

Investor News

Issue 3

September 2020

Hello and welcome to the latest edition of our Investor newsletter.

I hope that you managed to take some time out over the summer to recharge for the latter part of an extraordinary year. I fully appreciate for the investor community this has been a very tricky time to navigate with the full impact of COVID-19 still yet to reveal itself but I also hope that among the uncertainty, Severn Trent has been able to bring some comfort with solid results and, as much as possible, some clear messaging.

With so much information to digest we hope you find our newsletter useful as a summary of what we've been up to in the last

few months. It contains a lovely back to school reading list in case you've gone through all of your books and some really interesting snippets of news and progress as we get cracking on the first year of AMP7.

As I reflect on how the company has performed so far this year and look towards the future, I am genuinely excited about the impact that business can make on the shape of the recovery with a reset perspective on how we want to go about it. It won't be an easy journey but I sense a new energy from the wider business community to play a deeper role than ever before in society.

I look forward to speaking with you all soon.



Liv

Back to school reading list

It's been a busy few months at 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 helpful reading materials which we have released in the past couple of months:

- reviewing the progress we have made over the last year, focusing on our recently launched purpose 'taking care of one of life's essentials'.

- providing customers and wider stakeholders with a transparent view of our performance in a regulatory context for 2019/20.

- in June we released our first standalone sustainability report. This report sets out how Environmental and Societal improvements are central to our strategy and purpose, as well as providing more in-depth analysis of our key metrics.

- this GRI Index provides more detail to internal and external stakeholders on Severn Trent Plc sustainability related policies, programmes and performance.

- our trading statement confirmed that we have made a good start to the financial year and AMP7, and reiterated the guidance we issued in May 2020.

WONDERFUL ON TAP

SEVERN
TRENT

Sustainability Report

Over the next five years, we will be investing £1.2 billion in our sustainability ambitions, from climate and biodiversity to supporting our customers who need us most. That’s why, as part of our commitment to transparent reporting, we felt it was the right time to tell you more about the environmental, social and governance commitments embedded in our business plan, in our first, standalone Severn Trent Sustainability Report. We would gladly welcome any feedback

or comments on this report as we look to make our reporting as insightful and transparent as possible.

Highlights of this report include:

- Our sustainability framework.
- Our alignment with the UN Sustainable Development Goals.
- Our first disclosure against the Task Force on Climate-related Financial Disclosures (TCFD).
- Key sustainability metrics.



ISS ESG Rating

ISS Corporate Performance analyses a company’s management of ESG issues on the basis of up to 100 rating criteria. Our rating increased from B to a B+ ‘Prime status’, in our most recent assessment that took place in August 2020, awarded to companies with ESG performance above sector specific thresholds.



Tortoise Responsibility Index

In the latest quarterly update to the Tortoise Responsibility Index 100, Severn Trent have moved from 13th to 2nd in the FTSE100. The index aims to measure companies’ ‘Talk’ (the extent of their commitments) and ‘Walk’ (the extent of their actions) and the gap between the two, with Severn Trent outperforming on Walk vs Talk. This is a brilliant outcome, reflecting not only our performance, but also our improved reporting on our Sustainability credentials.

Highlights include placing:

- **1st in Good Business**, assessed by effective tax rate, Fair Tax Mark, employee turnover, innovation spend and employee satisfaction.
- **2nd in Equality**, a massive jump of 22 places, assessed by diversity across the workforce, board and pay gaps.
- **Improving by 28 places in Poverty and Wellbeing**, in part driven by our recent Living Wage accreditation.



Electric Fleet

Severn Trent will begin installing over 300 electric vehicle (EV) charging points across its sites over the next 18 months, teaming up with Amsterdam-based EVBox who will supply the charging points for us. Our Electric Vehicle ambition forms part of our Triple Carbon Pledge, which will also see us use 100% renewable energy (achieved in April 2020) and achieve carbon neutrality by 2030 - well ahead of the UK Government’s own 2050 target.

This move follows us joining the EV100 - a global initiative bringing together forward-thinking companies committed to accelerating the transition to EVs and making them the new normal by 2030.

Helen Miles, Capital and Commercial Services Director at Severn Trent said, “This partnership with EVBox, who will supply over 300 electric vehicle charging points across our sites, is a major milestone in our bid to have a fleet of vehicles that are entirely electric by 2030”.

AMP7 Customer ODI spotlight: Low Pressure

Historically at Severn Trent our focus on low pressure has been aimed at addressing chronic issues typically affecting a few hundred properties, leading to us solving the majority of persistent low pressure problems over the last decade.

During our PR19 research we identified that variations in pressure was something our customers really care about. Whether this is for a short, one-off period or something that occurs regularly it prevents our customers from going about their daily routine. In response to our customer research we designed two customer ODIs for AMP7:

- Persistent low pressure - This measure reflects the number of days our customers experience

low pressure. For every day below our target of 19,471 we can earn outperformance payments and for every day over we would incur the same in penalties. Each 1,000 days is worth £0.5m and performance in FY20 was around 14,000 days.

- Resolution of low pressure complaints - This measure will be based on customer's perception of pressure and our ability to resolve a complaint first time. Every percentage over our target 91% generates a reward of £75,000 while every percentage under target incurs a penalty. Performance in FY20 was around 91%.

Our strategy in AMP7 revolves around targeting and resolving small clusters of persistent low

pressure that our customers are facing. Our plan includes a range of interventions - from capital intensive work such as the installation of small service booster stations, or upsizing pipework to allow us to better meet demand, to simple low-cost solutions that target the customers own issues, like carrying out home checks or recommending plumbing services.

We know low pressure is a source of frustration for our customers, regardless of whether it is something caused by our network, or a problem within their own home. By helping to resolve the issue, regardless of the source, we hope to greatly improve our customers' experience with us.

Supporting our Communities

Community Fund

We committed to creating a new fund that will give away 1% of STW profits over the next five years (over £10 million), to charities and community groups to **support projects that improve wellbeing within the communities that we serve.**

A key aim of our fund is to support all corners of our region, and particularly those communities most in need of our support.

Since holding our first two Community Fund customer panels in March and June 2020, we have:

- Received **£15 million of applications.**
- **Awarded £1,228,401** to 235 non-profit organisations and charities within the STW region.



Emergency COVID-19 Fund

With COVID-19 leaving many communities and customers struggling, Severn Trent moved quickly to release £1 million of emergency funds to offer support where it's needed the most.

In the initial response stage we awarded:

- £330,000 to foodbanks and other food services to support vulnerable people;
- £50,000 to non-profit organisations specifically supporting the elderly;
- £150,000 to charities providing mental health and other support services.

You can see on the following page just how much this extra income meant to the organisations that we supported.

We recently launched our Recovery Fund with the remaining £500,000, which will support charities and non-profit organisations who may need a helping hand to recover financially from the pandemic.

Hot weather response

Severn Trent set its customers the challenge of saving a daily average of 150 million litres of water and raise £1 million pounds for local charities, after the hot weather at the end of May and into early June saw record levels of demand.

Our customers responded and, with a bit of help from the recent wetter and cooler weather, demand dropped from a high of 2.2 billion litres a day, by more than enough to achieve our target.

Barnardo's, Macmillan Cancer Support, Crisis, and local branches of Mind and Age UK will all receive a share of the donation.

Our Emergency Fund has been supporting our customers and communities struggling with the impact of COVID-19, and we've received so many heart-warming responses across our patch.

Leicestershire Cares
@LeicsCares

Huge thanks to [@stwater](#) for a 2K donation so we can continue to support vulnerable people and communities hit hard by Covid 19
#TogetherWeCan
#STCommunityfund



Severn Trent
Tuesday at 10:00 · 🌐

High five 🙌 to the team at [Saltbox](#) for the continued amazing support they're giving to the most vulnerable living in Stoke-on-Trent during this time!

It's a massive thank you from us, and we're happy our £5k donation has helped along the way! 😊



StMatthews Big Local - #StayHom...
@StMatthewsBL

A BIG Thankyou to [@stwater](#) for awarding us some funding via the [#STCommunityfund](#) this will enable us to continue supporting more local elderly and vulnerable residents in need in our community for the coming weeks.



Tweet

[boddingtonmadeit](#) @boddington... · 19h

We've now got a total of 6 printers working, this is just four of them. We can make 80 ear protectors and 48 visors a day! Thanks [@stwater](#) and [@evoqua](#).
#teamwork #COVID19 #PPEforNHS #masks4alluk



"A massive thank you to [Tesco Emscote Warwick](#) for donating 270 easter eggs, and to [Severn Trent](#) for their donation of £2k towards the project!"



Vi Wood - LCP LESLIE'S CARE PAC...
@VI2015UK

I am delighted, pleased and overwhelmed with the kindness from [@stwater](#) for their amazing donation to LCP, this will allow me to [#support](#) so many more families and our frontline workers with essentials. Thank you so very much ❤️ [@bevthenewsgirl](#) [@SCVOSandwell](#)

Severn Trent @stwater · 1h
Replying to @VI2015UK
We're really happy that we can help support such amazing work! Thank you for providing your services and for creating these packages to those who need them most. Stay safe, Becky 🙌❤️

Severn Trent
Yesterday at 10:00 · 🌐

Today's high-five is to [Langar Aid!](#) 🙌

Their teams in Coventry have been working non-stop and delivering 100's and 100's of meals across the city to those who are vulnerable and in need.

We're proud our £2k donation will help keep the community spirit alive, and the city fed. Thank you!



Agewell
@AgewellInfo

We were delighted to receive a generous donation from [@stwater](#) Community Fund today to help us reach out to even more isolated and vulnerable older people across Sandwell [#Covid-19](#) [#InThisTogether](#)

16:00 · 20 Apr 20 · [Hootsuite Inc.](#)

5 Retweets 15 Likes

Severn Trent @stwater · 17h
Replying to @AgewellInfo
We're really happy to be able to help support the amazing work that you do 🙌🌈

We're so proud to be supporting the wonderful work that [@mindcharity](#) are doing throughout these difficult times

[north_staffs_mind](#) 🙌 😊



Thank you

Congratulations!
You're doing something wonderful.

[north_staffs_mind](#) A Massive THANK YOU goes out to [@severntrent](#) for their donation of £5,000 to our char...

[@north_staffs_mind](#)

Customer Service Performance

In the latest report by the Institute of Customer Service, we've been named as one of the top 20 most improved companies across the country, as well as scoring well above the water industry average.

The UK Customer Satisfaction Index measures customers' experiences and relationships with organisations on 26 metrics, which are based on research into customer priorities. More than 250 companies are rated, including many household names, across

13 sectors, with 45,000 customers asked for their opinions.

Our score has gone up 3.6 points to 76.8 (out of 100), which is also 4.2 points above the average for the utilities sector as a whole. We're delighted that the experience that customers have with us is continuing to improve, as the index challenges us to benchmark ourselves against household names outside of the Utilities sector. You can access the full report



Innovation Spotlight: AnMBR

We are working with partners across our supply chain to trial a new way of treating waste water in our sewage treatment process in order to reduce emissions.

We are trialling an anaerobic membrane bioreactor ('AnMBR') that allows us to treat waste water anaerobically instead of using traditional methods that require lots of energy intensive pumping of oxygen. Compared to conventional waste water treatment, this new system has significantly lower operating costs and a much smaller carbon footprint. The process also produces less nitrous oxide, a greenhouse gas around 300 times more potent than carbon dioxide.

If successful, the rollout of this new treatment could potentially:

- Save £14m of operating costs per year;
- Remove 40k of tonnes of CO₂; and
- Eliminate Nitrous Oxide in the process.



Journey to Patagonia



In March we welcomed many of the investor community to our Capital Markets Day in Coventry (recently nominated for Best Investor Event at the European IR Magazine awards!). During the day we outlined our ambitious sustainability commitments and then took our top 300 senior leaders through the same day.

We wanted to make sure that everyone at Severn Trent heard the same key messages and were prepared for the journey we set out. Liv held sessions (initially in person and later virtually) with over half of our 6,800 colleagues, during which we explored how we would achieve these ambitions and what role we could all play in doing so.

A key element of our culture at Severn Trent is the empowerment of our people and trusting them to make the right decisions at every level of the organisation. We will therefore be working hard to ensure that sustainability and our ambitions in this space are at the heart of our decision making from top to bottom.

Race at Work Charter

Earlier this year, we became one of the few FTSE100 companies to have BAME representation on our board in line with the Parker review recommendations and we're proud to be building on this even further with our new commitment to the Race at Work Charter.

By signing up for the charter, we're committing to:

- Appointing an Executive Sponsor for race.
- Capturing data and sharing our progress.
- Ensuring zero tolerance of harassment and bullying.
- Making equality in the workplace the responsibility of all leaders and managers.
- Taking action that supports ethnic minority career progression.

Neil Morrison, HR Director at Severn Trent said: "Working alongside Business in the Community will enable us to support our colleagues and customers even more and will provide us with the right tools and support we need to continue to tackle the barriers which ethnic minority people face."

Council for Sustainable Business

Liv is also CEO of the Council for Sustainable Business, which held a virtual summit on 29 June with more than 200 business leaders to discuss the necessity of protecting the environment. The event represents a key moment in the business community's commitment to working with Government to deliver a green and resilient economy, aligning government policy and industrial scale action to deliver ambitious environmental solutions. As part of the summit, almost 50 public and private companies made commitments ahead of COP26 in

November 2021, committing to rapid and real transformations, focusing on carbon neutrality and restoring nature through biodiversity.

Liv said: "Business leaders have faced unprecedented challenges these past months and planning a sustainable future has slipped out of focus for many. It is more important than ever that we stay committed to make Britain a world leader when it comes to sustainable business operations which protect the environment for our future generations."

At Severn Trent, we've committed to our Triple Carbon Pledge - net zero carbon emissions, an all-electric fleet of vehicles*, and 100% of our energy will be from renewable sources, by 2030. We've already made strides towards that and in April 2020 achieved our pledge to source 100% of our energy from renewable sources 10 years early, with the equivalent of 51% self-generation of Severn Trent Waters energy needs, and the remainder purchased solely from renewable sources.

* Assumes specialist vehicles such as tankers become available within the time window.

Triple success at the Water Industry Awards!

Now in its 14th year, the Water Industry Awards recognise the excellent work of UK water companies and their supply chain to innovate across their operations, among their workforce and with customers. From asset optimisation to product innovation and all points between, the awards are all about the people in companies making change happen.

So, what did we win?

Alliancing and Partnership Initiative of the Year - Severn Trent - Farming for Water

Back in 2015, we launched the Farming for Water (F4W) scheme, aiming to reduce water pollution from agricultural practices and improve biodiversity across the region. The scheme ran for the whole of AMP6 and created some wonderful results - covering 27 catchments, 370,000 ha's of farmland, 7,000 farmers and 98 waterbodies. Our work on F4W both reduced the costs associated with water treatment and generated customer ODI benefits of £11 million.

Women in Water - ASP Batch: Severn Trent, CiM6 (Costain and Stantec), MMB and nmcn - 'The Golden Thread' of women delivering the ASP Batch

The 'ASP (activated sludge plant) Batch' consists of 26 wastewater projects with a whopping contract value of £179m! We work on the project with four other organisations; Costain and Stantec (CiM6), Mott MacDonald Bentley (MMB), and North Midland Construction Nomenca (NMCN).

With the wider ASP Batch, since November 2017, we've worked hard to encourage more women into the industry at all levels, and now our work is paying off!

We created an environment where women can thrive, develop their careers and act as role models to others looking to join the industry! This is especially visible through the strong female representation we have throughout our board and senior management team,



right through to engineers and excavator drivers working on our biggest projects.

Wastewater Innovation Project of the Year - ASP Batch

With our partners, Costain and Stantec (CiM6), we were tasked with ensuring that we're compliant with the Finham sewage treatment works' new phosphorus limit - no more than 0.22 mg/l of total phosphorus. So, putting our heads together, we saw that Evoqua's CoMag ballasted clarification system was the perfect fit.

The CoMag system uses magnetite (fully inert iron ore particles) to enhance the clarification process. The system settles chemical floc up to 30 times faster than conventional clarification. After evaluating several technologies, we selected for the CoMag system because not only does it meet the new phosphorus discharge limits but was approximately £3.5m (net cost) more cost-effective than the next option!

Board appointments

We were excited to welcome two new members of our board this year.



Christine Hodgson

Christine Hodgson CBE officially took over as Chair on April 1st following a thorough induction process. Christine brings extensive board and governance experience to the Company as well as a deep understanding of business, finance and technology leadership. She is a committed advocate of the need for companies to serve all of their stakeholders effectively and deliver their social purpose. Until her appointment as Chair of the Severn Trent Board, she was the Executive Chair of Capgemini UK Plc, one of the world's largest technology and professional services groups, during which time she headed up CSR globally.



Sharmila Nebhrajani

Sharmila Nebhrajani OBE joined the Board in May. Sharmila has had a variety of roles spanning the private sector, public sector and NGOs. She brings experience from a range of regulated sectors including medicine, bioethics, financial services and the media. Sharmila is a chartered accountant and she also holds the position of Chair of the National Institute of Health and Care Excellence (NICE). Sharmila will sit on the Audit, Corporate Sustainability and Nominations Committees.

Annual General Meeting

Severn Trent Plc held its Annual General Meeting on 15 July 2020. In light of COVID-19 and to protect the well-being of our Board, colleagues and Shareholders, the meeting was held virtually. The Directors were pleased that our Shareholders passed all proposed resolutions. All Directors standing for re-election were re-appointed with Christine appointed as Chair and Sharmila appointed as a new Non-Executive Director of the Board. You can see a full breakdown of votes cast and a video message from our Chair, Christine Hodgson

Sell-side Engagement

We are currently engaging with the sell-side analysts to ensure that FY21 forecasts accurately reflect guidance and that any technical issues are flowing through correctly to modelling and target prices. If you'd like to discuss guidance or consensus, please get in touch with the team.

IR team changes

At Severn Trent we believe giving promising finance talent exposure to the investor world is brilliant when developing our future finance leaders. Rachel Martin has done an exceptional job as IR Manager for the last two years and will now be moving into another

critical finance role to develop her career further. She will be replaced on 1 September by Selina Soma - another energetic and bright finance professional currently working in the Group Accounting team. Thanks Rach and welcome Selina!

Investor Events Timetable

4 September	BofA Virtual Infrastructure Field Trip
7 September	Citi European Utilities and Infrastructure Conference
23 September	Morgan Stanley Utilities and Clean Energy Summit
26 November	Severn Trent Interim Results 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.

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