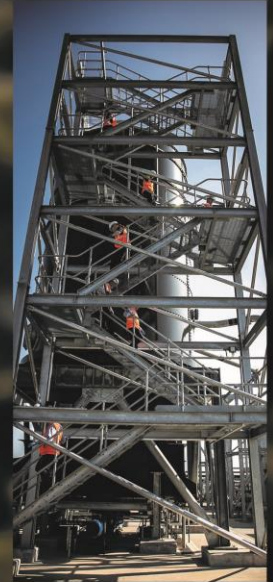


Debt Investor Presentation June 2021



WONDERFUL ON TAP



PRESENTING AND TREASURY TEAM



**James
Bowling**
Chief
Financial
Officer

James is a chartered accountant, having started his career with Touche Ross. He brings significant financial management, M&A and business transformation expertise to the Board

Prior to joining Severn Trent in March 2015, James was interim Chief Financial Officer of Shire plc, where he had been since 2005, first as Head of Group Reporting and from 2008 as Group Financial Controller

Prior to joining Shire, James spent nine years at Ford Motor Company in various finance roles of increasing responsibility



**Adam
Stephens**
Group
Treasurer

Adam joined Severn Trent in April 2015. He has performed a number of senior finance roles within the organisation, most recently as Finance Director of the Group's Business Services division.

Adam is a fellow of the ICAEW having trained as a Chartered Accountant with Deloitte, and is qualified with the Association of Corporate Treasurers



Nick Corker
Assistant
Treasurer

Nick is Assistant Treasurer of Severn Trent Plc. He joined the company in 2004 as an Internal Auditor

Nick has worked in the Treasury team since 2008 and leads the Front Office

Prior to joining Severn Trent he worked for EY in Birmingham and Melbourne

Nick is a chartered accountant and an Associate Member of the Association of Corporate Treasurers

AGENDA

- FY21 Review
- Green Recovery
- Regulatory backdrop
- Financials
- ESG

FY 2020/21 SUMMARY

Financial Performance

**Adjusted Group
PBIT of £473
million** in line
with
expectations

**Sector-leading
net ODI
performance,**
resulting in
£79m reward
across all areas

5.8% RoRE
outperformance
of 1.9%

**Fast start to
AMP7 with
over £590
million of
capital
investment**

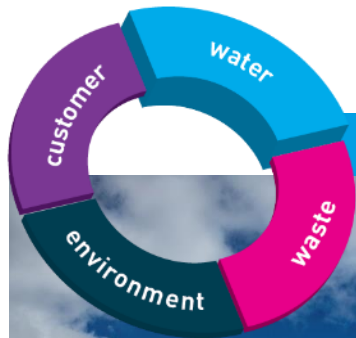
Credit Performance

**Strong
liquidity**
new £1bn
5+1+1
sustainable RCF
agreed

**Pension deficit
reduction plan on
track - £368m**

**Green
Recovery**
enhancing RCV
and successful
Equity Raise

**STW Credit
Ratings
Baa1/BBB+
stable**



RECORD YEAR IN WATER

Major advances in Water performance

Ensuring our water is of the highest quality

Step change in CRI scores and improving water quality complaints by more than **60%** and **10%** respectively

Focusing on customer key measures

Targeting those measures customers care about most with **reductions in persistent low pressure** and **leadership in lead pipe replacement by HD**

Using technology to improve efficiency

Installing **over 80,000 water meters** through the year, leading to improvements in leakage performance and water efficiency

Educating the next generation of customers

More than 750 classes provided to schools in our region teaching on responsible water usage and sewer savviness

LEADERS IN WASTE

Integrated approach delivers targeted benefits



Focus on hotspot areas has **decreased blockages by 30%**

Targeted approach

Installing **up to 40,000 sensors by 2025** in our network giving us better data and insight

Investing in technology

Beating our pollutions target by **20% through targeted improvements on key assets**

Focus on key assets

Reduction of **31%** year-on-year in sewer flooding following successful strategies

Protecting customers' homes





ENVIRONMENT-LED APPROACH

Outperformance underpinned by exciting future partnerships

Full AMP biodiversity delivered in year 1

Delivering AMP target with **ambitions to improve 5,000ha by 2027**, enhancing the environment

Catchment management

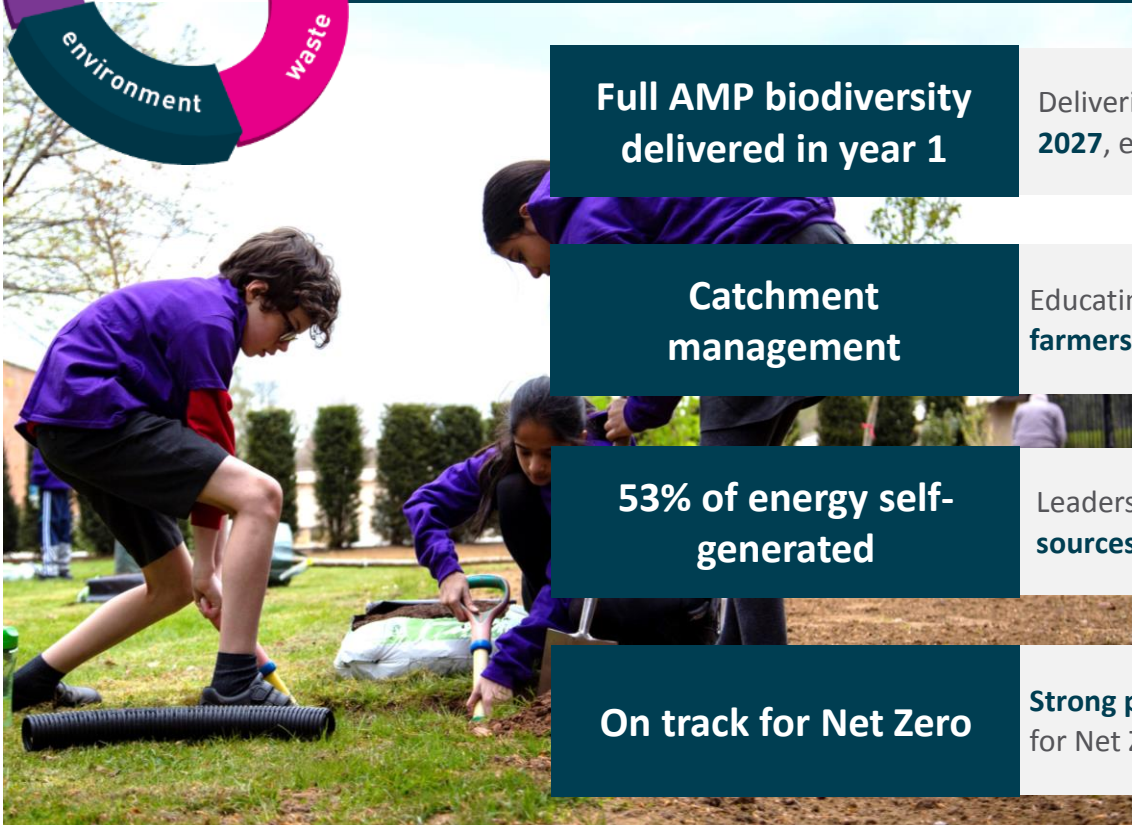
Educating and **creating partnerships with over 7,000 farmers**, improving the quality of our water resources

53% of energy self-generated

Leaders in **generating energy from our own renewable sources**, helping reduce our emissions further

On track for Net Zero

Strong progress on Triple Carbon Pledge, aligned with plans for Net Zero by 2030, Scope 2 emissions target met



CUSTOMERS FIRST

Supporting our customers through a difficult year



Supported **more than 150,000 customers** and launched COVID-specific **Back on Track scheme**

Doubled number of customers supported

Creating an **intelligent customer system** so we're available whenever our customers need us

Using digital initiatives

Net reward across C-MeX and D-Mex, and **continued progress on UKCSI** with upper quartile position among utilities

Upper quartile in UKCSI

Creating partnerships with local authorities and councils to ensure we help those who need it most

Building partnerships



GREEN RECOVERY - OVERVIEW

Objective: To build back greener from the pandemic, delivering lasting environmental improvements for current and future generations, while meeting the economic and social challenges England faces.

July 2020 – English water companies invited to submit plans

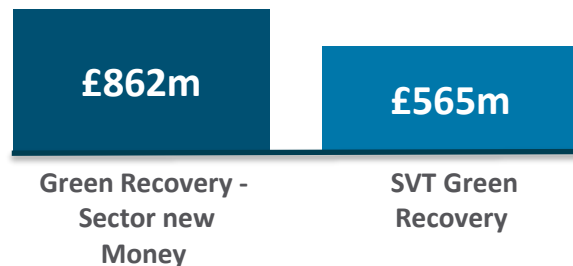
January 2021 – Five companies provide formal proposals

May 2021 – Ofwat provides Draft Determination

STW awarded £565m
(£624m in nominal prices)

- ✓ **Supports Green Recovery**, creating 2,500 jobs
- ✓ Delivers **6.6% additional RCV growth** at attractive returns
- ✓ **Innovative new investments**, setting template for future expenditure
- ✓ **£250m equity placement** – funded at notional gearing protecting credit rating
- ✓ **Benefits local communities and the environment**

STW awarded almost 2/3's of new sector investment



GREEN RECOVERY – USE OF PROCEEDS

£565m

Leading the sector in supporting the UK's green economic recovery and environmental sustainability

Trialling innovative nature-based flood solutions for Mansfield

Increasing water supplies by enough to supply a city the size of Derby

Creating bathing quality stretches of the River Leam and Teme

Removing old, lead pipes in up to 26,000 customers' homes

Accelerating improvements to 500km of our rivers, five years early

Installing over 150,000 smart meters to help customers save water



REGULATORY BACKDROP

Well established, transparent predictable regulatory regime

Fast tracked AMP7 Plan provides stable cashflows

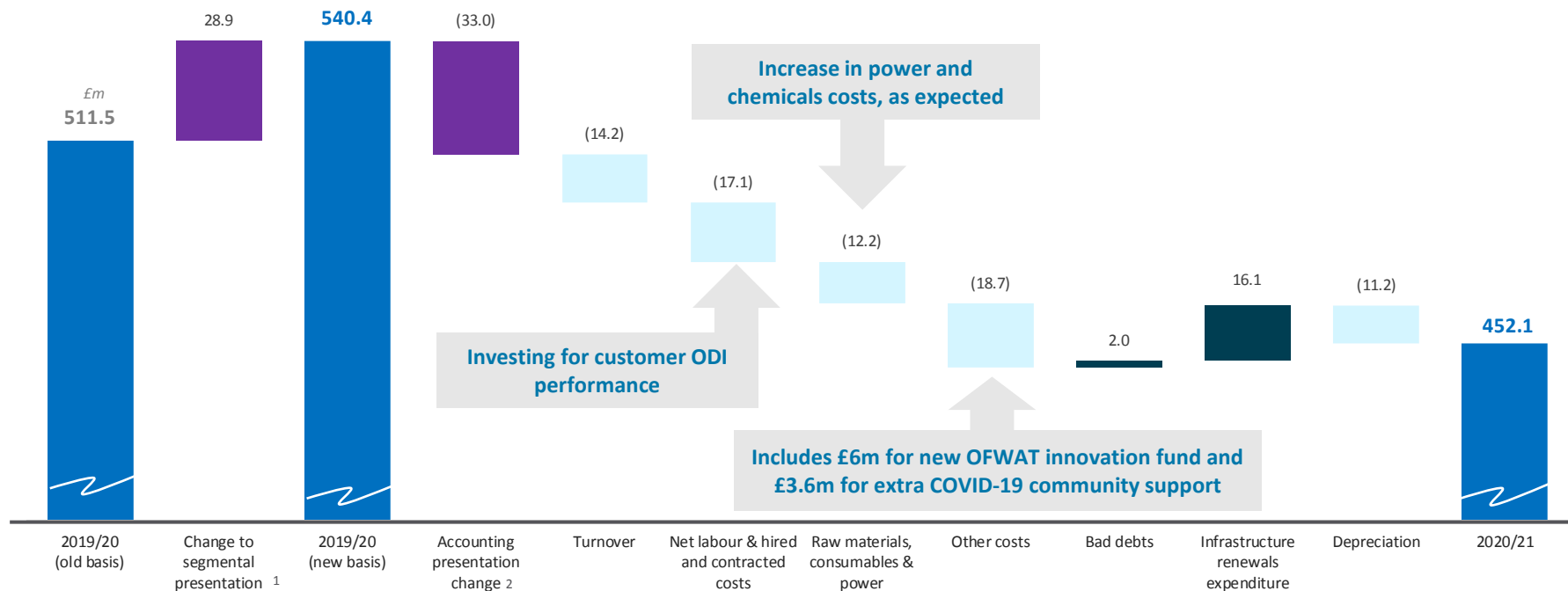
Strong operational performance provides opportunities in incentive based regime

£565m Green Recovery proposals approved

CMA decision provides positive backdrop for AMP8 negotiations

REGULATED WATER AND WASTE WATER PBIT

COVID impacts but adjusted PBIT remains in line with expectations



1. In the prior year the Bioresources and Developer Services businesses were managed by, and included in, Business Services. Both of these businesses form part of the appointed businesses of Severn Trent Water and Hafren Dyfrdwy, and are included in the regulatory settlement determined by Ofwat and are now managed by Regulated Water and Waste Water. We have therefore amended our segmental presentation to include Bioresources and Developer Services as part of our Regulated Water and Waste Water business. We have restated the prior year segmental analysis to present both years on a consistent basis.

2. Following a change in presentation, which has resulted in a reclassification of deferred income and diversions income released to the income statement, previously credited to operating costs.

FINANCING OVERVIEW

Net debt and gearing

	2021	2020	2021	2020
ST Plc	6,444	6,232	67.5%	64.9%
STW	6,150	6,187	64.5%	64.4%

Recent Financing Activity

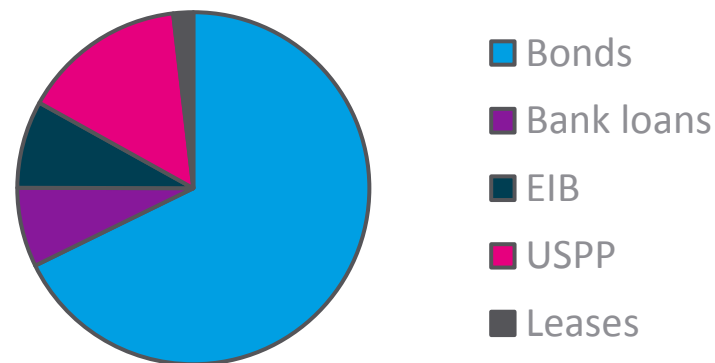
- ✓ £250m Equity Placement
- ✓ £1 billion Sustainable 5+1+1 RCF
- ✓ £100m 35 year CPIH bond issue
- ✓ £300m 20 year 2% Sustainable Bond
- ✓ £200m Sustainable USPP

Credit Rating

	STW	ST Plc
Moody's	Baa1	Baa2
S&P	BBB+	BBB

All ratings on stable outlook
Debt issued by ST Plc rated BBB-

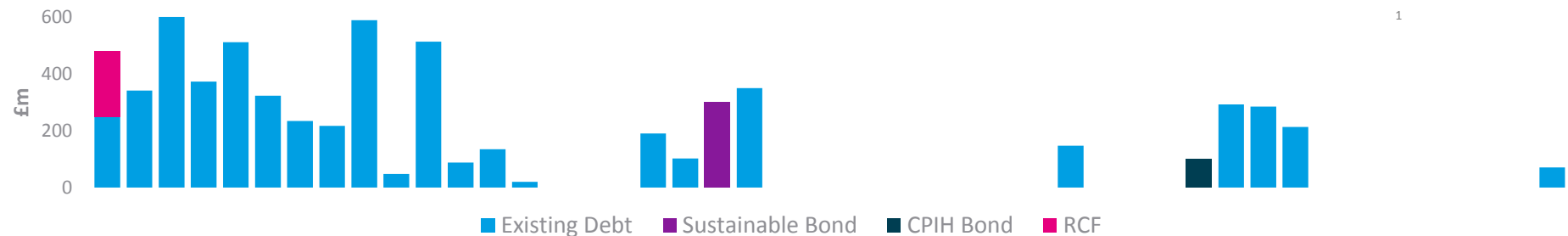
Debt Structure



FINANCING STRATEGY

Maintaining strong liquidity and diversified sources of funding to support £3bn funding requirement

Liquidity	Prudent 18 month liquidity policy, underpinned by £1bn 5+1+1 Sustainable RCF – Liquidity to early 2023
Funding risk	Diversified sources of funding (Bank loans, bonds, USPP) and careful management of refinancing profile
Interest rate and inflation management	Balanced debt portfolio, rates closely monitored by Treasury Committee Fixed 67%, index linked 25%, floating 8%
Interest cost	Efficient financing targeting outperformance vs iBoxx
Sustainability	Use of Sustainable Finance Framework



Green commitments in AMP7

Biodiversity

Improving 5,000ha of biodiversity
Planting 1.3m trees

Catchment management working
with 9,000 farmers in 44 catchments
to prevent pollution of raw water

Triple carbon pledge

100% Renewable energy by
2030
Carbon neutral by 2030
100% Electric vehicles by 2030

Reducing leakage
15% reduction by 2025

Green communities

£0.6m of new natural capital
created through 'green
communities'

Improving the environment
Improve the quality of over 50%
of rivers in the region by 2025

SUSTAINABILITY RUNS THROUGH OUR BUSINESS

THE WATER CYCLE



Water is collected

We pay the Environment Agency and Natural Resources Wales for the water we collect from reservoirs, rivers and underground aquifers across our region.



Water is cleaned

Our groundwater and surface water treatment works clean raw water to the highest standards, making it safe to drink.



Clean water is distributed

Our network of pipes and our enclosed storage reservoirs bring a continuous supply of clean water right to our customers' taps.



Customers enjoy our services

We serve 4.5 million businesses and households with a safe, reliable supply of water and collect waste water seven days a week, 365 days a year.



Waste water is collected

Our network of sewers and pumping stations collect waste water from homes and businesses and take it to our treatment works.



Waste water is cleaned

Waste water is carefully screened, filtered and treated in our sewage treatment works to meet stringent environmental standards.



Water is recycled to the environment

We pay the Environment Agency and Natural Resources Wales annual consent fees to return the treated water to the water system.

Social mobility

1,000 jobs offered in social mobility coldspots

Education and behaviours change

155,250 customers commit to changing their water use

Supporting those in need

Supporting 195,000 customers who struggle to pay their bills
£3.5m trust fund donations annually,
2.62 social return on investment

1% community dividend

Funding projects focussed on improving the wellbeing of the region

Social commitments in AMP7

EXTERNAL BENCHMARKS

Severn Trent has been recognised across multiple indices for our commitments to sustainability



FTSE4Good

FTSE4Good

We have been a constituent of the FTSE4Good index since 2006



Green Economy Mark

We were awarded in 2020, which recognises companies that are driving the global green economy



MSCI

In December 2020, MSCI rated us A (Scale AAA to CCC)

CDP

Assesses our plans for climate change the action we are taking
Rated B in 2020



Tortoise Intelligence Responsibility100 Index

Measures the the gap between companies' walk and talk, we ranked 3rd in October 2020



ISS

In August 2020 we received a B+ 'Prime' ESG rating, on a scale of D- to A+

Sustainalytics

In early 2021, Sustainalytics gave us a risk rating score of 14.4, placing us in the first percentile within the water utilities sub-industry.



Carbon Trust

We have held the Carbon Trust standard for over 10 years



Task Force on Climate-related Disclosures (TCFD)

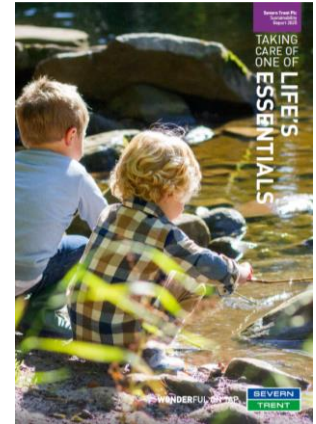
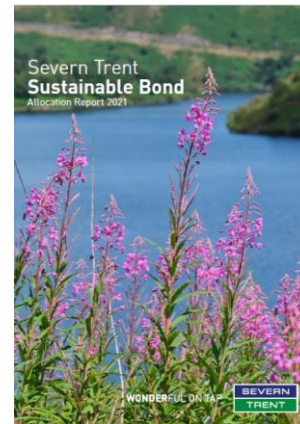
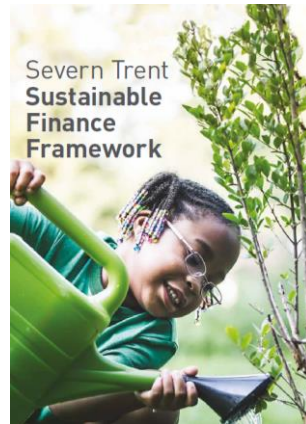
First year reporting inline with TCFD, with specific reporting in our Sustainability Report

SUSTAINABLE FINANCE

Connecting our financing with the delivery of our bold commitments to the environment and wider society

- In November 2019 we published our Sustainable Finance Framework
- The Framework was reviewed by DNV-GL who issued a Second Party Opinion
- The Framework is used to fund eligible investments which fall within Social or Green Eligible Categories
- These are aligned with our nine Business Plan outcomes and the UN Sustainable Development Goals
- We have now completed three debt issues under the Framework
- Sustainable Finance reporting is available on our [website](#)

Sustainable Finance Reporting



Debt issues completed under the Framework


**£200m ST Plc
USPP**
March 2020

**£300m STW
GBP Bond**
June 2020

£1bn STW RCF
April 2021

SUMMARY

Creating foundations for a successful future, with Green Recovery driving increased growth

A person wearing a grey sweater and a green apron is watering several small potted plants with a green watering can. The plants are in terracotta pots and are sitting on a blue wooden surface. The background is a blurred garden with yellow flowers.

Resilient financials delivering performance in line with expectations

Strong operational performance and best-ever customer ODIs of £79m

Helping our region bounce back and creating 2,500 jobs through Green Recovery award of £565m

Supporting our environment, communities and colleagues – on track for Net Zero by 2030; improving 5,000ha by 2027

Q&A

DISCLAIMERS

Cautionary statement regarding forward-looking statements

This document contains statements that are, or may be deemed to be, 'forward-looking statements' with respect to Severn Trent's financial condition, results of operations and business and certain of Severn Trent's plans and objectives with respect to these items.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'will', 'would', 'should', 'expects', 'believes', 'intends', 'plans', 'projects', 'potential', 'reasonably possible', 'targets', 'goal', 'estimates' or words with a similar meaning, and, in each case, their negative or other variations or comparable terminology. Any forward-looking statements in this document are based on Severn Trent's current expectations and, by their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future.

Forward-looking statements are not guarantees of future performance and no assurances can be given that the forward-looking statements in this document will be realised. There are a number of factors, many of which are beyond Severn Trent's control, that could cause actual results, performance and developments to differ materially from those expressed or implied by these forward-looking statements.

These factors include but are not limited to: the Principal Risks disclosed in our latest Annual Report and Accounts (which have not been updated since the date of its publication); changes in the economies and markets in which the Group operates; changes in the regulatory and competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Severn Trent or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. This document speaks as at the date of publication. Save as required by applicable laws and regulations, Severn Trent does not intend to update any forward-looking statements and does not undertake any obligation to do so. Past performance of securities of Severn Trent Plc cannot be relied upon as a guide to the future performance of securities of Severn Trent Plc.

Nothing in this document should be regarded as a profits forecast.

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