

TAKING CARE OF ONE OF **LIFE'S** **ESSENTIALS**

Our approach to sustainability









WONDERFUL ON TAP

SEVERN
TRENT

SUSTAINABILITY FRAMEWORK

BEING SOCIALLY PURPOSEFUL

TAKING CARE OF THE ENVIRONMENT	HELPING PEOPLE TO THRIVE	BEING A COMPANY YOU CAN TRUST
<div></div> <div>Ensuring a sustainable water cycle</div>	<div></div> <div>Delivering an affordable service for everyone</div>	<div></div> <div>Living our values</div>
<div></div> <div>Enhancing our natural environment</div>	<div></div> <div>Providing a fair, inclusive and safe place to work</div>	<div></div> <div>Balancing the interests of all our stakeholders</div>
<div></div> <div>Making the most of our resources</div>	<div></div> <div>Investing in skills and knowledge</div>	<div></div> <div>Running our company for the long term</div>
<div></div> <div>Mitigating climate change</div>	<div></div> <div>Making a positive difference in the community</div>	<div></div> <div>Being open about what we do and sharing what we know</div>

This booklet provides a summary of the key messages from our Capital Markets Day, and highlights of our sustainability approach. Our first Sustainability Report, which will be published in June 2020, will fully detail our performance.

FOREWORD

We believe that a business with a strong sense of social purpose will deliver better and more sustainable outcomes for stakeholders over the long term. Businesses that are successful in balancing the needs of customers, colleagues and investors while making a positive contribution to the environment and communities they operate in have been proven to be more successful.

Our approach to continuing to be a socially purposeful company ultimately boils down to three components:

- **Taking care of the environment**
- **Helping people to thrive**
- **Being a company you can trust**

The way we interact with our natural environment is crucial to our success. Our process starts and finishes with water in its most natural state, and in between we provide customers with wonderful water to go about their busy lives and then take their waste away, ensuring that we maximise the resources we can take from it along the way. In essence, the environment is our supply chain and it is in our interests to not only minimise our impact on it but to enhance nature to help us to **take care of one of life's essentials.**

Sustainability doesn't end with the environment. Ensuring that we deliver a great service for customers at a fair price is fundamental to being a good business, as is looking after the people who proudly work at Severn Trent to deliver great outcomes on a daily basis. Around 87% of employees are our customers and live in the communities we serve, and we also are committed to investing in their skills and knowledge. We are acutely aware of our responsibility to play our part in helping local communities to thrive through employment, education, investment and supporting those in need.

Stakeholders have told us that trust is earned not just by what you do but how you do it, and we believe that living by our values ensures that we will make the right decisions for all our stakeholders. It's our role to think about the long term for future generations. We are committed to being open and transparent, reporting in an honest way on how we are progressing on our journey.

Fundamentally, we believe our approach to sustainability makes good business sense, enabling us to generate fair returns in both the short and long term. We will be more efficient, more resilient, an employer that talented people want to work for and a business trusted by the community it serves.

From all of us at Severn Trent



WHAT DO THE EXPERTS SAY?



This very significant contribution from Severn Trent toward the creation of a national Nature Recovery Network could not be more welcome. If we are to achieve our goal to be the first generation to leave Nature in a better state than we found it then this is exactly the kind of leadership, vision and partnership working that we will need. We hope that other major companies will soon come forward with comparable ambition, leading over time to an historic turnaround in the fortunes of our wildlife and natural environment.

Tony Juniper
Chair of Natural England



Severn Trent's commitment to science based targets and their Triple Carbon Pledge builds on their outstanding track record of reducing emissions and generating renewable energy, and creates momentum as a prominent business tackling climate change.

Hugh Jones
Managing Director, Carbon Trust



It's really refreshing to see Severn Trent embracing their communities and genuinely supporting those most in need. I was so pleased to hear about this unique new fund and as Chair of the Community Fund Panel I've been particularly impressed by how community need has been at the forefront right from the start. It's going to make a huge difference and I am delighted to be involved with and work alongside a company so committed to making a positive impact on the communities they serve.

June Campbell
Independent Chair of the Severn Trent
Community Fund



Severn Trent are showing real ambition with their new business plan and there is real synergy between their priorities as part of their 'Great Big Nature Boost' and our own. It is clear that Severn Trent are recognising the importance of investing in nature to help combat the biggest threat to humanity which is the climate and ecological crisis.

Ian Jelley
Director of Living Landscapes
at Warwickshire Wildlife Trust

SEVERN TRENT IN NUMBERS

50%

15% reduction in leakage by 2025 and
committing to a 50% reduction by 2045

Over £1.2bn

Over **£1.2 billion** investment over the next five years to support a number of ambitious long term commitments that will help to secure a legacy for generations to come

195,000

Annually supporting **195,000** customers who struggle to pay their bills by 2025

5,000ha

Enhancing the biodiversity of **5,000 hectares of land by 2027** (1% of national target), with our Great Big Nature Boost

500,000

Educating **500,000** schoolchildren in the next five years around responsible water use, sewer misuse and healthy hydration

63%

Engage with **63%** of the farmers in our region to reduce pollutants from agriculture

1%

of profits donated to a community fund each year

Triple Carbon Pledge

Zero

Net zero carbon by 2030

100%

electric vehicles by 2030

100%

renewable energy by 2030
(already self-generating 51%)

TAKING CARE OF THE **ENVIRONMENT**



The importance of the natural environment to the success of our business cannot be understated.

Taking care of precious resources, while using nature as a source of innovation and climate change mitigation, is a fundamental part of our approach to sustainability.

1.3m

trees planted by 2030



Ensuring a sustainable water cycle

Water is becoming an increasingly precious commodity, and our 25 year Water Resource Management Plan sets out how we will balance both supply and demand over the long term.

A key feature is ensuring our abstractions are environmentally sustainable. We are increasingly using nature based solutions to build resilience in the face of a changing climate and adapt to more frequent extreme weather events.

We must all be responsible with the water we use within our daily lives, and as a company we are committed to reducing leakage by 15% by 2025 and by 50% by 2045. However, we also need to play a role in helping society use less water, which is why we are working to reduce per capita consumption by 3.5% by 2025 – that's 36 million litres a day! By educating half a million children and installing at least 500,000 meters over the next five years, we can make a real difference.

We also have a vital role to play in creating a national solution to the balance of water across North and South England, and will be investing £47 million in feasibility work to create a shovel-ready solution by 2025.



Enhancing our natural environment

Our business is dependent on the health of the natural environment, from the abstraction and treatment of clean water through to the collection and recycling of waste water. By improving the environment we can improve the local area for our communities while also reducing operating costs. By the end of 2025 we will have improved the quality of half the rivers in our region. We will also be working with 63% of the farmers in our region to improve working practices and reduce the use of pesticides.

Over the next five years we plan to halve the number of pollutions in the region, encouraging changes in behaviour through customer education and working with the industry to set flushable standards for disposable wipes. We will have a particular emphasis on protecting the most ecologically important sites and avoiding the transfer of invasive non-native species.

Enhancing the environment is important to us and our customers, which is why we are committed to enhancing the biodiversity of 5,000 hectares of land (1% of the national target¹) by 2027, with our Great Big Nature Boost. We are also planting 1.3 million trees to help alleviate flooding and improve water quality.

1 As set out in the Government's 25 year environment plan.

100%

of energy from renewable sources from 1 April 2020



Mitigating climate change

We are at the sector frontier when it comes to energy generation which, together with a focus on demand, has significantly reduced our carbon emissions as well as our operating costs. But we recognised the need to go further and in May 2019 we announced our Triple Carbon Pledge: net zero carbon emissions, 100% electric vehicles¹ and 100% renewable energy, all by 2030.

We are committed to developing Science Based Targets and reducing scope 1, 2 and 3 emissions² to ensure that we deliver in line with the goals of the Paris Agreement, including limiting global warming to below 2°C. Insourcing our design team positions us well to build solutions with carbon impact in mind, and we are working with our supply chain to further reduce our carbon footprint.

Going forward, all cars purchased will be electric, reaching 100% by 2026. We are increasing the number of electric vans we own, purchasing only electric models from 2023, to reach 100% by 2030. For HGVs and tankers, we are working with electric vehicle suppliers to explore options. To support these, we will be installing over 300 charging points across 65 sites in the next 18 months.

We will achieve our 100% renewable energy by 2030 pledge ten years early. We already self-generate over 50% of our energy needs and from 1 April 2020 we'll purchase the remainder from REGO-backed³ renewable sources. Of course we want to do more and are continuing to increase self-generation, primarily through bioresources and food waste, and plan to enter into dedicated power purchase agreements to meet a proportion of our energy needs.



Making the most of our resources

Thinking about waste as a valuable resource – in the wrong place – opens up a world of opportunity.

Sludge produced as part of our waste water treatment process makes up a large proportion of our total waste. But we realised 40 years ago that, through anaerobic digestion, it was in fact a valuable product that we could use to generate energy. Today we are the UK leader in anaerobic digestion. We're looking to go further, and through our new £5 million Resource Recovery and Innovation centre we will test technologies and processes that recover valuable materials such as nitrogen, phosphorus, nutrients and cellulose.

The remainder of our waste is made up of general waste, including that excavated from the highway. We know we can do more to limit landfill from this waste and are working on a plan that will make a difference.

¹ Assumes suitable specialist vehicles such as tankers become available within that time window.

² Scope 1 emissions: All direct emissions from the activities of the business. Scope 2 emissions: Indirect emissions from electricity purchased and used by the business. Scope 3 emissions: All other indirect emissions from activities of the business, but occur from sources that we do not own or control.

³ Energy which is backed by Renewable Energy Guarantees of Origin (REGO). The REGO scheme is a government scheme, regulated by Ofgem, which provides transparency to consumers about the proportion of electricity that suppliers source from renewable generation.

HELPING PEOPLE TO **THRIVE**



As a company that provides an essential service to our region, we can (and do) make a real difference to the people we interact with every day; whether that's the customers we serve, the colleagues we rely on, or the communities we live and work in.

195,000

customers who struggle to pay their bill supported annually by 2025



Delivering an affordable service for everyone

We're proud to have some of the lowest bills in England and Wales, but we know that for some of our customers, even £1 a day can be a struggle, if only for a short period of time. That's why we're committing to eradicating water poverty, meaning that none of our customers will be faced with a water bill that is more than 5% of their disposable income by 2030.

In line with this ambition, by 2025 we will support 195,000 customers a year who struggle to pay their bill, through a range of programmes, including our Big Difference Scheme. We will also continue to donate £3.5 million annually to the Severn Trent Trust Fund, which aims to help people out of debt and poverty.



We've embraced 'partnership working' as a way to identify and start supporting vulnerable customers more quickly. We're sharing data with other service providers to identify those customers who may be struggling to pay their bills, and we've recently digitised our Water Direct scheme with the Department for Work and Pensions.

To ensure that our service is available to everyone, we're leading the way in digital customer experience across our industry, with online web chat, a dedicated social media team, and improved self-service functionality.



Providing a fair, inclusive and safe place to work



Providing a working environment where everyone can succeed is an important part of the culture at Severn Trent. Diversity in our teams brings diversity in ideas and ways of working that will make us better at delivering for the customers we serve. Our company should reflect the communities we serve, which is why we have worked hard to recruit from our social mobility cold spots, with 44% of new starters coming from these areas in the past 12 months.

Our efforts have been recognised externally, with the Social Mobility Foundation ranking us as the third best employer for social mobility in the UK and the Hampton-Alexander Review on gender equality ranking us third in the UK for the make-up of our Executive and their direct reports.

There is always more to do, which is why:

- We are extending our commitment to pay the real living wage to anybody who works with Severn Trent, not just for us.
- We are committing to the recommendations made in the Parker Review regarding the ethnic diversity of UK Boards.



Investing in skills and knowledge

We want to have the most skilled workforce in the sector and we recognise that we have a key part to play as a large, local employer, in helping the people in our region get the skills they need in an evolving labour market.

We're therefore investing £10 million in a new Technical Training Academy, which will use a broad range of tools, including virtual reality, to provide our people with the skills they need to deliver a great service, efficiently and safely. Recognising the role we can play nationally, we'll also be opening our academy up to other water companies.

More broadly, we're committing to educating a generation of children around responsible water use, the importance of hydration and the misuse of plastics in the next five years by visiting every primary school in our region.



Making a positive difference in the community

We have a unique connection to our local communities, where every person is also a customer, including 87% of our own employees. We therefore know what a difference we can make with community funding at a local, grassroots level.

That's why we've committed to donating 1% of profits (the equivalent to over £10 million) to good causes in our local communities over the next five years. This fund will award grants of up to £250,000 to support local projects focused on people, places and the environment, in areas that need it most.

1%

of profits donated to a community fund each year

OUR SOCIAL PURPOSE COMMITMENTS



In order to demonstrate our commitment to operating in a socially purposeful way we have asked our regulator, Ofwat, to change our licence to make us legally accountable for:

Making decisions for the long term, adding value for our customers, the communities we serve and the environment, and treating all of our employees and other stakeholders fairly.



BEING A COMPANY YOU CAN TRUST

We are aware that trust is hard earned and easily lost. To many, trust means not only being a company that delivers on its commitments, but a company that also considers how it delivers those commitments, being honest and transparent on progress along the way.

We believe that in the process of earning trust, a company will ultimately be more in tune with the needs of the people it serves, forming a closer understanding about how to be a better business for the long term. Simply put – we think it’s the right thing to do.

For us this manifests itself in the following ways:

Living our values

Our purpose and values are what bind us all together and guide us to make the right decisions in difficult moments. Our values – Showing Care, Having Courage, Embracing Curiosity and Taking Pride – are weaved into the way we work, from our hiring processes to our performance reviews, from the way we communicate to the way we recognise people for their great behaviours. Our culture is a key strength of our business and we see the benefits of this in our employees’ engagement, talent retention and productivity.

Balancing the interests of all our stakeholders

For us, purpose is about balancing the needs of all of our stakeholders with the belief that in doing so everyone can share the benefits in the long term. Our Board understands the importance of demonstrating this approach in its decision making and in the way it governs the business. Our Corporate Responsibility Committee has been established for a long time and effectively holds our business to account for the delivery of our Sustainability Strategy.

We understand that running a business in a sustainable way comes from each and every employee having a clear sense of ownership and accountability to deliver performance. So all of our employees, from Executive Directors to front-line operators, are incentivised to deliver the company’s strategy and our bonus plan measures progress against each of our strategic priorities.

Our values:

Showing Care

Having Courage

Embracing Curiosity

Taking Pride

Running our company for the long term

We are a water business with assets that can last more than 100 years, and our product is perhaps the most precious commodity of them all – water. It’s our role to think about the long term and future generations.

It seems pretty straightforward – but getting the basics right around governance, ethics and risk management is key. This starts in our boardroom. We pride ourselves on having a high functioning, well composed, independent and diverse Board, including 44% female Board members.

Our approach to ethics is encapsulated in our **Doing the Right Thing** toolkit that helps anyone who works for us – either directly or in our supply chain – to navigate those grey areas, with constant reassurance that it is safe to speak up if anyone feels uncomfortable about anything they see.

The nature of our business means that a failure to manage risk effectively can have significant consequences for the customers and communities we serve. As you can imagine, this receives significant attention through our internal risk processes from front line to boardroom on a regular basis, with the impact of climate change considered across all of our asset classes.

Being open about what we do and sharing what we know

Setting out what we are doing in a clear and transparent manner is fundamental to our ability to interact with our stakeholders. To maintain the high levels of trust we have built with stakeholders, we need to demonstrate that we are ‘walking the walk’ and not just ‘talking the talk’ in the decisions we make and the performance we deliver. We will continue to do this through our Annual Report, but from June 2020 we will go further by publishing our first Sustainability Report to sit alongside it. We will start to disclose against the recommendations set out by the Task Force on Climate-related Financial Disclosures (TCFD) and be aligned with the Global Reporting Initiative (GRI).

We have a role to play in improving the legitimacy of the industry through our own actions but also by working with others to seek out best practice. The industry works best when it comes together to achieve a common goal, and the creation of the World Water Innovation Fund is a great example of this.

OUR WORLD

