

Independent Limited Assurance Report to the Directors of Severn Trent PLC

Independent Limited Assurance Report by Deloitte LLP to the Directors of Severn Trent PLC on to Selected Information within the Sustainable Bond Allocation Report which discloses the reported use of the proceeds of the sustainable bond ISIN XS2445344570 issued on 22 February 2022.

What we found: Our assurance conclusion

Based on our procedures described in this report, and evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information, as presented on pages 6 and 8 of the Sustainable Bond Allocation Report which discloses the reported use of the proceeds of the sustainable bond ISIN XS2445344570 issued on 22 February 2022 has not been prepared, in all material respects, in accordance with the Allocation Reporting Criteria defined by the directors in the footnotes on page 8 of the Sustainable Bond Allocation Report.

What we looked at: scope of our work

Severn Trent PLC has engaged us to provide independent Limited assurance in accordance with International Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ("ISAE 3000 (Revised)", issued by the International Auditing and Assurance Standards Board ("IAASB")) and our agreed terms of engagement.

The Selected Information in scope of our engagement, as presented on pages 6 and 8 of the Sustainable Finance Allocation Report, and as listed as follows:

Issuer	Severn Trent Utilities Finance Plc
Currency	GBP
ISIN	XS2445344570
Size	£400m
Net proceeds	£394.7m
Settlement date	22 February 2022
Maturity date	22 February 2033
Coupon	2.625%
Allocated	£394.7m
Allocated %	100%

Business Plan Outcome	Sub-Portfolio	2020/21	2021/22	Total
A positive difference	Social	2.2	0.5	2.7
A service for everyone	Social	1.8	-	1.8
Good to drink	Green	18.8	37.7	56.5
The lowest possible bills	Green	0.5	1.3	1.8
A thriving environment	Green	55.7	79.9	135.6
Wastewater safely taken away	Green	24.7	40.5	65.2
Water always there	Green	44.3	86.8	131.1
Total		148.0	246.7	394.7

The Allocation Reporting Criteria are set out below. These have been defined in section 6 of the Severn Trent Sustainable Bond Allocation Report and are used to prepare and report the Selected Information.

¹ Reported values are sourced from Severn Trent's accounting system SAP.

² Project expenditure is tagged in SAP and allocated to the Business Plan Outcomes which are defined in our PR19 Business Plan submission. The allocations are made based on analysis performed by our Business Planning team and Strategic Asset Planning team as part of the allocation reporting process. Social assets and expenditures are included separately where they are considered to align with the Social Eligible Categories.

³ Eligible project expenditure comprises of all capital and operational expenditure that has been attributed to the Business Plan Outcomes, for example capitalised salary costs, administrative costs, equipment and machinery, and is in accordance with the Use of Proceeds outlined on pages 10 and 11 of the Sustainable Finance Framework.

⁴ Expenditure has been assessed for eligibility and inclusion in the Eligible Categories and the alignment with these has been confirmed by the Sustainable Finance Committee

In relation to the Selected Information, as listed in the above table, the Selected Information needs to be read and understood together with the Allocation Reporting Criteria set out on page 8 of the Sustainable Bond Allocation Report.

Inherent limitations of the Selected Information

We obtained limited assurance over the preparation of the Selected Information in accordance with the Allocation Reporting Criteria. Inherent limitations exist in all assurance engagements.

Any internal control structure, no matter how effective, cannot eliminate the possibility that fraud, errors or irregularities may occur and remain undetected and because we use selective testing in our engagement, we cannot guarantee that errors or irregularities, if present, will be detected.

The Allocation Reporting Criteria defined by Severn Trent PLC, the nature of the Selected Information, and absence of consistent external standards allow for different, but acceptable, measurement methodologies to be adopted which may result in variances between entities. The adopted measurement methodologies may also impact comparability of the Selected Information reported by different organisations and from year to year within an organisation as methodologies develop.

Our engagement provides limited assurance over the preparation of the Selected Information in accordance with the Allocation Reporting Criteria. The Allocation Reporting Criteria make reference to definitions outlined on pages 10 and 11 of the Severn Trent Sustainable Finance Framework. DNV GL Business Assurance Services Limited has provided a Second Party Opinion as to whether the Framework is aligned with the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG), and the LMA Green Loan Principles (GLP) and Sustainability Linked Loan Principles (SLLP). We have not performed an assessment of this alignment as part of our engagement procedures

Directors' responsibilities

The Directors are responsible for:

- Selecting and establishing the Allocation Reporting Criteria.
- Preparing, measuring, presenting and reporting the Selected Information in accordance with the Allocation Reporting Criteria.
- Publishing the Allocation Reporting Criteria publicly in advance of, or at the same time as, the publication of the Selected Information.
- Designing, implementing, and maintaining internal processes and controls over information relevant to the preparation of the Selected Information to ensure that they are free from material misstatement, including whether due to fraud or error.
- Providing sufficient access and making available all necessary records, correspondence, information and explanations to allow the successful completion of the Services.
- Confirming to us through written representations that you have provided us with all information relevant to our Services of which you are aware, and that the measurement or evaluation of the underlying subject matter against the Allocation Reporting Criteria, including that all relevant matters, are reflected in the Selected Information.

Our responsibilities

We are responsible for:

- Planning and performing procedures to obtain sufficient appropriate evidence in order to express an independent Limited assurance conclusion on the Selected Information.

- Communicating matters that may be relevant to the Selected Information to the appropriate party including identified or suspected non-compliance with laws and regulations, fraud or suspected fraud, and bias in the preparation of the Selected Information.
- Reporting our conclusion in the form of an independent Limited Assurance Report to the Directors.

Our independence and competence

In conducting our engagement, we complied with the independence requirements of the FRC's Ethical Standard and the ICAEW Code of Ethics. The ICAEW Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

What we did: key procedures

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the description of activities undertaken in respect of the Selected Information is likely to arise. The procedures we performed were based on our professional judgment. In carrying out our Limited assurance engagement on the description of activities undertaken in respect of the Selected Information, we performed the following procedures:

- Performing enquires with management to understand how the Allocation Reporting Criteria have been applied in the preparation of the Selected Information;
- Performing a walkthrough of the key processes and assessing the design & implementation of the key controls for managing and reporting the Selected Information;
- Inspecting issuance documentation and bank statements to confirm the total reported values of gross and net proceeds;
- Verifying input listings of project expenditure to reported information from the accounting system, SAP;
- For a sample of assets and expenditures receiving allocations, inspecting business cases to verify the business plan line code assignment, and system generated reports to verify the expenditure by year;
- Verifying the percentage allocations of project expenditure used in the calculation of total eligible expenditure to analysis performed by the Business Planning Team and Strategic Asset Planning Team;
- Obtaining calculations of allocations to assets and expenditures to confirm this is consistent with the disclosure relating to Business Plan Objective allocations by financial year;
- Substantive testing to confirm that assets and expenditures received allocations by management in line with the approach set out on pages 10 and 11 of the Severn Trent Sustainable Finance Framework; and
- Inspecting minutes of the Sustainable Finance Committee to confirm the value of portfolio allocations during the period and that allocated projects were considered against the eligible categories and approved.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Use of our report

This report is made solely to the Directors of Severn Trent PLC in accordance with ISAE 3000 (Revised) and our agreed terms of engagement. Our work has been undertaken so that we might state to the Directors of Severn Trent PLC those matters we have agreed to state to them in this report and for no other purpose.

Without assuming or accepting any responsibility or liability in respect of this report to any party other than Severn Trent PLC and the Directors of Severn Trent PLC, we acknowledge that the Directors of Severn Trent PLC may choose to make this report publicly available for others wishing to have access to it, which does not and will not affect or extend for any purpose or on any basis our responsibilities. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Severn Trent PLC and the Directors of Severn Trent PLC as a body, for our work, for this report, or for the conclusions we have formed.

Deloitte LLP

Deloitte LLP

17 November 2022