

OUR GOVERNANCE STRATEGY

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TRENT

OUR GOVERNANCE STRATEGY IN ACTION

Severn Trent is proud to be a socially purposeful company focused on creating long-term value for our shareholders and wider stakeholders. Our clear Purpose and Values help drive the right strategic decisions for our business, our stakeholders and the environment. We have made significant progress over the last 30 years, since our listing in 1989, creating a solid foundation for achieving our commitments over that time and for the next 25 years.

Our long-term success depends on our commitment to exceptional corporate governance standards, which underpin the confident delivery of everything we do. We do not see governance as something we do because we have to. We see it as something that is ingrained in the way we behave, how we make decisions, how we run our business and, ultimately, how we build trust. The Board is fully committed to open and transparent reporting and this is supported through the positive way in which the Company embraces emerging corporate governance and regulatory developments – often adopting new requirements earlier than required.

As part of our commitment to transparent reporting beyond that already included within our Annual Report and Accounts, our Governance Strategy document sets out how our high standards of governance support the effective delivery of our strategy and ensures that the Board takes decisions that create sustainable long-term value for the mutual benefit of our customers, shareholders, the communities we serve, our employees and indeed all our key stakeholders.

We will continue to evolve and enhance our reporting in this area and we welcome feedback on our approach.



Christine Hodgson
Chair
Severn Trent Plc

OUR GOVERNANCE STRATEGY IN ACTION

Our Governance Strategy is delivered through the following four pillars, which we will bring to life in the pages that follow:

- Living our Values;
- Balancing the interests of all stakeholders;
- Running our Company for the long term; and
- Being open about what we do and sharing what we know.

BEING A COMPANY YOU CAN TRUST



Live our Values



Balance interests of all our stakeholders



Run for the long term - Collaborate to innovate and continuously improve



Be open and honest about what we do and share what we know



LIVING OUR VALUES

The Board nurtures a strong, consistent culture based on our clear Purpose and Values that articulate what we stand for and form the foundation of our relationships with our stakeholders. This is underpinned by strong governance, leadership, ethics, and management of risks and opportunities.



Our Purpose of 'taking care of one of life's essentials' comes to life through our Values of Having Courage, Embracing Curiosity, Showing Care and Taking Pride. Our Values are integral to the way we behave and the way we do business, in order for us to ensure the long-term success of the Company for the mutual benefit of all stakeholders.

Our clear Purpose helps drive the right strategic decisions for our business, our stakeholders and the environment and an example of this is our Affordability Strategy, announced in May 2022.

As a socially-responsible company that genuinely cares about its customers and the communities it serves, the Board determined that the Company's Affordability Strategy should focus on how we could further improve our approach and outcomes for customers, including increasing the number of households supported overall and improving the way in which support is targeted. In developing our refreshed approach, we engaged with all of our stakeholders, including customers, shareholders, Ofwat, CCW and local communities, to listen to and understand their views and the affordability challenges faced by customers. Our strategy was then developed in full consideration of these discussions, with the objective of addressing affordability issues affecting our customers in the immediate term and proposing a multi-AMP strategy to eradicate water poverty in our region.

Our Affordability Strategy comprises a package of new funding totalling £30 million, which will support an additional 100,000 customers at risk of water poverty by 2025. This will mean c.6% of our customers will be supported by our social tariff by the end of AMP7.

BALANCING THE INTERESTS OF ALL STAKEHOLDERS



The differing interests of stakeholders are considered in the business decisions we make across the Company, at all levels, and are reinforced by our Board setting the right tone from the top. We listen to and understand the needs of stakeholders in order to make business decisions that promote mutually beneficial relationships between the Company and our employees, customers, suppliers, communities and the environment that we rely on to prosper. An example of this is our commitment to 'Get River Positive', announced in March 2022, and the way in which we have directly linked our five River Pledges to our remuneration structures to ensure that every employee's bonus is aligned to their achievement.

Whilst the Board and Remuneration Committee were confident that we already had strong links between environmental performance and pay, with 12% of the annual bonus linked to environmental measures, we believed it was appropriate to go further and make the link between river health performance and remuneration even stronger and more direct. In March 2022, the Remuneration Committee approved the creation of a specific section of the annual bonus for measures and targets linked to river health equating to 8% of the total. Therefore, from 2022/23, 20% of the annual bonus is linked to measures relating specifically to environmental measures and river health. We engaged with shareholders and wider stakeholders in advance of these changes.

Both the Board and Executive Team are committed to making a positive impact on the environment and the communities we serve and recognise that, as a sector, there's more we need to do to help our region's rivers be the healthiest they can be. We discuss this topic regularly at our Board meetings to oversee the detailed plans, consider stakeholder feedback and ensure that our region's rivers are as healthy as possible.

GET RIVER POSITIVE



PLEDGE ONE

Ensure storm overflows and sewage treatment works do not harm rivers.



PLEDGE TWO

Create more opportunities for everyone to enjoy our region's rivers.



PLEDGE THREE

Support others to improve and care for rivers.



PLEDGE FOUR

Enhance our rivers and create new habitats so wildlife can thrive.



PLEDGE FIVE

Open and transparent about our performance and our plans.

RUNNING OUR COMPANY FOR THE LONG TERM



Our Purpose – taking care of one of life’s essentials – is a long-term endeavour and forms the foundation of our relationships with our stakeholders and is critical to our long-term success.

Our people connect with our Purpose, and our outstanding engagement scores and consistent operational performance demonstrate the strength and depth of this connection. Our customers and communities tell us that they want us to focus on topics of importance

to them and be reassured that they can depend on us to respond to these issues. And our investors want to understand our Purpose and Values and know that we will apply these consistently in delivering our strategy, with a focus on the long term.

Examples of how we run our Company for the long term include:

OUR BOLD GREEN RECOVERY PROGRAMME

Our ambitious Green Recovery programme investment is making our region greener, safer, more resilient to climate change, and more prosperous. The programme supports the UK Government’s Levelling Up agenda and will deliver long-term, sustainable benefits for current and future generations in our region. We have made good progress with each of the projects and you can read more in our dedicated [Green Recovery report](#).



OUR SUSTAINABILITY COMMITMENTS AND ROAD MAP TO NET ZERO

The long-term success of our Company is naturally linked to the health of the environment and the wellbeing of our customers, colleagues and the communities we serve.

Our sustainability commitments go beyond this – focused on making a positive impact in our region, for the people who live and work here and the environment around us.

We have made good progress in achieving net-zero operational carbon emissions by 2030, generating or procuring 100% renewable energy and moving our fleet to 100% electric vehicles by 2030, where available.

You can read more in our dedicated [Sustainability Report](#).



STRATEGIC DIRECTION STATEMENT



Our Strategic Direction Statement defines the Company we want to be in 2050 and the supporting 30-year investment roadmap required to achieve it. In December 2021,

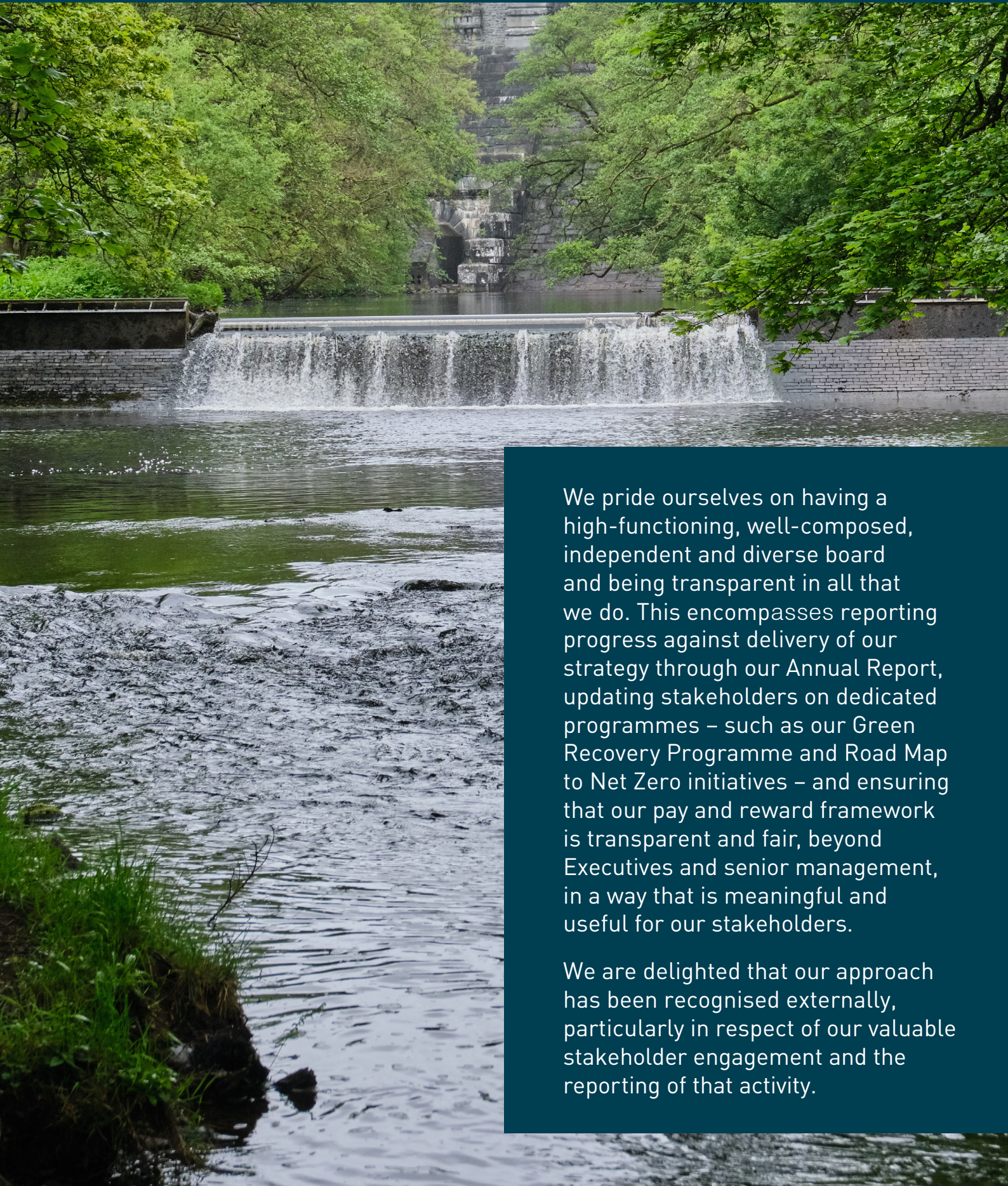
the Strategic Direction Statement was published for consultation to ensure the consideration of stakeholder views were factored into its final form, issued in May 2022.

LISTENING TO OUR EMPLOYEES



The Board listens to the views of employees either directly, through dedicated 'Ask Our Board' events and separately through reviewing the outcomes of employee surveys, engaging directly with individual employees throughout the Group and listening to feedback from our stakeholders.

BEING OPEN ABOUT WHAT WE DO AND SHARING WHAT WE KNOW

A photograph of a river with a stone weir. Water is flowing over the weir, creating a small waterfall. The river is surrounded by lush green trees and foliage. The water in the foreground is turbulent and white with foam.

We pride ourselves on having a high-functioning, well-composed, independent and diverse board and being transparent in all that we do. This encompasses reporting progress against delivery of our strategy through our Annual Report, updating stakeholders on dedicated programmes – such as our Green Recovery Programme and Road Map to Net Zero initiatives – and ensuring that our pay and reward framework is transparent and fair, beyond Executives and senior management, in a way that is meaningful and useful for our stakeholders.

We are delighted that our approach has been recognised externally, particularly in respect of our valuable stakeholder engagement and the reporting of that activity.