



SEVERN TRENT WATER BUSINESS PLAN 2025-30

INVESTOR SUMMARY

WONDERFUL ON TAP



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Our environmental, natural-capital and biodiversity commitments will help support a range of species, including birds, mammals, insects and plants in our region





Our dedicated schools programme helps educate children living in our region. Over the past year we delivered assemblies, classroom sessions and natural, outdoor workshops to instil positive behaviours from an early age and emphasise the value of water as a precious resource.



CONTENTS

Welcome by Helen Miles, CFO	6
Introducing Our Plan for 2025-30	8
Key Figures	12
Planning in a Changing World	14
Our Investment Programme	16
Bills, Affordability and Acceptability	20
What Our Customers Can Expect by 2030	21
Our Performance Commitments	24
Aligning Risk and Return	26
Summary and Next Steps	30
Appendix: Supplementary Financial Information	32

WELCOME BY HELEN MILES, CFO

Hello and welcome to our PR24 Business Plan investor summary. I hope you get an opportunity to read our full plan as it's something we're incredibly proud of, but I wanted to give a summary of what I think are the most important elements from an investor perspective.



This is the third Price Review I've been part of in my time on the Severn Trent Executive Committee and it is by far the most exciting yet.

This is a plan that will enable us to make significant investment in the environment and those areas that our customers care about the most, including:

- Scale wastewater treatment interventions to improve river water quality and a step-change reduction in spills from storm overflows and pollution events;
- Resilient water resources for the future, helping to close our long term deficit sustainably, with a focus on both supply and demand side solutions;
- Data transformation in smart metering, cyber security and network monitoring; and
- Operational Net Zero – delivering our part of the decarbonisation journey.

For our investors, this plan delivers:

- Real RCV growth of 31%, adding £3.8bn to our RCV over five years, growing our business sustainably and supporting earnings for the long-term;
- The opportunity to cement our position as a sector leader, while continuing to drive operational performance in a world of greater incentivisation; and
- A strengthened suite of ESG credentials, as we tackle some of the biggest environmental and societal challenges in our region.

This is a watershed moment for our sector and we believe that this transformative plan will maintain and strengthen Severn Trent's position as a driver for positive change, while delivering success for all of our stakeholders.

I hope you find this summary helpful and if you have any feedback or questions please get in touch with the team at investorrelations@severntrent.co.uk.

Helen Miles
Chief Financial Officer



Newly installed floating wetlands at our Witches Oak treatment works - a low carbon way to pre-treat water for eventual supply.

INTRODUCING OUR PLAN FOR 2025-30

This is an ambitious plan, built on a strong track record. It shows we want to play a leading role in restoring our sector's credibility today, while pushing forward with sustainable change for future generations.



We live in a period of rapid change, population growth, climate change, economic uncertainties, new technologies, changing expectations and environmental ambitions. By 2050, summers in the Midlands will be 16% drier, winters 13% wetter and the population we serve will have grown by 12% to 9 million. Patterns of availability of our natural resource are changing. Our customers are changing too – in terms of their expectations, their personal circumstances and their use of our product. We must change with them.

This needs a step up in investment. But changing in the right way means twinning this with novel, more sustainable, approaches and a shift in how we all use water – especially if we are to keep bills affordable for every generation of customer. Crucially, if we are to unlock these opportunities fully, we need our customers' support. And to earn our customers' support, we must, as a sector, rebuild our credibility.



Over 68,000 customers have taken part in research to develop our plan.



Over 68,000 customers have taken part in research to develop our plan – that's in addition to our ongoing research with customers over the last decade. Around 630 stakeholders have helped to shape it, by supporting us in developing our long term strategies and strategic investments. In response to what we've heard, we've built an ambitious plan that delivers on what matters most to our customers:

- We're pushing hard on three totemic issues – pollutions (where we're targeting a level of performance that only one company has achieved in the last 12 years), storm overflow spills (so that we can meet the Government's 2050 target five years early), and leakage where we'll meet the Government's target for 2050, at least five years early.
- We're building on our strong track record by creating new service benchmarks for customer and environmental priorities, including targeting better than forecast upper quartile industry performance on key wastewater measures.
- We'll continue the momentum we've built through our investment in innovation and global collaboration into the next five years. Our plan includes us reaching operational Net Zero, and our investment in driving down process emissions from wastewater will establish a pathway for our industry to follow.
- 94% of the investment we're proposing is either required to deliver statutory obligations by 2030, or will work towards statutory obligations after 2030, so we know it's a good choice for this generation of customers and those to come.
- We've stretched ourselves to deliver more from the £7 billion of base costs that we will use to run our company and challenged our bottom up cost forecasts against Ofwat's published models and sector Annual Performance Report data.
- We'll more than double the number of customers we can offer financial support to, so that by 2030, the support available exceeds the number of customers we forecast will be in water poverty. We'll also help 50,000 customers a year with debt repayment, provide employability support for 10,000 people and pay at least £2 million a year into our Community Fund to go to projects chosen by our customers.

The scale of the investment we're proposing – some £13 billion of total expenditure – will mean that bills need to go up between now and 2030. With clear statutory and customer drivers that show customers are not paying twice for the same outcome, we know we need to work hard to ensure this investment is affordable and to earn our customers' confidence that this money will be well spent:



We can be this ambitious partly due to our strong track record which gives us a strong foundation to build from.



Christine Hodgson, our Chair, attending a customer focus group



We can be this ambitious partly due to our strong track record which gives us a robust foundation to build from. We've consistently delivered around 80% of our performance commitments, earning sector leading returns, and we're proud to be the only company to have ever secured 4* status on the Environment Agency's EPA for four years running.

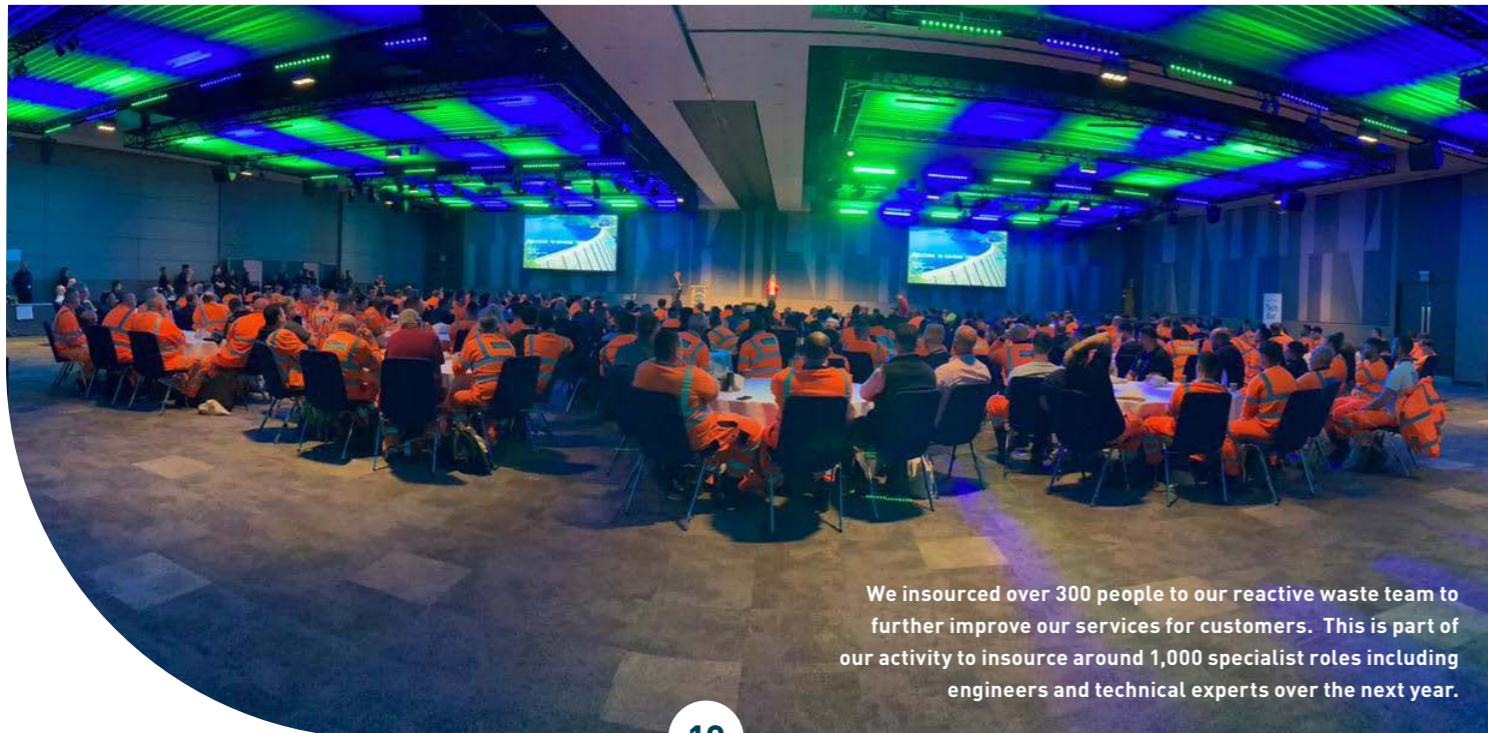
We're confident in our plan, so we're fast tracking around £400 million of investment. That's on top of the £566 million (2017/18 prices) additional investment we're already making in AMP7 to support our region's Green Recovery. This acceleration means customers and the environment get promised outcomes sooner, while also supporting timely delivery of a substantial investment programme. And we'll use Ofwat's price control deliverables (PCD) mechanism as a way to support the delivery of customer priorities, including boosting water supply resilience, earlier in AMP8.

The work we've undertaken over this AMP to diversify our supply chain (working with over 60 partners), means we're uniquely placed in our sector to deliver novel and traditional investment at this scale. We have insourced our capital design team with more delivery focused roles to come, and applied diligence in working with our

supply chain to confirm their capacity. And we're working with innovative partners in the automotive industry to develop manufacturing capability that will deliver 'off the shelf' standard components. These factory-built solutions, a first for our sector, could reduce end-to-end delivery times by years in some instances.



In many ways our plan is about driving a transformation - but it can't come at any cost.



We insourced over 300 people to our reactive waste team to further improve our services for customers. This is part of our activity to insource around 1,000 specialist roles including engineers and technical experts over the next year.

Our PR24 Business Plan will see us deliver a record £5 billion of new investment to improve services to customers and enhance the environment. To fund this investment, our plan assumes £1 billion of new equity from our investors.

For our customers, it means that not only do we have a fully financeable plan for 2025-30, but it also gives us the capacity to accelerate investment and improve service earlier, with £400m already identified for acceleration.

For investors it provides an opportunity to invest in our growth and underlines our commitment to responsible funding. We have consistently been rated by Ofwat as being in the highest category for financial resilience and this equity raise ensures that we will continue to set the benchmark for the sector in this area.

With the potential to create 7,000 jobs in our region, our investment will have important regional impact too, and we hope our focus on employability support - for some 100,000 people over a decade - will help a much more diverse range of people benefit from these opportunities.

We're excited about this plan and its potential to deliver for our customers, the environment, our region and our investors. With customer-tested acceptability levels of 76%, it's well supported by the people who matter most to our service too. It is a plan that embraces the need for change. It sets out an ambitious response. And it can, and will, be delivered.

Liv Garfield
Chief Executive



Our Green Recovery Programme has given us valuable experience of working with our supply chain to deploy innovative solutions - including the use of floating wetlands at our new Witches Oak treatment works. We have 25 suppliers on a specialist environmental framework, ready to deliver our AMP8 programme.

KEY FIGURES

£12.9bn

Total totex
(2022/23 prices)

93%

Running costs and
AMP8 statutory
spend

31%

Real RCV growth

5.5%

CAGR

65%

Average gearing

**BBB+
/Baa1**

Targeted credit
rating

76%

Customer
acceptability

30%

reduction in storm
overflow spills

30%

reduction in
pollutions

16%

reduction in
leakage

£518

2030 average annual
household bill
(2022/23 prices)

Supplementary financial
information can be found
in the appendix to this
document.

Our dedicated team of River Rangers are working in partnership with our communities to support delivery of our Get River Positive Pledges.





PLANNING IN A CHANGING WORLD

Our vision for the next 25-years is deliberately simple, reflecting a changing world, while keeping at its core our purpose to take care of one of life's essentials:

No matter what the future holds, our customers can depend on our high quality and reliable, sustainable, and affordable service.

A CHANGING WORLD

Our world is changing faster than ever before: new technologies; climate change; and shifts in demographics, societal expectations and the economy, create both challenges and opportunities for us.

While some changes remain uncertain – for example, the impact of global events on the economy in the near term – for others – for example, climate change over the next decade – we can more confidently predict an intensification of their impact.

Taken together, the critical momentum of these changes – in terms of their magnitude and pace – speaks to a watershed moment for our industry.

We are entering a period of significant investment in order to meet these critical and varying challenges. Our PR24 plan reflects the first stage of this journey, in line with our 25 year long-term delivery strategy.

LONG TERM DELIVERY STRATEGY

Our long-term delivery strategy brings together at a more granular level every aspect of our strategic planning frameworks, statutory environment programmes and planned enhancement activities – into a single 25-year strategy covering both water supply and wastewater services.

This strategy, based on a rigorous adaptive planning approach, has involved many iterative steps and engagement with customers, stakeholders and our Board. It accounts for future uncertainty by using different pathways and scenarios to test investment propositions.

This gives us confidence that we are making the right choices for investment in this business plan. Of the £5bn of strategic enhancement investment proposed:

- 82% of our enhancement cases investment is required to deliver statutory obligations by 2030;
- 12% is needed to make progress towards statutory obligations that are required after 2030; and
- 6% relates to investment that is needed to manage future risks or deliver customer driven improvements.

AMP8 INVESTMENT SUMMARY

Our PR24 plan includes £12.9bn of totex which includes £7.9bn of base and modelled enhancement expenditure, required to run our business day-to-day as efficiently as possible, as well as £5.0bn of enhancement expenditure which will crucially transform our impact on the environment, provide long term resilience and meet the needs of our customers for years to come.

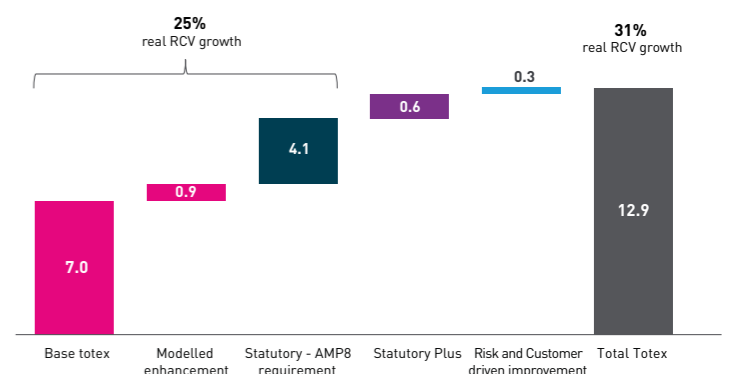
1 Base totex and modelled enhancement – the running costs of our business, driven primarily through econometric models

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

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

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

£bn, 2022/23 prices



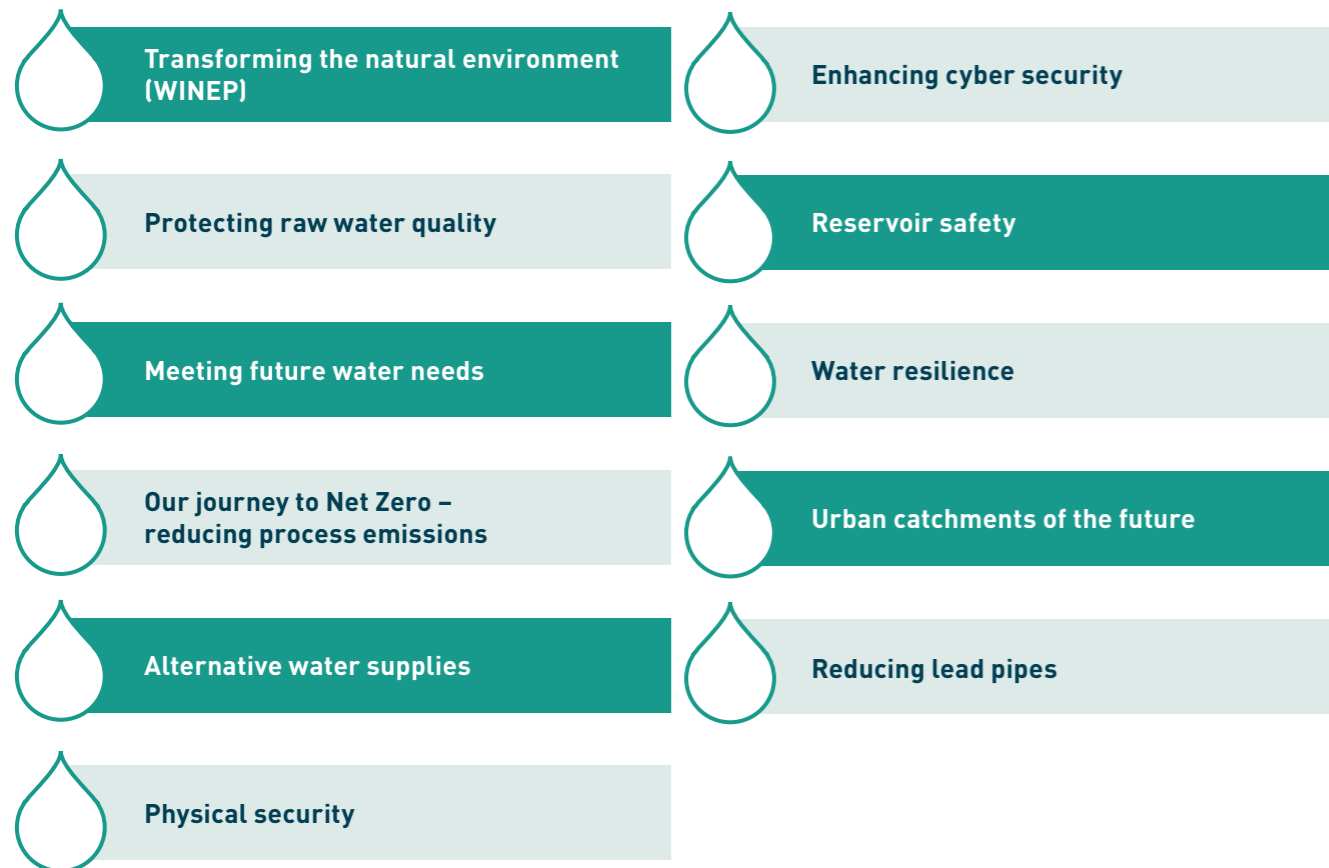
Base totex and modelled enhancement

Our base costs are largely determined through econometric models which take into account historical costs across the sector and a range of input variables. In forming our plan we have constructed a detailed bottom up analysis of expected costs across the business, incorporating a view of expected efficiencies and an annual productivity challenge. We have also used Ofwat's draft models to challenge our costs to ensure our plan is stretching and efficient.

Modelled enhancement expenditure of £0.9bn relates to reoccurring enhancements which are typically driven by stable and predictable trends such as population growth.

OUR INVESTMENT PROGRAMME

Our plan includes £5bn of investment across eleven enhancement cases. This is a bold programme of investment, aimed at meeting a wide range of sustainable outcomes, including the transformation of rivers in our region, tackling long term water scarcity challenges and decarbonising operations.



DEEP DIVE: TRANSFORMING THE NATURAL ENVIRONMENT (WINEP)

This business case involves the delivery of our Water Industry National Environmental Programme ('WINEP') for AMP8, covering a wide range of environmental improvement measures, with specific improvements agreed and governed by the Environment Agency.

WINEP is an ongoing programme of environmental improvement however AMP8 will be a significant step up in activity with over £3bn of investment.

The most significant element of WINEP is wastewater where we have a number of long term targets which we are legally required to deliver including the following from the Environment Act 2021:

- By 2050 no storm overflow will cause ecological harm or activate more than ten times per year;
- By 2037 we will have reduced phosphorous loadings in wastewater by 80%; and
- By 2035 we will have installed river quality monitors up and down stream of discharge points, publishing the data in near-real time.

The work we are doing in AMP8 is the first stage in achieving long term targets – over this period we will:

- Eliminate 99% of the reasons attributed to us for rivers in our region not achieving good ecological status (RNAGS);
- Remove phosphate from 1,375km of rivers;
- Install 1,000 river quality monitors;
- Reduce spills from storm overflows by 30%; and
- Enhance ammonia and BOD removal to benefit 346km of rivers.

TOTAL INVESTMENT: £3.1BN

KEY AREAS OF SPEND:

Storm overflows	£1.1bn
Phosphate removal	£0.7bn
Sludge to land	£0.3bn
Water WINEP	£0.4bn
Other	£0.6bn



We have been trialling 76 river quality monitors on the Rivers Leam and River Teme gaining valuable knowledge that is informing our approach to installing 1,000 monitors in rivers across our region.

DEEP DIVE: MEETING FUTURE WATER NEEDS

TOTAL INVESTMENT: £0.7BN

KEY AREAS OF SPEND:

Supply schemes	£0.3bn
Smart metering	£0.15bn
Other (mains renewal etc)	£0.25bn

Our region is classified as water stressed and we are forecasting a deficit of 600ML/d by 2050; by 2030 that will already be a deficit of over 170ML/d, the equivalent to around 8% of the water we treat and distribute every day.

This deficit is primarily driven by:

- Climate change;
- Population growth – expected to be 12% in our region by 2050; and
- Replacing less sustainable water sources with sustainable options.

Our AMP8 proposal would increase water supplies by over 200 ML/d by 2030, eliminating our 2030 deficit and tackling some of our longer term deficit.

We will deliver this through:

- Reducing demand through leakage reductions, and working with our customers and with business to reduce their demand, with 1 million smart meters installed; and
- Replacing capacity with more sustainable sources, ensuring no deterioration in the ecology of 75 water bodies.

We will also carry out investigations to understand the sustainability of our existing sources that might need to be withdrawn to meet future environmental improvements.



Smart metered customers in Coventry are already benefitting from our 'My smart tracker' trials

DEEP DIVE: OUR JOURNEY TO NET ZERO: ELIMINATING PROCESS EMISSIONS

TOTAL INVESTMENT: £0.4BN

KEY AREAS OF SPEND:

Stop production of GHGs from waste treatment and bioresources processes	£0.3bn
Stop GHGs from burning fossil fuels	£0.1bn

The UK has a legally binding commitment to reach net zero greenhouse gases by 2050 with an interim target of 78% reduction by 2035.

Our Science Based Target is to reach a 46% reduction by 2030/31, putting us on track to

deliver the 2035 interim commitment.

The main focus of our AMP8 investment case is the reduction of process emissions from wastewater treatment, which make up the majority of our process emissions through the generation of Nitrous Oxide and Methane – potent greenhouse gases.

We plan to eliminate 240 ktCO₂e through interventions at around 100 wastewater treatment works, with interventions being one of three types:

- elimination where we change the process to prevent GHG production or replace fossil fuel use;
- reduction where we optimise the processes to reduce the GHG emissions; and
- treatment where we install additional processes to capture and destroy GHGs.

We are set to deliver the world's first carbon neutral wastewater site in 2024, which will provide us with the blueprint to apply across our estate.

Our Strongford works will become the world's first carbon neutral wastewater site in 2024. Working in partnership with others in the UK and internationally, we will trial innovative new technologies and alternative processes that can be deployed at scale.

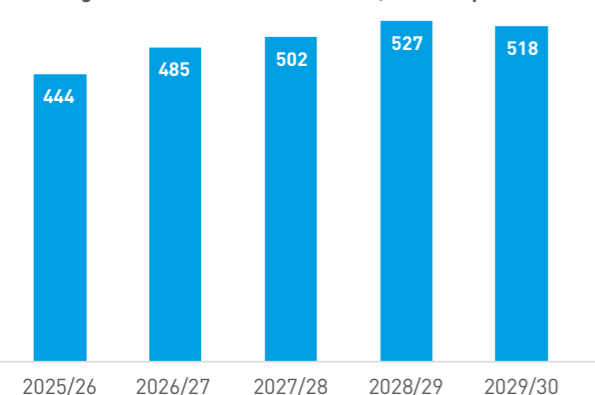




BILLS, AFFORDABILITY AND ACCEPTABILITY

KEEPING BILL INCREASES FAIR

Average combined household bill (£, 2022/23 prices)⁽¹⁾



⁽¹⁾Forecast is subject to outturn inflation

We enter AMP8 with one of the lowest bills in England at just £419 (nominal prices), £29 below the sector average⁽²⁾. We've worked hard to ensure we aren't passing on unnecessary costs to customers, with a strong track record of delivering our totex programme efficiently.

Our PR24 plan challenges us to keep driving efficiency further, to minimise the impact of our increased level of investment on bills.

And we're committed to the principle that customers won't pay for the same thing twice – all enhancement spend is linked directly to new statutory standards, customer driven improvements or to manage future risk.

⁽²⁾Source: [Discoverwater.co.uk](https://www.discoverwater.co.uk)

A COMPREHENSIVE AFFORDABILITY PACKAGE

For the median household in our region our investment means that their water bill will increase from 1.2% of disposable income to 1.3% by 2030.

But we know that this investment comes at a time when our customers are feeling the effects of economic uncertainty and cost of living pressures.

We firmly believe that nobody should fear their water bill and that's why we have designed a comprehensive affordability package which will build on our existing programme of support.

We will expand our social tariff – the Big Difference Scheme – to help half a million customers, twice the level of support this AMP and exceeding the number of customers we forecast are at risk of being in water poverty by 2030.

We will also make support available to a further 120,000 people, taking the total number of customers supported to 693,000. This includes those who may be at risk of falling behind with their bills, or experiencing short-term challenges, by offering payment breaks and payment plans, while offering a range of other support options tailored to our customers' needs, including support in increasing water efficiency, supported by our extensive metering programme.

CUSTOMER RESEARCH AND ACCEPTABILITY

In forming our plan we engaged with 68,000 customers in bespoke research, adding to a decade worth of insight gained through our online 'TapChat' portal which regularly surveys thousands of our customers.

This research informed how we prioritised our investment programme and identified which measures were most important to our customers, enabling us to produce a plan that we're confident will deliver the outcomes our customers want.

We have tested the plan with customers throughout its development. In the most recent research, we tested how customers reacted to an average real bill increase of £149 together with the investment package and service improvements associated.

Of the 4,000 customers surveyed, 76% of customers found our plan acceptable. Just taking account of household customers, the acceptability of the plan remains high at 72% which is in line with the testing at PR19.

WHAT OUR CUSTOMERS CAN EXPECT BY 2030

We're asking to increase our customers' bills and in return our customers expect us to deliver a further step change in performance, in the service we offer, our impact on the natural environment and the long term resilience of our assets for future generations.

Our PR24 plan will deliver across the three pillars that our customers have told us are important to them:

High Quality and Reliable

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

Sustainable:

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

Affordable:

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



Our Green Recovery project at Church Wilne and Witches Oak, including trials of ceramic membranes, wetlands and UV, is informing our AMP8 approach to water treatment.

20 WAYS OUR PLAN WILL MAKE A DIFFERENCE BY 2030

1 Sustainable water sources

Around 100 million litres per day from new and replacement sources, so we don't risk harming the environment by taking too much from existing ones.

2 Reduce leaks

16% reduction in leakage, helped by enough replacement water mains to go from Land's End to John O'Groats almost twice.

3 A more joined-up network

Better connected so we can move c.280 million litres of water a day to where you need it most when the weather heats up.

4 Bigger tanker fleet

Part of a package to give 163% more customers a back-up in case there's a local supply problem.



5 Smart meters

One million installed, helping us all understand how we use water and be smarter about it.



6 Water-saving customers

More support to help customers each save over six litres a day, and innovative tariffs to reward our smarter water users.



7 Better customer service

Driven by more people at the front line to serve you, and new technologies that mean we can keep you better informed and show you how you're using water.

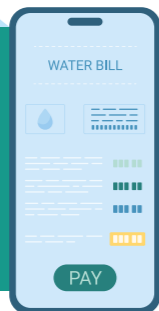
8 Digital security

The latest technology used by trusted public service providers globally, including the US Government, making sure your data and our infrastructure are safe and secure.



9 Help with bills

Financial support more than doubling to help to keep people out of water poverty.



10 Supporting better futures

A decade long commitment to help up to 100,000 people through free employability training in communities and work experience for schools.



11 Giving back to communities

At least £2 million a year to community projects, and additional help for 50,000 customers a year with debt, all funded by our shareholders.



12 Only rewarding strong performance

Executive bonuses paid from our non-regulated businesses, and 60% of every employee's bonus linked to great outcomes for customers, the environment and society.

13 Tackling surface water

Combining nature, tried and tested engineering, and AI to establish a model for sustainable drainage in four urban areas, creating 92 'nature hubs' with advisers to help communities find collaborative solutions.

14 Healthier rivers

Fixing 99% of the reasons for rivers not achieving good status that we're responsible for, leaving 14 remaining.



15 Fewer spills

Reducing the average number of storm overflow spills by 30% - helping us to hit the Government's 2050 targets five years quicker.

16 Sustainable and affordable

Building an innovation hub to design new ways to eradicate storm overflows.



17 Less pollution

A 30% reduction overall, pushing for a new industry-frontier performance, and zero serious pollutions.



18 Open information

1,000 water quality monitors so everyone can see what's happening in our rivers.



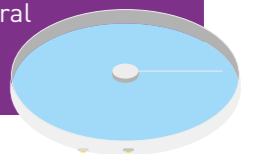
19 Working with farmers

Partnership working on over 8,000ha of farmland to reduce phosphates in our rivers and improve biodiversity.



20 An operational Net Zero group

Cutting over 240,000 tonnes of CO2e emissions, following our launch of the world's first carbon neutral wastewater site in 2024.



OUR PERFORMANCE COMMITMENTS

The outcomes framework has been one of the most important developments in water over the past decade. It has aligned customer and company priorities, delivering better performance for customers and the environment. For PR24 we have challenged ourselves to continue to set the benchmark for the sector and drive the frontier forward on key measures.

A STRONG TRACK RECORD

Since their inception at the beginning of AMP6 (2015) we have been a leader in Outcome Delivery Incentives ('ODIs'), consistently outperforming the sector both in the proportion of measures 'green' and the rewards earned.

We have pushed the performance of the sector forward on those measures that our customers care about the most and that will continue to be the case in AMP8.

AN EVOLVING INCENTIVE REGIME

ODIs and performance based incentivisation continues to be an important part of the regulatory model, with AMP8 seeing the regime move towards more common measures.

There are 23 common measures across the sector in AMP8 and we have proposed three additional bespoke measures based on extensive customer research.

INDUSTRY PRIORITIES

We have identified three critical common performance measures for which the sector must demonstrate significant improvement in order to regain the public's trust in our service.

1. Leakage: Building on our AMP7 target of a 15% reduction (from 2020 baseline) we will reduce leakage by a further 16% in AMP8. We are committed to delivering the Government target of a 50% reduction in leakage by 2050 five years early; our PR24 plan places us ahead of the glidepath required to reach our 2045 ambition. We'll double our mains renewal rate to support our leakage journey.

OUR APPROACH TO TARGET SETTING

We have categorised the common ODIs into five categories, with a set of principles applied to each to set our level of ambition.

Category	Principles to set our ambition	Measures
Industry priorities	<ul style="list-style-type: none"> - Set bold forecasts designed to push forward the industry - Our ambition delivers improvement through both the base and enhancement plans 	<ul style="list-style-type: none"> Leakage Storm Overflows Total pollutions
Customer and environmental priorities	<ul style="list-style-type: none"> - Align forecasts to long term plans (DWMP/WRMP) - Deliver Government ambitions (eg long term demand management targets) 	<ul style="list-style-type: none"> Sewer flooding (x2) PCC Business Demand Greenhouse gas emissions (x2)
Compliance measures	<ul style="list-style-type: none"> - 100% compliance expectation - Deadband proposals based on level of management control 	<ul style="list-style-type: none"> CRI Discharge permit compliance Serious pollution incidents
Asset health	<ul style="list-style-type: none"> - Base plan will deliver stable level of service - Enhancement expenditure drives improvements in asset health over time 	<ul style="list-style-type: none"> Mains repairs Sewer collapses Unplanned outage
New measures	<ul style="list-style-type: none"> - Establishing a robust baseline from which we can forecast a robust performance expectation 	<ul style="list-style-type: none"> River water quality Biodiversity

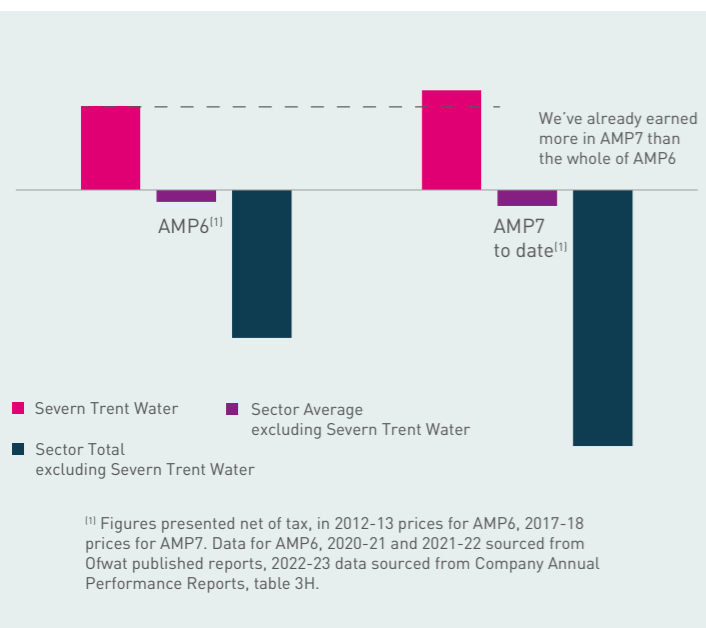
INDUSTRY PRIORITIES (CONTINUED)

2. Pollutions: We're already a leader on environmental performance as the only company to achieve 4* EPA rating four years in a row. Despite this, pollutions still occur, causing environmental damage, which is unacceptable to us and our customers. We're therefore building on the 50% reduction in pollutions delivered over the past ten years with a further 30% reduction in AMP8. And we recognise that zero is the only acceptable target for serious pollution incidents, which we are committed to delivering before the AMP starts.

3. Storm overflows: We have committed to achieving an average of 20 spills from storm overflows by 2025 and our PR24 plan will see this reduce by a further 30% across AMP8. Our long term goal is to reach the Government's target of no more than 10 spills by 2050, at least five years early.

INCENTIVE RATES

For common ODIs, Ofwat have set the value per unit of outperformance or underperformance. For those measures common to AMP7, all but one have a higher rate in AMP8, meaning ODIs are worth more, providing greater opportunity for outperformance, as well as greater risk for underperformance.



ALIGNING RISK AND RETURN

Our PR24 plan is a plan that delivers for all of our stakeholders, providing a fair and appropriate balance of risk and return.

For customers that means delivering the improvements that they have told us they want for a bill that is acceptable to them, our colleagues will grow with us as we invest in and insource key skills, our supply chain have clear line of sight of our largest ever investment programme, and our investors should expect a fair return commensurate to the level of risk taken.

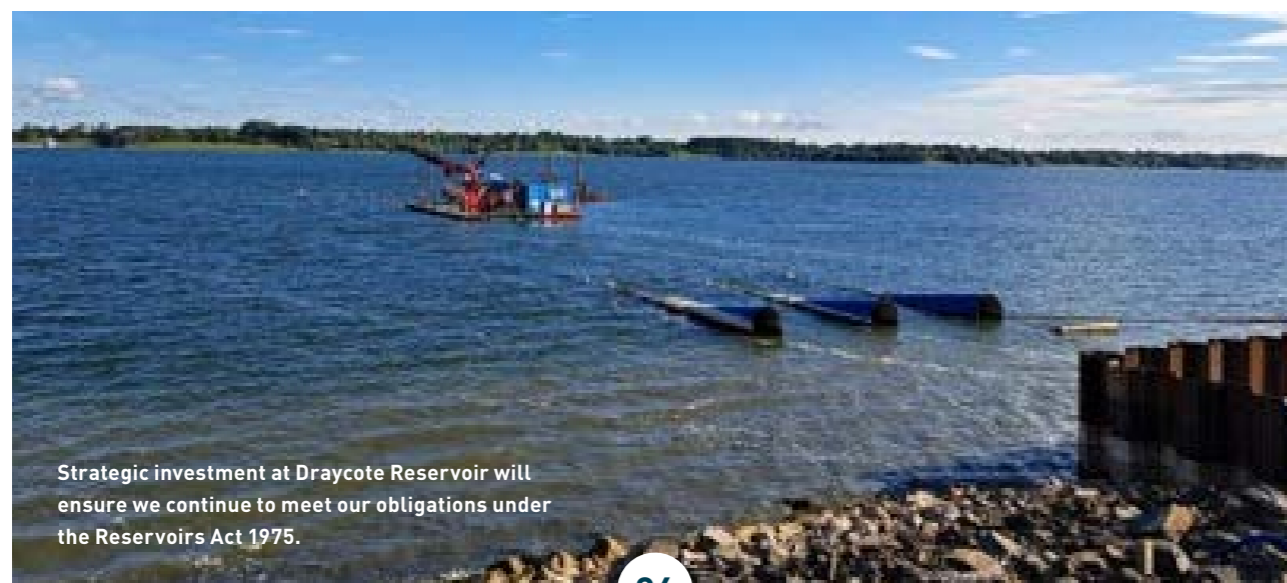
FUNDING AND FINANCIAL RESILIENCE

We have a substantial investment programme ahead, delivering a range of brilliant outcomes for our customers and the environment, alongside creating a stronger business that will enable us to consolidate our position as a sector leader and continue to deliver attractive returns for shareholders, enhanced by a significantly higher RCV.

When considering the financeability and funding of this investment programme, a principal aim has been the maintenance of robust levels of financial resilience, supporting the long-term sustainability of our business for customers and shareholders alike.

As a result we see a prominent role for equity in funding our AMP8 plan and have assumed within our financeability modelling an equity injection of £1 billion.

We are seeking to raise this equity ahead of submission to enable us to put forward a plan that maximises the growth opportunity for our shareholders, and is fully financeable, satisfying one of the key priorities of our regulator. With a high level of certainty around key investment programmes this funding will also enable us to make an early start on the investment required and enter AMP8 on the run rate necessary to deliver our programme.



Strategic investment at Draycote Reservoir will ensure we continue to meet our obligations under the Reservoirs Act 1975.

Our plan targets an investment grade credit rating and we aim to maintain a credit rating of BBB+/Baa1 for Severn Trent Water, in line with our current ratings, which allows us to maintain a strong funding platform for future investment. Over the course of AMP8 we are projecting to raise £5.9bn of debt, of which £2.1bn is refinancing and £3.8bn is new. We will continue to manage our capital structure so that our gearing remains below 70% for the duration of AMP8.

The combination of stable credit ratings, a strong track record, prudent liquidity, and a substantial

programme of investment in the environment, supporting our ESG credentials, gives us confidence we can continue to raise financing at competitive rates.

Our plan is financeable on both the notional company structure, which Ofwat will consider in its assessment, and the actual company structure, which is the basis on which we will raise finance.

Sensitivity analysis

Our plan assumes Ofwat's early view of the WACC and no out or under performance in AMP8.

Using the Ofwat WACC methodology and recent market data produces a WACC around 40bps higher than assumed in our plan.

In AMP6 we earned 2.9% of outperformance and to date in AMP7 we have earned 5.2% of outperformance.

We have therefore presented an average of key credit metrics included in our plan together with two points of sensitivity analysis (exclusive), assuming:

- An increase of 40bps on the WACC
- Outperformance of 50bps

Actual company structure (excluding non-appointed)	PR24 Plan	WACC + 40bps	Outperformance +50bps
	AMP8 average metrics ⁽¹⁾		
Ratio of debt to RCV (Ofwat)	65%	64%	64%
ICR adjusted for charges (Moody's)	1.4	1.6	1.6
FFO / debt (S&P)	9.7%	9.9%	10.3%
Post-maintenance interest cover (Fitch)	1.5	1.7	1.6

⁽¹⁾Gearing and credit metrics are presented at the Severn Trent Water appointee level, excluding non-appointed activity, Hafren Dyfrdwy and Business Services

ALIGNING RISK AND RETURN

RETURN ON REGULATORY EQUITY ('RORE')

We have a strong track record against all three levers of outperformance, delivering 5% above the base return cumulatively over the first three years of AMP7, and consistently achieving upper quartile RoRE since the beginning of AMP6.

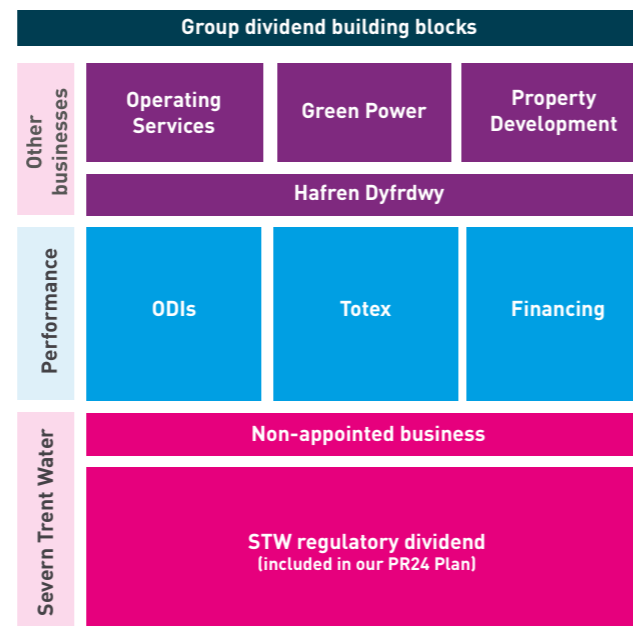
We've achieved a strong performance across all three levers of incentivisation:

- Delivering sector leading ODIs, earning over £200m (2017/18 prices) so far this AMP;
- Managing our totex programme efficiently, enabling us to do more; and
- Consistently outperforming on financing through our active approach to treasury management.

We continue to see opportunities for outperformance, alongside delivering the best possible outcomes for our customers and the environment.

REGULATORY DIVIDEND POLICY

The regulatory dividend paid from the Severn Trent Water appointee business forms an important part of the Severn Trent Plc Group dividend, together with other components of the regulated business, outperformance and other businesses within the Group.



Dividends form an important part of our PR24 plan, recognising that in order to deliver successful outcomes, all parties, including shareholders, must share in our success.

Our plan embraces the recent changes set out by Ofwat in order to strengthen the financial resilience of the sector. While our existing dividend policy is already aligned to these changes, we have updated the key principles that guide how we make decisions on dividends, to fully reflect the guidance set out by Ofwat:

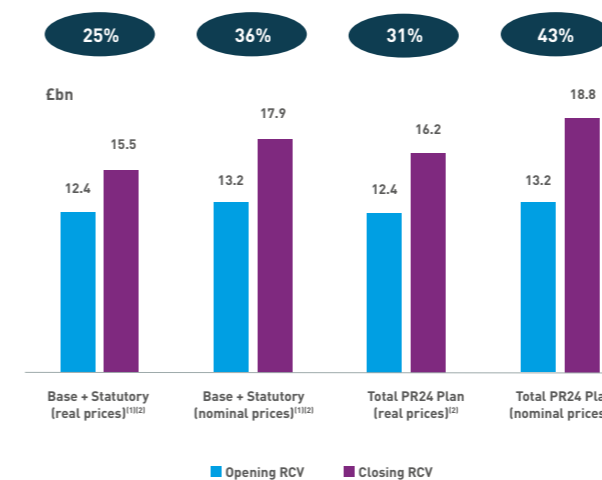
- Dividends will not impair the ability of the Company to finance the appointed business
- Dividends will take account of service delivery for customers and the environment over time
- Dividends will reward efficiency and the effective management of risks to the appointed business
- Dividends will be transparent

The base dividend yield paid from Severn Trent Water to its parent company Severn Trent Plc assumed in the plan is 4% across AMP8 in line with submission guidelines.

RCV PROFILE

The impact of our investment on bills needs to be balanced between the customers of today and the customers of the future. Financial levers are one of our mechanisms for ensuring this is the case.

Including around £400 million of transition spend expected to be invested in the next 18 months, our RCV is projected to grow by 31% in real terms over the course of AMP8 – a CAGR of 5.5%. After accounting for inflation, this growth increases to 43% – a CAGR of 7.3%.



⁽¹⁾ Includes base totex (£7.0bn), modelled enhancement spend (£0.9bn) and Statutory – AMP8 requirements (£4.1bn).
⁽²⁾ Opening RCV includes £1.0bn of midnight adjustments, excluding £0.4bn transition expenditure which relates to AMP8 and is included in AMP8 closing. Calculated using year end inflation – refer to Appendix for assumptions.

Our boost for biodiversity scheme has supported Tame Valley Wetlands, the RSPB and West Midlands Bird Club to increase local willow tit populations.





SUMMARY AND NEXT STEPS

We're proud of our plan which builds on our strong track record to date and marks the beginning of an exciting period of investment, delivering a step change in service for our customers, transforming the natural environment around us, and strengthening the resilience of our assets for future generations.

Our plan will be reviewed by Ofwat, our economic regulator, who will assess it under the framework set out in its methodology released in December 2022. Under the current timeline – outlined below – we expect to receive our draft determination in May/June 2024 followed by a final determination in December 2024. But of course there will be plenty of opportunities to discuss our plans in the meantime.

We also look forward to bringing our plan to life at our Capital Markets Day in Coventry city centre on 12 October.

If you'd like to attend our Capital Markets Day, or have any feedback or questions on our plan, please get in touch with the team:
investorrelations@severntrent.co.uk

For now, we have enough certainty to start moving ahead on delivering key elements of our plan and we will be educating and energising our people on how they will play their part.



APPENDIX: SUPPLEMENTARY FINANCIAL INFORMATION

Figures are presented for the Severn Trent Water Appointee business and do not include: Severn Trent Water Non-Appointed business, Hafren Dyfrdwy, our Business Services division comprising Operating Services, Green Power and Property Development, or Corporate and Other.

Totex profile (£m, 2022/23 prices)	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Base operating expenditure	899	925	953	978	992	4,746
Base capital expenditure	320	339	329	341	292	1,621
Enhancement operating expenditure	69	78	86	89	109	432
Enhancement capital expenditure	933	1,055	1,311	1,276	850	5,425
Retail costs	126	129	132	136	141	664
Total expenditure	2,347	2,525	2,810	2,820	2,384	12,887

Summary Income Statement (£m, nominal prices)	2025/26	2026/27	2027/28	2028/29	2029/30
Revenue	2,466	2,731	2,883	3,099	3,124
Operating Profit	864	1,040	1,095	1,189	1,095
Profit for the year	405	582	552	579	441
Regulatory dividend ⁽¹⁾	209	217	228	241	248

⁽¹⁾ Equivalent to 4% of regulated equity in line with submission guidelines

AMP7 Midnight Adjustments (£m, 2022/23 prices)	
Real Options: WINEP	168
Green Recovery	527
RPI-CPIH wedge	259
Other	83
Transition Expenditure	401
Total	1438

Inflation assumptions	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
RPI: November year on year %	7.2%	4.0%					
RPI: Financial year average indices year on year %	8.8%	4.6%			n.a.		
RPI: Financial year end indices year on year %	6.5%	3.4%					
CPIH: November year on year %	4.8%	2.6%	1.1%	1.3%	1.9%	2.0%	2.0%
CPIH: Financial year average indices year on year %	5.9%	2.9%	1.1%	1.3%	1.9%	2.0%	2.0%
CPIH: Financial year end indices year on year %	4.1%	2.3%	1.0%	1.7%	1.9%	2.0%	2.0%

Financial levers	2025/26	2026/27	2027/28	2028/29	2029/30	Average
PAYG ratio:						
- Water Resources	63%	62%	61%	66%	73%	65%
- Water Network Plus	62%	57%	52%	53%	65%	58%
- Wastewater Network Plus	43%	43%	40%	39%	46%	42%
- Bioresources	22%	22%	24%	29%	41%	28%
RCV Run Off Rate (pre 2025):						
- Water Resources	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
- Water Network Plus	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
- Wastewater Network Plus	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
- Bioresources	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
RCV Run Off Rate (post 2025):						
- Water Resources	2.6%	4.4%	5.3%	6.1%	6.9%	5.1%
- Water Network Plus	1.9%	3.1%	3.6%	4.1%	4.5%	3.4%
- Wastewater Network Plus	1.0%	1.8%	2.3%	2.7%	3.2%	2.2%
- Bioresources	1.2%	2.0%	2.7%	3.3%	3.9%	2.6%

Actual company structure (excluding non-appointed)	2025/26	2026/27	2027/28	2028/29	2029/30	Average
Ratio of debt to RCV (Ofwat)	63.4%	64.4%	65.5%	66.2%	66.6%	65.2%
ICR adjusted for charges (Moody's)	1.8	1.6	1.4	1.3	1.1	1.4
FFO / debt (S&P)	10.2%	10.2%	9.6%	9.7%	8.6%	9.7%
Post-maintenance interest cover (Fitch)	1.4	1.6	1.6	1.6	1.4	1.5

Actual company structure (excluding non-appointed)	AMP8 average	WACC + 40bps	50bps Outperformance
Ratio of debt to RCV (Ofwat)	65%	64%	64%
ICR adjusted for charges (Moody's)	1.4	1.6	1.6
FFO / debt (S&P)	9.7%	9.9%	10.3%
Post-maintenance interest cover (Fitch)	1.5	1.7	1.6

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Regulated Capital Value	Price base	Opening (£m)	Closing (£m)	Growth (%)	CAGR (%)
AMP8 RCV growth with transition expenditure included in opening RCV	Nominal FYA	13,510	18,567	37%	6.6%
	Real FYA	12,387	15,697	27%	4.9%
	Nominal FYE	13,597	18,753	38%	6.6%
	Real FYE	12,766	16,177	27%	4.9%
AMP8 RCV growth with transition expenditure excluded from opening RCV	Nominal FYA	13,072	18,567	42%	7.3%
	Real FYA	11,986	15,697	31%	5.5%
	Nominal FYE	13,157	18,753	43%	7.3%
	Real FYE	12,353	16,177	31%	5.5%

Bill profile (£, 2022/23 prices)	2025/26	2026/27	2027/28	2028/29	2029/30
Average combined household bill ⁽¹⁾	444	485	502	527	518
Average combined household bill (reprofiled) ⁽²⁾	438	481	508	533	518

⁽¹⁾ The bill profile is calculated in line with the methodology used to calculate actual bills and on a like-for-like basis with our existing reporting. This bill profile is the basis for the financial modelling presented in our plan and the associated outputs. The bill profile presented in table RR14 is calculated using a different methodology and is not reflective of the bill profile used in modelling the plan or the bill that would be calculated on an 'actual' basis.

⁽²⁾ We have also presented in our plan a proposed adjusted bill profile which assumes a small change to the post financeability revenue adjustment relating to AMP7 ODIs with more revenue recovered in years 3 and 4 and less in years 1 and 2.

CPIH, real	Ofwat early view of WACC
TMR	6.00 – 6.92%
ERP	5.53 – 6.45%
Risk free rate	0.47%
Equity beta	0.58 – 0.64
Cost of equity, post-tax	4.14%
Embedded to new debt ratio	83%
Cost of embedded debt	2.34%
Cost of new debt	3.28%
Debt fees allowance	0.10%
Cost of debt, pre-tax	2.60%
Notional gearing	55%
Appointee WACC	3.29%
Retail margin adjustment	0.06%
Wholesale WACC	3.23%

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or contact investorrelations@severntrent.co.uk