# INVESTING FOR THE FUTURE

**Severn Trent Plc**
Annual Report and Accounts 2025

# Contents

## 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 2025



## Other Information



# Who we are

Severn Trent Water and Hafren Dyfrdwy are two of the 11 regulated water and wastewater businesses in England and Wales. Our non-regulated businesses operate across England, Wales and Scotland.

# What we do

We provide over nine million people across our region with fresh, clean drinking water every day – that is about two billion litres.

And when they have finished with it, we take it away again and clean and treat it before returning it safely to the environment.

**Households and businesses served**
4.7 million

**Litres of drinking water supplied each day**
2 billion

**Litres of wastewater treated each day**
3.35 billion

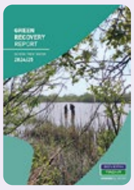
**Total Group employees**
(Average during 2024/25)
9,539
See note 8 to the financial statements.

## Our reporting

Find out more about our climate and nature-related plans and key strategic documents that utilise scenario modelling on page 41.

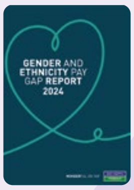
**PR24 Business Plan**

**Strategic Direction Statement**



**Green Recovery Report**

**Community Fund Annual Report**

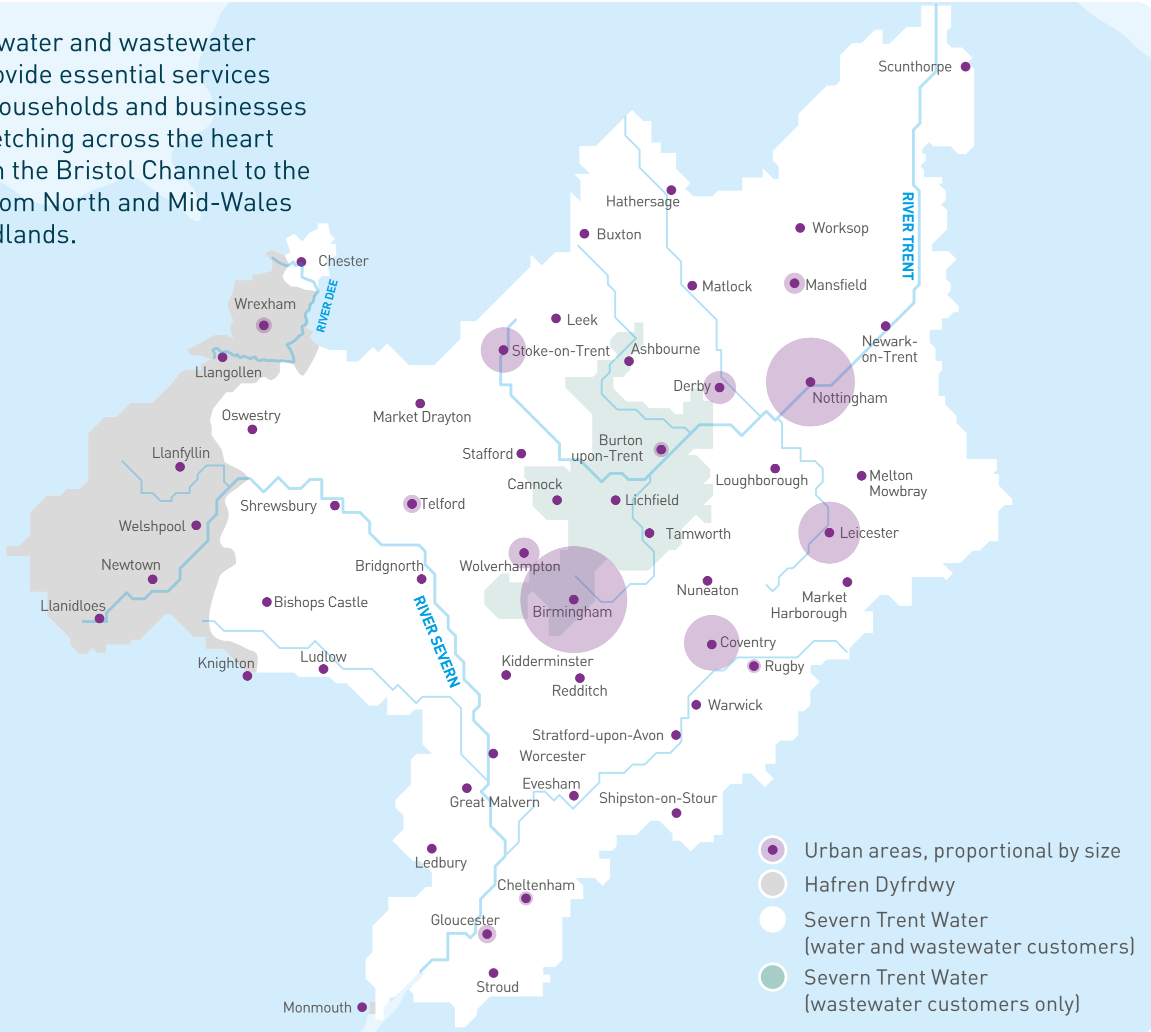


**Gender and Ethnicity Pay Gap Report**

**Customer Vulnerability Strategy**

# Group Highlights

Our regulated water and wastewater businesses provide essential services to 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.




### Group turnover (£m)

| | |
|---|---|
| 2024/25 | £2,426.7m |
| 2023/24 | £2,338.2m |
| 2022/23 | £2,165.1m |

↑ 3.8%

### Group profit before interest and tax (‘PBIT’) (£m)

| | |
|---|---|
| 2024/25 | £590.2m |
| 2023/24 | £511.8m |
| 2022/23 | £508.8m |

↑ 15.3%

### Regulated gearing (%)[1]

| | |
|---|---|
| 2024/25 | 62.7% |
| 2023/24 | 61.3% |
| 2022/23 | 60.5% |

↑ 2.3%

### Dividend per share (p)

| | |
|---|---|
| 2024/25 | 121.71p |
| 2023/24 | 116.84p |
| 2022/23 | 106.82p |

↑ 4.2%

### Basic earnings/(loss) per share (‘EPS’) (p)[2]

| | |
|---|---|
| 2024/25 | 76.6p |
| 2023/24 | 51.0p |
| 2022/23 | 52.7p |

↑ 50.2%

### Adjusted basic EPS (p)[2]

| | |
|---|---|
| 2024/25 | 112.1p |
| 2023/24 | 79.4p |
| 2022/23 | 58.2p |

↑ 41.2%

1 Regulated gearing is defined in note 34 to the financial statements.
2 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.

# Severn Trent at a Glance

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

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 several large urban areas in our region, yet we also serve predominantly rural counties and communities. It is a region which is characterised by, and benefits from, its diversity.

### Social channels

- Facebook: Severn Trent
- X: stwater
- LinkedIn: Severn Trent
- YouTube: stwaterweb
- Instagram: severntrent
- TikTok: severntrent

## Our purpose

Taking care of one of life's essentials

## Driven by our strategy

Performance driven, sustainability led

Scan the QR code to visit our sustainability web pages

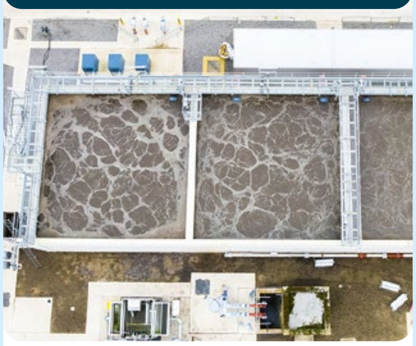
## How we are structured

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

### Providing clean water

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

### Treating wastewater



Over 3.35 billion litres of wastewater are treated every day, cleaned and returned to the environment.

### Generating renewable energy

Severn Trent generates its own energy through a variety of sources including the anaerobic digestion of sewage sludge, food waste, crops, solar, wind and hydro.

## Our values

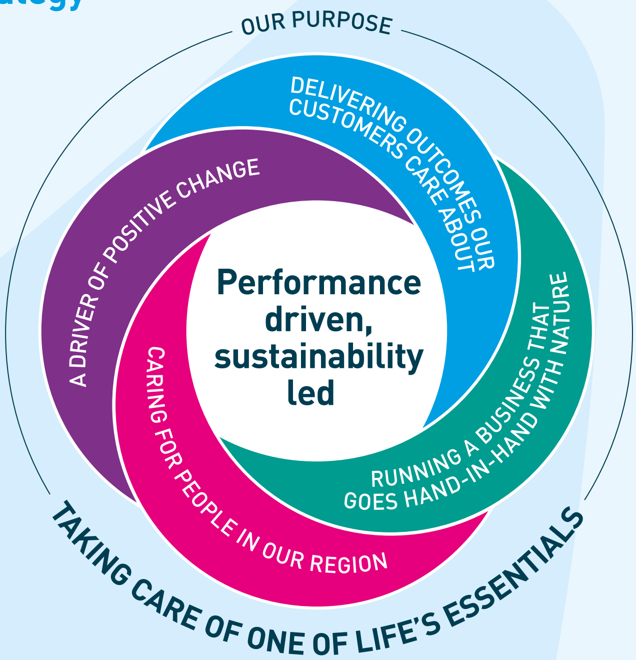

### Having Courage

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.

## Our corporate strategy




### OUTCOMES

- Investing for the long term
- Resilient to a changing future
- Putting the customer first
- Right first time every time

### NATURE

- Actively improving the places we touch
- Creating opportunities to enjoy nature
- Valuing our most precious natural resources
- Managing our impact on nature and climate change

### PEOPLE

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

### 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.

### Green Power

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

### Property Development

Our Property Development business manages the sale of surplus land.


### 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 – Water Sector

**There are 17 regional businesses supplying water services in England and Wales, serving over 60 million household and non-household customers. Of these, 11 also provide wastewater services, including Severn Trent Water and Hafren Dyfrdwy. Our long-term strategic planning embraces the challenges and unpredictability of the future. By analysing change drivers and their impacts, we can understand potential outcomes and respond effectively to manage risks and seize opportunities. Looking ahead, we recognise a number of challenges that are particularly relevant for our Group:**

## Climate change

In response to climate change, we are innovating and improving to mitigate the impacts of water availability, water quality, abstraction, and more extreme weather events like flooding and drought. By managing our water resources more sustainably, we can enhance the performance, resilience, and flexibility of our network, especially during times of stress. We are committed to lowering greenhouse gas emissions and achieving net zero operational emissions by 2030, and net zero across all scopes by 2050.

**Linked Principal Risks:** 2, 3, 9, 10 and 11 See **pages 74 to 78**

## Environmental changes

We recognise the criticality of the natural environment and are dedicated to protecting it for future generations. That is why we are committing to our biggest ever investment in sustainable practices and reversing deterioration of the natural environment. We are working across our supply chain and with key stakeholders to adopt more environmentally-friendly practices to reduce our impact on the environment – especially our rivers and waterways and to minimise waste and embrace circular economy principles.

**Linked Principal Risks:** 2, 3, 9 and 10 See **pages 74 to 78**

## Demographic and social structure

A growing and more aged population, more people living alone and urbanisation are increasing pressure on both housing and water. To ensure our water resilience, we are investing in new water supplies, adding more storage and treatment capacity, reducing leakage and promoting water consciousness among our customers.

**Linked Principal Risks:** 4 and 6 See **pages 75 to 76**

## Affordability challenges

We recognise and understand that our customers are feeling the effect of economic uncertainty and cost of living pressures. Our sector-leading affordability support will help c.700,000 customers who need help paying their bill each year by 2030, the equivalent of one in six customers. We are also working with our communities to make a positive social difference through our Societal Strategy.

**Linked Principal Risks:** 4, 7 and 8 See **page 75 to 77**

## Maturing technologies

Our commitment to innovation means we are constantly on the lookout for cutting-edge technologies that can positively impact our customers. Technological advances continue to present exciting new opportunities to deploy smart devices, automation, machine learning and artificial intelligence to improve the delivery of our services for customers and how we monitor and operate our assets efficiently and safely. We are excited to invest in new technologies and will continue to explore their application within our business.

**Linked Principal Risks:** 4 and 11 See **pages 75 to 78**

## 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 84 to 90.

### 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.

**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, visitors and supply chain 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.

# Our 2025-30 Business Plan

## A key year in our regulatory cycle

Every five years, water companies in England and Wales develop business plans setting out how they intend to deliver for customers and the environment over the next Asset Management Period ('AMP'). Our full plans and Ofwat's Final Determinations are available on our websites. Scan the QR codes below to download our Business Plans.

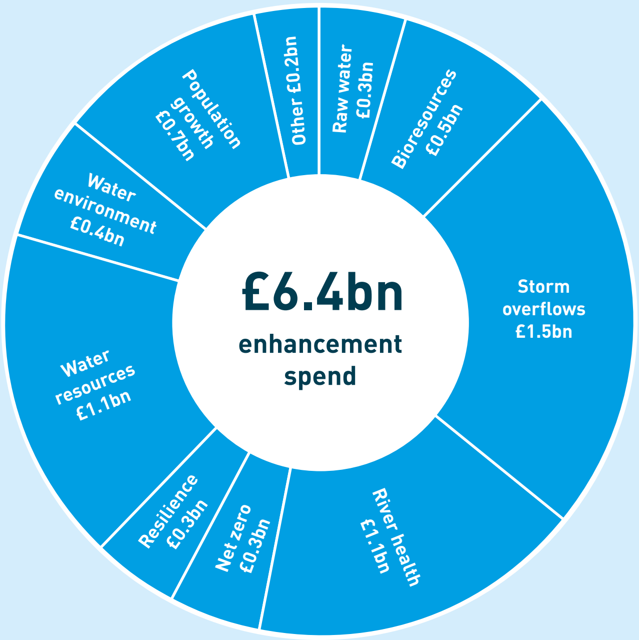
**Severn Trent Water 2025-2030 Business Plan**

**Hafren Dyfrdwy 2025-2030 Business Plan**

## An outstanding Business Plan

We are delighted that our Severn Trent Water Business Plan for 2025-30 was awarded 'outstanding' status by Ofwat – in recognition of both its quality and the scale of our ambition.

Our AMP8 Final Determination totex allowance of £14.9 billion is around twice as much as was approved for AMP7, £6.4 billion of which is dedicated to service and environmental enhancements. We expect to generate nominal Regulatory Capital Value ('RCV') growth of 60% across the AMP, which would take our AMP8 closing RCV to around £17.2 billion (in 2022/23 prices).




## Our biggest ever enhancement investment

Building on our strong operational and environmental track record, in AMP8 our largest ever enhancement programme will allow us to make significant progress in areas our customers care about most, including:

- delivering the industry's fastest and most ambitious spills reduction programme, as we aim to halve spills by 2030 and strive towards global best practice (read more on page 23);
- accelerating the improvement of river health, so we account for just 2% of Reasons for Not Achieving Good Status ('RNAGS') in our region by 2030 (read more on page 23);
- delivering a further 14.8% reduction in leakage and replacing around 1,400 km of water mains;
- strengthening water resilience to ensure we can meet customer demand during hot weather;
- scale investment into water treatment and biosolids to address per and polyfluoroalkyl substances ('PFAS') (read more on pages 71 to 72);
- supporting growth in our region through investment in 70 waste treatment works; and
- achieving operational net zero by 2030 (read more on pages 45 to 53).

## Organisational readiness

Our Business Plan is intentionally ambitious, and our investment and work in AMP7 has positioned us strongly to deliver in AMP8:

- our in-house Design Team unlocks digital and automation capabilities;
- our Plug and Play delivery model drives speed and efficiency on critical asset types;
- a broad and diverse supply chain provides resilience and flexibility;
- shareholder support for our £1 billion equity raise has enabled us to accelerate AMP8 investment;
- stepping up our capital expenditure to £1.67 billion in the final year of AMP7 means we are already at our AMP8 run-rate; and
- having accepted Ofwat's Final Determination in January 2025, our delivery of AMP8 is already underway.

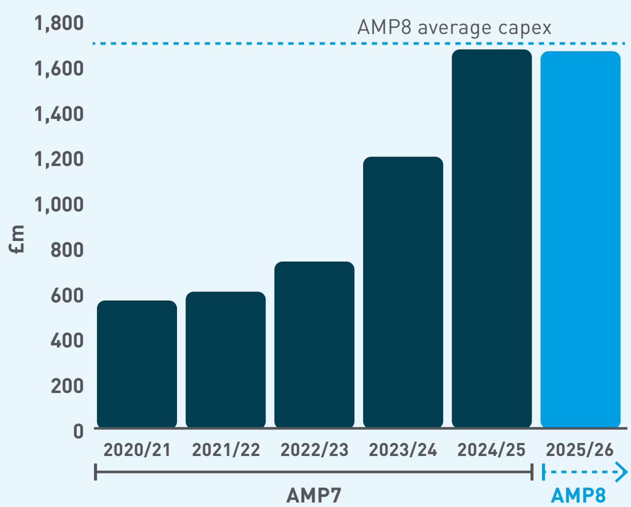
Christine Hodgson observes a Business Plan customer engagement session

## Affordability and support

We remain committed to keeping bills affordable, while delivering record investment. We will begin and end AMP8 with the second lowest bill in England and our £575 million affordability package will support one in six customers with their bill by 2030. Additionally, we will support 100,000 people through our 10-year Societal Strategy and our Community Fund will continue into the next AMP.

Our Business Plan has high levels of customer support, with an 81% acceptability rating according to CCW research on Ofwat's Draft Determinations, the highest in the sector.

### Capital expenditure



# Our Business Model

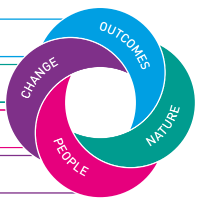
## Our purpose

**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**

- O Outcomes
- N Nature
- P People
- C Change




## Our resources and relationships

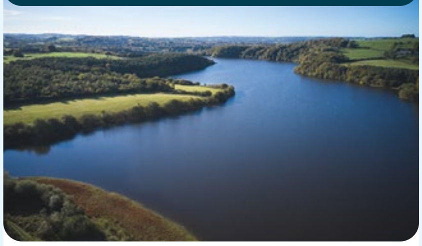
### Physical assets

We maintain over 50,000 km of clean water pipes, over 93,500 km of sewer pipes, and c.130 water and c.1,000 wastewater treatment works.

**Principal Risks:** 2, 3, 6, 9 and 10

**Strategic objectives:**
Outcomes | Nature | People | Change

### 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:** 1, 2, 9 and 10

**Strategic objectives:**
Outcomes | Nature | People | Change

### Financial capital


Our RCV is in excess of £13.7 billion. Our net debt represents 62.7% of our RCV.

**Principal Risks:** 7 and 8

**Strategic objectives:**
Outcomes | Nature | People | Change

### Technology and innovation

We rely on technology every day to communicate, store and manage data, operate our assets and monitor our operations. We are always exploring innovative technology to drive continuous improvement.

**Principal Risks:** 2, 3, 4, 6, 9 and 11

**Strategic objectives:**
Outcomes | Nature | People | Change

### Our people and culture

We look to attract, develop and retain talented people from all backgrounds. We directly employ over 9,800 people.

**Principal Risks:** 1, 2, 3, 4, 6, 7 and 11

**Strategic objectives:**
Outcomes | Nature | People | Change

### Suppliers and partnerships

All contracted suppliers are required to sign up and operate in line with our Supply Chain Sustainability Charter.

**Principal Risks:** 1, 2, 3, 5, 6, 9 and 10

**Strategic objectives:**
Outcomes | Nature | People | Change

## 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 9,800 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.

## 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
Outcome Delivery Incentive ('ODI') performance (% of targets/measures met or exceeded)

| | |
|---|---|
| 2024/25 | 83% |
| 2023/24 | 76% |

### 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)

| | |
|---|---|
| 2024/25 | £2m |
| 2023/24 | £2m |

### 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)

| | |
|---|---|
| 2024/25 | 34 |
| 2023/24 | 33 |

### 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)

| | |
|---|---|
| 2024/25 | 8.6 |
| 2023/24 | 8.6 |

### 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') (%)

| | |
|---|---|
| 2024/25 | 9.3% |
| 2023/24 | 7.8% |

### Regulators, Government and Non-Governmental Organisations ('NGOs')
The policy framework for our sector is set by the UK and Welsh Governments. Our industry is regulated by Ofwat, the EA and others. We are striving to set the standard for environmental performance by continuing to achieve 4* status in the annual Environmental Performance Assessment ('EPA'). Our non-regulated businesses drive competition in the market, improving the quality and value in the water sector supply chain.

# Chair's Statement

**Christine Hodgson**
Chair

| Dividend per share | Group PBIT | Group turnover |
|---|---|---|
| 121.71p | £590.2m | £2,426.7m |
| 2023/24: 116.84p | 2023/24: £511.8m | 2023/24: 2,338.2m |

**Our sector is currently undergoing a period of unprecedented scrutiny and regulatory reform. This is a pivotal time for the sector and provides an opportunity to deliver much needed investment for customers, which will help us regain public trust by focusing on the things they care about most.**

We are excited about the scale of our Final Determination and are focused on effective and efficient deliverability of our AMP8 investments to ensure customers' money is spent wisely, whilst also mindful of the impact that higher bills have on our customers. Therefore, we are committed to a meaningful affordability strategy that ensures no customer should fear their water bill.

We have set bold ambitions for AMP8, that will create value for our customers and shareholders, whilst protecting the environment and delivering our social purpose commitments – that will help restore trust in the sector and instil confidence in Severn Trent as an investment proposition.

### Serving our stakeholders, now and for the long term

As the sector evolves in response to public policy and regulatory reforms, we must be mindful that investors have choices over where to invest and, similarly, individuals have choices where to forge their careers. It is therefore crucial that we continue to perform strongly and clearly articulate the value of our business through delivery of our strategy, as we embark on AMP8 and beyond.

Throughout the past year, the Board has focused itself on ensuring Severn Trent's success across all areas, making strategic decisions that serve the long-term interests of all our stakeholders. A high-level summary is provided below and you can read further detail on our performance this year in Liv's Chief Executive's Review.

### Closing out a successful AMP7

Severn Trent has demonstrated industry-leading operational and environmental performance and strong financial resilience consistently over the last five years, delivering £332 million of ODI outperformance over AMP7, considerably more than any other water company has delivered in total throughout the AMP. Our strong operational performance and financial resilience has enabled us to withstand geopolitical and economic headwinds, many of which could not have been foreseen, such as COVID-19 and global conflicts, and has positioned us strongly to participate in emerging opportunities such as Green Recovery. It has also enabled us to raise £1 billion in equity to accelerate improvements for our customers and the environment, support delivery of year-on-year operational outperformance and drive growth.

### Our AMP8 journey is underway

In December, Ofwat approved our Final Determination – which will see our largest ever investment over the next five years. Our 'outstanding' and ambitious £14.9 billion Business Plan will support us to deliver significant progress in areas our customers care about most, including delivering the industry's fastest and most ambitious spills reduction programme, reducing pollutions by a further 30%, achieving a further 14.8% reduction in leakage and reaching operational net zero by 2030.

Our significant capital delivery in AMP7 positions us strongly to deliver this step change in investment and the acceleration of our capital programme in AMP8 will improve our performance as early as possible in the AMP to deliver early benefits for customers. You can read more about the benefits that our Final Determination will deliver for our customers on page 5.

AMP8 is a significant undertaking and one that I, and the entire Board and Executive Committee, take very seriously. The Board has focused on overseeing the Group's preparedness for the next AMP, including:

- **Ambition –** instilling a high-performance culture and ensuring that we always challenge our own ambitions to drive better outcomes for our customers, communities and the environment both now and over the long term. A good example of this is our Combined Sewer Overflow ('CSO') Improvement Plan, which you can read more about on page 23.
- **Deliverability –** ensuring we have the people and supply chain in place to deliver our investment. The Board scrutinised the Company's approach to deliverability throughout development of our Business Plan – and held a dedicated deep dive during the year – to ensure that an effective organisational structure is in place, supported by strong talent and expertise within the Company and its supply chain.
- **Affordability –** accelerating our AMP8 plans will deliver significant service delivery improvements for our customers and the environment and will grow our business – all whilst maintaining the second lowest bill in England and supporting around one in six customers with their bills through our £575 million affordability package.
- **Transparency –** providing all of our stakeholders with confidence that our strategy and processes for data assurance and governance support high-quality, transparent data and reporting across all aspects of our business – so they can assess our performance and hold us to account.
- **Resilience –** ensuring that we demonstrate operational, financial and corporate resilience throughout AMP8 and beyond – for example, making sure we are resilient to increasingly extreme weather events. The Board has challenged management on the strength of our operational resilience and approach to winter and storm event readiness.
- **Financeability –** securing the appropriate funding to safeguard our financial resilience. The Board and Treasury Committee applied focus to this during the year and you can read more in Helen's Chief Financial Officer's Review from page 61.

### Areas of Board focus for 2024/25

This year's report brings to life the significant work and activity undertaken by your Board and Executive Committee during the year. I would like to highlight a few particular areas that the Board has applied focus to this year, as follows:

**Supporting our customers and communities –** as well as providing financial support to customers who might need it, we are dedicated to ensuring that our vulnerable customers receive the additional support they need. During the year, we oversaw the Company's approach to allocating bespoke services to our vulnerable customers – including tailored communications, personalised services and prioritisation during incidents – to ensure they always have access to our services in a way that works for them.

As a Board, we understand the essential role that Severn Trent plays in our communities and are committed to driving positive change and making a positive impact across our region. Our 10-year Societal Strategy embodies this desire and we have proudly supported more than 26,000 people, generating nearly £7 million of Social Value since 2022.

**Enhancing our environment –** we are confident of achieving the highest possible rating in the Environment Agency's ('EA') demanding Environmental Performance Assessment ('EPA') for the sixth consecutive year. Notwithstanding this good progress, we know that our pollutions performance needs to improve further. We take the views of our customers and wider stakeholders seriously and are committed to improving our pollutions performance. The Board scrutinises performance at every meeting and meets with a broad range of stakeholders, including our regulators, to inform our oversight and ensure we are delivering what they expect of us.

**Climate resilience –** extreme weather events are becoming increasingly frequent and severe. Last year, in response to Storm Babet, we oversaw the Company's approach for future storm events, focusing on proactive measures to be implemented, prioritisation of resources, communications with customers and communities and reactive actions to be deployed to mitigate the potential impacts to the greatest extent possible.

**Net zero by 2030 –** we remain committed to being operationally net zero by 2030. This Annual Report includes our revised Net Zero Transition Plan ('NZTP'), which reflects the outcome of our Final Determination and our commitment to mitigating and adapting to climate change. As outlined in my report last year, the NZTP is being tabled for an advisory shareholder vote at our Annual General Meeting ('AGM') on 10 July 2025. You can read our full NZTP on pages 44 to 54.

## Regulatory landscape

We welcome reforms of the sector and our hope is that it will sustain the higher levels of private sector investment needed to improve services and restore trust. Similarly, companies need clarity so that they can be held to account by their stakeholders – again helping to rebuild trust.

The Water (Special Measures) Act (the 'Act') received Royal Assent on 24 February 2025 and the Board has considered the requirements of the Act during the year.

However, there is still much regulatory reform to complete to be able to provide the clarity and certainty our stakeholders need. The sector reform agenda for the period ahead is significant, with regulatory consultations, independent reviews and subsequent legislation change that will impact the structure and regulation of our industry:

- At the date of this report, Ofwat's consultation related to rules on remuneration has recently concluded and the outputs are awaited. Our focus as a Board and Remuneration Committee is to ensure we can attract and retain the exceptional talent we need to deliver for our customers and other stakeholders, both now and in the future.
- Similarly, the Independent Commission into the water sector and its regulation – led by Sir Jon Cunliffe – remains underway and highlights the importance of strengthening relationships between regulators and water companies whilst improving the regulatory regime to rebuild trust in the sector, protect customers and deliver long-term stability through supporting investment and growth. We look forward to considering the outputs of this review in due course.

A great deal of progress has been made during the year on developing the framework under which we will be required to operate when regulatory changes are fully implemented. Clarity for the sector is essential if we are to be able to position our business to meet the expectations of our customers, our regulators and those that invest in us.

## Rebuilding trust

Restoration of trust in our sector remains a significant challenge but it is a challenge we are passionate about meeting successfully. The sector as a whole must respond to this by improving performance to meet the expectations of our customers and wider stakeholders, both now and in the long term, to rebuild trust. I am proud of the role Severn Trent is playing in forging a path to meet these expectations – through 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.

## Listening to our stakeholders

As a Board, we strive to instil a high-performance culture, ensuring that all of our employees feel a strong connection to our purpose, embody our values and feel safe and secure. Our Code of Conduct Doing the Right Thing, protects all employees and supports them to sustain customer, colleague and wider stakeholder trust. All Board members regularly spend time out and about in our business, meeting with our employees to hear their views and feedback first hand. Their feedback and observations reinforce that our workforce continues to be highly engaged, as demonstrated by our excellent engagement score of 8.6 out of 10 for the second year running, placing us in the top 2% of utilities globally. You can read more about Board engagement on pages 86 and 98 to 99.

During the year, the Board also spent a significant amount of time with regulators and investors through a range of site visits, at Board meetings, our Governance Roadshow and at our Capital Markets Day. The Board's activities are presented in detail on pages 106 and 107 and stakeholder engagement is outlined on pages 84 to 93. We look forward to meeting shareholders, many of whom we have had the pleasure of meeting several times over the years, at our AGM.

In consideration of the Company's performance delivery for our customers, communities and the environment, the Board has proposed a final dividend of 73.03 pence for the year ended 31 March 2025. Full details of the Board's Performance in the Round assessment, considered in recommending the proposed dividend, are presented on page 97.

## Leadership now and for the future

I am confident that the Board is well prepared for the challenges and opportunities that AMP8 will bring. We have a diverse and experienced Board and I would like to convey my thanks to them for their contribution, insight and constructive challenge during the year. We announced some changes to our Board earlier this year, as Kevin Beeston stepped down on 30 April 2025 after nine years' service. On behalf of the Board, I would like to express our thanks to Kevin for his expertise, professionalism and unwavering commitment throughout his tenure as the Board's Senior Independent Director. We are immensely grateful for his service and wish Kevin all the best for the future.

We welcomed Nick Hampton to the Board on 4 April 2025 and he succeeded Kevin as Senior Independent Director on 1 May 2025. Nick brings extensive experience in general management, finance, investor relations, strategy, M&A, information systems and procurement. You can read his full biography on page 100.

With AMP8 fully underway, we are well positioned to deliver positive outcomes for our stakeholders over the next five years. 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, deliver our biggest investment to date and maintain our strong track record of operational and environmental performance – all of which will be essential to help the sector as a whole rebuild trust.

I look forward to the year ahead, and delivering positive outcomes for our customers, communities and the environment.

**Christine Hodgson**
Chair

# Chief Executive's Review

**Liv Garfield**
Group Chief Executive

**AMP8 investment**
£14.9bn

**2024/25 capital investment**
£1.7bn
2023/24: £1.2bn

**Net ODI reward**
£68m
2023/24: £55m

## My report this year marks the beginning of my third AMP at Severn Trent and I still come into work energised each and every day, knowing what we do matters and we are making a difference – and I'm buoyed up by the prospect of a new, exciting AMP.

As outlined in my report last year, our AMP8 Business Plan is the most ambitious in our history, and I'm thrilled that it was rated 'outstanding' by Ofwat. It is my firm belief that our customers will benefit massively from our investment for many generations to come.

Our £14.9 billion investment is around twice that approved for AMP7 and will see us enter a new era of growth – delivering nominal RCV growth of 64% across the AMP. And by accelerating our investments, we'll deliver significant progress – at speed – in areas our customers care about most, meaning they'll see the benefits as early as possible in the AMP, including:

- delivering the industry's fastest and most ambitious spills reduction programme – aiming to halve spills by 2030 and strive towards global best practice;
- improving the health of rivers in our region so our communities can enjoy them for generations to come – reducing our contribution of Reasons for Not Achieving Good Status ('RNAGS') in our region's rivers from 10.8% this year, to just 2% by 2030;
- achieving European-leading leakage performance, by replacing around 1,400 km of water mains and delivering a further 14.8% reduction in leakage – better than our counterparts in France and Spain;
- supporting growth in our region through job creation, unlocking housing development and addressing the drivers of poverty in our region – improving the life chances of 100,000 people in our patch through work experience, training and employability skills development – and supporting future housing development through investing in 70 waste treatment works; and
- achieving operational net zero by 2030.

Our Business Plan, and regulatory outcome, is a wonderful testament to the dedication of everyone involved in its development, particularly our 68,000 customers who played a huge role in shaping our proposals. I would like to thank each and every one of our customers who shared their views and feedback with us through this process.

In this year's Chief Executive's Review, I want to share my personal highlights of our performance in AMP7 – and this year. I'll touch on how our sustained outperformance will drive efficient growth and deliver benefits for our customers, the environment and wider society, our lovely people and investors supporting us on our long-term journey. I'll also talk openly about the ongoing areas for improvement.

I am incredibly proud of the progress that we've made over the last five years. We've had great performance on ODIs for each and every year of the AMP, we've uniquely achieved the highest accolade of 4* status from the EA for five consecutive years, landed an outstanding Business Plan – that we believe to be very fair – and made the conscious decision to invest in our company to ensure we are the best we can be – through a blend of insourcing, developing deeper technical skills and embracing technology including AI to drive operational excellence.

All this was against a tricky backdrop – we've faced a global pandemic, unprecedented energy and chemical prices, a cost of living crisis, and the sector has faced more public scrutiny than we could have imagined.

But we stand here today stronger than ever and I believe that the unique Severn Trent mindset, our strength, values and resilience have enabled us to address such challenges head on and be confident that we'll sustain this outperformance over the next five years.

Our people are totally invested in our business and all that we do, being customers and more than 70% also being shareholders through Sharesave. I want to thank every single one of them for their magnificent and selfless commitment – and for all they do for Severn Trent, our customers, communities and the environment – 24 hours a day, seven days a week. They are the magic ingredient that makes Severn Trent so special – and it's a joy to work with them every day.

### Investing for the future

Building a lasting legacy for our customers today and for generations to come is one of our most important responsibilities. That's why I'm starting my performance review with an update on our capital programme.

Our sustained outperformance, underpinned by our strong financial resilience, has seen us deliver a record period of investment over AMP7. It's also meant we could make a fast start on deploying our AMP8 investment, and deliver service improvements for our customers and communities as early as possible. We've invested a record £1.7 billion through our capital programme this year, almost triple the level of investment from the start of AMP7. This brings our investment levels in line with our desired run rate for AMP8, thanks to two key differentiators:

- Firstly, in 2021 we were awarded an additional £566 million (2017/18 prices) by Ofwat for our Green Recovery programme – 71% of all funding awarded to the sector – across six workstreams aimed at driving innovation. That work has scaled-up across AMP7, culminating in final delivery this year, giving us heaps of experience in a number of emerging areas – such as future expectations in relation to PFAS, commonly referred to as 'forever chemicals'. You can read more about this on pages 71 to 72 and in our Green Recovery Report on our website, from 15 July.
- Secondly, we've accelerated £450 million of investment from AMP8 to put us on the right run rate and, more importantly, deliver customer and environmental benefits early in areas such as storm overflow spills. Our £450 million investment has delivered over 1,800 interventions, covering 69% of our priority storm overflows – and we enter the AMP at the lowest starting point in the sector, despite the impact of exceptionally wet weather during the year.

Liv on site at Tittesworth Reservoir, August 2024

Our significant AMP7 investment has also helped us to extend our position as an environmental leader and we're confident that we will be awarded the highest possible 4* status from the EA in their 2024 EPA, making it six consecutive years – something no other company has ever achieved. That said, we have a beady eye on the future of the EPA regime in AMP8 – which will see the introduction of new, and even more challenging, metrics that we are shadow reporting in earnest to put us on the best footing to retain our environmental leadership credentials. You can read more about the EPA on page 18.

### Continued strength in water

We've invested a significant amount of time and resource into strengthening the resilience of our water networks over AMP7; bringing more assets online to enhance our network, improving our flexibility so we can get water to the right places at the right time, and creating an in-house Network Response Team – dedicated to finding and fixing problems and getting our customers back on supply as quickly as possible.

This investment has proven worthwhile and is reflected in our water metrics. AMP7 saw us live through some of the hottest and driest summers since records began. For example, in Summer 2022, we were producing an extra 450 Ml/d to sustain demand. The resilience of our network, combined with the incredible support from our customers in response to our extensive demand management campaigns, meant we were able to keep the water flowing, navigating the summer conditions. And we are proud to have not had Temporary Usage Bans (also known as hosepipe bans) in 30 years. However, it's clear that weather extremes are now part of our business as usual. We are not at all complacent and have applied a great deal of focus to our readiness plans ahead of entering the summer period.

I'm therefore delighted with the sustained progress on our leakage journey. We've seen a significant year-on-year leakage reduction, beating our target with a 16.8% leakage reduction across AMP7. We're also repairing significant visible leaks 60% faster than at the start of AMP7, thanks to improvements in our planning and scheduling processes which help us to manage our performance in real time and novel technologies such as no dig fixes, which can reduce fix times from three days to just 30 minutes with minimal customer and community disruption.

Similarly, supply interruptions are at their lowest ever level, achieving our regulatory target with the average customer on supply for more than 99.99% of the year.

And on low pressure, we've once again outperformed our target, with a total of 325 low pressure days against our target of 17,062, reinforcing that our £15 million investment in AMP7 is turning the dial and improving services even further for customers.

### Driving performance in waste

Waste is another area where we've made significant investment over AMP7 and we're seeing the benefits. We insourced our Waste Infra Response Team in 2023, giving us greater internal control over the quality of work delivered. Our 'right first time' approach to blockages has reduced the number of repeat incidents, and new innovations and technology such as the Stickleback – a tool which captures items in sewers before they can cause a blockage – have prevented many potential issues. We have reduced blockages by 40% over the AMP7 period.

We have worked hard this year to drive improvements in areas our customers care about most – such as internal sewer flooding. Our new 'fast response' approach has helped to prevent external floods becoming internal, and I'm pleased that we have achieved our best ever internal sewer flooding performance, outperforming our target this year. We've also achieved our public sewer flooding target, meaning we've hit our target every year this AMP with a 13% reduction across the five years.

Whilst our serious pollutions performance for the year meets the EA's highest EPA 4* standard, we're disappointed with our overall pollutions performance. Therefore, we are investing £400 million over the next two years to deliver a real step change. Our Pollution Incident Reduction Plan ('PIRP') will drive performance


VE 80 illumination at Derwent Reservoir dam

improvements at the pace our customers expect, including improving 400 sewage pumping stations, insourcing the capability to undertake complex sewer repairs, creating a Repeat Prevention Team to reduce follow-up incidents and increasing our level of proactive interventions. You can read more about our plans on page 17 and in our PIRP on our website.

### Affordability and customer service

We never want our customers to fear their bill and although our average bill remains the second lowest in the country – and will remain so throughout AMP8 – we understand this will be more than some customers will be able to afford. And so, we've more than doubled the affordability support we provide – through our new £575 million support package. This will see over 700,000 households – around one in six customers – receiving some form of support by 2030.

On customer service, I am disappointed that our C-MeX scores remain mid-table, but pleased that our Trustpilot score of 4.8 out of 5 is among the highest in the FTSE100, with 92% of customers rating their experience as five star. I am also delighted that we have reduced complaints from household customers by almost 80% during the course of the AMP.

You can read more on our operational performance in the performance review sections and our financial performance in Helen's Chief Financial Officer's Review.

### Looking to the future

We're incredibly proud to serve the Midlands, and our customers and communities that call the Midlands home. I'm optimistic for the period ahead. Our Business Plan will deliver significant, and meaningful, benefits for our customers and wider society. Whilst many of these have a long-term perspective and look 25 years ahead, the next five years will see us make real progress – driven by our AMP8 performance commitments – that ensure our customers, and wider stakeholders, can hold us to account.

I'd like to end my report by thanking my brilliant leadership team for their unrelenting passion, drive and infectious energy in tackling every challenge. We are grateful too for the stewardship, support – and challenge – from Christine and the Board. I'd also like to thank the lovely c.10,000 Severn Trenters. Working alongside them, and making a real difference in our region, energises me every day. They are the secret to our success.

And finally, one of the unique things about Severn Trent is our rich history – and our Derwent Reservoir dam holds a special place due to its connection with the famous 'Dambusters' Squadron, who used the dam for training during World War II. In recognition of VE 80, we illuminated our dam in remembrance, alongside a whole host of other VE day events across our sites.

**Liv Garfield**
Group Chief Executive

# Our Performance and Key Performance Indicators

### Water quality complaints
(number of complaints)

| | |
|---|---|
| 2024/25 | 9,011 |
| 2023/24 | 7,696 |
| 2022/23 | 7,467 |

**9,011** ↑

(ODI target: 9,500)

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

Strategic objectives: O N P C

Stakeholders:

Remuneration:

### Developer measure of experience
('D-MeX') (Rank)

| | |
|---|---|
| 2024/25 | 1st |
| 2023/24 | 1st |
| 2022/23 | 3rd |

**1st**

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

Strategic objectives: O N P C

Stakeholders:

Remuneration:

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

| | |
|---|---|
| 2024/25 | 165,277 |
| 2023/24 | 172,260 |
| 2022/23 | 122,159 |

**165,277** ↑

(ODI target: 31,050)

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

Strategic objectives: O N P C

Stakeholders:

Remuneration:

### Water supply interruptions
(average number of minutes)

| | |
|---|---|
| 2024/25 | 4:34 |
| 2023/24 | 6:40 |
| 2022/23 | 9:10 |

**4min 34sec** ↑

(ODI target: 5:00)

**Definition:**
The average number of minutes lost per customer

Strategic objectives: O N P C

Stakeholders:

Remuneration:

### Customer measure of experience
('C-MeX') (Rank)

| | |
|---|---|
| 2024/25 | 11th |
| 2023/24 | 11th |
| 2022/23 | 9th |

**11th**

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

Strategic objectives: O N P C

Stakeholders:

Remuneration:

### Internal sewer flooding
(number of incidents)

| | |
|---|---|
| 2024/25 | 561 |
| 2023/24 | 710 |
| 2022/23 | 698 |

**561** ↑

(ODI target: 564)

**Definition:**
The number of sewer flooding incidents that occur inside customer properties

Strategic objectives: O N P C

Stakeholders:

Remuneration:

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

| | |
|---|---|
| 2024/25 | 371 |
| 2023/24 | 392 |
| 2022/23 | 405 |

**371 Ml/d** ↑

(ODI target: 382 Ml/d)

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

Strategic objectives: O N P C

Stakeholders:

Remuneration:

### Compliance Risk Index
('CRI') (index)

| | |
|---|---|
| 2024/25 | 10.32 |
| 2023/24 | 6.19 |
| 2022/23 | 5.65 |

**10.32** ↓

(ODI target: 0.00) (ODI deadband: 2.00)

**Definition:**
A calculated score for each compliance failure

Strategic objectives: O N P C

Stakeholders:

Remuneration:

### Pollutions
(number of incidents)

| | |
|---|---|
| 2024/25 | 274 |
| 2023/24 | 239 |
| 2022/23 | 193 |

**274** ↓

(ODI target: 182)

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

Strategic objectives: O N P C

Stakeholders:

Remuneration:

### External sewer flooding
(number of incidents)

| | |
|---|---|
| 2024/25 | 7,018 |
| 2023/24 | 6,721 |
| 2022/23 | 5,353 |

**7,018** ↓

(ODI target: 3,397)

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

Strategic objectives: O N P C

Stakeholders:

Remuneration: ✓

### Public sewer flooding
(number of incidents)

| | |
|---|---|
| 2024/25 | 1,762 |
| 2023/24 | 1,831 |
| 2022/23 | 1,526 |

**1,762** ↑

(ODI target: 1,884)

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

Strategic objectives: O N P C

Stakeholders:

Remuneration: ✓

### Employee engagement
(score out of 10)

| | |
|---|---|
| 2024/25 | 8.6 |
| 2023/24 | 8.6 |
| 2022/23 | 8.4 |

**8.6**

**Definition:**
Employee engagement score out of 10

Strategic objectives: O N P C

Stakeholders:

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

| | |
|---|---|
| 2024/25 | 9.9 |
| 2023/24 | 9.2 |
| 2022/23 | 7.7 |

**9.9** ↑

(ODI target: 9.7)

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

Strategic objectives: O N P C

Stakeholders:

Remuneration: ✓

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

| | |
|---|---|
| 2024/25 | 0.09 |
| 2023/24 | 0.08 |
| 2022/23 | 0.11 |

**0.09**

**Definition:**
Number of employees unable to work due to injury or illness from their job

Strategic objectives: O N P C

Stakeholders:

Remuneration: ✓

### Value for money
(% score)

| | |
|---|---|
| 2024/25 | 56.5 |
| 2023/24 | 60.0 |
| 2022/23 | 64.4 |

**56.5** ↓

(ODI target: 64.5)

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

Strategic objectives: O N P C

Stakeholders:

Remuneration: ✓

## NATURE

### Biodiversity
(number of hectares ('ha'))

| | |
|---|---|
| 2024/25 | 16,233 |
| 2023/24 | 11,554 |
| 2022/23 | 7,728 |

**16,233 ha** ↑

(ODI target: 1,090 ha)

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

Strategic objectives: O N P C

Stakeholders:

Remuneration: ✓

### Help to pay when you need it
(% of customers)

| | |
|---|---|
| 2024/25 | 62 |
| 2023/24 | 56 |
| 2022/23 | 52 |

**62** ↑

(ODI target: 43)

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

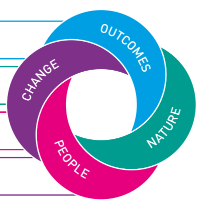
Strategic objectives: O N P C

Stakeholders:

Remuneration: ✓

**Key:**
**Strategic objectives**

- O Outcomes
- N Nature
- P People
- C Change




**Performance**

↑ Outperformance against target

↓ Underperformance against target

DELIVERING

# OUTCOMES

OUR CUSTOMERS CARE ABOUT


Our services are an essential part of our 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.

In this section:



## Customer Experience

We are passionate about delivering the best possible service for our customers, a shared commitment that extends from the frontline to the boardroom. Our ambition is to deliver a great experience for our customers in all that we do.

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

C-MeX is the water industry's customer satisfaction measure overseen by Ofwat, which is measured by surveying customers' experience and views across four areas: Water, Waste, Retail and Experience.

We are making pleasing progress in two of these areas – Water and Experience – and are striving to improve our performance within Waste and Retail. Our C-MeX score improved from 74.18 to 74.42 year on year, however our position remained static at 11th.

- We have seen a steady improvement in our Water C-MeX performance over the last three years – through minimising supply interruptions, improving complaint handling and reducing leakage. We have made pleasing progress on our leakage journey, with a 16.8% leakage reduction across AMP7, repairing significant visible leaks 60% faster and reducing fix times from almost eight days to just over three days – minimising disruption to our customers. We have also created a new Customer Inspector Team, dedicated to supporting customers throughout water jobs, until they are completed.
- We are using the learnings from our improvements in Water to enhance our approach in Waste. We insourced our Waste Infra Response Team in 2023/24 to give us greater control over speed and quality of response to customer issues. Our new approach is yielding positive results and we now resolve jobs much faster, with 30% fewer complaints. We know we can always do more, so we are currently recruiting an additional 78 people to bolster this team to enable greater consistency on speed of response during significant wet weather.
- In Retail, our focus is on ensuring that our customers can speak to us quickly, whenever they need to, and have their query resolved. We have invested significantly in this, and hope to see the benefits of our investment in the period ahead. Our migration to the Kraken platform continues and nearly two and a half million customers are already on the new platform. Our remaining customers will be migrated in the next few months. We also opened a new fully insourced customer contact centre in Leicester during the year. Read more on page 15.

Customer contact centre, Pride Park

**Kraken**

Kraken's advanced AI assistance tools are a game-changer for the service we provide to our customers, helping to resolve customer queries quickly, draft responses and update records in a single system, resulting in a higher rate of first-time resolution. Kraken is built on a scalable architecture, meaning that the platform can grow alongside our business needs. Additionally, the centralisation of customer data provides better insight and supports informed business decisions, driving further improvements.

- And in Experience, we have focused on improving customer satisfaction, reputation, value for money and building trust – particularly in areas our customers care about most, such as CSOs. You can read more about our CSO Improvement Plan on page 23 and we're pleased that interventions such as these are helping to rebuild our customers' trust in us.

We are at different stages in our improvement journey across each of these areas, however we are confident that our plans are turning the dial and will deliver the improvements in performance that our customers expect.

Beyond customer service, we never want our customers to fear their bill and our relentless focus on affordability support and customer advice continues. Read more on page 21. This year, we created our Customer Inspector Team, focused 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.

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

We are delighted to have maintained our position as the leading company on D-MeX, holding our first-place ranking this year with an improved score of 92.05 (based on Q3 results) (2023/24: 91.90). Since D-MeX was introduced in 2020/21, we have been in the top three companies every year, putting us in a great position for AMP8.

This is another area where insourcing has driven improvements, with our in-house teams working tirelessly to understand the differing requirements of developers; providing a tailored approach to service delivery, building long-term relationships with larger developers whilst offering enhanced support and touchpoints for one-off transactional developer customers.

### Inspiring our customers to use water wisely

Our children are our future, which is why we established our Education Team at the start of AMP6 to teach our children good habits around water and sewer use, as well as about the environment. Educating children early helps instil lifelong behaviours. Our Education Team is thriving and, through our programme, we encourage customers to pledge to use water wisely, utilise wastewater services appropriately, and drink tap water to avoid single-use plastic bottles. Each pledge represents an individual committed to changing their behaviour around water usage, which helps reduce water demand, prevent sewer blockages, and benefits the environment.

This year, we collected an impressive 165,277 pledges, the second highest number ever received in a single year. We have exceeded our target in all five years of AMP7 and our total now stands at over 500,000 customers who have pledged to use water wisely.

Education Team improving awareness of good water and sewer use for our future customers

### Value for money

We strive to deliver a service that represents value for money for our customers and are disappointed to see the percentage of customers rating their bill as 'good value for money' dropping from 60% to 57% this year. We are committed to ensuring our customers receive the good value service they expect and are improving in areas that our customers tell us are important to them, such as leakage, supply interruptions, water quality and blockages. We have also made excellent progress on our CSO Improvement Plan. Read more on page 23.

Liv at Leicester customer contact centre

## Leicester customer contact centre

In September 2024, we announced the insourcing of all our customer service operations, establishing a new customer contact centre in Leicester and creating 40 new roles. We worked closely with Leicester Job Centre and Employment Hub to create pathways for individuals facing barriers to employment, and 22% of our new recruits fit this profile.

By bringing all of our operations in-house we will benefit from: enhanced communication, improved service knowledge, stronger links with our culture and values, more efficient responses to customer feedback, improved controls, and also increase our ability to flex and adapt to our customers' needs – and provide them with the very best level of service.

We're confident that this will have a positive impact on the service we provide to our customers and contribute to an improvement in our C-MeX performance moving forward.

### Help to pay when you need it

We recognise the importance of supporting customers experiencing financial vulnerability and never want anyone to fear their bill. Our average household bill for water and waste services this year was around £457 (£1.25 per day) and is the second lowest in England. Supporting customers who struggle to pay, or are at risk of struggling to pay, is fundamental to building customer trust.

Last year, we assisted over 290,000 customers who needed additional support; this equates to 62% of customers (2023/24: 56%) which is above our target of 43%. We offer a range of schemes, including social tariffs, debt write-offs, payment breaks, home water efficiency checks, fixing private water and wastewater issues (relating to assets which are normally the customer's responsibility), grants, payment plan concessions, and water health checks. Our £575 million AMP8 affordability package will see us help one in six customers with their bills by 2030 through a variety of schemes, delivering payment support to those who need it most.

### Priority Services Register ('PSR')

Our PSR commitment aims to increase the number of customers in vulnerable circumstances who receive services tailored to their needs, such as alternative communications and literature, support with access and mobility restrictions, help during incidents, and enhanced security during home visits. We strive to reach as many customers as possible who might need additional support, and we have over 415,000 households on our PSR. We continually review the households on our register to remove those who no longer need assistance, ensuring we focus on customers who need us most. This offers customers a better, more personalised service catered to their individual needs.

We are pleased to report that we have achieved our target for PSR this year, and have done so throughout AMP7, despite increasingly challenging targets. Currently, nearly 10% of our customers are signed up to our PSR, reflecting an increase of over 28,000 from the previous year which means we are helping more people than ever before.

# Water

### Water supply interruptions

This year, we are delighted to have achieved our best ever performance, outperforming our stretching 5 minute target, with a performance of 4 minutes 34 seconds, marking an improvement of over 30% from last year. This improved performance is the result of significant investment in our water network and the introduction of our Network Response Team during the AMP, providing resilience to increasingly frequent extreme weather events, such as Storm Darragh in December 2024. Similarly, we managed the winter freeze-thaw with significantly less impact on customers through applying learnings from prior events. This improved response has had a positive impact on our supply interruptions performance and also leakage.

Our insourced Network Response Team has targeted improvements on the impact of medium-sized events. This activity has proven beneficial and has been the main driver of our performance improvement. Additionally, we have made significant strides in reducing the impact of outlier events over AMP7, reducing supply interruptions for our customers, and we are pleased to have sustained the decrease this year.

### Leakage

We are thrilled to have outperformed our AMP7 leakage target, achieving a 16.8% reduction over the AMP from our three-year average baseline set in 2019/20. This puts us on a positive trajectory as we enter AMP8, targeting over 30% leakage reduction by 2030 and 50% reduction by 2045. Our performance this year reflects a year-on-year annual leakage reduction of 28 Ml/d, and achieving our lowest ever level of leakage at 335.1 Ml/d. Our resilient operational performance has enabled us to meet our target for 13 out of the last 14 years, with learnings from the 'beast from the east' in 2018 being embedded to minimise the future impact on customers of such extreme weather events.

We have increased our focus on finding and fixing leaks, with 60,000 repairs carried out this year, an increase of over 5% from last year. We are also repairing significant visible leaks faster than ever before, with an average end-to-end job completion time of three days, including site reinstatement and clearance, reflecting an improvement of over 60% across AMP7 and meeting our target every year. Additionally, we continue to renew our water network and deliver pressure management schemes to stabilise the network and reduce leaks caused by high network pressure.

## No dig technology

Maintaining and upgrading underground infrastructure can pose significant challenges. Traditional methods involve disruptive excavation processes that can impact customers, communities, businesses, and the environment. No dig technology presents an innovative, non-disruptive and cost-effective solution, eliminating the need for excavation. This technology is being deployed to support our leakage reduction target of 50% by 2045.

A unique solution comprising water, food-grade gellant, and engineered calcium carbonate particles is injected into a pipe in the boundary box and forced under pressure directly into the leak, sealing it quickly and effectively.

This new technology enables us to quickly reinstate mains with minimal interruption to water supply, ensuring a more continuous and reliable service for customers. Repairs that would normally take two to three days now only take 20-30 minutes on average, and with around 200 leaks successfully repaired during our trial, we are now exploring how to roll out this technology across the business.

**200**

**leaks successfully repaired during our trial**

### Per Capita Consumption ('PCC')

Whilst we have sustained a PCC reduction over AMP7, despite a number of challenges – including the COVID-19 pandemic, increased home working and heightened hygiene measures – we missed our regulatory target this year. The installation of water meters will be key to further progress – as providing customers with meters significantly improves demand management by reducing customer usage and identifying leakage. Over AMP7, we have installed over 500,000 meters – this includes the roll out of over 180,000 smart meters which provide more information, greater transparency, increased data accuracy and have reduced PCC by 3.7 Ml/d. Building on this progress, we will install over 1 million meters in AMP8 to support further reductions in PCC and improve long-term water resources, supply/demand balance and reduced reliance on water abstraction.

Alongside our metering activity, we maintain a positive, continual dialogue with our customers, engaging with them directly on demand management through our water efficiency programme. We have completed over 84,000 home water efficiency visits in AMP7, achieving a 13.3 Ml/d water efficiency saving. Additionally, over 245,000 customers have engaged with our water-saving survey platform, Get Water Fit.

**Smart meter data**

We are using AI and smart meter data to identify private side leakage, reducing customer bills and reducing PCC.

### Water quality complaints

We had a total of 9,011 drinking water quality complaints this year, which was better than our regulatory target, meaning we have achieved our target for every year of AMP7. However, we continue to target year-on-year improvements through our mains cleansing and flushing programme and increased usage of automated designs using network analytics, enabling us to produce instant flushing plans during water quality events to reduce impacts for customers, and deliver proactive messaging when undertaking flushing in their area.

### Compliance Risk Index ('CRI')

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 CRI score this year – with our CRI score increasing year on year from 6.19 to 10.32. This level of performance is not where we want to be, and is driven by asset failures at a number of our largest water treatment works, primarily Strensham. We are implementing activities to mitigate against future impacts, including accelerating the deployment of ultraviolet ('UV') technology at Strensham, and creating a dedicated in-house Water Quality Commissioning Team to review options to accelerate longer-term asset and process improvements.

While total sample failures have also increased to 148 from 122 last year, we are working 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 also refreshed our dedicated improvement plan, CRI Sustainability Plan, with the objective of eradicating high-impacting events in our water network and addressing bacteriological risk at water treatment works.

**Tap water forensics**

As part of an Ofwat innovation funded research project, we are combining genomic sequencing with AI technology to analyse water quality at our water treatment works. These insights are helping us enhance our treatment processes.

# Wastewater

## Sewer flooding

The last 12 months have seen extremely challenging weather conditions, as reflected in the increase in wastewater volumes treated this year – driven by the higher than average rainfall in our region over the year. We treated 3.34 billion litres of wastewater per day compared with an average of 3.06 billion litres per day for the first four years of the AMP. 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.

We have achieved our best ever internal sewer flooding performance, improving 20% year on year, however it is still not where we want it to be as we strive to be the leading company on this important waste measure. To drive further improvements, a member of our Executive Committee reviews every single incident to understand the cause and support investment activity (for example, our insourcing of waste reactive services).

External sewer flooding remains a key focus, and we are disappointed not to have delivered against our stretching target (which is the most demanding in the sector) this year, with our performance broadly in line with last year at 7,018 external flooding incidents, of which 709 were hydraulic incidents and 6,309 flooding other causes ('FOC'). Despite this, we are confident that we will continue to be sector leading for external sewer flooding performance. There are two main factors that drive performance – blockages, which can occur as a result of sewer misuse, and hydraulic flooding, due to heavy rainfall. We review any repeat hydraulic incident with the aim of installing mitigation measures to prevent future customer impacts.

We understand that any flooding is not acceptable for customers, so we have made improvements to our waste operating model, ensuring we have the right number of crews at the right time, to drive quicker response to reported flooding incidents and blockages which, if not dealt with effectively, have potential to cause flooding incidents, and complete effective follow-up activities such as CCTV investigations and permanent fixes. We are also supporting customers in vulnerable circumstances and have updated our policy this year. We have also created more than 20 community flooding liaison roles, to work with local groups to improve our flooding response, build relationships and improve local resilience plans.

Finally, we have outperformed our public sewer flooding target every year in AMP7 since the measure's creation, and this year we have beaten our target by over 6%.

### Storm intelligence

We have developed an AI-based platform to support our Network Control Team to manage weather-related incidents. Using AI-boosted modelling, we can predict our sewer network response to storms. This helps us deploy resources before storm overflow spills, pollutions or sewer floodings occur.

## Sewer blockages

We are continuing to see the benefits of insourcing our Waste Infra Response Team, which has given us greater internal control over the quality of work delivered. This has enabled us to reduce repeat blockages, a leading cause of FOCs. Additionally, insourcing has improved our response time to blockage jobs, reducing the chance of blockages causing flooding as we can take action before customers are affected by internal or external flooding. To reduce impacts driven by blockages caused by sewer misuse, we are continuing to work in partnership with food service providers to ensure the appropriate disposal of fats, oils, and greases ('FOG'), preventing them from entering the sewage system and causing blockages.

This year, we achieved our best ever performance on sewer blockages, with 28,062 blockages, surpassing our target by over 30%. We continually seek out new technologies and innovation to improve our approach and this year we introduced the Stickleback, a device designed to tackle blockages caused by items like wet wipes. The Stickleback is strategically placed in sewers to capture these items, preventing blockages and potential sewage backups. Alongside its deployment, we launched a public awareness campaign emphasising the message 'be a binner, not a blocker', encouraging proper waste disposal.

The Stickleback in action

## Pollution incidents

Despite the performance improvements made in some areas, we know there is more we can do to improve our pollutions performance. We want to deliver faster improvements and have set bold targets to drive performance improvements, supported by scale investment plans and weekly Executive Committee oversight of individual measures. Our serious pollutions performance is green against the EPA target with one reported in the year, however it has been another challenging year for our overall pollutions performance. We experienced 274 pollutions (2023: 239), and disappointingly did not meet our target this year. Despite a strong start on our PIRP in AMP7 and achieving zero serious pollutions in 2023, we have not achieved the sustained total pollution reduction performance we set out to. Earlier this year, we redefined our PIRP for 2025-30, supported by a £400 million investment over the next two years to deliver the step change in performance that our stakeholders expect. Our investment will improve our resilience and speed of response, and ultimately our performance, through the following activity:

- Creation of a new waste operational control centre – focused on alarm monitoring and management, response to events and implementing immediate solutions ahead of permanent solutions being implemented, such as overpumping. Read more on page 18.
- Recruiting a dedicated Repeat Prevention Team of technical experts to assess and permanently fix any issues – this team will improve our speed of response to events, to ensure zero repeats. They will also triple our volume of proactive interventions such as cleansing and lining and undertaking complex repairs in-house.
- Improving the standards and capacity at Sewage Pumping Stations ('SPS') – improving 400 SPS, ensuring we eliminate the risk of repeat incidents from these assets.
- Deploying new technology and innovation at scale – for example on infiltration schemes to reduce the hydraulic pressure on our network and help reduce pollutions, spills and sewer flooding.
- Increased focus on asset monitoring and maintenance, such as screw pumps, to prevent pollutions events.

All of this activity will be supported by the skills and expertise of our people, assisted by specific training delivered though our Academy – including immersive training using our pollutions training river, which provides frontline operatives with hands-on experience in dealing with various types of pollution incidents, helping to reduce potential environmental impacts.


**Scan the QR code to download our Pollution Incident Reduction Plan**

## Waste operational control centre

Our new waste operational control centre is a state-of-the-art facility designed to revolutionise waste management, by responding to and effectively addressing waste incidents across our network. This innovative hub aims to enhance decision making through real time data analysis and the development of new methods to improve waste resilience. It represents a transformative step in waste management and has created 40 new jobs, providing promotion opportunities for existing employees. The increased workforce allows us to focus even more on improving our performance in handling pollutions and spills to meet the expectations of our customers and regulators.

This advancement in waste management uses an advanced incident tracking system, enabling the logging and monitoring of waste incidents in real time to swiftly identify and respond to incidents, ensuring prompt resolution and minimising disruption to our customers and the environment.

We are confident that this will have a positive impact on the service we provide to our customers and contribute to an improvement in our C-MeX score moving forward.

# Environmental Performance

### Environmental Performance Assessment ('EPA')

We have achieved the highest possible EPA rating of 4* for the last five years, and we are confident that we will achieve this rating again for 2024, making it six consecutive years and every year of AMP7 – which is unprecedented across the sector. No other company has ever achieved more than three consecutive years at 4* status.

| **Calendar Year** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
|---|---|---|---|---|---|---|
| EPA rating | 4* | 4* | 4* | 4* | 4* | 4*[1] |

1 Confident of achieving 4* status, awaiting sign-off by the EA.

| 2024 EPA performance | 2024 EPA green target | 2024 performance | 2024 status |
|---|---|---|---|
| Serious pollution incidents | 1 or below | 1[1] | Green |
| Pollutions incidents | 191 | 274 | Amber |
| Discharge permit compliance | 99.0% | 99.5% | Green |
| Self-reported pollutions | 80% | 90% | Green |
| Water Industry National Environment Programme ('WINEP') delivery | 100% | 100% | Green |
| Supply Demand Balance Index | 100 | 100 | Green |
| Satisfactory sludge use and disposal | 98.2% | 100% | Green |

1 The EA classified this incident as Category 2 under the Common Incident Classification Scheme, based on elevated ammonia levels along the length of a drainage ditch. However, we have seen no evidence of any consequential harm caused by the elevated ammonia.

The EA has confirmed the methodology for EPA is changing from 2026 and we are therefore expecting it will become significantly harder to achieve a 4* rating. We are shadow reporting the proposed new measures to position us strongly for the future EPA regime.

Finham Wastewater Treatment Works

CARING FOR

# PEOPLE

IN OUR REGION


Our people work tirelessly every day in their commitment to taking care of one of life's essentials.

**In this section:**



You can read about how we have engaged with and listened to our employees throughout the year in our dedicated stakeholder engagement section entitled 'Engagement in Action – Our Colleagues', on **page 86**.

## Building our Future Skills

We are dedicated to building our future skills by investing in new talent and we take a unique and personal approach to recruitment. By using our in-house model, even for senior roles, we get to know our candidates better and give them a thorough understanding of our company and culture. This approach helps us create better job and career matches, and allows us to find and attract top talent more effectively.

Our commitment to meeting future skills needs is reflected in our wide array of new talent programmes. We now offer our broadest range of new talent programmes, including roles in support functions, operations and engineering and continue to invest in key skills areas, such as cyber security, environmental management and process engineering.

This year, we have introduced new programmes in strategy and regulation and environmental management to develop future leaders. These programmes have been instrumental in enhancing diversity; our Operational and Environmental Leadership Programme continues to improve our gender diversity, with 57% of participants being female.

Work experience is a critical component of our future skills strategy. To support this, we have hosted 90 individuals through paid work placements and internships during 2024/25 and provided over 95 students with unpaid work experience opportunities.

We also have three interns on our annual programme with Derwen and Hereward Colleges, which is designed to support students with special educational needs and disabilities ('SEND') to gain first-hand work experience.

Whilst we ensure we attract the right external talent, we are also committed to supporting internal promotions and succession forms the foundation of our approach to building skills and leadership resilience in our organisation.

Currently, 55% of our vacancies are filled internally. In the last two years, 20% of employees have progressed to a broader role or been promoted, with over 400 of these colleagues moving from frontline or advisory roles to Team Manager or Technical Expert level and over 56 promotions to Business Leader or Senior Professional level roles.

Our in-house Academy allows us to adapt and refine our training approach in response to regulatory or technology changes. The versatile facilities provide a variety of traditional and experimental training environments, offering a safe place for our colleagues to build essential practical and technical skills to better serve our customers and communities.

## Providing a Diverse and Inclusive Place to Work

We celebrate diversity and inclusion and embrace individuals' contributions, no matter what their age, gender, race, ethnicity, disability status, sexual orientation, social background, religion or beliefs.

By employing, valuing and investing in a range of local talent with different backgrounds, experiences and perspectives, we can build a skilled workforce that can really understand and empathise with all our customers and communities, and deliver our services in the way they want them.

We are proud of our track record on gender diversity, and we were delighted that Severn Trent achieved second place for representation of women on the Board in the FTSE Women Leaders Review 2025.


Graduates at Severn Trent Centre

'GLASSDOOR'S 2025 BEST PLACES TO WORK

In 2025, we were delighted to be named a winner of Glassdoor's annual Employees' Choice Awards, honouring the 'Best Places to Work' in the UK. Severn Trent was the highest ranked water company and rated 29th out of 2.8 million companies on Glassdoor.

As at 31 March 2025, our Executive Committee comprised four female and five male members (44.4% and 55.6% respectively). 21 (45.7%) of our Senior Leaders (including our Executive Committee) were female and 25 were male (54.3%). Female representation in the Group was 29.0% (2,849 women), with male representation at 71.0% (6,997 men). Five members of our Board, including the Chair, were female (62.5%) and three were male (37.5%). 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 2025.

## Rewarding and Looking After our People

### Fairly rewarding our people

All employees share in our success through our all-employee bonus plan, aligning everyone with key objectives and rewarding achievements. We offer a market-leading defined contribution pension scheme, doubling employee contributions up to 15% of salary. Additionally, employees can become part-owners through our popular Sharesave Scheme, with over 70% participation and many saving the maximum £500 per month. We are especially delighted that so many employees choose to retain their shares, reflecting their commitment and belief in our Company's future.

### Gender representation: As at 31 March 2025

| | Directors | | Senior Leaders | | Graduates and Apprentices | | All Employees | |
|---|---|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % | Number | % |
| Female | 5 | 62.5 | 21 | 45.7 | 80 | 23.1 | 2,849 | 29.0 |
| Male | 3 | 37.5 | 25 | 54.3 | 266 | 76.9 | 6,997 | 71.0 |

### Ethnicity representation: As at 31 March 2025

| | Directors | | Senior Leaders | | Graduates and Apprentices | | All Employees | |
|---|---|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % | Number | % |
| Asian/Asian British | 1 | 12.5 | 4 | 8.7 | 63 | 18.1 | 764 | 7.8 |
| Black/African/Caribbean/ Black British | – | – | – | – | 16 | 4.6 | 249 | 2.5 |
| Mixed/Multiple Ethnic Group | 1 | 12.5 | 1 | 2.2 | 15 | 4.3 | 187 | 1.9 |
| Other Ethnic Group | – | – | – | – | 4 | 1.2 | 67 | 0.7 |
| Not specified/prefer not to say | – | – | – | – | 46 | 13.2 | 1,212 | 12.3 |
| White British or Other White (including minority-white groups) | 6 | 75.0 | 41 | 89.1 | 204 | 58.6 | 7,367 | 74.8 |

You can read about our approach to Board diversity in our Nominations Committee Report on **pages 114 to 118.**

H&S EVERYBODY SAFE

### Looking after our people

The wellbeing, health and happiness of our people is important to us and, as such, we have an array of wellbeing campaigns, initiatives and services available to support their physical, mental and financial wellbeing. By embedding wellbeing into our policies, we foster a positive and engaging work environment.

Our organisation has grown significantly this year, as we insourced more teams. And we have ensured that as part of the onboarding process, our new joiners understand our policies and ways of working – including in relation to health and safety. As outlined on page 13, we have had another strong year on our health and safety performance – with 17 LTIs this year, compared to the previous year of 14, representing an LTI rate of 0.09 per 100,000 hours worked this year. This is industry-leading performance, despite a significant increase in headcount during the year.

### Remuneration

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 131 to 154.**

Unfortunately, there was a serious health and safety incident in March 2025 involving an employee of one of our framework contractors. The incident occurred at one of our sites which was under the control and responsibility of the contractor and sadly resulted in the death of a contractor employee. As at the date of this report, we understand that the investigation into the incident remains ongoing. Neither the Group nor its employees is subject to the investigation.

Following the incident, we engaged across the Group's framework contractors and direct supply chain to re-emphasise the importance of our fundamental health and safety expectations and our 'Everybody Safe' mindset and culture.

We continue to have a strong presence in key indices, including:

**9th**

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

**4.5/5**

Glassdoor ranking

## Our gender and ethnicity pay gap

**In March 2025, we published our third combined Gender and Ethnicity Pay Gap Report.**

**This year, our median gender pay gap slightly increased from 7.8% to 8.2%. This increase is mainly due to our decision to insource more of our wastewater activities. Our mean gender pay gap, however, reached its lowest level at 1.9%. This continues to be driven by the high proportion of women in our management and senior management roles.**

In our third year of publishing our ethnicity pay gap information, both the median and mean gaps have increased to 10.1% and 7.6%, respectively. We have seen continued progress on the representation of ethnic minorities in our workforce (up to 13% from 12%) and in our Gender and Ethnicity Pay Gap Report, available on our website, you can read more about the actions we are taking to increase minority ethnic diversity at more senior levels, including both the nurturing of internal talent and the identification and attraction of external talent.

Further information regarding employee pay can be found in our Directors' Remuneration Report on **pages 131 to 154.**

# Supporting our 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 the second lowest in England. Even though our bills are low, some customers have difficulty paying and we make it clear to our customers that we do not want anyone to fear their bills.

So far this year we have provided over £88 million of support for around 290,000 of our customers. Between 2025 and 2030, we are doubling the number of households who might be eligible to receive financial help with a new £575 million package of support. That means around one in six customers across our region, or nearly 700,000 households, could receive help with their bills.

In respect of our vulnerable customers, we also aim to reach out to as many customers as possible to find those who might need additional support from us. We now have 9.9% of our customers signed up to our PSR. 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.

**Scan the QR code to download our Customer Vulnerability Strategy**

# Creating Opportunities in our Region

## Delivering social impact

**Our Societal Strategy, launched in 2022 to reach 100,000 people in, or at risk of, water poverty by 2030, aims to improve life chances through access to high-quality employment-related training and career opportunities.**

Maintaining our focus in areas of high deprivation in our region, we have expanded our schools programme with employability training, mock-interviews, career assemblies, unpaid work experience and discovery days. Our corporate volunteer offer continued to grow with the introduction of NeighbourGOOD this year, where local organisations can apply for Severn Trent volunteer time and a small grant. This year, we have also launched our Learning, Employability and Preparation initiative to create pathways into roles at Severn Trent for people who may have barriers to work.

### Social Mobility Index

We have officially been named as one of the country's top performing companies for improving social mobility. For the sixth year running, we have been placed in the top 10 on the Social Mobility Index, coming in at 9th place out of 75 companies.

The Social Mobility Index, which is in its eighth year, ranks UK employers for their commitment to making sure those from all social backgrounds have access to the same opportunities.

### Community Fund

In our 2020-25 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 2024/25, the Community Fund awarded over £2 million to over 113 organisations. Since the Community Fund's inception, we have awarded over £11 million to 896 organisations across our region.

**Scan the QR code to download our Community Fund Annual Review**

### Fair pay and working conditions

We are proud to be an accredited Living Wage Employer. We also contractually require all our suppliers to sign up to the real Living Wage. We 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 principles of the Fair Payment Code. For the payment practices reporting period ended 31 March 2025, the average time to pay for Severn Trent Water was 34 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 to account 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.

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.

**In this section:**



## Get River Positive

In 2022, we launched our Get River Positive campaign alongside Anglian Water and Hafren Dyfrdwy as part of our commitment to reduce our environmental impact on rivers and ensure their long-term health. At the heart of this industry-leading initiative are five ambitious pledges as detailed below.

Since its inception we have delivered strong results and our focus on making further improvements continues, supported by collaboration with all of our stakeholders, sustained investment and positive community engagement. We understand the importance of our environment and will continue to focus on rivers, seeking to innovate and invest in more sustainable solutions for a resilient future for rivers.

To find out more about how we are making a difference to rivers in our region, subscribe to our quarterly newsletter via our website.

River Ranger sampling

**PLEDGE 1:** ensure storm overflows and sewage treatment works do not harm rivers

**PLEDGE 2:** create more opportunities for everyone to enjoy our region's rivers

**PLEDGE 3:** support others to improve and care for rivers

**PLEDGE 4:** enhance our rivers and create new habitats so wildlife can thrive

**PLEDGE 5:** be open and transparent about our performance and our plans

## Operational Optimisation Innovation Centre

We recently announced the creation of our Operational Optimisation Innovation Centre ('O2IC') at our Alfreton wastewater catchment. This cutting-edge facility has been designed to mirror the success of our Resource Recovery and Innovation Centre ('R2IC') at Spernal, which has positioned us as global leaders in the measurement and management of greenhouse gas emissions in the water sector. The O2IC will act as our permanent test facility to combine AI solutions, operational and engineering technologies, within a single wastewater catchment. This will create a unique opportunity to develop, monitor and refine AI-driven innovations such as real time monitoring, predictive maintenance and optimisation of treatment processes, in a structured environment. This initiative will also enable us to understand and address the people and process transformations needed for successful implementation, as well as rigorously testing the functional safety and security of AI solutions to ensure safety and environmental risks are properly managed.

**Scan the QR code to visit our dedicated YouTube channel which has a range of videos demonstrating improvements made across our region**

Storm water storage tank installation at Trescott Wastewater Treatment Works

## PLEDGE 1:

### ensure storm overflows and sewage treatment works do not harm rivers

Submerged aerated filter units at Lower Moor Wastewater Treatment Works

River health is declining across the UK, with only 14% achieving Good ecological status. Our Get River Positive pledges are critically important to us as they represent our commitment to river health. By addressing spills, reducing pollution, and investing significantly in river health, we will protect and restore the natural beauty and biodiversity of rivers in our region, ensuring a sustainable future for generations to come.

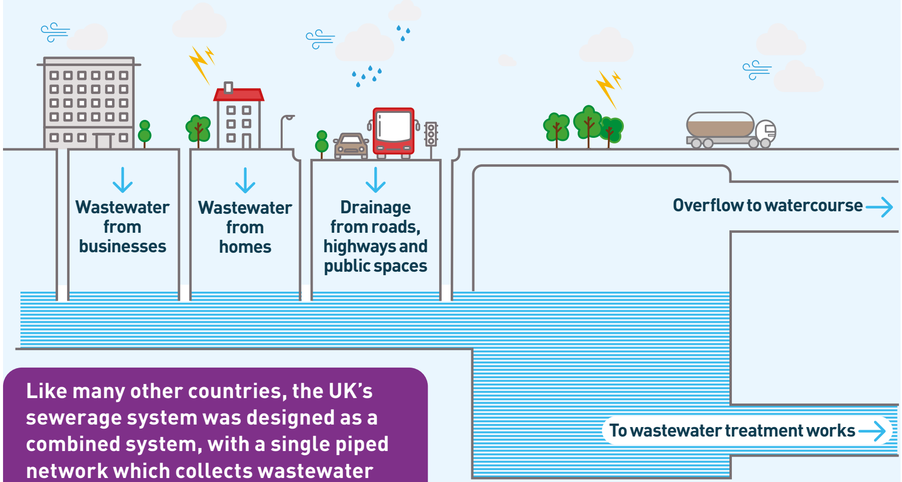
Our operational area includes over 778 waterbodies. We reduced our contribution to RNAGS in our region's rivers to 14% in 2023, a significant improvement. Through our work installing complex schemes over the last 12 months, our RNAGS contribution has reduced further to 10.8% and we are on track to meet our goal of less than 2% by 2030. Despite the ongoing challenges of climate change, such as extreme weather patterns and significant flooding, our customers expect us to be resilient to climate change and extreme weather impacts and continue to reduce our impact on rivers in our region.

In May 2024, we announced our industry-leading CSO Improvement Plan, with the objective of improving our wastewater network and reducing storm overflow usage. Over the last year, our teams have worked hard to implement over 1,200 permanent enhancements to eliminate spills from storm overflows across our region, bringing our total to over 1,800 since work commenced. This reflects excellent progress against our initial commitment to deliver 900 enhancements by December 2024.

By Autumn 2025, we will have completed more than 2,100 enhancements. The scale of the project has been made possible by a new dedicated team of 500 people across our organisation and the supply chain. We have delivered an average of 34 projects per week since June 2024, ranging from new storm water storage tanks, innovative wastewater treatment solutions to capture, store and treat flows and flap valves to prevent river inundation when river levels rise during periods of flooding. Early analysis shows our investment is working – and our improvements have helped prevent thousands of spills last year alone, despite a record year of rainfall and extreme weather events resulting in an average of 25.4 spills in the year.

We are proud that this huge engineering programme, delivered at speed, has put us on track to reduce the average number of spills from storm overflows by over 25% from our 2024 levels, reducing spills to an average of 18 per year by December 2025.

### What are CSOs?




**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.**

## PLEDGE 2:

### create more opportunities for everyone to enjoy our region's rivers

Carsington Reservoir open water swimming event

The health of our rivers is important to our customers and communities and their wellbeing. In recent years, more and more people have been using the rivers in our region and that is why Pledge 2 of our Get River Positive campaign is so important – it is not only about providing opportunities for recreational activities across our estate but also ensuring that our investments lead to cleaner, safer, and more vibrant waterways for all to enjoy.

Our £78 million investment as part of our Green Recovery Bathing Rivers programme delivered innovative wastewater treatment technology at Ludlow, Itchen Bank, and Frankton. Using innovative ozone technology, this work has reduced our impact on rivers in Shropshire and Warwickshire. Read more on page 26.

We are also committed to enhancing recreational activity opportunities at our visitor sites. This year, we were pleased to host our inaugural controlled open-water swimming event at Carsington Reservoir in Derbyshire, which saw participation from almost 300 swimmers. Following the success of the event, we are developing future plans for recreational activities at other reservoirs and hosting our first triathlon event at Carsington Reservoir on 13 July 2025 with British Triathlon. We are working closely with the sailing, angling and paddle clubs based at our reservoirs.

Swimming at our reservoirs is just one way we have interacted with local communities. Our partnership with the Clean Water Sports Alliance has continued this year and we have engaged with clubs and organisations who use our region's rivers for sports and recreational enjoyment, to understand their perspectives and help inform our future activities.

## PLEDGE 3:

### support others to improve and care for rivers

River Leam

Collaboration with others is crucial to restoring river health – no single organisation or group can solve the issue single handedly. We know that by working with other industries, local communities and river-user groups and schools we can have a bigger impact on improving river health. Whether it is funding restoration projects, partnering with local wildlife trusts, or collaborating with farmers to minimise their impact on rivers, we want to work together to make a difference.

Our Community Fund has an important role to play, with more than £748,000 awarded over AMP7 to projects that enhance and improve river health. One of our largest contributions has helped the Friends of Bennerley Viaduct to continue transforming a once derelict, fly-tipping hotspot into a thriving heritage and green space. After 50 years of closure, the viaduct has been reopened to the public, with more than 13,000 people – including 2,900 children – engaged in a variety of programmes over the last three years. Our donation of £74,500 will support the development of a new visitor centre and a new rewilding scheme to boost biodiversity as well as provide a much improved community space to enjoy.

Our continued partnership with farmers in our region has enabled us to safeguard water quality through various programmes and grants, including our Severn Trent Environmental Protection Scheme ('STEPS'). In the past year, we have awarded 166 STEPS grants, worth almost £2 million, for on-farm improvements that help protect water quality by reducing pesticide, nitrate and cryptosporidium from reaching raw watercourses. 83% of farmers involved told us that they are very satisfied with our collaboration, and 89% believe the on-farm changes made through our schemes will benefit the environment.

## PLEDGE 4:

### enhance our rivers and create new habitats so wildlife can thrive

River Rangers in Leamington

Our dedicated River Rangers work tirelessly to improve the health of our rivers through monitoring water quality across rivers, streams and brooks in our region. Their work includes regular inspections, water-quality testing, and conservation activities to support local wildlife and habitats. In the past year, our River Rangers have carried out over 4,300 inspections, taking the total number of inspections to more than 10,000 since the team's inception in 2022. Furthermore, they have attended more than 420 external stakeholder meetings, reaching nearly 2,500 people in relation to river health.

In collaboration with several environmental groups, including wildlife trusts across our region, our river restoration projects have ranged from small scale, such as simple log dams, to more complex mitigations, including eel and fish passes, all with the objective of reducing the volume of structures and water restrictions on our waterways.

We have also made good progress with our Great Big Nature Boost scheme, improving the biodiversity of over 16,200 ha across the region – more than double our original goal. This reflects our commitment to environmental stewardship and our dedication to enhancing the natural beauty and biodiversity in our region. Read more about this and other biodiversity projects on page 28.

River Rangers celebrate 10,000 visits

## Charlton Kings

At Charlton Kings in Gloucestershire, we have been making upgrades to our CSOs, delivering smarter, more efficient ways to reduce spills and improve river health.

After carrying out detailed flow investigations, we designed a solution to improve how we manage storm flows during periods of heavy rainfall. By installing 50 metres of much larger diameter pipe, we have significantly increased our stormwater storage capacity, helping to prevent overflows when the system is under pressure.

Additionally, we have installed new sensors, to provide more accurate and timely data so we can respond faster to changes in flow. These enhancements have improved our performance at this site.

## Zero Spills Hub

Inspired by our Net Zero Hub, which combines operational, engineering and AI solutions to achieve ambitious goals, we are excited to introduce our Zero Spills Hub to support our Get River Positive campaign. In the Arnold catchment in Nottinghamshire, we will be trialling innovative solutions in combination to deliver our WINEP commitments and demonstrate how to achieve zero spills in a catchment. Our trials will focus on AI based solutions that optimise the use of our existing assets, as well as physical, biological and nature-based solutions that remove stormwater from the network (and reuse it), apply localised treatment and create smart storage that can be used to flush the network.

## PLEDGE 5:

### be open and transparent about our performance and our plans

River Linney

Over the last year, we welcomed new members to our Get River Positive Independent Advisory Panel to include Stuart Singleton-White from the Angling Trust, and a member of the Clean Water Sports Alliance, and Alison Biddulph, who led the Bathing Waters Designation in Shropshire. The expertise and commitment of our Advisory Panel is a key contributor to informing our approach to protect and enhance river health. The Advisory Panel's insights and constructive challenge has been hugely beneficial.

We are committed to reporting our performance transparently to our customers, communities and wider stakeholders and this year saw the launch of our Storm Overflow Map in April 2024, which was a major milestone. The map provides a near real-time view of the data from our Event Duration Monitors ('EDMs') and is underpinned by over 300 million data points. Based on feedback from our Advisory Panel and other stakeholders, we further enhanced our map in February 2025 to provide detail of our planned and completed investments for each overflow.

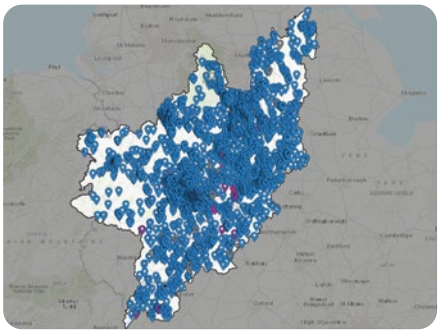
We also launched the National Storm Overflow Hub in December 2024 in collaboration with the Stream open data initiative and other water companies. The Hub collates data from all English water companies into one dataset, providing the public with access to nationwide data, which they can download and utilise as needed. In the year ahead, we will publish our open data strategy on our website, to provide transparent insights into our open data engagement principles.

**Scan the QR code to view the Severn Trent Storm Overflow Map**

We have continued our partnership and collaboration with citizen scientists and other interested parties, such as the Severn Rivers Trust, to support others to better understand river water quality. This includes investigating methods for citizen scientists to test for bacteria in water and interpret the results. Working with our laboratories and the River Protection Team, we have trialled more than six testing methods and are now close to developing a tool that citizen scientists can use. This programme is due to be completed in September 2025.

We will be investing a further £2 billion over the next five years to improve river health. We are also committed to enhancing transparency by installing around 1,000 river water quality monitors across our region by 2030. Applying learnings from our Storm Overflow Map, we will explore how to effectively share this information with our customers, communities and other interested stakeholders on our website.

Furthermore, we have committed to ensuring we are open and transparent and provide information on our EDM performance on our website in an easily accessible format. Our data is published annually at present and we are pleased to commit to publishing our EDM data quarterly moving forwards, with the aim of reporting it monthly before the end of the year.



Our Storm Overflow Map

# Green Recovery

This year marks the successful completion of our ambitious Green Recovery programme, for which Ofwat approved an additional £566 million (2017/18 prices) investment in 2021. We are proud of the benefits this programme has delivered for our customers, communities and the environment. Our Green Recovery initiatives have not only addressed immediate challenges but have also laid the groundwork for a more sustainable future for the sector more broadly. We remain committed to continuing our efforts to protect and enhance the natural environment, ensuring a resilient and thriving region for generations to come.

## Bathing rivers


Ozone treatment at Ludlow Wastewater Treatment Works

### Our goal

Improve the water quality of the River Leam and River Teme by upgrading three wastewater treatment works, treating and reducing spills from storm overflows and undertaking river water quality monitoring.

### Achievements

We have successfully completed the project and achieved our March 2025 target. The installation of our wastewater treatment works ozone disinfection upgrades is now complete at all three sites. Our off-site assembly approach proved to be time-efficient, more cost-effective, and supportive of equipment testing and commissioning.

Our planned improvements to 24 storm overflows included the delivery of storage tanks and surface water separation, which have increased the length of river we have improved to more than 120 km, delivering benefits for customers, communities, and the environment.

Throughout this project, we have collaborated with the Rivers Trust to better understand how our customers and communities use rivers and engaged with local communities about our plans, which has informed our collective approach to taking care of rivers.

You can read more about our Get River Positive campaign on pages 22 to 25.

## Protecting customer supply pipes

Supply pipe installation

### 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.

### Achievements

We increased the rate of delivery, and have successfully replaced over 17,000 supply pipes, including almost 10,000 replacements this year.

In Bomere Heath, we completed a full sampling programme to identify any remaining lead pipes. Moving forward, we will work closely with the DWI to investigate disengaging phosphate dosing in the area, thereby reducing the carbon impact of our water treatment processes.

Lead supply pipes are not solely a problem for Severn Trent customers and we were keen to share our experience with other water companies. We held a Lead Industry Day in October 2024, bringing together over 90 attendees from water companies, trade bodies and regulators to talk about the issues and our approach.

We estimate that we have reduced leakage by 0.22 $m^3$ throughout this project. Additionally, the programme generated significant employment benefits in our region with over 3,400 jobs completed through the Grant model in Coventry using local suppliers.

## Water resources

Witches Oak Water Treatment Works

### Our goal

Increase water supplies by treating up to 93 Ml/d using low-carbon-impact treatment processes, and share our knowledge with other water companies. In addition, our work aimed to increase the biodiversity of up to 46 ha of habitat at our Witches Oak wetland next to the River Trent.

### Achievements

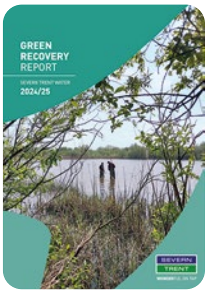
The construction of our Raw Water Abstraction and Transfer Project completed in March 2025, despite exceptional weather and flooding events. As part of this project, we have successfully refurbished the Witches Oak abstraction pumping station to ensure it operates at optimum capacity and efficiency – building resilience for customers and the environment. The 31 floating wetlands biologically pre-treat the raw water before we abstract it, reducing the amount of traditional treatment required. Our innovative ceramic membrane pilot plant has been operational since December 2022 and is collecting critical data to support real-time optimisation of the new treatment works utilising this technology.

The brand new Witches Oak Water Treatment Works began commissioning in December 2024, and we are increasing the volume of water treated throughout the spring. We have installed new pipework to deploy the treated water from Witches Oak Water Treatment Works into our network, ensuring a sustainable water supply for the future.

**120 km**
river with improved water quality

**17,176**
supply pipe replacements delivered

**93 Ml/d**
new water treatment asset capacity




**Scan the QR code to visit the Severn Trent Water Regulatory Library – our dedicated Green Recovery Report will be available from 15 July 2025**

## Flood-resilient community

Detention basin, Mansfield

### 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.

### Achievements

We achieved this by installing Sustainable urban Drainage Systems ('SuDS') across Mansfield to absorb rainwater, providing additional storage capacity and, crucially, reducing surface water flooding for customers and communities in this area. We delivered more than 31,000 m$^3$ of surface water storage through our interventions, constructing 84 rain gardens and bioretention tree pits with a capacity of almost 955 m$^3$, and more than 11,300 m$^2$ of permeable paving with an estimated 2,900 m$^3$ of storage. Natural solutions, such as bioswales and detention basins, have delivered significant benefits – with our 143 bioswales providing a storage capacity of over 14,700 m$^3$ and our 12 detention basins providing storage capacity of more than 12,500 m$^3$. Whilst primarily mitigating against surface water flooding risks, these interventions have also delivered environmental benefits, such as increased biodiversity and community amenity benefits.

We have learned a huge amount about the actual costs of retro-fitting SuDS through this project and how to roll them out at scale in a more cost-effective way. This knowledge will be used to help us, and others in the sector and more broadly, to deploy SuDS interventions moving forward.

**31,156 m$^3$**

surface water storage delivered

## Improving our region's rivers

River Ishbourne

### Our goal

Support environmental improvements to 500 km of rivers, accelerating our planned 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.

### Achievements

We successfully delivered 21 WFD points by the end of March 2025 – 14 more than our required seven. The remaining WFD points are on track for delivery by the end of 2027. Accelerating the delivery of our WFD obligations delivers improvements to our rivers more quickly. We have also been installing more chemical dosing systems, reedbeds and mechanical filters to reduce the amount of phosphorus in the rivers resulting from our wastewater operations.

In addition to the WFD points, the project also delivered 54 overflow spill reduction interventions (such as weir height increases) and SOAF investigations to inform and prioritise our future investment.

**21**

WFD points delivered

## Smart water meters

Smart water meter

### Our goal

Help customers save water – and also reduce their bills – by installing over 157,000 smart water meters to individual household properties, aiming to promote water efficiency and reduce consumption by providing customers with real-time data on their water usage.

### Achievements

We have installed more than 157,000 smart meters through the project, providing blueprint for our smart meter installations in AMP8, which has been shared with the broader sector. The smart meters installed across the Coventry area are enabling customers to monitor their water usage and identify leaks or internal plumbing issues quickly. In addition, they have real-time visibility of the positive impact they are making – reduced water use means lower energy consumption and lower GHG emissions.

We now have a much-improved ability to handle the increasing volume of data while maintaining the integrity of our data systems. Importantly, we can now leverage smart data to drive meaningful insights in water management. It is an ongoing process which will maximise the benefits of smart metering, leading to a more sustainable and efficient water network.

The success of this project is reflected in our leakage and PCC performance, which has surpassed our expectations and has saved 7.2 Ml/d in 2024/25 and 12.4 Ml/d over AMP7.

**157,329**

smart meters installed

RUNNING A BUSINESS THAT GOES HAND-IN-HAND WITH

# NATURE


**Great Big Nature Boost 2027 targets:**

- Enhance biodiversity across 5,000 ha
- Plant 1.3 million trees
- Restore 2,000 km of rivers across our region

In this section:



## Environment

The natural environment is at the heart of our operations and everyone in our business is focused on protecting and enhancing nature, habitats and rivers across our region. We know that looking after nature helps to look after water.

As part of our commitment to the environment, we created our Great Big Nature Boost ('GBNB'), an industry-leading initiative to enhance biodiversity and make improvements to nature across our region.

In 2020, we set ambitious targets including boosting biodiversity across 5,000 ha in our region by 2027. We were delighted to reach this target four years early, in 2023, and we set ourselves a new ambitious target of improving 10,000 ha by 2025 – still two years earlier than our original target. We are thrilled that we surpassed this goal in 2024 and have now delivered improvements to over 16,200 ha – more than three times our original target. Our work to enhance and preserve our natural environment accounts for more than 3% of the nation's 2042 Nature Recovery Network target.

Our collaboration with nationally recognised and trusted partners such as the National Trust, RSPB and the regional Wildlife Trusts has been fundamental in achieving our ambitious plans. By leveraging the expertise and dedication of our partners, we have been able to go further and faster to deliver changes that protect and celebrate the natural environment. In this final year of AMP7, we have worked with 20 individual partners on 36 projects across our patch, which has delivered nature improvements to over 3,100 ha across our region.

Examples during the year include our collaboration with the Shropshire Wildlife Trust and Shrewsbury Town Council supporting the reintroduction of beavers to Shropshire after 400 years. Beavers play a crucial role in creating natural habitats, enhancing water quality and reducing flooding. By constructing dams, beavers help to filter and purify water, positively contributing to the health of our waterways. This is the third reintroduction of beavers in our region that we have supported, aided by learnings at Willington Wetlands in Derbyshire and the Idle Valley Nature Reserve in Nottinghamshire in 2021. Since then, both sets of beavers have established their habitats, created dams and demonstrated why they are nature's natural water engineers.

In 2019, we made a pledge to plant 1.3 million trees as part of our GBNB and we have made good progress to deliver our target by 2027. To date we have created 33 new woodlands, planted 72 tiny forests and worked with our environmental partners and landowners to plant a million trees. This includes creating a carbon neutral legacy for the Birmingham 2022 Commonwealth Games as part of our commitment to help create the most sustainable games to date.

Our Boost for Biodiversity grant fund – which offers small grants for community organisations and land owners to improve habitats – is now in its fifth and final year. The fund has supported 27 projects, delivering over 130 ha of improvements across a range of projects, including wildflower meadows, woodland management and improvement, invasive species management and wetland restoration.

Other projects we have undertaken during the year include creating flower-rich roadside verges in Shropshire and reinstating meadows in Warwickshire to boost populations of wildflowers, fungi, bees, butterflies and bats. Our longstanding partnership with Moors for the Future continues its vital work in the Peak District across the Bamford Catchment and in Combs Moss, helping to restore the degraded peatland through planting *Sphagnum* moss, a vital building block for the restoration of blanket bog. This work is vital in helping to capture and store water, as well as protecting the peat from erosion – this helps reduce overland flow during storms and protects drinking water quality.

We are incredibly proud of the work we do to protect and enhance nature and we have delivered a number of significant improvements in our region over the last five years. We remain focused on this as we enter AMP8, continuing to work hard for nature as well as maintaining the work that we have completed with our partners.

# Our Approach to Climate Change and Nature

Set out on the following pages is our seventh disclosure under the requirements of the Taskforce on Climate-related Financial Disclosures ('TCFD'), and voluntarily incorporates detail using the recommendations of the Taskforce on Nature-related Financial Disclosures ('TNFD'). Combined, these disclosures provide transparent information on climate and nature risks and opportunities relevant to our Group, demonstrating how interlinked our governance, risk management processes and metrics are.

As a business that relies on the natural environment to deliver our services, it is vital that we consider the impacts of a changing climate to invest strategically in our own resilience. We are dedicated to proactive climate action to reduce our impact and we foster a sustainability-led culture to protect the environment in all that we do.

We comply with all 11 TCFD recommendations, in accordance with Listing Rule 6.6.6R, and have reviewed all 14 TNFD recommendations. This means we consider the 'Recommendations of the Taskforce on Climate-related Financial Disclosures' published in June 2017, the supplementary guidance entitled 'Implementing the Recommendations of the TCFD' published in October 2021 and 'Recommendations of the Taskforce on Nature-related Financial Disclosures' published in September 2023. We also consider the wider guidance issued by the TNFD, and the work of the International Sustainability Standards Board ('ISSB'). This disclosure complies with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 ('CFD').

## Our key ambitions and investments to date

In March 2020, we committed to invest £1.2 billion in sustainability over five years, and to 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. Last year we exceeded our original target, investing over £1.5 billion by March 2024, and we have now invested over £2.4 billion. More detail on our current metrics and targets is included on pages 42 to 43.

| Our ambitions | Our priorities | Climate-related risks and opportunities | Nature-related risks, opportunities, dependencies and impacts | Our investment to date (2020-2025) | Read more on our progress |
|---|---|---|---|---|---|
| **Carbon and climate change** | Triple Carbon Pledge<br>Science-Based Targets<br>Climate adaptation | | | £248m | Pages 44 to 54 |
| **Enhancing nature** | Biodiversity<br>Pollution prevention<br>River water improvements<br>Catchment management | | | £1,073m | Pages 22 to 27 |
| **Water resources for the future** | Leakage reduction<br>PCC reduction<br>Meter installations<br>Strategic resource options | | | £889m | Pages 15 to 16 |
| **Affordability and accessibility** | Reducing water poverty<br>Building our Academy<br>Creating a Community Fund<br>Increasing conservation | | | £210m | Pages 19 to 21 |

Brancote Wastewater Treatment Works

# Our Value Chain is complex and has multiple touchpoints with the environment

**To help navigate this disclosure, this diagram sets out our key interactions with nature and the environment across our value chain, and associated climate and nature risks and opportunities.**

### 1 Collect and clean raw water for distribution

**Overview:** We provide 2 billion litres of clean water daily.

**Dependencies:** We rely on woodland, peatland and farmland ecosystems to provide high-quality water for abstraction.

**Impacts:** Over-abstraction could damage the health of our rivers and aquatic life.

**Risks/Opportunities:** Hotter, drier summers reduce river and reservoir levels, restricting water availability.

**Principal Risk:** We fail to provide a safe and secure supply of drinking water to our customers.

**Historical Financial Impact:** In 2018, hot weather events increased demand by over 300 million litres of water per day, impacting our operating costs by £22 million.

### 2 Distribute clean water

**Overview:** We supply 4.7 million customers with drinking water.

**Impacts:** Energy is needed to maintain water pressure and distribute it to customers, which has an emissions impact.

Water leakage impacts availability. We have met our leakage reduction targets for the last five years and we are proud to have reduced leakage by 16.8% across AMP7.

**Risks/Opportunities:** Strong customer engagement helps to manage demand, particularly over summer.

We are targeting net zero operational emissions by 2030.

### 3 Collect and clean wastewater

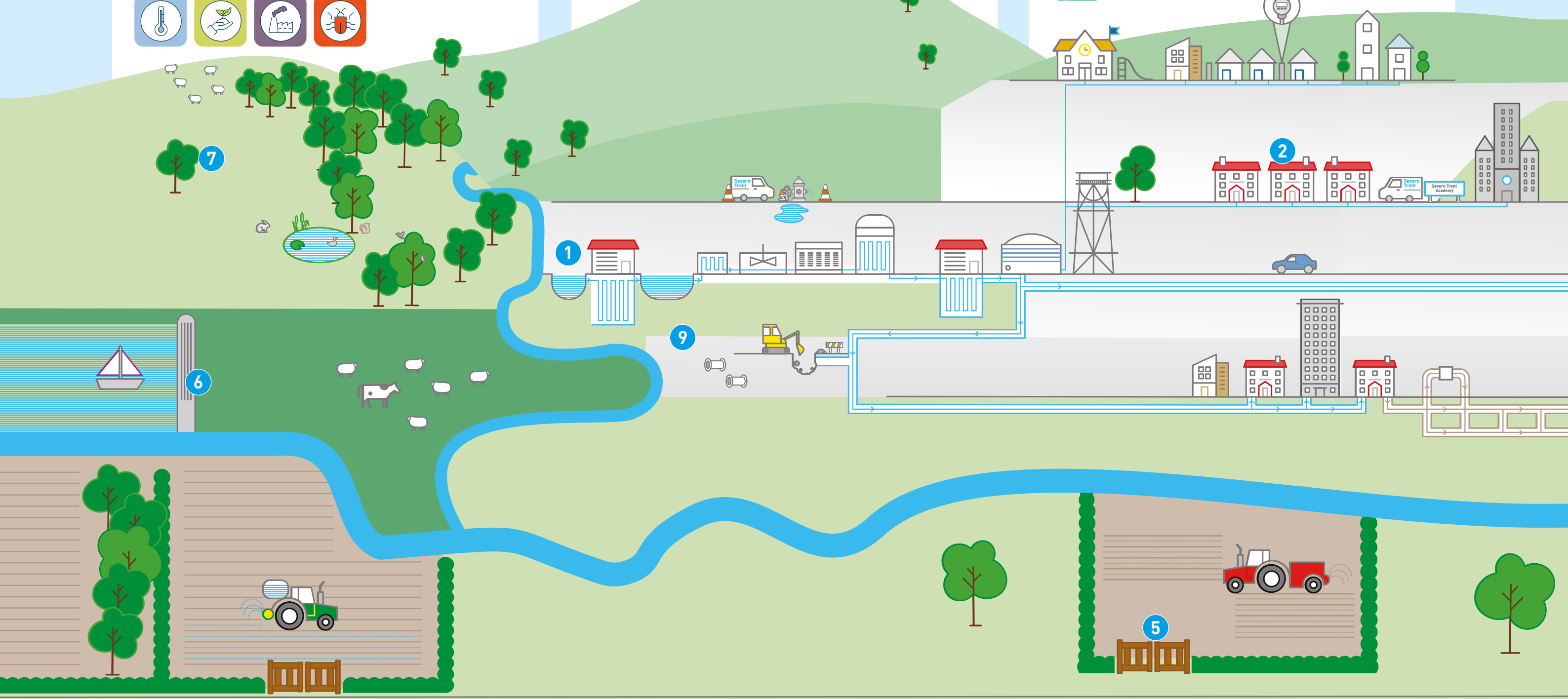
**Overview:** We treat 3.35 billion litres of wastewater each day before returning it safely to the environment.

**Impacts:** Cleaning wastewater uses energy and, in some processes, chemicals.

**Risks/Opportunities:** Wetter winters and more frequent storms mean higher volumes of water in the network, which can result in increased flooding and use of storm overflows. Insourcing our teams and creating a dedicated Waste Network Control Centre increases the control we have over our network, and investing in nature-based solutions and SuDS increases our flood resilience. Our processes produce renewable energy and by-products like biosolids and cellulose that can be sold.

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

**Historical Financial Impact:** Severe rainfall increases the risk of flooding and pollution events, which can result in fines for the Group.




### 6 Collaboration with partners

**Overview:** We have joined forces with over 200 partnership projects in our region to fund projects ranging from small-space to landscape-scale interventions, such as grassland management and creating or improving habitats.

**Dependencies:** Wider catchment habitats affect downstream water quality so we actively manage them, even if not within our ownership. Our stewardship extends to influencing the management of third-party rural estates, which totals c.9,000 ha across Severn Trent Water and Hafren Dyfrdwy.

**Risks/Opportunities:** To manage the increasing prevalence of invasive non-native species, which can also improve bathing areas, we may require development of further partnerships.

More extreme weather conditions may impact effective completion of partnership projects.

### 7 Provision of green spaces

**Overview:** Our public green spaces provide opportunities for activities like angling, sailing and cycling.

**Dependencies:** Operating reservoirs, farmland, moorland and woodland relies on clean air and water.

**Impacts:** Deterioration could damage our reputation and customer experiences.

**Risks/Opportunities:** Hotter, drier summers and drought could cause deterioration.

Between 2025 and 2030, we are investing £1.1 billion in improvements to transform our network and protect our rivers.

**Principal Risk:** Failure to act as a steward of natural capital in our region providing social, environmental and economic benefits.

### 4 Recycle water to the environment

**Overview:** We discharge thousands of litres of treated water into rivers every day.

**Impacts:** Final effluent must be clean and have no adverse effect on river quality. We must comply with our environmental permits.

**Risks/Opportunities:** Final effluent can restore flow to low rivers, whilst too much flow can cause flooding. Effective dilution levels positively contribute to water quality in the environment and reduce RNAGS. Some streams and brooks rely on our works flows to remain drought resilient.

**Principal Risk:** Failure to act as a steward of natural capital in our region providing social, environmental and economic benefits.

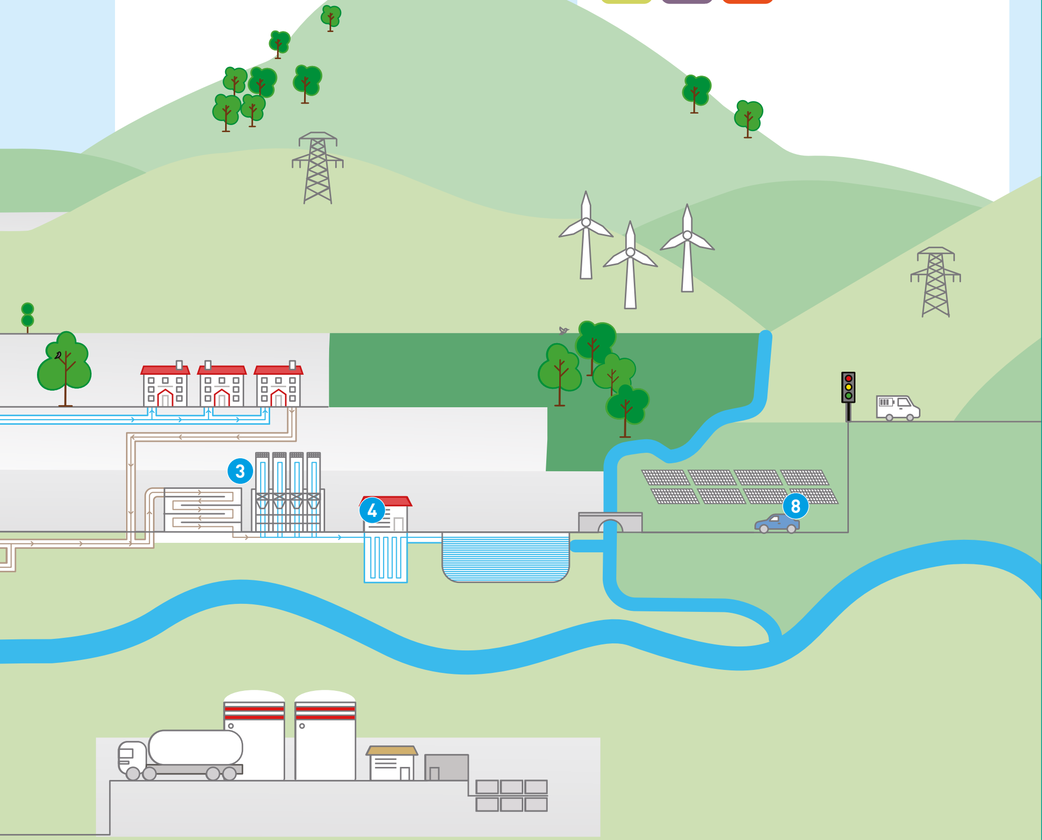
### 5 Recycle biosolids to farmland

**Overview:** Our anaerobic digestion facilities turn sewage and crop into renewable energy and biosolids.

**Impacts:** Farmers spread treated biosolids onto farmland, which enhances soil health and supplies nutrients. Every year, we recycle c.600,000 tonnes of biosolids to approximately 30,000 ha of land across the UK.

**Risks/Opportunities:** There may be adverse impacts of soil compaction from machinery, and chemical and nutrient run-off from farms leading to eutrophication and/or water pollution. Flooding to farmland and changes in farming practices may cause the sludge to land route to become unviable.

Bioenergy generation makes use of otherwise waste materials.




### 8 Renewable energy production

**Overview:** We generate energy from anaerobic digestion of sewage sludge, food and crops, as well as through wind, solar and hydro resources.

**Dependencies:** To generate renewable energy using wind, solar and hydro resources, we rely on the availability of these resources. Our energy strategy ensures that we generate energy from a range of resources to balance this dependency.

**Impacts:** Alongside increased generation, our Energy Management Policy seeks to improve the efficiency of energy use and the assets we own to reduce our energy consumption.

**Risks/Opportunities:** This year, we announced that we are expanding our solar renewable generation with the construction of four solar farms which will add an additional 185 GWh/year to our portfolio.

### 9 Construction projects

**Overview:** Construction and civil engineering work is needed to keep our water and wastewater networks running and drive performance improvements for customers and the environment.

**Impacts:** Our work on Biodiversity Net Gain ('BNG') and our own net gain policy support our aims to counteract activities that may cause physical disruption to habitats, or destruction of habitats when they are converted to other land uses.

**Risks/Opportunities:** Unfavourable weather conditions could cause delays in our capital programmes.

## Nature indicators of risk and opportunity

Climate change

**Incorporating climate change into strategies and reducing emissions**

Land/freshwater/ ocean use change

**Limiting urbanisation and preventing habitat loss**

Resource use/ replenishment

**Avoiding over-extraction of natural resources or disrupting ecosystems**

Pollution/ pollution removal

**Restricting release of harmful substances**

Invasive alien species introduction/ removal

**Protecting against invasive species disrupting ecosystems**

### Climate Change Adaptation

This year we have increased focus on understanding our climate risks and building stronger adaptation plans. Read more about our Climate Change Adaptation Report on pages 40 and 41.

# Reporting Requirements

The table below sets out the requirements and recommendations of the CFD, TCFD and TNFD frameworks and references the location of relevant information. We continue to develop our TNFD disclosure and this will expand against the recommendations in future.

| | | Requirement/Recommendation | Read more |
|---|---|---|---|
| Governance | CFD | a) Describe the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities. | Governance Framework pages 104 to 105 |
| Governance | TCFD & TNFD | a) Describe the Board's oversight of climate-related risks and opportunities. | Board Skills page 102 |
| | | a) Describe the Board's oversight of nature-related dependencies, impacts, risks and opportunities. | Board Activities pages 106 to 107 |
| | | b) Describe management's role in assessing and managing climate-related risks and opportunities. | Board Performance Review pages 112 to 113 |
| | | b) Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities. | Our Climate and Nature Governance page 34 |
| | | c) 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. | Section 172 Statement pages 91 to 93<br>Severn Trent sustainability web pages |
| Risk management | CFD | b) Describe how the business identifies, assesses and manages climate-related risks and opportunities. | Managing Risks and Opportunities pages 68 to 69 |
| | | c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the business' overall risk management process. | Our Principal Risks pages 73 to 78 |
| Risk management | TCFD & TNFD | d) Describe the organisation's processes for identifying and assessing climate-related risks. | Climate and Nature Risk Management pages 35 to 39 |
| | | e) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s). | Double Materiality Assessment page 33 |
| | | f) Describe the organisation's processes for managing climate-related risks. | Our Value Chain pages 30 to 31 |
| | | g) Describe the organisation's processes for managing nature-related dependencies impacts, risks and opportunities. | Our EU Taxonomy Disclosure pages 55 to 59 |
| | | h) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management. | |
| | | i) Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes. | |
| Strategy | CFD | 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. | Our Principal Risks pages 73 to 78<br>Our Value Chain pages 30 to 31 |
| | | e) Describe the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy. | Climate and Nature Risk Management pages 35 to 39 |
| | | f) Analyse the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios. | Climate and Nature Strategies pages 40 to 41 |
| Strategy | TCFD & TNFD | a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. | Our Net Zero Transition Plan pages 44 to 54 |
| | | a) Describe the nature-related dependencies, impacts, 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. | |
| | | b) 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. | |
| | | c) Describe the resilience of the organisation's strategy, considering different climate-related scenarios, including a 2°C or lower scenario. | Climate and Nature Strategies pages 40 to 41 |
| | | c) Describe the resilience of the organisation's strategy to nature-related risks and opportunities taking into consideration different scenarios. | Our Net Zero Transition Plan pages 44 to 54 |
| | | d) 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. | Climate and Nature Risk Management page 35 to 39 |
| Metrics and targets | CFD | g) Describe the targets used by the company to manage climate-related risks and to realise climate-related opportunities, and performance against those targets. | Our Net Zero Transition Plan pages 44 to 54 |
| | | 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. | Metrics and Targets pages 42 to 43 |
| Metrics and targets | TCFD & TNFD | a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. | |
| | | a) Disclose the metrics used by the organisation to assess nature-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. | Our Net Zero Transition Plan pages 44 to 54 |
| | | b) Disclose the metrics used by the organisation to assess and manage the dependencies and impacts on nature. | GHG emissions table pages 52 to 53 |

# Double Materiality Assessment

Whilst Severn Trent is not captured by or voluntarily adopting the Corporate Sustainability Reporting Directive ('CSRD'), this year we completed a double materiality assessment using the same principles. This assessment helps to ensure we report on the most material issues to our key stakeholders. A sustainability issue has double materiality if it has the potential to affect our business financially (financial materiality) and has the potential to impact people or the planet (impact materiality). Financial materiality is based on our Enterprise Risk Management ('ERM') system.

Impact materiality is based on stakeholder views. An issue only needs to have either impact or financial materiality to drive us to invest and manage the associated risks. For example, protecting vulnerable customers is material to our communities, and we invested £88 million this year to support them, but this is not a material risk in our ERM system.

We identified 12 topics which are material to our business. These are summarised below against the pillars of our corporate strategy and where to read more information. A comparison to the European Sustainability Reporting Standards ('ESRSs') set out in CSRD and the UN Sustainability Development Goals ('SDGs') is also included below.

| Material topic | Material (impact) | Material (financial) | ESRSs | SDGs | Read more |
|---|---|---|---|---|---|
| **Delivering Outcomes our Customers Care About** | | | | | |
| Ensure a sustainable water supply and effective demand management resilient to climate change and population growth. | ✓ | ✓ | E3, E5, S3 | Responsible consumption and production | Pages 15 to 16 |
| Improve and maintain asset health and resilience through investment. | ✓ | ✓ | E3 | Industry, innovation and infrastructure | Pages 15 to 16 |
| Ensure access to quality water for all customers, at all times. | ✓ | ✓ | E3, E5, S3 | Clean water and sanitation | Page 16 |
| Have plans in place to manage and respond to extreme weather events, including floods and droughts. | ✓ | ✓ | E3, E5, S3 | Life on land | Pages 16 to 18 |
| Provide support to vulnerable customers and community members. | ✓ | | S3, S4 | No poverty | Page 15 |
| **Running a Business that Goes Hand-in-Hand with Nature** | | | | | |
| Play our part to mitigate climate change through GHG emissions reductions. | ✓ | ✓ | E1 | Climate action | Pages 44 to 54 |
| Have a net-positive impact on the environment. | ✓ | | E4 | Life on land | Page 28 |
| **Caring for People in our Region** | | | | | |
| Ensure employees have a fair, inclusive and safe workplace. | ✓ | ✓ | S1, S2 | Decent work and economic growth | Pages 19 to 21 |
| Develop a skilled future workforce through training and attraction. | ✓ | | S1 | Decent work and economic growth | Pages 19 to 21 |
| **A Driver of Positive Change** | | | | | |
| Play an active role to enhance river water quality. | ✓ | ✓ | E2, E3 | Life on land | Pages 22 to 27 |
| Operate as an ethical business, while meeting legal and regulatory compliance. | ✓ | ✓ | G1, S1, S2, S4 | N/A | Page 103 |
| Ensure the highest levels of corporate governance over sustainability-related matters. | ✓ | ✓ | G1 | N/A | Page 104 |

We used our previous assessment from 2021/22 and updated it, reviewing over 100 sustainability topics for consideration.

### Assessing impact materiality

Our impact assessment involved considering the views and preferences of our stakeholders, including customers, investors, suppliers and employees and using existing internal knowledge. Each stakeholder group was represented by an internal subject matter expert who was asked to rank topics on scale, scope and opportunity. This information was then consolidated and weighted to create a final ranking.

### Assessing financial materiality

Financial materiality is already incorporated within our ERM system and we have used our existing financial materiality threshold of £10 million to identify the sustainability-related topics for review.

### Double materiality assessment

The final list of 12 material topics was determined through a process of robust challenge and evaluation from subject matter experts and senior leaders across the business, with oversight by the Corporate Sustainability Committee. Our existing reporting approach already aligns in many areas, and we will continue to challenge ourselves to ensure we report on the topics of material value to our key stakeholders.


Graduates at Finham Wastewater Treatment Works

## Climate and Nature Governance

Robust governance underpins everything we do. The associated risks, opportunities and organisational implications related to climate change and nature are overseen by the Severn Trent Plc and Severn Trent Water Limited Boards, and the respective Board Committees, Executive Committee, Senior Management Team and Group subsidiary company boards.

### Board oversight

The Board has oversight of both climate and nature risks and opportunities through reviewing our EU Taxonomy profile, TCFD and TNFD reporting and NZTP. The Board receives management reports on Environmental, Social and Governance ('ESG') matters at meetings throughout the year. Senior leaders within the Group and external guest speakers attend Board and Corporate Sustainability Committee meetings on a regular basis to offer independent expertise and insight to promote challenge and debate.

As well as oversight for ESG responsibilities, the Board approves ESG strategies and investment decisions relating to climate change and nature. Sustainability matters are included as a standing agenda item at every Board meeting along with a detailed report provided by the Corporate Sustainability Committee. The Board holds dedicated sessions to consider, identify and assess climate and nature risks and opportunities, monitoring of progress against goals and targets and sustainability-related topics. The Board delegates certain sustainability, climate and nature-related risk oversight activity to the Corporate Sustainability Committee as well as to the Audit and Risk Committee. The Board's cross-membership of Committees assists with its oversight.

The Corporate Sustainability Committee met four times throughout the year to discuss climate and ESG-related matters. Read more on page 130.

### Our Governance Framework

Our Governance Framework is aligned with the Group's corporate strategy, ensuring the Board is effective in its oversight of the Group's objective to be sustainability led in consideration of climate and nature risks and opportunities, and scrutiny of management's assessment of these risks and opportunities.

The Chief Executive, Executive Committee and Senior Management Team have day-to-day responsibility for climate-related and nature-related matters. This includes the management of identified risks and opportunities through established procedures, and using this insight to develop the Group's strategy and support our environmental and sustainability objectives. Our Governance Framework is set out on page 104 and is subject to periodic review to ensure it remains effective and appropriate.

### Board climate and nature expertise and evaluation

A key strength of our Board is the collective experience of the Directors and diverse skills they possess, as set out in our Board skills matrix on page 102. Our succession planning considers the composition of the Board, with an emphasis on sustainability and climate-related topics to ensure that we continue to build upon the strong progress we have made in our sustainability ambitions to date.

Our code of conduct, Doing the Right Thing, alongside our Anti-Slavery and Human Trafficking Statement and supporting Group policies, are reviewed regularly and signed off by the Board. The combined policies ensure that we hold ourselves accountable, respecting the rights of our workforce, the people in our supply chain, and those impacted by our operations. We actively avoid human rights infringements and address any impacts when they do occur. We expect our supply chain partners to protect the rights of Indigenous people (where relevant) and local communities.

### Remuneration

Our transparent remuneration framework incorporates climate and nature objectives. It aligns reward and incentive structures throughout our business from our frontline operatives through to our Executive Committee. These incentives are reviewed and agreed by the Group's Remuneration Committee. ESG measures already form part of the Annual Bonus Scheme metrics, details of which are set out in the Directors' Remuneration Report on page 139.

In 2024, we changed our Long-Term Incentive Plan ('LTIP') to increase the weighting of non-financial measures from 20% to 50%, and included three new LTIP measures: a long-term river health measure; a customer measure; and a communities measure.


Board members on site at Hayden Wastewater Treatment Works, April 2025

# Climate and Nature Risk Management

## Managing climate change and nature risks

Our approach to managing our Group climate and nature risks over different time horizons is outlined in the table below, where each time horizon is determined by reference to our planning cycles for Ofwat and other regulators. These planning cycles determine how we review and assess risk, creating short-term, medium-term and long-term investment plans to manage and mitigate these risks. The risks themselves are exacerbated by climate change and nature over different time horizons, according to modelled likelihoods. These are set out in the table on the page opposite.

| Time horizons | 0-2 years (short-term) | 3-5 years (medium-term) | 6-25 years (long-term) |
|---|---|---|---|
| Our approach | We implement tactical response plans to ensure delivery of our annual performance targets. | Our Business Plan describes the improvements that we will commit to delivering in the next AMP cycle and lessons for our short-term delivery. | Long-term plans explore and account for future potential risks we may face, including climate change uncertainty and the steps that could be taken. |
| Critical documents | – Risk and opportunities management framework<br>– Incident management plans<br>– Root cause analysis outputs<br>– Drought Plan<br>– Localised response strategies | – Risk and opportunities management framework<br>– Regulator-approved AMP investment plan<br>– Rolling internal five-year Business Plan<br>– Climate Change Adaptation Report | – Risk and opportunities management framework<br>– Water Resources Management Plan ('WRMP')<br>– Drainage and Wastewater Management Plan ('DWMP')<br>– Strategic Direction Statement ('SDS')<br>– Long-Term Delivery Strategy ('LTDS') |

Climate change and nature dependencies are embedded in day-to-day management and strategic decision making.

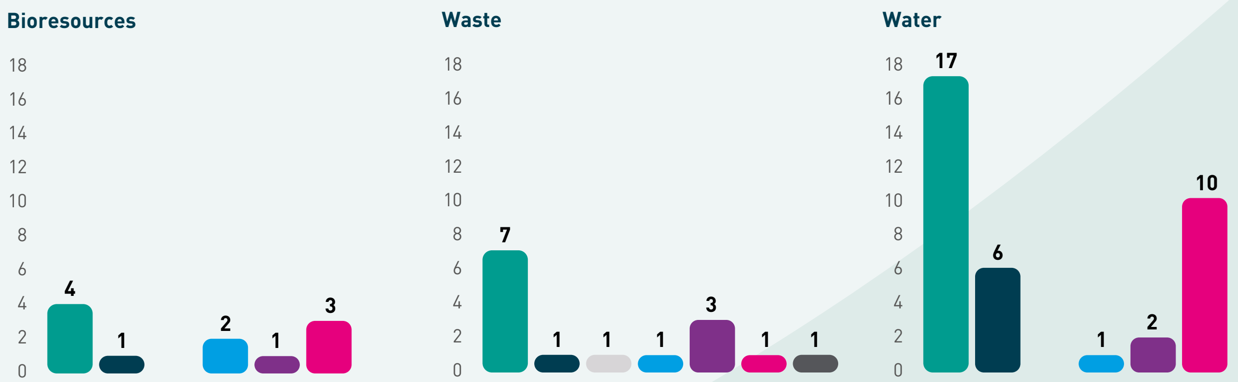
We embed a risk-based approach to managing climate change and nature throughout our business using our existing processes, as set out in the Managing Risks and Opportunities section on pages 68 to 69. Nature is embedded in our decision making and this is now explicit in our risk processes through the incorporation of nature drivers (alongside the existing climate drivers) in our ERM system. A training session for Risk Co-ordinators was held this year to upskill the business on understanding both climate and nature impacts on risk and to embed the updated processes.

Our existing risks are scored within our ERM system using likelihood and impact measures to quantify the risk. In doing so, we consider both financial and reputational impact to arrive at a reasonable estimate of value, and our approach to calculating likelihood considers external scenarios and a changing climate.

Our levels of materiality remain the same as reported previously, where anything above a £10 million threshold is reported in our ERM system. Four further levels exist up to £75 million, at which value the associated risks are reported at Board level.

### Nature drivers across our business

The charts below show the number of ERM risks exacerbated by nature drivers within each of our business areas, to demonstrate the types of nature issue relevant to our core operations.




All ERM-level risks are reviewed annually, using this insight, by our dedicated network of Risk Owners and Co-ordinators, supported by the central ERM Team. This ensures ongoing engagement with climate and nature impacts and that appropriate risk mitigation strategies are in place. We continue to develop the functionality in our ERM system to reflect our increasing understanding of climate and nature-related risks and the maturity of our mitigation plans.

- Climate change
- Freshwater use/change
- Land use change
- Invasive species
- Pollutions
- Resource use/replenishment
- Atmosphere change

## Linking climate and nature drivers to our risks to understand financial impact

We recognise the importance of understanding the financial risks of climate change to support our investment decisions, and continue to expand our reporting to demonstrate this. This year, we are able to report the financial impact and materiality of climate-related risks and opportunities.

Following the incorporation of climate drivers within our risk management system in 2023/24, we now model the financial value of risks exacerbated by these drivers. In future we will expand on this work to report financial values for nature drivers.

Within our 11 Principal Risks, which are critical to the delivery of our strategy, six are most impacted by climate or nature as set out in the table below. The range of financial risk values are taken from the ERM system for each risk exacerbated by a climate driver. These are based on the current value of the risk, with documented controls and mitigations in place, multiplied by the likelihood relevant to the time horizon for that risk. For example, for a 1 in 50-year likelihood, the financial impact value is multiplied by 2%. We will enhance our approach in future to incorporate a range of temperature scenarios and time horizons against each risk in the system.

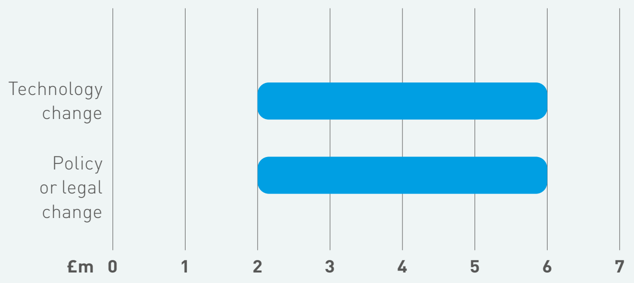
■ Period of opportunity or risk ● Most material impact

| | Risk type | Principal Risk | Drivers | Example risks incorporated into the wider risk environment | Time horizon 2030 | Time horizon 2050 | Time horizon 2080 | Range of financial risk (current year) |
|---|---|---|---|---|---|---|---|---|
| Physical Risks | Safe and secure supply of drinking water | We do not supply a safe and secure supply of drinking water to our customers. | Hotter, drier summers<br>Warmer, wetter winters<br>Change in freshwater use<br>Pollutions | Failure to provide water treatment capacity to meet requirements in future AMPs.<br>Failure to ensure our network is resilient to meet supply requirement in future AMPs.<br>Failure to address increased demand for water due to population growth and changing weather conditions. | ● | ● | ■ | £30 million to £144 million |
| Physical Risks | Transport and treatment of wastewater | We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment. | Hotter, drier summers<br>Warmer, wetter winters<br>Extreme weather<br>Land use change<br>Pollutions | Failure to safeguard future wastewater treatment capacity to meet future demand or increased environmental obligations.<br>Failure to ensure waste capacity network is resilient to meet future demand. | ● | ● | ■ | £28 million to £66 million |
| Physical Risks | Natural capital | Failure to act as a steward of natural capital in our region providing social, environmental and economic benefits. | Hotter, drier summers<br>Warmer, wetter winters<br>Extreme weather<br>Invasive species<br>Resource use/ replenishment | Failure to deliver our accelerated Green Recovery programme to time, cost or quality.<br>Failure to abstract sufficient raw material for our customers or over-abstract, damaging the natural environment. | ● | ● | ■ | £1 million to £23 million |
| Transition Risks | Regulation/ policy | Uncertainty of regulatory, legislative and government reforms could fundamentally impact our operating environment and strategic ambitions. | Hotter, drier summers<br>Warmer, wetter winters<br>Extreme weather<br>Policy or legal change | Failure to successfully deliver the benefits of our change programme.<br>The investment required will impact customer bills and affect affordability for some.<br>Failure to comply with CSO permits or stakeholder expectations.<br>Failure to build trust in Severn Trent with our key stakeholders. | ● | ● | ■ | £2 million to £6 million |
| Transition Risks | Climate change strategy | Our climate change strategy does not enable us to respond to the shifting natural climatic environment and maintain our essential services. | Hotter, drier summers<br>Warmer, wetter winters<br>Extreme weather | Failure to build trust in Severn Trent with our key stakeholders. | ● | ■ | ■ | £200,000 to £7 million |
| Transition Risks | People and culture | 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. | Technology change | Failure to develop our people with the appropriate skills, knowledge and behaviours to enable them to fulfil their role effectively.<br>Failure to attract and retain the right people. | ● | ■ | ■ | £2 million to £6 million |

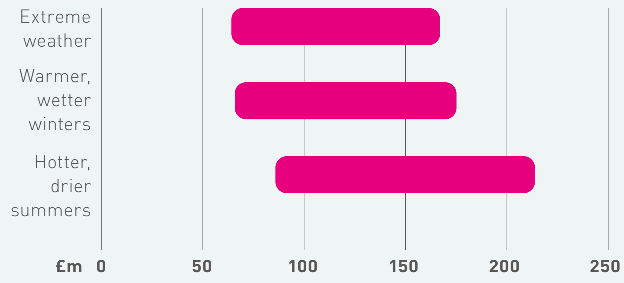
### Current value of risks exacerbated by climate drivers

We report here the financial value of risks exacerbated by each climate driver. Unsurprisingly, weather drivers have the highest value to our business, with the largest being hotter, drier summers, exacerbating risks with values of over £200 million. Our modelling of strategic options and continuous drive to invest in the opportunities presented to us by climate change (set out on the next two pages) help to balance the impacts of extreme weather and build resilience in our business. Our climate risks are already reflected in our AMP8 Business Plan and the impact of weather is built into our strategies and investment decisions to enable proactive mitigations throughout every planning cycle.

#### Transition risk drivers

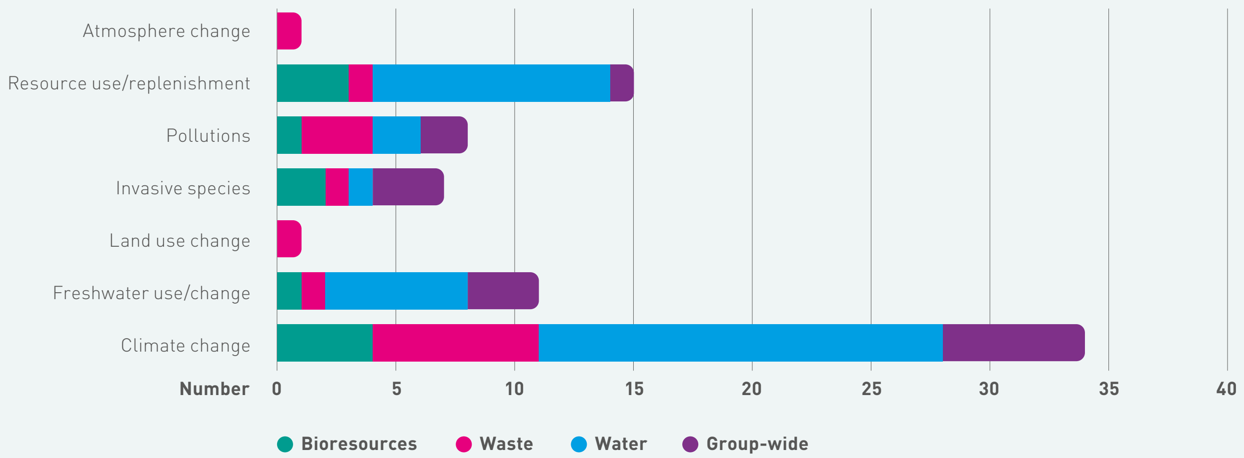



#### Physical risk drivers




### Number of risks linked to nature

The chart below shows the number of ERM risks exacerbated by nature drivers across different areas of our Group, to demonstrate the scale of impact relevant to each nature issue. As our processes mature, we will report financial values for nature drivers in future.



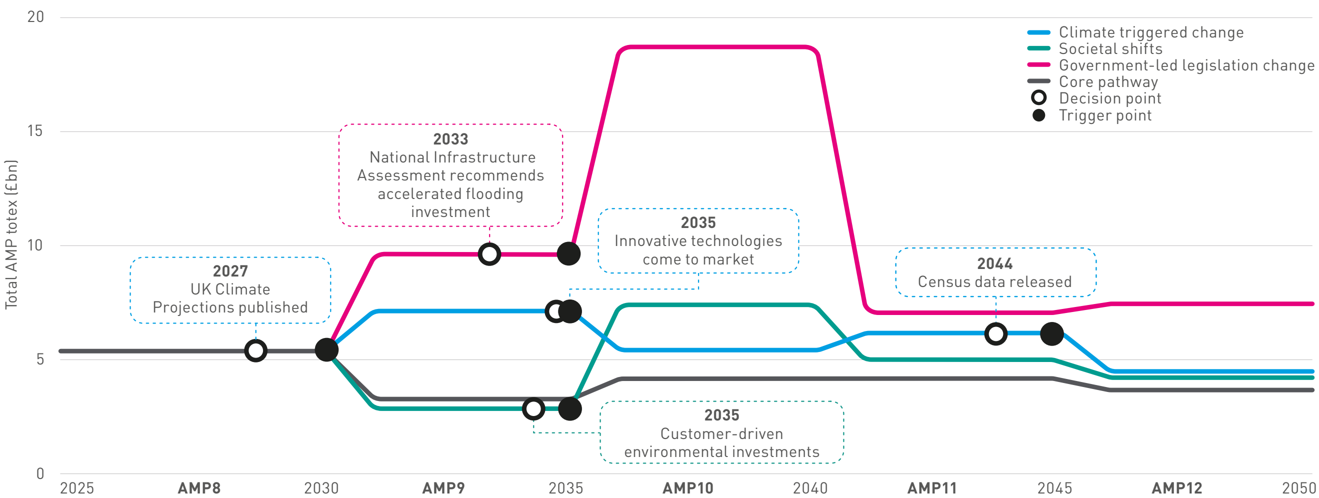

River Leam

## 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 on which our AMP8 investment plan is based, we have three adaptive pathways that allow us to change our approach as external factors change. These are:

- Climate triggered change
- Societal shifts
- Government-led change through legislation

The pathways use a range of assumptions including climate change, population growth and technology (read more in our LTDS), which in turn were based on over a thousand 'what if' simulations. These simulations allow us to understand how the optimal investment choices differ under a range of assumptions and identify the most material issues, e.g. changes to the efficacy of solutions. This process helps us cater for a broad set of futures and reflects the uncertainty associated with planning over several decades.




| | | | | |
|---|---|---|---|---|
| **Government-led change** | **Trigger:** Accelerated Environmental Act<br>**Change:** Pivot to high environment scenario | **Trigger:** Wider policy updates<br>**Change:** Accelerated environmental investment | **Trigger:** Market and supply chain respond with innovation<br>**Change:** Pivot to benign technology | **Trigger:** Market responds with mechanisms to reduce pressure on customer bills |
| **Climate triggered change** | **Trigger:** Climate change worsens<br>**Change:** Pivot to adverse environment scenario | **Trigger:** Market and supply chain respond with innovation<br>**Change:** Pivot to benign technology | **Trigger:** Climate change triggers inland migration<br>**Change:** Pivot to adverse growth | **Trigger:** Customer behaviour changes to avoid climate change<br>**Change:** Pivot to benign demand |
| **Societal shifts** | **Trigger:** Exceeding PCC targets<br>**Change:** Pivot to benign demand scenario | **Trigger:** Customers expect faster progress on long-term targets<br>**Change:** Pivot to customer-led environmental investments | **Trigger:** Customers value wider benefits<br>**Change:** Pivot to nature-based solutions over traditional methods | **Trigger:** Innovation meets public sentiment<br>**Change:** Pivot to benign technology scenario |

The diagram above demonstrates how we pivot our approach depending on key triggers and decision points.

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 could also stimulate a market and customer response to help solve these issues.

These adaptive pathways are all plausible, but it is not possible to calculate the likelihood of any particular route or future. Our investment programme takes into account all three adaptive pathways and 'no-regrets' investments, as well as areas to prioritise to keep future options open.

Our optimisation analysis for AMP8 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 supply 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 and avoid potential future cost.

To help understand when it may be appropriate to transition to an alternative pathway, we have identified triggers which will drive different investment choices relevant to the new scenario, for example if the Representative Concentration Pathway ('RCP') is on course for 2°C or higher.

## Opportunities presented to us by a changing climate

Through effective risk management and decision making, climate change presents investment opportunities to deliver growth in capital value for our investors and secure a quality service for our customers. Between 2025 and 2030, we will invest in water resources and help protect the region from drought, including £576 million in resilience schemes and £281 million to manage demand. Examples of these opportunities are set out below.

### Maintaining asset health and resilience

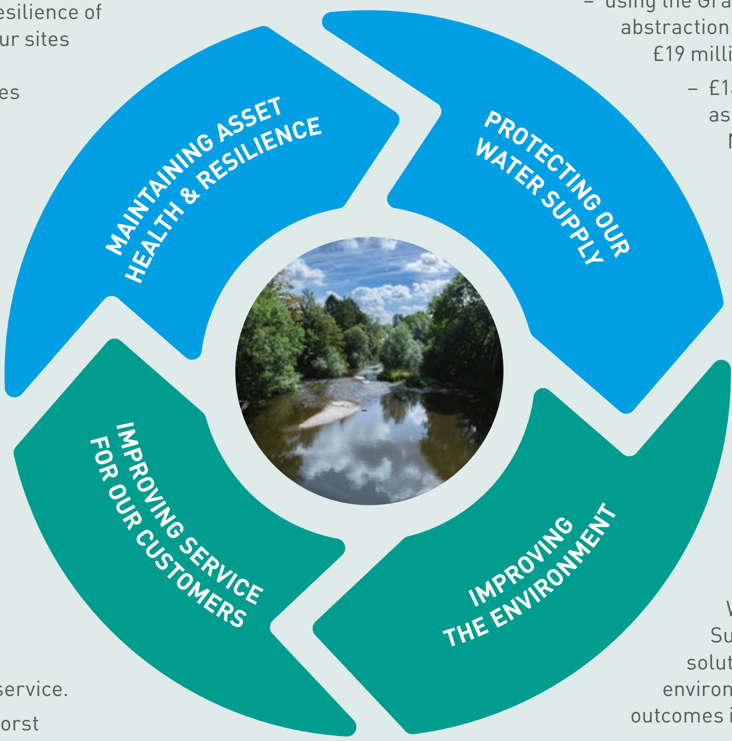
Our investments in climate mitigation activities through our Strongford Net Zero Hub, and the funding granted in AMP8 to reduce our operational emissions, are a huge part of ensuring we mitigate climate change. Our AMP8 investment will ensure we deliver operational assets that are future ready with less emissions impact, and will represent capital growth of over £295 million.

As well as new operational assets, we will be proactively maintaining and improving our water network to reduce the need for reactive repairs. We will invest £341 million to increase the resilience of our assets. This will protect our sites against the impact of severe weather, such as power failures or extreme flooding.

### Protecting our water supply

Climate change and population growth are putting increasing pressure on the UK's water resources. Our strategic resource options ('SROs') allow us to work across the sector to benefit other areas, whilst securing water resources for the future. Our biggest SROs include:

- creating a £150 million pipeline between Carsington and Tittesworth Reservoirs;
- investing £30 million to prepare a quarry for increased water storage in the West Midlands;
- using the Grand Union Canal for water abstraction and treatment at a cost of £19 million;
- £14 million feasibility assessment for Nottinghamshire mine water treatment facility;
- investing £25 million in additional raw water sources to increase sustainable output through Tittesworth Reservoir in periods of drought; and
- £3 million investment in a River Severn to River Thames drought interconnector.




### Improving service for our customers

The investments we make to tackle climate change must also be affordable and give customers confidence in our service.

Sewer flooding is one of the worst impacts our customers can experience. We will work hard to reduce both internal and external sewer flooding significantly this AMP.

Our customers want to see us reduce spills from overflows and protect our rivers. We will invest £1.7 billion in 563 schemes in AMP8 and have committed to a major 25-year investment of £4.4 billion up to 2050. Our 2,472 storm overflows will each have individual action plans with a variety of improvements ranging from increasing the capacity of storage tanks to introducing nature-based solutions.

### Improving the environment – renewable energy investment

Our Green Power business owns a diverse portfolio of renewable energy production facilities including 30 solar parks, six wind turbines and eight hydro-electric turbines. Climate change presents us with greater investment opportunities for renewable energy.

To get us closer to our ambition to power the UK towards a cleaner and more sustainable future, we will be constructing four new large-scale solar farms in four counties: Leicestershire, Warwickshire, North Yorkshire and Shropshire.

### Improving the environment – nature-based solutions

We are investing in more SuDS, which are nature-based solutions that deliver multiple environmental, social and economic outcomes including:

- flood prevention through managing surface water run-off;
- improved water quality through sediment and pollutant filters;
- water savings through rainwater collection for non-potable use;
- biodiversity improvements providing essential habitats for a variety of plants and animals;
- improved aesthetics by filling urban spaces with green infrastructure; and
- better community engagement encouraging local communities to play their role in protecting the local environment.

# Climate and Nature Strategies

As a water and wastewater business, we are deeply interconnected with the environment around us and take our impacts and dependencies on nature and the climate very seriously. Protection of the environment we depend on is fundamental to our business.

There are three key pillars to our environmental strategies:

- Climate change mitigation and our net zero ambitions
- Working hand-in-hand with nature and caring for our environment
- Investing for resilience and adapting to climate change

## Climate change mitigation

We are proud to build on our strong foundation of reducing operational GHG emissions with a new ambition to meet net zero across all three scopes by 2050 and a target to reduce our methane emissions by 30% by 2033. This is in line with a 1.5°C trajectory, key milestones for which are set out in our NZTP on pages 44 to 54.

### Our priorities

Over the next five years, we will reduce the most material emissions unique to our sector, nitrous oxide and methane, which are released through the biological treatment of sewage and biosolids.

Our detailed NZTP aligns to the Paris Agreement and outlines the expected glidepath to meet our near-term reduction targets using the significant funding we have secured from Ofwat. We were awarded 59% of the £295 million total net zero funding across the sector.

### External collaboration

Collaboration is an essential cornerstone of our strategy. Working closely with others in the sector and sharing lessons learned from our Net Zero Hub globally continues to be very productive.

We co-chair the Water Carbon Network, facilitating joint initiatives to improve our GHG data, build consistency across our supply chain and knowledge-share on construction techniques.

### Future focus

The next five years represent a big opportunity as we invest at an unprecedented scale to ensure the quality, safety and continuous supply of water and wastewater services to our customers and protect the environment. This growth and investment means our emissions will rise, particularly Scope 3 emissions. However, we still expect to outperform our Science-Based Target of 46% reduction by 2031 (see our progress on page 44) and recognise the importance of reflecting Scope 3 emissions in future targets. We have strong engagement across our supply chain and are working with them to consider a range of technologies. As we look to future AMPs, we will continue to consider the balance between delivering our business objectives, reducing GHG emissions and maintaining affordability for customers.

Biodiversity at Goscote Wastewater Treatment Works

## Our nature strategy

Running a business that goes hand-in-hand with nature is a core pillar of our corporate strategy. This considers both our impact and dependencies on nature, and whilst we are proud of what we have already achieved, we know there is always more we can do. Our approach is described in our Caring for our Environment Strategy document (published in 2021) and rests on four fundamental pillars to address the global challenges of climate and nature and meet the demands we face as a business:

- Ensuring a sustainable water cycle
- Enhancing our natural environment
- Making the most of our resources
- Mitigating climate change


Snow at Tissington Distribution Service Reservoir

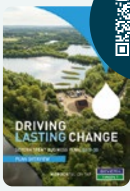
## Investing for climate resilience

Our AMP8 Business Plan secured £576 million of funding to increase our resilience to climate change, population growth and increasing urbanisation. We recognise the challenges of a changing climate and increasingly extreme weather conditions as they already impact our operations. We have to invest now to mitigate the adaptation risk in future. For example, according to the Government's WINEP, by 2050 some rivers could have up to 80% less water in summer making it impossible to meet the growing water demands of people, industry and agriculture. The key documents set out on the page opposite incorporate the scenario modelling we use to establish our investment plans against the backdrop of these risks, driving us to deploy capital with climate change resilience in mind. More detail on the risks to our business associated with these challenges are set out in the Risk Management section of this disclosure and the Managing Risk and Opportunities section of this report on pages 68 to 69.

## Our climate-related scenario analysis

We have an advanced and established approach to how we integrate climate change into our business processes and risk management. As part of our planning processes we looked at a wide range of temperature scenarios, from a 1.5°C Paris-aligned scenario to a 4°C 'business as usual' scenario, and we perform this review every two to three years. We use this modelling to support key investment decisions, stress test our risk mitigation plans and assess both likelihood and impact of key risks, to ensure deliverability in each climate scenario. The outputs of this modelling and the associated strategies are set out in our key documents listed below. These strategies work together to help us manage our impact on the environment, complementing our risk management approach and ensuring every part of our organisation is focused on reducing our environmental impact and improving the sustainability and resilience of our business.

### Our key strategic documents that utilise scenario modelling

| Drought Plan | Drainage and Wastewater Management Plan | Water Resources Management Plan | PR24 Business Plan | Long-Term Delivery Strategy | Climate Change Adaptation Report |
|---|---|---|---|---|---|
| 2022-2028 | 2025-2050 | 2025-2085 | 2025-2030 | 2025-2050 | 2025-2030 |
|  |  |  |  |  |  |



Our WRMP sets out how we manage our natural water resources to ensure the water cycle remains sustainable for generations to come. Our DWMP considers how our activities impact the natural environment and river water quality, and sets out how we protect them in the face of a changing climate, population growth and urbanisation. Our Drought Plan 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.

Our PR24 Business Plan sets out the key programmes of activity we will deliver over the next five years. To create our plans, we used scenario modelling and benefits assessment to make informed decisions on how best to look after and work with the environment. We used this modelling to create a core pathway of investments supported by adaptive pathways that model plausible futures we need to be prepared for, as set out on page 38.

Our Climate Change Adaptation Report details how climate change will impact us and how we have assessed and addressed our climate risks.

### Caring for our Environment Strategy 2021

Our Caring for our Environment Strategy brings together our nature strategies and sets out our priorities in effectively managing our interactions with the environment.

### Nature-related plans in focus

#### Biodiversity Strategy and Action Plan 2023

Our Biodiversity Strategy and Action Plan sets out how we will take serious and substantive action to play our part in addressing the nature emergency. The strategy details how we safeguard and enhance key habitats and species on our estate and invest in nature as an asset across our region irrespective of ownership, targeting nature-based solutions to help preserve the water catchments on which our business is based. There are three pillars of action in our Biodiversity Strategy:

- Managing and reducing the impact of our operations on biodiversity.
- Protecting and enhancing biodiversity on our own land.
- Investing in conservation partnerships and nature-based solutions in the wider catchment.

#### Protecting and Enhancing SSSI 2023

We manage approximately 500 ha of land across 50 sites designated as Sites of Special Scientific Interest ('SSSIs') in England. The biggest habitat type is standing open water and canals, followed closely by broadleaved, mixed and yew woodland, and neutral grassland. Each SSSI has a bespoke management plan and strategies include:

- Avoidance of harm – minimise our risks to sensitive sites by adapting operations before they commence.
- Risk management – systematic risk identification and mitigation for habitats, species and sites, focusing on habitat characteristics and autecology of species.
- Monitoring and remedial action – to ensure an effective response.

#### Our Approach to Championing Pollinators 2023

We have created a Biodiversity Monitoring Programme on sites where we create or enhance meadow grasslands or manage woodlands. By monitoring the abundance of key groups of species, including pollinators, reptiles, bats, birds and dormice, we can evidence tangible outcomes of the improvement works.

We use a citizen science approach with our people to equip site staff with the knowledge to collect accurate data on these species whilst performing their operational duties.

This year, we have worked with an ecological consultancy to produce 73 site-specific Biodiversity Action Plans, completing 268 to date. This work included extensive habitat surveys.

# Metrics and Targets

Our increased focus on climate and nature risks, alongside the insights provided by our work on the EU Taxonomy (included on pages 55 to 59), ensures our strategies are sustainability led. We invest with impact in mind, which in turn ensures our business builds resilience in a changing future, reduces the risks associated with reactive costs and increases returns on investment.

## Measuring our progress

The table below sets out our progress against our key performance metrics to 2025 that we measure ourselves against, including four of the 10 core global disclosure metrics from the TNFD. The TNFD metrics are new additions to this table whilst all others were reported previously.

We report both TNFD and TCFD metrics together alongside an update on our financial investment and the associated impact on our performance and on nature and the climate. We report these against each of our Principal Risks to further support an understanding of how we manage and mitigate these risks across our nature and climate strategies, and these are aligned with the transition and physical risks and opportunities relevant to our business. More detail on how we manage risk is set out in the Risk Management section of this disclosure and the wider Managing Risks and Opportunities section on pages 68 to 69.

Further details on the TNFD core metrics, along with a report of our performance against several additional metrics, can be found in our ESG Databook on our website. We are committed to enhancing our future disclosures given the growing demand for nature information.

### Key metrics and targets

| | Principal Risk | Metric | Measure/ Unit | Target | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Capital deployed this year* |
|---|---|---|---|---|---|---|---|---|---|---|
| Physical Risk | We do not provide a safe and secure supply of drinking water to our customers. | PCC | 3-year average litres per person per day (l/p/d) | **129.0 l/p/d by 2025** | 137.1 | 138.4 | 137.6 | 134.0 | 133.1 | £1.7 million |
| | | Leakage reduction | Cumulative reduction against three-year average baseline set in 2019/20 | **15% reduction from baseline by 2025** | 3.6% | 7.8% | 9.3% | 12.1% | 16.8% | £98.8 million |
| | | Green Recovery smart meters installed | Number installed (cumulative) | **157,000 by 2025** | N/A | 5,280 | 71,089 | 111,853 | 157,329 | £5.8 million |
| | | SROs | Investment £million (cumulative) | **Invest £42.5 million in SROs by 2025** | 2.1 | 5.5 | 12.7 | 15.9 | 27.4 | £11.5 million |
| | We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment. | Public sewer flooding | Number of sewer incidents on public open spaces | **(Annual target)** | 1,050 (2,005) | 1,296 (1,975) | 1,526 (1,945) | 1,831 (1,915) | 1,762 (1,884) | £69.0 million |
| | | External sewer flooding | Number of sewer incidents in customer gardens, driveways and external buildings | **(Annual target)** | 3,606 (3,633) | 4,526 (3,574) | 5,353 (3,515) | 6,721 (3,456) | 7,018 (3,397) | (included above) |
| | | TNFD C2.1 – Volume of water discharged | m³/d | **No target** | 2,557,758 | 2,525,400 | 2,320,778 | 2,679,344 | 2,731,81 | N/A |
| | Failure to act as a steward of natural capital in our region providing social, environmental and economic benefits. | TNFD C1.0 – Total spatial footprint – controlled | km² | **No target** | 20,548 | 20,538 | 20,526 | 20,518 | 20,514 | N/A |
| | | Green Recovery – Flood resilience investment through SuDS | m³ surface water storage (cumulative) | **58,000 m³** | N/A | N/A | 239 | 4,931 | 31,156 | £46.6 million |
| | | CSOs | Average spills per year | **Average of 20 per year** | 27 | 25 | 18.4 | 24.9 | 25.4 | £119.4 million |

Tittesworth Reservoir

Transition Risks

| Principal Risk | Metric | Measure/Unit | Target | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Capital deployed this year* |
|---|---|---|---|---|---|---|---|---|---|
| Our climate change strategy does not enable us to respond to the shifting natural climatic environment and maintain essential services. | Climate change adaptation | Published report | **To publish three reports in 10 years** | N/A | December 2021 | N/A | N/A | December 2024 | N/A |
| 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. | Internal Carbon tax* | Amount collected internally (£ million) | **5.2 per year to 2025** | N/A | N/A | 5.2 | 5.2 | 5.2 | £4.9 million |
| Uncertainty of regulatory, legislative and government reforms could fundamentally impact our operating environment and strategic ambitions. | Carbon pricing* | £ per tonne | **Use external carbon price in project appraisals** | N/A | N/A | N/A | £248 | £248 | N/A |
| | Net Zero Transition Plan | Investment £million | **Net zero by 2030** | 81.9 | 44.7 | 37.2 | 56.2 | 28.1 | £28.1 million |
| | TNFD C0 – Absolute gross GHG emissions generated* | tonnes $CO_2e$ | **Net-zero operational emissions Scope 1 and 2 by 2030** | 376,300 | 395,424 | 395,432 | 379,419 | 394,704 | (included above) |
| | Help to Pay When You Need It | % of total customers | **(Annual target)** | 35% (34%) | 48% (42%) | 52% (42%) | 56% (42%) | 62% (43%) | N/A |
| | Big Difference Scheme | Number of customers | **Invest £30 million supporting 197,750 customers** | 70,423 | 95,403 | 132,296 | 160,167 | 203,722 | £66.2 million |
| | Community Fund | Investment £million (cumulative) | **£10 million over AMP7** | 3.6 | 5.6 | 7.6 | 9.6 | 11.6 | £2.0 million |
| | Biodiversity enhancements (TNFD C1.0/ C1.1) | Number of hectares rehabilitated (cumulative) | **5,000 ha by 2027 (now 10,000 ha by 2025)** | 2,632 | 4,696 | 7,728 | 11,554 | 16,233 | N/A |
| | | Trees planted (cumulative) | **1.3 million by 2027** | 0.3 million | 0.5 million | 0.7 million | 0.8 million | 1 million | £1.0 million |

There is currently no reportable data to fulfil the below metrics:

- TNFD C 2.0 Pollutants released to soil split by type, referring to sector-specific guidance on types of pollutants (tonnes)
- TNFD C 2.3 Plastic footprint as measured by total weight (tonnes)
- TNFD C 2.4 Total non-GHG air pollutants (tonnes)

We will report data for the following metrics in our ESG Databook following the publication of this report:

- TNFD C 2.2 Weight of hazardous and non-hazardous waste generated (tonnes)
- TNFD C 3.0 Water withdrawal and consumption ($m^3$) from areas of water scarcity
- TNFD C 3.1 Quantity of high risk natural commodities (tonnes)

## Cross-industry metrics

Cross-industry metrics are marked above with an asterisk* or are reported elsewhere in this report as set out in the table below:

| Cross-industry metrics (ISSB) | Read more |
|---|---|
| *GHG emissions | NZTP – pages 44 to 54 |
| Physical risks – the amount and percentage of assets or business activities vulnerable to physical risks | Climate and Nature Risk Management – pages 35 to 39 |
| Transition risks – the amount and percentage of assets or business activities vulnerable to transition risks | Climate and Nature Risk Management – pages 35 to 39 |
| Climate-related opportunities – the amount and percentage of assets or business activities aligned with climate-related opportunities | Opportunities presented to us by a changing climate – page 39 |
| *Capital deployment – the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities | Metrics and targets table – pages 42 to 43 |
| *Internal carbon prices (amount and explanation of how it is used) | Metrics and targets table – pages 42 to 43 |
| Remuneration (% remuneration recognised in current period that is linked to climate-related considerations, and how these are factored in) | Directors' Remuneration Report – pages 131 to 154 |

## Our Triple Carbon Pledge and Science-Based Target commitments

**The following provides an update on our progress this year against our targets and highlights the activities undertaken.**

### 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)

Progress — 100%
Baseline — -15% reduction — Target

- Good progress has been made towards our targets through a reduction in our operational emissions. Read more on page 52.
- We secured dedicated funding of £295 million for net zero in AMP8.
- Our Net Zero Hub is now live, trialling technologies in tandem to minimise operational emissions, and is already delivering insights.
- Our bespoke ODI was approved to reduce capital carbon in AMP8.
- Continued engagement across our organisation has mobilised resources, skills and our supply chain to deliver our plan.

**100%**
electric vehicles ('EVs'), where available, by 2030

Progress — 100%
Baseline — 28% increase — Target

- We are currently on target to reach 100% electric cars and 38% electric Light Commercial Vehicles ('LCV') by 2030.
- 28% of our total fleet are now EVs, representing an increase to 796 vehicles in 2024/25. Of these, 71% of fleet cars and 19% of LCVs are now EVs.
- Utilisation of EV site charge points is increasing, and we have installed 538 charging units at employee homes.
- Further deployment of electric LCV and larger vehicles is challenged by the availability of suitable vehicles, the growth in our own fleet and the lack of funding for public infrastructure.
- Trials with hydrotreated vegetable oil, as an alternative fuel, have had positive outcomes and we are now looking at wider adoption as an interim measure.

**100%**
of energy from renewable sources ('RS') by 2030

Progress — 100%
Baseline — 86% — Target

- We continue to procure 100% renewable-backed electricity.
- Generation of renewable electricity and biogas has increased, after a full year contribution from the acquisition of Andigestion.
- Our own generation, including biogas, has increased to 1,953 GWh.
- We have now finalised a development rights deal for four solar farms.

### Our Science-Based Targets ('SBT')

**46% reduction**
in Scope 1 and Scope 2 emissions by 2031 from a 2019/20 baseline

Progress — -46%
Baseline — -25% reduction — Target

- We continue to improve our data by expanding our monitoring of process emissions and increasing collection of activity-based data.
- Over AMP7, our energy efficiency improvements have continued to offset a rise in overall energy consumption.
- Our emission intensity has decreased year on year. Although our reported Scope 1 emissions have increased from 2023/24, most of this stems from more accurate reporting of natural gas from metered data – at c.80% – as well as a slight increase in use of natural gas.

**13.5% reduction**
in emissions from the use of sold products by 2031 against a 2019/20 baseline

Progress — -13.5%
19% increase — Baseline — Target

- Our emissions have continued to increase from the use of sold products. The sold product category measures our treated sludge. Population growth means we are treating more sludge which, in turn, increases the volume of biosolids recycled to agricultural land.
- Higher sludge treatment also allows us to produce higher volumes of biogas.
- Improved reporting in Green Power has enabled more accurate visibility of emissions from propane used to meet national gas regulations for biomethane.
- As we look to make the most of our resources and explore innovation to extract ammonia and cellulose from wastewater, we note that this could increase sold product emissions. As a consequence, we will revisit this target in line with our maturing SBT engagement target in 2026.

**70%**
of our supply chain (by emissions) having set a Science-Based Target ('SBT') by 2026

Progress — 70%
Baseline — 65% coverage — Target

- We remain on track to achieve our target.
- Supplier engagement and support has remained a priority this year, ensuring 65% of our emissions are covered by organisations committed to addressing climate change.
- Through supplier selection, mandated contractual clauses and Key Performance Measures ('KPM') for capital contractors, we continue to set clear expectations for all new suppliers, including reduction delivery.
- 1:1 support and guidance, engagement sessions and our partnership with the Supply Chain Sustainability School remains key to building supplier maturity.
- We engage with new contractors to ensure that we have a live view of progress against our target.

# Our Net Zero Transition Plan

Our commitment to mitigating and adapting to climate change remains a critical priority. Every day, we provide clean water and treat wastewater for 4.7 million households and businesses, and, as a provider of water services, we are heavily reliant on nature and the environment around us.

As ever, improving performance delivery for our customers is our priority and managing potential impacts to our customers is at the forefront of our plans, particularly ensuring that bills remain affordable. We will seek to minimise emissions whilst delivering improvements in water quality, pollutions and improved resilience.

We have been bold in finding and funding innovative solutions to reduce our operational emissions. Our largest sources of Scope 1 emissions are process emissions from wastewater treatment, which are unique to our sector. Therefore, we have secured significant funding of £295 million to scale up a suite of technologies over 2025-2030, and focus heavily on reducing process emissions.

In this NZTP, which is being tabled for an advisory shareholder vote at our AGM in July 2025, we show how we will reduce our operational emissions. To improve our understanding of our net zero trajectory, we have begun to identify our dependencies and challenges.

Our Net Zero Hub is installing technology to capture and reduce our process emissions, and we are sharing our learnings with the water sector. Being open about challenges and the efficacy of new technology is essential to helping others accelerate the reduction of process emissions.

AMP8 will be the largest investment period in our history, which will see us invest £14.9 billion to improve the services we provide to our customers and the environment. As a result, our Scope 3 emissions will rise as we deliver these investments. It will require different ways of working with our supply chain to drive these emissions down (read more on pages 50 to 51).

Over the next two years, we will develop more detailed Scope 3 plans and new targets as we deliver against our current engagement SBT in 2026, and will present these as part of an updated NZTP.

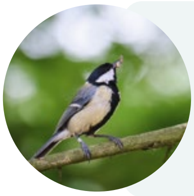
## Evolving our ambition

We continue to evolve our plans and ambitions, guided by the Transition Plan Taskforce, which sets out guidelines for robust transition plans.

We are setting a new ambition to meet net zero across Scopes 1, 2 and 3 by 2050, supported by a new intensity target to reduce our methane emissions by 30% by 2033.

This is an important evolution in our net zero journey, which is aligned to a 1.5°C Paris-aligned pathway, as shown below. This builds on our existing targets to be operational net zero by 2030 and our SBT, approved in 2021.

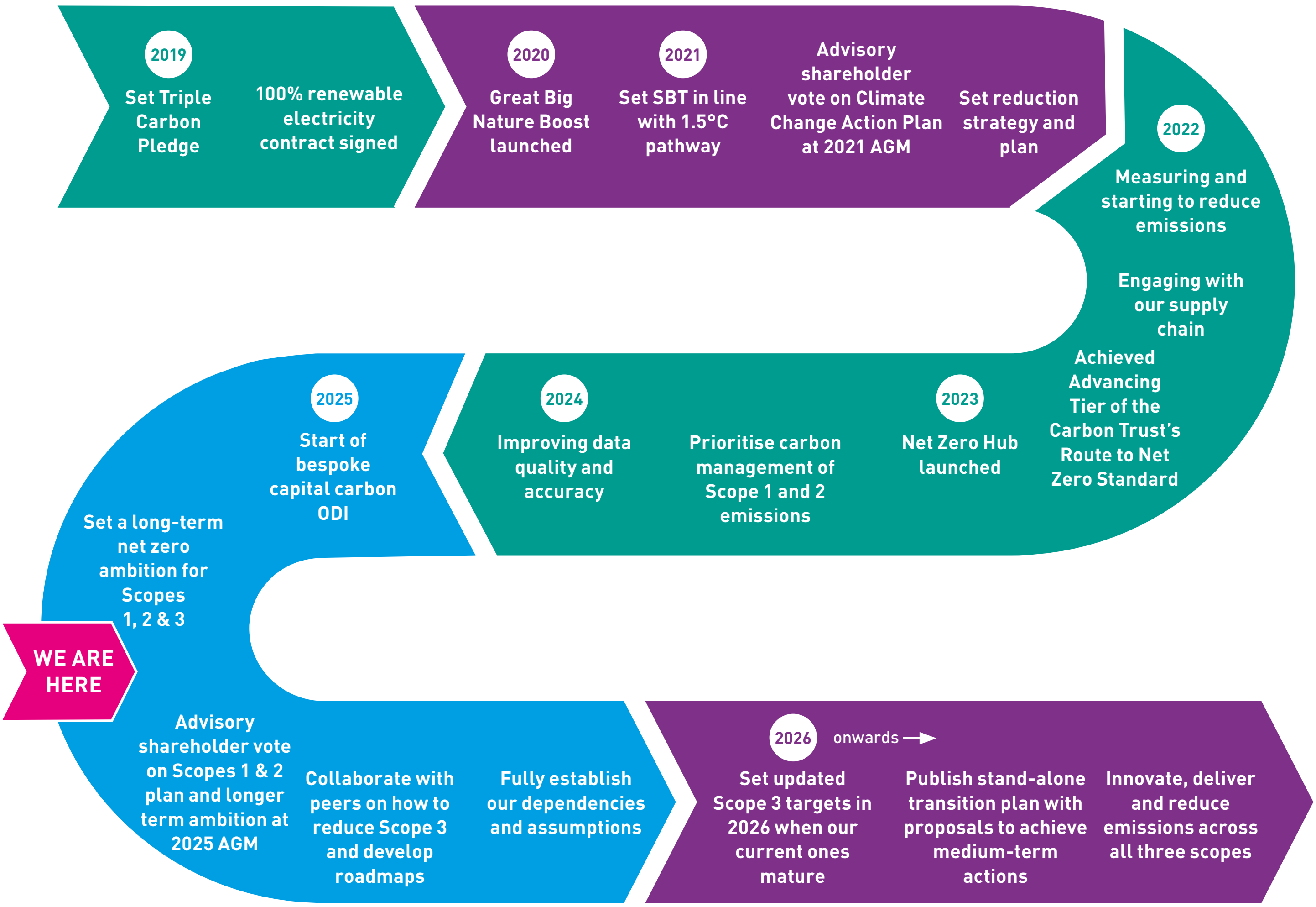
We will achieve these targets whilst continuing to support a thriving environment and provide the high-quality service our customers expect, at a price they can afford.



### What do we mean by operational net zero?

To become operational net zero, and limit our impact on climate change, we need to reduce the emissions we produce as far as possible and then remove any residual emissions from the atmosphere. This means we are targeting a reduction in our direct emissions and some indirect outsourced emissions to zero by 2030. This may include the use of self-generated 'offsets' through renewable energy sales, 'insets' through supporting our supply chain to reduce emissions, and only purchasing high quality external offsets if required.

## Our net zero roadmap



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

### Short-term targets

2026

**70%**
of our supply chain (by emissions) to set a SBT by 2026 (Scope 3)

### Medium-term targets

2031

**100%**
electric vehicles (where available) (Scope 1)

**100%**
renewable energy sources by 2030 (Scope 2)

**13.5%**
reduction in emissions from the use of sold products by 2031 against a 2019/20 baseline (SBT) (Scope 3)

**Net zero**
operational emissions across our business by 2030 (offsets included) from a 2019/20 baseline (Scope 1/Scope 2)

**30%**
reduction in methane emissions per metre cubed of gas produced by 2033

**46%**
reduction in Scope 1 and 2 emissions by 2031 from a 2019/20 baseline (SBT) (Scope 1/Scope 2)

### Long-term ambition

2050

**Reach net zero**
across all three Scopes by 2050 (Scope 1, 2 and 3)

### Scope 1

**Key actions**

- Reduce process emissions.
- Increase energy efficiency and reduce demand.
- Innovate to increase circular economy.
- Electrify and decarbonise our fleet.
- Decarbonise our heat.

### Scope 2

**Key actions**

- Purchase 100% renewable backed electricity.
- Increase self-generation of energy.
- Export biomethane.

### Scope 3

**Key actions**

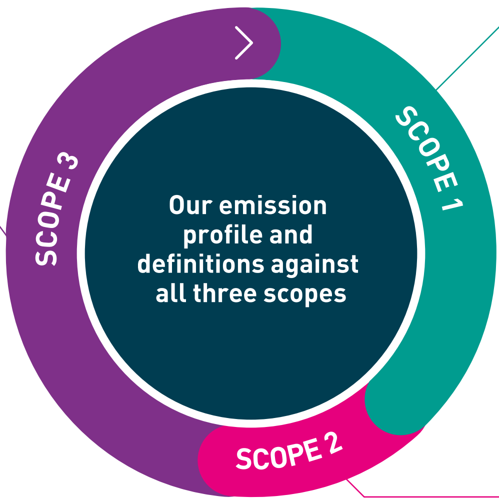
- Develop internal knowledge to embed consideration of Scope 3 within decision making.
- Build our supply chain capability to develop their own decarbonisation pathways and capacity to deliver against them.
- Work collaboratively with our capital supply chain to design and install lower-carbon solutions.
- Collaborate with peers across industry to improve understanding and co-develop the solutions to reduce emissions.
- Improve completeness and accuracy of our Scope 3 inventory.

### Common actions across all three scopes

- Innovate to maximise recovery and use of valuable resources across the water cycle.
- Increase resilience to the impacts from climate change.
- Continue cross-industry learning and collaboration.
- Engage with our regulators and policy makers on creating conditions to support low-carbon investment.
- Develop our own in-house skills and experience, further embedding carbon in our decision making.
- Use real-time monitoring to improve data collection, develop insights and identify reduction opportunities.
- Support and engage with customers to reduce water demand.
- Understand the benefits to us and our supply chain of carbon capture and storage.
- Restore peatland and increase woodland creation.
- Catchment management to improve water quality.

**56%**
Major sources:
- Capital carbon
- Chemicals
- Purchased goods and services

Emissions that are created by a company's value chain through the products and services it purchases from others




**31%**
- Combustion of fossil fuels
- Process and fugitive emissions
- Transport

Direct emissions that are owned or controlled by a company and its operations

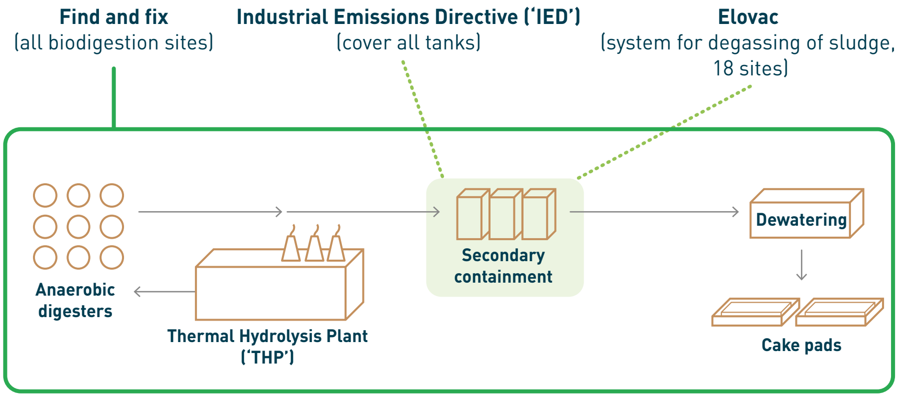
**13%**
100% of our import supply is renewable-backed electricity, reducing our market-based Scope 2 emissions to zero, effective from 2020

Emissions that a company indirectly causes, which come from the energy it purchases from others

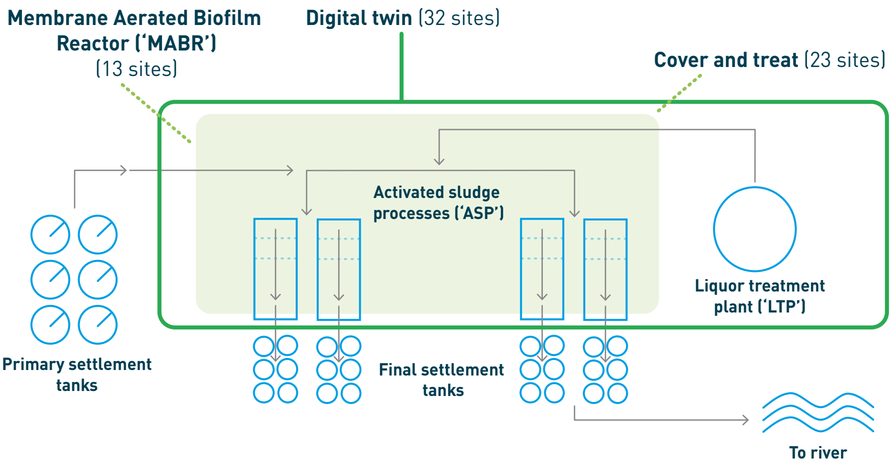
## Our AMP8 Net Zero Plans

**Our Business Plan emphasises our commitment to achieving net zero operational emissions by 2030, and our immediate priority is to reduce the most material emissions which are in our control. These are our process emissions of nitrous oxide and methane emissions which come from our wastewater and sludge treatment processes. The technologies set out below will be rolled out across our wastewater treatment sites. A combination of drones, cameras, covers and active gas capture minimises release of methane; while use of membrane, virtual modelling and cover and treat technologies reduces energy use and production of $N_2O$.**

### Bioresources – key sources of methane $CH_4$




### Wastewater recycling – key sources of Nitrous Oxide $N_2O$




### Methane focus

Methane is a potent GHG, and short lived in the atmosphere, which means any reduction in methane leads to a rapid reduction in global warming potential. It accounts for 34% of our Scope 1 emissions and we are investing to better understand our methane emissions in real time.

To complement our existing leak detection and repair programme, we have deployed fixed monitors and cameras that operate 24 hours a day at three wastewater treatment sites. These 'eyes and ears' will enable us to understand the volume of emissions across a whole site and to then reduce emissions as part of routine maintenance. This will inform our future plans to deliver improvements as quickly as possible.

In addition, we have designed a solution to cover secondary tanks and add floating roofs to our digesters which both offer significant opportunity to reduce our methane emissions.

## Our regulatory commitments

Ofwat has set a new common ODI for operational GHG emissions which includes separate water and wastewater targets for all water and wastewater companies. A financial incentive is attached to our performance levels and is designed to ensure companies are only rewarded for delivering absolute reductions from current performance.

## The role of innovation in net zero

Innovation continues to be a cornerstone of our NZTP. We have identified and implemented improvements by operating a combination of technologies to tackle different emission sources at our Net Zero Hub. Phase one looked at how best to apply Actilayer – a catalytic cover that is installed over activated sludge plant lanes. It uses sunlight to convert $N_2O$ into harmless nitrogen and oxygen.

Now we have a detailed understanding of the benefits of this solution, phase two will focus on the optimum design and installation approach so this can be deployed at scale across our sites. For example, we have learned that efficacy varies depending on the air flow and concentration levels of $N_2O$ in an activated sludge lane. Optimisation will enable us to maximise how much $N_2O$ can be captured and to model the coverage of Actilayer and sunlight required to achieve reductions.

Alongside this, our digital twin has been progressing at pace. Using a combination of mechanistic modelling (to simulate the complex systems) as well as data driven modelling (using machine learning to identify patterns and make predictions), we can optimise flow and treatment throughout the site to reduce emissions and maintain compliance. We are also reducing capital carbon wherever possible by working closely with our supply chain partners, for example by using 3D concrete printing.

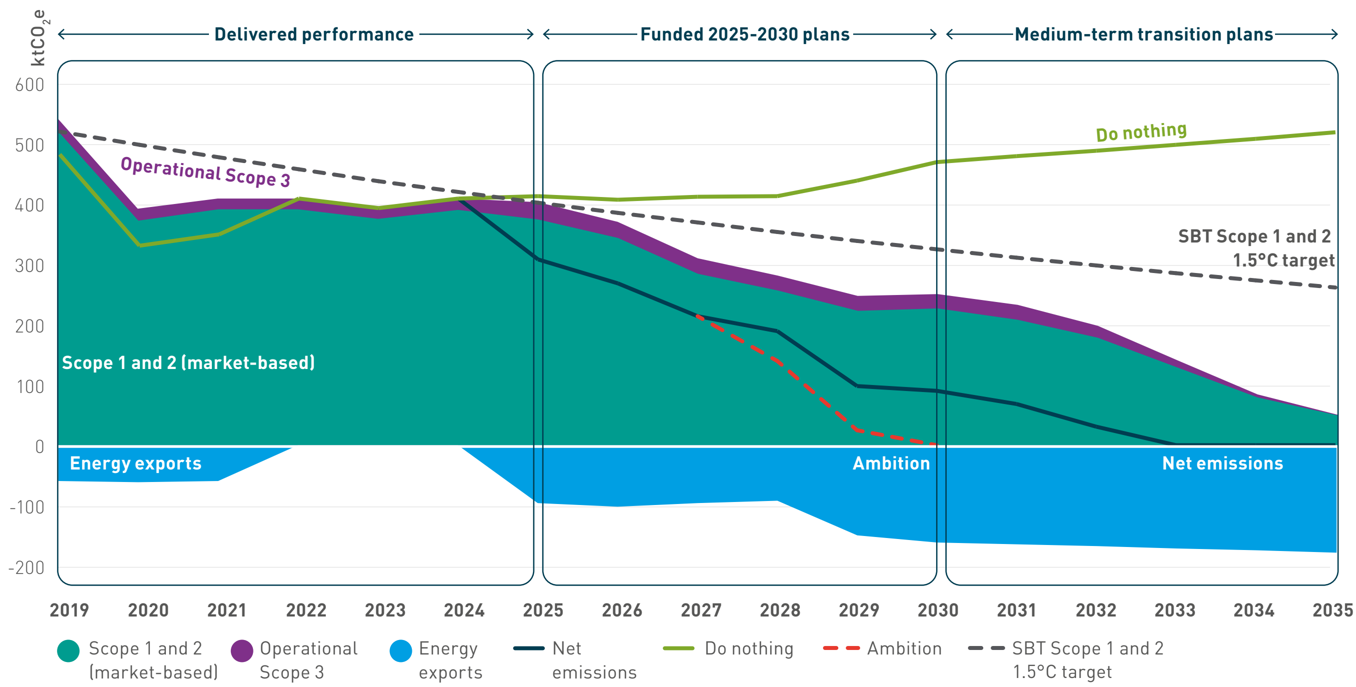
Beyond our Net Zero Hub, we are completing numerous trials to recover and reuse valuable materials. We completed an ammonia recovery trial at our existing Innovation Centre. Initial results are positive and indicate we can use this technology as an alternative to the construction of liquor treatment plants, helping to reduce $N_2O$ emissions even further.

## What are we aiming for?

We aim to deliver a stretching GHG emissions reduction of 220 kt$CO_2$e between 2025 and 2030, which will equate to a 43% reduction from our baseline towards our SBT Scope 1 and 2 reduction target (as shown in the chart below). This builds on the significant progress we have already made on our carbon reduction journey, delivering a 25% reduction to date against our SBT of 46% by 2031 (against our 2019/20 baseline). In 2024/25, our reported location-based Scope 1 and 2 total GHG emissions were 551 kt$CO_2$e compared to a 2019/20 baseline of 561 kt$CO_2$e. A summary of the values is given in the table on page 52.

Population growth and statutory drivers such as WINEP mean that our total Scope 1 and 2 GHG emissions are forecast to rise to 606 kt$CO_2$e (location-based) by 2030 if no interventions are made. However, we expect to outperform our reduction SBT by 2031 through our investment plans.

## Our operational glidepath (Market-based)




### Our non-regulated businesses

Our two regulated businesses, Severn Trent Water and Hafren Dyfrdwy, make up the majority of our emissions at 97%. Within our non-regulated businesses, Severn Trent Operating Services is committed to reducing emissions, engaging with customers and suppliers and has published a Carbon Reduction Plan. The Severn Trent Green Power group is focused on supporting reductions through increasing generation of renewable energy whilst looking for optimisation opportunities to reduce Scope 1 emissions across its operations. As our investment profile results in increased energy consumption, this increased energy generation will provide support to offset the impact of any additional Scope 2 emissions.

### Balancing growth with impact

We make investment decisions to deliver performance improvements for customers and the environment as quickly as possible. Some of these decisions, for example improving river quality and biodiversity, result in increased emissions. Balancing positive growth and our impact to deliver a wider range of benefits is a crucial area of focus for our current and future plans. For example, our catchment management programme supports flood risk reduction, river quality improvement, biodiversity improvement, carbon sequestration and improve our understanding of contaminants like PFAS, known as 'forever chemicals'. Read more about our approach to PFAS on pages 71 to 72.

### Factors influencing our emissions

External factors, such as the size of the population we serve, the severity of impacts from climate change and the policy and regulatory framework we operate within, will affect our emissions. Other drivers, such as the need to reduce leakage and manage the demand for water in both households and non-households, offer significant opportunity to reduce our emissions.

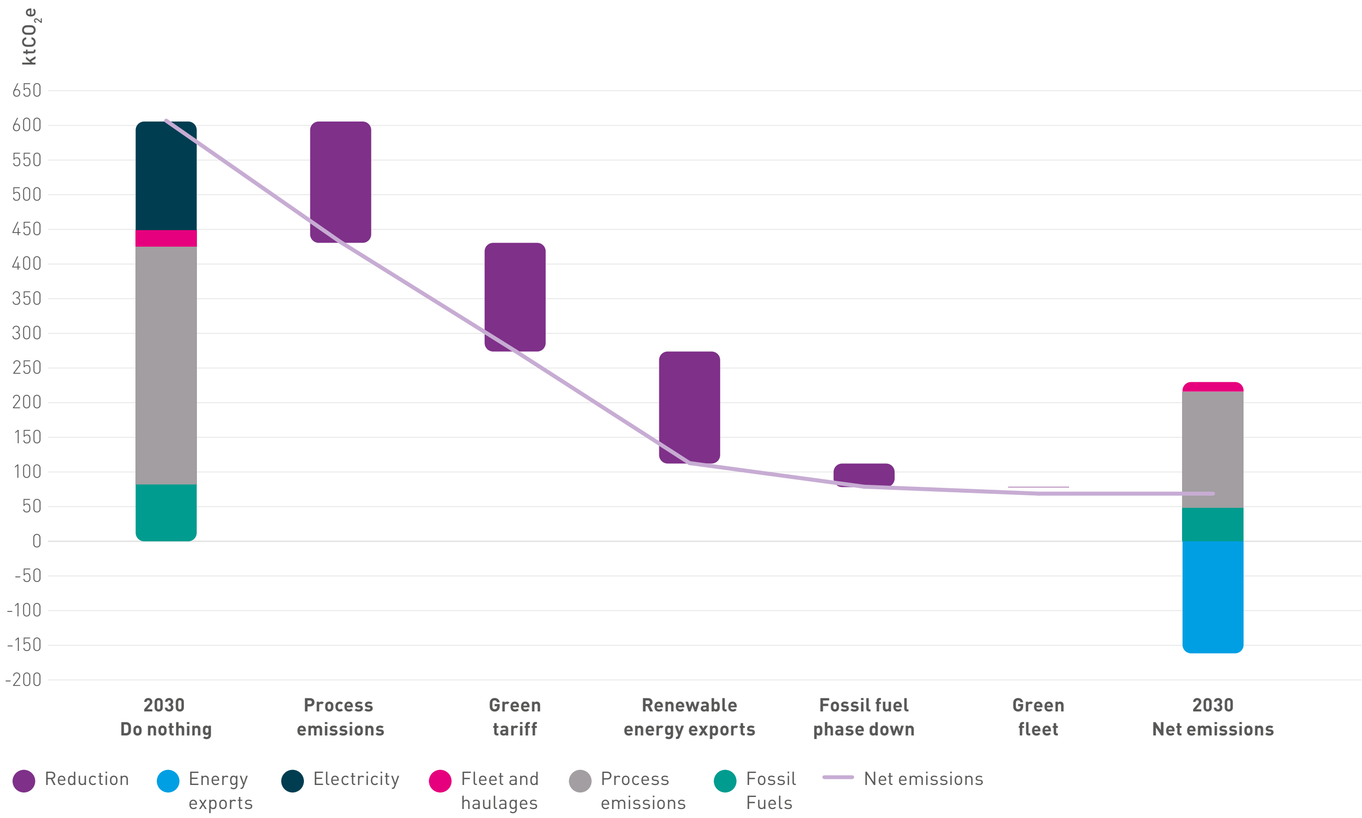
### Working with others

Decarbonising our Scope 3 emissions relies on the progress of others, such as our supply chain, through offering alternative approaches, techniques and materials focused on decarbonisation, whilst also reflecting good value for our customers. We are working closely with our supply chain to encourage and recognise positive action on climate change.

## Scope 1 and 2 reduction waterfall

Our funded plans aim to deliver an estimated reduction of 537 kt$CO_2$e in total by 2030 versus a 'do nothing' scenario, leaving a 68 kt gap that we need to address in order to achieve operational net zero by 2030. There are inherent uncertainties associated with innovation and therefore the reduction associated with each technology is likely to change over time. This is validated through the extensive testing and measurement being undertaken at our Net Zero Hub. However, we still expect to achieve our goal as teams across the business collaborate to identify the best operational, technological and most economical route to meeting our climate goal, ensuring decisions reflect our customers' priorities. In addition, we have options to claim emission reductions from other activities including our renewable energy exports.

Our Business Plan used central estimates and modelling. The average cost based on this modelling is £125/t$CO_2$e abated across the technologies. Whilst there is a cost premium for new technologies, we select 'no- and/or low-regrets' solutions, modelling affordability for our customers now and into the future.




In each situation, the residual emissions relate to heat, fuel emissions and process emissions.

After process emissions, the next largest category of direct GHG emissions is natural gas, diesel, and fuel oil which account for 16% of our Scope 1 emissions. Our use of imported natural gas for wastewater treatment is set to increase as we implement new processes, and aim to meet higher environmental standards set by the EA. For example, in our Bioresources business this will include technologies such as thermal hydrolysis and pelletisation, for which there are currently limited alternatives to meet the high heat demand requirements. Reducing emissions from other heat and fuel sources will therefore be critical to achieve our targets.

Whilst we have begun decarbonising our car and light commercial vehicle fleet, solutions for larger and more complex vehicles are not currently readily available. We are exploring a transition fuel, hydrotreated vegetable oil, for large and plant vehicles. For car and LCVs, we will electrify the remainder of our fleet in line with the natural replacement cycle of vehicles to ensure a cost-effective approach. This means there will be some part of our fleet that is not fully electric by 2030, including c.60% of our LCVs and all HGVs and 4x4s.

Electric vehicles at Church Wilne Water Treatment Works

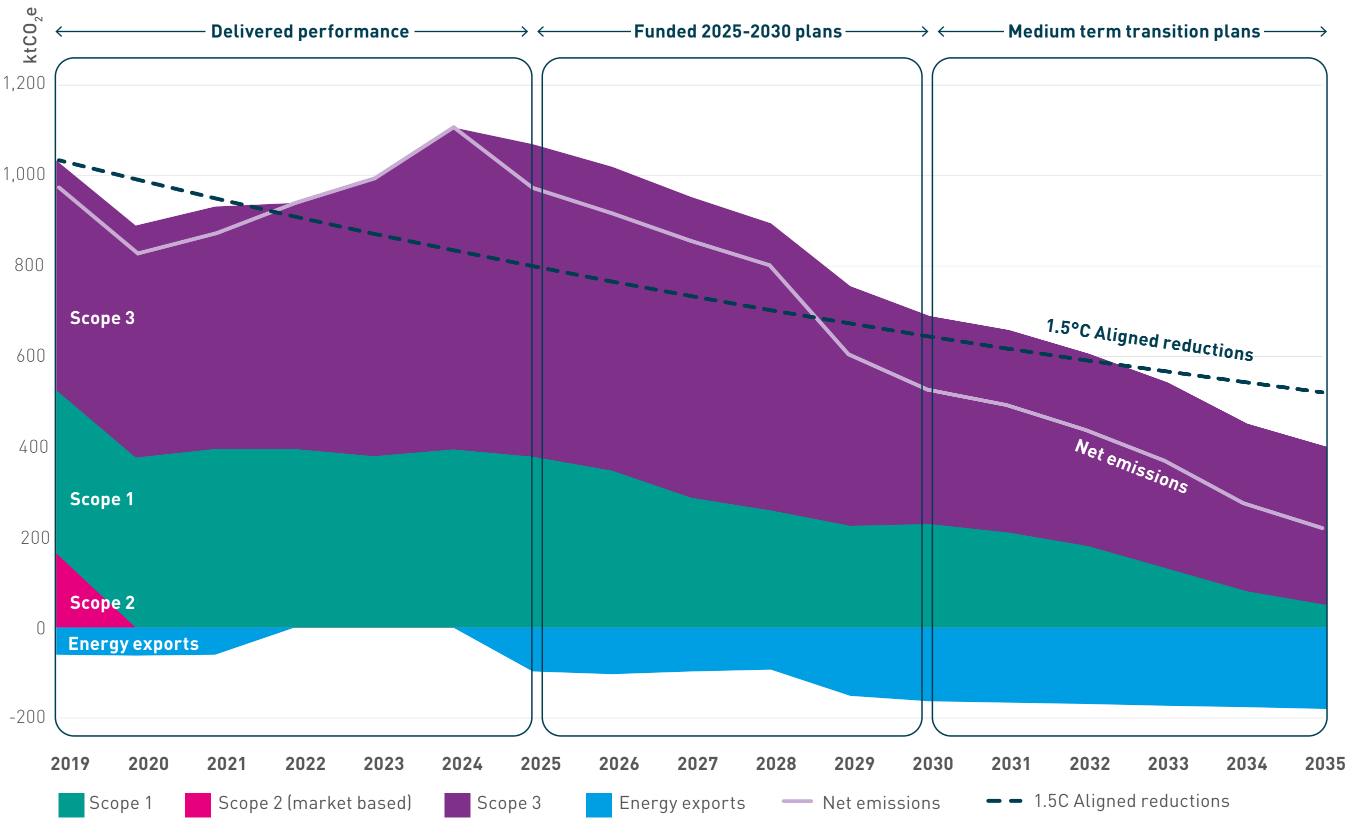
Our TCFD and TNFD disclosures on pages 29 to 43 outline our approach to climate and nature governance, risk management and our strategies to manage and adapt to the impacts of climate change.

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

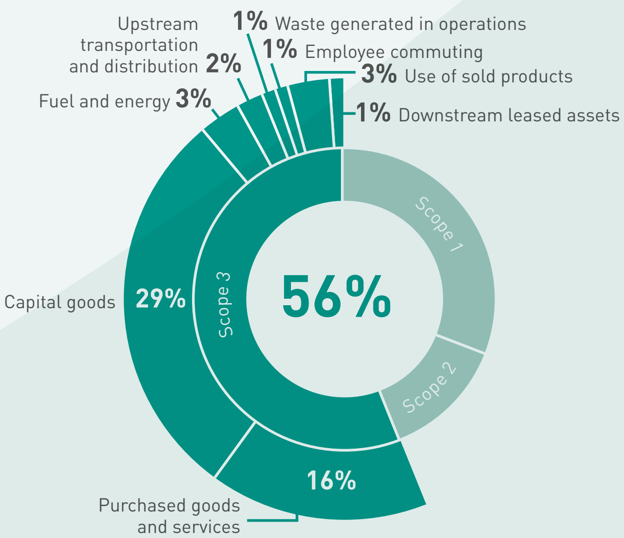
### Our Scope 3 challenge

The scale of investment over the next decade means that Scope 3 emissions will increase before they fall. Addressing capital carbon and the adoption of alternative solutions at scale are essential to achieving our long-term ambition. To do this, we must ensure we have a full understanding of our investment programme, working closely with our suppliers. This understanding will enable us to assess and set suitable targets for Scope 3 when our current SBT engagement target matures.

**The chart below shows our Scope 3 profile and how it will increase as a proportion of our total emissions**




## Better understanding our footprint



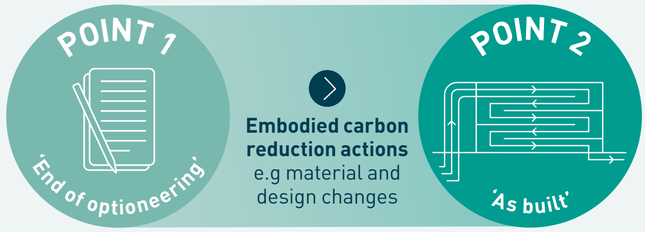

Improving the completeness and accuracy of our Scope 3 emissions inventory is essential to inform our approach. For our capital projects (emissions associated with construction and maintenance of our assets), we are increasing the use of in-house carbon calculators to calculate cradle-to-build emissions, which is now a mandatory requirement throughout the gated process for projects. Establishing a robust data set will provide crucial insights into carbon hotspots and opportunities for reductions.

For purchased goods and services we now collect volumetric data for chemicals which make up 7% of Scope 3 emissions. We are also starting to capture our supplier organisation-level emissions data, so that the emissions we report more accurately reflect reduction actions of our supply chain. Product carbon footprints will also form part of our approach to improve accuracy and inform decision making, however we are in the early stages of assessing supplier maturity and trialling how to best use this insight.

## Reducing our capital carbon emissions

We have a new bespoke ODI for AMP8 on capital carbon, aimed at driving data maturity and catalysing innovation to find lower-carbon ways of meeting increasing environmental standards. It calculates the difference in emissions between two stages in a project lifecycle, as shown in the diagram, where we can drive emissions down through design optimisation, material selection, build technique and on-site fuels. We are one of four water companies to have a bespoke ODI on capital carbon and are committed to sharing our learnings with the sector.

### Two stages in a project lifecycle




## Working in collaboration

Only through tackling this challenge with peers, suppliers and others outside of our industry, will we drive emissions down. This year we launched our Capital Carbon Innovation Forum to share knowledge, develop ways of working and collaborate on low-carbon solutions with key capital contractors. We are also collaborating with our peers in the sector to align our data requirements of suppliers.

We set clear expectations of all high-impact suppliers to improve emissions reporting and set their own SBTs to deliver carbon reductions. These requirements are embedded throughout our standard procurement process. Our dedicated Supply Chain Sustainability Team assesses capability and drives proposals for low carbon solutions specific to the product or service procured.

For our capital contractors, standard KPMs have been introduced to ensure compliance with our carbon calculator, and for other areas of sustainability such as waste performance.

## Trials and research

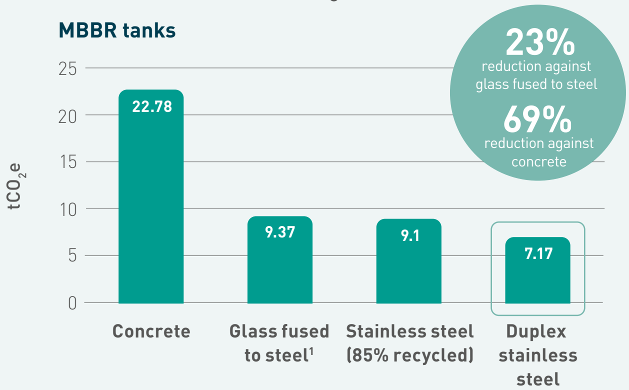
Driving Scope 3 emissions down will require us to work differently, and an important part of that is researching, testing and trialling alternatives.

### Capital carbon: Alternative low carbon materials to reduce embodied carbon

In order to accommodate future growth, treat larger volumes of wastewater and meet tightening permits for ammonia and phosphorus, we needed to expand facilities at our wastewater treatment site at Branton. Instead of using traditional materials to build four Moving Bed Biofilm Reactor ('MBBR') tanks and a sludge holding tank, we installed a series of above-ground duplex stainless steel tanks. This enabled a 23% carbon reduction for the MBBR tanks and a 23% carbon reduction for the sludge holding tank compared with traditional solutions. The tanks were manufactured off-site and installed above ground, making them quicker and cost effective to install, resulting in reduced excavation, reduced waste transported off site and reduced risk of pollution associated with pouring concrete.

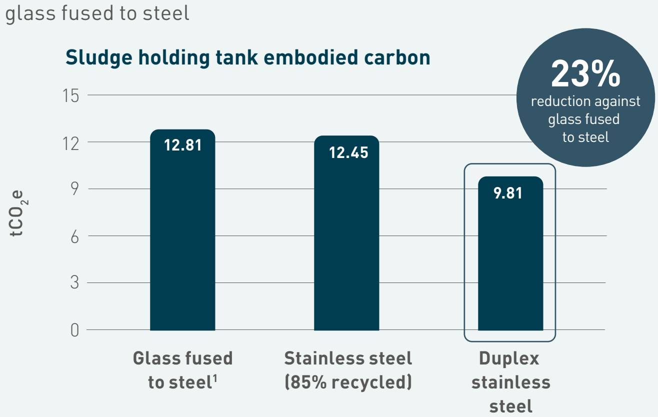
**MBBR tanks**

Above-ground duplex stainless steel tanks instead of glass fused to steel or concrete, below-ground tanks




**Sludge holding tank**

Above-ground duplex stainless steel instead of below-ground glass fused to steel




1 Estimated emission factor used for glass fused steel as no verified emission factor available.

### Sold product: Understanding emissions associated with recycling of biosolids to land

Once we treat sludge it becomes biosolids, which farmers spread on their land. This improves soil health and reduces dependency on, and use of, chemical fertilisers. The process of recycling biosolids to land produces methane and nitrous oxide emissions. To address this, we are investing in advanced treatment technologies to enhance biosolid quality, which further improves biosolid stability and reduces emissions emitted during storage and land application. We are also monitoring the nitrous oxide emissions associated with the land application of biosolids. The insights gained from this project will be instrumental in developing more precise and effective strategies to reduce emissions associated with biosolids.

### Purchased goods and services: Exploring low/no chemical solutions

Given the carbon impact of using chemicals, we are exploring options for low or no chemical solutions for water and wastewater treatment. One promising approach involves an innovative technology that induces particles to auto-coagulate, potentially reducing the dose required of traditional water treatment chemicals. Additionally, we are exploring coagulant recovery by reactivating ferric salts in potable water sludge, allowing it to be reused as an alternative coagulant for phosphorous removal in wastewater and reducing the volume of chemicals needed to be added to the treatment process.

## Summary of performance 2024/25

**The following table shows our annual GHG performance and accounts. Our emissions have fallen by 25% against our SBT of a 46% reduction by 2031 (on a 2019/20 baseline) driven predominantly by moving to 100% renewable electricity from our suppliers.**

Our emissions, per £ million turnover, have decreased year on year. However our Scope 1 emissions have increased by 4% from 2023/24, driven predominately by more accurate reporting from metered data of natural gas (c.80%) and a slight increase in use of natural gas. To generate heat in order to meet environmental standards, we have limited alternatives other than use of natural gas. We also use natural gas for THP and Acid Phase Digestion ('APD') which produce better quality sludge digestate and more renewable energy, but require high temperatures. However, THP produces less process emissions, at around half the total emissions of traditional anaerobic digestion, therefore reducing our Scope 1 emissions.

A slight increase in our process emissions in 2024/25 was driven by population growth – increasing the volume of sludge treated and our emissions from sold products – and as a result of measuring higher nitrous oxide emissions.

For Scope 2, we have imported less electricity. We also report zero emissions from our 100% renewable green tariff in our market-based emissions.

Our total Scope 3 footprint has increased by 14% from 2023/24 driven mainly by increased expenditure and activity on capital goods (which has increased by 32%). This reflects the significant increase in investment in our capital programme, which will continue into AMP8. Our bespoke carbon calculator was used on a limited number of projects, however this will increase in AMP8 when it will also be used for the capital carbon ODI. Conversely, there is a continued decrease in emissions from purchased goods and services due to the use of specific emissions factors, where available. Emissions from business travel have continued to increase along with market-based emissions for electricity (due to employees charging vehicles at home).

**Annual operational emissions – location and market based**

| Annual emissions ($tCO_2e$) | ST Plc baseline 2019/20 | ST Plc 2020/21 | ST Plc 2021/22 | ST Plc 2022/23 | ST Plc 2023/24 | ST Plc 2024/25[3] |
|---|---|---|---|---|---|---|
| Scope 1 – Combustion of fossil fuel on site | 18,363 | 29,669 | 48,716 | 51,167 | 51,905 | 64,771 |
| Scope 1 – Process emissions – Revised methodology[1] | 325,325 | 328,715 | 327,740 | 324,601 | 304,552 | 305,612 |
| Scope 1 – Process emissions – CAW methodology[2] | 150,266 | 155,441 | 149,515 | 138,724 | 146,740 | 152,355 |
| Scope 1 – Transport fleet | 17,860 | 17,914 | 18,968 | 19,656 | 22,849 | 23,820 |
| **Scope 1 Total Emissions** | **361,548** | **376,299** | **395,424** | **395,424** | **379,306** | **394,203** |
| | (186,489) | (203,024) | (217,199) | (209,547) | (221,494) | (240,946) |
| Scope 2 – Emissions (Electricity purchased for own use) – Location Based | 199,635 | 182,768 | 159,638 | 149,964 | 159,296 | 156,759 |
| Scope 2 – Emissions (Electricity purchased for own use) – Market Based | 163,581 | 1 | – | 8 | 113 | 501 |
| **Scope 1 and 2 Total Emissions – Location Based** | **561,183** | **559,067** | **555,062** | **545,388** | **538,602** | **550,962** |
| | (386,124) | (385,792) | (376,837) | (359,511) | (380,790) | (397,705) |
| **Scope 1 and 2 Total Emissions – Market Based** | **525,129** | **376,300** | **395,424** | **395,432** | **379,419** | **394,704** |
| | (350,070) | (203,025) | (217,199) | (209,554) | (221,607) | (241,447) |
| Scope 3 – Emissions (Business travel) | 1,447 | 343 | 620 | 958 | 1,204 | 1,496 |
| Scope 3 – Emissions (Outsourced bioresource activities) | 3,187 | 3,340 | 2,424 | 2,463 | 2,683 | 2,979 |
| Scope 3 – Emissions (Electricity transmission and distribution) | 16,985 | 15,718 | 14,127 | 13,719 | 13,781 | 13,855 |
| **Total Annual Gross Operational Emissions – Location Based** | **582,802** | **578,468** | **572,233** | **562,528** | **556,271** | **569,293** |
| | (407,743) | (405,193) | (394,008) | (376,650) | (398,459) | (416,036) |
| **Total Annual Gross Operational Emissions – Market Based** | **546,748** | **395,701** | **412,595** | **412,571** | **397,088** | **413,035** |
| | (371,689) | (222,426) | (234,370) | (226,694) | (239,276) | (259,778) |
| Gross Location Based operational GHG emissions of Severn Trent Plc per £m turnover | 316 | 317 | 294 | 260 | 237 | 235 |
| | (221) | (222) | (203) | (174) | (170) | (171) |

1 Process emissions revised methodology is based on: – Our direct monitoring and updated emission factors.
– Direct monitoring data reported as a two-year rolling average. See page 53 for further details.

2 The Carbon Accounting Workbook ('CAW') has been our historical and industry standard reporting method for process emissions, so is provided for transparency and comparison. All cumulative figures shown in ( ) include the CAW method.

3 2024/25 values use the revised Scope 1 process emissions numbers as described in footnote 1. Historic years' process emissions are updated using the methodology as per footnote 1.

### 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. We continue to see growth in this area. This energy displaces natural gas and electricity that might have come from fossil fuel 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 baseline 2019/20 | ST Plc 2020/21 | ST Plc 2021/22 | ST Plc 2022/23 | ST Plc 2023/24 | ST Plc 2024/25 |
|---|---|---|---|---|---|---|
| Estimated emissions benefit of the renewable electricity we export | 46,954 | 40,648 | 33,961 | 29,547 | 32,319[1] | 34,030 |
| Estimated emissions benefit of the renewable biomethane we export[2] | 32,926 | 45,006 | 54,032 | 73,393 | 77,699 | 82,067 |
| **Total avoided emissions** | **79,880** | **85,654** | **87,993** | **102,940** | **110,018** | **116,097** |

1 Historical number updated to include missing hydro generation.

2 Benefits calculated using the latest UK grid emissions factors.

### Biogenic emissions

This is our first year reporting our out-of-scope biogenic emissions. These come from the release of $CO_2$ associated with non-fossil fuel or organic sources. The scope of our reporting relates to emissions from the combustion and production of biofuels in our assets, with the main source being biogas and biomethane generated from the anaerobic digestion of sewage sludge. These have increased in line with increased generation, consumption and export of renewable biogas and biomethane. We are exploring methods to minimise and reduce these emissions.

| Biogenic emissions | ST Plc baseline 2019/20 | ST Plc 2020/21 | ST Plc 2021/22 | ST Plc 2022/23 | ST Plc 2023/24 | ST Plc 2024/25 |
|---|---|---|---|---|---|---|
| Biogenic emissions | 219,691 | 267,973 | 261,599 | 277,927 | 283,459 | 297,069 |

### 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 enhanced data on these areas in future.

| Scope 3 Emissions ($tCO_2e$) | ST Plc baseline 2019/20 | ST Plc 2020/21 | ST Plc 2021/22 | ST Plc 2022/23 | ST Plc 2023/24 | ST Plc 2024/25 |
|---|---|---|---|---|---|---|
| 1) Purchased goods and services | 161,171 | 160,710 | 219,777 | 242,856 | 213,113 | 199,323 |
| 2) Capital goods | 250,546 | 250,546 | 197,376 | 183,702 | 273,124 | 360,718 |
| 3) Fuel and energy-related activities – transmission and distribution | 21,148 | 15,718 | 14,127 | 13,719 | 13,781 | 18,417 |
| 3) Fuel and energy-related activities – upstream well to tank emissions | N/A | 8,715 | 13,909 | 13,714 | 19,438 | 19,045 |
| 4) Upstream transportation and distribution | 18,963 | 20,480 | 19,488 | 19,603 | 18,083 | 25,313 |
| 5) Waste generated in operations | 6,440 | 6,084 | 10,280 | 10,380 | 14,513 | 19,030 |
| 6) Business travel | 1,447 | 343 | 620 | 958 | 1,204 | 1,496 |
| 7) Employee commuting | 3,471 | 3,471 | 5,250 | 4,907 | 6,590 | 7,674 |
| 8) Upstream leased assets | N/A | N/A | N/A | N/A | 2,341 | 3,092 |
| 9) Downstream transportation and distribution | N/A | 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 | N/A |
| 11) Use of sold products | 32,907 | 33,568 | 37,454 | 36,995 | 38,564 | 39,113 |
| 12) End of life treatment of sold products | N/A | N/A | N/A | N/A | N/A | N/A |
| 13) Downstream leased assets | 10,469 | 10,469 | 15,104 | 14,493 | 13,109 | 9,139 |
| 14) Franchises | N/A | N/A | N/A | N/A | N/A | N/A |
| 15) Investments | N/A | N/A | N/A | N/A | N/A | N/A |
| **Total Scope 3** | **506,562** | **510,104** | **533,385** | **541,327** | **613,860** | **702,360** |

## Greenhouse gas reporting

Our GHG emissions are reported in tonnes of carbon dioxide equivalent ($tCO_2e$), for the period 1 April 2024 to 31 March 2025. We report our location-based and market-based emissions separately and report on 10 Scope 3 categories. We follow the practices set out by the GHG Protocol to report emissions from operations we financially control. All emissions reported are within the UK.

The emphasis on transparent and rigorous reporting remains a priority to ensure that we invest in the right areas. As reporting requirements and the supporting science evolves, it is important to distinguish between reporting method changes, such as where we change emission factors and actual increases or decreases in emissions. 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 of our emissions.

## Method for calculating process emissions

We present two company-level emissions baselines. The first baseline is generated using the latest version of the UK Water Industry Research ('UKWIR') methodology for estimating operational GHG, known as the CAW.

This baseline, mandated by our regulator, applies standard emission factors to the total loads treated at each of our operational sites.

Since 2021, we have invested in a direct monitoring programme at several of our wastewater treatment facilities. The data available through direct monitoring is more accurate, and consequently has supported us in publishing a second baseline.

Where direct monitoring data is available, we report this at a facility level using a two-year rolling average, which accounts for seasonal fluctuations. For the remainder of our facilities, we use an emission factor informed by internal and external monitoring work. Long-term measurement at Severn Trent and externally indicates variation in $N_2O$ production, believed to be due to environmental conditions and climate affecting the biology in the treatment process.

Our direct emissions monitoring encompasses facilities responsible for 43% of our wastewater treatment and 50% of our sludge treatment processes. Our fourth year of monitoring continues to confirm that real emissions are higher than UKWIR CAW estimates. However, when compared to the IPCC global factor, our emissions are typically lower. The latest assured methodology has been applied to our historical emissions to enable comparison.

## Assuring our data

The GHG data we report is shared with the Severn Trent Plc Corporate Sustainability Committee. The Group's independent non-financial assurer, Jacobs, assures our processes and GHG data in line with the principals of the ISO 14064 International Standard for GHG emissions, and concluded that our processes are consistent with the reporting requirements of the GHG Protocol.

In addition, we were re-certified to the Advancing Tier for the Carbon Trust Route to Net Zero Standard in 2024, which recognises the progress of an organisation on its journey to net zero. This included assurance to the principles of ISO 14064-3 International Standard for GHG emissions for our Scope 1 and 2 data and a small portion of our Scope 3 data, along with an extensive assessment of our ambition, governance, measurement, stakeholder engagement and implementation plans to reduce emissions. We scored well against this assessment and have built an improvement plan based on the recommendations.

# Report on Energy

**In line with energy and carbon reporting requirements, we have reported our energy consumption and generation for the last six years across the Severn Trent Group, which is also source data for the carbon emissions reported on page 52 of our NZTP.**

### Energy performance

This year, our gross electricity consumption was 1,009 GWh, reflecting a year-on-year increase of 2.6%. We experienced wet conditions during the year, which increased demand to move and treat wastewater. However, at the same time, demand for water was lower, reducing electricity demand on our water business. Our natural gas usage has increased year on year due to new assets coming onboard, use of THPs and improved reporting.

### Energy efficiency

Energy continues to be a substantial cost to our business. We have managed these costs proactively with a dedicated team whilst also training all our employees on energy efficiency principles. Over AMP7, we have invested £15.6 million in our energy efficiency programme which includes proactive maintenance of energy-intensive assets including pumps and air blowers, as well as enhancements in controls and monitoring to reduce energy use. Our Energy Management Policy and programme adheres to best practice outlined in ISO 50001, the International Energy Management Standard.

This year, we have submitted both our Energy Savings Opportunity Scheme ('ESOS') assessment and corresponding action plan to the EA. Our assessment involved reporting our total energy usage and seeking opportunities to cover 95% of our consumption.

### Energy generation

Severn Trent has a longstanding history of self-generating energy. Catalysed by our land-locked geography we turn our waste produce into a valuable resource, biogas, which we use in Combined Heat and Power ('CHP') engines to generate electricity and heat. This approach sets the groundwork for a comprehensive renewable energy portfolio across the Group, which has continued to expand through further investments in other renewable energy capabilities. This underscores our commitment to reduce our carbon footprint, increasing energy resilience and independence.

This year, we achieved an increase in renewable energy generation. This includes renewable biogas produced from the anaerobic digestion of sludge and food waste from our Bioresources and Green Power businesses respectively. Our Group businesses also generate energy through solar, wind, hydro and crop anaerobic digestion.

Through our Group activities we have generated 1,953 GWh, including the biogas combusted and used on site, with further growth expected in the near future. This year, we announced our plan to build four large-scale solar farms in Leicestershire, Warwickshire, North Yorkshire and Shropshire. All four projects have now progressed into the delivery phase and will increase our energy generation by up to 185 GWh.

### Methodology

All information is collected from metered data for electricity and gas imports and exports. Biomethane combustion data is calculated using assumptions based on metered data, and fuel use is reported based on financial records of fuel purchased. We apply assumptions on standard calorific values to convert all liquid and gas fuel types to a common energy metric (GWh), and the data is reported for the period 1 April 2024 to 31 March 2025. All energy usage reported is within the UK.

We have updated our energy performance table to improve clarity and facilitate easier calculation of percentages, reflecting the growing focus on energy reporting. This change aligns with Streamlined Energy and Carbon Reporting guidelines and has been verified through our third-line assurance process.

### Energy performance

| | All data is in GWh unless stated otherwise | ST Plc 2019/20 | ST Plc 2020/21 | ST Plc 2021/22 | ST Plc 2022/23 | ST Plc 2023/24 | ST Plc 2024/25 |
|---|---|---|---|---|---|---|---|
| **Consumption** | Electricity[8] | 974 | 980 | 964 | 976 | 983 | 1,009 |
| | Natural gas | 44 | 120 | 208 | 233 | 241 | 303 |
| | Liquid fuel[6,7] | 96 | 104 | 104 | 107 | 121 | 136 |
| | **Consumption excluding biogas** | **1,115** | **1,204** | **1,277** | **1,317** | **1,345** | **1,448** |
| | Biogas[4] | 1,061 | 1,003 | 921 | 843 | 799 | 1,041 |
| | **Total consumption** | **2,175** | **2,207** | **2,198** | **2,160** | **2,144** | **2,488** |
| **Generation** | Renewable electricity[1] | 378 | 358 | 330 | 306 | 300 | 351 |
| | Non-renewable electricity[2] | – | 12 | 43 | 48 | 63 | 65 |
| | Biomethane[3] | 181 | 245 | 336 | 403 | 457 | 496 |
| | **Generation excluding biogas consumed** | **559** | **616** | **709** | **757** | **820** | **912** |
| | Biogas[4] | 1,061 | 1,003 | 921 | 843 | 799 | 1,041 |
| | **Total generation** | **1,619** | **1,619** | **1,630** | **1,599** | **1,619** | **1,953** |
| **Import** | Electricity[5] | 780 | 784 | 752 | 775 | 769 | 757 |
| | Natural gas | 44 | 120 | 208 | 233 | 241 | 303 |
| | Liquid fuel (mobile)[6] | 76 | 80 | 73 | 76 | 93 | 101 |
| | Liquid fuel (stationary)[7] | 20 | 23 | 31 | 31 | 28 | 34 |
| | **Total import** | **921** | **1,008** | **1,064** | **1,116** | **1,131** | **1,196** |
| **Export** | Electricity | 184 | 174 | 160 | 153 | 149 | 164 |
| | Biomethane[3] | 181 | 245 | 336 | 403 | 457 | 496 |
| | **Total export** | **364** | **420** | **496** | **556** | **606** | **660** |
| **Intensity ratios** | **Total Import/Revenue (GWh/£m)** | **0.50** | **0.55** | **0.55** | **0.52** | **0.48** | **0.49** |

1 Renewable energy generation includes solar, wind, sewage AD, crop AD and hydro which is all backed by renewable accreditations.
2 Non-renewable generation includes natural gas CHP.
3 Biomethane is generated and exported to the grid and includes propane as a proportion of our biomethane exports due to requirements of the gas networks acceptance tests. All backed by renewable accreditations (excluding propane).
4 Biogas generated and combusted on site.
5 All electricity imported is backed by renewable accreditations since April 2020.
6 Fuel (mobile) includes transport, fleet and business travel.
7 Fuel (other) includes stationary applications including back-up generation.
8 Electricity includes import and self-generation including biogas and now also includes consumed on site.

# Our EU Taxonomy Disclosure

**Our strategy to be 'performance driven, sustainability led', means we seek to focus investment on driving social and environmental value whilst being transparent about the impact we have.**

In this disclosure we report against the EU Taxonomy voluntarily. This system uses two key themes:

- Eligibility – having business activities listed on the taxonomy with the potential to contribute to one of six sustainable objectives (set out on the next page); and
- Alignment – meeting complex criteria to substantially contribute to these objectives, whilst protecting other objectives from harm.

Reporting against this system gives us insight into areas for improvement, ensuring our resilience. We use this insight to drive impactful action whilst continuing to protect the environment against significant harm. The definition of 'significant harm' used in our analysis is set by the EU Taxonomy under the Do No Significant Harm ('DNSH') principle and utilises the equivalent UK legislation such as that issued by the EA. We take this action planning very seriously and have embedded objectives across our organisation as a result.

## Our update for 2024/25

We continue to report eligibility against five of the six environmental objectives. This year, we made progress in the following areas:

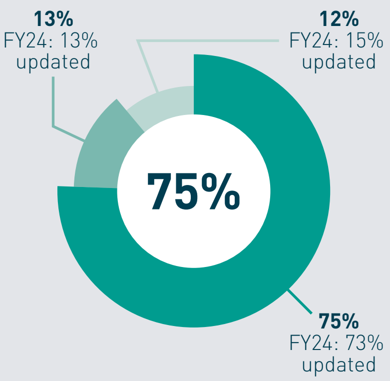
- We improved our alignment to the 'Sustainable use and protection of water and marine resources' objective by 48 percentage points in capex, aligning the activity Urban Wastewater Treatment ('UWWT'), as set out on the following page.
- We streamlined our eligibility reporting, eliminating overlap across EU Taxonomy activities. This has reduced from a list of 34 activities to 20, as summarised in the table on page 57.
- Included within this are four newly aligned activities, details of which are set out on page 56.
- We automated our financial processes, integrating EU Taxonomy mappings into our existing financial system, enabling a more accurate gap analysis. Read more on page 58.
- Through automation, we embedded a more accurate allocation between the construction and renewal activities for water and waste that we had previously assessed, and this has been externally assured. This change impacts our alignment percentage so we have presented our updated prior-year alignment to facilitate like-for-like comparison.

## Our alignment

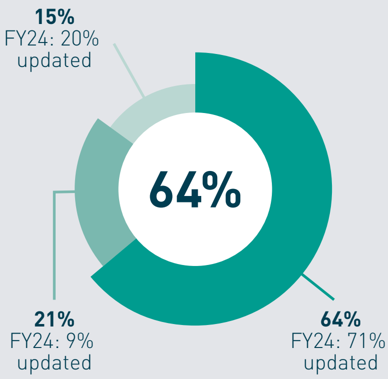
We currently report alignment to two objectives: 'Climate change mitigation' ('CCM') and 'Sustainable use and protection of water and marine resources' ('WTR'). We have eligible activities across three other objectives (Climate change adaptation, Transition to a circular economy and Protection and restoration of biodiversity and ecosystems) and continue to identify opportunities to expand this. As our alignment significantly overlaps between the CCM and WTR objectives, we have reported these separately below.

### Climate change mitigation objective

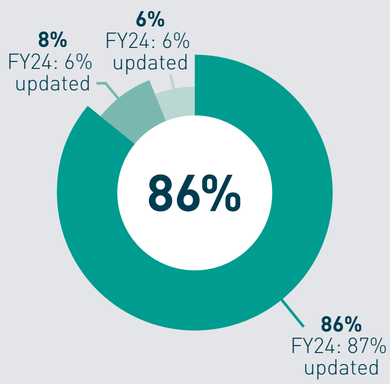
**Turnover**




**Operating expenditure**



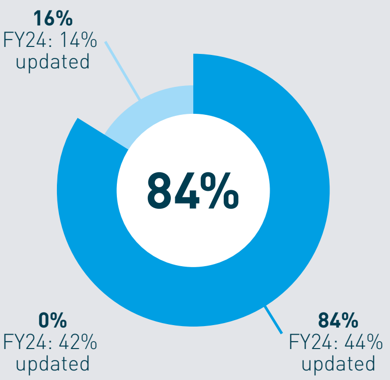

**Capital expenditure**



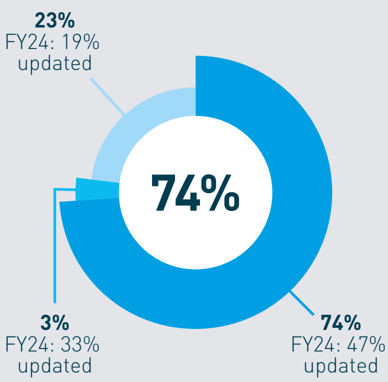

Eligible and aligned | Eligible and not aligned | Not eligible

### Sustainable use and protection of water and marine resources objective

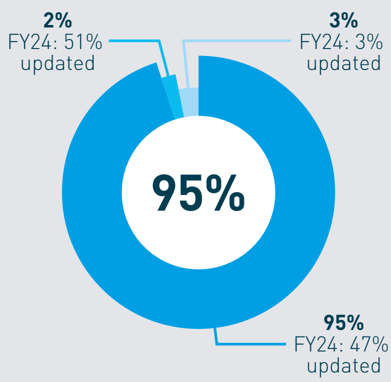
**Turnover**




**Operating expenditure**




**Capital expenditure**




Eligible and aligned | Eligible and not aligned | Not eligible

## Changes in our alignment

This year, we aligned four more economic activities to the EU Taxonomy objectives. The investment in our UWWT activity significantly impacts our alignment percentages, whilst we expect investment in the others to increase in future:

**1. UWWT**

The UWWT activity relates to our entire wastewater collection, treatment and recycling activity and represents 56% of our capex this year. This now aligns to the WTR objective. This quantum demonstrates how vital it is that we continue in our ambition to prevent serious pollutions and protect our rivers, preventing harm to the environment.

**2. Nature-based solutions**

This year, we dedicated time to understand the legislation and embed the EU Taxonomy criteria with teams responsible for nature-based solutions, incorporating these into existing processes and activities.

**3. Afforestation**

Working with the third parties who support our afforestation activity, we were able to confirm the criteria are met, in particular around avoiding the use of hazardous ingredients.

**4. Anaerobic digestion ('AD') of sewage sludge**

Our AD activity previously had one gap to alignment, relating to DNSH criteria for water and biodiversity protection. Along with the rest of the sector, we have been working with the EA to resolve concerns over the effectiveness of sludge containment in protecting water courses and limiting emissions. This year, we agreed our plans with the EA, submitting amended permit applications and securing over £274 million in our AMP8 Business Plan to implement the necessary mitigations over the next five years. This means the opex and capex associated with the containment upgrades is aligned this year as it is associated with a capex plan to achieve alignment.

## A focus on DNSH

**DNSH – Environmental Impact Assessment**

This year, the DNSH criteria to assess environmental impact to water and biodiversity and ecosystems were updated to be more rigorous and apply across all activities. This prompted us to review our environmental risk processes and we confirmed that we already operate at a level of rigour that meets and in some cases exceeds the standard set out in this DNSH criteria.

**DNSH – Pollutions**

In order to report alignment, we must meet the DNSH criteria on pollution prevention. The EU Taxonomy guidance points us to UK legislation on 'permissible' levels of pollutants to avoid significant harm. The EA has a set of targets against which we report our pollutions performance (as set out on page 18), which are provided within the EPA methodology.

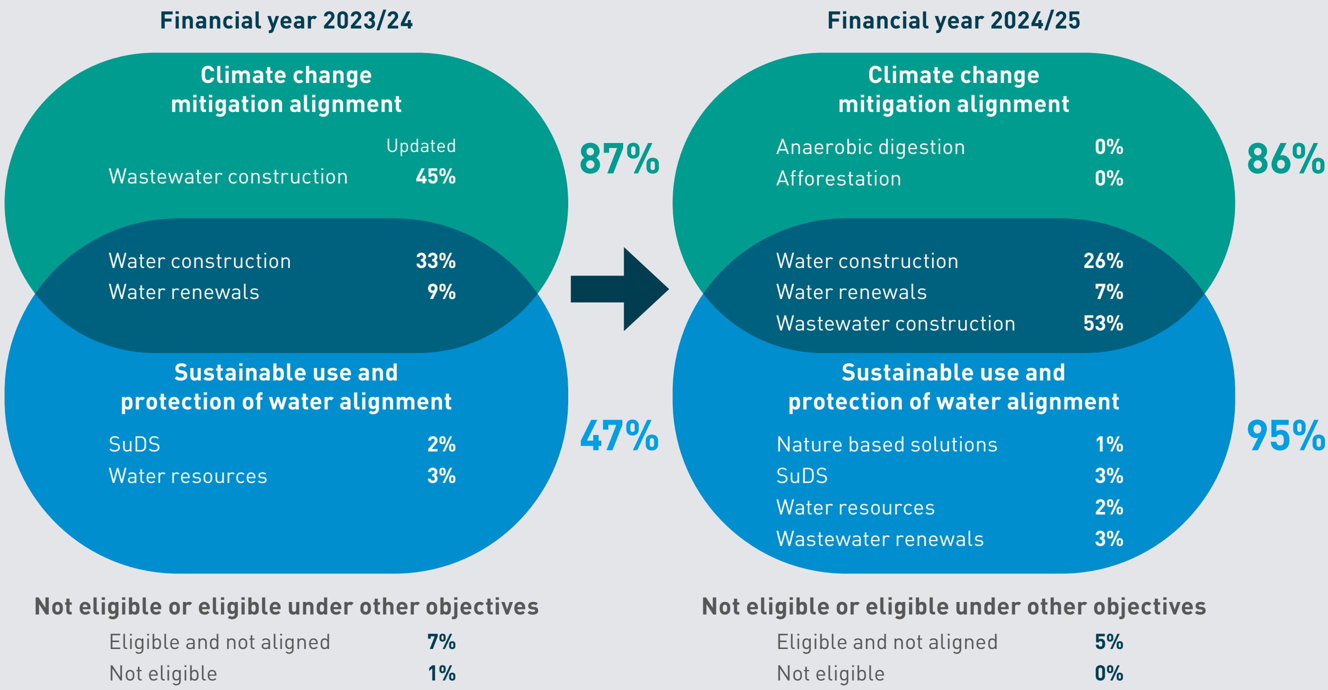
In previous years, we mapped the DNSH criteria against only the serious pollutions target. This year, we have bolstered our approach by incorporating the full range of EA targets, ensuring that our EU Taxonomy alignment mirrors our ambitions to do well on all targets.

We are green on all but one metric and amber on the number of total pollution incidents. We are confident of receiving EPA 4* status for the sixth year in a row, but we know we need to do more to improve our performance. We are increasing our already significant investment over the next 12 months in our people, assets and processes to improve further.

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|
| Climate change mitigation ('CCM') | Climate change adaptation ('CCA') | Sustainable use and protection of water and marine resources ('WTR') | Transition to a circular economy ('CE') | Pollution prevention and control ('PPC') | Protection and restoration of biodiversity and ecosystems ('BIO') |

### Total capex alignment profile

Set out below are the aligned activities within the two objectives to which they align, using our capex profile to demonstrate alignment values. This includes updated prior year figures to demonstrate like-for-like alignment changes in the year.



## Our aligned activities

Set out below is a summary of our analysis for the financial year 2024/25, outlining our eligibility and alignment for the 20 activities we now report against five of the six climate and environmental objectives.

| EU Taxonomy activity | Objective | Severn Trent activity that aligns to the criteria | Turnover (£m) | Opex (£m) | Capex (£m) | Turnover (%) | Opex (%) | Capex (%) |
|---|---|---|---|---|---|---|---|---|
| Construction, extension and operation of water collection, treatment and supply systems | CCM, CCA | Water network+ | 683 | 335 | 474 | 28% | 25% | 26% |
| Renewal of water collection, treatment and supply systems | CCM, CCA | Water network+ | 196 | 169 | 124 | 8% | 12% | 7% |
| Construction, extension and operation of wastewater collection and treatment | CCM, CCA | Waste network+ | 932 | 350 | 963 | 38% | 26% | 53% |
| Anaerobic digestion of sewage sludge | CCM, CCA | Bioresources | 14 | 7 | 3 | 1% | 1% | 0% |
| Afforestation | CCM, CCA | Biodiversity and conservation | 1 | 1 | 1 | 0% | 0% | 0% |
| **Climate change mitigation (eligible and aligned)** | | | **1,826** | **862** | **1,565** | **75%** | **64%** | **86%** |
| Construction, extension and operation of water collection, treatment and supply systems | CCM, CCA | Water network+ | 41 | 50 | 5 | 2% | 4% | 0% |
| Renewal of water collection, treatment and supply systems | CCM, CCA | Water network+ | 1 | 20 | 6 | 0% | 2% | 0% |
| Construction, extension and operation of wastewater collection and treatment | CCM, CCA | Waste network+ | 4 | 2 | 14 | 0% | 0% | 1% |
| Renewal of wastewater collection and treatment | CCM, CCA | Waste network+ | 76 | 90 | 67 | 3% | 7% | 4% |
| Anaerobic digestion of sewage sludge | CCM, CCA | Bioresources | 142 | 70 | 30 | 6% | 5% | 2% |
| Composting of bio-waste | CCM, CCA | ST Green Power | 7 | 4 | 0 | 0% | 0% | 0% |
| Electricity generation using solar photovoltaic technology | CCM, CCA | ST Green Power | 3 | 1 | 0 | 0% | 0% | 0% |
| Electricity generation from wind power | CCM, CCA | ST Green Power | 4 | 1 | 0 | 0% | 0% | 0% |
| Electricity generation from hydropower | CCM, CCA | ST Green Power | 0 | 0 | 0 | 0% | 0% | 0% |
| Electricity generation from bioenergy | CCM, CCA | ST Green Power | 6 | 4 | 0 | 0% | 0% | 0% |
| Anaerobic digestion of bio-waste | CCM, CCA | ST Green Power | 50 | 36 | 10 | 2% | 3% | 1% |
| Cogeneration of heat/cool and power from bioenergy | CCM, CCA | ST Green Power | 5 | 3 | 0 | 0% | 0% | 0% |
| Forest management | CCM, CCA | Biodiversity and conservation | 0 | 0 | 0 | 0% | 0% | 0% |
| **Climate change mitigation (eligible and not aligned)** | | | **339** | **281** | **132** | **13%** | **21%** | **8%** |
| Water supply | WTR | Water resources, Water network+ | 1,028 | 561 | 640 | 42% | 41% | 35% |
| Sustainable urban Drainage Systems ('SuDS') | WTR | SuDS | 21 | 10 | 51 | 1% | 1% | 3% |
| Urban wastewater treatment | WTR | Waste network+ | 984 | 428 | 1,027 | 40% | 31% | 56% |
| Nature-based solutions for flood and drought risk prevention and protection | WTR | Catchment management, reed beds | 16 | 7 | 12 | 1% | 1% | 1% |
| **Sustainable use and protection of water and marine resources (eligible and aligned)** | | | **2,049** | **1,006** | **1,730** | **84%** | **74%** | **95%** |
| Water supply | WTR | Water resources | 1 | 38 | 18 | 0% | 3% | 1% |
| Urban wastewater treatment | WTR | Waste network+ | 0 | 2 | 17 | 0% | 0% | 1% |
| **Sustainable use and protection of water and marine resources (eligible and not aligned)** | | | **1** | **40** | **35** | **0%** | **3%** | **2%** |
| Phosphorus recovery from wastewater | CE | Innovation | 0 | 0 | 0 | 0% | 0% | 0% |
| **Transition to a circular economy (eligible and not aligned)** | | | **0** | **0** | **0** | **0%** | **0%** | **0%** |
| Conservation, including restoration, of habitats, ecosystems and species | BIO | Biodiversity and conservation | 11 | 5 | 8 | 0% | 0% | 0% |
| **Protection and restoration of biodiversity and ecosystems (eligible and not aligned)** | | | **11** | **5** | **8** | **0%** | **0%** | **0%** |
| **Aligned activities*** | | **Total aligned activities** | **2,064** | **1,014** | **1,734** | **85%** | **75%** | **95%** |
| **Eligible activities** | | **Total eligible activities (aligned and not aligned)** | **2,293** | **1,178** | **1,818** | **94%** | **87%** | **100%** |
| Non-eligible activities | | | 134 | 175 | 4 | 6% | 13% | 0% |
| **All activities**** | | **Total business activities** | **2,427** | **1,353** | **1,822** | **100%** | **100%** | **100%** |

* Our final alignment percentages of 85% of turnover, 75% of opex and 95% of capex were subject to third line assurance by DNV Business Assurance Services UK Limited ('DNV'). These figures exclude any overlap between our water and wastewater activities that align to both CCM and WTR objectives.

** Totals are derived from the statutory accounts included within this report. Operating costs here exclude depreciation and the charge for bad and doubtful debts. Capital expenditure excludes fair value adjustments to assets adopted at nil cost.

## Our gap analysis

Using our gap analysis, we have increased alignment by over 20 percentage points in each of the three financial KPIs since our first EU Taxonomy disclosure.

Our processes are now stronger and our organisation is highly engaged and collaborative. Using the insights from our analysis, we drive action and identify opportunities to improve, setting challenging objectives for the future.

Our focus areas for future periods include:

– Embedding climate change adaptation risk planning across the wider Group. Expanding on our progress to date, building resilience in all areas of our organisation will enable us to report alignment for the activities of both Severn Trent Green Power Limited and Severn Trent Services Operations UK Limited in the next 12 months.
– Embedding conservation and biodiversity processes that align with the EU Taxonomy criteria. This year, we held a workshop with subject matter experts in biodiversity, conservation and forestry activities, to better understand gaps in alignment to the 'Climate change mitigation' objective and agree a targeted action plan:

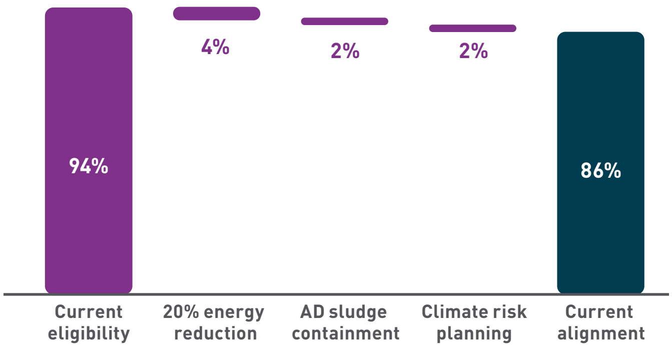
| Activity | Next steps | Investment |
|---|---|---|
| Conservation | – Adapt management plans to incorporate criteria<br>– Finalise physical climate risk assessment processes | £8 million |
| Forest management | – Implement a process to calculate and analyse the climate benefit of forest management activities | £nil |

– Reducing energy consumption in our wastewater activities by 20% to meet the substantial contribution criteria for wastewater renewals in the CCM objective. Since our first alignment review in 2023, our Energy Team has incorporated the EU Taxonomy criteria into our existing ambitions to target energy consumption reductions across the Group, striving for alignment in the activity 'Renewal of wastewater collection and treatment'. We have dedicated Energy Champions across the business who identify energy-saving opportunities and implement 'quick wins' to drive energy efficiency through small-scale projects. Where this activity has driven energy consumption down by 20%, we will be able to report the investment as aligned. However, as a water and wastewater business, our energy consumption is strongly linked to the climate, particularly the level of rainfall. Therefore, identifying investment that has driven an energy reduction not impacted by a change in weather has its challenges. Our profile is likely to change each year as a result. We report 86% of our energy use from renewable sources, against our ambition of 100% by 2030, and continue to identify ways to minimise energy consumption.

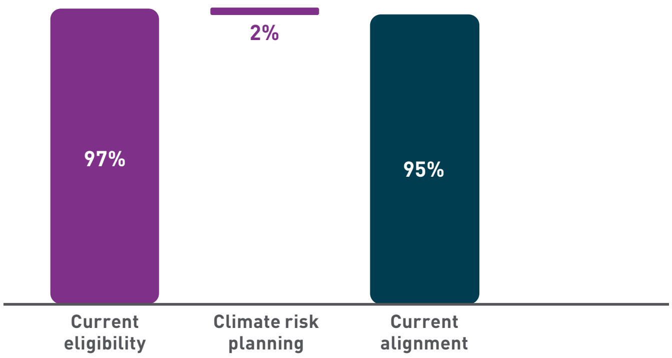
### Gap analysis 2024/25

Set out below are the key gaps between eligibility and alignment for capex in the CCM and WTR objectives.

**Gap analysis – Climate change mitigation capex**




**Gap analysis – Sustainable use and protection of water capex**




**This year we contributed to the UK Government's consultation on the value of a standalone UK Taxonomy, where we outlined our support for legislating the existing EU Taxonomy structure, supported by guidance specific to UK law. This offers a simplified approach to those already caught by mandatory reporting in the EU and allows us to maintain the processes we already established.**

Melton Wastewater Treatment Works

## Our approach

Our analysis is conducted in three stages:

**1. Eligibility Assessment:** We review available EU regulations and guidance to identify all eligible activities within our business. We compile a list of these activities and work collaboratively with subject matter experts to collate data necessary for the activity analysis.

**2. Activity Analysis:** We review all technical screening criteria, DNSH, and Minimum Social Safeguard requirements for every activity, including those previously reported as aligned to ensure our analysis remains up to date. The results of the analysis for Severn Trent Water are subject to an independent, third line assurance review by DNV.

**3. Financial Mapping:** After identifying eligible and aligned activities, we use existing and adapted reports from our financial systems to report the financial KPIs (turnover, opex, capex) in line with the definitions included in the EU Taxonomy legislation.

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.

## Financial methodology

We voluntarily report financial KPIs (turnover, opex and capex) against the objectives of the EU Taxonomy using our existing financial system and processes, which is used to produce our statutory and regulatory accounts. Our financial analysis uses International Financial Reporting Standards ('IFRS'), and reconciles to the turnover, opex and capex reported in our statutory accounts in this Annual Report.

### Calculating the financial KPIs

- Turnover is income received for products or services.
- Opex includes maintenance, servicing, renovations and short-term leasing costs. It includes costs associated with a plan to reach alignment in the next five years. We have included opex on our leakage reduction targets and sludge containment on this basis, as set out below. Centralised costs not directly attributable to activities, such as those related to HR, Finance and Strategy, are excluded.
- Capex relates to tangible and intangible asset investment that is either already aligned or is part of a plan to reach alignment in the next five years ('capex plans'). Depreciation and amortisation are excluded. Our capex plans include achieving a 20% leakage reduction by 2025/26 and implementing sludge containment solutions for our AD activity by 2030.
- For the CCA objective, only the opex and capex associated with making an activity climate resilient are included. We expect to increase investment in adaptation-aligned activities and for this to be reported in future disclosures.

### Assurance

As part of our commitment to disclose robust and transparent information, we continue to use an independent, 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. Our analysis for other companies in our Group was subject to internal first- and second-line assurance. The DNV assurance statement is available on our website.

## Activity assessment methodology

### The EU Delegated Acts

To compile this disclosure we review our economic activities based on the EU Taxonomy Regulation, which is made up of the 'Delegated Acts' and any additional guidance released to date, including:

**The Climate Delegated Act (EU) 2021/2139** 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 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** 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

### EU Taxonomy alignment assessment

**1.** Does it make a substantial contribution to an environmental objective?

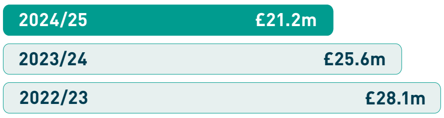
**2.** Does it do no significant harm to other objectives?

**3.** Does it meet minimum social safeguards?

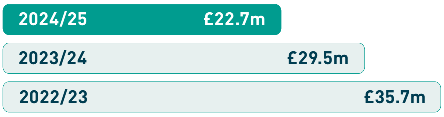
# Business Services Performance Review

**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. You can read more about the performance of Business Services over the year within the Chief Financial Officer's Review on pages 61 to 67.**

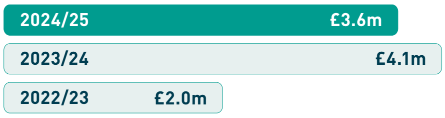
**Operating Services EBITDA**




**Green Power EBITDA**




**Property Development EBITDA**




## Operating Services

Operating Services provides a variety of operational water and wastewater services to clients across the UK, including the Ministry of Defence and the Mining Remediation Authority. We also have a reports-based service which produces water and drainage search reports for conveyancing solicitors with clients that are buying domestic or commercial properties.

Oren Environmental, our reedbed refurbishment and natural capital solution business, grew significantly in the year and delivered several projects for Severn Trent Water to assist with its spills programme.

We were delighted with the growth in Aqualytix, the legionella monitoring and water treatment business within the Group. Profit more than doubled, with strong underlying growth assisted by the successful integration of Lakeside Water and Building Services Limited.

Severn Trent Searches increased profit significantly by 28% as the residential property market recovered throughout the year.

## Green Power

As the UK's largest producer of renewable energy from food waste in the UK, Green Power provides cost-effective and sustainable recycling solutions through its 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 AD facilities and four composting sites that recycle over 500,000 tonnes of food waste and more than 100,000 tonnes of green waste each year. We operate a diverse portfolio of renewable energy production facilities, including 30 solar parks, five sites with rooftop solar, six wind turbines and eight hydro-electric turbines. As part of our ambitious plans, Green Power has started a major growth project which will see construction of four large-scale solar sites, generating an additional 185 GWh of energy each year.

In 2024/25, we generated 327 GWh of green energy, representing 8% year-on-year growth. This has been achieved by continuing to deliver an average of 94% plant efficiency across our portfolio whilst seeing the benefits of additional improvements at Stoke Bardolph and the recently refurbished sites at Derby and Cassington.

## 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 2017 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 1,500 acres of land for redevelopment as part of our plan to facilitate the delivery of up to 5,600 new homes and over nine million square feet of commercial space, which will create up to 10,000 new jobs.

Roundhill Green Power site

# Chief Financial Officer's Review

**Helen Miles**
Chief Financial Officer

| Adjusted basic EPS | RCV | RoRE |
|---|---|---|
| 112.1p | £13.7bn | 9.3% |
| 2023/24: 79.4p | 2023/24: £12.5bn | 2023/24: 7.8% |

**We have delivered strong financial performance in the year ahead of expectations. PBIT of £590.2 million (2023/24: £511.8 million) was up over 15% on the previous year, reflecting higher revenue and lower energy costs. With lower finance costs, mainly due to our higher capital programme increasing the amount capitalised, profit before tax was 59% higher at £320.1 million.**

Our balance sheet remains strong with gearing at 62.7%. We continue to invest for the long term, delivering operational outperformance and sector-leading ODI rewards. We look forward confidently into AMP8 with the prospect of substantial EPS and RCV growth driving increasing shareholder value.

A summary of our financial performance for the year is set out below:

| | **2025 £m** | 2024 £m | Better/(worse) £m | Better/(worse) % |
|---|---|---|---|---|
| Turnover | **2,426.7** | 2,338.2 | 88.5 | 3.8 |
| PBIT | **590.2** | 511.8 | 78.4 | 15.3 |
| Net finance costs | **(243.9)** | (281.5) | 37.6 | 13.4 |
| Gains/losses on financial instruments, share of results of joint venture and impairment of loans receivable | **(26.2)** | (29.0) | 2.8 | 9.7 |
| Profit before tax | **320.1** | 201.3 | 118.8 | 59.0 |
| Tax | **(90.7)** | (61.1) | (29.6) | (48.4) |
| Profit for the year | **229.4** | 140.2 | 89.2 | 63.6 |

Group turnover was £2,426.7 million (2023/24: £2,338.2 million), up £88.5 million (3.8%), driven mainly by higher revenues in our Regulated Water and Wastewater business (up £97.0 million). Turnover included £99 million of ODI rewards billed in the year (2023/24: £91 million).

Group PBIT was up £78.4 million (15.3%) to £590.2 million. Regulated Water and Wastewater PBIT grew by £106.2 million as we held operating costs broadly flat against higher revenue. In Business Services, PBIT was £15.9 million lower as we faced margin pressures on the Ministry of Defence contract in Operating Services from higher than expected wholesale water and wastewater costs and, as expected, Green Power was impacted by lower energy prices.

Net finance costs were £37.6 million lower. Lower inflation in the period reduced the cost of our index-linked debt and capitalised interest increased with the growth of our capital programme. Our effective interest cost was 40 bps lower at 4.3% (2023/24: 4.7%) but our effective cash cost of interest (which excludes the inflation uplift on index-linked debt) increased to 3.4% (2023/24: 3.2%), reflecting increasing rates on new debt issued.

Our adjusted effective tax rate of 0.1% remained broadly unchanged from 2023/24. The tax charge of £90.7 million reflects our full effective tax rate this year of 28.3%, higher than the statutory rate of 25% due to expenditure that is not deductible for tax. In 2023/24, true ups for tax provisions from earlier years increased the effective tax rate to 30.4%.

Group profit after tax was £229.4 million (2023/24: £140.2 million) and our adjusted basic EPS was 112.1 pence (2023/24: 79.4 pence) reflecting the increase in earnings partially offset by a full year's impact of the increase in the number of shares from the equity placing in October 2023. Basic EPS was 76.6 pence (2023/24: 51.0 pence).

Our balance sheet remains strong. At 31 March 2025, our Group adjusted net debt was £8,545.3 million (2024: £7,187.9 million). Our regulated gearing, based on the RCV published by Ofwat, is 62.7% (2024: 61.3%).

On an IAS 19 basis, our net pension deficit is £119.8 million (2024: £213.0 million). We paid contributions of £69.7 million, in line with our funding plan, and net valuation adjustments to assets and liabilities further reduced the deficit by £37.8 million. Net finance costs from interest on the opening deficit were £10.3 million and there were administration costs of £4.0 million.

Group retained earnings at 31 March 2025 were £(78.1) million. As set out in the Regulated Water and Wastewater section below, this does not include the significant value we have generated in our regulated water businesses but is not recognised under IFRS, including, for example, net ODI rewards earned in the year. The International Accounting Standards Board ('IASB') has made significant progress in developing a new accounting standard for Rate Regulated Activities and expects to publish a new accounting standard in the second half of 2025. Based on the proposals in the IASB's Exposure Draft, we expect the new standard to result in the Group recognising significant regulatory assets and retained earnings at the point of adoption of the new standard that would result in positive retained earnings.

Operational cash flow was £868.8 million (2023/24: £760.8 million) as EBITDA increased by £118.4 million. Cash capex was £1,538.0 million, up £391.8 million due to the increasing capital programme. Net cash returns to debt investors were £254.2 million and dividends paid to shareholders were £356.0 million. After other net cash inflows of £0.6 million, net cash outflow before changes in net debt was £1,278.8 million (2023/24: inflow of £64.9 million after the equity raise of £1 billion).

Severn Trent Water's Return on Regulated Equity ('RoRE') for the year was 9.3% on a notional basis, 530 bps above the base return of 4.0%. Outperformance came mainly from our customer ODI reward of £150 million, with 83% of our measures at or ahead of target, and financing, reflecting our continued low cash interest cost and the impact of higher inflation in the year compared with Ofwat's assumption in the Final Determination. In line with our guidance, totex reduced RoRE by 180 bps in the year leading to a reduction of 110 bps for the AMP.

Our proposed final dividend of 73.03 pence (2023/24: 70.10 pence) is in line with our inflation-linked dividend policy and will be payable on 15 July 2025.

### Regulated Water and Wastewater

Turnover for our Regulated Water and Wastewater business was £2,249.0 million (2023/24: £2,152.0 million) and PBIT was £585.8 million (2023/24: £479.6 million).

| | **2025** | 2024 | Better/worse | |
|---|---|---|---|---|
| | **£m** | £m | £m | % |
| Turnover | **2,249.0** | 2,152.0 | 97.0 | 4.5 |
| Net labour costs | **(244.6)** | (200.9) | (43.7) | (21.8) |
| Net hired and contracted costs | **(274.5)** | (251.8) | (22.7) | (9.0) |
| Energy | **(192.0)** | (283.0) | 91.0 | 32.2 |
| Bad debts | **(34.5)** | (27.3) | (7.2) | (26.4) |
| Other costs | **(323.4)** | (291.9) | (31.5) | (10.8) |
| | **(1,069.0)** | (1,054.9) | (14.1) | (1.3) |
| Infrastructure renewals expenditure | **(148.5)** | (207.2) | 58.7 | 28.3 |
| Depreciation | **(445.7)** | (410.3) | (35.4) | (8.6) |
| PBIT | **585.8** | 479.6 | 106.2 | 22.1 |

Turnover increased by £97.0 million compared to 2023/24. There was an underlying revenue increase of £132.3 million driven by the following movements:

- an increase of £83.5 million from the annual CPIH + K increase in prices;
- a £25.5 million increase as the 2023/24 revenue reflected an adjustment for over-billing in 2021/22 as revenue recovered more quickly than estimated after COVID-19; and
- a £23.3 million increase due to several other small variances including higher non-household consumption.

The underlying increase was offset by infrastructure renewal income, mostly in relation to HS2 work, which was £35.3 million lower year on year. This offsets in infrastructure renewals expenditure.

Net labour costs of £244.6 million were 21.8% higher than 2023/24. Investment in growing our front-line teams to drive performance improvements in key areas such as flooding, spills and pollutions, and additional headcount to deliver our biggest ever capital programme, increased basic pay by £31.0 million. The annual pay review increased basic pay by £20.4 million and on-costs such as pension and National Insurance added a further £12.9 million. Improved operational performance and headcount growth increased the bonus paid to all employees by £6.3 million. These costs were partly offset by higher capitalised salaries, up £27.4 million.

During the year we took the decision that, in recognition of the strong focus on Executive pay across the sector, all Executive Director bonuses and long-term incentive awards would be charged to, and funded by, Severn Trent Plc. These costs are therefore borne by shareholders rather than customers. The decision was taken after the previous year's annual report had been approved and therefore these costs were accrued in the Regulated Water and Wastewater segment last year. In the current year, the costs for 2023/24 and 2024/25 have been charged to Corporate costs, which now includes a reclassification of £6.1 million of the Executive Directors' variable pay from Regulated Water and Wastewater to the Corporate and other segment.

Net hired and contracted costs increased by £22.7 million (9.0%). The insourcing of our reactive waste gangs last year has resulted in a £7.0 million reduction in our third-party gang costs. This was offset by £5.5 million in relation to a planned step up in the Green Recovery programme and £3.1 million increase for tankering and jetting. Technology support and licencing costs increased by £9.9 million, driven mostly by investment in new technology (such as Kraken and a new field planning system) and additional headcount. The remaining increase is driven by additional gangs to support an 11% increase in leakage jobs and higher costs of our grounds-maintenance contracts.

Energy costs were £91.0 million or 32.2% lower, driven by the lower wholesale weighted average price of electricity on imports. The weighted average price of electricity imports for our treatment works was £214/MWh in 2024/25 compared to £347/MWh in 2023/24, driving an £89.0 million saving. The remaining variance is driven by lower consumption.

Bad debt charges increased by £7.2 million, mainly due to higher household revenue. Underlying collection performance has remained strong, with the increase in bad debt charge reflecting uncertainty in the macro-economic environment as it increased to represent 2.1% of household revenue (2023/24: 1.5%).

Other costs were £31.5 million higher compared to 2023/24. Higher business rates resulted in a £7.1 million increase and a further £7.8 million was driven by higher regulatory fees, mostly EA abstraction consent. The remaining variance is driven by a number of smaller increases in relation to chemicals, plant hire and materials.

Infrastructure renewals expenditure was £58.7 million lower compared to 2023/24, £35.3 million of which is due to lower HS2 activity, most of which offsets the lower infrastructure revenue above. The remaining reduction is driven by a higher proportion of capital works, mostly in relation to mains renewal delivering longer-term solutions, partly offset by additional investment in communication pipe renewal work.

Depreciation of £445.7 million was £35.4 million higher due to our increasing asset base as we closed AMP7.

## Return on Regulated Equity

RoRE is a key performance indicator for the regulated business and reflects our combined performance on totex, customer ODIs and financing compared with the base return allowed in the Final Determination.

Severn Trent Water's notional RoRE for the year ended 31 March 2025, and for the five years ended on that date, is set out in the following table:

| | 2024/25 % | AMP7 % |
|---|---|---|
| Base return | 4.0 | 3.9 |
| Enhanced RoRE reward[1] | – | 0.1 |
| ODI outperformance[2] | 3.8 | 1.7 |
| Wholesale totex performance[3] | (1.8) | (1.1) |
| Retail cost performance | (0.5) | (0.2) |
| Financing outperformance | 3.8 | 4.2 |
| **Return on Regulated Equity[4]** | **9.3** | **8.6** |

1 Fast track reward taken over the first two years of AMP7.
2 ODI performance includes Per Capita Consumption ('PCC'), updated for Ofwat's post-intervention PCC performance, and forecast C-MeX and D-MeX outturn.
3 Includes impact of land sales. All calculated in accordance with Ofwat guidance set out in RAG 4.13, which precludes adjustment for corporation tax.
4 Calculated in accordance with Ofwat guidance set out in RAG 4.13 and in IN25/02, which includes Ofwat's AMP7 tax true-up mechanism.

We have delivered RoRE of 9.3% in the year, outperforming the base return by 5.3% as a result of:

- ODI outperformance of 3.8%, driven by strong delivery across the majority of measures, with 83% meeting or exceeding regulatory targets. Over the course of the AMP, we have delivered £434 million of ODI rewards in nominal terms post-sharing; and
- financing performance of 3.8%, driven by our AMP7 financing strategy of maintaining a low level of index-linked debt and the tax benefit of full expensing of capital allowances.

## 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

Our first measure gives an indication of the economic value generated by the Group over the whole AMP.

Each year Ofwat publishes the Final Determination RCV for each company which sets out the RCV updated for inflation. For this year, this metric includes costs that have been added to the RCV as 'midnight adjustments' between the end of the current AMP and the start of the next. Our Economic RCV, which we introduced last year and includes estimates of these items, is the same as the FD RCV for Severn Trent Water and Hafren Dyfrdwy combined for this year.

Our Economic Equity Value Added metric measures the growth in our Economic RCV and investment in our non-regulated business net of changes in net debt, pension liabilities and cash tax. We measure this over the AMP period:

| | 2024/25 £m | AMP7 opening £m | Value added £m |
|---|---|---|---|
| Economic RCV* | **13,657** | 9,382 | 4,275 |
| Revenue earned not billed | **501** | – | 501 |
| Regulated economic value | **14,158** | 9,382 | 4,776 |
| Other Group investments | | | 132 |
| Change in net debt, pensions liabilities and cash tax | | | (2,227) |
| Retained Economic Equity Value Added | | | 2,681 |
| Cashflows to equity holders | | | 175 |
| Economic Equity Value Added | | | 2,856 |

* Economic RCV is the sames as RCV after midnight adjustments in accordance with Ofwat guidance in IN25/02.

The components of the Economic RCV are shown below:

| | 2024/25 £m | AMP7 opening £m | Value added £m |
|---|---|---|---|
| RCV per PR19 FD | **12,385** | 9,382 | 3,003 |
| Green Recovery | **557** | – | 557 |
| Real Options | **134** | – | 134 |
| Transitional Expenditure | **442** | – | 442 |
| Other adjustments | **139** | – | 139 |
| Economic RCV | **13,657** | 9,382 | 4,275 |

The Green Recovery RCV represents our investment 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 for delivery of environmental benefits.

Transitional expenditure is investment that we have brought forward into AMP7 from AMP8 under Ofwat's transitional expenditure mechanism but was not included in the RCV until the start of AMP8.

Other RCV adjustments consist 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.

## 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.

| | 2024/25 £m | 2023/24 £m |
|---|---|---|
| Adjusted IFRS earnings (see financial statements note 14) | **336** | 218 |
| Change in revenue earned not billed | **263** | 76 |
| RCV inflation | **414** | 526 |
| **Total regulatory income** | **1,013** | 820 |

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 2024 | 37 | 133 | 138 | (70) | 238 |
| Restatement | 39 | (5) | 34 | 53 | 121 |
| Inflation | 3 | 5 | 7 | (1) | 14 |
| Earned in year | 10 | 107 | 120 | (6) | 231 |
| Billed in year | (4) | (99) | – | – | (103) |
| Change in year | 48 | 8 | 161 | 46 | 263 |
| **At 31 March 2025** | **85** | **141** | **299** | **(24)** | **501** |

We have restated our opening position to reflect Ofwat's latest view on these items, to adjust for the PR24 tax allowance and to include amounts relating to Hafren Dyfrdwy.

Revenue is an adjustment for the difference between revenue billed and the amount allowed in the Final Determination. It also includes adjustments related to true ups of assumptions in the PR19 Final Determination revenue allowance. 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 after taking account of amounts allowed for the tax impact when billed and 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).

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, cost of debt and the RPI-CPIH wedge in AMP7.

Based on the published draft standard, we expect these adjustments to be recognised as regulatory assets on the introduction of the IASB's proposed Rate Regulated Activities standard.

## Business Services

| | 2025 £m | 2024 £m | Change £m | Change % |
|---|---|---|---|---|
| **Turnover** | | | | |
| Operating Services and other | **100.2** | 104.3 | (4.1) | (3.9) |
| Green Power | **83.3** | 87.6 | (4.3) | (4.9) |
| | **183.5** | 191.9 | (8.4) | (4.4) |
| **EBITDA** | | | | |
| Operating Services and other | **21.2** | 25.6 | (4.4) | (17.2) |
| Green Power | **22.7** | 29.5 | (6.8) | (23.1) |
| Property Development | **3.6** | 4.1 | (0.5) | (12.2) |
| | **47.5** | 59.2 | (11.7) | (19.8) |

Business Services turnover was £183.5 million (down 4.4%) and EBITDA was £47.5 million (down 19.8%).

In our Operating Services and Other businesses, turnover reduced by £4.1 million due to additional wholesaler water and waste charges, following the Final Determination, reducing the revenue recognised in relation to the Ministry of Defence contract. This was partly offset by an increase in relation to our contract with the Coal Authority. EBITDA was £21.2 million, £4.4 million lower mainly due to the additional wholesaler charges above, partly offset by a refund of legal costs in relation to the Environmental Information Request ('EIR') case being rejected.

In Green Power, turnover was £83.3 million, £4.3 million lower year on year. Total energy exports have increased by 12.7 GWh including a full year's contribution from Andigestion. The lower weighted average price on exported electricity reduced turnover by £8.7 million. This is partly offset by higher incentive income of £3.4 million. Green Power EBITDA was £6.8 million lower, driven by lower revenue and higher feedstock costs.

## Corporate and other

Corporate costs were £20.7 million (2023/24: £10.5 million). The increase includes £6.1 million relating to Directors' variable pay which was previously reported in Regulated Water and Wastewater. Professional costs increased by £2.3 million mainly in relation to the class action claim brought against Severn Trent at the Competition Appeal Tribunal. On 7 March 2025 the Tribunal issued its judgment dismissing the claim.

Our other businesses, which comprises our captive insurance company, generated PBIT of £1.0 million (2023/24: £1.1 million).

## Net finance costs

Net finance costs for the year were £37.6 million (13.4%) lower than the prior year at £243.9 million. Higher cash interest costs were largely offset by lower inflation on index-linked debt, and our growing capital programme increased the amount capitalised.

Average net debt was up 7.5% at £7,755.5 million (2023/24: £7,216.6 million) but lower inflation in the year reduced the cost of our index-linked debt by £38.1 million. Our effective interest cost was 4.3% (2023/24: 4.7%).

We raised £1,440 million after issue costs of new debt at tight pricing with low credit spreads compared with the sector average. Our effective cash cost of interest (excluding the RPI uplift on index-linked debt and pensions-related charges) was higher at 3.4% (2023/24: 3.2%).

Capitalised interest of £103.1 million was £33.5 million higher year on year, due to increased capital work in progress compared with the previous year.

Our earnings before interest, tax, depreciation and amortisation ('EBITDA') interest cover was 4.5 times (2023/24: 3.5 times) and PBIT interest cover was 2.5 times (2023/24: 1.9 times). See note 45 to the financial statements 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 £438.5 million floating to fixed, and cross currency swaps with a sterling principal of £1,470.6 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 £17.7 million (2023/24: loss of £9.0 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 energy cost management strategy, we have fixed the wholesale price for around 100% of our estimated wholesale electricity usage for 2025/26 and around 50% for 2026/27 through physical hedges with suppliers and financial hedging with banks.

### Share of loss of joint venture

Water Plus incurred a loss after tax of £21.6 million, mainly due to increased bad debt charges. Our share of Water Plus's result for the year was a loss of £10.8 million (2023/24: £4.1 million).

## 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 sixth consecutive 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.

| | **2025 £m** | 2024 £m |
|---|---|---|
| Tax incurred: | | |
| Corporation tax | **0.4** | 0.5 |
| Business rates and property taxes | **97.0** | 90.4 |
| Employer's National Insurance | **46.6** | 39.2 |
| Environmental taxes | **6.7** | 6.6 |
| Other taxes | **6.6** | 6.7 |
| | **157.3** | 143.4 |

Further details on the taxes and levies that we pay can be found in our report 'Explaining our Tax Contribution 2024/25', which will be made available on our website over the summer.

The corporation tax charge for the year recorded in the income statement was £90.7 million (2023/24: £61.1 million) and we made net corporation tax payments of £0.3 million in the year (2023/24: net repayments received of £9.0 million). The difference between the tax charged and the tax paid is summarised below:

| | **2025 £m** | 2024 £m |
|---|---|---|
| Tax on profit on ordinary activities | **90.7** | 61.1 |
| Tax effect of timing differences | **(85.0)** | (53.2) |
| Overprovisions in previous years | **(5.3)** | (7.4) |
| Corporation tax payable for the year | **0.4** | 0.5 |
| Amount payable in the next year | **(0.4)** | (0.5) |
| Net payments/(receipts) in respect of prior years | **0.3** | (9.0) |
| Net tax paid/(received) in the year | **0.3** | (9.0) |

No tax was paid relating to the year as the allowances available from full expensing resulted in a loss for tax purposes (2023/24: nil).

Note 12 to the financial statements sets out the tax charges and credits in the year, which are described below.

The current tax credit for the year was £0.2 million (2023/24: credit of £5.5 million), which arose from £0.4 million corporation tax payable in respect of our Guernsey-based captive insurance subsidiary (2023/24: £0.5 million) and £0.6 million credit for adjustments to tax provisions from previous years (2023/24: charge of £5.0 million). The deferred tax charge was £90.9 million (2023/24: £55.6 million).

Our effective tax rate was 28.3% (2023/24: 30.4%), which is higher than the UK rate of corporation tax of 25% in both years mainly due to permanent differences arising from costs that are not deductible for tax and, in 2023/24, the true up of prior year provisions.

Our adjusted effective current tax rate was 0.1% (2023/24: 0.2%) (see note 45 to the financial statements).

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 and previous year, a significant proportion of our capital expenditure qualified for 100% deduction for tax in the year of spend.

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. Under IFRS accounting, 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 £1,766 million (2023/24: £871 million) that we have incurred as a result of the capital allowances claimed under full expensing and, previously, the super deduction.

### Profit for the year and earnings per share

Total profit for the year was £229.4 million (2023/24: £140.2 million).

Basic earnings per share was 76.6 pence (2023/24: 51.0 pence). Adjusted basic earnings per share was 112.1 pence (2023/24: 79.4 pence). For further details see note 14 to the financial statements.

### Group cash flow

| | **2025 £m** | 2024 £m |
|---|---|---|
| Operational cash flow | **868.8** | 760.8 |
| Cash capex | **(1,538.0)** | (1,146.2) |
| Net interest paid | **(254.2)** | (210.3) |
| Purchase of subsidiaries net of cash acquired | **(13.6)** | (41.5) |
| Net payments for swap terminations and other swap payments | **(1.6)** | (4.4) |
| Net tax paid | **(0.3)** | 9.0 |
| Free cash flow | **(938.9)** | (632.6) |
| Dividends | **(356.0)** | (301.4) |
| Issue of shares | **16.1** | 1,000.7 |
| Purchase of own shares | **–** | (1.8) |
| Change in adjusted net debt from cash flows | **(1,278.8)** | 64.9 |
| Non-cash movements | **(78.6)** | (128.9) |
| Change in adjusted net debt | **(1,357.4)** | (64.0) |
| Opening adjusted net debt | **(7,187.9)** | (7,123.9) |
| Closing adjusted net debt | **(8,545.3)** | (7,187.9) |

| | **2025 £m** | 2024 £m |
|---|---|---|
| Bank loans | **(784.7)** | (783.5) |
| Other loans | **(8,798.0)** | (7,357.9) |
| Lease liabilities | **(111.1)** | (120.0) |
| Net cash and cash equivalents | **1,044.8** | 951.4 |
| Accounting adjustments on debt | **32.5** | 49.5 |
| Loans due from joint ventures | **71.2** | 72.6 |
| Net debt | **(8,545.3)** | (7,187.9) |

Operational cash flow was £868.8 million (2023/24: £760.8 million). The increase arose from higher EBITDA, depreciation and amortisation.

Net cash capex increased to £1,538.0 million (2023/24: £1,146.2 million), reflecting the close out of our AMP7 capital programme and our early start on AMP8 with £396 million of transition expenditure in the year.

Our net interest payments of £254.2 million (2023/24: £210.3 million) were higher than the previous year due to the impact of higher net debt, and an increase in the effective cash cost of interest (which excludes the non-cash indexation charge on index-linked debt).

The benefits of the full expensing of capital allowances meant that we had no taxable profit in the year. The tax payment arose from the true up of prior year amounts. In the previous year, we received repayment of the amount recoverable relating to prior years.

We received £16.1 million from the exercise of options under the employee Save As You Earn share scheme (2023/24: £14.3 million). In the previous year, we also raised £986.4 million net proceeds from the equity placing in October 2023. Our dividends paid increased in line with our policy to increase by CPIH each year during AMP7.

These cash flows, together with accounting adjustments to the carrying value of debt, resulted in an increase in adjusted net debt of £1,357.4 million (2023/24: £64.0 million).

At 31 March 2025, we held £1,044.8 million (2024: £951.4 million) in net cash and cash equivalents. Average debt maturity was around 13 years (2024: 14 years). Including committed facilities, our cash flow requirements are funded until September 2026.

Adjusted net debt at 31 March 2025 was £8,545.3 million (2024: £7,187.9 million). Our regulatory gearing is 62.7% (2024: 61.3%).

The estimated fair value of debt at 31 March 2025 was £1,109.8 million lower than book value (2024: £465.3 million lower). The change in the difference between book and fair value is largely due to the impact of inflation expectations and higher interest rates on the fair value of our index-linked debt and higher interest rates on our fixed-rate 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 2025, interest rates for 66% (2024: 67%) of our gross debt of £9,697.1 million were fixed, 10% (2024: 6%) were floating and 24% (2024: 27%) were index-linked. We continue to carefully monitor market conditions and our interest rate exposure.

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.

## 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, increasing in line with CPI (based on increases in the inflation measure covering the 12-month period to the previous November). These payments are expected to be made to a limited liability partnership ('LLP') that the Group and the Trustee have established;
- 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, 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.

The valuation as at 31 March 2025 is now underway.

In June 2021, we executed a bulk annuity buy-in for the Severn Trent Mirror Image Pension Scheme ('STMIPS'), 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 ('DVWS') of the Water Companies Pension Scheme. DVWS funds are administered by Trustees and held separately from the assets of the Group. DVWS is closed to new entrants. The most recent formal actuarial valuation of DVWS was completed as at 31 March 2023 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 £119.8 million (2024: £213.0 million) and the funding level increased to 93% (31 March 2024: 86%). To calculate the pension deficit for accounting purposes, we are required to use corporate bond yields as the basis for the discount rate of our long-term liabilities, irrespective of the nature of the schemes' assets or their expected returns.

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 | 1,805.0 | (2,018.0) | (213.0) |
| Amounts credited/(charged) to income statement | 81.3 | (95.6) | (14.3) |
| Actuarial (losses)/gains taken to reserves | (161.7) | 199.5 | 37.8 |
| Net contributions received and benefits paid | (47.9) | 117.6 | 69.7 |
| **At end of the period** | **1,676.7** | **(1,796.5)** | **(119.8)** |

The income statement includes:

- scheme administration costs of £4.0 million; and
- interest on scheme liabilities and expected return on the scheme assets – together a net cost of £10.3 million.

Higher interest rate expectations increased the discount rate, which is derived from yields on high-quality corporate bonds, by 90 bps. Inflation expectations have decreased by around 10 bps since the previous year end. The impacts of these changes resulted in a decrease in the scheme liabilities of around £201 million.

Higher bond yields impacted the value of scheme assets, which decreased in value by £162 million more than the return included in the income statement in the year.

The remaining actuarial adjustments arose from minor changes to demographic assumptions and variance of actual experience in the year from previous financial assumptions.

Contributions paid to the STPS in the year included:

- the amounts due under the asset-backed funding arrangements (£28.9 million); and
- the deficit reduction payment of £40.3 million, which was paid to our new LLP funding vehicle.

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 73.03 pence per share for 2024/25 (2023/24: 70.10 pence per share). This gives a total ordinary dividend for the year of 121.71 pence per share (2023/24: 116.84 pence per share).

The final ordinary dividend is payable on 15 July 2025 to shareholders on the register at 30 May 2025.

**Helen Miles**
Chief Financial Officer

# Managing Risks and Opportunities

## We operate a robust risk and opportunities management framework to effectively identify, assess and mitigate risks to deliver our strategic priorities.

### 2024/25 risk environment

Geopolitical tensions, economic uncertainties, increasing frequency of extreme weather events and rapid technological advancements are some of the global forces and trends affecting the UK. Instability continues to be a major factor which is influencing trade, economic and security policies. Our control environment is closely monitored to ensure areas which could be impacted are subject to robust and regular assessment, including our supply chain and security risks.

To inform our views on the external risk environment, we perform a 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, and we have appropriate plans in place to manage these uncertainties. We also utilise other key external publications, such as the Global Risk Report which is produced by the World Economic Forum, to monitor changes to the risk environment.

Stakeholder scrutiny of the water industry as a whole has increased, particularly in relation to environmental performance. Through our risk framework, we ensure appropriate controls are in place for critical areas and continue to closely monitor any changes through our emerging risk process. We also monitor Government reforms of relevance to our sector, such as the ongoing Independent Commission into the water sector and its regulators – led by Sir Jon Cunliffe – which has been an area of focus during the year.

Our Business Plan was recognised by Ofwat as 'outstanding' and our Final Determination positions us strongly to deliver the £14.9 billion investment required to achieve significant progress in areas our customers care about most and to ensure we meet future challenges presented by topics such as climate change, population growth and new legislation. Read more about our Final Determination on page 5.

Our Business Plan for AMP8 builds on existing successes, such as being awarded EPA 4* status for a fifth consecutive year by the EA, and we are confident that we will achieve EPA 4* for the sixth consecutive year. We will continue to make progress with our ambitious CSO Improvement Plan and accelerating further improvements of river health. Our risk management activities ensure improvement plans are reflected in individual risk glidepaths to reach target positions.

### Our risk and opportunities management framework

Our approach to risk allows us to adapt to changing internal and external factors through utilising our three lines of assurance 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 and opportunity identification, assessment and management.

This combination of approaches is necessary to remain 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 in line with 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 responsibilities across Severn Trent, which are underpinned by effective communication channels.

## Risk and Opportunities Management Framework


### Supporting risk management processes

Risk management principles are embedded throughout our business and are a core component of our overarching structure to achieve our strategic priorities. We have an established ERM cycle which enables a consistent approach and is divided into four main stages which help us to identify, assess and evaluate, mitigate and monitor, and report and assure our risks. This approach also provides a comprehensive overview of significant risk events, including Emerging Risks through horizon scanning, which are managed within the Group's risk appetite and supported by appropriate assurance activity.

Our central ERM Team oversees the ERM Policy, which forms part of our governance process and supports our values and culture. Our risk community includes Risk Owners and Risk Co-ordinators for every business area, who help to embed and drive risk management across our business.

Our risk and opportunities management framework encompasses day-to-day asset operation, deployment of capital investment, and long-term modelling of our asset health and performance. Standardised criteria are used to consider the likelihood and impact of risk, including financial and reputational. Our strong culture of continuous improvement ensures we are constantly evolving and applying best practice.

### Risk Appetite Statement

All businesses are exposed to a variety of uncertainties and need to take on a degree of risk to achieve strategic objectives. We will only take calculated risks that are consistent with our purpose, values and strategy, that are thoroughly understood and can be effectively managed. The Board has overall responsibility for determining the nature and extent of the risks taken 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. You can read our Viability Statement on pages 79 to 83.

The water sector has inherent risks, particularly due to the nature of its operations and the services provided. As such, risks need to be appropriately managed in line with the scale of our infrastructure, with a strong focus on protecting 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 Group, our businesses have different risk profiles and tolerances. They operate within our risk framework:
- Our regulated water and wastewater businesses are monopoly providers, 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 more competitive environments.

**Risk priorities**
In addition to managing the inherent risks associated with our business, we prioritise the following due to their alignment with our strategic areas of focus:
- The health, safety and wellbeing of our people and the communities we serve.
- Protecting the environment is a key long-term commitment. We aim to enhance the 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 relevant UK regulations and to operate within our licence. As a result, we have no appetite for compliance-related risks.
- Our approach to financing is to take measured risks which are consistent with maintaining financial and operational resilience, delivering sustainable outperformance for the benefit of customers 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, including increasingly frequent and extreme weather events.

**Risk reporting**
Risk information from our business units is combined to provide a consolidated view of risk across the Group. Our significant risks form our risk profile, which is reported to the Strategic Risk Forum ('SRF'), and subsequently the Executive Committee for review and challenge. Critical risk information is also formally reported to the Audit and Risk Committee and the Board every six months.

Our reports include an assessment of the effectiveness of controls for risks in our Group profile, and action plans to improve the controls where necessary. Our ERM risks are linked with our licence obligations to align risk management with our core compliance commitments as a water company, and this enhances risk reporting to the Audit and Risk Committee and Board.

# Our Risk Governance Framework

Top-down

## 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.
- Is 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 Policy.
- Ensures that risks and opportunities are effectively managed across the Group.
- Discusses both existing and emerging risks.
- Provides insight and challenge to horizon scanning.

**Reporting** | **Informing**

**The Executive Committee:**
- Supports the Board in the management and oversight of risk.
- Assesses the level of risk taken in achieving objectives.
- Assigns relevant risks and the review of risk management strategies to individual members of the Executive Committee.
- Sets and evaluates risk tolerances.
- Identifies and assesses Principal and Emerging Risks and reviews horizon scanning.

## Risk ownership, management and oversight

### 1st line of assurance

Strategic Planning:
- Develop longer-term, holistic risk response plans (e.g. WRMP, DWMP).
- Establish critical controls for ensuring the effectiveness of our operations.

Service Area Boards:
- Assess capital investment programme management.
- Implement strategic risk management processes, such as the WRMP and DWMP.
- Assess all categories of risk at an operational level.

ERM Co-ordinators:
- Responsible for day-to-day risk and incident management.
- Identify, assess and respond to risks at a local level through continual monitoring.
- Produce risk response plans and strategies.
- Develop, implement and monitor key controls, and follow our risk management framework.

### 2nd line of assurance

Strategic Risk Forum:
- Assess the business units' reported risks and mitigation plans, and challenges ERM information or deliverables.
- Review and validate ERM reporting and risk-related information prior to Board meetings, including the Principal Risks.

Central ERM Team:
- Apply the risk management framework and establish best practice risk processes.
- Own the ERM system and report key risk information, including response plans and tolerance.
- Provide guidance and training for the risk community.

Technical and Governance Assurance:
- Ensure the 1st line of assurance is effectively designed, embedded and operating as intended.
- Provide expertise to support, monitor and challenge risk-related topics.

### 3rd line of assurance

Internal Audit:
- Provide assurance for significant risk mitigation strategies.
- Develop a three-year Internal Audit Plan which is agreed with the Audit and Risk Committee.
- Assess the effectiveness of risk programmes by testing key controls.
- Evaluate the internal control environment.
- Complete reviews in line with Global Internal Audit standards and the Internal Audit Code of Conduct.

External Assurance:
- Independent assurance over internal controls and testing of our controls through sampling procedures.
- Our main independent non-financial assurance provider is Jacobs.

Bottom-up

# Our 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 to bolster the Group's preparedness should they materialise. Our processes aim to identify new and changing risks at an early stage and analyse them thoroughly to determine the potential exposure for the Group.

We continually identify and monitor Emerging Risks using top-down and bottom-up processes. Our risk network uses techniques such as cross-functional workshops and Political, Economic, Sociological, Technological, Legal and Environment ('PESTLE') analysis.

This process culminates in an Emerging Risk Horizon Scan document 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 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.

The horizon-scanning exercise utilises insights from internal stakeholders and external publications, including the National Risk Register and Global Risk Report (World Economic Forum). This is critical to reflect the interconnectivity with national and global risk environments.

## Details of the Emerging Risks

### Geopolitical escalations and macroeconomic changes

- Geopolitical volatility could potentially intensify, including the escalation or resurgence of conflicts. This could result in sanctions and increased protectionist measures, such as US and reciprocal trade tariffs, causing a contraction in the economy and our supply chain could be impacted through shortages, increased commodity prices and resource security pressures.
- **Risk mitigation example:** We perform supplier heat-mapping for our contracted supply chain, incorporating financial stability and global economic factors. These provide early warning indicators to manage supply chain risks and facilitate tactical and strategic decision making.

**Relevant Principal Risk:** 5, 6 and 8

**Time Horizon:** Short-term and medium-term

**Strategic Objectives:** Outcomes, Nature, People, Change

**How we are monitoring:**
- Horizon scanning
- Emerging Risks tracker
- National Risk Register
- Supplier heat-mapping

### Evolving political, regulatory and legislative landscape

- We are subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and voluntary codes of practice.
- Regulators and Governments have focused on reforming the UK water sector. The Independent Commission into the water industry and its regulators – led by Sir Jon Cunliffe – was launched by the Government in October 2024 to address challenges facing the sector. The Commission is seeking the views of stakeholders to shape the outcomes of the review, with the strategic objective of restoring trust in the water industry.
- The Water (Special Measures) Act 2025 strengthens the power of the water industry regulator and delivers on the Government's commitment to restore public trust and confidence in water companies. Our horizon scan references the potential impact on culture, people, environment and customer-related activities.
- **Risk mitigation example:** We continue to engage constructively with our key stakeholders to ensure we remain informed and are proactively preparing for potential changes.

**Relevant Principal Risk:** 2, 3 and 7

**Time Horizon:** Short-term and long-term

**Strategic Objectives:** Outcomes, Nature, People, Change

**How we are monitoring:**
- Horizon scanning
- Emerging risks tracker
- Existing ERM risks
- Stakeholder engagement

### Technology and innovation, including AI and cyber security

- Technological advancements present opportunities to develop new and innovative ways of working through the automation of basic activities and increased processing power to support decision making (e.g. maintenance schedules). However, we need to develop AI in an ethical way to address potential concerns and mitigate against an increasingly complex cyber and data security environment.
- There is an increased risk of misinformation and disinformation as AI content becomes more prevalent and the speed at which it disseminates increases, partially driven by social media and changes to fact-checking procedures.
- The UK signed the Council of Europe's Framework Convention on AI in September 2024 and in January 2025, the Labour Government launched a detailed AI action plan setting out the steps that the UK aims to take, with the objective of boosting economic efficiency and growth. As AI evolves, this presents both risks and opportunities.
- **Risk mitigation example:** We have robust governance in place for AI and an Innovation Strategy to ensure we are embracing opportunities.

**Relevant Principal Risk:** 4, 7 and 11

**Time Horizon:** Short-term and medium-term

**Strategic Objectives:** Outcomes, Nature, People, Change

**How we are monitoring:**
- AI Forum
- Emerging Risks tracker
- Existing ERM risks
- Additional risk assessments

### Changing expectations in relation to 'forever chemicals'

- Uncertainty around future expectations and regulations in relation to PFAS for water, wastewater and bioresources.
- The DWI issued an Information Letter on PFAS in March 2025 which provided additional guidance on specific reportable PFAS water quality events.
- **Risk mitigation example:** A PFAS Working Group comprising subject matter experts from across the Group regularly monitors changes to expectations and regulations. Key controls have been captured and detailed risk response plans are being prepared to facilitate an effective response in readiness for potential regulatory changes.

**Relevant Principal Risk:** 2, 3, 4 and 7

**Time Horizon:** Short-term to long-term

**Strategic Objectives:** Outcomes, Nature, People, Change

**How we are monitoring:**
- Risk assessments, including key causes, consequences and controls
- PFAS Working Group
- Horizon scanning
- Emerging Risks tracker

# Emerging Risks in Action – PFAS

Our environment is constantly changing and, as part of our horizon scanning activity, we identify potential emerging risks of relevance to our business. To bring this to life, we have included an example of one such emerging risk – PFAS – and the way we are dealing with this to position us strongly for the future.

This disclosure provides a brief overview on PFAS, its origins and relevance to the water cycle and our operations. It also demonstrates the proactive approach we are taking to identify, monitor and remove PFAS – using learnings from other industries and sectors.

PFAS-coated items are widely used in every day products and ultimately end up in a number of water sources through no fault of water companies.

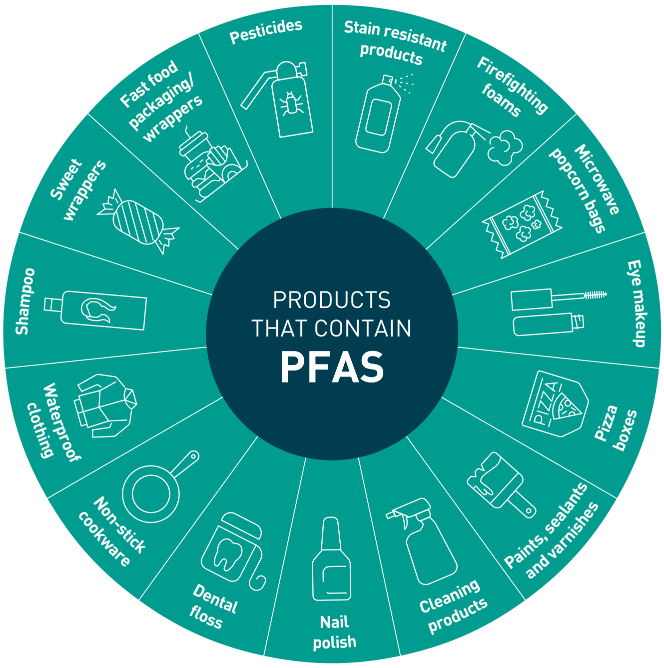
## What are PFAS and where do they come from?

Per and polyfluoroalkyl substances ('PFAS') are a group of thousands of synthetic chemicals that are widely used industrial and household products. They are commonly referred to as 'forever chemicals' – given their persistence in the environment and resistance to biodegradation – and you'll likely have seen PFAS mentioned in the media.

PFAS chemicals have been widely used since the 1940s, most commonly for their non-stick properties – which increase the durability of everyday items. The large, and wide ranging, extent of PFAS usage in everyday items is shown in the diagram below.

As PFAS-coated items are discarded into landfill, and used in fire-fighting activity (such as fire extinguishing foams), they ultimately end up in a number of water sources through no fault of water companies – such as groundwater, rivers, lakes and other waterbodies.

In our region, we also have a high proportion of industry and manufacturing, which can lead to trade effluent sources of PFAS.




## What are the rules around PFAS?

In the UK, two PFAS compounds were restricted in the early 2000s: perfluorooctane sulponate ('PFOS'); and perfluorooctanoic acid ('PFOA'). There are some restrictions on other compounds but not all are banned and PFAS are still widely used.

To bring to life how we have considered PFAS in the context of our business, we have split the issue into water, wastewater and bioresources.

### Water

There are currently no statutory standards for PFAS in drinking water produced in England and Wales, nor is there a World Health Organization guideline value. The regulator responsible for drinking water quality, the DWI, published its latest guidance in March 2025 – confirming maximum recommended aggregated limits for 48 PFAS in drinking water at 0.1 ug/l and providing a tiered classification system, with recommended monitoring frequencies and actions for each:

- **Tier 1** – presenting the lowest level of risk – with a DWI recommendation to monitor these sites on a quarterly basis, with potential to move to annual testing. Recommended action: risk assess through the Drinking Water Safety Plan.
- **Tier 2** – with a recommended monitoring frequency of monthly to quarterly. Recommended action: establish a systematic approach to progressively reduce PFAS concentrations.
- **Tier 3** – with higher monitoring frequency, to be set dependent on the level of PFAS concentrations. Recommended action: carry out all necessary actions to reduce PFAS to below Tier 3 in the short-term, with a longer-term strategy to progressively reduce PFAS concentrations.

We have been routinely testing for PFAS since 2021, and in 2024 we created our own in-house accredited Analysis Team. To bring the scale of our testing activity to life, in 2024 we collected c.2,400 samples – almost double the voluntary regulatory recommendation of 1,384 samples – and during 2025, we will expand this even further. We have classified all of our water sites ahead of regulations coming into force and, at present, the majority are classified as DWI Tier 1 or 2, with two new sites in Tier 3 that are not yet supplying customers. For Tier 3 sites, we have agreed improvement programmes with the DWI, involving extensive commissioning and sampling to demonstrate that the water is treated to Tier 1 level PFAS before being put into supply. All sites have an appropriately scheduled sampling regime in place. We are continually monitoring all Tier 2 sites to ensure that should their classification change to Tier 3, we are able to make the immediate investment required to align with the DWI guidance.

### Wastewater

River quality standards for chemicals are set under the Water Framework Directive Regulations. Currently, only one PFAS chemical – PFOS – has an Environmental Quality Standard. Around 35% of waterbodies in our region list PFOS as a Reason for Not Achieving Good Status – these are not attributed directly to our activities, as they commonly arise from surface water run-off from roads, which enters our waste treatment operations as a consequence of the UK's combined sewerage system.

We have been analysing our sewage effluent across a sample of sites for PFAS for several years, which enabled us to prioritise the sites for new Operating Technique Agreement permit conditions that come into force in AMP8 – which means we will monitor for PFOS as part of our routine sampling programme. We are applying particular focus to trade effluent sources of PFOS and are well positioned for these changes given our previous sampling activity.

### Biosolids

In the UK, PFAS is not currently regulated in biosolids, but there is growing interest in this area given the high persistence of PFAS compounds in the context of sludge-to-land fertilisers. Our catchment control approach uses a range of tools and equipment to help identify the sources of PFAS in biosolids. This allows us to target and address PFAS more effectively and make interventions to mitigate and reduce catchment loading of PFAS.

Several countries have already proposed PFAS limits for biosolids, which we have been looking at closely to help inform our approach. The most recent proposed standard has been developed by Norway, which proposes a PFAS limit of 40 ug/kg in sludge spread to agricultural land. The samples we have taken from our biosolids up to 31 March 2025 indicate that all of our sites fall within the proposed limits set by the Norwegian standard. Our sampling programme will build a bigger dataset and provide an accurate baseline from which practical actions can be implemented, to ensure that we are prepared for future requirements.

# Our Emerging Risks continued

## What are we doing about them?

Our dedicated in-house Innovation Team has been considering PFAS for many years, looking across a range of industries, sectors and jurisdictions to identify different treatment options and approaches that can be used across our operations. Some examples include:

### Water

Since 2022, we have been piloting various treatment options to optimise PFAS removal, and PFAS destruction, at our new Witches Oak Water Treatment Works. Treating water from the River Trent, we are removing organics using different techniques including: magnetic iron exchange, granular and powdered activated carbon ('GAC').

We are also trialling electrochemical oxidation for PFAS destruction. This collaborative project with the University of Warwick aims to advance the electrochemical destruction of PFAS using boron-doped diamond electrodes. Utilising the University's expertise in electrochemistry, the project supports the Witches Oak pilot plant by providing lab-based testing to help optimise performance and troubleshoot challenges. Key goals include assessing electrode durability, testing both real and synthetic samples and exploring additives that could improve PFAS destruction efficiency.

GAC columns at Witches Oak pilot plant

### Wastewater

We have invested in a pilot plant at our Minworth Wastewater Treatment Works to trial various combinations of GAC and clay-based media in six absorption columns. Our aim is to establish the most effective approach to PFAS removal to ensure we are prepared for future developments.

Our full pilot plant includes a 12-month sampling programme. And whilst only PFOS and PFOA have environmental quality standards at the present time, we are analysing the full PFAS suite, comprising 48 compounds, to ensure we are fully prepared for future requirements.

We are leading on a project investigating a 'whole-system approach to PFAS treatment', in partnership with Cranfield University and other UK water companies. Part-funded through the Ofwat Innovation Fund, the aim is to combine the most promising PFAS removal technologies with effective destruction methods to prevent reintroducing these persistent chemicals to the environment. The project will assess the performance, efficiency and safety of different technology pairings, ensuring that PFAS are fully destroyed without risk of creating by-products.

Pilot plant at Minworth Wastewater Treatment Works

### Biosolids

We have been awarded an Ofwat Innovation funded project to investigate biochar production as an alternative to conventional biosolids management practises. Biochar is a charcoal-like product that can be created from biosolids through a process called Advanced Thermal Conversion ('ATC'). Biochar has several potential benefits, including improving soil fertility, sequestering carbon and reducing GHG emissions.

This project includes assessing PFAS destruction via ATC and identifying the optimum conditions for this. Phase one of this project is underway and biosolids have already been transported to our ATC partner to begin determining the conditions that produce high-quality biochar that also destroys PFAS.

We have also been awarded funding though the Ofwat Innovation Fund, to develop the end-to-end industrial process to convert biosolids into syngas, sustainable liquid fuels, biochar and carbon. This will build on the outputs of the biochar project to ensure that PFAS is destroyed through the process. It includes building an industrial-scale ATC plant that has been designed by Hybrid Gasification Ltd with support from Durham University alongside a low-energy biosolids dryer (effectively an advanced form of composting) designed by Jacobs. The project also includes a smaller pilot-scale application of novel low-temperature plasma reactor technology that will convert the hydrogen-rich syngas that is a bioproduct of the process into sustainable liquid aviation and marine fuels and high-purity carbon.

ATC plant in operation

# 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, Audit and Risk Committee 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/or 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.

Through our embedded ERM cycle, our Principal Risks are regularly reviewed by our SRF, Executive Committee, Audit and Risk Committee and Board. Following our latest review, the number of Principal Risks has reduced from 13 to 11, resulting from a consolidation to ensure they are reflective of changes in the internal and external environment.

Each of the Principal Risks are assessed to ensure we develop appropriate response plans, with this year's review applying focus to AMP8. Our mitigation strategies remain appropriate and ensure greater alignment with our strategic objectives and ERM risks. For clarity on the critical link between our strategic ambitions an Principal Risks, they have been mapped to the pillars of our corporate strategy.

**Severn Trent Water is the principal regulated subsidiary of the Group, and this structure is reflected in how we categorise and report our Principal Risks. For each Principal Risk reported on the following pages we include:**

- examples of risk mitigation strategies;
- how each Principal Risk is aligned to our stakeholders and strategic pillars of our corporate strategy;
- changes to risk profiles since the last report, which considers the potential risk impact and likelihood based on the effectiveness of existing controls. The rating indicates whether the risk exposure is considered to have improved, deteriorated or remained stable; and
- key risk indicators which are used to track changes in the risk profile and ensure appropriate actions are taken to prevent the Principal Risk from materialising.

Our Principal Risks have also been assessed to determine how they are impacted by climate change, and more details can be found in our TCFD and TNFD disclosures on pages 29 to 43.

## Principal Risk 1 – Health and Safety

**Our aim is that nobody gets hurt, or is made unwell, by what we do. That applies not only to our people, but also our suppliers, our visitors and the wonderful communities which we serve.**

### Principal Risk overview

**Due to the nature of our operations, we could endanger the health and safety of our people, contractors and members of the public**

**Strategic objective**

Outcomes | Nature | People | Change

**Stakeholders**

Customers, Colleagues, Communities, Shareholders and Investors, Suppliers and Contractors, Regulators and Government

**Change in year**

No change in risk exposure

**KPIs**

- Lost Time Incident ('LTI') rate, see page 13

### Risk mitigation examples

- Health, Safety and Wellbeing Framework keeps our colleagues, contractors and communities healthy, safe, secure and well.
- Health and Safety Policy, and associated standards, are regularly reviewed to ensure compliance with legislation.
- Competency framework and mandatory training is regularly monitored.
- Supply chain compliance is assessed through site manager forums, on-site inspections and assurance activities.
- Health and safety bulletins are cascaded throughout the Group, and to our supply chain.
- A dedicated Health, Safety and Wellbeing Toolkit enables real-time data recording to analyse and report on all health, safety and wellbeing incidents.
- Incidents and near-misses are tracked to ensure timely resolution, and reviewed to identify lessons learned.

### Key updates in the year

- Successfully launched our Everybody Safe strategy, which embraces the vision statement 'nobody gets hurt or is made unwell by what we do'. The strategy was cascaded to all colleagues to ensure the key messages were effectively shared across the Group.
- Comprehensive Health and Safety e-learning and training has been delivered at our Academy.
- The Health and Safety Team has been critical to delivering key business changes, including the refurbishment of our Leicester Water Centre. The team has also supported important community events, for example our first managed open water swimming event at Carsington Reservoir.
- Whilst not within the Group, there was a serious health and safety incident in March 2025 involving an employee of one of our framework contractors. Following this, we engaged across the Group's framework contractors and direct supply chain to re-emphasise the importance of our fundamental health and safety expectations and our Everybody Safe mindset and culture. Read more about this on page 20.

**Change in year**

Increase in risk exposure | Decrease in risk exposure | No change in risk exposure | Re-scoped | New risk

**Stakeholder key**

Customers | Colleagues | Communities | Shareholders and Investors | Suppliers and Contractors | Regulators and Government

# Our Principal Risks continued

## Principal Risk 2 – Infrastructure failure and asset resilience (Water)

**Resilience of our infrastructure and assets is central to our strategic ambitions and duties.**

### Principal Risk overview

**We do not provide a safe and secure supply of drinking water to our customers**

**Strategic objective**

Outcomes | Nature | People | Change

**Stakeholders**

**Change in year**

**KPIs**

- Supply interruptions (no. of minutes), see page 16
- Leakage % (Ml/d), see page 16
- CRI (index), see page 16
- Priority Services Register (%), see page 13
- % water quality competency training completed

### Risk mitigation examples

- Comprehensive resilience plans have been developed and are included in our AMP8 Business Plan.
- Key operational employees are required to complete mandatory water quality competency training.
- Invested in in-house capability to bolster repair teams and accelerate response times.
- 24/7 control centre operational monitoring, including real-time telemetry coverage from our loggers.
- Strategic modelling assessments for different supply and demand scenarios across our water network, including the impact of climate change (see Principal Risk 9).
- Processes, standards and operational procedures are regularly reviewed and updated.
- Business continuity plans are in place for incident management and our teams are well versed in the activities required to be completed in the event of an incident, including a standby rota.

### Key updates in the year

- We published our WRMP which details how we secure our water supply, in consideration of critical future challenges, including mitigating the impact of climate change.
- No dig technology presents an innovative solution to the significant challenge of leakage in buried pipes and is critical to achieving our leakage commitments.
- Our new CRI sustainability plan will deliver key improvements to both minimise and effectively manage water quality failures.
- Business continuity plans have been reviewed and updated to ensure readiness for hot weather events.
- Work is underway on a £15 million distribution reservoir to boost water supplies with an extra 2 Ml storage.
- Our Business Plan includes enhanced water treatment, for example UV and advanced ceramic membranes, to ensure high-quality drinking water.
- Decision to insource the delivery of our mains renewal programme with c.400 people, to significantly enhance our replacement rate.
- Construction at our new Witches Oak Water Treatment Works has been completed and provides additional resilience to our water supply.

## Principal Risk 3 – Infrastructure failure and asset resilience (Waste)

**Resilience of our infrastructure and assets is central to our strategic ambitions and duties.**

### Principal Risk overview

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

**Strategic objective**

Outcomes | Nature | People | Change

**Stakeholders**

**Change in year**

**KPIs**

- Internal sewer flooding (no. of incidents), see page 12
- External sewer flooding (no. of incidents), see page 13
- Public sewer flooding (no. of incidents), see page 13
- Pollutions incidents (no. of incidents), see page 12

### Risk mitigation examples

- Strategic modelling, such as for the DWMP, is essential for assessing potential changes to the supply and demand on our wastewater network, including the impact of climate change. This enables us to proactively manage the impact on our service and any potential damage to the environment.
- 24/7 control centre monitors our asset performance, including real-time telemetry coverage.
- In-house Wastewater Network Response Team and key operational employees complete mandatory training programmes to ensure continued competence with evolving standards.
- Educational programmes for customers to promote safe use of the wastewater system, including appropriate disposal of wet wipes and cooking fat.
- Monitoring all sites with Flow to Full Treatment ('FFT') permit requirements via our dedicated Flow Performance Team.
- Progressing our sector-leading CSO Improvement Plan and our 2025-30 PIRP.

### Key updates in the year

- Confident of achieving EPA 4* for the sixth consecutive year, having delivered sector-leading ODI performance over AMP7.
- Our teams have worked hard to implement 1,200 permanent enhancements to eliminate spills from storm overflows across our region.
- Installed innovative treatment solutions to capture, store and treat more wastewater.
- 244 new storage tanks have been built and installed at treatment works to capture additional water during periods of heavy rain.
- More valves have been installed across our network to prevent flooding when the sewer capacity is under pressure.
- We have insourced our Waste Infra Response Team and set up a waste operational control centre to improve our response to incidents.

## Principal Risk 4 – Customer service and experience

**We are focused on delivering outcomes which customers care about, whilst providing a high-quality, affordable service.**

### Principal Risk overview

**We do not meet the needs of our customers or anticipate changing expectations through the level of customer experience we provide**

**Strategic objective**

Outcomes | Nature | People | Change

**Stakeholders**

**Change in year**

**KPIs**

- C-MeX (index), see page 12
- D-MeX (index), see page 12
- Water quality complaints (no. of complaints), see page 12
- Priority Services Register (%), see page 13

### Risk mitigation examples

- Service Level Agreements are communicated to customers who require assistance.
- A specialist Digital Team monitors activity and enables us to engage with and respond to customers digitally to inform them of planned and reactive work.
- With customer-tested acceptability levels of 81%, our Business Plan is well supported by our customers.
- Our PSR helps to provide a more personalised service and the right assistance to our customers.
- Robust incident management processes, which include vulnerable customer procedures, for operational events impacting service levels.
- Our Retail Transformation Plan and Customer Experience Steering Group drive further enhancements in our customers' end-to-end journeys.
- Our Developer Services Team proactively engages with new-build developers, to ensure appropriate supply planning and connection activities are undertaken.
- A dedicated Non-Household Customer Team actively engages with and responds to market retailers.

### Key updates in the year

- Our new customer platform, Kraken, equips our customer-facing teams with intuitive and powerful tools to transform the way we work and support our ambitions to deliver an excellent customer service.
- We have tailored our customer communications, from community drop-in sessions to social media, to ensure we are effectively delivering key messages.
- We offer one of the largest financial support packages through our affordability schemes and this year we have provided support for more than 300,000 households.
- We have been encouraging customers to use the additional support provided through the PSR and across our region over 100,000 customers are receiving some form of support either financially or through the PSR.
- We have engaged with over 15,400 people in our region this year as part of our ambition to support people out of water poverty through our Societal Strategy, by tackling the underlying causes and creating employment opportunities.

## Principal Risk 5 – Supply chain and capital project delivery

**Delivery of critical investments to ensure we have a positive economic, environmental and social impact for decades to come.**

### Principal Risk overview

**Insufficient resilience in the supply chain impacts the deliverability of the capital programme (time, cost, quality)**

**Strategic objective**

Outcomes | Nature | People | Change

**Stakeholders**

**Change in year**

**KPIs**

- Number of project milestones completed on time (no. of projects)
- Ratio of critical single source supplier (%)

### Risk mitigation examples

- Framework agreements cover multiple contractual partners for a flexible and diverse supply chain.
- Robust, gated capital processes provide effective governance and assurance through the project lifecycle. Dedicated quality management and assurance teams perform in-depth reviews.
- Commercial auditing across key contractual activities that are delivered by our supply chain.
- Regular contract reviews and performance meetings, including at Director and CEO level, to cover KPIs and perform proactive supplier and market assessments.
- Regular training for contract management teams.
- Robust verification of the financial stability of our supply chain, including lead measures and dual monitoring through credit agencies.
- Audits on our supply chain for key indicators, such as modern slavery, health and safety and cyber security.
- Use of EcoVadis to assess suppliers' sustainability risk and maturity levels.

### Key updates in the year

- Our supplier heat-mapping process provides ongoing monitoring and early warnings (including financial stability and global economic factors) for our contracted supply chain.
- Contingency plans for all critical suppliers are subject to regular testing by our Security and Resilience Team.
- Our robust three lines of assurance continue to provide effective support by addressing risks before they impact delivery.
- An annual exercise has been completed to confirm our capital delivery suppliers are compliant with their contracts, with additional focus on key requirements, such as health and safety and modern slavery.
- New management information has provided improved insights on Project and Portfolio-level risks and Delivery Team resources have increased in readiness for our Business Plan.

**Change in year**

Increase in risk exposure | Decrease in risk exposure | No change in risk exposure | Re-scoped | New risk

**Stakeholder key**

Customers | Colleagues | Communities | Shareholders and Investors | Suppliers and Contractors | Regulators and Government

## Principal Risk 6 – Security and resilience

**We understand the interconnectivity of physical, people and technological threats (including cyber), with robust proactive and reactive security strategies to protect our critical services.**

**Principal Risk overview**

### Core operational capabilities are compromised through physical, people or technological threats

**Strategic objective**

Outcomes | Nature | People | Change

**Stakeholders**

**Change in year**

**KPIs**

- Number of high and medium-priority incidents (no. of incidents)

**Risk mitigation examples**

- Our Cyber Security Steering Committee, Information Security Team and Data Privacy Officer monitor security and cyber threats.
- A dedicated Security Team and Alarm Receiving Centre monitor and respond remotely to our most critical sites.
- Proactive and robust support for our monitoring technology, with appropriate maintenance plans.
- Mandatory annual cyber security training for employees and a robust operational security programme.
- All operational and office sites have business continuity, crisis management and disaster recovery plans.
- Regular internal and third-party testing of our security network, systems and sites.
- Vulnerability management system, including penetration testing of publicly accessible systems, behavioural alerts, patching processes, data disposal and access controls.
- Third-party IT service partners provide support to reduce risk and improve technical standards.
- Security standards are understood with relevant 'what if' scenarios.
- Documented security investigation processes, including root cause analysis.

**Key updates in the year**

- We have mobilised delivery of our Zero Trust Architecture ('ZTA') Plan and onboarded a partner to help define the reference architecture and associated delivery roadmap.
- The DWI and non-financial auditors validated our 2023-24 Security of Network and Information Systems Regulations ('NIS-R') submission. We obtained external assurance of our 2024-25 NIS-R submission and they confirmed compliance.
- A comprehensive cyber exercise was successfully completed including operational, tactical, strategic levels and our Board Cyber Defence Committee.
- Continued focus on cyber security awareness across the Group and supporting our Security Champions.
- Supply chain security improvements have provided greater oversight.
- We received a positive Final Determination from Ofwat on our cyber security enhancements.
- We have secured funding to deliver our strategic plans in relation to security and resilience.

## Principal Risk 7 – Political, legal and regulatory

**Proactively preparing for regulatory, legislative and Government reforms which will help to drive positive change across the water sector.**

**Principal Risk overview**

### Uncertainty of regulatory, legislative and Government reforms which could fundamentally impact our operating environment and strategic ambitions

**Strategic objective**

Outcomes | Nature | People | Change

**Stakeholders**

**Change in year**

**KPIs**

We continue to monitor the external environment for regulatory, legislative and Government reforms

**Risk mitigation examples**

- We performed detailed research to understand the views and priorities of customers and key stakeholders when developing our Business Plan.
- 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 and these are regularly reviewed to capture any changes.
- Investment plans are subject to regular review, 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.
- Our overarching Compliance Framework, Licence to Operate, ensures compliance with our legal, statutory and regulatory obligations. All levels of leadership are required to complete a declaration twice a year.

**Key updates in the year**

- The Government commissioned Sir Jon Cunliffe to undertake a review of the water sector. We have responded to the Commission's request for evidence. Recommendations are expected to be made to the UK Government in Summer 2025. We will continue to engage constructively with the review, and other relevant reviews, and we are proactively preparing for potential changes.
- We have also provided evidence to Government and regulator consultations.
- We continue to be open and transparent with regulators and policy makers through reporting, formal and informal communication and facilitating site visits so they can observe our operations first hand.
- We have performed comprehensive horizon scanning of potential changes to the political, legal and regulatory environment to bolster the Group's preparedness for any changes.
- The Water (Special Measures) Act 2025, which includes prohibitions on performance-related pay for Executive Directors, remains subject to ongoing consultation. We are considering the implications for retaining and attracting senior talent against the backdrop of the challenging AMP8 delivery programme. Consultations on the remaining provisions will follow later in 2025.
- Active engagement with local councils and the Regional Mayor of the West Midlands to share key messages, including spending plans for the region, and gain valuable feedback.

## Principal Risk 8 – Financial liabilities

**We have secure funding to meet ongoing commitments, including the delivery of our AMP8 Capital Programme, and ability to withstand volatility.**

### Principal Risk overview

**Failure to responsibly manage our financial position to maintain financial resilience and a strong funding platform, and effectively manage market volatility**

**Strategic objective**

Outcomes | Nature | People | Change

**Stakeholders**

**Change in year**

**KPIs**

- Months of liquidity (no. of months), see page 128
- Pension deficit (£m), see page 61

### Risk mitigation examples

- 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 markets.
- The Group maintains liquidity headroom of at least 15 months in line with the Board-approved Liquidity Policy and the Group has committed credit facilities for five years.
- 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, to reduce refinancing risks.
- Treasury policy statements and procedure manuals are reviewed at least annually.
- Our pension deficit recovery plans are agreed by the Trustees and the Company. The plans state the cash contributions required from Severn Trent, with inflation and equity risks managed through appropriate hedging strategies to manage downside risks, with regular monitoring.
- The Company is represented on the Investment Committee of the scheme and the Investment Policy is formally approved by the CFO.

### Key updates in the year

- During the year we raised c.£1.5 billion of funding to maintain appropriate levels of liquidity, which is in excess of our 15-month Treasury Policy.
- We have increased our focus on diversifying funding sources, including a return to the EUR bond market, and an inaugural issue in the Swiss Franc market.
- Work has commenced on the 2025 triennial valuation of the Severn Trent Pension Scheme.
- We continue to work with the Trustees in considering the Pensions Regulator's consultation on its Funding Code of Practice.
- We work closely with the Trustees of the defined benefit pension schemes and with our pension advisers to meet the requirements of the schemes, including those set by the Pension Regulator.
- Our Final Determination confirms our funding requirements for the next five years, and we have a plan in place to deliver.

## Principal Risk 9 – Climate change, environment and biodiversity

**We are committed to delivering our net zero plans and ensuring we are resilient to the impacts of climate change, both now and in the future.**

### Principal Risk overview

**Our climate change strategy does not enable us to respond to the shifting natural climatic environment and maintain our essential services**

**Strategic objective**

Outcomes | Nature | People | Change

**Stakeholders**

**Change in year**

**KPIs**

- Please refer to the Metrics and Targets section of our TCFD and TNFD disclosures on pages 42 to 43

### Risk mitigation examples

- Scenario planning and data modelling are utilised to understand the impact climate change could have on our essential services (see Principal Risks 2 and 3).
- Our WRMP and DWMP provide a long-term planning approach to address future challenges, including climate change.
- Our Business Plan incorporates increased resilience against the potential impacts of climate change through the delivery of capital schemes (see Principal Risk 5).
- Our corporate strategy (described in more detail on page 3), ensures a robust response to climate change and our impacts and dependencies on nature, to protect our value chain and maintain our services (set out in our Business Model on pages 6 to 7).
- We are committed to net zero operational emissions by 2030, striving for 100% renewable energy and a low-carbon fleet, and more recently have invested significantly in our Net Zero Hub (see our NZTP on pages 44 to 54 for more details).

### Key updates in the year

- Climate-related risks have been shared and discussed with the Board. In October 2024, the Board held its Board Strategy Day where the topics included ESG considerations and how climate change could impact the Group's operations.
- Our Business Plan includes the priorities of the Group to support long-term sustainability.
- We continue to proactively manage risks and opportunities driven by changes to our risk environment, including climate change, new technologies, shifting demographics and societal expectations.
- We have published our fourth EU Taxonomy disclosure on pages 55 to 59 which demonstrates our alignment to the CCM and WTR objectives.
- We continue to increase alignment through ongoing risk assessments, gap analysis, internal action planning, and increasing our investment in sustainable activities.
- Our £40 million investment in our Net Zero Hub, in Strongford, provided a blueprint for the reduction and removal of process emissions as well as increasing the production of biomethane.
- Our TCFD and TNFD disclosures are included on pages 29 to 43 and we have published our fourth Climate Change Adaptation Report. Read more on page 41.

**Change in year**

Increase in risk exposure | Decrease in risk exposure | No change in risk exposure | Re-scoped | New risk

**Stakeholder key**

Customers | Colleagues | Communities | Shareholders and Investors | Suppliers and Contractors | Regulators and Government

## Principal Risk 10 – Climate change, environment and biodiversity

**A clear strategic focus on protecting the natural environment in our region and embracing nature-based solutions.**

### Principal Risk overview

**Failure to act as a steward of natural capital in our region providing social, environmental and economic benefits**

**Strategic objective**

Outcomes | Nature | People | Change

**Stakeholders**

**Change in year**

No change in risk exposure

**KPIs**

- Please refer to the Metrics and Targets section of our TCFD and TNFD disclosures on pages 42 to 43

### Risk mitigation examples

- 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 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 through drought or extreme weather events and biodiversity loss that has potential to impact ecosystems.
- We utilise our in-house ecology expertise to enhance the Group's capability to enhance biodiversity.

### Key updates in the year

- Our Business Plan and LTDS utilised modelling and scenario planning to inform initiatives to enhance the natural environment of the habitats across our sites, ensuring resilience to nature-related risks and embracing opportunities.
- Nature remains a critical priority as we move to nature-based solutions and continue to deliver significant improvements to the biodiversity of our natural environment.
- Our Zero Spills Hub enables us to trial combinations of different approaches, including AI to optimise asset use and nature-based solutions to prevent spills.
- Our Mansfield Sustainable Flood Resilience Project included the installation of rain gardens, detention basins and bioswales to reduce the amount of rainwater entering our sewer network.
- Through our Green Recovery programme, we installed more than 157,000 smart water meters for our customers.
- We have accelerated investment to improve our spills performance. Our plans for the next five years include investing £2 billion on improving river health.
- More details on how we manage nature-related impacts, dependencies, risks and opportunities can be found in our TCFD and TNFD disclosures on pages 29 to 43.

## Principal Risk 11 – People and culture

**We foster a culture of innovation, which is supported by engaged colleagues with the right mindset and skills to embrace opportunities.**

### Principal Risk overview

**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 objective**

Outcomes | Nature | People | Change

**Stakeholders**

**Change in year**

Decrease in risk exposure

**KPIs**

- Employee engagement score, see page 7

### Risk mitigation examples

- Robust recruitment strategy which is focused on attracting top talent with the desired skills for both now and in the future.
- Dedicated apprenticeships and graduate schemes available to ensure we have the right skills for the future.
- Our Ofsted-accredited Academy facilitates the training and upskilling of our colleagues to embrace technological advancements. We have an effective training programme tailored for each business area.
- The Academy uses a combination of the latest technology, for example 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 helps to ensure we reflect the communities we serve.

### Key updates in the year

- We have assembled an industry-leading team of data professionals and innovation scientists to enhance our internal technical competency and share knowledge across the business.
- As part of our Innovation Strategy, we developed four trial hubs, and each is focused on a specific strategic challenge. We work with other water companies, third-party suppliers and academics, which utilise technology to support the delivery of key commitments. These bring together AI, machine learning and other critical technologies.
- Over 70 AI solutions have been developed and we already use AI to design and build £1 billion worth of assets.
- We have actively engaged with employees to think differently and smarter through podcasts, roadshows and leadership events to embrace technology.
- For our operational in-house entry level apprenticeships, we have a 100% pass rate with over 50% achieving a distinction.
- The tenure of our employees is above average, Glassdoor rankings support that Severn Trent is one of the top companies to work for, and our annual engagement score places us in the top 2% of energy and utility companies globally.

**Change in year**

Increase in risk exposure | Decrease in risk exposure | No change in risk exposure | Re-scoped | New risk

**Stakeholder key**

Customers | Colleagues | Communities | Shareholders and Investors | Suppliers and Contractors | Regulators and Government

# 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 61 to 67. Important aspects of that assessment that are most relevant to the assessment of viability are:

- the Group's RCV gearing is 62.7%, 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 Autumn 2026;
- the Group's credit ratings from three agencies (S&P, Fitch and Moody's) are two notches above the investment grade base level and are stable; and
- the defined benefit pension deficit decreased to £120 million in the year, and we are ahead of our deficit reduction plan in the most recently completed 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.

The Final Determination for PR24, the price review for AMP8, was issued on 19 December 2024. We have this in the base case for our assessment of viability for the period to 2030. 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. Our key assumptions in this regard are a continuation of Ofwat's approach from AMP8, including the significant step up in investment approved for the next five years. In making this assessment, we have also taken account of:

- Ofwat's statutory duty to secure that companies can finance the proper carrying out of their functions;
- the outcome of Ofwat's Final Determination and Severn Trent Water's assessment of this;
- 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 WRMP and DWMP.

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 securing 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 13 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 had also recognised 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.

Whilst a longer period of assessment introduces greater uncertainty because the variability of potential outcomes increases as the period considered extends, Ofwat set an expectation as part of its PR19 approach that companies should look beyond the end of the next AMP when assessing viability.

Bearing this in mind, together with 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.

Whilst 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.

# **Viability Statement** continued

The risks and scenarios tested are described below.

| Risk assessed | Severe but plausible scenario | Stress tests 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)<br>Service failure leads to increased operating expenditure or failure to meet performance commitment targets | An extreme one-off event<br>Totex underperformance in each year of the forecast<br>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 wastewater treatment works<br>Service failure leads to increased operating expenditure or failure to meet performance commitment targets | An extreme one-off event<br>Totex underperformance in each year of the forecast<br>ODI penalty in a single year<br>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 |
| **Insufficient resilience in the supply chain impacts the deliverability of the capital programme (time, cost, quality)** | Significant increase in capital programme costs<br>Service failure leads to increased operating expenditure or failure to meet performance commitment targets | Totex underperformance in each year of the forecast<br>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<br>A financial penalty |
| **Uncertainty of regulatory, legislative and Government reforms which could fundamentally impact our operating environment and strategic ambitions** | A breach of law or regulations results in a significant one-off penalty<br>Failure to deliver regulatory obligations and expected performance levels<br>Failure to provide water network and treatment capacity to meet requirements in future AMPs<br>Failure to safeguard wastewater network and treatment capacity to meet demand or increased environmental obligations in future AMPs | A financial penalty<br>ODI penalty in a single year<br>Totex underperformance in each year of the forecast |
| **Failure to manage responsibly our financial position to maintain our financial resilience and a strong funding platform and effectively manage market volatility** | Increasing pension deficit leading to higher deficit reduction contributions | Increased pension contributions |
| **Our 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<br>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 combined scenarios taking into consideration totex under-performance, ODI penalties and a financial penalty, in combination with differing levels of inflation. The amounts of the stress tests applied were:

| Stress test applied | Amount modelled |
|---|---|
| An extreme one-off event | A one-off impact of £300 million at the point in the forecast with the lowest headroom |
| Totex underperformance | An increase in totex of £300 million in each year of the forecast |
| ODI penalty | A penalty of £300 million in a single year |
| Increased pension contributions | Cash contributions increase to £60 million per year |
| Financial penalty | A penalty of £300 million in a single year (c.10% of appointee turnover) |
| Combined scenario 1 | An increase of totex of £300 million in each year, an ODI penalty of £150 million in one year, and a one-off impact of £300 million in one year |
| Combined scenario 2 | Combined scenario 1 plus a 10% spike in CPIH inflation |
| 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 against base case |
| Deflation for two years | CPIH of -1% |
| Higher interest rates for two years | New debt financed at 4% above base case assumptions |

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.

# **Viability Statement** continued

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.<br>Manage liquidity by temporarily reducing working capital.<br>Close out derivative financial instruments in asset positions to generate cash.<br>Consider new sources of funding, including hybrid debt.<br>Reprofile capital programme to ease short-term pressure on ratings.<br>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.<br>Increased gearing and significant deterioration in credit metrics that, without mitigating action, might lead to a downgrade below investment grade and a breach of covenants. | Cost reduction programme focused on reducing discretionary expenditure to support profitability.<br>Manage liquidity by temporarily reducing working capital.<br>Close out derivative financial instruments in asset positions to generate cash.<br>Consider new sources of funding, including hybrid debt.<br>Consider downgrading the dividend policy. |
| **ODI penalty** | The penalty would flow through revenue two years after the performance commitment was breached. In that year profit remains higher than the expected dividend indicated to be paid.<br>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.<br>Engage with ratings agencies to discuss the short-term nature of the impacts.<br>Manage liquidity by temporarily reducing working capital.<br>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. | Engage with ratings agencies to discuss the short-term nature of the impacts.<br>Manage liquidity by temporarily reducing working capital.<br>Consider reducing dividend in the year. |
| **Financial penalty** | Lower profits lead to dividend cover less than one in the third year of assessment. Profits remain above dividend declared thereafter.<br>Deterioration in credit metrics that, without mitigating action, might lead to downgrade. | Manage liquidity by temporarily reducing working capital.<br>Close out derivative financial instruments in asset positions to generate cash.<br>Consider new sources of funding, including hybrid debt. |
| **Combined scenarios** | Significant reduction in profitability and cash flow, although earnings in the year remain at or above the dividend indicated by our policy.<br>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.<br>Manage liquidity by temporarily reducing working capital.<br>Close out derivative financial instruments in asset positions to generate cash.<br>Cost reduction programme focused on reducing discretionary expenditure to support profitability.<br>Reprofile capital programme.<br>Consider downgrading the dividend policy. |
| **Higher inflation** | Short term adverse impact to profit, dividend cover and cash.<br>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.<br>Manage liquidity by temporarily reducing working capital.<br>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.<br>Increased gearing and deterioration in credit metrics that, without mitigating action might lead to a downgrade in credit ratings below investment grade and a breach of debt covenants. | Engage with ratings agencies to discuss the short-term nature of the impacts.<br>Cost reduction programme focused on reducing discretionary expenditure to support profitability.<br>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.<br>Increased gearing and deterioration in credit metrics that, without mitigating action might lead to a downgrade in ratings below investment grade and a breach of debt covenants. | Engage with ratings agencies to discuss the short-term nature of the impacts.<br>Consider new sources of funding, including hybrid debt.<br>Cost reduction programme focused on reducing discretionary expenditure to support profitability.<br>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.<br>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.<br>Cost reduction programme focused on reducing discretionary expenditure to support profitability.<br>Manage liquidity by temporarily reducing working capital.<br>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. The size of the deferral would be limited by the targets set out in our Price Control Deliverables, a new mechanism of targets set by Ofwat for AMP8 to ensure timely delivery of specific schemes. |
| **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 approved Dividend Policy for AMP8 is to grow the dividend in line with 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. Deloitte's audit report is set out from page 159.

## Assessment of viability

The Board has assessed the viability of the Company over a seven-year period to March 2032, 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 2032.

## 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, communities, shareholders, the environment and wider stakeholders.

This section provides insight into how our Board engages with 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 91 to 93, which sets out our approach to s.172 and provides examples of how the Board engaged and decisions taken by our 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 95. You can also read more on our sustainability webpages on our website.

Our Engagement in Action section on the following pages, 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, communities and the environment.

**Our customers**
In serving our customers, we want to provide strong service delivery over the long term. We are delighted that our Severn Trent Water Business Plan for 2025-2030 was awarded 'outstanding' status by Ofwat. We engaged extensively with our customers in development of our 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.

# Engagement in Action


## Our Customers

**As our customers' expectations change, we need to evolve our approach and delivery of our services to ensure we continue to meet them. Everyone who works for, and with, Severn Trent is focused 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.**

### Company engagement

We offer different channels of communication to suit our customers' needs and our dedicated Care and Assistance Team is trained to provide the extra help that may be needed. We also have a team of partnership specialists embedded across our communities to help increase awareness and support customers who may struggle to communicate with us over the phone or online.

We also engage and learn from our customers in a variety of different ways, including:

- Quarterly management-level team meetings with the 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 we have made it easier to check for and report problems through our 'Check My Area' app and 'Report a Problem' services.
- Customers can contact us through two-way messaging functionality by SMS, WhatsApp, TapChat and Apple Business Chat channels.

### Board engagement

The Board receives an update on customer operations and performance from management, including updates on the implementation of the Kraken programme, at every meeting. Other topics considered during the year included an update on the Group's Customer Vulnerability Strategy and a deep dive on C-MeX.

Additionally, Board members gain insight on the customer journey first hand during site visits, which allows them to observe the dedication and hard work of our teams in delivering our essential services to customers and communities. This helps them gain a deeper understanding of how our systems and processes support our workforce in delivering consistent operational performance. You can read more about site visits undertaken by the Board on pages 99, 106 and 107.

### What mattered most to our customers

- Affordability and value for money.
- Customer service and operational performance.
- Leakage reduction and resilience of supply.
- Assistance in times of need and vulnerable circumstances.
- Responsible investment.
- Environmental performance, river water quality and climate change.

### How we delivered following engagement feedback

- 32% improvement in supply interruptions performance.
- 5% reduction in leakage.
- 2% improvement in blockages.
- 9.9% of our customers signed up to our Priority Services Register.
- Provided over £88 million worth of support to more than 290,000 customers through our affordability support schemes this year.
- Good progress on our Societal Strategy with more than 15,400 people supported this year.
- Net Zero Hub at Strongford.
- ODI Centre of Excellence.

# Engagement in Action

## Our Colleagues

**The culture of our organisation is critical to our success. Our people are highly engaged across our organisation, supported by an open and trusting environment that fosters collaboration. We offer opportunities for all of our colleagues to contribute ideas and suggestions and express their perspectives.**

**2024 Leadership Event**


### Company engagement

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. These include:

- Annual leadership events, attended by over 880 of our people.
- Company, business and local Trade Union forums.
- OnTap news and Friday 'News Splash' updates, Viva Engage and 'Ask Liv' intranet pages.
- Monthly Team Talks.
- Face-to-face meetings with line managers and departmental meetings.

Our annual employee engagement survey, conducted by an independent research company to ensure the results are anonymous, helps us to understand what is going well and where we can improve. In 2024, our overall engagement score was 8.6 out of a possible 10 points, maintaining our highest ever score and placing us in the top 2% of energy and utility businesses globally.

### Board engagement

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 chosen employee engagement mechanism, the Company Forum, facilitates this in a structured way and meets four times a year. Attendees are invited from Trade Unions, all leadership levels, the Executive Committee and the Board. Through the Company Forum, we engage with employees on ways of working and matters of strategic significance to the Group to ensure employee views and insights 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 members are invited to attend and participate and, over the last 12 months, Christine Hodgson, Tom Delay and Sarah Legg, as well as Liv Garfield, have attended to listen to the discussions and 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 strategies. The Board further used the Company Forum to explain how Executive remuneration aligns with wider company pay policies.

Additionally, regular updates are provided on Company performance, year end results and significant change programmes.

The Board discuss people matters at every Board meeting through a standing update in the Chief Executive's report. Our People Strategy is presented annually and the Board reviews a dashboard of workforce-related matters twice a year along with reports from our Speak-Up channels at every Audit and Risk Committee meeting. Talent and succession planning and diversity and inclusion discussions are also held regularly at the Nominations Committee.

### What mattered most to our colleagues

- Health, safety and wellbeing.
- Delivering for our customers, communities and the environment.
- Diverse and inclusive workplace.
- Opportunities to reach full potential.
- Open and honest environment.
- Fair pay and reward.

### How we delivered following engagement feedback

The wealth of insights gathered through our colleague engagement channels are used to inform our strategic decisions. They also highlight the issues that matter most to colleagues and where we need to focus our attention. We identified key areas for improvement throughout the year and developed detailed action plans in collaboration with our Senior Leadership Team. These included:

- Further developing our colleague networks.
- Enhancing our all-employee benefits, including new financial guidance with Origen Financial Services and health assessments with Healthiflex.
- Achieving 9th on the Social Mobility Index.
- A Glassdoor ranking of 4.5/5.
- Delivered more than 285,000 learning hours through our Academy this year and over 992,000 learning hours delivered this AMP.
- A re-launch of our 'Wonderfully You' diversity and inclusion campaign.

# Engagement in Action


## Our Communities

**We have a unique link to the communities we serve. The vast majority of our people live and work in these communities and are also our customers. Everyone who works for Severn Trent wants to support our communities and feel a sense of pride in the essential services we deliver to the families, businesses and communities in our region – 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 customers 24 hours a day, 365 days a year.**

VE 80 illumination at Derwent Reservoir dam

### Company engagement

- Our Employability Scheme inspires our people and makes a real difference to people's lives.
- Our people volunteer through our Community Champions programme and NeighbourGOOD scheme, working to improve our communities and environment.
- Regular community workshops and drop-in sessions are held across our region.

### Board engagement

The Board is committed to fostering strong relationships with community stakeholders, gaining insight from them which is considered in Board discussions and decision making. Collaborative projects such as our Green Recovery project in Mansfield – have been instrumental in facilitating open dialogue and mutual understanding. By prioritising transparency and inclusivity, the Board ensures that community voices are heard and integrated into decision-making processes. This ongoing engagement not only strengthens relationships with our communities but also enhances the Board's ability to make informed decisions that benefit all stakeholders.

- The Board receives regular presentations on the progress and impact of the Company's Societal Strategy, highlighting key achievements, challenges, and future plans.
- Annual updates are provided to the Corporate Sustainability Committee on the allocation and impact of the Community Fund, Social Value and affordability initiatives including success stories and metrics that demonstrate the benefits to local communities.
- The Board receives regular engagement with Government officials and elected representatives on water and environment-related issues.

### What mattered most to our communities

- Environmental protection including river health, climate change, water quality, biodiversity and wildlife protection.
- Investment and maintenance improvements – impact and disruption.
- Local employment and job creation.
- Economic contribution.
- Cost of living pressures.

### How we delivered following engagement feedback

- Hosted six 'Big Boost' events across Birmingham, Coventry and Derby, with over 3,000 people attending.
- Hosted 360 students across 11 Discovery Days.
- Over 1,500 hours of staff time volunteered to support our work within schools, reaching over 6,000 students.
- Implemented 1,200 permanent improvements to cut spills from storm overflows across our region, bringing our total to over 1,800 to date.
- Celebrated our River Rangers having completed 10,000 visits to rivers, engaging with 2,500 customers and attending 710 meetings with community groups.
- Improved the biodiversity of over 16,000 ha of land.
- Financial support was given to care leavers through our 'Big Difference Scheme'.
- Over £2 million awarded to 118 projects through our Community Fund this year.
- Supported remembrance events in recognition of VE Day 80, including events across our sites and the lighting up of our Derwent dam in red, white and blue in remembrance of the Dam Busters, who trained there.

## Engagement in Action


## 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, communities and the environment, both now and over the long term. Our intention is to drive value for all of our stakeholders, delivering a high-quality, sustainable service for the long term.**

### Company engagement

During the year, we held around 200 investor meetings and met with 145 existing and potential investors, representing 74% of our share register by value. The meetings focused on the Group's financial performance, our commitment to the environment, our positive outlook on AMP8 and customer affordability.

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 2025 Governance Roadshow, which involved the Chair and Group Company Secretary meeting with 44% of the Group's shareholder register by value.

### Board engagement

Our AGM gives the Board the opportunity to present to attending shareholders and answer their questions. Board members also participate in investor meetings and presentations and the Board as a whole receives updates on shareholder activity from the CEO and CFO at every meeting. They also receive updates on market commentary, shareholder analysis and research analysts notes. The Board also receives both an annual market update and defence strategy analysis, with support and advice from the Group's external brokers.

### What mattered most to our shareholders and investors

- Strategy and business model.
- Financial performance and returns.
- Reputation.
- ESG performance.
- Financial and climate-related risk management.
- Strong leadership and talent retention.
- Company culture.
- Risk management.

**Capital Markets Day, March 2025**

### Capital Markets Day 2025

On 5 March 2025, we held our Capital Markets Day, which provided an update on the strategic decisions that will position us strongly to outperform over the next five years and beyond.

The event was attended by around 80 external people, with representation from a range of investors and analysts as well as from wider stakeholders. 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.

All presentations from our Capital Markets Day are available to watch on our website.

### How we delivered following engagement feedback

- Total Shareholder Return.
- AMP8 Business Plan Final Determination.
- 9.3% Return on Regulated Equity.
- Interim Group dividend for 2024/25 of 48.68 pence.
- Final Group dividend for 2024/25 of 73.03 pence.
- AMP8 Dividend Policy with annual growth in line with CPIH.
- Published our fourth EU Taxonomy disclosure.
- All resolutions received over 94% of votes in favour at our 2024 AGM.
- Capital Markets Day.

# Engagement in Action

## Suppliers and Contractors

Everyone who works for, and with, Severn Trent is focused on improving service delivery for customers – including our supply chain partners. Good relationships help ensure projects are delivered on time, to a high quality and at efficient costs.

Our AMP8 capital programme will be the largest in our history. Our investment plans therefore require a resilient and highly engaged supply chain. Fostering a positive and collaborative relationship with our supply chain is 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 – and make us resilient to issues that may arise.

### Company engagement

We maintain an open, ongoing dialogue with our suppliers through regular formal and informal meetings to discuss projects and performance, supported by collaborative interactions at a working level.

Beyond our ambitious capital delivery programme, our supply chain partners are also critical to the delivery of our sustainability ambitions, and we are committed to building supplier capability through engagement, training and our partnership with the Supply Chain Sustainability School to support them.

Our 2024/25 highlights include:

- All contracted suppliers are required to sign up and operate in line with our Supply Chain Sustainable Charter.
- 130 suppliers having been assessed through EcoVadis, an independent rating platform which assesses suppliers based on their environmental and social impact performance.
- All applicable suppliers and their subcontractors are required to pay the real Living Wage as a minimum.

### Board engagement

The Board receives updates on suppliers from the Executive Directors and Executive Committee (including as part of the regular CEO update). This includes periodic updates on key procurement and capital expenditure matters focusing on current opportunities and challenges. The Board is also kept informed of key changes to supplier relationships, supply chain logistics and opportunities for value creation in the supply chain and signs off our Anti-Slavery and Human Trafficking Statement.

### What mattered most to our suppliers

- Health and safety.
- Predictable and consistent work opportunities, which allow them to plan and invest in their business growth.
- Opportunities to scale up their operations through collaboration on larger projects and capacity-building initiatives.
- Emphasis on sustainable and environmentally-friendly practices, including the use of low-carbon technologies and nature-based solutions.
- Integration of innovative technologies, such as smart meters and AI-driven solutions, to enhance efficiency and sustainability.

Construction at Witches Oak Water Treatment Works

- Strong, collaborative relationships, fostering mutual growth and success.
- Clear communication and transparent reporting on project progress, financial performance, and future plans.
- Fair engagement and payment terms.

### How we delivered following engagement feedback

- Over 150 suppliers in our supply chain.
- AMP8 supplier engagement event.
- Net Zero Hub at Strongford.
- 2024 CIPS Procurement Excellence Standard Accreditation.
- Carbon Trust accredited.

## Engagement in Action


# Regulators and Government

Our regulators and the Government influence the long-term national water strategy and environmental priorities, which have the potential to impact how all businesses operate.

Our relationships with the Government, our regulators and other agencies support us in ensuring that we deliver for our customers, communities and the environment, whilst investing in a responsible way and providing value-for-money services to our customers.

### Company engagement

- 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.

### Board engagement

The Board has an established engagement programme with our regulators and Government bodies to inform and improve the Board's direct understanding of their perception of the Company's performance, its key issues and areas of future focus.

Maintaining an open and constructive dialogue with regulators is a priority for the Board. By building strong relationships with regulators and the Government, Severn Trent can better serve its customers, communities and the environment and contribute to the long-term sustainability of the water sector.

### What mattered most to our regulators

- 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 delivered following engagement feedback

- Ensuring a 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.
- Confident of achieving EPA 4* status for the sixth consecutive year, a unique accolade in the sector.
- Acceptance of our AMP8 Business Plan Final Determination.

**Christine Hodgson and Iain Coucher, Chair of Ofwat on site**

**Shockat Adam MP on site with Severn Trent**

# Section 172 Statement

## Stakeholder Engagement

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 the 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 and 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 2024/25, 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 | **6 to 7** |
| | Performance Review | **14 to 60** |
| | Dividend Policy | **156** |
| | Sustainability | **28 to 59** |
| **The interests of the Company's employees** | Corporate Strategy | **2 to 3** |
| | Performance Review | **14 to 60** |
| | Caring for Our People | **19 to 21** |
| | Diversity and Inclusion | **19 to 21** |
| | Employee Engagement | **86** |
| | Whistleblowing | **123** |
| | Company Culture | **98 to 99** |
| **The need to foster business relationships with suppliers, customers and others** | Corporate Strategy | **2 to 3** |
| | Responsible Payment Practices | **21** |
| | Performance Review | **14 to 60** |
| | Modern Slavery | **130** |
| | Sustainability | **28 to 59** |
| | Our Business Model | **6 to 7** |
| | Whistleblowing | **123** |
| **The impact of the Company's operations on the community and the environment** | Corporate Strategy | **2 to 3** |
| | Sustainability | **28 to 59** |
| | Corporate Sustainability Committee Report | **129 to 130** |
| **The desirability of the Company maintaining a reputation for high standards of business conduct** | Corporate Strategy | **2 to 3** |
| | Market and Industry Overview | **4** |
| | Whistleblowing | **123** |
| | Internal Controls and Risk Management | **122 to 123** |
| | Sustainability | **28 to 59** |
| **The need to act fairly as between members of the Company** | Corporate Strategy | **2 to 3** |
| | Stakeholder Engagement | **84 to 90** |
| | Annual General Meeting | **109** |
| | Dividend Policy | **156** |
| | Sustainability | **28 to 59** |

## Principal Decisions in 2024/25

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 AMP8 Business Plan.
- 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.
- Customer views were shared with the Board through dedicated deep dives on C-MeX and Licence Condition G relating to vulnerable customers.

### Our colleagues

- The Chair, Non-Executive and Executive Directors attend Company Forum sessions and Colleague Network meetings and provide feedback at Board meetings.
- The Board regularly meets with employees at Board and Committee meetings, during regular site visits and as part of their immersive induction.
- 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 Company Forum, AGM, and through Board site visits.
- Environmental matters, including progress on our Get River Positive 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 governance roadshows annually to meet with shareholders, hear views and answer questions, and detailed feedback is shared with Board.
- Board members attended the Capital Markets Day.
- The Chair, Senior Independent Director, CEO, CFO and Non-Executive Directors attend investor meetings and feedback is reported to the Board.
- Regular meetings take place between the Investor Relations Team and the Chair to discuss feedback from investors.
- The Head of Investor Relations gives an update to the Board on a regular basis through the CFO Report and the Investor Relations Strategy is discussed by the Board.

### Suppliers and contractors

- The Board receives updates on the Group's capital programme at every meeting. 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 by the Board, including business plans, the WRMP and Scheme of Wholesale Charges.
- To deepen Board-level understanding of our regulators, our Chair and Non-Executive Directors met with regulators including Ofwat, the EA and DWI during the year.
- Regulatory consultation updates are considered by the Board and Board Committees as appropriate.

## Engagement in Action

### Kraken Implementation

#### Context

In October 2023, the Board approved the migration of the Company's customer platform to Kraken – an innovative, world-class system, with the ambitions of delivering significant benefits across multiple business areas, particularly improving our customers' experience when dealing with us.

#### Consideration of s.172 impacts by the Board in its decision making

**Customers:** Customers, and their experiences, were the key determinant in the Board's decision – aimed at ensuring that customers are best served by our people, supported by new technologies to keep them better informed and provide them with the best possible service.

As outlined in our AMP8 Business Plan, we know that we need to improve our customers' experience of us, and we have set out our ambitions as follows:

- Deliver significant improvements on Ofwat's measure of performance, C-MeX;
- Drive down complaints to be the best performing company on CCW's measure; and
- Be in the upper quartile for the utilities sector – comprising around 30 different organisations across water, electricity, and gas, on the Institute of Customer Service's measure.

Impacts on customers and delivering improvements to customer experience was therefore a key factor in all Board discussions.

To support the Board's knowledge of Kraken, the Board participated in an immersive hands-on session during the year. This enabled them to use the system and interact with customers through voice, webchat and social media channels to observe the improvements offered by the system first hand.

**Employees:** By investing in Kraken's advanced system, our customer-facing teams benefit from improved customer records and accessibility of systems so they can serve customers more efficiently.

Additionally, the system provides new automation and AI capability to solve customers' problems quicker and first time.

#### Outcomes and impact on the long-term sustainable success of the Company

We are 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.

## Pollution Performance Oversight

### Context

Despite the performance improvements made in some areas, we know there is more we can do to improve our pollutions performance. We want to deliver faster improvements and have set bold targets to drive performance improvements, supported by scale investment plans. We set out to reduce pollutions by 29% over AMP7 and made good progress in the first three years. The Board oversees the Company's pollutions performance at every meeting and we redefined our Pollution Incident Reduction Plan ('PIRP') this year, targeting activity to drive improvements in our performance at the pace our customers and wider stakeholders expect.

Our PIRP outlines our actions to minimise pollutions related to our operations. Pollution reduction is a key focus area for AMP8, which will be supported by our investment of £400 million over the next 24 months.

The Board is fully committed to the plan, improving pollutions performance at pace and ensuring that we are transparent in reporting our performance, particularly for our customers. There is Board-level oversight of pollutions performance, which continues to be considered at every Board meeting through a dedicated performance oversight section on the agenda, supported by deep dives and consideration of individual events which scrutinise action taken and implementation of lessons learned to improve the Company's approach moving forward.

At an Executive level, there is weekly review of pollutions performance, informed through our dedicated PIRP governance structure, which ensures that swift remedial steps and/or improvement activity can be deployed where required.

### Consideration of s.172 impacts by the Board in its decision making

**Customers:** Customers are central to the Board's oversight of pollutions performance and also when reviewing the Company's PIRP. The Board challenged management on ensuring that the Company's plans would deliver performance improvements at pace, in line with customers' expectations.

The final PIRP both informs and guides our future strategy and long-term investment plans, ensuring we continue to deliver safe and consistently high-quality services to our customers.

We take the delivery of our commitments incredibly seriously and we believe transparency is vital to demonstrate our progress to customers and broader stakeholders.

**Environment and the community:** Pollution reduction and protecting the environment we depend on is a core focus going into AMP8. Building on our strong operational and environmental track record, scale investment outlined within the PIRP will enable us to deliver significant progress in areas our customers and communities care about most, including:

- delivering the industry's fastest and most ambitious spills reduction programme;
- accelerating the improvement of river health, accounting for just 2% of RNAGS by 2030;
- protecting 3% of England's nature recovery network through our work on biodiversity;
- achieving operational net zero by 2030; and
- maintaining our industry-leading environmental performance, as demonstrated by securing 4* EPA status for five consecutive years, by driving a further 30% reduction in pollutions.

**Regulators:** The Board has a strong track record of engagement with regulators in respect of strategic topics, including pollutions performance, incorporating regulator feedback and challenge into its plans. The Board met with the Chair, and Chief Executives of the EA and Ofwat during the year and discussed, amongst other topics, the Company's pollutions performance. This insight and feedback was used to inform the Company's PIRP.

Delivery of the Company's commitments will continue to be transparently reported to regulators, as well as customers and broader stakeholders, to demonstrate our progress.

**Employees:** The Board recognises that our employees are crucial to the successful implementation of our pollutions improvement activity.

Over the last AMP, we significantly enhanced our capabilities by expanding our 24/7 waste Operational Control Centre, developing dedicated storm event playbooks, and investing in resilience and response capabilities. Substantial investment has been made in our Incident Response Team, including bolstering our tanker capability to improve our response to potential pollution incidents.

To deliver the improvements at the pace our customers and wider stakeholders expect, we are growing our business even further. Over 300 new employees have joined the waste area of the business this year, boosting our talent, capacity, and capabilities, with a ring-fenced reactive resource dedicated to pollution events.

We have also actively engaged our employees on this important topic, energising them to reduce pollution incidents and minimise our environmental impact.

### Outcomes and impact on the long-term sustainable success of the Company

Implementing improvements in our pollutions performance, alongside our dedicated PIRP, is crucial to make the performance improvements that our customers and wider stakeholders expect. The plans reviewed, challenged and approved by the Board will target delivery of improvements and set bold targets to drive performance improvements, supported by scale investment plans. You can read more on page 17.

# 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. The information listed in the table below is incorporated by cross reference.

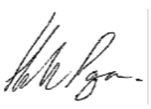
| Reporting requirement and Severn Trent's material areas of impact | Relevant Group Policy on severntrent.co.uk | Additional Information |
|---|---|---|
| **Our key stakeholders** | **Customer Policy**<br>**Group Data Protection Policy**<br>**Group Commercial Policy** | Stakeholder Engagement, pages 84 to 90<br>s.172 Statement, pages 91 to 93<br>Board Activities, pages 106 to 107 |
| **Climate and environment**<br>– Delivering net zero<br>– Managing climate-related issues<br>– Carbon performance, metrics and targets<br>– Climate-related financial disclosures<br>– Managing impacts on the natural environment and biodiversity | **Group Environment Policy** | TCFD and TNFD disclosures and Net Zero Transition Plan, pages 29 to 54<br>EU Taxonomy, pages 55 to 59<br>Corporate Sustainability Committee Report, pages 129 to 130<br>Stakeholder Engagement, pages 84 to 90<br>s.172 Statement, pages 91 to 93 |
| **Employees**<br>– Protecting health, safety and wellbeing<br>– Investing in training and learning<br>– Culture and ethics<br>– Reward and benefits<br>– Employee voice<br>– Promoting inclusion and diversity | **Group Health, Safety and Wellbeing Policy**<br>**Group Speak-Up Policy**<br>**Group Human Resources Policy** | Caring for People in our Region, pages 19 to 21<br>Stakeholder Engagement, pages 84 to 90<br>Gender and ethnicity pay gap, page 21 and 144<br>Our Culture, pages 98 to 99<br>Governance Report, pages 95 to 113<br>Audit and Risk Committee Report, pages 119 to 126<br>Directors' Remuneration Report, pages 131 to 154 |
| **Social matters**<br>– Societal Strategy<br>– Affordability support<br>– Paying a fair share of tax<br>– Community Fund | **Anti-Slavery and Human Trafficking Statement**<br>**Diversity within our Workforce** | Governance Report, pages 95 to 113<br>Corporate Sustainability Committee Report, pages 129 to 130 |
| **Human rights, anti-corruption and anti-bribery**<br>– Speaking up against wrongdoing<br>– Prevention of bribery and corruption<br>– Approach to human rights | **Group Financial Crime, Anti-Bribery and Anti-Corruption Policy**<br>**Group Conflicts of Interest Policy**<br>**Group Security Policy**<br>**Group Competition and Competitive Information Policy** | Governance Report, pages 95 to 113<br>Audit and Risk Committee Report, pages 119 to 126<br>Anti-Slavery and Human Trafficking, page 130 |
| **Description of Principal Risks and impact of business activity** | | Managing Risks and Opportunities, pages 68 to 69<br>Our Principal Risks, pages 73 to 78<br>Our Emerging Risks, page 70 to 72<br>Our Business Model, pages 6 to 7 |
| **Description of the Business Model** | | Our Business Model, pages 6 to 7 |
| **Non-Financial Key Performance Indicators** | | Strategic Report, pages 2 to 94<br>Key Performance Indicators, pages 12 to 13 |
| **Governance** | | Key Board discussions and decisions, pages 91 to 93<br>Sustainability governance, page 34 |

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
20 May 2025

# Chair's Introduction to Governance

**Christine Hodgson**
Chair

## My governance highlights from 2024/25

- **Outstanding PR24 Business Plan** – the Board invested a significant amount of time overseeing the response to the Draft Determination on our PR24 Business Plan, rated as 'outstanding' by Ofwat, and considering it, and the Final Determination, in the context of the interests of Severn Trent Water's stakeholders.
- **AMP8 Dividend Policy** – having considered the impacts on all stakeholders, including the many retail shareholders who rely on dividend income in return for their investment, the Board was pleased to announce the Dividend Policy for AMP8 of annual growth in line with CPIH.
- **Succession planning** – the appointment of a new Independent Non-Executive Director, Nick Hampton, with effect from 4 April 2025, in readiness for Kevin Beeston's retirement from the Board.
- **Culture and colleague engagement** – instilling a high-performance culture is a continual focus for the Board, informed through a programme of site visits and dedicated activities, including 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 **98 to 99**.
- **Net Zero Transition Plan ('NZTP')** – in line with the Company's commitment to mitigating and adapting to climate change, our NZTP has been revised to reflect the Final Determination outcome, and an advisory shareholder vote is being tabled at the 2025 Annual General Meeting ('AGM').

**Dear Shareholder**

**I am delighted to introduce our Governance Report for 2024/25, 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 our stakeholders.**

As highlighted in my Chair's Statement, on pages 8 to 9, this has been another exceptionally busy period for the Board, following developments in both the regulatory and listing environments, with the introduction of the Water (Special Measures) Act 2025 and our ongoing preparations for the 2024 UK Corporate Governance Code which applies to us from the current financial year, 2025/26.

My report, and the pages that follow, set out a summary of the important work that the Board, and its Committees, has 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 in March 2024, Gillian Sheldon stepped down from the Board on 14 May 2024, having served on the Board for almost three years, to focus on her Executive appointment. On behalf of the Board, I would like to thank Gillian for her invaluable contribution to the Board's work. We welcomed Richard Taylor to the Board on 1 April 2024, and he succeeded Gillian as Chair of the Treasury Committee. Richard introduces his first Treasury Committee Report on page 127.

Kevin Beeston retired from the Board on 30 April 2025, having served nine years. I would like to express our sincere thanks to Kevin for his invaluable contribution throughout his tenure on the Board, in particular as Senior Independent Director. Kevin's expertise, professionalism and unwavering commitment have been a tremendous asset to the Company. Over the past nine years, he has significantly helped to shape the direction and success of Severn Trent. We are immensely grateful for his service and wish Kevin all the very best.

Nick Hampton joined the Board as an Independent Non-Executive Director on 4 April 2025 and became Senior Independent Non-Executive Director on Kevin's retirement. Nick's induction is ongoing and he has already met many colleagues across a range of sites. You can read more on page 111.

## PR24 Final Determination

Following a detailed review and consideration of a broad range of stakeholders, particularly customers, colleagues and investors, the Board was pleased to accept the Severn Trent Water Final Determination for the period 2025-30, as published on 19 December 2024.

I, along with my fellow Board members, am eager to see the results of the increased investment over the course of AMP8. This will allow us to deliver significant progress on customer service and the environment, all whilst maintaining the second lowest bill in England and supporting around one in six customers with their bills by 2030 through a £575 million affordability package. In addition, we make this investment with extensive regulatory mechanisms in place which offer protection to both customers and investors. You can read more on page 5.

## Environmental performance

Another topic of significant Board, customer and wider stakeholder focus is environmental performance. This is 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 £1.7 billion in 2024/25, a 40% increase year on year, bringing our total investment in AMP7 to over £4.8 billion. It is pleasing to see this investment reflected in our Environmental Performance Assessment ('EPA') performance; we achieved EPA 4* for the fifth consecutive year last year, although we were disappointed with our overall pollutions performance. Read more on page 18.

We are confident that we will achieve EPA 4* for a sixth consecutive year this year. We have also reduced the Severn Trent Water share of Reasons for Not Achieving Good Status ('RNAGS') to 10.8% as our Combined Sewer Overflow ('CSO') Improvement and Get River Positive programmes drive long-term improvement in river quality. Our Green Recovery programme has also now completed, resulting in numerous benefits to the environment in our region. You can read more on pages 22 to 27.

## 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 2025 is provided below.

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 Group 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 73.03 pence per share, to be paid on 15 July 2025, taking the total Group dividend for the year to 121.71 pence per share.

Given that many small retail shareholders, and many pensioners, rely on our dividend payments, we are pleased to be able to sustain our dividend commitments for the next five years, with the Board approving the AMP8 Dividend Policy of annual growth in line with CPIH.

I had the pleasure of meeting 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 the environment, and provide a sustainable platform for investment and performance improvements in areas that are important to our stakeholders.

## Stakeholders

The Water (Special Measures) Act received Royal Assent on 24 February 2025. A number of provisions came into force immediately, including those in relation to financial reporting and transparency outcomes. At the date of this report, the outputs from Ofwat's consultation related to performance-related executive pay is still awaited. The Board will consider carefully the outputs of the consultation, and associated guidance, when published. Similarly, the Board will also apply focus to the wider proposals outlined by Ofwat in its consultation on its rules on governance, including customers' involvement in decisions that are likely to have a material impact on them. In line with our established and robust governance approach, the Board remains fully committed to facilitating meaningful engagement to gain authentic insight from all of its stakeholders, particularly customers.

## 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 another 'Meet Our Board' event, which was attended by a variety of colleagues from across the Group. I would like to thank those who took the time to attend and share their experiences with us.

Alongside these direct interactions, everyone that works for and with us has the ability to report any concerns in strict confidence through our independent 'Speak Up' process. They can raise concerns through their line manager, Senior Management or HR Team, and through our confidential and independent whistleblowing helpline and online channel, 'Safecall'.

As set out on pages 98 to 99, these interactions assist the Board in assessing and monitoring the Group's culture, beyond the scores and feedback from our employee engagement surveys. The Board has concluded that our high-performance culture is embedded across the Group and we observe it being demonstrated consistently at all levels.

## Looking forward

Despite only being a few months into AMP8, we have already made great strides in delivering our plans, particularly focusing on the investments that will provide improvements in the areas that our customers and wider stakeholders have told us are important to them.

I want to thank everyone involved in Severn Trent this year – our customers, communities, investors, regulators and suppliers, and a very special thank you to our colleagues, for their passion and hard work to ensure a strong end to AMP7 and the commitment to the next five years of providing a high-quality, essential public service.

**Christine Hodgson**
Chair

**Scan the QR code to visit the Severn Trent Water Regulatory Library – the Severn Trent Water Annual Report and Accounts and Annual Performance Report will be available from 15 July 2025**

### 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 100 to 101 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 AGM which will be held on 10 July 2025. Following the completion of this year's performance review, the Board concluded that each Director standing for 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.
- The version of the Corporate Governance Code applicable to this Annual Report is the 2018 Code. This Annual Report explains how we have applied the principles of the 2018 Code and confirms our compliance with its provisions for the financial year ended 31 March 2025. Read more on page 103.

# 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. This supports 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 2025.

### Performance for customers / Performance for the environment

The Board considered the proportion of measures where targets were achieved and 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 92.**
- Deep dive on AMP8 deliverability. **Read more on page 8.**
- Deep dive on the Company's Pollution Incident Reduction Plan. **Read more on page 93.**
- Deep dive on CSOs. **Read more on page 23.**
- Deep dive on the Company's EPA performance. **Read more on page 18.**

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 98 to 99 and 106 to 107.**

### 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. **Read more on page 20.**

In its assessment, the Board also considered the impact of the proposed Group 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 70% of our employees participate in.

### Performance for the 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 21.**
- Societal Strategy. **Read more on page 21.**
- Health and Safety performance. **Read more on page 20.**

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 Group 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 Group 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 Group 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 Group 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 2006 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 Group 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 Group dividend would not impact the financial health of the regulated company, nor its credit ratings.

The Board also considered that the proposed Group dividend was supported by the regulated company performance in the round for customers, communities and the environment, both now and over time. The Board therefore proposes a final Group dividend of 73.03 pence per share, to be paid on 15 July 2025.

**73.03p**
**final Group dividend**

**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 so important to the Board?

Culture drives effective thinking, behaviour and action, and supports a high-performance culture. It ensures that we always try to improve, learn from events and adopt best practice from around the world. This means we achieve the best possible outcomes for our customers and wider stakeholders. As such, it is crucial that we have the necessary culture in place 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 in order that, 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 and individual Directors 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 to 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 provides Board members with 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 indicates the great value placed on the attendance of Board members.

**Our Company Forum provides a brilliant, in-person opportunity for Board members to engage directly with employees on topics they are passionate about.**

**Sharmila Nebhrajani**
Independent Non-Executive Director

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, including in relation to engagement undertaken with the workforce around Executive remuneration, from page 84.

### Ask Our Board and Meet Our Board events

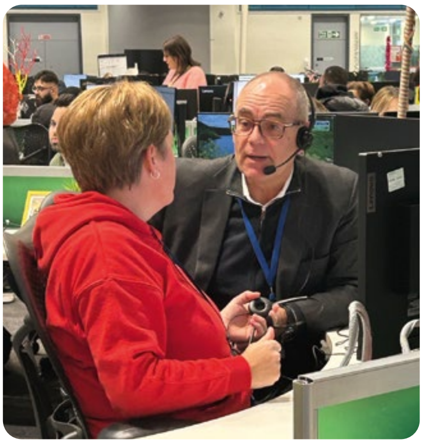
Following the success of our virtual 'Ask Our Board' events introduced to continue the direct dialogue between the Board and workforce during the COVID-19 pandemic, we moved to in-person 'Meet Our Board' events during 2023.

Our most recent 'Meet Our Board' event was held in January 2025, which was attended by colleagues from across the Group. The session built on employees' understanding of the Board's and individual Directors' roles at Severn Trent. Employees were also able to pose questions directly to Board members. Feedback from the event has been wholly positive, with both Board members and attendees reporting that the open and inclusive tone of the session provided an informal and trusting approach to engaging with each other.

## Site visits

Board members frequently undertake site visits to gain further insight into our culture and meet colleagues whilst observing the Group's operations in action. These site visits provide the opportunity to observe the commitment and dedication of our people, who work tirelessly to supply our essential services to customers and communities, whilst also increasing the Board's understanding of how the systems and processes we have in place support our workforce to deliver consistent operational performance.

Sarah Legg at Derwent Valley



Richard Taylor at Pride Park

## Colleague networks

**Everyone is welcome and differences are celebrated at Severn Trent. Colleague networks support D&I activity to ensure our company reflects the customers and communities we serve.**

**Tom Delay**
Independent Non-Executive Director

Board members attend meetings of the four colleague networks – LGBTQ+, Ethnicity and Cultural Heritage, Disability and Women's Network – to hear about the progress made against our diversity and inclusion ('D&I') plans across the business. Outputs from these sessions are used to shape future Board agenda topics and employee updates.

## Leadership events

**The energy, enthusiasm and commitment at our leadership events is striking, enabling us to make great Group connections in a very positive environment for collaboration.**

**Richard Taylor**
Independent Non-Executive Director

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 arising from survey results are monitored through to completion. The Board also considers regular agenda topics structured around our people. Read more on pages 106 to 107.

## 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 19 to 21 and in the Directors' Remuneration Report from page 131.

## 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 our chosen workforce engagement mechanism, the Company Forum, remain effective and well utilised, and cover the full breadth of the organisation. Read more on page 86.

# 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 recruitment of a new Senior Independent Non-Executive Director, Nick Hampton, who joined the Board on 4 April 2025.

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. 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 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

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. Liv is also Non-Executive Director of Water Plus, a joint venture with United Utilities serving business customers, and Water UK.

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 Brookfield Asset Management Limited
- Chair of Two Circles Limited

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

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.

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:**
- Non-Executive Director of Chapter Zero

A N R T

### Nick Hampton MA (Hons)

Senior Independent Non-Executive Director

**Appointed:**
Independent Non-Executive Director on 4 April 2025, Senior Independent Director on 1 May 2025.

**Career and experience:**
Nick was appointed Chief Executive of Tate & Lyle Plc in April 2018, having joined the company in September 2014 as Chief Financial Officer. Prior to joining Tate & Lyle, Nick held a number of senior roles over a 20-year career at PepsiCo, including Senior Vice President and Chief Financial Officer, Europe from 2008, and from 2013 as PepsiCo's President, West Europe Region and Senior Vice President Commercial, Europe.

Until April 2025, Nick was the Senior Independent Director of Great Portland Estates Plc, where he had served on the Board since October 2016.

Nick holds a Master's degree in Chemistry from St John's College, Oxford University.

**Skills and attributes which support our strategy and deliver long-term sustainable success:**
Having held a number of senior roles in large, multinational businesses, Nick brings to the Board extensive experience in general management, finance, investor relations, strategy and M&A, information systems and procurement.

Nick has recent and relevant financial experience from his previous roles as Chief Financial Officer at Tate & Lyle Plc and Chair of the Audit Committee at Great Portland Estates Plc.

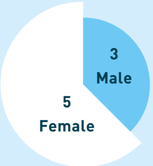
**Key external appointments:**
- Chief Executive of Tate & Lyle Plc

**Key**

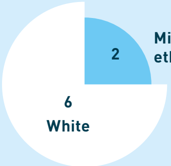
- A Audit and Risk Committee
- C Corporate Sustainability Committee
- N Nominations Committee
- R Remuneration Committee
- T Treasury Committee
- D Disclosure Committee
- E Executive Committee
- ● Denotes Committee Chair

## Board composition at a glance

**Gender representation**
as at 20 May 2025




**Minority ethnic representation**
as at 20 May 2025




**Board independence**
as at 20 May 2025

| | |
|---|---|
| **Chair** (Independent on appointment) | ● |
| **Executive Directors** | ●● |
| **Senior Independent Director** | ● |
| **Independent Non-Executive Directors** | ●●●● |

**Chair and Non-Executive Director tenure**
as at 20 May 2025

| | |
|---|---|
| Christine Hodgson | 5 years 4 months |
| Sharmila Nebhrajani | 5 years |
| Tom Delay | 3 years 4 months |
| Sarah Legg | 2 years 6 months |
| Richard Taylor | 1 year 1 month |
| Nick Hampton | 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 previously 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

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 previously Chief Executive at Wilton Park.

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

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 Managing Director and Chairman 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.

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.

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:**
- Managing Director and Chairman of Greenhill & Co. International LLP

### 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.

**Retired:**
30 April 2025.

**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)

### Hannah Woodall-Pagan
### BSc (Hons), FCG

Group Company Secretary

**Appointed:**
2 December 2022.

**Career and experience:**
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.

**Key external appointments:**
- Trustee of University Hospitals Birmingham Charity

## Director serving for part of the year

### Gillian Sheldon
### BSc (Hons)

Gillian stepped down from the Board on 14 May 2024, having served as a Director since 1 November 2021.

# 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 100 to 101, our Board members together form a diverse and effective team focused on promoting the long-term sustainable success of the Group.**

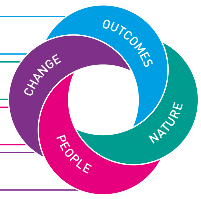
The skills matrix below details some of the key skills and experience that our Board has identified as particularly valuable for the effective oversight of the Company and execution of our strategy, and indicates which Directors bring those particular skills to the boardroom from their roles both within 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**

- O Outcomes
- N Nature
- P People
- C Change




**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 | 24/7 operations |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | O N P C | O N P C | O N P C | O N P C | O N P C | O N P C | O N P C | O N P C | O N P C | O N P C | O N P C | O N P C | O N P C | O N P C | O N P C | O N P C | O N P C | O N P C |
| **Tom Delay** | ✓ | ✓ | ✓ | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | |
| **Liv Garfield** | ✓ | ✓ | ✓ | ✓ | | | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Nick Hampton** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | | | ✓ | | ✓ | ✓ |
| **Christine Hodgson** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Sarah Legg** | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ | |
| **Helen Miles** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| **Sharmila Nebhrajani** | ✓ | | | | | ✓ | | ✓ | ✓ | ✓ | ✓ | | | | ✓ | ✓ | ✓ | |
| **Richard Taylor** | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ | |

## Executive Committee

As at 20 May 2025

**Scan the QR code to see full biographies on the Severn Trent Plc website**

**Key**

- D Disclosure Committee
- E Executive Committee

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

# 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 2018 Code.

We believe good corporate governance is about effective oversight, including how we instil confidence in our stakeholders, both in how we perform and in how report on that performance. With this in mind, we welcomed the proposed enhancements to the UK Corporate Governance Code announced by the Financial Reporting Council ('FRC') in January 2024 – against which we will report our compliance in our 2026 Annual Report – and the Board is updated regularly on the Company's preparations to ensure the new requirements will be met. Through their work, the Board and Committees uphold the provisions of the 2018 Code and, during the year ended 31 March 2025, we have fully applied the principles of good governance and have been compliant with the provisions of the 2018 Code, which is the version of the UK Corporate Governance Code applicable to the 2024/25 reporting period.

The Board remains dedicated to open and transparent reporting, and this page 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 Annual Report.

The full wording of the 2018 Code is available on the FRC's website.

## Board leadership and company purpose

Board site visit to Stoke Orchard Wastewater Treatment Works, April 2025

The role of the Board is set out in the Governance Report from **page 95**.

The Chair's Introduction to Governance can be found on **pages 95 to 97**.

How the Board engages with stakeholders is detailed on **pages 84 to 90**.

The Board's Section 172 Statement is included on **pages 91 to 93**.

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 106 to 107**.

A list of our Group policies and practices can be found on **page 94**.

How we assess risk and our Viability Statement is set out on **pages 79 to 83**.

Our strategy, including performance against our ODIs and KPIs, can be found on **pages 2 to 3 and 12 to 13**.

## Division of responsibilities

The Governance Framework set out on **page 104** provides an overview of the Board Committees in place at Severn Trent. Further details of each Committee are provided in the respective Committee reports and a table setting out attendance at meetings during the year can be found on **page 105**.

The division of responsibilities between the Chair and CEO is clearly defined on **page 105** and set out in writing within our Charter of Expectations. We fully support the separation of these two roles.

## Composition, succession and evaluation

Details about the composition of the Board, along with individual Board members' biographies and tenure, are on **pages 100 to 101**.

The outputs of this year's internal Board Performance Review are set out on **pages 112 to 113**.

The Nominations Committee Report is on **pages 114 to 118** and provides information on the Committee's work this year, including Board succession planning.

## Audit, risk and internal control

Our approach to risk and our assessment of our Principal Risks are outlined on **pages 73 to 78**.

Our climate and nature-related financial disclosures are set out on **pages 29 to 43**.

The Audit and Risk Committee Report, set out on **pages 119 to 126**, 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.

## 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 131 to 154**.

E

**Steph Cawley**
**BA (Hons), MSc**

Director of Customer Operations

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), FCIPD, FRSA**

Director of Human Resources

E

**Bob Stear**
**MEng (Hons), PhD, MCIWEM, CWEM, FIWater**

Chief Engineer

# 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 effective risk management and internal control systems.

Stakeholder Engagement
See **pages 84 to 90**.

Section 172 Statement
See **pages 91 to 93**.

Roles and Responsibilities
See **page 105**.

Board Activities
See **pages 106 to 107**.

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 and content of its annual reporting, risk management, assessment of the effectiveness of the system of internal control and the effectiveness of the Internal and External Auditors.

Read more on **pages 119 to 126**.

### 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 129 to 130**.

### 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 matters of Executive Director succession and contingency planning, conflicts of interest and independence.

Read more on **pages 114 to 118**.

### 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 131 to 154**.

### 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 127 to 128**.

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 Performance Review 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')
### Nick Hampton

In addition to their 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 diversity and inclusion.
- 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 10 to 11.

### 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 61 to 67.
- 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, 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 annual performance review 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 2024/25

| Director | Role | Board (inc. Strategy Day) | Audit and Risk Committee | Corporate Sustainability Committee | Nominations Committee | Remuneration Committee | Treasury Committee |
|---|---|---|---|---|---|---|---|
| **Christine Hodgson** | Chair | 8/8 | – | 4/4 | 6/6 | 7/7 | – |
| **Liv Garfield** | Chief Executive | 8/8 | – | – | – | – | – |
| **Helen Miles** | Chief Financial Officer | 8/8 | – | – | – | – | – |
| **Kevin Beeston** | Senior Independent Non-Executive Director | 8/8 | 6/6 | – | 4/4[1] | 7/7 | 5/5 |
| **Tom Delay** | Independent Non-Executive Director | 8/8 | – | 4/4 | 6/6 | – | – |
| **Sarah Legg** | Independent Non-Executive Director | 8/8 | 6/6 | 4/4 | 6/6 | – | 5/5 |
| **Sharmila Nebhrajani** | Independent Non-Executive Director | 8/8 | – | 4/4 | 5/6[2] | 7/7 | – |
| **Gillian Sheldon** | Independent Non-Executive Director[3] | 1/1 | 1/1 | – | – | 2/2 | 1/1 |
| **Richard Taylor** | Independent Non-Executive Director | 8/8 | 6/6 | – | 6/6 | 7/7 | 5/5 |

Changes to Board composition following 31 March 2025: Nick Hampton was appointed to the Board on 4 April 2025 and Kevin Beeston retired from the Board on 30 April 2025.

1 Kevin Beeston did not attend the meetings where the Nominations Committee was considering his successor.
2 Sharmila Nebhrajani was unable to attend a Nominations Committee meeting due to a long-standing commitment. Sharmila was provided with all relevant papers and provided comments on the matters to be considered to the Committee Chair.
3 Gillian Sheldon retired from the Board on 14 May 2024.

# Board Activities

**These pages offer an overview of the various matters discussed by the Board at its meetings, along with a timeline of key events that occurred throughout the year. Whilst not intended to present an exhaustive list of every item considered by the Board during the year, this information provides valuable insight into the nature and substance of the discussions that take place in the boardroom and highlights how activities remain focused on delivering our strategy. Read more about our strategy on page 3.**

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.

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 Report; and Operational Performance Reports, with a particular focus on customer delivery and the environment.
- Deep dive reports into areas of particular strategic importance, opportunities and risks, to evaluate progress, provide insight and, where necessary, decide on appropriate action.
- 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.

Details on some of the key topics considered during 2024/25 can be found in our Section 172 Statement on pages 91 to 93.

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 members of the Executive Committee. This time is usefully spent enabling Board members to build rapport with each other and relationships on a personal level, share external views and consider issues impacting the Company, resulting in better Board dynamics and decision making.

## Performance and standing items

O N P C

The Board oversees and challenges management on company performance.

**Standing items considered at Board meetings:** CEO Overview, CFO Report, Environmental Compliance and Operational Performance reports, reports from Board Committees, report from the Company Forum, Legal and Governance updates.

## Site visits

O N P C

The Board engages with the workforce, whilst also deepening its understanding and knowledge of our operations. Board site visits during 2024/25 are outlined in the timeline below.

## Stakeholder engagement

O N P C

**The following stakeholders attended Board sessions during the year:** Chair of Ofwat, Chair of Water UK, Chief Inspector of the Drinking Water Inspectorate ('DWI'), CEO of the Environment Agency ('EA'), CEO of Ofwat, and the Senior Director of Sector Performance at Ofwat.

Read more about how the Board engages with its stakeholders on **pages 84 to 90**.

**Key**

- B Board
- A Audit and Risk Committee
- C Corporate Sustainability Committee
- N Nominations Committee
- R Remuneration Committee
- T Treasury Committee
- AGM Annual General Meeting

Sarah Legg at Pride Park

### April 2024

B R

**Key Board events**

Richard Taylor joins the Board

Christine Hodgson and Liv Garfield site visit with the EA Chair, Alan Lovell, to Witches Oak WTW and Strongford Net Zero Hub

Board site visit to Green Power and insourced waste networks teams

EA Chair and Ofwat Chair attend Board meeting

**Key employee engagement events**

Tom Delay attends Ethnicity and Cultural Heritage colleague network

### May 2024

B A C N R T

**Key Board events**

Ofwat CEO attends Board meeting

**Key market announcements**

FY 2023/24 full year results

### June 2024

R

**Key employee engagement events**

Sharmila Nebhrajani and Christine Hodgson attend the Company Forum

**Key market announcements**

Publication of 2024 Annual Report and Notice of AGM

### July 2024

B A N R AGM

**Key market announcements**

PR24 Business Plan rated outstanding and investor presentation held

AGM results

FY 2024/25 Q1 trading update

Wastewater treatment information request

EPA 4* announcement for fifth consecutive year

### August 2024

### September 2024

B A C N T

**Key Board events**

Christine Hodgson and Richard Taylor attend Leadership event

EA Chair attends Board meeting

**Key employee engagement events**

Richard Taylor and Liv Garfield attend the Company Forum

## Internal controls, risk management and governance

O N P C

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 include:** Enterprise Risk Management ('ERM'), Cyber, Sites of Special Scientific Interest ('SSSIs'), Reservoir Safety, Technology, Innovation and AI, Corporate Structure, Health, Safety and Wellbeing and Insurance. The Board also undertook its annual review of our Code of Conduct, Doing the Right Thing, and the effectiveness of the Group's whistleblowing procedures and approved the Anti-Slavery and Human Trafficking Statement, our AMP8 governance arrangements and the Group Authorisation Arrangements. With regard to the Governance Framework, the Board considered its objectives, both in relation to progress against the 2024/25 objectives it had set and in shaping its 2025/26 objectives, and the outcome of the Board Performance Review, and reviewed the 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 **page 122**.

## Strategic, regulatory and environmental

O N P C

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 include:** Environmental performance updates at every meeting, CSOs and Spills, Customer Vulnerability, Performance in the Round, Strategic Resource Options, Innovation, AI and Strategic Growth Opportunities for the Future. The Board approved the following matters during the year: Acceptance of the PR24 Final Determination and the Severn Trent Water Scheme of Charges for 2025/26.

**Key: Strategic objectives**

O Outcomes
N Nature
P People
C Change

## Financial

O N P C

The Board monitors financial performance and sets parameters for financial management and strategy within the Group.

**Topics considered by the Board during the year include:** Viability Statement and Going Concern, Interim and Final Dividends and consideration of the regulated company's Performance in the Round, Group Budget, Investor Relations Strategy, Annual Report and Accounts, Pension Schemes, Tax, Treasury Policy, AMP8 Dividend Policy, and the Annual Funding and Treasury Risk Management Plan.

Read more in the CFO's Review on **pages 61 to 67**. Our Performance in the Round disclosures can be found on **pages 97 and 136**.

## Board Strategy Day

Each year, the Board holds a dedicated Strategy Day to consider the strategic direction of the Company for the short, medium and long term. This year's Strategy Day, hosted at SUEZ's main research and development centre CIRSEE in Paris, focused on innovative technologies, including:

- physiochemical treatment for drinking water production;
- water chemistry and materials for distribution networks;
- ultrafiltration, nanofiltration and reverse osmosis membranes; and
- digital solutions designed to optimise the management of urban drainage systems in response to challenges such as urbanisation, climate change and increased rainfall intensity.

Board Strategy Day, CIRSEE

### October 2024

B

**Key Board events**

Board Strategy Day

### November 2024

B A N T R

**Key Board events**

Sarah Legg site visit to Bamford WTW and Derwent Valley Reservoirs

Sarah Legg, Tom Delay and Christine Hodgson visit a wastewater site and Pride Park

Water UK Chair and the DWI Chief Inspector attend Board meeting

**Key market announcements**

FY 2024/25 interim results

### December 2024

**Key employee engagement events**

Tom Delay attends the Company Forum

Christine Hodgson attends Senior Leadership event

**Key market announcements**

PR24 Final Determination published

### January 2025

B A C N T R

**Key Board events**

Richard Taylor and Kevin Beeston visit to Waste Operational Control Centre

Christine Hodgson attends Governance Roadshows

**Key employee engagement events**

Christine Hodgson attends LGBTQ+ colleague network

Meet our Board lunch

**Key market announcements**

AMP8 Dividend Policy and Final Determination acceptance

FY 2024/25 Q3 trading update

### February 2025

**Key Board events**

Christine Hodgson site visit with Ofwat Chair, Iain Coucher, to see CSO spill reduction engineering solutions

**Key market announcements**

Nick Hampton appointment as Independent Non-Executive Director from 4 April 2025

### March 2025

B A C N T R

**Key Board events**

Christine Hodgson and Richard Taylor attend Capital Markets Day

Tom Delay site visit to Frankley WTW

EA CEO attends Board meeting

**Key employee engagement events**

Sarah Legg attends the Company Forum

Christine Hodgson attends Ethnicity and Cultural Heritage colleague network

**Key market announcements**

Severn Trent Capital Markets Day

Tom Delay at Frankley WTW

# 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 105, 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 performance of the Board is reviewed at least annually and conducted according to the guidance set out in the 2018 Code and the FRC's Guidance on Board Effectiveness. You can read more about this year's internally facilitated Board Performance Review on pages 112 to 113.

## 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 Performance Review. 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 114 to 118.

All of the Non-Executive Directors who served during 2024/25 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 Nick Hampton, for appointment by shareholders. Each of the Non-Executive Directors seeking appointment or reappointment is 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 Performance Review.

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 100 to 101.

Directors are required to obtain formal approval from the Board ahead of undertaking any new external appointments and before accepting an

Board site visit to Stoke Orchard Wastewater Treatment Works, April 2025 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 2025 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 2025. 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 2025.

## 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 84 to 90. 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 91 to 93 sets out how the Board has considered and contemplated the interests of stakeholders. An overview of the Board's engagement with our workforce is set out on page 86.

## Annual General Meeting ('AGM')

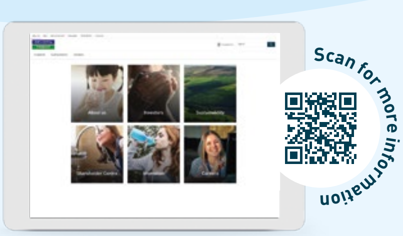
Our 2024 AGM was held on 11 July 2024, at which 81.98% of our shareholders (by voting capital) voted either in person, through the Chair of the AGM as their proxy, or by submitting their proxy forms electronically or by post. We were delighted to receive in excess of 94% votes in favour for all of our resolutions, including in relation to the Directors' Remuneration Policy. 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. No questions were posed to the Board in advance of the AGM, but one question was asked and responded to during the AGM.

This year's AGM is to be held on Thursday, 10 July 2025, at 10.00am and will be convened as a physical-only meeting. 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.


### 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.




### 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.


### 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.

# Composition and Succession

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 100 to 101. Further detail on the role of the Chair and members of the Board can be found on page 105.


Board site visit to Stoke Orchard Wastewater Treatment Works, April 2025

## 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 Performance Review 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 114 to 118.

## Directors' skills and experience

An effective Board requires the right mix of skills and experience and, as can be seen from the individual biographies on pages 100 to 101 and the Board skills matrix on page 102, our Board members contribute a diverse range of backgrounds, skill sets and experience 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 117 to 118.

## 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 and operational matters including, but not limited to, environmental deep dives, the economic and political environment, sustainability, technology and innovation. These 'teach-ins' and Continuous Professional Development ('CPD') sessions on complex topics increase the Board's fluency in all areas of the Group and provide an opportunity for the Board to gain further direct insight into our business and management capability. Our Group Company Secretary also provides regular updates to the Board and its Committees on regulatory and corporate governance matters.

During the year, the Board took part in a number of training and deep dive sessions, including in relation to PR24 and deliverability, environmental performance, customer affordability and vulnerability, exceptional weather preparedness, innovation, AI 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 for Board and Committee roles.

The Nominations Committee and Board applied focus to this important area during the year. As announced on 4 February 2025, Kevin Beeston stepped down from the Board on 30 April 2025 having served his maximum term of office. In advance of this, the Committee commenced an orderly process to recruit a successor. Nick Hampton was appointed as an Independent Non-Executive Director of the Board from 4 April 2025 and assumed the role of Senior Independent Director on 1 May 2025 following Kevin's retirement. Further detail can be found in the Nominations Committee Report from page 114.

## 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. Nick Hampton met with Ofwat during the year, ahead of his appointment to the Board.

We review the format of our induction arrangements regularly, taking into account feedback from new Directors and the Board Performance Review. One recent enhancement involves arranging induction days around a set theme, for example, our wastewater treatment processes, to provide a holistic view of our operations and how different areas link together. An open invitation is also extended to all members of the Board to attend these sessions and induction materials are made available for all Board members in a dedicated induction manual.

**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.

### Nick Hampton's induction

Senior Independent Non-Executive Director

Member of: Audit and Risk Committee; Nominations Committee; Remuneration Committee; and Treasury Committee.

We welcomed Nick to the Board on 4 April 2025, 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, Nick has already attended a number of sessions including visits to major operational sites – covering water treatment, waste treatment, water networks, governance, stakeholder engagement and the environment.

For his role on the Treasury Committee, Nick received a detailed overview of the Group's funding history, the AMP8 financing strategy and associated treasury policies, as well as an introduction to the Group's Sustainable Finance Framework and approach to EU Taxonomy.

Nick's induction for his role on the Audit and Risk Committee included sessions on the current and emerging risks faced by the Group and the Risk Management Framework in place, regulatory finance model, Internal Audit programme and internal control processes. Nick also met with representatives from the current and incoming External Auditors, Deloitte and PwC respectively, and the External Assurer, Jacobs.

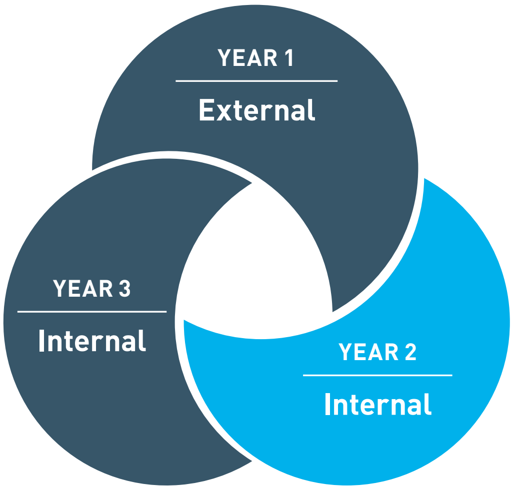
In advance of his first Remuneration Committee meeting, Nick considered the remuneration structure across the Group, for both the Executive and wider workforce, and the Committee's essential role in assessing performance in the round.

Nick's 'Board Buddy' is Richard Taylor, who is the Chair of the Treasury Committee and is also a member of the Audit and Risk, Nominations and Remuneration Committees.

Nick Hampton water treatment induction site visit

# Evaluation

Our annual Board Performance Review 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.




## Board evaluation cycle

In consideration of the FRC's Guidance on Board Effectiveness and the Chartered Governance Institute's ('CGI') Principles of Good Practice relating to external reviews, the Board has adopted a three-year assessment cycle, designed to build on momentum from 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 ('IBE').

**Year 1 – 2023/24**

**Externally led comprehensive review:** A detailed, independent assessment of the Board, Committees and individual Directors.

**Year 2 – 2024/25**

**Internally led intermediate-level review:** With a focus on Board dynamics, Board composition and succession.

**Year 3 – 2025/26**

**Internally led lighter-touch review:** With a focus on stakeholder engagement and Board contribution to strategy and organisational culture.

## Progress made on recommendations from 2023/24

The table below sets out the recommendations from the external evaluation undertaken by IBE during 2023/24 and the resultant action taken to address each of them.

| Recommendation | Action taken |
|---|---|
| **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, were held in March and April 2025. These sessions will continue to form part of the Board's annual forward agenda. |
| 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 continue to be encouraged to provide feedback at meetings and 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 as a result of feedback from a Non-Executive Director on their induction programme. The scheme 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 additional mentoring. |
| Schedule annual feedback discussions between the Chair and individual Directors. | As the report from IBE noted, 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. |

## 2024/25 Board Performance Review process

A description of the process followed for this year's internal Board Performance Review is detailed below.

| | |
|---|---|
| **Stage 1**<br>**Performance Review process planning**<br>November – December 2024 | The Group Company Secretary undertook a detailed review of the 2023/24 evaluation in order to develop the approach for 2024/25, incorporating recommendations from the 2018 Code, Parker Review, FRC Guidance on Board Effectiveness and Ofwat's Board leadership, transparency and governance principles. A focused questionnaire was designed to gather individual Directors' perceptions of the performance of the Board and its operations, including in relation to accountability, oversight, strategy, value creation, culture, ethics, behaviours, stakeholder engagement and information flows to the Board and its Committees. |
| **Stage 2**<br>**Questionnaire response and one-to-one meetings**<br>January – February 2025 | The questionnaires were issued and each Director was also asked to complete an updated entry for the Board skills matrix, taking into consideration skills that had been strengthened through training and development over the previous year. Directors were also asked to highlight any additional skills that they felt may be beneficial for the Board to have amongst its members in order to discharge its duties effectively. Board members participated in comprehensive one-to-one meetings with the Group Company Secretary, with additional input from the Senior Independent Director, to allow reflection on their personal responses to the questionnaire and discussion of matters relevant to boardroom culture, process and development. Separate discussions were held to consider the effectiveness of the CEO, CFO and Group Company Secretary, led by the Chair. The Chair's performance review was led by the Senior Independent Director. |
| **Stage 3**<br>**Evaluation and reporting**<br>March 2025 | The Group Company Secretary collated the individual responses, including analysis of themes and proposed actions. A detailed report, setting out the findings of the Board Performance Review, was provided to the Chair for consideration. The Group Company Secretary and Chair met to discuss the findings, with the resulting report being tabled at the Board meeting in March 2025. |
| **Stage 4**<br>**Consider results and agree actions**<br>March 2025 | The findings of the Board Performance Review were fully considered when making recommendations in respect of the appointment and reappointment of individual Directors, and included an assessment of their independence, time commitment and individual performance. The respective proposed 2025 AGM resolutions were considered and agreed by the Board. The proposed actions arising from the Board Performance Review were thoroughly discussed and agreed for implementation and monitoring. |
| **Stage 5**<br>**Monitor progress**<br>April 2025 onwards | The Board will continue to oversee the progress made in relation to the agreed actions to ensure their timely completion. The Nominations Committee will also continue to play a key role in monitoring the actions relating to Board succession, composition, recruitment and induction. |

## 2024/25 Board Performance Review findings

| Recommendation | | Action taken |
|---|---|---|
| **Risk management** | The Group's risk management approach was considered to be effective and robust, however incremental improvements should be sought, such as increased focus on identifying future potential 'black swan' risks within the Group's existing horizon scanning activity. | Enterprise Risk Management updates include additional focus on, and consideration of, potential 'black swan' risks. An in-depth horizon scanning session was held at the Board meeting in March 2025 and is scheduled for annual consideration by the Board moving forward. |
| **Board agenda** | Notwithstanding the well-structured agendas which comprise an optimal mix of strategic and operational items, consideration should be given to:<br>– allocating more time on the Board agenda to discuss strategic opportunities and customer insight to ensure the Board gets a deeper view of customers' feedback and perspectives, as well as innovation and AI initiatives; and<br>– scheduling key legal and governance topics earlier on the Board agenda, where beneficial, to ensure sufficient time for discussion and debate. | The Board forward agenda has been reviewed to ensure that:<br>– all matters are appropriately scheduled for discussion at future Board meetings; and<br>– sufficient time is devoted to the discussion of strategic, customer insight and innovative topics. |
| **Board reports** | Notwithstanding the high quality of Board reporting, and excellent progress made to enhance reporting during the year, there was an opportunity for some reports to be more succinct and executive summaries to be refined further. | Feedback on Board reporting has been incorporated into the Group's suite of report-writing training. |
| **Employee engagement** | The introduction of 'Meet the Board' events over the last year had been very positive. It was considered that these could be held more frequently moving forward. | Additional 'Meet the Board' events have been scheduled as part of the Board's annual stakeholder engagement programme. |

# Nominations Committee Report

**Christine Hodgson**
Chair of the Nominations Committee

**All members of the Committee are Independent Non-Executive Directors of the Board, with the exception of Christine Hodgson (who was independent on appointment). Membership of the Committee during 2024/25 is shown in the meeting attendance table on page 105. 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

**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.

We have seen a number of changes to the composition of the Board during the year. As shared in last year's Nominations Committee Report, we announced the appointment of Richard Taylor as an Independent Non-Executive Director of the Board from 1 April 2024. Richard succeeded Gillian Sheldon as Chair of the Treasury Committee when, as planned, she stepped down from the Board on 14 May 2024 in order to focus on her Executive commitments. Richard will introduce his first Treasury Committee Report to shareholders this year; see page 127 for further details.

On 4 February 2025, we announced that Kevin Beeston, Senior Independent Director, would retire from the Board on 30 April 2025 having served for nine years. I would like to convey my thanks to Kevin for his significant commitment and invaluable contribution throughout his tenure on the Board, in particular in his role as Senior Independent Director.

Following a robust recruitment and selection process, outlined on page 111, we announced the appointment of Nick Hampton as an Independent Non-Executive Director of the Board from 4 April 2025. Nick also joined our Audit and Risk, Remuneration and Treasury Committees, in addition to the Nominations Committee. Nick assumed the role of Senior Independent Director upon Kevin's retirement and a summary of his experience and background can be found on page 100. You can also read about Nick's ongoing induction programme on page 111.

Following the implementation of these changes, the Committee continues to be focused on succession planning, 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 Performance Review.

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 can be found on pages 108 to 109.

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 this conclusion was ratified by the Board.

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 Nick Hampton, appointment by shareholders. Each of the Non-Executive Directors seeking appointment or reappointment is considered to be independent in judgment and character.

Finally, we also paid significant attention to reviewing the performance and enhancing the effectiveness of the Board and its Committees during the year. An internally facilitated Board Performance Review was undertaken, which concluded that the Board and its Committees continue to operate effectively whilst also signalling minor areas for improvement. As before, I held one-to-one sessions with all members of the Board to discuss their performance and development following the review, and will continue to do so on a periodic basis moving forward. Details of the Board Performance Review, and the Senior Independent Director's review of my own performance, can be found on pages 112 to 113.

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.

**Christine Hodgson**
Chair of the Nominations Committee

Christine Hodgson and Nick Hampton at Stoke Orchard Wastewater Treatment Works, April 2025

## 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.**

### Search firm selection

The Committee commenced the process to recruit an Independent Non-Executive Director in a timely manner, to succeed Kevin Beeston as Senior Independent Director. Following a thorough in-person assessment of providers in the market, undertaken by the Chair, an Independent Non-Executive Director and the Group Company Secretary, 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. As the appointment was also for the Senior Independent Director designate, 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.

### Candidate shortlisting 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 were included within the shortlist. Read more about our Board Diversity Policy on pages 117 to 118. Formal interviews were led by the Chair and Chief Executive, supported by the Group Company Secretary, with all Board members interviewing the final candidate. 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 Boards of Severn Trent Plc and Severn Trent Water Limited.

### Appointment and succession

Nick Hampton was appointed on 4 April 2025. As set out in his biography on page 100, Nick has extensive strategic, financial and operational experience. Nick succeeded Kevin as Senior Independent Director on 1 May 2025.

### 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 111, along with an overview of Nick's ongoing induction.

## The Nominations Committee's agenda for 2024/25

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 Russell Reynolds[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.

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 Russell Reynolds is a signatory to the voluntary enhanced code of conduct for executive search firms. Other than the Group's engagement of Russell Reynolds in relation to the recruitment of Non-Executive Directors, there is no connection between the two companies.

#### 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, was undertaken in relation to the independence and commitment of Kevin Beeston, from when he reached his six-year tenure until his recent retirement from the Board. 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 Board Performance Reviews.

#### 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 contribute further to improving the diversity of the Board, Board Committees and Executive Committee.

The Annual Statement on Board Diversity Targets can be found overleaf, and the main objectives contained in the Policy, along with an overview of the action taken to implement the Policy, are set out on page 118. 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 2025, 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 2025 |
|---|---|---|
| At least 40% of the individuals on the Board of Directors are women. | ✓ | 62.5% 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.<br>The Chief Executive is a woman.<br>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 2025

| | 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** | 3 | 37.5% | 1 | 5 | 55.6% |
| **Women** | 5 | 62.5% | 3 | 4 | 44.4% |
| **Not specified/prefer not to say** | – | – | – | – | – |

### Ethnicity representation as at 31 March 2025

| | 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 | 75.0% | 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** | – | – | – | – | – |
| **Not specified/prefer not to say** | – | – | – | – | – |

As discussed on page 111, since 31 March 2025, 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 2025.

## 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 2025 |
|---|---|---|
| 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.<br><br>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.<br><br>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. | Russell Reynolds, 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.<br><br>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.<br><br>On instruction of an executive search firm, the specification will ensure that candidates with no listed company board experience are fully considered.<br><br>Nick Hampton was appointed to the Board on 4 April 2025. Nick'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

**Sarah Legg**
Chair of the Audit and Risk Committee

**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. Membership of the Committee during 2024/25 is shown in the meeting attendance table on page 105. 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, Chief Executive, Chief Financial Officer ('CFO'), Group General Counsel, Group Company Secretary, Group Financial Controller, Head of Group Internal Audit, Head of Group Compliance, Risk and Assurance, other members of senior management, representatives from the External Auditor, Deloitte, incoming External Auditor, PwC, and non-financial regulatory and technical External Assurer, Jacobs. None of these attendees are members of the Committee.**

The Committee regularly holds private discussions with the Head of Group Internal Audit and representatives from the External Auditor and External Assurer separately, without management present. The Chair of the Committee regularly holds separate one-to-one meetings with the CFO, Head of Group Internal Audit, 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
- Charter of Expectations
- Committee Terms of Reference

**Dear Shareholder**

**I am delighted to introduce this year's report, which 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 this Annual Report 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 Audit function and External Audit process, 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, I have maintained regular dialogue with members of the Committee, the CFO and other members of management, including presenters of upcoming agenda items prior to meetings, to make sure 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 Group Internal Audit and representatives from the current External Auditor and External Assurer both at a partner and working team level, to discuss their procedures, including any issues that may have arisen, and to inform my ongoing assessment of their effectiveness. I have also met with members of the incoming External Auditor's team, to ensure that transition arrangements were effective and progressing to timetable.

Much of the Committee's work relates to the regulated activities of Severn Trent Water, which represent over 92% 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.

One of our key roles is to advise the Board that we are satisfied that this Annual Report is fair, balanced and understandable, and provides 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 126.

The Committee, in consideration of the growing focus on 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 through independent third-line assurance, the Group's Taskforce on Climate-related Financial Disclosures ('TCFD'), Taskforce on Nature-related Financial Disclosures ('TNFD'), Double Materiality Assessment ('DMA') and EU Taxonomy disclosures.

The External Auditor performs its statutory audit by auditing the financial statements of the Company against agreed accounting practices, relevant laws and regulations. Deloitte's audit report can be found on pages 159 to 164. This will be the final report received from Deloitte following the competitive tender process undertaken during 2023/24 (where Deloitte was not permitted to participate due to mandatory rotation requirements), which resulted in the Committee making a recommendation to the Board that, at the 2025 AGM, PwC be proposed as the Group's External Auditor for the year ending 31 March 2026.

# **Audit and Risk Committee Report** continued

On behalf of the Committee, I would like to express our thanks to Deloitte for their services to the Group throughout their engagement as External Auditor and for their focus in ensuring an effective handover to PwC.

The Committee had oversight of the tender for the Group's regulatory and technical assurance provider during the year. After a thorough and robust tender process, the Committee was pleased to approve the recommendation from management that Jacobs be reappointed as the Group's technical assurance provider.

We were pleased to advise the Board that this Annual Report is 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 122.

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 79 to 83). 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 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 68 to 69, and our statement on internal controls and risk management is on pages 122 to 123.

I am pleased to confirm that the Committee complied fully with the FRC's 'Audit Committees and the External Audit: Minimum Standard' (the 'Standard') during the financial year, including in relation to reviewing the efficiency and effectiveness of the External Audit process. To further bolster the Committee's review of the effectiveness of the External Audit, I spent time with the Deloitte team in order to scrutinise the quality of the audit and meet the individuals below Partner and Director level who are involved in the process.

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 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 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 Performance Review, which was conducted internally 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 100 to 101.

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.

**Sarah Legg**
Chair of the Audit and Risk Committee

# The Audit and Risk Committee's agenda for 2024/25

The Committee has an extensive agenda focusing on the audit, risk, internal controls and assurance processes within the business which it deals with in conjunction with management, the External Auditor, Internal Audit, Finance Team and Compliance, Risk and Assurance Team. 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

**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.
- Oversight of the arrangements in place for the tender of the AMP8 regulatory and technical assurance provider.

**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.
- Oversight of the control environment, maintenance and development of finance systems, particularly regarding the migration of customers to a new technology platform.
- 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 Audit process in order to make any recommendations in relation to the audit for the year ended 31 March 2025.
- Consideration and agreement of the statutory audit fee for the year ended 31 March 2025.
- Review and approval of the non-audit services provided by the External Auditor and related fees.
- Oversight of External Auditor independence, including in relation to PwC as the incoming External Auditor and the cessation of non-audit services previously provided by PwC to the Group.

**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-year and half-year results.
- Monitoring of anticipated changes to accounting standards, noting that preparations were underway to adopt new standards as necessary and active engagement continued with the UK Accounting Standards Board on developments.
- Assessment of the integrity of regulatory documents relating to Severn Trent Water, including the Annual Performance Report prior to submission to Ofwat and the Pollution Incident Reduction Plan prior to submission to the EA.
- Review of the Annual Report to provide a recommendation to the Board that, as a whole, it 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, TNFD, DMA 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 79 to 83, and the Going Concern Statement, on page 83, for inclusion in the Annual Report.

**Governance**

- 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 duties of the Committee.

## Internal controls and risk management

### Internal Audit

Internal Audit 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 is provided by two main co-sourcing partners: BDO and EY. Co-source arrangements are reviewed regularly and we believe this structure adds value, through greater access to specific areas of expertise, increased ability to flex resources, and the ability to challenge management independently. Co-source specialists continue to bring expertise to support the team and delivery of the Internal Audit Plan where relevant.

#### 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 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. 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 Internal Audit Plan and ensure that Internal Audit performs its work in accordance with the mandatory aspects of the International Professional Practice Framework of the Chartered Institute of Internal Auditors (the 'CIIA'), with integrity (honestly, diligently and responsibly) and objectively (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, 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. Action closure is reported to, and monitored by, the Committee, thereby demonstrating the strong focus management places 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. An example from during the year was the review of the workstreams underpinning the implementation of the new Kraken customer platform. Given the scale of the migration programme and the developing controls environment, additional resource was applied from both an Internal and External Audit perspective, with the Head of Internal Audit and representatives from Deloitte providing regular updates at Committee meetings. You can read more about Kraken on pages 14 and 92.

#### Effectiveness

To ensure continued efficiency, 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 in December 2021. The next external effectiveness review is planned for December 2026 and will involve assessment against the new Global Internal Audit 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 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, the 2025 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 the Strategic Report, Directors' Report and aspects of the Governance Report, 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 159 to 164 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 158.

## 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 Committee has oversight of the Group's preparations to ensure compliance against the recommendations under the refreshed 2024 UK Corporate Governance Code, particularly in relation to the introduction of the new Provision 29. 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, including those which cover financial reporting, 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 Committee. The Committee reviews the processes for, and outputs from, the Group's ERM activity, through which our Principal Risks and related controls are identified. It 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 Committee is complemented by a Strategic Risk Forum, comprising senior leaders from across the Group's operations, which adds value by assisting the Committee in reviewing the risk management system, 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 ERM framework into Board and Committee reporting, prior to making a recommendation to the Board. This year, the Committee spent a considerable amount of time reviewing the Group's ERM processes and procedures, with good progress made in enhancing its effectiveness during the year. The Committee also reviewed the Group's Risk Appetite Statement and recommended this for consideration and approval by the Board. You can read more about this important work on pages 68 to 69.

The Committee received half-yearly reports from the Head of Group Compliance, Risk and Assurance, 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 plan covers action plans to improve controls where this has been assessed as necessary and assesses whether actions are on target, with the correct prioritisation in place. Further details of the Group's risk management systems and controls and Principal Risks can be found in the Strategic Report on pages 68 to 78.

### 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 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 independent 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 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.

During the year, the Committee considered potential impacts for the Group arising from the Office of the Whistleblower Bill with the objective of setting, monitoring and enforcing standards for the management of whistleblowing cases, provision of disclosure and advice services, directing whistleblowing investigations and ordering redress of detriment suffered by whistleblowers. The Bill is currently proceeding through the House of Commons and the Committee is taking all proactive steps to comply with any new requirements that may result.

## 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.

For the year ended 31 March 2025, the Board accepted the Committee's recommendation that Deloitte be reappointed as the Group's External Auditor 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 reappoint Deloitte as External Auditor at the 2024 AGM.

As outlined in the 2024 Annual Report, a competitive tender process was undertaken in accordance with 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. The tender process resulted in the Committee recommending to the Board that, at the 2025 AGM, PwC be proposed as the Group's External Auditor for the year ending 31 March 2026.

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, an effectiveness review is conducted annually. Due to Deloitte undertaking its final audit for the Group in respect of the year ending 31 March 2025, and therefore not subject to a recommendation at the AGM in July 2025, the Committee developed a tailored approach which involved:

- reviewing the Standard to assess the effectiveness of the External Audit and ensure that our process remains compliant;
- assessing the current year audit against the Standard;
- conducting a debrief process with the External Auditor following completion of the previous year's audit of the Group and subsidiary companies; and
- completing a questionnaire to document how the External Auditor had complied with our 'Principles for Audit Effectiveness' which set out expectations of Quality, Independence, Expertise and Resources, Effectiveness and Communication.

A report was presented to the Committee in March 2025, without either the incumbent or incoming External Auditor present. The Committee discussed the conclusions and any opportunities for improvement for the 2024/25 audit, which were brought to the attention of Deloitte.

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 crucial in safeguarding the integrity of the audit process and takes responsibility for ensuring the 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 2024. 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 2024/25 audit.

PwC also confirmed to the Committee that independence arrangements were in place ahead of commencing the shadowing process for the 2024/25 audit, with all PwC staff engaged on the audit deemed as fully independent of the Group.

The Committee also develops and recommends to the Board the Group's policy on non-audit services and associated fees paid to the External Auditor, 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 appointment for the year ending 31 March 2026**

Following the outcome of the competitive tender process conducted during 2023/24, which excluded Deloitte due to mandatory rotation requirements, the Committee recommended to the Board that PwC be proposed for appointment for the year ending 31 March 2026 at the AGM on 10 July 2025. The Board accepted the Committee's proposal and a resolution has been included in the AGM Notice of Meeting.

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 the External Auditor 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 2024 which took effect from 15 December 2024. No substantial changes were required to the Company's existing arrangements.

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.

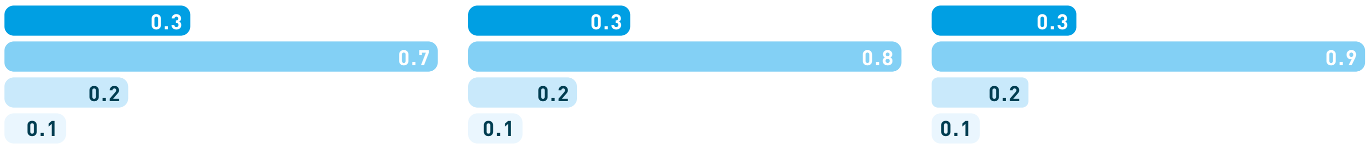
During the year, Deloitte received £1.2 million in fees for work relating to the audit services it provides to the Group. Non-audit fees paid to Deloitte amounted to £0.3 million this year, which is 21% of the total audit fees paid to it (as shown in the chart on page 125). The more significant non-audit services provided by Deloitte were the audits of 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 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 125.

Ahead of commencing its shadowing of the 2024/25 audit, PwC confirmed to the Committee that all non-audit services that had been provided by PwC previously had been transitioned to other suppliers. Non-audit services that are permitted to be provided by the External Auditor will be included as part the transition arrangements in place between Deloitte and PwC.

## Audit and non-audit fees (£m)




Total fees

**£1.3m**

2022/23

Total fees

**£1.4m**

2023/24

Total fees

**£1.5m**

2024/25

- Statutory audit – the Company
- Statutory audit – subsidiaries
- Audit-related assurance services
- Other assurance services

| Nature of service | Reason for Deloitte's appointment | Fees (£'000) |
|---|---|---|
| **Audit-related assurance services** | | |
| Interim review | This work is allowed by Ethical Standards and is expected to be performed by the External Auditor. | 107 |
| 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. | 102 |
| Other audit-related assurance services | | 5 |
| **Sub-total** | | **214** |
| **Other assurance services** | | |
| Reporting under Group financing documents | These documents require reports and it is normal practice for the External Auditor to provide these. | 33 |
| Other assurance | This comprises assurance services performed as part of the year end reporting process. | 7 |
| **Sub-total** | | **40** |
| **Total 2024/25 non-audit fees** | | **254** |

## 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 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.<br>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.<br>Our Business Model can be found on pages 6 to 7. Principal Risks and uncertainties can be found on pages 73 to 78. The Viability Statement can be found on pages 79 to 83 and the Going Concern Statement on page 83. |
| **Determination of the provision for impairment of trade receivables in Severn Trent Water Limited**<br>At 31 March 2025, the provision in the Group's financial statements was £139.0 million and the charge for the year was £34.7 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 2025, 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.<br>The Committee considered the work performed by the External Auditor and the conclusions they reached regarding the adequacy of the provision.<br>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**<br>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.<br>The Committee considered the results of the External Auditor's work and discussed the conclusions with the External Auditor.<br>The Committee determined that no adjustment to the amounts recorded was required. |
| **Determination of the amount of the Group's retirement benefit obligations**<br>At 31 March 2025, net retirement benefit obligations amounting to £119.8 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.<br>It is also necessary to determine an appropriate discount rate to calculate the present value of the estimated gross obligations.<br>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.<br>The Committee considered that the assumptions and methodologies were reasonable, and that no adjustment was required to the draft financial statements. |

# Treasury Committee Report

**Richard Taylor**
Chair of the Treasury Committee

**All members of the Committee are Independent Non-Executive Directors of the Board. Membership of the Committee during 2024/25 is shown in the meeting attendance table on page 105. 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 its debt advisers) 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 and Impact Report
- Charter of Expectations
- Committee Terms of Reference

**Dear Shareholder**

**I am delighted to introduce my first report as Chair of the Treasury Committee. To begin, I would like to convey my thanks to Gillian Sheldon, who retired from the Board in May 2024, for her leadership of the Committee and for the significant time she invested in ensuring a smooth and effective handover to me.**

### Overview

During the year, we reviewed the Terms of Reference of the Committee and also the Group's treasury policies. These policies ensure 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. 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.

The annual Board Performance Review process, which was facilitated internally this year, included an assessment of 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 high 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 100 to 101.

### Review of the Year

During the year, the Group issued £1.5 billion of new debt and repaid £0.1 billion of maturing debt.

The Group issued two benchmark bonds during the year: in July 2024, the Group issued a £350 million sustainable fixed rate GBP bond; and in January 2025, the Group issued a €850 million sustainable fixed rate EUR bond.

The Group raised a further £100 million through a CPI debt issue and tapped three existing bonds: a €100 million tap of a EUR bond maturing in 2034; a £50 million tap of a GBP bond maturing in 2036; and a total of £175 million was tapped from a GBP bond maturing in 2042.

The Treasury Team has increased its focus on diversifying the Group's sources of funds. Debt investor roadshows were undertaken in the UK, Europe, USA and South East Asia. Subsequent to the year end, the Group completed an inaugural Swiss debt issue raising CHF200 million (£175.3 million GBP equivalent).

Sustainable finance remains a core element of the Group's funding strategy and we continue to report our alignment to the EU Taxonomy annually. You can read our EU Taxonomy disclosure on pages 55 to 59. The Group closely monitors developments in sustainable finance through its Sustainable Finance Committee, a management committee which reports to the Treasury Committee annually. We also produce an Allocation and Impact Report detailing how the proceeds of sustainable bonds issued have been utilised.

The Committee continues to monitor the Group's pension schemes, focusing on the risk management actions which are designed to ensure sufficient liquidity and appropriate interest rate and inflation hedging were maintained, whilst supporting the schemes' deficit reduction strategy.

The Committee also keeps the Group's broader hedging activities under review, and during the year looked in detail at the arrangements in place for energy and interest rate hedging.

### Going forward

The conclusion of the PR24 Business Plan process during the year was an important milestone for the Treasury function. There is a step change in investment in AMP8 and the Committee has been engaged in reviewing the future funding strategy to ensure the Group's AMP8 plans will be appropriately financed. We will continue to maintain oversight of the ongoing delivery of the financing strategy for the coming year and beyond.

I would like to thank the members of the Committee, the Management Team and our debt advisers, Rothschild & Co, for the open discussions that take place at our meetings and their highly valued input in support of discharging the Committee's responsibilities.

**Richard Taylor**
Chair of the Treasury Committee

## The Treasury Committee's agenda for 2024/25

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 and details of our largest ever bond issuance 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 Final Determination from Ofwat.

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), covenant compliance, 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 benchmark EUR fixed rate bond and a benchmark GBP fixed rate bond.

Review of the Group's Sustainable Finance Framework and associated governance.

Review of the Group's funding strategies, 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.

### €850 million bond issuance

On 28 January 2025, Severn Trent Utilities Finance Plc priced an €850 million bond, raising net proceeds of just under £713 million at very tight pricing, with no new issue premium, 20bps inside the unadjusted iBoxx and inside the GBP secondary curve. This was the largest bond the Group has ever issued and was supported by an order book of over €5.5 billion. This was the Group's second recent issue to the EUR market, following a re-launch to this market with a €500 million bond in March 2024.

The bond was launched following the acceptance of the Severn Trent Water Final Determination and involved a day of marketing where management held a series of group investor presentations.

As well as providing tight pricing, the bond issue de-risks the Group's funding plan ahead of AMP8. The bond also provided diversification, with the final debt book comprising 169 investors, including 136 accounts which had not participated in the previous EUR bond. There were a number of large orders from European and Asian accounts, with 38% of the final order book originating from outside of the UK.

The proceeds were swapped into GBP with 50% swapped to fixed rates of interest and 50% to floating, enabling the Group to maintain its debt mix in compliance with the Treasury Policy approved by the Board.

# Corporate Sustainability Committee Report

**Tom Delay**
Chair of the Corporate Sustainability Committee

**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 Strategy and Regulation, General Counsel 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.

During the year, the Committee reviewed and approved the Committee's Terms of Reference, 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.

**Documents available at severntrent.com**

- Anti-Slavery and Human Trafficking Statement
- ESG Databook
- Charter of Expectations
- Committee Terms of Reference

**Dear Shareholder**
**I am delighted to introduce my report as Chair of the Corporate Sustainability Committee.**

As we reflect on the past year, it is clear that we continue to face significant challenges that impact our collective wellbeing and the environment. Climate change remains a pressing issue, with extreme weather events becoming more frequent and severe, affecting millions of lives and disrupting ecosystems. Additionally, the ongoing struggle with resource scarcity and the need for sustainable energy solutions highlight the urgency of transitioning to a more resilient and sustainable future.

Economic disparities and social inequalities have also been exacerbated by global events, underscoring the importance of inclusive growth and equitable access to opportunities. In the face of these challenges, our commitment to sustainability has never been more crucial. We have made significant strides in reducing our carbon footprint, enhancing our resource efficiency, and fostering a culture of sustainability within our Group and across our sector, in the UK and beyond.

We recognise that there is still much to be done and as a Committee we are focused on driving improvements for our customers and the environment, both now and over time. This is demonstrated right across our business, from our combined Net Zero Hub and Zero Spills Hub at Strongford, to our Get River Positive pledges and unrelenting commitment to reducing storm overflows. More recently, our Business Plan for 2025-30 proposes some of the most stretching environmental targets in relation to pollutions, river health and operational net zero.

This report outlines our efforts and achievements over the past year, as well as our strategic priorities moving forward. We remain dedicated to driving positive change and contributing to a sustainable future for all.

The annual Board Performance Review, which was facilitated internally this year, included an assessment of our performance as a Committee and 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 experience across various industries and all members have competence relevant to our sector. Further information about each Committee member is contained in their individual biographies, which can be found on pages 100 to 101.

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. These achievements are a testament to our collective efforts and dedication to sustainability.

**Tom Delay**
Chair of the Corporate Sustainability Committee

## 2025 AGM advisory vote: Net Zero Transition Plan

Demonstrating the Company's commitment to shareholders, at its 2021 AGM the Board put its long-term approach to climate change (the 'Climate Plan') before shareholders as a non-binding advisory vote which received more than 99% of votes in favour.

The Climate Plan sets out the Company's climate strategy to reduce emissions within its operations and through its supply chain. This year, we have published a revised Net Zero Transition Plan ('NZTP') for shareholder consideration, reflecting our AMP8 Business Plan Final Determination received in December 2024 from our regulator, Ofwat. Our full AMP8 Business Plan can be found on our website and an update on our sustainability progress can be found within our Annual Report on pages 28 to 59.

**Further detail can also be found in the 2025 Notice of Meeting, available on our website.**

## Key activities of the Committee 2024/25

**Group sustainability goals**

During the year, the Committee received and reviewed regular updates and reports on performance against our sustainability goals including performance against sustainability targets and ambitions. The Committee discussed the effectiveness of the approach, ensuring its alignment with the AMP8 Business Plan, values and objectives, in order to support the Group's long-term sustainable success.

The Committee dedicated significant time to discussing the Company's NZTP, including a review of the current status of carbon reduction initiatives, progress towards our operational net zero by 2030 goals and approach to reducing capital carbon. The Committee approved the ambition to achieve net zero emissions across our operations and supply chain, Scopes 1, 2 and 3, by 2050. Our NZTP can be found on pages 44 to 54.

The Committee reviewed the opportunities and challenges presented by ESG-related risks (including ERM-related climate risks such as adaptation and mitigation) of relevance to the Group and associated impacts for the Group's stakeholders including investors, customers, regulators and employees, and the effectiveness of the Group's sustainability strategy in addressing these. Progress on our fourth Climate Change Adaptation Report and the integration of adaptation strategies into AMP8 as an essential part of building resilience were discussed, along with proposals for our AMP8 adaptation strategy.

**ESG-related reward and remuneration**

Working in conjunction with the Remuneration Committee, the Committee continues to offer guidance, where appropriate, in relation to ESG-related components of the Group's remuneration approach, to ensure that ESG matters are appropriately considered when setting the overall remuneration framework.

**Affordability and vulnerability**

Affordability and vulnerability remain critical areas of focus for the Group and the Committee continues to prioritise these topics. The Committee's agenda ensures quarterly discussions on these matters, including updates and deliberations on the Group's 10-year Societal Strategy, Customer Vulnerability Strategy and Volunteering Strategy.

During the year, the Committee dedicated time to evaluate the implementation of measures that provide an understanding of the Social Value of the Group's social impact interventions and activities. This included assessing a new programme to support 'marginalised group' recruitment as a core aspect of our Societal Strategy to drive positive change and leverage our resources to make a positive impact across our region.

The Committee received an update on the Group's Community Fund, highlighting the progress made and its effectiveness in addressing the needs of our communities and approved the proposed funding strategy and opportunities in AMP8.

Further details on the progress of our societal ambitions can be found on page 21.

**ESG reporting**

The Committee dedicates time at its meetings to ensure integrity and completeness of the Group's external reporting of ESG activity, targets and process, including information to be included in this Annual Report and mandatory or voluntary disclosures in line with recommended practice and regulatory requirements.

One of the ways in which Severn Trent's sustainability performance is assessed is through investor ESG ratings. These ratings play a crucial role in ensuring transparency with our stakeholders. By providing clear and measurable assessments of our performance, we enable stakeholders to understand our performance in various areas. This transparency allows them to hold us accountable in a meaningful way, ensuring that we meet their expectations and continuously improve our operations. Ultimately, these ratings help build trust and foster a collaborative relationship with our stakeholders, as they can see the direct impact of our efforts and provide informed feedback.

Throughout the year, the Committee has focused on understanding how sustainability rating agencies evaluate the Group's performance and agreed on several actions and priorities to support continuous improvement. These actions included a refresh of the Group's ESG Databook, providing stakeholders with a comprehensive view of the Group's sustainability data.

**Scan the QR code to download the ESG Databook**

**Human rights and modern slavery**

We are committed to protecting the human rights of all 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. 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. Our comprehensive policies ensure that we take a robust approach to protecting human rights.

Our full Anti-Slavery and Human Trafficking Statement can be found on our website.

**Scan the QR code to download Anti-Slavery and Human Trafficking Statement**

### Our TCFD and TNFD disclosures

In line with our TCFD requirements, we have disclosed climate-related financial information on pages 29 to 43. These disclosures evidence our strategy to reduce emissions within our operations and through our supply chain to achieve operational net zero by 2030.

This year, we have expanded our disclosure to voluntarily include the recommendations of the TNFD to provide clarity on nature-related risks and opportunities relevant to our Group.

Tittesworth Reservoir

# Directors' Remuneration Report

**Sharmila Nebhrajani OBE**
Chair of the Remuneration Committee

**On behalf of the Remuneration Committee of Severn Trent (the 'Committee'), I am pleased to present our 2025 Remuneration Report. This report explains the remuneration outcomes for our Executive Directors and the wider workforce for the financial year ended 31 March 2025, including how we ensure strong alignment to the performance delivered for our stakeholders.**

This year, we operated under the Remuneration Policy (the 'Policy') approved at the 2024 AGM by over 95% of our shareholders. The Policy can be found on our website (www.severntrent.com). I would like to thank our shareholders for their continued strong support for our approach to executive remuneration.

## Quick links



### Our approach to pay into AMP8

**The Severn Trent Senior Management Team has delivered sector-leading performance across AMP7 and remains fully engaged in confronting sector challenges head on and leading significant change in the areas that matter most to our customers, regulators and the Government. The team has demonstrated an unwavering commitment to pushing the boundaries of sector ambition and performance, and this has been reflected in Ofwat's assessment of our AMP8 Business Plan as 'outstanding', one of only two companies in the sector to receive this accolade.**

Following the publication of our Final Determination in December 2024, we now have clarity on exactly what our Executive Committee must deliver in an incredibly ambitious AMP8 plan for the next five years (see page 5). The Committee is acutely aware that retaining an experienced, stable and highly effective leadership team is critical to the successful delivery of that plan, and is focused on ensuring that Executive remuneration arrangements continue to support high performance and can be clearly articulated and justified to internal and external stakeholders.

The public spotlight is firmly on our sector, with a range of issues having received extensive media and political attention, from environmental performance and leakage, to bills and financial resilience. As a Committee, we understand that Executive pay in the sector also remains a topic of great sensitivity. Whilst we recognise that the sector needs to rebuild trust on this issue, the Committee firmly believes that carefully structured remuneration packages play a crucial role in the attraction, retention and motivation of a high calibre leadership team, capable of delivering our hugely ambitious AMP8 plans, and driving rapid and sustained performance improvements for customers and the environment.

The Committee cannot ignore the need for remuneration packages to be competitive – against other listed water companies, listed utilities and indeed relevant FTSE100 comparators. Severn Trent is a complex business, employing almost 10,000 people, and is around the 50th largest company on the London Stock Exchange by market capitalisation. It requires a committed and talented leadership team to run it effectively and deliver exceptional performance for customers and the environment. Our day-to-day operations ensure we deliver safe and reliable water and wastewater services to 4.7 million households and businesses, whilst managing the safety and wellbeing of our employees. Our operations are conducted amidst the increasingly demanding backdrop of climate change, population growth, customer affordability challenges and a heightened ambition to minimise the impact our operations have on the environment.

We also operate within a complex regulatory environment, managing ongoing relationships and obligations with a number of agencies and other stakeholders. All of this is required alongside the efficient and innovative delivery of a large and complex capital programme and the careful management of our capital structure, to ensure strong financial resilience and returns for investors, including many UK pension funds.

The nature of these demanding Executive roles means we are competing for talent with some of the largest companies in the UK and our remuneration packages need to be competitive in that context, or else we will simply fail to attract the high-calibre individuals needed to continue to improve standards across the sector. For more detail on how we benchmark Executive remuneration, please see the case study on page 140.

We are committed to robust and transparent remuneration structures which are market competitive, align with the interests of all our stakeholders, and reflect the regulatory environment in which we operate. We also ensure the cascade of the reward framework down throughout the different levels within our organisation. This includes our Group Annual Bonus Scheme ('ABS'), which enables all our people to share in our success through the delivery of a shared set of performance metrics and targets, and our Save As You Earn Scheme, allowing all employees to share in the long-term success of the Company. This benefit is very popular, with 70% of employees actively participating in one or more savings contracts.

Although we completed our triennial review of the Remuneration Policy last year, the Committee was mindful that the 2024 review fell at a time when much was still unknown about the challenges and opportunities of AMP8. This year, with the retention and motivation of the Executive Directors through AMP8 being a top priority, the Committee spent a significant amount of time reviewing remuneration structures, to ensure they remain optimally structured and balanced for this purpose, with a view to undertaking a shareholder consultation on a potential AMP8 Remuneration Policy in early 2025.

However, during this review, Ofwat published a consultation in October 2024 on a new set of rules to prohibit the payment of performance-related executive pay where company performance fails to meet specified standards. Following the Water (Special Measures) Act passing into law, Ofwat published a further consultation in March 2025. As at the date of this report, the consultation is ongoing, and Ofwat is not expected to confirm the final output until June 2025.

Therefore, given insufficient clarity on the precise nature and requirements of the new rules, and how they will impact pay structures in the sector for AMP8, the Committee determined that it was necessary to defer the finalisation of the Policy review, and associated shareholder engagement, to the next remuneration reporting cycle in 2025/26.

**Performance for the year under review**

Severn Trent concluded AMP7 with another exceptional year of performance, delivering across a wide range of key performance metrics for our customers, communities and the environment. The Committee is pleased to note that the strong delivery in 2024/25 is the culmination of five years of excellent performance, including being sector leader on ODIs in every year of AMP7, as well as achieving EPA 4* for five consecutive years, and receiving approval from Ofwat for our 'outstanding' AMP8 Business Plan.

With environmental performance in the water sector being subject to increased levels of scrutiny, the Committee was particularly pleased to see the Company delivering a sector-leading performance once again. We are confident of achieving the prestigious EPA 4* rating for an unprecedented sixth consecutive year. Severn Trent also made great strides towards meeting its 2030 net zero target, both this year and across AMP7, through further growth in our renewable energy generation capabilities and investment in our Strongford Net Zero Hub to support innovative emission reductions.

Improving the service our customers receive remained firmly on the agenda, and whilst we are disappointed that the customer experience measure ('C-MeX') score remained mid-table, the Committee is proud of the results the Company achieved this year across a range of ODIs, which we know are areas that really matter to our customers. The Company achieved its best ever performance on supply interruptions, beating the stretching five minute target, with an impressive performance of 4 minutes 34 seconds, an improvement of over 30% compared to last year. This continued the encouraging trend we have seen through AMP7, where water supply interruptions have reduced by nearly 40% since 2020.

We were also pleased to see a year-on-year annual leakage reduction of 28 Ml/d, achieving the Company's lowest ever level of leakage. This concluded an impressive performance across AMP7, where a 16.8% reduction in leakage was achieved. Our best ever performance was also recorded on both persistent low pressure and sewer blockages metrics. Read more on pages 14 to 18.

Supporting customers who struggle to pay has remained a priority, so we were pleased to note that in 2024/25, Severn Trent supported over 300,000 customers struggling to pay their bills, through a range of schemes including social tariffs, debt write-offs and payment breaks.

In addition to these important performance improvements, the Company made some significant investment decisions and took meaningful steps during the year, which positions us to deliver a step change in customer experience as we move into AMP8. The partnership with Kraken Technologies is one such example which, alongside the implementation of a new 'customer pods' operating model, will revolutionise customer management and drive significant improvements in customer experience. Implementation is well underway, and it is anticipated that all customers will have been migrated by summer of this year.

The Company has embarked on a significant programme of insourcing to bring greater control and faster resolution of customer issues. This year, activity included bringing the Reactive Sewer Services Team in-house and establishing a new customer contact centre in Leicester, to reduce our reliance on third parties. The Committee is pleased that the positive outcomes of these decisions are starting to be seen, with the Reactive Sewer Services operation now resolving jobs three times faster, and with 45% fewer complaints, and our new Leicester customer contact centre increasing our ability to flex and adapt to customer needs and improve service levels.

The Committee is mindful of the importance of financial resilience for the sector, and how imperative it is that water company finances are managed responsibly and sustainably in order to fund the capital investment needed over the next AMP. During the year, Severn Trent delivered a profit before interest and tax ('PBIT') of £590 million and maintained a strong balance sheet, an investment grade credit rating, and diversified sources of funding, which enabled financial outperformance against the regulatory allowance. Furthermore, Severn Trent delivered £150 million of ODI reward, which contributed towards a Return on Regulated Equity ('RoRE') of 9.3%.

The Committee is also pleased to see the Company continue to demonstrate commitment to employee satisfaction, with an engagement score in the top 2% of utilities globally and being voted as one of the UK's best employers, ranking 29th of over 2.8 million employers on Glassdoor. The Company's ambition to improve the communities it serves has also been demonstrated through its Societal Strategy, aimed at supporting those at risk of water poverty to find employment. Our focus has been on skills development, training, and employment across areas of high deprivation within our region, with specific initiatives for those facing barriers to employment. Our school partnerships, job fairs, work experience programmes, and Discovery Days have enabled us to improve the chances of large numbers of people in our communities.

Further detail on overall performance during the year is set out in the Chief Executive's Review on pages 10 to 11 and the Chief Financial Officer's Review on pages 61 to 67.

Having reviewed at great length the Company's performance in 2024/25 across a broad spectrum of topics, we are united in our view that the performance-related pay outcomes for the year fully reflect the outstanding financial, operational and environmental performance delivered. More detail on this assessment is provided on page 136.

**2024/25 bonus outcome**

A consistent bonus design operates throughout the organisation, the full detail of which is set out on page 142. In 2024/25, Severn Trent delivered strong outturns across the majority of the performance metrics.

On the PBIT element of the bonus, strong cost control, including a reduction in energy and chemical consumption, helped deliver 15% PBIT growth year on year, to £590 million. As a result, this metric paid out at full stretch.

The ODI component aims to drive our performance against a broad range of important customer and environmental metrics, developed in conjunction with our customers and agreed with Ofwat. This year, Severn Trent delivered another outstanding performance, with 83% of our ODI measures meeting or exceeding stretching regulatory commitments, which helped deliver a record level of reward of £150 million in 2024/25. We expect this strong performance to be sector leading. As a result of the significant reward levels, this metric paid out at full stretch.

On the EPA rating metric, our continued delivery of strong overall environmental performance means we are confident of achieving EPA 4* for an unprecedented sixth consecutive year. Despite this exceptional overall performance, this element was designed to lapse in the event of a single serious pollution incident occurring in the year. Regrettably, we did incur one such incident in 2024/25, which the Environment Agency ('EA') has classified as a Category 2 pollution. While the Company is appealing this classification, on the basis that our internal investigation did not identify evidence of any harm caused, this nevertheless resulted in this element of the bonus being reduced from 10% to a zero payout.

The bonus included two combined sewer overflow ('CSO') measures in 2024/25, reflecting our commitment to driving performance in this key area. We were encouraged to see the delivery of over 1,200 CSO solutions in the year, significantly exceeding the stretch performance level set. These enhancements will help us tackle spills more effectively going forwards, and drive improvement in our average spills as we move through AMP8. On the average spills measure, the outturn of 25.4 spills missed the threshold performance level, resulting in zero payout for this metric.

The fact that two elements of the bonus structure related to environmental performance will pay out at zero this year, despite Severn Trent being confident of achieving an unprecedented sixth consecutive EPA 4* rating, demonstrates the stretch and granularity of our performance management framework, and the Committee's focus on broader environmental performance beyond the EPA framework.

Finally, with the safety of our workforce remaining a key priority, the Committee considered the Group's health and safety performance, more of which can be read about on page 20 and in the Committee's Performance in the Round assessment on page 136. The lost time incident ('LTI') rate outturn on this metric, of 0.09, resulted in full stretch being achieved.

Based on this performance overall, the bonus paid out at 82.5% of maximum opportunity, equivalent to 99% of salary for both the CEO and CFO. Half of this will be deferred into Severn Trent shares for three years. The cascade of our reward framework through the whole organisation, including the ABS, ensures that all our people, who have been instrumental to the success of the Company this year, will benefit from the strong performance against the bonus metrics.

### 2022 Long Term Incentive Plan ('LTIP') vesting

The standard RoRE element, which represented 60% of the 2022 LTIP award, measures the Company's performance against the price review incentives defined by Ofwat for AMP7, reflecting our combined performance on totex, customer ODIs and financing. Over the three-year performance period of the 2022 LTIP, the Company achieved an average RoRE of 2.48x against the target of 1.39x the base RoRE return. As a result of this significant outperformance of Ofwat's expectations, this element of the award will vest in full.

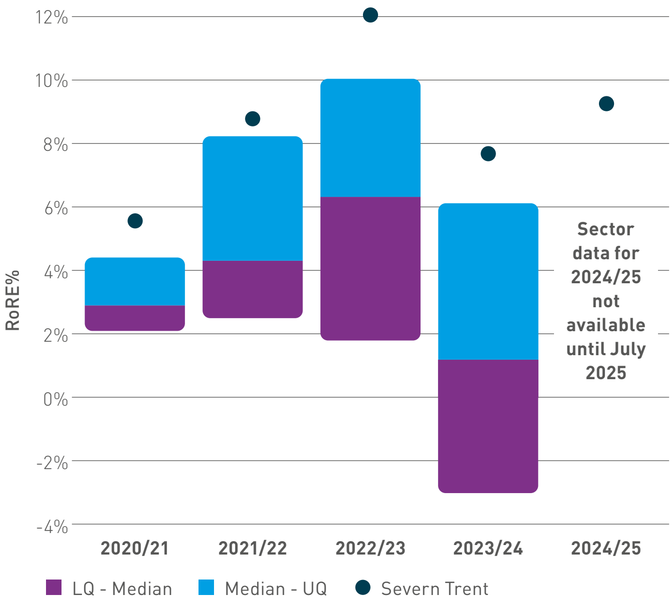
The 2022 LTIP was the second award to include a sustainability element with targets aligned to our Triple Carbon Pledge and external Science Based Targets commitments, worth 20% of the maximum award. The award measured the Company's performance against four different metrics aligned with our environmental commitments to reach net zero carbon emissions by 2030. Based on the strong performance against all four of these measures over the three-year period, this element will also vest in full.

The remaining 20% of the 2022 LTIP award is based on achieving upper quartile ('UQ') RoRE performance when measured against other companies in the water sector. The outcome will not be confirmed until July 2025 and will therefore be reported in our 2025/26 Directors' Remuneration Report.

### 2021 UQ LTIP vesting

Vesting under the UQ RoRE element of the 2021 LTIP award was confirmed in July 2024, when comparable statistics for the other water and sewerage companies ('WaSCs') were published. As shown in the following chart, we now know that Severn Trent achieved UQ performance, and therefore the UQ element of the 2021 LTIP award vested in full. This was the fourth consecutive year in which the UQ RoRE element has vested in full, reflecting our sustained outperformance of the wider sector.

### Severn Trent RoRE performance versus the sector




### Assessment of Performance in the Round

In overseeing remuneration outcomes for both the bonus and LTIP, 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.

We have demonstrated again this year that we are one of the sector's leading performers, as evidenced by a range of measures, including:

- confident in achieving EPA 4* in the EA's annual assessment for an unprecedented sixth consecutive year;
- 83% of our ODI measures are in line with or exceeding our regulatory targets, including those that measure leakage, water quality complaints and sewer blockages;
- customer innovation delivered, through a rapid implementation of the Kraken customer management system and further insourcing of key operational activities;
- delivery of a record £1.7 billion of capital investment in 2024/25, driving better outcomes for our customers and the environment, positioning us well for AMP8 delivery, and delivering Regulatory Capital Value ('RCV') growth; and
- continued strong financial resilience, through stable, investment grade credit ratings and gearing below the sector average.

The Committee's full assessment of Performance in the Round is set out in detail on page 136.

Following the assessment of Performance in the Round, the Committee concluded that outcomes for both the annual bonus and LTIP appropriately reflected Severn Trent's sector-leading performance over the relevant periods. Given that several elements of the bonus structure paid out at zero, no further exercise of discretion was required to override the formulaic outturn of either the 2024/25 annual bonus or the standard element of the 2022 LTIP award.

## Remuneration for the year ahead

### Base salaries and fees

Negotiations for the salary increase for the wider workforce are ongoing as at the date of this report. Recognising that the wider workforce increase is an important reference point in the decision, salaries for the Executive Directors and fees for the Chair and Non-Executive Directors for the year ahead have yet to be determined. However, it has been agreed in principle that percentage increases will be no higher than that agreed for the wider workforce.

### 2025/26 bonus

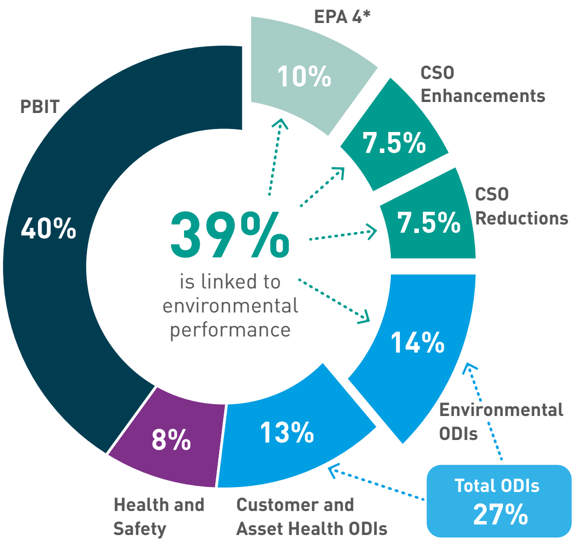
The Committee made some important changes to the structure of the bonus as part of the 2024 Policy review, which specifically aimed to strengthen the link between environmental performance and Executive pay, to help drive performance improvements further and faster. These changes also aligned our structure to the ambitions of Ofwat, that at least 50% of performance-related pay is linked to delivery for customers and the environment.

These changes included an increased weighting of the EPA 4* rating measure from 5% to 10% and an increase to the CSO measure from 12% to 15%. When combined with the environmental ODIs for 2024/25, this means that 35% of the annual bonus was linked to measures directly relating to environmental performance and river health (as defined by our performance on Reasons for Not Achieving Good Ecological Status ('RNAGS'). The Committee reflected on the structure of the bonus again this year, and concluded that it remains appropriate and incentivises performance in the right areas for 2025/26.

Although we are not changing the structure of the 2025/26 bonus, the new suite of ODIs set by Ofwat for AMP8 will have the effect of increasing the environmental proportion of the bonus, due to an increase in the proportion of environmental ODIs, which now make up just over a half of our total ODIs. This means that 14% of the bonus relates to environmental ODIs, which, when combined with the 10% for EPA 4* and 15% for CSO measures, results in 39% of the annual bonus being linked to measures directly relating to environmental performance and river health. As in 2024/25, an underpin will apply to the EPA 4* element of the bonus, which requires Severn Trent to be green (achieving target or better) against the serious pollutions metric within the EPA assessment.

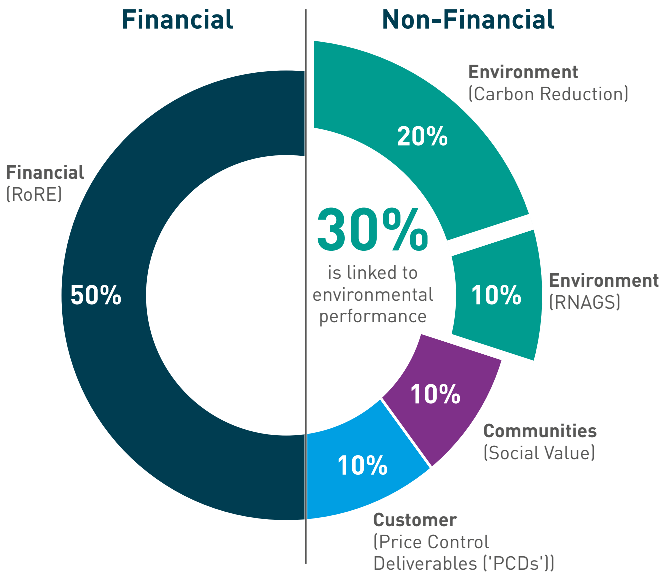
Details on how targets were set and why we think they are stretching are set out on pages 139 and 145.

The maximum bonus opportunity will be 120% of salary for the Executive Directors in line with the Policy, with performance conditions remaining consistent throughout the organisation.




### 2025 LTIP

As with the annual bonus, significant changes were made to the LTIP structure as part of the 2024 Policy review, which aimed to deliver a more balanced outcome and drive long-term performance for all our shareholders, and was achieved through increasing the weighting of non-financial measures to 50%. The non-financial measures consist of a selection of environment, customer and community measures to ensure the interests of all of our stakeholders are considered. The Committee reviewed the revised structure and determined that it remains fit for purpose. The performance measures and weightings for the 2025 LTIP award are set out in the chart below.




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 can be found on page 139.

The Committee will assess the value of the 2025/26 annual bonus and the 2025 LTIP award at the end of their respective performance periods, and will ensure that the final outturn reflects all relevant factors, including an assessment of broader Performance in the Round.

## Board changes

With Kevin Beeston having retired from the Board on 30 April 2025, we have appointed Nick Hampton to become the new Senior Independent Director, and he has also joined the Remuneration Committee. As well as the insight provided from his time as Chief Executive Officer of Tate & Lyle Plc, Nick also has strong Non-Executive Director experience and will be a great addition to the Committee. We also welcomed Richard Taylor to the Committee in April 2024, who has brought a fresh perspective and provided valuable contributions to the challenging debates we have had this year.

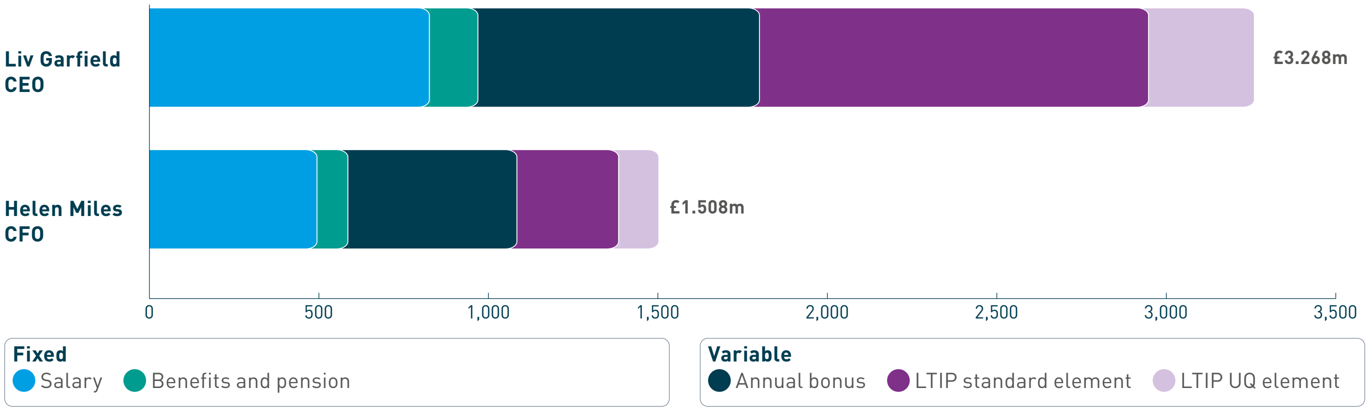
I would like to take this opportunity, on behalf of the Committee and indeed the whole organisation, to personally thank Kevin Beeston for the great wisdom and insight he has provided to the Committee during his tenure.

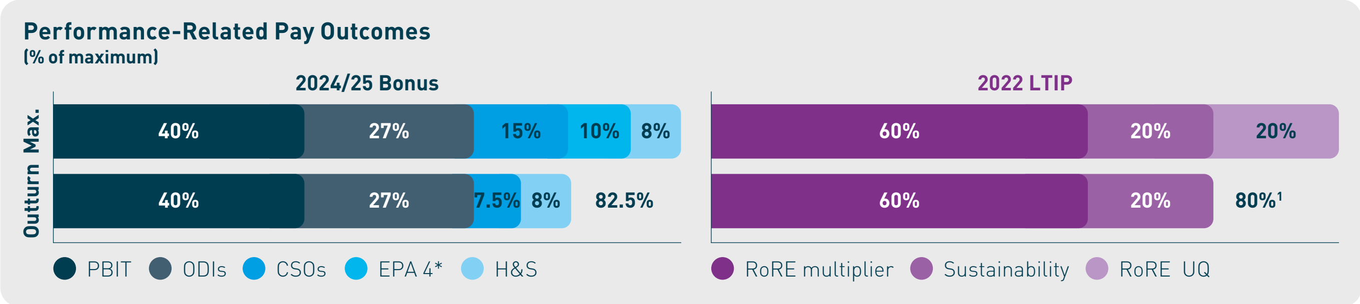
We remain committed to maintaining an ongoing and transparent dialogue with our major stakeholders. I hope that we can rely on your vote in support of our approach to remuneration and I look forward to engaging with you on our next Remuneration Policy later this year. If you would like to discuss any 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

# Remuneration for the Year in Review, at a Glance

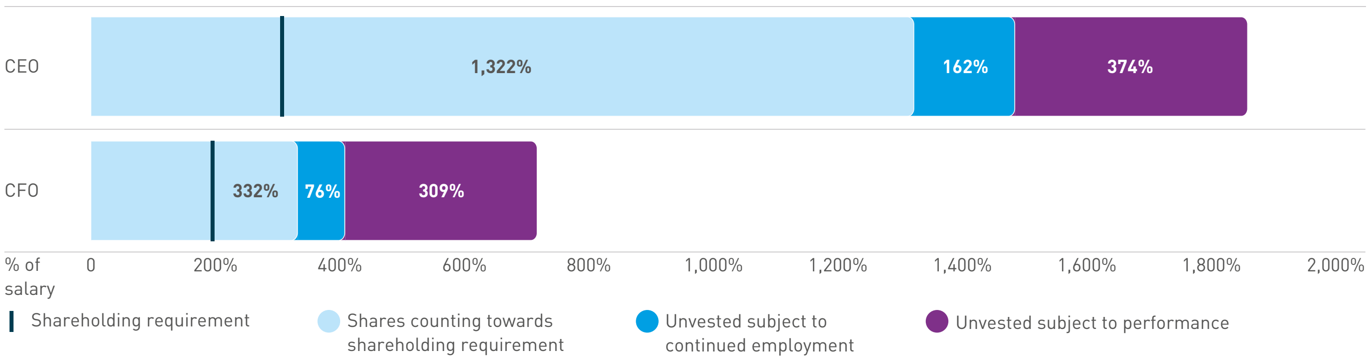
### 2024/25 single figure outcomes (£'000)




1 The outcome of the RoRE UQ stretch element (20%) will not be known until July 2025, when comparative RoRE performance is published by Ofwat.

### Executive Director shareholdings % of base salary




For further detail on all of the charts above, see the Annual Report on Remuneration section on pages 147 to 154.

### Safeguards

**Stretching performance targets**
Ensuring Performance-Related Pay ('PRP') outcomes reflect appropriate levels of outperformance. See more detail on page 139.

**Performance in the Round assessment**
Confirming formulaic outcomes are appropriate and justified in the context of broader business performance.

**Deferral and holding periods**
50% of bonus deferred into shares, with a three-year holding period. Vested LTIP shares are subject to a two-year holding period.

**Minimum shareholding requirements**
300% of salary for the CEO, and 200% for the CFO.

Post-employment shareholding requirement to retain in-employment shareholding for two years.

**Malus and clawback provisions**
Allowing the Committee to reduce or recoup any past incentive payments if new information emerges.

# Performance in the Round for 2024/25

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 27% of the 2024/25 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.<br>Deep dives were provided on the following key areas:<br>– C-MeX performance, including improvement activity underway and planned.<br>– Company response to extreme weather events, including the ability to avoid water use restrictions. |
| **Environmental performance** | For 2024/25, environmental measures make up 35% of the annual bonus, through a combination of environmental ODIs (10%), EPA 4* rating (10%) and CSO measures (15%). Beyond the formulaic outturn, the Committee considered the Company's performance against a broad range of environmental performance indicators, supported by deep dives into the following key areas:<br>– 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.<br>– CSO performance, including improvement activity underway and planned.<br>– Progress against the Company's stated environmental commitments, including the Get River Positive pledges, and the Company's ambition to be net zero for operational emissions by 2030. |
| **Financial performance and resilience** | Whilst 40% of the 2024/25 bonus is based on Group 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:<br>– Gearing and financial resilience.<br>– Capital delivery and investment.<br>– RCV growth.<br>– 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:<br>– Affordability.<br>– Progress achieved in the second year of the Company's Societal Strategy, including close to 10,000 people supported and the generation of more than £4 million of measurable Social Value. |
| **Alignment to wider workforce** | In addition to the Committee's annual 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:<br>– Assessment of employee policies and benefits, including performance management, talent programmes and skills development.<br>– Internal and external benchmarks of employee experience – including maintenance of the Company's best ever employee engagement score and very high Sharesave participation rates.<br>– Health and safety performance, including our people, supply chain and the customers and communities we serve. Read more on page 20. |
| **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 review, 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.

# Summary of Remuneration Policy and Implementation for 2025/26

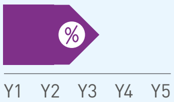
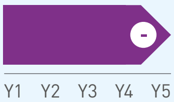
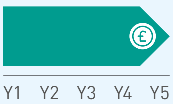
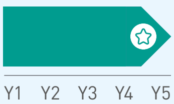
**The Company's Policy is designed to attract, retain and motivate its leaders and to ensure they are focused on delivering business priorities within a framework which promotes the long-term success of Severn Trent, aligned with stakeholder interests.**

The tables below illustrate the balance of pay and time period of each element of the Policy for Executive Directors, and presents how we plan to implement the Policy in 2025/26.

| 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<br>Three-year deferral period<br>No further performance conditions | | | |
| **LTIP** (Malus and clawback provisions apply) | Up to 200% of salary<br>Three-year performance period | | | Two-year holding period<br>No further performance conditions | |
| **Shareholding requirement** | Executive Directors' minimum shareholding requirement | | | | |

| Policy element | Purpose, operation and opportunity levels | How we plan to implement the Policy in 2025/26 |
|---|---|---|
| **Fixed pay elements** | | |
| **Base salary**<br>Y1 Y2 Y3 Y4 Y5 | **To recruit and reward Executive Directors of a suitable calibre for the role and duties required.**<br>Salaries are reviewed annually and increases normally take effect from 1 July. Set with reference to:<br>– individual performance;<br>– experience and contribution;<br>– developments in the relevant employment market;<br>– Company performance and affordability;<br>– wider economic environment; and<br>– internal relativities.<br>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. | Executive Directors salaries will increase by no more than the increase for the wider workforce, and will be effective from 1 July 2025. |
| **Benefits**<br>Y1 Y2 Y3 Y4 Y5 | **To provide competitive benefits in the market to enable the recruitment and retention of Executive Directors.**<br>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.<br>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. | Normal company benefit provision. |
| **Pension**<br>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.**<br>A defined contribution scheme and/or cash supplement in lieu of pension.<br>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).<br>For any new recruit, the contribution will be up to a maximum of 15% of salary. | Executive Director pension arrangements are as follows:<br>CEO – 15% of salary<br>CFO – 15% of salary |
| **Variable pay elements** | | |
| **Annual bonus**<br>**Up to 120% of salary**<br>Y1 Y2 Y3 Y4 Y5<br>**50% paid in cash**<br>Y1 Y2 Y3 Y4 Y5<br>**50% deferred**<br>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.**<br>**Bonuses are based on financial, operational, customer and environmental performance. Performance measures and targets are selected annually.**<br>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.<br>Malus and clawback mechanisms apply for three years from the payment of the cash bonus or the grant of deferred shares.<br>Maximum award of 120% of salary for the CEO and CFO.<br>For threshold performance, 0% of maximum opportunity will be paid. For target performance, 50% of maximum opportunity will be paid. | Performance measures (as a % of maximum):<br>Group PBIT – 40%<br>Customer and Environment ODIs – 27%<br>CSOs – 15%<br>EPA 4* – 10% (with a binary underpin, requiring the EPA serious pollutions metric to be green)<br>Health and Safety – 8%<br><br>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. |

# Summary of Remuneration Policy and Implementation for 2025/26 continued

| Policy element | Purpose, operation and opportunity levels | How we plan to implement the Policy in 2025/26 |
|---|---|---|
| **Variable pay elements (continued)** | | |
| **LTIP**<br>**Up to 200% of salary**<br><br><br>**Five-year period**<br><br> | **To encourage strong and sustained improvements in operational and financial performance, in line with the Company's strategy and long-term stakeholder value.**<br>**Awards are granted annually and are subject to one or more performance conditions assessed over a three-year performance period.**<br>Awards made to Executive Directors are subject to a two-year holding period post vesting which continues to operate post cessation of employment.<br>Malus and clawback mechanisms apply within three years of vesting.<br>The value of dividends paid on the shares comprising the award will be rolled up and paid on vesting.<br>Maximum award opportunity up to 200% of salary. Up to 19% of the LTIP award may vest for threshold performance. | Grant levels:<br>CEO – 200% of salary<br>CFO – 175% of salary<br><br>The 2025 LTIP awards will be based on the performance measures and targets as set out below this table.<br><br>See page 151 for further detail on LTIP awards to be granted. |
| | **Other Policy elements** | |
| **All-employee share plans**<br>**Up to £500 per month for 3 or 5 years**<br><br> | **To encourage widespread employee share ownership to enable employees to share in the success of the business.**<br>The Executive Directors are able to participate in HMRC tax advantaged all-employee share plans on the same terms as other eligible employees.<br>The maximum limits under the plans are as set by HMRC. | In line with all employees. |
| **Shareholding requirement**<br><br> | **To encourage strong shareholder alignment both during and after employment with the Company.**<br>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.<br>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.<br>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. | CEO – 300% of salary<br>CFO – 200% of salary<br><br>Post-employment shareholding requirement applies.<br><br>See pages 151 to 152 for further details on shareholding requirements and outstanding share awards. |

## 2025 LTIP award – measures and targets

The financial element of the LTIP has a weighting of 50% and is based on RoRE, which measures the Company's performance against the regulatory incentives defined by Ofwat, including totex, customer ODIs and financing. Target payout is based on achieving a RoRE of 7.4%, which is equivalent to 1.39x Ofwat's base return for AMP8, of 5.3%. To achieve stretch payout on RoRE, Severn Trent must be upper quartile compared to the other WaSCs in the sector.

The performance targets for the non-financial elements of the 2025 award will be as follows:

| Measure | Sub-measure | Weighting | Stretch target details | Threshold | Target |
|---|---|---|---|---|---|
| Environment | Scope 1 and 2 emissions reduction | 10% | Achieving a cumulative reduction in our Scope 1 and 2 emissions of 46% against the 2019/20 baseline (of 508.4 kT) by 31 March 2028. | 34% reduction | 40% reduction |
| | Self-generation | 10% | Achieving an outturn of 313 GWh additional generation from the 2019/20 baseline of 486 GWh, enabling a minimum total renewable generation of 799 GWh by 31 March 2028. | Total generation of 751 GWh | Total generation of 775 GWh |
| | RNAGS | 10% | Achieving a cumulative reduction of 89 RNAGS by 31 March 2028. | Reduction of 59 | Reduction of 74 |
| 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. | 70% on track | 85% on track |
| Communities | Social Value | 10% | To generate a Social Value of £13 million between 1 April 2025 and 31 March 2028. | £10 million | £11.5 million |

The Committee will assess the value of the 2025 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.

# Aligning our Performance-Related Pay Structures with our Stakeholders and Strategic Ambitions

**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, contractors and regulators.**

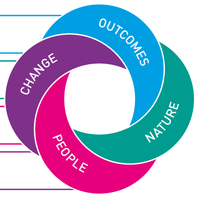
In determining the right performance measures for our incentive plans, the Committee seeks to strike a balance between short- and long-term financial, operational and sustainability goals. As we are a long-term business, actions taken in a single year flow through to longer-term performance.

We operate a consistent 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 diagram below illustrates the performance measures that we use within our incentives and explains how they help deliver the Company's strategic goals as well as delivering balanced outcomes for all of our stakeholders, driving long-term performance for the benefit of all groups.

## Our corporate strategy

- O Outcomes
- N Nature
- P People
- C Change




## Stakeholder key

- Customers
- Communities
- Shareholders and Investors
- Sustainability and ESG
- Employees
- Suppliers and Contractors
- Regulators and Government

| | Measures (weighting %) | Link to our strategy | Link to our stakeholders | Why it is important | How targets are stretching |
|---|---|---|---|---|---|
| 2025/26 Annual Bonus | **PBIT** (40%) | O | Shareholders and Investors, Employees | PBIT is a key financial measure for Severn Trent, demonstrating our ability to control costs and deliver financial returns for our shareholders, which includes many of our employees. | The PBIT target is underpinning our stretching ambition to double adjusted earnings per share ('EPS') between 2025 and 2028. |
| 2025/26 Annual Bonus | **ODIs** (27%) | O, N, P, C | Sustainability and ESG, Regulators and Government, Customers, Shareholders and Investors | Our ODIs are designed with customers to make sure our objectives align with things that matter most to them. They are agreed with Ofwat and aim to drive performance across customer and environmental measures. | Requires significant outperformance against Ofwat's own stretching performance expectations. |
| 2025/26 Annual Bonus | **CSOs** (15%) | O, N, C | Sustainability and ESG, Regulators and Government, Customers, Communities | In line with Pledge 1 of our five river pledges, we will reduce the number of CSO spills and deliver targeted CSO enhancements, bringing benefits to the health of our region's waterways, now and into the future. | Targets set by reference to Severn Trent's CSO reduction plan, which is the most ambitious in the sector. |
| 2025/26 Annual Bonus | **EPA 4*** (10%) | O, N, C | Sustainability and ESG, Regulators and Government, Customers, Communities | The EPA is the EA's way of categorising company performance against a range of key environmental measures. Achieving EPA 4* is the highest ranking, and represents an industry-leading company. | Achieving EPA 4* represents a sector leading company, and is the highest rating possible. Typically, only around two companies receive this rating each year. |
| 2025/26 Annual Bonus | **Health & Safety** (8%) | P | Employees, Suppliers and Contractors | We believe passionately that no one should be hurt or made unwell by what we do. This metric, which focuses on reducing LTIs, helps our people strive for improvements across all aspects of our operations, keeping themselves and those around them safe. | Target set by reference to external benchmarking, with an LTI rate that is considered industry leading. |
| 2025 LTIP | **RoRE** (50%) | O, N, P, C | Regulators and Government, Shareholders and Investors | RoRE is a key performance indicator for the water sector, reflecting the key opportunities that companies have (such as totex, financing and ODIs) to outperform the regulatory allowances set out in their Final Determinations. | Achieving maximum outturn requires significant outperformance against Ofwat's base return, and requires us to be upper quartile compared to the wider sector. |
| 2025 LTIP | **Carbon Reduction** (20%) | O, N, C | Regulators and Government, Sustainability and ESG, Suppliers and Contractors | Companies have a huge responsibility to reduce their carbon emissions and our ambitions are significant. Focus on renewable energy generation and Scope 1 and 2 emission reductions is fundamental to our plan to reach operational net zero by 2030. | Targets aligned with our bold trajectory to achieve net zero operational carbon emissions by 2030, 20 years ahead of Government net zero targets. |
| 2025 LTIP | **RNAGS** (10%) | O, N, C | Sustainability and ESG, Regulators and Government, Customers, Communities | We take responsibility for the health of our region's rivers, and are delivering capital investment to reduce our impact on them, to help ensure our communities can enjoy them for generations to come. | Aligned to our ambition to significantly accelerate the improvement of river health, so our operations account for just 2% of RNAGS by 2030 (from 10.8% in 2025). |
| 2025 LTIP | **PCDs** (10%) | O, N, C | Customers, Regulators and Government, Suppliers and Contractors | PCDs are agreed with Ofwat and designed as powerful incentives to ensure delivery of the outcomes we have committed to deliver for our customers and the environment in AMP8, such as increasing water resilience and improving river quality. | Maximum payout requires 100% of PCDs to be on track with the challenging milestones agreed with Ofwat. |
| 2025 LTIP | **Social Value** (10%) | O, P, C | Sustainability and ESG, Customers, Communities | Our Societal Strategy aims to address the underlying causes of poverty in our region in a landmark scheme designed to help people recognise their potential and improve their work prospects, as measured through the delivery of Social Value. | Aligned to our hugely ambitious programme to support 100,000 people out of poverty over the next 10 years. |

## Executive Remuneration Benchmarking and Review of Peer Group

Recognising the huge ambition within Severn Trent's long-term plans, the Committee is acutely aware of the need to retain, attract and motivate an experienced and highly-effective leadership team that can deliver the changes and improvements required. With this in mind, the Committee performed a review of the benchmarking approach, to help ensure Executive Director remuneration packages remain competitive against an appropriately selected peer group.

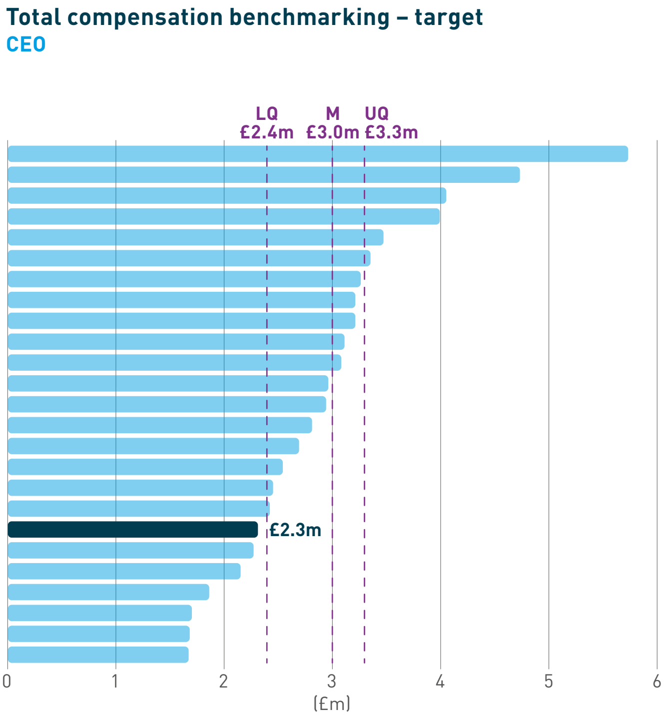
The starting point for our peer group was companies ranked between 30 and 100 in the FTSE by market capitalisation (the 'FTSE 30-100'), recognising that most of these companies were smaller than Severn Trent (currently ranked around 50th).

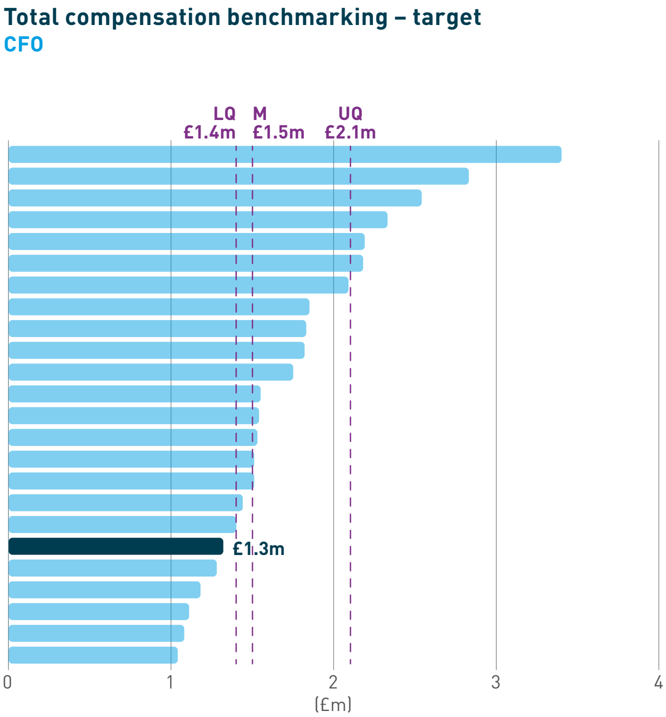
We then took into account the nature of the business and its perceived complexity. Severn Trent is by no means a simple business, with our Executive Directors having critical responsibilities to deliver safe and reliable water and wastewater services to 4.7 million households and businesses, manage and motivate a growing workforce of nearly 10,000 employees and deliver a significant step up in capital investment programmes during AMP8. This is done within a complex regulatory environment, requiring the careful management of a wide range of stakeholders, and amidst the increasingly demanding backdrop of climate change, population growth, customer affordability challenges, an ageing network of assets and a heightened ambition to minimise the impact our operations have on the environment.

Nevertheless, we acknowledge that some companies within the FTSE 30-100 could be argued to operate a sufficiently different type of business to warrant exclusion from the group. After careful consideration, the Committee decided to remove those within the financial services sector and those with significant global exposure.

The following chart shows that Severn Trent is one of the largest companies in the peer group by market capitalisation, positioned above the upper quartile.


The analysis is based on total target compensation, which comprises salary and pension, as well as short and long-term incentives, and assumes that incentives pay out at 50% of maximum. As illustrated by the two charts below, the target total compensation packages for the CEO and CFO are currently positioned around the lower quartile of the group. The Committee will keep this under review as we progress into AMP8.




The FTSE 30-100 group, after exclusions, includes: Associated British Foods, Auto Trader, B&M European Value Retail, Barratt Redrow, Berkeley Group, BT, Centrica, Entain, Frasers, Howden Joinery, Imperial Brands, J Sainsbury, Kingfisher, Land Securities, Mondi, Next, Persimmon, Rightmove, Segro, Taylor Wimpey, Unite Group, United Utilities, Vistry and Whitbread.

# Wider Workforce Considerations and our Approach to Fairness

**We recognise how critical our people are in delivering improvements for our customers, the environment, and wider stakeholders, and as such, we seek to create an inclusive working environment, reward our employees in a fair and equitable manner, and provide fulfilling careers.**

The Severn Trent culture is fundamental to our success as a business. We want our people to feel they are in a work environment which enables everyone to contribute fully and be the best they can be. We are proud of our achievements, with our annual employee engagement score being the highest it has ever been, placing us in the top 2% of energy and utility businesses globally.

The Committee and management are committed to fair pay across the organisation. We continue to see diversity and inclusion as central to everything we do, and we are pleased to see the commitment that management have in reducing pay gaps. More detail can be found on our pay gaps on page 144.

To ensure the voice of our employees is heard, we have an active Company employee forum which meets every quarter to discuss business challenges and opportunities. The Company Forum is chaired jointly by a member of the Executive Committee and the Trade Unions. Members include representatives from HR, joint Trade Unions and employees from our other business area employee forums. The objectives of the Company Forum are to:

- involve employees by sharing information on the future of our business and the water industry;
- work together on issues that affect our employees; and
- work in partnership to deliver better solutions to improve the way we work.

## All of our employees benefit from:

**Market competitive pay**

We balance competitive pay for employees with responsible use of our customers' money. As a real Living Wage employer, we are committed to paying all our direct employees and our supply chain a wage based on the cost of living today. We also closely monitor the rates of pay of people who are training with us, to make sure they remain fair and competitive and have established pay frameworks to ensure transparency, alignment to the external market and parity between our new talent cohorts.

**Sharing in success**

We want our employees to share in our success, and our all-employee bonus plan ensures everyone in the business is aligned with the same measures and rewarded for achieving our key objectives. We also offer a Sharesave Scheme, which gives employees a chance to save up 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. This is hugely popular, with 70% of our people choosing to participate.

**Flexibility**

We provide a flexible benefits scheme for all, which we believe is amongst the best in the industry. It recognises that our people's life, wellbeing, family and finances all play a part in how they feel about coming to work, and the scheme is structured accordingly. It includes a broad range of physical, mental and financial wellbeing offerings, as well as leisure and retail opportunities, and charitable giving. We also have a range of family leave policies, including a FTSE-leading Maternity and Adoption Policy, which enable our employees to work around the demands of a busy family life.

**An opportunity to save for the future**

We know many of our colleagues want to be able to save for their future security. We offer a market leading defined contribution pension scheme and double any contributions that employees make (up to a maximum of 15% of salary), regardless of level or seniority. 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 over 98% of our people are members of the pension scheme and 60% pay contributions above the statutory minimum of 3%.

**Building a career**

As a major regional employer, we recognise the importance of equipping our colleagues with the skills for now and the future. Our focus is on both leadership and technical development across the whole organisation.
We support the development of colleagues at all stages of their career, from foundation apprenticeships and graduate entrants, through to higher level apprenticeships and Masters degrees. Our aim is to ensure that every employee feels competent and confident in their everyday work.

**Diversity and inclusion**

At Severn Trent, diversity is a huge part of who we are as a business, how we operate and how we continue to deliver against our bold ambitions. We positively celebrate diversity and inclusion, and embrace every individual's contribution. We believe that we have all been shaped by different things – whether it is our backgrounds, upbringings, life experiences or cultures – and it is those things that make us brilliant at work. Embracing those differences means we can deliver at our absolute best for our customers, communities and the environment.

**Investing in the community**

We launched our Societal Strategy in November 2022 to support 100,000 people over 10 years who are at risk of water poverty. Our focus has been on skills development, training, and employment across areas of high deprivation within our region. We have proudly supported more than 26,000 people, generating nearly £7 million of Social Value since 2022. This is supported by our employee volunteering programme, which gives all employees two paid days per year to participate in voluntary work in our communities.

# 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 below 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 services 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 also covers our CEO pay ratios, and our gender and ethnicity pay gap reporting.

| Eligibility | No. of employees covered | Remuneration element | Details and implementation at Severn Trent | Committee focus areas |
|---|---|---|---|---|
| All employees | **9,846** (as at 31 March 2025) | **Salary** | – The average annual salary increase across the workforce in 2024/25 was 6.4%.<br>– The Company has real Living Wage and real Living Hours employer accreditation and reviews employment terms and salaries in this context.<br>– Enhanced visibility on salary ranges within the organisation to enable fairness and transparency. | – Wider workforce increases versus the Executive population.<br>– Differences across employee groups.<br>– Benchmarking against market rates. |
| | | **Benefits** | – 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. | – Ensuring a consistent approach is applied across the business for benefits.<br>– Reviewing the breadth of benefit offerings. |
| | | **Pension** | – We offer a market-leading defined contribution pension scheme and double any contributions that employees make (up to a maximum of 15% of salary).<br>– Employer pension contributions for Executive Directors are aligned with the broader workforce.<br>– We are proud that over 98% of our employees are members of the pension scheme and 60% pay contributions above the minimum of 3%. | – Alignment of pension contributions across the workforce.<br>– Support levels for workers approaching retirement. |
| | | **Annual bonus** | – All of our people share in our success by participating in our all-employee Annual Bonus Scheme, ensuring all employees are aligned with the same measures and rewarded for achieving our key objectives.<br>– At all levels, performance outcomes are measured against the same metrics.<br>– Our frontline colleagues and team managers benefit from a fixed bonus payment.<br>– Bonus opportunities vary by grade.<br>– We also operate some sub-schemes in Business Services, to reflect specific business needs. | – A consistent design is operated throughout the business.<br>– Details of performance measures and targets.<br>– Malus and clawback provisions are in place. |
| | | **Sharesave** | – All Severn Trent Plc employees can participate in the Save As You Earn Scheme – Sharesave.<br>– Enables all colleagues to share in the long-term success of the Company, aligning participants with shareholder interests.<br>– Significant take-up of this benefit with 70% of employees participating in 2024/25, and a quarter of those saving the maximum £500 per month. | – Participation rates. |
| Management and Senior Management | **457** | **LTIP** | – The LTIP is available to Executive Directors, the Executive Committee and some members of Senior Management, eligibility for which is reviewed annually.<br>– The LTIP is designed to deliver balanced outcomes for all of our stakeholders, driving long-term financial and non-financial performance for the benefit of all groups. The retention of shares by Executive Directors for the longer term also supports a shared ownership culture in the Group.<br>– The performance period is three years, with 50% based on RoRE performance and 50% on a range of non-financial measures.<br>– The Executive Directors are subject to an additional two-year post-vesting holding period for awards granted from 2018 onwards.<br>– LTIP opportunities vary by role from 25% of salary to 200% of salary. | – Eligibility.<br>– Cost.<br>– Dilution.<br>– Details of performance measures and targets.<br>– Malus and clawback provisions are in place. |
| Executive Directors and Executive Committee | **9** | **Shareholding requirements** | – Shareholding requirements as a % of salary are in place: 300% for CEO, 200% for CFO and 100% for members of the Executive Committee.<br>– Supports alignment of Executives' interests with shareholders.<br>– A post-employment shareholding requirement was introduced for Executive Directors as part of the 2021 Policy. | – Requirements versus actual shareholdings. |
| Our supply chain | | | – All colleagues across Severn Trent are paid in line with the real Living Wage, for which we hold accreditation.<br>– We expect this of all new contracts within our supply chain and detail this within our Sustainable Supply Chain Charter. | |

## 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 141 and 142 and in our 2024 Policy, which can be found on our website.

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 2025, 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 | 2025 |
|---|---|---|---|---|---|---|
| Total single figure (£'000)[1] | 2,765.1 | 3,084.0 | 3,948.4 | 3,116.9 | 3,203.8 | **3,268.3** |
| Annual bonus payment level achieved (% of maximum opportunity) | 74.0% | 63.8% | 81.0% | 38.5% | 60.9% | **82.5%** |
| LTIP vesting level achieved (% of maximum opportunity)[2] | 100% | 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 | 86.3 | **84.0** |
| To employee at the 50th percentile | 65.7 | 72.3 | 90.8 | 71.0 | 67.0 | **64.2** |
| To employee at the 75th percentile | 53.9 | 59.8 | 75.3 | 58.9 | 55.0 | **52.8** |
| Ratio of CEO's single total remuneration figure shown to the median Executive Committee member: | | | | | | **3.7** |

1 Figures for 2024 have been restated to reflect the updated 2021 LTIP values based on the share price at the date of vesting and include dividend equivalents in respect of vested shares.
2 The value of the UQ element of the 2021 LTIP award for 2023/24 (£313.2k) could not be measured until July 2024, and is therefore included in the total remuneration value for 2025. The value of the 2022 LTIP award for 2024/25 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 Final Determination, plus the UQ element of the 2021 LTIP. The UQ element of the 2022 LTIP cannot be measured until the end of July 2025; such vesting, if any, will therefore be disclosed in the 2025/26 Directors' Remuneration Report.

The median CEO pay ratio has decreased from 67.0 to 64.2 year on year, mainly driven by the CEO's single figure remuneration increasing by less than the increase for the wider workforce, due to a lower LTIP valuation as a result of share price movement. More detail on the single figure amount is included on page 147.

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 2024/25, the single figure includes the standard element of the 2022 LTIP award plus the UQ element of the 2021 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: 46.4
  - To employee at the 50th percentile: 35.4
  - To employee at the 75th percentile: 29.1

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 | 2025 |
|---|---|
| Base salary (£'000) | **829.6** |
| Total pay and benefits (£'000) | **3,268.3** |
| **Employees** | |
| Base salary (£'000) | |
| – Employee at the 25th percentile | **30.8** |
| – Employee at the 50th percentile | **36.1** |
| – Employee at the 75th percentile | **45.5** |
| Total pay and benefits (£'000) | |
| – Employee at the 25th percentile | **38.9** |
| – Employee at the 50th percentile | **50.9** |
| – Employee at the 75th percentile | **61.9** |

## Gender and Ethnicity Pay Gap Reporting

### We are delighted to have published our third 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 2025 in line with statutory requirements, based on figures from 5 April 2024.

The difference in hourly pay between male and female employees in 2024 is:

**Median** **8.2%**

**Mean** **1.9%**

The difference in annual bonus pay between male and female employees in 2024 is:

**Median** **-5.4%**

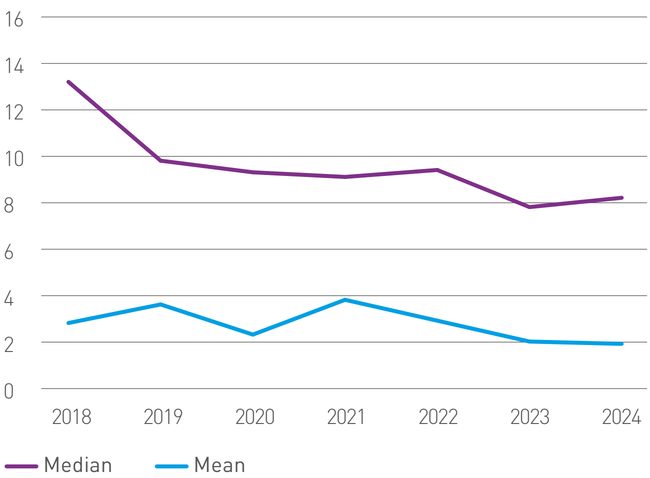
**Mean** **-104%**

Our median gender pay gap has increased slightly, to 8.2% in 2024, compared to 7.8% in 2023. This increase is mainly due to our decision to insource more of our wastewater operational activities to help reduce spills and improve river health, and the high proportion of males in those roles.

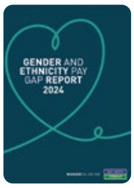
Our mean gender pay gap has decreased to its lowest reported level – 1.9% in 2024 from the 2.0% seen in 2023. This continues to be driven by the high proportion of women in our management and Senior Management roles.

Our median gender bonus gap remains relatively stable with small fluctuations caused by one-off recognition vouchers and long service award payments. Our mean gender bonus gap continues to be as a result of the high percentage of women in our Executive and Senior Management populations.

#### Gender pay gap %




The full Gender and Ethnicity Pay Gap Report can be found online at **severntrent.com**. This outlines the methodology and definitions, and includes insight on what we are doing about our pay gaps, as well as how we think about Diversity and Inclusion more broadly at Severn Trent.




#### Ethnicity pay gap

In our third year of publishing our ethnicity pay gap information, the median gap is 10.1% (2023: 6.3%) and the mean gap is 7.6% (2023: 7.2%).

The difference in hourly pay between white and minority ethnic employees in 2024 is:

**Median** **10.1%**

**Mean** **7.6%**

The difference in annual bonus pay between white and minority ethnic employees in 2024 is:

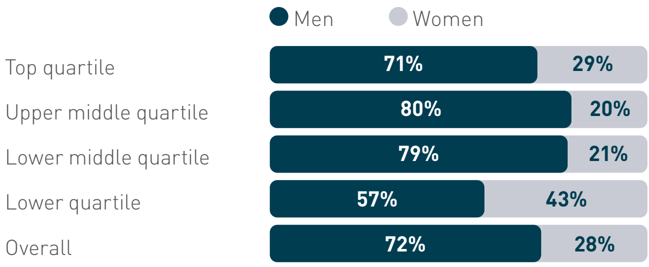
**Median** **-1.2%**

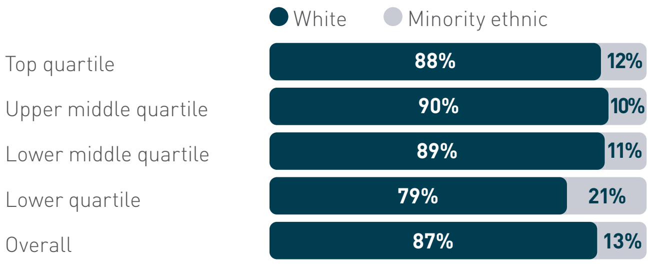
**Mean** **37.4%**

While we have a consistent and sustainable increase in minority ethnic representation, from 10% in 2021 to 13% in 2024, much of this progress has been from new hires into entry level roles which typically fall into the lower quartile of pay, including our graduates and apprentices. It will take time for this talent to progress through to more senior roles and for us to start to see a shift in pay, but we are confident that with a strong track record of internal progression, this will happen.

We are also focused on activity that will drive change in the short term as well, including attracting more senior talent from minority ethnic backgrounds. That includes making sure we have diverse shortlists for senior roles, considering both internal and external options, and ensuring that we populate our internal development programmes with diverse talent.

#### Pay distribution




**Scan the QR code to download our 2024 Gender and Ethnicity Pay Gap Report**

# Committee Governance

### The Remuneration Committee's agenda for 2024/25

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, to ensure it remained optimally structured to retain and motivate Executives through AMP8.

Review of Performance in the Round for 2024/25 ahead of approving the formulaic outturns for the 2024/25 annual bonus and the 2022 LTIP award.

Review of the Company's incentive scheme structures, ensuring alignment with regulatory guidance and broader stakeholder priorities.

Consideration of an independent update, provided by Alvarez & Marsal ('A&M'), on current market practice and future remuneration trends.

Completion of its annual assessment on wider workforce policies and practices, including:

- early implementation of the real Living Wage uplift;
- creation of a new pay framework for our apprentices;
- introduction of new employee benefits in the year;
- the Severn Trent 2024 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.

Committee member attendance at the Company Forum to share guiding remuneration principles with employee and Trade Union representatives.

Review of the expenses claim procedure for the Chair and CEO.

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.

### Ensuring fairness and alignment with the wider workforce

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 meets 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 AMP8 Business Plan, Company strategy, the Board-approved budget, historical performance, consensus forecasts, stakeholder expectations and wider market and 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 economic 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 136.

# Committee Governance continued

### What the Committee will look at in 2025/26

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 2025/26:

**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.

**AMP8 Remuneration Policy**
Further review of the current Policy to ensure it remains optimally structured and balanced to retain Executive Directors, and motivate them to deliver our hugely ambitious AMP8 plans, and drive rapid and sustained performance improvements for customers and the environment.

### Governance matters

The Committee's performance was assessed as part of the internally facilitated Board Performance Review. The Committee is regarded as operating effectively and it is noted that the Board takes assurance from the quality of the Committee's work.

#### 2024 AGM shareholder voting outturn

| Resolution | Votes for | Votes against | Votes withheld |
|---|---|---|---|
| Approve Directors' Remuneration Report | 234,708,290 | 11,098,184 | 108,126 |
| | (95.48%) | (4.52%) | |

| Resolution | Votes for | Votes against | Votes withheld |
|---|---|---|---|
| Approve Directors' Remuneration Policy | 234,640,456 | 11,185,775 | 88,369 |
| | (95.45%) | (4.55%) | |

#### Committee advisers

During the year, the Committee appointed a new adviser, A&M, to provide independent external remuneration advice, ensuring that the Company's remuneration practices are in line with best practice. This followed a tender process over the summer of 2024, and A&M commenced formally advising the Committee in October 2024. A&M attends meetings of the Committee and was the sole adviser to the Committee for the remainder of the year.

Prior to October 2024, PwC was the external adviser to the Committee, but was obliged to withdraw from the engagement, following PwC's successful bid to become External Auditor to Severn Trent Plc. As External Auditor, PwC is prohibited from providing non-audit services within six months of the contract start date, which means that PwC ceased providing advice to the Committee by 30 September 2024.

Both A&M, and PwC, are members of the Remuneration Consultants Group Code of Conduct and adhere to this Code in their 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 A&M to the Committee during the year were £82,250 excluding VAT. A&M has not provided any other consultancy or advisory services during the year and there are no connections between A&M and individual Directors to be disclosed.

Fees, on a time-spent basis, for the advice provided by PwC to the Committee during the year were £102,545 excluding VAT. Separate teams within PwC also provided unrelated 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 matters 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 10 July 2025.**

### Total single figure of remuneration (audited)

The table below sets out the total single figure of remuneration received by the Executive Directors for 2024/25 (or for performance periods ended in 2024/25 in respect of long-term incentives) and 2023/24 for comparison.

Where necessary, further explanations of the values provided are included below. The table and the explanatory notes have been audited.

| Executive Directors | Financial year ended 31 March | Salary (£'000)[1] | Benefits (£'000)[2] | Pension (£'000)[3] | Other (£'000)[4] | Fixed pay and benefits sub-total (£'000) | Annual bonus (£'000)[5] | LTIP standard element (£'000) | LTIP UQ element (£'000) | LTIP total (£'000)[6] | Variable remuneration sub-total (£'000) | Total remuneration (£'000)[7] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Liv Garfield | **2024/25** | **829.6** | **18.9** | **124.4** | **0.0** | **972.9** | **831.2** | **1,151.0** | **313.2** | **1,464.2** | **2,295.4** | **3,268.3** |
| | 2023/24 | 793.8 | 18.4 | 119.1 | 4.5 | 935.8 | 584.0 | 1,253.2 | 430.8 | 1,684.0 | 2,268.0 | 3,203.8 |
| Helen Miles | **2024/25** | **498.0** | **16.5** | **74.7** | **0.0** | **589.2** | **499.0** | **300.9** | **119.1** | **420.0** | **919.0** | **1,508.2** |
| | 2023/24 | 480.0 | 24.3 | 72.0 | 0.0 | 576.3 | 379.4 | 327.5 | N/A | 327.5 | 706.9 | 1,282.3 |

1 Salaries are shown before the deductions of benefits purchased through the Company's salary sacrifice scheme, such as pension contributions.
2 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.
3 The Executive Directors' maximum pension contribution is aligned with the wider workforce at 15%. Neither 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.
4 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.
5 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 148 for further details of the annual bonus outturn for 2024/25.
6 For 2024/25, the value of the LTIP is based on the outcome of the standard element of the total potential 2022 LTIP vesting, plus the UQ element of the 2021 LTIP. For 2023/24, the value of the LTIP is based on the standard element of the total 2021 LTIP vesting, plus the UQ element of the 2020 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 149.
7 The 2024/25 total remuneration figures include £313.2k for the CEO and £119.1k for the CFO in respect of UQ performance for the 2021 LTIP, which is published one year in arrears and relates therefore to the 2023/24 remuneration figure.

### 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.

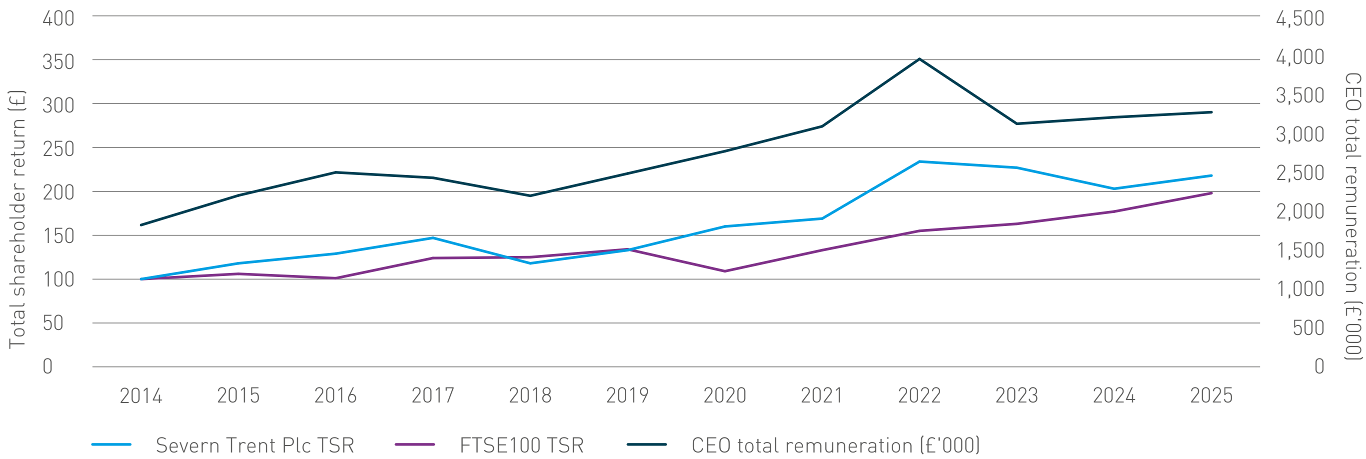
| Year ended 31 March | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| CEO | Liv Garfield | Liv Garfield | Liv Garfield | Liv Garfield | Liv Garfield | Liv Garfield | Liv Garfield | Liv Garfield | Liv Garfield | Liv Garfield |
| Total remuneration (£'000)[1] | 2,493.6 | 2,424.0 | 2,193.5 | 2,478.8 | 2,765.1 | 3,084.0 | 3,948.4 | 3,116.9 | 3,203.8 | 3,268.3 |
| Annual bonus (% of maximum) | 88.2% | 75.8% | 60.4% | 58.5% | 74.0% | 63.8% | 81.0% | 38.5% | 60.9% | 82.5% |
| LTIP vesting (% of maximum) | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0%[2] | 80.0%[3] |

1 2018 onwards includes any SAYE grants made during the year, as well as dividend equivalents in respect of vested LTIP shares.
2 The vesting of the 2021 LTIP award was reported in the 2023/24 Directors' Remuneration Report as 80% of maximum. In light of UQ performance being achieved, the UQ element of the 2021 LTIP award has since vested in full. To reflect this, the LTIP vesting percentage for 2024 has been restated. The additional LTIP value arising from the full vesting of the UQ element (£313.2k) is included in the total remuneration value for 2024/25.
3 The value of the 2022 LTIP award for 2024/25 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 2025; such vesting, if any, will form part of the total remuneration value for 2025/26.

### CEO remuneration vs returns to shareholders

The graph below shows the value at 31 March 2025 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 2024/25 (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 pages 137 to 138, we show below the benefits received by the individual Executive Directors in the year, and their typical annual value where possible.

| Benefits for 2024/25 (audited) | Typical annual value 2023/24 | Typical annual value 2024/25 | Percentage increase/(decrease) |
|---|---|---|---|
| **Green travel allowance** | £15,000 | £15,000 | 0% |
| **Private medical insurance** | £1,918 | £2,573 | 34% |
| **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 | £772 per health screen | 15% |
| **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% |

### Annual bonus outturn for 2024/25 (audited)

Our all-employee ABS 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.

| Bonus element | Threshold (0% payable) | Target (50% payable) | Maximum (100% payable) | Stretching targets | Actual | Weighting | Outcome achieved |
|---|---|---|---|---|---|---|---|
| **Group PBIT** | £515m | £540m | £565m | 8% growth vs prior year | £590m | 40% | 40% |
| **Customer and Environment ODIs**[1] | £90m | £100m | £110m | Sector leading | £150m | 27% | 27% |
| **CSOs**[2] | 0% | 50% | 100% | Sector leading | 50% | 15% | 7.5% |
| **EPA Rating**[3] | N/A | N/A | Achieved | Sector leading | Confident of EPA 4*, but underpin not met | 10% | 0% |
| **Health and Safety**[4] | 0.17 | 0.13 | 0.09 | Sector leading | 0.09 | 8% | 8% |
| **Total** | | | | | | **100%** | **82.5%** |

1 Total reported ODIs of £150 million also includes £107 million of end of AMP ODIs.

2 Our CSOs element is split into two equally weighted sections for reduction in CSO spills and completion of agile CSO solutions. The outcome represents zero payout on the CSO spills element (average spills per CSO of 25.4 versus target of 20.0 and maximum of 19.3), and maximum outcome against the CSO solutions element (achievement of 1,248 versus threshold of 700, target of 800 and maximum of 900).

3 This measure only pays out if we achieve the highest EPA 4* rating. It also includes serious pollutions as a binary underpin, whereby in the event there was a serious pollution event in the year, this measure would not pay out regardless of whether EPA 4* status was achieved. For 2024/25, while we are confident of achieving EPA 4* for an unprecedented sixth time, due to there being a single serious pollution incident in the year, this element was reduced from 10% to a zero payout.

4 Measured as number of Lost Time Incidents divided by number of hours worked multiplied by 100,000.

### Deferred shares under the Annual Bonus Scheme (including awards granted during the year)

One half of the bonus earned in respect of performance during 2023/24 was deferred into shares, as detailed below:

| | Award | Basis of award | Number of shares granted[1] | Grant date | Face value of award at grant (£'000) | Vesting date | Three-day average share price used for grant calculations |
|---|---|---|---|---|---|---|---|
| **Liv Garfield** | 2024 Annual Bonus Scheme relating to 2023/24 | Deferred bonus | 12,131 | 11/06/2024 | 292.0 | 11/06/2027 | £24.07 |
| **Helen Miles** | | | 7,880 | | 189.7 | | |

1 Annual bonus shares are deferred shares which are subject to continued employment, but are not subject to further performance conditions.

## LTIP outturn

### LTIP awards vesting in relation to performance in 2024/25 (audited)

The outcome of the 2022 LTIP is based on performance over the three-year period from 1 April 2022 to 31 March 2025. This is the fifth LTIP award vesting that includes a stretch measure relative to the UQ performance of the other WaSCs.

With 80% of the 2022 LTIP being based on our RoRE performance, it was critical that the targets set in relation to it were sufficiently stretching, so as to only reward genuinely impressive performance. To ensure this, the Committee adopted a dual approach for the target, which required achieving a multiple of 1.39x the allowed base return from Ofwat to earn the standard element, plus a further target of being UQ versus the broader sector to achieve stretch payout. For maximum payout on this element, the approach ensured both a material return over and above the base regulatory allowance, and that Severn Trent be one of the top performers in the sector.

The remaining 20% of the LTIP was based on four sustainability measures. These measures comprise a combination of enabling measures and delivery measures, all of which are linked to our Triple Carbon Pledge commitments and the strategy we have to deliver it. Our carbon ambitions are significant, and if achieved, will result in us being net zero on our Scope 1 and 2 operational emissions by 2030. The strategy and workstreams which underpin this, and on which the LTIP measures are based, are correspondingly ambitious.

The table below shows the 2022 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% | 6% | 6% | 6% | 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.

### 2022 LTIP standard RoRE element

The standard RoRE element of the 2022 LTIP award measures the Company's performance against RoRE set by Ofwat's Final Determination. Over the three-year period of the 2022 LTIP, the Company achieved a RoRE of 2.48x 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 2022 LTIP award, which is equivalent to 60% of maximum for the total 2022 LTIP award for the CEO and 53.3% of maximum for the CFO. Full details are set out in the table below.

| | | | | Standard proportion of 2022 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[3] (£'000) | Value of LTIP shares vesting[4] (£'000) | Value of dividend equivalents due[5] (£'000) | Value of standard element of LTIP (single figure) (£'000) |
| **Liv Garfield** | 52,951 | 1,517.6 | 31/03/2025 | 80.0%[1] | 42,360 | 24/07/2025 | (172.7) | 1,041.4 | 109.5 | 1,151.0 |
| **Helen Miles** | 15,102 | 432.8 | 31/03/2025 | 73.3%[2] | 11,074 | 24/07/2025 | (45.1) | 272.3 | 28.6 | 300.9 |

1 This figure includes 60% vesting for the standard RoRE element, plus 20% vesting for the sustainability element.
2 This figure includes 53.3% vesting for the standard RoRE element, plus 20% vesting for the sustainability element.
3 The depreciation in share price over the vesting period has reduced the value of the LTIP awards by the amount shown in the table, which means there was no value attributable to share price appreciation.
4 Based on the average share price over the final three months of the performance period of £24.58, as the awards will not be released until after the end of the closed period.
5 Based on dividends paid in the period since the date of grant to 31 March 2025.

### 2022 LTIP UQ RoRE element

The UQ element of the 2022 LTIP award cannot be measured, and so the associated vesting will not be known until the end of July 2025, when comparable statistics for the other WaSCs are published and provided to Ofwat; such vesting, if any, will therefore be disclosed in the 2025/26 Directors' Remuneration Report.

The LTIP value in the 2025/26 single figure table will comprise the UQ element of the 2022 LTIP award (if any) plus the standard element of the 2023 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 2022 award | | | |
|---|---|---|---|---|
| | Maximum number of shares granted that could vest | Additional dividend equivalent shares | Total number of shares which could vest | Value based on average share price of £24.58 (£'000) |
| **Liv Garfield** | 10,590 | 1,112 | 11,702 | 287.7 |
| **Helen Miles** | 4,027 | 421 | 4,448 | 109.4 |

### 2022 LTIP sustainability element

The sustainability element of the 2022 LTIP award measures the Company's performance against four different binary measures aligned with our environmental commitments to reach net zero operational emissions by 2030. Over the three-year period of the 2022 LTIP, the Company achieved the following:

| Measure | Description | Target | Actual | Weighting | Outcome achieved |
|---|---|---|---|---|---|
| **Fleet** | Delivering 66% of the total car fleet and 18% of the total light commercial fleet as electric vehicles by 31 March 2025. | 66%<br>18% | 71%<br>19% | 5% | 5% |
| **Self-generation** | Achieving an outturn of 75 GWh additional generation from the 2019/20 baseline of 486 GWh, enabling a minimum total renewable generation of 561 GWh by 31 March 2025. | 561 GWh | 618 GWh | 5% | 5% |
| **Innovation trials** | The delivery of innovation trials where the combined, verified, scaled opportunity is greater than 12.5 $ktCO_2e$, with a signed-off plan for delivery. | 12.5 $ktCO_2e$ | 13.7 $ktCO_2e$ | 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% $N_2O$<br>40% $CH_4$ | 43% $N_2O$<br>50% $CH_4$ | 5% | 5% |
| | | | | 20% | 20% |

This is equivalent to 20% of maximum for the total 2022 LTIP award for both the CEO and CFO.

### 2021 LTIP UQ RoRE element

As reported last year, the standard element of the 2021 LTIP award vested in full, being equivalent to 80% and 73.3% of maximum for the total 2021 LTIP award for the CEO and CFO respectively. Full vesting was based on delivering UQ RoRE performance relative to the other WaSCs over the three-year performance period to 2023/24 (the UQ element). Vesting under the UQ element of the 2021 LTIP award was only known at the end of July 2024 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 2024/25 single figure for the CEO and CFO (equivalent to 20% and 26.7% of maximum of the total 2021 LTIP award respectively).

No discretion has been exercised by the Committee to override the formulaic outturns of either the 2021 or 2022 LTIP awards.

The table below reflects the vesting of the UQ element of the 2021 LTIP award (as a percentage of the maximum award). The 2021 LTIP vested at 100% of maximum when the standard and UQ elements are combined.

| | | | | UQ element of 2021 award | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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[1] (£'000) | Value of LTIP shares vesting[2] (£'000) | Value of dividend equivalents due[3] (£'000) | Value of UQ element of LTIP (single figure) (£'000) |
| **Liv Garfield** | 55,461 | 1,483.4 | 31/03/2024 | 20.0% | 11,092 | 24/07/2024 | (17.8) | 278.9 | 34.4 | 313.2 |
| **Helen Miles** | 15,815 | 423.0 | 31/03/2024 | 26.7% | 4,217 | 24/07/2024 | (6.8) | 106.0 | 13.0 | 119.1 |

1 The depreciation in share price over the vesting period has reduced the value of the LTIP awards by the amount shown in the table, which means there was no value attributable to share price appreciation.
2 Based on the three-day average share price to 24 July 2024 of £25.14.
3 Based on dividends paid in the period since date of grant to 24 July 2024.

### Breakdown of the LTIP single figure value

The LTIP single figure amounts include share price movement between grant and vesting, as well as any dividend equivalents.

For 2024/25, the reportable LTIP figures are the standard RoRE element of the 2022 LTIP award, the sustainability element of the 2022 LTIP award, and the UQ element of the 2021 LTIP award. For 2023/24, the reportable LTIP figures are the standard RoRE and sustainability elements of the 2021 LTIP award and the UQ element of the 2020 LTIP award.

The table below shows the comparative value of each of the elements included in the single figures.

| | CEO | | CFO | |
|---|---|---|---|---|
| | 2023/24[1] | **2024/25[2]** | 2023/24[1] | **2024/25[2]** |
| Standard RoRE element | 939.9 | **863.2** | 218.4 | **200.6** |
| Sustainability element | 313.3 | **287.7** | 109.2 | **100.3** |
| UQ RoRE element | 430.8 | **313.2** | N/A[3] | **119.1** |
| **LTIP total in single figure values (£'000)** | 1,684.0 | **1,464.2** | 327.5 | **420.0** |

1 For the 2023/24 valuation, the share price used for the standard RoRE and sustainability elements was based on the share price on vesting of the 2021 LTIP, of £25.14. The UQ RoRE element was calculated using the share price on vesting of the 2020 LTIP, of £25.55.
2 For the 2024/25 valuation, the share price used for the standard RoRE and sustainability elements was based on the average share price over the final three months of the performance period, of £24.58. The UQ RoRE element was calculated using the share price on vesting of the 2021 LTIP, of £25.14.
3 As per the regulations, figures are not included for Helen Miles in respect of the 2022/23 UQ element, as she was not an Executive Director during the performance period.

## LTIP awards granted during the year

### 2024 LTIP award

| | Basis of award (% of base salary) | Number of shares granted[1] | Grant date | Face value of award at grant (£'000) | End of performance period | Vesting date | Three-day average share price used for grant calculations |
|---|---|---|---|---|---|---|---|
| **Liv Garfield** | 200% | 66,856 | 02/07/2024 | 1,599.2 | 31/03/2027 | 27/07/2027 | £23.92 |
| **Helen Miles** | 175% | 35,117 | | 840.0 | | | |

1 LTIP awards are conditional share awards subject to performance conditions, as set out below.

As explained last year, the RoRE targets for the 2024 award could not be disclosed at that time, as the Final Determination had not yet been confirmed by Ofwat. The Committee has now confirmed the multipliers, as set out in the table below, which remain stretching in the context of AMP8 expectations.

| | | Financial | | | Non-Financial[1] | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | RoRE | | | Environmental | | | Customers | Communities | |
| 2024 LTIP Award | | Threshold FD baseline 5.3% (% salary) | 1.39x FD 7.4% (% salary) | UQ performance relative to WaSCs (% salary) | Scope 1 and 2 reduction | Self-generation | RNAGS | PCDs | Social Value | Max outturn (% salary) |
| **Vesting for performance** | **CEO** | 18.8% | 75% | 100% | 20% | 20% | 20% | 20% | 20% | **200%** |
| | **CFO** | 14.6% | 58.3% | 87.5% | 17.5% | 17.5% | 17.5% | 17.5% | 17.5% | **175%** |

1 For the non-financial measures, if threshold performance targets were met, these elements would vest at 3.75% of salary for the CEO and 3.28% for the CFO.

### Non-financial performance measure details

| Sub-measure | Weighting | Measure details |
|---|---|---|
| **Scope 1 and 2 reduction** | 10% | Achieving a cumulative reduction in our Scope 1 and 2 emissions of 33% against a 2019/20 baseline of 508.4 kT 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 or more RNAGS by 31 March 2027. |
| **PCDs** | 10% | 100% of in-flight PCDs on track vs the phased milestones, as per the milestones agreed with Ofwat in the PR24 Final Determination by 31 March 2027. |
| **Social Value** | 10% | Achieving a Social Value of £12 million or more between 1 April 2024 and 31 March 2027. |

## LTIP awards to be granted in 2025

The table below describes how the LTIP will be implemented in 2025. 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 target for absolute RoRE will be set as a multiple of the Final Determination baseline. All performance conditions will be measured over three years, to 31 March 2028, and corresponding vesting (as a percentage of salary) will be as set out in the table below.

| | | Financial | | | Non-Financial[1] | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | RoRE | | | Environmental | | | Customers | Communities | |
| 2025 LTIP Award | | Threshold FD baseline 5.3% (% salary) | 1.39x FD 7.4% (% salary) | UQ performance relative to WaSCs (% salary) | Scope 1 and 2 reduction | Self-generation | RNAGS | PCDs | Social Value | Max outturn (% salary) |
| **Vesting for performance** | **CEO** | 18.8% | 75% | 100% | 20% | 20% | 20% | 20% | 20% | **200%** |
| | **CFO** | 14.6% | 58.3% | 87.5% | 17.5% | 17.5% | 17.5% | 17.5% | 17.5% | **175%** |

1 For the non-financial measures, if threshold performance targets were met, these elements would vest at 3.75% of salary for the CEO and 3.28% for the CFO.

Full details of the measures and targets are set out on page 138.

## Payments to former Directors upon retirement

As noted in last year's Directors' Remuneration Report, James Bowling retired from Severn Trent in December 2023 and was treated as a good leaver for the purposes of outstanding incentive awards. During the year, the standard and UQ elements of his 2021 LTIP award vested subject to the normal performance test and pro-rated for time served as a Director. This resulted in 25,822 shares vesting on 14 July 2024. His 2022 LTIP award will vest in line with the normal timeline (July 2025) and will be subject to a two-year holding period. The award will be pro-rated to his termination date of 31 December 2023, which will mean the maximum number of shares that could vest is 14,776.

## Executive Director shareholdings

The CEO and CFO have exceeded the shareholding requirements applicable in 2024/25 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 following table 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.

### Executive Director shareholdings % of base salary

| Shareholding requirement | Shareholding requirement | Shares counting towards shareholding requirement[1] | Unvested subject to continued employment[2] | Unvested subject to performance[3] |
|---|---|---|---|---|
| 300% | CEO | 1,322% | 162% | 374% |
| 200% | CFO | 332% | 76% | 309% |

1 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).
2 Represents 2022 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. This value assumes that the UQ element of the 2022 LTIP vests in full.
3 Represents the 2023 and 2024 LTIP awards which are subject to ongoing performance.

### Directors' shareholdings and summary of outstanding share interests (audited)

The table above 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 2024/25.

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 20 May 2025.

| Directors | Beneficially owned | LTIP shares[1,2] | Annual bonus shares[3] | SAYE options | Shareholding requirement as a % of salary | Current shareholding as a % of salary | % shareholding requirement achieved[4] |
|---|---|---|---|---|---|---|---|
| **Liv Garfield**<br>11 April 2014 – present | 421,782 | 176,901 | 31,386 | 875 | 300% | 1,322% | 441% |
| **Helen Miles**<br>1 April 2023 – present | 57,040 | 76,696 | 16,964 | 0 | 200% | 332% | 166% |
| **Non-Executive Directors** | | | | | | | |
| **Christine Hodgson**<br>1 January 2020 – present | 7,486 | – | – | – | – | – | – |
| **Kevin Beeston**<br>1 June 2016 – 30 April 2025 | 5,996 | – | – | – | – | – | – |
| **Tom Delay**<br>1 January 2022 – present | 0 | – | – | – | – | – | – |
| **Sarah Legg**<br>1 November 2022 – present | 1,912 | – | – | – | – | – | – |
| **Sharmila Nebhrajani**<br>1 May 2020 – present | 231 | – | – | – | – | – | – |
| **Richard Taylor**<br>1 April 2024 – present | 1,111 | – | – | – | – | – | – |
| **Former Directors** | | | | | | | |
| **Gillian Sheldon[5]**<br>Resigned 14 May 2024 | 350 | – | – | – | – | – | – |

1 LTIP awards are conditional share awards subject to ongoing performance conditions.
2 Additional dividend equivalent shares may be released where provided in the rules.
3 Annual bonus shares are deferred shares which are not subject to further performance conditions.
4 The share price used to calculate the percentage of the shareholding guideline achieved for both current and former Directors was £25.31 (as at 31 March 2025). The guideline figures include unvested annual bonus shares (47% deducted to cover statutory deductions).
5 Gillian Sheldon remained in role as a Non-Executive Director as at 31 March 2024, and subsequently stepped down from the Board on 14 May 2024.

### 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 AGM following the annual Board Performance Review process. The current Letters of Appointment are available on the Severn Trent Plc website.

Negotiations for the salary increase for the wider workforce are ongoing as at the date of this report. Recognising that the wider workforce increase is an important reference point in the decision, salaries for the Executive Directors and fees for the Chair and Non-Executive Directors for the year ahead have yet to be determined. However, it has been agreed in principle that percentage increases will be no higher than that agreed for the wider workforce.

## Chair and Non-Executive Fees effective from 1 July 2024 (audited)

Annual fee increases take effect from 1 July each year. The table below shows the fee structure currently in place. As described on page 134, any changes for the year ahead will be no higher than the percentage increase agreed for the wider workforce.

| Operation | Fees 2024/25 (£'000) |
|---|---|
| **Chair's fee** | 339.7 |
| **Fee paid to all Non-Executive Directors** | 65.4 |
| **Supplementary fees:** | |
| – Senior Independent Director | 16.6 |
| – Audit and Risk Committee Chair | 18.8 |
| – Corporate Sustainability Committee Chair | 16.6 |
| – Remuneration Committee Chair | 18.8 |
| – Treasury Committee Chair | 17.7 |

## Chair and Non-Executive Fees paid for the year ending 31 March 2025 (audited)

| | Fees 2023/24 (£'000) | Fees 2024/25 (£'000) |
|---|---|---|
| **Christine Hodgson** 1 January 2020 – present | 321.1 | **335.7** |
| **Kevin Beeston** 1 June 2016 – 30 April 2025 | 77.5 | **81.0** |
| **Tom Delay** 1 January 2022 – present | 77.5 | **81.0** |
| **Sarah Legg** 1 November 2022 – present | 66.3 | **83.2** |
| **Sharmila Nebhrajani** 1 May 2020 – present | 79.6 | **83.2** |
| **Richard Taylor** 1 April 2024 – present | 0.0 | **80.1** |
| **Former Directors** | | |
| **Gillian Sheldon** Resigned 14 May 2024 | 78.6 | **9.5** |

## 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.

| | Salary/Fees[1] | | | | | Benefits[2] | | | | | Bonus[3] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 20/21 | 21/22 | 22/23 | 23/24 | **24/25** | 20/21 | 21/22 | 22/23 | 23/24 | **24/25** | 20/21 | 21/22 | 22/23 | 23/24 | **24/25** |
| **Executive Directors** | | | | | | | | | | | | | | | |
| Liv Garfield | 2.3% | 2.3% | 2.3% | 2.8% | **4.5%** | (1.2%) | (3.1%) | 5.3% | 1.8% | **2.7%** | (11.8%) | 30.0% | (51.3%) | 62.8% | **42.3%** |
| Helen Miles[4] | – | – | – | – | **3.8%** | – | – | – | – | **(24.3%)** | – | – | – | – | **31.5%** |
| **Non-Executive Directors[5]** | | | | | | | | | | | | | | | |
| Christine Hodgson | 431.4% | 1.7% | 2.3% | 2.9% | **4.5%** | – | – | – | – | **–** | – | – | – | – | **–** |
| Kevin Beeston | 1.5% | 6.8% | 4.9% | 2.7% | **4.5%** | – | – | – | – | **–** | – | – | – | – | **–** |
| Tom Delay | – | – | 19.3% | 8.2% | **4.5%** | – | – | – | – | **–** | – | – | – | – | **–** |
| Sarah Legg[6] | – | – | – | 8.9% | **25.5%** | – | – | – | – | **–** | – | – | – | – | **–** |
| Sharmila Nebhrajani | – | 8.7% | 8.3% | 17.8% | **4.5%** | – | – | – | – | **–** | – | – | – | – | **–** |
| Richard Taylor[7] | – | – | – | – | **N/A%** | – | – | – | – | **–** | – | – | – | – | **–** |
| **Former Directors** | | | | | | | | | | | | | | | |
| Gillian Sheldon[8] | – | – | 12.6% | 17.4% | **88.0%** | – | – | – | – | **–** | – | – | – | – | **–** |
| **Colleagues** | | | | | | | | | | | | | | | |
| Average per employee[9] | 2.2% | 2.1% | 3.4% | 6.8% | **6.4%** | (7.1%) | 0.3% | 2.8% | (1.0%) | **(2.9%)** | (13.7%) | 9.9% | (41.6%) | 67.2% | **28.9%** |

1 The salary/fees, benefits and bonus figures shown are based on full-time equivalent comparisons.
2 The benefits figures include green travel allowance and family-level private medical insurance for senior and middle managers.
3 The figures shown are reflective of any bonus earned during the respective financial year. Bonuses are paid in the following June.
4 As per the regulations, figures are not included for Helen Miles in respect of 2022/23 and earlier, as she did not become an Executive Director until 1 April 2023.
5 Non-Executive Directors receive fees only and do not receive any additional benefits or bonus payments.
6 Appointed as Chair of the Audit and Risk Committee on 1 January 2024.
7 Appointed as Non-Executive Director on 1 April 2024 and Chair of the Treasury Committee on 14 May 2024.
8 Retired from the Board on 14 May 2024.
9 The average annual pay increase for the wider workforce during the year was 5.0%.

Please see previous Directors' Remuneration Reports for historical details of events that impact the changes in remuneration, such as role changes, joiners and leavers.

## 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 | 2023/24 £m | 2024/25 £m | % change |
|---|---|---|---|
| **Staff costs** | 473.4 | **552.8** | 16.8% |
| **Dividends** | 301.4 | **356.0** | 18.1% |

There were no other significant payments or distributions to shareholders, including share buy backs, in either the current or prior year.

### Alignment with Provision 40 of the 2018 Code

**Proportionality**

- There is a reasonable balance between fixed pay and variable pay, and variable pay is weighted to long-term performance.
- 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 Executive Directors have a strong drive to deliver performance that is sustainable over the long term.

**Clarity**

- Base salaries are competitive against companies of a similar size and complexity.
- 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.

**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.
- 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.
- All-employee share plans support a culture of share ownership and align employee interests with the long-term sustainable performance of the Company.

**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.
- 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.

**Predictability**

- Shareholders are given full information on the potential values which can be earned under the annual bonus and LTIP.

## External directorships

Liv Garfield became a Non-Executive Director of Brookfield Asset Management Limited in December 2022. In July 2024, she was appointed as Chair of the Board of Two Circles Limited. She retained any fees associated with these appointments for the year ended 31 March 2025.

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 10 July 2025. 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

# Directors' Report

**The Directors' Report for the year ended 31 March 2025 comprises pages 155 to 158 of this report, together with the sections of the Annual Report incorporated by reference. The Governance Report set out on pages 95 to 154 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 94, as the Board considers them to be of strategic importance.**

Specifically, these are:

- the Performance Review on pages 1 to 60, 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 2025;
- 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 68 to 78;
- information on the Group's greenhouse gas ('GHG') emissions for the year ended 31 March 2025 on pages 52 to 53;
- how we have engaged with our people and stakeholders on pages 84 to 90;
- business relationships (throughout the Strategic Report); and
- the Section 172 Statement on pages 91 to 93.

## 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 2025 are shown in note 46 of the financial statements.

## Areas of operation

During the course of 2024/25, 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 100 to 101. As set out in the Notice of Meeting, all the Directors will retire at this year's Annual General Meeting ('AGM') and submit themselves for reappointment or, in the case of Nick Hampton, appointment by shareholders. All Directors seeking reappointment were subject to a formal and rigorous performance review, further details of which can be found on pages 112 to 113.

Details of Directors' service contracts are set out in the Directors' Remuneration Report on page 154. The interests of the Directors in the shares of the Company are also shown on page 152 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 and we remain committed to driving improvements in our performance.

Whilst our health and safety performance within the Group is industry leading, unfortunately there was a serious health and safety incident in March 2025 involving an employee of one of our framework contractors. The incident occurred at one of our sites which was under the control and responsibility of one of our framework contractors and sadly resulted in the death of an employee of the framework contractor. As at the date of this report, we understand that the investigation into the incident remains ongoing. Neither the Group nor its employees is subject to the investigation.

Following the incident, we engaged across the Group's framework contractors and direct supply chain to re-emphasise the importance of our fundamental health and safety expectations and our 'Everybody Safe' mindset and culture.

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 of 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 20 and 117 to 118.

## Employee engagement

Due to our commitment to transparent and best practice reporting, we have included the sections on our people on pages 19 to 21 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 89 to 99 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. 70% 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 84 to 93 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.

# Directors' Report continued

## 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 £4.8 million.

## Internal controls

Details of our internal control framework can be found in the Audit and Risk Committee Report on pages 122 and 123.

## Treasury management

Details on our Treasury Policy and management are set out in the Chief Financial Officer's Review on pages 61 to 67.

## 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 48.68 pence per ordinary share was paid on 10 January 2025. The Directors recommend a final dividend of 73.03 pence per ordinary share to be paid on 15 July 2025 to shareholders on the register of members on 30 May 2025. This would bring the total dividend for 2024/25 to 121.71 pence per ordinary share (2023/24: 116.84 pence). The payment of the final dividend is subject to shareholder approval at the 2025 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 page 97.

## Dividend Policy

Following publication of the Final Determination by Ofwat, the Board approved our Dividend Policy for the period 2025-2030. With effect from 2025/26, dividends during the AMP8 period will increase by annual growth of 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 resignation 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 2024 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 2024 to make market purchases of ordinary shares up to a maximum number of 29,978,942 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 30,068,315 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

Severn Trent does not, and has not, made political donations. However, given the broad ranging definitions of support defined in the Companies Act, which include sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties, and support for bodies representing the business community in policy review or reform, we have an established practice of tabling a precautionary political donations resolution at our AGM on an annual basis.

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.

Donations to charitable organisations during the year amounted to £5,218,134 (2023/24: £5,181,550). 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 the Severn Trent Water website.

## Supplier payment policy

Individual operating companies within the Group are responsible for establishing appropriate policies with regard to the payment of their suppliers and 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 page 89. For the payment practices reporting period ended 31 March 2025, the average time to pay for Severn Trent Water Limited was 34 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

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 undertook a mandatory tender in respect of the 2026 External Audit and, due to mandatory rotation requirements, Deloitte was not able to participate having acted as External Auditor for 20 years.

Following a robust and competitive tender process, led by the Audit and Risk Committee, the Board selected PwC as the External Auditor for the 2025/26 audit onwards, subject to shareholder approval. 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. 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 ('NZTP') and the information required under the Taskforce on Climate-related Financial Disclosures ('TCFD') and Taskforce on Nature-related Financial Disclosures ('TNFD') on pages 29 to 43 of the Strategic Report is incorporated into the Directors' Report by cross reference. Our NZTP 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 2025. 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 2025 AGM can be found on the Severn Trent Plc website.

By order of the Board

**Hannah Woodall-Pagan**

Group Company Secretary
20 May 2025

## Disclosures required under Listing Rule 6.6.4R

The information required to be disclosed in accordance with Listing Rule 6.6.4R of the Financial Conduct Authority's Listing Rules can be located in the following pages of this Annual Report:

| Section | Information to be included | Location |
|---|---|---|
| (1) | A statement of the amount of interest capitalised | Page 182 |
| (3) | Details of long-term incentive schemes | Pages 149 to 151 |
| (2), (4) – (13) | 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 204 to 211 and is incorporated by reference. For information on our approach to social, environmental and ethical matters, please refer to our TCFD and TNFD disclosures on pages 29 to 43 and NZTP on pages 44 to 54.

## Substantial shareholdings

As at 31 March 2025, 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 | 11.61 |
| BlackRock | 28,366,623 | 9.45 |
| Lazard Asset Management | 27,502,407 | 9.16 |
| Vanguard Group | 13,695,880 | 4.56 |
| Atlas Infrastructure | 11,879,718 | 3.96 |
| Legal & General Investment Management | 10,501,125 | 3.50 |
| Impax Asset Management | 10,439,450 | 3.48 |
| Pictet Asset Management | 10,007,871 | 3.33 |
| ClearBridge Investments Australia | 9,396,339 | 3.13 |

As at 20 May 2025, 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 (11.59%); Lazard Asset Management 27,670,957 shares (9.20%); BlackRock 27,663,428 shares (9.20%); Vanguard Group 13,807,709 shares (4.59%); Atlas Infrastructure 11,270,460 shares (3.75%); ClearBridge Investments Australia 9,627,331 shares (3.20%); Legal & General Investment Management 9,182,784 (3.05%). 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 confirms 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 20 May 2025 and is signed on its behalf by order of the Board:

**Liv Garfield**
Chief Executive
20 May 2025

**Helen Miles**
Chief Financial Officer
20 May 2025

# 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 2025 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:<br>– valuation of the provision of household trade receivables in Severn Trent Water Limited; and<br>– classification of capital programme expenditure in Severn Trent Water Limited.<br>Within this report, key audit matters are identified as follows:<br>Similar level of risk to our audit for the year ended 31 March 2024 |
| **Materiality** | The materiality used for the Group financial statements was £23.0m (2024: £20.0m), which was determined based on 3.9% (2024: 3.9%) of Profit Before Interest and Taxation (PBIT). |
| **Scoping** | Our scoping has resulted in 99% (2024: 98%) of Group net assets, 96% (2024: 96%) of Group revenue and 99% (2024: 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 2024. |

## 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 (£1,048.1m at 31 March 2025) 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 Asset Management Plan ("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 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.

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.<br><br>As at 31 March 2025, the provision recorded was £129.7m (2024: £129.2m) 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.<br><br>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).<br><br>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.<br><br>The Audit and Risk committee also considered this as a significant matter as discussed in the Audit and Risk Committee Report on page 126. 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. |

| 5.1. Valuation of the provision of household trade receivables in Severn Trent Water Limited | |
|---|---|
| **How the scope of our audit responded to the key audit matter** | Our procedures to address the key audit matter included the following:<br>– obtaining an understanding of relevant controls over the determination of the bad debt provision, including over the supporting data and assumptions;<br>– testing the completeness and accuracy of the data included within the bad debt provision calculation;<br>– testing the allocation of cash received in the current year to debt aged between seven and nine years;<br>– 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;<br>– evaluating the reasonableness of economic data (both forecast and historical) used within the calculation and performing sensitivity analysis;<br>– 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;<br>– testing the arithmetical accuracy of the bad debt provision model calculation with the involvement of our data analytics specialists; and<br>– 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. |

| 5.2. Classification of capital programme expenditure in Severn Trent Water Limited | |
|---|---|
| **Key audit matter description** | Severn Trent Water Limited 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.<br>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, by incorrect application of this guidance or relevant accounting standards. Due to the level of judgement involved, we have determined that there was a potential risk for fraud through possible manipulation of this balance.<br>During the year, Severn Trent Water Limited has invested £1,667.0 million (2024: £1,222.3 million) in capital expenditure projects out of the total Group additions of £1,969.0 million (2024: £1,428.8 million), disclosed in note 17. Severn Trent Water Limited spent a further £144.8 million (2024: £203.3 million) on infrastructure maintenance expenditure out of the total Group expenditure of £148.5 million (2024: £207.2 million) disclosed in note 7.<br>The Audit and Risk Committee also considered this as a significant matter as discussed in the Audit and Risk Committee report on page 126. 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:<br>– obtaining an understanding and 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;<br>– 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<br>– 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** | £23.0 million (2024: £20.0 million) | £21.9 million (2024: £19.0 million) |
| **Basis for determining materiality** | The current year materiality has been determined on the basis of 3.9% (2024: 3.9%) of profit before interest and tax. | We determined parent company materiality based on 3.0% (2024: 3.0%) of net assets and capped materiality at 95% (2024: 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. Our application of materiality continued

### 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% (2024: 70%) of Group materiality | 70% (2024: 70%) of parent company materiality |
| **Basis and rationale for determining performance materiality** | In determining performance materiality, we considered the following factors:<br>– the quality of the control environment and whether we were able to rely on controls in certain areas of the Group's businesses; and<br>– the nature and number of low value 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 £1.2m (2024: £1.0m), 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 scoping of the Group audit followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence to address the risks of material misstatement of the Group financial statements.

The Regulated Water and Waste Water segment is primarily comprised of Severn Trent Water Limited, which was scoped in for audit of the entire financial information, using component performance materiality of £15.3 million (2024: £13.3 million). A further eight components (2024: eight) were scoped in for audit procedures on one or more classes of transactions, account balance or disclosures, using component performance materiality which ranges from £8.1 million to £15.3 million (2024: £7.0 million to £13.3 million). Audit work to respond to the risks of material misstatement was performed directly by the Group audit engagement team which represented 99% (2024: 98%) of Group net assets, 96% (2024: 96%) of Group revenue and 99% (2024: 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 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 audit of the entire financial information and audit procedures on one or more classes of transactions, account balance or disclosures.

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 certain 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 inspecting 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 78 of the Annual Report, 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 Environmental Social and Governance (ESG) 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, ESG, valuations, data analytics, pensions, treasury, debt advisory 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 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 83;
- 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 79;
- the directors' statement on fair, balanced and understandable set out on page 158;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 73;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 122 to 123; and
- the section describing the work of the Audit and Risk Committee set out on pages 119 to 126.

### 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 this regard.

#### 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 this regard.

### 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 20 years, covering the years ended 31 March 2006 to 31 March 2025.

#### 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 will 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 FCA (Senior statutory auditor)**
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
20 May 2025

# Consolidated income statement

For the year ended 31 March 2025

| | Note | 2025 £m | 2024 £m |
|---|---|---|---|
| **Turnover** | 5,6 | **2,426.7** | 2,338.2 |
| Operating costs before charge for bad and doubtful debts | 7 | **(1,801.8)** | (1,799.1) |
| Charge for bad and doubtful debts | 7 | **(34.7)** | (27.3) |
| **Total operating costs** | | **(1,836.5)** | (1,826.4) |
| **Profit before interest and tax** | | **590.2** | 511.8 |
| Finance income | 9 | **142.6** | 123.1 |
| Finance costs | 10 | **(386.5)** | (404.6) |
| Net finance costs | | **(243.9)** | (281.5) |
| Increase in expected credit loss on loan receivable | | **–** | (2.5) |
| Net losses on financial instruments | 11 | **(15.4)** | (22.4) |
| Share of net loss of joint ventures accounted for using the equity method | 20 | **(10.8)** | (4.1) |
| **Profit on ordinary activities before taxation** | | **320.1** | 201.3 |
| Current tax | 12 | **0.2** | (5.5) |
| Deferred tax | 12 | **(90.9)** | (55.6) |
| Taxation on profit on ordinary activities | 12 | **(90.7)** | (61.1) |
| **Profit for the year** | | **229.4** | 140.2 |

## Earnings per share (pence)

| | Note | 2025 | 2024 |
|---|---|---|---|
| Basic | 14 | **76.6** | 51.0 |
| Diluted | 14 | **76.4** | 50.9 |

# Consolidated statement of comprehensive income

For the year ended 31 March 2025

| | Note | 2025 £m | 2024 £m |
|---|---|---|---|
| **Profit for the year** | | **229.4** | 140.2 |
| **Other comprehensive income** | | | |
| Items that will not be reclassified to the income statement: | | | |
| Net actuarial gains | 29 | **37.8** | 16.4 |
| Deferred tax on net actuarial gains | 12 | **(9.4)** | (4.2) |
| | | **28.4** | 12.2 |
| Items that may be reclassified to the income statement: | | | |
| Losses on cash flow hedges | | **(3.7)** | (6.1) |
| Deferred tax on losses on cash flow hedges | 12 | **1.0** | 1.5 |
| Amounts on cash flow hedges transferred to the income statement | 11 | **12.6** | 18.2 |
| Deferred tax on transfer to the income statement | 12 | **(3.2)** | (4.6) |
| | | **6.7** | 9.0 |
| **Other comprehensive income for the year** | | **35.1** | 21.2 |
| **Total comprehensive income for the year** | | **264.5** | 161.4 |

# Consolidated statement of changes in equity

For the year ended 31 March 2025

| | Note | Share capital £m | Share premium £m | Other reserves £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|
| | | Equity attributable to owners of the Company | | | | |
| 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 1 April 2024 | | 295.4 | 1,363.1 | 167.6 | 7.9 | 1,834.0 |
| Profit for the year | | **–** | **–** | **–** | **229.4** | **229.4** |
| Net actuarial gains | 29 | **–** | **–** | **–** | **37.8** | **37.8** |
| Deferred tax on net actuarial gains | 12 | **–** | **–** | **–** | **(9.4)** | **(9.4)** |
| Loss on cash flow hedges | | **–** | **–** | **(3.7)** | **–** | **(3.7)** |
| Deferred tax on loss on cash flow hedges | 12 | **–** | **–** | **1.0** | **–** | **1.0** |
| Amounts on cash flow hedges transferred to the income statement | 11 | **–** | **–** | **12.6** | **–** | **12.6** |
| Deferred tax on amounts on cash flow hedges transferred to the income statement | 12 | **–** | **–** | **(3.2)** | **–** | **(3.2)** |
| Total comprehensive income for the year | | **–** | **–** | **6.7** | **257.8** | **264.5** |
| Share options and LTIPs | | | | | | |
| – proceeds from shares issued | 31,32 | **0.9** | **15.2** | **–** | **–** | **16.1** |
| – value of employees' services | 38 | **–** | **–** | **–** | **11.0** | **11.0** |
| Issue from treasury shares | | **–** | **–** | **–** | **1.8** | **1.8** |
| Deferred tax on share based payments | 12 | **–** | **–** | **–** | **(0.6)** | **(0.6)** |
| Dividends paid | 13 | **–** | **–** | **–** | **(356.0)** | **(356.0)** |
| **At 31 March 2025** | | **296.3** | **1,378.3** | **174.3** | **(78.1)** | **1,770.8** |

# Company statement of changes in equity

For the year ended 31 March 2025

| | Note | Share capital £m | Share premium £m | Other reserves £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|
| 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 | | 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) |
| Dividends paid | 13 | – | – | – | (301.4) | (301.4) |
| At 1 April 2024 | | 295.4 | 1,363.1 | 157.1 | 2,920.2 | 4,735.8 |
| Profit for the year | | **–** | **–** | **–** | **754.4** | **754.4** |
| Net actuarial gains | 29 | **–** | **–** | **–** | **0.1** | **0.1** |
| Total comprehensive income for the year | | **–** | **–** | **–** | **754.5** | **754.5** |
| Share options and LTIPs | | | | | | |
| – proceeds from shares issued | 31,32 | **0.9** | **15.2** | **–** | **–** | **16.1** |
| – value of employees' services | 38 | **–** | **–** | **–** | **11.0** | **11.0** |
| Issue from treasury shares | | **–** | **–** | **–** | **0.6** | **0.6** |
| Dividends paid | 13 | **–** | **–** | **–** | **(356.0)** | **(356.0)** |
| **At 31 March 2025** | | **296.3** | **1,378.3** | **157.1** | **3,330.3** | **5,162.0** |

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 £2,109.1 million.

# Consolidated and company balance sheet

As at 31 March 2025

| | Note | Group 31 March 2025 £m | Group 31 March 2024 £m | Company 31 March 2025 £m | Company 31 March 2024 £m |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Goodwill | 15 | **117.3** | 112.8 | **–** | – |
| Other intangible assets | 16 | **206.5** | 186.5 | **–** | – |
| Property, plant and equipment | 17 | **13,307.2** | 11,766.9 | **0.2** | 0.2 |
| Biological assets | 18 | **4.9** | 5.7 | **–** | – |
| Right-of-use assets | 19 | **141.0** | 143.0 | **0.4** | 0.5 |
| Investment in joint venture | 20 | **1.6** | 12.4 | **–** | – |
| Investments in subsidiaries | 21 | **–** | – | **3,600.2** | 3,593.3 |
| Derivative financial instruments | 22 | **59.9** | 71.2 | **–** | – |
| Deferred tax asset | 28 | **–** | – | **1.4** | 1.5 |
| Trade and other receivables | 23 | **90.8** | 89.2 | **1,722.9** | 1,676.2 |
| Retirement benefit surplus | 29 | **5.3** | 5.4 | **–** | – |
| | | **13,934.5** | 12,393.1 | **5,325.1** | 5,271.7 |
| **Current assets** | | | | | |
| Inventory | | **43.2** | 40.1 | **–** | – |
| Trade and other receivables | 23 | **878.3** | 817.3 | **50.5** | 45.8 |
| Current tax receivable | | **–** | – | **–** | 0.3 |
| Derivative financial instruments | 22 | **5.6** | – | **–** | – |
| Cash and cash equivalents | 24 | **1,048.1** | 953.2 | **313.7** | 486.8 |
| | | **1,975.2** | 1,810.6 | **364.2** | 532.9 |
| **Current liabilities** | | | | | |
| Borrowings | 25 | **(533.0)** | (67.9) | **(3.3)** | (1.9) |
| Derivative financial instruments | 26 | **(2.9)** | – | **–** | – |
| Trade and other payables | 27 | **(862.2)** | (724.7) | **(19.0)** | (13.0) |
| Provisions for liabilities | 30 | **(46.4)** | (53.9) | **–** | (0.5) |
| Current tax payable | | **(0.4)** | (0.9) | **(18.3)** | – |
| | | **(1,444.9)** | (847.4) | **(40.6)** | (15.4) |
| **Net current assets** | | **530.3** | 963.2 | **323.6** | 517.5 |
| **Total assets less current liabilities** | | **14,464.8** | 13,356.3 | **5,648.7** | 5,789.2 |
| **Non-current liabilities** | | | | | |
| Borrowings | 25 | **(9,164.1)** | (8,195.3) | **(479.5)** | (1,043.0) |
| Derivative financial instruments | 26 | **(44.7)** | (26.0) | **–** | – |
| Trade and other payables | 27 | **(1,839.2)** | (1,688.5) | **–** | (3.2) |
| Deferred tax liability | 28 | **(1,472.1)** | (1,364.5) | **–** | – |
| Retirement benefit obligations | 29 | **(125.1)** | (218.4) | **(5.8)** | (6.3) |
| Provisions for liabilities | 30 | **(48.8)** | (29.6) | **(1.4)** | (0.9) |
| | | **(12,694.0)** | (11,522.3) | **(486.7)** | (1,053.4) |
| **Net assets** | | **1,770.8** | 1,834.0 | **5,162.0** | 4,735.8 |
| **Equity** | | | | | |
| Called up share capital | 31 | **296.3** | 295.4 | **296.3** | 295.4 |
| Share premium account | 32 | **1,378.3** | 1,363.1 | **1,378.3** | 1,363.1 |
| Other reserves | 33 | **174.3** | 167.6 | **157.1** | 157.1 |
| Retained earnings | | **(78.1)** | 7.9 | **3,330.3** | 2,920.2 |
| **Total equity** | | **1,770.8** | 1,834.0 | **5,162.0** | 4,735.8 |

The Company's profit for the year is £754.4 million (2024: £325.9 million).

Signed on behalf of the Board who approved the accounts on 20 May 2025.

**Christine Hodgson**
Chair
Company Number 02366619

**Helen Miles**
Chief Financial Officer

# Consolidated cash flow statement

For the year ended 31 March 2025

| | Note | 2025 £m | 2024 £m |
|---|---|---|---|
| Cash generated from operations | 40 | **912.6** | 804.3 |
| Tax received | 40 | **–** | 9.0 |
| Tax paid | 40 | **(0.3)** | – |
| Net cash generated from operating activities | | **912.3** | 813.3 |
| **Cash flows from investing activities** | | | |
| Purchase of subsidiaries net of cash acquired | | **(13.6)** | (41.5) |
| Purchases of property, plant and equipment | | **(1,553.0)** | (1,169.7) |
| Purchases of intangible assets | | **(39.8)** | (30.0) |
| Proceeds on disposal of property, plant and equipment | | **11.0** | 10.0 |
| Net loans repaid by joint ventures | | **0.4** | 2.7 |
| Interest received | | **57.5** | 37.0 |
| Net cash outflow from investing activities | | **(1,537.5)** | (1,191.5) |
| **Cash flows from financing activities** | | | |
| Interest paid | | **(307.9)** | (243.6) |
| Interest element of lease payments | | **(3.8)** | (3.7) |
| Dividends paid to shareholders of the parent | | **(356.0)** | (301.4) |
| Repayments of borrowings | | **(54.8)** | (603.6) |
| Principal elements of lease payments | | **(13.6)** | (10.5) |
| New loans raised | | **1,440.2** | 1,469.2 |
| Issues of shares net of costs | | **16.1** | 1,000.7 |
| Termination and other payments for swaps | | **(1.6)** | (4.4) |
| Purchase of own shares | | **–** | (1.8) |
| Net cash inflow from financing activities | | **718.6** | 1,300.9 |
| Net movement in cash and cash equivalents | | **93.4** | 922.7 |
| Net cash and cash equivalents at the beginning of the year | | **951.4** | 28.7 |
| **Net cash and cash equivalents at the end of the year** | | **1,044.8** | 951.4 |
| Cash at bank and in hand | | **59.3** | 44.1 |
| Bank overdrafts | | **(3.3)** | (1.8) |
| Short term deposits | | **988.8** | 909.1 |
| | | **1,044.8** | 951.4 |

# 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, registered in England and Wales. The address of its registered office is shown on the back of the cover of the Annual Report and Accounts.

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 79 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 payments, 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 Group 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) Recognition of revenue from contracts with customers and interest income

Turnover is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises turnover when it transfers control of a good or service to a 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.

## 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 where it is expected that the costs will be recovered and written off to the income statement over the life of the contract.

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

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 by the Group as they are intended to be used for commercial activity and meet the following criteria as set out in IAS 41 – Forestry Assets:

- 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.

### 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 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.

## 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.

## 2 Accounting policies continued

### 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.

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 payments

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.

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.

### 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); 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 has not identified any material impacts on the Group's financial reporting.

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.

## 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 £148.5 million (2024: £207.2 million). Expenditure which results in quality or capacity enhancements to the operating capability of the infrastructure networks is capitalised and amounted to £316.2 million (2024: £208.2 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 year the Group received infrastructure assets with a fair value of £188.6 million (2024: £146.0 million), infrastructure charges amounting to £26.0 million (2024: £24.9 million) and other charges relating to the provision of infrastructure amounting to £14.7 million (2024: £20.1 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.

#### iii) Climate change

The Group has performed its 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 page 29.

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.

## 4 Critical accounting judgments and key sources of estimation uncertainty continued

### 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 | 39.1 |
| Infrastructure assets | 142.1 |
| Fixed plant and equipment | 25.1 |
| Moveable plant | 10.8 |

The impact on the annual depreciation expense of a 10 per cent increase and decrease in useful economic life ('UEL') of property, plant and equipment by asset category is detailed as follows:

| **Impact on annual depreciation** | 10 per cent increase in UEL £m | 10 per cent decrease in UEL £m |
|---|---|---|
| Land and buildings | (10.9) | 13.4 |
| Infrastructure assets | (4.3) | 5.2 |
| Fixed plant and equipment | (21.2) | 25.9 |
| Moveable plant | (0.9) | 1.1 |

#### 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 key 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:

| | **2025 £m** | 2024 £m |
|---|---|---|
| Gross carrying amount | **866.7** | 780.7 |
| Provision for bad and doubtful debts | **(139.0)** | (137.6) |
| Net carrying amount | **727.7** | 643.1 |

Movements in the expected credit loss allowance are as follows:

| | **2025 £m** | 2024 £m |
|---|---|---|
| At 1 April | **137.6** | 135.1 |
| Charge for bad and doubtful debts | **34.7** | 27.3 |
| Amounts written off during the period | **(33.3)** | (24.8) |
| At 31 March | **139.0** | 137.6 |

The average expected credit loss for the outstanding trade receivables and accrued income was 1.96% at 31 March 2025 (2024: 2.14%). 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 £11.2 million (2024: £9.8 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 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.

### b) Segmental results

The following table shows the segmental turnover and PBIT:

| | **2025** | | 2024 | |
|---|---|---|---|---|
| | **Regulated Water and Wastewater £m** | **Business Services £m** | Regulated Water and Wastewater £m | Business Services £m |
| External turnover | **2,248.7** | **178.0** | 2,151.5 | 186.8 |
| Inter-segment turnover | **0.3** | **5.5** | 0.5 | 5.1 |
| Total turnover | **2,249.0** | **183.5** | 2,152.0 | 191.9 |
| PBIT | **585.8** | **25.1** | 479.6 | 41.4 |

Profit before interest and tax is stated after:

| | **2025** | | 2024 | |
|---|---|---|---|---|
| | **Regulated Water and Wastewater £m** | **Business Services £m** | Regulated Water and Wastewater £m | Business Services £m |
| Depreciation of property, plant and equipment | **394.2** | **15.5** | 375.0 | 13.6 |
| Depreciation of right-of-use assets | **5.7** | **0.9** | 3.9 | 1.2 |
| Amortisation of intangible assets | **34.4** | **3.5** | 31.4 | 3.0 |
| Loss/(profit) on disposal of tangible assets | **0.1** | **(4.7)** | 0.6 | (4.1) |

The reportable segments' turnover is reconciled to Group turnover as follows:

| | **2025 £m** | 2024 £m |
|---|---|---|
| Regulated Water and Wastewater | **2,249.0** | 2,152.0 |
| Business Services | **183.5** | 191.9 |
| Corporate and other | **1.6** | 1.3 |
| Consolidation adjustments | **(7.4)** | (7.0) |
| | **2,426.7** | 2,338.2 |

## 5 Segmental analysis continued

### b) Segmental results (continued)

Included in the revenues of Regulated Water and Wastewater of £2,249.0 million (2024: £2,152.0 million) is £233.4 million (2024: £264.7 million) which arose from sales to Water Plus Group. No other single customer contributed 10% or more to the Group's revenue for either 2025 or 2024.

Segmental PBIT is reconciled to the Group's profit before tax as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| Regulated Water and Wastewater | **585.8** | 479.6 |
| Business Services | **25.1** | 41.4 |
| Corporate and other | **(19.7)** | (9.4) |
| Consolidation adjustments | **(1.0)** | 0.2 |
| PBIT | **590.2** | 511.8 |
| Net finance costs | **(243.9)** | (281.5) |
| Increase in expected credit loss on loan receivable | **–** | (2.5) |
| Net losses on financial instruments | **(15.4)** | (22.4) |
| Share of net loss of joint ventures accounted for using the equity method | **(10.8)** | (4.1) |
| Profit on ordinary activities before taxation | **320.1** | 201.3 |

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.

### 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.

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Regulated Water and Wastewater £m | Business Services £m | Regulated Water and Wastewater £m | Business Services £m |
| Operating assets | **14,240.9** | **388.9** | 12,601.0 | 381.9 |
| Goodwill | **63.5** | **55.1** | 63.5 | 50.6 |
| Segment assets | **14,304.4** | **444.0** | 12,664.5 | 432.5 |
| Segment operating liabilities | **(2,865.9)** | **(42.4)** | (2,641.2) | (49.2) |
| Capital employed | **11,438.5** | **401.6** | 10,023.3 | 383.3 |

Operating assets comprise other intangible assets, biological assets, property, plant and equipment, right-of-use 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:

| **Segment assets** | 2025 £m | 2024 £m |
|---|---|---|
| Regulated Water and Wastewater | **14,304.4** | 12,664.5 |
| Business Services | **444.0** | 432.5 |
| Corporate and other | **5.9** | 5.4 |
| Other financial assets | **1,113.6** | 1,024.4 |
| Investment in joint venture | **1.6** | 12.4 |
| Loan receivable from joint venture | **71.2** | 72.6 |
| Consolidation adjustments | **(31.0)** | (8.1) |
| **Total assets** | **15,909.7** | 14,203.7 |

The consolidation adjustments comprise elimination of intra-group debtors and unrealised profits on tangible assets.

The reportable segments' liabilities are reconciled to the Group's total liabilities as follows:

| Segment liabilities | 2025 £m | 2024 £m |
|---|---|---|
| Regulated Water and Wastewater | **(2,865.9)** | (2,641.2) |
| Business Services | **(42.4)** | (49.2) |
| Corporate and other | **(36.4)** | (51.1) |
| Other financial liabilities | **(9,744.7)** | (8,289.2) |
| Deferred tax liabilities | **(1,472.1)** | (1,364.5) |
| Current tax payable | **(0.4)** | (0.9) |
| Consolidation adjustments | **23.0** | 26.4 |
| **Total liabilities** | **(14,138.9)** | (12,369.7) |

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:

| | **2025** | | 2024 | |
|---|---|---|---|---|
| | **Regulated Water and Wastewater £m** | **Business Services £m** | Regulated Water and Wastewater £m | Business Services £m |
| Other intangible assets | **39.4** | **0.5** | 29.1 | 0.4 |
| Property, plant and equipment | **1,952.5** | **12.6** | 1,413.7 | 14.7 |
| Right-of-use assets | **3.6** | **1.0** | 15.1 | 2.1 |

### d) Geographical areas

All of the Group's sales were derived from the UK in 2025 and 2024.

## 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 2025 | Regulated Water and Wastewater £m | Business Services £m | Corporate and other £m | Consolidation adjustments £m | Group £m |
|---|---|---|---|---|---|
| Water and wastewater services | **2,204.0** | **–** | **–** | **(0.3)** | **2,203.7** |
| Operating services | **–** | **84.9** | **–** | **–** | **84.9** |
| Renewable energy | **40.3** | **83.3** | **–** | **(5.5)** | **118.1** |
| Other sales | **4.7** | **15.3** | **1.6** | **(1.6)** | **20.0** |
| | **2,249.0** | **183.5** | **1.6** | **(7.4)** | **2,426.7** |

| 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** |

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.

## 6 Revenue from contracts with customers continued

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:

| | 2025 £m | 2024 £m |
|---|---|---|
| At 1 April | **1,654.8** | 1,482.2 |
| Contributions and grants received | **43.8** | 43.5 |
| Assets transferred at no cost | **188.6** | 146.0 |
| Amounts released to income statement | **(17.8)** | (16.9) |
| At 31 March | **1,869.4** | 1,654.8 |

Revenue amounting to £17.8 million (2024: £16.9 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 (2024: 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:

| | 2025 £m | 2024 £m |
|---|---|---|
| In the next year | **30.3** | 17.0 |
| Between one and five years | **121.2** | 68.0 |
| After more than five years | **1,717.9** | 1,569.8 |
| | **1,869.4** | 1,654.8 |

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:

| | 2025 £m | 2024 £m |
|---|---|---|
| Contract liability at 1 April | **149.0** | 146.5 |
| Revenue recognised | **(1,668.9)** | (1,521.7) |
| Cash received | **1,693.7** | 1,524.2 |
| Contract liability at 31 March | **173.8** | 149.0 |

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 2024 as a result of higher consumption. At 31 March 2025 the aggregate amount of the estimated transaction price allocated to performance obligations that were not satisfied was £306.4 million (2024: £326.5 million). This amount is expected to be recognised as revenue as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| In the next year | **58.9** | 54.8 |
| Between one and five years | **247.5** | 216.9 |
| After more than five years | **–** | 54.8 |
| | **306.4** | 326.5 |

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 the Operating Services contract asset in the year were as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| Contract asset at 1 April | **47.1** | 44.3 |
| Amounts billed | **(64.5)** | (57.6) |
| Revenue recognised | **47.8** | 60.4 |
| Contract asset at 31 March | **30.4** | 47.1 |

No contract liabilities arose from the Group's Operating Services contract with the MoD.

## 7 Net operating costs

| | 2025 £m | 2024 £m |
|---|---|---|
| Wages and salaries | **452.0** | 387.4 |
| Social security costs | **46.6** | 39.2 |
| Pension costs | **43.1** | 36.5 |
| Share based payments | **11.0** | 10.3 |
| Total employee costs | **552.7** | 473.4 |
| Power | **187.5** | 278.0 |
| Raw materials and consumables | **125.2** | 120.4 |
| Rates | **97.0** | 90.4 |
| Charge for bad and doubtful debts | **34.7** | 27.3 |
| Services charges | **51.6** | 43.3 |
| Depreciation of tangible assets | **409.8** | 388.7 |
| Depreciation of right-of-use assets | **6.7** | 5.2 |
| Impairment of property, plant and equipment | **13.9** | – |
| Amortisation of intangible assets | **37.9** | 34.4 |
| Hired and contracted services | **341.0** | 323.5 |
| Rental charges | **0.1** | 0.2 |
| Hire of plant and machinery | **12.0** | 12.5 |
| Profit on disposal of tangible assets | **(4.6)** | (3.5) |
| Infrastructure maintenance expenditure | **148.5** | 207.2 |
| Ofwat licence fees | **8.5** | 8.1 |
| Other operating costs | **82.9** | 65.0 |
| Other operating income | **(2.7)** | (8.5) |
| | **2,102.7** | 2,065.6 |
| Own work capitalised | **(266.2)** | (239.2) |
| | **1,836.5** | 1,826.4 |

During the year the following fees were charged by the auditor:

| | 2025 £m | 2024 £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 | **0.9** | 0.8 |
| **Total audit fees** | **1.2** | 1.1 |
| Fees payable to the Company's auditor and its associates for other services to the Group: | | |
| – audit related assurance services | **0.1** | 0.2 |
| – other assurance services | **0.1** | 0.1 |
| **Total non-audit fees** | **0.2** | 0.3 |

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 and Risk Committee report on pages 119 to 126. No services were provided pursuant to contingent fee arrangements.

Details of directors' remuneration are set out in the Directors' remuneration report on pages 131 to 154.

## 8 Employee numbers – Group and Company

Average number of employees (including Executive Directors) during the year:

| | Group | | Company | |
|---|---|---|---|---|
| | **2025 Number** | 2024 Number | **2025 Number** | 2024 Number |
| **By business segment** | | | | |
| Regulated Water and Wastewater | **8,989** | 8,150 | **–** | – |
| Business Services | **535** | 525 | **–** | – |
| Corporate and other | **15** | 16 | **15** | 16 |
| | **9,539** | 8,691 | **15** | 16 |

## 9 Finance income

| | **2025 £m** | 2024 £m |
|---|---|---|
| Interest income earned on bank deposits | **53.1** | 38.8 |
| Other financial income | **4.2** | 1.8 |
| Total interest receivable | **57.3** | 40.6 |
| Interest income on defined benefit scheme assets | **85.3** | 82.5 |
| | **142.6** | 123.1 |

## 10 Finance costs

| | **2025 £m** | 2024 £m |
|---|---|---|
| Interest expense charged on: | | |
| Bank loans and overdrafts | **41.2** | 35.3 |
| Other loans | **241.8** | 268.8 |
| Lease liabilities | **3.8** | 3.7 |
| Total borrowing costs | **286.8** | 307.8 |
| Other financial expenses | **4.1** | 0.9 |
| Interest cost on defined benefit scheme liabilities | **95.6** | 95.9 |
| | **386.5** | 404.6 |

Borrowing costs of £103.1 million (2024: £69.6 million) incurred funding eligible capital projects have been capitalised at an interest rate of 4.4% (2024: 4.4%). Tax relief of £25.8 million (2024: £17.4 million) was claimed on these costs which has created tax losses carried forward, offset by a related deferred tax asset of £25.8 million (2024: £17.4 million).

## 11 Net losses on financial instruments

| | **2025 £m** | 2024 £m |
|---|---|---|
| Loss on swaps used as hedging instruments in fair value hedges | **(2.4)** | (15.5) |
| Gain arising on debt in fair value hedges | **5.2** | 15.6 |
| Exchange gain on other loans | **10.9** | 2.8 |
| Net loss on cash flow hedges transferred from equity | **(12.6)** | (18.2) |
| Hedge ineffectiveness on cash flow hedges | **–** | 0.7 |
| Loss arising on swaps where hedge accounting is not applied | **(17.7)** | (9.0) |
| Amortisation of fair value adjustment on debt | **1.2** | 1.2 |
| | **(15.4)** | (22.4) |

The losses from financial assets and liabilities mandatorily measured at fair value through profit or loss was £20.1 million (2024: £24.5 million). There were no financial assets or liabilities designated as at fair value through the profit or loss (2024: nil).

The Group's hedge accounting arrangements are described in note 37.

## 12 Taxation

### a) Analysis of tax charge in the year

| | 2025 £m | 2024 £m |
|---|---|---|
| **Current tax** | | |
| Current year at 25% (2024: 25%) | **0.4** | 0.5 |
| Prior years | **(0.6)** | 5.0 |
| **Total current tax (credit)/charge** | **(0.2)** | 5.5 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences: | | |
| Current year | **85.0** | 53.2 |
| Prior years | **5.9** | 2.4 |
| **Total deferred tax charge** | **90.9** | 55.6 |
| | **90.7** | 61.1 |

### b) Factors affecting the tax charge in the year

The tax expense for the year is higher (2024: higher) than the standard rate of corporation tax in the UK of 25% (2024: 25%). The differences are explained below:

**Total Tax**

| | 2025 £m | 2024 £m |
|---|---|---|
| **Profit before taxation** | **320.1** | 201.3 |
| Tax at standard rate of corporation tax in the UK 25% (2024: 25%) | **80.0** | 50.3 |
| Tax effect of depreciation on non-qualifying assets | **5.1** | 4.8 |
| Other permanent differences | **0.3** | (1.4) |
| Adjustments in respect of prior years | **5.3** | 7.4 |
| **Total tax charge** | **90.7** | 61.1 |

**Current Tax**

| | 2025 £m | 2024 £m |
|---|---|---|
| **Profit before taxation** | **320.1** | 201.3 |
| Tax at standard rate of corporation tax in the UK 25% (2024: 25%) | **80.0** | 50.3 |
| Tax effect of depreciation on non-qualifying assets | **5.1** | 4.8 |
| Other permanent differences | **0.3** | (1.4) |
| Tax effect of accelerated capital allowances | **(274.2)** | (205.1) |
| Other temporary differences | **(17.0)** | (15.5) |
| Tax losses carried forward | **206.2** | 167.4 |
| Adjustments in respect of prior years | **(0.6)** | 5.0 |
| **Total current tax (credit)/charge** | **(0.2)** | 5.5 |

The most significant factor impacting the Group's current tax (credit)/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.

Full expensing was made permanent in the Autumn Statement on 22 November 2023 and provides first year allowances for main rate assets and 50% first year allowance for special rate (including long life) assets. The impact of full expensing 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.

## 12 Taxation continued

### b) Factors affecting the tax charge in the year (continued)

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.

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. This legislation mandates a top-up tax for entities with an effective tax rate below 15%. 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 came into effect for accounting periods starting on or after 31 December 2023. Therefore, this is the first accounting period to which these rules apply for the Group.

The Group has performed an assessment of its potential exposure to Pillar Two income taxes. This assessment is based on a combination of the most recent tax filings, country-by-country reporting and 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 expected to be above 15% under the full GloBE calculation. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes.

The Group has applied the temporary exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two rules.

### c) Tax charged directly to other comprehensive income or equity

The following amounts of deferred tax have been charged to other comprehensive income or equity:

| | 2025 £m | 2024 £m |
|---|---|---|
| **Deferred tax on:** | | |
| Actuarial gains | **9.4** | 4.2 |
| Cash flow hedges | **(1.0)** | (1.5) |
| Share based payments | **0.6** | 5.8 |
| Transfers to the income statement | **3.2** | 4.6 |
| **Total deferred tax charged to other comprehensive income or equity** | **12.2** | 13.1 |

## 13 Dividends – Group and Company

Amounts recognised as distributions to owners of the Company in the year:

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Pence per share | £m | Pence per share | £m |
| Final dividend for the year ended 31 March 2024 (2023) | **70.10** | **210.1** | 64.09 | 161.6 |
| Interim dividend for the year ended 31 March 2025 (2024) | **48.68** | **145.9** | 46.74 | 139.8 |
| Total dividends paid | **118.78** | **356.0** | 110.83 | 301.4 |
| **Proposed final dividend for the year ended 31 March 2025** | **73.03** | **219.2** | | |

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.

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**

| | 2025 £m | 2024 £m |
|---|---|---|
| Profit for the year | **229.4** | 140.2 |

**ii) Number of shares**

| | 2025 | 2024 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **299.5** | 274.9 |
| Effect of dilutive potential ordinary shares: | | |
| – share options and LTIPs | **0.7** | 0.8 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **300.2** | 275.7 |

On 3 October 2023, the Group issued 46,511,628 shares at a price of £21.50 per share.

### b) Adjusted earnings per share

| | 2025 pence | 2024 pence |
|---|---|---|
| Adjusted basic earnings per share | **112.1** | 79.4 |
| Adjusted diluted earnings per share | **111.8** | 79.1 |

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 2025 and 2024. 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:

| | 2025 £m | 2024 £m |
|---|---|---|
| Earnings for the purpose of basic and diluted earnings per share | **229.4** | 140.2 |
| Adjustments for: | | |
| – net losses on financial instruments | **15.4** | 22.4 |
| – deferred tax | **90.9** | 55.6 |
| Earnings for the purpose of adjusted basic and diluted earnings per share | **335.7** | 218.2 |

## 15 Goodwill

| | 2025 £m | 2024 £m |
|---|---|---|
| **Cost** | | |
| At 1 April | **112.8** | 92.7 |
| Acquisition of subsidiary – Severn Trent Green Power (Andigestion) Limited | **–** | 17.0 |
| Acquisition of subsidiary – Lakeside Water and Building Services Limited | **–** | 3.1 |
| Acquisition of subsidiary – Severn Trent Green Power Lodge Farm Limited | **0.9** | – |
| Acquisition of subsidiary – Severn Trent Green Power Atherstone Limited | **0.9** | – |
| Acquisition of subsidiary – Severn Trent Green Power Cayton Limited | **1.6** | – |
| Acquisition of subsidiary – Severn Trent Green Power Church Farm Limited | **1.1** | – |
| **At 31 March** | **117.3** | 112.8 |

On 3 July 2024, Severn Trent Green Power Limited acquired 100% of the issued shares in Severn Trent Green Power Atherstone Limited, Severn Trent Green Power Lodge Farm Limited and Severn Trent Green Power Cayton Limited for a total consideration of £10.2 million (see note 39). On 18 November 2024, Severn Trent Green Power Limited acquired 100% of the issued shares in Severn Trent Green Power Church Farm Limited for a total consideration of £3.4 million (see note 39). The acquisitions have been accounted for using the acquisition method. Goodwill of £4.5 million was recognised, attributable to the anticipated future opportunities and increase in the Group's renewable energy market share. The goodwill valuation was based on management's best estimates of the fair values of the assets and liabilities acquired, which was estimated at £9.1 million.

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.

| | 2025 £m | 2024 £m |
|---|---|---|
| Regulated Water and Wastewater | **62.2** | 62.2 |
| Green Power South | **46.2** | 46.2 |
| Operating Services | **4.4** | 4.4 |
| Severn Trent Green Power Lodge Farm Limited | **0.9** | – |
| Severn Trent Green Power Atherstone Limited | **0.9** | – |
| Severn Trent Green Power Cayton Limited | **1.6** | – |
| Severn Trent Green Power Church Farm Limited | **1.1** | – |
| | **117.3** | 112.8 |

Severn Trent Green Power Atherstone Limited, Severn Trent Green Power Lodge Farm Limited, Severn Trent Green Power Cayton Limited and Severn Trent Green Power Church Farm Limited are each individual CGUs and therefore there is no requirement to allocate goodwill.

Regulated Water and Wastewater also has an intangible asset with indefinite useful life amounting to £4.3 million (2024: £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 appointments 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 cash-generating unit.

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 2030.

The key assumptions underlying these projections are the cash flows in the projections and the following:

| | % |
|---|---|
| Discount rate | 5.8 |
| CPIH long-term inflation | 2.1 |
| Growth rate in the period beyond the detailed projections | 2.0 |

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 PR24 final determination. The rate disclosed above is the equivalent pre-tax nominal rate.

Inflation has been included in the detailed projections at 2.1% CPIH, informed through external market trends and measures of inflation used by Ofwat.

Cash flows beyond the end of the five-year period are extrapolated using an assumed real growth rate of 2.0% 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 £2,351.1 million. An increase in the discount rate to 6.1% or a reduction in the growth rate in the period beyond the detailed projections to 1.8% 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.

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 31 March 2030.

The key assumptions underlying these projections are the cash flows in the projections and:

| Key assumption | % |
|---|---|
| Discount rate | 7.0 |
| Growth rate in the period beyond the detailed projections | 2.1 |

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 2.1% in the Group's free cash flows, informed through external market trends.

The value in use for the CGU exceeded its carrying value by £31.3 million. An increase in the discount rate to 7.7% or 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.

## 16 Other intangible assets

| | Computer software | | Capitalised development costs and patents £m | Other intangible assets £m | Total £m |
|---|---|---|---|---|---|
| | Internally generated £m | Purchased £m | | | |
| **Cost** | | | | | |
| At 1 April 2023 | 359.1 | 192.2 | 1.3 | 41.5 | 594.1 |
| Additions | 24.3 | 5.7 | – | – | 30.0 |
| Acquisition of subsidiaries | – | – | – | 5.0 | 5.0 |
| At 1 April 2024 | 383.4 | 197.9 | 1.3 | 46.5 | 629.1 |
| Additions | **34.6** | **5.4** | **–** | **–** | **40.0** |
| Disposals | **(22.5)** | **(2.3)** | **–** | **–** | **(24.8)** |
| Reclassification | **25.4** | **(25.4)** | **–** | **–** | **–** |
| Acquisition of subsidiaries (note 39) | **–** | **–** | **–** | **18.1** | **18.1** |
| **At 31 March 2025** | **420.9** | **175.6** | **1.3** | **64.6** | **662.4** |
| **Amortisation** | | | | | |
| 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 1 April 2024 | (283.3) | (147.8) | (0.3) | (11.2) | (442.6) |
| Amortisation for the year | **(25.2)** | **(9.9)** | **(0.1)** | **(2.7)** | **(37.9)** |
| Disposals | **22.5** | **2.3** | **–** | **–** | **24.8** |
| Reclassification | **(4.9)** | **4.9** | **–** | **–** | **–** |
| Other | **–** | **–** | **–** | **(0.2)** | **(0.2)** |
| **At 31 March 2025** | **(290.9)** | **(150.5)** | **(0.4)** | **(14.1)** | **(455.9)** |
| **Net book value** | | | | | |
| **At 31 March 2025** | **130.0** | **25.1** | **0.9** | **50.5** | **206.5** |
| At 31 March 2024 | 100.1 | 50.1 | 1.0 | 35.3 | 186.5 |

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 2025 no impairment was recorded (2024: nil).

The acquisition of Severn Trent Green Power Atherstone Limited, Severn Trent Green Power Lodge Farm Limited, Severn Trent Green Power Cayton Limited, and Severn Trent Green Power Church Farm Limited resulted in £18.1 million of other intangible assets relating to licenses to connect and provide electricity to the UK grid network. These licences have a useful life of up to 42 years, and their carrying value has been included in the impairment assessment performed for each of the respective entity CGUs described in note 15. As at 31 March 2025, no impairment was recorded.

## 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 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 subsidiary undertaking | 5.4 | – | 10.5 | 0.5 | – | 16.4 |
| At 1 April 2024 | 4,455.2 | 6,375.1 | 5,753.3 | 98.2 | 2,019.8 | 18,701.6 |
| Additions | **117.3** | **259.2** | **177.6** | **5.3** | **1,409.6** | **1,969.0** |
| Transfers on commissioning | **149.7** | **57.0** | **111.6** | **5.3** | **(323.6)** | **–** |
| Disposals | **(13.4)** | **–** | **(195.4)** | **(4.9)** | **–** | **(213.7)** |
| Acquisition of subsidiary undertaking | **–** | **–** | **1.4** | **–** | **–** | **1.4** |
| Reclassification from right-of-use | **–** | **–** | **–** | **0.5** | **–** | **0.5** |
| Impairment | **–** | **–** | **–** | **–** | **(13.9)** | **(13.9)** |
| **At 31 March 2025** | **4,708.8** | **6,691.3** | **5,848.5** | **104.4** | **3,091.9** | **20,444.9** |
| **Depreciation** | | | | | | |
| 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 1 April 2024 | (1,837.9) | (1,565.2) | (3,483.2) | (48.4) | – | (6,934.7) |
| Charge for the year | **(120.3)** | **(47.1)** | **(232.7)** | **(9.7)** | **–** | **(409.8)** |
| Disposals | **11.4** | **–** | **191.5** | **4.4** | **–** | **207.3** |
| Reclassification | **(7.6)** | **–** | **7.6** | **–** | **–** | **–** |
| Reclassification from right-of-use | **–** | **–** | **–** | **(0.5)** | **–** | **(0.5)** |
| **At 31 March 2025** | **(1,954.4)** | **(1,612.3)** | **(3,516.8)** | **(54.2)** | **–** | **(7,137.7)** |
| **Net book value** | | | | | | |
| **At 31 March 2025** | **2,754.4** | **5,079.0** | **2,331.7** | **50.2** | **3,091.9** | **13,307.2** |
| At 31 March 2024 | 2,617.3 | 4,809.9 | 2,270.1 | 49.8 | 2,019.8 | 11,766.9 |

Additions include assets transferred from developers at no cost, which have been recognised at their fair value of £188.6 million (2024: £146.0 million) and provisions for works in response to legally enforceable undertakings to regulators amounting to £42.1 million (2024: £20.7 million).

The net book value of land and buildings is analysed as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| Freehold | **2,754.1** | 2,617.0 |
| Short leasehold | **0.3** | 0.3 |
| | **2,754.4** | 2,617.3 |

## 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.

| | **2025 £m** | 2024 £m |
|---|---|---|
| Value at 1 April | **5.7** | – |
| Biological assets felled | **(0.8)** | – |
| Reclassification from inventory | **–** | 0.4 |
| Gain on initial recognition | **–** | 5.2 |
| Change in fair value on remeasurement | **–** | 0.1 |
| Value 31 March | **4.9** | 5.7 |

The Group holds 353.6 hectares (2024: 401.7) 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:

| | **2025 £m** | 2024 £m |
|---|---|---|
| Depreciation charge of right-of-use assets: | | |
| Land and buildings | **1.0** | 1.0 |
| Infrastructure assets | **1.1** | 1.1 |
| Fixed plant and equipment | **0.2** | 0.2 |
| Moveable plant | **4.4** | 2.9 |
| **Total depreciation of right-of-use assets** | **6.7** | 5.2 |
| | | |
| Interest expense included in finance cost | **3.8** | 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** | 0.1 |

## 19 Leases continued

### c) Balance sheet

The balance sheet includes the following amounts relating to leases:

| | 2025 £m | 2024 £m |
|---|---|---|
| Right-of-use assets: | | |
| Land and buildings | **15.7** | 16.6 |
| Infrastructure assets | **109.6** | 108.9 |
| Fixed plant and equipment | **3.4** | 3.9 |
| Moveable plant | **12.3** | 13.6 |
| | **141.0** | 143.0 |

Additions to right-of-use assets were £4.7 million (2024: £17.2 million). Disposals were nil (2024: £1.1 million). Extension of lease terms during the year has not resulted in a reduction in dilapidation provisions included in right-of-use assets (2024: £2.4 million). There were no right-of-use assets acquired as part of business combinations (2024: £0.4 million).

| | 2025 £m | 2024 £m |
|---|---|---|
| Lease liabilities: | | |
| Current | **13.3** | 11.8 |
| Non-current | **97.8** | 108.2 |
| | **111.1** | 120.0 |

Obligations under lease liabilities were as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| Within 1 year | **17.9** | 16.6 |
| 1 – 2 years | **17.4** | 17.3 |
| 2 – 5 years | **48.9** | 56.5 |
| After more than 5 years | **52.0** | 68.7 |
| Gross obligations under leases | **136.2** | 159.1 |
| Less future finance charges | **(25.1)** | (39.1) |
| **Present value of lease obligations** | **111.1** | 120.0 |

Net obligations under leases were as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| **Within 1 year** | **13.3** | 11.8 |
| 1 – 2 years | **13.8** | 12.6 |
| 2 – 5 years | **41.6** | 40.3 |
| After more than 5 years | **42.4** | 55.3 |
| **Included in non-current liabilities** | **97.8** | 108.2 |
| | **111.1** | 120.0 |

### d) Cash flow

The total cash outflow for leases in the year was £17.4 million (2024: £14.2 million) which consists of £3.8 million (2024: £3.7 million) payments of interest and £13.6 million (2024: £10.5 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 2025 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:

| | 2025 £m | 2024 £m |
|---|---|---|
| **Carrying value of joint venture investment at 1 April** | **12.4** | 16.5 |
| Group's share of loss after tax and comprehensive loss | **(10.8)** | (4.1) |
| **Carrying value of joint venture investment at 31 March** | **1.6** | 12.4 |

During the current year, the Group has recognised its share of Water Plus's losses of £10.8 million (2024: £4.1 million) against the value of the investment.

As at 31 March 2025 and 2024 the joint venture did not have any significant contingent liabilities to which the Group was exposed and 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 2025 or 2024.

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 £50.7 million (2024: £48.9 million).

The registered office of Water Plus Group Limited is Prospect House, Gordon Banks Drive, Trentham Lakes, Stoke-On-Trent, ST4 4TW.

Balance sheet and income statement extracts can be found below for Water Plus:

| At 31 March | 2025 £m | 2024 £m |
|---|---|---|
| Non-current assets | **38.6** | 34.9 |
| Current assets[1] | **235.2** | 291.7 |
| Current liabilities[2] | **(90.8)** | (106.3) |
| Non-current liabilities[3] | **(199.0)** | (214.6) |
| Net liabilities/assets | **(16.0)** | 5.7 |

1 Includes cash of £1.5 million (2024: £5.1 million)
2 Includes current financial liabilities (excluding trade and other payables and provisions) of £0.1 million (2024: £1.4 million)
3 Includes non-current financial liabilities of £199.0 million (2024: £214.6 million)

| For the year ended 31 March | 2025 £m | 2024 £m |
|---|---|---|
| Revenue | **779.9** | 759.0 |
| Depreciation and amortisation | **(5.2)** | (4.5) |
| Finance income | **0.3** | 0.6 |
| Finance costs | **(15.0)** | (15.5) |
| Tax charge | **(2.2)** | (1.1) |
| Comprehensive loss for the year | **(21.7)** | (8.1) |

The below shows a reconciliation from the net assets/liabilities of Water Plus to the carrying value as above:

| | 2025 £m | 2024 £m |
|---|---|---|
| Net (liabilities)/assets of Water Plus at 31 March | **(16.0)** | 5.7 |
| Severn Trent's share of net (liabilities)/assets | **(8.0)** | 2.9 |
| Water Plus financial liabilities classified as part of net investment in joint venture | **9.8** | 9.8 |
| Other | **(0.2)** | (0.3) |
| Carrying value of joint venture investment at 31 March | **1.6** | 12.4 |

The net (liabilities)/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 (liabilities)/assets of Water Plus will be reflected in the financial statements prepared to 31 March 2026.

## 21 Investments in subsidiaries – Company

| | £m |
|---|---|
| At 1 April 2024 | 3,593.3 |
| Additions | 6.9 |
| **At 31 March 2025** | **3,600.2** |

## 22 Categories of financial assets

| | Note | 2025 £m | 2024 £m |
|---|---|---|---|
| **Fair value through profit and loss** | | | |
| Cross currency swaps – not hedge accounted | | **13.9** | 12.9 |
| Inflation swaps – not hedge accounted | | **6.0** | 8.8 |
| Energy swaps – not hedge accounted | | **0.2** | – |
| | | **20.1** | 21.7 |
| **Derivatives designated as hedging instruments** | | | |
| Cross currency swaps – fair value hedges | | **9.3** | 10.2 |
| Interest rate swaps – cash flow hedges | | **35.6** | 39.2 |
| Energy swaps – cash flow hedges | | **0.5** | 0.1 |
| | | **45.4** | 49.5 |
| **Total derivative financial assets** | | **65.5** | 71.2 |
| **Financial assets at amortised cost** | | | |
| Trade receivables | 23 | **369.6** | 316.9 |
| Accrued income | 23 | **358.1** | 326.2 |
| Other amounts receivable | 23 | **90.5** | 101.1 |
| Loan receivable from joint venture | 23 | **71.2** | 72.6 |
| Short term deposits | 24 | **988.8** | 909.1 |
| Cash at bank and in hand | 24 | **59.3** | 44.1 |
| **Total financial assets at amortised cost** | | **1,937.5** | 1,770.0 |
| **Total financial assets** | | **2,003.0** | 1,841.2 |
| **Disclosed in the balance sheet as:** | | | |
| **Non-current assets** | | | |
| Derivative financial assets | | **59.9** | 71.2 |
| Trade and other receivables | | **5.6** | 5.2 |
| Loan receivable from joint venture | | **71.2** | 72.6 |
| | | **136.7** | 149.0 |
| **Current assets** | | | |
| Derivative financial assets | | **5.6** | – |
| Trade and other receivables | | **812.6** | 739.0 |
| Cash and cash equivalents | | **1,048.1** | 953.2 |
| | | **1,866.3** | 1,692.2 |
| | | **2,003.0** | 1,841.2 |

## 23 Trade and other receivables – Group and Company

| | Group | | Company | |
|---|---|---|---|---|
| | **2025 £m** | 2024 £m | **2025 £m** | 2024 £m |
| **Current assets** | | | | |
| Net trade receivables | **364.0** | 316.9 | **–** | – |
| Other amounts receivable | **90.5** | 95.9 | **1.0** | 3.2 |
| Contract assets | **30.4** | 47.1 | **–** | – |
| Prepayments | **35.3** | 31.2 | **0.5** | 0.6 |
| Net accrued income | **358.1** | 326.2 | **–** | – |
| Amounts owed by group undertakings | **–** | – | **49.0** | 42.0 |
| | **878.3** | 817.3 | **50.5** | 45.8 |
| **Non-current assets** | | | | |
| Net trade receivables | **5.6** | – | **–** | – |
| Other amounts receivable | **–** | 5.2 | **–** | – |
| Prepayments | **14.0** | 11.4 | **–** | – |
| Loan receivable from joint venture | **71.2** | 72.6 | **71.2** | 72.6 |
| Amounts owed by group undertakings under loan agreements | **–** | – | **1,651.7** | 1,603.6 |
| | **90.8** | 89.2 | **1,722.9** | 1,676.2 |
| | **969.1** | 906.5 | **1,773.4** | 1,722.0 |

Prepayments include unamortised success fees paid as a result of winning the MoD contract (see note 6) amounting to £3.0 million (2024: £3.6 million). The costs are being amortised on a straight line basis over the life of the contract.

The Company offers loan facilities to several of its subsidiaries at an interest rate equal to the Bank of England base rate plus a margin. The details of these facilities are shown below:

| **2025** | **Amount drawn £m** | **Facility amount £m** | **Margin %** | **Maturity date** |
|---|---|---|---|---|
| Etwall Land Limited | 9.6 | 12.0 | 1.375 | 29 March 2028 |
| Hafren Dyfrdwy Cyfyngedig. | 14.0 | 30.0 | 1.375 | 8 March 2028 |
| Midlands Land Portfolio Limited | 15.0 | 31.0 | 1.375 | 29 March 2028 |
| Severn Trent Draycote Limited | 744.8 | 1,000.0 | 1.375 | 16 July 2027 |
| Severn Trent Green Power Limited | 21.4 | 25.0 | 4.750 | 31 August 2028 |
| Severn Trent Holdings Limited | 42.0 | 50.0 | 1.375 | 17 March 2027 |
| Severn Trent Investment Holdings Limited | 804.9 | 875.0 | 1.375 | 15 December 2027 |

| 2024 | Amount drawn £m | Facility amount £m | Margin % | Maturity date |
|---|---|---|---|---|
| Etwall Land Limited | 8.9 | 10.0 | 1.375 | 29 March 2026 |
| Hafren Dyfrdwy Cyfyngedig. | 1.3 | 30.0 | 1.375 | 8 March 2026 |
| Midlands Land Portfolio Limited | 13.1 | 31.0 | 1.375 | 29 March 2026 |
| Severn Trent Draycote Limited | 875.4 | 900.0 | 1.375 | 16 May 2025 |
| Severn Trent Green Power Limited | 4.8 | 15.0 | 4.750 | 30 August 2025 |
| Severn Trent Investment Holdings Limited | 700.1 | 875.0 | 1.375 | 15 December 2025 |

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 92% 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 (2024: nil).

## 23 Trade and other receivables – Group and Company continued

### (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 (2024: nil).

### (iii) Loan receivable from joint venture

As well as trade receivables from Water Plus, the Group has advanced loans to its joint venture. These loans are assessed for impairment under the three stage impairment model in IFRS 9.

## b) Expected credit loss allowance

### (i) Trade receivables and accrued income

The expected credit loss at 31 March 2025 and 2024 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.

| 2025 | Expected loss rate % | Gross carrying amount £m | Loss allowance £m | Net carrying amount £m |
|---|---|---|---|---|
| Not past due | **3** | **491.1** | **(17.0)** | **474.1** |
| Up to 1 year past due | **14** | **88.8** | **(12.5)** | **76.3** |
| 1 – 2 years past due | **25** | **85.6** | **(21.6)** | **64.0** |
| 2 – 3 years past due | **30** | **60.0** | **(17.7)** | **42.3** |
| 3 – 4 years past due | **40** | **40.3** | **(16.0)** | **24.3** |
| 4 – 5 years past due | **45** | **30.3** | **(13.6)** | **16.7** |
| 5 – 6 years past due | **44** | **20.3** | **(9.0)** | **11.3** |
| 6 – 7 years past due | **49** | **20.5** | **(10.1)** | **10.4** |
| 7 – 8 years past due | **59** | **12.7** | **(7.5)** | **5.2** |
| 8 – 9 years past due | **61** | **7.6** | **(4.6)** | **3.0** |
| More than 9 years past due | **99** | **9.5** | **(9.4)** | **0.1** |
| | | **866.7** | **(139.0)** | **727.7** |

| 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 |

Movements on the expected credit loss allowance were as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| At 1 April | **137.6** | 135.1 |
| Charge for bad and doubtful debts | **34.7** | 27.3 |
| Amounts written off during the year | **(33.3)** | (24.8) |
| **At 31 March** | **139.0** | 137.6 |

### (ii) Loan receivable from joint venture

The Company has a facility of £95.0 million available to Water Plus Limited. The loan is unsecured and attracts interest at the Bank of England Base Rate + 3.25% and matures on 15 December 2026.

In previous years, the Group has determined that there has been a significant increase in the credit risk since inception relating to its loans receivable of £74.8 million (2024: £76.2 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 2025 based on Water Plus's financial projections. The Group has maintained the expected credit loss provision at £3.6 million (2024: £3.6 million) resulting in a net loan receivable of £71.2 million (2024: £72.6 million).

## 24 Cash and cash equivalents – Group and Company

**Group**

| | 2025 £m | 2024 £m |
|---|---|---|
| Cash at bank and in hand | **59.3** | 44.1 |
| Short term deposits | **988.8** | 909.1 |
| | **1,048.1** | 953.2 |

£33.4 million (2024: £24.3 million) of cash at bank and in hand is restricted for use on the MoD contract and £1.0 million (2024: £0.3 million) is held as security for insurance obligations. Neither are available for use by the Group.

**Company**

| | 2025 £m | 2024 £m |
|---|---|---|
| Cash at bank and in hand | **5.8** | 3.2 |
| Short term deposits | **307.9** | 483.6 |
| | **313.7** | 486.8 |

## 25 Borrowings – Group and Company

| | Group | | Company | |
|---|---|---|---|---|
| | 2025 £m | 2024 £m | 2025 £m | 2024 £m |
| **Current liabilities** | | | | |
| Bank overdraft | **3.3** | 1.8 | **3.2** | 1.8 |
| Other loans | **516.4** | 54.3 | **–** | – |
| Lease liabilities | **13.3** | 11.8 | **0.1** | 0.1 |
| | **533.0** | 67.9 | **3.3** | 1.9 |
| **Non-current liabilities** | | | | |
| Bank loans | **784.7** | 783.5 | **231.5** | 230.7 |
| Amounts due to group undertakings under loan agreements | **–** | – | **48.4** | 612.3 |
| Other loans | **8,281.6** | 7,303.6 | **199.2** | 199.5 |
| Lease liabilities | **97.8** | 108.2 | **0.4** | 0.5 |
| | **9,164.1** | 8,195.3 | **479.5** | 1,043.0 |
| | **9,697.1** | 8,263.2 | **482.8** | 1,044.9 |

See note 36 for details of Group interest payable and maturity of borrowings.

The Company has loan facilities available from several of its subsidiaries at an interest rate equal to the Bank of England base rate plus a margin. The details of these facilities are shown below:

| **2025** | **Amount drawn £m** | **Facility amount £m** | **Margin %** | **Maturity date** |
|---|---|---|---|---|
| Lyra Insurance Guernsey Limited | 13.9 | 15.0 | 1.375 | 30 March 2028 |
| Severn Trent Property Solutions Limited | 4.0 | 4.0 | 1.375 | 11 December 2026 |
| Severn Trent Services Operations UK Limited | 29.7 | 35.0 | 1.375 | 18 January 2027 |
| Severn Trent Services (Water and Sewerage) Limited | 0.8 | 5.0 | 1.375 | 8 December 2027 |

| 2024 | Amount drawn £m | Facility amount £m | Margin % | Maturity date |
|---|---|---|---|---|
| Lyra Insurance Guernsey Limited | 12.1 | 15.0 | 1.375 | 30 March 2026 |
| Severn Trent Carsington Limited | 544.2 | 550.0 | 1.375 | 31 January 2027 |
| Severn Trent Holdings Limited | 27.7 | 30.0 | 1.375 | 2 February 2026 |
| Severn Trent Metering Services Limited | 3.4 | 4.0 | 1.375 | 30 April 2025 |
| Severn Trent Services Operations UK Limited | 23.7 | 30.0 | 1.375 | 18 January 2027 |
| Severn Trent Services (Water and Sewerage) Limited | 1.2 | 5.0 | 1.375 | 8 December 2025 |

## 26 Categories of financial liabilities

| | Note | 2025 £m | 2024 £m |
|---|---|---|---|
| **Fair value through profit and loss** | | | |
| Cross currency swaps - not hedge accounted | | **24.7** | 6.2 |
| Interest rate swaps - not hedge accounted | | **4.5** | 6.6 |
| Energy swaps - not hedge accounted | | **2.5** | – |
| | | **31.7** | 12.8 |
| **Derivatives designated as hedging instruments** | | | |
| Cross currency swaps - fair value hedges | | **14.6** | 12.8 |
| Interest rate swaps - cash flow hedges | | **0.6** | 0.4 |
| Energy swaps - cash flow hedges | | **0.7** | – |
| | | **15.9** | 13.2 |
| **Total derivative financial liabilities** | | **47.6** | 26.0 |
| **Other financial liabilities** | | | |
| Borrowings | 25 | **9,697.1** | 8,263.2 |
| Trade payables | 27 | **173.6** | 162.5 |
| Accruals | 27 | **457.4** | 404.3 |
| Other payables | 27 | **15.5** | 22.0 |
| **Total other financial liabilities** | | **10,343.6** | 8,852.0 |
| **Total financial liabilities** | | **10,391.2** | 8,878.0 |
| **Disclosed in the balance sheet as:** | | | |
| **Non-current liabilities** | | | |
| Derivative financial liabilities | | **44.7** | 26.0 |
| Borrowings | | **9,164.1** | 8,195.3 |
| Trade payables | | **0.1** | – |
| Accruals | | **–** | 50.7 |
| | | **9,208.9** | 8,272.0 |
| **Current liabilities** | | | |
| Derivative financial liabilities | | **2.9** | – |
| Borrowings | | **533.0** | 67.9 |
| Trade payables | | **173.5** | 162.5 |
| Accruals | | **457.4** | 353.6 |
| Other payables | | **15.5** | 22.0 |
| | | **1,182.3** | 606.0 |
| | | **10,391.2** | 8,878.0 |

## 27 Trade and other payables – Group and Company

| | Group | | Company | |
|---|---|---|---|---|
| | 2025 £m | 2024 £m | 2025 £m | 2024 £m |
| **Current liabilities** | | | | |
| Trade payables | **173.5** | 162.5 | **0.2** | 1.4 |
| Social security and other taxes | **11.7** | 20.6 | **0.1** | 0.1 |
| Other payables | **15.5** | 22.0 | **3.6** | – |
| Accruals | **457.4** | 353.6 | **8.9** | 6.7 |
| Amounts due to group undertakings | **–** | – | **6.2** | 4.8 |
| Contract liabilities | **173.8** | 149.0 | **–** | – |
| Deferred income | **30.3** | 17.0 | **–** | – |
| | **862.2** | 724.7 | **19.0** | 13.0 |
| **Non-current liabilities** | | | | |
| Trade payables | **0.1** | – | **–** | 3.2 |
| Accruals | **–** | 50.7 | **–** | – |
| Deferred income | **1,839.1** | 1,637.8 | **–** | – |
| | **1,839.2** | 1,688.5 | **–** | 3.2 |
| | **2,701.4** | 2,413.2 | **19.0** | 16.2 |

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 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 subsidiary | – | – | – | – | 2.3 | 2.3 |
| At 1 April 2024 | 1,602.0 | (10.9) | (10.5) | (217.7) | 1.6 | 1,364.5 |
| Charge/(credit) to income statement | **314.0** | **3.4** | **(1.7)** | **(223.9)** | **(0.9)** | **90.9** |
| Charge to equity | **–** | **9.4** | **2.2** | **–** | **0.6** | **12.2** |
| Acquisition of subsidiary | **–** | **–** | **–** | **–** | **4.5** | **4.5** |
| **At 31 March 2025** | **1,916.0** | **1.9** | **(10.0)** | **(441.6)** | **5.8** | **1,472.1** |

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:

| | 2025 £m | 2024 £m |
|---|---|---|
| Deferred tax asset | **(451.6)** | (239.1) |
| Deferred tax liability | **1,923.7** | 1,603.6 |
| | **1,472.1** | 1,364.5 |

### Company – Deferred tax asset

| | Retirement benefit obligations £m |
|---|---|
| At 1 April 2023 | 1.6 |
| Charge to income statement | (0.1) |
| At 1 April 2024 | 1.5 |
| Charge to income statement | (0.1) |
| **At 31 March 2025** | **1.4** |

## 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 2023 |

* 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 2025. 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.

## 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

| | 2025 £m | 2024 £m |
|---|---|---|
| Fair value of assets | 1,676.7 | 1,805.0 |
| Present value of the defined benefit obligations | (1,796.5) | (2,018.0) |
| | (119.8) | (213.0) |
| **Presented on the balance sheet as:** | | |
| Retirement benefit obligation – funded schemes in surplus | 5.3 | 5.4 |
| Retirement benefit obligation – funded schemes in deficit | (119.3) | (212.1) |
| Retirement benefit obligation – unfunded schemes | (5.8) | (6.3) |
| Retirement benefit obligation – total | (125.1) | (218.4) |
| **Net retirement benefit obligation** | (119.8) | (213.0) |

| STPS, STMIPS, and DVWS | 2025 £m | 2024 £m |
|---|---|---|
| **Fair value of scheme assets** | | |
| Equities | 21.0 | 20.7 |
| Annuity policies* | 104.1 | 117.4 |
| Corporate bonds | 491.0 | 429.8 |
| Liability-driven investment funds ('LDI's) | 727.7 | 872.5 |
| Property | 209.3 | 216.0 |
| Cash | 123.2 | 148.1 |
| Other | 0.4 | 0.5 |
| | 1,676.7 | 1,805.0 |

* On 29 June 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 STMIPS. The Trustees continue to pay benefits to members as before the transaction, but these cashflows 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 £974.4 million (2024: £1,161.5 million), the decrease since the previous year reflects the decreased investment in unquoted LDI assets.

Movements in the fair value of the scheme assets were as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| Fair value at 1 April | 1,805.0 | 1,785.3 |
| Interest income on scheme assets | 85.3 | 82.5 |
| Contributions from the sponsoring companies | 69.7 | 67.9 |
| Return on plan assets (excluding amounts included in finance income) | (161.7) | (17.0) |
| Scheme administration costs | (4.0) | (4.2) |
| Benefits paid | (117.6) | (109.5) |
| **Fair value at 31 March** | 1,676.7 | 1,805.0 |

Movements in the present value of the defined benefit obligations were as follows:

| | 2025 £m | 2024 £m |
|---|---|---|
| Present value at 1 April | (2,018.0) | (2,064.7) |
| Service cost | – | (0.1) |
| Past service cost | – | (0.2) |
| Interest cost | (95.6) | (95.9) |
| Actuarial (losses)/gains arising from changes in demographic assumptions | (1.1) | 5.9 |
| Actuarial gains arising from changes in financial assumptions | 201.4 | 53.2 |
| Actuarial losses arising from experience adjustments | (0.8) | (25.7) |
| Benefits paid | 117.6 | 109.5 |
| **Present value at 31 March** | (1,796.5) | (2,018.0) |

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 £5.8 million (2024: £6.3 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**

| | 2025 £m | 2024 £m |
|---|---|---|
| **Amounts charged to operating costs:** | | |
| Current service cost | – | (0.1) |
| Past service cost | – | (0.2) |
| Scheme administration costs | (4.0) | (4.2) |
| | (4.0) | (4.5) |
| **Amounts charged to finance costs:** | | |
| Interest cost | (95.6) | (95.9) |
| **Amounts credited to finance income:** | | |
| Interest income on scheme assets | 85.3 | 82.5 |
| **Total amount charged to the income statement** | (14.3) | (17.9) |

The actual return on scheme assets was a loss of £76.4 million (2024: gain of £65.5 million).

Actuarial gains and losses have been reported in the statement of comprehensive income.

**(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 company is aware of the case involving Virgin Media and NTL Pension Trustee, and has completed a legal review of all relevant historical deeds and have received confirmation that past amendments made are compliant.

## 29 Retirement benefit schemes – Group and Company continued

### a) Defined benefit pension schemes (continued)

#### (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:

| | 2025<br>% pa | 2024<br>% pa |
|---|---|---|
| Price inflation – RPI | **3.1** | 3.2 |
| Price inflation – CPI | **Pre 2030: 2.1**<br>**Post 2030: 3.0** | Pre 2030: 2.2<br>Post 2030: 3.1 |
| Discount rate | **5.8** | 4.9 |
| Pension increases in payment | **3.1** | 3.2 |
| Pension increases in deferment | **3.1** | 3.2 |

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:

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | 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 2023** | **CMI 2023** | CMI 2022 | CMI 2022 |
| Long-term rate of future improvement per annum | **1.0%** | **1.0%** | 1.0% | 1.0% |
| Weighting factor given to data for 2022 | **20%** | **20%** | 40% | 40% |
| Weighting factor given to data for 2023 | **20%** | **20%** | N/A | N/A |
| Remaining life expectancy for members currently aged 60 (years) | **25.8** | **28.7** | 25.8 | 28.5 |
| Remaining life expectancy at age 60 for members currently aged 40 (years) | **27.1** | **29.9** | 27.0 | 29.7 |

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 £19 million |
| Price inflation[2] | Increase/decrease by 0.1% pa | Increase/decrease by £16 million |
| Mortality[3] | Increase in life expectancy by 1 year | Increase by £55 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 11 years for STPS, 8 years for STMIPS and 10 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 2023 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 also increase in line with CPI inflation until March 2027. The first two contributions in March 2023 and March 2024 were payable directly into the STPS, the March 2025 contribution was paid into a limited liability partnership that the Group and Trustee have set up. It is expected that all future deficit reduction contributions will continue to be paid into this limited liability partnership, which is recognised as an asset of the scheme.

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 charged to operating costs of £43.1 million (2024: £36.2 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the scheme. As at 31 March 2025, no contributions (2024: 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 – Group and Company

### Group

| | Insurance £m | Regulatory £m | Other £m | Total £m |
|---|---|---|---|---|
| At 1 April 2024 | 18.6 | 48.7 | 16.2 | 83.5 |
| Charged to income statement | **12.1** | **5.7** | **8.0** | **25.8** |
| Other net additions | **–** | **42.1** | **–** | **42.1** |
| Utilisation of provision | **(12.3)** | **(40.9)** | **(3.1)** | **(56.3)** |
| Unwinding of discount | **–** | **–** | **0.1** | **0.1** |
| **At 31 March 2025** | **18.4** | **55.6** | **21.2** | **95.2** |

| | 2025 £m | 2024 £m |
|---|---|---|
| **Included in:** | | |
| Current liabilities | **46.4** | 53.9 |
| Non-current liabilities | **48.8** | 29.6 |
| | **95.2** | 83.5 |

Insurance includes provisions in respect of Lyra Insurance Guernsey Limited, a captive insurance company and a wholly owned subsidiary of the Group, and insurance deductions 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. The other net additions predominantly comprises of £30.8 million of new projects and legacy projects that have met the recognition criteria in the year.

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 ten years from the balance sheet date.

### Company

| | Other £m | Total £m |
|---|---|---|
| **At 1 April 2024 and 31 March 2025** | **1.4** | **1.4** |

| | 2025 £m | 2024 £m |
|---|---|---|
| **Included in:** | | |
| Current liabilities | **–** | 0.5 |
| Non-current liabilities | **1.4** | 0.9 |
| | **1.4** | 1.4 |

## 31 Share capital – Group and Company

| | **2025 £m** | 2024 £m |
|---|---|---|
| **Total issued and fully paid share capital** | | |
| 302,650,803 (2024: 301,742,969) ordinary shares of 97 17/19p | **296.3** | 295.4 |

At 31 March 2025, 2,438,224 treasury shares (2024: 2,645,984) were held at a nominal value of £2,386,893 (2024: £2,590,279).

Changes in share capital were as follows:

| | **Number** | **£m** |
|---|---|---|
| **Ordinary shares of 97 17/19p** | | |
| 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 1 April 2024 | 301,742,969 | 295.4 |
| Shares issued under the Employee Sharesave Scheme | 907,834 | 0.9 |
| **At 31 March 2025** | **302,650,803** | **296.3** |

## 32 Share premium – Group and Company

| | **2025 £m** | 2024 £m |
|---|---|---|
| At 1 April | **1,363.1** | 408.7 |
| Share premium arising on issue of shares for Employee Sharesave Scheme | **15.2** | 13.5 |
| Share premium arising from equity placing | **–** | 940.9 |
| **At 31 March** | **1,378.3** | 1,363.1 |

## 33 Other reserves – Group and Company

### Group

| | **Capital redemption reserve £m** | **Hedging reserve £m** | **Total £m** |
|---|---|---|---|
| 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 1 April 2024 | 157.1 | 10.5 | 167.6 |
| Total comprehensive income for the year | **–** | **6.7** | **6.7** |
| **At 31 March 2025** | **157.1** | **17.2** | **174.3** |

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 1 April 2023, 1 April 2024 and 31 March 2025** | **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 10% (2024: 6%) of our gross debt portfolio at the balance sheet date, with a further 24% (2024: 27%) of index-linked debt and 66% (2024: 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 2025 the Group had the following credit ratings:

| | Fitch | Moody's | Standard and Poor's |
|---|---|---|---|
| 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 regulated gearing. This is measured as Severn Trent Water Group's adjusted net debt plus Hafren Dyfrdwy Cyfyngedig's adjusted net debt divided by the RCV after midnight adjustments in accordance with Ofwat guidance in IN25/02. At 31 March 2025 the regulated gearing was 62.7% (2024: 61.3%). 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 levels 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 2024/25 dividend at 121.71 pence, an increase of 4.2% compared to the total dividend for 2023/24 of 116.84 pence. Our policy for AMP 7 was to grow the dividend annually at no less than CPIH and in January 2025 the Board announced that it would continue this policy through AMP 8.

The Group's capital at 31 March was:

| | **2025 £m** | 2024 £m |
|---|---|---|
| Cash and cash equivalents | **1,048.1** | 953.2 |
| Loans receivable from joint venture | **71.2** | 72.6 |
| Borrowings (note 25) | **(9,697.1)** | (8,263.2) |
| Valuation adjustments[1] | **32.5** | 49.5 |
| **Adjusted net debt** | **(8,545.3)** | (7,187.9) |
| Equity attributable to owners of the company | **(1,770.8)** | (1,834.0) |
| **Total capital** | **(10,316.1)** | (9,021.9) |

1 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:

| | 2025 £m | 2024 £m | Valuation techniques and key inputs |
|---|---|---|---|
| **Cross currency swaps** | | | Discounted cash flow |
| Assets | **23.2** | 23.1 | 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 | **(39.3)** | (19.0) | |
| **Interest rate swaps** | | | Discounted cash flow |
| Assets | **35.6** | 39.2 | 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 | **(5.1)** | (7.0) | |
| **Energy swaps** | | | Discounted cash flow |
| Assets | **0.7** | 0.1 | 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. |
| Liabilities | **(3.2)** | – | |
| **Inflation swaps** | | | Discounted cash flow |
| Assets | **6.0** | 8.8 | 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 2023 | 7.3 |
| Net gain recognised in profit or loss | 1.5 |
| At 31 March 2024 | 8.8 |
| Net loss recognised in profit or loss | **(2.8)** |
| **At 31 March 2025** | **6.0** |

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 £4.1 million.

### 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:

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Carrying value £m | Fair value £m | Carrying value £m | Fair value £m |
| **Floating-rate debt** | | | | |
| Bank loans | **629.1** | **629.1** | 632.8 | 632.8 |
| Other loans | **147.7** | **154.7** | 147.9 | 155.9 |
| Overdraft | **3.3** | **3.3** | 1.8 | 1.8 |
| | **780.1** | **787.1** | 782.5 | 790.5 |
| **Fixed-rate debt** | | | | |
| Other loans | **6,472.2** | **5,985.7** | 5,149.6 | 4,929.5 |
| Lease liabilities | **111.1** | **111.1** | 120.0 | 120.0 |
| | **6,583.3** | **6,096.8** | 5,269.6 | 5,049.5 |
| **Index-linked debt** | | | | |
| Bank loans | **155.6** | **145.9** | 150.7 | 141.9 |
| Other loans | **2,178.1** | **1,557.5** | 2,060.4 | 1,816.0 |
| | **2,333.7** | **1,703.4** | 2,211.1 | 1,957.9 |
| | **9,697.1** | **8,587.3** | 8,263.2 | 7,797.9 |

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 basis swaps to mitigate the risk of divergence between RPI and CPIH.

### 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.

| | **2025 £m** | 2024 £m |
|---|---|---|
| Adjusted net debt (note 34) | **8,545.3** | 7,187.9 |
| Cash and cash equivalents | **1,048.1** | 953.2 |
| Loans receivable from joint venture | **71.2** | 72.6 |
| Interest bearing financial liabilities | **9,664.6** | 8,213.7 |

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.

Valuation adjustments that do not impact the amount on which interest is calculated, such as fair value hedge accounting adjustments, are excluded from this analysis.

## 36 Risks arising from financial instruments continued

### a) Market risk (continued)

#### (i) Interest rate risk continued

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.

| 2025 | Floating rate £m | Fixed rate £m | Index-linked £m | Total £m |
|---|---|---|---|---|
| Overdraft | (3.3) | – | – | (3.3) |
| Bank loans | (613.6) | (15.5) | (155.6) | (784.7) |
| Other loans | (634.0) | (5,979.7) | (2,151.8) | (8,765.5) |
| Lease liabilities | – | (111.1) | – | (111.1) |
| | **(1,250.9)** | **(6,106.3)** | **(2,307.4)** | **(9,664.6)** |
| Impact of swaps not matched against specific debt instruments | **275.0** | **(275.0)** | **–** | **–** |
| Interest bearing financial liabilities | **(975.9)** | **(6,381.3)** | **(2,307.4)** | **(9,664.6)** |
| Proportion of interest bearing financial liabilities that are fixed | | **66%** | | |
| Weighted average interest rate of fixed debt | | **3.99%** | | |
| Weighted average period for which interest is fixed (years) | | **8.7** | | |

| 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 | | |

#### 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 £2.1 million (2024: £3.4 million) in the income statement.

| | Average contract fixed interest rate | | Notional principal amount | | Fair value | |
|---|---|---|---|---|---|---|
| | **2025 %** | 2024 % | **2025 £m** | 2024 £m | **2025 £m** | 2024 £m |
| **Pay fixed rate interest** | | | | | | |
| 5-10 years | **5.46** | 5.46 | **(75.0)** | (75.0) | **(4.5)** | (6.6) |
| | **5.46** | 5.46 | **(75.0)** | (75.0) | **(4.5)** | (6.6) |

In addition to the above the Group has cross currency swaps that also swap fixed rate interest to floating (see next page).

#### 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:

| | **2025** | | 2024 | |
|---|---|---|---|---|
| | **+1.0% £m** | **-1.0% £m** | +1.0% £m | -1.0% £m |
| Profit or loss | **(3.4)** | **3.1** | 1.0 | (1.4) |
| Cash flow | **(7.3)** | **7.3** | (3.5) | 3.5 |
| Equity | **(3.4)** | **3.1** | 1.0 | (1.4) |

### (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 (2024: 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.

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, hence certain swaps 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 £1,322.6 million (2024: £526.4 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 £17.5 million (2024: £13.1 million) in the income statement, as well as an exchange gain of £10.9 million (2024: £2.8 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.

| **2025** | **Euro €m** | **US dollar $m** | **Yen ¥bn** | **Australian dollar $m** |
|---|---|---|---|---|
| Borrowings by currency | **(1,469.9)** | **(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 | **1,450.0** | **150.0** | **–** | **–** |
| **Net currency exposure** | **–** | **–** | **–** | **–** |

| 2024 | Euro €m | US dollar $m | Yen ¥bn | Australian dollar $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 | – | – | – | – |

## 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** | |
|---|---|---|---|---|---|---|
| | **2025 £m** | 2024 £m | **2025 £m** | 2024 £m | **2025** | 2024 |
| Triple A range | **600.0** | 450.0 | **393.8** | 294.1 | **4** | 3 |
| Double A range | **125.0** | 225.0 | **60.0** | 149.0 | **1** | 2 |
| Single A range | **1,570.0** | 1,270.0 | **535.0** | 466.0 | **22** | 17 |
| | **2,295.0** | 1,945.0 | **988.8** | 909.1 | **27** | 22 |

The fair values of derivative assets analysed by credit ratings of counterparties were as follows:

| | **Derivative assets** | |
|---|---|---|
| | **2025 £m** | 2024 £m |
| Single A range | **65.5** | 71.2 |

## 36 Risks arising from financial instruments continued

### 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:

| | 2025<br>£m | 2024<br>£m |
|---|---|---|
| 2 – 5 years | 1,100.0 | 1,100.0 |

#### (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.

| 2025<br>Undiscounted amounts payable: | Floating rate<br>£m | Fixed rate<br>£m | Index-linked<br>£m | Trade and other payables<br>£m | Payments on financial liabilities<br>£m |
|---|---|---|---|---|---|
| Within 1 year | (54.1) | (791.1) | (35.9) | (646.5) | (1,527.6) |
| 1 – 2 years | (328.2) | (1,933.2) | (321.3) | – | (2,582.7) |
| 2 – 5 years | (440.1) | (1,426.5) | (387.1) | – | (2,253.7) |
| 5 – 10 years | (287.2) | (2,597.6) | (258.1) | – | (3,142.9) |
| 10 – 15 years | – | (1,473.0) | (167.9) | – | (1,640.9) |
| 15 – 20 years | – | (889.4) | (295.5) | – | (1,184.9) |
| 20 – 25 years | – | – | (384.7) | – | (384.7) |
| 25 – 30 years | – | – | (716.4) | – | (716.4) |
| 30 – 35 years | – | – | (3,473.4) | – | (3,473.4) |
| 35 – 40 years | – | – | (22.9) | – | (22.9) |
| 40 – 45 years | – | – | (411.4) | – | (411.4) |
| **Total** | (1,109.6) | (9,110.8) | (6,474.6) | (646.5) | (17,341.5) |

| Undiscounted amounts receivable: | Loans due from joint ventures<br>£m | Trade and other receivables<br>£m | Cash and short term deposits<br>£m | Receipts from financial assets<br>£m |
|---|---|---|---|---|
| Within 1 year | 71.2 | 812.6 | 1,048.1 | 1,931.9 |
| 1 – 2 years | – | 5.6 | – | 5.6 |
| **Total** | 71.2 | 818.2 | 1,048.1 | 1,937.5 |

| 2024<br>Undiscounted amounts payable: | Floating rate<br>£m | Fixed rate<br>£m | Index-linked<br>£m | Trade and other payables<br>£m | Payments on financial liabilities<br>£m |
|---|---|---|---|---|---|
| Within 1 year | (156.5) | (227.1) | (91.6) | (588.8) | (1,064.0) |
| 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) | (588.8) | (16,413.7) |

| 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 |

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** | | |
|---|---|---|---|---|---|---|
| **2025** | **Interest rate swaps £m** | **Inflation swaps £m** | **Energy swaps £m** | **Cash receipts £m** | **Cash payments £m** | **Total £m** |
| Within 1 year | **16.4** | **0.6** | **(2.7)** | **59.9** | **(94.8)** | **(20.6)** |
| 1 – 2 years | **4.9** | **0.7** | **(0.3)** | **172.6** | **(181.0)** | **(3.1)** |
| 2 – 5 years | **7.2** | **5.9** | **0.4** | **189.1** | **(262.3)** | **(59.7)** |
| 5 – 10 years | **0.3** | **4.1** | **–** | **783.6** | **(912.1)** | **(124.1)** |
| 10 – 15 years | **–** | **(0.9)** | **–** | **783.2** | **(787.4)** | **(5.1)** |
| | **28.8** | **10.4** | **(2.6)** | **1,988.4** | **(2,237.6)** | **(212.6)** |

| | | | | 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 |

The Group has the right to settle net derivative cash (outflows)/inflows under ISDA master settlement arrangements with all derivative counterparties. The amounts do not meet the criteria for offsetting and so are not presented on a net basis in the balance sheet.

## 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 (2024: £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.

| | **2025** | | 2024 | |
|---|---|---|---|---|
| | **+1.0% £m** | **-1.0% £m** | +1.0% £m | -1.0% £m |
| Profit or loss | **(16.6)** | **16.6** | (16.4) | 16.4 |
| Equity | **(16.6)** | **16.6** | (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 | |
|---|---|---|---|---|
| | **2025 £m** | 2024 £m | **2025 £m** | 2024 £m |
| Euro | **11.4** | 11.4 | **5.4** | 5.6 |
| US dollar | **55.4** | 55.4 | **(1.0)** | (0.8) |
| Yen | **59.8** | 59.9 | **(7.0)** | (5.7) |
| Australian dollar | **21.4** | 21.5 | **(2.7)** | (1.7) |
| | **148.0** | 148.2 | **(5.3)** | (2.6) |

### 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 are 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** | **2025 %** | 2024 % | **2025 £m** | 2024 £m | **2025 £m** | 2024 £m |
| 2 – 5 years | **2.19** | 2.30 | **115.5** | 119.9 | **5.1** | 7.4 |
| 5 – 10 years | **1.83** | 1.83 | **248.0** | 248.0 | **29.9** | 31.4 |
| | **1.95** | 1.98 | **363.5** | 367.9 | **35.0** | 38.8 |

The Group recognised no gain or loss on hedge ineffectiveness (2024: gain of £0.7 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 2030.

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** | **2025 £/MWh** | 2024 £/MWh | **2025 MWh** | 2024 MWh | **2025 £m** | 2024 £m |
| Less than 1 year | **75.10** | – | **39,420** | – | **(0.4)** | – |
| 1 – 2 years | **73.04** | 75.10 | **139,553** | 39,420 | **(0.3)** | 0.1 |
| 2 – 5 years | **69.78** | – | **193,827** | – | **0.5** | – |
| | **71.14** | 75.10 | **372,800** | 39,420 | **(0.2)** | 0.1 |

## 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 | |
|---|---|---|---|---|
| **2025** | **Assets £m** | **Liabilities £m** | **Assets £m** | **Liabilities £m** |
| Cross currency swaps | **–** | **(142.1)** | **–** | **7.0** |

| | 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 |

## 38 Share based payments

The Group operates a number of share based remuneration schemes for employees. During the year, the Group recognised total expenses of £11.0 million (2024: £10.3 million) related to equity settled share based payments transactions.

The weighted average share price during the year was £25.27 (2024: £25.78).

At 31 March 2025, there were no options exercisable (2024: 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 2021, 2022, 2023 and 2024 LTIP awards are subject to Severn Trent Water's achievement of Return on Regulated Equity in excess of the base return included within the Final Determinations over a three year vesting period. It has been assumed that performance against the LTIP non-market conditions will be 100% (2024: 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 2023 | 613,159 |
| Granted during the year | 233,649 |
| Vested during the year | (195,325) |
| Lapsed during the year | (19,065) |
| Outstanding at 1 April 2024 | 632,418 |
| Granted during the year | 324,281 |
| Vested during the year | (185,056) |
| Lapsed during the year | (19,855) |
| **Outstanding at 31 March 2025** | **751,788** |

Details of LTIP awards outstanding at 31 March were as follows:

| | | Number of awards | |
|---|---|---|---|
| **Date of grant** | **Normal Date of Vesting** | **2025** | 2024 |
| July 2021 | 2024 | **–** | 191,408 |
| July 2022 | 2025 | **205,961** | 210,658 |
| July 2023 | 2026 | **225,204** | 230,352 |
| July 2024 | 2027 | **320,623** | – |
| | | **751,788** | 632,418 |

The awards outstanding at 31 March 2025 had a weighted average remaining contractual life of 1.7 years (2024: 1.6 years).

Details of the basis of the LTIP scheme are set out in the Directors' remuneration report on pages 131 to 154.

## 38 Share based payments 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 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 1 April 2024 | 4,205,017 | 2,068p |
| Granted during the year | 1,401,938 | 2,053p |
| Forfeited during the year | (50,821) | 2,152p |
| Cancelled during the year | (328,231) | 2,147p |
| Exercised during the year | (907,834) | 1,773p |
| Lapsed during the year | (5,459) | 2,111p |
| **Outstanding at 31 March 2025** | **4,314,610** | **2,119p** |

Sharesave options outstanding at 31 March were as follows:

| | | | Number of awards | |
|---|---|---|---|---|
| Date of grant | Normal date of exercise | Option price | 2025 | 2024 |
| January 2019 | 2024 | 1,474p | **–** | 212,405 |
| January 2020 | 2025 | 1,787p | **131,801** | 137,655 |
| January 2021 | 2024 or 2026 | 1,860p | **125,190** | 816,766 |
| January 2022 | 2025 or 2027 | 2,307p | **591,776** | 639,559 |
| January 2023 | 2026 or 2028 | 2,183p | **832,156** | 935,780 |
| January 2024 | 2027 or 2029 | 2,120p | **1,252,419** | 1,462,852 |
| January 2025 | 2028 or 2030 | 2,053p | **1,381,268** | – |
| | | | **4,314,610** | 4,205,017 |

The options outstanding at 31 March 2025 had a weighted average remaining contractual life of 2.1 years (2024: 2.0 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:

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | LTIP | SAYE | | LTIP | SAYE | |
| | | 3 year scheme | 5 year scheme | | 3 year scheme | 5 year scheme |
| Share price at grant date (pence) | **2,351** | **2,496** | **2,496** | 2,791 | 2,555 | 2,555 |
| 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 (%) | **5.2** | **4.9** | **4.9** | 4.0 | 4.4 | 4.4 |
| Risk free rate (%) | **n/a** | **5.2** | **4.4** | n/a | 3.7 | 3.6 |
| Fair value per share (pence) | **2,327** | **499** | **470** | 2,773 | 469 | 470 |

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 3 July 2024, Severn Trent Green Power Limited acquired 100% of the issued shares in Severn Trent Green Power Atherstone Limited, Severn Trent Green Power Lodge Farm Limited and Severn Trent Green Power Cayton Limited (previously EEB54 Limited, EEB51 Limited and EEB29 Limited respectively) for a total consideration of £10.2 million. Additionally, Severn Trent Green Power Limited acquired 100% of the issued shares in Severn Trent Green Power Church Farm Limited (previously EEB66 Limited) on 18 November 2024 for a total consideration of £3.4 million. The acquisitions are expected to increase the Group's renewable energy market share.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

| | £m |
|---|---|
| Purchase consideration | |
| Cash paid | 13.6 |

The assets and liabilities recognised as a result of the acquisition are as follows:

| | £m |
|---|---|
| Cash and cash equivalents | – |
| Property, plant and equipment | 1.4 |
| Deferred tax | (4.5) |
| Borrowings | (5.9) |
| Other intangible assets | 18.1 |
| Net identifiable assets acquired | 9.1 |
| Add: goodwill | 4.5 |
| | **13.6** |

Property, plant and equipment of £1.4 million has been acquired as part of the business combination. This represents capitalised prepayments for contracts to construct grid connection assets. As such, the fair value remains equal to the cash paid.

The fair value of the acquired intangible assets of £18.1 million, being the contractual rights to connect to, and sell solar energy via, the National Grid, is provisional.

Goodwill of £4.5 million has been capitalised attributable to the recognition of the deferred tax liability in relation to the intangible assets acquired.

Acquisition-related costs of £1.0 million are recognised as an expense in the income statement.

The acquired business contributed revenues of nil and net profit of nil to the Group for the period from 3 July 2024 to 31 March 2025. If the acquisition had occurred on 1 April 2024, consolidated revenue and consolidated profit after tax for the year ended 31 March 2025 would have been unchanged.

## 40 Cash flow statement

### a) Reconciliation of operating profit to operating cash flows

| | 2025 £m | 2024 £m |
|---|---|---|
| **Profit before interest and tax** | **590.2** | 511.8 |
| Depreciation of property, plant and equipment | **409.8** | 388.7 |
| Depreciation of right-of-use assets | **6.7** | 5.2 |
| Amortisation of intangible assets | **37.9** | 34.4 |
| Impairment of property, plant and equipment | **13.9** | – |
| Pension service cost | **–** | 0.3 |
| Defined benefit pension scheme administration costs | **4.0** | 4.2 |
| Defined benefit pension scheme contributions | **(69.7)** | (67.9) |
| Share based payment charge | **11.0** | 10.3 |
| Profit on sale of property, plant and equipment and intangible assets | **(4.6)** | (3.5) |
| Fair value uplift on forestry assets | **–** | (5.3) |
| Release from deferred credits | **(17.8)** | (16.9) |
| Contributions and grants received | **43.8** | 43.5 |
| Provisions charged to the income statement | **25.8** | 17.4 |
| Utilisation of provisions for liabilities | **(56.3)** | (39.2) |
| **Operating cash flows before movements in working capital** | **994.7** | 883.0 |
| Increase in inventory | **(2.3)** | (4.9) |
| Increase in amounts receivable | **(63.4)** | (183.5) |
| (Decrease)/increase in amounts payable | **(16.4)** | 109.7 |
| **Cash generated from operations** | **912.6** | 804.3 |
| Tax received | **–** | 9.0 |
| Tax paid | **(0.3)** | – |
| **Net cash generated from operating activities** | **912.3** | 813.3 |

## 40 Cash flow statement continued

### b) Non-cash transactions

Non cash investing and financing transactions 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 | Fair value accounting adjustments £m | Exchange on currency debt not hedge accounted £m | Loans due from joint venture £m | Adjusted net debt £m |
|---|---|---|---|---|---|---|---|---|
| At 1 April 2024 | 951.4 | (783.5) | (7,357.9) | (120.0) | 29.8 | 19.7 | 72.6 | (7,187.9) |
| Cash flow | **93.4** | **4.6** | **(1,390.0)** | **13.6** | **–** | **–** | **(0.4)** | **(1,278.8)** |
| Fair value adjustments | **–** | **–** | **6.4** | **–** | **(6.4)** | **–** | **–** | **–** |
| Inflation uplift on index-linked debt | **–** | **(4.6)** | **(65.3)** | **–** | **–** | **–** | **–** | **(69.9)** |
| Foreign exchange | **–** | **–** | **10.3** | **–** | **–** | **(10.3)** | **–** | **–** |
| Other non-cash movements | **–** | **(1.2)** | **(1.5)** | **(4.7)** | **(0.3)** | **–** | **(1.0)** | **(8.7)** |
| **At 31 March 2025** | **1,044.8** | **(784.7)** | **(8,798.0)** | **(111.1)** | **23.1** | **9.4** | **71.2** | **(8,545.3)** |

### d) Liabilities from financing activities

| | Bank loans £m | Other loans £m | Lease liabilities £m | Derivatives £m | Interest accrual £m | Total £m |
|---|---|---|---|---|---|---|
| At 1 April 2023 | (713.0) | (6,474.2) | (110.9) | 71.5 | (68.8) | (7,295.4) |
| Cash flow | (63.5) | (802.1) | 10.5 | 4.4 | 243.6 | (607.1) |
| 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) | (30.7) | (264.5) | (315.6) |
| At 1 April 2024 | (783.5) | (7,357.9) | (120.0) | 45.2 | (89.7) | (8,305.9) |
| Cash flow | **4.6** | **(1,390.0)** | **13.6** | **1.6** | **307.9** | **(1,062.3)** |
| Fair value adjustments | **–** | **6.4** | **–** | **–** | **–** | **6.4** |
| Inflation uplift on index-linked debt | **(4.6)** | **(65.3)** | **–** | **–** | **–** | **(69.9)** |
| Foreign exchange | **–** | **10.3** | **–** | **–** | **–** | **10.3** |
| Other non-cash movements | **(1.2)** | **(1.5)** | **(4.7)** | **(28.9)** | **(317.6)** | **(353.9)** |
| **At 31 March 2025** | **(784.7)** | **(8,798.0)** | **(111.1)** | **17.9** | **(99.4)** | **(9,775.3)** |

## 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 (2024: 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 2025, the Company had no liabilities due to financial guarantees as the credit risk is very low and probability of default is remote (2024: nil).

### c) Claims under the Environmental Information Regulations 2004 regarding property searches

The 31 March 2024 financial statements contained a contingent liability with respect to claims under Environmental Information Regulations 2004 regarding property searches. The case was dismissed on 28 June 2024, with a significant proportion of incurred costs recovered by the Group. As such, the Group no longer recognises a contingent liability in respect of this matter.

### d) Ongoing combined sewer overflow investigations

Ofwat and the Environment Agency are each conducting their own investigations into the wastewater industry. The Environment Agency is investigating all English wastewater companies in respect to compliance with conditions of permits (therefore excluding Hafren Dyfrdwy Cyfyngedig). Ofwat is investigating all English and Welsh wastewater companies' compliance with licence conditions, section 94 of the Water Industry Act 1991 and the Urban Wastewater Treatment Regulations.

In summer 2024, Ofwat served notices upon Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig, along with the other companies that had previously been excluded from the original list of enforcement cases, to enable Ofwat to request information to ascertain whether or not there has in-fact been any non-compliance in relation to their wastewater treatment processes as part of Ofwat's sector wide investigation. Both the Ofwat and EA investigations are ongoing, and it is not yet clear what the outcomes 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) Collective Action Claim

In December 2023, Severn Trent Water and Severn Trent Plc were served with the collective proceedings order ('CPO') application, alongside five other water and sewerage companies for separate (but equivalent) claims, in respect of potential collective proceedings to be brought before the Competition Appeal Tribunal ('CAT') (formerly referred to as the "Leigh Day Claim"). The Group has received a claim for £239 million (excluding interest) on behalf of a class comprising certain consumers of Severn Trent Water (on an opt-out basis) who alleged to have been overcharged for sewerage services as a result of an alleged abuse of a dominant position.

The preliminary Certification Hearing, to determine if the claim is capable of being heard by the CAT and should proceed to trial, was held on 23 September 2024; and on 7 March 2025 the CAT handed down judgment. The CAT concluded that the claims for abuse of dominance were excluded by section 18(8) of the Water Industry Act 1991 and dismissed the case. On 28 March 2025 the claimant sought permission from the CAT to appeal the judgment to the Court of Appeal. We opposed the appeal application and we anticipate a judgment from the CAT in respect of the permission to appeal in Summer 2025 and, if the permission to appeal is granted, the appeal will be heard by the Court of Appeal towards the end of 2025. The CAT's original judgment was robust and if appealed, we maintain that the judgment will be upheld by the Court of Appeal.

## 42 Financial and other commitments

| | **2025 £m** | 2024 £m |
|---|---|---|
| Property, plant and equipment contracted for but not provided for in the financial statements | **758.8** | 879.3 |

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 73.03 pence per share.

On 14 April 2025 Severn Trent Water Limited issued a 200 million Swiss Franc denominated bond maturing in 2032. The proceeds were swapped to GBP fixed rates.

## 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.

| | **2025 £m** | 2024 £m |
|---|---|---|
| Sale of services | **233.4** | 264.7 |
| Net interest income | **5.4** | 5.3 |
| | **238.8** | 270.0 |

Outstanding balances between the Group and the joint venture as at 31 March were as follows:

| | **2025 £m** | 2024 £m |
|---|---|---|
| Amounts due to related parties | **(1.1)** | (2.3) |
| Loans receivable from joint venture | **71.2** | 72.6 |
| | **70.1** | 70.3 |

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 147 to 154.

| **2025** | **Fixed pay and benefits £'000** | **Bonus £'000** | **Bonus (deferred into shares) £'000** | **LTIPs £'000** | **Service Contracts £'000** | **Total £'000** |
|---|---|---|---|---|---|---|
| Executive Directors | **1,562.1** | **665.1** | **665.1** | **1,884.2** | **–** | **4,776.5** |
| Non-Executive Directors | **–** | **–** | **–** | **–** | **753.7** | **753.7** |
| Other members of the Executive Committee | **2,421.9** | **1,124.2** | **1,124.2** | **1,196.9** | **–** | **5,867.2** |
| | **3,984.0** | **1,789.3** | **1,789.3** | **3,081.1** | **753.7** | **11,397.4** |

| 2024 | Fixed pay and benefits £'000 | Bonus £'000 | Bonus (deferred into shares) £'000 | LTIPs £'000 | Service Contracts £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Executive Directors | 1,659.7 | 767.9 | 481.7 | 2,867.4 | – | 5,776.7 |
| Non-Executive Directors | – | – | – | – | 780.8 | 780.8 |
| Other members of the Executive Committee | 2,232.6 | 731.0 | 676.7 | 1,013.5 | – | 4,653.8 |
| | 3,892.3 | 1,498.9 | 1,158.4 | 3,880.9 | 780.8 | 11,211.3 |

## 44 Related party transactions – Group and Company continued

The remuneration values disclosed above for Executive Directors are equivalent to those disclosed in the 'total single figure of remuneration (audited)' in the Directors' Remuneration Report, with the exception of members who have not been in office for the full financial year. The remuneration for these individuals is pro-rated in the directors' remuneration report whereas the table in this note presents their remuneration for the full financial year.

## 45 Alternative performance measures ('APMs')

Financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures ('APM's). 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) 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.

### b) Adjusted net debt

Adjusted net debt comprises borrowings excluding 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.

### c) 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 adjusted net debt during the year.

| | **2025 £m** | 2024 £m |
|---|---|---|
| Net finance costs | **243.9** | 281.5 |
| Net finance costs from pensions | **(10.3)** | (13.4) |
| Capitalised finance costs | **103.1** | 69.6 |
| | **336.7** | 337.7 |
| Average adjusted net debt | **7,755.5** | 7,216.6 |
| Effective interest cost | **4.3%** | 4.7% |

This APM is used as it shows the average finance cost for the adjusted net debt of the business.

### d) 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).

| | **2025 £m** | 2024 £m |
|---|---|---|
| Net finance costs | **243.9** | 281.5 |
| Net finance costs from pensions | **(10.3)** | (13.4) |
| Indexation adjustments | **(69.9)** | (108.0) |
| Capitalised finance costs | **103.1** | 69.6 |
| | **266.8** | 229.7 |
| Average adjusted net debt | **7,755.5** | 7,216.6 |
| Effective cash cost of interest | **3.4%** | 3.2% |

This is used as it shows the average finance cost that is paid in cash.

### e) PBIT interest cover

The ratio of PBIT to net finance costs excluding net finance costs from pensions.

| | **2025 £m** | 2024 £m |
|---|---|---|
| PBIT | **590.2** | 511.8 |
| Net finance costs | **243.9** | 281.5 |
| Net finance costs from pensions | **(10.3)** | (13.4) |
| Net finance costs excluding net finance costs from pensions | **233.6** | 268.1 |
| | **ratio** | ratio |
| PBIT interest cover ratio | **2.5** | 1.9 |

This is used to show how the PBIT of the business covers the financing costs associated only with adjusted net debt on a consistent basis.

## f) 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.

| | **2025 £m** | 2024 £m |
|---|---|---|
| PBIT | **590.2** | 511.8 |
| Depreciation (including right-of-use assets) | **416.5** | 393.9 |
| Amortisation | **37.9** | 34.4 |
| Impairment of property, plant and equipment | **13.9** | – |
| EBITDA | **1,058.5** | 940.1 |
| | | |
| Net finance costs | **243.9** | 281.5 |
| Net finance costs from pensions | **(10.3)** | (13.4) |
| Net finance costs excluding finance costs from pensions | **233.6** | 268.1 |
| | | |
| EBITDA interest cover ratio | **4.5** | 3.5 |

This is used to show how the EBITDA of the business covers the financing costs associated only with adjusted net debt on a consistent basis.

## g) 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.

| | **2025** | | 2024 | |
|---|---|---|---|---|
| | **£m** | **Current tax thereon £m** | £m | Current tax thereon £m |
| Profit before tax | **320.1** | **(0.4)** | 201.3 | (0.5) |
| Adjustments | | | | |
| Share of net loss of joint venture | **10.8** | **–** | 4.1 | – |
| Net losses on financial instruments | **15.4** | **–** | 22.4 | – |
| | **346.3** | **(0.4)** | 227.8 | (0.5) |
| Adjusted effective current tax rate | | **0.1%** | | 0.2% |

This APM is used to remove distortions in the tax charge and create a metric 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.

## h) Operational cashflow

Cash generated from operations less contributions and grants received.

| | **2025 £m** | 2024 £m |
|---|---|---|
| Cash generated from operations | **912.6** | 804.3 |
| Contributions and grants received | **(43.8)** | (43.5) |
| Operational cashflow | **868.8** | 760.8 |

This APM is used to show operational cash excluding the effect of contributions and grants received as part of capital programmes.

## i) Cash capex

Cash paid to acquire property, plant and equipment and intangible assets less contributions and grants received and proceeds on disposal of property, plant and equipment and intangible assets.

| | **2025 £m** | 2024 £m |
|---|---|---|
| Purchase of property, plant and equipment | **1,553.0** | 1,169.7 |
| Purchase of intangible assets | **39.8** | 30.0 |
| Contributions and grants received | **(43.8)** | (43.5) |
| Proceeds on disposal of property, plant and equipment | **(11.0)** | (10.0) |
| Cash capex | **1,538.0** | 1,146.2 |

This APM is used to show the cash impact of the Group's capital programmes.

## 45 Alternative performance measures ('APMs') continued

### j) Capital investment

Additions to property, plant and equipment and intangible assets less contributions and grants received, assets contributed at no cost, and capitalised finance costs.

| | 2025 £m | 2024 £m |
|---|---|---|
| Additions to property, plant and equipment | **1,969.0** | 1,428.8 |
| Additions to intangible assets | **40.0** | 30.0 |
| Contributions and grants received | **(43.8)** | (43.5) |
| Assets contributed at no cost | **(188.6)** | (146.0) |
| Capitalised finance costs | **(103.1)** | (69.6) |
| Capital investment | **1,673.5** | 1,199.7 |

Includes £42.1 million (2024: £20.7 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 2025 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**

Chester Water Limited
Dee Valley Group Limited
Dee Valley Limited
East Worcester Water Limited
Etwall Land Limited
Hafren Dyfrdwy Cyfyngedig
Lakeside Water and Building Services Limited
M A Solutions (LINDUM) Ltd
Midlands Land Portfolio Limited
Reigate Environmental Services Limited
Severn Trent (W&S) Limited
Severn Trent Bower Limited
Severn Trent Carsington Limited
Severn Trent Data Portal Limited
Severn Trent Draycote Limited
Severn Trent Finance Holdings Limited
Severn Trent General Partnership Limited
Severn Trent Green Power (Andigestion) Limited
Severn Trent Green Power (Ardley) Limited
Severn Trent Green Power (Bridgend) Limited
Severn Trent Green Power (Cassington) Limited
Severn Trent Green Power (CW) Limited
Severn Trent Green Power (Hertfordshire) Limited
Severn Trent Green Power (North London) Limited
Severn Trent Green Power (RBWM) Limited
Severn Trent Green Power (Wallingford) Limited
Severn Trent Green Power (West London) Limited
Severn Trent Green Power Atherstone Limited
Severn Trent Green Power Biogas Limited
Severn Trent Green Power Cayton Limited
Severn Trent Green Power Church Farm Limited
Severn Trent Green Power Composting Limited
Severn Trent Green Power Group Limited
Severn Trent Green Power Holdings Limited
Severn Trent Green Power Limited
Severn Trent Green Power Lodge Farm Limited
Severn Trent Holdings Limited
Severn Trent Investment Holdings Limited
Severn Trent LCP Limited
Severn Trent Leasing Limited
Severn Trent Metering Services Limited
Severn Trent MIS Trustees Limited
Severn Trent Overseas Holdings Limited
Severn Trent Pension Scheme Trustees Limited
Severn Trent PIF Trustees Limited
Severn Trent Property Solutions Limited
Severn Trent Reservoirs Limited
Severn Trent Retail and Utility Services Limited
Severn Trent Services (Water and Sewerage) Limited
Severn Trent Services Defence Holdings Limited
Severn Trent Services Defence Limited
Severn Trent Services Holdings Limited
Severn Trent Services International (Overseas Holdings) Limited
Severn Trent Services International Limited
Severn Trent Services Operations UK Limited
Severn Trent Solar Finance Limited
Severn Trent Solar Holdings Limited
Severn Trent SSPS Trustees Limited
Severn Trent Trimpley Limited
Severn Trent Utilities Finance Plc
Severn Trent Water Limited
Severn Trent Wind Power Limited
Severn Trent WWIF 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 |

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 |
| 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 |
| Reigate Environmental Services Limited | 42 Ormside Way, Holmethorpe Industrial Estate, Redhill, Surrey, RH1 2LW |
| 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 Atherstone 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 Cayton Limited | The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB |
| Severn Trent Green Power Church Farm 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 |
| Severn Trent Green Power Lodge Farm 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 2025 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 |
| Lakeside Water and Building Services Limited | 03631827 |
| MA Solutions (LINDUM) Ltd | 5107976 |
| Reigate Environmental Services Limited | 07368807 |
| Severn Trent (W&S) Limited | 3995023 |
| Severn Trent Bower Limited | 14513739 |
| Severn Trent Carsington Limited | 7570384 |
| Severn Trent Data Portal Limited | 8181048 |
| Severn Trent Draycote Limited | 7681784 |
| Severn Trent Finance Holdings Limited | 6044159 |
| 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 Atherstone Limited | 12559241 |
| Severn Trent Green Power Cayton Limited | 11780059 |
| Severn Trent Green Power Church Farm Limited | 13207815 |
| Severn Trent Green Power Composting Limited | 4927756 |
| Severn Trent Green Power Lodge Farm Limited | 12558704 |
| 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 Retail and Utility Services Limited | 2562471 |
| Severn Trent Services Holdings Limited | 4395572 |
| Severn Trent Services International (Overseas Holdings) Limited | 3125131 |
| Severn Trent Services International Limited | 2387816 |
| Severn Trent Solar Finance Limited | 16018635 |
| Severn Trent Solar Holdings Limited | 16015007 |
| Severn Trent Trimpley Limited | 10690056 |
| Severn Trent WWIF Limited | 11966722 |
| Wrexham Water Limited | 02967118 |

# Five Year Summary

| Continuing operations | 2025 £m | 2024 £m | 2023 £m | 2022 £m | 2021 £m |
|---|---|---|---|---|---|
| Turnover | **2,426.7** | 2,338.2 | 2,165.1 | 1,943.3 | 1,827.2 |
| Profit before interest and tax | **590.2** | 511.8 | 508.8 | 506.2 | 470.7 |
| Increase/(decrease) in expected credit loss on loan receivable | **–** | (2.5) | – | 0.2 | 3.6 |
| Net interest payable before (losses)/gains on financial instruments | **(243.9)** | (281.5) | (362.6) | (269.4) | (187.1) |
| (Losses)/gains on financial instruments | **(15.4)** | (22.4) | 21.7 | 39.3 | (6.2) |
| Results of associates and joint ventures | **(10.8)** | (4.1) | – | (2.2) | (13.8) |
| **Profit on ordinary activities before taxation** | **320.1** | 201.3 | 167.9 | 274.1 | 267.2 |
| Current taxation on profit on ordinary activities | **0.2** | (5.5) | (0.2) | 4.8 | (26.8) |
| Deferred taxation | **(90.9)** | (55.6) | (35.5) | (71.7) | (28.2) |
| Exceptional tax | **–** | – | – | (294.4) | – |
| **Profit/(loss) for the year** | **229.4** | 140.2 | 132.2 | (87.2) | 212.2 |
| **Net assets employed** | | | | | |
| Tangible assets | **13,307.2** | 11,766.9 | 10,716.9 | 10,609.3 | 10,261.4 |
| Other net liabilities excluding adjusted net debt, retirement benefit obligation, provisions and deferred tax | **(1,321.9)** | (1,129.2) | (1,036.5) | (1,380.6) | (1,306.1) |
| Derivative financial instruments | **17.9** | 45.2 | 71.5 | 15.5 | (86.0) |
| Net retirement benefit obligation | **(119.8)** | (213.0) | (279.4) | (128.0) | (367.7) |
| Provisions for liabilities and deferred tax | **(1,567.3)** | (1,448.0) | (1,378.0) | (1,380.9) | (949.2) |
| | **10,316.1** | 9,021.9 | 8,094.5 | 7,735.3 | 7,552.4 |
| **Financed by** | | | | | |
| Called up share capital | **296.3** | 295.4 | 249.1 | 248.1 | 237.2 |
| Reserves | **1,474.5** | 1,538.6 | 721.5 | 1,015.8 | 901.5 |
| **Total shareholders' funds** | **1,770.8** | 1,834.0 | 970.6 | 1,263.9 | 1,138.7 |
| Adjusted net debt | **8,545.3** | 7,187.9 | 7,123.9 | 6,471.4 | 6,413.7 |
| | **10,316.1** | 9,021.9 | 8,094.5 | 7,735.3 | 7,552.4 |
| **Statistics** | | | | | |
| Earnings per share (continuing) – pence | **76.6** | 51.0 | 52.7 | (35.2) | 89.1 |
| Adjusted earnings per share – pence | **112.1** | 79.4 | 58.2 | 96.9 | 105.4 |
| Dividends per share – pence | **121.7** | 116.8 | 106.8 | 102.1 | 101.6 |
| Dividend cover | **0.9** | 0.7 | 0.5 | 0.9 | 1.0 |
| Gearing[1] – % | **82.8** | 79.7 | 88.0 | 83.7 | 84.9 |
| Ordinary share price at 31 March – pence | **2,531.0** | 2,470.0 | 2,879.0 | 3,078.0 | 2,306.0 |
| Average number of employees | | | | | |
| – Regulated Water and Wastewater | **8,989** | 8,150 | 7,176 | 6,612 | 6,536 |
| – Other | **550** | 541 | 475 | 506 | 497 |

1 Gearing has been calculated as adjusted net debt divided by the sum of equity and adjusted net debt.

# Glossary

A&M – Alvarez & Marsal

AD – Anaerobic Digestion

ADRs – American Depositary Receipts

AGM – Annual General Meeting

AMP – Asset Management Period

APD – Acid Phase Digestion

ARA – Annual Report and Accounts

ASP – Activated Sludge Processes

ATC – Advanced Thermal Conversion

BIO – Protection and Restoration of Biodiversity and Ecosystems

BNG – Biodiversity Net Gain

CAW – Carbon Accounting Workbook

CCA – Climate Change Adaptation

CCM – Climate Change Mitigation

CCW – Consumer Council for Water

CE – Transition to a Circular Economy

CEO – Chief Executive Officer

CFD – Climate-related Financial Disclosures

CFO – Chief Financial Officer

CGI – Chartered Governance Institute

CHP – Combined Heat and Power

C-MeX – Customer Measure of Experience

CPD – Continuous Professional Development

CRI – Compliance Risk Index

CSO – Combined Sewer Overflow

CSRD – Corporate Sustainability Reporting Directive

D&I – Diversity and Inclusion

Defra – Department for Environment, Food and Rural Affairs

DMA – Double Materiality Assessment

D-MeX – Developer Measure of Experience

DNSH – Do No Significant Harm

DNV – DNV Business Assurance Services UK Limited

DRIP – Dividend Reinvestment Plan

DWI – Drinking Water Inspectorate

DWMP – Drainage and Wastewater Management Plan

EA – Environment Agency

EDMs – Event Duration Monitors

EPA – Environmental Performance Assessment

EPS – Earnings Per Share

EQ – Equiniti

ERM – Enterprise Risk Management

ESG – Environmental, Social and Governance

ESOS – Energy Savings Opportunity Scheme

ESRSs – European Sustainability Reporting Standards

EVs – Electric Vehicles

FBU – 'Fair, balanced and understandable'

FCA – Financial Conduct Authority

FFT – Flow to Full Treatment

FOC – Flooding Other Causes

FOG – Fats, Oils and Greases

FRC – Financial Reporting Council

FRS – Financial Reporting Standards

GAC – Granular and Powdered Activated Carbon

GBNB – Great Big Nature Boost

GHG – Greenhouse Gas

Ha – Hectares

HVO – Hydrotreated Vegetable Oil

IBE – Independent Board Evaluation

IFRS – International Financial Reporting Standards

ISSB – International Sustainability Standards Board

KPM – Key Performance Measure

LCV – Light Commercial Vehicle

LTDS – Long-Term Delivery Strategy

LTP – Liquor Treatment Plant

LTIP – Long-Term Incentive Plan

LTIs – Lost Time Incidents

MABR – Membrane Aerated Biofilm Reactor

MBBR – Moving Bed Biofilm Reactor

NGOs – Non-Governmental Organisations

NIS-R – Security of Network and Information Systems Regulations

NRW – Natural Resources Wales

NZTP – Net Zero Transition Plan

O2IC – Operational Optimisation Innovation Centre

ODI – Outcome Delivery Incentive

ONS – Office for National Statistics

PBIT – Profit before interest and tax

PCC – Per Capita Consumption

PESTLE – Political, Economic, Sociological, Technological, Legal and Environment

PFAS – Per and Polyfluoroalkyl Substances

PFOA – Perfluorooctanoic Acid

PFOS – Perfluorooctane Sulponate

PIRP – Pollution Incident Reduction Plan

PPC – Pollution Prevention and Control

PRP – Performance Related Pay

PSR – Priority Services Register

R2IC – Resource Recovery and Innovation Centre

RCP – Representative Concentration Pathway

RCV – Regulatory Capital Value

RNAGS – Reasons for Not Achieving Good Status

RoRE – Return on Regulated Equity

RS – Renewable Sources

s.172 – Section 172 Statement

SBT – Science-Based Targets

SDGs – Sustainability Development Goals

SDS – Strategic Direction Statement

SEND – Special Educational Needs and Disabilities

Sharesave – Severn Trent Sharesave Scheme

SID – Senior Independent Non-Executive Director

SOAF – Storm Overflow Assessment Framework

SPS – Sewage Pumping Station

SRF – Strategic Risk Forum

SROs – Strategic Resource Options

SSSIs – Sites of Special Scientific Interest

STEC – Severn Trent Executive Committee

STEPS – Severn Trent Environmental Protection Scheme

SuDS – Sustainable urban Drainage Systems

TCFD – Taskforce on Climate-related Financial Disclosures

THP – Thermal Hydrolysis Plant

TNFD – Taskforce on Nature-related Financial Disclosures

TSR – Total Shareholder Return

UKWIR – UK Water Industry Research

UQ – Upper Quartile

UV – Ultraviolet

UWWT – Urban Wastewater Treatment

WaSCs – Water and Sewerage Company

WFD – Water Framework Directive

WINEP – Water Industry National Environment Programme

WRMP – Water Resources Management Plan

WTR – Sustainable Use and Protection of Water and Marine Resources

ZTA – Zero Trust Architecture

# 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]

**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.

## Digital communications

EQ's Shareview Portfolio service allows shareholders to access a range of information about their shareholdings via the internet. This includes holding details (such as name and address), indicative share prices, recent balance changes and dividend information. This is a free, online, secure service that is easy to use and means all shares can be managed and monitored in one place. By registering for Shareview, notifications are set to digital by default and the following benefits are enabled for shareholders:

- digital company service notifications;
- EQ communications on products and services (optional);
- view indicative share valuations;
- buy and sell shares;
- vote on company meeting resolutions;
- update personal information; and
- view share and dividend information.

This enables us to reduce our impact on the environment and benefit from savings associated with reduced printing and mailing costs. If you need to, you can amend your notification preferences through the My Details page once you have logged in.

For further information and to register for electronic shareholder communications visit www.shareview.co.uk and register for an online portfolio account.

## Dividend payments

### Bank mandates

From January 2025, dividends are paid by direct payment and payments by cheque have ceased. 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 include:

- receiving cleared funds into bank account on the payment date;
- avoiding postal delays; and
- removing the risk of cheques getting lost in the post.

To provide or update your bank mandate 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 arrange online via www.shareview.co.uk by registering for/ logging in to your portfolio account (via Help, the Dividend FAQ and Re-investment options). Information on the DRIP can be accessed directly via www.shareview.co.uk/info/DRIP.

## 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 by contacting 03456 037 037[2] for assistance, or for general enquiries you can email enquiries@equinitishareviewdealing.com.

### 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 of your choice, or this service is available via Shareview.

**Financial calendar**

| | |
|---|---|
| Ex dividend date – final dividend | 29 May 2025 |
| Record date to be eligible for the final dividend | 30 May 2025 |
| DRIP election date – final | 24 June 2025 |
| AGM | 10 July 2025 |
| Final dividend payment date | 15 July 2025 |

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). Calls from a landline are charged at national rates. Calls from a mobile device may incur network extras.

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.

# Information for Shareholders continued

### 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.

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. Scammers may even say they work for the FCA to try and get you to hand over important personal information (they may even use their logo or images from their website to make you think their communication is genuine). They may also claim to be from the Financial Services Authority ('FSA'), the organisation that previously regulated financial services in the UK. For more information, visit www.fca.org.uk/consumers/fake-fca-communications.
- Use the firm's contact details listed on the Register if you want to call it back.
- Protect yourself from scams by being aware of the warning signs of fraud – follow the Do's and Don'ts at www.fca.org.uk/consumers/protect-yourself-scams.
- 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 think you have been contacted by a fraudster, please notify the FCA via www.fca.org.uk/consumers/report-scam, or contact them on 0800 111 6768 (freephone), 0300 500 8082 (from the UK), +44 207 066 1000 (from abroad) or (18001) 0207 066 1000 (next generation text relay). If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040 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 0207 291 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 under the symbol STRNY on the OTC Market. 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.

**Post:** BNY Mellon Shareowners Services, PO Box 43006, Providence, RI 02940-3078, US

**Telephone:** If calling from within the US: (888) 269 2377 (toll-free), or if calling from outside the US: +1 201 680 6825

**Email:** shrrelations@cpushareownerservices.com

**Website**: www.computershare.com/investor

### 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', '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: the Principal Risks disclosed in our latest Annual Report and Accounts (which have not been updated since the date of its publication); 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 publication. Save as required by applicable laws and regulations, Severn Trent does not intend to update any 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.

Certain information contained herein is based on management estimates and Severn Trent's own internal research. Management estimates have been made in good faith and represent the current beliefs of applicable members of Severn Trent's management. While those management members believe that such estimates and research are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change without notice, and, by their nature, estimates may not be correct or complete. Accordingly, no representation or warranty (express or implied) is given to any recipient of this document that such estimates are correct or complete.

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