

Governance Script

Thank you so much, Christine. I can't tell you how thrilled I am that having only spent a few weeks with us you were able in your opening remarks to capture the special magic that makes Severn Trent different from other companies, and we think, unique.

As Christine said, I'm here to talk to you about the G of ESG – Governance. We believe good governance not only underpins confidence in the delivery of everything that you have seen today, but is also essential for our long term sustainable success.

There is a growing body of evidence that well governed companies are more enduring and out-perform their competitors. Examples of companies that were high performing, but ultimately failed because they had weak governance are well known to us all. We don't see it as something we do because we **have** to. We **choose** to see it as something that should be ingrained in the **way** we **behave**, **how** we make **decisions**, **how** we **run** our business and ultimately, **how** we build **trust**.

And so I'm going to talk to you about Governance using four broad themes:

Themes slide

- 1) Living our Values and Being Socially Purposeful
- 2) Balancing the interests of all our stakeholders;
- 3) Running our Company in the right way and for the long term, and;
- 4) Being open about what we do and sharing what we know

Some of these themes may be familiar to you, but I'm going to spend the next little while taking you through why they are personal to us.

Living our Values and Being Socially Purposeful slide

Living our values Slide

Now you might have been a bit surprised to see values at the top of my list. That's because we believe that a having the right culture throughout the entire organisation, from the boardroom to the front line, is the beginning and end of good governance.

I'm therefore delighted to share with you today our new purpose and values

Purpose and Values Slide

Our new purpose is taking care of one of life's essentials and our values are embracing curiosity showing care having courage and taking pride. So it's not just about what we do, but how we do it. But rather than **me** talk to you about it, let's listen to our employees telling you what it means to **them**.

Play Video

We really do believe that our purpose and values inspire and engage our people to go the extra mile in delivering great things every day, the right way.

Being Socially Purposeful Slide

We also know that being socially purposeful, doing more than the day job, is important to our people and to all our stakeholders. While social purpose may be the new buzzword, we've always strived to place customer and wider society's needs at the heart of our plans.

Hierarchy of needs slide

At our last Capital Markets Day we shared our customers' hierarchy of needs from our PR19 customer research. You can see that they told us that they wanted us to prevent the problems, treat them as individuals, and do more for our communities and society at large. As you can see right at the very top is, above all, be someone I can trust.

Whilst we achieved our ambition of being the most trusted company last year, we realised to maintain that trust we needed to be much more explicit about what we would deliver, on top of the day job and that's driven much of what you have seen today.

This is also why we asked Ofwat to put our Social Purpose in our Licence condition (and we think we are only company to have done so), so that it is a legally binding obligation and we will be reporting against the commitments we have made in this space.

Balancing the Interests of All our Stakeholders slide.

Moving on to the second theme which is:

Balancing the interests of all our stakeholders

It's key that we carefully identify our key stakeholders and take their interests into account in reaching our decisions. Failure to do this in the round could result in huge problems down the line.

Our Board takes time to really understand their interests through regularly inviting them to speak directly to them at Board meetings, reading and discussing their annual reports on us, attending a wide range of external meetings and forums and at senior levels having one to one meetings with them throughout the year. This is matched by a similar approach thought the different levels of the organisation.

The "employee voice" is much talked about at present and at ST we use our employee forum for this. Our board attend to listen directly to what employees have to say and our employees learn at first hand about what's on the board's mind. No topic is off limits – even Liv's pay!

To bring a tricky balancing act to life let's take our recent dividend policy decision which we needed to be sustainable over the next five years.

In reaching this we had to balance

the needs of our customers in terms of how we use their money, and meeting our performance commitments,

the needs of our investors in earning a fair return, commensurate with the risk they are taking in their investment

the needs of our employees (past, present and future)

And of course, Ofwat was very clear about its expectations too.

In the round we believe we landed on a sensible approach, taking all of those interests into account, whilst ensuring our credit ratings remained in line with our plan.

Running our Company in the Right Way for the Longer Term Slide

The third theme that continues to become more important in the Governance space is

1) Running our Company in the Right way for the Longer Term

This means having the right Board composition and effective oversight, strong internal controls and effective risk management, a good ethics programme and aligned and balanced remuneration.

On Board Governance, we pride ourselves on having a great board with a wide range of skills and experience. We know that diversity of thought helps to create strong business performance. We far exceed the Hampton Alexander recommendations by having 44% females on our Board. We are also in a very select group of companies by having a female CEO and a female Chair Designate. We are also conscious of our responsibility to create the next generation of board ready talent and our executive committee is 42% female. We are in full support of the findings from the Parker report around ethnic diversity, and as you can imagine we have plans to address this. We want our people, at all levels, to be truly reflective of the diverse communities we serve.

As well as the usual Audit and Remuneration Committees we also have a special purpose Corporate Sustainability Committee to keep our feet to the fire on all matters ESG. Financing is a key risk and opportunity area for us, so we also have an expert Treasury Committee supported by independent advice.

When all is said and done, the most significant business decisions are ultimately based on effective risk assessment and a strong controls environment. Whilst obviously key risks and controls are monitored regularly by our Board, Board Committees, Executive Committee and strategic risk council, we have an enterprise risk management system that applies throughout the entire business to ensure that this isn't a static and fixed process. In a fast moving world we need to be able to adapt quickly, to accelerate mitigating action or change course.

Now, for all of us there can be those tricky moments when it's not quite clear what's the right thing to do. So we have a Doing the Right Thing toolkit explaining how we with putting our values in action to help anyone who works for us – either directly or in our supply chain to help navigate those grey areas, with constant reassurance that it is safe to speak up if anyone feels uncomfortable about anything we are doing. We have independent whistleblowing call line and every single allegation - no matter how trivial, gets independently investigated - and reported to our Board. But all our employees also know that they can contact me, Liv, Christine, and our other senior management team about any issue – however big or small, and increasingly this is their route of choice - I think this is because, when asked in our most recent survey if they felt confident that something would be done if they raised a concern, our score on this question put us in the top 10 energy and utility companies worldwide.

We have a strong record on remuneration. Our shareholders have voted 99% in favour of the Directors' remuneration report for the past 2 years because they can see we're clearly only delivering stretch reward for out-performance and that our short and long-term measures are appropriately balanced.

We want all of our people to that same sense of ownership, accountability and clear line of sight from our strategy to delivery of their daily performance. That's why **all** of our employees, from Executive

Directors to front-line operators, are incentivised along the same bonus metrics to deliver our Strategy - and a third of our bonus is linked to sustainability measures.

We also want our employees to be closely aligned to shareholders' interests. Over 70% of our employees participate in our sharesave scheme compared to an average of 24% in the FTSE. Nearly a 25% of our employees save the maximum amount of £500 a month compared to just under 10% across the FTSE. This means they really have skin in the game in terms of our long-term performance.

Being Open about What we Do and Sharing What we know Slide

The final theme is around

4) Being open about what we do and sharing what we know

Clearly setting out how we are delivering against our commitments is essential part of our stakeholders being able to assess whether they can trust us. As well as the usual annual set pieces (our ARA and APR and schedule of charges for customers) we also produce longer terms reports on our response to water resource management and adaptation to climate change every 5 years. Going forward we will also have for the first time a brand new Sustainability Report which will incorporate our reporting on TCFD on Climate related risks and our approach to Science Based Targets.

Apart from this, as I mentioned before we maintain a regular ongoing dialogue with all our stakeholders. We meet with our Regulators formally on a quarterly basis, including Ofwat, the EA the DWI and CCW to honestly discuss our performance and seek feed-back. The aim is to have no surprises on either side. This builds our mutual trust.

Four key themes Slide

So, four clear themes to our approach to Good Governance. - but as you all know, and we passionately believe, Culture is the key to it all – and we think this is what makes us unique. It's why we wanted you to come and see us here in Coventry so you could feel it for yourselves. Our purpose and values are what binds us all together to achieve great things but also guides us to make the right decisions in difficult moments.

Thank you for listening and with that I'll hand back over to Liv.