

Severn Trent Sustainable Finance Framework



WONDERFUL ON TAP

SEVERN
TRENT

1. Introduction to Severn Trent

1.1 Overview of the Business

Severn Trent Plc (the “Group”, “Severn Trent” or “we”) is the holding company of the Severn Trent Group of companies. The Group was formed in 1989 following privatisation of the water industry in England and Wales and comprises two main businesses:

- (i) Regulated Water and Waste Water – this is by far the largest of the two businesses, including the wholesale water and waste water activities of our regulated businesses Severn Trent Water Limited (“STW”) and Hafren Dyfrdwy Cyfyngedig (“HD”) and its retail services to domestic customers
- (ii) Severn Trent Business Services – this business focuses on the Bioresources activity from our regulated business, as well as Green Power, Operating Services and Property Development

Regulated Water and Waste Water

STW and HD are two of eleven regulated water and waste water businesses in England and Wales, through which we provide high quality services to more than 4.5 million households and businesses in the Midlands and Wales. The primary activities of these businesses include wholesale operations, engineering and household retail customer services. Our 5,680 employees work to supply 2.0 billion litres of drinking water and treat 2.9 billion litres of waste water each day. We maintain over 49,000 km of clean water pipes and over 92,000 km of sewer pipes.

Our region stretches across the heart of the UK, from the Bristol Channel to the Humber, and from North and mid-Wales to the East Midlands. STW serves our customers in England and HD, which is significantly smaller, serves our customers in Wales.



As a provider of an essential public service we work within a wide-ranging regulatory framework, with strategic and policy direction provided by the Department for the Environment, Food and Rural Affairs ('Defra') in England and the Welsh Government in Wales.

Ofwat is the industry's economic regulator for both England and Wales, and sets limits on the prices we can charge our customers over five-year Asset Management Plan ('AMP') cycles. The current AMP period, AMP6, runs from April 2015 to March 2020. The next AMP period, AMP7 runs from April 2020 to March 2025.

In September 2018, we submitted our STW and HD business plans for AMP7. We were delighted that Severn Trent Water was one of only three companies to be awarded fast-track status by Ofwat. Fast-track status provides procedural and financial benefits, through an early determination with early certainty on specified components of costs and outcomes. We see the award of fast-track status as a firm endorsement of our high standards of governance and our customer and community focused approach. In awarding Severn Trent Water fast-track status, Ofwat commended Severn Trent for its 'Pathfinding Social Purpose Company' thinking. The Final Determination for both companies will be published in December 2019. We also work closely with a variety of other regulators and public bodies, including:

- The Drinking Water Inspectorate
- The Consumer Council for Water
- The Environment Agency
- Natural Resources Wales
- Natural England
- The Health and Safety Executive

Severn Trent Business Services

Business Services focuses on five markets:

- Bioresources - includes the sludge treatment and related renewable energy generating activities within our regulated business
- Green Power - generates renewable energy from food waste anaerobic digestion, crop, hydropower, wind turbines and solar technology
- Operating Services - provides contract services to municipal and industrial clients in the UK and Ireland and the UK Ministry of Defence ('MOD') for design, build and operation of water and waste water treatment facilities and networks
- Property Development - manages the sale of surplus land, contributing to the alleviation of the housing shortage and creating jobs in our local area
- Other - includes developer services and our property searches as well as affinity partnership businesses

1.2 Our Business Model

We provide clean water every time our customers turn on the tap and remove their waste water in an affordable, sustainable and reliable way.

Resources

RESOURCES & RELATIONSHIPS WE RELY ON



Physical assets

A resilient, well maintained network of clean water pipes and reservoirs, sewers and pumping stations.

We maintain over 49,000 km of clean water pipes and over 92,000 km of sewer pipes.



Natural resources

Water from reservoirs, rivers and underground aquifers are essential to support Severn Trent's operations and value creation.

We look after some of the UK's most impressive natural resources.



Financial capital

We have a strong balance sheet, with gearing close to the regulatory model. We are able to access a range of capital markets to fund future operations.

THE WATER CYCLE



Water is collected

We pay the Environment Agency and Natural Resources Wales for the water we collect from reservoirs, rivers and underground aquifers across our region.



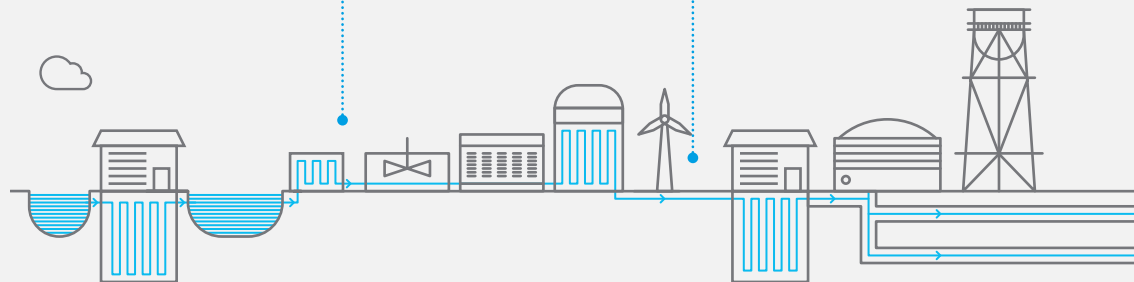
Water is cleaned

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



Clean water is distributed

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



OUR INVESTMENTS IN RENEWABLE ENERGY PRODUCTION

Providing clean water and cleaning waste water is an 'energy hungry' process so we use waste and renewables to help us power our operations.

We are pleased to share that we now expect to exceed our target to produce the equivalent of 50% of our own energy needs by 2020.



Food waste anaerobic digestion plants generating green energy

GENERATING & PRESERVING LONG TERM VALUE



Physical assets

Our biggest year of capital investment in over a decade.

Good progress on our Birmingham Resilience Project.

Replaced 230 km of our water network in 2018/19.



Natural resources

We've improved biodiversity of six hectares of Sites of Special Scientific Interest ('SSSIs') in 2018/19.

We are on track to reach our target of 75 hectares by 2020.



Financial capital

Delivering returns for our investors.

Investment grade credit rating.

Relationships



Our customers and communities

Our customers and communities are at the heart of everything we do. We aim to anticipate and meet changing customers' and wider societal needs.

We serve over 4.5 million customers.



Our people

We look to attract, develop and retain talented people from all backgrounds, and bring the next generation of water experts into the industry.

The Group employs over 6,500 people. Glassdoor reports that 74% of our people would recommend us to a friend.



Our suppliers and partners

Strong supplier relationships support our business operations in line with our Modern Slavery commitments.

We work with over 2,400 direct suppliers and contractors.



Our regulators

Our industry is regulated by Ofwat and several other regulators and public bodies.

We work with our regulators to shape our industry. Our Severn Trent Plan was fast-tracked by Ofwat.



Customers enjoy our services

We serve 4.5 million businesses and households with a safe, reliable supply of water and collect waste water seven days a week, 365 days a year.



Waste water is collected

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



Waste water is cleaned

Waste water is carefully screened, filtered and treated in our sewage treatment works to meet stringent environmental standards.



Water is recycled to the environment

We pay the Environment Agency and Natural Resources Wales annual consent fees to return the treated water to the water system.



Solar



Wind turbines



Clean gas and green electricity from our sludge anaerobic digestion plants



Our customers and communities

Lowest bills in England for a decade (Severn Trent) and Wales (Hafren Dyfrdwy).

We helped over 52,800 customers through social tariffs and assistance schemes (2018: 51,700).



Our people

Developing people from all backgrounds in line with our Social Mobility Programme.

31% of our graduates are from a BAME background (2018: 27%).



Our suppliers and partners

Building sustainable relationships that provide mutual benefit.

258 suppliers signed up to Sustainable Supply Chain Charter (2018: 211).



Our regulators

We stimulate regulatory debates to improve services for customers across the industry.

Launched the World Water Innovation Fund.

1.3 Our Social Purpose

We exist to serve our communities and build a lasting water legacy. Our social purpose, to create long-term value through serving the needs of society, is at the heart of everything we do.

Our commitment is this – every decision we make is based upon providing world-class water services at a fair price. We aim to make the most of our contribution to society as a whole and improve the environment.

We believe that our purpose connects us with our customers, inspires our people, attracts investors and ensures that in the long term we share the same interests:

- **Customers** – our customers expect us to be a company they can trust. Providing a safe, reliable and affordable service is vital, but for many customers this isn't enough. They want to know that we do the right things for the right reasons, and that our customers and the communities they live in are at the forefront of everything we do.
- **Environment** – our social purpose means maximising the benefits to the environment. We provide an essential resource for life. In order to fulfil this public service to the best of our ability we must be naturally mindful of the way we interact with the environment, taking care of precious natural resources and maintaining the ecology of our region as we return cleaned wastewater back to the environment.
- **Colleagues** – we all want good career opportunities, fair reward and recognition, and for our employer to invest in us and our wellbeing. But it's a feeling of purpose that really helps create a company we are inspired to work for. We're motivated by the real sense we're here to serve and that during our stewardship of Severn Trent we can build a legacy we're proud of.
- **Investors** – a business that wants to be financially sustainable over the long term first needs to be socially and environmentally sustainable.

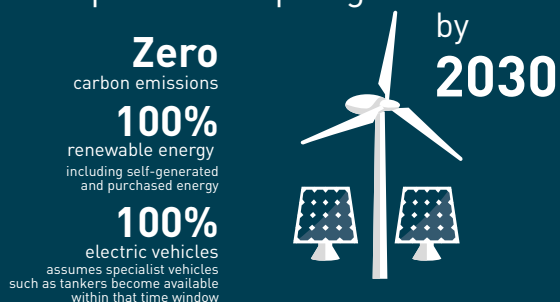
During 2019, we were delighted to see this commitment recognised when we were named as a pathfinder with the Purposeful Company Task Force. This is an initiative that seeks to transform British business with purposeful companies that are committed to creating long-term value through serving the needs of society. We were the only utility to receive this honour.

We have played a leading role in developing a 'public interest commitment' that sets out a series of five pledges for all water companies in England. The pledges state that by 2030, the sector as a whole will:

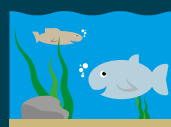
- have eliminated water poverty, meaning no one should have to spend more than 5% of their income on water;
- be operationally carbon neutral, meaning our operations do not contribute to an increase in greenhouse gases which increase climate change;
- have tripled the rate at which leaks are reduced;
- have prevented the equivalent of four billion plastic bottles ending up as waste (through our Refill scheme); and
- be the first sector to achieve 100% commitment to the social mobility pledge, which is part of our wider aim to promote opportunity in local communities and diversity within companies.

Green commitments

Carbon and Climate Change - Triple carbon pledge



Biodiversity



We'll improve c. **2100km** of river ecology

Plant **1.3 million** trees through schemes including partnership with the Woodland Trust.



by **2025**

Water Management



Reduce unsustainable abstraction by nearly **100ML/d**



Reduce leakage by **15%** by **2025**

Triple the rate of meter installation

New education programme for every primary school



River quality



Improve the quality of over **50%** of rivers in the region by **2025**

Single Use Plastic



As an industry, prevent the equivalent of **four billion** plastic bottles ending up as waste by **2030**

Social commitments



1% Community Dividend

Vulnerable Customers

We'll help around **50%** more struggling customers to pay their bills and develop a strategy to end water poverty

by **2025**



Training



£10m investment in new technical academy for the Midlands

Launched the World Water Innovation Fund



1.4 Our AMP7 Business Plan Outcomes

Our AMP7 Business Plan focuses on nine outcomes that we've designed to meet the needs of our customers, wider society and our environment. While these have a long term perspective and look 25 years ahead, the next five years will see real progress - driven by the performance commitments that are designed to hold us to account to our customers.

We've summarised our nine outcomes below.



2. Severn Trent Sustainable Finance Framework

We have established this Sustainable Finance Framework, under which Severn Trent Plc and its subsidiaries can raise debt to support the financing and/or refinancing of assets and expenditures of a sustainable nature across its activities.

As a large water and waste water company serving more than 4.5 million households and businesses in the Midlands and Wales, as well as non-regulated operations in renewable energy, property development and contract services, we can demonstrate that the majority of our operations create, either directly or indirectly, positive social and/or environmental outcomes. As such, the Framework supports the financing and refinancing of the majority of our business.

We have developed this Framework under which we can issue various funding instruments, including but not limited to:

- Committed Facilities (revolving and term debt from banks and institutional investors)
- Green, Social and Sustainable Bonds (all “Sustainable Bonds”)
- Private Placements (including US Private Placements)
- Finance Leases

This Framework is based on the existing international standards:

- The Green Bond Principles (“GBP”), Social Bond Principles (“SBP”) and Sustainability Bond Guidelines (“SBG”) as published by the International Capital Market Association (“ICMA”) in June 2018
- The Green Loan Principles (“GLP”) and Sustainability Linked Loan Principles (“SLLP”) as published by the Loan Market Association (“LMA”) in March 2018 and March 2019

The Principles are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the Green, Social and Sustainability Bond and Green and Sustainability Linked Loan market by clarifying the approach for this financing. In alignment with these Principles, this Framework is presented through the following key pillars:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External review

We will aim to, where possible, adhere to best practices in the market and will review the Framework’s alignment to updated versions of the Principles as and when they are released. We will also review the EU Sustainable Finance Taxonomy when it is published and consider updates to this Framework accordingly. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external consultant.

2.1 Use of Proceeds

We will use the Framework to raise finance in a variety of forms to meet our funding requirements. An amount equivalent to the net proceeds from the finance raised under the Framework will be allocated to finance new and/or refinance existing assets and expenditures of Severn Trent and its subsidiaries.

Assets and expenditures falling within the Social Eligible Categories ("Eligible Social Investments") will be aggregated to form the Eligible Social Portfolio. These are assets and expenditures that have a benefit for societies and communities.

Assets and expenditures falling within the Green Eligible Categories ("Eligible Green Investments") will be aggregated to form the Eligible Green Portfolio. These are assets and expenditures that have a benefit for the natural environment.

Under this Framework:

- The Social Eligible Categories and Green Eligible Categories together form the Sustainable Eligible Categories;
- Eligible Social Investments and Eligible Green Investments are together Eligible Sustainable Investments; and
- We will allocate an amount at least equal to the net proceeds from the issue of our sustainable funding instruments to finance, refinance or invest in the Eligible Sustainable Portfolio.














Although most of our assets and expenditures could be eligible, when it comes to existing assets and expenditures, we will aim to refinance Eligible Sustainable Investments that have been completed or charged (in the case of operating expenditures) 3 years prior to the date of finance raised. However, given the nature of our long-term asset base, this may not always be possible and we reserve the right to finance older assets and expenditures starting from the beginning of AMP6 (1st April 2015), including expenditures linked to the maintenance and upkeep of existing assets. We may also finance on-going and future Eligible Sustainable Investments.

Eligible Sustainable Investments will fall within one or several Social Eligible Categories or Green Eligible Categories. A description of the categories and their alignment with our nine Business Plan outcomes and the UN Sustainable Development Goals ("SDGs") can be found overleaf.



Sustainable development goals

Table 1: Mapping of Severn Trent Business Plan Outcomes against ICMA categories and UN Sustainable Development Goals.

Category	ICMA SBP/GBP Category	Our Business Plan Outcomes									
		Lowest possible bills	Good to drink	Water always there	Wastewater taken away safely	A service for everyone	An outstanding experience	A thriving environment	A positive difference	A company you can trust	UN Sustainable Development Goal
Social	Affordable Basic Infrastructure	✓	✓	✓	✓	✓					
	Access to essential Services					✓	✓				
	Food security		✓	✓				✓			
	Socioeconomic advancement and empowerment					✓			✓	✓	
Green	Renewable Energy							✓			
	Energy Efficiency							✓			
	Pollution Prevention and Control				✓			✓			
	Environmentally Sustainable Management of living natural resources and land use			✓	✓			✓			
	Terrestrial and aquatic biodiversity conservation							✓			
	Clean Transportation							✓			
	Sustainable water and wastewater management	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	Climate change adaptation			✓	✓			✓			
	Eco-efficient and/or circular economy, adapted productions, production technologies and processes							✓			

2.2 Process for Project Evaluation and Selection

All investments in assets and expenditures carried out by Severn Trent must follow the Group's strict capital governance process.



Investment in assets by Severn Trent is proposed through business cases that outline the costs and benefits of the investment. These business cases are approved by different boards as they progress through their life cycle.

Our Concept Board reviews and approves funding for new capital projects and programmes of work.

Our Solution Board reviews and approves funding and deliverables, or changes to funding or deliverables, for capital projects at Solution Stage. This Board's decisions are based on the submitted Full Business Cases which are prepared during the Definition stage. These are reviewed to ensure that projects remain affordable and that benefits remain relevant and aligned to the strategic intentions of the business plan line.

The water and waste strategy groups have oversight of the whole programme and ensure that the programme is delivering the best outcomes for customers.

As part of the business case, an initial assessment will now be made as to whether the investment is eligible for inclusion in the Eligible Sustainable Portfolio. Business cases are prepared by our asset management teams, who will consider the criteria in the tables in section 2.1 and Appendix 1. This initial assessment will be reviewed by the concept and solution boards, and all eligible projects will be "tagged" within our project system. This will provide transparency as to which projects are eligible for inclusion.

Assets and expenditure will be formally assessed for their eligibility and inclusion into the Eligible Sustainable Portfolio by a committee (the "Committee") including representatives from our Treasury, Finance and Responsibility teams. The Committee, which will meet at least once a year, will review the asset and expenditure categories submitted for inclusion to confirm their alignment with the Social Eligible Categories and Green Eligible Categories outlined in Section 2.1.

The Eligible Sustainable Investments within the Eligible Sustainable Portfolio will change over time depending on the nature of the assets and our expenditure priorities in the years to come.

It is expected that the majority of our assets and expenditure will be included in the Eligible Sustainable Portfolio under the Framework.

Although this Framework already covers a broad range of eligible assets and expenses, we reserve the right to consider additional assets and expenditures within our businesses as eligible in the future if the Committee feel they would contribute to the social and environmental benefits described in the Framework. Any such assets and expenditures will be included after obtaining approval from a Second Party Opinion Provider or other appropriate consultant and will be detailed in the subsequent Sustainability reporting for the year in which they were added.

2.3 Management of Proceeds

The net proceeds arising from the issuance under this Framework will be appropriately managed by our Treasury function, and will be wholly allocated to finance, refinance or invest in eligible projects that are in keeping with the ICMA Green and Social Bond Principles and Sustainability Bond Guidelines and the Green Loan Principles and Sustainability Linked Loan Principles.

Where any proceeds cannot be initially allocated the funds will be held or deposited in accordance with our Treasury Policy.

As part of our standard business and regulatory reporting requirements, we closely monitor our assets and expenditures. The net proceeds from the sustainable financing will be tracked using our internal reporting processes. Our financial reporting team will report all expenses recognised against eligible projects. All expenditure items will be tracked and managed accordingly to ensure no double counting occurs. An analysis will be presented to the Committee at least annually and on request.

We intend that the amounts represented by the Eligible Sustainable Portfolio will exceed, or at least be equal to, the amount of finance raised under this Framework.

2.4 Reporting

The Principles to which this Framework is aligned (GBP, SBP, SBG, GLP and SLLP) encourage reporting on both the use of proceeds and the expected impacts at least on an annual basis, with the first reporting published within a year after the launch of the finance raised under this Framework.

We will provide investors with information regarding the assets and expenditures financed and/or refinanced under the Framework, the amounts of proceeds allocated, and the estimated impact of these investments in a combined report or a series of reports.

Any material developments, such as modification of the Framework or allocation portfolio will be reported at the next reporting period.

Reporting will be available through our [website](#).

2.4.1 Allocation Reporting

An Initial Allocation Report will be made available to investors within one year of the date of the first finance raised under the Framework, which will detail:

- How much of the financing raised has been allocated and to which sub-portfolio (Social or Green or Both Green and Social);
- A brief description of assets and expenses financed or refinanced with the proceeds and selected case studies if applicable;
- The balance of the unallocated proceeds and type of temporary investments;
- The division of the allocation between new financing and refinancing.

Subsequent details of allocations will be released annually thereafter within the Impact Report (see below), and as necessary following material developments.

2.4.2 Impact Reporting

Where feasible, we intend to report on the environmental and social impacts of the Eligible Sustainable Portfolio by way of our Sustainability reporting and our existing Annual Report and Annual Performance Report.

We will report on a range of environmental and social impacts of the investments and expenditure funded by our Sustainable funding instruments. They cover all aspects of our service and examples include:

Environmental

- Renewable generation 100% commitment - Annual renewable energy generated (GWh)
- Carbon footprint - Annual reduction in CO₂ (tCO₂e)
- Leakage – The total level of leakage (Ml/d)
- Biodiversity enhancements - Area of land conserved and enhanced in the region through land management and biodiversity focussed projects and investments
- Length of River Improved – Number of km of river improved in the Severn Trent Water region

Social

- Vulnerable customers - Number of struggling customers supported
- Education - Number of customers engaged through education.

A detailed list of potential measures is included in Appendix 1.

2.5 External Review

This Framework has been reviewed by DNV-GL. The Second Party Opinion prepared by DNV-GL confirms the alignment of this Framework with the GBP, SBP, SBG, GLP and SLLP, and the Framework's strong environmental and social credentials. The Second Party Opinion for this Framework can be found [here](#).

Under this Framework, the issuance of multiple Sustainability Financing Instruments is possible. Prior to issuance of each instrument, we will disclose for which projects or assets proceeds are to be used.

We may request an independent external auditor to provide third party limited assurance on the initial and annual allocation reporting as per this Framework.

Case studies



Case study - Catchment Management



“

From field to tap, we're playing our part to protect your product

”

We're transforming our water production line. The 2,000 farmers we've recruited so far to our catchment management programme are helping us make sure that every link in the chain is focused on consistently high standards. By 2025, we're aiming for there to be 4,000 farmers helping to protect our raw water supplies by changing their agricultural practices.

Managing our catchments

When it comes to improving water quality, prevention is always better than a cure – so in AMP 7 we'll continue to make investments to ensure that the water that enters our rivers is as clean as possible. Known as Catchment Management, this approach is not only great for the natural environment by reducing pollutants entering watercourses, it also ensures that the quality of the water we abstract is improved. This improves the quality of our final product and in some cases reduces the processing requirement at our treatment works, reducing the cost of producing our wonderful product.

We've already established an excellent record in this area, particularly through the success of our Farm to Tap scheme. This innovative and industry-leading scheme has seen over 820 farmers sign up to protect raw water sources from pesticides and other chemicals – and resulted in peak concentrations of metaldehyde – an anti-slug pesticide which is expensive and difficult to remove at water treatment works – reducing by 64%.

This is good news for the environment because it enhances biodiversity, good news for customers because it reduces treatment costs and enables us to invest elsewhere in the network, and good news for investors because it has generated £11.4 million in customer ODI outperformance payments.

For AMP7 we are expanding our catchment schemes and have set a target of 16 schemes equating to catchment management across 350,000 acres. This involves working with over 900 farms and issuing in excess of 1400 grants, a 42% increase compared to AMP6.



AMP7 Business Plan Commitments

48%

IMPROVEMENT IN THE INDUSTRY'S NEW RISK INDEX FOR DRINKING WATER QUALITY

5%

REDUCTION IN DRINKING WATER QUALITY COMPLAINTS

16 schemes 

WORKING WITH FARMERS TO PROTECT WATER SOURCES

 500 schools

HELPED TO TACKLE LEAD PIPES ON THEIR PREMISES

Case study - Vulnerable Customers



“

A company that helps you
before you need to ask

”

With our new 'Matching Plus' scheme, we'll give our struggling customers a fresh start by paying off their arrears with them, step-by-step. And because it can be hard to see money troubles coming, we'll be smarter about how we use data, looking for the warning signs and offering our customers support before their debt builds up.

Everyone can access our service and enjoy its benefits, no matter what their circumstances.

Like our customers, we think that water should be affordable for all. And while we work to keep our bills as low as possible for all our customers, we know that for some the issue of affordability is more acute. We therefore want to do what we can – with the support of all our customers – to take away the worry for those in genuinely difficult financial circumstances. We also believe water should be accessible for all. For some of our customers, their circumstances can make them more vulnerable if there's a problem. Others may even struggle to access our service in the first place. So we aspire to design a service that works for every single person in our region.

AMP7 Business Plan Commitments

 **x2.8**

INCREASE IN NUMBER OF CUSTOMERS
BENEFITTING FROM OUR SOCIAL TARIFF

 **47%**

INCREASE IN CUSTOMERS HELPED
BY ALL OUR SUPPORT OPTIONS

 **100%**

OF CUSTOMERS WHO REGISTER WITH US
HAVE THEIR NEEDS MET IN AN INCIDENT

Case study - Biodiversity



“

There's no such thing as 'surplus to requirements'. We're giving old operational land a new lease of life

”

Because we've invested to make our treatment processes more efficient, we're freeing up land across our estates that we can put to new uses in our communities. At our Wolston works in Warwickshire, we're working with the neighbouring Wildlife Trust on how we can create a wildlife haven across land that we no longer use.

Enriching the biodiversity in our region

In AMP7 we're committing to deliver habitat restoration and improvement work across 1,090 hectares in our region – more than 14 times our 2015-20 commitment. This will include two projects around the Derwent Valley reservoirs' catchment area. The moorland peat bogs in the area have been degraded by the combined effects of artificial drainage and industrial pollution, causing the loss of the natural sphagnum moss population.

Loss of this moss creates areas of bare peat, which erodes rapidly and is susceptible to drying, increasing the risk of wildfires. We will be working with partner organisations through the Moors for the Future partnership to deliver restoration work on moorland in 2020-25. We'll also be working with the Clough Woodlands project, a multi-agency project to restore native broadleaf woodland along the fast-flowing upland streams and surrounding steep sided valleys, termed 'cloughs', across the Peak District National Park.

As well as cutting peat erosion and protecting one of the region's most diverse habitats, this also improves the raw water which further reduces our treatment cost.

AMP7 Business Plan Commitments

2,100km

RIVERS IMPROVED

1,090ha

HABITATS IMPROVED

100%

COMPLIANCE WITH DISCHARGE
STANDARDS INTO RIVERS

100%

COMPLIANCE WITH BIOSOLIDS
RECYCLING STANDARDS



Case study - Education



“

We're putting a water expert in every home

”

Our most innovative schools programme yet will bring a virtual world of water straight into the playgrounds of primary schools across our region. We're inspiring a new generation of customers to completely change how they think of, relate to and use water (and pester their families to change too).

Inspiring the next generation

We're getting even more involved in the communities in which we live and work, for example through our Wonderful Water Tour – an innovative educational roadshow that every primary school in the Midlands will have the chance to take advantage of.

The Wonderful Water Tour is targeted at children aged between seven and eleven, to inspire them about water. Comprising two buses and a whole host of gadgets and hands-on activities, the Tour educates children on three key messages: the importance of using water wisely; helping them understand what they can, and can't, put down the toilet and sink; and the health benefits of staying hydrated.

During the last 12 months, our tour has engaged with over 130,000 young people, and will be available across our region from 2020-2025.

“The Severn Trent Wonderful Water Tour helped launch our Wild Water topic with a splash! It inspires and educates the children, catering for all children's interests and abilities. The knowledgeable, friendly and helpful staff engaged the children at all times and helped bring our water topic to life.”

Tracey Gillin

St Anne's Catholic Primary School,
Nuneaton



AMP7 Business Plan Commitments

155,250

INDIVIDUALS COMMIT TO CHANGE
THEIR WATER USE BEHAVIOUR

TOP 20

COMPANY ON THE UK'S SOCIAL MOBILITY INDEX

4 million

VISITORS TO OUR RESERVOIRS EACH YEAR

Case study - Community Fund



“

Because it's something more for our communities, because it motivates our people, because we think it's the right thing to do

”

We already share our successes with customers, but we want to do something more for the communities where we all live. So we're committing to give 1% of our profits to community projects – part of a community dividend that we think can make a big difference.

Sharing the benefits with everybody

When we deliver better performance to our customers than we promised, we're rewarded financially. We're going to carry on sharing those benefits between our customers and our business - just as we have done in the last five years. For example we chose to reinvest £220m of our cost savings into areas such as water quality, security, improving the health of our assets, innovating for the future and supporting vulnerable customers. We're also going to continue linking the bonuses of everyone in our business directly to the performance we achieve for our customers. This isn't a one-sided deal - if we don't deliver what we've promised, we give money back. From 2020/21 onwards, we're going to do even more to serve our communities by creating a new community dividend. Comprising employee volunteering time, donations to the Severn Trent Trust Fund and 1% of our profits (which could amount to £2.5m a year), this package will help our most vulnerable customers, enhance the environment and make a real difference to communities. We'll be establishing an advisory board - that will include representatives from customers - to guide where best to spend the money and also obtain match funding from other bodies.

Our plan - responsible, challenging but can be done

We believe we've created a responsible, challenging but achievable plan that will set the benchmark for how a privately owned company can deliver public good, not just in the water sector but across UK industry in general. But the last word should be our customers. They gave our plan an 85% acceptability rating - we now need to deliver it.

AMP7 Business Plan Commitments



Case study - Water Conservation



“

Reducing leakage
is a priority

”

Over the next 25 years, if we're to protect our water environment from damage, we'll need to address our biggest ever gap between the supply and demand for water. Using an adaptive approach that allows for future uncertainty, we're going to make ambitious leakage reductions, champion water efficiency, exploit the opportunities provided by water trading, and make the best possible use of our environmentally sustainable sources of supply.

Reducing leakage

Leakage is consistently number one on the agenda for customers when it comes to any discussion on water supply. We've set ourselves the target of reducing real leakage by 15% by 2025.

We plan to move to a more proactive data-driven targeted approach. This will allow us to improve awareness, detection and response times, all in a more efficient manner. Coupled with more effective mains replacement and network calming activity, we can deliver a 15% reduction in leakage by 2025.

Our leakage plan is built on increased network monitoring, driven by our investment in pressure loggers and fixed acoustic loggers. These two types of logger enable us to address the extremes of our network.

- Pressure monitoring, combined with our hydraulic models, will be used to identify leaks on more rural areas of the network that are primarily not metallic in construction;
- Acoustic logging will be installed on more densely populated areas of our network primarily on metallic pipework.

Data from both of these detection methods will be handled by an advanced analytics system that can combine hydraulic data to identify issues sooner and narrow the areas of interest. Taken together, these interventions will reduce the time taken for us to be aware of an issue and enable us to prepare a targeted response which is key to saving large volumes of water.



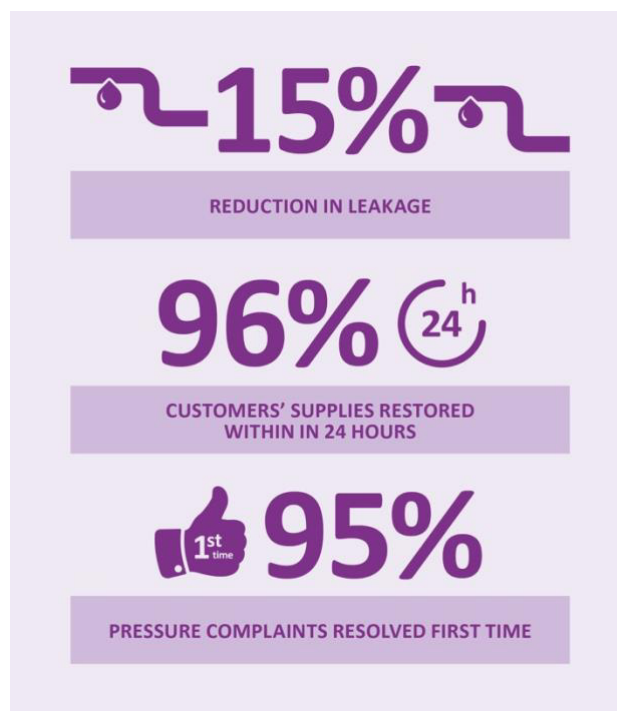
Increasing metering to deliver demand reduction

Three companies – Southern Water, Thames Water and Affinity Water – have undertaken large scale metering programmes since 2010 and have reported demand reductions of between 8% and 16.5%. Their experience supports the benefits of metering.

We plan to increase the proportion of metered households to 65% in 2020-25, with full metering by 2035. This will require us to treble our current run-rate. Compulsory metering can still only be undertaken in areas classified by the EA as seriously water stressed. So, we aim to achieve our targets by installing meters proactively and offering customers the opportunity to switch based on information on what their measured bill would be.

We expect the increase in meter coverage to deliver a demand saving of around 10ML/d by 2025. This includes benefits from finding and fixing leaking supply pipes.

AMP7 Business Plan Commitments



Case study - Social Mobility



“

Committed to helping people from social mobility cold spots and develop careers

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A third of the nation's social mobility cold spots are in communities we serve, so we have a great chance to make a real difference and create opportunities that otherwise wouldn't be there.

Turning up the heat on social mobility coldspots

Our region includes 30% of the nation's social mobility coldspots. We're working hard to redress the balance, and the evidence suggests that we're already making a difference.

Having a workforce that is diverse in terms of social background is very important to us so, of course, we were delighted to have been placed third in the 2019 Social Mobility Index.

We're proud of our commitment to improve social mobility within our workforce. We work hard to ensure no employee or candidate receives any less favourable treatment, directly or indirectly, because of their socio-economic background or social connections.

Diversity of talent brings different ideas and perspectives which improve how we work as a company, and enables us to understand and meet the needs of the communities we serve. We want to recruit and employ the best people possible, regardless of their background.

Several members of our Executive Team grew up in coldspots, and over 50% studied at non-Russell Group universities.

We are playing a leading role in getting the water industry to sign up to the social mobility pledge, which sets out steps employers can take to improve social mobility.



Case study - Carbon and Climate Change



“

We have set a very clear and bold ambition in this area through our ‘triple pledge’

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As a water company we are acutely aware of the day-to-day impact that weather can have on our business. As well as being able to cope with the weather today, it is vital that we play our part to reduce our impact on climate change.

Triple Carbon Pledge

We want to play our part in reducing our impact on climate change by reducing our carbon emissions. As the majority of our carbon emissions are driven by our use of energy, managing carbon also means managing costs. We therefore aim to reduce carbon emissions and increase our generation of renewable energy.

We have recently committed to becoming Net Carbon Zero by 2030. This is even more ambitious than a science based target and builds on our long track record of making year-on-year reductions in emissions.

We continue to increase renewable energy generation across Severn Trent self-generating 51% of our energy needs.

We plan to continue to reduce our operational emissions by reducing our energy use and increase our renewable energy generation. Pursuing these measures will continue to reduce our key sources of emissions, reduce our reliance on the electricity grid and bring financial benefits for our customers and investors.

We have pledged that we will use 100% renewable energy by 2030 – either self-generated or purchased.

We have also committed that 100% of our fleet will be electric vehicles by 2030. This assumes specialist vehicles such as tankers become available within that time window.

Food waste plants power 60,000 homes

The purchase of Agrivert in November 2018 is a milestone in the development of our Green Power business. Before the acquisition, we knew Agrivert well and admired the company's expertise and experience, having appointed it to provide the design and engineering for two of our own sites. This close working relationship and shared knowledge was a key factor behind the acquisition. Together, we have the skills and the commercial track record to ensure that our food waste portfolio continues to further drive our excellent progress towards our renewables target.



Appendix 1

Social Categories – Potential Measures

ICMA Category	Severn Trent Outcome	Potential Measure
Affordable basic infrastructure Access to essential Services	Good to drink	The DWI's compliance risk index. It is a measure designed to illustrate the risk arising from treated water compliance failures. It aligns with the current risk based approach to regulation of water supplies used by the Drinking Water Inspectorate
		The number of consumer complaints about the appearance, taste or odour of their drinking water quality.
		The number of catchment schemes where we have improved control of raw water quality risk from specific pollutants by engaging with farmers and changing farming practices
		The number of schools and nurseries in our region where we have taken action to minimise the risk of lead in their supply of drinking water
	Water always there	Average supply interruption greater than, or equal to, three hours (minutes per property)
		The total level of leakage, including service reservoir losses and trunk main leakage plus customer supply pipe leakage, in megalitres per day (ML/d), reported as a three-year average.
		The number of mains bursts per thousand kilometres of total length of mains
		Unplanned outage. The annualised unavailable flow, based on the peak week production capacity (or PWPC).
		Percentage of the population that would experience severe supply restrictions (e.g. standpipes or rota cuts) in a 1-in-200 year drought
		The time taken to fix customer reported significant visible leaks on Severn Trent Water's network.
		The number of low pressure days experienced by properties which have exceeded the persistent low pressure threshold. The persistent low pressure threshold is more than 25 days of low pressure in a 5 year rolling period.
		Reducing water abstraction at environmentally sensitive sites to prevent environmental deterioration.
		The percentage of customers whose service to the tap can be restored within 24 hours of a single failure event in their normal supply route.
		The percentage of customers who report a low pressure or poor supply issue and have their complaint resolved without having to contact us for a second time
		The increase in sustainable water supply capacity needed to maintain our projected end AMP8 supply / demand balance (SDB)
		The number of customer water meters installed
		The completion of preparatory work on feasibility studies and outline design to enable a third party to develop detailed design and construct a viable (physically and commercially) regional transfer via a water interconnector
	Wastewater safely taken away A service for everyone	The number of internal sewer flooding incidents per year, including sewer flooding due to severe weather events per 10,000 sewer connections
		The number of category 1 - 3 pollution incidents per 10,000km of wastewater network, as reported to the Environment Agency and Natural Resources Wales
		The number of sewer collapses per thousand kilometres of all sewers causing a reported impact on service to customers or the environment
		Percentage of the population served that are at risk of sewer flooding in a 1-in-50 year storm, split into 5 vulnerability bands
		The number of external sewer flooding incidents per year
		The total number of sewer blockages on Severn Trent Water's network (including sewers transferred in 2011)
		The number of sewer flooding incidents caused by equipment failures, blockages or collapses (collectively grouped as other causes) affecting public highways and footpaths
		The amount of natural and social capital value that we create for local communities through the construction of sustainable drainage and water management features.
		The number of properties and areas benefitting from a reduced risk of flooding from our sewer network achieved by working in collaboration with other Risk Management Authorities (RMAs) or other organisations

Social Categories – Potential Measures continued

ICMA Category	Severn Trent Outcome	Potential Measure
Access to essential Services	A service for everyone	The percentage of struggling to pay customers supported through tailored schemes
		The percentage of customers in vulnerable circumstances (CIVC) who are registered on our Priority Service Register (PSR) that we provide support to during a clean water incident
Food security	Good to drink	The DWI's compliance risk index. It is a measure designed to illustrate the risk arising from treated water compliance failures. It aligns with the current risk based approach to regulation of water supplies used by the Drinking Water Inspectorate
		The number of consumer complaints about the appearance, taste or odour of their drinking water quality.
		The number of catchment schemes where we have improved control of raw water quality risk from specific pollutants by engaging with farmers and changing farming practices
		The number of schools and nurseries in our region where we have taken action to minimise the risk of lead in their supply of drinking water
	Water always there	Average supply interruption greater than, or equal to, three hours (minutes per property)
		The total level of leakage, including service reservoir losses and trunk main leakage plus customer supply pipe leakage, in megalitres per day (Ml/d), reported as a three-year average.
		The number of mains bursts per thousand kilometres of total length of mains
		Unplanned outage. The annualised unavailable flow, based on the peak week production capacity (or PWPC).
		Percentage of the population that would experience severe supply restrictions (e.g. standpipes or rota cuts) in a 1-in-200 year drought
		The time taken to fix customer reported significant visible leaks on Severn Trent Water's network.
		The number of low pressure days experienced by properties which have exceeded the persistent low pressure threshold. The persistent low pressure threshold is more than 25 days of low pressure in a 5 year rolling period.
		Reducing water abstraction at environmentally sensitive sites to prevent environmental deterioration.
		The percentage of customers whose service to the tap can be restored within 24 hours of a single failure event in their normal supply route.
		The percentage of customers who report a low pressure or poor supply issue and have their complaint resolved without having to contact us for a second time
		The increase in sustainable water supply capacity needed to maintain our projected end AMP8 supply / demand balance (SDB)
		The number of customer water meters installed
		The completion of preparatory work on feasibility studies and outline design to enable a third party to develop detailed design and construct a viable (physically and commercially) regional transfer via a water interconnector
	Thriving environment	Water and wastewater treatment works compliance as per Environmental Performance Assessment (EPA) definition
		The number of Water Framework Directive (WFD) classification improvements attributable to interventions delivered by Severn Trent Water to improve river water quality and/or quantity
		The number of hectares of land managed using an approved biodiversity action plan or a Severn Trent funded grant scheme that enhances biodiversity through a series of pre-agreed measures
Socio Economic Advancement and Empowerment	A service for everyone	Compliance with sludge use and disposal standards as per the Environmental Performance Assessment (EPA) definition
		The percentage of struggling to pay customers supported through tailored schemes
	A positive difference	The percentage of customers in vulnerable circumstances (CIVC) who are registered on our Priority Service Register (PSR) that we provide support to during a clean water incident
		The number of people who have agreed to change their behaviour as a result of our educational activities

Green Categories – Potential Measures

ICMA Category	Severn Trent Outcome	Potential Measure
Renewable Energy	Thriving environment	Annual renewable Energy generated (GWh)
		Renewable energy % (including self-generated and purchased energy)
Energy Efficiency	Thriving environment	Saving in energy consumed (GWh)
Pollution Prevention and control	Wastewater safely taken away	The number of internal sewer flooding incidents per year, including sewer flooding due to severe weather events per 10,000 sewer connections
		The number of category 1 - 3 pollution incidents per 10,000km of wastewater network, as reported to the Environment Agency and Natural Resources Wales
		The number of sewer collapses per thousand kilometres of all sewers causing a reported impact on service to customers or the environment
		Percentage of the population served that are at risk of sewer flooding in a 1-in-50 year storm, split into 5 vulnerability bands
		The number of external sewer flooding incidents per year
		The total number of sewer blockages on Severn Trent Water's network (including sewers transferred in 2011)
		The number of sewer flooding incidents caused by equipment failures, blockages or collapses (collectively grouped as other causes) affecting public highways and footpaths
		The amount of natural and social capital value that we create for local communities through the construction of sustainable drainage and water management features.
	Thriving environment	The number of properties and areas benefitting from a reduced risk of flooding from our sewer network achieved by working in collaboration with other Risk Management Authorities (RMAs) or other organisations
		Water and wastewater treatment works compliance as per Environmental Performance Assessment (EPA) definition
		The number of Water Framework Directive (WFD) classification improvements attributable to interventions delivered by Severn Trent Water to improve river water quality and/or quantity
		Compliance with sludge use and disposal standards as per the Environmental Performance Assessment (EPA) definition
		Carbon footprint - Annual reduction in CO2 (tCO2e)
		The number of category 1 - 3 pollution incidents per 10,000km of wastewater network, as reported to the Environment Agency and Natural Resources Wales
		The amount of natural and social capital value that we create for local communities through the construction of sustainable drainage and water management features.
		Water and wastewater treatment works compliance as per Environmental Performance Assessment (EPA) definition
		The number of Water Framework Directive (WFD) classification improvements attributable to interventions delivered by Severn Trent Water to improve river water quality and/or quantity
		The number of hectares of land managed using an approved biodiversity action plan or a Severn Trent funded grant scheme that enhances biodiversity through a series of pre-agreed measures
Environmentally Sustainable management of living natural resources and land use	Water always there	Reducing water abstraction at environmentally sensitive sites to prevent environmental deterioration.
		The increase in sustainable water supply capacity needed to maintain our projected end AMP8 supply / demand balance (SDB)
	Wastewater safely taken away	The number of category 1 - 3 pollution incidents per 10,000km of wastewater network, as reported to the Environment Agency and Natural Resources Wales
		The amount of natural and social capital value that we create for local communities through the construction of sustainable drainage and water management features.
	Thriving environment	Water and wastewater treatment works compliance as per Environmental Performance Assessment (EPA) definition
		The number of Water Framework Directive (WFD) classification improvements attributable to interventions delivered by Severn Trent Water to improve river water quality and/or quantity
		The number of hectares of land managed using an approved biodiversity action plan or a Severn Trent funded grant scheme that enhances biodiversity through a series of pre-agreed measures

Green Categories – Potential Measures continued

ICMA Category	Severn Trent Outcome	Potential Measure
Terrestrial and aquatic biodiversity conservation	Thriving environment	Water and wastewater treatment works compliance as per Environmental Performance Assessment (EPA) definition
		The number of Water Framework Directive (WFD) classification improvements attributable to interventions delivered by Severn Trent Water to improve river water quality and/or quantity
		The number of hectares of land managed using an approved biodiversity action plan or a Severn Trent funded grant scheme that enhances biodiversity through a series of pre-agreed measures
Clean Transportation	Thriving environment	% number of electric vehicles as a proportion of our fleet
Sustainable water and wastewater management	All categories	All of our Performance Commitments. The sustainable water and waste water management category is aligned to the business model and purpose of our Regulated Water and Waste Water Business so all of our associated Performance Commitments are applicable.
Climate change adaptation	Water always there	Reducing water abstraction at environmentally sensitive sites to prevent environmental deterioration.
		The number of customer water meters installed
		The increase in sustainable water supply capacity needed to maintain our projected end AMP8 supply / demand balance (SDB)
	Wastewater safely taken away	The number of category 1 - 3 pollution incidents per 10,000km of wastewater network, as reported to the Environment Agency and Natural Resources Wales
		The amount of natural and social capital value that we create for local communities through the construction of sustainable drainage and water management features.
	Thriving environment	Water and wastewater treatment works compliance as per Environmental Performance Assessment (EPA) definition
		The number of Water Framework Directive (WFD) classification improvements attributable to interventions delivered by Severn Trent Water to improve river water quality and/or quantity
		The number of hectares of land managed using an approved biodiversity action plan or a Severn Trent funded grant scheme that enhances biodiversity through a series of pre-agreed measures
		Annual renewable Energy generated (GWh)
Eco-efficient and/or circular economy, adapted productions, production technologies and processes	Thriving environment	Renewable energy % (including self-generated and purchased energy)
		Saving in energy consumed (GWh)
		Carbon footprint - Annual reduction in CO2 (tCO2e)

