



INVESTING FOR THE

FUTURE

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Strategic Report

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

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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

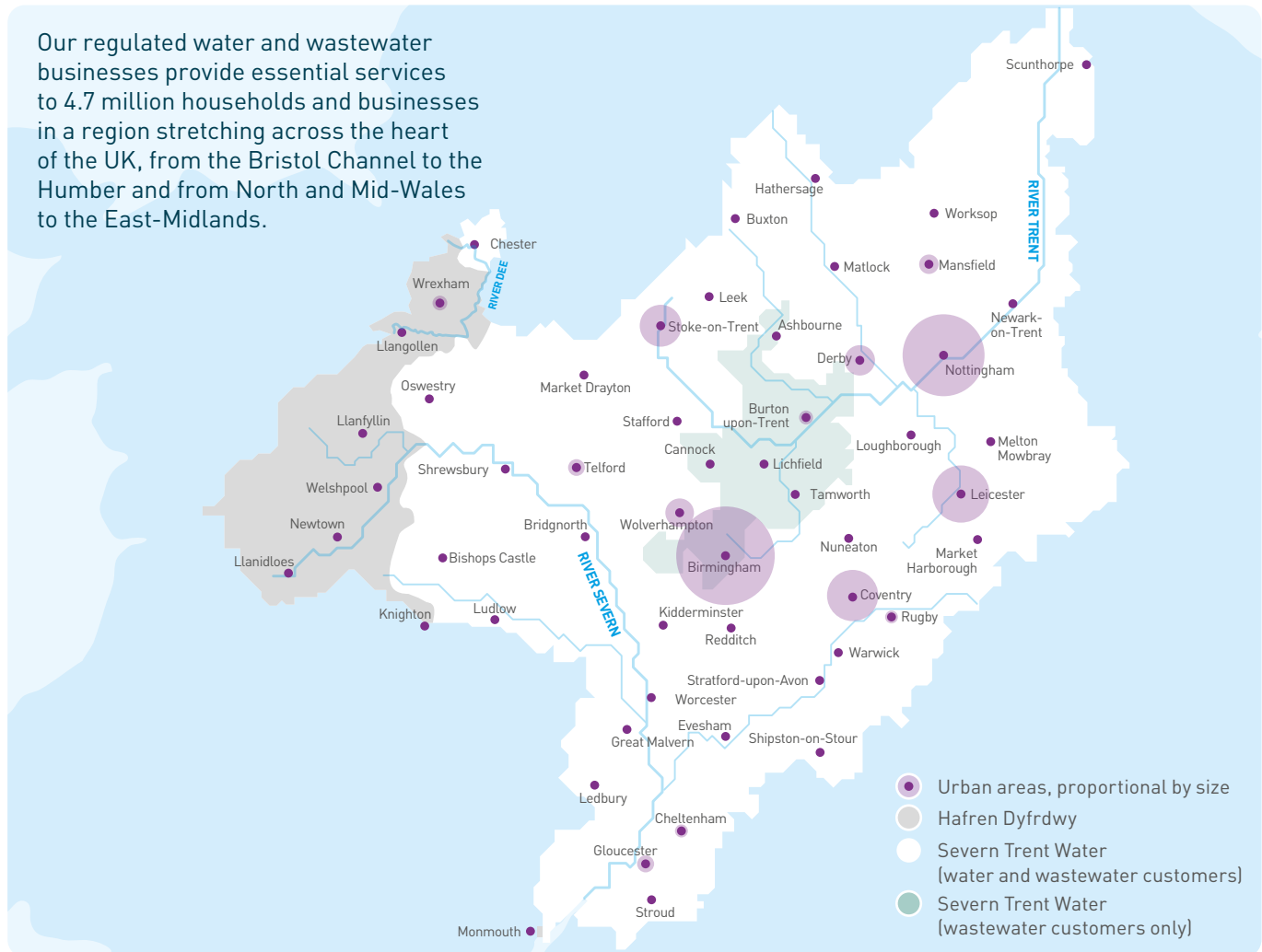


Customer Vulnerability Strategy



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



Severn Trent



stwater



Severn Trent



stwaterweb



severntrent



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.

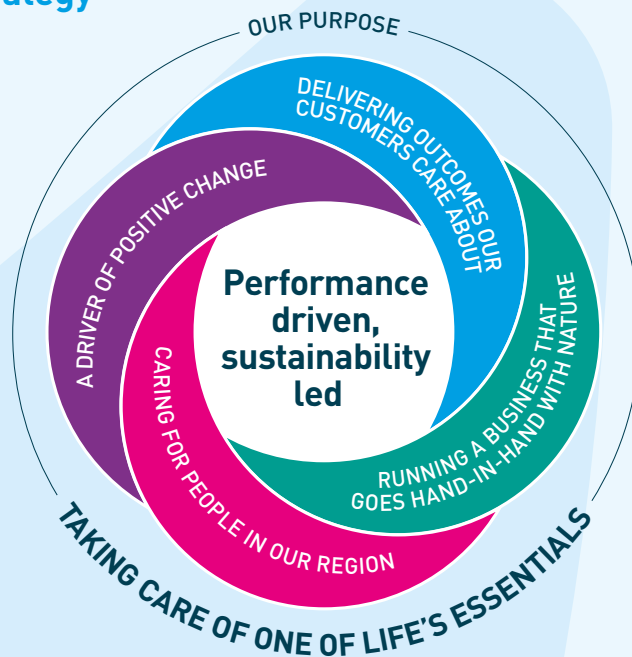
> Our corporate strategy

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

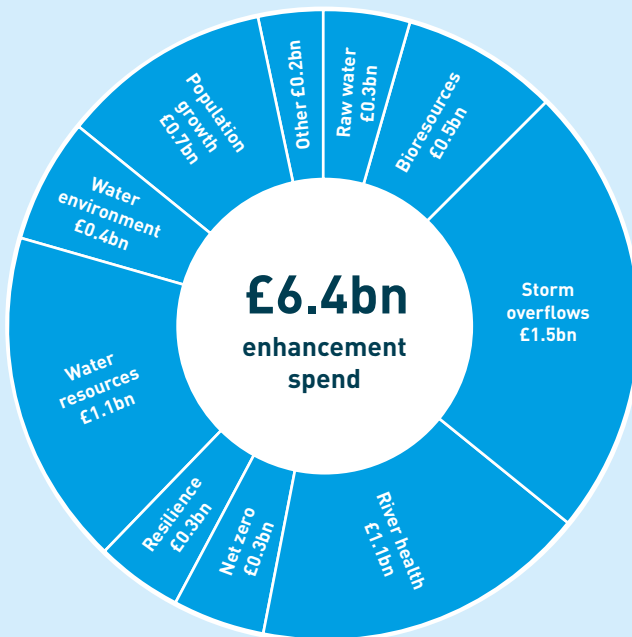
We are delighted that our Severn Trent Water Business Plan for 2025-30 was awarded 'outstanding' status by Ofwat – in recognition of both its quality and the scale of our ambition.

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.

Affordability and support

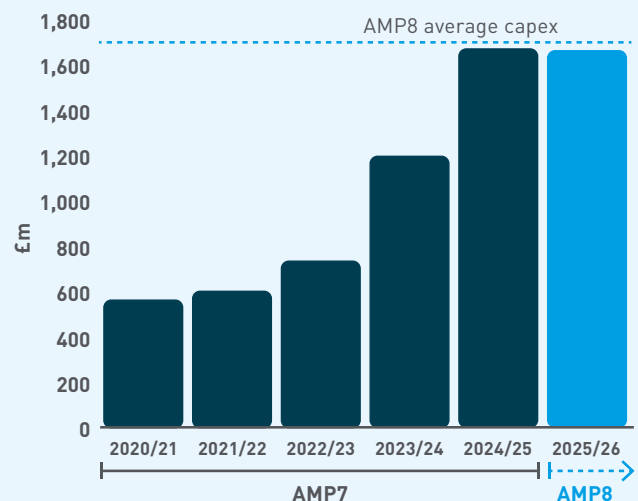
We remain committed to keeping bills affordable, while delivering record investment. We will begin and end AMP8 with the second lowest bill in England and our £575 million affordability package will support one in six customers with their bill by 2030. Additionally, we will support 100,000 people through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



Christine Hodgson observes a Business Plan customer engagement session

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.



> 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.



> 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 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 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 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%

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

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

121.71p

2023/24: 116.84p

Group PBIT

£590.2m

2023/24: £511.8m

Group turnover

£2,426.7m

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 pollution performance needs to improve further. We take the views of our customers and wider stakeholders seriously and are committed to improving our pollution 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:



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:



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:



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:



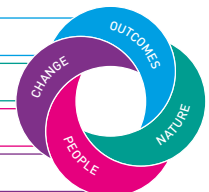
Remuneration:



Key:

Strategic objectives

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



Performance



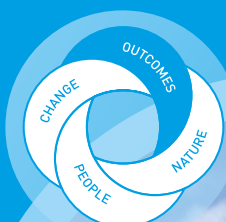
Outperformance against target



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:

14 Customer Experience

16 Water

17 Wastewater

18 Environmental Performance

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.

Delivering Outcomes our Customers Care About continued

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 through 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

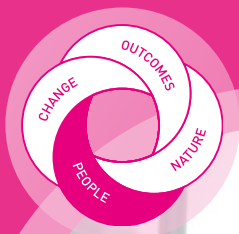
1 The EA classified this incident as Category 2 under the Common Incident Classification Scheme, based on elevated ammonia levels along the length of a drainage ditch. However, we have seen no evidence of any consequential harm caused by the elevated ammonia.

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:

- | | |
|--|---|
| 19 Building our Future Skills | 20 Rewarding and Looking After our People |
| 19 Providing a Diverse and Inclusive Place to Work | 21 Supporting our Customers |
| | 21 Creating Opportunities in our Region |

➤ 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.

Caring for People in our Region continued



Graduates at Severn Trent Centre



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**.



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 insured 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:

23 Get River Positive Pledge 1	24 Get River Positive Pledge 4
24 Get River Positive Pledge 2	25 Get River Positive Pledge 5
24 Get River Positive Pledge 3	26 Green Recovery

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 Sprenal, 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.

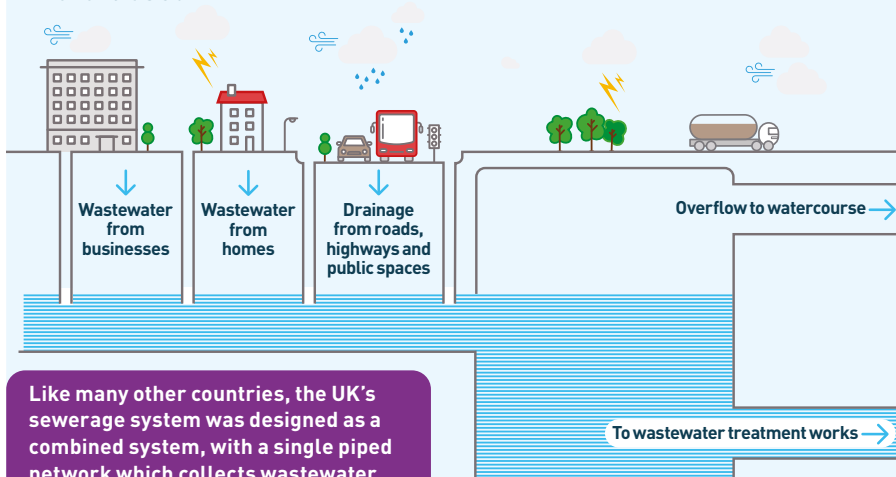
In May 2024, we announced our industry-leading CSO Improvement Plan, with the objective of improving our wastewater network and reducing storm overflow usage. Over the last year, our teams have worked hard to implement over 1,200 permanent

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.

A Driver of Positive Change continued

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 the 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.

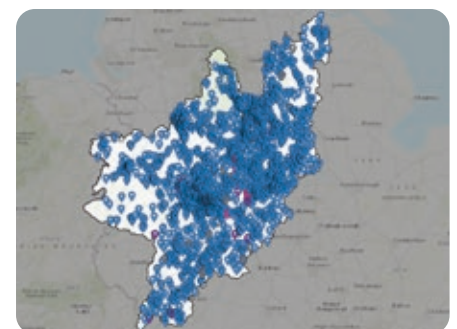


Scan the QR code to view the Severn Trent Storm Overflow Map

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

A Driver of Positive Change continued

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.

120 km

river with improved water quality

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 m³ 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.

17,176

supply pipe replacements delivered

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.

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 m³ of surface water storage through our interventions, constructing 84 rain gardens and bioretention tree pits with a capacity of almost 955 m³, and more than 11,300 m² of permeable paving with an estimated 2,900 m³ 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 m³ and our 12 detention basins providing storage capacity of more than 12,500 m³. 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 m³

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:

28 Environment	40 Climate and Nature Strategies
29 Our Approach to Climate Change and Nature	42 Metrics and Targets
30 Our Value Chain	44 Our Triple Carbon Pledge and Science-Based Targets
32 Reporting Requirements	45 Our Net Zero Transition Plan
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35 Climate and Nature Risk Management	

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 Science-Based Targets Climate adaptation			£248m	➤ Pages 44 to 54
Enhancing nature	Biodiversity Pollution prevention River water improvements Catchment management			£1,073m	➤ Pages 22 to 27
Water resources for the future	Leakage reduction PCC reduction Meter installations Strategic resource options			£889m	➤ Pages 15 to 16
Affordability and accessibility	Reducing water poverty Building our Academy Creating a Community Fund 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.



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.

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.



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

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
	TCFD & TNFD a) Describe the Board's oversight of climate-related risks and opportunities. a) Describe the Board's oversight of nature-related dependencies, impacts, risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities. b) Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	Board Skills page 102 Board Activities pages 106 to 107 Board Performance Review pages 112 to 113 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 Severn Trent sustainability web pages
Risk management	CFD b) Describe how the business identifies, assesses and manages climate-related risks and opportunities. c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the business' overall risk management process.	Managing Risks and Opportunities pages 68 to 69 Our Principal Risks pages 73 to 78
	TCFD & TNFD d) Describe the organisation's processes for identifying and assessing climate-related risks. 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). f) Describe the organisation's processes for managing climate-related risks. g) Describe the organisation's processes for managing nature-related dependencies impacts, risks and opportunities. 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.	Climate and Nature Risk Management pages 35 to 39 Double Materiality Assessment page 33 Our Value Chain pages 30 to 31 Our EU Taxonomy Disclosure pages 55 to 59
	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. e) Describe the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy. f) Analyse the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios.	Our Principal Risks pages 73 to 78 Our Value Chain pages 30 to 31 Climate and Nature Risk Management pages 35 to 39 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. 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. c) Describe the resilience of the organisation's strategy to nature-related risks and opportunities taking into consideration different scenarios. 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.	Our Net Zero Transition Plan pages 44 to 54 Climate and Nature Strategies pages 40 to 41 Our Net Zero Transition Plan pages 44 to 54 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. 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.	Our Net Zero Transition Plan pages 44 to 54 Metrics and Targets pages 42 to 43
	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. b) Disclose the metrics used by the organisation to assess and manage the dependencies and impacts on nature.	Our Net Zero Transition Plan pages 44 to 54 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

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

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	<ul style="list-style-type: none"> – Risk and opportunities management framework – Incident management plans – Root cause analysis outputs – Drought Plan – Localised response strategies 	<ul style="list-style-type: none"> – Risk and opportunities management framework – Regulator-approved AMP investment plan – Rolling internal five-year Business Plan – Climate Change Adaptation Report 	<ul style="list-style-type: none"> – Risk and opportunities management framework – Water Resources Management Plan ('WRMP') – Drainage and Wastewater Management Plan ('DWMP') – Strategic Direction Statement ('SDS') – 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.

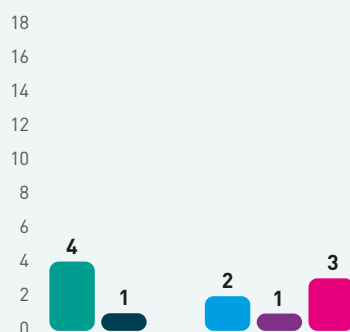
Our existing risks are scored within our ERM system using likelihood and impact measures to quantify the risk. In doing so, we consider both financial and reputational impact to arrive at a reasonable estimate of value, and our approach to calculating likelihood considers external scenarios and a changing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

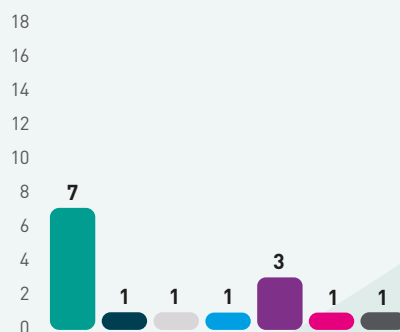
Nature drivers across our business

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.

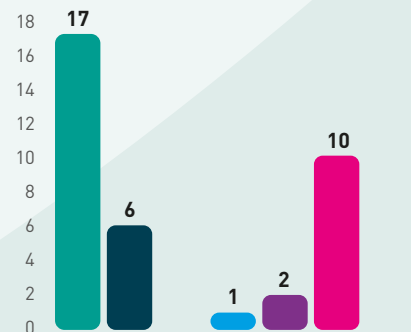
Bioresources



Waste



Water



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.



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



















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.

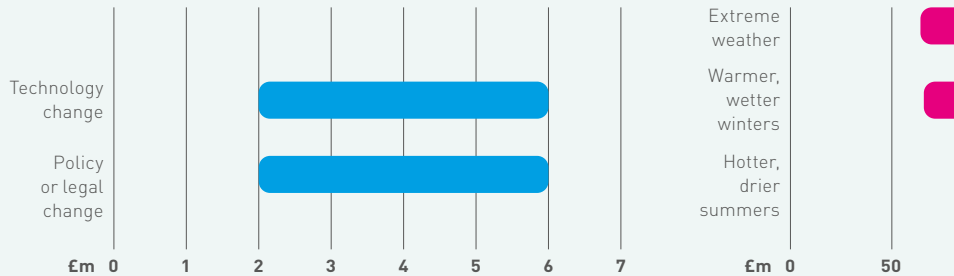
 Period of opportunity or risk  Most material impact

	Risk type	Principal Risk	Drivers	Example risks incorporated into the wider risk environment	Time horizon			Range of financial risk (current year)
					2030	2050	2080	
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 Warmer, wetter winters Change in freshwater use Pollutions	Failure to provide water treatment capacity to meet requirements in future AMPs. Failure to ensure our network is resilient to meet supply requirement in future AMPs. Failure to address increased demand for water due to population growth and changing weather conditions.				£30 million to £144 million
	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 Warmer, wetter winters Extreme weather Land use change Pollutions	Failure to safeguard future wastewater treatment capacity to meet future demand or increased environmental obligations. Failure to ensure waste capacity network is resilient to meet future demand.				£28 million to £66 million
	Natural capital	Failure to act as a steward of natural capital in our region providing social, environmental and economic benefits.	Hotter, drier summers Warmer, wetter winters Extreme weather Invasive species Resource use/replenishment	Failure to deliver our accelerated Green Recovery programme to time, cost or quality. Failure to abstract sufficient raw material for our customers or over-abstract, damaging the natural environment.				£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 Warmer, wetter winters Extreme weather Policy or legal change	Failure to successfully deliver the benefits of our change programme. The investment required will impact customer bills and affect affordability for some. Failure to comply with CS0 permits or stakeholder expectations. Failure to build trust in Severn Trent with our key stakeholders.				£2 million to £6 million
	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 Warmer, wetter winters Extreme weather	Failure to build trust in Severn Trent with our key stakeholders.				£200,000 to £7 million
	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. Failure to attract and retain the right people.				£2 million to £6 million

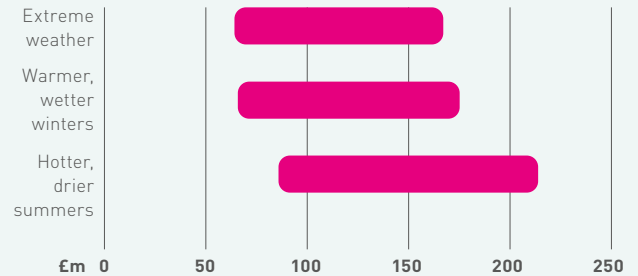
Current value of risks exacerbated by climate drivers

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

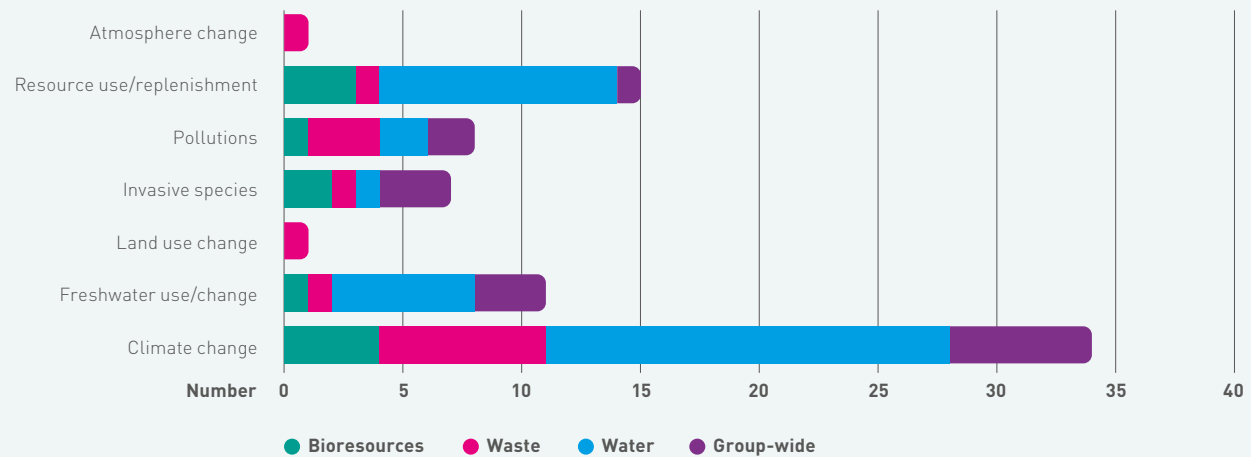


Physical risk drivers



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

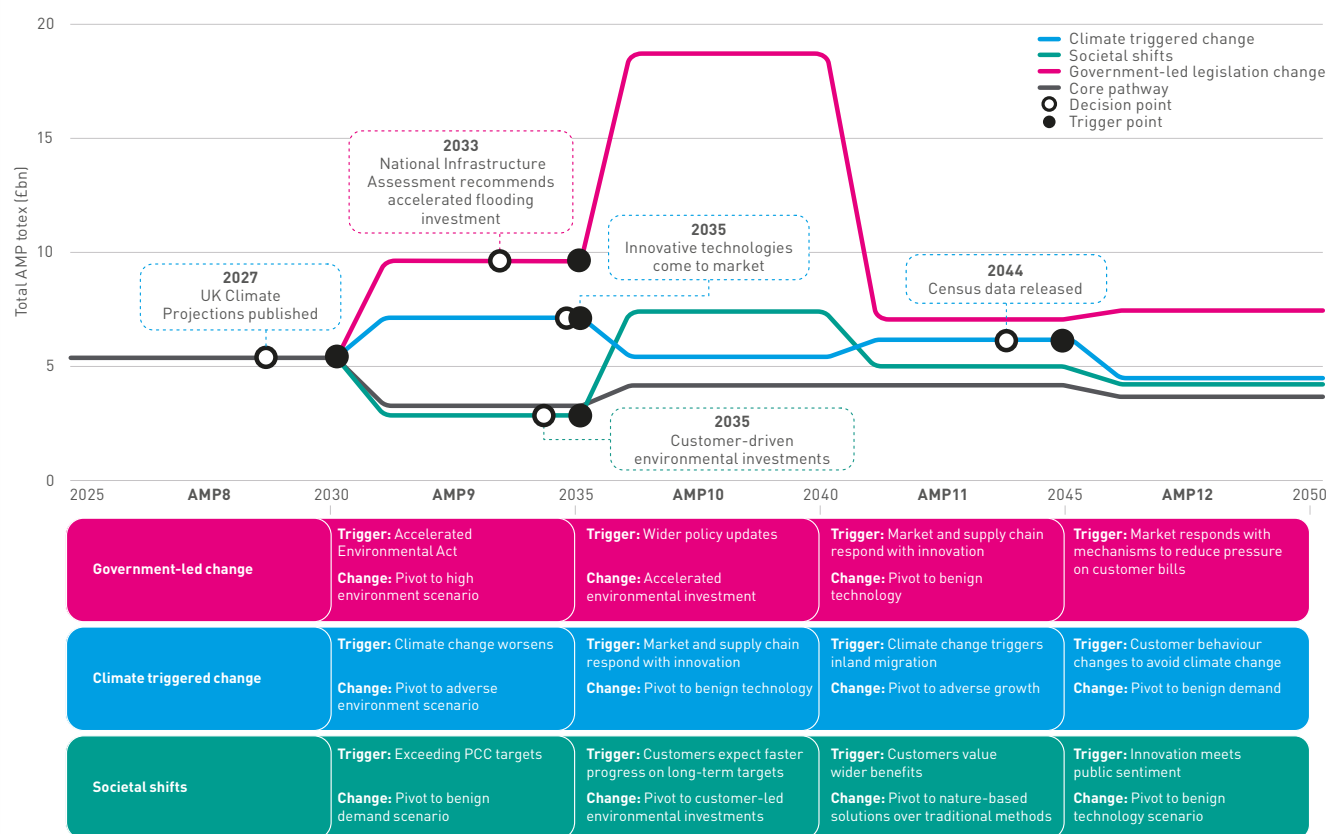
Running a Business that Goes Hand-in-Hand with Nature continued

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.



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.



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

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



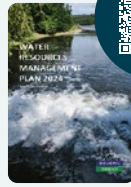
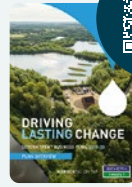


Investing for climate resilience

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

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

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
		SR0s	Investment £million (cumulative)	Invest £42.5 million in SR0s 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	m ³ /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	km ²	No target	20,548	20,538	20,526	20,518	20,514	N/A
		Green Recovery – Flood resilience investment through SuDS	m ³ surface water storage (cumulative)	58,000 m ³	N/A	N/A	239	4,931	31,156	£46.6 million
		CS0s	Average spills per year	Average of 20 per year	27	25	18.4	24.9	25.4	£119.4 million



Tittesworth Reservoir

	Principal Risk	Metric	Measure/ Unit	Target	2020/21	2021/22	2022/23	2023/24	2024/25	Capital deployed this year*
Transition Risks	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 (m³) 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

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

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.

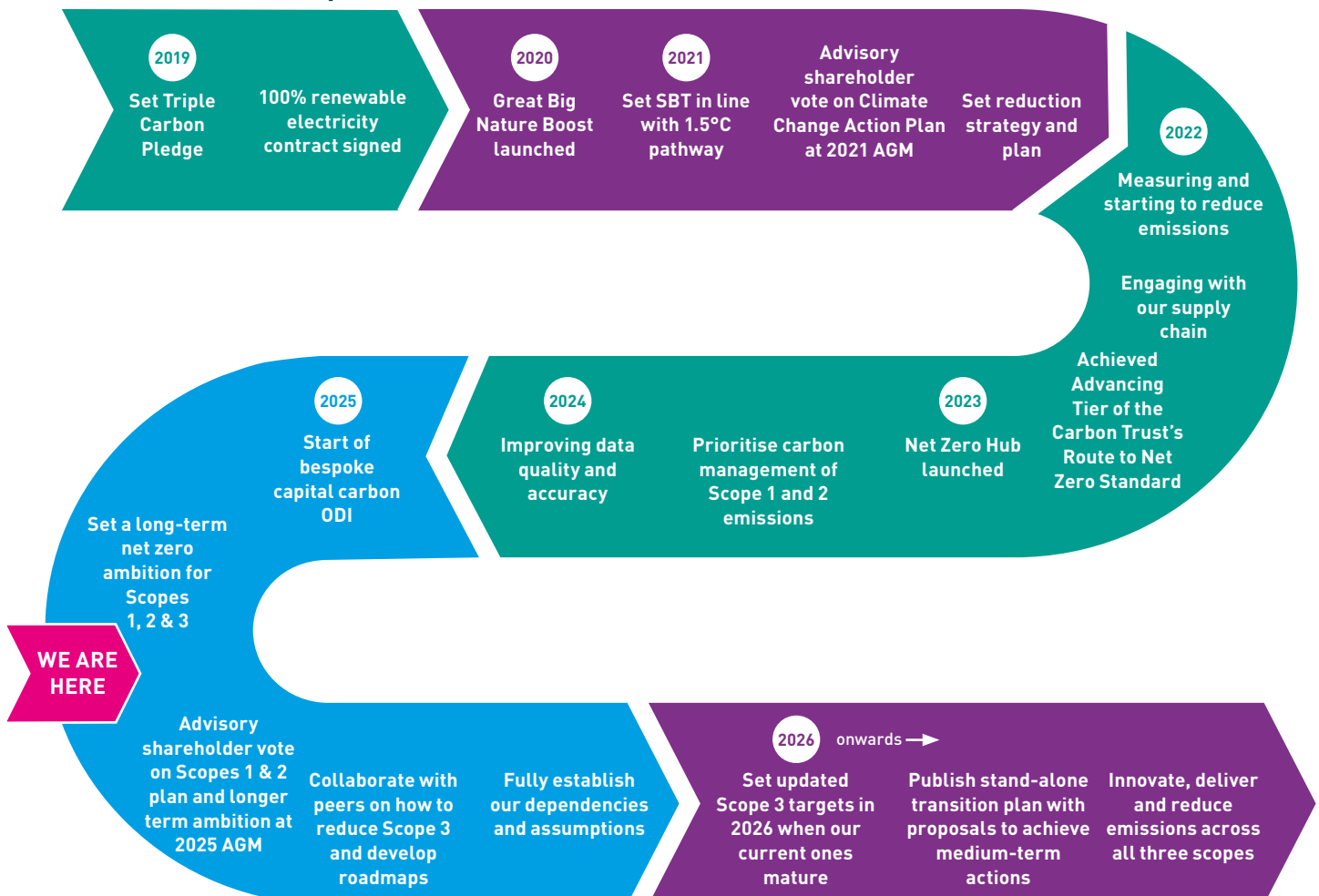
We will achieve these targets whilst continuing to support a thriving environment and provide the high-quality service our customers expect, at a price they can afford.



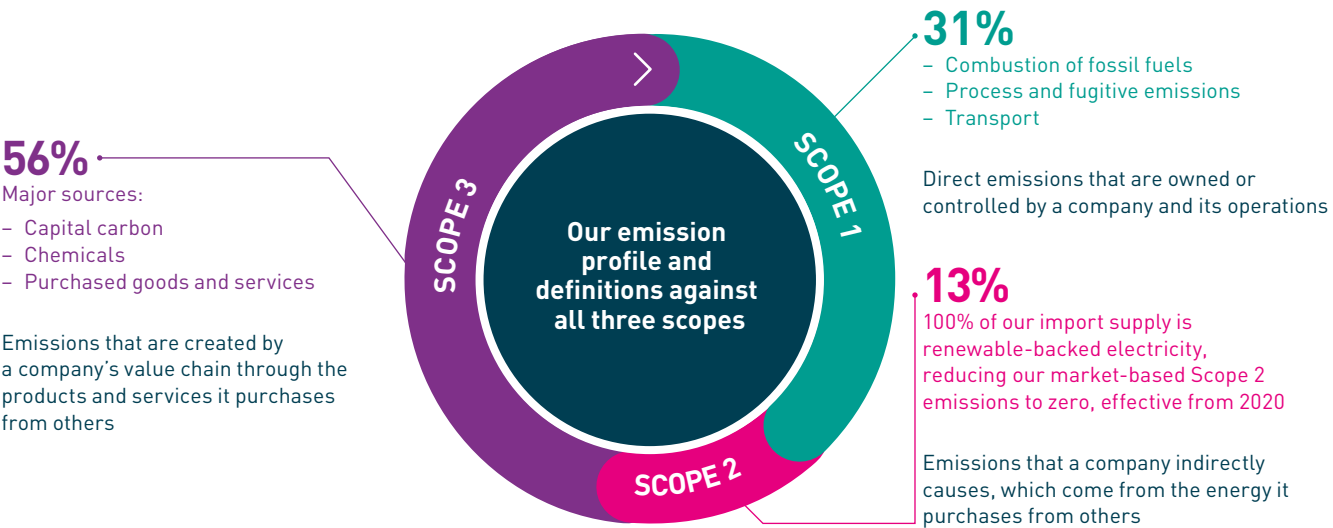
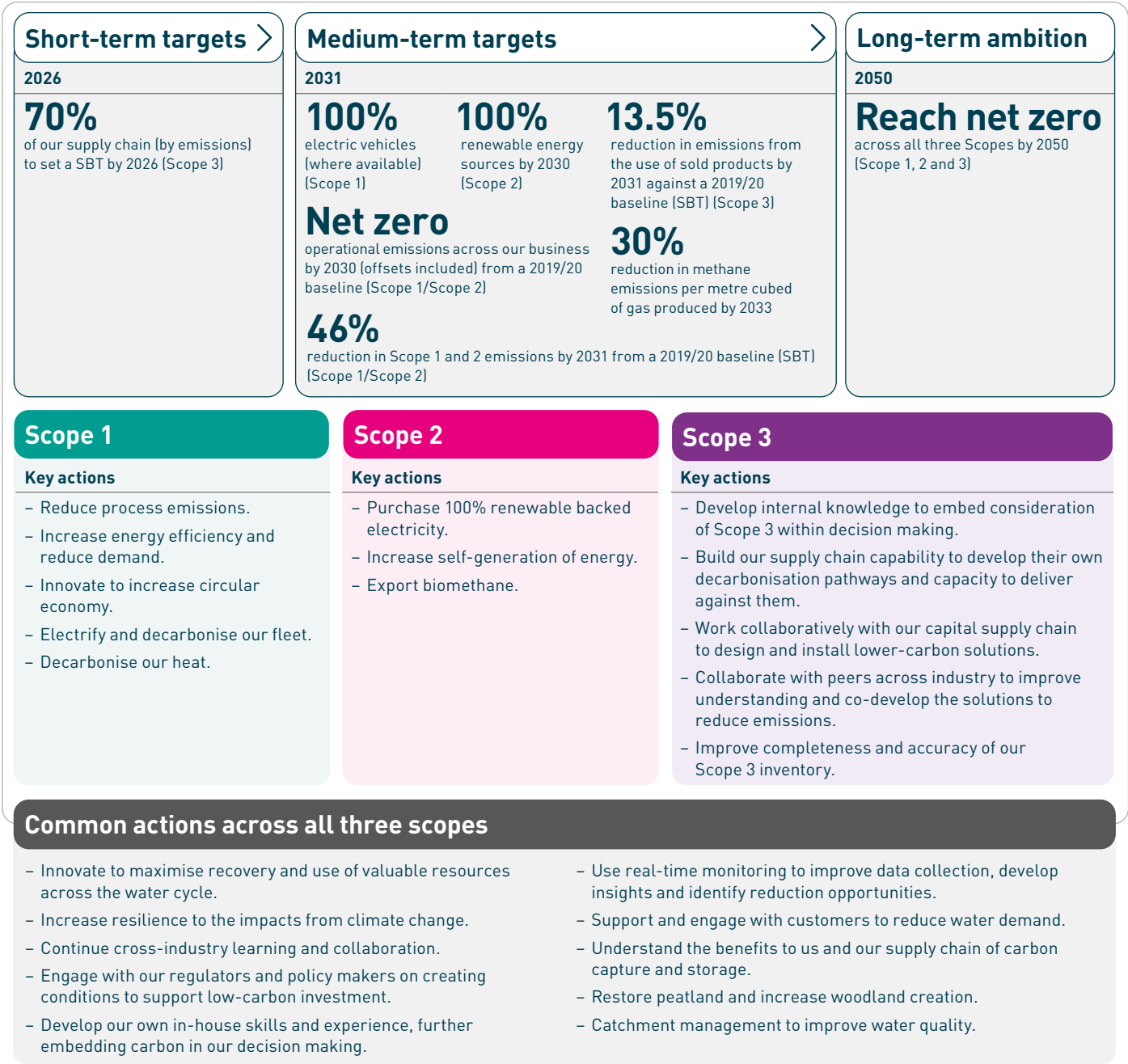
What do we mean by operational net zero?

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



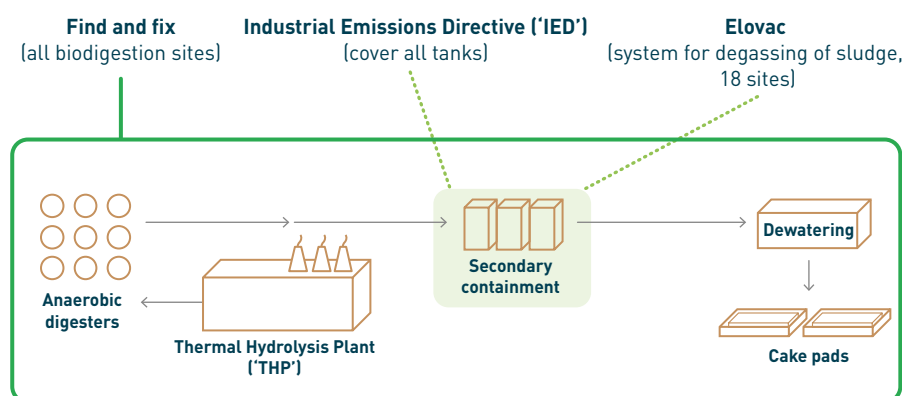
Running a Business that Goes Hand-in-Hand with Nature continued



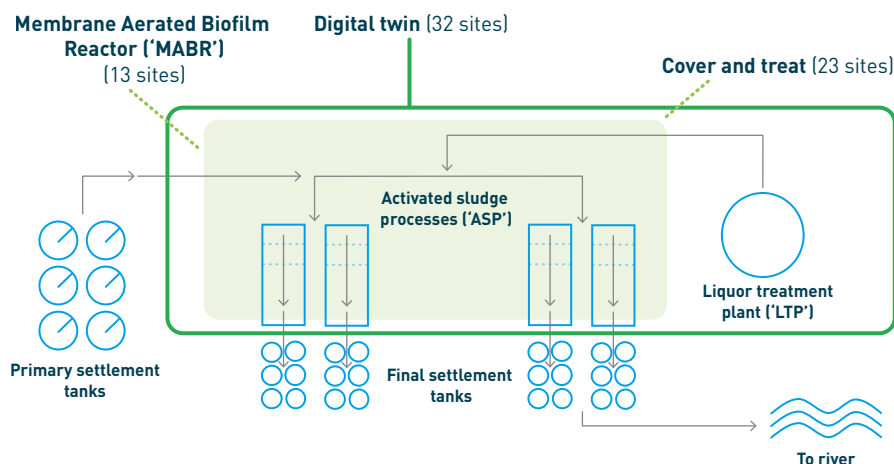
Our AMP8 Net Zero Plans

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.



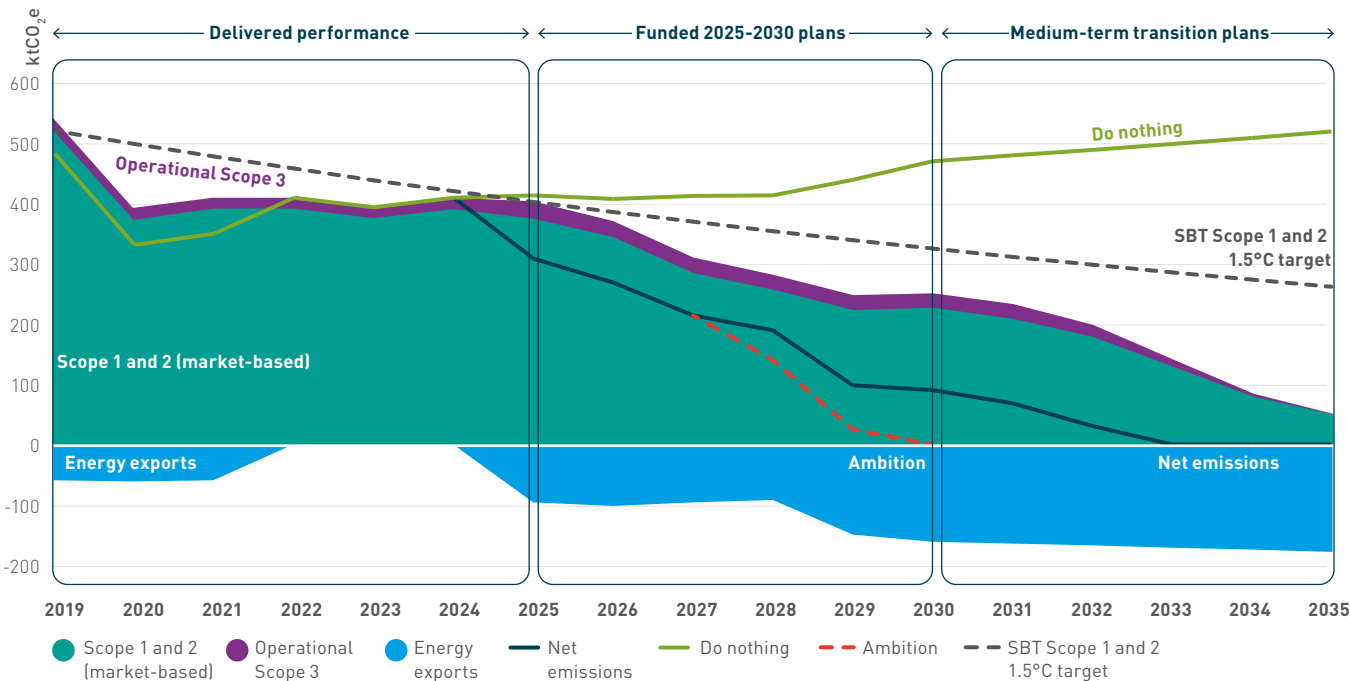
Running a Business that Goes Hand-in-Hand with Nature continued

What are we aiming for?

We aim to deliver a stretching GHG emissions reduction of 220 ktCO₂e 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 ktCO₂e compared to a 2019/20 baseline of 561 ktCO₂e. 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 ktCO₂e (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

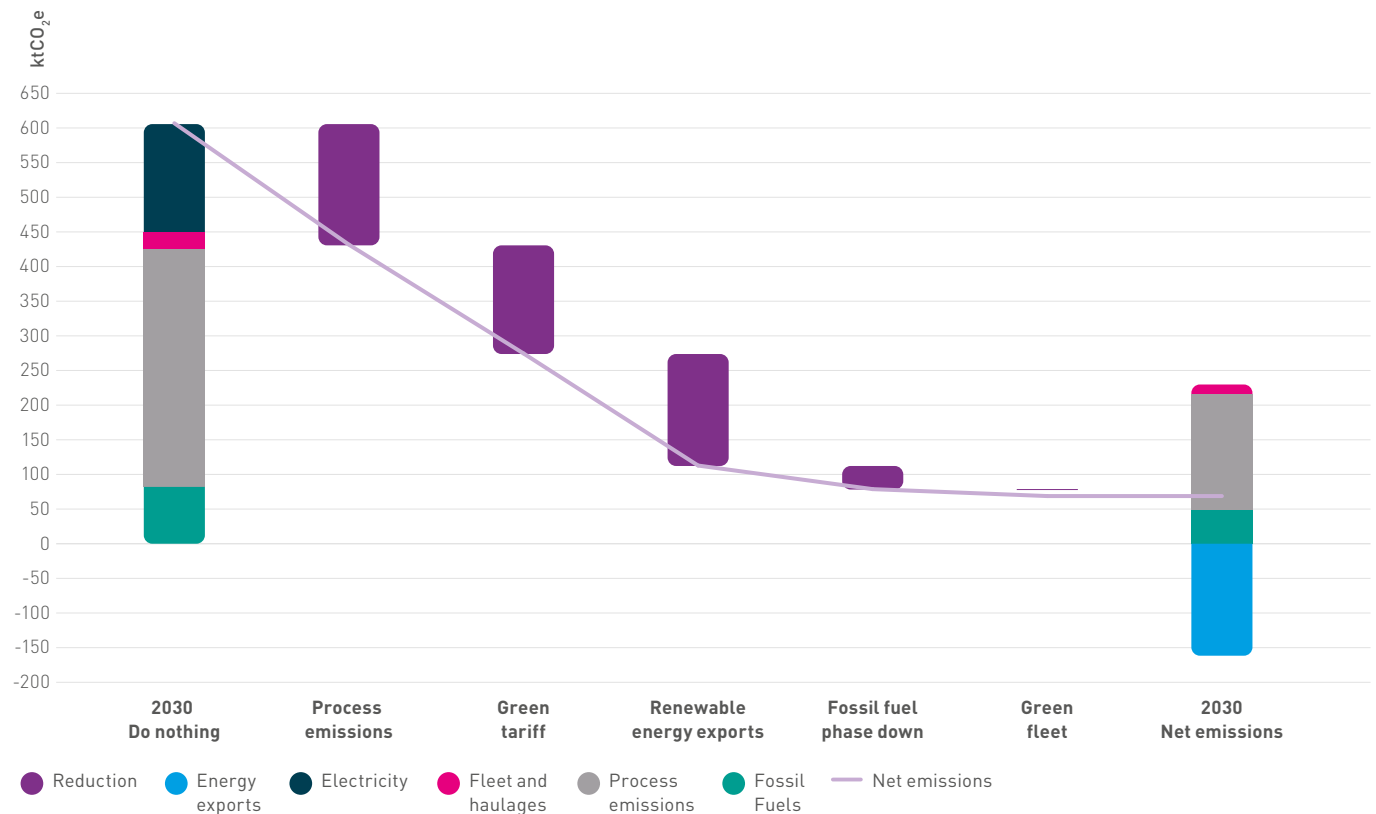
Decarbonising our Scope 3 emissions relies on the progress of others, such as our supply chain, through offering alternative approaches, techniques and materials focused on decarbonisation, whilst also reflecting good value for our customers. We are working closely with our supply chain to encourage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

Scope 1 and 2 reduction waterfall

Our funded plans aim to deliver an estimated reduction of 537 ktCO₂e 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/tCO₂e 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.

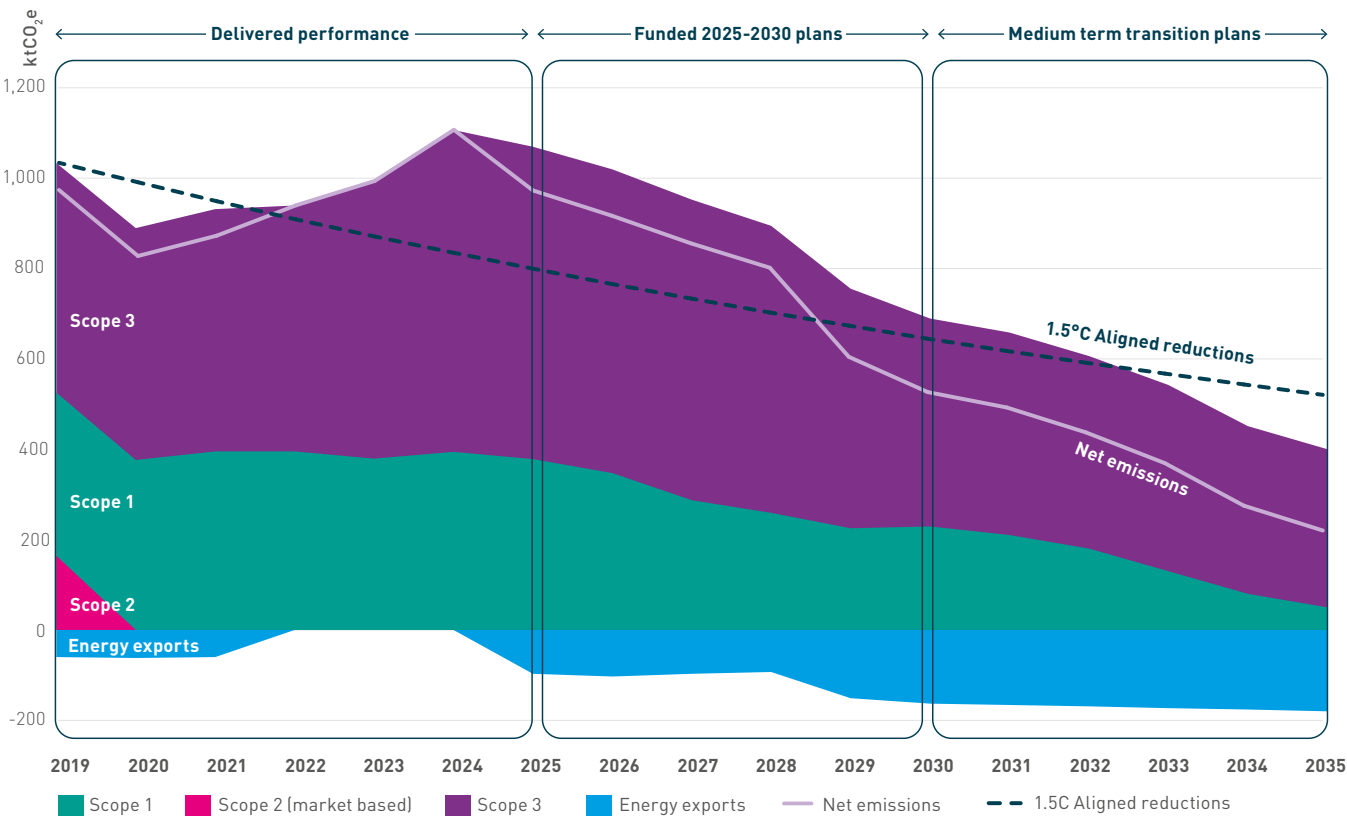
Running a Business that Goes Hand-in-Hand with Nature continued

Our Scope 3 challenge

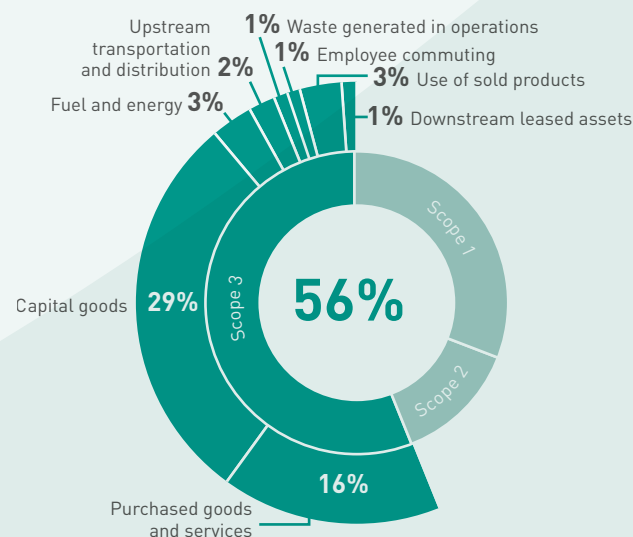
The scale of investment over the next decade means that Scope 3 emissions will increase before they fall. Addressing capital carbon and the adoption of alternative solutions at scale are essential to achieving our long-term ambition. To do this, we must ensure we

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



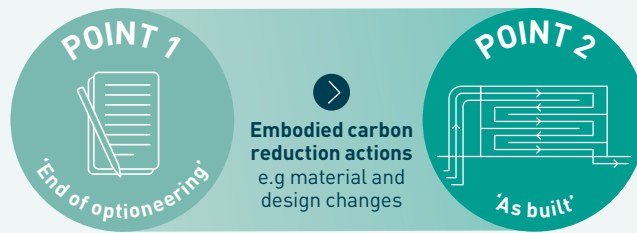
Improving the completeness and accuracy of our Scope 3 emissions inventory is essential to inform our approach. For our capital projects (emissions associated with construction and maintenance of our assets), we are increasing the use of in-house carbon calculators to calculate cradle-to-build emissions, 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.

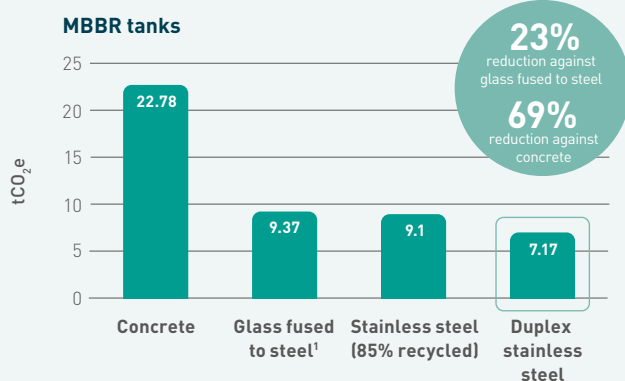
Capital carbon: Alternative low carbon materials to reduce embodied carbon

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

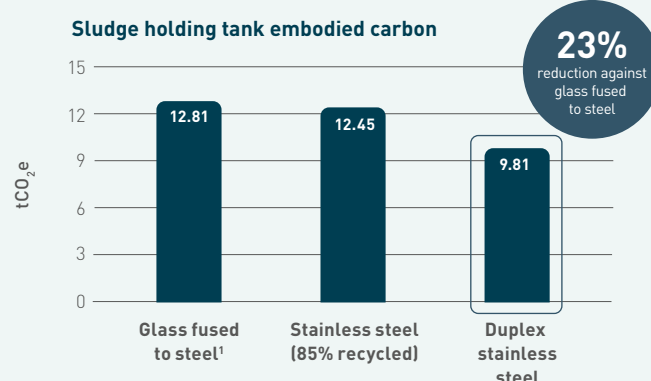
Above-ground duplex stainless steel tanks instead of glass fused to steel or concrete, below-ground tanks



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

Sludge holding tank

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



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.

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

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.

Annual operational emissions – location and market based

Annual emissions (tCO ₂ e)	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 (186,489)	376,299 (203,024)	395,424 (217,199)	395,424 (209,547)	379,306 (221,494)	394,203 (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 (386,124)	559,067 (385,792)	555,062 (376,837)	545,388 (359,511)	538,602 (380,790)	550,962 (397,705)
Scope 1 and 2 Total Emissions – Market Based	525,129 (350,070)	376,300 (203,025)	395,424 (217,199)	395,432 (209,554)	379,419 (221,607)	394,704 (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 (407,743)	578,468 (405,193)	572,233 (394,008)	562,528 (376,650)	556,271 (398,459)	569,293 (416,036)
Total Annual Gross Operational Emissions – Market Based	546,748 (371,689)	395,701 (222,426)	412,595 (234,370)	412,571 (226,694)	397,088 (239,276)	413,035 (259,778)
Gross Location Based operational GHG emissions of Severn Trent Plc per £m turnover	316 (221)	317 (222)	294 (203)	260 (174)	237 (170)	235 (171)

- 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.
- 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.
- 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 ₂ e)	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

- Historical number updated to include missing hydro generation.
- 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 CO₂ 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 ₂ e)	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 (tCO₂e), 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 N₂O 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.

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

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:

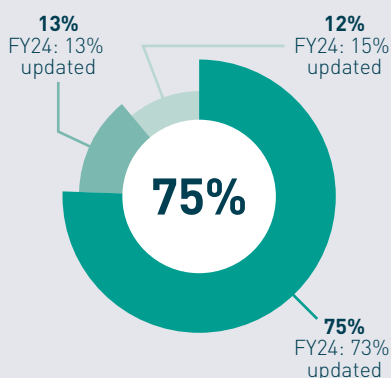
- We improved our alignment to the 'Sustainable use and protection of water and marine resources' objective by 48 percentage points in capex, aligning the activity Urban Wastewater Treatment ('UWWT'), as set out on the following page.
- We streamlined our eligibility reporting, eliminating overlap across 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

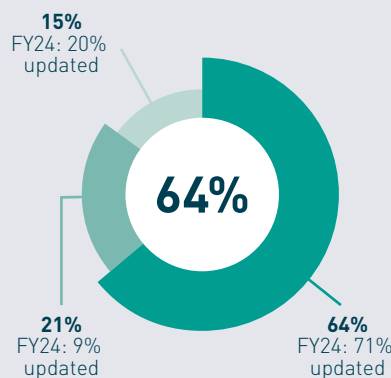
We currently report alignment to two objectives: 'Climate change mitigation' ('CCM') and 'Sustainable use and protection of water and marine resources' ('WTR'). We have eligible activities across three other objectives (Climate change adaptation, Transition to a circular economy and Protection and restoration 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

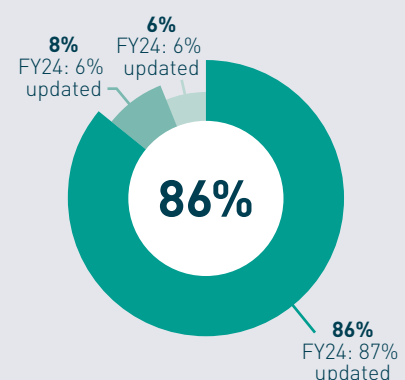
Turnover



Operating expenditure



Capital expenditure



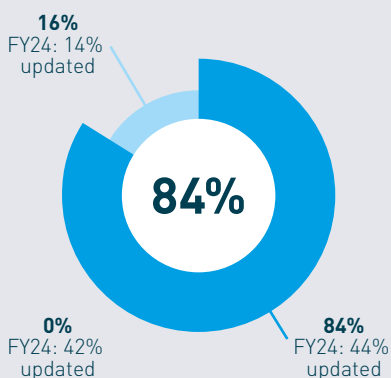
● Eligible and aligned

● Eligible and not aligned

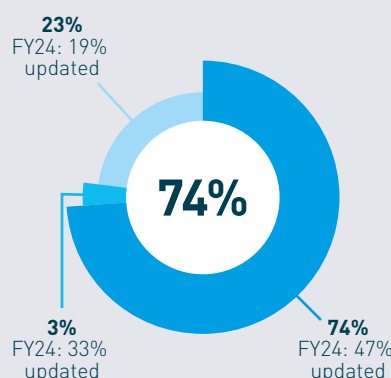
● Not eligible

Sustainable use and protection of water and marine resources objective

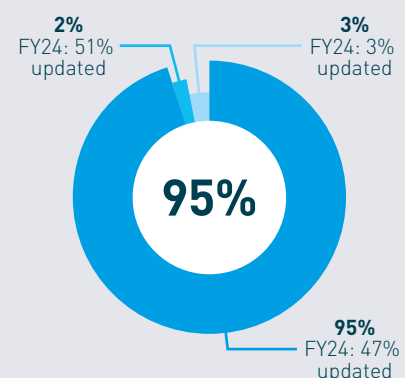
Turnover



Operating expenditure



Capital expenditure



● Eligible and aligned

● Eligible and not aligned

● Not eligible

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

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

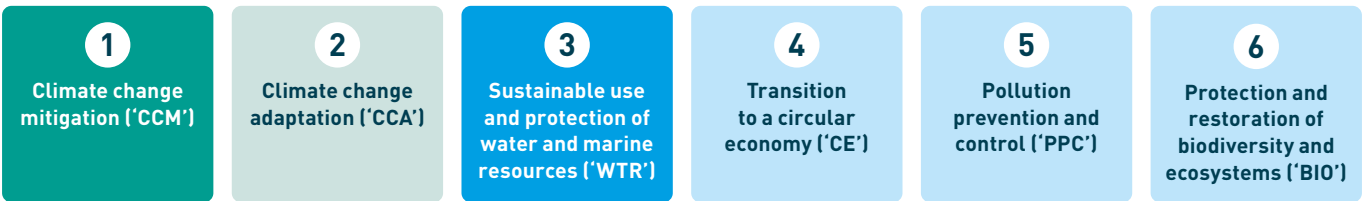
This year, the DNSH criteria to assess environmental impact to water and biodiversity and ecosystems were updated to be more rigorous and apply across all activities. This prompted us to review our environmental risk processes and we confirmed that we already operate at a level of rigour that meets and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

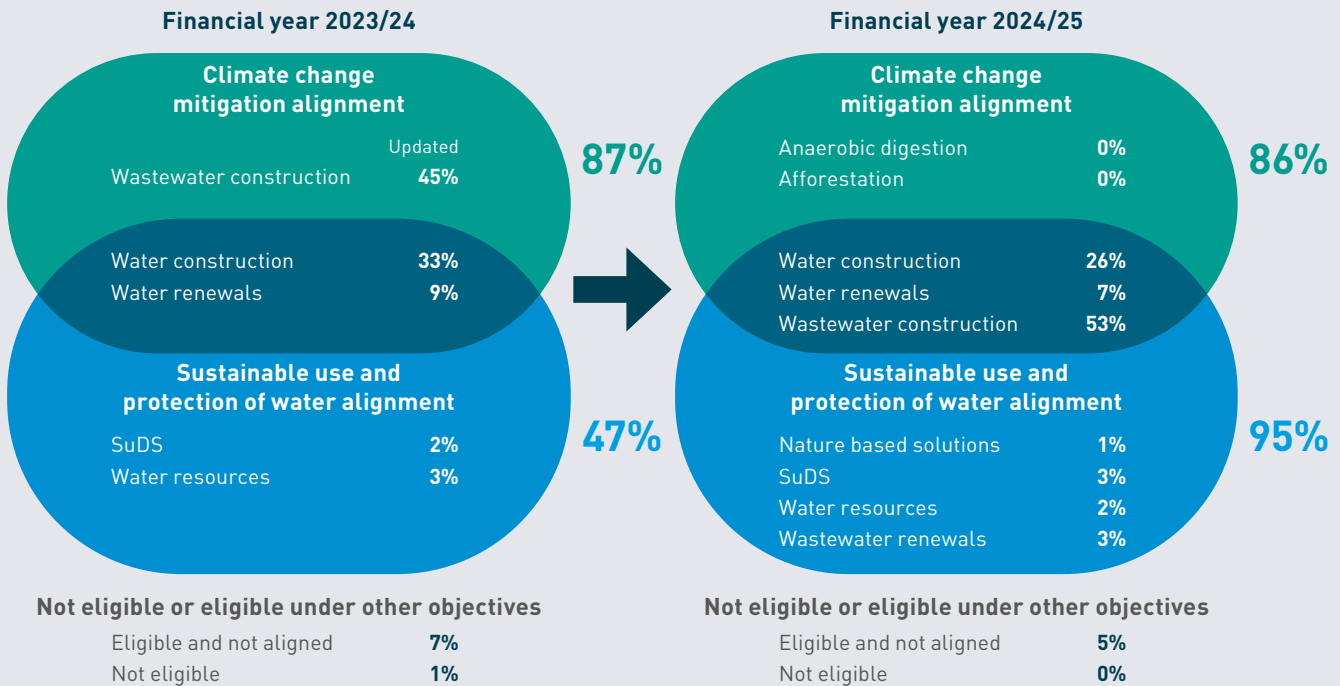
In previous years, we mapped the DNSH criteria against only the serious pollutions target. This year, we have bolstered our approach by incorporating the full range of EA targets, ensuring that our EU Taxonomy alignment mirrors our ambitions to do well on all targets.

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.



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.

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

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:

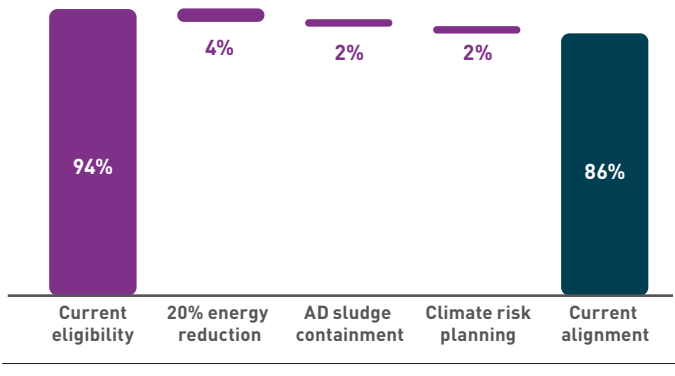
Activity	Next steps	Investment
Conservation	<ul style="list-style-type: none">- Adapt management plans to incorporate criteria- Finalise physical climate risk assessment processes	£8 million
Forest management	<ul style="list-style-type: none">- Implement a process to calculate and analyse the climate 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.

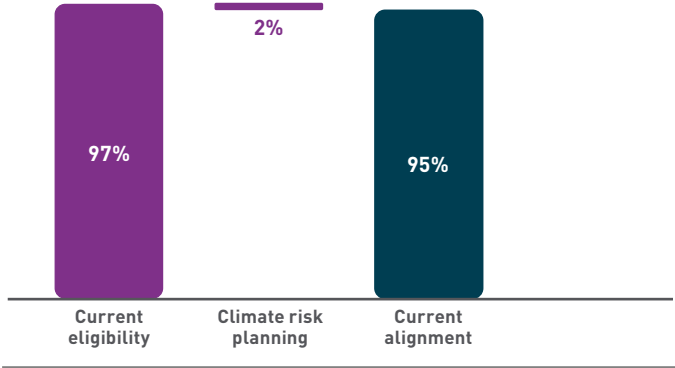
Gap analysis 2024/25

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	
2024/25	£21.2m	2024/25	£22.7m	2024/25	£3.6m
2023/24	£25.6m	2023/24	£29.5m	2023/24	£4.1m
2022/23	£28.1m	2022/23	£35.7m	2022/23	£2.0m

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

112.1p

2023/24: 79.4p

RCV

£13.7bn

2023/24: £12.5bn

RoRE

9.3%

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	%
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.

Chief Financial Officer's Review continued

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 £m	2024 £m	Better/worse	
			£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 ODI 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 Equity⁴	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 same 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.

Chief Financial Officer's Review continued

	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	%
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).

Chief Financial Officer's Review continued

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	Sewern Trent Plc	Sewern 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.

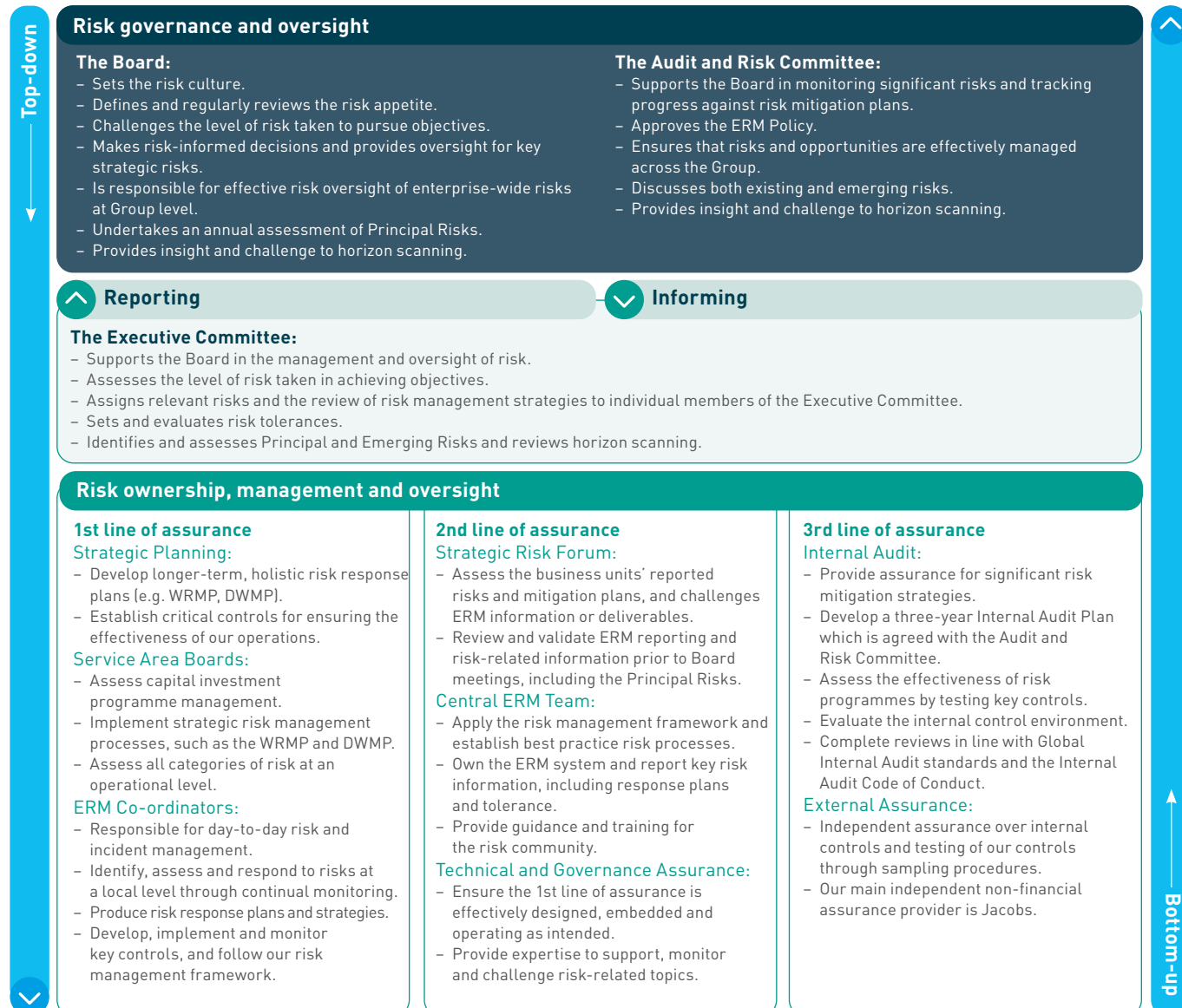
- We are determined to play a leading role in addressing the impact of climate change through mitigating our own impact and that of our supply chain. We will adapt to the challenges which climate change may bring in the future, including increasingly frequent and extreme weather events.

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



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	Relevant Principal Risk	Time Horizon
Geopolitical escalations and macroeconomic changes <ul style="list-style-type: none"> 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. 	5, 6 and 8	Short-term and medium-term
	Strategic Objectives	How we are monitoring
	Outcomes	– Horizon scanning
	Nature	– Emerging Risks tracker
	People	– National Risk Register
	Change	– Supplier heat-mapping
Evolving political, regulatory and legislative landscape <ul style="list-style-type: none"> 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. 	2, 3 and 7	Short-term and long-term
	Strategic Objectives	How we are monitoring
	Outcomes	– Horizon scanning
	Nature	– Emerging risks tracker
	People	– Existing ERM risks
	Change	– Stakeholder engagement
Technology and innovation, including AI and cyber security <ul style="list-style-type: none"> 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. 	4, 7 and 11	Short-term and medium-term
	Strategic Objectives	How we are monitoring
	Outcomes	– AI Forum
	Nature	– Emerging Risks tracker
	People	– Existing ERM risks
	Change	– Additional risk assessments
Changing expectations in relation to 'forever chemicals' <ul style="list-style-type: none"> 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. 	2, 3, 4 and 7	Short-term to long-term
	Strategic Objectives	How we are monitoring
	Outcomes	– Risk assessments, including key causes, consequences and controls
	Nature	– PFAS Working Group
	People	– Horizon scanning
	Change	– 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.

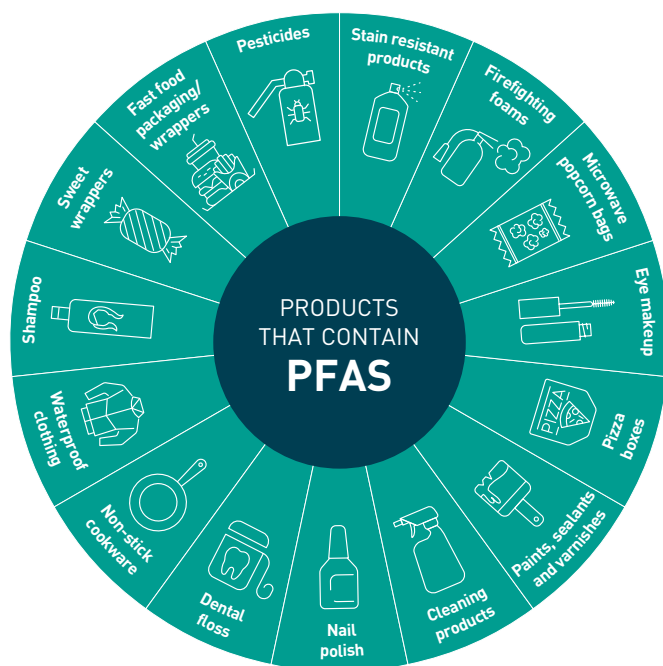
What are PFAS and where do they come from?

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 sulphonate ('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 through 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 and 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



Change in year



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

Our Principal Risks continued

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

Our Principal Risks continued

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



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



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) Service failure leads to increased operating expenditure or failure to meet performance commitment targets	An extreme one-off event Totex underperformance in each year of the forecast ODI penalty in a single year
We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment	An extreme breach in a sludge lagoon at a large wastewater treatment works Service failure leads to increased operating expenditure or failure to meet performance commitment targets	An extreme one-off event Totex underperformance in each year of the forecast ODI penalty in a single year A financial penalty
We do not meet the needs of our customers or anticipate changing societal expectations with the level of customer service we provide	Our customer performance is well below their expectations across a range of measures	ODI penalty in a single year
Insufficient resilience in the supply chain impacts the deliverability of the capital programme (time, cost, quality)	Significant increase in capital programme costs Service failure leads to increased operating expenditure or failure to meet performance commitment targets	Totex underperformance in each year of the forecast ODI penalty in a single year
Core operational capabilities are compromised through physical, people or technological threats	A cyber attack results in a critical loss of personal data leading to regulatory action	An extreme one-off event A financial penalty
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 Failure to deliver regulatory obligations and expected performance levels Failure to provide water network and treatment capacity to meet requirements in future AMPs Failure to safeguard wastewater network and treatment capacity to meet demand or increased environmental obligations in future AMPs	A financial penalty ODI penalty in a single year 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 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. Manage liquidity by temporarily reducing working capital. Close out derivative financial instruments in asset positions to generate cash. Consider new sources of funding, including hybrid debt. Reprofile capital programme to ease short-term pressure on ratings. Consider reducing dividend in the year or downgrading the dividend policy.
Totex underperformance	Pressure on earnings and cashflows, but with average earnings higher than the dividend indicated by our current policy. Increased gearing and significant deterioration in credit metrics that, without mitigating action, might lead to a downgrade below investment grade and a breach of covenants.	Cost reduction programme focused on reducing discretionary expenditure to support profitability. Manage liquidity by temporarily reducing working capital. Close out derivative financial instruments in asset positions to generate cash. Consider new sources of funding, including hybrid debt. Consider downgrading the dividend policy.
ODI penalty	The penalty would flow through revenue two years after the performance commitment was breached. In that year profit remains higher than the expected dividend indicated to be paid. Increased gearing and deterioration in credit metrics that, without mitigating action, might lead to a downgrade although still at investment grade.	Accelerate recognition of accumulated ODI rewards not yet taken. Engage with ratings agencies to discuss the short-term nature of the impacts. Manage liquidity by temporarily reducing working capital. Consider reducing dividend in the year.
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. Manage liquidity by temporarily reducing working capital. 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. Deterioration in credit metrics that, without mitigating action, might lead to downgrade.	Manage liquidity by temporarily reducing working capital. Close out derivative financial instruments in asset positions to generate cash. Consider new sources of funding, including hybrid debt.
Combined scenarios	Significant reduction in profitability and cash flow, although earnings in the year remain at or above the dividend indicated by our policy. Significant increase in gearing and deterioration in credit metrics that, without mitigating action, might lead to a risk of downgrade in credit ratings below investment grade and a breach of covenants.	Engage with ratings agencies and banks to discuss the impacts on ratings and covenants. Manage liquidity by temporarily reducing working capital. Close out derivative financial instruments in asset positions to generate cash. Cost reduction programme focused on reducing discretionary expenditure to support profitability. Reprofile capital programme. Consider downgrading the dividend policy.
Higher inflation	Short term adverse impact to profit, dividend cover and cash. However, in the longer term higher inflation increases revenue and RCV leading to higher profits and lower gearing.	Engage with ratings agencies to discuss the short-term nature of the impacts. Manage liquidity by temporarily reducing working capital. Close out derivative financial instruments in asset positions to generate cash.
Sustained lower inflation	Pressure on profit and cash, but with average earnings higher than the dividend indicated by our current policy. Increased gearing and deterioration in credit metrics that, without mitigating action might lead to a downgrade in credit ratings below investment grade and a breach of debt covenants.	Engage with ratings agencies to discuss the short-term nature of the impacts. Cost reduction programme focused on reducing discretionary expenditure to support profitability. Our dividend policy is index-linked and therefore low inflation would reduce the dividend payable. We would also consider downgrading the dividend policy.
Deflation for two years	Pressure on profit and cash in the years following the deflation years, that may sustain in future years. Increased gearing and deterioration in credit metrics that, without mitigating action might lead to a downgrade in ratings below investment grade and a breach of debt covenants.	Engage with ratings agencies to discuss the short-term nature of the impacts. Consider new sources of funding, including hybrid debt. Cost reduction programme focused on reducing discretionary expenditure to support profitability. Our dividend policy is index-linked and therefore deflation would reduce the dividend payable. We would also consider downgrading the dividend policy.
Higher interest rates	Reduction in profit. Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings below investment grade.	Engage with ratings agencies to discuss the impacts and the regulatory true-up mechanism that would mitigate the impacts in the longer term. Cost reduction programme focused on reducing discretionary expenditure to support profitability. Manage liquidity by temporarily reducing working capital. Consider reducing dividend in the years impacted, or downgrading the dividend policy.

The mitigating actions available are described in more detail below.

Mitigating action	Details
Engage with ratings agencies and banks	While ratings agencies and banks apply formulaic calculations as part of their ratings and covenant assessments, judgment is also applied. Where a threshold for a particular rating is breached or a covenant ratio not met, a downgrade might not be applied or a temporary covenant waiver might be granted if the agency/bank considers the situation to be temporary and likely to reverse in the near future.
Manage liquidity by temporarily reducing working capital	We would seek to accelerate collection of amounts receivable with particular focus on overdue accounts. We would work with our suppliers to negotiate longer credit terms where appropriate.
Cost reduction programme	We would review discretionary expenditure to identify costs that could be avoided or reduced without a detrimental impact to customer service.
Reprofile capital programme	By deferring elements of capital expenditure, we could mitigate the impact of significant events on our cash flow and smooth the effect on key ratios over a number of years, reducing the size of the impact in any one year. 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.

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.

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 customers

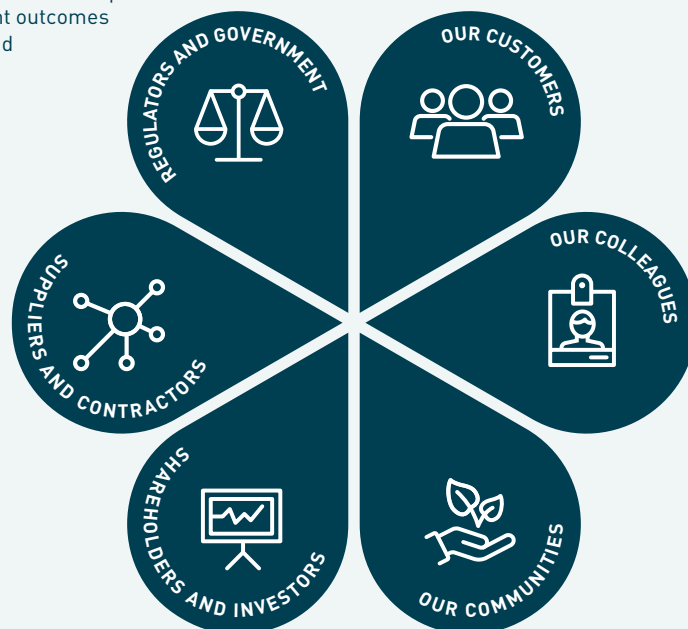
In serving our customers, we want to provide strong service delivery over the long term. We are delighted that our Severn Trent Water Business Plan for 2025-2030 was awarded 'outstanding' status by Ofwat. We engaged extensively with our customers in development of our Business Plan.

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.

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.

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.

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.

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.

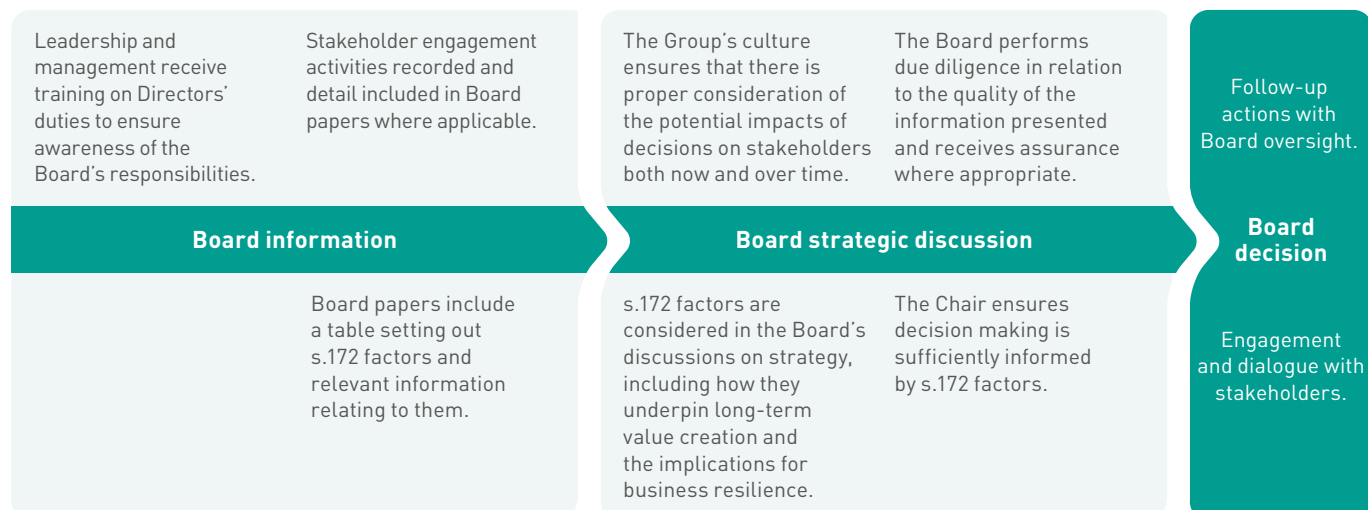
In performing their duties during 2024/25, the Directors have had regard to the matters set out in s.172 of the Companies Act 2006. You can read more on how the Board had regard to each matter, during the year, as follows:

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

s.172 factor	Relevant disclosure	Page
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
The need to act fairly as between members of the Company	Sustainability	28 to 59
	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:



How the Board Engages with our Stakeholders

<p>Our customers</p> <ul style="list-style-type: none"> 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. 	<p>Our colleagues</p> <ul style="list-style-type: none"> 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. 	<p>Our communities</p> <ul style="list-style-type: none"> 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.
<p>Shareholders and investors</p> <ul style="list-style-type: none"> 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. 	<p>Suppliers and contractors</p> <ul style="list-style-type: none"> 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. 	<p>Regulators and Government</p> <ul style="list-style-type: none"> 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 Group Data Protection Policy Group Commercial Policy	Stakeholder Engagement, pages 84 to 90 s.172 Statement, pages 91 to 93 Board Activities, pages 106 to 107
Climate and environment <ul style="list-style-type: none"> – Delivering net zero – Managing climate-related issues – Carbon performance, metrics and targets – Climate-related financial disclosures – Managing impacts on the natural environment and biodiversity 	Group Environment Policy	TCFD and TNFD disclosures and Net Zero Transition Plan, pages 29 to 54 EU Taxonomy, pages 55 to 59 Corporate Sustainability Committee Report, pages 129 to 130 Stakeholder Engagement, pages 84 to 90 s.172 Statement, pages 91 to 93
Employees <ul style="list-style-type: none"> – Protecting health, safety and wellbeing – Investing in training and learning – Culture and ethics – Reward and benefits – Employee voice – Promoting inclusion and diversity 	Group Health, Safety and Wellbeing Policy Group Speak-Up Policy Group Human Resources Policy	Caring for People in our Region, pages 19 to 21 Stakeholder Engagement, pages 84 to 90 Gender and ethnicity pay gap, page 21 and 144 Our Culture, pages 98 to 99 Governance Report, pages 95 to 113 Audit and Risk Committee Report, pages 119 to 126 Directors' Remuneration Report, pages 131 to 154
Social matters <ul style="list-style-type: none"> – Societal Strategy – Affordability support – Paying a fair share of tax – Community Fund 	Anti-Slavery and Human Trafficking Statement Diversity within our Workforce	Governance Report, pages 95 to 113 Corporate Sustainability Committee Report, pages 129 to 130
Human rights, anti-corruption and anti-bribery <ul style="list-style-type: none"> – Speaking up against wrongdoing – Prevention of bribery and corruption – Approach to human rights 	Group Financial Crime, Anti-Bribery and Anti-Corruption Policy Group Conflicts of Interest Policy Group Security Policy Group Competition and Competitive Information Policy	Governance Report, pages 95 to 113 Audit and Risk Committee Report, pages 119 to 126 Anti-Slavery and Human Trafficking, page 130
Description of Principal Risks and impact of business activity		Managing Risks and Opportunities, pages 68 to 69 Our Principal Risks, pages 73 to 78 Our Emerging Risks, page 70 to 72 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 Key Performance Indicators, pages 12 to 13
Governance		Key Board discussions and decisions, pages 91 to 93 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