induction programme in light of feedback from new Directors and the Board Effectiveness evaluation; for example, in 2022, we introduced the Board buddy scheme.

Understanding through

Introductory meetings

Sessions held in the first few days and weeks to ensure that new Directors are able to gain a real understanding of our purpose and strategy, the regulatory regime and our core business activities.

Complemented with

Specific deep dive sessions

Deep dive sessions enable Directors to explore in detail the areas of focus for the Group over the short, medium and long term, and deepen their understanding of the Group.

Knowledge reinforced by

Site visits

Site visits allow Directors to observe the Group's operations in action and meet colleagues to gain further insight into our culture and enhance their understanding of the organisation as a whole.

> I have been enormously impressed with the induction programme we have in place at Severn Trent, which has enabled me to meet and discuss a wide variety of issues with many colleagues and experience at first hand the focus on being performance driven and sustainability led.

Richard Taylor
Chair of the Treasury Committee

Richard Taylor's Induction

Chair of: Treasury Committee

Member of: Audit and Risk Committee; Nominations Committee; and Remuneration Committee

We welcomed Richard to the Board on 1 April 2024, and his extensive induction programme is ongoing, covering a range of areas across the business.

Along with a detailed overview of the water sector and the regulatory requirements we operate under, Richard has already attended a number of sessions covering topics including governance, stakeholder engagement and the environment. The sessions were a mix of virtual and physical meetings, including visits to a range of operational sites.

Additional areas of focus for Richard's induction have been on matters pertinent to his roles on the Board Committees.

For his role on the Treasury Committee, Richard received a detailed overview of the AMP7 funding strategy and the treasury policies we have in place, as well as an introduction to the Group's Sustainable Finance Framework and approach to EU Taxonomy.

Richard's induction for his role on the Audit and Risk Committee included sessions on the current risks faced by the Group and risk management framework, regulatory finance model, Internal Audit programme and internal control processes.

In advance of his first Remuneration Committee meeting, Richard considered the remuneration structure across the Group, for both the Executive and wider workforce, and the Committee's essential role in assessing performance in the round.

Richard's 'Board Buddy' is Sarah Legg, who is the Chair of the Audit and Risk Committee and is also a member of the Treasury Committee and Nominations Committee.

EVALUATION

Our annual Board evaluation provides the Board, and its Committees, with an opportunity to consider and reflect on the quality and effectiveness of its decision making, and the range and level of discussion, and for each member to consider their own contribution and performance.

Progress made on evaluation recommendations from 2022/23

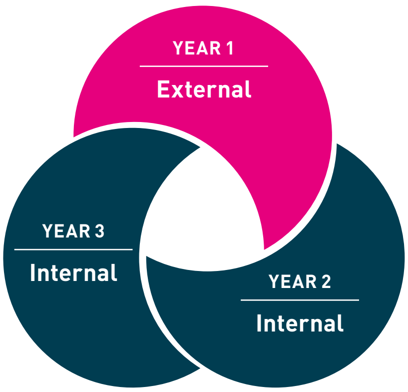
The table below sets out the recommendations from the internally facilitated Board Effectiveness evaluation that took place during 2022/23 and the resultant action taken to address each of them.

Recommendation	Action taken
Succession planning and Board composition	
Ensure process to enable the smooth succession of Non-Executive Directors, including the Senior Independent Director, commences well in advance of scheduled retirements.	Succession planning continues to be a key focus of the Board and a standing item on the agenda for Nominations Committee meetings. Robust succession and contingency plans are in place for all roles.
Board agenda	
Notwithstanding the well-structured agendas which comprise an optimal mix of strategic and operational items, consideration should be given to: – scheduling key strategic and complex regulatory topics earlier on the Board agenda to ensure sufficient time for discussion and debate; and – allocating more time on the Board agenda to discuss strategic developments and opportunities, as well as innovation initiatives, both within and outside of the utilities sector.	The Board's forward agenda is regularly reviewed to ensure that: – all matters are appropriately scheduled for discussion at future Board meetings; and – sufficient time is devoted to the discussion of strategic and innovative topics. The Board also visited Aarhus Vand in Denmark during the year to observe innovative approaches being adopted in waste and water networks to inform future discussion on this topic.
Board reports	
Notwithstanding the high quality of Board reporting, there was an opportunity to enhance executive summaries and articulate key takeaways within Board reports to facilitate focus of Board discussions.	The Board's feedback on reporting has been incorporated into the Group's report writing training and used to formulate a new suite of report templates which highlight key information for discussion at meetings.

Board evaluation review cycle

In consideration of the FRC's Guidance on Board Effectiveness and the CGI's Principles of Good Practice relating to external reviews, the Board has adopted a three-year assessment cycle, designed to build on momentum in prior years, whilst also ensuring a rigorous and balanced approach to implementing incremental improvements.

The cycle is set out below. 2023/24 was the first year of a new three-year cycle, and took the form of an externally facilitated evaluation exercise conducted by Independent Board Evaluation.



Year 1 – 2023/24

Externally led comprehensive evaluation: A detailed, independent assessment of the Board, Committees and individual Directors.

Year 2 – 2024/25

Internally led intermediate level evaluation: With a focus on Board dynamics, Board composition and succession.

Year 3 – 2025/26

Internally led lighter touch evaluation: With a focus on stakeholder engagement and Board contribution to strategy and organisational culture.

2023/24 Board evaluation

The Nominations Committee appointed Ffion Hague of Independent Board Evaluation ('IBE') who, having carried out the previous externally facilitated review during 2020/21, was well placed to observe, and comment on, the progress made over the last three years. Neither Ffion Hague nor IBE have any other connection with the Company or individual Directors.

Ffion held individual interviews with each Director during March, April and May 2024, and meetings of the Board and Board Committees were also observed during this time. The key themes were shared with the Board and Nominations Committee in May 2024, along with a 2024 action plan. More detail on the evaluation process and the findings from the review are set out on the next page. In line with the CGI's Principles of Good Practice relating to external reviews and guidance on reporting on board performance reviews, IBE has reviewed the disclosures relating to the evaluation set out within the Annual Report and has agreed that they reflect accurately both the process followed and the findings of the review.

In line with our Board evaluation review cycle, the next externally facilitated evaluation will be scheduled for 2026/27 in accordance with the 2018 Code provision that the Company should undertake an externally facilitated Board Effectiveness evaluation at least every three years.

December 2023: Selection and appointment	The Nominations Committee appointed IBE, led by Ffion Hague, as the independent external facilitator for the Board Effectiveness evaluation. IBE is a standalone consultancy of independent practitioners, working solely on board effectiveness reviews. IBE does not provide other services to the Company and has no connections with any of the Directors, other than the fact that IBE undertook the externally facilitated Board Effectiveness evaluation in 2020/21. Terms of engagement were established ahead of the review commencing and, through this process, it was agreed that the Senior Independent Director would be Ffion's key contact should there be any concerns about the way the process was being managed.
January 2024: Evaluation scope	The scope for the evaluation was agreed to cover a formal and rigorous evaluation of the performance of: **The Board** – Shareholders – oversight and relationship – Strategy – oversight and implementation – Board focus, priorities and use of time – Governance and risk management – Succession planning for key Board and management roles – Composition of Board – skills, diversity and experience – Employee engagement – Selection and induction of new members – Meetings (frequency, quality and duration) and quality of papers and presentations **The Board Committees** – Membership – skills, experience, competence and induction – Meetings – frequency, quality and duration – Chairship – Clarity of objectives and Terms of Reference **The Chair** – Quality of contribution – Board leadership – Independence and objectivity – Understanding of own/others' roles – Chairing skills – Agenda setting – Time commitment **Individual Directors** – Quality of contribution – Skills, experience and competence – Time commitment – Quality of perspective brought to Board discussions
March – May 2024: Evaluation activity	**Structured one-to-one interviews** by Ffion Hague including: – The Chair – The Chief Executive – The Chief Financial Officer – The Senior Independent Director – Non-Executive Directors – Executive Committee members – The Group Company Secretary **Meetings observed** by Ffion Hague during March and May 2024: – Board – Audit and Risk Committee – Corporate Sustainability Committee – Nominations Committee – Remuneration Committee – Treasury Committee IBE provided **data points and benchmarking information** relating to the FTSE100 and the Company's key markets. The Group Company Secretary also provided IBE with the necessary documents, access and support required to enable a thorough **review of Board-related governance materials**.
May 2024: Evaluation findings	A comprehensive report evaluating the Board's performance was produced by IBE and provided in advance of the Board meeting on 17 May 2024. Ffion Hague attended the Board meeting to present the principal findings from the evaluation and recommendations detailed in the report. The Board discussed the areas covered by the evaluation and the resulting findings and recommendations, before agreeing an action plan for 2024/25 (read more below). Reports were also provided to each of the Committees on relevant findings from the evaluation. The Chair provided feedback from the evaluation to each individual Director. The Senior Independent Director met with all the Non-Executive Directors to discuss the aspects of IBE's report relating to the Chair, and provided feedback to the Chair on her own performance.

Action plan for 2024/25

The Board's action plan has been formulated based on the recommendations from IBE's report.
Below is an overview of the initial progress made to address each recommendation.

Recommendation	Initial progress
Board agenda and papers	
Continue to improve the Board Objectives process by scheduling a dedicated Board session to enable the Board to debate and agree its objectives for the year ahead, ahead of tabling them for discussion at the Board.	Dedicated sessions to enable the Board to debate and agree its objectives for the next year, in addition to reviewing progress made against the current year's objectives, have been scheduled on the Board's forward plan.
Enhance the flow of constructive feedback to management in relation to Board papers in order to build on improvements made on reports tabled at the Board and its Committees and ensure Directors continue to be presented with high-quality and relevant information to inform decision making.	Board members are encouraged to provide feedback at meetings, and when unable to do so, will use the Group Company Secretary as a conduit for facilitating any feedback to report writers and presenters.
Mentoring and development	
Consider bolstering the Group's induction and onboarding approach to include mentoring for the first few months of Board membership for any Director who has not previously served on a Board of a UK listed company.	Following the 2021 review, our Board Buddy scheme was introduced following feedback from a Non-Executive Director on their induction programme. It has been well received and this is something we continue to offer new Non-Executive Directors. Following the success of this, we will continue to keep under consideration the need for external mentoring.
Schedule annual feedback discussions between the Chair and individual Directors.	As the report notes, the Chair provides feedback to individual Directors following meetings and informally throughout the year. A programme of one-to-one sessions for the Chair to meet with individual Directors has been implemented to enable more formal discussions on performance and development.
Governance framework	
Keep the Committee structure under review with regards to the division of work between the Treasury Committee and Audit and Risk Committee.	The Committee structure is regularly reviewed including, but not limited to, during the annual appraisal of the Terms of Reference and the assessment of how each Committee has discharged its duties during the year.

NOMINATIONS COMMITTEE REPORT

> Succession planning is a continual, evolving process for the Committee, as demonstrated by the orderly and seamless handover of key Board and Executive positions during the year, with many appointed from our internal talent pipeline.

Christine Hodgson
Chair

All members of the Committee are Independent Non-Executive Directors of the Board, with the exception of Christine Hodgson (who was independent on appointment). Only members of the Committee have the right to attend Committee meetings. Other individuals, such as the Chief Executive, the Director of Human Resources and other senior management and external advisers, may be invited to attend meetings as and when appropriate. None of these attendees are members of the Committee.

The Committee is authorised to seek external legal or other independent professional advice as it sees fit, but did not need to do so during the year.

Documents available at severntrent.com

Board Diversity Policy
'Wonderfully You', our Diversity and Inclusion Strategy
Charter of Expectations
Committee Terms of Reference

Committee meeting attendance 2023/24

Committee members	Member since	Meetings attended
Christine Hodgson (Chair)	January 2020	**5/5**
Kevin Beeston	June 2016	**5/5**
John Coghlan	May 2014 until December 2023	**3/3**
Tom Delay	January 2022	**5/5**
Sarah Legg	November 2022	**5/5**
Sharmila Nebhrajani	May 2020	**5/5**
Gillian Sheldon	January 2022 until May 2024	**4/4**[1]

1 Gillian Sheldon did not attend the meeting where the Committee was considering her successor.

Dear Shareholder

This report details the role of the Nominations Committee and the important work it has undertaken during the year. It highlights the vital part played by the Committee to ensure that the Board has the appropriate balance of skills, experience, knowledge and diversity to provide the Company with the strong leadership required to support its workforce and deliver long-term sustainable success.

The Committee also ensures there is a high-quality, stable Executive Committee in place, supported by credible succession and contingency plans, to ensure we are positioned to deliver for all of our stakeholders, particularly our customers and communities.

This year has seen a number of changes to the composition of the Board following the planned retirement of James Bowling, former Chief Financial Officer, who stepped down from the Board at the AGM in July 2023. The Committee also oversaw the planned retirement of John Coghlan during the year. I would like to convey my thanks to both James and John for their significant dedication and impactful contributions to the Board and Committees during their respective tenures, and to James for his excellent management of the Group's financial affairs. Sarah Legg has assumed the role of Audit and Risk Committee Chair and Sarah will introduce her first Audit and Risk Committee Report to shareholders this year; see page 153 for further details.

On 1 December 2023, we announced that Gillian Sheldon, Chair of our Treasury Committee, would retire from the Board in order to focus on her Executive commitments, having recently been appointed Managing Director and Vice-Chair of the UK Investment Banking division of Morgan Stanley. Following a robust recruitment and selection process, we announced the appointment of Richard Taylor as an Independent Non-Executive Director of the Board from 1 April 2024. Given Richard's strong financial background, he has joined our Audit and Risk, Treasury and Remuneration Committees, in addition to the Nominations Committee, and succeeded Gillian Sheldon as Chair of the Treasury Committee when she stepped down from the Board on 14 May 2024. Details of his ongoing induction programme can be found on page 145.

Following the implementation of these changes, the Committee has been focused on planning for the transition of our longstanding Non-Executive Directors, ensuring that the Board remains well balanced, with a strong pipeline of candidates with the appropriate skill sets, experience and capabilities.

During the year, the Committee also considered the Board Diversity Policy (the 'Policy') and reviewed progress made against the agreed objectives set out in the Policy. The importance of the Policy aligning with the diversity of our region, specifically in respect of gender, social and ethnic backgrounds, skills and experience, remains paramount. I am pleased to report that the Company continues to comply with the targets outlined within the Listing Rules, with 62.5% of the current Board Directors being women, three of the senior positions currently held by women (Chair, Chief Executive and Chief Financial Officer) and two members of our Board from minority ethnic backgrounds.

As part of the Committee's governance oversight role, the Committee also assists the Board in its consideration of conflicts of interest and independence issues. As part of its recommendation to the Board in respect of the Continuing Office of Directors, the Committee conducted its annual review of individual Director conflict authorisations as recorded in our Conflicts of Interest Register. When reviewing conflict authorisations, the Committee considered any other appointments held by the Director, as well as the findings of the Board Effectiveness evaluation.

Individual Directors' external appointments were also reviewed in order to satisfy the Board that each member has sufficient time to commit to their roles and also to demonstrate compliance with the shareholder advisory groups' individual guidance on overboarding. More detail on this can be found on pages 142 to 143.

Following the review, the Committee recommended to the Board that each conflict authorisation remained appropriate and that there were no business or other circumstances that were likely to affect the independence of any Non-Executive Director, and no individual was considered to be overboarded. As such, the Committee determined that all Non-Executive Directors continue to demonstrate independence and commitment to discharging their duties. I am pleased to report that the Board concurred with our conclusion.

In accordance with the 2018 Code, all the Directors will retire at this year's AGM and submit themselves for reappointment or, in the case of Richard Taylor, appointment by shareholders. Each of the Non-Executive Directors seeking appointment or reappointment is considered to be independent in judgment and character.

Finally, in what has been a busy year for the Committee, we also paid significant attention to enhancing the effectiveness of the Board and its Committees. In line with the 2018 Code requirements, an externally facilitated Board Effectiveness evaluation was undertaken this year, which concluded that the Board continues to operate effectively while also signalling minor areas for improvement, details of which can be found on pages 146 to 147.

I would like to thank the members of the Committee for their continued commitment throughout the year, for the open discussions that take place at our meetings, and for the contribution they all provide in support of our work.

This report was approved by the Committee at its meeting on 17 May 2024.

Christine Hodgson
Chair of the Nominations Committee

Board succession planning

The Committee is satisfied that all key roles have credible succession and contingency plans in place. Notwithstanding this, the Committee considers succession and contingency planning at each of its meetings and will continue to make appropriate recommendations to the Board as necessary. An example of the Committee's succession planning activity in action is set out below.

Changes to the Board

During the year, Gillian Sheldon informed the Board that she would step down from the Board to focus on her recent Executive appointment.

The Committee reviewed the succession plans in place and commenced the process to recruit an additional Independent Non-Executive Director, to ensure the optimum balance of skills and experience on the Board.

The Committee appointed an independent search firm, which is a signatory to the enhanced voluntary code of conduct for executive search firms, to support with the recruitment of an Independent Non-Executive Director and Chair of the Treasury Committee. As the appointment was for the Chair of the Treasury Committee, tailored recruitment criteria and role specifications were developed to outline the appropriate skills and experience required to ensure the Board continued to comprise members who were qualified to carry out this vital role.

Shortlist and selection

The Committee ensured that the recruitment process was conducted in line with the Board Diversity Policy, in particular that diverse candidates from a wide variety of backgrounds and those with non-listed company experience were included within the respective shortlists. Read more about our Board Diversity Policy on pages 151 to 152.

Interviews were conducted by the Chair, Senior Independent Director and Chief Executive, with support from the Group Company Secretary. Once a preferred candidate had been selected, a pre-appointment meeting with Ofwat was arranged ahead of the proposed Non-Executive Director being formally appointed to the Board of Severn Trent Plc and Severn Trent Water Limited.

Appointment and succession

Richard Taylor was appointed on 1 April 2024. As set out in his biography on page 135, Richard has extensive financial and treasury skills and experience. Richard succeeded Gillian Sheldon as Chair of the Treasury Committee when she stepped down from the Board on 14 May 2024.

Induction

All newly appointed Directors undertake comprehensive, tailored induction programmes, overseen by the Committee, which include specific focus on key aspects of their roles on the Board Committees. Further details on Non-Executive Director induction programmes can be found on page 145, along with an overview of Richard's ongoing induction.

Nominations Committee Report continued

The Nominations Committee's agenda for 2023/24

The Committee has responsibility for keeping the size, structure and composition of the Board and its Committees under review and is responsible for ensuring that there are formal plans in place for an orderly succession to both Board and senior leadership positions supported by robust contingency plans. The Committee also oversees the development of a diverse pipeline for succession. The composition of the Board is reviewed and refreshed on a regular basis and there is a rigorous and transparent procedure for the appointment of Directors. The Committee leads the process for Board and Board Committee appointments and makes recommendations to the Board. The Committee reports to the Board on the matters it has considered following each Committee meeting, and makes recommendations as appropriate.

The key areas of focus at the Committee's meetings during the year are set out below.

Key areas of focus

Consideration of the composition of the Board and Committees, the succession of Non-Executive Directors, and the skills, knowledge, experience, diversity and attributes required of current and future Non-Executive Directors. In considering Board succession, the Committee took into account the tenure of the Non-Executive Directors and the importance of the progressive refreshing of Board membership.

Review of individual Director independence through the established Conflicts of Interest and Persons Closely Associated declaration process and conclusion that there were no concerns as regards the composition of the Board, or the contribution or commitment of any of the Directors, including in relation to external appointments and overboarding guidance.

Review of the search firm providers for the next stage of the Board's succession planning and engagement of the executive search firm, Spencer Stuart[1].

Oversight of the succession and contingency plans in place for the Executive Committee and other members of senior management, including consideration of the Group's talent development programmes to build technical and leadership capability.

Oversight of the Board Effectiveness evaluation and discussion of the feedback, observations and recommendations from the review of the Board and Committees, including a focused action plan for approval by the Board.

Review of the Board Diversity Policy to ensure it remained aligned with the requirements of the Listing Rules and incorporated any other best practice, including Financial Conduct Authority guidance.

Continued application of the Board Diversity Policy and initiatives, and reviewed progress made against the agreed objectives set out in the Board Diversity Policy.

Discussion of the role of the Board Diversity Policy in advancing the composition and effectiveness of the Board and Committees.

Review and approval of the Committee's Terms of Reference during the year, prior to making a recommendation to the Board. In completing its review, the Committee concluded that the Terms of Reference remained appropriate and reflected the manner in which the Committee was discharging its duties.

1 Spencer Stuart is a signatory to the voluntary enhanced code of conduct for executive search firms. Christine Hodgson is a Non-Executive Director of Spencer Stuart. This is the only connection between the two companies. The decision to appoint Spencer Stuart was first discussed with John Coghlan, the then Chair of the Audit and Risk Committee, before the Board considered the matter and determined that the engagement of Spencer Stuart would present no conflict of interest.

Enhanced review of independence

Whilst we see long service on the Board as a positive characteristic, the Board is mindful that the 2018 Code indicates that Non-Executive Directors should not serve for more than nine years and Non-Executive Directors who have served over six years should be subjected to a particularly rigorous review.

Such a review, in line with the requirements of the 2018 Code, has been undertaken in relation to the independence and commitment of Kevin Beeston since reaching his six-year tenure. On each occasion, the Board remained satisfied that Kevin continued to act with the utmost independence and considered that his appointment remained in the long-term best interests of stakeholders, particularly customers and communities given his previous experience throughout the business planning process. Kevin's length of service, independence and potential for conflicts of interest were also considered as part of our externally facilitated Board Effectiveness evaluation conducted this year, further details of which are set out on pages 146 to 147.

Diversity on our Board and Committees

The Committee and Board continue to drive the agenda of diversity across the Group in setting the right tone from the top and are proud of the progress being made to date. Whilst Severn Trent has long been an advocate of a diverse workforce and the huge advantages that this brings teams across the business, the Committee acknowledges that there is more to be done to encourage greater diversity, so that all companies can experience the benefits of wide-ranging experience and backgrounds.

The Nominations Committee reviews the Board Diversity Policy (the 'Policy') on an annual basis and makes recommendations to the Board where it identifies changes that can be made to further contribute to improving the diversity of the Board, Board Committees and Executive Committee.

The Annual Statement on Board Diversity Targets can be found below.

The main objectives contained in the Policy, along with an overview of the action taken to implement the Policy, are set out overleaf.

The full Policy is available on the Severn Trent Plc website.

Annual Statement on Board Diversity Targets

On behalf of the Board, the Nominations Committee is pleased to confirm that, as at 31 March 2024, all three of the targets contained within the Board Diversity Policy, which align with the diversity and inclusion targets set out in the Listing Rules, have been met. A summary of the Board Diversity Targets is set out in the table below.

Board Diversity Policy Target	Target met?	Board diversity as at 31 March 2024
At least 40% of the individuals on the Board of Directors are women.	✓	– 75% of the individuals on the Board of Directors are women.
At least one of the senior positions (Chair, Chief Executive, Senior Independent Director, Chief Financial Officer) on the Board of Directors is held by a woman.	✓	– The Chair is a woman. – The Chief Executive is a woman. – The Chief Financial Officer is a woman.
At least one member of the Board of Directors is from a minority ethnic background (defined by reference to categories recommended by the Office for National Statistics ('ONS') excluding those listed, by the ONS, as coming from a White ethnic background).	✓	– Two members of the Board of Directors are from minority ethnic backgrounds.

Detailed numerical information on the gender and ethnicity representation on the Board and Executive Committee is set out below.

Data concerning gender and ethnicity representation is collected directly from all the individual Board and Executive Committee members through a Diversity and Inclusion Monitoring Form (the 'Form') which is issued for completion on an annual basis. The Form asks individuals to disclose their gender and ethnicity using the options included on the Form, which align with the detail in the left-hand columns of the tables below and includes the option to not specify an answer. This data is collated by Company Secretariat and held securely and in accordance with the Group's data protection processing and retention guidelines.

Gender representation as at 31 March 2024	Severn Trent Plc Board			Severn Trent Plc Executive Committee	
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
Men	2	25%	1	5	55.6%
Women	6	75%	3	4	44.4%
Not specified/prefer not to say	–	–	–	–	–

Ethnicity representation as at 31 March 2024	Severn Trent Plc Board			Severn Trent Plc Executive Committee	
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
White British or Other White (including minority-white groups)	6	75%	4	8	88.9%
Mixed/Multiple Ethnic Groups	1	12.5%	–	–	–
Asian/Asian British	1	12.5%	–	1	11.1%
Black/African/Caribbean/Black British	–	–	–	–	–
Other Ethnic Group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

As discussed on page 145, since 31 March 2024, there have been changes to the membership of the Board. The Nominations Committee confirms that the changes in composition have not impacted the attainment of any of the Board Diversity Targets and neither the Board nor the Committee foresees any risks in not being able to continue to meet the Board Diversity Targets during the current financial year. There have been no changes to the membership of the Executive Committee since 31 March 2024.

Additional Policy targets and objectives

Board Committee composition targets

In relation to the Committees included in the 2018 Code (the 'Board Committees'), comprising the Audit and Risk Committee, the Nominations Committee and the Remuneration Committee:

Board Diversity Policy Target	Target met?	Board Committee diversity as at 31 March 2024
Achieve and maintain the position where at least one individual on each Board Committee is a woman.	✓	– There is at least one member of each Board Committee who is a woman.
Achieve and maintain the position where at least one individual on each Board Committee is from a minority ethnic background (defined by reference to categories recommended by the ONS excluding those listed, by the ONS, as coming from a White ethnic background).	✓	– There is at least one member of each Board Committee who is from a minority ethnic background.

Policy objectives

Objective	Implementation
Ensure that the Board and senior management comprise individuals with a range of skills, experience, knowledge, perspectives and backgrounds. Focus on the development of a pipeline of diverse high-calibre candidates for all senior management roles.	Board and senior management succession planning arrangements are regular items for discussion at Nominations Committee meetings. In addition, during the year, the Board reviewed the internal talent pipelines within the organisation and the activities undertaken to develop and retain our people.
Only engage search firms who are signed up to the voluntary code of conduct for executive search firms.	Spencer Stuart, which was appointed to assist with the recruitment of an additional Non-Executive Director during the year, is a signatory to the enhanced code of conduct for executive search firms.
Ensure that Board and senior management candidate lists will be inclusive according to the widest definition of diversity. Consider candidates for Board and senior management appointments from a wide pool, including those with no listed company experience.	The Board and Nominations Committee recognise the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths, throughout the organisation, including on the Board itself. On instruction of an executive search firm, the specification will ensure that candidates with no listed company Board experience are fully considered. Richard Taylor was appointed to the Board on 1 April 2024. Richard's appointment was recommended by the Committee in full consideration of the Policy, the 2018 Code and additional relevant guidance.
Oversee plans for diversity and inclusion across the business and receive regular updates in relation to these.	The Board receives a dedicated update on diversity and inclusion at least annually, with interim updates forming part of regular reports from the Director of Human Resources.

AUDIT AND RISK COMMITTEE REPORT

> This has been an exceptionally busy period for the Committee, with a significant amount of time spent finalising our PR24 Business Plan, with the objective of delivering positive outcomes for our customers and communities, both now and for the future.

Sarah Legg
Chair

All members of the Committee are Independent Non-Executive Directors of the Board. The Board considers that all members of the Committee have recent and relevant financial experience and competence relevant to the sector, with the Chair and the majority of the Committee members being qualified accountants. Only members of the Committee have the right to attend Committee meetings.

Other regular attendees at meetings at the invitation of the Committee include the Chair of the Board, the Chief Executive, the Chief Financial Officer ('CFO'), the Group Company Secretary, the Group General Counsel, the Group Financial Controller, the Head of Internal Audit, other members of senior management, representatives from the External Auditor, Deloitte, and non-financial regulatory performance and data assurers, Jacobs. None of these attendees are members of the Committee.

The Committee regularly holds private discussions with the Head of Internal Audit and the External Auditor separately, without management present. The Chair of the Committee regularly holds separate one-to-one meetings with the CFO, the Head of Internal Audit, the External Auditor and with Committee members outside of scheduled meetings to better understand any issues or areas for concern.

The Committee is authorised to seek external legal or other independent professional advice as it sees fit, but did not need to do so during the year.

Documents available at severntrent.com

- Non-Audit Services Policy
- Explaining Our Tax Contribution
- Our Tax Strategy
- Group Financial Crime, Anti-Bribery and Anti-Corruption Policy
- Internal Audit Charter
- Regulatory Reporting and Assurance Approach
- Charter of Expectations
- Committee Terms of Reference

Committee meeting attendance 2023/24

Committee members	Member since	Meetings attended
Sarah Legg (Chair from 1 January 2024)	November 2022	**5/5**
Kevin Beeston	September 2016	**5/5**
John Coghlan (Chair until 31 December 2023)	May 2014 until December 2023	**4/4**
Gillian Sheldon	January 2022 until May 2024	**5/5**

Dear Shareholder

I am delighted to introduce my first report as Chair of the Audit and Risk Committee and would like to convey my thanks to John Coghlan for his leadership of the Committee over the previous nine years and for the significant time he has invested in ensuring a smooth and effective handover to me.

This report aims to give shareholders a clear insight into the work we have done as a Committee to provide challenge and assurance on the integrity of the 2023/24 Annual Report and Accounts and the Group's regulatory reporting requirements.

The Committee assists the Board by establishing, reviewing and monitoring the formal and transparent policies and procedures to ensure the independence and effectiveness of the Internal and External Audit functions, the integrity of financial and narrative reporting, the Company's internal control framework and the adequacy of the process that enables the Board to assess the extent of Principal Risks the Company is willing to take to achieve its long-term strategic objectives.

Throughout the year, including whilst I was Committee Chair Designate, I maintained regular dialogue with other members of the Committee, the CFO and other members of management, including presenters of upcoming agenda items prior to meetings, to ensure the Committee was provided with the necessary information to enable it to guide, challenge and advise to ensure that any decisions taken were done so on a fully informed basis. I also met privately with the Head of Internal Audit and representatives from the External Auditor and External Assurer, both to discuss their procedures, including any issues that may have arisen, and to inform my ongoing assessment of their effectiveness.

Much of the Committee's work relates to the regulated activities of Severn Trent Water, which represent over 91% of Group turnover. The Committee's vital contribution to our purpose of 'taking care of one of life's essentials' ensures that the interests of shareholders and other stakeholders, particularly our customers and regulators, are properly protected, by overseeing the Group's financial reporting and internal control arrangements. The Committee uses its collective expertise to provide challenge to the approach and judgments made by management in the treatment of financial reporting matters and the resulting disclosures within the financial statements.

Transparency and openness are fundamental to the relationship between management and the Committee, which is further reinforced through our culture of Doing the Right Thing.

One of our key roles is to advise the Board that we are satisfied that the Annual Report and Accounts are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy. In doing so, we ensure that management's disclosures reflect the supporting detail, or challenge them to explain and justify their interpretation and, if necessary, re-present the information. The Committee has spent considerable time reviewing and scrutinising the Group's financial results, and details of the significant matters we considered can be found on page 161.

The Committee, in consideration of the growing focus of climate change and other environmental issues, also plays a key role in the governance of environmental and climate-related reporting, including overseeing, in conjunction with the Corporate Sustainability Committee and supported by independent third-line assurance by Jacobs, the Group's Task Force on Climate-related Financial Disclosures ('TCFD') and EU Taxonomy disclosures.

The External Auditor performs its statutory audit by auditing the accounting records of the Company against agreed accounting practices, relevant laws and regulations. Deloitte's audit report can be found on pages 209 to 215.

Based on consideration of the responses to our internal effectiveness review, the Committee remains satisfied with the efficiency and effectiveness of the audit.

We were pleased to advise the Board that the 2023/24 Annual Report and Accounts are fair, balanced and understandable, and that the Directors have provided the necessary information for our shareholders to assess the Company's position, prospects, business model and strategy. The review process is described in further detail on page 156.

During the year, the Committee reviewed and agreed with management's proposal for the Company's long-term Viability Statement to continue to cover a seven-year period (see pages 103 to 107). It was agreed that this was appropriate, given the nature of the regulatory framework in the water sector and Ofwat's statutory duty to ensure that companies can finance the proper carrying out of their functions.

The Committee has also spent a considerable amount of time reviewing the Group's Enterprise Risk Management ('ERM') processes and procedures, with rich discussions taking place at our meetings about both existing and emerging risks and how we can continue to satisfy ourselves of the effectiveness of our internal controls in mitigating the impact of such risks. You can read more about our approach to risk on pages 92 to 94 and our statement on internal controls and risk management is on pages 156 to 157.

As outlined in last year's report, in 2022/23 the Committee invested a significant amount of time reviewing the detailed assurance plan and approach for the Severn Trent Water PR24 Business Plan. This focus has continued throughout the year, to complete the development and scrutiny of our Business Plan – underpinned by robust governance and assurance – to ensure we give our customers, regulators and other stakeholders confidence that we will deliver in line with their expectations for AMP8 and beyond.

In accordance with the regulations that a competitive tender be carried out every 10 years, the Committee led the tender of the External Audit contract during the year and, due to mandatory rotation requirements, Deloitte was unable to participate. The tender process resulted in a recommendation to the Board to propose to shareholders the appointment of PwC as External Auditor at the Annual General Meeting ('AGM') scheduled for July 2025 for the audit of the year ending 31 March 2026. The Board agreed the recommendation and, as such, a resolution will be included in the 2025 AGM Notice of Meeting to this effect. Having undertaken a review of Deloitte's effectiveness and concluded a satisfactory outcome, the Committee also recommended to the Board that, at the 2024 AGM, Deloitte be proposed as the Group's External Auditor for the year ending 31 March 2025, which will be the final year of the existing External Audit appointment. Further details of our External Audit tender process can be found on page 160.

I am pleased to confirm that the Committee fully complied with the FRC's 'Audit Committees and the External Audit: Minimum Standard' during the financial year, including in relation to the tendering process undertaken for the External Audit contract.

You will see that this report contains an overview of the Company's whistleblowing arrangements. The Board has previously agreed that the responsibility for oversight of whistleblowing arrangements should continue to be delegated to the Audit and Risk Committee and not be a matter reserved solely to the Board. However, the Board as a whole monitors and reviews the effectiveness of the Group's whistleblowing arrangements annually, to ensure that it has sufficient oversight of whistleblowing to support its work on culture, risk and stakeholder engagement. The Audit and Risk Committee continues to receive reports on investigations and all significant whistleblowing matters are reported directly to the Board. The Board has reviewed these arrangements again this year and is satisfied that they are effective, facilitate the proportionate and independent investigation of reported matters and allow appropriate follow-up action to be taken.

The annual Board Effectiveness evaluation, which was conducted externally this year, assessed our performance as a Committee, and I am pleased that this concluded that we operate effectively and that the Board takes assurance from the quality of our work. The Board is satisfied that the Committee members bring a wide range of financial experience across various industries and all members have competence relevant to our sector, with significant recent and relevant financial experience. Further information about each Committee member is contained in their individual biographies, which can be found on pages 134 to 135.

I would like to thank the members of the Committee, the management team, Internal Audit, Deloitte and Jacobs for their continued commitment throughout the year, for the open discussions that take place at our meetings and for the contribution they all provide in support of our work.

This report was approved by the Committee at its meeting on 14 May 2024.

Sarah Legg
Chair of the Audit and Risk Committee

The Audit and Risk Committee's agenda for 2023/24

The Committee has an extensive agenda focusing on the audit, risk and assurance processes within the business which it deals with in conjunction with management, the External Auditor, Internal Audit and the Finance and Regulatory Compliance and Assurance teams.

The Committee reports to the Board on the matters it has considered following each Committee meeting, and makes recommendations as appropriate.

The key areas of focus at the Committee's meetings during the year are set out here.

Key areas of focus

Internal Audit and assurance

Consideration of Internal Audit reports presented to the Committee in order to satisfy itself that management had resolved, or was in the process of resolving, any outstanding issues or actions.

Review and approval of the Internal Audit plan and approach for the upcoming year.

Appraisal of the quality and effectiveness of Internal Audit and the effectiveness of the current co-source arrangements.

Review of the detailed assurance map and consideration of the findings of the assurance that had been undertaken as part of regulatory submissions, including the Severn Trent Water PR24 Business Plan.

Internal controls and risk management

Evaluation of the effectiveness of the Group's ERM processes and procedures and internal control systems, and integration of the components of the risk framework into Board and Committee reporting, prior to making a recommendation to the Board.

Review of updates on legal, regulatory, corporate governance and ethical matters, and monitoring of fraud reporting and incidents of whistleblowing, including a review of the adequacy of the Group's whistleblowing processes and procedures, prior to reporting to the Board on this activity.

Oversight and monitoring of the Group's compliance with the Bribery Act 2010, including a review of the adequacy of the anti-bribery, corruption and fraud processes and procedures (and associated policies).

External Audit

Management of the relationship for the statutory audit, including the key audit risks and level of materiality applied by Deloitte, audit reports from Deloitte on the financial statements and the areas of particular focus for the audit.

Assessment of the effectiveness of the External Auditor and the audit process in order to make a recommendation to the Board on the reappointment of Deloitte as the External Auditor.

Consideration and agreement of the statutory audit fee for the year ended 31 March 2024.

Review and approval of the non-audit services provided by the External Auditor and related fees.

Oversight of the External Audit tender and engagement throughout the process, which resulted in a recommendation to the Board.

Financial and regulatory reporting

Review and discussion of reports from the CFO on the financial statements, considering management's significant accounting judgments and the policies being applied, and assessment of the findings of the statutory audit in respect of the integrity of the financial reporting of full and half-year results.

Assessment of the integrity of the regulatory reporting process relating to the Annual Performance Report, PR24 Business Plan and other regulatory submissions for Severn Trent Water as required to be submitted to Ofwat.

Review of the Annual Report and Accounts to provide a recommendation to the Board that, as a whole, they complied with the 2018 Code principle to be 'fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy'.

In-depth review of specific disclosures which relate to areas under the remit of the Committee, including TCFD and the EU Taxonomy.

Challenge and scrutiny of management's detailed assessment of the Group's long-term viability and its ability to continue as a going concern. In doing so, the Committee took into account the risks facing the business, and its ability to withstand a number of severe but plausible scenarios in isolation and combination. Having considered management's assessment, the Committee recommended to the Board the long-term Viability Statement set out on pages 103 to 107.

Review and approval of the Committee's Terms of Reference during the year, prior to making a recommendation to the Board. In completing its review, the Committee concluded that the Terms of Reference remained appropriate and reflected the manner in which the Committee was discharging its duties.

Internal controls and risk management

Internal Audit

Our in-house Internal Audit function is an independent assurance function available to the Board, Audit and Risk Committee and all levels of management, and is a key element of the Group's corporate governance framework. Support has been provided by three main co-sourcing partners: PwC, BDO and EY. Co-source arrangements are reviewed annually and we believe this structure adds value, through greater access to specific areas of expertise, increased capacity to flex resources and the ability to challenge management independently. Co-source specialists continue to bring expertise to support the team and the delivery of the audit plan where relevant. In view of its proposed appointment as External Auditor for the year ending 31 March 2026 onwards, PwC will not be engaged as a co-sourcing partner after 31 March 2024.

Internal Audit plan and actions

The role of Internal Audit is to provide independent and objective assurance that the Group's risk management and internal control systems are well designed and operate effectively, and that any corrective action is taken in a timely manner.

A three-year strategic audit planning approach is applied, from which Internal Audit develops an annual risk-based audit plan; this facilitates an efficient deployment of resource in providing assurance coverage over time across the whole business. The Committee's role is to review and challenge the plan, specifically whether the key risk areas identified as part of our ERM process are being audited with appropriate frequency and depth, whilst ensuring appropriate capacity to alter the Internal Audit plan to focus on new or emerging areas during the year. Individual Committee members also bring an external view of risks the Company may be exposed to. Once approved by the Committee, regular reporting enables the Committee to monitor delivery of the audit plan and ensure that Internal Audit performs its work in accordance with the mandatory aspects of the International Professional Practices Framework of the Chartered Institute of Internal Auditors ('CIIA'), with integrity (honestly, diligently and responsibly) and objectivity (without conflicts of interest).

Following the completion of each planned audit, Internal Audit seeks feedback from management and reports to the Committee on the findings of the audit, including any action that may be required. Where any failings or weaknesses are identified in the course of the review of internal control systems, management puts in place robust actions to address these on a timely basis. No material weaknesses were identified during the year. Closure of actions are reported to, and monitored by, the Committee. The Committee was pleased to confirm that the review established that management places a strong focus on closing audit actions and ensuring timely completion.

The Internal Audit function also liaises with the External Auditor, discussing relevant aspects of their respective activities which ultimately supports the assurance provided to the Committee and Board.

Effectiveness

We undertake an annual review of the effectiveness of the Internal Audit function in line with the CIIA Internal Audit Code of Practice and the FRC Guidance on audit committees. The CIIA guidance states that audit committees should obtain an independent and objective external quality assessment at least every five years. The last external review of the effectiveness of the Internal Audit function was undertaken by BDO in December 2021 and the next external effectiveness review is therefore planned for no later than December 2026. The new Global Internal Audit Standards will become effective in January 2025 and the Committee determined that benefit would be gained from a review of effectiveness based on these new Standards.

The last external review concluded that the Internal Audit function remains fit for purpose, and is operating efficiently and effectively, and in line with good practice. The External Quality Assessment report also highlighted clear evidence that the Internal Audit function operated with strategic alignment, a focus on risk and an emphasis on quality and continuous improvement, all underpinned by objectivity and integrity.

The minor areas of improvement raised by BDO, including improving documentation to support the Internal Audit process map and use of benchmarking as part of the reporting framework, have been incorporated into an action plan which was shared and agreed with the Chair of the Audit and Risk Committee. All actions were completed in line with the proposed timescales.

Taking all these elements into account, the Committee concluded that the Internal Audit function was an effective provider of assurance over the Group's risks and controls, and appropriate resources were available as required.

Fair, balanced and understandable reporting

At the request of the Board, the Committee has considered whether, in its opinion, this Annual Report and Accounts ('ARA'), taken as a whole, is 'fair, balanced and understandable' ('FBU') and whether it provides the 'information necessary for shareholders to assess the Company's position, performance, business model and strategy'.

The following process was followed by the Committee in making its assessment.

1 Regular Disclosure Committee review

The Disclosure Committee reviewed the ARA throughout the drafting process and undertook a detailed FBU assessment ahead of tabling a detailed report at the Audit and Risk Committee.

2 Regular Audit and Risk Committee review

The Audit and Risk Committee reviewed the ARA at an early stage, and throughout the drafting process, to enable sufficient time for review and comment, and to ensure overall balance and consistency between the narrative sections and the financial statements.

The Audit and Risk Committee was supported in its review by the Disclosure Committee, whose appraisal of the ARA is undertaken by members of the Executive Committee who are not directly involved in drafting any content.

3 Internal Audit verification and oversight

Internal Audit reviewed the ARA, and oversaw the verification process for all factual content and reported back to the Audit and Risk Committee on its assessment findings.

4 FBU assessment

The Audit and Risk Committee reviewed and approved the process in place to support the FBU assessment and evaluated the findings of this process. The Audit and Risk Committee was satisfied that all the key events and issues reported to the Board by management (both positive and negative) had been adequately referenced or reflected within the ARA.

5 External Auditor review

The External Auditor is required to consider whether there are any material inconsistencies between information presented in different sections of the ARA, taking into account the External Auditor's knowledge obtained during the audit and the External Auditor's understanding of the legal and regulatory requirements applicable to the narrative.

The External Auditor presented the results of its audit work. The significant issues the Audit and Risk Committee considered were consistent with those identified by the External Auditor in its report (see pages 209 to 215 for more detail).

6 Recommendation to the Board

The Board approved the Audit and Risk Committee's recommendations that the FBU statement could be made in the ARA. An associated Board declaration is included within the Directors' Responsibility Statement on page 208.

Internal controls and risk management

Internal controls

An internal control system can provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Committee reviews the Group's internal control systems and receives updates on the findings of Internal Audit's investigations at every meeting, prior to reporting any significant matters to the Board, which retains overall responsibility for the effectiveness of the full suite of internal controls across the Group.

The Audit and Risk Committee has oversight of the Group's preparations to ensure compliance with the recommendations under the refreshed UK Corporate Governance Code published in January 2024. We are fully committed to ensuring that the Group's audit and governance arrangements reflect best practice and address any new requirements within the expected timeframes. As part of this, during the year, a detailed review of the Group's systems, processes and procedures was undertaken by the Committee in order to provide assurance to the Board that the Group's internal control systems (relating to operational, financial, compliance and reporting activities) continue to operate effectively.

Further to the reports received by the Committee, which set out the Group's processes, systems and assurance procedures, the Committee has concluded that it has complied with its obligations under the 2018 Code in relation to the assessment of risk and monitoring and review of the effectiveness of internal controls and risk management. The Committee is pleased to confirm that based on its review and monitoring activities, it has not been made aware of any material control weaknesses in the Group's internal controls systems and risk management framework.

Risk management

The Group has an ERM process in place through which our Principal Risks and related controls are identified and assessed. The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective risk management framework in place and has delegated responsibility for review of the risk management methodology and effectiveness of internal controls to the Audit and Risk Committee. The Committee reviews the processes for, and outputs from, the Group's ERM activity, and also reviews the effectiveness of the risk management system on behalf of the Board and keeps under review ways in which the control and assurance arrangements can be enhanced. The Audit and Risk Committee is complemented by a Strategic Risk Forum which adds value by assisting the Committee in reviewing the risk management system and the internal controls that mitigate risks, and undertaking reviews of assurance risk reports prior to Audit and Risk Committee meetings.

The Central ERM Team also undertook a review of the integration of the components of the risk framework into Board and Committee reporting, prior to making a recommendation to the Board. This year, the Committee spent considerable time reviewing the Group's ERM processes and procedures, with good progress made in enhancing its effectiveness during the year. The Committee also keeps under review the Group's Risk Appetite Statement and recommends any changes to this for consideration and approval by the Board. You can read more about this important work on pages 92 to 94.

The Committee received half-yearly reports from the Head of Risk, detailing the significant risks and uncertainties faced by the Group. Each risk submitted for review includes an assessment of the overall risk status, status of the control environment and a summary of the risk mitigation plan to take the risk to the target risk position, which needs to be in line with the risk appetite. The risk mitigation strategies include action plans to improve controls where this has been assessed as necessary and determines whether actions are on target and with the correct prioritisation in place. Further details of the Group's risk management framework, controls and Principal Risks can be found in the Strategic Report on pages 95 to 101.

Whistleblowing

At Severn Trent we foster a culture of trust, honesty and openness. We are proud of our approach to whistleblowing, which encompasses the environment we create in our business to encourage reporting of potential wrongdoing, the support we give to whistleblowers and our thorough investigation of concerns.

The Group has established procedures by which all employees may, in confidence, report any concerns. Our Whistleblowing Policy, 'Speak Up', sets out the ethical standards expected of everyone who works for, and with, us and includes the procedure for raising concerns in strict confidence. Our workforce can raise concerns through their line manager, senior management or HR Team, and through our confidential and independent whistleblowing helpline and online channel, 'Safecall'. All investigations are carried out independently with findings being reported directly to the Audit and Risk Committee.

We learn from every report of whistleblowing and share the lessons across the business with a view to making improvements where necessary. We subject our whistleblowing processes to regular evaluation by both Internal Audit and external assurers, and the findings from these reviews frequently cite many examples of good practice within the Group's approach. On an annual basis we also undertake an external benchmarking exercise with Protect, the whistleblowing charity.

We believe that good corporate governance is a key component of creating the best culture and we set the right tone from the top. The Audit and Risk Committee receives reports on investigations and all significant whistleblowing matters are reported directly to the Board. The Board as a whole monitors and reviews the effectiveness of the Group's whistleblowing arrangements annually, to ensure that it has sufficient oversight to support its work on assessing culture, risk and stakeholder engagement. The Board has reviewed these arrangements again this year and is satisfied that they are effective, facilitate the proportionate and independent investigation of reported matters and allow appropriate follow-up action to be taken.

External Auditor

The Committee has primary responsibility for overseeing the relationship with the External Auditor, including assessing its performance, effectiveness and independence annually, and making a recommendation to the Board in respect of its reappointment or removal.

Tender and appointment

Following a formal tender process in 2015/16, Deloitte LLP was reappointed as External Auditor at the 2016 AGM. Following the rule that the audit engagement partner must change every five years, Jacqueline Holden became the senior statutory auditor and has overseen the audit of the Severn Trent Group since 2020/21. Other senior audit staff also rotate at regular intervals.

During the year, a competitive tender process was undertaken in accordance with current regulations that require a tender to be carried out every 10 years. Due to mandatory rotation requirements, Deloitte was unable to participate in the tender. More details on the Committee's tender process are set out on page 160.

The Board accepted the Committee's recommendation that Deloitte be appointed as the Group's External Auditor for the year ended 31 March 2024 as this was in the best interests of both shareholders and the Company, as Deloitte has a detailed knowledge of our business and an understanding of our industry, and continues to demonstrate that it has the necessary expertise and capability to undertake the audit. Shareholders passed the proposed resolution to appoint Deloitte as External Auditor at the 2023 AGM.

The Company has complied with the provisions of the Competition and Markets Authority's Order for the financial year under review in respect to audit tendering and the provision of non-audit services.

Effectiveness and competence

The Committee considers audit quality to be the principal requirement of the annual audit process and, as such, a full effectiveness review is conducted annually. This year, it involved assessment of the External Auditor by the Committee, key Executives and relevant senior managers, including an evaluation of whether the External Auditor met the minimum standards of qualification, independence, expertise, effectiveness and communication. All members of the Committee, as well as key members of management and those who have regular contact with the External Auditor, completed a feedback questionnaire focusing on the following areas:

- Robustness of the external audit process, 'professional scepticism' of the External Auditor and degree of challenge to matters of significant audit risk and areas of management subjectivity.
- Appropriateness of the scope of the audit and the planning process for the delivery of an effective and efficient audit.
- Quality of the delivery of the audit, the service provided by the External Auditor and its knowledge and understanding of the Group's business.
- Expertise of the audit team conducting the audit.
- Independence demonstrated by the External Auditor and that policies and procedures were consistently applied.
- Views on the quality of the interaction between the audit partner and senior members of the audit team and the Company.
- Whether the statutory audit contributed to the integrity of the Group's financial reporting.

Feedback was collated and presented to the Committee in March 2024, without the External Auditor present. The Committee discussed the conclusions and any opportunities for improvement, which were brought to the attention of the External Auditor. No significant issues were reported as part of the internal review, and it was concluded that the external audit process and services provided by Deloitte were satisfactory and effective.

Independence

The Committee regards independence of the External Auditor as absolutely crucial in safeguarding the integrity of the audit process and takes responsibility for ensuring the three-way relationship between the Committee, the External Auditor and management remains appropriate.

The Committee recognises that independence is also a key focus for the External Auditor, and Deloitte has confirmed that it has complied with its own ethics and independence policies, which are consistent with the FRC's Revised Ethical Standard (2019). This includes the External Auditor's assurances that all of its partners and staff involved with the audit are independent of any links to the Group and that none of its employees working on our audit hold any shares in Severn Trent Plc.

Deloitte provides confirmation of independence during the planning stage of the audit, disclosing matters relating to its independence and objectivity. There were no independence issues raised in respect of the 2023/24 audit.

The Committee also develops and recommends to the Board the Group's policy on non-audit services and associated fees paid to Deloitte, to ensure the External Auditor is not providing any additional services which could impede its independence. You can read more about this policy below.

Statutory Auditor reappointment for the year ending 31 March 2025

The Committee has recommended to the Board that Deloitte LLP be proposed for reappointment for the year ending 31 March 2025 at the forthcoming AGM on 11 July 2024. There are no contractual obligations that restrict the Committee's choice of auditor; the recommendation is free from third-party influence; and no auditor liability agreement has been entered into.

Non-audit services

To preserve objectivity and independence, the External Auditor is not asked to provide other services unless it is in the best interests of the Company that these are provided by Deloitte rather than another supplier, in accordance with our Non-Audit Services Policy (the 'Policy').

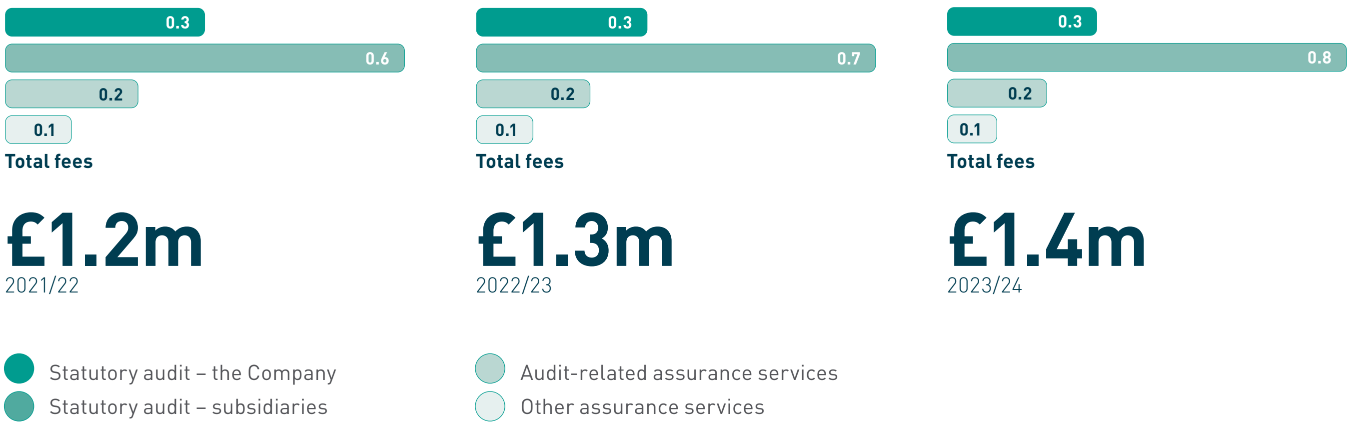
We reviewed the Policy during the year to reflect the FRC's Revised Ethical Standard that will become effective from 15 December 2024. No significant changes were required. The Policy requires Committee approval for all such non-audit services. The Policy also prohibits aggregate fees for non-audit services in excess of 70% of the average audit fee for the previous three financial years. Non-audit services for which the External Auditor may be used include audit-related services required by statute or regulation and other audit or assurance services as set out in the Ethical Standard.

During the year, Deloitte received £1.4 million in fees for work relating to the audit services it provides to the Group. Non-audit related work undertaken by Deloitte amounted to fees of £0.3 million this year, which is 21.4% of the total audit fees paid to it (as shown in the chart on page 159). The more significant non-audit services provided by Deloitte were the audits of the financial information contained within the Severn Trent Water and Hafren Dyfrdwy Annual Performance Reports and the independent review of the Company's half-yearly financial report.

Audit and non-audit fees paid to Deloitte are set out in note 7 to the financial statements. In approving these non-audit fees, the Committee considered the overall ratio of non-audit fees to audit fees and, given the scope of work, considered that Deloitte was best placed to perform these services. Where Deloitte was chosen, this was as a result of its detailed knowledge of our business and understanding of our industry, as well as demonstrating that it had the necessary expertise and capability to undertake the work cost effectively whilst maintaining its objectivity and independence.

Details of audit and non-audit fees and the significant non-audit work undertaken during the year are set out on page 159.

Audit and non-audit fees (£m)



Nature of service	Reason for Deloitte's appointment	Fees (£'000)
Audit-related assurance services		
Interim review	This work is akin to an audit and is expected to be performed by the External Auditor.	100
Assurance of regulatory returns	Audit of sections 1 and 2 of the Severn Trent Water and Hafren Dyfrdwy Annual Performance Reports is closely related to the External Auditor's statutory audit work and the two assignments are performed in parallel.	96
Sub-total		196
Other assurance services		
Reporting under Group financing documents	These documents require reports and it is normal practice for the External Auditor to provide these.	71
Other assurance	This is assurance services performed as part of the year end reporting process.	12
Sub-total		83
Total 2023/24 non-audit fees		279

Tender of the External Audit contract

Deloitte was first appointed as External Auditor for the year ended 31 March 2006 and was reappointed following a tender process at the 2016 AGM. In accordance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee Responsibilities) Order 2014, the Group's next mandatory tender would therefore need to be in respect of the 2026 External Audit and due to mandatory rotation requirements, Deloitte would not be able to participate having acted as External Auditor for 20 years.

As previously disclosed, the Committee determined that the optimum approach would be to conduct an audit tender process no later than March 2024 in respect of the 2026 External Audit, to allow for a significant transition period during the 2024/25 financial year and to allow firms to exit relationships which may present a conflict of interest.

The proposed approach, formulated to align with the FRC's (then draft) Audit Committees and the External Audit: Minimum Standard (formally issued in May 2023), was discussed by the Committee at its meeting in March 2023. The Committee agreed that the proposed selection criteria were transparent and non-discriminatory, and were focused on quality (independence, challenge and technical competence) rather than the proposed fee.

A Steering Committee, led by members of the Audit and Risk Committee, was established to manage and govern the audit tender process, accountable to the Audit and Risk Committee, which maintained overall ownership of the tender process and ensured that it was run in a fair and balanced manner. The Steering Committee was supported by a working group, led by the Group Financial Controller.

Under the OJEU process, the tender was open to all firms participating in the market. There was a pre-qualification stage to eliminate firms that did not have sufficient listed or water sector experience.

Key steps in the tender process:

- The tender details were published on the Government's website in line with the relevant OJEU regulations. These were available to all firms in the market.
- Interested firms completed a Pre-Qualification Questionnaire ('PQQ') that assessed the firms' audit experience in the sector and of listed companies of the scale of Severn Trent.
- The incumbent, Deloitte, was not invited to join the process due to the mandatory rotation requirements. Four firms responded to the tender, one of whom did not answer the PQQ in full and was therefore excluded from the process.
- The request for proposal and a comprehensive data pack was issued to provide the progressed firms with sufficient information to design an audit plan, including: financial reports; financial controls and policies; Group structure and organisation charts; relevant IT system details; and Board and Audit and Risk Committee papers. Further information requests were permitted under a specified procedure process to allow the firms to ask questions on the content of the data pack or request further information from management.
- The firms participated in a series of meetings with Committee members and management, which provided an opportunity for the firms to ask questions arising from their review of the data pack, as well as enabling Committee members and management to interact directly with each proposed audit team. Over 40 meetings were held with firms as part of this process.
- Each firm provided an independence assessment at the start of the process, detailing services currently provided to the Group, and confirmation of their ability to achieve independence within the required timeframe. These responses were reviewed by management to assess consistency with Group's own assessment and independence status was reconfirmed ahead of the conclusion of the process.
- The Steering Committee received presentations from and interviewed the proposed lead and second audit partners from each firm at individual sessions which enabled the Steering Committee to probe the firms on criteria including: quality review ratings; technical expertise; understanding of the business and water industry; planned audit approach; proposed team structure; and implementation and transition.
- Reference checks were undertaken with comparable companies, seeking insights into matters such as each firm's ability to challenge management effectively, use of technology and tools, diversity of workforce, and confidence in the team's expertise, accreditation and experience.

Principal evaluation criteria used to assess the firms:

- Service team, including arrangements for partner rotation and succession.
- Service delivery, including the firm's FRC and other regulatory quality review ratings which are available publicly, and application of technology on the External Audit and what insight this might provide.
- Understanding of the business and industry, including views of the water sector and the Group's position within it, observations on the Group's reporting and potential areas for improvement.
- Implementation and transition, including the firm's approach to, and experience of, transition such as developing talent pipelines in readiness for transition.

Following a detailed review of the performance of each firm during the process and an evaluation against all criteria, the Steering Committee recommended PwC as its preferred candidate. The factors contributing to the selection of PwC as the preferred candidate included:

- the quality of the service team proposed by PwC to undertake the audit;
- PwC's approach to service delivery in terms of technical ability, challenge and independence;
- PwC's understanding of the business and industry, particularly in relation to the assessment of risk; and
- the thorough implementation and transition plan put forward by PwC.

In accordance with statutory requirements, a report on the tender selection procedure and conclusions was prepared by the Steering Committee for Audit and Risk Committee consideration. The Audit and Risk Committee reviewed the Steering Committee's proposal and recommended PwC to the Board as first choice, along with a second choice recommendation. The Board selected PwC as the External Auditor for the 2025/26 audit onwards, subject to shareholder approval at the 2025 AGM. An announcement to this effect was made to the market on 3 November 2023.

The Group confirms it was in compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during the financial year ended 31 March 2024.

Following the selection of PwC as the Group's new External Auditor, a governance structure was established to manage the audit transition. This comprises a Transition Steering Committee led by the Group Financial Controller, and a Working Group, both of which include representatives from Severn Trent, PwC and Deloitte. The Working Group will review progress of key transition milestones and provide a forum to escalate any risks and issues. Summaries will be shared with the Transition Steering Committee on a monthly basis.

A shadowing process will commence during 2024/25 and PwC's lead audit partner will attend Audit and Risk Committee meetings during this period, accompanied by other members of the PwC team where appropriate.

Subject to shareholder approval, Deloitte will remain the Group's statutory auditor for the financial year ending 31 March 2025 and a resolution will be proposed to shareholders at the 2025 AGM to appoint PwC as the Group's statutory auditor for the financial year ending 31 March 2026.

Significant matters considered and addressed in relation to the financial statements

The Committee looked carefully at those aspects of the financial statements that require significant accounting judgments or where there is estimation uncertainty. These areas are explained in note 4 to the financial statements. The Committee also considered the accounting treatment for revenue and accrued income. It received detailed reports from both the CFO and the External Auditor on these areas and on any other matters which they believed should be drawn to the Committee's attention.

The draft External Auditor's report on the financial statements was also reviewed, with particular reference to those matters reported as carrying risks of material misstatement.

The Committee discussed the range of possible treatments both with management and with the External Auditor, confirming that the judgments made by management were robust and supportable. For all the matters described below, the Committee concluded that the treatment adopted in the financial statements was appropriate.

Significant matter	How the matter was addressed by the Committee
Going concern basis for the financial statements and long-term Viability Statement	The Committee reviewed and challenged the evidence and assumptions underpinning the use of the going concern assumption in preparing the accounts and in making the statements in the Strategic Report on going concern and long-term viability. In particular, the Committee considered severe but plausible scenarios modelled in relation to the Company's Principal Risks, noting the stress tests performed by management and the potential mitigating actions identified. Our Business Model can be found on pages 8 to 9. Principal Risks and uncertainties can be found on pages 95 to 102. The Viability Statement can be found on pages 103 to 107 and the Going Concern Statement on page 107.
Determination of the provision for impairment of trade receivables in Severn Trent Water Limited At 31 March 2024, the provision in the Group's financial statements was £137.6 million and the charge for the year was £27.3 million. Severn Trent Water Limited has a statutory obligation to continue to supply water and wastewater services to customers even when their bills are unpaid. This increases the risk of bad debts. In addition, it has a large and diverse customer base which requires impairments against trade receivables to be assessed on a systematic basis.	The Committee challenged management's assumptions regarding historical cash collection and the impact of the cost of living pressures on Severn Trent Water's customers on the expected credit losses for trade receivables existing at 31 March 2024, noting the independent forecasts of the likely economic impacts and the recent evidence of a link between macroeconomic conditions and the Group's bad debt experience. The Committee considered the work performed by the External Auditor and the conclusions they reached regarding the adequacy of the provision. The Committee determined that no adjustment to the amounts recorded was required.
The proposed classification of costs between operating expenditure and capital expenditure in Severn Trent Water Limited Severn Trent Water Limited has a significant capital programme that includes projects made up of combinations of expenditure and activities, some of which are recognised as property, plant and equipment and some of which are recognised as operating costs. For most of the expenditure this distinction is clear but there is an element where subjective judgments are required to determine the appropriate accounting treatment.	The Committee considered the application of the Group's accounting policies in relation to capital expenditure during the year. The Committee enquired of management whether the policies had been applied consistently from year to year. The Committee considered the results of the External Auditor's work and discussed the conclusions with the External Auditor. The Committee determined that no adjustment to the amounts recorded was required.
Determination of the amount of the Group's retirement benefit obligations At 31 March 2024, net retirement benefit obligations amounting to £213.0 million were recognised. The net obligation recognised on the balance sheet is the difference between the fair value of the schemes' assets at the balance sheet date and the present value of the benefits expected to be paid to members of the schemes. This requires assumptions to be made for the expected age of retirement and longevity of members, future inflation rates and increases to benefits. It is also necessary to determine an appropriate discount rate to calculate the present value of the estimated gross obligations. Management takes advice from external qualified actuaries who perform the calculation of the present value of the benefits based on the assumptions set by management.	The Committee scrutinised the assumptions underlying the valuation of the obligations and obtained explanations for the significant reduction in the deficit recorded. The Committee considered whether the assumptions, taken as a whole, were appropriate, taking into account the work of the External Auditor and the benchmark information provided. The Committee also scrutinised the methodologies applied in assessing the fair values of the schemes' assets and considered the estimation techniques used for assets for which an up-to-date valuation was not available. The Committee considered that the assumptions and methodologies were reasonable, and that no adjustment was required to the draft financial statements.

TREASURY COMMITTEE REPORT

> The Committee is a key contributor to the Group's strategy, formulating robust plans to fund the RCV growth needed in AMP8 through achieving the optimum balance between equity and debt to maintain our strong financial resilience.

Gillian Sheldon
Chair (until 14 May 2024)

All members of the Committee are Independent Non-Executive Directors of the Board. Only members of the Committee have the right to attend Committee meetings. Other regular attendees at meetings at the invitation of the Committee include the Chair of the Board, the Chief Financial Officer, the Group Treasurer, the Group Financial Controller and representatives from the Group's debt advisers, Rothschild & Co. None of these attendees are members of the Committee.

The Committee is authorised to seek external legal or other independent professional advice (in addition to that provided by Rothschild & Co) as it sees fit, but did not need to do so during the year.

Documents available at severntrent.com

Sustainable Finance Framework
Sustainable Bond Allocation Report
Charter of Expectations
Committee Terms of Reference

Committee meeting attendance 2023/24

Committee members	Member since	Meetings attended
Gillian Sheldon (Chair until May 2024)	January 2022 until May 2024	**5/5**
Kevin Beeston	March 2021	**5/5**
John Coghlan	May 2015 until December 2023	**3/3**
Sarah Legg	November 2022	**5/5**

Dear Shareholder

I am pleased to introduce the Treasury Committee Report for the financial year ended 31 March 2024, which will be my last following the Company's announcement that I intended to step down from the Severn Trent Plc Board on 14 May 2024. On 18 March 2024, the Company announced the appointment of Richard Taylor as an Independent Non-Executive Director of the Company with effect from 1 April 2024. In anticipation of Richard's planned appointment as Chair of the Treasury Committee upon my retirement from the Board, we spent a considerable amount of time together to ensure a smooth and seamless handover of responsibilities, alongside his extensive induction. You can read more on page 145. This process included numerous in-depth sessions relating to the Group's treasury-related activities. I leave the Chairship of the Committee in a safe pair of hands.

The Committee continues to oversee the Group's funding requirements and financing risks and opportunities and, in doing so, assists the Board in the effective discharge of its responsibilities in relation to treasury management.

The Committee plays a key role in ensuring that the Group remains in a strong financing position and the Committee provides regular updates to the Board in respect of funding, solvency and liquidity matters so that the Group can respond quickly to any opportunities.

Future funding is an important part of the normal business planning process and this year was no exception, given the formulation of the PR24 Business Plan. During the planning process, the Committee played a key role in reviewing the PR24 funding strategy in consideration of our performance during AMP7, the evolution of the regulatory model and significant step-up in investment in AMP8, and the external market environment. The Committee provided a solid sounding board when management proposed to raise equity prior to submission of our PR24 Business Plan in order to ensure a fully funded equity plan for 2025-30 and support our plans to fast track £450 million of investment over the remainder of AMP7, and in diversifying the investor base through our re-entry to the EUR bond market during the year.

Following deliberation by the Committee, the Board accepted the Committee's recommendation to proceed with an equity placing, retail offer and subscription to ensure our ambitious investment plans for AMP8 were appropriately funded, as this was deemed to be in the best interests of shareholders and the Company's wider stakeholders, particularly our customers and communities. On 29 September 2023, we announced the non-preemptive placing of new ordinary shares in the capital of the Company, with the equity placing, retail offer and subscription raising gross proceeds of approximately £1 billion. Read more about the placing and how the proceeds are being used on page 164.

During the year, the Group refinanced £300 million of its debt and issued £1,384 million of new debt. The Treasury Team has continued its activity to diversify its sources of funds and promote the Group in new global markets. This year also saw the Group's return to the EUR bond market and you can read more about our benchmark bond issue on page 164.

This comprehensive activity ensured that the Group remained in a strong liquidity position and in compliance with its Liquidity Policy. At the balance sheet date, the Group had sufficient liquidity to meet its forecast cash flow requirements in line with the Group's treasury policies.

Of the total debt raised, Severn Trent Water issued £1,117 million under the European Medium Term Note Programme, providing cost-effective liquidity, whilst continuing to maintain diversity in the Company's sources of funding. This comprised a €500 million sustainable EUR fixed rate bond, a £400 million sustainable GBP fixed rate bond, an £80 million tap of an existing bond maturing in 2042 raising £72.6 million net proceeds, a £75 million CPI debt issue, which provides a hedge against the Company's index-linked revenues and regulatory capital value ('RCV'), and Private Placements totalling £134 million. In addition, Severn Trent Plc raised a further £232 million through bank loans and Hafren Dyfrdwy Cyfyngedig raised £35 million through a bank loan.

Sustainable finance remains a core element of the Group's funding strategy and in November 2023 the Group reported its alignment to the EU Taxonomy. You can read our updated EU Taxonomy disclosure on pages 76 to 81. The Group closely monitors developments in sustainable finance through its Sustainable Finance Committee, a management committee which reports to the Treasury Committee on at least an annual basis.

This year, the Committee spent time considering the Group's pension schemes and the risk management actions that ensure sufficient liquidity and appropriate interest rate and inflation hedging were maintained, whilst supporting the schemes' deficit reduction strategy. In conjunction with the Pension Trustee, the overall pension scheme investment strategy was reviewed during the year, with oversight from the Committee.

Whilst energy markets stabilised somewhat compared with previous years, the Committee kept the Group's hedging activities under review given the tumultuous backdrop of geopolitical events that continue to create headlines around the world.

The annual Board Effectiveness evaluation, which was facilitated externally this year, assessed our performance as a Committee and I am pleased that the review concluded that we operate effectively and that the Board takes assurance from the quality of our work. The Board is satisfied that Committee members bring a wide range of financial experience across various industries and all members have competence relevant to our sector, with significant recent and relevant financial experience. Further information about each Committee member is contained in their individual biographies, which can be found on pages 134 to 135.

I would like to thank the members of the Committee, the management team and our debt advisers, Rothschild & Co, for their continued commitment throughout the year, for the open discussions that take place at our meetings and for the contribution they all provide in support of our work.

This report was approved by the Committee at its meeting on 14 May 2024.

Gillian Sheldon
Chair of the Treasury Committee
(until 14 May 2024)

The Treasury Committee's agenda for 2023/24

The Committee provides Board oversight of the Group's key financing risks and opportunities. The Committee reports to the Board on the matters it has considered following each Committee meeting, and makes recommendations as appropriate.

The key areas of focus at the Committee's meetings during the year are set out below.

Key areas of focus

Execution of the Group's financing plan and evaluation of funding opportunities, in consideration of the external operating environment, entering new financial markets and our PR24 Business Plan, including the £1 billion equity raise that took place in September 2023 and the EUR benchmark bond priced in February 2024.

Consideration of the Group's Liquidity Policy and confirmation that a 15-month Policy remained appropriate.

Review of the Group's treasury policies in relation to the hedging of market risks (including energy, interest rates, inflation and currency), financial counterparty credit risk and credit ratings.

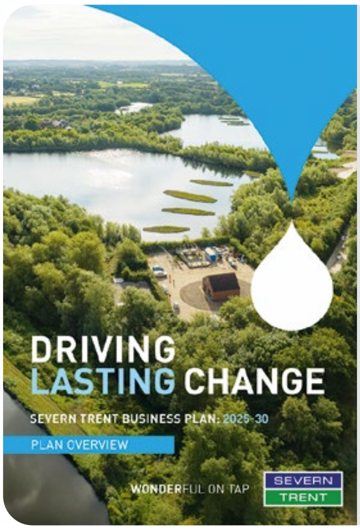
Evaluation of the Group's European Medium Term Note Programme and approval for bonds to be issued pursuant to that Programme during the year, including a EUR fixed rate bond.

Review of the Group's Sustainable Finance Framework and associated governance.

Review of the Group's Funding Strategy, including interest rate strategy to support the Group in consistently outperforming the cost of debt allowance.

Review of the Group's pension schemes and oversight of the pension scheme investment strategy.

Review and approval of the Committee's Terms of Reference during the year, prior to making a recommendation to the Board. In completing its review, the Committee concluded that the Terms of Reference remained appropriate and reflected the manner in which the Committee was discharging its duties.



£1 billion equity placing

On 29 September 2023, the Company announced the launch of a non-preemptive equity placing of new ordinary shares to raise funding to support the significant step-up in investment planned for AMP8.

As detailed further on pages 6 to 7, our Business Plan builds on Severn Trent's strong track record of delivery, and was developed to continue to deliver for customers, the environment, the region and shareholders. It was judged as acceptable by 76% of customers surveyed.

As a result of the preparatory work undertaken across a number of teams, and in conjunction with a cohort of expert advisers, the equity placing was successfully priced at 2,150 pence per placing share and raised gross proceeds of approximately £1 billion.

Our submitted PR24 Business Plan includes £12.9 billion of total expenditure across our network, the equivalent of £2,400 for every household we serve. £5 billion of investment centres on enhancing capacity and service beyond current levels, almost all of which is focused on the environment. For our customers, it gives us the capacity to accelerate investment and improve service sooner.

With the potential to create 7,000 jobs in our region, our investment will have an important regional impact, and we hope our focus on employability support – which will see us supporting 100,000 people over a decade – will help a much more diverse range of people benefit from these opportunities.

Pre-Emption Group reporting

As the equity placing related to a non-preemptive issue of equity securities for cash pursuant to a general disapplication of pre-emption rights, in accordance with the Pre-Emption Group Statement of Principles 2022 (the 'Principles'), a post-transaction report in the format specified was issued to the market through a regulatory information service on 29 September 2023 and a copy was also provided to the Pre-Emption Group.

As this Annual Report is our first following the non-preemptive issue, in line with the requirements of the Principles, the contents of the post-transaction report, dated 29 September 2023, are set out below:

Name of issuer	Severn Trent Plc
Transaction details	In aggregate, the Equity Issue of 46,511,628 New Ordinary Shares (comprising 22,922,277 Placing Shares, 320,750 Retail Offer Shares, 12,787 Director Subscription Shares and 23,255,814 Subscription Shares) represents approximately 18.2% of the Company's issued ordinary share capital. Settlement for the New Ordinary Shares and Admission are expected to take place on or before 8.00am on 3 October 2023.
Use of proceeds	The proceeds of the proposed Equity Issue complete the equity contribution to the funding of Severn Trent's Business Plan for the regulatory period 2025-2030 ('AMP8') which Severn Trent intends to submit to Ofwat on 2 October 2023. In particular, the plan and Equity Issue will ensure Severn Trent is responsibly funded from the outset and ensure robust financial resilience is maintained whilst financing a step-up in investment.
Quantum of proceeds	In aggregate, the Equity Issue raised gross proceeds of approximately £1 billion and net proceeds of approximately £987 million.
Discount	The Placing Price of 2,150 pence represents a discount of approximately 5.1 per cent to the closing share price of 2,265 pence on 28 September 2023 and a discount of approximately 7.1 per cent to the middle market price at the time at which the Company and the Joint Bookrunners agreed the Placing Price.
Allocations	Soft pre-emption has been adhered to in the allocations process for the Placing. Management was involved in the allocations process, which has been carried out in compliance with the MiFID II Allocation requirements. Allocations made outside of soft pre-emption were preferentially directed towards existing shareholders in excess of their pro-rata interests, and wall-crossed accounts. The committed allocation to Qatar Investment Authority ('QIA') pursuant to the Subscription recognises the support of QIA to the Company in raising the target gross proceeds of the Equity Issue resulting in a fully funded equity plan for AMP8.
Consultation	The Joint Bookrunners undertook a pre-launch wall-crossing process, including consultation with major shareholders, to the extent reasonably practicable and permitted by law.
Retail investors	The Equity Issue included the Retail Offer, for a total of 320,750 Retail Offer Shares, via the PrimaryBid platform, alongside the Placing. Retail investors, who participated in the Retail Offer, were able to do so at the same Placing Price as all other investors participating in the Equity Issue. The Retail Offer was made available to existing shareholders and new retail investors in the UK. Investors were able to participate through PrimaryBid's platform via its partner network (covering 60+ FCA registered intermediaries) and through PrimaryBid's free-to-use direct channel. Investors had the ability to participate in this transaction through ISAs and SIPPs, as well as General Investment Accounts ('GIAs'). This combination of participation routes meant that, to the extent practicable on the transaction timetable, eligible UK retail investors had the opportunity to participate alongside institutional investors. Allocations in the Retail Offer were preferentially directed towards existing shareholders in keeping with the principle of soft pre-emption.

EUR benchmark bond

On 27 February 2024, the Company priced a €500 million 10-year benchmark bond. The bond represented our reintroduction to the EUR bond market, with our last EUR bond having matured in 2016.

The bond was well received, with the book being 3.4 times oversubscribed, and comprised a quality book of European investors providing genuine diversification.

The bond was tightly priced, with final pricing of mid swaps plus 125 bps which was around flat to GBP secondaries and inside the iBoxx index.

The proceeds were swapped to £428 million and were deposited in money market deposits and money market funds, providing additional liquidity and further de-risking the Group's funding plan.

The bond was issued under our Sustainable Finance Framework with the proceeds allocated against eligible green projects.

CORPORATE SUSTAINABILITY COMMITTEE REPORT

"Sustainability is not a new or separate direction for us. Our drive to deliver outstanding performance in a way that has a positive, sustainable impact is what makes Severn Trent so unique, guiding our purpose of 'taking care of one of life's essentials'."

Tom Delay
Chair

All members of the Committee are Independent Non-Executive Directors of the Board, with the exception of Christine Hodgson (who was independent on appointment). Only members of the Committee have the right to attend Committee meetings. Other individuals, such as the Chief Executive, the Director of Human Resources and other senior management and external advisers, may be invited to attend meetings as and when appropriate. None of these attendees are members of the Committee.

The Committee is authorised to seek external legal or other independent professional advice as it sees fit, but did not need to do so during the year.

The Corporate Sustainability Committee Terms of Reference, which were updated in March 2024, can be found at severntrent.com.

Documents available at severntrent.com

Anti-Slavery and Human Trafficking Statement
Sustainability Report
ESG Data Book
Charter of Expectations
Committee Terms of Reference

Committee meeting attendance 2023/24

Committee members	Member since	Meetings attended
Tom Delay (Chair)	January 2022	**4/4**
Christine Hodgson	January 2020	**4/4**
Sharmila Nebhrajani	May 2020	**4/4**
Sarah Legg	November 2022	**4/4**

Dear Shareholder

I am delighted to introduce my second report as Chair of the Corporate Sustainability Committee. The following pages describe the activities of the Committee and provide an overview of the topics addressed during the year.

The Committee has a key role in supporting the Board by providing guidance and direction on the Company's sustainability ambitions. The Committee provides Board oversight for elements of the Group's strategy that relate to the environment and also social and economic priorities in accordance with the Company's Sustainability Framework, ensuring the Company can demonstrate that it lives through its purpose and values, and acts responsibly in its engagement with all stakeholders.

Our TCFD disclosure

We are committed to the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), providing our stakeholders with transparent information on climate-related risks and opportunities that are relevant to our business.

This year we have begun to evolve our disclosure to incorporate the recommendations of the Task Force on Nature-related Financial Disclosures. We have included summary boxes throughout to outline the work we have done to date.

Our TCFD disclosure can be found on **pages 42 to 67**.

> Our culture ensures that we care about our customers and the broader communities that we serve.

Sitting alongside me on the Committee are Christine Hodgson, Sharmila Nebhrajani and Sarah Legg, and Liv Garfield attends each meeting, with an open invitation, to bring the benefit of her expertise in sustainability matters. Our collective experience and capability lead to insightful and passionate debate around a wide range of existing and emerging sustainability topics. The Committee's discussion is then presented to the Board at the beginning of the next meeting to ensure that its oversight of Environmental, Social and Governance ('ESG') matters remains strategic, current and effective.

Our customers and wider stakeholders remain focused on our impact on the environment and our response to climate change. As a Committee we are focused on driving improvements for our customers and the environment, both now and over time. As such, during the year we considered a number of updates including, our environmental improvement plan, storm overflows strategy and regular net zero updates.

We take seriously our responsibilities to our customers and the broader communities that we serve, which is why we are so committed to our Customer Vulnerability Strategy. Alongside this, our ambitious 10-year Societal Strategy aims to address the long-term drivers of water poverty across the Midlands in a landmark scheme designed to help improve the life chances of 100,000 people in our region, through initiatives such as work experience, training and employability skills development, partnerships, mentoring and more. You can read more about the work we have undertaken during the year on page 31.

Last year, we announced our exciting partnership with Melbourne Water and Aarhus Vand, working collaboratively to develop and test technologies that could reduce the carbon footprint of wastewater treatment sites, share existing expertise and establish new international standards for measuring and reporting emissions. In September 2023, in the spirit of this strong collaborative relationship, members of the Board visited Aarhus Vand to observe innovative approaches being adopted in waste and water networks and inform future discussion on this topic. The visit included a site visit to its Marseilisborg Sewage Treatment Works and the Aarhus river, to observe how Aarhus Vand had reduced storm overflow spills by c.80% since 2006. Its bold vision to 'create a national platform as a driver for local and global solutions to a healthier water cycle' is embraced at all levels of the organisation, demonstrated in the excellent service it delivers for customers in their municipality and the genuine and commercial interest it has in developing global solutions.

The Committee is proud of the Company's many achievements over the last year, described within the Strategic Report on pages 4 to 127, and the work we have undertaken to positively impact communities within our region. Further detail on key matters, ambitions, and achievements that the Committee has considered during the year are set out on the pages that follow. The increasing focus on the impact of climate change and other environmental issues has become evident in the Committee's workload. The Committee plays a key role in the governance of environmental and climate-related reporting, including overseeing, in conjunction with the Audit and Risk Committee and supported by independent third-line assurers, the Group's TCFD and EU Taxonomy disclosures.

I would like to thank the members of the Committee for the open, constructive, ambitious, and progressive discussions that take place at our meetings, and for their passion and personal commitment to our wide-ranging and purposeful agenda.

This report was approved by the Committee at its meeting on 21 May 2024.

Tom Delay
Chair of the Corporate Sustainability Committee

Sustainability and ESG highlights 2023/24

Delivering outcomes our customers care about

There for our customers when they need us the most

Greater level of **customer insight** to provide an understanding of how we can best **support their needs**

£30 million of funding to help our customers in need of financial support through our Big Difference Scheme

Over 9% of our customers signed up to our Priority Services Register

A driver of positive change

ESG action and ratings

CDP Supplier Engagement Leader in 2023 Supplier Engagement Rating conducted by CDP

CDP Climate Change score of A-

ISS ESG – B+ 'Prime' status

Targeting 46% reduction in Scope 1 & 2 (Science-Based Targets) by 2031

Added more electric vehicles to our fleet, **with 69% of company cars and 16% of company vans now electric**

Sustainalytics Score 14.7

Carbon Trust accredited

115 suppliers assessed this year through **EcoVadis, our online Sustainability Assessment Platform**

Member of UN Global Compact

100% of our contracted suppliers have signed up to our **Sustainable Supply Chain Charter**

Caring for people in our region

Community engagement

Awarded over £2 million to **100 organisations** through our Community Fund during the year

Over 3,500 learning events hosted accounting for over 170,000 hours of instructor led training at our Academy during the year

£2 million of Social Value delivered throughout the year in addition to Community Fund donations

Real Living Wage and Living Hours accredited employer

Signatory of the Prompt Payment Code, with an average time to pay of 31 days

Running a business that goes hand-in-hand with nature

Wastewater treatment and biodiversity

Delivered over 11,500 hectares of biodiversity improvements during the year

Over 800,000 trees planted against a target of 1.3 million by 2030

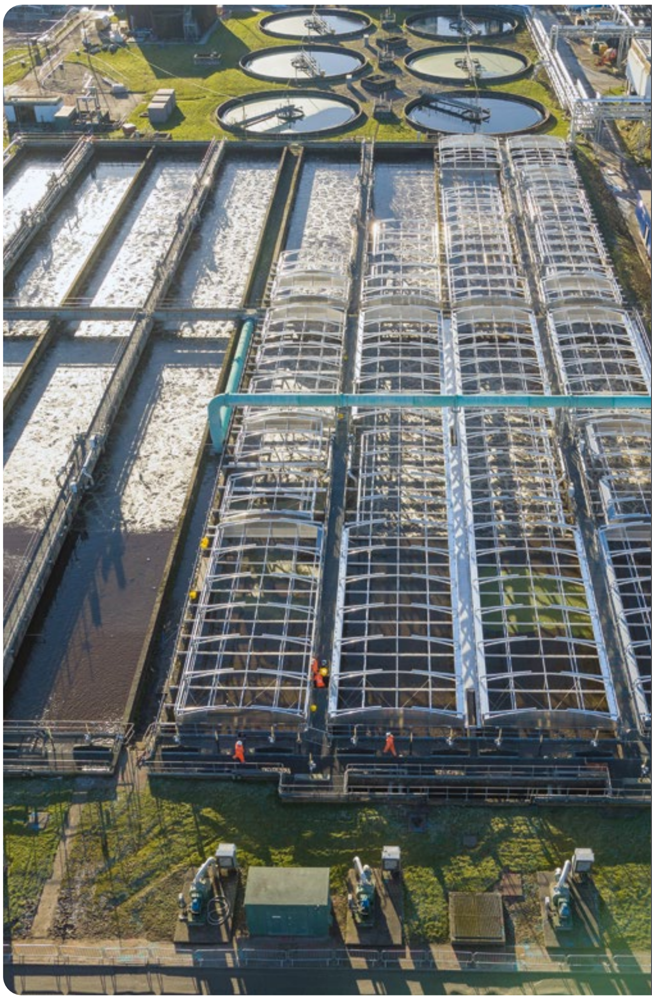
Biodiversity net gain on all capital projects that require a preliminary ecological appraisal

Making the most of our resources

500,000 tonnes of food waste recycled each year

100,000 tonnes of green waste recycled each year

You can read more in our standalone Sustainability Report 2024, which is available on the **Severn Trent Plc website**.



Net Zero Hub at Strongford

We are committed to achieving net zero on operational emissions by 2030 and in May 2023 we unveiled plans to create a Net Zero Hub at Strongford. Work on the £40 million project completed in April 2024 and we are now focusing on our commissioning plan. This ground-breaking project to transform a large carbon-intensive treatment works is supported by our international net zero partnerships with Aarhus Vand in Denmark and Melbourne Water in Australia.

For the first time, the most innovative technologies are being integrated on one site to reduce and remove 34,300 tonnes of carbon per year, which is equivalent to a person flying between London and New York 69,000 times.

We have selected, trialled and tested physical, biological, chemical and digital technologies to reduce and offset our operational process emissions at the site. We are also testing several new technologies at our Resource and Recovery Centre at Spernal for potential future phases.

The new hub will not only put the Midlands on the map for innovative wastewater management but will also support our commitment to reducing our carbon footprint and protecting the environment, while creating a 'blueprint' that will we will share with the sector to help them achieve their net zero commitments.

Human rights and modern slavery

We are committed to protecting the human rights of our employees and contractors, as outlined in our Code of Conduct, Doing the Right Thing. We have a responsibility to understand our potential impact on human rights and to mitigate potentially negative impacts. Whilst not having a specific human rights policy, we have a range of Group policies on Human Resources, Anti-Bribery and Anti-Fraud, Whistleblowing ('Speak Up') and Procurement, as well as a Modern Slavery Escalation and Remediation Policy and a separate Anti-Slavery and Human Trafficking Statement. We consider this approach goes above and beyond a human rights policy. Additionally, our policies are embedded well across the Group.

We know Modern Slavery is a growing global issue which is why we remain fully committed to protect against Modern Slavery in our business and supply chain. In common with companies in our sector, our highest risk is within our supply chain and, as such, we work closely with our suppliers to ensure they operate to the same standards we set ourselves and ensure the risks involved in their own supply chains are understood and mitigated. All suppliers are required to sign up and operate in line with our Code of Conduct, which clearly sets out a zero-tolerance approach to Modern Slavery, and this requirement is built into our procurement tender process. Our mandatory training for colleagues, senior managers and Board members continues to operate efficiently, and our partnerships with Slave-Free Alliance, the Supply Chain Sustainability School and Utilities Against Slavery help support this. We provide our supply chain partners with access to a wide range of learning resources, including dedicated modern slavery awareness training for all organisations within the Group's supply chain. Our full Anti-Slavery and Human Trafficking Statement can be found on the Severn Trent Plc website.

Freedom of association and collective bargaining

We recognise the right of all employees to freedom of association and collective bargaining. We seek to promote co-operation between employees, our management team and recognised Trade Unions. We meet with our Trade Unions on a quarterly basis at the Company Forum and see mutual benefit in sharing information with our colleagues to seek their feedback and suggestions. We believe this fosters a common understanding of business needs and helps to deliver joint solutions aimed at making our business successful. The Company Forum also provides an invaluable opportunity for engagement with the whole workforce to ensure their views are taken into account. Responsible business practices are an integral part of our business strategy. Performance against our sustainability commitments is reported throughout our Annual Report and Accounts, reflecting their embedded nature in our Governance Framework. You can read more in our dedicated Sustainability Report, which is available on the Severn Trent Plc website, and on our dedicated sustainability webpages.

DIRECTORS' REMUNERATION REPORT

A key focus for the Committee this year has been on the review of our Directors' Remuneration Policy. The updates we are making are designed to improve alignment with the Company's strategic focus areas and reflect the priorities of our stakeholders.

Sharmila Nebhrajani OBE
Chair

All members of the Committee are Independent Non-Executive Directors of the Board, with the exception of Christine Hodgson (who was independent on appointment). Only members of the Committee have the right to attend Committee meetings. Other individuals, such as the Chief Executive ('CEO'), the Director of Human Resources, the Chief Financial Officer ('CFO'), the Group Company Secretary, other senior management and external advisers, may be invited to attend meetings as and when appropriate. None of these attendees are members of the Committee.

Committee meeting attendance 2023/24

Committee members	Member since	Meetings attended
Sharmila Nebhrajani (Chair)	September 2021	**5/5**
Christine Hodgson	January 2020	**5/5**
Kevin Beeston	November 2016	**5/5**
Gillian Sheldon	September 2022 until May 2024	**5/5**

Quick links

Dear Shareholder

On behalf of the Remuneration Committee of Severn Trent (the 'Committee'), I am pleased to present our 2024 Remuneration Report. This report provides insight into the decisions the Committee has taken in determining the remuneration outcomes for our Executive Directors and the wider workforce for the financial year ended 31 March 2024.

It also sets out details of our new Directors' Remuneration Policy (the 'Policy'), which will be put to a shareholder vote at the 2024 AGM, as our current Policy approaches the end of its three-year term. The 2024 Policy comes at an opportune time for us as we prepare for the next five-year Asset Management Plan ('AMP8'). This is the first Policy developed during my tenure as the Chair of the Committee and I am mindful that the review of our Policy also takes place at a time when there is a strong focus on performance-related Executive pay across the sector.

In approaching the Policy review, the Committee has spent a considerable amount of time considering the subject of pollution and stewardship of the environment, as we recognise that the interplay between water companies and the environment is one of the most critical issues for our customers and broader stakeholders right now.

Over the next few pages, I set out how we are actively incorporating the expectations of customers and our wider stakeholders into our approach to Executive pay, both for the year in review and as we look ahead to the approval of a new Policy.

Performance for the year under review

The fourth year of AMP7 has seen Severn Trent deliver strong operational, financial and environmental performance in year, despite a backdrop of incredibly challenging weather conditions. The Executive Committee has also continued to execute an ambitious long-term strategy, including the biggest ever year of capital investment, insourcing of our Waste Networks operation, and submission of a transformative Business Plan for AMP8.

Whilst the Committee spent a significant amount of time discussing the judgment delivered on the Barlaston pollution of 2019/20, we were pleased to see the Company deliver strong environmental performance in year, including zero serious pollutions in 2023/24 and high confidence of an Environmental Performance Assessment ('EPA') 4* rating for a fifth consecutive year. Further detail on overall performance during the 2023/24 performance year is set out in the Chief Executive's Review on pages 13 to 15, the Chief Financial Officer's Review on pages 84 to 91, and highlighted in the Remuneration for the Year in Review section which can be found on pages 175 to 178.

Recognising the ongoing challenges in the cost of living, the Committee was pleased to see the Company continuing to prioritise its duty of care to employees throughout the year. As well as being a real Living Wage employer, the Company became a real Living Hours employer in April 2024 and continues to focus on providing employees with access to a wide range of services and benefits designed to support family living and employee wellbeing.

2023/24 bonus outcome

A consistent bonus design operates throughout the organisation. Page 175 sets out details of the 2023/24 annual bonus outturn, which pays out on a formulaic basis at 65.9% of maximum opportunity, equivalent to 79.0% of salary for both the CEO and CFO. As noted later in this letter, the Committee has determined it appropriate to apply downwards discretion to the bonus outcome for the CEO.

2021 Long Term Incentive Plan ('LTIP') vesting

The standard Return on Regulated Equity ('RoRE') element of the 2021 LTIP award measures the Company's performance against RoRE set by Ofwat's Final Determination ('FD'). Over the three-year performance period of the 2021 LTIP, the Company achieved a RoRE of 2.27x against the target of 1.39x the base RoRE return.

This results in full vesting of the standard element of the 2021 LTIP award, which is equivalent to 60% of maximum for the total 2021 LTIP award for the CEO, and 53.3% of maximum for the CFO.

The LTIP granted in 2021 was the first award to include a sustainability element with targets aligned to our Triple Carbon Pledge and external Science Based Targets commitments, worth 20% of the maximum award. The sustainability element of the 2021 LTIP award measures the Company's performance against four different measures aligned with our environmental commitments to reach net zero carbon emissions by 2030. Based on performance against these measures over the three-year period, this element will vest in full, which is equivalent to 20% of maximum for the total 2021 LTIP award for both the CEO and CFO. The remaining 20% of the 2021 LTIP award is based on achieving upper quartile ('UQ') RoRE performance which will be known in July and reported in our 2024/25 report.

The Committee has reviewed the vesting of the award to consider potential windfall gains and concluded that, subject to the final share price on vesting, there has not been any windfall gain.

2020 UQ LTIP vesting

Vesting under the UQ RoRE element of the 2020 LTIP award was only known at the end of July 2023 when comparable statistics for the other Water and Sewerage Companies ('WaSCs') were published. This meant that the LTIP single figure value reported for 2022/23 did not include the UQ element of the 2020 LTIP award. We now know that Severn Trent achieved UQ performance, and therefore the UQ element of the 2020 LTIP award is included in the 2023/24 single figure for the CEO and former CFO, James Bowling.

Assessment of performance in the round

In overseeing remuneration outcomes, the Committee ensures that performance is assessed in the round and over time through a number of lenses, to incorporate a variety of stakeholder perspectives. In so doing, the Committee assesses the extent to which formulaic incentive outturns are justifiable and explainable in the context of overall performance for customers, shareholders, communities and the environment.

Through its strong operational, environmental and financial performance in 2023/24, the Company has demonstrated again that it is one of the sector's leading performers, as follows:

- over three-quarters of Outcome Delivery Incentive ('ODI') measures are green, including those that measure leakage, blockages and water quality complaints;
- the Company has delivered its biggest ever year of capital investment at £1.2 billion;
- we are the only company in the sector to achieve EPA 4* in the Environment Agency's ('EA') annual assessment for four consecutive years, and we are highly confident in achieving it for a fifth consecutive year; and
- in the first year of our Societal Strategy, the Company has supported around 9,000 people and generated more than £2 million of measurable Social Value.

The Committee's full assessment of performance in the round is set out in detail on page 173.

Following the Committee's assessment of performance in the round, no discretion has been exercised to override the formulaic outturn of either the 2023/24 annual bonus or the standard element of the 2021 LTIP award in respect of performance in the year. However, the Committee has determined that discretion is required relating to an event in a prior year, as set out below.

Committee assessment of events outside of the year in review

As set out in detail on pages 23 and 24 of the Annual Report, judgment was delivered in early 2024 in respect of the pollution at Barlaston which occurred in the 2019/20 performance year. Alongside their assessment of performance in the round for 2023/24, the Committee considered this pollution event in detail, including its nature and severity, as well as its actual and potential environmental impact.

After significant discussion and careful consideration, the Committee has determined that it is appropriate to exercise downward discretion to the CEO's annual bonus to reflect and acknowledge this regrettable event. Whilst the Company did not have any serious pollutions in 2023/24 and are highly confident of EPA 4* rating for an unprecedented fifth consecutive year, the Committee believes that an adjustment is appropriate to reflect the judgment made, the potential impact of this event, and the expectations of our customers and broader stakeholders.

In determining an appropriate level of adjustment, the Committee was mindful of the changes proposed to the annual bonus as part of the 2024 Remuneration Policy review, which are set out in detail later in this letter. Recognising that as of 2024/25, the Committee are introducing the requirement for zero serious pollutions to achieve the EPA 4* element of the bonus, the Committee exercised discretion to reduce the EPA element of the 2023/24 bonus to zero for the CEO.

Following this adjustment, the Committee believes that the overall outcomes of the annual bonus and LTIP are both appropriate and reflective of the Company's broader performance, and that the Policy has operated as intended.

2024 Remuneration Policy review

At Severn Trent we are committed to a transparent remuneration framework which embeds our values across the Company. As noted above, we are also mindful of the wider public debate around Executive pay, particularly in the water sector, and the Committee aims to ensure that our Executive remuneration arrangements can be clearly articulated and justified to internal and external stakeholders. With this in mind, the Committee's objectives for the 2024 Policy review were:

- continuing to focus management on strong and sustainable financial and operational performance as we enter an even more challenging AMP cycle;
- recognising that, as a regulated service provider such as Severn Trent, the price review mechanism provides an in-built alignment between delivery for our customers and the environment, and the outcomes for shareholders, which should be reflected in the selection and weighting of incentive measures;
- recognising and embedding our short- and long-term commitments and ambitions around sustainability and our key stakeholders within our incentive framework;
- working within the framework of our regulator's guidance;
- ensuring that the remuneration framework continues to align fully with the UK Corporate Governance Code;
- ensuring that malus and clawback provisions within our incentive schemes continue to enable the Committee to apply discretion where Company performance is not aligned to stakeholder expectations; and
- maintaining high levels of stakeholder engagement and support.

In approaching the Policy review, the Committee undertook a detailed review of the existing Policy, including consideration of how it has aligned to the strategic priorities of the Company over the past three years, as well as giving thought to future strategic priorities, regulatory expectations going into AMP8, and shareholder and broader stakeholder feedback and expectations. On behalf of the Committee, I would like to thank all who engaged with us during the consultation phase of the Policy review; your feedback, challenge and support was highly valuable and it enabled us to test and validate our initial conclusion that the existing Policy continues to provide an effective framework through which to reward and incentivise our Executive Directors. Details of the review approach and the outcomes are set out in the table below.

Based on the review findings, we believe that the current Policy remains fit for purpose, particularly versus each of our review objectives. As such, the Policy outlined in this report, and being put to shareholder vote, is largely unchanged from the existing Policy.

Proposed changes to the implementation of the Policy are summarised below:

- reweight the annual bonus performance measures such that there is an even stronger focus on environmental performance;
- evolve the LTIP to increase the focus on broader stakeholders over the long term, whilst maintaining a strong focus on financial performance;
- removal of the option for personal objectives in the bonus structure. Although not used in the bonus design since 2019/20, our 2021 Policy retained the option to incorporate them into the bonus design. However, we strongly believe in a structure that is based on quantitative data, where all employees are working to the same set of objectives; and
- clarify the treatment of deferred share awards under the annual bonus for good leavers so that the default treatment is that subsisting awards vest as per their original timelines (rather than at the point of cessation).

Further details of the proposed changes are presented in the Remuneration for the Year Ahead section below and on pages 195 to 204.

Approach to the Remuneration Policy review

The table below shows some of the key activities carried out as part of the Remuneration Policy review:

Assessment of the current Policy	Our current Policy was approved at the 2021 AGM with 99.66% of votes in favour and it has continued to receive strong support from shareholders in each subsequent implementation year. Under this Policy, Executive Directors' pension contributions have been brought into alignment with those of the wider workforce, we have successfully demonstrated the application of post-employment shareholding requirements following the retirement of the former CFO and proved our ability to recruit, motivate and retain exceptional talent in the form of the CEO and new CFO. The Committee is satisfied that the Policy provides a framework which has allowed the implementation of remuneration arrangements that are aligned to the Company strategy and provide outcomes that are fair and in line with the experience of all stakeholders, whilst providing suitable provisions to override formulaic outcomes in the event that the Committee believes there is a misalignment. In addition, the flexibility within the Policy, in particular around performance measures, allows the Policy to continue to be implemented in line with the Company strategy and regulatory framework as either evolves.
Shareholder engagement	In early 2024, we conducted an extensive consultation exercise with shareholders representing 73% of our issued share capital, to understand their views on our proposed new Policy. In summary, they were pleased to see the overarching principles of the Policy retained, whilst supporting the Company's commitment to the introduction of a broader range of non-financial LTIP measures that support the key pillars of the Company's strategy going into AMP8.
Alignment to regulatory expectations	In June 2023, Ofwat published its final guidance for performance-related Executive pay, in which it sets out how performance-related pay should demonstrate a substantial link to stretching delivery for customers and the environment, both now and over time; be based on stretching targets; and take into account factors which are wider than the individual metrics used as part of performance-related pay arrangements. As part of the Policy review, we considered Ofwat's expectation that at least 50% of incentives should be aligned to stretching delivery for customers and the environment. Our annual bonus already exceeded these expectations and will continue to do so. We have now also aligned the LTIP to Ofwat's expectations with Customer, Environment and/or Communities related measures now accounting for 50% of the overall award. Financial performance will continue to be assessed through RoRE, which has been down-weighted to 50% of the award. RoRE remains a key financial measure that provides a strong alignment between the long-term financial and operational performance of the Group and the reward delivered to management.
Reflecting broader stakeholder priorities	The Committee wants to ensure our Policy is designed to deliver balanced outcomes for all of our stakeholders, driving long-term performance for the benefit of all groups. Whilst the measures and weightings of the individual components of the LTIP and annual bonus are linked to how we implement the proposed Policy, the structures were front of mind as we went through the process. Alongside extensive shareholder consultation, in March 2024 the Company undertook a survey of customers via 'Tap Chat', our customer surveying tool. Customers were asked for their views on service delivery priorities and how they should be reflected in performance-related pay structures. The results of the survey, which received over 350 responses, were factored into the Committee's review of incentive measures. For more details on the changes we are making to the annual bonus and LTIP structures and targets, please see the Remuneration at a Glance section on page 174, and the case studies on page 187.

Remuneration for the year ahead

Base salaries and fees

The average salary increase across the wider workforce in July 2024 will be 5%, and Executive Director base salaries, the Chair's fee and Non-Executive Director base fee increases will be aligned to that.

2024/25 bonus

The maximum bonus opportunity will continue to be 120% of salary for the Executive Directors, with performance conditions remaining consistent throughout the organisation. Our stretching targets mean that the typical payout is much lower than maximum, with the average outturn across AMP7 to date being 62.3% of maximum.

Aligning reward to environmental performance

The Committee has spent a significant amount of time this year considering the interplay between environmental performance and Executive pay. Whilst the Committee is confident that we already have strong links between environmental performance and pay, with 30% of the current annual bonus aligned to environmental measures, we believe it is appropriate to go even further and not only increase the focus of the annual bonus on environmental measures, but also strengthen the robustness of the measures and targets themselves.

As part of the 2024 Remuneration Policy review, the Committee have approved an increased weighting of the EPA 4* rating measure from 5% to 10%, and an increase to the combined sewer overflow ('CSO') measure from 12% to 15%. When combined with the environmental ODIs, which make up just over a third of the ODI measure at 10% of the total bonus, this means that from 2024/25, 35% of the annual bonus will be linked to measures directly relating to environmental performance and river health.

The changes include the introduction of the requirement for no serious pollutions in year to achieve the EPA 4* element of the bonus, thereby making this element of the bonus even more challenging and robust. This underpin will be binary, therefore if there is a serious pollution event within the 2024/25 performance year, the EPA 4* measure will not pay out, irrespective of whether EPA 4* status is achieved. We have also split the CSO measure into two equal components, so that, in addition to CSO reductions, half of this measure is focused on delivering CSO enhancements at pace. The enhancements will build climate-related resilience into the system, reducing spills and overall environmental harm. This enhancement activity will run in parallel with our development plan for more complex capital solutions and will provide valuable new insight to drive further improvements for customers and the environment.

Further detail on how we link environmental performance and remuneration can be found in the case study on page 187.

2024 LTIP and evolution of the LTIP measures

In recognition of the CFO's excellent performance in her first year in role, her wider role remit relative to the former CFO (including the Group Commercial function), and also in anticipation of the largest ever capital investment programme over the next five years, the Committee has approved an increase to the maximum LTIP opportunity for the CFO from 150% to 175% of salary. The maximum LTIP opportunity will continue to be operated at 200% of salary for the CEO, and both Executive Directors will continue to only receive full vesting if all measures are achieved at maximum and the Company's RoRE performance is upper quartile relative to other WaSCs.

As part of the 2024 Policy review, the Committee has focused on ensuring that our remuneration framework is designed to deliver balanced outcomes for all of our stakeholders, driving long-term performance for the benefit of all groups. To help achieve this aim, we will be increasing the weighting of non-financial measures within the LTIP from 20% to 50%. Whilst this reduces the weighting on financial measures, from a shareholder perspective, the Committee believe that the increase in non-financial measures benefits shareholders through increased stakeholder trust and associated reputational benefits.

The non-financial measures will consist of a selection of environment, customer and/or community measures – to ensure the interests of all of our stakeholders are considered – and will not exceed 50% of the LTIP performance measures. Within this structure, different performance measures, targets and/or weightings may be set for future LTIP awards to reflect the business strategy and regulatory framework operating at that time. The performance measures and weighting for the 2024 LTIP award are set out in the table below:

Measure	Sub-measure	Weighting	Measure details
RoRE		50%	Requires the Company's RoRE to outperform the target set out in Ofwat's FD and, for full vesting, to deliver upper quartile relative performance compared with other WaSCs.
Environment	**Scope 1 and 2 emissions reduction**	10%	Cumulative reduction against a Science Based Target ('SBT') glidepath for Scope 1 and 2 emissions compared with the agreed 2019/20 baseline.
	Self-generation	10%	As we push further on renewable energy investment for both economic resilience and net zero purposes, this measure remains a fundamental driver of a credible carbon reduction journey.
	Reasons for Not Achieving Good Status ('RNAGS')	10%	As part of our Get River Positive approach, we intend to make sure that our CSOs and sewage treatment works do not harm rivers, based on the Environment Agency's RNAGS measures.
Customer	**Price Control Deliverables ('PCD')**	10%	This Ofwat mechanism is a long-term measure of customer performance that holds companies to account for the timely delivery of the outcomes and outputs promised to customers in their respective PR24 Business Plans.
Communities	**Social Value**	10%	This is the value we contribute to society. Our ambition is to maximise the Social Value we deliver within our communities, whilst still reaching 100,000 people through our Societal Strategy, by tackling the underlying causes and long-term drivers of water poverty.

It is the Committee's view that the specific targets which have been set are suitably challenging and aligned with the Company's strategy and Business Plan. Further detail on the targets and vesting percentages can be found on page 181.

The Committee will assess the value of the 2024 LTIP award at vesting and will ensure that the final outturn reflects all relevant factors, including an assessment of broader performance in the round.

Board changes

As we set out in last year's report, James Bowling stepped down as CFO and as an Executive Director in July 2023, and retired from the Company in December 2023. His remuneration arrangements were treated in line with the shareholder-approved Policy. He did not receive any compensation for loss of office, but as a retiree he will be treated as a good leaver in relation to his outstanding incentive awards. For more details see the Payments to former Directors upon retirement section on page 190.

We remain committed to maintaining an ongoing and transparent dialogue with our major stakeholders and I am grateful for the time and input they have given us throughout the Policy engagement process. I hope that we can rely on your vote in support of our approach to remuneration. If you would like to discuss any aspect of this report, I would be happy to hear from you. You can contact me through our Group Company Secretary.

Sharmila Nebhrajani OBE
Chair of the Remuneration Committee
9 May 2024

PERFORMANCE IN THE ROUND FOR 2023/24

In overseeing remuneration outcomes, the Committee ensures that performance is assessed in the round and over time through a number of lenses, incorporating a variety of stakeholder perspectives. This assessment examines whether formulaic incentive outcomes are justifiable and explainable in the context of overall business performance for customers, the environment and wider stakeholders. It also considers other factors, including regulatory investigations, environmental compliance beyond the measures contained in the incentive schemes, health and safety performance, treatment of the wider workforce and societal matters such as support for our local communities.

The schematic below sets out a summary of the key data points that the Committee considers as part of their assessment of performance in the round. It also sets out the process followed in order to determine if formulaic incentive outcomes are justifiable and explainable in the context of overall business performance and service delivery for customers, the environment, shareholders and wider stakeholders.

Factors considered by the Committee	
Delivery for customers	With 35% of the 2023/24 annual bonus structure based on ODI performance, and the financial rewards of ODIs flowing into the Company's RoRE performance, customer performance metrics are embedded within the formulaic calculation of executive remuneration. In assessing performance in the round, the Committee considered the Company's performance across all of its performance commitments both over time and relative to the performance of other WaSCs. Deep dives were provided on the following key areas: – Customer measure of experience ('C-MeX') performance, including improvement activity underway and planned. – Company response to extreme weather events.
Environmental performance	For 2023/24, environmental measures make up 30% of the annual bonus, through a combination of environmental ODIs (13%), EPA 4* rating (5%) and River Health measures (12%). Beyond the formulaic outturn, the Committee considered the Company's performance against a broad range of environmental performance indicators, supported by deepdives into the following key areas: – The EA's overall EPA framework, including Company performance against all of the measures that make up the EPA rating, both in year and over time. – CSO performance, including improvement activity underway and planned. – Progress against the Company's stated environmental commitments, including the Green Recovery Plan, Get River Positive pledges, and Triple Carbon Pledge. – An in-depth review of the Barlaston pollution event from 2019/20, including the timeline, Company response, and the actual and potential impact of the event.
Financial performance and resilience	Whilst 40% of the 2023/24 bonus is based on Group profit before interest and tax ('PBIT') performance and this subsequently feeds into the RoRE performance that influences the LTIP outturn, not all measures of the Company's financial performance are readily visible in this top-level number. The Committee therefore considered other factors when assessing the Company's financial performance and resilience in the round, as follows: – Gearing and financial resilience. – Capital delivery and investment. – Regulatory Capital Value ('RCV') growth. – Shareholder experience.
Impact on our communities	The Committee considered the long-term value creation for the mutual benefit of our customers and communities, supported by deep dives into the following key areas: – Affordability. – Progress achieved in the first year of the Company's Societal Strategy, including around 9,000 people supported and the generation of more than £2 million of measurable Social Value.
Alignment to wider workforce	In addition to the Committee's biannual update on workforce policies and practices, the Committee considered the alignment between executive remuneration outcomes and the wider workforce experience, supported by the following key areas: – Assessment of employee policies and benefits – including the updates to maternity and adoption leave policies in year which enable colleagues to take up to a year of leave on full pay. – Internal and external benchmarks of employee experience – including the Company's best ever employee engagement score, very high Sharesave participation rates, and real Living Wage and real Living Hours accreditation. – Health and Safety performance - including the Company's best ever 'Lost Time Incidents' rate
Stakeholder relationships	The Committee reviewed the strength and status of the Company's relationships with key stakeholders, including its regulators, regional MPs, local business forums and shareholders.

Independent assessment

An independent assessment of performance in the round was provided by the Committee's independent external remuneration advisers.

Decision in determining whether any adjustment is required to remuneration outcomes

Following this assessment, the Committee confirms that it has considered the Company's wider performance in the round and has concluded that the formulaic outturns are reflective of the Company's overall performance and delivery for stakeholders in the 2023/24 performance year. However, as set out in the Chair's letter, due to the judgment that was delivered in respect of the Barlaston pollution event which occurred in 2019/20, the Committee considered it appropriate to apply downwards discretion to the CEO's 2023/24 annual bonus outcome, reducing the EPA 4* performance measure from full vesting, to zero.

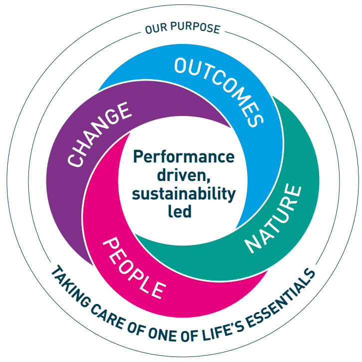
Following this adjustment, the Committee confirms that the overall outcomes of the annual bonus and LTIP are appropriate, justifiable and explainable, and that the Policy has operated as intended.

REMUNERATION AT A GLANCE

The approach to remuneration across the Group ensures all employees are rewarded and incentivised to deliver Severn Trent's performance driven, sustainability led strategy. Delivering against this strategy is critical to the creation of long-term value for our stakeholders: customers, communities, employees, shareholders, suppliers and contractors, and our regulators.

In determining the right performance measures for our incentive plans, the Committee seeks to strike a balance between short- and long-term financial, operational and sustainability goals. As we are a long-term business, actions taken in a single year flow through to longer-term performance. We operate an Annual Bonus Scheme across the Group, which reflects our belief that all our employees play a part in the creation of value for our stakeholders.

The diagrams below illustrate the performance measures that we use within our incentives and explain how they, together with the overall structure of incentives, help deliver the Company's strategic goals.



2024/25 Annual Bonus

Weighting	Measure	Description
40%	**Group PBIT**	Underlying profit is a key measure of shareholder value.
27%	**Customer and Environment ODIs**	A significant proportion of ODIs relates to the service we provide to our customers and supports alignment with customer outcomes. Just over a third of our ODIs are linked to environmental measures.
15%	**CSOs**	In line with pledge one of our five river pledges, we will reduce the number of CSO spills, and deliver targeted CSO enhancements.
10%	**EPA/Serious Pollutions**	We are committed to achieving the industry-leading 4* EPA status, underpinned by zero serious pollutions.
8%	**Health and Safety**	We are committed to keeping our employees safe and well, and we set stretching targets via our 'Lost Time Incidents' measure.

2024 LTIP

Weighting	Measure	Description
50%	**Financial** RoRE 50% (Standard and UQ element)	RoRE is a financial KPI and is the core driver of overall Company performance, supporting the long-term sustainability of the Company. Components of RoRE are: – Wholesale totex – Customer ODIs – Retail operating costs – Financing As explained on page 175, the RoRE performance measure of the LTIP award comprises a standard element and a UQ element. The UQ element ensures that exceptional relative performance must be achieved to justify full vesting of the RoRE element.
30%	**Environmental** Carbon Reduction 20%	Our two carbon reduction measures are aligned with our environmental commitments to reach net zero carbon emissions by 2030 and comprise Scope 1 and 2 emissions reduction (10%) and self-generation (10%).
	RNAGS 10%	Through our investment and capital delivery programmes, we will deliver significant improvements in river quality, reducing our share of RNAGS.
10%	**Customer** PCDs 10%	This Ofwat mechanism is a long-term measure of customer performance that holds companies to account for the timely delivery of the outcomes and outputs promised to customers in their respective PR24 Business Plans.
10%	**Communities** Social Value 10%	This measures the value we contribute to society, using the Government's preferred Social Value methodology.

The table below sets out the key remuneration principles the Committee considers when overseeing Executive remuneration to ensure it is aligned to stakeholder priorities:

Remuneration Principle	How it is applied	Stakeholders who benefit
Stretching targets	– The Committee's insistence on stretching targets means that we have not paid out the maximum possible bonus during AMP7 to date, despite delivering sector-leading ODI, financial and environmental performance. – LTIP maximum outturn can only be achieved if Severn Trent's RoRE performance is UQ relative to other WaSCs.	
Focus on the environment	– For 2024/25, the weighting of environmental measures in the bonus increases from 30% to 35%. This is achieved primarily by increasing the CSO element to 15%, and increasing the EPA 4* measure to 10%. – In addition we have introduced an underpin on the EPA measure for zero serious pollutions. – We have increased the environmental element of the 2024 LTIP through the inclusion of RNAGS, worth 10%.	
Assessment of performance in the round	– When determining Executive pay outcomes, we do not simply follow the formulaic outcome of each performance measure but also undertake a thorough assessment of 'performance in the round' through several lenses. This assessment examines whether formulaic outcomes are appropriate and justifiable in the context of overall business performance and service delivery for customers, the environment and wider stakeholders, and allows the Committee to exercise discretion to override the formulaic outturns where appropriate. – 'Performance in the round' is supported by an independent market assessment report prepared for the Committee by PwC.	
Focus on long-term performance	– 50% of Executive Directors' annual bonuses are awarded in shares that are deferred for three years and 100% of the LTIP is awarded in shares, which are subject to a two-year holding period post-vesting. – All of the Company's incentive scheme rules contain robust malus and clawback provisions, allowing the Committee to reduce or recoup any past incentive payments from individual Executives if we later learn of information that was material to the incentive scheme outcome after the time of the award. – Post-employment shareholding requirements reinforce the importance of sustainable long-term performance.	
Ability to apply discretion	– Where the Committee exercises discretion to reduce performance related pay outcomes, this is not limited by the weighting applicable to specific measures. Therefore, outcomes could be reduced by up to 100% if deemed appropriate for the circumstances.	

Stakeholder key

Customers · Communities · Shareholders and Investors · Sustainability and ESG · Employees · Suppliers and Contractors · Regulators and Government

REMUNERATION FOR THE YEAR IN REVIEW

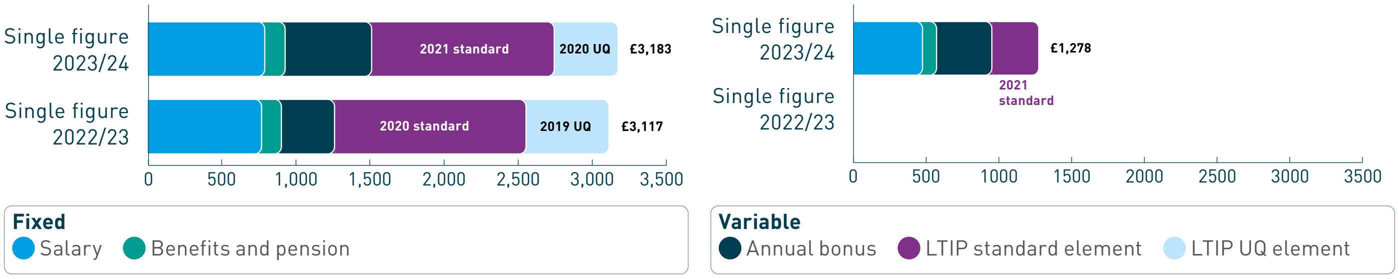
The Committee believes it is important that, for Executive Directors and senior management, a significant proportion of the remuneration package should be performance related and aligned to targets that deliver value for stakeholders.

The following section highlights the performance and remuneration outcomes for our Executive Directors for the year ended 31 March 2024, starting with the total single figure outcomes.

The graphs below show how the successful delivery of our strategy has flowed through to the rewards provided to our Executive Directors. The full explanatory notes for each element of remuneration are detailed on page 193 in the Annual Report on Remuneration.

2023/24 single figure outcomes (£'000)

Liv Garfield – CEO / **Helen Miles – CFO**



The single figure amount in 2023/24 is 2.1% higher than 2022/23 for the CEO, mainly due to the strong performance in year resulting in a higher bonus outcome in 2023/24.

As part of the 2018 Policy review, the maximum potential remuneration of the Executive Directors was increased through the introduction of a stretch UQ element within the LTIP, meaning the maximum LTIP outturn is only achieved if Severn Trent's RoRE performance is upper quartile relative to that disclosed by other WaSCs. In order to determine if the Company has achieved the stretch LTIP target, comparative data for the other WaSCs needs to be collated, verified and published by Ofwat. This process concludes in July each year, which is after the publication date of the Directors' Remuneration Report. The outcome of the LTIP UQ element will therefore always be published one year in arrears.

Comparative data published by Ofwat in July 2023 confirmed that the Company achieved UQ status and therefore the UQ element of the 2020 LTIP award vested in full, and is reported in the 2023/24 single figure as shown above.

For more detail on the single figure value, see page 177.

Annual bonus 2023/24 outturn

A summary of business performance is set out on pages 2 to 127 within the Strategic Report.

Bonus element	Threshold (0% payable)	Target (50% payable)	Maximum (100% payable)	Outturn	Weighting	Outcome achieved
Group PBIT	£494.2m	£509.2m	£524.2m	£511.8m	40%	22.9%
Customer and Environment ODIs(i)	£40.0m	£50.0m	£60.0m	£55m	35%	24.0%
River Health(ii)	0%	50%	100%	50%	12%	6.0%
Health and Safety(iii)	0.17	0.13	0.09	0.08	8%	8.0%
EPA rating (iv)	N/A	N/A	Achieved	Achieved	5%	5.0%
Total					**100%**	**65.9%**
CEO total outcome following discretion(v)						**60.9%**

(i) Our ODIs are grouped into three categories. The outcome achieved reflects in-year performance across all three ODI categories, and the outturn represents significant outperformance in two of the three categories. Total reported ODIs of £55 million also include £20.0 million of end of AMP ODIs.

(ii) Our River Health element is split into two equally weighted sections for reduction in CSO activations and reduction in RNAGS. The outcome achieved represents maximum outperformance on the RNAGS element (achievement of 161 versus threshold of 120, target of 140 and maximum of 160), and nil outcome against the CSO element (achievement of 24.9 versus threshold of 22.6, target of 21.9 and maximum of 21.2).

(iii) Measured as number of Lost Time Incidents divided by number of hours worked multiplied by 100,000.

(iv) This measure only pays out if we achieve the highest EPA 4* rating.

(v) As set out in the Chair's letter, downwards discretion was applied to the CEO's annual bonus, reducing the EPA 4* element outcome from full vesting to zero.

Bonus opportunity and outcome

Performance measures and weightings in the annual bonus arrangements at Severn Trent are consistent throughout the organisation.

	2023/24 salary (£'000)[i]	Bonus opportunity (% salary)	Bonus outcome (% max)	Annual bonus (£'000)	Value of cash bonus (£'000)	Value of deferred shares (£'000)[ii]
CEO	799.6	120%	60.9%[iii]	584.0	292.0	292.0
CFO	480.0	120%	65.9%	379.4	189.7	189.7
Former CFO[iv]	362.1	120%	65.9%	286.2	286.2	0.0[v]

(i) Bonus calculated using salary as at 31 March 2024. For James Bowling, this reflects his pro-rated salary for service in the year to 31 December 2023.
(ii) Value of bonus deferral shares is 50% of the total bonus value.
(iii) As set out in the Chair's letter, downwards discretion was applied to the CEO's annual bonus, reducing the EPA 4* element outcome from full vesting to zero.
(iv) Bonus figures shown for James Bowling relate to the period up to his retirement in December 2023. The bonus he received in respect of his Executive Director services to July 2023 was £100.9k.
(v) As disclosed last year, the bonus has been pro-rated to reflect James Bowling's service in the year and settled in cash in line with the approved Policy.

LTIP Outturn

2021 LTIP award vesting for performance levels (as a % of salary)

RoRE, which captures a range of measures such as totex, financing and customer ODIs, is the primary LTIP measure in the 2021 LTIP structure, with a weighting of 80%. RoRE is assessed over a three-year period so that the focus is on long-term performance. The remaining 20% relates to our sustainability measures, aligned with our environmental commitments to reach net zero operational emissions by 2030.

The table below shows the 2021 LTIP award vesting schedule for performance levels as a percentage of salary:

	RoRE			Sustainability				
	Threshold FD	1.39x FD	UQ RoRE performance relative to WaSCs	Fleet target	Self-generation target	Innovation trials target	Process Emissions target	Total maximum
CEO	30%	120%	160%	10%	10%	10%	10%	200%
CFO	16%	64%	96%	6.0%	6.0%	6.0%	6.0%	120%

We note that the vesting schedule for the CFO applies to the awards that were granted prior to Board appointment at a level of 120% of salary.

2021 LTIP standard RoRE element

The standard RoRE element of the 2021 LTIP award measures the Company's performance against RoRE set by Ofwat's FD. Over the three-year period of the 2021 LTIP, the Company achieved a RoRE of 2.27x against the target of 1.39x the base RoRE return.

Based on the performance levels set out above, this results in full vesting of the standard RoRE element of the 2021 LTIP award, which is equivalent to 60% of maximum for the total 2021 LTIP award for the CEO and 53.3% of maximum for the CFO.

The UQ element of the 2021 LTIP award cannot be measured, and so the associated vesting will not be known, until the end of July 2024 when comparable statistics for the other WaSCs are published and provided to Ofwat; such vesting, if any, will therefore be disclosed in the 2024/25 Directors' Remuneration Report.

2021 LTIP sustainability element

The sustainability element of the 2021 LTIP award measures the Company's performance against four different measures aligned with our environmental commitments to reach net zero operational emissions by 2030. Over the three-year period of the 2021 LTIP, the Company achieved the following:

Measure	Description	Target	Actual	Weighting	Outcome achieved
Fleet	Delivering 58% of the total car fleet and 16% of the total light commercial fleet as electric vehicles by 31 March 2024.	58% 16%	69% 16%	5%	5%
Self-generation	Achieving an outturn of 50 GWh additional generation from the 2019/20 baseline of 486 GWh, enabling a minimum total renewable generation of 536 GWh by 31 March 2024.	536GWh	549GWh	5%	5%
Innovation trials	The delivery of innovation trials where the combined, verified, scaled opportunity is greater than 7.5 $ktCO_2e$, with a signed-off plan for delivery.	7.5 $ktCO_2e$	9.1 $ktCO_2e$	5%	5%
Process emissions	To have established effective monitoring on operational wastewater treatment sites responsible for 40% of our total N_2O and CH_4 gas emissions.	40% N_2O 40% CH_4	40% N_2O 40% CH_4	5%	5%
				20%	20%

This is equivalent to 20% of maximum for the total 2021 LTIP award for both the CEO and CFO.

2020 LTIP UQ RoRE element

As reported last year, the standard element of the 2020 LTIP award vested in full, being equivalent to 75% and 67% of maximum for the total 2020 LTIP award for the CEO and former CFO respectively. Full vesting was based on delivering UQ RoRE performance relative to the other WaSCs over the three-year performance period to 2022/23 (the UQ element). Vesting under the UQ element of the 2020 LTIP award was only known at the end of July 2023 when comparable statistics for the other WaSCs were published and provided to Ofwat. We now know that Severn Trent achieved UQ performance, and therefore the UQ element is included in the 2023/24 single figure for the CEO and the former CFO (equivalent to 25% and 33% of maximum of the total 2020 LTIP award respectively).

No discretion has been exercised by the Committee to override the formulaic outturns of either the 2020 or 2021 LTIP awards.

Breakdown of the LTIP single figure value

The LTIP single figure amounts include share price appreciation between grant and vesting, as well as any dividend equivalents.

For 2023/24, the reportable LTIP figures are the standard RoRE element of the 2021 LTIP award, the sustainability element of the 2021 LTIP award, and the UQ element of the 2020 LTIP award. For 2022/23, the reportable LTIP figures are the standard element of the 2020 LTIP award and the UQ element of the 2019 LTIP award.

The table below shows the comparative value of each of the elements included in the single figures:

	CEO		CFO	
	2022/23	**2023/24**	2022/23[i]	**2023/24**
Standard RoRE element	1,292.5	**924.1**	N/A	**234.2**
Sustainability element	N/A	**308.0**	N/A	**87.8**
UQ RoRE element	559.8	**430.8**	N/A	**N/A**
LTIP total in single figure values (£'000)	1,852.3	**1,663.0**	N/A	**322.0**

(i) As per the regulations, figures are not included for Helen Miles in respect of 2022/23, as she did not become an Executive Director until 1 April 2023.

For more detail on the share price appreciation and dividend equivalents, see page 192.

Assessment of performance in the round

In overseeing remuneration outcomes, the Committee ensures that performance is assessed in the round and over time through a number of lenses, incorporating a variety of stakeholder perspectives, as set out in more detail on page 170 to 171 of the Chair's letter.

Following its assessment of performance in the round for 2023/24, the Committee confirms that it has considered the Company's wider performance in the round and has concluded that it would not be appropriate to override the formulaic outcomes of either the 2021 LTIP or the 2023/24 annual bonus due to performance in the year. However, as set out in the Chair's letter, due to the judgment that was delivered in respect of the Barlaston pollution event which occurred in 2019/20, the Committee considered it appropriate to apply downwards discretion to the CEO's 2023/24 annual bonus outcome, reducing the EPA 4* performance measure from full vesting, to zero.

Executive Director shareholdings

The CEO and CFO have exceeded the shareholding requirements applicable in 2023/24 of 300% and 200% of salary respectively.

Shareholding requirement

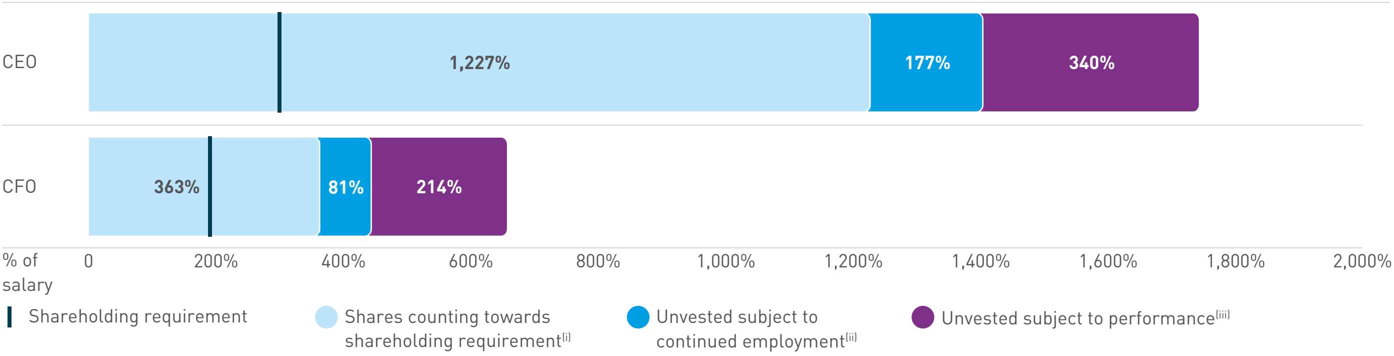
The Executive Directors have built significant shareholdings during their employment with the Company and since becoming Executive Directors have retained (except in the case of statutory tax and National Insurance deductions) all Company shares acquired as a result of discretionary awards vesting or options being exercised under the Company's share plans. The Executive Directors have also increased their shareholdings further through personal share purchases.

The minimum shareholding requirement for Executive Directors, and the current share interests of the Executive Directors, take into account shares which are owned outright or vested, shares which are unvested and shares which are subject to performance. The chart below sets out the minimum shareholding requirements and the shareholdings of the Executive Directors. The shareholding requirement must be built up over five years and then subsequently maintained.

All calculations in the chart below use a closing share price on 31 March 2024 of £24.70.

Further detail regarding the Executive Directors' outstanding share awards can be found on page 194.

Executive Director shareholdings % of base salary



(i) Represents beneficially owned shares as well as shares held in trust as part of the annual bonus deferred share awards (of which 47% are deducted to cover statutory deductions).
(ii) Represents 2021 LTIP shares (where the performance period is now complete) which are subject to an ongoing vesting period and a two-year holding period post vesting, plus shares held as part of the Sharesave Scheme.
(iii) Represents the 2022 and 2023 LTIP awards which are subject to ongoing performance.

Overall link to remuneration and equity of the Executive Directors

As a Committee, we want to incentivise the Executive Directors to take a long-term sustainable view of the performance of the Company. This is why, when we look at the remuneration paid in the year, we also look at the total equity they hold and its value based on the performance of the Company.

The table sets out the number of shares beneficially owned by the Executive Directors at the beginning and end of the financial year, and the impact on the value of these shares taking the opening and closing price for the year.

	2023/24 single figure (£'000)	Shares held at the start of the year	Shares held at the end of the year	Value of shares at start of the year (£'000)(i)	Value of shares at the end of the year (£'000)(ii)	Difference
CEO	3,182.7	332,898	381,089	9,584.1	9,412.9	(171.2)
CFO	1,277.7	47,378	62,932	1,364.0	1,554.4	190.4

(i) Based on a closing share price on 31 March 2023 of £28.79. (ii) Based on a closing share price on 31 March 2024 of £24.70.

SUMMARY OF REMUNERATION POLICY AND IMPLEMENTATION

The Company's Policy is designed to attract, retain and motivate its leaders and to ensure they are focused on delivering business priorities within a framework which promotes the long-term success of Severn Trent, aligned with stakeholder interests.

The tables below illustrate the balance of pay and time period of each element of the Policy for Executive Directors, and sets out key changes between the current and proposed Policy. Full details of the proposed 2024 Policy can be found on pages 195 to 204. In addition, the table below sets out how the Policy elements are aligned with the factors set out in Provision 40 of the 2018 UK Corporate Governance Code (the '2018 Code').

Total pay over five years	Year 1	Year 2	Year 3	Year 4	Year 5
Fixed pay	Salary, benefits and pension				
Annual bonus (Malus and clawback provisions apply)	50% in cash	50% in shares Three-year deferral period No further performance conditions			
LTIP (Malus and clawback provisions apply)	Up to 200% of salary Three-year performance period			Two-year holding period No further performance conditions	
Shareholding requirement (Not a monetary value)	Executive Directors' minimum shareholding requirement				

Policy element	Purpose, operation and opportunity levels	How we implemented the Policy in 2023/24	How we plan to implement the Policy in 2024/25	Alignment with Provision 40 of the 2018 Code
Fixed pay elements				
Base salary Y1 Y2 Y3 Y4 Y5	**To recruit and reward Executive Directors of a suitable calibre for the role and duties required.** Salaries are reviewed annually and increases normally take effect from 1 July. Set with reference to: – individual performance; – experience and contribution; – developments in the relevant employment market; – company performance and affordability; – wider economic environment; and – internal relativities. Any increase will generally be no higher than the average increase for the workforce. Higher increases may be proposed in the event of a role change or promotion, or in other exceptional circumstances. **No change to Policy**	A salary increase of 3.0% was applied at the salary review date, with the exception of the CFO Designate whose salary was set on appointment on 1 April 2023. These rises were less than half of the 7.5% wider workforce salary increase.	A salary increase of 5.0% will be applied at the salary review date. From 1 July 2024, Executive Director salaries will be: – CEO £839,600 – CFO £504,000 These rises are in line with the wider workforce salary increase.	**Proportionality** There is a reasonable balance between fixed pay and variable pay, and variable pay is weighted to long-term performance. **Clarity** Base salaries are competitive against companies of a similar size and complexity. **Alignment with culture** Base salary increases are generally below or aligned to the average increase for the wider workforce. Pension rates for Executive Directors are aligned with the rate offered to the majority of the wider workforce.
Benefits Y1 Y2 Y3 Y4 Y5	**To provide competitive benefits in the market to enable the recruitment and retention of Executive Directors.** Benefits typically include green travel allowance, family-level private medical insurance, life assurance, personal accident insurance, health screening, an incapacity benefits scheme and other incidental benefits and expenses. The value of benefits is based on the cost to the Company and there is no pre-determined maximum limit. The range and value of the benefits offered are reviewed periodically. **No change to Policy**	Normal Company benefit provision.	Normal Company benefit provision.	
Pension Y1 Y2 Y3 Y4 Y5	**To provide pension arrangements comparable with similar companies in the market to enable the recruitment and retention of Executive Directors.** A defined contribution scheme and/or cash supplement in lieu of pension. For current Executive Directors, the Company contribution and/or cash allowance is 15% of salary. This aligns pension contribution quantum for all Executive Directors with the maximum 15% contribution available to members of the Severn Trent Group Personal Pension (the majority of the wider workforce). For any new recruit, the contribution will be up to a maximum of 15% of salary. **No change to Policy**	Executive Director pension arrangements were as follows: – CEO 15% of salary – CFO 15% of salary	Executive Director pension arrangements are as follows: – CEO 15% of salary – CFO 15% of salary	

Summary of Remuneration Policy and Implementation continued

Policy element	Purpose, operation and opportunity levels	How we implemented the Policy in 2023/24	How we plan to implement the Policy in 2024/25	Alignment with Provision 40 of the 2018 Code
Variable pay elements				
Annual bonus **Up to 120% of salary** Y1 Y2 Y3 Y4 Y5 **50% paid in cash** Y1 Y2 Y3 Y4 Y5 **50% deferred** Y1 Y2 Y3 Y4 Y5	**To encourage improved financial and operational performance, and to align the interests of Executive Directors with shareholders through the partial deferral of payment into shares.** **Bonuses are based on financial, operational, customer and environmental performance. Performance measures and targets are selected annually.** 50% of the bonus is paid in cash and 50% is deferred into shares which vest after three years (with the value of any dividends rolled up and paid on vesting). There are no further performance targets on the deferred amount. Malus and clawback mechanisms apply for three years from the payment of the cash bonus or the grant of deferred shares. Maximum award of 120% of salary for the CEO and CFO. For threshold performance, 0% of maximum opportunity will be paid. For target performance 50% of maximum opportunity will be paid. **Changes to Policy:** – Removal of the option for personal objectives in the bonus structure. – Default treatment for good leavers is that subsisting awards vest as per their original timelines (rather than at the point of cessation).	Performance measures (as a % of maximum): Group PBIT – 40% Customer and Environment ODIs – 35% River Health – 12% Health and Safety – 8% EPA – 5%	Performance measures (as a % of maximum): Group PBIT – 40% Customer and Environment ODIs – 27% CSOs – 15% EPA and zero Serious Pollutions – 10% Health and Safety – 8% The Committee considers the forward-looking targets to be commercially sensitive but full disclosure of the targets and performance outcome will be set out in next year's Directors' Remuneration Report.	**Clarity** Variable remuneration is based on supporting the successful implementation of the Company's strategy measured through KPIs which are used for the annual bonus and LTIP. **Simplicity** Defined limits on the maximum awards which can be earned. Variable remuneration focuses on long-term sustainable performance, including the Company's environmental ambitions. **Risk** The Policy ensures there is sufficient flexibility to adjust bonus and LTIP payments through malus and clawback and an overriding discretion to depart from formulaic outcomes. **Predictability** Shareholders are given full information on the potential values which can be earned under the annual bonus and LTIP.
LTIP **Up to 200% of salary** Y1 Y2 Y3 Y4 Y5 **Five-year period** Y1 Y2 Y3 Y4 Y5	**To encourage strong and sustained improvements in operational and financial performance, in line with the Company's strategy and long-term stakeholder value.** **Awards are granted annually and are subject to one or more performance conditions assessed over a three-year performance period.** Awards made to Executive Directors are subject to a two-year holding period post vesting which continues to operate post cessation of employment. Malus and clawback mechanisms apply within three years of vesting. The value of dividends paid on the shares comprising the award will be rolled up and paid on vesting. Maximum award opportunity up to 200% of salary. Up to 25% of the LTIP award may vest for threshold performance. **No change to Policy**	Grant levels: CEO – 200% of salary CFO – 150% of salary The 2023 LTIP awards were based on the following performance measures: – 80% of the maximum LTIP award based on RoRE and will require the Company's RoRE to outperform the target set out in Ofwat's FD and, for full vesting, to deliver upper quartile relative performance compared with other WaSCs. – 20% of the maximum LTIP award based on measures relating to Severn Trent's Sustainability Framework.	Grant levels: CEO – 200% of salary CFO – 175% of salary The 2024 LTIP awards will be based on the following performance measures: – 50% of the maximum LTIP award based on RoRE and will require the Company's RoRE to outperform the target set out in Ofwat's FD and, for full vesting, to deliver upper quartile relative performance compared with other WaSCs. – 20% of the maximum LTIP award based on measures relating to carbon reduction. – 10% of the maximum LTIP award based on RNAGS. – 10% of the maximum LTIP award based on PCDs. – 10% of the maximum LTIP award based on Social Value. **See page 181 for detail on LTIP awards to be granted.**	**Proportionality** Incentive plans clearly reward the successful implementation of the strategy and our environmental ambitions, and through deferral and measurement of performance over a number of years to ensure that the Executives have a strong drive to deliver performance that is sustainable over the long term. **Alignment with culture** A key principle of the Company's culture is a focus on customers and their experience; this is reflected directly in the type of performance conditions used for the bonus. The focus on ownership and long-term sustainable performance is also a key part of the Company's culture.
	Other Policy elements			
All-employee share plans **Up to £500 per month for 3 or 5 years** Y1 Y2 Y3 Y4 Y5	**To encourage widespread employee share ownership to enable employees to share in the success of the business.** The Executive Directors are able to participate in HMRC tax advantaged all-employee share plans on the same terms as other eligible employees. The maximum limits under the plans are as set by HMRC. **No change to Policy**	– In line with all employees.	– In line with all employees.	**Alignment with culture** All-employee share plans support a culture of share ownership and align employee interests with the long-term sustainable performance of the Company.
Shareholding requirement Y1 Y2 Y3 Y4 Y5	**To encourage strong shareholder alignment both during and after employment with the Company.** The CEO is expected to build and maintain a holding of shares to the value of 300% of salary, and other Executive Directors 200% of salary. Executive Directors are expected to retain all of the net of tax number of shares they receive through the LTIP and deferred share bonus until the shareholding requirement has been met. A post-employment shareholding requirement applies to Executive Directors who leave the Company. Leavers will have a requirement to maintain their in-employment shareholding requirement (or actual shareholding, if lower) for two years following cessation of employment. This requirement applies to shares acquired under share plan awards granted following approval of the 2021 Policy. **No change to Policy**	– CEO – 300% of salary – CFO – 200% of salary – Post-employment shareholding requirement applies.	– CEO – 300% of salary – CFO – 200% of salary – Post-employment shareholding requirement applies. – See page 194 for further details on shareholding requirements and outstanding share awards.	**Risk** Incentives are primarily paid in shares which must be retained until minimum shareholding requirements have been met. Post-employment shareholding requirement further increases the exposure of Executive Directors to the share price after leaving the Company.

LTIP awards to be granted in 2024

The table below describes how the LTIP will be implemented in 2024. 50% of the maximum LTIP opportunity will be based on RoRE and 50% will be based on a range of non-financial measures. The CEO's award will be 200% of salary and the CFO's award will be 175% of salary. As in previous years, the stretch target for absolute RoRE will be set as a multiple of the FD. The FD has not yet been confirmed by Ofwat and as such, the Committee will finalise the respective multiple when the FD is known, and will disclose this at a later date. All performance conditions will be measured over three years, to 31 March 2027, and corresponding vesting (as a percentage of salary) will be:

		Financial			Non-Financial					
					Environment			Customer	Communities	
Operation	Award recipient	Threshold FD	Target Multiple of FD	UQ RoRE performance relative to WaSCs	Scope 1 and 2 reduction	Self-generation	RNAGS	PCDs	Social Value	Max outturn
Vesting for performance	CEO	18.8%	75%	100%	20%	20%	20%	20%	20%	200%
	CFO	14.6%	58%	87.5%	17.5%	17.5%	17.5%	17.5%	17.5%	175%

The performance targets/milestones for the non-financial elements of the 2024 award will be as follows:

Measure	Sub-measure	Weighting	Measure details
Environment	Scope 1 and 2 emissions reduction	10%	Achieving a cumulative reduction in our Scope 1 and 2 emissions of 33% against the 2019/20 baseline (of 508.4kT) by 31 March 2027.
	Self-generation	10%	Achieving an outturn of 154 GWh additional generation from the 2019/20 baseline of 486 GWh, enabling a minimum total renewable generation of 640 GWh by 31 March 2027.
	RNAGS	10%	Achieving a cumulative reduction of 409 RNAGS by 31 March 2027.
Customer	PCDs	10%	To have all in-flight PCDs on track vs the phased milestones as per the milestones agreed with Ofwat in the PR24 Final Determination.
Communities	Social Value	10%	To generate a Social Value of £12 million between 1 April 2024 and 31 March 2027.

The Committee will assess the value of the 2024 LTIP awards at vesting and will ensure that the final outturn reflects all relevant factors, including consideration of underlying performance, experience of our key stakeholders, and progress towards the achievement of our Triple Carbon Pledge.

Chair and Non-Executive Directors' fees (audited)

The Chair, Senior Independent Director and Non-Executive Directors are appointed for a three-year term, subject to annual re-election by shareholders at the Annual General Meeting following the annual Board Effectiveness evaluation process. The current Letters of Appointment are available on the Severn Trent Plc website.

From 1 July 2024, Non-Executive Director fees will be increased by 5.0% from £62,300 to £65,400, and the Chair's fee will be increased by 5.0% from £323,500 to £339,700. These increases are in line with the wider workforce salary increase. The current fee levels, and those for the future financial year, are set out in the table below.

Operation	Fees 2023/24	Fees 2024/25	Increase %
Chair's fee	£323,500	£339,700	5.0%
Fee paid to all Non-Executive Directors	£62,300	£65,400	5.0%
Supplementary fees:			
– Senior Independent Director	£15,815	£16,600	5.0%
– Audit and Risk Committee Chair	£17,920	£18,820	5.0%
– Corporate Sustainability Committee Chair	£15,815	£16,600	5.0%
– Remuneration Committee Chair	£17,920	£18,820	5.0%
– Treasury Committee Chair	£16,865	£17,700	5.0%

COMPANY REMUNERATION AT SEVERN TRENT

This section sets out the steps we take to make sure that our pay and reward framework is transparent and fair, beyond Executives and senior management, in a way that is meaningful and useful.

The table to the right sets out details of how the cascade of the reward framework applies across different levels within the organisation combined with a summary of the information which the Committee has received as part of its annual review process.

Pay and alignment across the business

Alongside our thriving culture and inclusive working environment, our reward framework is designed to attract, motivate and retain people who are inspired by Severn Trent's purpose, and who live our values every day.

Our reward package recognises the great performance of our employees, as we deliver our essential service to customers across the region, and is designed to fairly reward all colleagues throughout the organisation. The terms and conditions from which our employees benefit evolve in line with external practice and new initiatives from within Severn Trent. We pride ourselves on keeping pace with trends in talent management and acquisition, and skills development, in order to motivate, develop and retain a positive working environment.

This section of the report covers:

Pay and alignment across the business
Pay comparisons:

- CEO pay ratios; and
- Gender and ethnicity and pay gap reporting.

Eligibility	Number of employees covered	Remuneration element
All employees	9,192 (as at 31 March 2024)	Salary
		Benefits
		Pension
		Annual bonus
		Sharesave
Management and senior management	449	LTIP A proportion of this population participate in the LTIP by annual invitation
Executive Directors and Executive Committee	9	Shareholding requirement as a % of salary CEO – 300% CFO – 200% Executive Committee – 100%
Our supply chain		

Details	Committee focus areas	Implementation at Severn Trent
Salaries are set to reflect the market value of the role, and to aid recruitment and retention. Employees who are not on a training rate of pay (such as apprentices) receive at least the voluntary Living Wage. We also monitor closely the rates of pay of people who are training with us to make sure they remain fair and competitive.	– Date of annual increase across all employee groups. – Wider workforce increases versus the Executive population. – Differences across employee groups.	– The average annual salary increase across the workforce in 2023/24 was 7.5%. – Annual pay reviews are effective in July for all employee groups. – The Company has real Living Wage and real Living Hours employer accreditation and reviews employment terms and salaries in this context. – Enhanced visibility on salary ranges within the organisation to enable fairness and transparency.
All employees are eligible to participate in our flexible benefits scheme which we believe is one of the best in the industry and is designed to support physical, mental and financial wellbeing.	– Types of benefits. – Eligibility across levels.	– A consistent approach is applied across the business for benefits.
We offer a market-leading defined contribution pension scheme and double any contributions that employees make (up to a maximum of 15% of salary). When colleagues get closer to retirement, we provide education and support to help plan for the next stage of their lives. We are proud that 98.5% of our employees are members of the pension scheme and 56.7% pay contributions above the minimum of 3%.	– Employer pension contributions across the workforce. – Comparisons of wider workforce pension to Executive pensions.	– Employer pension contributions for Executive Directors are aligned with the maximum 15% contribution available to members of the Severn Trent Group Pension Plan (the majority of the workforce).
All of our people share in our success by participating in our all-employee bonus plan, ensuring all employees are aligned with the same measures and rewarded for achieving our key objectives.	– Bonus design across different populations. – Details of performance measures and targets. – Outturn during the year.	– A consistent design is operated throughout the business. – At all levels, performance outcomes are measured against the same metrics. – An individual performance multiplier is in place across management grades informed by our Inspiring Great Performance outcomes. – Our frontline colleagues and team managers benefit from an all-company fixed bonus payment. – Bonus opportunities vary by grade. – We also operate some sub-schemes in Business Services, to reflect specific business needs. – Malus and clawback provisions are in place.
Offering the opportunity to participate in our Sharesave Scheme encourages employee engagement and reinforces our strong performance culture, enabling all colleagues to share in the long-term success of the Company, whilst also aligning participants with shareholder interests. Our Sharesave scheme gives employees an opportunity to save from £5 to £500 per month over three or five years, with the option to buy Severn Trent Plc shares at a discounted rate at the end of the period.	– Participation rates.	– All Severn Trent Plc employees can participate in the Save As You Earn scheme – Sharesave. – There is a significant take-up of this benefit with 72% of employees actively participating in 2023/24.
The LTIP reinforces delivery of long-term creation of value and sector outperformance, and progress towards our net zero ambitions. The retention of shares by Executive Directors for the longer term also supports a shared ownership culture in the Group.	– Eligibility. – Cost. – Dilution. – Details of performance measures and targets.	– Eligibility is reviewed annually. – The LTIP is available to Executive Directors, the Executive Committee and some members of senior management. – The performance period is three years, with 50% based on RoRE performance and 50% on a range of non-financial measures. – The Executive Directors are subject to an additional two-year post-vesting holding period for awards granted from 2018 onwards. – LTIP opportunities vary by role from 25% of salary to 200% of salary. – Executive Directors have a RoRE UQ stretch performance target. – Malus and clawback provisions are in place.
Supports alignment of Executives' interests with shareholders.	– Eligibility. – Requirements versus actual shareholdings.	– Shareholding requirements are in place for the Executive Directors and Executive Committee. – A post-employment shareholding requirement was introduced for Executive Directors as part of the 2021 Policy. This was the first year this has been put into action, following the retirement of James Bowling. See case study on page 190 for more detail.
All colleagues across Severn Trent are paid in line with the real Living Wage, for which we hold accreditation. We expect this of all new contracts within our supply chain and detail this within our Sustainable Supply Chain Charter. In April 2024 we became an accredited real Living Hours employer.		

The relationship between the remuneration of the CEO and all employees

The Company's approach to remuneration is consistent for all employees, as outlined on pages 182 and 183 and in our 2024 Policy, which can be found on pages 195 to 204.

The table below shows how the CEO's total single figure of remuneration compares with the equivalent figures for employees occupying the 25th, 50th and 75th percentiles.

We have chosen Option A under the Regulations for the calculation, which takes into consideration the full-time equivalent basis of all employees and provides a representative result of employee pay conditions across the Company.

Total pay and benefits for all have been calculated as at 31 March 2024, in accordance with the single figure methodology, and are based on full-time equivalent pay and benefits. We have not omitted any pay elements from the calculation. The median CEO ratio is consistent with the pay and progression policies for the Company's employees as a whole.

CEO pay ratio

CEO	2020	2021	2022	2023	2024[ii]
Total single figure (£'000)[i]	2,765.1	3,084.0	3,948.4	3,116.9	**3,182.7**
Annual bonus payment level achieved (% of maximum opportunity)	74.0%	63.8%	81.0%	38.5%	**60.9%**
LTIP vesting level achieved (% of maximum opportunity)[ii]	100%	100%	100%	100%	**80%**
Ratio of CEO's single total remuneration figure shown:					
To employee at the 25th percentile	84.5	92.8	116.0	91.1	**85.7**
To employee at the 50th percentile	65.7	72.3	90.8	71.0	**66.6**
To employee at the 75th percentile	53.9	59.8	75.3	58.9	**54.6**
Ratio of CEO's single total remuneration figure shown to the median Executive Committee member:					**4.5**

(i) Figures for 2023 have been restated to reflect the updated 2020 LTIP values based on the share price at the date of vesting and include dividend equivalents in respect of vested shares.
(ii) The value of the UQ element of the 2020 LTIP award for 2022/23 (£430.8k) could not be measured until July 2023, and is therefore included in the total remuneration value for 2024. The value of the 2021 LTIP award for 2023/24 is based on the Committee's assessment of the standard element of the total potential LTIP vesting, as this measures the Company's performance against the RoRE set by its FD, plus the UQ element of the 2020 LTIP. The UQ element of the 2021 LTIP cannot be measured until the end of July 2024; such vesting, if any, will therefore be disclosed in the 2024/25 Directors' Remuneration Report.

The median CEO pay ratio has decreased from 71.0 to 66.6 year on year, mainly due to the higher pay increase in 2022/23 of 7.5% for the wider workforce, compared with 3.0% for the CEO. More detail on the single figure amount is included on page 190.

The Committee is satisfied that the individuals identified within each relevant percentile appropriately reflect the employee pay profiles at those quartiles and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies. Over the long term, it is reasonable to expect there to be a degree of volatility year on year in the CEO pay ratio given that the CEO's single figure is made up of a higher proportion of performance-related pay than that of our employees, in line with the expectations of our shareholders and the Company's remuneration approach. This introduces a higher degree of variability each year which affects the ratio. It should be noted that all employees in the Company who meet the service requirement are eligible to receive a bonus based on the same broad Company performance conditions. This ensures all employees share in the success of the Company.

The key factors to note for this year's CEO pay ratio are as follows:

- For 2023/24, the single figure includes the standard element of the 2021 LTIP award plus the UQ element of the 2020 LTIP award.
- Long-term incentives are provided in shares, and therefore any increase in share price over the three years, as has been observed when previous LTIP awards have vested, can magnify the impact of a long-term incentive award vesting in a year.
- None of the lower quartile, median or upper quartile employees identified this year are participants in the LTIP. If the value of the LTIP is excluded from the CEO total remuneration pay ratio calculation, the ratios would be as follows:
  - To employee at the 25th percentile: 40.9
  - To employee at the 50th percentile: 31.8
  - To employee at the 75th percentile: 26.1

The table sets out the base salary and total pay benefits details for the CEO and employees at the 25th, 50th and 75th percentiles.

CEO	2024
Base salary (£'000)	**793.8**
Total pay and benefits (£'000)	**3,182.7**
Employees	
Base salary (£'000)	
– Employee at the 25th percentile	**28.4**
– Employee at the 50th percentile	**34.2**
– Employee at the 75th percentile	**42.7**
Total pay and benefits (£'000)	
– Employee at the 25th percentile	**37.1**
– Employee at the 50th percentile	**47.8**
– Employee at the 75th percentile	**58.3**

The CEO pay ratio is just one of many factors that we take into consideration in ensuring a just and fair reward framework for all our colleagues.

Percentage change in the remuneration of the Executive Directors and Non-Executive Directors

The Committee looks to ensure that the approach to fair pay is implemented in practice throughout the Group, and monitors year-on-year changes between the movement in salary, benefits and annual bonus for the CEO between the current and previous financial year compared, with that of the average employee.

The Committee has elected to use the average earnings per employee as this avoids the distortions that can occur to the Group's total wage bill as a result of the movements in the number of employees.

The Committee monitors this information carefully to ensure that there is consistency in the fixed pay of the Executive Directors and Non-Executive Directors compared with the wider workforce. Also, this information demonstrates the Company's approach to having an all-employee bonus throughout the organisation with employees and the CEO benefiting when the Company does well.

	% change on last year for 2019/20			% change on last year for 2020/21			% change on last year for 2021/22			% change on last year for 2022/23			% change on last year for 2023/24		
	Salary/ Fees	Benefits	Bonus	Salary/ Fees	Benefits	Bonus	Salary/ Fees	Benefits	Bonus	Salary/ Fees	Benefits	Bonus	Salary/ Fees[i]	Benefits[ii]	Bonus[iii]
Executive Directors															
Liv Garfield 11 April 2014 – present	2.4%	0.6%	29.5%	2.3%	(1.2)%	(11.8)%	2.3%	(3.1)%	30.0%	2.3%	5.3%	(51.3)%	2.8%	1.8%	62.8%
Helen Miles[iv] 1 April 2023 – present	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Executive Directors[v]															
Christine Hodgson[vi] 1 January 2020 – present	N/A	N/A	N/A	431.4%	N/A	N/A	1.7%	N/A	N/A	2.3%	N/A	N/A	2.9%	N/A	N/A
Kevin Beeston 1 June 2016 – present	2.2%	N/A	N/A	1.5%	N/A	N/A	6.8%	N/A	N/A	4.9%	N/A	N/A	2.7%	N/A	N/A
Tom Delay 1 January 2022 – present	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	19.3%	N/A	N/A	8.2%	N/A	N/A
Sarah Legg 1 November 2022 – present	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8.9%	N/A	N/A
Sharmila Nebhrajani[vii] 1 May 2020 – present	N/A	N/A	N/A	N/A	N/A	N/A	8.7%	N/A	N/A	8.3%	N/A	N/A	17.8%	N/A	N/A
Gillian Sheldon[viii] 1 November 2021 – 14 May 2024	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12.6%	N/A	N/A	17.4%	N/A	N/A
Former Directors															
James Bowling Resigned 6 July 2023	2.4%	0.0%	29.5%	2.3%	0.0%	(11.8)%	2.3%	0.0%	30.0%	2.3%	3.4%	(51.4)%	2.8%	0.9%	76.1%
John Coghlan Resigned 31 December 2023	13.3%	N/A	N/A	1.0%	N/A	N/A	3.5%	N/A	N/A	(3.5)%	N/A	N/A	5.9%	N/A	N/A
Colleagues															
Average per employee[ix]	3.7%	(5.5%)	21.8%	2.2%	(7.1)%	(13.7)%	2.1%	0.3%	9.9%	3.4%	2.8%	(41.6)%	6.8%	(1.0)%	67.2%

(i) The salary/fees, benefits and bonus figures shown are based on full-time equivalent comparisons.
(ii) The benefits figures include green travel allowance and family-level private medical insurance for senior and middle managers.
(iii) The figures shown are reflective of any bonus earned during the respective financial year. Bonuses are paid in the following June.
(iv) As per the regulations, figures are not included for Helen Miles in respect of 2022/23, as she did not become an Executive Director until 1 April 2023.
(v) Non-Executive Directors receive fees only and do not receive any additional benefits or bonus payments.
(vi) 2020/21 reflects a change in rate from Non-Executive Director to Chair of the Board on 1 April 2020.
(vii) Appointed as Chair of the Remuneration Committee on 1 December 2022.
(viii) Appointed as Chair of the Treasury Committee on 1 November 2023.
(ix) The average annual pay increase for the wider workforce during the year was 7.5%.

Please see previous Directors' Remuneration Reports for historical details of events that impact the changes in remuneration, such as role changes, joiners and leavers.

Gender and ethnicity pay gap reporting

We are delighted to have published our second combined Gender and Ethnicity Pay Gap Report.

Gender pay gap

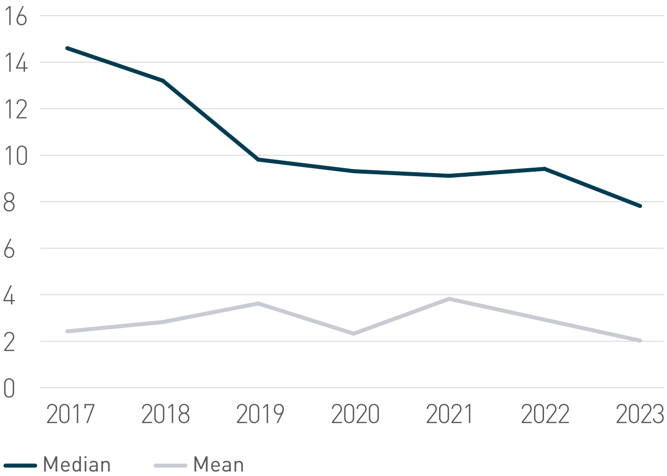
Gender pay gap reporting legislation came into force in April 2017 and requires all UK employers with 250 or more employees to publish annual information illustrating pay differences between male and female employees. We reported our gender pay gap in March 2024 in line with statutory requirements, based on figures from 5 April 2023.

We are proud to see a continued downward trend in our median gender pay gap, which is now at the lowest level in the seven years we have been reporting it. The 7.8% gap in 2023 is a decrease on the 9.4% in 2022, whilst the hourly rates for both male and female employees have increased. The mean gender pay gap has also decreased to 2.0% in 2023 from the 2.9% seen in 2022.

Our gender pay gap metrics continue to be positively impacted by a high proportion of women within our management and senior management roles. Severn Trent is proud to have such strong female representation throughout our Senior Management Team, and we believe we have created an environment where women can thrive, develop their careers and act as role models to others looking to join the industry.

Our mean gender bonus gap is as a result of the high percentage of women in our Executive and senior management population, whilst our median bonus gap is relatively stable, with small fluctuations influenced by one-off recognition vouchers and long service award payments.

Gender pay gap %



The difference in hourly pay between male and female employees in 2023 is:

Median	Mean
7.8%	2.0%

The difference in annual bonus pay between male and female employees in 2023 is:

Median	Mean
-2.9%	-65%

Ethnicity pay gap

In our second year of publishing our ethnicity pay gap information, the median gap is 6.3% and the mean gap is 7.2%. Around 93% of our employees have shared their ethnicity information and we continue to actively encourage all employees to share their data. Of those who have declared themselves as being from an minority ethnic background, more than 60% are Asian/Asian British.

The difference in hourly pay between white and minority ethnic employees in 2023 is:

Median	Mean
6.3%	7.2%

The difference in annual bonus pay between white and minority ethnic employees in 2023 is:

Median	Mean
-2.1%	50.7%

Pay distribution

	Men	Women
Top quartile	69%	31%
Upper middle quartile	80%	20%
Lower middle quartile	77%	23%
Lower quartile	58%	42%
Overall	71%	29%

	White	Minority ethnic
Top quartile	89%	11%
Upper middle quartile	90%	10%
Lower middle quartile	90%	10%
Lower quartile	84%	16%
Overall	88%	12%

The full Gender and Ethnicity Pay Gap Report can be found online at **severntrent.com.** This outlines the methodology and definitions, and includes case studies showcasing how our advisory groups are fostering a working environment where colleagues trust and know that opportunities are available to all, regardless of an individual's gender, ethnicity or background.

Social Value

We want to ensure our Policy is designed to deliver balanced outcomes for all our stakeholders, including the communities we serve. Our Societal Strategy aims to support 100,000 people across our region, over the next 10 years, to tackle the underlying drivers of water poverty. We want to make sure that the support not only reaches the total number of people, but that the contacts are also meaningful, which is why we also want to measure Social Value.

In reaching 100,000 people, some of the initiatives, such as school employability days, are able to reach many people at once.

Other initiatives are much more resource intensive and do not reach as many people, but may have a greater benefit on society in the long term. Social Value aims to balance this by placing a value on different types of activities. Our ambition is to maximise the Social Value we deliver within our communities, whilst still reaching 100,000 people.

We have looked to take an evidence-based approach to our interventions, ensuring that we target our activities and resources in those areas that will have the greatest impact.

Themes, Outcomes and Measures ('TOMs')

The Social Value measure quantifies the value delivered and wider value created for society, through the National TOMs Framework. The TOMs Framework is widely recognised as the best standard for measuring and reporting on Social Value and is adopted by organisations in central and local Government. It also provides a metric that can be directly benchmarked against other companies.

Targets

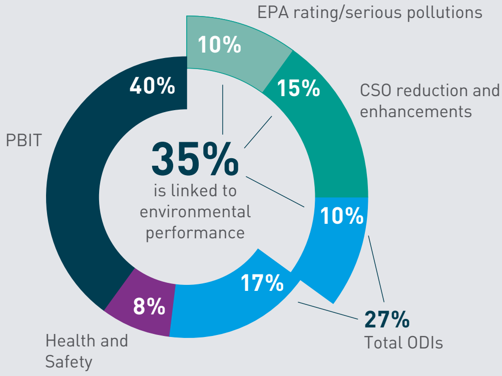
For the performance period of the 2024-27 LTIP, we are setting ourselves a very stretching ambition of impacting 30,000 people and generating a Social Value of £12 million. This is a huge increase on our run rate to date and will depend on both higher levels of activity and greater involvement across our whole business. The scale of this ambition will move our social impact activities from being activity undertaken by a smaller group of volunteers in the periphery of the business, to a core part of how we operate, requiring engagement and involvement across every part of the business.

A focus on environmental performance

As part of the 2024 Policy review we have reweighted the annual bonus performance measures within the current Policy such that there is an increased focus on customer and environmental measures.

- We have increased the weighting of the River Health element from 12% to 15%. This measure will now be split 7.5% for CSO spill reduction, and 7.5% for CSO enhancements.
- We have increased the weighting of the EPA element from 5% to 10%, with an extra underpin on serious pollutions. This measure will only pay out if we achieve both the highest EPA 4* rating, and there are zero serious pollutions in the year.
- The ODI element is worth 27%, and just over a third of the ODIs are environmental measures, equating to 10% of the total bonus.

In total, the environmental performance element of the budget for 2024/25 is worth 35%.



Post-Employment Shareholding Requirement ('PESR') in action

Since implementation of our PESR mechanism, an Executive Director has not left the business and so we have not been able to articulate how it works in practice. Following the retirement of the former CFO, James Bowling, at the end of 2023, we undertook a review to determine the number of his shares that needed to be retained for PESR purposes.

The Company already had an established PESR policy embedded in its Remuneration Policy requiring the in-employment shareholding (200% of salary in James' case) to be retained for a period of two years following cessation. This is enforceable via a custody arrangement in place with the Trustee of our Employee Benefit Trust ('EBT') who holds shares in 'safekeeping' for the purposes of meeting shareholding requirements. Following James' retirement, we calculated the number of shares which must continue to be held by the EBT to satisfy the Remuneration Policy. James' accumulated shareholding was considerably in excess of the in-employment requirement set out in the Remuneration Policy, having never sold any of the shares that he had acquired, other than those sold for tax purposes.

As part of the PESR review, in alignment with Investment Association ('IA') recommendations, we have taken into account vested LTIP shares that are still subject to the two-year post-vesting holding period but only taken into consideration unvested shares (on a net of tax basis) where these are no longer subject to performance conditions, i.e. deferred shares yet to be released under the Annual Bonus Scheme. As a result, we were able to determine those share certificates that needed to be retained by the EBT and to facilitate a release of shares to James where the restriction no longer applied. We continually review PESR requirements, for example when LTIP post-vesting holding periods come to an end.

COMMITTEE GOVERNANCE

The Committee's process

Each year, the Committee is presented with interim and annual updates that set out developments in Severn Trent's wider workforce pay policies and practices. The provision of these reports meet the requirements of the 2018 Code. The Committee continues to be engaged on the mechanisms for how the reward framework is applied across different levels within the organisation, which in turn has been shared in this report.

How does the Committee set performance targets?

The Committee has a well-established process for setting stretching targets to ensure that incentives drive our strategic outcomes and deliver value for our stakeholders.

1. Review and approve targets

Management proposes targets for the bonus and the LTIP, taking into consideration the AMP7 Business Plan, company strategy, the Board-approved budget, historical performance, consensus forecasts, stakeholder expectations and wider market/economic conditions. The Committee reviews the proposed targets (including the underlying assumptions) to ensure they are suitably stretching but also realistic. Following this review, the Committee approves the targets.

2. Assess performance

At the end of the performance period (one year for the bonus and three years for the LTIP), the formulaic outcomes of each performance measure are assessed on a standalone basis, including those that are independently verified by our external regulator, Ofwat. The UQ element for LTIP awards can only be measured once data for all WaSCs is available. A specific Committee meeting is scheduled for this purpose.

3. Determining final outcomes

The Committee assesses whether formulaic outcomes are fair in the context of overall business performance and service delivery for customers and the environment. The Committee has a well-established process to review formulaic outcomes and, as part of this process, independent external advice is sought whereby the Committee looks at 'performance in the round'. The Committee has the ability to exercise discretion to adjust formulaic incentive outcomes. Read more on page 173.

The Remuneration Committee's agenda for 2023/24

The Committee carries out an annual review of remuneration elements, policies and processes. This process was introduced in 2019 for the Committee to expand its responsibility to oversee and review wider workforce pay and policies, and to ensure they are designed to support the Company's desired culture and values.

The Committee believes that the context and knowledge shared is a useful underpin to ensure that our future decision making around Executive and senior management pay supports fair and equal remuneration throughout the entire workforce.

Key areas of focus

Review of the current Policy as part of the 2024 Remuneration Policy Review, ensuring alignment with regulatory guidance and ongoing compliance with the 2018 Code.

Review of performance in the round for 2022/23 ahead of approving the formulaic outturns for the 2022/23 annual bonus and the 2020 LTIP award.

Review of the Company's incentive scheme structures, ensuring alignment with regulatory guidance and broader stakeholder priorities.

Completion of its annual assessment on wider workforce policies and practices, including the updates made in year to the Maternity and Adoption leave policies, the Company's real Living Wage and real Living Hours accreditations, Severn Trent Plc's 2023 Gender and Ethnicity Pay Gap Report, and alignment of Executive and wider workforce annual pay increases. The Committee reported to the Board on this matter.

Attendance at the Company Forum to share guiding remuneration principles with employee and Trade Union representatives.

Consideration of an independent update, provided by PwC, on current market practice and future remuneration trends.

Review of the expenses claim procedure for the Chair and CEO.

Review and approval of the Company's Terms of Reference during the year, prior to making a recommendation to the Board. In completing its review, the Committee concluded that the Terms of Reference remained appropriate and reflected the manner in which the Committee was discharging its duties.

What the Committee will look at in 2024/25

The Company remains committed to continuous improvement of terms and conditions. We pride ourselves on keeping pace with trends in talent management and acquisition, and skills development, in order to motivate, develop and retain a positive working environment, to ensure the best prospects for the long-term success of the Company.

Below are some of the focus areas for the Committee during 2024/25:

Employee wellbeing

The Committee will continue to review the support we provide to employees across all three pillars of wellbeing (physical, mental and financial) to ensure we are embodying our value of 'Showing Care' as much as possible.

Fair and transparent pay

Continued commitment to monitor and evaluate developments in our pay framework and the review of Executive pay in line with the wider workforce. We will continue to clarify the contribution of unique role types to ensure an equal and fair reward package that is representative of roles with similar skill types.

Implementation of the 2024 Policy

Overseeing the implementation of the new Policy, including the increase of the Non-Financial element of the LTIP from 20% to 50%, and the introduction of two new measures – Social Value and PCDs. For more details see page 172.

Governance matters

The Committee's performance was assessed as part of the externally facilitated Board Effectiveness evaluation. The Committee is regarded as operating effectively and it is noted that the Board takes assurance from the quality of the Committee's work.

2023 AGM shareholder voting outturn

Resolution	Votes for	Votes against	Votes withheld
Approve Directors' Remuneration Report	192,267,172	9,273,727	74,027
	(95.40%)	(4.60%)	

2021 AGM shareholder voting outturn

Resolution	Votes for	Votes against	Votes withheld
Approve Directors' Remuneration Policy	191,642,002	662,228	625,355
	(99.66%)	(0.34%)	

Committee advisers

To ensure that the Company's remuneration practices are in line with best practice, the Committee has appointed independent external remuneration advisers, PwC. This appointment in 2017 followed a formal selection process. PwC attends meetings of the Committee.

PwC is one of the founding members of the Remuneration Consultants Group Code of Conduct and adheres to this Code in its dealings with the Committee. The Committee reviews the appointment of its advisers annually and is satisfied that the advice it receives is objective and independent. Fees, on a time-spent basis, for the advice provided by PwC to the Committee during the year were £151,958 excluding VAT (2022/23: £92,985). Separate teams within PwC also provided unrelated tax consulting, pensions, and other assurance and advisory services during the year. There are no connections between PwC and individual Directors to be disclosed.

The CEO, CFO, Director of Human Resources and the Head of Reward and HR Operations also attend meetings, by invitation, to provide advice and respond to specific questions. Such attendances specifically excluded any matter concerning their own remuneration. The Group Company Secretary acts as secretary to the Committee.

ANNUAL REPORT ON REMUNERATION

The Annual Report on Remuneration and the Annual Statement will be put to an advisory shareholder vote at the AGM on 11 July 2024.

The 2024 Remuneration Policy, which is set out on pages 195 to 204, will also be submitted to shareholders for approval at the AGM.

Total single figure of remuneration (audited)

The tables below and on the next page set out the total single figure of remuneration received by the Executive Directors for 2023/24 (or for performance periods ended in 2023/24 in respect of long-term incentives) and 2022/23 for comparison, and total fees received by Non-Executive Directors for 2023/24 and 2022/23, for comparison.

Where necessary, further explanations of the values provided are included below. The tables and the explanatory notes have been audited.

Executive Directors	Financial year ended 31 March	Salary (£'000)[i]	Benefits (£'000)[ii]	Pension (£'000)[iii]	Other (£'000)[iv]	Fixed pay and benefits sub-total (£'000)	Annual bonus (£'000)[v]	LTIP standard element (£'000)	LTIP UQ element (£'000)	LTIP total (£'000)[vi]	Variable remuneration sub-total (£'000)	Total remuneration (£'000)[vii]
Liv Garfield	**2023/24**	**793.8**	**18.4**	**119.1**	**4.5**	**935.8**	**584.0**	**1,232.1**	**430.8**	**1,662.9**	**2,246.9**	**3,182.7**
	2022/23	771.9	18.1	115.8	0.0	905.8	358.8	1,292.5	559.8	1,852.3	2,211.1	3,116.9
Helen Miles	**2023/24**	**480.0**	**24.3**	**72.0**	**0.0**	**576.3**	**379.4**	**322.0**	N/A	**322.0**	**701.4**	**1,277.7**
	2022/23[viii]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
James Bowling	**2023/24**	**124.9**	**4.7**	**18.7**	**0.0**	**148.3**	**100.9**	N/A[ix]	**259.4**	**259.4**	**360.3**	**508.6**
	2022/23	465.2	17.6	69.8	0.0	552.5	216.2	519.5	337.0	856.4	1,072.6	1,625.1

(i) Salaries are shown before the deductions of benefits purchased through the Company's salary sacrifice scheme, such as pension contributions.
(ii) Benefits include a green travel allowance of £15,000 p.a., family-level private medical insurance, life assurance worth six times salary and participation in an incapacity benefits scheme. This also includes a benefit-in-kind relating to electric vehicles, which increased from 1% in 2021/22 to 2% in 2022/23.
(iii) The Executive Directors' maximum pension contribution is aligned with the wider workforce at 15%. None of the Executive Directors accrued benefits under any defined contribution pension plans during the year or have participated in a defined benefits scheme whilst an Executive Director.
(iv) This figure relates to the difference between the market price and the discounted option price relating to a SAYE option granted during the financial year.
(v) The annual bonus is paid 50% in cash and 50% in shares, with the portion deferred into shares subject to continued employment for three years but with no further performance conditions attached. See page 175 for further details of the annual bonus outturn for 2023/24.
(vi) For 2023/24 the value of the LTIP is based on the outcome of the standard element of the total potential 2021 LTIP vesting, plus the UQ element of the 2020 LTIP. For 2022/23 the value of the LTIP is based on the standard element of the total 2020 LTIP vesting, plus the UQ element of the 2019 LTIP. The prior year LTIP figure has been restated using the share price at the date of vesting and includes dividend equivalents in respect of vested shares. Details of share prices used to calculate these values are set out on page 192.
(vii) The 2023/24 total remuneration figures include £430.8k for the CEO and £259.4k for the former CFO in respect of UQ performance for the 2020 LTIP, which is published one year in arrears and relates therefore to the 2022/23 remuneration figure.
(viii) As per the regulations, figures are not included for Helen Miles in respect of 2022/23, as she did not become an Executive Director until 1 April 2023.
(ix) James Bowling's LTIP figure for 2023/24 includes the 2020 UQ element only. The 2021 standard element is reported in the 'Payments to former Directors upon retirement' section below.

Payments to former Directors upon retirement (audited)

James Bowling stepped down as Chief Financial Officer and an Executive Director in July 2023, and retired from the Company in December 2023. His remuneration arrangements were treated in line with the shareholder-approved Policy. He did not receive any compensation for loss of office, but as a retiree he was treated as a good leaver in relation to his outstanding incentive awards. His bonus for 2023/24 will be pro-rated and paid in cash and he will retain original vesting dates for Annual Bonus Scheme deferred awards. Full details of James' 2023/24 bonus are set out on page 176.

James was not awarded an LTIP in 2023 or 2024, and his in-flight LTIP awards will vest in line with the normal timeline, pro-rated to his termination date and maintaining the two-year holding period. For more details on the vesting of his 2021 LTIP, see below. His two-year PESR period commenced in July 2023, once he stepped down from the Severn Trent Plc Board. See case study on page 187 for more details.

Standard proportion of award (Absolute RoRE plus sustainability elements)	LTIP	Total number of shares granted	Value of award at grant (£'000)	End of performance period	Standard element of award vesting (% max)[i]	Total number of shares vesting (pro-rated to termination date)	Vesting date	Value attributable to share price movement (£'000)	Value of LTIP shares vesting[ii] (£'000)	Value of dividend equivalents due[iii] (£'000)	Value of element of LTIP (£'000)
James Bowling	2021	25,068	614.8	31/03/2024	73.3%	16,856	24/07/2024	-21.8	429.0	39.0	468.1

(i) The standard element of award vesting has been calculated in line with the outcomes set out on page 176 for other Executive Directors, applying the vesting schedule set out in the 2021 Remuneration Report.
(ii) Based on the average share price over the final three months of the performance period of £25.45 as the awards will not be released until after the end of the closed period.
(ii) Based on dividends paid in the period since date of grant to 31 March 2024.

If relative element of award is achieved – indicative values	LTIP	Maximum number of shares that could vest (pro-rated to termination date)	Vesting date	Value attributable to share price movement (£'000)	Potential value of UQ element vesting[i] (£'000)	Value of dividend equivalents due[ii] (£'000)	Potential value of element of LTIP (£'000)
James Bowling	2021	6,130	24/07/2024	(7.9)	156.0	14.1	170.1

(i) Based on the average share price over the final three months of the performance period of £25.45 as the awards will not be released until after the end of the closed period.
(ii) Based on dividends paid in the period since date of grant to 31 March 2024.

Total Non-Executive Directors' fees (audited)

	2022/23 (£'000) Fees	2023/24 (£'000) Fees
Christine Hodgson 1 January 2020 – present	312.2	321.1
Kevin Beeston 1 June 2016 – present	75.5	77.5
Tom Delay 1 January 2022 – present	71.6	77.5
Sarah Legg 1 November 2022 – present	25.2	66.3
Sharmila Nebhrajani 1 May 2020 – present	67.6	79.6
Gillian Sheldon 1 November 2021 – 14 May 2024	66.9	78.6
Former Directors		
John Coghlan[i] Resigned 31 December 2023	97.3	80.1

(i) Inclusive of a fee of £10,785 in relation to his responsibilities as Chair of Hafren Dyfrdwy Cyfyngedig in 2023/24 and £10,470 in 2022/23.

Relative importance of spend on pay

The table below shows the expenditure of the Company on staff costs against dividends paid to shareholders for both the current and prior financial periods and the percentage change between the two periods.

Relative importance of the spend on pay	2022/23 £m	2023/24 £m	% change
Staff costs	382.3	473.4	23.6%
Dividends	261.3	301.4	15.3%

Annual bonus outturn for 2023/24 (audited)

Our all-employee Annual Bonus Scheme ensures that all of our people, from Executive Directors to our frontline employees, are aligned with the same measures and rewarded appropriately for achieving key objectives. Full detail on the Company's performance during the financial year can be found in the Strategic Report.

The performance outcomes in respect of financial performance conditions, and the overall bonus awarded to each Executive Director and our frontline employees, is set out in the Remuneration for the Year in Review section on page 175.

Remuneration of the CEO

The total remuneration for the CEO over the last 10 financial years is shown in the table below. The annual bonus payout and LTIP vesting level as a percentage of the maximum opportunity is also shown.

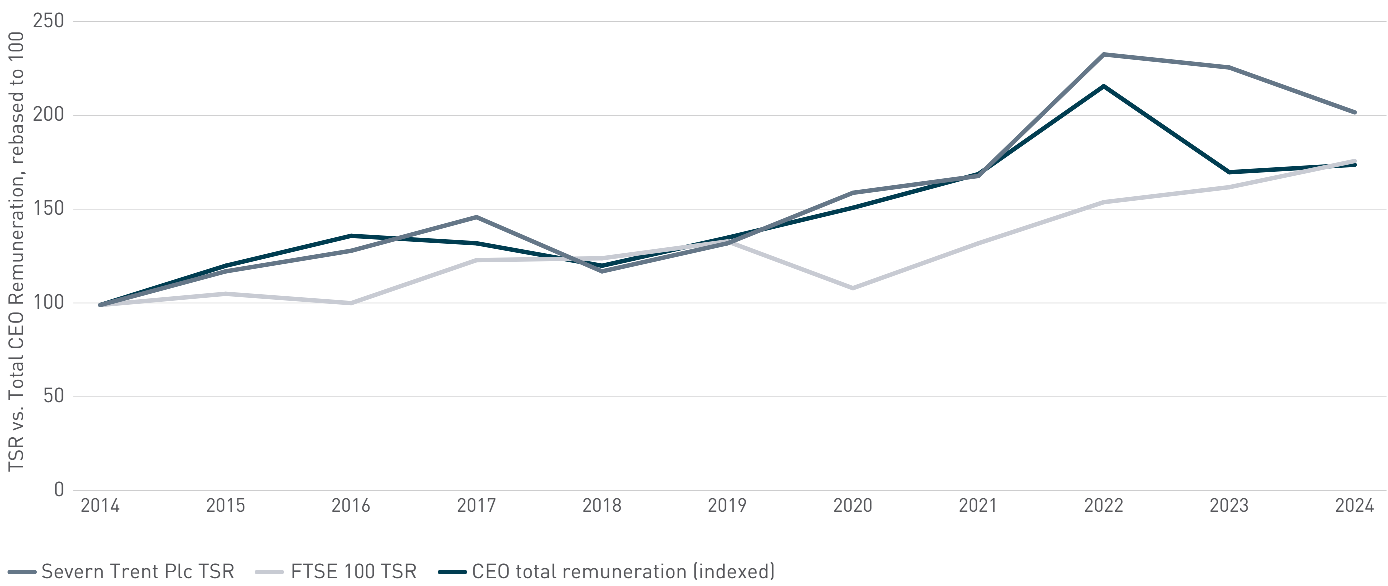
Year ended 31 March	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CEO	Liv Garfield	Liv Garfield	Liv Garfield	Liv Garfield	Liv Garfield	Liv Garfield	Liv Garfield	Liv Garfield	Liv Garfield	Liv Garfield
Total remuneration (£'000)[i]	2,197.6	2,493.6	2,424.0	2,193.5	2,478.8	2,765.1	3,084.0	3,948.4	3,116.9	3,182.7
Annual bonus (% of maximum)	52.0%	88.2%	75.8%	60.4%	58.5%	74.0%	63.8%	81.0%	38.5%	60.9%
LTIP vesting (% of maximum)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%[ii]	80.0%[iii]

(i) 2018 onwards includes any SAYE grants made during the year as well as dividend equivalents in respect of vested LTIP shares.
(ii) The vesting of the 2020 LTIP award was reported in the 2022/23 Directors' Remuneration Report as 75% of maximum. In light of UQ performance being achieved, the UQ element of the 2020 LTIP award has since vested in full. To reflect this, the LTIP vesting percentage for 2023 has been restated. The additional LTIP value arising from the full vesting of the UQ element (£430.8k) is included in the total remuneration value for 2023/24.
(iii) The value of the 2021 LTIP award for 2023/24 is based on the Committee's assessment of the vesting of the standard element of the LTIP. The UQ element cannot be measured until the end of July 2024; such vesting, if any, will form part of the total remuneration value for 2024/25.

CEO remuneration vs returns to shareholders

The graph below shows the value at 31 March 2024 of £100 invested in Severn Trent Plc on 1 April 2014 compared with the value of £100 invested in the FTSE100. The FTSE100 was chosen as the comparator index because the Company is a constituent of that index. The intermediate points show the value of the intervening financial year ends.

Total shareholder return ('TSR') and total CEO remuneration



Benefits for 2023/24 (audited)

The value of benefits is based on the cost to the Company and there is no pre-determined maximum limit. The range and value of the benefits offered are reviewed periodically. In line with the Policy outlined on page 179, we show below the benefits received by the individual Executive Directors in the year, and their typical annual value where possible.

Benefits for 2023/24 (audited)	Typical annual value 2022/23	Typical annual value 2023/24	Percentage increase/(decrease)
Green travel allowance	£15,000	£15,000	0%
Private medical insurance	£1,563	£1,918	23%
Life assurance	Up to 6x salary	Up to 6x salary	0%
Personal accident cover	As per the Group-wide policy	As per the Group-wide Policy	0%
Biennial health screening	£671 per health screen	£671 per health screen	0%
Incapacity benefits	Worth 75% of salary for a period of five years (subject to qualifying criteria)	Worth 75% of salary for a period of five years (subject to qualifying criteria)	0%

LTIP awards vesting in relation to performance in 2023/24 (audited)

Under the 2018 Policy, which received very strong shareholder support, we implemented a UQ comparison against other WaSCs under the RoRE performance measure for all future LTIP awards made to the Executive Directors. This ensures full vesting is only achieved for UQ comparative performance and it aligns with the Company's aspirations to be an upper quartile performer.

The outcome of the 2021 LTIP is based on performance over the three-year period from 1 April 2021 to 31 March 2024. This is the fourth LTIP award vesting that includes a stretch measure relative to the UQ performance of the other WaSCs. The value set out below is based on achievement of the standard element against the total potential LTIP vesting, as this measures the Company's performance against the RoRE set by its FD. Achievement under the standard element was 2.27x and this was measured against the target that we set of 1.39x the base RoRE return. This results in a vesting equivalent to 60% of salary for the CEO and 53.3% of salary for the CFO. Full details are set out in the table below.

				Standard proportion of 2021 award (Absolute RoRE plus sustainability elements)						
	Total number of shares granted	Value of award at grant (£'000)	End of performance period	Standard element of award vesting (% max)	Number of shares vesting	Vesting date	Value attributable to share price movement (£'000)	Value of LTIP shares vesting[i] (£'000)	Value of dividend equivalents due[ii] (£'000)	Value of standard element of LTIP (single figure) (£'000)
Liv Garfield	55,461	1,483.4	31/03/2024	80.0%	44,368	24/07/2024	(57.5)	1,129.2	102.8	1,232.1
Helen Miles	15,815	423.0	31/03/2024	73.3%	11,597	24/07/2024	(15.0)	295.2	26.9	322.0

(i) Based on the average share price over the final three months of the performance period of £25.45 as the awards will not be released until after the end of the closed period.
(ii) Based on dividends paid in the period since the date of grant to 31 March 2024.
(iii Details regarding James Bowling's 2021 LTIP awards can be found in the 'Payments to former Directors upon retirement' section on page 190.

The vesting of the standard element of the 2020 LTIP award was reported in the 2022/23 Directors' Remuneration Report. The below reflects the vesting of the UQ element of the 2020 LTIP award (as a percentage of the maximum award). The 2020 LTIP vested at 100% of maximum when these two elements are combined.

				UQ element of 2020 award[i]						
	Total number of shares granted	Value of award at grant (£'000)	End of performance period	UQ element of award vesting (% max)	Number of shares vesting	Vesting date	Value attributable to share price movement (£'000)	Value of LTIP shares vesting[ii] (£'000)	Value of dividend equivalents due[iii] (£'000)	Value of UQ element of LTIP (single figure) (£'000)
Liv Garfield	60,483	1,450.0	31/03/2023	25.0%	15,121	24/07/2023	23.8	386.3	44.5	430.8
James Bowling	27,336	655.3	31/03/2023	33.3%	9,103	24/07/2023	14.4	232.6	26.8	259.4

(i) Figures are not included for Helen Miles, as she did not become an Executive Director until after the performance period of the 2020 LTIP.
(ii) Based on the three-day average share price to 24 July 2023 of £25.55.
(iii) Based on dividends paid in the period since date of grant to 24 July 2023.

The UQ element of the 2021 LTIP award cannot be measured, and so the associated vesting will not be known, until the end of July 2024 when comparable statistics for the other WaSCs are published and provided to Ofwat; such vesting, if any, will therefore be disclosed in the 2024/25 Directors' Remuneration Report. The LTIP value in the 2024/25 single figure table will comprise the UQ element of the 2021 LTIP award (if any) plus the standard element of the 2022 LTIP award. For full transparency, we set out below the maximum number of additional shares that could vest if UQ performance relative to other WaSCs is achieved.

	UQ element of 2021 award			
	Maximum number of shares that could vest	Value based on share price at grant of £26.75 (£'000)	Value attributable to share price movement (£'000)	Value based on average share price of £25.45[i] (£'000)
Liv Garfield	11,093	296.7	(14.4)	308.0
Helen Miles	4,218	112.8	(5.5)	117.1

(i) Details regarding James Bowling's 2021 LTIP awards can be found in the 'Payments to former Directors upon retirement' section on page 190.

2023 LTIP award (awards granted during the year)

	Basis of award (% of base salary)	Number of shares granted[i]	Grant date	Face value of award at grant (£'000)	End of performance period	Vesting date	3-day average share price used for grant calculations
Liv Garfield	200%	57,094	06/06/2023	1,522.6	31/03/2026	27/07/2026	£27.19
Helen Miles	150%	26,477		720.0			

(i) LTIP awards are conditional share awards subject to performance conditions, as set out below.

2023 LTIP award		Threshold FD baseline 3.89% (% salary)	1.39x FD 5.41% (% salary)	UQ performance relative to WaSCs (% salary)	Sustainability performance measure (% salary)	Max outturn (% salary)
Vesting for performance	**Liv Garfield**	30%	120%	160%	40%	200%
	Helen Miles	20%	80%	120%	30%	150%

Sustainability performance measure details

Direct Contributors to Carbon Reduction (10%)

Scope 1 & 2 reduction	Achieving a cumulative reduction in our Scope 1 & 2 emissions of 30% against a 2019/20 baseline of 508.4 kT by 31 March 2026.
Self-generation	Achieving an outturn of 137 GWh additional generation from the 2019/20 baseline of 486 GWh, enabling a minimum total renewable generation of 623 GWh by 31 March 2026.

Innovation and Engagement for Carbon Reduction (10%)

Roll-out of Net Zero Hub	Achieving a cumulative reduction in Scope 1, 2 and 3 emissions by 15 kT by 31 March 2026.
Scope 3 supply chain engagement	To have suppliers representing 70% of our Scope 3 emissions committed to a Science-Based Target at 31 March 2026.

Deferred shares under the Annual Bonus Scheme (including awards granted during the year)

One half of the bonus earned in respect of performance during 2022/23 was deferred into shares, as detailed below:

	Award	Basis of award	Number of shares granted[i]	Grant date	Face value of award at grant (£'000)	Vesting date	3-day average share price used for grant calculations
Liv Garfield	2023 Annual Bonus Scheme relating to 2022/23	Deferred bonus	6,521	13/06/2023	179.4	13/06/2026	£27.51
Helen Miles			3,031		83.4		
James Bowling			3,930		108.1		

(i) Annual bonus shares are deferred shares which are subject to continued employment, but are not subject to further performance conditions.

Directors' shareholdings and summary of outstanding share interests (audited)

Page 178 in the Remuneration for the Year in Review section summarises the shareholding requirements under which Executive Directors are expected to build and maintain a shareholding in the Company, and whether Executive Directors have met the shareholding requirements. The shareholding requirements for the CEO and CFO remained unchanged in 2023/24.

The Committee believes that it is an essential part of the Policy that Executive Directors become material shareholders, and this is evidenced by the number of shares held by both Executive Directors. The retention and build-up of equity is important in a long-term business such as Severn Trent as it encourages decisions to be made on a long-term sustainable basis for the benefit of all stakeholders.

There has been no change in the Directors' interests in the ordinary share capital of the Company between those set out below and 21 May 2024.

Directors	Beneficially owned	LTIP shares[(i) (ii)]	Annual bonus shares[(iii)]	SAYE options	Shareholding requirement as a % of salary	Current shareholding as a % of salary	% shareholding requirement achieved[(iv)]
Liv Garfield 11 April 2014 – present	381,089	165,506	30,722	1,842	300%	1,227%	409%
Helen Miles 1 April 2023 – present	62,932	57,394	14,469	0	200%	363%	182%
Non-Executive Directors							
Christine Hodgson 1 January 2020 – present	7,486	–	–	–	–	–	–
Kevin Beeston 1 June 2016 – present	5,996	–	–	–	–	–	–
Tom Delay 1 January 2022 – present	0	–	–	–	–	–	–
Sarah Legg 1 November 2022 – present	1,912	–	–	–	–	–	–
Sharmila Nebhrajani 1 May 2020 – present	231	–	–	–	–	–	–
Gillian Sheldon[(v)] 1 November 2021 – present	350	–	–	–	–	–	–
Former Directors							
James Bowling[(vi)] Resigned 6 July 2023	127,352	76,338	18,514	780	200%	703%	352%
John Coghlan Resigned 31 December 2023	3,832	–	–	–	–	–	–

(i) LTIP awards are conditional share awards subject to ongoing performance conditions.
(ii) Additional dividend equivalent shares may be released where provided in the rules.
(iii) Annual bonus shares are deferred shares which are not subject to further performance conditions.
(iv) The share price used to calculate the percentage of the shareholding guideline achieved for both current and former directors was £24.70 (as at 31 March 2024). The guideline figures include unvested annual bonus shares (47% deducted to cover statutory deductions).
(v) Gillian Sheldon remained in role as a Non-Executive Director as at 31 March 2024, and subsequently stepped down from the Board in 14 May 2024
(vi) James Bowling's shareholding as a percentage of salary has been calculated with reference to the number of shares held at 6 July 2023, being the date he retired from the Board.

External directorships

Liv Garfield was appointed a member of the Takeover Panel in November 2017. She retains any fees in respect of her appointment for the year ended 31 March 2024. In December 2022, she also became a Non-Executive Director of Brookfield Asset Management Limited and retains any fees associated with this appointment. Helen Miles has been a Non-Executive Director at Breedon Group Plc since April 2021, and retains any fees associated with this appointment.

Service contracts for Executive Directors

Copies of the service contracts for the Executive Directors are available for inspection at the Company's registered office during normal business hours.

All Directors will retire at this year's AGM and submit themselves for appointment or reappointment by shareholders at the AGM on 11 July 2024. Liv Garfield and Helen Miles have service contracts which provide for a notice period of one year. Non-Executive Directors do not have service contracts; their Letters of Appointment can be found on the website and are available for inspection at the Company's registered office during normal business hours.

Name	Date of service contract	Nature of contract	Notice period	Termination payments
Liv Garfield	11/04/2014	Rolling	12 months	Payments for loss of office comprise a maximum of 12 months' salary and benefits only
Helen Miles	01/04/2023			

Sharmila Nebhrajani OBE
Chair of the Remuneration Committee
9 May 2024

REMUNERATION POLICY

This section contains Severn Trent Plc's proposed Directors' Remuneration Policy (the 'Remuneration Policy') that will govern and guide the Company's future remuneration payments. The Remuneration Policy described in this section is intended to apply for three years and will be applicable from the date of approval by shareholders at the Company's 2024 Annual General Meeting ('AGM').

Development of Remuneration Policy report

The Remuneration Committee sets the Remuneration Policy for Executive Directors and other senior executives, taking into account the Company's strategic objectives over both the short and the long term, stakeholders expectations, and the external market. The Committee addresses the need to balance risk and reward, and monitors the variable pay arrangements to take account of risk levels, ensuring an emphasis on long-term and sustainable performance. The Committee believes that the incentive plans are appropriately managed and that the choice of performance measures and targets does not encourage undue risk taking by the Executives, so that the long-term performance of the business is not compromised by the pursuit of short-term value. The plans incorporate a range of internal and external performance metrics, measuring operational, financial and environmental performance over differing and overlapping performance periods, providing a rounded assessment of overall Company performance.

In order to manage conflicts of interest, no Director or employee participates in discussions pertaining to their own remuneration. The Committee reviews the performance of its external advisers on an annual basis to ensure that the advice provided is independent of any support provided to management.

Contents

Linkage to all-employee pay

The Committee reviews changes in remuneration arrangements in the workforce generally as we recognise that all employees play an important role in the success of the Company. Severn Trent is committed to creating an inclusive working environment and to rewarding employees throughout the organisation in a fair and transparent manner. When making decisions on Executive pay, the Committee considers wider workforce remuneration and conditions to ensure that they are aligned on an ongoing basis. In particular, the Committee considers wider workforce salary increases when determining those for Executive Directors. We believe that employees throughout the Company should be able to share in the success of the Company. Therefore, the annual bonus scheme is cascaded throughout the organisation and all employees may participate in the HMRC tax advantaged Save As You Earn ('SAYE') scheme.

As part of our commitment to fairness, the 'Company remuneration at Severn Trent' section on pages 182 to 187 sets out the steps we take to make sure that our pay and reward framework below Executives and senior management, is transparent in a way that is meaningful and useful. This section also includes more information on our wider workforce pay conditions, our gender and ethnicity pay statistics and our CEO pay ratio disclosure.

Shareholder views

The Committee engages proactively with the Company's major shareholders and is committed to maintaining an open dialogue. It reviews any feedback received from shareholders throughout the year, and as a result of the AGM process. Committee members are available to answer questions at the AGM and throughout the rest of the year. The Committee takes into consideration the latest views of investor bodies and their representatives, including the Investment Association, the Pensions and Lifetime Savings Association and proxy advice agencies.

In preparing the 2024 Remuneration Policy, the Company carried out an extensive shareholder consultation exercise with our largest shareholders and representative bodies to seek feedback on the main changes proposed.

In summary, shareholders were pleased to see the overarching principles of the Remuneration Policy retained, whilst supporting the Company's commitment to the introduction of a broader range of non-financial Long Term Incentive Plan ('LTIP') measures that support the key pillars of the Company's strategy going into AMP8.

Remuneration Policy continued

Summary of changes to the proposed Remuneration Policy

Element of remuneration	Summary of proposed Remuneration Policy changes and rationale
Base salary	No changes proposed.
Benefits	No changes proposed.
Pension	No changes proposed.
Annual bonus	Removal of the option for personal objectives as an element within the bonus structure (not used since 2019/20). Note: Proposed changes to performance metrics and weightings (implementation of Policy) are set out on page 180.
Long-term Incentive Plan	No changes proposed. Note: Proposed evolution of performance metrics and weightings (implementation of Policy) are set out on page 180.
All-employee share plans	No changes proposed.
Shareholding requirements	No changes proposed.
Approach to recruitment and promotion	No changes proposed.
Policy on payments for loss of office	Clarify the treatment of deferred share awards for good leavers so that the default treatment is that subsisting awards would vest as per their original timelines (rather than at the point of cessation).
Policy on change of control	No changes proposed.
Chair and Non-Executive Directors	No changes proposed.

2024 Directors' Remuneration Policy table

The following table sets out the key elements of the remuneration for the Executive Directors.

Salary

Purpose and link to strategy: To recruit and reward Executive Directors of a suitable calibre for the role and duties.

Operation (including performance metrics)	Maximum opportunity
– Salaries for individual Executive Directors are reviewed annually by the Committee and normally take effect from 1 July. – Salaries are set with reference to individual performance, experience and contribution, together with developments in the relevant employment market (having regard to similar roles in publicly quoted companies of a comparable size), Company performance, affordability, the wider economic environment and internal relativities. – In addition, when the Committee determines a benchmarking exercise is appropriate, it will also consider salaries within the ranges paid by the companies in the comparator groups used for remuneration benchmarking. – The Committee intends to review the comparators periodically and may add or remove companies from the group as it considers appropriate. Any changes to the comparator groups will be set out in the section headed Implementation of Remuneration Policy, in the following financial year's Directors' Remuneration Report.	– Details of the current salary levels for the Executive Directors are set out in the Annual Report on Remuneration on page 190. – Any increase to the Executive Directors' salaries will generally be no higher than the average increase for the UK workforce. However, a higher increase may be proposed in the event of a role change or promotion, or in other exceptional circumstances. – The Company, where appropriate, may set salary levels below the market reference salary at the time of appointment, with the intention of bringing the salary levels in line with the market as the individual gains the relevant experience. In such cases, subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.

Benefits

Purpose and link to strategy: To provide competitive benefits in the market to enable the recruitment and retention of Executive Directors.

Operation (including performance metrics)	Maximum opportunity
– A green travel allowance (formerly car allowance, changed to recognise the use of public transport and introduction of our electric vehicle car scheme), family-level private medical insurance, life assurance, personal accident insurance, health screening, an incapacity benefits scheme and other incidental benefits and expenses. – The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Therefore, additional benefits such as relocation, disturbance and expatriate allowances, and tax equalisation may be paid as appropriate. – Directors will be reimbursed for any reasonable business expenses incurred in the course of their duties, including the tax payable thereon.	– The value of benefits is based on the cost to the Company and there is no pre-determined maximum limit. The range and value of the benefits offered are reviewed periodically.

Pension

Purpose and link to strategy: To provide pension arrangements comparable with similar companies in the market to enable the recruitment and retention of Executive Directors.

Operation (including performance metrics)	Maximum opportunity
– The Company maintains a defined contribution scheme and/or cash supplement in lieu of pension.	– For Executive Directors, the Company contribution to a pension scheme and/or cash allowance is a maximum of 15% of salary, which aligns with the maximum available to members of the Severn Trent Group Personal Pension (the majority of the wider workforce).

Annual bonus

Purpose and link to strategy: To encourage improved financial, operational and environmental performance, and to align the interests of Executive Directors with shareholders through the partial deferral of payment in shares.

Operation (including performance metrics)	Maximum opportunity
– Bonuses are based on financial, operational, customer and environmental measures over a performance period of one financial year. – 50% of the bonus is paid in cash and 50% in shares which vest after three years (with the value of any dividends to be rolled up and paid on vesting). There are no further performance targets on the deferred amount. – The performance measures and targets for the annual bonus are selected annually to align with the business strategy and the key drivers of performance set under the regulatory framework. The annual weighting of the bonus between the various metrics may vary depending on the key priorities of the business for the year ahead. Robust and demanding targets are set, taking into account the operating environment and priorities, market expectations and the business plan for the year ahead. – The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the bonus, disclosing precise targets in advance would not be in shareholder interests. Therefore, performance targets and performance achieved will be published at the end of the performance period, so shareholders can fully assess the basis for any payouts. – Malus and clawback mechanisms apply to allow the recoupment within three years of the payment of the cash bonus or the grant of deferred shares in the event of financial misstatement, errors in calculation, misconduct, reputational damage, regulatory censure, corporate failure of the Company, or failures of risk management or of other operational systems and controls. – Any exercise of discretion by the Committee will be communicated to shareholders in full in the following year's Directors' Remuneration Report. Cessation of employment and change of control provisions apply as set out in the notes to the Remuneration Policy table.	– The maximum annual bonus payment will equal 120% of salary for maximum performance. For threshold performance, 0% of maximum opportunity will be paid. For target performance 50% of maximum opportunity will be paid. – The Committee will operate all incentive plans according to the rules of each respective plan and the discretions contained therein. The discretions cover aspects such as the timing of grant and vesting of awards, determining the size of the award (subject to the policy limits), the treatment of leavers, retrospective adjustment of awards (e.g. for a rights issue, a corporate restructuring or for special dividends) and, in exceptional circumstances, the discretion to adjust previously set targets for an incentive award if events happen which cause the Committee to determine that it would be appropriate to do so. In exercising such discretions, the Committee will take into account generally accepted market practice, best practice guidelines, the provisions of the Listing Rules and the Company's approved Remuneration Policy. – In exceptional circumstances the Committee retains the discretion to: a) Change the performance measures and targets, and the weighting attached to them, part way through a performance year, if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate; and b) Make downward or upward adjustments to the amount of bonus earned resulting from the application of the performance measures, if the Committee believes that the bonus outcomes are not a fair and accurate reflection of business performance.

Remuneration Policy continued

LTIP

Purpose and link to strategy: To encourage strong and sustained improvements in financial performance, in line with the Company's strategy and long-term shareholder returns.

Operation (including performance metrics)	Maximum opportunity

– Awards are granted annually and will be subject to one or more performance conditions which will be assessed over three years.
– A two-year holding period will apply following the three-year vesting period for LTIP awards granted to the Executive Directors.
– The LTIP will be based on a combination of financial and non-financial measures. Financial measures will constitute at least 50% of the LTIP performance measures. The non-financial measures will be made up of a selection of environment, customer and/or communities measures, and will not have a weighting exceeding 50% of the LTIP performance measures.
– For the first LTIP awards under this Policy, the following will apply:
  – 50% of the maximum LTIP award will be based on Return on Regulatory Equity ('RoRE') and will require the Company's RoRE to outperform the target set out in Ofwat's FD and, for full vesting, to deliver upper quartile relative performance compared with other water companies.
  – 30% of the maximum LTIP award will be based on environmental performance, comprising 20% on carbon reduction and 10% on reduction of Reasons for Not Achieving Good Status ('RNAGS').
  – 10% of the maximum LTIP award will be based on a long-term measure of customer performance, via Price Control Deliverables ('PCDs').
  – 10% of the maximum LTIP award will be based on a communities-related performance measure, focused on creating Social Value.
– Using RoRE to assess long-term performance reflects the focus of Ofwat in AMP7 and AMP8 and is consistent with our aim to deliver efficient returns to shareholders. RoRE measures the returns (after tax and interest) that companies have earned by reference to the notional regulated equity, where regulated equity is calculated from the Regulated Capital Value ('RCV') and notional net debt. The Committee believes that the use of RoRE provides a strong alignment between the long-term financial and operational performance of the Group and the reward delivered to management.
– The Committee believes that including carbon reduction measures within the long-term incentive framework is important given the Company's ambitious long-term sustainability commitments.
– Whilst the reduction in storm overflow spills measure has worked well in the annual bonus, we believe that the reduction in RNAGS is a long-term driver of performance, and is therefore better aligned to the LTIP.
– We already include a significant element in the annual bonus tied to in-year operational delivery for customers; there will now be an additional element in the LTIP, in the form of PCDs, that will focus on capital delivery programmes and is aligned with the long-term interests of our customers.
– In November 2022, we announced our 10 year Societal Strategy to help change the lives of 100,000 people through tackling the underlying drivers of poverty and improving the lives of people in our communities. This will be measured using the Themes, Outcomes and Measures ('TOMs') methodology. See more detail on page 187.
– The structure of the non-financial measures and targets will vary based on the nature of the target set (e.g. for milestone targets it may not always be practicable to set such targets using a graduated scale and so vesting may take place in full for strategic targets if the criteria are met in full). Full disclosure of targets and the verification process for measures will be disclosed in future Directors' Remuneration reports.
	– Maximum limit is 200% of salary. Up to 25% of an award may vest for threshold performance, as applicable.
	– The Committee will review the measures, weightings and targets before each grant to ensure they remain appropriate. The Committee may change the weighting of the measure, or use different measures for subsequent awards, as appropriate.
	– The Committee will operate all incentive plans according to the rules of each respective plan and the discretions contained therein.
	– The discretions cover aspects such as the timing of grant and vesting of awards, determining the size of the award (subject to the Policy limits), the treatment of leavers, retrospective adjustment of awards (e.g. for a rights issue, a corporate restructuring or for special dividends) and, in exceptional circumstances, the discretion to adjust previously set targets for an incentive award if events happen which cause the Committee to determine that it would be appropriate to do so. In exercising such discretions, the Committee will take into account generally accepted market practice, best practice guidelines, the provisions of the Listing Rules and the Company's approved Remuneration Policy.
	– In exceptional circumstances the Committee retains the discretion to:
	a) Change the performance measures and targets, and the weighting attached to them, part way through a performance year, if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate; and
	b) Make downward or upward adjustments to the amount earned resulting from the application of the performance measures, if the Committee believes that the LTIP outcomes are not a fair and accurate reflection of business performance.
	– In addition, for any awards to vest, the Committee must be satisfied that there has been no compromise to the commercial practices or operational standards of the Group. If the Committee is not so satisfied, then the vesting percentage may be scaled back as appropriate (including to 0%).

LTIP (continued)

Purpose and link to strategy: To encourage strong and sustained improvements in financial performance, in line with the Company's strategy and long-term shareholder returns.

Operation (including performance metrics)	Maximum opportunity
– Different performance measures, targets and/or weightings may be set for future LTIP awards to reflect the business strategy and regulatory framework operating at that time. – No material change will be made to the type of performance measure without prior shareholder consultation. – Dividend enhancement may be applied to vesting awards and dividend equivalent shares transferred based on the dividends that could have been acquired on the vested shares during the vesting period. Awards may also be settled in cash in certain circumstances. – Malus and clawback mechanisms apply to allow the recoupment of incentive awards within three years of vesting in the event of financial misstatement, errors in calculation, misconduct, reputational damage, regulatory censure, corporate failure of the Company, or failures of risk management or of other operational systems and controls. – Cessation of employment and change of control provisions apply as set out in the notes to the Remuneration Policy table on pages 202 to 203.	

All-employee share plans

Purpose and link to strategy: To encourage widespread employee share ownership to enable employees to share in the success of the business and to align their interests with those of shareholders.

Operation (including performance metrics)	Maximum opportunity
– The Executive Directors are able to participate in HMRC tax advantaged all-employee share plans on the same terms as other eligible employees.	– The maximum limit under the plans (up to £500 per month) are as set by HMRC.

Shareholding requirements

Purpose and link to strategy: To encourage strong shareholder alignment both during and after employment with the Company.

Operation (including performance metrics)	Maximum opportunity
– The Company operates shareholding requirements under which Executive Directors are expected to build and maintain a shareholding in the Company. – The CEO is expected to build and maintain a holding of shares to the value of 300% of salary, and other Executive Directors 200% of salary. – Executive Directors are expected to retain all of the net of tax number of shares they receive through the LTIP and deferred share bonus until the shareholding requirements have been met. – The Committee retains the discretion to increase the shareholding requirements as appropriate. – In addition, a post-employment shareholding requirement applies to Executive Directors who leave the Company. Leavers must maintain their in-employment shareholding requirement (or actual shareholding, if lower) for two years following cessation of employment. This requirement will apply to shares acquired under share plan awards granted following approval of this Policy. – The enforcement mechanism for the Post-Employment Shareholding Requirement is facilitated through the Employee Benefit Trust ('EBT'). On LTIP vesting, shares are transferred to the EBT (net of tax and National Insurance liabilities) to be held on behalf of the Executive Directors for two years following cessation of employment. Shares purchased by Executive Directors utilising their own funds are not included in the Post-Employment Shareholding Requirement.	N/A

Remuneration Policy continued

Notes to the Remuneration Policy tables

Legacy arrangements – for the avoidance of doubt, the Committee may approve payments to satisfy commitments agreed prior to the approval of this Remuneration Policy, for example those outstanding and unvested incentive awards which have been disclosed in previous Directors' Remuneration reports.

External directorships

Executive Directors are permitted to take on external Non-Executive directorships, though normally only one other appointment, to bring a further external perspective to the Group and help in the development of key individuals' experience. In order to avoid any conflicts of interest, all appointments are subject to the approval of the Board, on the recommendation of the Nominations Committee. Executive Directors are permitted to retain the fees arising from such appointments.

Approach to recruitment and promotion

The Company's approach is for the remuneration of any new Executive Director to be assessed in line with the principles applied to the existing Executive Directors. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role. In setting the remuneration for new recruits, the Committee will consider guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments, as well as giving consideration to the appropriateness of any performance measures associated with an award.

Item	Policy
Salary, benefits and pension	– These will be set in line with the Remuneration Policy for existing Executive Directors.
Annual bonus	– Maximum annual participation will be set in line with the Company's Policy for existing Executive Directors and will not exceed 120% of salary.
LTIP	– Maximum annual participation will be set in line with the Company's Policy for existing Executive Directors and will not exceed 200% of salary.
Maximum variable remuneration	– The maximum variable remuneration which may be granted is 320% of salary (excluding any buyouts).
'Buyout' of incentives forfeited on cessation of employment	– Where the Committee determines that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following: the proportion of the performance period completed on the date of the Executive Director's cessation of employment; the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and any other terms and condition having a material effect on their value ('lapsed value'). – The Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.
Relocation policies	– In instances where the new Executive Director is required to relocate or spend significant time away from his/her normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case-by-case basis but will take into consideration any cost of living differences/housing allowance, disturbance allowances and schooling.
Internal promotions	– In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to the terms on which it was originally granted. These would be disclosed to shareholders in the Directors' Remuneration Report for the relevant financial year. Otherwise their remuneration would be set applying the principles set out above.

The Company's Policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors, which is set out on page 203.

Service contracts and Letters of Appointment

Name	Date of service contract	Nature of contract	Notice period	Termination payments
Liv Garfield	11/04/2014	Rolling	12 months	Payments for loss of office comprise a maximum of 12 months' salary and benefits only.
Helen Miles	01/04/2023			

Copies of the service contracts of the Executive Directors and the Letters of Appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours.

Policy on payments for loss of office

When determining any loss of office payment for a departing Executive Director, the Remuneration Committee will always seek to minimise the cost to the Group while complying with the contractual terms agreed, and seeking to reflect the circumstances in place at the time. The remuneration related elements of the current contracts for Executive Directors are shown in the table below, together with details of the treatment on cessation of employment.

Element	Treatment on cessation of employment	
General	The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.	
Salary, benefits and pension	These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.	
Annual bonus cash awards	**Good leaver reason**[i]	**Other reason**
	Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.	No bonus will be payable for year of cessation.
	Discretion	
	The Committee has the following elements of discretion: – To determine that an Executive Director should be treated as a good leaver and receive a bonus for the year of cessation; it is the Committee's intention to use this discretion only in circumstances where there is an appropriate business case which will be explained in full to shareholders. – To determine whether to pro-rate the bonus for time; the Remuneration Committee's normal policy is to pro-rate for time. It is the Committee's intention only to use discretion not to pro-rate in circumstances where there is an appropriate business case, based on the circumstances of the Executive Director's departure. Use of discretion will be explained in full to shareholders. – The bonus would be paid at the same time as for the other Executive Directors and, if the Executive has left employment by that date, it may be paid solely in cash.	
Annual bonus deferred share awards	**Good leaver reason**[i]	**Other reason**
	All subsisting deferred share awards will vest on the original timeline.	All subsisting deferred share awards will vest on cessation with the exception of summary dismissal of the participant, when any deferred share award held by the individual shall lapse immediately on such termination.
	Discretion	
	The Committee has the following elements of discretion: – To determine whether deferred shares should vest at the end of the original deferral period or at the date of cessation; the Committee will make this determination depending on the reason for cessation. – To determine whether to pro-rate the maximum number of shares for time from the date of grant to the date of cessation; the Committee's normal policy is not to pro-rate awards for time. The Committee will determine whether to pro-rate based on the reason for cessation.	

Remuneration Policy continued

Element	Treatment on cessation of employment	
LTIP	**Good leaver reason**[i]	**Other reason**
	Subsisting awards continue to be capable of vesting on a pro-rated time and performance basis.	All subsisting awards will lapse on cessation.
	Discretion	
	The Committee has the following elements of discretion: – To determine that an Executive Director should be treated as a good leaver such that LTIP awards continue to be capable of vesting; it is the Committee's intention to use this discretion only in circumstances where there is an appropriate business case which will be explained in full to shareholders. – To allow awards to vest, and to measure, at the date of cessation. The Committee will make this determination depending on the reason for cessation. – To determine whether to pro-rate for time; the Committee's normal policy is to pro-rate awards based on the proportion of the performance period which has elapsed to the date of cessation. In circumstances where there is an appropriate business case based on the circumstances of the Executive Director's departure, the Committee may use discretion and not pro-rate. Use of discretion will be explained in full to shareholders.	
Holding periods	Where cessation of employment occurs during any holding period, the LTIP award will continue as normal. However, the Committee retains discretion to allow the award to vest when cessation of employment occurs in certain circumstances, such as: – Where the reason for departure is death, disability or ill-health; – Where there are extenuating factors which impact at the time of departure (such as unforeseen changes to personal circumstances); or – Any other reason, permitted by the Committee in its absolute discretion in any particular case, except where termination is for dishonesty, fraud, misconduct or other circumstances justifying summary dismissal (in which cases it is very likely any outstanding LTIP awards would lapse on cessation regardless).	
Other	The Company has undertaken a review of the rules of its incentive plans in order to align with the 2024 Remuneration Policy, which, along with the Directors' Remuneration Report, is being put to shareholders for approval at the AGM on 11 July 2024. The amendments to the rules for the Annual Bonus Scheme will apply in respect of the 2024/25 and subsequent annual bonus awards until the scheme is replaced. In respect of the Long Term Incentive Plan, the amendments are to the rules of the 2021 scheme and will apply to the 2024 awards onwards until the scheme's renewal in 2031. The Company retains the ability to satisfy outstanding and unvested incentive awards under the legacy incentive plans as described in the previous Remuneration Policy.	

(i) Good leaver reasons include injury, ill-health or disability, redundancy or retirement (in each case, as determined by the Committee) and death. The Committee also retains an overall discretion to determine that an individual be treated as a good leaver.

Outplacement services and reimbursement of legal costs may be provided where appropriate. Any statutory entitlements or sums to settle or compromise claims in connection with a termination would be paid as necessary. Outstanding savings/awards under the SAYE and the legacy Share Incentive Plan would be transferred in accordance with the terms of the plans as approved by HMRC.

Policy on change of control

The change of control provisions applying to incentive awards are set out in the relevant plan rules and are summarised below.

Element	Operation	Discretion
Annual bonus cash awards for the year in which a change of control occurs	Pro-rated for time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus for time; the Committee's normal policy is that it will pro-rate the bonus for time. In circumstances where there is an appropriate business case, the Committee may use discretion and not pro-rate. Use of discretion will be explained in full to shareholders.
Annual bonus deferred share awards	Subsisting deferred share awards will vest on a change of control.	The Committee has discretion regarding whether to pro-rate the awards for time; the Committee's normal policy is that it will not pro-rate awards for time. The Committee will make this determination depending on the circumstances of the change of control.
LTIP	Subsisting LTIP awards will vest on a change of control, pro-rated for time and performance. The holding period will not apply on change of control.	The Committee has discretion regarding whether to pro-rate the LTIP awards for time; the Committee's normal policy is that it will pro-rate the LTIP awards for time. In circumstances where there is an appropriate business case, the Committee may use discretion and not pro-rate. Use of discretion will be explained in full to shareholders.

Chair and Non-Executive Directors

The Remuneration Policy for Non-Executive Directors, other than the Chair, is determined by the Chair and Executive Directors. The fee for the Chair is determined by the Remuneration Committee (without the Chair present). No changes to the 2021 Policy are proposed.

Element	Purpose and link to strategy	Operation	Maximum opportunity
Fee	To recruit and retain Non-Executive Directors of a suitable calibre for the role and duties required.	Board fee with additional fees paid for the role of Senior Independent Director and for chairing the Board Committees. The Chair receives a total fee in respect of Board duties. Fees are paid monthly. Directors will be reimbursed for any reasonable business expenses incurred in the course of their duties, including the tax payable thereon. The fees for the Non-Executive Directors and Chair are set taking into account the time commitment of the role and market rates in comparable companies. The fees are normally reviewed annually (but not necessarily increased), effective from 1 July. The Company retains the flexibility to pay fees for the membership of Committees. In exceptional circumstances, fees may also be paid for additional time spent on the Company's business outside of normal duties. Non-Executive Directors do not participate in any variable remuneration or receive any other benefits.	Details of the current fee levels for the Non-Executive Directors are set out on page 181. The fee levels are set subject to the maximum limits set out in the Company's Articles of Association.

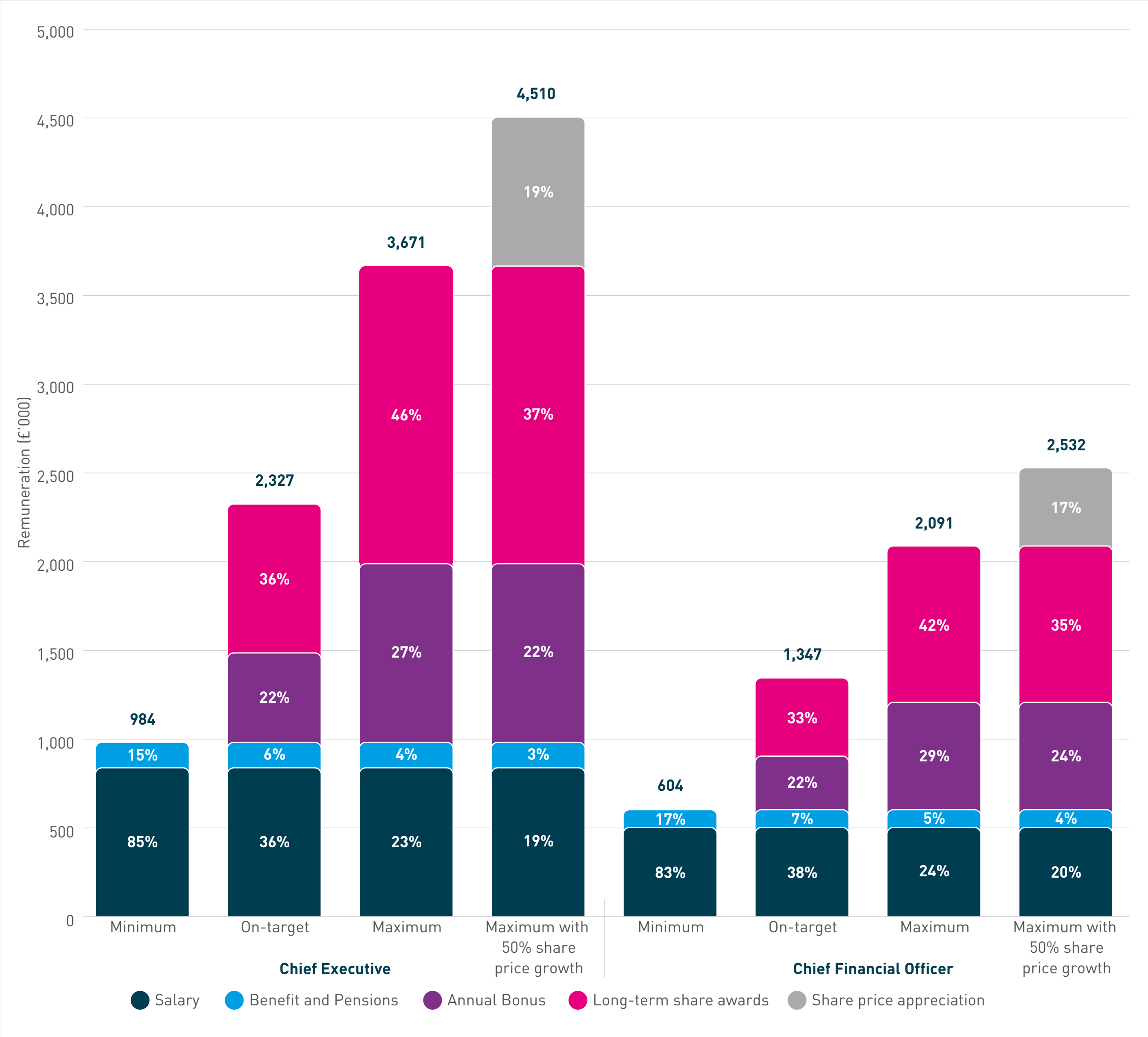
Non-Executive Directors normally serve terms of three years. They do not have service contracts. Instead, Non-Executive Directors are engaged by Letters of Appointment which are terminable by either party with no notice period and no compensation in the event of such termination, other than accrued fees and expenses. The Company complies with the provision set out in the 2018 Code that all directors of FTSE350 companies be subject to annual appointment or reappointment at the AGM.

Application of the Remuneration Policy

The charts below provide an illustration of what could be received by each of the Executive Directors under the new Remuneration Policy for 2024/25. These charts are illustrative, as the actual value will depend on business performance in the year 2024/25 (for the annual bonus) and in the three-year period to 2026/27 (for the LTIP), as well as share price performance to the date of the vesting of LTIP awards in 2027.

The maximum scenario also includes an additional bar which shows the impact of 50% share price growth on the LTIP outcome over the relevant performance period to show how the package value is aligned to shareholders. It is a key part of our Remuneration Policy to align interests of the Executive Directors and shareholders through the provision of a substantial element of remuneration in shares. Increases in the value of remuneration through an increase in share price are evidence of the direct link between the interests of the two.

Remuneration scenarios



Note: Minimum pay is fixed pay only (i.e. salary + benefits + pension). On-target pay includes fixed pay, 50% of the maximum bonus (equal to 60% of salary for both the CEO and the CFO) and 50% vesting of the LTIP awards (with grant levels of 200% of salary for the CEO and 175% of salary for the CFO). Maximum pay includes fixed pay and assumes 100% vesting of both the annual bonus and the LTIP awards. Salary levels (which are the base on which other elements of the package are calculated) are based on those applying at 1 July 2024. The value of taxable benefits is the cost of providing those benefits in the year ended 31 March 2024. The Executive Directors are also permitted to participate in HMRC tax advantaged all-employee share plans, on the same terms as other eligible employees, but they have been excluded from the above graph for simplicity.

Sharmila Nebhrajani OBE
Chair of the Remuneration Committee
9 May 2024

DIRECTORS' REPORT

The Directors' Report for the year ended 31 March 2024 comprises pages 205 to 207 of this report, together with the sections of the Annual Report incorporated by reference. The Governance Report set out on pages 128 to 204 is incorporated by reference into this report and, accordingly, should be read as part of this report. As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report on pages 1 to 127, as the Board considers them to be of strategic importance.

Specifically, these are:

- the Performance Review on pages 16 to 83, which provides detailed information relating to the Group, its business model and strategy, operation of its businesses, future developments, and the results and financial position for the year ended 31 March 2024;
- future business developments (throughout the Strategic Report);
- details of the Group's policy on addressing the Principal Risks and uncertainties facing the Group, which are set out in the Strategic Report on pages 1 to 127;
- information on the Group's greenhouse gas ('GHG') emissions for the year ended 31 March 2024 on pages 71 to 72;
- how we have engaged with our people and stakeholders on pages 108 to 121;
- business relationships (throughout the Strategic Report); and
- the Section 172 Statement on pages 122 to 125.

Principal activity

The principal activity of the Group is to treat and provide water and remove wastewater in the UK. Details of the principal joint venture, associated and subsidiary undertakings of the Group as at 31 March 2024 are shown in notes 20 and 21 of the financial statements.

Areas of operation

During the course of 2023/24, the Group had activities and operations in the UK.

Directors and their interests

Biographies of the Directors currently serving on the Board are set out on pages 134 to 135.

As set out in the Notice of Meeting, all the Directors will retire at this year's AGM and submit themselves for reappointment or, in the case of Richard Taylor, appointment by shareholders. All Directors seeking reappointment were subject to a formal and rigorous performance evaluation, further details of which can be found on pages 146 to 147.

Details of Directors' service contracts are set out in the Directors' Remuneration Report on page 194. The interests of the Directors in the shares of the Company are also shown on page 194 of that report. The Board has a documented process in place in respect of conflicts.

Insurance and indemnities

The Company maintains Directors' and Officers' liability insurance in respect of legal action that might be brought against its Directors and Officers. As permitted by the Company's Articles of Association (the 'Articles'), and to the extent permitted by law, the Company indemnifies each of its Directors and other Officers of the Group against certain liabilities that may be incurred as a result of their positions with the Group. The indemnities were in force throughout the tenure of each Director during the last financial year and are currently in force.

Severn Trent Plc does not have in place any indemnities for the benefit of the External Auditor.

Employees

The average number of employees within the Group is shown in note 8 to the financial statements.

Severn Trent Plc believes a diverse and inclusive workforce is a key factor in being a successful business. Through our diversity and equal opportunities policies, the Company seeks to ensure that every employee, without exception, is treated equally and fairly and that all employees are aware of their responsibilities. This means more than ensuring that we do not discriminate in any way – we want to create and maintain an inclusive culture which reflects a diverse population. Severn Trent believes that no one should be hurt or made unwell by what we do. We did not experience any major safety incidents and there were no fatalities during the year.

We are an equal opportunities employer and welcome applications from all individuals, including those with a disability. We are fully committed to supporting applications made by disabled persons and make reasonable adjustments to their environment where possible (having regard to their particular aptitudes and abilities). We are also responsive to the needs of our employees. As such, should any employee become disabled during their time with us, we will actively re-train that employee and make reasonable adjustments to their environment where possible, in order to keep them in employment with us.

All our training, promotion and career development processes are in place for all our employees to access, regardless of their gender, ethnicity, age or ability. The provision of occupational health programmes is of crucial importance to Severn Trent with the aim of keeping our employees fit, healthy and well. We also provide expert counselling support across a wide range of issues through our Employee Assistance Programme.

Additional information on our diversity aims and progress can be found on pages 25 to 32.

Employee engagement

Due to our commitment to transparent and best practice reporting, we have included the sections on our people on pages 25 to 32 of the Strategic Report, as the Board considers these disclosures to be of strategic importance and they are therefore incorporated into the Directors' Report by cross reference. Pages 112 to 113 and 122 to 125 demonstrate how the Directors have engaged with employees and how they have had regard to employee interests and the effect of that regard, including the principal decisions taken by the Company during the financial year.

The Company is also keen to encourage greater employee involvement in the Group's performance through share ownership. To help align employees' interests with the success of the Company's performance, we operate an HMRC-approved all-employee plan, the Severn Trent Sharesave Scheme ('Sharesave'), which is offered to UK employees on an annual basis.

72% of Severn Trent's employees now participate in Sharesave, with 25% of participants saving the maximum of £500 per month.

During the year, the Company has remained within its headroom limits for the issue of new shares for share plans as set out in the rules of the above plan.

Business relationships

Pages 122 to 125 demonstrate how the Directors have had regard to key stakeholders and how the effect of that regard influenced the principal decisions taken by the Company during the financial year. The Board considers its Section 172 Statement to be of strategic importance and is therefore incorporated into the Directors' Report by cross reference.

Research and development

Innovative use of existing and emerging technologies will continue to be crucial to the successful development of new products and processes for the Group and our products must continue to deliver value for customers.

Expenditure on research and development for the year totalled £2.2 million.

Internal controls

Further details of our internal control framework can be found in the Audit and Risk Committee Report on pages 156 to 157.

Treasury management

Details on our Treasury Policy and management are set out in the Chief Financial Officer's Review on pages 84 to 91.

Post balance sheet events

Details of post balance sheet events are set out in note 43 to the financial statements.

Dividends

An interim dividend of 46.74 pence per ordinary share was paid on 10 January 2024. The Directors recommend a final dividend of 70.10 pence per ordinary share to be paid on 17 July 2024 to shareholders on the register of members on 31 May 2024. This would bring the total dividend for 2023/24 to 116.84 pence per ordinary share (2022/23: 106.82 pence). The payment of the final dividend is subject to shareholder approval at the 2024 AGM.

You can read more about the process that the Board followed in assessing the Company's performance in the round in the context of determining whether to recommend a dividend on pages 130 to 131.

Dividend Policy

Following publication of the Final Determination by Ofwat, in 2019/20 the Board approved its Dividend Policy for the period 2020-25. Dividends during the AMP7 period will increase by at least CPIH.

The Dividend Policy reflects our strong operational delivery and financial performance, the Final Determination, and our robust balance sheet and financial resilience.

When determining the Dividend Policy, the Board considered various scenarios and sensitivities, and reviewed the impact of adverse changes in inflation and interest rates on key metrics. The Board believes that the Dividend Policy is commensurate with a sustainable investment-grade credit rating.

Capital structure

Details of the Company's issued share capital and of the movements during the year are shown in note 31 to the Company financial statements. The Company has one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at General Meetings of the Company. The issued nominal value of the ordinary shares is 100% of the total issued nominal value of all share capital.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 38 to the financial statements. For shares held by the Severn Trent Employee Share Ownership Trust, the Trustee abstains from voting.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles, the 2018 Code, the Companies Act 2006 and related legislation. The Articles may be amended by Special Resolution of the shareholders. The powers of Directors are described in the Severn Trent Plc Matters Reserved to the Board document and the Articles, both of which can be found on our website.

Under the Articles, the Directors have authority to allot ordinary shares, subject to the aggregate nominal amount limit set at the 2023 AGM.

Change of control

There are a number of agreements that take effect after, or terminate upon, a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. There are no agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment because of a takeover bid.

Authority to purchase shares

The Company was given authority at its AGM in 2023 to make market purchases of ordinary shares up to a maximum number of 24,690,396 ordinary shares. During the year, no ordinary shares have been repurchased. Authority will again be sought from shareholders at this year's AGM to purchase up to a maximum of 29,978,942 ordinary shares. The Directors believe that it is desirable to have the general authority to buy back the Company's ordinary shares in order to provide maximum flexibility in the management of the Group's capital resources. However, the authority would only be used if the Board was satisfied at the time that to do so would be in the best interests of shareholders.

Contributions for political and charitable purposes

Donations to charitable organisations during the year amounted to £5,181,550 (2022/23: £5,662,557). Donations are principally given to charities whose projects align closely with our aim to promote the responsible use of water resources and wastewater services which provide the opportunity for longer-term partnerships. In addition, we provide donations to employee nominated charities through a matched funding scheme and health and safety reward schemes.

We are also committed to supporting WaterAid, the UK's only major charity dedicated to improving access to safe water, hygiene and sanitation in the world's poorest countries. In 2020 we established our Severn Trent Community Fund that donates 1% of Severn Trent Water's annual profits after tax to good causes in our region. You can read more about the work of our Community Fund in our dedicated Community Fund Annual Report, which can be found on our website.

Severn Trent's policy is not to make any donations for political purposes in the UK, or to donate to EU political parties or incur EU political expenditure. Accordingly, neither Severn Trent Plc nor its subsidiaries made any political donations or incurred political expenditure in the financial year under review.

Supplier payment policy

Individual operating companies within the Group are responsible for establishing appropriate policies with regard to the payment of their suppliers, in accordance with the Prompt Payment Code ('PPC') and, as such, prompt payment policies are reviewed on a regular basis.

The companies agree terms and conditions under which business transactions with suppliers are conducted. It is Group policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with agreed terms. It is also Group policy to ensure that suppliers know the terms on which payment will take place when business is agreed.

You can read more about how we have worked with our suppliers and contractors on pages 118 to 119.

For the payment practices reporting period ended 31 March 2024, the average time to pay for Severn Trent Water Limited was 33 days.

Relevant audit information

The Directors confirm that:

- so far as each of them is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- each of them 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.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

External Auditor

Having carried out a review of its effectiveness during the year, details of which can be found in the Audit and Risk Committee Report on page 58, the Audit and Risk Committee has recommended to the Board the reappointment of Deloitte LLP. The reappointment and a resolution to that effect will be on the agenda at the 2024 AGM. Deloitte LLP indicated its willingness to continue as Auditor. The Audit and Risk Committee will also be responsible for determining the audit fee on behalf of the Board.

Carbon footprint

We have committed to achieving net zero operational carbon emissions by 2030, building on our long track record of making year-on-year reductions in our emissions. We also committed to generating or procuring 100% renewable energy and moving our fleet to 100% electric vehicles by 2030, where available.

The Board considers environmental matters to be of strategic importance and therefore relevant information contained in the sections covering Our Net Zero Transition Plan and the information required under the Task Force on Climate-related Financial Disclosures ('TCFD') on pages 42 to 81 of the Strategic Report is incorporated into the Directors' Report by cross reference.

The section on Our Net Zero Transition Plan includes our annual report on GHG emissions along with details of our energy consumption across the Group and how we manage energy use.

Accounts of Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig

Separate Annual Reports for each of Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig will be made available on their respective websites on 15 July 2024.

Additionally, Annual Performance Reports for each of Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig are prepared and provided to Ofwat. Copies will be made available on their respective websites in due course.

Annual General Meeting

A copy of the Notice of Meeting for the 2024 AGM can be found on the Severn Trent Plc website.

By order of the Board

Hannah Woodall-Pagan
Group Company Secretary
21 May 2024

Disclosures required under Listing Rule 9.8.4R

The information required to be disclosed in accordance with Listing Rule 9.8.4R of the Financial Conduct Authority's Listing Rules can be located in the following pages of this Annual Report and Accounts:

Section	Information to be included	Location
(1)	A statement of the amount of interest capitalised	Page 9
(4)	Details of long-term incentive schemes	Page 181
(2), (5), (6), (7), (8) – (14)	Not applicable	Not applicable

The Strategic Report and the Directors' Report together form the Management Report for the purposes of the Disclosure Guidance and Transparency Rules 4.1.8R. Information relating to financial instruments can be found on pages 253 to 261 and is incorporated by reference. For information on our approach to social, environmental and ethical matters, please refer to our Net Zero Transition Plan and TCFD disclosures on pages 42 to 75 and our separately published Sustainability Report, which is available at severntrent.co.uk.

Substantial shareholdings

As at 31 March 2024, the Company had been notified in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules of the following major shareholdings:

Name of holder	Number of ordinary shares	Voting rights held (%)
Qatar Investment Authority	34,855,379	11.55
BlackRock	28,862,583	9.56
Lazard Asset Management	24,574,028	8.14
Vanguard Group	12,902,877	4.28
Legal & General Investment Management	11,201,439	3.71
Impax Asset Management	10,517,090	3.49

As at 21 May 2024, the Company had been notified of the following holdings of voting rights in the ordinary share capital of the Company: Qatar Investment Authority 34,855,379 shares (11.52%); BlackRock 28,708,163 shares (9.49%); Lazard Asset Management 26,547,115 shares (8.78%); Vanguard Group 12,977,915 shares (4.29%); Legal & General Investment Management 10,313,045 shares (3.41%); and Impax Asset Management 10,628,823 shares (3.51%).

The percentage of voting rights detailed above was calculated at the time of the relevant disclosures were made in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules.

DIRECTORS' RESPONSIBILITY STATEMENT

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 each financial year.

The Directors are required to prepare the financial statements in accordance with United Kingdom adopted International Financial Reporting Standards ('IFRS'), and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced Disclosure Framework'.

Under company law, the Directors must not approve the Annual Report and financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Each of the Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the Principal Risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 21 May 2024 and is signed on its behalf by order of the Board:

Liv Garfield
Chief Executive
21 May 2024

Helen Miles
Chief Financial Officer
21 May 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERN TRENT PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Opinion

In our opinion:

- the financial statements of Severn Trent Plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company balance sheets;
- the consolidated cash flow statement; and
- the related notes 1 to 46 of the financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the year are disclosed in note 7 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – valuation of the provision of household trade receivables in Severn Trent Water Limited; and – classification of capital programme expenditure in Severn Trent Water Limited. Within this report, key audit matters are identified as follows: Similar level of risk to our audit for the year ended 31 March 2023
Materiality	The materiality used for the Group financial statements was £20.0m (2023: £18.5m), which was determined based on 3.9% (2023: 3.6%) of Profit Before Interest and Taxation ('PBIT').
Scoping	Our scoping has resulted in 98% (2023: 97%) of Group net assets, 96% (2023: 96%) of Group revenue and 96% (2023: 96%) of Group profit before interest and tax being subject to audit testing.
Significant changes in our approach	There are no significant changes in our audit approach when compared to our audit for the year ended 31 March 2023.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- reviewing the Group's borrowing arrangements, in particular the level of committed undrawn facilities including the £1.1 billion revolving credit and bilateral facilities, the level of cash held by the Group (£953.2m at 31 March 2024) and the sufficiency of headroom available in the forecasts (cash and covenants);
- assessing the assumptions used in the cash flow forecasts for consistency with Board approved budgets and future plans for the remainder of Asset Management Plan ('AMP') 7 and AMP 8 together with reviewing the sensitivity analysis relating to these assumptions;
- testing the arithmetical accuracy of the model used to prepare the cash flow forecasts including obtaining an understanding of relevant controls over management's model and assessing the sophistication of the model used to prepare the forecasts;
- evaluating the historical accuracy of forecasts prepared by management;
- assessing the impact of risks and uncertainties on the business model and medium-term risks; and
- assessing the appropriateness of the Group's disclosure concerning the going concern basis.

4. Conclusions relating to going concern (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of the provision of household trade receivables in Severn Trent Water Limited

Key audit matter description	Severn Trent Water Limited supplies water to residential customers in the UK and the provision represents the portion of household customers who do not, or cannot, pay their bills. The directors make estimates regarding the expected future loss rate for current receivables when calculating the appropriate level of bad debt provision. As at 31 March 2024, the provision recorded was £129.2m (2023: £127.5m) which incorporates the directors' estimate of the future impact of external economic factors on customers' ability to pay their outstanding bills to Severn Trent Water Limited. Provisions are made against Severn Trent Water Limited's trade receivables balance based on the historical cash collection of debt invoiced seven to nine years ago, which is considered by the directors to be representative of collection risk on the whole population of household debtors. This historical collection performance is then adjusted for actual current cash collection. The final step is to adjust the provision for future economic conditions, for which management has considered the correlation between forecast cash collection and Real Household Disposable Income ('RHDI'). The key audit matter is focussed on the appropriateness of the assumption that the experience of debt invoiced seven to nine years ago is a reasonable expectation for the determination of lifetime expected credit losses under IFRS 9 Financial Instruments, and whether the assumptions used in determining the impact of forecast movements in RHDI on the expected credit loss are appropriate. Due to the high degree of estimation uncertainty associated with the recoverability of household trade receivables, we have determined that there was a potential risk for fraud through possible manipulation of this balance. The Audit and Risk committee also considered this as a significant matter as discussed in the Audit and Risk Committee Report on page 161. The bad debt provision is discussed in note 23 to the financial statements. The directors have included this as a source of estimation uncertainty in note 4 to the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures to address the key audit matter included the following: – obtaining an understanding of relevant controls over the determination of the bad debt provision, including over the supporting data and assumptions; – validating the completeness and accuracy of the data included within the bad debt provision calculation; – validating the allocation of cash received in the current year to debt aged between seven and nine years; – use of data analytics to reconcile the debtor ageing for each debt category used in the bad debt provision model using source data from the billing system; – evaluating the reasonableness of economic data (both forecast and historical) used within the calculation, and performing sensitivity analysis; – evaluating management's assumptions used in the calculation of the bad debt provision and challenging whether this represents lifetime expected credit loss, including review of cash collection data and historical trends; and – assessing the appropriateness of the disclosures provided relating to the key assumptions, and the range of sensitivities disclosed.
Key observations	We are satisfied that the assumptions applied in assessing the expected credit losses, are reasonable and that Severn Trent Water Limited's bad debt provision has been appropriately calculated using relevant data, in accordance with IFRS 9.

5.2. Classification of capital programme expenditure in Severn Trent Water Limited

Key audit matter description	Severn Trent Water has a substantial capital programme which was agreed with the regulator ('Ofwat') and therefore incurs significant expenditure in relation to the development and maintenance of both infrastructure and non-infrastructure assets. As the determination of whether expenditure is capitalised or expensed in the period directly affects the Group's reported financial performance, we identified a key audit matter relating to the overstatement of capital expenditure, whether caused by changes to the Group's capitalisation policy implementation guidance or by incorrect application of this guidance. Due to the level of judgement involved, we have determined that there was a potential risk for fraud through possible manipulation of this balance. During the year, Severn Trent Water Limited has invested £1,222.3 million (2023: £868.2 million) in capital expenditure projects out of the total Group additions of £1,428.8 million (2023: £898.9 million), disclosed in note 17. Severn Trent Water Limited spent a further £203.3 million (2023: £223.2 million) on infrastructure maintenance expenditure out of the total Group expenditure of £207.2 million (2023: £238.4 million) disclosed in note 7. The Audit and Risk Committee also considered this as a significant matter as discussed in the Audit and Risk Committee report on page 161. Further details are included within the critical accounting judgements note in note 4 to the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures to address the key audit matter included the following – testing the relevant controls related to classification of capital programme expenditure, including obtaining an understanding of, and testing, relevant controls over the application of the policy regarding expenditure incurred on projects within the capital programme during the year; – reviewing management's capitalisation and implementation guidance to understand any changes in the current year and to determine compliance with the relevant accounting standards; and – for a sample of projects, assessing whether the capitalisation policy has been applied to the costs incurred by reviewing the business cases, making direct enquiries of project managers, and inspecting invoices.
Key observations	We are satisfied that management has applied its capitalisation policy and implementation guidance appropriately in determining the expenditure to be capitalised.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£20.0 million (2023: £18.5 million)	£19.0 million (2023: £17.6 million)
Basis for determining materiality	The current year materiality has been determined on the basis of 3.9% (2023: 3.6%) of Profit before interest and tax.	We determined parent company materiality based on 3.0% (2023: 3.0%) of net assets and capped materiality at 95% (2023: 95%) of Group materiality.
Rationale for the benchmark applied	We consider Profit before interest and tax to be the most relevant benchmark to measure the performance of the Group and is consistent with the benchmark used by management to measure the Group's performance.	The parent company does not trade or exist for profit generating purposes, so materiality has been determined using net assets.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2023: 70%) of Group materiality	70% (2023: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: – the quality of the control environment and whether we were able to rely on controls in certain areas of the Group's businesses; and – the nature and number of uncorrected misstatements identified in previous audits.	

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £1.0m (2023: £0.9m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Regulated Water and Wastewater segment is primarily comprised of Severn Trent Water Limited which was subject to a full scope audit using materiality of £18.0 million (2023: £17.6 million). We have audited a further eight components (2023: seven) using component materiality which range from £10.0 million to £19.0 million (2023: £9.3 million to £17.6 million). Audit work to respond to the risks of material misstatement was performed directly by the Group audit engagement team which represented 98% (2023: 97%) of Group net assets, 96% (2023: 96%) of Group revenue and 96% (2023: 96%) of Group profit before interest and tax, being subject to audit testing.

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement on the aggregated financial information of the remaining components not subject to full scope audit procedures.

7.2. Our consideration of the control environment

The Group uses SAP, a financial accounting software platform, in all of the nine components where we have performed a full scope audit.

With the involvement of our Information Technology specialists, we obtained an understanding of, and relied on, relevant General Information Technology Controls within the Group's financial accounting software platform, including access controls, change management controls and controls around segregation of duties.

We also tested and relied on the relevant controls in respect of household and non-household revenue, classification of capital programme expenditure and procure to pay which are supported by the Group's financial accounting software platform. We tested the relevant controls on a sample basis by either observing or reperforming each step of the control and obtaining the relevant supporting evidence.

7.3 Our consideration of climate-related risks

The Group has assessed the risk and opportunities relevant to climate change and has included the risk as a principal risk as set out on page 100, consistent with previous years. This included assessing the potential impact of the material risks and opportunities and its Net Zero Transition Plan on both the current balance sheet position and its accounting policies as set out in note 2 of the financial statements.

We reviewed management's climate change risk assessment and evaluated the completeness of the identified risks and impact on the financial statements. We also considered climate change within our audit risk assessment process in conjunction with our assessment of the balances and did not identify any additional risks of material misstatement.

With the involvement of our climate change specialists, we:

- evaluated the financial statement disclosures to assess whether climate risk assumptions underpinning specific account balances were appropriately disclosed; and
- read the climate change-related statements (as disclosed in the Strategic Report) and considered whether the information included in the narrative reporting is materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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 an auditor's 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the directors and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, climate change, valuations, pensions, treasury and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential risk for fraud in the following areas: valuation of the provision of trade receivables in Severn Trent Water Limited, and classification of capital programme expenditure in Severn Trent Water Limited. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the licence conditions imposed by The Water Services Regulation Authority ('Ofwat').

11.2. Audit response to risks identified

We identified the valuation of the provision of trade receivables in Severn Trent Water Limited and the classification of capital programme expenditure in Severn Trent Water Limited as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, Ofwat, and other regulatory authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. Opinions on other matters prescribed by 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 107;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 103;
- the directors' statement on fair, balanced and understandable set out on page 208;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 95;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 156; and
- the section describing the work of the Audit and Risk Committee set out on pages 153 to 161.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the shareholders at its Annual General Meeting on 26 July 2005 to audit the financial statements for the year ending 31 March 2006 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 19 years, covering the years ended 31 March 2006 to 31 March 2024.

15.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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.

As required by the Financial Conduct Authority ('FCA') Disclosure Guidance and Transparency Rule ('DTR') 4.1.15R – DTR 4.1.18R, these financial statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Jacqueline Holden

Jacqueline Holden FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
21 May 2024

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2024

	Note	2024 £m	2023 £m
Turnover	5,6	**2,338.2**	2,165.1
Operating costs before charge for bad and doubtful debts	7	**(1,799.1)**	(1,631.8)
Charge for bad and doubtful debts	7	**(27.3)**	(24.5)
Total operating costs		**(1,826.4)**	(1,656.3)
Profit before interest and tax		**511.8**	508.8
Finance income	9	**123.1**	84.1
Finance costs	10	**(404.6)**	(446.7)
Net finance costs		**(281.5)**	(362.6)
Increase in expected credit loss on loan receivable	23	**(2.5)**	–
Net (losses)/gains on financial instruments	11	**(22.4)**	21.7
Share of net (loss)/gain of joint ventures accounted for using the equity method	20	**(4.1)**	–
Profit on ordinary activities before taxation		**201.3**	167.9
Current tax	12	**(5.5)**	(0.2)
Deferred tax	12	**(55.6)**	(35.5)
Taxation on profit on ordinary activities	12	**(61.1)**	(35.7)
Profit for the year		**140.2**	132.2

Earnings per share (pence)

	Note	2024	2023
Basic	14	**51.0**	52.7
Diluted	14	**50.9**	52.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

	Note	2024 £m	2023 £m
Profit for the year		**140.2**	132.2
Other comprehensive income/(loss)			
Items that will not be reclassified to the income statement:			
Net actuarial gains/(losses)	29	**16.4**	(252.2)
Deferred tax on net actuarial gains/losses	12	**(4.2)**	63.0
		12.2	(189.2)
Items that may be reclassified to the income statement:			
Losses on cash flow hedges		**(6.1)**	(2.5)
Deferred tax on gains/losses on cash flow hedges	12	**1.5**	0.6
Amounts on cash flow hedges transferred to the income statement	11	**18.2**	4.9
Deferred tax on transfer to the income statement	12	**(4.6)**	(1.1)
		9.0	1.9
Other comprehensive income/(loss) for the year		**21.2**	(187.3)
Total comprehensive income/(loss) for the year		**161.4**	(55.1)

Financial Statements continued

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

		Equity attributable to owners of the Company				
	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2022		248.1	394.4	148.4	473.0	1,263.9
Profit for the year		–	–	–	132.2	132.2
Net actuarial losses	29	–	–	–	(252.2)	(252.2)
Deferred tax on net actuarial losses	12	–	–	–	63.0	63.0
Losses on cash flow hedges		–	–	(2.5)	–	(2.5)
Deferred tax on losses on cash flow hedges	12	–	–	0.6	–	0.6
Amounts on cash flow hedges transferred to the income statement	11	–	–	4.9	–	4.9
Deferred tax on transfer to the income statement	12	–	–	(1.1)	–	(1.1)
Total comprehensive loss for the year		–	–	1.9	(57.0)	(55.1)
Share options and LTIPs						
– proceeds from shares issued	31,32	1.0	14.3	–	–	15.3
– value of employees' services	38	–	–	–	9.5	9.5
– own shares purchased		–	–	–	(1.8)	(1.8)
Deferred tax on share based payments	12	–	–	–	0.1	0.1
Dividends paid	13	–	–	–	(261.3)	(261.3)
At 1 April 2023		249.1	408.7	150.3	162.5	970.6
Profit for the year		–	–	–	140.2	140.2
Net actuarial gains	29	–	–	–	16.4	16.4
Deferred tax on net actuarial gains	12	–	–	–	(4.2)	(4.2)
Losses on cash flow hedges		–	–	(6.1)	–	(6.1)
Deferred tax on losses on cash flow hedges	12	–	–	1.5	–	1.5
Amounts on cash flow hedges transferred to the income statement	11	–	–	18.2	–	18.2
Deferred tax on transfer to the income statement	12	–	–	(4.6)	–	(4.6)
Total comprehensive income for the year		–	–	9.0	152.4	161.4
Proceeds from equity placing	31,32	45.5	940.9	–	–	986.4
Share options and LTIPs						
– proceeds from shares issued	31,32	0.8	13.5	–	–	14.3
– value of employees' services	38	–	–	–	10.3	10.3
– own shares purchased		–	–	–	(1.8)	(1.8)
Deferred tax on share based payments	12	–	–	–	(5.8)	(5.8)
Reserves transfer		–	–	8.3	(8.3)	–
Dividends paid	13	–	–	–	(301.4)	(301.4)
At 31 March 2024		**295.4**	**1,363.1**	**167.6**	**7.9**	**1,834.0**

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2022		248.1	394.4	157.1	2,711.0	3,510.6
Profit for the year		–	–	–	426.7	426.7
Net actuarial gains	29	–	–	–	1.2	1.2
Deferred tax on net actuarial gains	12	–	–	–	(0.3)	(0.3)
Total comprehensive income for the year		–	–	–	427.6	427.6
Share options and LTIPs						
– proceeds from shares issued	31,32	1.0	14.3	–	–	15.3
– value of employees' services		–	–	–	9.7	9.7
Dividends paid	13	–	–	–	(261.3)	(261.3)
At 1 April 2023		249.1	408.7	157.1	2,887.0	3,701.9
Profit for the year		–	–	–	325.9	325.9
Net actuarial gains	29	–	–	–	0.2	0.2
Total comprehensive income for the year		–	–	–	326.1	326.1
Proceeds from equity placing	31,32	45.5	940.9	–	–	986.4
Share options and LTIPs						
– proceeds from shares issued	31,32	0.8	13.5	–	–	14.3
– value of employees' services		–	–	–	10.3	10.3
– own shares purchased		–	–	–	(1.8)	(1.8)
Dividends paid	13	–	–	–	(301.4)	(301.4)
At 31 March 2024		**295.4**	**1,363.1**	**157.1**	**2,920.2**	**4,735.8**

Included in retained earnings are profits of £1,221.2 million that arose from group restructuring arrangements in previous years and are therefore not distributable. Distributable reserves are therefore £1,699.0 million.

CONSOLIDATED AND COMPANY BALANCE SHEET

As at 31 March 2024

		Group		Company	
	Note	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Non-current assets					
Goodwill	15	**112.8**	92.7	**–**	–
Other intangible assets	16	**186.5**	185.9	**–**	–
Property, plant and equipment	17	**11,766.9**	10,716.9	**0.2**	0.3
Biological assets	18	**5.7**	–	**–**	–
Right-of-use assets	19	**143.0**	129.3	**0.5**	0.6
Investment in joint venture	20	**12.4**	16.5	**–**	–
Investments in subsidiaries	21	**–**	–	**3,593.3**	3,371.6
Derivative financial instruments	22	**71.2**	82.3	**–**	–
Deferred tax asset	28	**–**	–	**1.5**	1.6
Trade and other receivables	23	**89.2**	88.4	**1,676.2**	1,139.0
Retirement benefit surplus	29	**5.4**	5.7	**–**	–
		12,393.1	11,317.7	**5,271.7**	4,513.1
Current assets					
Inventory		**40.1**	35.4	**–**	–
Trade and other receivables	23	**817.3**	750.9	**45.8**	33.9
Current tax receivable		**–**	9.9	**0.3**	15.0
Derivative financial instruments	22	**–**	0.5	**–**	–
Cash and cash equivalents	24	**953.2**	34.2	**486.8**	1.2
		1,810.6	830.9	**532.9**	50.1
Current liabilities					
Borrowings	25	**(67.9)**	(317.4)	**(1.9)**	(0.2)
Trade and other payables	27	**(724.7)**	(720.4)	**(13.0)**	(12.6)
Provisions for liabilities	30	**(53.9)**	(52.4)	**(0.5)**	(0.8)
Current tax payable		**(0.9)**	–	**–**	
		(847.4)	(1,090.2)	**(15.4)**	(13.6)
Net current assets/(liabilities)		**963.2**	(259.3)	**517.5**	36.5
Total assets less current liabilities		**13,356.3**	11,058.4	**5,789.2**	4,549.6
Non-current liabilities					
Borrowings	25	**(8,195.3)**	(6,986.2)	**(1,043.0)**	(837.4)
Derivative financial instruments	26	**(26.0)**	(11.3)	**–**	–
Trade and other payables	27	**(1,688.5)**	(1,479.6)	**(3.2)**	(2.9)
Deferred tax	28	**(1,364.5)**	(1,293.5)	**–**	–
Retirement benefit obligations	29	**(218.4)**	(285.1)	**(6.3)**	(6.5)
Provisions for liabilities	30	**(29.6)**	(32.1)	**(0.9)**	(0.9)
		(11,522.3)	(10,087.8)	**(1,053.4)**	(847.7)
Net assets		**1,834.0**	970.6	**4,735.8**	3,701.9
Equity					
Called up share capital	31	**295.4**	249.1	**295.4**	249.1
Share premium account	32	**1,363.1**	408.7	**1,363.1**	408.7
Other reserves	33	**167.6**	150.3	**157.1**	157.1
Retained earnings		**7.9**	162.5	**2,920.2**	2,887.0
Total equity		**1,834.0**	970.6	**4,735.8**	3,701.9

The Company's profit for the year is £325.9 million (2023: £426.7 million).

Signed on behalf of the Board who approved the accounts on 21 May 2024.

Christine Hodgson
Chair

Helen Miles
Chief Financial Officer

Company Number 02366619

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2024

	Note	2024 £m	2023 £m
Cash generated from operations	40	**804.3**	753.3
Tax received	40	**9.0**	6.1
Tax paid	40	**–**	(10.1)
Net cash generated from operating activities		**813.3**	749.3
Cash flows from investing activities			
Purchase of subsidiaries net of cash acquired		**(41.5)**	(0.4)
Purchases of property, plant and equipment		**(1,169.7)**	(699.7)
Purchases of intangible assets		**(30.0)**	(40.0)
Proceeds on disposal of property, plant and equipment		**10.0**	12.9
Net loans repaid by joint venture		**2.7**	5.5
Interest received		**37.0**	5.5
Net cash outflow from investing activities		**(1,191.5)**	(716.2)
Cash flows from financing activities			
Interest paid		**(243.6)**	(205.3)
Interest element of lease payments		**(3.7)**	(3.7)
Dividends paid to shareholders of the parent		**(301.4)**	(261.3)
Repayments of borrowings		**(603.6)**	(982.4)
Principal elements of lease payments		**(10.5)**	(13.1)
New loans raised		**1,469.2**	1,351.4
Issues of shares net of costs		**1,000.7**	15.3
Payments for swap terminations		**(4.4)**	(11.2)
Purchase of own shares		**(1.8)**	(1.8)
Net cash inflow/(outflow) from financing activities		**1,300.9**	(112.1)
Net movement in cash and cash equivalents		**922.7**	(79.0)
Net cash and cash equivalents at the beginning of the year		**28.7**	107.7
Net cash and cash equivalents at the end of year		**951.4**	28.7
Cash at bank and in hand		**44.1**	34.2
Bank overdrafts		**(1.8)**	(5.5)
Short-term deposits		**909.1**	–
		951.4	28.7

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The Severn Trent Group's operations are described in the segmental analysis in note 5.

Severn Trent Plc is a company incorporated and domiciled in the United Kingdom. Its registered office is Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ.

Severn Trent Plc is listed on the London Stock Exchange.

2 Accounting policies

a) Basis of preparation

The financial statements for the Group and the parent company have been prepared on the going concern basis (see strategic report on page 107 which sets out the Group's considerations relating to viability and going concern) under the historical cost convention, except for the revaluation of financial instruments including derivatives (refer to accounting policy notes u and v), and accounting for the transfer of assets from customers (refer to accounting policy note i).

(i) Consolidated financial statements

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and United Kingdom adopted International Financial Reporting Standards.

(ii) Parent company financial statements

The parent company financial statements have been prepared in accordance with United Kingdom Accounting Standards and comply with the Companies Act 2006. The Company meets the definition of a qualifying entity as defined in FRS 100 'Application of Financial Reporting Requirements', accordingly the Company has elected to apply FRS 101 'Reduced Disclosure Framework'.

Therefore the recognition and measurement requirements of United Kingdom adopted International Financial Reporting Standards have been applied, with amendments where necessary in order to comply with Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as the parent company financial statements are Companies Act 2006 accounts.

As permitted by FRS 101, the parent company has taken advantage of the disclosure exemptions available under that standard in relation to statement of cash flows, share based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

As permitted by Section 408 of the Companies Act 2006, no profit or loss account is presented for the parent company. The profit for the year is disclosed in the Company statement of changes in equity and the Company balance sheet.

Severn Trent Plc is a partner in Severn Trent Limited Partnership and Severn Trent 2017 Limited Partnership ('the partnerships'), which are registered in Scotland. As the partnerships are included in the consolidated accounts, the parent company has taken advantage of the exemption conferred by Regulation 7 of The Partnership (Accounts) Regulations 2008 from the requirements of Regulations 4 to 6.

The material accounting policies for the Group and the parent company are set out below and have been applied consistently except where indicated. Where policies are specific to the Group or to the Company this is set out in the relevant policy.

b) Basis of consolidation

The consolidated financial statements include the results of Severn Trent Plc and its subsidiaries and joint ventures. Results are included from the date of acquisition or incorporation and excluded from the date of disposal.

Subsidiaries are consolidated where the Group has the power to control a subsidiary.

Joint venture undertakings are accounted for on an equity basis where the Group exercised joint control under a contractual arrangement.

Non-controlling interests in the net assets of subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since that date.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not included within the financial statements.

Foreign currency denominated assets and liabilities of the Company and its subsidiary undertakings are translated into the relevant functional currency at the rates of exchange ruling at the year end. Any exchange differences so arising are dealt with through the income statement.

Foreign currency transactions arising during the year are translated into sterling at the rate of exchange ruling on the date of the transaction. All gains and losses on exchange arising during the year are dealt with through the income statement.

c) Revenue recognition

Revenue includes turnover and interest income.

Turnover represents the fair value of consideration receivable, excluding value added tax, trade discounts and inter-company sales, in the ordinary course of business for goods and services provided.

Turnover is not recognised until the service has been provided to the customer.

Water and wastewater revenue is recognised when the service is provided and includes an estimate of the amount of water and wastewater charges unbilled at the year end. The accrual is estimated using a defined methodology based upon a measure of unbilled water consumed by tariff, which is calculated from historical billing information.

Amounts received from developers for diversions activity is recognised as turnover when the service to divert the infrastructure has been completed.

Operating services revenue is recognised in line with the delivery of each performance obligation. Further details of the performance obligations are detailed in note 6. The expected turnover over the life of a contract is allocated to each performance obligation based on the stand-alone selling price of each performance obligation, which is based on the forecast costs incurred and expected margin for each obligation. Any changes to the revenue relating to performance obligations already delivered are recognised in the period in which they are identified. Differences between amounts recognised as revenue and amounts billed are recognised as contract assets or liabilities.

Renewable energy revenue includes sales of electricity and gas and the related green energy incentives. Revenue from energy sales is recognised when the electricity or gas is delivered to the national grid. Green energy incentives are recognised when the Group becomes entitled to them.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

d) Exceptional items

Exceptional items are income or expenditure, which individually or in aggregate, if of a similar type, should, in the opinion of the directors, be disclosed by virtue of their size or nature if the financial statements are to give a true and fair view. In this context, materiality is assessed at the segment level.

2 Accounting policies (continued)

e) Taxation

Current tax payable is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is measured on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Where there is a change in the tax rate enacted or substantively enacted, deferred tax assets and liabilities in the opening balance sheet are remeasured at the new rate. The resulting charge/credit to income statement and reserves is recognised in the year that the rate change occurs.

Current and deferred tax are recognised in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

A deferred tax asset is only recognised to the extent it is probable that sufficient taxable profits will be available in the future to utilise it.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

f) Goodwill

Goodwill represents the excess of the fair value of purchase consideration over the fair value of the net assets acquired. Goodwill arising on acquisition of subsidiaries is included in intangible assets, whilst goodwill arising on acquisition of associates or joint ventures is included in interests in associates or joint ventures respectively. If an acquisition gives rise to negative goodwill this is credited directly to the income statement. Fair value adjustments based on provisional estimates are amended within one year of the acquisition, if required, with a corresponding adjustment to goodwill.

Goodwill and indefinite life intangibles are tested for impairment in accordance with the policy set out in note 2 m) below and carried at cost less accumulated impairment losses. Goodwill is allocated to the cash-generating unit that derives benefit from the goodwill for impairment testing purposes.

Where goodwill forms part of a cash-generating unit and all or part of that unit is disposed of, the associated goodwill is included in the carrying amount of that operation when determining the gain or loss on disposal of the operation.

g) Other intangible non-current assets

Intangible assets acquired separately, or internally generated where a separate resource that is controlled by the Group is created, are capitalised at cost. Following initial recognition, finite life intangible assets are amortised on a straight-line basis over their estimated useful economic lives as follows:

	Years
Software	3 – 10
Other intangible assets	15 – 25

Amortisation charged on intangible assets is taken to the income statement through operating costs.

Finite life intangible assets are reviewed for impairment where indicators of impairment exist (see 2 m) below).

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. Such assets are reviewed for impairment at least annually and where indications of impairment exist.

Development expenditure is capitalised as an intangible asset and written off over its expected useful economic life where the following criteria are met:

- it is technically feasible to create and make the asset available for use or sale;
- there are adequate resources available to complete the development and to use or sell the asset;
- there is the intention and ability to use or sell the asset;
- it is probable that the asset created will generate future economic benefits; and
- the development costs can be measured reliably.

Research expenditure is expensed when it is incurred.

h) Pre-contract costs

Incremental costs incurred in obtaining contracts with customers are recognised as a prepayment and written off to the income statement over the life of the contract where it is expected that the costs will be recovered.

All other costs of obtaining contracts are written off to the income statement as incurred.

i) Property, plant and equipment

Property, plant and equipment is held at cost (or at deemed cost for infrastructure assets on transition to IFRS) less accumulated depreciation and impairment. Expenditure on property, plant and equipment relating to research and development projects is capitalised and depreciated over the expected useful life of those assets.

The costs of like-for-like replacement of infrastructure components are recognised in the income statement as they arise. Expenditure which results in enhancements to the operating capability of the infrastructure networks is capitalised.

Where items of property, plant and equipment are transferred to the Group from customers or developers, the fair value of the asset transferred is recognised in the balance sheet. Fair value is determined based on estimated depreciated replacement cost. The transfer is considered to be linked to the provision of ongoing services therefore the corresponding credit is recorded in deferred income and released to turnover over the expected useful lives of the related assets. Further details regarding the judgment applied is detailed in note 4.

Where assets take a substantial period to get ready for their intended use, the borrowing costs directly attributable to the acquisition, construction or production of these assets are added to their cost.

Property, plant and equipment is depreciated, using the straight-line method, to its estimated residual value over its estimated useful life, with the exception of freehold land, which is not depreciated. Assets in the course of construction are not depreciated until commissioned.

The estimated useful lives are:

	Years
Infrastructure assets	
Impounding reservoirs	250
Raw water aqueducts	250
Mains	80 – 150
Sewers	150 – 200
Other assets	
Buildings	30 – 80
Fixed plant and equipment	20 – 40
Vehicles and mobile plant	2 – 15

2 Accounting policies (continued)

j) Biological assets and agricultural produce

Biological assets consist of trees held by the Group for the purpose of commercial felling. Agricultural produce consists of felled trees and timber.

Biological assets are recognised when the Group approves the use of the asset in commercial activity and:

- the assets are controlled by the Group;
- where required, the appropriate regulatory authority has approved the commercial felling of the asset; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at fair value less costs to sell on initial recognition. At the end of subsequent periods, biological assets are remeasured to fair value less costs to sell and the gain or loss on remeasurement is included in other income or costs in the income statement.

Biological assets are valued by independent qualified valuers on a quinquennial basis. Between independent valuations, fair values are estimated by management based on the previous quinquennial valuation and movements in market indices.

Agricultural produce is measured at fair value less costs to sell at the point of harvest.

k) Leased assets

Where the Group enters a contract that contains a lease, it recognises a right-of-use asset and a lease liability. The right-of-use asset is measured at cost, which includes: the amount of the initial measurement of the lease liability (see below); any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs incurred by the Group; and an estimate of any remediation or similar costs required by the lease contract.

At the commencement date, the lease liability is measured at the present value of the future lease payments discounted using the interest rate implicit in the lease or, if that cannot be readily determined, the Group's incremental borrowing rate. Lease liabilities are included in borrowings.

Lease payments are treated as consisting of a capital element and a finance charge; the capital element reduces the lease liability and the finance charge is written off to the income statement at a constant rate over the period of the lease in proportion to the capital amount outstanding. Depreciation of the right-of-use asset is charged over the shorter of the estimated useful life and the lease period unless ownership is expected to transfer to the Group at the end of the lease, in which case the right-of-use asset is depreciated to the end of the useful life of the underlying asset.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in managing contracts.

Most extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the Group.

Where the lease term is less than one year or the underlying asset is low value, the Group does not recognise a right-of-use asset or lease liability. Payments under such leases are charged to operating costs.

l) Grants and contributions

Grants and contributions received in respect of non-current assets, including certain charges made for new connections to the water and sewerage networks, are treated as deferred income and released to turnover over the useful economic life of those non-current assets.

Grants and contributions which are given in compensation for expenses incurred with no future related costs are recognised in turnover in the period that they become receivable.

m) Impairment of non-current assets

If the recoverable amount of goodwill, an item of property, plant and equipment, or any other non-current asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell or estimated value in use at the date the impairment review is undertaken. Fair value less costs to sell represents the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing third parties, less costs of disposal. Value in use represents the present value of future cash flows expected to be derived from a cash-generating unit, discounted using a pre-tax discount rate that reflects current market assessments of the cost of capital of the cash-generating unit or asset.

The discount rate used is based on the Group's cost of capital adjusted for the risk profiles of individual businesses. For regulated businesses we use the weighted average cost of capital ('WACC') from Ofwat's latest price review adjusted for market changes since this date where appropriate.

Goodwill is tested for impairment annually. Impairment reviews are also carried out if there is an indication that an impairment may have occurred, or, where otherwise required, to ensure that non-current assets are not carried above their estimated recoverable amounts.

Impairment losses are recognised in the income statement.

n) Parent company investments

The parent company recognises investments in subsidiary undertakings at historical cost. Impairment losses are recognised in line with policy set out in m) above.

o) Inventory

Inventories are stated at the lower of cost and net realisable value. For properties held for resale, the cost includes the cost of acquiring and developing the sites.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

2 Accounting policies (continued)

p) Loans receivable

Loans receivable are measured at fair value on initial recognition, less issue fee income received where the fee is integral to the yield on the loan. All loan receivables are held for collection of contractual cash flows, which represent solely payments of principal and interest. After initial recognition, loans receivable are subsequently measured at amortised cost using the effective interest rate method whereby interest and issue fee income are credited to the income statement and added to the carrying value of loans receivable at a constant rate in proportion to the loan amount outstanding.

The Group recognises a loss allowance for expected credit losses (ECL) on its loans receivable from joint ventures. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to the 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the loans. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default over the remaining life of the asset at the reporting date with the risk of default for the same period at initial recognition. In making this assessment, the Group considers both quantitative and qualitative information about the risk of default that is reasonable and supportable, including forward-looking information that is available. This includes assessment of a deterioration in: actual or expected business; financial or economic conditions of the borrower; actual or expected operating results, cash flows and financial position of the borrower; and the regulatory, economic, or technological environment faced by the borrower.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Definition of default

The Group considers that a default has taken place where information developed internally indicates that the borrower is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a loan receivable is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

q) Trade receivables and accrued income

Trade receivables and accrued income are measured at fair value on initial recognition, and subsequently measured at amortised cost using the effective interest rate method, less loss allowance. If there is objective evidence that the asset is impaired, it is written down to its recoverable amount and the irrecoverable amount is recognised as an expense in operating costs.

The Group applies the simplified approach permitted by IFRS 9 for estimating expected credit losses on trade and other receivables. For trade receivables that are assessed not to be impaired individually, expected credit losses are estimated based on the Group's historical experience of trade receivable write-offs and reasonable, supportable forward-looking information which is available without undue cost or effort.

r) Retirement benefits

(i) Defined benefit schemes

The difference between the value of defined benefit pension scheme assets and defined benefit pension scheme liabilities is recorded on the balance sheet as a retirement benefit asset or obligation.

Defined benefit pension scheme assets are measured at fair value using bid price for assets with quoted prices. For scheme assets with no quoted price, the fair value is derived by using quotations from independent third parties or by using applicable valuation techniques at the end of each reporting period. Defined benefit pension scheme liabilities are measured at the balance sheet date by an independent actuary using the projected unit method and discounted at the current rate of return on high quality corporate bonds of equivalent term and currency to the liability.

Service cost, representing the cost of employee service in the year, is included in operating costs. Net finance cost is calculated by applying the discount rate used for the scheme liabilities to the net obligation.

Changes in the retirement benefit obligation that arise from:

- differences between the return on scheme assets and interest income included in the income statement;
- actuarial gains and losses from experience adjustments; and
- changes in demographic or financial assumptions,

are classified as remeasurements, charged or credited to other comprehensive income and recorded in the statement of comprehensive income in the period in which they arise.

There is no contractual agreement, or stated policy, for charging the net defined benefit cost to participating Group companies. Therefore, the parent recognises a charge in the income statement which is equal to the contributions payable in the year. The net defined benefit cost for these schemes is recognised by the sponsoring employers, Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig.

(ii) Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the income statement in the period in which they fall due.

s) Provisions

Provisions are recognised where:

- there is a present obligation as a result of a past event;
- it is probable that there will be an outflow of economic benefits to settle this obligation; and
- a reliable estimate of this amount can be made.

Insurance provisions are recognised for claims notified and for claims incurred but which have not yet been notified, based on advice from the Group's independent insurance advisers.

Provisions are discounted to present value using a pre-tax discount rate that reflects the risks specific to the liability where the effect is material.

t) Purchase of own shares

Where market purchases of Severn Trent ordinary shares are made through an obligating contract, a liability for the present value of the redemption amount is recognised and charged to retained earnings. Payments for the purchase of shares are charged to the liability when made.

Shares held by the Severn Trent Employee Share Ownership Trust that have not vested unconditionally by the balance sheet date are deducted from shareholders' funds until such time as they vest.

2 Accounting policies (continued)

u) Borrowings

The accounting policy for borrowings that are the hedged item in a fair value hedge is set out in note 2 v) and the accounting policy for lease liabilities is set out in note 2 k).

All other borrowings are initially recognised at fair value less issue costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method whereby interest and issue costs are charged to the income statement and added to the carrying value of borrowings at a constant rate in proportion to the capital amount outstanding.

Index-linked debt is adjusted for changes in the relevant inflation index and changes in value are charged to finance costs in the income statement.

Borrowings denominated in foreign currency are translated to sterling at the spot rate on the balance sheet date. Exchange gains or losses resulting from this are credited or charged to gains/losses on financial instruments in the income statement.

v) Derivative financial instruments

Derivative financial instruments are stated at fair value, including accrued interest. Fair value is determined using the methodology described in note 35 a). The accounting policy for changes in fair value depends on whether the derivative is designated as a hedging instrument. The various accounting policies are described below.

Interest receivable or payable in respect of derivative financial instruments is included in finance income or costs in the income statement.

Derivatives not designated as hedging instruments

Gains or losses arising on remeasurement of derivative financial instruments that are not designated as hedging instruments are recognised in gains/losses on financial instruments in the income statement.

Derivatives designated as hedging instruments

The Group uses derivative financial instruments such as cross currency swaps, forward currency contracts, energy swaps and interest rate swaps to hedge its risks associated with foreign currency, interest rate and energy price fluctuations.

Where hedge accounting is applied, at the inception of each hedge relationship, the Group documents:

- the economic relationship between the hedging instrument and the hedged item;
- its risk management objectives and strategy for undertaking the hedge transaction; and
- whether changes in fair value or the cash flows of the hedging instrument are expected to offset changes in fair values or cash flows (as appropriate) of the hedged item.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated or exercised, or no longer qualifies for hedge accounting.

Fair value hedges

Where a loan or borrowing is in a fair value hedging relationship it is remeasured for changes in fair value of the hedged risk at the balance sheet date, with gains or losses being recognised in gains/losses on financial instruments in the income statement. The gain or loss on the corresponding hedging instrument is also taken to gains/losses on financial instruments in the income statement so that the effective portion of the hedge will offset the gain or loss on the hedged item.

If hedge accounting is discontinued, the fair value adjustment arising from the hedged risk on the hedged item is amortised to the income statement over the anticipated remaining life of the hedged item.

Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in equity and the ineffective portion is charged to gains/losses on financial instruments in the income statement. When the gain or loss from the hedged underlying transaction is recognised in the income statement, the gains or losses on the hedging instrument that have previously been recognised in equity are recycled through gains/losses on financial instruments in the income statement.

If hedge accounting is discontinued, any cumulative gain or loss on the hedging instrument previously recognised in equity is held in equity until the forecast transaction occurs, or transferred to gains/losses on financial instruments in the income statement if the forecast transaction is no longer expected to occur. From this point the derivative is accounted for in the same way as derivatives not designated as hedging instruments. If the hedging instrument is terminated, the gains and losses previously recognised in equity are held in equity until either the forecast transaction occurs or the forecast transaction is no longer expected to occur.

Embedded derivatives

Where a contract includes terms that cause some of its cash flows to vary in a similar way to a derivative financial instrument, that part of the contract is considered to be an embedded derivative.

Embedded derivatives are separated from the contract and measured at fair value with gains and losses taken to the income statement if the host contract is not an asset within the scope of IFRS 9 and:

- the risks and characteristics of the embedded derivative are not closely related to those of the contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the contract is not carried at fair value with gains and losses reported in the income statement.

In all other cases embedded derivatives are accounted for in line with the accounting policy for the contract as a whole.

w) Share based payment

The Group operates a number of equity settled share based compensation plans for employees. The fair value of the employee services received in exchange for the grant is recognised as an expense over the vesting period of the grant.

The fair value of employee services is determined by reference to the fair value of the awards granted, calculated using an appropriate pricing model, excluding the impact of any non-market vesting conditions. The number of awards that are expected to vest takes into account non-market vesting conditions including, where appropriate, continuing employment by the Group. The charge is adjusted to reflect shares that do not vest as a result of failing to meet a non-market condition.

Share based compensation plans are satisfied in shares of the parent company. Where the fair value of the awards is not recharged to participating Group companies, the parent company records the fair value of the awards as an increase in its investment in the subsidiary. The investment is adjusted to reflect shares that do not vest as a result of failing to meet a non-market based condition.

x) Cash flow statement

For the cash flow statement, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months maturity from the date of acquisition and include cash and bank balances and investments in liquid funds.

Net cash and cash equivalents include overdrafts repayable on demand and amounts drawn under the Group's revolving credit facility.

Interest paid in the cash flow statement includes amounts charged to the income statement and amounts included in the cost of property, plant and equipment.

2 Accounting policies (continued)

y) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. The identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date except that:

- deferred tax assets or liabilities and retirement benefit assets or obligations are recognised and measured in accordance with the policies set out under notes 2 e) and 2 r) above; and
- assets or disposal groups that are classified as held for sale are measured in accordance with the policy set out below.

Where an asset or group of assets (a disposal group) is available for immediate sale and the sale is highly probable and expected to occur within one year, then the disposal group is classified as held for sale. The disposal group is measured at the lower of the carrying amount and the fair value less costs to sell. Depreciation is not charged on such assets.

Where the initial accounting for a business combination is incomplete at the end of the reporting period, the Group reports provisional amounts and finalises these within one year of the acquisition date (the 'measurement period').

Contingent consideration is measured at fair value at the acquisition date.

During the measurement period, changes in provisional fair values of assets and liabilities acquired, or of contingent consideration, are recognised as adjustments to goodwill or bargain purchase gain. Outside the measurement period, changes in fair value of contingent consideration that is not classified as equity are recognised in profit or loss.

3 New accounting policies and future requirements

On 9 April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements'. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 does not impact the recognition or measurement of items in the financial statements.

The new standard is effective for accounting periods commencing on or after 1 January 2027. We will consider the requirements of the new standard in the period up to its implementation, but our initial assessment is that the impact on the Group's financial reporting will not be significant.

At the balance sheet date, no other Standards or Interpretations were in issue but not yet effective that are expected to have a material impact on the Group's financial position.

In the current year, the Group has applied the amendment to IAS 12 – International tax reform – Pillar Two Model Rules that was effective for accounting periods beginning on or after 1 January 2023. The adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. Further details are set out in note 12 b) to the financial statements.

4 Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, the Group is required to make certain judgments, estimates and assumptions that it believes are reasonable based on the information available. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

a) Critical accounting judgments

(i) Classification of costs between operating expenditure and capital expenditure

Severn Trent Water's business involves significant construction and engineering projects. Assessing the classification of costs incurred on such projects between capital expenditure and operating expenditure requires judgments to be made. The judgments are made based on objective criteria that the Group has developed to facilitate the consistent application of its accounting policies. The costs of like-for-like replacement of infrastructure components are recognised in the income statement as they arise. Total infrastructure renewal expenditure during the year was £207.2 million (2023: £238.4 million). Expenditure which results in quality or capacity enhancements to the operating capability of the infrastructure networks is capitalised and amounted to £208.2 million (2023: £162.6 million).

(ii) Income from connections to the water and wastewater networks

The Group receives income from developers and domestic customers for new connections to the water and wastewater networks either in the form of infrastructure assets or cash. The more significant examples of these transactions are:

- Developers transfer to the Group infrastructure assets that they have installed in a new development. Usually there is no monetary consideration exchanged when the Group adopts assets in this manner.
- When new properties are connected to the network, the Group is permitted, under the Water Industry Act, to obtain a contribution from the developer towards the cost of reinforcing its network to meet the additional demands arising from the new connections. These are referred to as Infrastructure charges. The charges are a standard amount per property and are not linked to specific reinforcement expenditure.
- When developers require properties to be connected to the Group's network, the Group installs a meter and connection to each property but retains ownership of the assets and responsibility for their maintenance.

Assessing whether this income is received in relation to the provision of the connection to the Group's infrastructure networks or is to facilitate the ongoing provision of water and wastewater services to the properties in question requires judgment about the nature of the ongoing relationship between the Group and the customer. During the period the Group received infrastructure assets with a fair value of £146.0 million (2023: £105.0 million), infrastructure charges amounting to £24.9 million (2023: £21.8 million) and other charges relating to the provision of infrastructure amounting to £20.1 million (2023: £20.2 million).

The Group considers that the purpose of these transactions is to facilitate the ongoing provision of water and wastewater services to the properties in question and they are inextricably linked to that ongoing service. There is a transferable right to receive an ongoing water and wastewater service that passes from customer to customer when the property is bought and sold during the life of the property and, without the ongoing water and wastewater service, the transactions have no value. Therefore, in line with our accounting policies the amounts received are held on the balance sheet and released to turnover in the income statement over the life of the related assets.

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

a) Critical accounting judgments (continued)

(iii) Climate change

The Group has performed an assessment of the impact that climate change may have on the amounts recognised in the financial statements. The natural environment in which the Group operates is continually changing, and the expected impact on the Group from climate change is set out within the 'Our approach to climate change' section of the Strategic Report on pages 42 to 81.

We have considered the impact of the climate change related risks to which the Group is exposed in the preparation of these financial statements, including the consideration of the impact of climate change related risks on management's judgments and estimates, the carrying value of assets and their useful economic lives. The risks are long term in nature, and whilst they will provide a need for investment in the future, we conclude that there is no material impact on the carrying amount of assets or liabilities recognised in the financial statements, nor do they lead to any additional key sources of estimation or judgment.

b) Sources of estimation uncertainty

(i) Depreciation and carrying amounts of property, plant and equipment

Calculating the depreciation charge and hence the carrying value for property, plant and equipment requires estimates to be made of the useful lives of the assets. The estimates are based on engineering data and the Group's experience of similar assets. Details are set out in note 2 i). The average useful life of property, plant and equipment by asset category is detailed as follows:

	Average useful economic life (years)
Land and buildings	41.4
Infrastructure assets	143.6
Fixed plant and equipment	25.1
Moveable plant	12.8

The impact on the annual depreciation expense of a 10% increase and decrease in useful economic life ('UEL') of property, plant and equipment by asset category is detailed as follows:

Impact on annual depreciation (£m)	10% increase in UEL £m	10% decrease in UEL £m
Land and buildings	(9.8)	12.0
Infrastructure assets	(4.0)	4.9
Fixed plant and equipment	(20.8)	25.4
Moveable plant	(0.7)	0.9

(ii) Retirement benefit obligations

Determining the amount of the Group's retirement benefit obligations and the net costs of providing such benefits requires assumptions to be made concerning long-term interest rates, inflation and longevity of current and future pensioners. Changes in these assumptions could significantly impact the amount of the obligations or the cost of providing such benefits. The Group makes assumptions concerning these matters with the assistance of advice from independent qualified actuaries. Details of the assumptions made and associated sensitivities are set out in note 29 to the financial statements.

(iii) Expected credit losses on trade receivables

Expected credit losses for trade receivables are based on the historical credit losses experienced over the last nine years and reasonable forecasts of the future impact of external economic factors on the Group's collection of trade receivables. A number of economic factors such as high inflation, rising interest rates and reduction of Government support for domestic energy bills might impact household disposable income and therefore the expected credit losses on trade receivables.

The gross carrying amounts and expected credit loss allowances for trade receivables and accrued income were as follows:

	2024 £m	2023 £m
Gross carrying amount	**780.7**	746.7
Provision for bad and doubtful debts	**(137.6)**	(135.1)
Net carrying amount	**643.1**	611.6

Movements in the expected credit loss allowance are as follows:

	2024 £m	2023 £m
At 1 April	**135.1**	135.0
Charge for bad and doubtful debts	**27.3**	24.5
Amounts written off during the period	**(24.8)**	(24.4)
At 31 March	**137.6**	135.1

The average expected credit loss for the outstanding trade receivables and accrued income was 2.14% at 31 March 2024 (2023: 2.25%). An increase/decrease of 10bps in the expected credit loss would result in an increase/decrease to the charge and provision for bad and doubtful debts by £9.8 million (2023: £10.3 million).

5 Segmental analysis

a) Background

The Group is organised into two main business segments:

Regulated Water and Wastewater includes the activities of Severn Trent Water Limited, except hydro-electric generation and property sales, and Hafren Dyfrdwy Cyfyngedig.

Business Services includes the Group's Operating Services businesses, the Green Power business including Severn Trent Water's hydro-electric generation, the Property Development business and our other non-regulated businesses including affinity products and searches.

The Severn Trent Executive Committee ('STEC') is the Group's chief operating decision maker. The reports provided to STEC include segmental information prepared on the basis described above.

Results from interests in our joint venture are not included in the segmental reports reviewed by STEC.

Goodwill is allocated and monitored at the segment level.

Transactions between reportable segments are included within segmental results, assets and liabilities in accordance with Group accounting policies. These are eliminated on consolidation.

The measure of profit or loss that is reported to STEC for the segments is profit before interest and tax ('PBIT'). A segmental analysis of turnover and PBIT is presented below.

5 Segmental analysis (continued)

b) Segmental results

The following table shows the segmental turnover and PBIT:

	2024		2023	
	Regulated Water and Wastewater £m	**Business Services £m**	Regulated Water and Wastewater £m	Business Services £m
External turnover	**2,151.5**	**186.8**	1,995.0	170.1
Inter-segment turnover	**0.5**	**5.1**	0.4	7.0
Total turnover	**2,152.0**	**191.9**	1,995.4	177.1
PBIT	**479.6**	**41.4**	467.5	49.2

PBIT is stated after:

	2024		2023	
	Regulated Water and Wastewater £m	**Business Services £m**	Regulated Water and Wastewater £m	Business Services £m
Depreciation of property, plant and equipment	**375.0**	**13.6**	367.6	12.1
Depreciation of right-of-use assets	**3.9**	**1.2**	2.2	1.7
Amortisation of intangible assets	**31.4**	**3.0**	30.8	2.8
Loss/(profit)on disposal of fixed assets	**0.6**	**(4.1)**	(0.2)	(2.0)

The reportable segments' turnover is reconciled to Group turnover as follows:

	2024 £m	2023 £m
Regulated Water and Wastewater	**2,152.0**	1,995.4
Business Services	**191.9**	177.1
Corporate and other	**1.3**	1.1
Consolidation adjustments	**(7.0)**	(8.5)
	2,338.2	2,165.1

Included in the revenues of Regulated Water and Wastewater of £2,152.0 million (2023: £1,995.4 million) is £264.7 million (2023: £259.5 million) which arose from sales to Water Plus Group. No other single customer contributed 10% or more to the Group's revenue for either 2024 or 2023.

Segmental PBIT is reconciled to the Group's profit before tax as follows:

	2024 £m	2023 £m
Regulated Water and Wastewater	**479.6**	467.5
Business Services	**41.4**	49.2
Corporate and other	**(9.4)**	(8.0)
Consolidation adjustments	**0.2**	0.1
PBIT	**511.8**	508.8
Net finance costs	**(281.5)**	(362.6)
Increase in expected credit loss on loan receivable	**(2.5)**	–
Net (losses)/gains on financial instruments	**(22.4)**	21.7
Share of net loss of joint ventures accounted for using the equity method	**(4.1)**	–
Profit on ordinary activities before taxation	**201.3**	167.9

The Group's treasury and tax affairs are managed centrally by the Group Treasury and Tax departments. Finance costs are managed on a Group basis and hence interest income and costs are not reported at the segmental level. Tax is not reported to STEC on a segmental basis.

5 Segmental analysis (continued)

c) Segmental capital employed

Separate segmental analyses of assets and liabilities are not reviewed by STEC. The balance sheet measure reviewed by STEC on a segmental basis is capital employed.

	2024		2023	
	Regulated Water and Wastewater £m	Business Services £m	Regulated Water and Wastewater £m	Business Services £m
Operating assets	12,601.0	381.9	11,498.4	349.5
Goodwill	63.5	50.6	63.5	30.5
Segment assets	12,664.5	432.5	11,561.9	380.0
Segment operating liabilities	(2,641.2)	(49.2)	(2,507.4)	(33.3)
Segmental capital employed	10,023.3	383.3	9,054.5	346.7

Operating assets comprise other intangible assets, property, plant and equipment, right-of-use assets, biological assets, retirement benefit surpluses, inventory and trade and other receivables.

Operating liabilities comprise trade and other payables, retirement benefit obligations and provisions.

The reportable segments' assets are reconciled to the Group's total assets as follows:

	2024 £m	2023 £m
Segment assets		
Regulated Water and Wastewater	12,664.5	11,561.9
Business Services	432.5	380.0
Corporate and other	5.4	5.3
Other financial assets	1,024.4	117.0
Investment in joint venture	12.4	16.5
Loan receivable from joint venture	72.6	75.3
Current tax receivable	–	9.9
Consolidation adjustments	(8.1)	(17.3)
Total assets	14,203.7	12,148.6

The consolidation adjustments comprise elimination of intra-group debtors and unrealised profits on fixed assets.

The reportable segments' liabilities are reconciled to the Group's total liabilities as follows:

	2024 £m	2023 £m
Segment liabilities		
Regulated Water and Wastewater	(2,641.2)	(2,507.4)
Business Services	(49.2)	(33.3)
Corporate and other	(51.1)	(47.4)
Other financial liabilities	(8,289.2)	(7,314.9)
Deferred tax	(1,364.5)	(1,293.5)
Current tax payable	(0.9)	–
Consolidation adjustments	26.4	18.5
Total liabilities	(12,369.7)	(11,178.0)

The consolidation adjustments comprise elimination of intra-group creditors.

The following table shows the additions to other intangible assets, property, plant and equipment and right-of-use assets:

	2024		2023	
	Regulated Water and Wastewater £m	Business Services £m	Regulated Water and Wastewater £m	Business Services £m
Other intangible assets	29.1	0.4	39.5	0.5
Property, plant and equipment	1,413.7	14.7	885.5	14.3
Right-of-use assets	15.1	2.1	3.0	–

d) Geographical areas

All of the Group's sales were derived from the UK in 2024 and 2023.

6 Revenue from contracts with customers

Revenue recognised from contracts with customers is analysed by type of revenue and by business segment below:

Year ended 31 March 2024	**Regulated Water and Wastewater £m**	**Business Services £m**	**Corporate and other £m**	**Consolidation adjustments £m**	**Group £m**
Water and wastewater services	2,104.1	–	–	(0.5)	2,103.6
Operating services	–	88.9	–	–	88.9
Renewable energy	42.4	87.6	–	(5.1)	124.9
Other sales	5.5	15.4	1.3	(1.4)	20.8
	2,152.0	**191.9**	**1.3**	**(7.0)**	**2,338.2**

Year ended 31 March 2023	Regulated Water and Wastewater £m	Business Services £m	Corporate and other £m	Consolidation adjustments £m	Group £m
Water and wastewater services	1,932.9	–	–	(0.4)	1,932.5
Operating services	–	84.7	–	–	84.7
Renewable energy	57.2	78.6	–	(7.0)	128.8
Other sales	5.3	13.8	1.1	(1.1)	19.1
	1,995.4	177.1	1.1	(8.5)	2,165.1

Revenue from water and wastewater services provided to customers with meters is recognised when the service is provided and is measured based on actual meter readings and estimated consumption for the period between the last meter reading and the year end. For customers who are not metered, the performance obligation is to stand ready to provide water and wastewater services throughout the period. Such customers are charged on an annual basis, coterminous with the financial year and revenue is recognised on a straight line basis over the financial year.

Deferred income arising from connections to the Group's water and wastewater networks represents a contract liability and is recognised in line with the Group's accounting policy set out in note 2 and the judgment described in note 4. Changes in the Group's contract liabilities from deferred income in relation to connections were as follows:

	2024 £m	2023 £m
At 1 April	**1,482.2**	1,353.4
Contributions and grants received	**43.5**	40.2
Assets transferred at no cost	**146.0**	105.0
Amounts released to income statement	**(16.9)**	(16.4)
At 31 March	**1,654.8**	1,482.2

Revenue amounting to £16.9 million (2023: £16.4 million) that was included in the opening balance of the contract liability was recognised in the income statement during the year. No revenue was recognised in the year from performance obligations relating to connections to the Group's water and wastewater networks that were satisfied or partially satisfied in previous years (2023: nil).

Payments for infrastructure charges and other charges relating to connection to the networks occur when the connections are made. The performance obligations, including provision of an ongoing water and wastewater service, are provided over the life of the relevant property.

Revenue from the remaining performance obligations is expected to be recognised as follows:

	2024 £m	2023 £m
In the next year	**17.0**	16.2
Between one and five years	**68.0**	64.8
After more than five years	**1,569.8**	1,401.2
	1,654.8	1,482.2

6 Revenue from contracts with customers (continued)

Payments received from customers in advance of the service period represents a contract liability. Changes in the Group's contract liabilities from payments received in advance were as follows:

	2024 £m	2023 £m
Contract liability at 1 April	**146.5**	144.8
Revenue recognised	**(1,521.7)**	(1,394.9)
Cash received	**1,524.2**	1,396.6
Contract liability at 31 March	**149.0**	146.5

The Operating Services business includes a material 25-year contract with multiple performance obligations. Under this contract with the Ministry of Defence ('MoD'), the Group bills the customer based on an inflation-linked volumetric tariff and invoices are payable on normal commercial terms. The performance obligations, which are satisfied as the services are performed, are:

- operating and maintaining the customer's infrastructure assets;
- upgrading the customer's infrastructure assets;
- administrating the services received from statutory water and sewerage undertakers; and
- administrating billing services of the customer's commercial and Non Base Dependent customers.

Revenue has been allocated to each performance obligation based on the stand-alone selling price of each performance obligation, which is based on the forecast costs incurred and expected margin for each obligation. Changes to projected margins are adjusted on a cumulative basis in the period that they are identified.

Other than the provision of water and wastewater services, there is no direct correlation between the satisfaction of the performance obligations and the timing of billing and customer payments. The estimated transaction price for the contract is derived from estimates of the customer's consumption at the contract tariff rate, adjusted for inflation. This estimate is updated on an annual basis. The estimated transaction price has increased from 31 March 2023 as a result of higher inflation and consumption. At 31 March 2024 the aggregate amount of the estimated transaction price allocated to performance obligations that were not satisfied was £326.5 million (2023: £372.5 million). This amount is expected to be recognised as revenue as follows:

	2024 £m	2023 £m
In the next year	**54.8**	52.1
Between one and five years	**216.9**	212.3
After more than five years	**54.8**	108.1
	326.5	372.5

The assumptions and other sources of estimation uncertainty in relation to this contract do not present a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next financial year and therefore are not included as a source of estimation uncertainty in note 4 b).

Revenue recognised in excess of amounts billed is recorded as a contract asset and amounts billed in excess of revenue recognised are recorded as contract liabilities. Changes in contract assets in the year were as follows:

	2024 £m	2023 £m
Contract asset at 1 April	**44.3**	39.9
Amounts billed	**(57.6)**	(52.6)
Revenue recognised	**60.4**	57.0
Contract asset at 31 March	**47.1**	44.3

No contract liabilities arose from the Group's Operating Services contract with the MoD.

7 Net operating costs

	2024 £m	2023 £m
Wages and salaries	**387.4**	315.1
Social security costs	**39.2**	35.3
Pension costs	**36.5**	22.4
Share based payments	**10.3**	9.5
Total employee costs	**473.4**	382.3
Power	**278.0**	198.3
Raw materials and consumables	**120.4**	115.2
Rates	**90.4**	84.4
Charge for bad and doubtful debts	**27.3**	24.5
Services charges	**43.3**	41.6
Depreciation of property, plant and equipment	**388.7**	379.7
Depreciation of right-of-use assets	**5.2**	3.9
Amortisation of intangible fixed assets	**34.4**	33.7
Hired and contracted services	**323.5**	291.6
Rental charges		
– land and buildings	**0.1**	0.3
– other	**0.1**	–
Hire of plant and machinery	**12.5**	9.1
Profit on disposal of tangible fixed assets	**(3.5)**	(2.2)
Infrastructure maintenance expenditure	**207.2**	238.4
Ofwat licence fees	**8.1**	5.5
Other operating costs	**65.0**	70.5
Other operating income	**(8.5)**	(3.1)
	2,065.6	1,873.7
Own work capitalised	**(239.2)**	(217.4)
	1,826.4	1,656.3

During the year the following fees were charged by the auditor:

	2024 £m	2023 £m
Fees payable to the Company's auditor for:		
– the audit of the Company's annual accounts	**0.3**	0.3
– the audit of the Company's subsidiary accounts	**0.8**	0.7
Total audit fees	**1.1**	1.0
Fees payable to the Company's auditor and its associates for other services to the Group:		
– audit related assurance services	**0.2**	0.2
– other assurance services	**0.1**	0.1
Total non-audit fees	**0.3**	0.3

Other assurance services include certain agreed upon procedures performed by Deloitte in connection with regulatory reporting requirements to Ofwat.

Details of the Group policy on the use of the auditor for non-audit services and how auditor independence and objectivity are safeguarded are set out in the Audit Committee report on pages 153 to 161. No services were provided pursuant to contingent fee arrangements.

Details of directors' remuneration are set out in the Directors' remuneration report on pages 169 to 194.

8 Employee numbers – Group and Company

Average number of employees (including Executive Directors) during the year:

	Group		Company	
	2024 Number	2023 Number	**2024 Number**	2023 Number
By business segment				
Regulated Water and Wastewater	**8,150**	7,176	**–**	–
Business Services	**525**	461	**–**	–
Corporate and other	**16**	14	**16**	14
	8,691	7,651	**16**	14

9 Finance income

	2024 £m	2023 £m
Interest income earned on bank deposits	**38.8**	3.3
Other financial income	**1.8**	2.2
Total interest receivable	**40.6**	5.5
Interest income on defined benefit scheme assets	**82.5**	78.6
	123.1	84.1

10 Finance costs

	2024 £m	2023 £m
Interest expense charged on:		
Bank loans and overdrafts	**35.3**	30.9
Other loans	**268.8**	328.6
Lease liabilities	**3.7**	3.7
Total borrowing costs	**307.8**	363.2
Other financial expenses	**0.9**	1.3
Interest cost on defined benefit scheme liabilities	**95.9**	82.2
	404.6	446.7

Borrowing costs of £69.6 million (2023: £56.6 million) incurred funding eligible capital projects have been capitalised at an interest rate of 4.4% (2023: 5.3%). Tax relief of £17.4 million (2023: £10.7 million) was claimed on these costs which has created tax losses carried forward, offset by a related deferred tax asset of £17.4 million (2023: £14.1 million).

11 Net gains on financial instruments

	2024 £m	2023 £m
Loss on swaps used as hedging instruments in fair value hedges	**(15.5)**	(1.3)
Gain/(loss) arising on debt in fair value hedges	**15.6**	(0.3)
Exchange gain/(loss) on other loans	**2.8**	(7.4)
Net loss on cash flow hedges transferred from equity	**(18.2)**	(4.9)
Hedge ineffectiveness on cash flow hedges	**0.7**	(1.3)
(Loss)/gain arising on swaps where hedge accounting is not applied	**(9.0)**	35.7
Amortisation of fair value adjustment on debt	**1.2**	1.2
	(22.4)	21.7

The losses from financial assets and liabilities mandatorily measured at fair value through profit or loss was £24.5 million (2023: gains of £34.4 million). There were no financial assets or liabilities designated as at fair value through the profit or loss (2023: nil).

The Group's hedge accounting arrangements are described in note 37.

12 Taxation

a) Analysis of tax charge in the year

	2024 £m	2023 £m
Current tax		
Current year at 25% (2023: 19%)	**0.5**	–
Prior years	**5.0**	0.2
Total current tax charge	**5.5**	0.2
Deferred tax		
Origination and reversal of temporary differences:		
Current year	**53.2**	36.0
Prior years	**2.4**	(0.5)
Total deferred tax charge	**55.6**	35.5
	61.1	35.7

b) Factors affecting the tax charge in the year

The tax expense for the year is higher (2023: higher) than the standard rate of corporation tax in the UK of 25% (2023: 19%). The differences are explained below:

Total tax	2024 £m	2023 £m
Profit before taxation	**201.3**	167.9
Tax at standard rate of corporation tax in the UK 25% (2023: 19%)	**50.3**	31.9
Tax effect of depreciation on non-qualifying assets	**4.8**	2.2
Permanent difference from super deductions	**–**	(4.6)
Other permanent differences	**(1.4)**	(2.0)
Current year impact of rate change	**–**	8.5
Adjustments in respect of prior years	**7.4**	(0.3)
Total tax charge	**61.1**	35.7

Current tax	2024 £m	2023 £m
Profit before taxation	**201.3**	167.9
Tax at standard rate of corporation tax in the UK 25% (2023: 19%)	**50.3**	31.9
Tax effect of depreciation on non-qualifying assets	**4.8**	2.2
Permanent difference from super deductions	**–**	(4.6)
Other permanent differences	**(1.4)**	(2.0)
Tax effect of accelerated capital allowances	**(205.1)**	(33.1)
Other temporary differences	**(15.5)**	(27.6)
Tax losses carried forward	**167.4**	33.2
Adjustments in respect of prior years	**5.0**	0.2
Total current tax charge	**5.5**	0.2

The most significant factor impacting the Group's current tax charge is the difference between the depreciation charged on property, plant and equipment in the financial statements and the amount deductible from taxable profits in the form of capital allowances. Where the assets qualify for capital allowances this creates a temporary difference and deferred tax is recognised on the difference between the carrying amount of the asset and the amount that will be deductible for tax purposes in future years. Changes in the amount of deferred tax recognised on these assets are charged or credited to deferred tax in the income statement. Where the amount of the capital allowances received is greater than the depreciation charged this is referred to as accelerated capital allowances.

At the Spring Budget 2023, the Government replaced the super deduction regime with 'full expensing' for 3 years from 1 April 2023, giving an in-year capital allowance of 100% on the cost of qualifying plant and machinery. In the Autumn Statement on 22 November 2023, the Government made this change permanent with a 100% first year allowance for main rate assets and 50% first year allowance for special rate (including long life) assets. The impact of the full expensing changes meant that the Group was eligible to claim significant capital allowances to the extent that the Group was not liable to pay corporation tax for the year.

Certain of the Group's property, plant and equipment assets are not eligible for capital allowances under current legislation. Therefore there is no tax deduction that corresponds to the depreciation charged on these assets and deferred tax is not recognised in respect of this permanent difference.

Other permanent differences comprise expenditure that is not deductible for tax purposes or income that is not taxable.

Other temporary differences comprise items other than depreciation of property, plant and equipment where the amount is included in the tax computation in a different period from when it is recognised in the income statement. Deferred tax is provided on these items.

12 Taxation (continued)

b) Factors affecting the tax charge in the year (continued)

The significant capital allowances described above resulted in the Group incurring a loss for corporation tax purposes in the current and prior year. To the extent that these losses cannot be utilised in the period they are available to carry forward indefinitely and will be recovered against future taxable profits or the tax payable if the deferred tax liability arising from the accelerated capital allowance reverses.

The amounts included for tax assets in the financial statements include estimates and judgments relating to uncertain tax positions. If the computations subsequently submitted to HMRC include different amounts then these differences are reflected as an adjustment in respect of prior years in the subsequent financial statements.

Deferred tax is provided at 25%, the rate that is expected to apply when the asset or liability is expected to be settled. Further details are provided in note 28.

As part of the Organisation for Economic Co-operation and Development ('OECD')/G20 Base Erosion and Profit Shifting ('BEPS') project, the OECD has introduced the Pillar Two Model Rules. The Group is within the scope of these OECD Pillar Two model rules. Pillar Two legislation was enacted in the United Kingdom, the jurisdiction in which Severn Trent Plc is incorporated, and will be effective for the Group's financial year ending 31 March 2025. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure.

The Group has performed an assessment of its potential exposure to Pillar Two income taxes. This assessment is based on a combination of the 2023 country-by-country reporting and 2023 financial statements for constituent entities in the Group. Other than the Group's captive insurance subsidiary, which is tax resident in Guernsey, all of the Group's subsidiaries are tax resident in the UK. Based on the assessment performed, the Pillar Two simplified effective tax rate for the Group in the UK is above 15% and management is not currently aware of any circumstances under which this might change. Therefore, in the UK, the Group will apply the transitional safe harbour rules which will exempt it from applying the full Pillar Two rules in the UK. For Guernsey where the transitional safe harbour relief does not apply, the effective tax rate is above 15% under the full GloBE calculation. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes.

c) Tax charged/(credited) directly to other comprehensive income or equity

The following amounts of deferred tax have been charged/(credited) to other comprehensive income or equity:

	2024 £m	2023 £m
Deferred tax on:		
Actuarial gains/losses	**4.2**	(63.0)
Cash flow hedges	**(1.5)**	(0.6)
Share based payments	**5.8**	(0.1)
Transfers to the income statement	**4.6**	1.1
Total deferred tax charged/(credited) to other comprehensive income or equity	**13.1**	(62.6)

13 Dividends – Group and Company

Amounts recognised as distributions to owners of the Company in the year:

	2024		2023	
	Pence per share	**£m**	Pence per share	£m
Final dividend for the year ended 31 March 2023 (2022)	**64.09**	**161.6**	61.28	153.9
Interim dividend for the year ended 31 March 2024 (2023)	**46.74**	**139.8**	42.73	107.4
Total dividends paid	**110.83**	**301.4**	104.01	261.3
Proposed final dividend for the year ended 31 March 2024	**70.10**	**209.7**		

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

14 Earnings per share

a) Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding treasury shares and those held in the Severn Trent Employee Share Ownership Trust, which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's shares during the period. Potential ordinary shares are not treated as dilutive if their conversion does not decrease earnings per share or increase loss per share.

Basic and diluted earnings per share are calculated on the basis of profit attributable to the owners of the Company.

14 Earnings per share (continued)

a) Basic and diluted earnings per share (continued)

The calculation of basic and diluted earnings per share is based on the following:

(i) Earnings for the purpose of basic and diluted earnings per share

	2024 £m	2023 £m
Profit for the year	**140.2**	132.2

(ii) Number of shares

	2024 m	2023 m
Weighted average number of ordinary shares for the purpose of basic earnings per share	**274.9**	250.8
Effect of dilutive potential ordinary shares:		
– share options and LTIPs	**0.8**	1.1
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**275.7**	251.9

On 2 October 2023, the Group issued 46,511,628 shares at a price of £21.50 per share.

b) Adjusted earnings per share

	2024 pence	2023 pence
Adjusted basic earnings per share	**79.4**	58.2
Adjusted diluted earnings per share	**79.1**	58.0

Adjusted earnings per share figures are presented for continuing operations. These exclude the effects of net gains/losses on financial instruments, current tax on net gains/losses on financial instruments, and deferred tax in both 2024 and 2023. The Directors consider that the adjusted figures provide a useful additional indicator of performance. The denominators used in the calculations of adjusted basic and diluted earnings per share are the same as those used in the unadjusted figures set out above.

The adjustments to earnings that are made in calculating adjusted earnings per share are as follows:

	2024 £m	2023 £m
Earnings for the purpose of basic and diluted earnings per share	**140.2**	132.2
Adjustments for:		
– net gains on financial instruments	**22.4**	(21.7)
– deferred tax	**55.6**	35.5
Adjusted earnings for the purpose of adjusted basic and diluted earnings per share	**218.2**	146.0

There was no current tax charge on financial instruments in the current year (2023: nil).

15 Goodwill

	2024 £m	2023 £m
Cost		
At 1 April	**92.7**	91.4
Acquisition of subsidiary – M A Solutions (Lindum) Ltd	**–**	1.3
Acquisition of subsidiary – Andigestion Limited	**17.0**	–
Acquisition of subsidiary – Lakeside Water and Building Services Limited	**3.1**	–
At 31 March	**112.8**	92.7

On 1 September 2023, Severn Trent Green Power Limited acquired 100% of the issued share capital of Andigestion Limited for a total cash consideration of £40.5 million (see note 39). The acquisition has been accounted for using the acquisition method. Goodwill of £17.0 million was recognised, attributable to the anticipated future opportunities arising as a result of the acquisition. The goodwill valuation was based on management's best estimates of the fair values of the assets and liabilities acquired, which was estimated at £23.5 million.

On 7 March 2024, Severn Trent Services Operations UK Limited acquired 100% of the issued share capital of Lakeside Water and Building Services Limited for a total cash consideration of £5.7 million. The goodwill valuation was based on management's best estimates of the fair values of the assets and liabilities acquired, which was estimated at £2.6 million.

15 Goodwill (continued)

Goodwill relates to specific cash-generating units ('CGUs') hence no allocation of goodwill is required. A summary of the carrying amount of goodwill by CGU is presented below.

	2024 £m	2023 £m
Regulated Water and Wastewater	**62.2**	62.2
Green Power	**46.2**	29.2
Operating Services	**4.4**	1.3
	112.8	92.7

Regulated Water and Wastewater also has an intangible asset with indefinite useful life amounting to £4.3 million (2023: £4.3 million). This is reviewed for impairment as part of the Regulated Water and Wastewater impairment review, set out below.

(a) Regulated Water and Wastewater

On 1 July 2018 Instruments of appointment of Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig (formerly Dee Valley Water Limited) were amended to align the areas for which the appointments were made with the national border of England and Wales. As a result, the business that the goodwill relates to is now partly in Severn Trent Water and partly Hafren Dyfrdwy consequently this goodwill is allocated to the Regulated Water and Wastewater CGU.

The Group has reviewed the carrying value of goodwill for impairment in accordance with the policy stated in note 2. The carrying value of the Regulated Water and Wastewater CGU was determined on the basis of fair value, through a level 3 valuation, less costs to sell.

The fair value, determined using a discounted cash flow calculation for the Regulated Water and Wastewater segment is based on the most recent financial projections available for the business, which cover the five-year period to 31 March 2029.

The key assumptions underlying these projections are the cash flows in the projections and the following:

	%
Discount rate	5.3
CPI long-term inflation	2.0
Growth rate in the period beyond the detailed projections	1.5

The discount rate is an estimate for the weighted average cost of capital at the year end date based on the post-tax WACC detailed in the Ofwat PR19 Final Determination adjusted for market changes. The rate disclosed above is the equivalent pre-tax nominal rate.

Inflation has been included in the detailed projections at 2.0% CPI, based on the Bank of England's target rate for CPI.

Cash flows beyond the end of the five-year period are extrapolated using an assumed real growth rate of 1.5% in the Group's regulatory capital base, based on past experience and external factors likely to drive long-term growth in the regulatory capital base.

The fair value less costs to sell for the CGU exceeded its carrying value by £2,367.9 million. An increase in the discount rate to 5.6% or a reduction in the growth rate in the period beyond the detailed projections to 1.1% would reduce the recoverable amount to the carrying amount of the CGU.

(b) Green Power

On 30 November 2018, the Group acquired Agrivert Holdings and its subsidiary undertakings resulting in goodwill of £29.2 million. Subsequent to this, on 1 September 2023 the Group also acquired Andigestion Limited, resulting in goodwill of £17.0 million (see note 39).

This goodwill has been allocated to the Green Power South CGU which is determined to be the lowest level of independent cash flows relating to the goodwill. Green Power South is included within the Green Power part of the Business Services segment.

The Group has reviewed the carrying value of goodwill for impairment in accordance with the policy stated in note 2. The carrying value of the Green Power South CGU was determined on the basis of a value in use calculation.

The value in use determined using a discounted cash flow calculation for the Green Power South CGU is based on the most recent financial projections available for the business to 2029.

The key assumptions underlying these projections are the cash flows in the projections and:

	%
Discount rate	7.3
Growth rate in the period beyond the detailed projections	2.0

The discount rate was based on a review of a range of external sources of information about the cost of capital for the Severn Trent energy business. This rate was then converted to the equivalent pre-tax discount rate disclosed above.

Cash flows beyond the end of the five-year period are extrapolated using assumed growth of 2.0% in the Group's free cash flows, informed through external market trends.

The value in use for the CGU exceeded its carrying value by £35.4 million. An increase in the discount rate to 8.7% or reduction in the growth rate in the period beyond the detailed projections to 0.8% would reduce the recoverable amount to the carrying amount of the CGU.

16 Other intangible assets

	Computer software		Capitalised develop-ment costs and patents	Other intangible assets	Total
	Internally generated £m	Purchased £m	£m	£m	£m
Cost					
At 1 April 2022	337.0	180.0	1.3	35.8	554.1
Additions	22.1	12.2	–	5.7	40.0
At 1 April 2023	359.1	192.2	1.3	41.5	594.1
Additions	24.3	5.7	–	–	30.0
Acquisition of subsidiary	–	–	–	5.0	5.0
At 31 March 2024	**383.4**	**197.9**	**1.3**	**46.5**	**629.1**
Amortisation					
At 1 April 2022	(241.9)	(125.6)	–	(7.0)	(374.5)
Amortisation for the year	(20.6)	(10.9)	(0.1)	(2.1)	(33.7)
At 1 April 2023	(262.5)	(136.5)	(0.1)	(9.1)	(408.2)
Amortisation for the year	(20.8)	(11.3)	(0.2)	(2.1)	(34.4)
At 31 March 2024	**(283.3)**	**(147.8)**	**(0.3)**	**(11.2)**	**(442.6)**
Net book value					
At 31 March 2024	**100.1**	**50.1**	**1.0**	**35.3**	**186.5**
At 31 March 2023	96.6	55.7	1.2	32.4	185.9

Other intangible assets include the instrument of appointment acquired with Dee Valley Water, customer contracts and energy subsidy contracts both acquired with Agrivert and contracts for delivery of biodiversity improvements. The instrument of appointment has an indefinite useful life and as such the carrying value has been included in the impairment assessment performed for the Regulated Water and Wastewater CGU described in note 15. As at 31 March 2024 no impairment was recorded (2023: nil).

17 Property, plant and equipment

	Land and buildings £m	Infrastructure assets £m	Fixed plant and equipment £m	Moveable plant £m	Assets under construction £m	Total £m
Cost						
At 1 April 2022	4,201.7	6,006.6	5,230.4	80.4	907.8	16,426.9
Additions	35.9	161.4	77.6	0.8	623.2	898.9
Transfers on commissioning	74.5	1.2	180.7	1.3	(257.7)	–
Disposals	(10.8)	(2.3)	(30.8)	(2.5)	(9.3)	(55.7)
At 1 April 2023	4,301.3	6,166.9	5,457.9	80.0	1,264.0	17,270.1
Additions	68.5	178.2	147.4	22.0	1,012.7	1,428.8
Transfers on commissioning	80.7	30.0	140.0	1.5	(252.2)	–
Disposals	(0.7)	–	(2.5)	(5.8)	(4.7)	(13.7)
Acquisition of subsidiaries	5.4	–	10.5	0.5	–	16.4
At 31 March 2024	**4,455.2**	**6,375.1**	**5,753.3**	**98.2**	**2,019.8**	**18,701.6**
Depreciation						
At 1 April 2022	(1,639.6)	(1,475.4)	(3,062.5)	(41.0)	–	(6,218.5)
Charge for the year	(102.1)	(45.6)	(225.0)	(7.0)	–	(379.7)
Disposals	10.8	0.2	32.1	1.9	–	45.0
At 1 April 2023	(1,730.9)	(1,520.8)	(3,255.4)	(46.1)	–	(6,553.2)
Charge for the year	(107.6)	(44.4)	(229.0)	(7.7)	–	(388.7)
Disposals	0.6	–	1.2	5.4	–	7.2
At 31 March 2024	**(1,837.9)**	**(1,565.2)**	**(3,483.2)**	**(48.4)**	**–**	**(6,934.7)**
Net book value						
At 31 March 2024	**2,617.3**	**4,809.9**	**2,270.1**	**49.8**	**2,019.8**	**11,766.9**
At 31 March 2023	2,570.4	4,646.1	2,202.5	33.9	1,264.0	10,716.9

Additions include assets transferred from developers at no cost, which have been recognised at their fair value of £146.0 million (2023: £105.0 million) and provisions for works in response to legally enforceable undertakings to regulators amounting to £20.7 million (2023: £34.2 million).

17 Property, plant and equipment (continued)

The net book value of land and buildings is analysed as follows:

	2024 £m	2023 £m
Freehold	**2,617.0**	2,570.1
Short leasehold	**0.3**	0.3
	2,617.3	2,570.4

18 Biological assets

Biological assets comprise forestry assets situated at Lake Vyrnwy in Wales and the Upper Derwent Valley in England. The forests were valued by RICS Registered Valuers, Knight Frank LLP in December 2022. These valuations were updated to the recognition date using the Standing Timber Index published by Forest Research according to arrangements approved by the UK Statistics Authority. Forest Research is the research agency of the Forestry Commission and is Great Britain's principal organisation for forestry and tree-related research.

	2024 £m	2023 £m
Value at 1 April	**–**	–
Reclassification from inventory	**0.4**	–
Gain on initial recognition	**5.2**	–
Change in fair value on remeasurement	**0.1**	–
Value at 31 March	**5.7**	–

The Group holds 401.7 hectares (2023: nil) of forestry assets

19 Leases

a) The Group's leasing activities

The Group leases various properties, equipment and vehicles. Lease agreements are typically made for fixed periods of up to 999 years but may have extension options as described in note 2 k).

Lease contracts are negotiated on an individual basis and include a wide range of terms and conditions. The contracts do not include covenants other than security interests in the leased assets that are held by the lessor and leased assets may not be used as security for other borrowing. The contracts do not impose any restrictions on dividend payment, additional debt or further leasing. There were no sale and leaseback transactions in the period.

b) Income statement

The income statement includes the following amounts relating to leases:

	2024 £m	2023 £m
Depreciation charge of right-of-use assets:		
Land and buildings	**1.0**	0.9
Infrastructure assets	**1.1**	1.1
Fixed plant and equipment	**0.2**	0.2
Moveable plant	**2.9**	1.7
Total depreciation of right-of-use assets	**5.2**	3.9
Interest expense included in finance cost	**3.7**	3.7
Expense relating to short-term leases included in operating costs	**0.1**	–
Expense relating to leases of low-value assets included in operating costs	**0.1**	0.3

c) Balance sheet

The balance sheet includes the following amounts relating to leases:

	2024 £m	2023 £m
Right-of-use assets:		
Land and buildings	**16.6**	12.5
Infrastructure assets	**108.9**	110.4
Fixed plant and equipment	**3.9**	4.1
Moveable plant	**13.6**	2.3
	143.0	129.3

Additions to right-of-use assets were £17.2 million (2023: £3.0 million). Disposals were £1.1 million (2023: nil). Extension of lease terms during the year has resulted in a reduction in dilapidation provisions included in right-of-use assets of £2.4 million (2023: £0.8 million). Right-of-use assets acquired as part of business combinations were £0.4 million (2023: nil).

19 Leases (continued)

c) Balance sheet (continued)

	2024 £m	2023 £m
Lease liabilities:		
Current	**11.8**	8.3
Non-current	**108.2**	102.6
	120.0	110.9

Obligations under lease liabilities were as follows:

	2024 £m	2023 £m
Within 1 year	**16.6**	12.3
1 – 2 years	**17.3**	12.2
2 – 5 years	**56.5**	39.6
After more than 5 years	**68.7**	80.4
Gross obligations under leases	**159.1**	144.5
Less future finance charges	**(39.1)**	(33.6)
Present value of lease obligations	**120.0**	110.9

Net obligations under leases were as follows:

	2024 £m	2023 £m
Within 1 year	**11.8**	8.3
1 – 2 years	**12.6**	8.4
2 – 5 years	**40.3**	29.6
After more than 5 years	**55.3**	64.6
Included in non-current liabilities	**108.2**	102.6
	120.0	110.9

d) Cash flow

The total cash outflow for leases in the year was £14.2 million (2023: £16.8 million) which consists of £3.7 million (2023: £3.7 million) payments of interest and £10.5 million (2023: £13.1 million) repayment of principal elements. This is included in financing cash flows.

20 Investment in joint venture

Particulars of the Group's principal joint venture undertaking at 31 March 2024 were:

Name	Type	Country of incorporation	Class of share capital held	Proportion of ownership interest
Water Plus Group Limited	Joint venture	Great Britain	Ordinary B	50%

Water Plus is the largest business retailer in the non-household retail water market in England and Scotland. Its principal activities are core retail services including billing, meter reading, call centre support and water efficiency advice as well as key account management services and value added solutions.

Water Plus competes in England and Scotland for customers ranging from small and medium-sized enterprises through to large corporate entities in both the private and public sectors.

Movements in the investment were as follows:

	2024 £m	2023 £m
Carrying value of joint venture investment at 1 April	**16.5**	16.5
Group's share of (loss)/profit after tax and comprehensive (loss)/income	**(4.1)**	–
Carrying value of joint venture investment at 31 March	**12.4**	16.5

During the current year, the Group has recognised its share of Water Plus's losses of £8.1 million against the value of the investment (2023: Water Plus broke even).

20 Investment in joint venture (continued)

As at 31 March 2024 and 2023 the joint venture did not have any significant contingent liabilities to which the Group was exposed and, other than those set out below, the Group did not have any significant contingent liabilities in relation to its interests in the joint venture. The Group had no capital commitments in relation to its interests in the joint venture at 31 March 2024 or 2023.

The Company has given guarantees in favour of Water Plus Limited in respect of the joint venture's liabilities to wholesalers in the Open Water market. The guarantee is capped at £48.9 million (2023: £43.5 million).

The registered office of Water Plus Group Limited is South Court Riverside Park, Campbell Road, Stoke-On-Trent, United Kingdom, ST4 4DA.

Balance sheet and income statement extracts can be found below for Water Plus:

At 31 March	2024 £m	2023 £m
Non-current assets	**34.9**	40.0
Current assets[1]	**291.7**	300.9
Current liabilities[2]	**(106.3)**	(112.4)
Non-current liabilities[3]	**(214.6)**	(214.6)
Net assets	**5.7**	13.9

1 Includes cash of £5.1 million (2023: £12.2 million).
2 Includes current financial liabilities (excluding trade and other payables and provisions) of £1.4 million (2023: £1.2 million).
3 Includes non-current financial liabilities of £214.6 million (2023: £213.1 million).

For the year ended 31 March	2024 £m	2023 £m
Revenue	**759.0**	731.7
Depreciation and amortisation	**(4.5)**	(6.2)
Finance income	**0.6**	3.7
Finance costs	**(15.5)**	(11.3)
Tax charge	**(1.1)**	(1.6)
Comprehensive loss for the year	**(8.1)**	–

The below shows a reconciliation from the net assets of Water Plus to the carrying value as above:

	2024 £m	2023 £m
Net assets of Water Plus at 31 March	**5.7**	13.9
Severn Trent's share of net assets	**2.9**	7.0
Water Plus financial liabilities classified as part of net investment in joint venture	**9.8**	9.8
Other	**(0.3)**	(0.3)
Carrying value of joint venture investment at 31 March	**12.4**	16.5

The net assets position of Water Plus is derived from the best information available at the time the financial statements of the Group are approved. The impact on the Group of any subsequent changes in the net assets of Water Plus will be reflected in the financial statements prepared to 31 March 2025.

21 Investments in subsidiaries – Company

	£m
At 1 April 2023	3,371.6
Additions	10.0
Capital injection to subsidiary	211.7
At 31 March 2024	**3,593.3**

On 31 August 2023, Severn Trent Plc increased its investment in Athena Holdings Limited by £211.7 million, an amount equal to the aggregate of its loan receivables from Severn Trent Finance Holdings Limited, Severn Trent Services International (Overseas Holdings) Limited and Severn Trent Overseas Holdings Limited at that date. Similar capital injections were made down the group structure to the loan recipients and the amounts payable in respect of the capital increases were offset with the intercompany loan receivables of the same value.

22 Categories of financial assets

	Note	2024 £m	2023 £m
Fair value through profit and loss			
Cross currency swaps – not hedge accounted		**12.9**	20.5
Inflation swaps – not hedge accounted		**8.8**	7.3
		21.7	27.8
Derivatives designated as hedging instruments			
Cross currency swaps – fair value hedges		**10.2**	14.0
Interest rate swaps – cash flow hedges		**39.2**	40.5
Energy hedges – cash flow hedges		**0.1**	0.5
		49.5	55.0
Total derivative financial assets		**71.2**	82.8
Financial assets at amortised cost			
Trade receivables	23	**316.9**	294.4
Accrued income	23	**326.2**	317.2
Other amounts receivable	23	**101.1**	73.4
Loan receivable from joint venture	23	**72.6**	75.3
Short-term deposits	24	**909.1**	–
Cash at bank and in hand	24	**44.1**	34.2
Total financial assets at amortised cost		**1,770.0**	794.5
Total financial assets		**1,841.2**	877.3
Disclosed in the balance sheet as:			
Non-current assets			
Derivative financial assets		**71.2**	82.3
Trade and other receivables		**5.2**	3.3
Loan receivable from joint venture		**72.6**	75.3
		149.0	160.9
Current assets			
Derivative financial assets		**–**	0.5
Trade and other receivables		**739.0**	681.7
Cash and cash equivalents		**953.2**	34.2
		1,692.2	716.4
		1,841.2	877.3

23 Trade and other receivables – Group and Company

	Group		Company	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Current assets				
Net trade receivables	**316.9**	294.4	**–**	–
Other amounts receivable	**95.9**	70.1	**3.2**	0.2
Contract assets	**47.1**	44.3	**–**	–
Prepayments	**31.2**	24.9	**0.6**	0.2
Net accrued income	**326.2**	317.2	**–**	–
Amounts owed by group undertakings	**–**	–	**42.0**	33.5
	817.3	750.9	**45.8**	33.9
Non-current assets				
Other amounts receivable	**5.2**	3.3	**–**	3.2
Prepayments	**11.4**	9.8	**–**	–
Loan receivable from joint venture	**72.6**	75.3	**72.6**	74.3
Amounts owed by group undertakings under loan agreements	**–**	–	**1,603.6**	1,061.5
	89.2	88.4	**1,676.2**	1,139.0
	906.5	839.3	**1,722.0**	1,172.9

Prepayments include unamortised success fees paid as a result of winning the MoD contract (see note 6) amounting to £3.6 million (2023: £4.3 million). The costs are being amortised on a straight line basis over the life of the contract.

The carrying values of trade and other receivables are reasonable approximations of their fair values.

a) Credit risk

(i) Trade receivables and accrued income

Credit control policies and procedures are determined at the individual business unit level. By far the most significant business unit of the Group is Severn Trent Water Limited, which represents 91% of Group turnover and 90% of net trade receivables. Severn Trent Water has a statutory obligation to provide water and wastewater services to domestic customers within its region. Therefore there is no concentration of credit risk with respect to its trade receivables from these services and the credit quality of its customer base reflects the wealth and prosperity of all of the domestic households within its region.

In the current and prior year, the Group's joint venture, Water Plus, was the largest retailer for non-domestic customers in the Severn Trent region. The trade receivables and amounts shown as loans receivable from joint ventures are disclosed within note 44, Related party transactions. Credit risk is considered separately for trade receivables due from Water Plus and is considered immaterial as amounts outstanding are paid within 30 days.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance for all trade receivables, contract assets and accrued income.

A collective provision is recorded for expected credit losses against assets for which no specific provision has been made. Expected credit losses for trade receivables are based on the historical credit losses experienced over the last nine years and reasonable forecasts of the future impact of external economic factors on the Group's collection of trade receivables.

Debts are written off when there is no realistic expectation of further collection and enforcement activity has ceased. There were no amounts outstanding on receivables written off and still subject to enforcement activity (2023: nil).

(ii) Contract assets

The contract assets represent the Group's right to receive consideration from the MoD for services provided. On that basis the Group considers that the credit risk in relation to these assets is immaterial and therefore no provision for expected credit losses has been recognised (2023: nil).

(iii) Loan receivable from joint venture

As well as trade receivables from Water Plus the Group has advanced a loan to its joint venture. This loan is assessed for impairment under the two stage impairment model in IFRS 9.

b) Expected credit loss allowance

(i) Trade receivables and accrued income

The expected credit loss at 31 March 2024 and 2023 was as set out below. The loss allowance is based on historical credit losses adjusted for expected changes in cash collection. The loss rate disclosed is calculated by applying the loss allowance to the gross carrying amount for each age category.

23 Trade and other receivables – Group and Company (continued)

b) Expected credit loss allowance (continued)

(i) Trade receivables and accrued income (continued)

2024	**Expected loss rate %**	**Gross carrying amount £m**	**Loss allowance £m**	**Net carrying amount £m**
Not past due	**2**	**408.4**	**(9.0)**	**399.4**
Up to 1 year past due	**19**	**115.3**	**(21.8)**	**93.5**
1 – 2 years past due	**29**	**79.1**	**(23.3)**	**55.8**
2 – 3 years past due	**31**	**51.9**	**(16.2)**	**35.7**
3 – 4 years past due	**40**	**36.3**	**(14.7)**	**21.6**
4 – 5 years past due	**43**	**24.5**	**(10.5)**	**14.0**
5 – 6 years past due	**57**	**22.3**	**(12.7)**	**9.6**
6 – 7 years past due	**54**	**15.7**	**(8.4)**	**7.3**
7 – 8 years past due	**70**	**7.6**	**(5.3)**	**2.3**
8 – 9 years past due	**63**	**6.8**	**(4.3)**	**2.5**
More than 9 years past due	**89**	**12.8**	**(11.4)**	**1.4**
		780.7	**(137.6)**	**643.1**

2023	Expected loss rate %	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
Not past due	3	415.3	(13.4)	401.9
Up to 1 year past due	21	109.2	(22.8)	86.4
1 – 2 years past due	32	66.2	(21.4)	44.8
2 – 3 years past due	38	46.6	(17.5)	29.1
3 – 4 years past due	41	29.6	(12.0)	17.6
4 – 5 years past due	52	26.5	(13.9)	12.6
5 – 6 years past due	56	18.8	(10.5)	8.3
6 – 7 years past due	55	12.8	(7.0)	5.8
7 – 8 years past due	64	8.3	(5.3)	3.0
8 – 9 years past due	69	5.9	(4.1)	1.8
More than 9 years past due	96	7.5	(7.2)	0.3
		746.7	(135.1)	611.6

Movements on the expected credit loss allowance were as follows:

	2024 £m	2023 £m
At 1 April	**135.1**	135.0
Charge for bad and doubtful debts	**27.3**	24.5
Amounts written off during the year	**(24.8)**	(24.4)
At 31 March	**137.6**	135.1

(ii) Loan receivable from joint venture

In previous years, the Group has determined that there has been a significant increase in the credit risk since inception relating to its loan receivable of £76.2 million (2023: £76.4 million) from Water Plus, in the light of significant losses incurred by Water Plus. Following the loss incurred by Water Plus in the current year, the Group determines that there continues to be credit risk since inception on the loan receivable balance from Water Plus. The Group has therefore assessed the lifetime expected credit loss of its loans to Water Plus at 31 March 2024 based on Water Plus's financial projections. The Group has increased the expected credit loss provision to £3.6 million (2023: £1.1 million) resulting in a net loan receivable of £72.6 million (2023: £75.3 million).

24 Cash and cash equivalents – Group and Company

Group	**2024 £m**	2023 £m
Cash at bank and in hand	**44.1**	34.2
Short-term deposits	**909.1**	–
	953.2	34.2

£24.3 million (2023: £18.4 million) of cash at bank and in hand is restricted for use on the MoD contract and £0.3 million (2023: £0.6 million) is held as security for insurance obligations. Neither are available for use by the Group.

24 Cash and cash equivalents – Group and Company (continued)

Company	2024 £m	2023 £m
Cash at bank and in hand	**3.2**	1.2
Short-term deposits	**483.6**	–
	486.8	1.2

25 Borrowings – Group and Company

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
Current liabilities				
Bank overdraft	**1.8**	5.5	**1.8**	–
Bank loans	**–**	3.6	**–**	–
Other loans	**54.3**	300.0	**–**	0.1
Lease liabilities	**11.8**	8.3	**0.1**	0.1
	67.9	317.4	**1.9**	0.2
Non-current liabilities				
Bank loans	**783.5**	709.4	**230.7**	0.4
Amounts due to group undertakings under loan agreements	**–**	–	**612.3**	637.2
Other loans	**7,303.6**	6,174.2	**199.5**	199.1
Lease liabilities	**108.2**	102.6	**0.5**	0.7
	8,195.3	6,986.2	**1,043.0**	837.4
	8,263.2	7,303.6	**1,044.9**	837.6

See note 36 for details of interest rates payable and maturity of borrowings.

26 Categories of financial liabilities

	Note	2024 £m	2023 £m
Fair value through profit and loss			
Cross currency swaps – not hedge accounted		**6.2**	–
Interest rate swaps – not hedge accounted		**6.6**	10.0
		12.8	10.0
Derivatives designated as hedging instruments			
Cross currency swaps – fair value hedges		**12.8**	0.9
Interest rate swaps – cash flow hedges		**0.4**	0.4
		13.2	1.3
Total derivative financial liabilities		**26.0**	11.3
Other financial liabilities			
Borrowings	25	**8,263.2**	7,303.6
Trade payables	27	**162.5**	122.7
Other payables	27	**22.0**	15.6
Total other financial liabilities		**8,447.7**	7,441.9
Total financial liabilities		**8,473.7**	7,453.2
Disclosed in the balance sheet as			
Non-current liabilities			
Derivative financial liabilities		**26.0**	11.3
Borrowings		**8,195.3**	6,986.2
		8,221.3	6,997.5
Current liabilities			
Borrowings		**67.9**	317.4
Trade payables		**162.5**	122.7
Other payables		**22.0**	15.6
		252.4	455.7
		8,473.7	7,453.2

27 Trade and other payables – Group and Company

	Group		Company	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Current liabilities				
Trade payables	**162.5**	122.7	**1.4**	0.6
Social security and other taxes	**20.6**	10.9	**0.1**	0.1
Other payables	**22.0**	15.6	**–**	0.7
Accruals and receipts in advance	**353.6**	408.5	**6.7**	1.2
Amounts due to group undertakings	**–**	–	**4.8**	10.0
Contract liabilities	**149.0**	146.5	**–**	–
Deferred income	**17.0**	16.2	**–**	–
	724.7	720.4	**13.0**	12.6
Non-current liabilities				
Other payables	**–**	–	**3.2**	2.9
Accruals and receipts in advance	**50.7**	13.6	**–**	–
Deferred income	**1,637.8**	1,466.0	**–**	–
	1,688.5	1,479.6	**3.2**	2.9
	2,413.2	2,200.0	**16.2**	15.5

Movements in the contract liabilities and deferred income balances are set out in note 6 to the financial statements.

28 Deferred tax – Group and Company

Group – Deferred tax liabilities

An analysis of the movements in the major deferred tax liabilities and assets recognised by the Group is set out below:

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Fair value of financial instruments £m	Tax losses £m	Other £m	Total £m
At 1 April 2022	1,336.9	19.5	(25.1)	(5.9)	(4.8)	1,320.6
Charge/(credit) to income statement	49.2	15.5	14.4	(42.8)	(0.8)	35.5
Charge/(credit) to equity	–	(63.0)	0.5	–	(0.1)	(62.6)
At 1 April 2023	1,386.1	(28.0)	(10.2)	(48.7)	(5.7)	1,293.5
Charge/(credit) to income statement	215.9	12.9	(3.4)	(169.0)	(0.8)	55.6
Charge to equity	–	4.2	3.1	–	5.8	13.1
Acquisition of subsidiaries	–	–	–	–	2.3	2.3
At 31 March 2024	**1,602.0**	**(10.9)**	**(10.5)**	**(217.7)**	**1.6**	**1,364.5**

Deferred tax assets and liabilities have been offset. The offset amounts, which are to be recovered/settled after more than 12 months, are as follows:

	2024 £m	2023 £m
Deferred tax asset	**(239.1)**	(92.6)
Deferred tax liability	**1,603.6**	1,386.1
	1,364.5	1,293.5

Company – Deferred tax assets

	Retirement benefit obligations £m
At 1 April 2022	2.0
Charge to income statement	(0.1)
Charge to equity	(0.3)
At 1 April 2023	1.6
Charge to income statement	(0.1)
At 31 March 2024	**1.5**

29 Retirement benefit schemes – Group and Company

a) Defined benefit pension schemes

(i) Background

The Group operates a number of defined benefit pension schemes. The Severn Trent Pension Scheme and the Severn Trent Mirror Image Pension Scheme closed to future accrual on 31 March 2015, while the Dee Valley Water Limited Section of the Water Companies Pension Scheme, which is a sectionalised scheme, closed to future accrual on 31 March 2024.

The defined benefit pension schemes cover increases in accrued benefits arising from inflation and pension increases. Their assets are held in separate funds administered by trustees. The trustees are required to act in the best interests of the schemes' beneficiaries. A formal actuarial valuation of each scheme is carried out on behalf of the trustees at triennial intervals by an independent professionally qualified actuary. Under the defined benefit pension schemes, members are entitled to retirement benefits calculated by reference to their pensionable service and pensionable salary history, with inflationary pension increases applying in line with the scheme rules.

The defined benefit pension schemes and the dates of their last completed formal actuarial valuations as at the accounting date are as follows:

	Date of last formal actuarial valuation
Severn Trent Pension Scheme (STPS)*	31 March 2022
Severn Trent Mirror Image Pension Scheme (STMIPS)	31 March 2022
Water Companies Pension Scheme – Dee Valley Water Limited Section (DVWS)	31 March 2020

* The STPS is by far the largest of the Group's UK defined benefit schemes, comprising over 90% of the Group's overall defined benefit obligations.

The defined benefit scheme assets have been updated to reflect their market value at 31 March 2024. Actuarial gains and losses on the scheme assets and defined benefit obligations have been reported in the statement of comprehensive income. Service cost, and the costs of administrating the scheme, are recognised in operating costs and interest cost is recognised in net finance costs.

(ii) Amount included in the balance sheet arising from the Group's obligations under the defined benefit pension schemes

	2024 £m	2023 £m
Fair value of assets	**1,805.0**	1,785.3
Present value of the defined benefit obligations	**(2,018.0)**	(2,064.7)
	(213.0)	(279.4)
Presented on the balance sheet as:		
Retirement benefit obligation – funded schemes in surplus	**5.4**	5.7
Retirement benefit obligation – funded schemes in deficit	**(212.1)**	(278.6)
Retirement benefit obligation – unfunded schemes	**(6.3)**	(6.5)
Retirement benefit obligation – total	**(218.4)**	(285.1)
Net retirement benefit obligation	**(213.0)**	(279.4)

STPS, STMIPS, and DVWS	2024 £m	2023 £m
Fair value of scheme assets		
Equities	**20.7**	188.4
Annuity policies*	**117.4**	122.2
Corporate bonds	**429.8**	237.0
Liability-driven investment funds ('LDIs')	**872.5**	259.2
Property	**216.0**	239.6
Cash	**148.1**	741.2
Other	**0.5**	(2.3)
	1,805.0	1,785.3

* In July 2021, the STMIPS Trustees completed the purchase of a bulk annuity contract with JUST, an insurance company, to secure the benefits of all members of the MIPS. The Trustees continue to pay benefits to members as before the transaction, but these cash flows are now matched exactly by income from JUST. In March 2023, the DVWS also entered into a bulk annuity buy-in investment policy with JUST that covers the majority of the scheme obligations.

Some of the invested assets have quoted prices in active markets, but there are equities, corporate bonds and LDI investments which are unquoted, amounting to £1,161.5 million (2023: £419.0 million), the increase since the previous year reflects the increased investment in unquoted LDI assets.

29 Retirement benefit schemes – Group and Company (continued)

a) Defined benefit pension schemes (continued)

(ii) Amount included in the balance sheet arising from the Group's obligations under the defined benefit pension schemes (continued)

Movements in the fair value of the scheme assets were as follows:

	2024 £m	2023 £m
Fair value at 1 April	**1,785.3**	2,659.4
Interest income on scheme assets	**82.5**	78.6
Contributions from the sponsoring companies	**67.9**	100.5
Return on plan assets (excluding amounts included in finance income)	**(17.0)**	(922.0)
Scheme administration costs	**(4.2)**	(4.3)
Benefits paid	**(109.5)**	(126.9)
Fair value at 31 March	**1,805.0**	1,785.3

Movements in the present value of the defined benefit obligations were as follows:

	2024 £m	2023 £m
Present value at 1 April	**(2,064.7)**	(2,787.4)
Service cost	**(0.1)**	(0.1)
Past service (cost)/credit	**(0.2)**	8.3
Interest cost	**(95.9)**	(82.2)
Actuarial gains/(losses) arising from changes in demographic assumptions	**5.9**	(16.2)
Actuarial gains arising from changes in financial assumptions	**53.2**	744.7
Actuarial losses arising from experience adjustments	**(25.7)**	(58.7)
Benefits paid	**109.5**	126.9
Present value at 31 March	**(2,018.0)**	(2,064.7)

The past service cost reflects the cost of ending the salary linkage and increasing the benefits of the remaining active members' benefits in the DVWS upon closure on to future accrual on 31 March 2024, this was agreed following a consultation process with the remaining members and other key stakeholders.

The Group has an obligation to pay pensions to a number of former employees, whose benefits would otherwise have been restricted by the Finance Act 1989 earnings cap. Provision for such benefits amounting to £6.3 million (2023: £6.5 million) is included as an unfunded scheme within the retirement benefit obligation.

The Group has assessed that it has an unconditional right to a refund of any surplus assets in each of the Schemes following settlement of all obligations to Scheme members and therefore the surplus in the DVWS has been recognised in full.

(iii) Amounts recognised in the income statement in respect of these defined benefit pension schemes

	2024 £m	2023 £m
Amounts charged to operating costs:		
Current service cost	**(0.1)**	(0.1)
Past service (cost)/credit	**(0.2)**	8.3
Scheme administration costs	**(4.2)**	(4.3)
	(4.5)	3.9
Amounts charged to finance costs:		
Interest cost	**(95.9)**	(82.2)
Amounts credited to finance income:		
Interest income on scheme assets	**82.5**	78.6
Total amount (charged)/credited to the income statement	**(17.9)**	0.3

The actual return on scheme assets was a gain of £65.5 million (2023: loss of £843.4 million).

Actuarial gains and losses have been reported in the statement of comprehensive income.

29 Retirement benefit schemes – Group and Company (continued)

a) Defined benefit pension schemes (continued)

(iv) Actuarial risk factors

The schemes typically expose the Group to actuarial risks such as investment risk, inflation risk and longevity risk for so long as the benefits are not insured.

Investment risk

The Group's contributions to the schemes are based on actuarial calculations which make assumptions about the returns expected from the schemes' investments. If the investments underperform these assumptions in the long term then the Group may need to make additional contributions to the schemes in order to fund the payment of accrued benefits.

Each scheme's investment strategy seeks to balance the level of investment return sought with the aim of reducing volatility and risk. In undertaking this approach, reference is made to both the maturity of the liabilities and the funding level of that scheme. A number of further strategies are employed to manage underlying risks, including liability-matching asset strategies, diversification of asset portfolios and interest rate hedging.

Currently the STPS has a balanced approach to investment in equity securities, debt instruments and real estate. Due to the long-term nature of the scheme liabilities, the Group and the STPS Trustees consider it appropriate to invest a portion of the scheme assets in equity securities and in real estate to leverage the return generated by the fund, but has reduced this allocation over the year. The STMIPS and DVWS are now primarily invested in bulk annuity insurance contracts with JUST with a small residual amount of invested assets remaining.

Inflation risk

The benefits payable to members of the schemes are linked to inflation measured by the RPI or CPI, subject to caps. The Group's contributions to the schemes are based on assumptions about the future level of inflation. If inflation is higher than the levels assumed in the actuarial calculations then the Group may need to make additional contributions to the schemes in order to fund the payment of accrued benefits.

The schemes use LDIs within the asset portfolios to hedge against the value of liabilities changing as a result of movements in long-term interest rate and inflation expectations. This structure allows the schemes to both hedge against these risks and retain capital investment in assets that are expected to generate higher returns.

Longevity risk

The Group's contributions to the schemes are based on assumptions about the life expectancy of scheme members after retirement. If scheme members live longer than assumed in the actuarial calculations then the Group may need to make additional contributions to the schemes in order to fund the payment of accrued benefits.

Benefit risk

The Group is aware of a case involving Virgin Media and NTL Pension Trustee, which could potentially lead to additional liabilities for some pension schemes and sponsors, including (if applicable) the Group. This case is subject to appeal and the impact (if any) is not known and will be assessed if relevant in future.

(v) Actuarial assumptions

The major financial assumptions used in the accounting valuation of the obligations for the STPS which represents by far the largest defined benefit obligation for the Group were as follows:

	2024 % pa	2023 % pa
Price inflation – RPI	**3.2**	3.3
Price inflation – CPI	**Pre 2030: 2.2**	2.3
	Post 2030: 3.1	3.2
Discount rate	**4.9**	4.8
Pension increases in payment	**3.2**	3.3
Pension increases in deferment	**3.2**	3.3

The assumption for RPI inflation is derived with reference to the difference between the yields on longer-term fixed-rate gilts and on index-linked gilts. RPI is expected to be more closely aligned with CPI from 2030 onwards, which is reflected in the corresponding assumption for CPI inflation.

In setting the discount rate, we construct a yield curve. Short-dated yields are taken from market rates for AA corporate bonds. Long-dated yields for the curve are based on the average yield available on long-dated AA corporate bonds. We project the expected cash flows of the schemes and adopt a single equivalent cash flow weighted discount rate taking account of this constructed yield curve.

The mortality base table assumptions are based on those used in the latest triennial funding valuation of the STPS. The mortality assumptions adopted at the year end for accounting purposes and the life expectancies at age 60 implied by the assumptions are as follows:

	2024		2023	
	Men	**Women**	Men	Women
Mortality table used	**S3PMA**	**S3PFA_M**	S3PMA	S3PFA_M
Mortality table compared with standard table	**98%**	**91%**	98%	91%
Mortality projections	**CMI 2022**	**CMI 2022**	CMI 2021	CMI 2021
Long-term rate of future improvement per annum	**1.0%**	**1.0%**	1.0%	1.0%
Weighting factor given to data for 2021	**0%**	**0%**	40%	40%
Weighting factor given to data for 2022	**40%**	**40%**	n/a	n/a
Remaining life expectancy for members currently aged 60 (years)	**25.8**	**28.5**	25.8	28.6
Remaining life expectancy at age 60 for members currently aged 40 (years)	**27.0**	**29.7**	26.9	29.8

29 Retirement benefit schemes – Group and Company (continued)

a) Defined benefit pension schemes (continued)

(v) Actuarial assumptions (continued)

The calculation of the scheme obligations is sensitive to the actuarial assumptions and in particular to the assumptions relating to discount rate, price inflation (capped, where relevant) and mortality. The following table summarises the estimated impact on the Group's obligations from changes to key actuarial assumptions whilst holding all other assumptions constant.

Assumption	Change in assumption	Impact on disclosed obligations
Discount rate[1]	Increase/decrease by 0.1% pa	Decrease/increase by £24 million
Price inflation[2]	Increase/decrease by 0.1% pa	Increase/decrease by £20 million
Mortality[3]	Increase in life expectancy by 1 year	Increase by £72 million

1 A change in discount rate is likely to occur as a result of changes in bond yields and as such would be expected to be offset to a significant degree by a change in the value of the bond assets held by the Schemes.
2 The projected impact resulting from a change in RPI reflects the underlying effect on pensions in payment, pensions in deferment and resultant pension increases. This would be expected to be offset by returns on LDI assets within the asset portfolios used to hedge against the value of liabilities, as set out in the inflation risk section of note 29(iv).
3 The change in assumption reflects the risk that life expectancy rates might increase.

In reality inter-relationships exist between the assumptions, particularly between the discount rate and price inflation. The above analysis does not take into account the effect of these inter-relationships. Also, in practice any movement in obligations arising from assumption changes are likely to be accompanied by movements in asset values – and so the impact on the accounting deficit may be lower than the impact on the obligations shown above.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

(vi) Effect on future cash flows

Contribution rates are set in consultation with the trustees for each Scheme and each participating employer.

The average duration of the benefit obligation at the end of the year is 13 years for STPS, 9 years for STMIPS and 12 years for DVWS.

The most recently completed formal triennial actuarial valuations and funding agreements were carried out as at 31 March 2022 for the STPS and STMIPS and 31 March 2020 for DVWS. As a result of the STPS actuarial valuation, annual deficit reduction contributions of £34.2 million were agreed, with the March 2023 payment having been increased in line with the annual increase in CPI to November 2022. Thereafter, future contributions for the STPS will also increase in line with CPI inflation until March 2027. The first two contributions in March 2023 and March 2024 are payable directly into the STPS and it is expected that payments in future years will be payable to a limited liability partnership that the Group and Trustee have established.

Payments of £8.2 million per annum through an asset-backed funding arrangement will also continue to 31 March 2032 for the STPS. Further inflation linked payments of £15.0 million per annum are being made through an additional asset backed funding arrangement, with payments having started in the financial year ending 31 March 2018 and continuing to 31 March 2031.

These contributions will cease earlier should a subsequent valuation of the STPS show that these contributions are no longer needed. There are no deficit reduction contributions payable by the Group for STMIPS and DVWS.

b) Defined contribution pension schemes

The Group also operates the Severn Trent Group Personal Pension, a defined contribution scheme, for its UK employees.

The total cost of defined contribution schemes charged to operating costs of £36.2 million (2023: £30.4 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the scheme. As at 31 March 2024, no contributions (2023: nil) in respect of the current reporting period were owed to the schemes.

Hafren Dyfrdwy operates two defined contribution pension schemes, neither of which were material in either the current or prior year.

30 Provisions for liabilities – Group and Company

Group

	Insurance £m	Regulatory £m	Other £m	Total £m
At 1 April 2023	15.2	51.0	18.3	84.5
Charged to income statement	15.9	1.2	0.3	17.4
Other net additions	–	20.7	–	20.7
Utilisation of provision	(12.5)	(24.2)	(2.5)	(39.2)
Unwinding of discount	–	–	0.1	0.1
At 31 March 2024	**18.6**	**48.7**	**16.2**	**83.5**

	2024 £m	2023 £m
Included in:		
Current liabilities	**53.9**	52.4
Non-current liabilities	**29.6**	32.1
	83.5	84.5

30 Provisions for liabilities – Group and Company (continued)

Insurance includes provisions in respect of Lyra Insurance Guernsey Limited, a captive insurance company and a wholly owned subsidiary of the Group, and insurance deductibles in Severn Trent Water Limited. The associated outflows are estimated to arise over a period of up to five years from the balance sheet date.

Regulatory comprises provisions for works in response to legally enforceable undertakings to regulators, some of which are capital projects. The associated outflows are estimated to arise over a period of up to five years from the balance sheet date.

Other provisions include provisions for dilapidations, commercial disputes, either from continuing or discontinued operations, and potential environmental claims. The associated outflows are estimated to arise over a period up to 10 years from the balance sheet date.

Company

	Insurance £m	Other £m	Total £m
At 1 April 2023	0.3	1.4	1.7
Utilisation of provision	(0.3)	–	(0.3)
At 31 March 2024	**–**	**1.4**	**1.4**

	2024 £m	2023 £m
Included in:		
Current liabilities	**0.5**	0.8
Non-current liabilities	**0.9**	0.9
	1.4	1.7

31 Share capital – Group and Company

	2024 £m	2023 £m
Total issued and fully paid share capital		
301,742,969 ordinary shares of $97^{17}/_{19}$p (2023: 254,425,641)	**295.4**	249.1

At 31 March 2024, 2,645,984 treasury shares (2023: 2,863,716) were held at a nominal value of £2,590,279 (2023: £2,803,427).

On 2 October 2023 the Company issued 46,511,628 ordinary shares of $97^{17}/_{19}$p at 2,150p per share, through a placing, raising £986.4 million net of issue costs.

Changes in share capital were as follows:

	Number	£m
Ordinary shares of $97^{17}/_{19}$p		
At 1 April 2022	253,410,074	248.1
Shares issued under the Employee Sharesave Scheme	1,015,567	1.0
At 1 April 2023	254,425,641	249.1
Shares issued under the Employee Sharesave Scheme	805,700	0.8
Shares issued from equity placing	46,511,628	45.5
At 31 March 2024	**301,742,969**	**295.4**

32 Share premium – Group and Company

	2024 £m	2023 £m
At 1 April	**408.7**	394.4
Share premium arising on issue of shares for Employee Sharesave Scheme	**13.5**	14.3
Share premium arising from equity placing	**940.9**	–
At 31 March	**1,363.1**	408.7

33 Other reserves – Group and Company

Group

	Capital redemption reserve £m	Hedging reserve £m	Total £m
At 1 April 2022	157.1	(8.7)	148.4
Total comprehensive income for the year	–	1.9	1.9
At 1 April 2023	157.1	(6.8)	150.3
Total comprehensive income for the year	–	9.0	9.0
Reserves transfer	–	8.3	8.3
At 31 March 2024	**157.1**	**10.5**	**167.6**

The capital redemption reserve arose on the redemption of B shares.

The hedging reserve arises from gains or losses on interest rate swaps and energy swaps taken directly to equity under the hedge accounting provisions of IFRS 9.

Company

	Capital redemption reserve £m
At 31 March 2022, 31 March 2023 and 31 March 2024	157.1

The capital redemption reserve arose on the redemption of B shares.

34 Capital management

The Group's principal objectives in managing capital are:

- to maintain a flexible and sustainable balance sheet structure;
- to maintain an investment grade credit rating;
- to access a broad range of sources of finance to obtain both the quantum required and lowest cost compatible with the need for continued availability;
- to manage exposure to movements in interest rates to provide an appropriate degree of certainty as to its cost of funds;
- to minimise exposure to counterparty credit risk; and
- to provide the Group with an appropriate degree of certainty as to its foreign exchange exposure.

The Group seeks to achieve a balance of long-term funding or commitment of funds across a range of funding sources at the best possible economic cost. The Group monitors future funding requirements and credit market conditions to ensure continued availability of funds.

The Group has continued to monitor market conditions and limit its exposure to floating interest rate debt, which comprises 6% (2023: 5%) of our gross debt portfolio at the balance sheet date, with a further 27% (2023: 28%) of index-linked debt and 67% (2023: 67%) of fixed rate debt.

Exposure to credit risk (excluding credit risk relating to amounts receivable from contracts with customers) is set out in note 36 b).

Foreign exchange risk is set out in note 36 a) (ii).

At 31 March 2024 the Group had the following credit ratings:

	Moody's	Standard and Poor's	Fitch
Severn Trent Plc	BBB	Baa2	BBB
Severn Trent Water	BBB+	Baa1	BBB+

The ratings were stable.

A key metric in measuring financial sustainability and capital efficiency for companies in the water sector is RCV gearing. This is measured as Severn Trent Water Group's adjusted net debt plus Hafren Dyfrdwy Cyfyngedig's adjusted net debt divided by RCV. Amongst other considerations, the Group takes into account the Ofwat assumption at the Price Review (60% for AMP 7). At 31 March 2024 the Group's RCV gearing ratio based on the RCV in the Final Determination for AMP 7 (FD RCV) was 59.9% (2023: 62.5%). The FD RCV excludes expenditure that was not in the PR19 Business Plan such as our Green Recovery Programme. This expenditure will be included in the opening RCV for AMP8. Where the expenditure has been incurred but is not yet included in the RCV, there is a mismatch in the RCV gearing ratio. We therefore also monitor our shadow RCV gearing ratio which adjusts the RCV for Green Recovery Programme expenditure already incurred but not yet included in the RCV. The shadow RCV gearing ratio at 31 March 2024 was 59.7% (2023: 59.8%). See note 45 for the definition of adjusted net debt.

The Group's dividend policy is a key tool in achieving its capital management objectives. This policy is reviewed and updated in line with Severn Trent Water's five year price control cycle and takes into account, inter alia, the planned investment programme, the appropriate gearing level achieving a balance between an efficient cost of capital and retaining an investment grade credit rating and delivering an attractive and sustainable return to shareholders. The Board has decided to set the 2023/24 dividend at 116.84 pence, an increase of 9.4% compared to the total dividend for 2022/23 of 106.82 pence. Our policy is to grow the dividend annually at no less than CPIH until March 2025.

34 Capital management (continued)

The Group's capital at 31 March was:

	2024 £m	2023 £m
Cash and cash equivalents	**953.2**	34.2
Loans receivable from joint venture	**72.6**	75.3
Borrowings (note 25)	**(8,263.2)**	(7,303.6)
Valuation adjustments*	**49.5**	70.2
Adjusted net debt	**(7,187.9)**	(7,123.9)
Equity attributable to owners of the company	**(1,834.0)**	(970.6)
Total capital	**(9,021.9)**	(8,094.5)

* The valuation adjustments which comprise exchange gains/losses on amounts borrowed in foreign currencies, adjustments on foreign currency debt in fair value hedges and accounting adjustments on debt acquired with subsidiaries, are included in the carrying values of debt instruments, included in borrowings. However, as the foreign currency debt instruments are economically hedged, the sterling value of the matching hedge reflects the Group's sterling obligations. The accounting adjustments on acquisition will be amortised over the life of the debt and do not represent a liability that will be settled in cash. The valuation adjustments above result in adjusted net debt reflecting the Group's sterling obligations.

35 Fair values of financial instruments

a) Fair value measurements

The valuation techniques that the Group applies in determining the fair values of its financial instruments on a recurring basis are described below. The techniques are classified under the hierarchy defined in IFRS 13 which categorises valuation techniques into Levels 1 – 3 based on the degree to which the fair value is observable. The Group's valuation techniques are Level 2 unless otherwise stated below:

	2024 £m	2023 £m	Valuation techniques and key inputs
Cross currency swaps			Discounted cash flow
Assets	**23.1**	34.5	Future cash flows are estimated based on forward interest rates from observable yield curves at the period end and contract interest rates discounted at a rate that reflects the credit risk of counterparties. The currency cash flows are translated at spot rate.
Liabilities	**(19.0)**	(0.9)	
Interest rate swaps			Discounted cash flow
Assets	**39.2**	40.5	Future cash flows are estimated based on forward interest rates from observable yield curves at the period end and contract interest rates discounted at a rate that reflects the credit risk of counterparties.
Liabilities	**(7.0)**	(10.4)	
Energy swaps			Discounted cash flow
Assets	**0.1**	0.5	Future cash flows are estimated based on forward electricity prices from observable indices at the period end and contract prices discounted at a rate that reflects the credit risk of counterparties.
Inflation swaps			Discounted cash flow
Assets	**8.8**	7.3	Future cash flows on the RPI leg of the instrument are estimated based on observable forward inflation indices. Future cash flows on the CPI leg of the instrument are estimated based on the future expected differential between RPI and CPI (the 'CPI wedge'). Both legs are discounted using observable swap rates at the period end, at a rate that reflects the credit risk of counterparties. This is considered to be a Level 3 valuation technique.

Changes in the carrying values of instruments that are measured using a Level 3 technique were as follows:

	Inflation swaps £m
At 1 April 2022	(3.7)
Net gains recognised in profit or loss	11.0
At 31 March 2023	7.3
Net gains recognised in profit or loss	1.5
At 31 March 2024	**8.8**

These Level 3 instruments are valued using unobservable inputs. In valuing the inflation swaps, we have identified the unobservable input as the CPI wedge. A change of 10bps in the CPI wedge would result in a change in the carrying value of £5.1 million.

35 Fair values of financial instruments (continued)

b) Comparison of fair value of financial instruments with their carrying amounts

The Directors consider that the carrying amounts of all financial instruments, except those disclosed in the table below, approximate to their fair values. The carrying values and estimated fair values of other financial instruments are set out below:

	2024		2023	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Floating rate debt				
Bank loans	**632.8**	**632.8**	569.0	551.0
Other loans	**147.9**	**155.9**	146.8	157.9
Overdraft	**1.8**	**1.8**	5.5	5.5
	782.5	**790.5**	721.3	714.4
Fixed rate debt				
Other loans	**5,149.6**	**4,929.5**	4,441.3	4,177.0
Lease liabilities	**120.0**	**120.0**	110.9	110.9
	5,269.6	**5,049.5**	4,552.2	4,287.9
Index-linked debt				
Bank loans	**150.7**	**141.9**	144.0	137.1
Other loans	**2,060.4**	**1,816.0**	1,886.1	1,798.0
	2,211.1	**1,957.9**	2,030.1	1,935.1
	8,263.2	**7,797.9**	7,303.6	6,937.4

The above floating, fixed or index-linked classification does not take into account the impact of interest rate swaps or cross currency swaps.

Fixed rate loans are valued using market prices for similar instruments, which is a Level 2 valuation technique.

Index-linked loans are rarely traded and quoted prices are not considered a reliable indicator of fair value. Therefore, these loans are valued using discounted cash flow models with discount rates derived from observed market prices for a sample of bonds, which is a Level 2 valuation technique.

Fair values of the other debt instruments are also calculated using discounted cash flow models with discount rates derived from observed market prices, which is a Level 2 valuation technique.

36 Risks arising from financial instruments

The Group's activities expose it to a variety of financial risks:

- market risk (including interest rate risk, exchange rate risk and other price risk);
- credit risk;
- liquidity risk; and
- inflation risk.

The Group's overall risk management programme addresses the unpredictability of financial markets and seeks to reduce potential adverse effects on the Group's financial performance or position.

Financial risks are managed by a central treasury department ('Group Treasury') under policies approved by the Board of Directors. The Board has established a Treasury Committee to monitor treasury activities and to facilitate timely responses to changes in market conditions when necessary. Group Treasury operates under the Group's Treasury Procedures Manual and Policy Statement and identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board defines written principles for overall risk management, as well as written policies covering specific areas such as exchange rate risk, interest rate risk, credit risk and the use of derivative and non-derivative financial instruments. The Group's policy is that derivative financial instruments are not held for trading but may be used to mitigate the Group's exposure to financial risk. The types of derivative instruments held and the related risks are described below.

Interest rate swaps are held to mitigate the Group's exposure to changes in market interest rates. Further details are set out in section a) (i) and note 37 b) (i).

Cross currency swaps are held to mitigate the Group's exposure to exchange rate movements on amounts borrowed in foreign currencies. Further details are set out in section a) (ii) and note 37 a) (i).

Energy swaps are held to mitigate the Group's exposure to changes in wholesale energy prices. Further details are provided in note 37 b) (ii).

Severn Trent Water, the Group's most significant business unit, operates under a regulatory environment where its prices are linked to inflation measured by CPIH. In order to mitigate the risks to cash flow and earnings arising from fluctuations in CPIH, the Group holds debt instruments where the principal repayable and interest cost is linked to RPI/CPI/CPIH and the Group holds RPI/CPI swaps to mitigate the risk of divergence between RPI and CPIH.

36 Risks arising from financial instruments (continued)

a) Market risk

The Group is exposed to fluctuations in interest rates and, to a lesser extent, exchange rates. The nature of these risks and the steps that the Group has taken to manage them are described below.

(i) Interest rate risk

The Group's annual income and its operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings.

Borrowings issued at variable rates expose the Group to the risk of adverse cash flow impacts from increases in interest rates.

Borrowings issued at fixed rates expose the Group to the risk of interest costs above the market rate when interest rates decrease.

The Group's policy is to maintain 40% to 70% of its interest-bearing liabilities in fixed rate instruments during AMP 7. In measuring this metric, management uses adjusted net debt excluding financial assets.

	2024 £m	2023 £m
Adjusted net debt (note 34)	**7,187.9**	7,123.9
Cash and cash equivalents	**953.2**	34.2
Loans receivable from joint venture	**72.6**	75.3
Interest bearing financial liabilities*	**8,213.7**	7,233.4

* Interest bearing financial liabilities exclude valuation adjustments that do not impact the amount on which interest is calculated, such as fair value hedge accounting adjustments and accounting adjustments on debt acquired with subsidiaries. In the prior year, interest bearing financial liabilities did not exclude the effect of accounting adjustments on debt acquired with subsidiaries.

The Group manages its cash flow interest rate risk by borrowing at fixed or index-linked rates or by using interest rate swaps. Under these swaps the Group receives variable rate interest and pays fixed rate interest calculated by reference to the agreed notional principal amounts. In practice the swaps are settled by transferring the net amount. These swaps have the economic effect of converting borrowings from variable rates to fixed rates. The Group has entered into a series of these interest rate swaps to hedge future interest payments beyond 2030.

The following tables show analyses of the Group's interest bearing financial liabilities by type of interest. Debt which is hedged by interest rate swaps or cross currency swaps is included in the category after taking account of the impact of the swap. Debt raised in foreign currencies has been included at the notional sterling value of the payable leg of the corresponding cross currency swap since this is the amount that is exposed to changes in interest rates.

The net principal amount of unhedged swaps is shown as an adjustment to floating rate and fixed rate debt to demonstrate the impact of the swaps on the amount of liabilities bearing fixed interest.

2024	**Floating rate £m**	**Fixed rate £m**	**Index-linked £m**	**Total £m**
Overdraft	(1.8)	–	–	(1.8)
Bank loans	(612.9)	(19.9)	(150.7)	(783.5)
Other loans	(145.1)	(5,129.4)	(2,033.9)	(7,308.4)
Lease liabilities	–	(120.0)	–	(120.0)
	(759.8)	**(5,269.3)**	**(2,184.6)**	**(8,213.7)**
Impact of swaps not matched against specific debt instruments	275.0	(275.0)	–	–
Interest bearing financial liabilities	**(484.8)**	**(5,544.3)**	**(2,184.6)**	**(8,213.7)**
Proportion of interest bearing financial liabilities that are fixed		**67%**		
Weighted average interest rate of fixed debt		**4.08%**		
Weighted average period for which interest is fixed (years)		**8.9**		

2023	Floating rate £m	Fixed rate £m	Index-linked £m	Total £m
Overdraft	(5.5)	–	–	(5.5)
Bank loans	(543.6)	(25.4)	(144.0)	(713.0)
Other loans	(83.0)	(4,462.7)	(1,858.3)	(6,404.0)
Lease liabilities	–	(110.9)	–	(110.9)
	(632.1)	(4,599.0)	(2,002.3)	(7,233.4)
Impact of swaps not matched against specific debt instruments	275.0	(275.0)	–	–
Interest bearing financial liabilities	(357.1)	(4,874.0)	(2,002.3)	(7,233.4)
Proportion of interest bearing financial liabilities that are fixed		67%		
Weighted average interest rate of fixed debt		4.11%		
Weighted average period for which interest is fixed (years)		9.7		

36 Risks arising from financial instruments (continued)

a) Market risk (continued)

(i) Interest rate risk (continued)

Interest rate swaps not hedge accounted

The Group has a number of interest rate swaps which are not accounted for as cash flow or fair value hedges. This has led to a credit of £3.4 million (2023: £25.9 million) in the income statement.

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2024 %	2023 %	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Pay fixed rate interest						
5 – 10 years	**5.46**	5.46	**(75.0)**	(75.0)	**(6.6)**	(10.0)
	5.46	5.46	**(75.0)**	(75.0)	**(6.6)**	(10.0)

In addition to the above the Group has cross currency swaps that also swap fixed rate interest to floating (see below).

Interest rate sensitivity analysis

The sensitivity after tax of the Group's profits, cash flow and equity, including the impact on derivative financial instruments, to changes in interest rates at 31 March is as follows:

	2024		2023	
	+1.0% £m	**-1.0% £m**	+1.0% £m	-1.0% £m
Profit or loss	**1.0**	**(1.4)**	2.3	(2.8)
Cash flow	**(3.5)**	**3.5**	(2.8)	2.8
Equity	**1.0**	**(1.4)**	2.3	(2.8)

(ii) Exchange rate risk

Except for debt raised in foreign currency, which is hedged, the Group's business does not involve significant exposure to foreign exchange transactions. Substantially all of the Group's profits and net assets arise from Severn Trent Water, which has very limited and indirect exposure to changes in exchange rates, and therefore the sensitivity of the Group's results to changes in exchange rates is not material.

Certain of the Group's subsidiaries enter into transactions in currencies other than the functional currency of the operation. Exchange risks relating to such operations are not material but are managed centrally by Group Treasury through forward exchange contracts to buy or sell currency. These contracts led to nil charge (2023: nil) in the income statement.

The Group has raised debt denominated in currencies other than sterling to meet its objective of accessing a broad range of sources of finance. The Group mitigated its exposure to exchange rate fluctuations by entering into cross currency swaps at the time that the debt was drawn down to swap the proceeds into sterling debt bearing interest based on SONIA.

Certain swaps, where the terms of the receivable leg of the swap closely match the terms of the underlying debt and are therefore expected to be effective hedges, have been accounted for as fair value hedges. The notional value and fair value of these swaps is shown in note 37 a) (i).

The Group also has cross currency swaps with a sterling notional value of £526.4 million (2023: £98.3 million) which are not accounted for as fair value hedges. Economically these swaps act to mitigate the exchange rate risk of debt within the Group which is denominated in foreign currency and also swap the interest from fixed rate to floating, but they are not designated hedges under IFRS 9. This has led to a charge of £13.1 million (2023: income of £7.1 million) in the income statement, as well as an exchange gain of £2.8 million (2023: loss of £7.4 million) on the underlying debt.

The Group's gross and net currency exposures arising from currency borrowings are summarised in the tables below. These show, in the relevant currency, the amount borrowed and the notional principal of the related swap or forward contract. The net position shows the Group's exposure to exchange rate risk in relation to its currency borrowings.

2024	**Euro €m**	**US Dollar $m**	**Yen ¥bn**	**AUD $m**
Borrowings by currency	**(519.9)**	**(220.0)**	**(10.3)**	**(40.0)**
Cross currency swaps – hedge accounted	**19.9**	**70.0**	**10.3**	**40.0**
Cross currency swaps – not hedge accounted	**500.0**	**150.0**	**–**	**–**
Net currency exposure	**–**	**–**	**–**	**–**

2023	Euro €m	US Dollar $m	Yen ¥bn	AUD $m
Borrowings by currency	(19.9)	(180.0)	(10.3)	–
Cross currency swaps – hedge accounted	19.9	30.0	10.3	–
Cross currency swaps – not hedge accounted	–	150.0	–	–
Net currency exposure	–	–	–	–

36 Risks arising from financial instruments (continued)

b) Credit risk

Operationally the Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history, other than in Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig, whose operating licences oblige them to supply domestic customers even in cases where bills are not paid. Amounts provided against accounts receivable and movements on the provision during the year are disclosed in note 23.

Cash deposits and derivative contracts are only placed with high credit quality financial institutions, which have been approved by the Board. Group Treasury monitors the credit quality of the approved financial institutions and the list of financial institutions that may be used is approved annually by the Board. The Group has policies that limit the amount of credit exposure to any one financial institution.

Credit risk analysis

At 31 March the aggregate credit limits of authorised counterparties and the amounts held on short-term deposits were as follows:

	Credit limit		Amount deposited		Number of counterparties	
	2024 £m	2023 £m	**2024 £m**	2023 £m	**2024**	2023
Triple A range	**450.0**	–	**294.1**	–	**3**	–
Double A range	**225.0**	150.0	**149.0**	–	**2**	2
Single A range	**1,270.0**	770.5	**466.0**	–	**17**	16
	1,945.0	920.5	**909.1**	–	**22**	18

The fair values of derivative assets analysed by credit ratings of counterparties were as follows:

	Derivative assets	
	2024 £m	2023 £m
Single A range	**71.2**	82.8

c) Liquidity risk

(i) Committed facilities

Prudent liquidity management requires sufficient cash balances to be maintained; adequate committed facilities to be available; and market position to be closed out when required. Group Treasury manages liquidity and flexibility in funding by monitoring forecast and actual cash flows and the maturity profile of financial assets and liabilities, and by keeping committed credit lines available.

At the balance sheet date the Group had committed undrawn borrowing facilities expiring as follows:

	2024 £m	2023 £m
2 – 5 years	**1,100.0**	800.0
5 years	**–**	100.0
	1,100.0	900.0

(ii) Cash flows from non-derivative financial instruments

The following tables show the estimated cash flows that will arise from the Group's non-derivative net financial liabilities. The information presented is based on the earliest date on which the Group can be required to pay and represents the undiscounted cash flows including principal and interest.

Interest and inflation assumptions are based on prevailing market conditions at the year end date.

2024 Undiscounted amounts payable:	**Floating rate £m**	**Fixed rate £m**	**Index-linked £m**	**Trade and other payables £m**	**Payments on financial liabilities £m**
Within 1 year	**(156.5)**	**(227.1)**	**(91.6)**	**(205.1)**	**(680.3)**
1 – 2 years	**(52.0)**	**(750.2)**	**(40.0)**	**–**	**(842.2)**
2 – 5 years	**(608.5)**	**(1,113.1)**	**(360.3)**	**–**	**(2,081.9)**
5 – 10 years	**(844.6)**	**(2,782.0)**	**(439.5)**	**–**	**(4,066.1)**
10 – 15 years	**–**	**(1,428.3)**	**(177.3)**	**–**	**(1,605.6)**
15 – 20 years	**–**	**(1,184.7)**	**(308.9)**	**–**	**(1,493.6)**
20 – 25 years	**–**	**–**	**(409.1)**	**–**	**(409.1)**
25 – 30 years	**–**	**–**	**(725.4)**	**–**	**(725.4)**
30 – 35 years	**–**	**–**	**(3,699.8)**	**–**	**(3,699.8)**
35 – 40 years	**–**	**–**	**(25.8)**	**–**	**(25.8)**
40 – 45 years	**–**	**–**	**(400.2)**	**–**	**(400.2)**
Total	**(1,661.6)**	**(7,485.4)**	**(6,677.9)**	**(205.1)**	**(16,030.0)**

36 Risks arising from financial instruments (continued)

c) Liquidity risk (continued)

(ii) Cash flows from non-derivative financial instruments (continued)

Undiscounted amounts receivable:	Loans due from joint ventures £m	Trade and other receivables £m	Cash and short-term deposits £m	Receipts from financial assets £m
Within 1 year	2.4	739.0	953.2	1,694.6
1 – 2 years	2.4	5.2	–	7.6
2 – 5 years	87.0	–	–	87.0
Total	**91.8**	**744.2**	**953.2**	**1,789.2**

2023 Undiscounted amounts payable:	Floating rate £m	Fixed rate £m	Index-linked £m	Trade and other payables £m	Payments on financial liabilities £m
Within 1 year	(16.7)	(473.5)	(36.1)	(149.2)	(675.5)
1 – 2 years	(10.6)	(153.7)	(89.3)	–	(253.6)
2 – 5 years	(141.8)	(906.6)	(113.8)	–	(1,162.2)
5 – 10 years	(211.9)	(2,002.1)	(714.3)	–	(2,928.3)
10 – 15 years	–	(905.4)	(168.0)	–	(1,073.4)
15 – 20 years	–	(1,064.8)	(304.4)	–	(1,369.2)
20 – 25 years	–	(152.9)	(326.2)	–	(479.1)
25 – 30 years	–	–	(738.5)	–	(738.5)
30 – 35 years	–	–	(2,909.0)	–	(2,909.0)
35 – 40 years	–	–	(917.5)	–	(917.5)
40 – 45 years	–	–	(413.3)	–	(413.3)
Total	(381.0)	(5,659.0)	(6,730.4)	(149.2)	(12,919.6)

Undiscounted amounts receivable:	Loans due from joint ventures £m	Trade and other receivables £m	Cash and short-term deposits £m	Receipts from financial assets £m
Within 1 year	2.4	681.7	34.2	718.3
1 – 2 years	7.3	3.3	–	10.6
2 – 5 years	87.0	–	–	87.0
Total	96.7	685.0	34.2	815.9

Index-linked debt includes loans with maturities up to 50 years. The principal is revalued at fixed intervals and is linked to movements in the RPI, CPI or CPIH. Interest payments are made biannually based on the revalued principal. The principal repayment equals the revalued amount at maturity. The payments included in the table above are estimates based on the forward inflation rates published by the Bank of England at the balance sheet date.

(iii) Cash flows from derivative financial instruments

The following tables show the estimated cash flows that will arise from the Group's derivative financial instruments. The tables are based on the undiscounted net cash inflows/(outflows) on the derivative financial instruments that settle on a net basis and the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates derived from the forward curves existing at the balance sheet date. Actual amounts may be significantly different from those indicated below.

				Cross currency swaps		
2024	**Interest rate swaps £m**	**Inflation swaps £m**	**Energy swaps £m**	**Cash receipts £m**	**Cash payments £m**	**Total £m**
Within 1 year	**8.0**	**0.6**	**–**	**27.0**	**(32.8)**	**2.8**
1 – 2 years	**5.8**	**0.6**	**0.1**	**44.8**	**(42.1)**	**9.2**
2 – 5 years	**10.3**	**2.3**	**–**	**213.7**	**(214.4)**	**11.9**
5 – 10 years	**2.1**	**7.5**	**–**	**656.0**	**(627.5)**	**38.1**
10 – 15 years	**–**	**–**	**–**	**62.2**	**(56.4)**	**5.8**
	26.2	**11.0**	**0.1**	**1,003.7**	**(973.2)**	**67.8**

36 Risks arising from financial instruments (continued)

c) Liquidity risk (continued)

(iii) Cash flows from derivative financial instruments (continued)

2023	Interest rate swaps £m	Inflation swaps £m	Energy swaps £m	Cross currency swaps Cash receipts £m	Cross currency swaps Cash payments £m	Total £m
Within 1 year	13.9	0.5	0.5	7.4	(6.1)	16.2
1 – 2 years	9.3	0.5	–	7.5	(6.0)	11.3
2 – 5 years	12.1	2.0	–	157.2	(125.1)	6.2
5 – 10 years	0.4	7.2	–	47.7	(45.1)	10.2
10 – 15 years	–	(1.9)	–	82.8	(59.0)	21.9
	35.7	8.3	0.5	302.6	(241.3)	105.8

d) Inflation risk

The Group's principal operating subsidiary, Severn Trent Water, operates under a regulatory environment where its prices are linked to inflation as measured by CPIH. Its operating profits and cash flows are therefore exposed to changes in inflation. In order to mitigate and partially offset this risk, Severn Trent Water has raised debt that pays interest at a fixed coupon based on a principal amount that is adjusted for the change in inflation during the life of the debt instrument ('index-linked debt'). The amount of index-linked debt at the balance sheet date is shown in section a) (i) Interest rate risk, and the estimated future cash flows relating to this debt are shown in section c) (ii) Cash flows from non-derivative financial instruments.

Ofwat is moving the measure of inflation used in the economic regulatory model from RPI to CPIH over a period. In anticipation of this the Group has entered into CPI/RPI swaps with a notional value of £350 million (2023: £350 million) in order to mitigate the risk of divergence between inflation measured by CPIH and that measured by RPI.

Inflation rate sensitivity analysis

The finance cost of the Group's index-linked debt instruments varies with changes in CPI/CPIH/RPI rather than interest rates. The sensitivity at 31 March of the Group's profit and equity to changes in CPI/CPIH/RPI is set out in the following table. This analysis relates to financial instruments only and excludes any CPI/CPIH/RPI impact on Severn Trent Water's revenues and Regulatory Capital Value, or accounting for defined benefit pension schemes.

	2024		2023	
	+1.0% £m	**-1.0% £m**	+1.0% £m	-1.0% £m
Profit or loss	**(16.4)**	**16.4**	(16.4)	16.4
Equity	**(16.4)**	**16.4**	(16.4)	16.4

37 Hedge accounting

The Group uses derivative financial instruments to hedge exposures to changes in exchange rates and interest rates. Hedge accounting is adopted for such instruments where the criteria set out in IFRS 9 are met. Hedge ineffectiveness arises from credit risk, which is not hedged.

a) Fair value hedges

(i) Cross currency swaps

The Group raises debt denominated in currencies other than sterling. Cross currency swaps are entered into at the time that the debt is drawn down to swap the proceeds into sterling debt in order to mitigate the Group's exposure to exchange rate fluctuations. Where the terms of the receivable leg of the swap closely match the terms of the underlying debt, the swaps are expected to be effective hedges.

At the year end the amounts of cross currency swaps designated as fair value hedges were as follows:

	Notional principal amount		**Fair value**	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Euro	**11.4**	11.4	**5.6**	6.4
US dollar	**55.4**	23.2	**(0.8)**	3.1
Yen	**59.9**	59.9	**(5.7)**	3.6
Australian Dollar	**21.5**	–	**(1.7)**	–
	148.2	94.5	**(2.6)**	13.1

37 Hedge accounting (continued)

b) Cash flow hedges

(i) Interest rate swaps

The Group has entered into interest rate swaps under which it has agreed to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on future cash flow exposures arising from issued variable rate debt. Where the hedge is expected to be highly effective these interest rate swaps may be accounted for as cash flow hedges.

Details of interest rate swaps that have been accounted for as cash flow hedges are summarised below:

	Average contract fixed interest rate		Notional principal amount		Fair value	
Period to maturity	**2024 %**	2023 %	**2024 £m**	2023 £m	**2024 £m**	2023 £m
2 – 5 years	**2.30**	2.43	**119.9**	125.4	**7.4**	9.5
5 – 10 years	**1.83**	1.83	**248.0**	248.0	**31.4**	30.6
	1.98	2.03	**367.9**	373.4	**38.8**	40.1

The Group recognised a gain on hedge ineffectiveness of £0.7 million (2023: loss of £1.3 million) in gains/losses on financial instruments in the income statement in relation to interest rate swaps.

(ii) Energy swaps

The Group has entered into a series of energy swaps under which it has agreed to exchange the difference between fixed and market prices of electricity at six-monthly intervals up until 31 March 2026.

Details of energy swaps that have been accounted for as cash flow hedges are summarised below:

	Average contract price		Notional contracted amount		Fair value	
Period to maturity	**2024 £/MWh**	2023 £/MWh	**2024 MWh**	2023 MWh	**2024 £m**	2023 £m
Less than 1 year	**–**	44.7	**–**	43,680	**–**	0.5
1 – 2 years	**75.1**	–	**39,420**	–	**0.1**	–
	75.1	44.7	**39,420**	43,680	**0.1**	0.5

c) Cumulative fair value adjustments

At the year end the cumulative fair value adjustments arising from the corresponding continuing hedge relationships were as follows:

	Carrying amount of hedged items		Cumulative amount of fair value adjustments on the hedged items	
2024	**Assets £m**	**Liabilities £m**	**Assets £m**	**Liabilities £m**
Cross currency swaps	**–**	**(147.5)**	**–**	**(1.8)**

	Carrying amount of hedged items		Cumulative amount of fair value adjustments on the hedged items	
2023	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Cross currency swaps	–	(109.9)	–	(14.0)

The carrying amount of hedged items and £1.8 million (2023: £14.0 million) of the cumulative amount of fair value adjustments on the hedged items relate to fair value hedges. The remainder relates to cash flow hedges.

38 Share based payment

The Group operates a number of share based remuneration schemes for employees. During the year, the Group recognised total expenses of £10.3 million (2023: £9.5 million) related to equity settled share based payment transactions.

The weighted average share price during the year was £25.78 (2023: £27.65).

At 31 March 2024, there were no options exercisable (2023: none) under any of the share based remuneration schemes.

a) Long Term Incentive Plan (LTIP)

Under the LTIP, conditional awards of shares may be made to executive directors and senior staff. Awards are subject to performance conditions and continued employment throughout the vesting period.

(i) Awards made under the LTIP

The 2020, 2021, 2022 and 2023 LTIP awards are subject to Severn Trent Water's Return on Regulatory Equity relative to the base return included within the Final Determination, Return on Regulatory Equity performance relative to other water and sewerage companies and the achievement of certain sustainability measures. It has been assumed that performance against the LTIP non-market conditions will be 100% (2023: 100%).

(ii) Awards outstanding

Details of changes in the number of awards outstanding during the year are set out below:

	Number of awards
Outstanding at 1 April 2022	639,198
Granted during the year	215,103
Vested during the year	(226,429)
Lapsed during the year	(14,713)
Outstanding at 1 April 2023	613,159
Granted during the year	233,649
Vested during the year	(195,325)
Lapsed during the year	(19,065)
Outstanding at 31 March 2024	**632,418**

Details of LTIP awards outstanding at 31 March were as follows:

		Number of awards	
Date of grant	Normal date of vesting	2024	2023
July 2020	2023	**–**	202,547
July 2021	2024	**191,408**	196,129
July 2022	2025	**210,658**	214,483
July 2023	2026	**230,352**	–
		632,418	613,159

The awards outstanding at 31 March 2024 had a weighted average remaining contractual life of 1.6 years (2023: 1.5 years).

Details of the basis of the LTIP scheme are set out in the Directors' remuneration report on page 170.

38 Share based payment (continued)

b) Employee Sharesave Scheme

Under the terms of the Sharesave Scheme, the Board may grant the right to purchase ordinary shares in the Company to those employees who have entered into an HMRC approved Save As You Earn contract for a period of three or five years.

Options outstanding

Details of changes in the number of options outstanding during the year are set out below:

	Number of share options	Weighted average exercise price
Outstanding at 1 April 2022	4,042,399	1,824p
Granted during the year	1,112,373	2,183p
Forfeited during the year	(72,506)	1,968p
Cancelled during the year	(216,312)	2,113p
Exercised during the year	(1,015,567)	1,502p
Lapsed during the year	(7,749)	1,772p
Outstanding at 1 April 2023	3,842,638	1,994p
Granted during the year	1,483,049	2,120p
Forfeited during the year	(42,095)	2,131p
Cancelled during the year	(265,574)	2,180p
Exercised during the year	(805,700)	1,769p
Lapsed during the year	(7,301)	1,992p
Outstanding at 31 March 2024	**4,205,017**	**2,068p**

Sharesave options outstanding at 31 March were as follows:

			Number of awards	
Date of grant	Normal date of exercise	Option price	2024	2023
January 2018	2023	1,652p	**–**	111,115
January 2019	2024	1,474p	**212,405**	216,309
January 2020	2023 or 2025	1,787p	**137,655**	829,908
January 2021	2024 or 2026	1,860p	**816,766**	855,384
January 2022	2025 or 2027	2,307p	**639,559**	732,604
January 2023	2026 or 2028	2,183p	**935,780**	1,097,318
January 2024	2027 or 2029	2,120p	**1,462,852**	–
			4,205,017	3,842,638

The options outstanding at 31 March 2024 had a weighted average remaining contractual life of 2.0 years (2023: 1.8 years).

c) Fair value calculations

The fair values of the share awards made and share options granted during the year were calculated using the Black Scholes method. The principal assumptions and data are set out below:

	2024			2023		
	LTIP	SAYE		LTIP	SAYE	
		3 year scheme	5 year scheme		3 year scheme	5 year scheme
Share price at grant date (pence)	**2,791**	**2,555**	**2,555**	2,858	2,674	2,674
Option life (years)	**3**	**3.3**	**5.3**	3	3.3	5.3
Vesting period (years)	**3**	**3**	**5**	3	3	5
Expected volatility (%)	**18.2**	**18.2**	**18.2**	18.2	18.2	18.2
Expected dividend yield (%)	**4.0**	**4.4**	**4.4**	3.7	4.0	4.0
Risk free rate (%)	**n/a**	**3.7**	**3.6**	n/a	3.5	3.6
Fair value per share (pence)	**2,773**	**469**	**470**	2,842	526	542

Expected volatility is measured over the three years prior to the date of grant of the awards or share options.

Volatility has been calculated based on historical share price movements.

The risk free rate is derived from yields at the grant date of gilts of similar duration to the awards or share options.

The dividend yield is calculated using the expected dividend for the year divided by the share price at the date of grant.

39 Acquisitions

On 1 September 2023, Severn Trent Green Power Limited acquired 100% of the issued shares in Andigestion Limited for a consideration of £40.5 million. The acquisition is expected to increase the Group's anaerobic digestion market share and reduce cost through economies of scale.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	£m
Purchase consideration	
Cash paid	40.5

The assets and liabilities recognised as a result of the acquisition are as follows:

	£m
Cash and cash equivalents	2.0
Property, plant and equipment	16.0
Trade and other receivables	3.7
Trade and other payables	(1.1)
Deferred tax	(2.1)
Other intangible assets	5.0
Net identifiable assets acquired	23.5
Add: goodwill	17.0
	40.5

Goodwill of £17.0 million has been capitalised attributable to the anticipated future opportunities and outperformance arising as a result of the acquisition. It has been allocated to the Business Services segment. None of the goodwill is expected to be deductible for tax purposes. The fair values ascribed to the assets and liabilities acquired are provisional and will be finalised by 1 September 2024.

Andigestion Limited contributed revenues of £9.8 million and net profits of £2.6 million to the Group for the period from 1 September 2023 to 31 March 2024. These amounts have been calculated using the subsidiary's results and adjusting them for the additional depreciation and amortisation that has been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 September 2023, together with consequential tax effects.

If the acquisition had occurred on 1 April 2023, the contributed revenues and net profits for the year ended 31 March 2024 would have been £15.6 million and £4.2 million respectively.

On 7 March 2024, Severn Trent Services Operations UK Limited acquired 100% of the issued share capital of Lakeside Water and Building Services Ltd for a total cash consideration of £5.7 million. The goodwill valuation of £3.1m was based on management's best estimates of the fair values of the assets and liabilities acquired, which was estimated at £2.6m, including £2.7 million of cash and cash equivalents.

40 Cash flow statement

a) Reconciliation of operating profit to operating cash flows

	2024 £m	2023 £m
Profit before interest and tax	**511.8**	508.8
Depreciation of property, plant and equipment	**388.7**	379.7
Depreciation of right-of-use assets	**5.2**	3.9
Amortisation of intangible assets	**34.4**	33.7
Pension service cost/(credit)	**0.3**	(8.2)
Defined benefit pension scheme administration costs	**4.2**	4.3
Defined benefit pension scheme contributions	**(67.9)**	(100.5)
Fair value uplift on forestry assets	**(5.3)**	–
Share based payment charge	**10.3**	9.5
Profit on sale of property, plant and equipment and intangible assets	**(3.5)**	(2.2)
Release from deferred credits	**(16.9)**	(16.4)
Contributions and grants received	**43.5**	40.2
Provisions charged to the income statement	**17.4**	7.1
Utilisation of provisions for liabilities	**(39.2)**	(17.3)
Operating cash flows before movements in working capital	**883.0**	842.6
Increase in inventory	**(4.9)**	(3.4)
Increase in amounts receivable	**(183.5)**	(146.2)
Increase in amounts payable	**109.7**	60.3
Cash generated from operations	**804.3**	753.3
Tax received	**9.0**	6.1
Tax paid	**–**	(10.1)
Net cash generated from operating activities	**813.3**	749.3

b) Non-cash transactions

Non-cash investing and financing cash flows disclosed in other notes were:

- Acquisition of right-of-use assets (note 19).
- Acquisition of infrastructure assets from developers at no cost (note 17).
- Shares issued to employees for no cash consideration under the LTIP (note 38).

c) Reconciliation of movement in cash and cash equivalents to movement in adjusted net debt

	Net cash and cash equivalents £m	Bank loans £m	Other loans £m	Lease liabilities £m	Hedge accounting adjustment on debt in fair value hedges £m	Exchange on currency debt not hedge accounted £m	Loans due from joint venture £m	Adjusted net debt £m
At 1 April 2023	28.7	(713.0)	(6,474.2)	(110.9)	47.9	22.3	75.3	(7,123.9)
Cash flow	922.7	(63.5)	(802.1)	10.5	–	–	(2.7)	64.9
Fair value adjustments	–	–	18.1	–	(18.1)	–	–	–
Inflation uplift on index-linked debt	–	(5.8)	(102.9)	–	–	–	–	(108.7)
Foreign exchange	–	–	2.8	–	–	(2.8)	–	–
Other non-cash movements	–	(1.2)	0.4	(19.6)	–	0.2	–	(20.2)
At 31 March 2024	**951.4**	**(783.5)**	**(7,357.9)**	**(120.0)**	**29.8**	**19.7**	**72.6**	**(7,187.9)**

See note 45 for the definition of adjusted net debt.

40 Cash flow statement (continued)

d) Liabilities from financing activities

	Bank loans £m	Other loans £m	Lease liabilities £m	Derivatives £m	Total £m
At 1 April 2022	(782.5)	(5,823.5)	(117.4)	15.5	(6,707.9)
Cash flow	83.7	(452.7)	13.1	(11.2)	(367.1)
Fair value adjustments	–	0.9	–	–	0.9
Inflation uplift on index-linked debt	(13.5)	(193.9)	–	–	(207.4)
Foreign exchange	–	(7.4)	–	–	(7.4)
Other non-cash movements	(0.7)	2.4	(6.6)	67.2	62.3
At 1 April 2023	(713.0)	(6,474.2)	(110.9)	71.5	(7,226.6)
Cash flow	(63.5)	(802.1)	10.5	(4.4)	(859.5)
Fair value adjustments	–	18.1	–	–	18.1
Inflation uplift on index-linked debt	(5.8)	(102.9)	–	–	(108.7)
Foreign exchange	–	2.8	–	–	2.8
Other non-cash movements	(1.2)	0.4	(19.6)	(21.9)	(42.3)
At 31 March 2024	**(783.5)**	**(7,357.9)**	**(120.0)**	**45.2**	**(8,216.2)**

41 Contingent liabilities – Group and Company

a) Bonds and guarantees

Group undertakings have entered into bonds and guarantees in the normal course of business. No liability (2023: nil) is expected to arise in respect of either bonds or guarantees.

b) Bank offset agreements

The banking arrangements of the Company operate on a pooled basis with certain of its subsidiary undertakings. Under these arrangements participating companies guarantee each other's overdrawn balances to the extent of their credit balances, which can be offset against balances of participating companies. As at 31 March 2024, the Company had no contingent liabilities (2023: nil).

c) Claims under the Environmental Information Regulations 2004 regarding property searches

Since 2016, the Group has received letters of claim from a number of groups of personal search companies ('PSCs') which allege that the information held by Severn Trent Water Limited ('STW') used to produce the CON29DW residential and also the commercial water and drainage search reports sold by Severn Trent Property Solutions Limited ('STPS'), is disclosable under the Environmental Information Regulations. In April 2020, a group of over 100 PSCs commenced litigation against all water and sewerage undertakers in England and Wales, including STW and STPS. The claimants are seeking damages, on the basis that STW and STPS charged for information which should have been made available either free, or for a limited charge, under the Environmental Information Regulations. STW and STPS are defending this claim. This is an industry-wide issue and the litigation is in progress. A timetable for the claim has been set by the court. A stage 1 trial on the EIR legal issues only (not the other issues or amount of damages) concluded in December 2023, with a judgment expected within the next few months.

d) Ongoing combined sewer overflow investigations

Ofwat and the Environment Agency are each conducting their own investigations into the wastewater industry, to investigate compliance with the conditions of environmental permits. Ofwat has launched specific enforcement investigations against six sewerage companies, but Severn Trent is not included in those cases. The Environment Agency's investigation of all English sewerage companies is continuing and it is not yet clear what the outcome of those investigations will be. We have responded quickly and comprehensively to all questions from the regulators and have had open conversations with them on the issues under investigation.

e) Leigh Day Claim

The Group has received a claim for £239 million excluding interest on behalf of a class comprising certain consumers of STW (on an opt-out basis) who have allegedly been overcharged for sewerage services as a result of an alleged abuse of a dominant position. This is an industry-wide issue and five other defendants have had similar claims made against them. The certification hearing is timetabled to take place in September 2024. We consider this claim to be speculative and we reject the alleged basis of the sums claimed. Accordingly, we intend to robustly defend the claim in its entirety.

42 Financial and other commitments

	2024 £m	2023 £m
Property, plant and equipment contracted for but not provided for in the financial statements	**879.3**	634.9

In addition to these contractual commitments, Severn Trent Water Limited has longer term expenditure plans which include investments to achieve improvements in performance mandated by the Director General of Water Services (Ofwat) and to provide for growth in demand for water and wastewater services.

43 Post balance sheet events – Group and Company

Following the year end the Board of Directors has proposed a final dividend of 70.10 pence per share.

44 Related party transactions – Group and Company

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. Trading transactions between the Group and its joint venture Water Plus are disclosed below.

	2024 £m	2023 £m
Sale of services	**264.7**	259.5
Net interest income	**5.3**	3.9
	270.0	263.4

Outstanding balances between the Group and the joint venture as at 31 March were as follows:

	2024 £m	2023 £m
Amounts due to related parties	**(2.3)**	–
Trade and other receivables due from related parties	**–**	0.2
Loans receivable from joint venture	**72.6**	75.3
	70.3	75.5

The retirement benefit schemes operated by the Group are considered to be related parties. Details of transactions and balances with the retirement benefit schemes are disclosed in note 29.

Remuneration of key management personnel

Key management personnel comprise the members of STEC during the year, and non-executive directors of the Company.

The remuneration of the directors is included within the amounts disclosed below. Further information about the remuneration of individual directors is provided in the audited part of the Directors' remuneration report on pages 181 and 190 to 194.

	2024 £m	2023 £m
Short-term employee benefits	**5.4**	4.6
Service contract non-executive director benefits	**0.8**	0.9
Share based payments	**5.0**	5.4
	11.2	10.9

45 Alternative performance measures ('APMs')

Financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures ('APMs'). The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. Since the Group defines its own APMs, these might not be directly comparable with other companies' APMs. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

a) Exceptional items

Exceptional items are income or expenditure which individually or, in aggregate if of a similar type, should, in the opinion of the Directors, be disclosed by virtue of their size or nature if the financial statements are to give a true and fair view. In this context, materiality is assessed at the segment level. There were no exceptional items in the years ended 31 March 2024 and 2023.

b) Adjusted earnings per share

Adjusted earnings per share figures exclude the effects of net gains/losses on financial instruments, current tax on net gains/losses on financial instruments and deferred tax. The Directors consider that the adjusted figures provide a useful additional indicator of performance and remove non-performance related distortions. See note 14.

c) Adjusted net debt

Adjusted net debt comprises borrowings excluding fair value accounting adjustments on debt, net cash and cash equivalents, and loans to joint ventures. Foreign currency borrowings that are hedged by cross currency swaps are included at the notional principal of the sterling payable leg of the swap. See note 40.

In the prior year, a different measure of net debt was used that included remeasurements for changes in fair value of financial liabilities in fair value hedging relationships, cross currency swaps that were used to fix the sterling liability of foreign currency borrowings (whether hedge accounted or not), net cash and cash equivalents, and loans to joint ventures. However, the definition has been revised so as to better reflect interest bearing liabilities less assets, a measure of adjusted net debt that more closely reflects the Group's sterling amounts required to settle the obligations. For clarity, we refer to our new measure as adjusted net debt.

45 Alternative performance measures ('APMs') (continued)

d) Effective interest cost

The effective interest cost is calculated as net finance costs, excluding net finance costs from pensions, plus capitalised finance costs divided by the monthly average net debt during the year.

	2024 £m	2023 £m
Net finance costs	**281.5**	362.6
Net finance costs from pensions	**(13.4)**	(3.6)
Capitalised finance costs	**69.6**	56.6
	337.7	415.6
Average net debt	**7,216.6**	6,720.6
Effective interest cost	**4.7%**	6.2%

This APM is used as it shows the average finance cost for the net debt of the business.

e) Effective cash cost of interest

The effective cash cost of interest is calculated on the same basis as the effective interest cost except that it excludes finance costs that are not paid in cash but are accreted to the carrying value of the debt (principally indexation adjustments on index-linked debt).

	2024 £m	2023 £m
Net finance costs	**281.5**	362.6
Net finance costs from pensions	**(13.4)**	(3.6)
Indexation adjustments	**(108.0)**	(215.7)
Capitalised finance costs	**69.6**	56.6
	229.7	199.9
Average net debt	**7,216.6**	6,720.6
Effective cash cost of interest	**3.2%**	3.0%

This is used as it shows the average finance cost that is paid in cash.

f) PBIT interest cover

The ratio of PBIT to net finance costs excluding net finance costs from pensions.

	2024 £m	2023 £m
PBIT	**511.8**	508.8
Net finance costs	**281.5**	362.6
Net finance costs from pensions	**(13.4)**	(3.6)
Net finance costs excluding net finance costs from pensions	**268.1**	359.0
	ratio	ratio
PBIT interest cover ratio	**1.9**	1.4

This is used to show how the PBIT of the business covers the financing costs associated only with net debt on a consistent basis.

g) EBITDA and EBITDA interest cover

The ratio of profit before interest, tax, depreciation and amortisation to net finance costs excluding net finance costs from pensions.

	2024 £m	2023 £m
PBIT	**511.8**	508.8
Depreciation (including right-of-use assets)	**393.9**	383.6
Amortisation	**34.4**	33.7
EBITDA	**940.1**	926.1
Net finance costs	**281.5**	362.6
Net finance costs from pensions	**(13.4)**	(3.6)
Net finance costs excluding finance costs from pensions	**268.1**	359.0
	ratio	ratio
EBITDA interest cover ratio	**3.5**	2.6

This is used to show how the EBITDA of the business covers the financing costs associated only with net debt on a consistent basis.

45 Alternative performance measures ('APMs') (continued)

h) Adjusted effective current tax rate

The current tax charge for the year, excluding prior year charges and current tax on financial instruments, divided by profit before tax, net losses/gains on financial instruments and share of net loss of joint ventures accounted for using the equity method.

	2024 £m	**2024 Current tax thereon £m**	2023 £m	2023 Current tax thereon £m
Profit before tax	**201.3**	**(0.5)**	167.9	–
Adjustments				
Share of net loss/(profit) of joint venture	**4.1**	**–**	–	–
Net losses/(gains) on financial instruments	**22.4**	**–**	(21.7)	–
	227.8	**(0.5)**	146.2	–
Adjusted effective current tax rate		**0.2%**		0.0%

This APM is used to remove distortions in the tax charge and create a metric broadly consistent with the calculation of adjusted earnings per share in note 14. Share of net loss of joint ventures is excluded from the calculation because the loss is included after tax and so the tax on joint venture profits is not included in the current tax charge.

i) Operational cash flow

Cash generated from operations less contributions and grants received.

	2024 £m	2023 £m
Cash generated from operations	**804.3**	753.3
Contributions and grants received	**(43.5)**	(40.2)
Operational cash flow	**760.8**	713.1

This APM is used to show operational cash excluding the effect of contributions and grants received as part of capital programmes.

j) Cash capex

Cash paid to acquire property, plant and equipment and intangible fixed assets less contributions and grants received and proceeds on disposal of property, plant and equipment and intangible fixed assets.

	2024 £m	2023 £m
Purchase of property, plant and equipment	**1,169.7**	699.7
Purchase of intangible assets	**30.0**	40.0
Contributions and grants received	**(43.5)**	(40.2)
Proceeds on disposal of property, plant and equipment	**(10.0)**	(12.9)
Cash capex	**1,146.2**	686.6

This APM is used to show the cash impact of the Group's capital programmes.

k) Capital investment

Additions to property, plant and equipment and intangible fixed assets less contributions and grants received, assets contributed at no cost, and capitalised finance costs.

	2024 £m	2023 £m
Additions to property, plant and equipment	**1,428.8**	898.9
Additions to intangible assets	**30.0**	40.0
Contributions and grants received	**(43.5)**	(40.2)
Assets contributed at no cost	**(146.0)**	(105.0)
Capitalised finance costs	**(69.6)**	(56.6)
Capital investment	**1,199.7**	737.1

Includes £20.7 million (2023: £34.2 million) of provisions for future capital expenditure arising from regulatory obligations (See notes 17 and 30).

46 Subsidiary undertakings

Details of all subsidiary undertakings as at 31 March 2024 are given below. Details of the joint venture are set out in note 20. All subsidiary undertakings have been included in the consolidation.

Owned directly by Severn Trent Plc	Country of operation and incorporation	Percentage of share capital held	Class of share capital held
Athena Holdings Limited	Hong Kong	100%	Ordinary

The following subsidiary undertakings all operate and are incorporated in the United Kingdom. The percentage of share capital held is 100% and the class of share capital held is ordinary.

All subsidiary undertakings	
Balba Technologies Limited	Severn Trent Green Power Holdings Limited
Chester Water Limited	Severn Trent Green Power Limited
Dee Valley Group Limited	Severn Trent Holdings Limited
Dee Valley Limited	Severn Trent Investment Holdings Limited
East Worcester Water Limited	Severn Trent LCP Limited
Etwall Land Limited	Severn Trent Leasing Limited
Hafren Dyfrdwy Cyfyngedig	Severn Trent Metering Services Limited
Lakeside Water and Building Services Limited	Severn Trent MIS Trustees Limited
M A Solutions (LINDUM) Ltd	Severn Trent Overseas Holdings Limited
Midlands Land Portfolio Limited	Severn Trent Pension Scheme Trustees Limited
Severn Trent (W&S) Limited	Severn Trent PIF Trustees Limited
Severn Trent Data Portal Limited	Severn Trent Property Solutions Limited
Severn Trent Draycote Limited	Severn Trent Reservoirs Limited
Severn Trent Finance Holdings Limited	Severn Trent Retail and Utility Services Limited
Severn Trent Finance Limited	Severn Trent Services (Water and Sewerage) Limited
Severn Trent General Partnership Limited	Severn Trent Services Defence Holdings Limited
Severn Trent Green Power (Andigestion) Limited	Severn Trent Services Defence Limited
Severn Trent Green Power (Ardley) Limited	Severn Trent Services Holdings Limited
Severn Trent Green Power (Bridgend) Limited	Severn Trent Services International (Overseas Holdings) Limited
Severn Trent Green Power (Cassington) Limited	Severn Trent Services International Limited
Severn Trent Green Power (CW) Limited	Severn Trent Services Operations UK Limited
Severn Trent Green Power (Hertfordshire) Limited	Severn Trent Solar Power Limited
Severn Trent Green Power (North London) Limited	Severn Trent SSPS Trustees Limited
Severn Trent Green Power (RBWM) Limited	Severn Trent Trimpley Limited
Severn Trent Green Power (Wallingford) Limited	Severn Trent Utilities Finance Plc
Severn Trent Green Power (West London) Limited	Severn Trent Water Limited
Severn Trent Green Power Biogas Limited	Severn Trent Wind Power Limited
Severn Trent Green Power Composting Limited	Severn Trent WWIF Limited
Severn Trent Green Power Group Limited	Wrexham Water Limited

The Group owns 100% of the share capital of the following subsidiary undertakings.

All subsidiary undertakings	Country of operation and incorporation	Class of share capital held
Lyra Insurance Guernsey Limited	Guernsey	Ordinary
Severn Trent Carsington Limited	United Kingdom	A and B Ordinary

46 Subsidiary undertakings (continued)

Unless stated below, the registered office of the aforementioned entities is Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ, United Kingdom.

Company	Registered office
Athena Holdings Limited	One 33, Hysan Avenue, Causeway Bay, Hong Kong
Balba Technologies Limited	Unit 6, Enterprise Court, Eagle Business Park, Falcon Way, Peterborough, Cambridgeshire, PE7 3GR
Dee Valley Limited	Packsaddle, Wrexham Road, Rhostyllen, Wrexham, LL14 4EH
Hafren Dyfrdwy Cyfyngedig	Packsaddle, Wrexham Road, Rhostyllen, Wrexham, LL14 4EH
Lakeside Water and Building Services Limited	Unit 6, Enterprise Court, Eagle Business Park, Falcon Way, Peterborough, Cambridgeshire, PE7 3GR
Lyra Insurance Guernsey Limited	St Martin's House, Le Bordage, St Peter Port, GY1 4AU, Guernsey
Severn Trent General Partnership Limited	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
Severn Trent Green Power (Andigestion) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (Ardley) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (Bridgend) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (Cassington) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (CW) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (Hertfordshire) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (North London) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (RBWM) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (Wallingford) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power (West London) Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power Biogas Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power Composting Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power Group Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB
Severn Trent Green Power Holdings Limited	The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB

46 Subsidiary undertakings (continued)

Subsidiary audit exemptions

Severn Trent Plc has issued guarantees over the liabilities of the following companies at 31 March 2024 under section 479C of Companies Act 2006 and these entities are exempt from the requirements of the Act relating to the audit of individual accounts by virtue of section 479A of the Act.

Company	Company Number
Chester Water Limited	2888872
Dee Valley Group Limited	4316684
Dee Valley Limited	2902525
East Worcester Water Limited	2757948
Etwall Land Limited	7559793
MA Solutions (LINDIUM) Ltd	5107976
Severn Trent (W&S) Limited	3995023
Severn Trent Carsington Limited	7570384
Severn Trent Data Portal Limited	8181048
Severn Trent Draycote Limited	7681784
Severn Trent Finance Holdings Limited	6044159
Severn Trent Finance Limited	6294618
Severn Trent General Partnership Limited	SC416614
Severn Trent Green Power (Ardley) Limited	5807721
Severn Trent Green Power (Hertfordshire) Limited	6771560
Severn Trent Green Power (North London) Limited	9689098
Severn Trent Green Power (West London) Limited	8308321
Severn Trent Green Power Composting Limited	4927756
Severn Trent Holdings Limited	5656363
Severn Trent Investment Holdings Limited	7560050
Severn Trent LCP Limited	7943556
Severn Trent Leasing Limited	6810163
Severn Trent Metering Services Limited	2569703
Severn Trent Overseas Holdings Limited	2455508
Severn Trent Reservoirs Limited	3115315
Severn Trent Services Holdings Limited	4395572
Severn Trent Services International (Overseas Holdings) Limited	3125131
Severn Trent Services International Limited	2387816
Severn Trent Retail and Utility Services Limited	2562471
Severn Trent Trimpley Limited	10690056
Severn Trent WWIF Limited	11966722

FIVE YEAR SUMMARY

Continuing operations	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Turnover	**2,338.2**	2,165.1	1,943.3	1,827.2	1,843.5
Profit before interest and tax	**511.8**	508.8	506.2	470.7	568.2
(Loss)/gain on impairment of loans receivable	**(2.5)**	–	0.2	3.6	(4.9)
Net interest payable before (losses)/gains on financial instruments	**(281.5)**	(362.6)	(269.4)	(187.1)	(188.4)
(Losses)/gains on financial instruments	**(22.4)**	21.7	39.3	(6.2)	(17.4)
Results of associates and joint ventures	**(4.1)**	–	(2.2)	(13.8)	(46.8)
Profit on ordinary activities before taxation	**201.3**	167.9	274.1	267.2	310.7
Current taxation on profit on ordinary activities	**(5.5)**	(0.2)	4.8	(26.8)	(30.1)
Deferred taxation	**(55.6)**	(35.5)	(71.7)	(28.2)	(29.1)
Exceptional tax	**–**	–	(294.4)	–	(92.7)
Profit for the year	**140.2**	132.2	(87.2)	212.2	158.8
Net assets employed					
Fixed assets	**11,766.9**	10,716.9	10,609.3	10,261.4	9,954.8
Other net liabilities excluding adjusted net debt, retirement benefit obligation, provisions and deferred tax	**(1,129.2)**	(1,036.5)	(1,380.6)	(1,306.1)	(1,225.6)
Derivative financial instruments	**45.2**	71.5	15.5	(86.0)	(98.1)
Net retirement benefit obligation	**(213.0)**	(279.4)	(128.0)	(367.7)	(234.0)
Provisions for liabilities and deferred tax	**(1,448.0)**	(1,378.0)	(1,380.9)	(949.2)	(945.1)
	9,021.9	8,094.5	7,735.3	7,552.4	7,452.0
Financed by					
Called up share capital	**295.4**	249.1	248.1	237.2	236.5
Reserves	**1,538.6**	721.5	1,015.8	901.5	1,007.2
Total shareholders' funds	**1,834.0**	970.6	1,263.9	1,138.7	1,243.7
Adjusted net debt	**7,187.9**	7,123.9	6,471.4	6,413.7	6,208.3
	9,021.9	8,094.5	7,735.3	7,552.4	7,452.0
Statistics					
Earnings/(loss) per share – pence	**51.0**	52.7	(35.2)	89.1	66.7
Adjusted earnings per share – pence	**79.4**	58.2	96.9	105.4	146.0
Dividends per share – pence	**116.8**	106.8	102.1	101.6	100.1
Adjusted dividend cover	**0.7**	0.5	0.9	1.0	1.5
Gearing[1] – %	**79.7**	88.0	83.7	84.9	83.3
Ordinary share price at 31 March – pence	**2,470.0**	2,879.0	3,078.0	2,306.0	2,280.0
Average number of employees					
– Regulated Water and Wastewater	**8,150**	7,176	6,612	6,536	6,345
– Other	**541**	475	506	497	451

1 Gearing has been calculated as adjusted net debt divided by the sum of equity and adjusted net debt.

GLOSSARY

ADR – American Depositary Receipts
AGM – Annual General Meeting
AI – Artificial Intelligence
AMP – Asset Management Plan
AMP6 – the period 2015-20
AMP7 – the period 2020-25
AMP8 – the period 2025-30
APD – Anaerobic Process Design
ARA – Annual Report and Accounts
ASP – Activated Sludge Process
BAT – Benefit Assessment Tool
Capex – Capital expenditure
CAW – Carbon Accounting Workbook
CCW – Consumer Council for Water
CDP – Carbon Disclosure Project
CEO – Chief Executive
CEPT – Chemically Enhanced Primary Treatment
CFD – Climate-related Financial Disclosure
CFO – Chief Financial Officer
CGI – Corporate Governance Institute
CHP – Combined Heat and Power
C-MeX – Customer Measure of Experience
CRI – Compliance Risk Index
CRS – Common Reference Scenario
CRISP – Compliance Risk Index Sustainability Plan
CSO – Combined Sewer Overflow
Defra – Department for Environment, Food & Rural Affairs
D&I – Diversity and Inclusion
D-MeX – Developer Measure of Experience
DNSH – Do No Significant Harm
DNV – DNV Business Assurance Services UK Limited
DRIP – Dividend Reinvestment Plan
DSEAR – Dangerous Substances and Explosive Atmosphere Regulations
DWI – Drinking Water Inspectorate
DWMP – Drainage and Wastewater Management Plan
EA – Environment Agency
EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation
EBT – Employee Benefit Trust
EDM – Event Duration Monitor
EPA – Environmental Performance Assessment
EPS – Earnings per share
EQ – Equiniti
ERM – Enterprise Risk Management
ESG – Environment, Social and Governance
ETS – Emissions Trading Scheme
EV – Electric Vehicle
FBU – Fair, balanced and understandable
FCA – Financial Conduct Authority
FD – Final Determination
FFT – Flow to Full Treatment
FRC – Financial Reporting Council
GAA – Group Authorisation Arrangements
GDPR – General Data Protection Regulation
GHG – Greenhouse Gas
GWh – Gigawatt hours
Ha – Hectares of land
HD – Hafren Dyfrdwy
IBE – Independent Board Evaluation
IFRS – International Financial Reporting Standards
IPCC – International Panel on Climate Change
ISSB – International Sustainability Standards Board
KPI – Key Performance Indicator
LEAP – Locate, Evaluate, Assess, Prepare
LTDS – Long-Term Delivery Strategy
LTI – Lost Time Incidents
LTIP – Long-Term Incentive Plan
M&A – Mergers and Acquisitions
Ml/d – Million litres per day
MoD – Ministry of Defence
MSS – Minimum Social Safeguards
NIS-R – Network and Information Systems Regulations
NRW – Natural Resources Wales
ODI – Outcome Delivery Incentive
ONS – Office for National Statistics
Opex – Operating expenditure
PBIT – Profit before interest and tax
PCC – Per Capita Consumption
PCD – Price Control Deliverable
PESR – Post-Employment Shareholding Requirement
PESTEL – Political, Economic, Social, Technological, Environmental and Legal
PFAS – Per- and polyfluorinated substances
PR24 – Price Review 2024
PSR – Priority Services Register
PQQ – Pre-Qualification Questionnaire
QIA – Qatar Investment Authority
RCM – Regional Climate Model
RCP – Representative Concentration Pathway
RCV – Regulatory Capital Value
REGO – Renewable Energy Guarantee of Origin
RoRE – Return on Regulated Equity
RNAGS – Reasons for Not Achieving Good Status
RS – Renewable Source
s.172 – Section 172 Statement
SAF – Submerged Aerated Filter
SASB – Sustainability Accounting Standards Board
SAYE – Save As You Earn
SBT – Science-Based Target
SBTi – Science-Based Target initiative
SDS – Strategic Direction Statement
SEMD – Security and Emergency Measures (Water and Sewerage Undertakers and Water Supply Licensees) Direction 2022
Sharesave – Severn Trent Sharesave scheme
SID – Senior Independent Director
SLA – Service Level Agreement
SOAF – Storm Overflows Assessment Framework
SOAP – Storm Overflow Action Plan
SODRP – Storm Overflows Discharge Reduction Plan
SRF – Strategic Risk Forum
SRO – Strategic Resource Option
SSO – Settled Storm Overflow
SSSI – Site of Special Scientific Interest
STEC – Severn Trent Executive Committee
STEM and Ops – Science, Technology, Engineering and Mathematics and Operations
STEPS – Severn Trent Environmental Protection Scheme
STW – Severn Trent Water
SuDS – Sustainable urban Drainage Systems
TCFD – Task Force on Climate-related Financial Disclosures
tCO_2e – Tonnes of carbon dioxide equivalent
THP – Thermal Hydrolysis Process
TNFD – Task Force on Nature-related Financial Disclosures
TOMs – Themes, Outcomes and Measures
Totex – Total expenditure
UKCP18 – UK Climate Projections 2018
UKWIR – UK Water Industry Research
UME – Unmodelled expenditure
UV – Ultraviolet
UQ – Upper Quartile
Vyn – Video your notes
WaSCs – Water and Sewerage Companies
WFD – Water Framework Directive
WINEP – Water Industry National Environment Programme
WRMP – Water Resources Management Plan
WSSR – Water Scarcity Status Report

INFORMATION FOR SHAREHOLDERS

Severn Trent shareholder helpline

The Company's registrar is Equiniti ('EQ'). EQ's main responsibilities include maintaining the shareholder register and making dividend payments. If you have any queries relating to your Severn Trent Plc shareholding, you should contact EQ.

Registrar contact details:
Online: www.shareview.co.uk
Telephone: +44 (0) 371 384 2967[1,2]

Accessibility: For deaf and speech impaired customers, EQ welcome calls via Relay UK. Please see www.relayuk.bt.com for more information.

By post: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, UK.

Please include your shareholder reference and details of your query.

Corporate website

Shareholders are encouraged to visit our website severntrent.com which provides information on:

- who we are, our businesses and plans;
- our governance arrangements;
- our approach to sustainability and innovation; and
- how to join the Severn Trent team.

There is also a dedicated investors' section on the website containing up-to-date information on our investment proposition, plus a shareholder centre containing:

- share price information;
- a history of dividend payment dates and amounts; and
- access to current and historical shareholder information.

Electronic communications

By registering to receive shareholder documentation from Severn Trent Plc electronically, shareholders can benefit from being able to:

- view the Annual Report and Accounts on the day it is published;
- receive an email alert when shareholder documents are available;
- cast their AGM vote electronically; and
- manage their shareholding quickly and securely online, through Shareview.

Electronic communications also enable us to reduce our impact on the environment and benefit from savings associated with reduced printing and mailing costs.

For further information and to register for electronic shareholder communications visit www.shareview.co.uk and register for an online portfolio account enabling you to:

- monitor all your shareholdings;
- manage your personal details;
- buy and sell shares;
- vote at Company meetings; and
- view tax vouchers online.

Dividend payments

Bank mandates

From January 2025, all dividends will be paid by direct payment and payments by cheque will cease. We are committed to reducing our impact on the environment and direct payment is quicker, more secure and environmentally friendly.

The benefits of direct payment also include:

- receiving cleared funds in your bank account on the payment date;
- avoiding postal delays; and
- removing the risk of your cheques getting lost in the post.

To take advantage of this service or for further details, contact EQ or register/log in to www.shareview.co.uk and select 'Arrange direct dividend payments'.

Dividend Reinvestment Plan ('DRIP')

The DRIP gives shareholders the option of using their dividend payments to buy more Severn Trent Plc shares instead of receiving cash. If you would like to participate in the DRIP, please request a dividend reinvestment plan mandate from Equiniti Financial Services Limited via the Customer Experience number below or online via www.shareview.co.uk by registering for/logging in to your portfolio account.

Telephone: +44 (0) 371 384 2967[1]

Other information

Buying and selling shares in the UK

If you wish to buy or sell certificated Severn Trent Plc shares, you may need to use a stockbroker or high street bank which trades on the London Stock Exchange. There are also many telephone and online services available to you.

If you are selling, you will need to present your share certificate at the time of sale. Details of dealing services offered by Equiniti Financial Services Limited may be obtained from www.shareview.co.uk or contact 03456 037 037[2] for assistance.

Share price information

Shareholders can find share price information on our website and in most national newspapers. For a real-time buying or selling price, you should contact a stockbroker.

Shareholder security

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

Please be aware that scams are becoming ever-more sophisticated with fraudsters often claiming or implying that they have some connection with Severn Trent, and possibly offering an attractive investment opportunity. Beware, they may simply be trying to obtain your personal data.

1 Please use the country code when calling from outside the UK. Lines are open from 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales).
2 Lines are open Monday to Friday, 8.00am to 4.30pm for dealing, and until 6.00pm for enquiries (excluding public holidays in England and Wales). Calls from a landline are charged at national rates. Calls from a mobile device may incur network extras.

Financial calendar

Ex dividend date – final dividend	30 May 2024
Record date to be eligible for the final dividend	31 May 2024
DRIP election date – final	26 June 2024
AGM	11 July 2024
Final dividend payment date	17 July 2024

All dates are indicative and may be subject to change.

How to avoid share fraud:

- Keep in mind that firms authorised by the Financial Conduct Authority ('FCA') are unlikely to contact you out of the blue with an offer to buy or sell shares.
- Do not get into a conversation: note the name of the person and firm contacting you and then end the call.
- Check the Financial Services Register at www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call it back.
- Call the Freephone FCA Consumer helpline (see details below) if the firm does not have contact details on the Register or you are told they are out of date.
- Search the FCA Warning List of unauthorised firms to avoid at www.fca.org.uk/consumers/warning-list-unauthorised-firms.
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Think about getting independent financial and professional advice before you hand over any personal data or documents or your money.
- Remember, if it sounds too good to be true, it probably is.

If you are approached by fraudsters please tell the FCA using its contact form online at www.fca.org.uk/consumers/report-scam, or contact on:

0800 111 6768 (freephone)

0300 500 8082 (from the UK)

+44 207 066 1000 (from abroad)

(18001) 0207 066 1000
(next generation text relay)

(open Monday to Friday from 8.00am to 6.00pm, Saturday from 9.00am to 1.00pm)

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040 (Monday to Friday from 8.00am to 8.00pm) or online via www.actionfraud.police.uk.

Unsolicited mail

The Company is legally obliged to make its share register available to the general public. Consequently some shareholders may receive unsolicited mail. If you wish to limit the amount of unsolicited mail you receive, please contact:

Mailing Preference Service, DMA House,
70 Margaret Street, London, W1W 8SS.

Alternatively, register online at www.mpsonline.org.uk or call the MPS team on 020 7291 3310.

American Depositary Receipts ('ADRs')

Severn Trent has a sponsored Level 1 ADR programme, for which The Bank of New York Mellon acts as Depositary.

The Level 1 ADR programme trades on the premier tier of the US over-the-counter market under the symbol STRNY (it is not listed on a US stock exchange). Each ADR represents one Severn Trent ordinary share.

If you have any enquiries regarding Severn Trent ADRs, please contact The Bank of New York Mellon.

By post:
BNY Mellon Shareowners Services, PO Box 43006, Providence, RI 02940-3078, US

By telephone:
If calling from within the US: (888) 269 2377 (toll-free)

If calling from outside the US: +1 201 680 6825

By email:
shrrelations@cpushareownerservices.com

Website:
www.mybnymdr.com

Cautionary Forward-Looking Statement
This document contains statements that are, or may be deemed to be, 'forward-looking statements' with respect to Severn Trent's financial condition, results of operations and business and certain of Severn Trent's plans and objectives with respect to these items. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'will', 'would', 'should', 'expects', 'believes', 'intends', 'plans', 'projects', 'potential', 'reasonably possible', 'targets', 'goal' or 'estimates' or words with a similar meaning, and, in each case, their negative or other variations or comparable terminology. Any forward-looking statements in this document are based on Severn Trent's current expectations and, by their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and no assurances can be given that the forward-looking statements in this document will be realised. There are a number of factors, many of which are beyond Severn Trent's control, that could cause actual results, performance and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the regulatory and competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates. All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Severn Trent or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. This document speaks as at the date of the report.

Save as required by applicable laws and regulations, Severn Trent does not intend to update these forward-looking statements and does not undertake any obligation to do so. Past performance of securities of Severn Trent Plc cannot be relied upon as a guide to the future performance of securities of Severn Trent Plc. Nothing in this document should be regarded as a profits forecast.

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Severn Trent Plc
Registered office:
Severn Trent Centre
2 St John's Street
Coventry
CV1 2LZ

severntrent.com

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