

Investor News

Issue 2

August 2019

Calm and in Control

I can barely believe that it is almost a year since we submitted our initial PR19 Business Plan to Ofwat and then spent time with you all for our Day to bring it all to life. We were in the midst of a pretty tricky summer dealing with sustained hot weather and increased water demand all whilst allowing a film crew to get full access to our people for the making of 'ITV's Sewer Men' (more on that later).

Fast forward a year and as I prepare to head off on my holidays we're in a good place. Calm even! (I can do calm, contrary to popular belief). Both our SVT and HD plans have stood up to scrutiny by customers and

regulators and we are now in the final stretch before the final determination in December. The investment made in the past 12 months on our network has given us additional resilience so we can confidently say there will be no hose-pipe ban or restriction on use for customers for the 24th consecutive year. Our documentary, Sewer Men, aired in the last two weeks on ITV, creating great awareness for what our people do and capturing the attention of millions of people to educate them on sewer misuse.

But don't mistake a calm approach for lack of activity! The business is buzzing with planning for the next AMP and making sure we

can brilliantly execute on our customer commitments. We can't wait to get cracking.

I hope you have a wonderful summer and look forward to seeing you all in the coming months.

Liv



Summer reading list

Let us help you solve that holiday book dilemma! It's been another busy few months for Severn Trent so we thought we'd offer you a quick round up of what's new in our world, and give you some links to some helpful reading materials which we have released in the past couple of months:

- highlighting the progress we have made over the past year in achieving our vision to be the most trusted water company by 2020, this year's ARA also includes for the first time a chapter on 'Our Social Purpose' and 'ESG - at a glance'.

- this report aims to provide customers and wider stakeholders with a transparent view of our performance in a regulatory context for 2018/19.

- this pulls together our focus areas across environmental, social and governance issues, outlining our key policies and strategies, and detailing what we consider to be the key measures for our business. This is a working document and we are eager to hear feedback!

- produced in association with The Social Mobility Pledge, this booklet outlines the work we've been doing as a responsible, local employer to increase social mobility in our patch and tackle the UK skills gap. It gives particular focus to the opportunities our Apprenticeship scheme gives young people to get experience in the work place, learn new skills, while learning and contributing to the workplace.

- our trading statement confirmed that we have made a good start to the financial year, and outlined the momentum we have continued to build ahead of AMP7.

- our response to Ofwat's latest PR19 update.

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World Water Innovation Fund

Water companies around the globe are joining forces to form the World Water Innovation Fund, with an aim to find, develop and accelerate the ground-breaking technologies that can make a real difference to peoples' lives across the world.

The fund has been established to pool the intellect and resources of some of the world's most forward-looking water companies to protect this precious resource against the growing challenges of climate change and population growth. Members have committed

significant investments to a central fund which will then be used to develop innovative techniques and undertake trailblazing research.

Severn Trent Chief Executive Liv Garfield said:

"Water scarcity, triggered by climate change and population, is a huge challenge for the water industry across the world which is why today's launch is so important. We are the custodians of what is a precious resource, and which is so vital to everyone across the world. By creating this fund we've

joined forces with like-minded companies from across the globe who recognise the challenges we face and who want to do things differently, to find new ways of working, and to leave a lasting water legacy for future generations. That's why I'm so excited about what we can achieve by working together."

You can learn more about the World Water Innovation Fund



Liv Garfield named one of Glassdoor's top UK Chief Executives

Our very own Chief Executive Liv Garfield has scooped a Glassdoor Employees' Choice Award, which honours the country's top CEOs. Among the approximately 900,000 companies reviewed on Glassdoor, based on feedback given by the companies' own employees, the average CEO approval rating is 69%. Liv received a fantastic 94% approval rating, making her one of Glassdoor's top 50 CEOs.

"It's really quite humbling to know that Severn Trent's own employees shared their views like this," Liv responded, "and I'm just

chuffed to bits to be recognised because it means so much more when it's your own teams who've voted."

"It's really important to me and to the company that we've built a great place to work for everyone here at Severn Trent and that we serve our customers to very best of our abilities, and that's so much more important than any personal recognition."

Severn Trent gained further recognition at the Glassdoor Employees' Choice Awards, being ranked in the top 50 companies



to work for as voted for by employees. Particular areas of praise include the focus on wellbeing in the organisation and the wide availability of personal development opportunities.

AMP7 ODI Deep Dive: Biodiversity

Biodiversity is hugely important for our environment, impacting on the regulation of our climate, the purification of our water, and the pollination of our crops. Beyond just the environmental benefits, improving biodiversity in our patch helps improve water quality which drives down costs for the business, and contributes to our broader measure around the Water Framework Directive. It also enhances our relationship with our community and customer perception, which is an important part of the C-MeX measure in AMP7.

As part of our PR19 research, customers told us that they would like to see a broadening of our approach to biodiversity, on land as well as in water, in partnership with experts. In response, we have promised to undertake an ambitious biodiversity improvement programme in AMP7, expanding the scope of our biodiversity-enhancing activities

to encompass all Sites of Special Scientific Interest (SSSIs) and Special Areas of Conservation (SACs) that we own, as well as land that we can influence through our grant schemes.

We have engaged with a number of key stakeholders in this area, including the Environment Agency, Natural England, the Wildlife Trusts within our region and representatives of Blueprint for Water (a coalition of 16 leading environmental and fishery NGOs) to discuss their expectations.

Our AMP6 strategy aimed to improve biodiversity on SSSIs and SACs, and we are expecting to outperform our target, achieving 585 hectares of improvement against a target of 409 hectares. In AMP7, we are committing to a net improvement of 1,090 hectares across water and waste while continuing to maintain the improvements delivered in AMP6.

We have already lined up a number of projects which will help us achieve, and exceed, this target:

- Wastewater treatment work improvements to reduce phosphates entering rivers;
- Sewer system improvements where they are impacting SSSIs;
- Peat bog restoration in the Peak District through Moors for the Future partnership; and
- Boost for Biodiversity fund (see case study below).

There are two customer ODIs related to Biodiversity - one for water and one for waste. These ODIs reward the company for any hectares improved above our target of 1,090, with an outperformance payment of £3,627 per hectare. These customer ODIs are uncapped.

Success story: Ian Steele at Treflach Farm in Shropshire



“We were awarded £29,425 to tackle a number of issues relating to the local watercourse, such as nutrient leaching, and lack of water for grazing livestock.”

- Ian Steele

Ian's enterprise works towards sustainable farming practices to produce wholesome food. He applied for funding to support a wetland and drainage improvement project at his farm in Shropshire, and was awarded £29,425.

Ian put the funding towards various solutions including alterations to the cattle shed drainage to prevent nutrient leaching, installing a more efficient septic tank system and restoring a pool to enhance biodiversity through the protection of amphibious species and improving flood risk management.

You can read more stories like Ian's

Comparisons of Water Sector Performance in the UK

Last year Global Water Intelligence (GWI) published research which assessed the Water sector in England and Wales against European counterparts, and concluded that ‘there is a strong case for stating that the UK regulated system delivers the best value for money of all the utility sectors in this study.’

Following on from this, the GWI have released a new study comparing the performance of water companies in England, Scotland, Wales and Northern Ireland across five measures since privatisation.

The report found that in each of the areas tested, the best performer was one of the nine English WASCs, while state-owned Northern Irish Water was found to be towards the bottom of the table on the majority of measures. The performance of Scottish Water has improved since the establishment of independent regulation in 2005, but it remains mid-range on most measures. Performance in Wales, which operates as a not-for-profit privately-owned WASC, was also

found to be mid-range, but with bills considerably higher than the average.

Companies in England were shown to have increased capital spending, particularly in the years immediately following privatisation, which has contributed to an overall decrease in the number of water quality

incidents. Since privatisation, English WASCs have also taken significant strides on leakage, reducing average leakage rates from 30.19% to 22.45% - even the worst performing English company has a lower average leakage rate than NI and Scottish Water.

You can find the full report

Measure	Top three performers
Water quality - how good is the water that comes out of the taps	<ol style="list-style-type: none"> 1 Best performing English company 2 Wales 3 English average
Total leakage - the amount of water ‘lost’ in the system	<ol style="list-style-type: none"> 1 Best performing English company 2 English average 3 Wales
Water quality incidents - pollution incidents harming waterways	<ol style="list-style-type: none"> 1 Best performing English company 2 Wales 3 Scotland
The quality of wastewater treatment - for which we’ve used tertiary treatment processes as a proxy	<ol style="list-style-type: none"> 1 Best performing English company 2 Northern Ireland 3 English average
The charge of water & wastewater to customers¹	<ol style="list-style-type: none"> 1 Best performing English company 2 English average 3 Wales

Award-winning water treatment innovations

Our ‘Rapid Detection of Bacteria’ project has been recognised as one of the most exciting water treatment innovations in the UK, winning first prize at the Water Industry Awards.

The project was set up to look outside of the world of water to other industries for methods of increasing proactivity in the way we detect bacteria to produce faster results at the point of sampling. Complex technology from the medical world has recently been adopted into the water industry, but until now these

machines have not been suitable for use directly on site.

Based on the same technology, BactoSense has been developed specifically for use in the water sector. Using ‘rapid online flow cytometry’, we can detect changes in bacteria counts 24/7, allowing us to work more proactively to prevent failure and keep our customers’ water supplies safe.

The technology has been adopted with incredible success - results that used to take 24 hours to arrive now come in just 20 minutes.

Not only are the results amazing, but our use is a first for the UK water industry.



ITV's Sewer Men

Last Summer we invited an ITV film crew into Severn Trent to follow a number of our colleagues around the business for six weeks. The result is a two-part documentary, Sewer Men, which has been broadcast to the British public over the past two weeks.

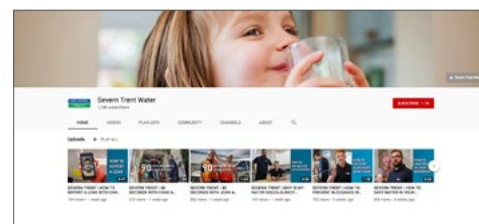
This was a fantastic opportunity to broadcast to a large audience and educate the general public about key issues such as sewer misuse and water consumption. The two episodes were watched by over 3.7 million viewers, and attracted a number of social media comments, such as those highlighted. In conjunction with the documentary, we also launched

our new 'Water DIY' channel, featuring two of our employee stars offering customers simple self-help guides.

You can take a look

By highlighting the work that goes on behind the scenes to bring clean water to people's taps, and take their waste away and recycle back to the environment, we also hope that this will contribute positively to our customer perception, an important element of C-Mex in AMP7.

For those of you who missed it, you can catch it on the



Everyone who uses wet wipes needs to watch #sewermen

1 1 7

Really makes you think about what you're tipping down the loo or sink 🤮 gonna be so much more mindful now #sewermen

2 3 24

Annual General Meeting

Severn Trent Plc held its Annual General Meeting on 17 July 2019, and the Directors were pleased that our shareholders passed all proposed resolutions - you can see a full breakdown of votes cast

The AGM was also used as an opportunity to thank our Chairman, Andrew Duff, for his commitment to the Board over the past nine years. As a

reminder, Andrew has announced his intention to step down, meaning this was his final AGM as the Chairman of Severn Trent Plc. Andrew was re-elected as Chairman in the AGM, as he will remain as Chairman until the announcement and induction of his successor.

For more information, you can see our market announcement

Investor Relations team

If you have any feedback or queries on this newsletter or the information within, please do not hesitate to contact a member of the Severn Trent Investor Relations team.

Richard Eadie
Head of Investor Relations
+44 7889 806578

Rachel Martin
Investor Relations Manager
+44 7824 624011

Abi Turner
Investor Relations Analyst
+44 7710 094193

Andy Farrell
Investor Relations Analyst
+44 7989 390825

Investor Events Timetable: Q3 FY20

2 September	Citi European Utilities and Infrastructure Conference
3 September	Bank of America Merrill Lynch Conference
12 September	Morgan Stanley Power and Utility Summit
21 November	Interim results announcement
22-29 November	Post results roadshow, covering UK, Europe, US and Australia
11 December	Ofwat announces Final Determination

We are always happy to host site visits for investors, so you can see our business first hand. Please let us know what you would like to see, and we can arrange it.